Other Matters

We would like to draw your attention to the following notes in the financial statements which contain the information and explanations to matters highlighted by External Auditors in their Audit Report:

- Note 12.2 – Non provisioning of past due receivable from Power Generation Companies aggregating to Rs. 101,407 million (net of provision of Rs. 532 million); inclusive of Rs.11,890 million received subsequent to the balance sheet date.
- Note 15.1 – Receivable from GoP on account of import price differential on motor gasoline aggregating to Rs. 1,351 million.
- Note 15.2 – Receivable from GoP on account of price differential on local High Speed Diesel aggregating to Rs. 603 million.
- Note 15.3 – Receivable from GoP on account of price differential on account of supply of furnace oil to KESC at Natural Gas prices aggregating to Rs. 3,909 million.
- Note 15.4 – Receivable from GoP on account of price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating to Rs. 3,407 million.
- Note 24.1.1 – Non accrual of markup on delayed payments for reasons given in the aforementioned note.
- Note 24.1.2 – Tax implication of Rs. 958 million on the Company for the assessment years 1996-97 and 1997- 98.

Auditors

The Board of Management have endorsed the appointment of M/s. A. F. Ferguson & Co. Chartered Accountants and M/s EY Ford Rhodes Chartered Accountants as joint auditors of the Company for the year ending June 30, 2017.

Associated Companies

Asia Petroleum Limited (APL)

APL was incorporated in Pakistan as an unlisted public limited company on July 17, 1994. The Company has been principally established to transport “Residual Fuel Oil” (RFO) to the Hub Power Company Limited (HUBCO) at Hub, Balochistan. For this purpose, the Company laid an underground oil pipeline starting from Pakistan State Oil Company Limited’s (PSO) Zulfiqarabad terminal at Pipri to HUBCO at Hub. PSO holds a 49% equity stake in APL.

Pak Grease Manufacturing Company (Private) Limited (PGMCL)

PGMCL was incorporated in Pakistan on March 10, 1965 as a private company. The principal activity of the Company is to manufacture and sell petroleum grease products. PSO holds a 22% equity stake in PGMCL.

Pakistan Refinery Limited (PRL)

PRL was incorporated in Pakistan as a public limited company in May 1960 and is quoted on the Pakistan Stock Exchange. The Refinery is situated on the coastal belt of Karachi, Pakistan and is designed to process various imported and local crude oil to meet the strategic and domestic fuel requirements of the country. PSO holds a 22.5% equity stake in PRL.

Corporate and Financial Reporting Framework

PSO's Board is fully cognizant of its responsibility as recognized by Code of Corporate Governance, detailed in listing regulation and Public Sector Companies (Corporate Governance) Rules, 2013 issued by Securities & Exchange Commission of Pakistan (SECP).

Following are the comments on acknowledgement of PSO's commitment towards high standards of Corporate Governance and continuous improvement:

- Compliance has been made with the relevant principles of Corporate Governance, and the rules that have not been complied with, have been identified alongwith the period in which such non- compliance is made and reasons for such non-compliance.
- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows, statement of comprehensive income and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The non-executive BOM members do not have fixed remuneration and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire BoM collectively.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations and Public Sector Code of Corporate Governance.
- Key operating and financial data of last six years in a summarized form is annexed.
- The following is the value of investment of provident and pension funds based on their respective un-audited accounts as on June 30, 2016:

	Rs. in million
PSOCL Management Employees' Pension Fund	6,786
PSOCL Workers' Staff Pension Fund	2,676
PSOCL Staff Provident Fund	2,764
PSOCL Employees' Provident Fund	1,378
PSOCL Employees' Gratuity Fund	4,816

- During the year, nine meetings of the Board of Management were held and the attendance by each member is given on Page 186.
- The pattern of shareholding is annexed.

Company's Performance Against Forward Looking Disclosures Made Last Year

The company's major achievements during the current financial year are covered in detail in the 'Key Achievements' section. The company's performance against forward looking statement disclosed in the previous year's Annual Report are provided below:

- PSO retained leadership position in oil market by achieving a market share of 55.9% in total liquid fuels, with 46.8% share in Black Oil market & 70.5% share in White Oil market.

- Diversified into LNG business as a source of alternate fuels and executed Long Term Sales Purchase Agreement (SPA) with QatarGas for import of LNG for a period of 15 years under G2G arrangement. PSO also executed a Term Agreement with another LNG supplier Gunvor through tendering process.

- Maximized return to shareholders by improving the dividend payout ratio and PSO's contribution to the society through community development, donation in national causes, education, environment and employee care under the CSR umbrella.

- Improved Operational infrastructure through construction of retail outlets, commissioning of Faisalabad depot, improvement of operation facilities including mechanical and civil works, rehabilitation of storage tanks, rehabilitation of railway siding and enhancement of PMG handling capacity at Machike.

- Rejuvenated stakeholders experience through technological enhancements such as launch of web based application for dealership online services, OOMS portal enhancements, development of dashboards, launch of web based e-logging portal and business continuity by providing end-to-end cards business solution.

- Institutionalized the reform processes through restructuring, setting up a vigorous monitoring mechanism, development of basic CSR framework, constitution of Cross Functional teams, process automation, upgrading of IT infrastructure, revamp of policies and establishing HSE culture.

- Strict adherence to HSE standards was encouraged by taking action against the observed non-compliances. Safety & Environmental audits, customized trainings to all internal and external stakeholders was carried out to ensure implementation of Standard Operating Procedures (SOPs) in critical activities and processes.

In addition to above, PSO ensured round the clock operations and sourced 13 million MTs of liquid fuels (76% of industry import and 30% upliftment of refinery production) and distribution of the same across the country.

Forward Looking Statement

The performance of midstream sector is effected by the country's economic activity, international oil price trends and rupee devaluation. However, PSO being the largest oil marketing company with more than 75% of the storage across Pakistan has to face auxiliary challenges in view of the regulatory situation and growing competition. However, PSO's understands that its core values will play a significant role in improving the performance of the Company amidst the challenging phase.

PSO's product portfolio is to be analyzed and adjusted to achieve an efficient product mix. A comprehensive and renewed upgrading program for retail station forecourts as well as a strategy to reinforce the company's brand image and credibility will be developed and implemented. Specific initiatives will be launched with respect to various aspects including those related to total quality management system and aggressive advertising and sales promotions.

In view of the above, the Management of PSO expects to establish itself as a brand of choice for customers; retain market leadership in all key products; enhance brand equity, automate operations and provide value added services. Undertake integration into refining business through acquisition of additional stake in Pakistan Refinery Limited; maximize shareholders wealth by sustainable growth in earnings; support the government's energy sector reform initiatives.
PSO's operational infrastructure is expected to be rationalized to have sustainable, efficient and reliable operations across the country. The supply chain will be streamlined to have cost effective sourcing and distribution channels. However, safety and security will remain a priority and accordingly, safety standards will be reinforced as per the best industry practices. Amidst of the challenges PSO's commitment to the society at large will be adhered to.

The processes within the company are to be redefined and realigned with best industry practices. Talent development across the company will be stimulated for diversity and inculcating entrepreneurship culture. Skills enhancement and management development programs will also be implemented comprising of internal and external trainings as per organizational needs. Performance based reward system will be revitalized.

Nevertheless PSO's management will continue to institutionalize its processes to make them sustainable in the changing business dynamics while evaluating the outcomes especially with regard to innovation, market share and financial results.

Sheikh Imran ul Haque
Managing Director & CEO

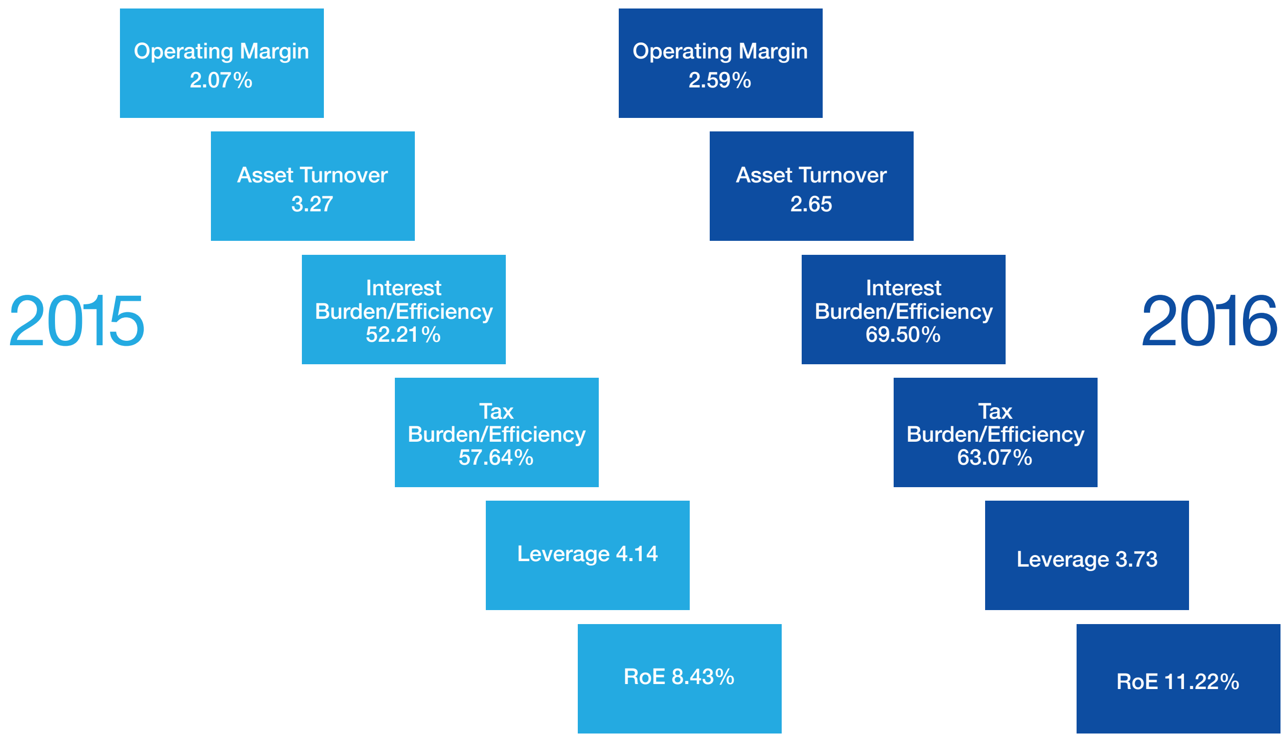
Musaddik Malik
Member-Board of Management

August 13, 2016

Financials

DUO-PONT Analysis

	2015	2016	REASONS FOR VARIATION
Tax burden / Efficiency (Net Income / PBT)	57.64%	63.07%	Improved mainly due to increase in net income from Rs. 6.9 billion in FY2015 to Rs. 10.3 billion in FY2016. Further reduction in tax rate by 1% in FY2016 and one time higher deferred tax charge last year also contributed towards increase in tax burden / efficiency percentage.
Interest burden /Efficiency (PBT/EBIT)	52.21%	69.50%	Improved mainly due to reduction in finance cost by 35%.
Operating income margin (EBIT/Sales)	2.07%	2.59%	Improved due to reduction in operating cost along with impact of reduction in sales value on account of decline in oil prices, despite increase in overall sales volume by 16%.
Asset turnover (Sales /Assets)	3.27	2.65	Declined mainly due to decrease in sales value as mentioned above along with impact of minor increase in total assets.
Leverage ratio (Assets /Equity)	4.14	3.73	Decreased mainly due to increase in shareholders' equity by 11% as the company retained profits owing to liquidity constraints.
Return on Equity (ROE)	**8.43%**	**11.22%**	**Improved mainly due to increase in net profit after tax by 48%.**



Share Price Sensitivity Analysis

The Company's profitability and performance is exposed to various internal and external factors which can significantly alter the bottom line of the Company and ultimately the share price. Most of these factors are however external, which are beyond the control of the Company's management. The Company's share price may respond (but not limited) to the following events and changes in business environment:

a) Sales Volume

The Company's sales volumes are primarily dependent on the GDP growth rate and overall economic conditions prevailing in the country. Increase in economic activity and power sector demand will lead to increase in sales volumes of white and black oil products respectively, which will ultimately be reflected on the bottom line and share price of the company.

b) International Oil Prices

The trend of International Oil Prices give rise to inventory gains / losses and accordingly impacts the financial performance of the Company and consequently the share price.

c) LNG Business

Any future development relating to LNG business novation / transfer to a Government owned entity will impact the share price of the Company.

d) Circular Debt

The Company's share price is highly sensitive to any development on the circular debt issue prevailing in the Country. The Government's action with respect to circular debt resolution had previously led to share price increase and on the contrary, circular debt pile up has negatively impacted the share price.

e) Bank Borrowings & Finance Cost

Increase in bank borrowings will lead to higher finance cost and ultimately reduce the bottom line and have a negative impact on the share price of the Company. Further, any reduction in discount rate in the monetary policy or increased foreign currency borrowings at cheaper rates will ultimately reduce company's borrowing cost and will have a positive impact on the bottom line and share price.

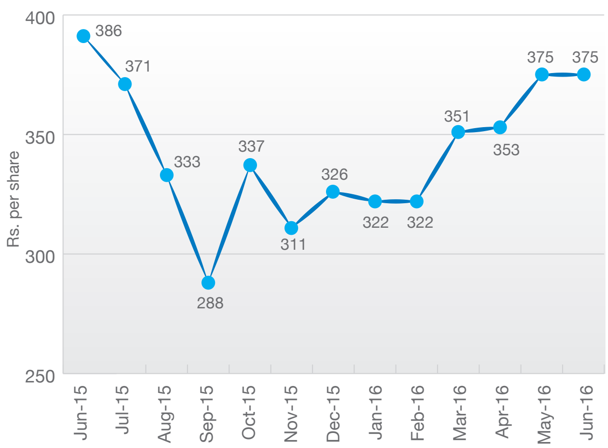
f) Rupee devaluation

The company imports a major portion of the total petroleum products in the Country. This greatly exposes the Company to currency risk in case of Rupee devaluation. Increase in rupee devaluation has a negative effect on the Company's white oil business performance and consequently its share price.

g) Diversification

Any concrete development on diversification into new projects by the Company may lead to a positive impact on its share price.

Share Price Analysis



Key Sources of Estimating Uncertainty

The key sources of estimating uncertainty, which may have a significant effect on the amounts recognized in the financial statements are discussed below:

a) Valuation of stock-in-trade
The Company's stock-in-trade is valued at lower of average cost or cost on first-in-first-out basis and net realizable value.

b) Provision for impairment of trade debts
The Company recognizes provision for impairment on its trade debts when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

c) Provision for retirement and other service benefits
The Company operates pension fund, gratuity fund and medical benefit schemes for its employees. The amounts recognized in respect of the above schemes represent the present value of defined benefit obligations adjusted for unrecognized actuarial gains and losses as reduced by the fair value of plan assets.

d) Deferred taxation
The Company has recognized deferred taxation of Rs. 10.8 billion as at June 30, 2016 on the assumption that sufficient taxable profits will exist in future periods to utilize this deferred tax asset.

Capital Structure

The Company's objective is to maintain an optimal capital structure whereby the cost of capital is reduced in order to provide adequate returns to its shareholders. The Company's shareholders' equity has increased from Rs. 82.3 billion in FY2015 to Rs. 91.6 billion in FY2016. This increase is mainly due to net profits retained in the business after appropriations.

The Company finances its operations through retained earnings, short term overdraft facilities / loans, foreign currency borrowings and efficient management of working capital. Consistent with other Companies in the industry, the Company monitors its capital structure on the basis of gearing ratio to ensure appropriate mix between debt and equity.

The gearing ratio for the current year is 52.04% as compared to 54.79% last year due to increase in year-end equity balances from Rs. 82.3 billion to Rs. 91.6 billion as of June 30, 2016.

Segmental Review of Business Performance

PSO's financial statements have been prepared on a single reportable segment. The total sales revenue is broadly divided into following categories:

Description	FY16	FY15
White Oil & Lubricants	67.10%	63.85%
Black Oil	23.80%	34.40%
Sub Total	**90.90%**	**98.25%**
Liquefied Natural Gas	8.89%	1.53%
Other Products	0.21%	0.22%
Total	**100.00%**	**100.00%**

Financial Analysis

Rupees in Million (unless noted)

	2016	2015	2014	2013	2012	2011
Balance Sheet						
Shareholders' Equity	91,581	82,310	78,621	60,643	48,334	41,903
Non-Current Assets	68,064	65,559	58,637	57,593	10,469	9,858
Current Assets	274,255	275,749	313,514	224,356	337,796	252,815
Total Liabilities	250,737	258,997	293,530	221,307	299,931	220,770

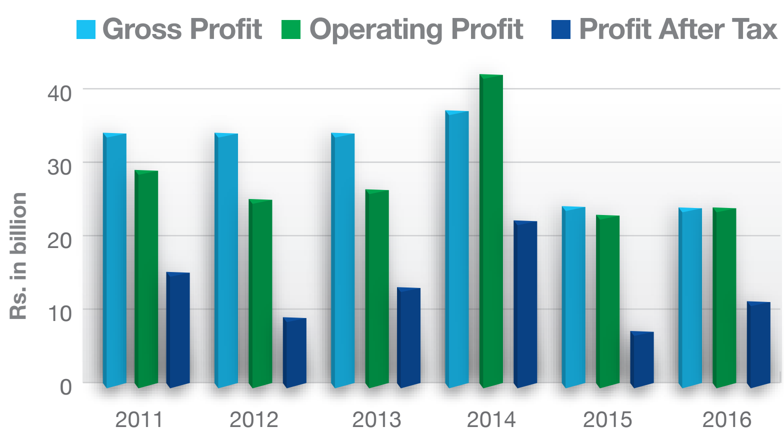
Comments on Analysis

As of June 30, 2016, significant variation as compared to FY 2015 is because of the following:

- Shareholders' equity rose by Rs. 9.3 bn due to net retained income generated during the year.
- Total non current assets increased by Rs. 2.5 bn mainly due to increase in deferred tax asset by Rs. 2.7 bn which was partly set off with decrease in investments by Rs. 0.5 bn.
- Current assets decreased by Rs. 1.5 bn primarily due to decrease in stock in trade by Rs. 7.7 bn owing to dip in international oil prices by 23% which was partly set off with increase in other receivables by Rs. 6.7 bn.
- Total Liabilities decreased by Rs. 8.3 bn primarily due to decrease in trade payables, retirement and other service benefits payables.

Rupees in Million (unless noted)

	2016	2015	2014	2013	2012	2011
Sales Volume (Million Tons)	15.1	13.0	13.2	12.6	12.4	12.9
Profit & Loss Account						
Gross Sales Revenue	906,204	1,114,411	1,410,095	1,295,783	1,201,166	975,668
Net Revenue	677,967	913,094	1,187,639	1,100,122	1,024,424	820,530
Gross Profit	22,863	22,921	36,824	34,161	34,323	34,280
Other Income (including share of associates' profits)	13,411	14,314	20,059	6,510	10,154	6,477
Marketing & Administrative Expenses	10,849	10,672	10,480	10,207	9,871	8,639
Other Expenses	1,986	3,513	3,890	3,664	9,272	2,240
Operating Profit	22,826	22,671	41,972	26,230	24,864	29,361
Finance Cost	7,150	11,017	9,544	7,591	11,659	11,903
Profit before Tax	16,289	12,033	32,969	19,210	13,674	17,974
Profit after Tax	10,273	6,936	21,818	12,638	9,056	14,779
Earning before Interest, taxes, depreciation & Amortisation (EBITDA)	24,464	24,050	43,567	27,960	26,476	31,016



Comments on Analysis

The Company's after tax profitability has increased by Rs. 3.3 bn in FY 2016 as compared to FY 2015.

This increase was mainly due to the following:

- Decrease in Finance Cost by Rs. 3.9 bn on account of reduction in borrowing rates due to declining KIBOR and reliance on cheaper FE-25 borrowings.
- Decrease in other expense by Rs. 1.5 bn mainly due to decrease in provision against doubtful trade debts by Rs. 1.5 bn.

However, the increase in company's profitability was partly offset by the following factors:

- Decrease in other income (including share of profit of associates) by Rs. 0.9 bn mainly due to less receipt of interest from IPPs.
- Increase in marketing and administrative expenses by Rs. 0.2 bn in line with the inflationary trend.
- Increase in taxation by Rs. 0.9 bn due to increase in profit.

Analysis of variation in Results Reported in Interim Reports

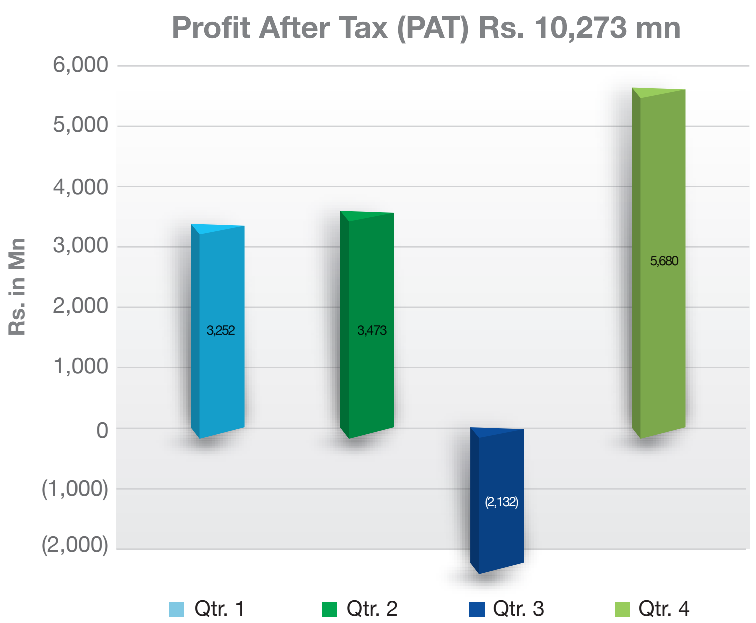
A brief analysis of variations in interim results and the manner in which each individual quarter contributed to the overall annual results is as follows:

- **Qtr 1:** The PAT decreased by Rs. 2.0 bn mainly due to nominal after tax inventory loss of Rs. 8.0 mn as compared to after tax inventory gain of Rs. 2.2 bn in 1QFY15. Further, reduction in furnace oil margins due to dip in the oil prices also adversely affected the bottom line. However, this was partly offset by decrease in finance cost.

- **Qtr 2:** The PAT increased by Rs. 4.4 bn mainly due to less after tax inventory losses of Rs. 0.6 bn incurred during the quarter as compared to after tax inventory loss of Rs. 4.0 bn during Same Period Last Year (SPLY). Reduction in furnace oil margins continued to adversely affect the profitability in the second quarter. However, this was partly setoff with reduction in finance cost and decrease in provision against doubtful debt.

- **Qtr 3:** Loss was reported in third quarter mainly due to huge after tax inventory losses amounting to Rs. 4.9 bn as compared to after tax inventory losses of Rs. 3.7 bn during SPLY due to dip in oil prices.

- **Qtr 4:** The PAT increased by Rs. 2.0 bn in the fourth quarter mainly due to improvement in white oil and black oil sales volume and receipt of late payment surcharge from IPPs.



Summary of Cash Flow Statement with Analysis

Rupees in Million

Cash Flow Statement	2016	2015	2014	2013	2012	2011
Net cash (outflow) / inflow from operating activities	(994)	(29,574)	(62,367)	79,444	(21,327)	(8,416)
Net cash inflow / (outflow) from investing activities	4,098	3,490	4,281	(46,107)	5	(400)
Net cash inflow / (outflow) from financing activities	6,206	(22,619)	63,682	(11,698)	22,737	(2,306)
Cash & cash equivalents at end of the year	(30,274)	(39,584)	9,119	3,523	(18,116)	(19,531)

Comments on Analysis

The variation in cash flows as compared to FY 2015 is because of the following:

Operating Activities

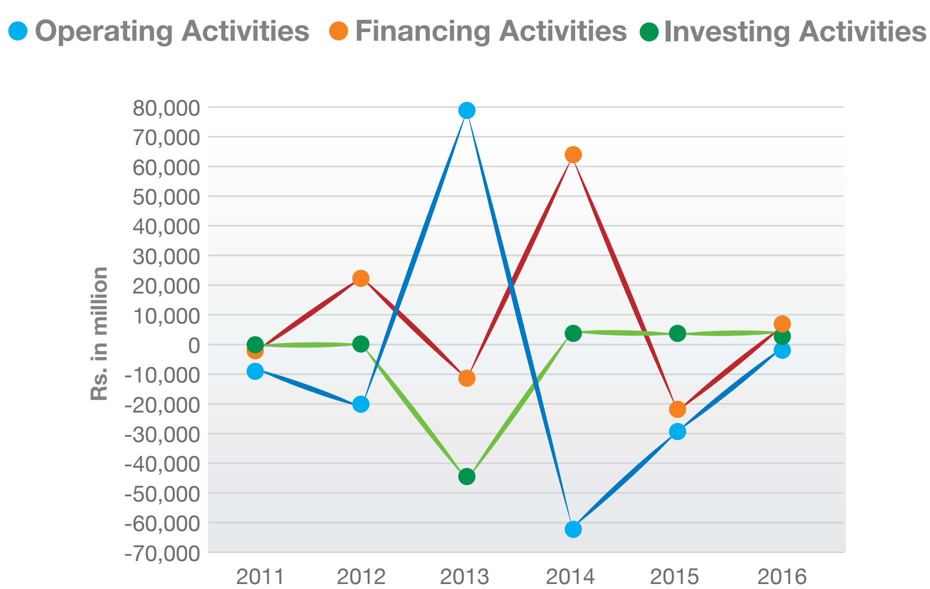
Cash outflow from operating activities has improved mainly due to decrease in stock-in-trade balances by Rs. 7.7 bn owing to reduction in oil prices. Besides, there is a decrease in payments of finance cost, retirement & other service benefit and taxes; all of which have contributed towards improvement of the cash flows from operating activities.

Investing Activities

Cash inflows from investing activities have increased by Rs. 0.6 bn due to less investment in property, plant & equipment. Further, in FY2015, additional investment was made in PRL which is not the case in the current year.

Financing Activities

Cash flows from financing activities show a cash inflow as compared to cash outflow in FY15, mainly due to short-term borrowings obtained during the year which was partly offset with higher cash dividends paid during the year.

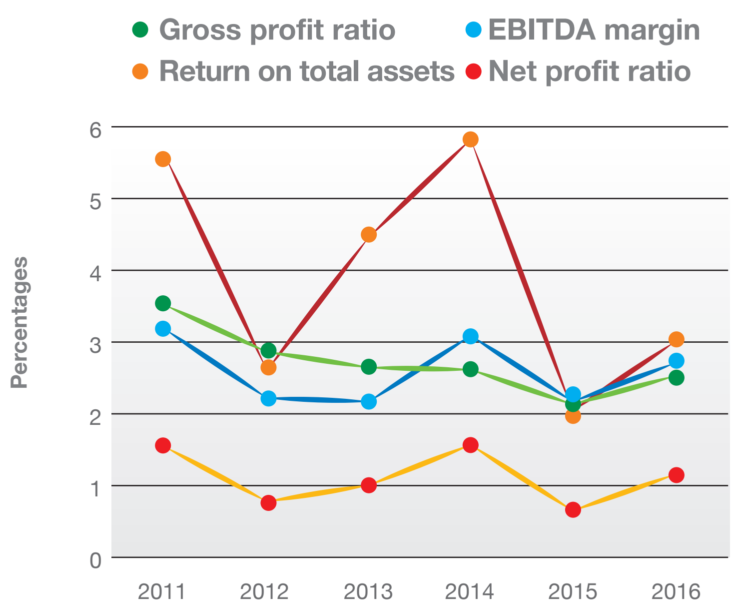


Key Financial Ratios with Analysis

Profitability Ratios		2016	2015	2014	2013	2012	2011
Gross Profit ratio	%	2.52	2.06	2.61	2.64	2.86	3.52
Net Profit ratio	%	1.13	0.62	1.55	0.98	0.75	1.52
EBITDA margin	%	2.70	2.16	3.09	2.16	2.21	3.18
Return on Shareholders' Equity	%	11.22	8.43	27.75	20.84	18.74	35.27
Return on total assets	%	3.00	2.03	5.86	4.48	2.60	5.63
Return on capital employed	%	23.96	25.43	50.73	41.29	47.52	66.16
Operating Leverage Ratio	%	(9.03)	218.63	659.57	73.42	(65.90)	65.49

The variation in ratios as compared to FY2015 is because of the following:

- The GP ratio of FY2016 has increased by 22% as compared to last year due to decrease in gross sales by 19 % owing to price reduction. NP and EBITDA ratios have also increased by 82% and 25% respectively mainly due to decrease in finance cost and other expenses as explained earlier.
- The return on shareholders' equity and return on total assets have increased by 33% & 48% respectively due to increase in net profit as mentioned above; however return on capital employed has decreased by 6% mainly due to higher capital employed.
- The decline in operating leverage ratio is mainly due to decrease in sales as compared to last year on account of dip in oil prices.



Key Financial Ratios with Analysis

Capital Structure Ratios		2016	2015	2014	2013	2012	2011
Interest Cover ratio	(x)	3.28	2.09	4.45	3.53	2.17	2.51
Operating Gearing ratio	%	52.04	54.79	47.70	16.57	47.74	34.67
Financial Leverage ratio	(x)	1.15	1.24	1.17	0.28	0.95	0.59
Weighted Average Cost of Debt	%	5.99	9.58	13.57	8.78	10.62	13.69

The variation in ratios as compared to FY 2015 is because of the following:

- Interest cover ratio has increased due to increase in EBIT by 1.7% and decrease in finance cost as mentioned earlier.

- Operating gearing ratio and financial leverage ratio have decreased due to increase in cash and bank balances and increase in shareholders' equity.

- Weighted average cost of debt has decreased by 37% due to decrease in finance cost by 35%.

Liquidity Ratios		2016	2015	2014	2013	2012	2011
Cash to Current Liabilities	(x)	(0.12)	(0.16)	0.03	0.02	(0.06)	(0.09)
Cash Flow from Operations to Sales	(x)	(0.001)	(0.03)	(0.04)	0.06	(0.02)	(0.01)
Current Ratio	(x)	1.12	1.10	1.09	1.03	1.15	1.16
Quick Ratio	(x)	0.91	0.87	0.79	0.54	0.85	0.72

The variation in ratios as compared to FY 2015 is because of the following:

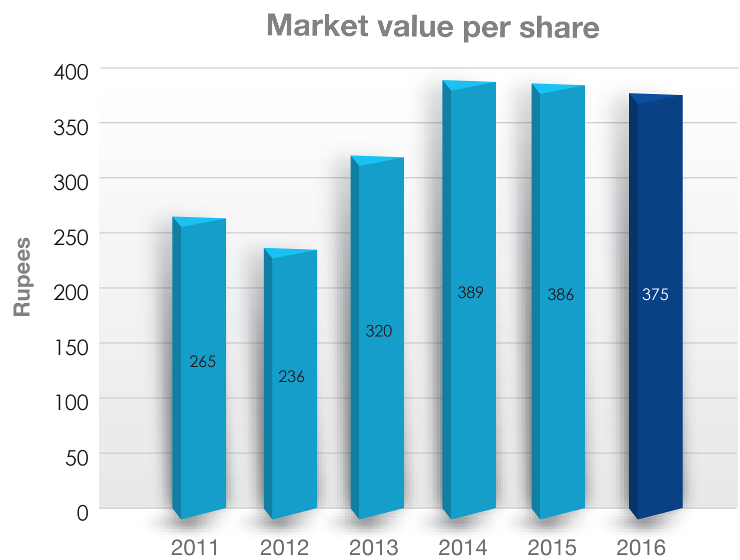
- Cash to current liabilities has improved by 25% due to increase in cash and bank balances and decrease in current liabilities.

- Cash Flow from Operations to Sales has increased due to improvement in operational cashflows whereas current ratio has remained flat.

- Quick ratio has increased mainly due to decrease in stock-in-trade.

Key Financial Ratios with Analysis

Investment / Market Ratios		2016	2015	2014	2013	2012	2011
Earning per share	Rs.	37.81	25.53	80.31	50.84	52.80	86.17
Earning per share (Diluted)	Rs.	37.81	25.53	80.31	46.52	33.34	54.39
Market value per share (Year End)	Rs.	375.46	385.79	388.85	320.38	235.84	264.58
Highest Price	Rs.	399.55	408.05	452.43	334.88	270.77	313.80
Lowest Price	Rs.	287.00	325.63	262.10	184.67	205.67	236.68
Break-up value	Rs	337.09	302.96	289.05	245.52	281.01	243.62
Price earning ratio (P/E)	(x)	9.93	15.11	4.84	6.30	4.47	3.07
Cash dividend per share	Rs.	12.50	10.00	8.00	5.00	5.50	10.00
Bonus share	%	-	-	10.00	20.00	20.00	-
Dividend payout (including bonus)	%	33.06	39.17	11.21	13.77	14.20	11.60
Dividend yield (including bonus)	%	3.33	2.59	2.31	2.18	3.18	3.78
Dividend cover ratio (including bonus)	(x)	3.02	2.55	8.91	7.31	7.04	8.59

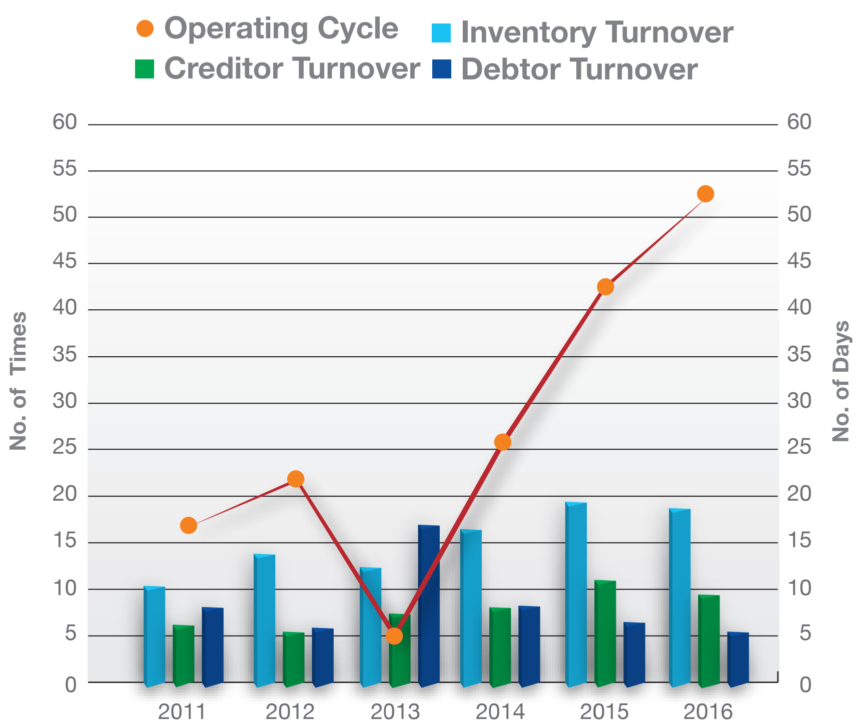


The variation in ratios as compared to FY 2015 is because of the following:

- Price earning ratio has decreased due to increase in bottom line by 48%, which is not reflected in the prevailing market value at year end.
- The dividend payout percentage has reduced despite increase in dividend by Rs. 2.5 per share due to increase in the bottom line.
- The dividend yield percentage is showing an increasing trend due to increase in dividend payout and decrease in market price.
- The dividend cover ratio has increased due to increase in profit as mentioned above.

Key Financial Ratios with Analysis

Activity/Turnover Ratios		2016	2015	2014	2013	2012	2011
Inventory turnover ratio*	(x)	17.83	19.05	16.33	12.20	13.55	10.22
No. of days in Inventory	No.	20	19	22	30	27	36
Debtor turnover ratio*	(x)	5.08	6.16	8.04	16.90	5.50	7.82
No. of days in Receivables	No.	72	59	45	22	66	47
Creditor turnover ratio*	(x)	9.17	10.54	8.80	7.82	5.11	5.52
No. of days in Creditors	No.	40	35	41	47	71	66
Total asset turnover ratio	(x)	2.65	3.12	4.31	4.11	3.93	4.19
Fixed asset turnover ratio	(x)	138.98	181.35	246.04	226.77	200.39	155.68
Operating Cycle	No.	52	43	26	5	22	17



* Note: Inventory, debtor and creditor turnover ratios have been calculated on the basis of closing values rather than the average values.

The variation in ratios as compared to FY2015 is because of the following:

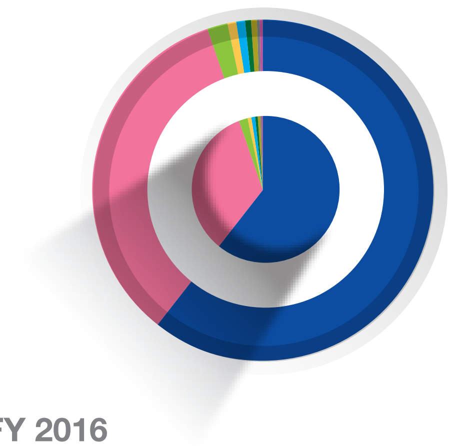
- Inventory turnover ratio has decreased by 6% due to decrease in sales by 19% which is partly offset by decrease in stock-in-trade balance by 13%.
- Debtors turnover ratio has decreased by 17.5% due to decrease in sales and creditors turnover ratio has decreased by 13% due to decrease in purchases respectively.
- Total asset and fixed assets turnover have decreased by 15% and 23% respectively mainly due to decrease in sales by 19%.
- The operating cycle has witnessed an increase by 9 days mainly on account of increase in number of days trade debts remained outstanding as a result of delayed payments by the customers.

Statement of Value Addition

For the year ended June 30, 2016

	2016		2015	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales (net of discount / allowances)	906,204,009	98.54	1,114,408,964	98.73
Other income	13,410,768	1.46	14,314,485	1.27
	919,614,777	100.00	1,128,723,449	100.00
Distribution of Wealth				
Cost of sales (excluding duties)	559,017,569	60.78	805,841,826	71.40
Government taxes	314,479,919	34.20	274,330,943	24.30
Inland freight equalization margin	17,237,175	1.87	17,423,499	1.54
Retained for future growth	6,877,055	0.75	4,219,504	0.38
Finance costs	7,149,592	0.78	11,016,553	0.98
Distribution, marketing, administrative & other expenses	4,845,379	0.53	6,760,053	0.60
Employees' remuneration	6,525,940	0.71	6,246,515	0.55
Dividend to shareholders	3,396,075	0.37	2,716,860	0.24
Contribution to society	86,073	0.01	167,696	0.01
	919,614,777	100.00	1,128,723,449	100.00

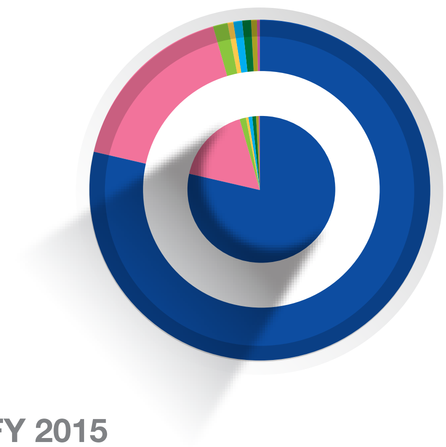
FY 2016



FY 2016

Cost of sales (excluding duties)	60.78%
Government taxes	34.20%
Inland freight equalization margin	1.87%
Retained for future growth	0.75%
Finance costs	0.78%
Distribution, marketing, administrative & other expenses	0.53%
Employees' remuneration	0.71%
Dividend to shareholders	0.37%

FY 2015



FY 2015

Cost of sales (excluding duties)	71.40 %
Government taxes	24.30 %
Inland freight equalization margin	1.54 %
Retained for future growth	0.38 %
Finance costs	0.98 %
Distribution, marketing, administrative & other expenses	0.60 %
Employees' remuneration	0.55 %
Dividend to shareholders	0.24 %

Composition of Profit & Loss

FY 2016 (% of Gross sales)

Cost of goods sold	72.3 %
Taxes & IFEM	25.8 %
Total expenses (net of other income)	0.8 %
Profit after tax	1.1 %

FY 2015 (% of Gross sales)

Cost of goods sold	79.9 %
Taxes & IFEM	18.5 %
Total expenses (net of other income)	1.0 %
Profit after tax	0.6 %

Horizontal and Vertical Analysis - Profit & Loss

VERTICAL ANALYSIS

	2016	2015	2014	2013	2012	2011
Sales	100%	100%	100%	100%	100%	100%
Sales Tax	23.29%	16.50%	14.50%	13.79%	13.66%	14.16%
IFEM/Levies	1.90%	1.56%	1.24%	1.23%	0.97%	1.68%
	25.19%	18.06%	15.74%	15.02%	14.63%	15.84%
Net sales	74.81%	81.94%	84.26%	84.98%	85.37%	84.16%
Cost of products sold	72.29%	79.88%	81.64%	82.34%	82.51%	80.65%
Gross Profit	2.52%	2.06%	2.61%	2.64%	2.86%	3.52%
Other Income	1.41%	1.25%	1.38%	0.46%	0.81%	0.61%
Operating Costs						
Administrative & Marketing Expense	1.20%	0.96%	0.74%	0.79%	0.82%	0.89%
Other expenses	0.22%	0.32%	0.28%	0.28%	0.77%	0.23%
Total Operating Costs	1.42%	1.28%	1.02%	1.07%	1.60%	1.12%
Profit from operations	2.52%	2.04%	2.98%	2.04%	2.07%	3.01%
Finance cost	0.79%	0.99%	0.68%	0.59%	0.97%	1.22%
Share of Profit of Associates	0.07%	0.03%	0.04%	0.04%	0.04%	0.05%
Profit before taxation	1.80%	1.08%	2.34%	1.49%	1.14%	1.84%
Taxation	0.66%	0.46%	0.79%	0.51%	0.38%	0.33%
Profit after taxation	1.13%	0.62%	1.55%	0.98%	0.75%	1.52%

HORIZONTAL ANALYSIS

	2016	2015	2014	2013	2012	2011
Sales	93%	114%	145%	133%	123%	100%
Sales Tax	153%	133%	148%	129%	119%	100%
IFEM/Levies	105%	106%	107%	97%	71%	100%
	148%	130%	144%	126%	114%	100%
Net sales	83%	111%	145%	134%	125%	100%
Cost of products sold	83%	113%	146%	136%	126%	100%
Gross Profit	67%	67%	107%	100%	100%	100%
Other Income	215%	234%	327%	100%	163%	100%
Operating Costs						
Administrative & Marketing Expense	126%	124%	121%	118%	114%	100%
Other expenses	89%	157%	174%	164%	414%	100%
Total Operating Costs	118%	130%	132%	128%	176%	100%
Profit from operations	78%	77%	143%	89%	85%	100%
Finance cost	60%	93%	80%	64%	98%	100%
Share of Profit of Associates	119%	73%	105%	111%	91%	100%
Profit before taxation	91%	67%	183%	107%	76%	100%
Taxation	188%	160%	349%	206%	145%	100%
Profit after taxation	70%	47%	148%	86%	61%	100%

Comments on Horizontal and Vertical Analysis

Profit & Loss

Gross Sales Revenue

Gross sales revenue has decreased from Rs. 1.11 trillion in 2015 to Rs. 0.91 trillion, registering a decrease of 19%. Decline in FY2015 and FY2016 is due to price impact on account of overall dip in oil prices during these fiscal years. However, the revenue has increased over the period from FY 2012 to FY 2014 due to volume and price increase.

Gross Profit

Gross profit for the FY2016 has remained unchanged as compared to last year as per horizontal analysis. Decrease in gross profit percentage from FY2014 to FY2015 is mainly attributable to heavy inventory losses incurred by the Company owing to sharp decline in oil prices. The vertical analysis shows increase in gross profit percentage for FY2016 mainly due to decline in sales. The gross profit percentage of the Company has remained in the range of 2.5% to 3.5% during last six years with the exception of FY 2015 due to the reason mentioned above.

Other Income

Other income has witnessed an increase of 115% over the last six years as per horizontal analysis. This increase is mainly attributable to receipt of interest income from IPPs and PIBs. It was highest in FY14 due to receipt of interest income from IPPs. As per vertical analysis, the share of other income has also increased due to same reason.

Total Operating Cost

Total operating cost has shown a declining trend and is lowest in FY2016 compared to last 5 years as per horizontal analysis. This decline is mainly attributable to less provisions for doubtful debts in FY2016 as compared to FY2015. As per vertical analysis, total operating cost has grown steadily over the years mainly due to an increase in cost of doing business, inflationary pressure and rupee devaluation. An abnormal increase was witnessed in FY2012 due to heavy exchange losses of Rs. 8.6 bn because of sharp rupee devaluation of 10%.

Finance Cost

Finance cost has declined in FY2016 mainly on account of reduction in KIBOR and cheaper FE-25 borrowings. However, finance cost has shown an increasing trend since FY2013 due to increased reliance on short term borrowings and delayed payment charges on account of circular debt. The finance cost was the lowest in FY2013 due to partial settlement of circular debt issue during September 2012 and June 2013 respectively.

Profit after tax

Profit after tax (PAT) has increased in FY2016 mainly due to decrease in operating expenses and finance cost. Due to continual decrease in oil prices & other uncontrollable economic factors, there has been a negative impact on PAT in the last couple of years including FY2016 when compared with FY2013 and FY2014. However the company is working to overcome the negative impact through improvement in Sales, reduction in controllable expenses and effective inventory management. As per vertical analysis, PAT percentage has remained in the range of 1% to 1.5% over the last six years except for FY2012 and FY2015 due to reasons mentioned above.

Horizontal and Vertical Analysis - Balance Sheet

VERTICAL ANALYSIS	2016	2015	2014	2013	2012	2011
ASSETS						
Property, plant and equipment	1.94%	1.88%	1.58%	1.97%	1.68%	2.33%
Long-term investments	14.65%	14.85%	12.30%	17.11%	0.57%	0.88%
Long-term loans, advances and receivables	0.10%	0.09%	0.09%	0.13%	0.11%	0.12%
Long-term deposits and prepayments	0.04%	0.05%	0.04%	0.04%	0.04%	0.06%
Deferred tax	3.15%	2.35%	1.74%	1.17%	0.61%	0.36%
Total Non-current Assets	19.88%	19.21%	15.76%	20.43%	3.01%	3.75%
Stores, spares and loose tools	0.06%	0.06%	0.05%	0.05%	0.04%	0.04%
Stock-in-trade	14.85%	17.14%	23.19%	37.63%	25.42%	36.31%
Trade debts	52.08%	52.97%	47.13%	27.17%	62.60%	47.48%
Loans and advances	0.57%	0.63%	0.15%	0.17%	0.15%	0.16%
Deposits and short term prepayments	0.75%	0.56%	0.66%	0.85%	0.73%	0.39%
Mark-up/Interest receivable on investments	0.66%	0.66%	0.60%	0.80%	0.00%	0.00%
Other receivables	7.67%	5.73%	5.67%	9.42%	6.06%	8.57%
Taxation - net	1.80%	2.38%	1.26%	1.63%	1.53%	2.40%
Cash and bank balances	1.68%	0.68%	5.54%	1.85%	0.47%	0.88%
Total Current Assets	80.12%	80.79%	84.24%	79.57%	96.99%	96.25%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY AND LIABILITIES						
Share Capital	0.79%	0.80%	0.73%	0.88%	0.49%	0.65%
Reserves	25.96%	23.32%	20.40%	20.63%	13.39%	15.30%
Total Shareholders' Equity	26.75%	24.12%	21.13%	21.51%	13.88%	15.95%
Retirement and other service benefits	1.82%	2.44%	1.39%	1.51%	1.43%	0.85%
Total Non-current Liabilities	1.82%	2.44%	1.39%	1.51%	1.43%	0.85%
Trade and other payables	40.28%	43.08%	52.13%	70.45%	71.19%	73.43%
Provisions	0.20%	0.20%	0.19%	0.24%	0.20%	0.26%
Accrued interest/mark-up	0.24%	0.25%	0.36%	0.15%	0.16%	0.16%
Short-term borrowings	30.71%	29.91%	24.81%	6.13%	13.14%	9.34%
Total Current Liabilities	71.43%	73.45%	77.48%	76.98%	84.69%	83.20%
Total Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

HORIZONTAL ANALYSIS	2016	2015	2014	2013	2012	2011
Property, plant and equipment	109%	104%	96%	91%	96%	100%
Total Non-current Assets	690%	665%	595%	584%	106%	100%
Stock-in-trade	53%	61%	90%	111%	93%	100%
Trade debts	143%	145%	141%	61%	175%	100%
Other receivables	117%	87%	94%	118%	94%	100%
Cash and bank balances	248%	100%	892%	226%	70%	100%
Total Current Assets	108%	109%	124%	89%	134%	100%
Total Assets	130%	130%	142%	107%	133%	100%
Share Capital	158%	158%	158%	144%	100%	100%
Reserves	221%	198%	189%	145%	116%	100%
Total Shareholders’ Equity	219%	196%	188%	145%	115%	100%
Total Long-term Liabilities	279%	373%	232%	191%	223%	100%
Trade and other payables	72%	76%	101%	103%	129%	100%
Provisions	100%	100%	100%	100%	100%	100%
Total Current Liabilities	112%	115%	132%	99%	135%	100%
Total Equity & Liabilities	131%	130%	142%	107%	133%	100%

Comments on Horizontal and Vertical Analysis

Balance Sheet

Shareholders' Equity

Total Shareholders' equity has increased by 119% over the years mainly due to retention of profits in the business in order to overcome any liquidity problem faced by the Company owing to circular debt crisis prevailing in the country since 2009.

Trade and Other Payables

Trade and other payables have shown a declining trend since FY2012 onwards mainly due to timely payments to refineries coupled with impact of reduction in oil prices.

Total Non Current Assets

Total non-current assets have increased by 590% over the years. This is mainly due to investment made by the Company during FY 2013 in PIBs amounting to Rs. 46 bn.

Trade Debts

Trade debts have remained almost stagnant over the last three years due to prevailing circular debt situation. These trade debts were lowest as of June 30, 2013, as per both horizontal and vertical analysis due to significant injection made by GoP close to year end. However, in FY2014, the balances have again increased due to persistent delay in payments by power sector. In subsequent years, the trade debts balances have remained at the same level.

Stock-in-Trade

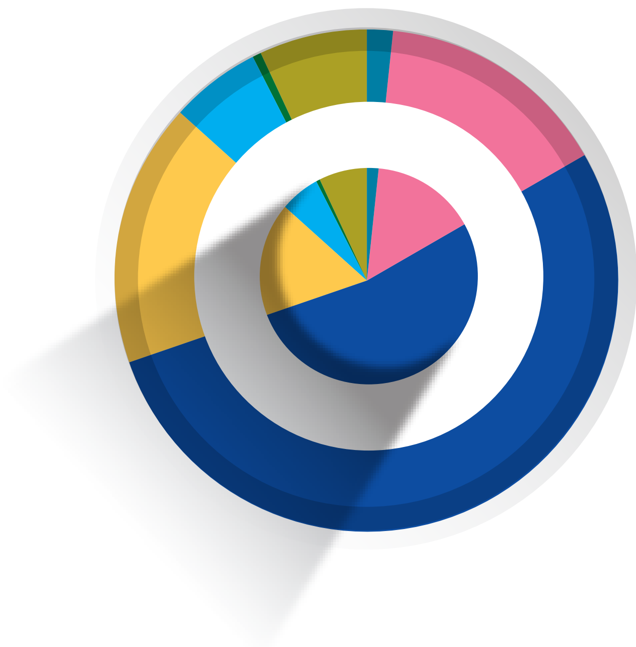
Stock-in-trade balances have shown a declining trend over the last three years, mainly due to reduction in international oil prices. The vertical analysis also depicts a declining trend for reasons mentioned above.

Composition of Balance Sheet

Assets FY 2016

Property, plant and equipment	1.9 %
Long-term investment	14.7 %
Trade debts	52.1 %
Stock-in-trade	14.9 %
Other receivables	7.7 %
Cash and bank balances	1.7 %
Others	7.0 %

Assets FY 2015



Property, plant and equipment	1.9 %
Long-term investment	14.9 %
Trade debts	53.0 %
Stock-in-trade	17.1 %
Other receivables	5.7 %
Cash and bank balances	0.7 %
Others	6.7 %

Composition of Balance Sheet

Equity and Liabilities FY 2016

Share capital	0.8 %
Reserves	25.9 %
Total long-term liabilities	1.8 %
Trade payables & other short-term liabilities	40.8 %
Short-term borrowings	30.7 %

Equity and Liabilities FY 2015

Share capital	0.8 %
Reserves	23.3 %
Total long-term liabilities	2.4 %
Trade payables & other short-term liabilities	43.6 %
Short-term borrowings	29.9 %

Statement of Compliance

With the Public Sector Companies (Corporate Governance) Rules, 2013 and
Code of Corporate Governance, 2012 for the year ended June 30, 2016

This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") and the Code of Corporate Governance, 2012 (the Code), issued by the Securities and Exchange Commission of Pakistan (SECP) and included in the listing regulations of Pakistan Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed public sector company is managed in compliance with the best practices of the Rules and the Code.

Pakistan State Oil Company Limited (the Company/PSO) is primarily regulated under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the 1974 Act") which takes precedence over the provisions contained in the Companies Ordinance, 1984 (the Ordinance). The Rules and the Code promulgated by the SECP has laid down certain criterion for the election, functioning and responsibilities of the Board of Directors and the election of the Chairman and the appointment of the Chief Executive Officer. However, the said criterion of the Rules and the Code are not considered applicable to the extent of overriding provisions contained in the 1974 Act and Board of Management Regulations, 1974 of the Company.

The Company is managed by the Board of Management (BOM) appointed by the Federal Government under section 7 of the 1974 Act. The BOM of PSO, was reconstituted by the Federal Government vide its Notification dated November 02, 2015. The governance function of the Company is primarily performed by the BOM.

The Company was informed by the Ministry of Petroleum & Natural Resources (MPNR) vide Notification dated February 12, 2015 that the Federal Government in exercise of the powers under Section 7 of the 1974 Act has dissolved / de-notified the BOM of the Company with immediate effect. The above referred Notification also stated that the Managing Director, PSO shall exercise and perform all the powers and functions of the Board under Section 6 (4) of the Act till a new BOM is appointed by the Federal Government. Accordingly, the affairs of the Company were solely being managed by the Managing Director (MD) of the Company till the reconstitution of the BOM on November 02, 2015. The Principles enshrined in the Rules and the Code were implemented by the reconstituted BOM and MD, as the case may be, during the year except for certain functions which could only be performed by the BOM in the ordinary circumstances.

In view of the above, the Company applied the principles contained in the Rules and the Code in the following manner:

1. The members of the BOM have confirmed that none of them served as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.

2. The Chairman of the BOM has not been nominated by the Federal Government. However, the functions of MD remain separate from the functions of the Chairman.

3. (a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.psopk.com).

   (b) The MD and subsequently reconstituted BOM have set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.

4. The MD established a system of sound internal control and subsequently the BOM continued the said system, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.

5. The Company has procedure for disclosures of interest, including circumstances or considerations when a person may be deemed to have actual or potential conflict of interest which is to be formally documented in the conflict of interest policy of the Company and is to be approved by the BOM.

6. The Company is in the process of documenting formal procedures on anticorruption.

7. The MD and subsequently reconstituted BOM ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

8. The Company has formed a Committee for investigating deviations from the Company's Code of conduct.

9. The MD and subsequently reconstituted BOM ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the Public Procurement Regulatory Authority (PPRA) Rules.

10. The BOM has developed a vision / mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

11. During the year, the Company did not deliver any services or sold any goods as a public service obligation, hence, no submissions of requests for compensation were made to the Government.

12. (a) The reconstituted BOM has met nine times during the year.

    (b) Written notices of the BOM meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

    (c) Minutes of the meetings were appropriately recorded and circulated.

13. The MD and subsequently reconstituted BOM monitored and assessed the performance of senior management. The BOM has however not carried out a performance evaluation of its members, including MD. The new BOM is in the process of establishing the criteria against which the performance of BOM members can be evaluated.

14. During the year before the reconstitution of the BOM, all the related party transactions were placed by the management before MD for his approval. Subsequently, the reconstituted BOM reviewed and approved the related party transactions placed before it. The audit committee has not been constituted during the year as the Federal Government has not nominated the total number of members of BOM, as required under the 1974 Act and the functions of the audit committee were performed by the BOM itself. A party wise record of transactions entered into with the related parties during the year has been maintained.

15. (a) In the absence of BOM the profit and loss account for, and the balance sheet as at the end of the first quarter of the year has been approved by MD. Upon reconstitution of the BOM, the profit and loss account for, and balance sheet as at the end of the second and third quarters of the year, as well as for the financial year has been approved by the BOM. The annual financial statements have been placed on the Company's website.

    (b) Monthly accounts for the months from January to May 2016 were prepared and circulated to the BOM members in a timely manner. Before the reconstitution of BOM, monthly accounts from July to November 2015 were presented before MD by the Company's management.

16. The members of the BOM underwent an orientation course arranged by the Company to apprise them of the material developments and information specified in the Rules and the Code.

17. The Board Committees (Human Resource & Remuneration Committee, Audit & Compliance Committee and Finance & Risk Management Committee) stand dissolved upon the denotification of BOM on February 12, 2015. Subsequently, on the reconstitution of BOM, the aforementioned committees along with the Procurement Committee could not be formed as required under the Rules as the Federal Government in its Notification dated November 02, 2015 has not nominated the total number of members of BOM as required under the 1974 Act.

Accordingly, all the functions of the aforementioned committees were performed by the BOM. The Company is actively pursuing the concerned authorities for conveying the names of remaining Board Members.

18. The MD has approved the appointment of Chief Financial Officer and Company Secretary, including their remuneration at the same terms as included in their contracts, while exercising the powers and functions of the Board under Section 6(4) of the Act. There was no change in the position of Head of Internal Audit during the year.

19. The Company has adopted International Financial Reporting Standards notified by the Securities & Exchange Commission of Pakistan under clause (I) of subsection (3) of section 234 of the Companies Ordinance, 1984 (the Ordinance), for preparation and presentation of its financial statements.

20. The directors' report to the shareholders for current year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.

21. The members of the BOM, MD and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

22. The procedure for fixing the remuneration packages of MD and Chairman of BOM is the function of the Federal Government under the 1974 Act. Accordingly, this function was performed by the Federal Government. The Non-executive BOM members do not have fixed remuneration per se and are being paid a fix fee for each meeting attended. The said fees are decided upon by the BOM collectively.

23. The financial statements of the Company for the first quarter were duly endorsed by the Chief Financial Officer, before approval by the MD of the Company. The financial statements of second and third quarter and annual financial statements were endorsed by the MD and Chief Financial Officer before approval by the BOM of the Company.

24. The BOM has set up an effective internal audit function, with an audit charter, duly approved by the Audit & Compliance Committee in prior years, and which works in accordance with the applicable standards. Prior to the reconstitution of BOM, the internal audit function reported to the MD in view of the notification dated February 12, 2015.

25. The Company has appointed its external auditors in line with the requirements envisaged under the Rules.

26. The external auditors of the Company have confirmed that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.

27. The external auditors have not been appointed to provide any non-audit services except in accordance with listing regulations and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.

28. The Company has complied with all the significant corporate and financial reporting requirements of the Rules, except for the requirements which are not considered applicable to the Company to the extent of overriding provisions of the 1974 Act.

Additional requirements under the Code:

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the SECP requires that any disclosure required under any other directive, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Accordingly, below are the requirements of the Code applicable for listed companies for which parallel provisions do not exist in the Rules.

a) All the members of the BOM are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

b) All the powers of the BOM were duly exercised and decisions on material transactions were taken by the BOM except for appointment and determination of remuneration and terms and conditions of employment of the MD which is the function of the Federal Government under section 6(1) & (3) of the 1974 Act, hence, this matter was referred to the Federal Government for approval.

c) Pursuant to the Notification dated February 12, 2015, the MD of the Company exercised its powers under section 6(4) of the 1974 Act till reconstitution of the BOM. Subsequent to reconstitution of BOM a total of nine meetings of BOM were held during the period November 02, 2016 till June 30, 2016.

d) One of the members of the BoM has obtained training certification as required under the Code.

e) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company.

f) The meetings of the BOM, in the absence of Chairman, were presided over by the member of the BOM unanimously elected by the BOM for this purpose.

g) The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the members of BOM, employees and stock exchanges.

h) Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

i) The Company has complied with the corporate and financial reporting requirements of the Code except for the requirements which could not be complied with due to denotification of BOM by the Federal Government on February 12, 2015, resulting in dissolution of committees formed by BOM.

j) We confirm that all other material principles enshrined in the Code have been complied with except for the requirements which could not be complied with due to denotification of BOM by the Federal Government on February 12, 2015, resulting in dissolution of committees formed by BOM.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Date: September 02, 2016

Place: Karachi

Review Report to the Members

On The Statement of Compliance With The Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance, 2012
For the year ended June 30, 2016

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance (both herein referred to as 'Codes') prepared by the Board of Management – Oil (BOM) of Pakistan State Oil Company Limited (the Company), for the year ended June 30, 2016 to comply with the requirements of Listing Regulations of the Pakistan Stock Exchange where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the BOM of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the BOM's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the BOM for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the BOM. As stated in paragraph 14 of the Statement of Compliance, the related party transactions were approved solely by the MD of the Company in exercise of his powers under section 6 (4) of the Marketing of Petroleum Products (Federal Control) Act, 1974 till the reconstitution of the BOM vide notification dated November 02, 2015. Upon reconstitution of BOM the Audit Committee has not been constituted and accordingly related party transactions were placed directly for approval of BOM. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Moreover, the Code of Public Sector Companies (Corporate Governance) Rules, 2013 requires the Board to ensure compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the Public Procurement Regulatory Authority (PPRA) Rules. We have only carried out procedures to check compliance with the above mentioned rules on a test basis as a part of our audit of the financial statements of the Company.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended June 30, 2016 except that certain clauses are considered inapplicable due to overriding provisions of Marketing of Petroleum Products (Federal Control) Act, 1974 applicable to the Company, as explained in the enclosed Statement of Compliance.

We draw attention to the Statement of Compliance, which states that the Company is primarily regulated under the provisions of Marketing of Petroleum Products (Federal Control) Act, 1974 (the 1974 Act) and managed by the BOM appointed by the Federal Government under section 7 of the 1974 Act. The BOM was denotified by the Ministry of Petroleum & Natural Resources (MPNR) vide notification dated February 12, 2015 with immediate effect. The Notification also stated that the MD of the Company shall exercise and perform all the powers and functions of the Board under Section 6(4) of the 1974 Act till a new BOM is appointed by the Federal Government. Accordingly, the affairs of the Company were being solely managed by the MD of the Company till November 02, 2015, where-after the Federal Government vide notification dated November 02, 2015 reconstituted the new BOM. The Principles enshrined in the Codes were implemented during the year by the reconstituted BOM and MD, as the case may be, except for certain functions which could have only been performed by the BOM in the ordinary circumstances.

Further, we draw attention to following paragraphs of the Statement of Compliance with respect to significant instances of non-compliances with the requirements of the Codes as reflected in the respective paragraphs:

Paragraph Reference

5 - The Company has a procedure for disclosures of interest, including circumstances or considerations when a person may be deemed to have actual or potential conflict of interest which is to be formally documented in the conflict of interest policy of the Company and is to be approved by the BOM.

6- The Company is in the process of documenting formal procedures on anti-corruption to be included in the Company's Code of Conduct to minimize actual or perceived corruption in the Company.

13- Criteria for assessment and evaluation of performance of BOM was not developed and neither such assessment / evaluation was carried out during the year.

17- Board Human Resource & Remuneration Committee, Board Audit & Compliance Committee and Board Finance & Risk Management Committee stand dissolved on de-notification of BOM by Federal Government on February 12, 2015 accordingly the functions of these Committees were performed by the MD, in the absence of these Committees except certain functions which could only be performed by the Committees in ordinary circumstances, till the reconstitution of BOM.

However, subsequently, on the reconstitution of BOM, the aforementioned Committees and Procurement Committee were not formed by BOM as required under the Rules and all the functions of these Committees were performed by the BOM.

24- Prior to the reconstitution of the BOM, the internal audit function reported to the MD.

EY Ford Rhodes
Chartered Accountants
Shariq Ali Zaidi

A. F. Ferguson & Co.
Chartered Accountants
Waqas A. Sheikh

Date: September 08, 2016

Place: Karachi

Auditors' Report to the Members

For the year ended June 30, 2016

We have audited the annexed balance sheet of Pakistan State Oil Company Limited ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Emphasis of matter

We draw attention to the following matters:

- Notes 15.1 to 15.4 to the financial statements. The Company considers the aggregate amount of Rs. 9,270 million due from the Government of Pakistan as good debts for the reasons given in the aforementioned notes;

- Note 12.2 to the financial statements. The Company considers the aggregate amount of Rs. 101,407 million (net of provision of Rs. 532 million); inclusive of Rs. 11,890 million received subsequent to the balance sheet date, due from Power Generation companies as good debt for the reasons given in the aforementioned note;

- Note 24.1.1 to the financial statements regarding non-accrual of mark-up on delayed payments amounting to Rs. 8,649 million for the reasons given in the aforementioned note; and

- Note 24.1.2 to the financial statements regarding tax implication of Rs. 958 million on the Company for income tax assessment years 1996-97 and 1997-98, for which the case is pending in the Supreme Court of Pakistan;

Our report is not qualified in respect of the aforementioned matters.

Other matters

The financial statements of the Company for the year ended June 30, 2015 were audited by A.F. Ferguson & Co - Chartered Accountants and Deloitte Yousuf Adil - Chartered Accountants, who through their report dated September 08, 2015, expressed an unqualified opinion thereon. However, their aforementioned report included emphasis of matter paragraph highlighting matters relating to the price differential claims receivable from Government of Pakistan (notes 15.1 to 15.4), balances due from power generation companies considered as good debt (note 12.2), non-accrual of mark-up on delayed payments (note 24.1.1), tax implication of Rs. 958 million for income tax years 1996-97 and 1997-98 which is pending in the Supreme Court of Pakistan (note 24.1.2) and approval of the financial statements by the Managing Director of the Company, exercising the powers of the Board, in the absence of the Board of Management - Oil.

A. F. Ferguson & Co.
Chartered Accountants
Waqas A. Sheikh

EY Ford Rhodes
Chartered Accountants
Shariq Ali Zaidi

Date: September 08, 2016

Place: Karachi

Balance Sheet

As at June 30, 2016

	Note	2016	2015
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,607,396	6,333,296
Intangibles	5	47,329	54,342
Long - term investments	6	50,132,753	50,680,952
Long - term loans, advances and other receivables	7	346,639	322,509
Long - term deposits and prepayments	8	141,292	156,110
Deferred tax	9	10,788,227	8,011,313
		68,063,636	65,558,522
Current assets			
Stores, spares and loose tools	10	218,978	207,693
Stock-in-trade	11	50,834,033	58,492,301
Trade debts	12	178,271,018	180,778,298
Loans and advances	13	1,959,150	2,135,165
Deposits and short - term prepayments	14	2,552,161	1,903,360
Mark-up / interest receivable on investments		2,251,290	2,237,478
Other receivables	15	26,263,325	19,550,181
Taxation - net		6,168,926	8,132,351
Cash and bank balances	16	5,736,213	2,311,884
		274,255,094	275,748,711
Net assets in Bangladesh	17	-	-
TOTAL ASSETS		342,318,730	341,307,233
EQUITY AND LIABILITIES			
Equity			
Share capital	18	2,716,860	2,716,860
Reserves	19	88,864,465	79,593,436
		91,581,325	82,310,296
Non-current liabilities			
Retirement and other service benefits	20	6,234,132	8,320,764
Current liabilities			
Trade and other payables	21	137,890,193	147,045,253
Provisions	22	688,512	688,512
Accrued interest / mark-up	23.3	811,639	866,894
Short - term borrowings	23	105,112,929	102,075,514
		244,503,273	250,676,173
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		342,318,730	341,307,233

The annexed notes 1 to 45 form an integral part of these financial statements.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Profit and Loss Account

For the year ended June 30, 2016

	Note	2016	2015
		(Rupees in '000)	
Net Sales	25	677,966,877	913,094,377
Cost of products sold	26	(655,103,752)	(890,173,419)
Gross profit		22,863,125	22,920,958
Other income	27	12,798,264	13,935,136
Operating costs			
Distribution and marketing expenses	28	(8,426,291)	(8,271,530)
Administrative expenses	29	(2,422,738)	(2,400,824)
Other expenses	30	(1,986,064)	(3,512,788)
		(12,835,093)	(14,185,142)
Profit from operations		22,826,296	22,670,952
Finance costs	31	(7,149,592)	(11,016,553)
		15,676,704	11,654,399
Share of profit of associates - net of tax	6.2.1	612,504	379,349
Profit before taxation		16,289,208	12,033,748
Taxation	32	(6,016,078)	(5,097,384)
Profit after taxation		10,273,130	6,936,364
		(Rupees)	
Earnings per share - basic and diluted	33	37.81	25.53

The annexed notes 1 to 45 form an integral part of these financial statements.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Statement of Comprehensive Income

For the year ended June 30, 2016

	Note	2016	2015
		(Rupees in '000)	
Profit for the year		10,273,130	6,936,364
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Share of actuarial losses on remeasurement of post employment benefit plan of an associate - net of tax	6.2.1	-	(15,926)
Actuarial gains / (losses) on remeasurement of retirement and other service benefits	20.1.6	2,605,600	(5,578,591)
Less: Taxation thereon		(838,323)	1,819,669
		1,767,277	(3,758,922)
Items that may be reclassified subsequently to profit or loss:			
Share of unrealised gains / (losses) due to change in fair value of available-for-sale investments of associates	6.2.1	1,179	(6,517)
Unrealised (loss) / gain due to change in fair value of long-term available-for-sale investments	6.1	(506,885)	4,815,849
Less: Taxation thereon		181,502	(1,564,849)
		(325,383)	3,251,000
Total comprehensive income for the year		11,716,203	6,405,999

The annexed notes 1 to 45 form an integral part of these financial statements.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Statement of Changes in Equity

For the year ended June 30, 2016

	Share capital	Reserves						Total
		Capital Reserves			Revenue Reserves			
		Surplus on vesting of net assets	Unrealized gain/(loss) on remeasurement of long term available-for-sale investments	Company's share of unrealised (loss)/gain on available-for-sale investment of associates	General reserve	Un-appropriated profit	Sub-total	
	(Rupees in '000)							
Balance as at July 1, 2014	2,716,860	3,373	(1,592,980)	7,083	25,282,373	52,204,448	75,904,297	78,621,157
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	6,936,364	6,936,364	6,936,364
Other comprehensive income								
Unrealised gain due to change in fair value of long-term available-for-sale investments - net of tax	-	-	3,251,000	-	-	-	3,251,000	3,251,000
Share of Company's actuarial loss on remeasurement of defined benefit plan of associate - net of tax	-	-	-	-	-	(15,926)	(15,926)	(15,926)
Share of unrealised loss due to change in fair value of available-for-sale investment of associates - net of tax	-	-	-	(6,517)	-	-	(6,517)	(6,517)
Loss on remeasurement of defined benefit plan - net of tax	-	-	-	-	-	(3,758,922)	(3,758,922)	(3,758,922)
	-	-	3,251,000	(6,517)	-	(3,774,848)	(530,365)	(530,365)
	-	-	3,251,000	(6,517)	-	3,161,516	6,405,999	6,405,999
Transactions with the owners								
Final dividend for the year ended June 30, 2014 @ Rs. 4 per share	-	-	-	-	-	(1,086,744)	(1,086,744)	(1,086,744)
Interim dividend for the year ended June 30, 2015 @ Rs. 6 per share	-	-	-	-	-	(1,630,116)	(1,630,116)	(1,630,116)
	-	-	-	-	-	(2,716,860)	(2,716,860)	(2,716,860)
Balance as at June 30, 2015	2,716,860	3,373	1,658,020	566	25,282,373	52,649,104	79,593,436	82,310,296
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	10,273,130	10,273,130	10,273,130
Other comprehensive income								
Unrealised loss due to change in fair value of long-term available-for-sale investment - net of tax	-	-	(325,383)	-	-	-	(325,383)	(325,383)
Share of unrealised gain due to change in fair value of available-for-sale investment of associates - net of tax	-	-	-	1,179	-	-	1,179	1,179
Gain on remeasurement of retirement and other service benefits - net of tax	-	-	-	-	-	1,767,277	1,767,277	1,767,277
	-	-	(325,383)	1,179	-	1,767,277	1,443,073	1,443,073
	-	-	(325,383)	1,179	-	12,040,407	11,716,203	11,716,203
Transactions with the owners								
Final dividend for the year ended June 30, 2015 @ Rs. 4 per share	-	-	-	-	-	(1,086,744)	(1,086,744)	(1,086,744)
Interim dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	-	-	-	-	(1,358,430)	(1,358,430)	(1,358,430)
	-	-	-	-	-	(2,445,174)	(2,445,174)	(2,445,174)
Balance as at June 30, 2016	2,716,860	3,373	1,332,637	1,745	25,282,373	62,244,337	88,864,465	91,581,325

The annexed notes 1 to 45 form an integral part of these financial statements.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Cash Flow Statement

For the year ended June 30, 2016

	Note	2016	2015
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34	12,715,534	(5,902,338)
Long-term loans, advances and receivables		(24,130)	18,172
Long-term deposits and prepayments		14,818	(16,839)
Taxes paid		(7,486,390)	(9,848,350)
Finance costs paid		(5,438,283)	(10,074,420)
Retirement and other service benefits paid		(775,928)	(3,750,292)
Net cash used in operating activities		(994,379)	(29,574,067)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of:			
-property, plant and equipment		(1,280,273)	(1,454,132)
-intangibles		(19,797)	(32,842)
Proceeds from disposal of operating assets		35,632	11,833
Investment in associate		-	(115,675)
Advance against purchase of shares		-	(630,000)
Interest income from Pakistan Investment Bonds		5,020,514	5,041,232
Dividends received		342,248	669,141
Net cash generated from investing activities		4,098,324	3,489,557
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings obtained / (repaid) - net		8,923,486	(20,654,248)
Dividends paid		(2,717,031)	(1,964,555)
Net cash generated from / (used in) financing activities		6,206,455	(22,618,803)
Net increase / (decrease) in cash and cash equivalents		9,310,400	(48,703,313)
Cash and cash equivalents at beginning of the year		(39,584,225)	9,119,088
Cash and cash equivalents at end of the year	35	(30,273,825)	(39,584,225)

The annexed notes 1 to 45 form an integral part of these financial statements.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

(Amounts in Rs.'000)

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan State Oil Company Limited ("the Company") is a public company incorporated in Pakistan in 1976 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Pakistan Stock Exchange Limited. The registered office of the Company is located at PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

1.2 The Board of Management - Oil (BOM) nominated by the Federal Government under section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 1913 (now Companies Ordinance, 1984) or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standard (IFAS) issued by Institute of Chartered Accoutants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the basis of 'historical cost' convention, unless otherwise specifically stated.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency.

2.4 Critical accounting estimates, assumptions and judgements

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgement that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. The estimates, assumptions and judgements that are subject to risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in Rs.'000)

2.4.1 Property, plant and equipment and intangibles

The Company reviews appropriateness of the rates of depreciation / amortisation, useful lives and residual values used in the calculation of depreciation / amortisation of property, plant and equipment and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

2.4.2 Stock-in-trade

The Company reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

2.4.3 Provision for impairment of trade debts and other receivables

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debts and other receivables are impaired.

2.4.4 Income taxes

Significant judgement is required in determining the provision for income taxes. There are few transactions and calculations for which ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2.4.5 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors and is being calculated on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 20.

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) **Standards, amendments and interpretations to approved accounting standards that became effective during the year**

The following new standards and amendments with respect to the approved accounting standards as applicable in Pakistan are effective for the first time for the year ended June 30, 2016 and are relevant to the Company:

- **IFRS 10 – Consolidated Financial Statements**

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The application of the standard has not resulted in any change in the financial statements of the Company.

- **IFRS 12 – Disclosure of Interests in Other Entities**

  The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Company's current accounting policy is in line with the requirements of this standard.

- **IFRS 13 – Fair Value Measurement**

  The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

- **IAS 19 – Employee Benefits**

  The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment does not have any impact on the Company's financial statements.

- **IAS 27 (Revised 2011) – Separate Financial Statements**

  This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard does not have any significant impact on the Company's financial statements.

- **IAS 28 (Revised) – Investment in Associates and Joint Ventures**

  This standard replaces the current IAS 28 'Investment in Associates' (as amended in 2003).This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.The Company's current accounting policy is in line with the requirements of this standard.

The other new standards, amendments to published standards and interpretations that are mandatory for the first time for financial year beginning on July 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

(Amounts in Rs.'000)

b) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments are only effective for accounting periods, beginning on or after July 1, 2016 and have not been early adopted by the Company:

- **Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation (Effective from accounting period beginning on or after January 01, 2016)**

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- **Amendments to IAS 1 - Disclosure initiative (Effective from accounting period beginning on or after January 01, 2016)**

The amendments provide clarification on number of issues, including:

● Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

● Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

● Notes – confirmation that the notes do not need to be presented in a particular order.

● Other Comprehensive Income (OCI) - arising from investments accounted for under the equtiy method - the share of the OCI arising from equity - accounted investments is group based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- **Amendments to IAS 19 - Employee benefits (Effective from accounting period beginning on or after January 01, 2016)**

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- **Amendments to IAS 27 - Equity method in separate financial statements (Effective from accounting period beginning on or after January 01, 2016)**

  This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- **Amendments to IAS 34 - Interim financial reporting (Effective from accounting period beginning on or after January 01, 2016)**

  This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment will only affect the disclosures in the Company's financial statements.

  There are number of other standards and amendments to the published standards that are not relevant to the Company and therefore have not been presented here.

  Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not yet been notified for adoption by the Securities and Exchange Commission of Pakistan:

  - IFRS 9 – Financial Instruments
  - IFRS 14 – Regulatory Deferral Accounts
  - IFRS 15 – Revenue from Contracts with Customers
  - IFRS 16 – Leases

2.6 Share based payments and Benazir Employees Stock Option Scheme

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions became effective from July 1, 2010 which require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for such transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ('the Scheme') for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non-SOEs) where GoP holds significant investments. The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service, and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the above stated GoP policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan in June 2011 vide SRO 587(I)/2001; on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Nil (2015: Rs. 26,155), profit after taxation would have been lower by Nil (2015: Rs. 26,155) retained earnings would have been lower by Nil (2015: Rs. 1,255,653), earnings per share would have been lower by Nil (2015: Rs. 0.10) per share and reserves (excluding retained earnings) would have been higher by Nil (2015: Rs. 1,255,653). Further, as per the Ministry of Finance's letter dated May 19, 2014, the Scheme is being revamped.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land which is stated at cost and capital work-in-progress, which are stated at cost less impairment losses, if any.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings for financing the projects which takes substantial time for completion, until such projects are available for their intended use. Fixed assets under capital work in progress are classified to the appropriate categories of property, plant and equipment, when completed and ready for intended use.

Depreciation is charged to profit and loss account using straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal. Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

(Amounts in Rs.'000)

Maintenance and normal repairs are charged to profit and loss account. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.2 Intangibles

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible asset is amortized from the month when such asset is available for use on straight-line basis over its useful economic life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on prospective basis.

3.3 Financial instruments

3.3.1 Financial assets

The Company classifies its financial assets at initial recognition in the following categories depending on the nature and purpose for which the financial assets were acquired:

- **At fair value through profit or loss**

  Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

- **Loans and receivables**

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those having maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables, cash and bank balances.

- **Available-for-sale**

  Available-for-sale financial assets are non-derivatives that are either designated investments in this category or not classified in any of the other categories. They are included in non-current assets unless these mature or the management intends to dispose off the investments within twelve months from the balance sheet date.

- **Held-to-maturity**

  Financial assets with fixed or determinable payments and fixed maturity, where management has positive intention and ability to hold till maturity are classified as held-to-maturity.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised and derecognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

The Company assesses at each reporting date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

3.3.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.4 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% or more but less than 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies and decision of investees. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post acquisition profits or losses is recognised in profit and loss account and its share in associates' post acquisition comprehensive income is recognized in Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. Distributions received from associates reduce the carrying amount of the investment. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

When an available-for-sale investment is converted into associated Company, the balance in the surplus on revaluation of related asset is transferred to unappropriated profit. Gain on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

The carrying amount of the investment is tested for impairment, by comparing it's recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognised in the profit and loss account.

3.5 Stores, spares and loose tools

These are valued at moving average cost less impairment loss, if any, except for items in transit which are stated at invoice value plus other charges incurred thereon till the reporting date. Cost comprises invoice value and other direct costs but excludes borrowing cost. Provision is made for obsolete / slow moving items where necessary and is recognised in the profit and loss account.

3.6 Stock-in-trade

Stock-in-trade is valued at the lower of average cost or cost on first-in-first-out (FIFO) basis, and net realizable value except for stock-in-transit which is stated at cost (invoice value) plus other charges incurred thereon till the reporting date. The cost formula is dependent on the nature of the stock categories but the same formula is applied to all items of a similar nature. Cost comprise invoice value, charges like excise, custom duties, etc., and other direct costs.

Provision is made for obsolete / slow moving stocks where necessary and recognised in the profit and loss account. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred in order to make a sale.

3.7 Trade debts, loans, advances and other receivables

Trade debts, loans, advances and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. A provision for impairment of trade debts, loans, advances and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade debts, loans, advances and other receivables are written off when considered irrecoverable.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, with banks in current and deposit accounts, cheques in hand, demand draft and running finance under mark-up arrangements. Running finances under mark-up arrangements are shown within short term borrowings under current liabilities on the balance sheet.

3.9 Impairment

3.9.1 Financial assets

A financial asset is assessed at each reporting date for impairments to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial asset carried at cost, the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. For financial asset carried at amortised cost, the amount of impairment loss recognised is difference between carrying amount and present value of estimated cash flow, discounted at effective interest rate.

3.9.2 Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cashflow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit and loss account.

3.10 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

(Amounts in Rs.'000)

3.11 Retirement and other service benefits

3.11.1 Defined benefit plans

Pension funds

The Company operates approved funded defined benefit pension schemes separately for both management and non-management employees except for those employees who joined the Company after November 16, 2012. The schemes provide pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and / or dependent children. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried using the Projected Unit Credit Method. The amount recognised in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Actuarial gains or losses (remeasurements) are immediately recognised as 'other comprehensive income' as they occur. Current service costs and any past service costs together with net interest cost are charged to expenses.

Gratuity fund

The Company also operates an approved funded defined benefit gratuity scheme for all its permanent employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to expenses.

Medical benefits

The Company also provides post retirement medical benefits to its permanent employees except for those management employees who joined the Company after July 1, 2001. Under the unfunded scheme all such employees and their spouses are entitled to the benefits. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (remeasurements) are immediately recognised in 'other comprehensive income' as they occur. The amount recognised in the balance sheet represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to expenses.

Compensated absences

The Company provides for compensated absences on the basis of actuarial valuation carried out in accordance with the requirements of IAS 19 ''Employees Benefits''. Actuarial valuation of the scheme is carried out every year.

(Amounts in Rs.'000)

3.11.2 Defined contribution plan

Provident fund

The Company also operates an approved funded contributory provident fund for its management and non-management employees. Equal monthly contributions are made both by the Company and the employee at the rate of 8.33% per annum of the basic salary. In addition, employees have the option to contribute at the rate of 16.66% per annum, however, the Company's contribution remains at the rate of 8.33% per annum.

3.12 Trade and other payables

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

3.13 Provisions

Provisions are recognised when the Company has present obligation (legal or constructive obligation) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

3.15 Taxation

3.15.1 Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to the profit and loss account except to the extent it relates to items recognised directly in other comprehensive income in which case it is also recognised in other comprehensive income.

(Amounts in Rs.'000)

3.15.2 Deferred

Deferred tax is accounted for using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences including on investments in associates and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unabsorbed depreciation, unused tax losses and tax credits can be utilized. Deferred tax assets are remeasured at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the profit and loss account except to the extent it relates to items recognised directly in equity / other comprehensive income in which case it is also recognised in equity / other comprehensive income.

3.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency (Pakistan Rupees) using exchange rates approximating those ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses resulting from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in profit and loss account. Non monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

3.17 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.18 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- Sales are recorded when the significant risks and rewards of ownership of the goods have passed to the customers which coincides with the dispatch of goods to the customers.

- Dividend income on equity investment is recognised when the Company's right to receive the dividend is established.

- Mark-up / interest on debt securities is recognised on time proportion basis using effective interest rate method.

(Amounts in Rs.'000)

- Handling, storage and other services income is recognised when the services have been rendered.

- Mark-up receivable on delayed payment charges is recognised on receipt basis.

- Return on deposits and other financial assets is recognised on accrual basis.

3.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing costs eligible for capitalisation are determined using effective interest rate method.

3.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year / period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Note	2016	2015
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	5,415,554	4,525,441
Capital work-in-progress	4.3	1,191,842	1,807,855
		6,607,396	6,333,296

4.1 OPERATING ASSETS

(Amounts in Rs. '000)

	Land		Building		Leasehold improvements	Tanks and pipelines	Service and filling stations (note 4.1.2)	Plant and machinery	Furniture and fittings	Vehicles and other rolling stock	Office equipments	Railway sidings	Gas cylinders / regulators (note 4.1.2)	Total
	Freehold	Leasehold	On freehold land	On leasehold land										
As at July 01, 2014														
Cost	208,872	128,417	611,046	1,145,021	741	3,551,099	8,918,252	3,317,029	241,722	1,160,098	632,852	53,267	139,835	20,108,251
Accumulated depreciation	-	(30,401)	(510,447)	(596,374)	(741)	(3,157,382)	(6,966,589)	(2,484,708)	(207,639)	(854,563)	(528,690)	(52,508)	(123,776)	(15,513,818)
Net book value	208,872	98,016	100,599	548,647	-	393,717	1,951,663	832,321	34,083	305,535	104,162	759	16,059	4,594,433
Year ended June 30, 2015														
Opening net book value	208,872	98,016	100,599	548,647	-	393,717	1,951,663	832,321	34,083	305,535	104,162	759	16,059	4,594,433
Additions	-	-	10,082	48,477	-	75,580	431,641	138,923	44,975	93,746	59,456	-	3,733	906,613
Disposals														
Cost	-	-	(53)	-	-	(7,057)	(41,647)	(9,370)	(2,499)	(8,004)	(11,839)	-	-	(80,469)
Accumulated Depreciation	-	-	53	-	-	6,294	41,450	9,115	2,487	7,588	11,833	-	-	78,820
	-	-	-	-	-	(763)	(197)	(255)	(12)	(416)	(6)	-	-	(1,649)
Depreciation charge	-	(1,705)	(22,496)	(53,016)	-	(65,504)	(469,877)	(194,591)	(16,705)	(103,412)	(42,880)	(382)	(3,388)	(973,956)
Closing net book value	208,872	96,311	88,185	544,108	-	403,030	1,913,230	776,398	62,341	295,453	120,732	377	16,404	4,525,441
As at June 30, 2015														
Cost	208,872	128,417	621,075	1,193,498	741	3,619,622	9,308,246	3,446,582	284,198	1,245,840	680,469	53,267	143,568	20,934,395
Accumulated depreciation	-	(32,106)	(532,890)	(649,390)	(741)	(3,216,592)	(7,395,016)	(2,670,184)	(221,857)	(950,387)	(559,737)	(52,890)	(127,164)	(16,408,954)
Net book value	208,872	96,311	88,185	544,108	-	403,030	1,913,230	776,398	62,341	295,453	120,732	377	16,404	4,525,441
Year ended June 30, 2016														
Opening net book value	208,872	96,311	88,185	544,108	-	403,030	1,913,230	776,398	62,341	295,453	120,732	377	16,404	4,525,441
Additions	21,047	-	169,422	115,083	-	302,511	626,516	486,816	23,055	92,157	57,126	-	2,553	1,896,286
Disposals														
Cost	-	-	-	(1,898)	-	(447)	(49,968)	(5,984)	(2,097)	(16,906)	(6,963)	-	(12,412)	(96,675)
Accumulated Depreciation	-	-	-	1,768	-	447	49,707	5,910	1,909	11,295	6,946	-	11,035	89,017
	-	-	-	(130)	-	-	(261)	(74)	(188)	(5,611)	(17)	-	(1,377)	(7,658)
Depreciation charge	-	(1,705)	(25,968)	(55,731)	-	(83,824)	(440,584)	(203,840)	(18,406)	(105,738)	(59,440)	(191)	(3,088)	(998,515)
Net book value	229,919	94,606	231,639	603,330	-	621,717	2,098,901	1,059,300	66,802	276,261	118,401	186	14,492	5,415,554
As at June 30, 2016														
Cost	229,919	128,417	790,497	1,306,683	741	3,921,686	9,884,794	3,927,414	305,156	1,321,091	730,632	53,267	133,709	22,734,006
Accumulated depreciation	-	(33,811)	(558,858)	(703,353)	(741)	(3,299,969)	(7,785,893)	(2,868,114)	(238,354)	(1,044,830)	(612,231)	(53,081)	(119,217)	(17,318,452)
Net book value	229,919	94,606	231,639	603,330	-	621,717	2,098,901	1,059,300	66,802	276,261	118,401	186	14,492	5,415,554
Annual rate of depreciation (%)	-	1-7	5-10	5-10	10-20	5-20	5-33	5-33	7-33	17-20	7-33	7-10	10	

(Amounts in Rs.'000)

	Note	2016	2015
4.1.1 Allocation of depreciation charge for the year			
Depreciation charge for the year has been allocated as follows:			
Distribution and marketing expenses	28	916,066	900,472
Administrative expenses	29	82,449	73,484
		998,515	973,956

4.1.2 Service and filling stations include cost of Rs. 9,425,439 (2015: Rs. 8,850,945) incurred by the Company on underground storage tanks, dispensing units and other equipment, construction and related work. It also includes cost incurred on modernization and development under the "New Vision Scheme" on approximately 1,906 (2015: 1,839) out of the total 3,851 (2015: 3,898) retail filling station of dealers and consumer sites. In view of large number of outlets and consumer sites, the management considers it impracticable to disclose particulars of assets not in the possession of the Company as required under the Fourth Schedule to the Companies Ordinance, 1984. Furthermore, gas cylinders amounting to Rs. 133,709 (2015: Rs. 143,568) are not in possession of the Company.

4.1.3 Included in operating assets are fully depreciated assets having cost of Rs.13,005,567 (2015: Rs.11,309,120).

4.2 The details of operating assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
Vehicles	1,162	936	226	232	Company Policy	Mr. Arif Rasheed Employee of the Company
	1,646	601	1,045	1,045	Company Policy	Mr. Naitmatullah Behan Ex-employee of Company
	1,602	850	752	725	Company Policy	Mr. Khalid Mehmood Ex-employee of Company
	1,773	59	1,714	1,743	Company Policy	Mr. Khalid Mehmood Ex-employee of Company
	1,786	206	1,580	1,580	Company Policy	Mr. Tariq Akbar Khan Ex-employee of Company
	1,776	1,482	294	355	Company Policy	Mr. Yaqoob Suttar Employee of the Company
	9,745	4,134	5,611	5,680		
Service and filling stations	145	69	76	116	Insurance Claim	M/s National Technical Services. Suite # 1102, 11th Floor 74000, Chapal Plaza Hasrat mohani Road, Karachi.
Plant and machinery	832	270	562	852	Company Policy	M/s Lahore Gas 39-C-1, Johar Town, Lahore.
	1,223	408	815	1,345	Company Policy	M/s Liqua Gasina 95-Main Ravi Road, Lahore.
	2,055	678	1,377	2,197		
Items having book value of less than Rupees 50 each	84,730	84,136	594	27,639		
June 30, 2016	96,675	89,017	7,658	35,632		
June 30, 2015	80,469	78,820	1,649	11,833		

(Amounts in Rs.'000)

4.3 Capital work-in-progress	Note	2016	2015
Tanks and pipelines		836,910	1,355,982
Service and filling stations		27,096	42,565
Plant and machinery		15,722	33,125
Furniture, fittings and equipment		6,730	8,284
Advance to suppliers and contractors for tanks, pipelines and storage development projects		9,278	8,953
Capital spares		296,106	358,946
		1,191,842	1,807,855

5. INTANGIBLES

	Note	2016	2015
Net carrying value			
Net book value at beginning of the year		54,342	48,407
Additions at cost		19,797	32,842
Amortisation charge for the year	5.2 & 29	(26,810)	(26,907)
Net book value at end of the year		47,329	54,342
Gross carrying value			
Cost		398,407	378,610
Accumulated amortisation		(351,078)	(324,268)
Net book value		47,329	54,342

5.1 Intangibles include ERP System - SAP, anti-virus software and other office related software.

5.2 The cost is being amortised over a period of 3 to 5 years.

(Amounts in Rs.'000)

6. LONG-TERM INVESTMENTS

	Note	2016	2015
Investment in related parties			
In Government securities - Pakistan Investment Bonds	6.1		
- Held-to-maturity		46,295,212	-
- Available-for-sale		-	47,310,340
		46,295,212	47,310,340
Available-for-sale investment in an unquoted company - at cost			
- Pak-Arab Pipeline Company Limited			
Equity held 12% (2015: 12%)			
No. of shares: 8,640,000 (2015: 8,640,000) shares of Rs. 100 each		864,000	864,000
		47,159,212	48,174,340
Investments in associates (equity method)			
In a quoted company			
- Pakistan Refinery Limited			
Equity held 22.5% (2015: 22.5%)	6.2	1,733,917	991,586
Advance against right issue		-	630,000
		1,733,917	1,621,586
In unquoted companies			
- Asia Petroleum Limited, Equity held 49% (2015: 49%)	6.2	1,170,179	810,798
- Pak Grease Manufacturing Company (Private) Limited, Equity held 22% (2015: 22%)	6.2	69,445	74,228
		1,239,624	885,026
		50,132,753	50,680,952

6.1 This represents investment in Pakistan Investment Bonds (PIBs) amounting to Rs. 45,906,112 made in June 2013 in accordance with plan duly approved by the Economic Coordination Committee (ECC), Government of Pakistan out of the proceeds received against partial settlement of circular debt issue then prevailing in the energy sector. The face value of these PIBs and premium paid by the Company is Rs. 43,836,800 and Rs. 2,069,312, respectively. These PIBs were issued on July 19, 2012 for a period of five years and will mature on July 19, 2017. These carry markup rate of 11.50% per annum which is receivable on six monthly basis.

During the year, unrealised loss of Rs. 506,885 (2015: unrealised gain of Rs. 4,815,849) has been recognised in other comprehensive income upon remeasurement of these bonds to fair value.

As at June 30, 2016, these PIBs have been reclassified as held-to-maturity investments based on Company's intention to retain these till the date of maturity. Accordingly, the fair value of these PIBs as of June 30, 2016 amounting to Rs. 46,295,212 becomes its amortised cost upon reclassification of investment from available-for-sale to held-to-maturity. Further, amortisation of premium amounting to Rs. 508,243 (2015: Rs. 512,654) has been recognised in the profit and loss account during the year.

As at June 30, 2016, these PIBs were collateralised with various banks against borrowing facilities obtained by the Company.

(Amounts in Rs.'000)

6.2 Investment in associates

Number of shares 2016	Number of shares 2015	Face value per share (Rupees)	Name of the company	Note	2016	2015
70,875,000	7,875,000	10	Pakistan Refinery Limited (PRL)	6.2.1	1,733,917	991,586
46,058,570	46,058,570	10	Asia Petroleum Limited (APL)	6.2.1	1,170,179	810,798
686,192	686,192	10	Pak Grease Manufacturing Company (Private) Limited (PGMCL)	6.2.1	69,445	74,228
					2,973,541	1,876,612

6.2.1 Movement of investment in associates

	2016				2015			
	PRL	APL	PGMCL	Total	PRL	APL	PMGCL	Total
Balance at beginning of the year	991,586	810,798	74,228	1,876,612	1,040,160	805,730	72,333	1,918,223
Investment made during the year (Note 6.2.2)	630,000	-	-	630,000	115,675	-	-	115,675
Share of profit / (loss)								
- current year - unaudited	70,125	497,557	3,327	571,009	(146,384)	511,712	15,019	380,347
- adjustment for last year profits based on audited financial statements	41,902	-	(407)	41,495	-	(711)	(287)	(998)
	112,027	497,557	2,920	612,504	(146,384)	511,001	14,732	379,349
Unrealized gain/ (loss) on associates' investments (available-for-sale) - unaudited	304	-	875	1,179	(1,228)	-	(5,289)	(6,517)
Share of actuarial losses on remeasurement of post employment benefit plan of associate - unaudited	-	-	-	-	(16,637)	711	-	(15,926)
Dividend income	-	(138,176)	(8,578)	(146,754)	-	(506,644)	(7,548)	(514,192)
Balance at end of the year	1,733,917	1,170,179	69,445	2,973,541	991,586	810,798	74,228	1,876,612

6.2.2 This represents investment made by the Company against issue of 63 million right shares at the rate of Rs. 10 per share. The allotment / transfer of these shares in the name of the Company was made on July 16, 2015.

(Amounts in Rs.'000)

6.2.3 The summarized financial information of the associates, based on their financial statements is as follows:

	2016			2015		
	PRL	APL	PGMCL	PRL	APL	PMGCL
		(Un-audited)			(Audited)	
Revenue	64,732,948	1,843,188	123,996	91,174,700	1,975,797	195,537
Profit / (Loss) for the year	311,663	1,015,422	15,122	(1,181,662)	1,044,313	65,951
Other comprehensive income	1,352	-	3,977	(87,515)	-	(24,042)
Total comprehensive income	313,015	1,015,422	19,099	(1,269,177)	1,044,313	41,909
Non-current assets	12,449,262	1,362,407	203,543	12,692,123	1,237,885	149,868
Current assets	12,321,335	1,224,936	138,952	18,060,850	653,350	217,936
	24,770,597	2,587,343	342,495	30,752,973	1,891,235	367,804
Non-current liabilities	(2,134,621)	-	(1,477)	(2,138,462)	-	(1,029)
Current liabilities	(20,338,184)	(199,222)	(25,360)	(26,829,775)	(236,545)	(31,229)
	(22,472,805)	(199,222)	(26,837)	(28,968,237)	(236,545)	(32,258)
Net assets	2,297,792	2,388,121	315,658	1,784,736	1,654,690	335,546

6.2.4 Reconciliation of carrying amount of investment is as follows:

Net assets (Note 6.2.3)	2,297,792	2,388,121	315,658	1,784,736	1,654,690	335,546
Company's Holding in %	22.5%	49%	22%	22.5%	49%	22%
Company's share of investment in associate	517,003	1,170,179	69,445	401,566	810,798	73,821
Impact of change in holding %	160,901	-	-	160,901	-	-
Impact of share deposit money	47,259	-	-	(582,741)	-	-
Unrealised gain on investments	1,025,061	-	-	1,025,061	-	-
Adjustments based on audited financial statements	-	-	-	(41,902)	-	407
Others	(16,307)	-	-	28,701	-	-
Carrying amount of investment	1,733,917	1,170,179	69,445	991,586	810,798	74,228

(Amounts in Rs.'000)

7. LONG-TERM LOANS, ADVANCES AND OTHER RECEIVABLES

	Note	2016	2015
Loans - considered good (secured)			
Executives	7.1, 7.2 & 7.4	166,634	142,288
Employees	7.2	42,904	61,113
		209,538	203,401
Current portion shown under current assets	13	(77,317)	(73,359)
		132,221	130,042
Advances - considered good (unsecured)			
Employees	7.3	100,394	66,670
Current portion shown under current assets	13	(31,085)	(30,680)
		69,309	35,990
Other receivables			
- considered good		145,109	156,477
- considered doubtful		8,143	8,143
		153,252	164,620
Provision for impairment		(8,143)	(8,143)
		145,109	156,477
		346,639	322,509

7.1 Reconciliation of carrying amount of loans to executives:

	2016	2015
Balance at beginning of the year	142,288	154,609
Disbursements	85,923	64,877
Repayments	(61,577)	(77,198)
Balance at end of the year	166,634	142,288

7.2 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles, house building, marriage, umrah and others, in accordance with the Company's policy. Loans for purchase of motor cars and motor cycles are secured against the respective assets. House building loans and certain category of management loans are secured against outstanding balance of provident fund and gratuity, whereas all other loans are unsecured. These loans are recoverable in monthly installments over a period of two to six years.

7.3 These represent interest free advances against housing assistance given to employees once in service life for purchase and construction of residential property in accordance with the Company's policy. These advances are secured against respective asset and are recoverable in four to five years and are adjusted against the monthly house rent allowance of the respective employee.

7.4 The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs. 232,671 (2015: Rs. 143,319).

(Amounts in Rs.'000)

8. LONG-TERM DEPOSITS AND PREPAYMENTS
Considered good

	Note	2016	2015
Long-term deposits	8.1	65,521	61,879
Prepaid rentals		174,885	208,416
Less: Current portion shown under current assets	14	(99,114)	(114,185)
		75,771	94,231
		141,292	156,110

8.1 This includes interest free deposits amounting to Rs. 45,366 (2015: Rs. 40,909) paid to related parties.

9. DEFERRED TAX

	2016	2015
Deductible temporary differences in respect of:		
Provision for:		
- retirement and other service benefits	973,008	856,089
- doubtful trade debts	1,425,588	1,448,177
- doubtful other receivables	550,517	496,159
- impairment of stores and spares	10,005	11,488
- excise, taxes and other duties	22,578	23,306
- impairment of stock-in-trade	6,651	6,866
- tax amortisation	1,114	707
Liabilities offered for taxation	8,841,428	6,311,478
Others	2,524	2,606
	11,833,413	9,156,876
Taxable temporary differences in respect of:		
- accelerated tax depreciation	(357,879)	(332,876)
- investments in associates accounted for under equity method	(88,585)	(32,463)
- unrealised gain due to change in fair value of long-term 'available-for-sale' securities	(598,722)	(780,224)
	(1,045,186)	(1,145,563)
	10,788,227	8,011,313

The net change of Rs. 2,776,914 (2015: Rs. 1,546,905) in the deferred tax asset for the year has been recognised as follows:

	2016	2015
- Profit and loss account	2,527,454	3,086,180
- Other comprehensive income	249,460	(1,539,275)
	2,776,914	1,546,905

(Amounts in Rs.'000)

	Note	2016	2015
10. STORES, SPARES AND LOOSE TOOLS			
Stores		236,163	228,976
Spares and loose tools		15,089	14,616
		251,252	243,592
Provision for impairment		(32,274)	(35,899)
		218,978	207,693

11. STOCK-IN-TRADE

	Note	2016	2015
Petroleum and other products (gross)	11.1	36,718,046	35,594,942
Less: Stock held on behalf of third parties	11.2	(2,247,901)	(2,433,626)
		34,470,145	33,161,316
Provision for slow moving products		(21,456)	(21,456)
		34,448,689	33,139,860
In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited		10,808,061	19,662,617
		45,256,750	52,802,477
Add: Charges incurred thereon		5,577,283	5,689,824
		50,834,033	58,492,301

11.1 Includes stock-in-transit amounting to Rs. 14,623,793 (2015: Rs.12,991,920) and stocks held by:

	2016	2015
Pakistan Refinery Limited - associated undertaking	107,529	107,529
Shell Pakistan Limited	232,559	304,636
Byco Petroleum Pakistan Limited	2,466	3,049
	342,554	415,214

11.2 Represents stock held-in-trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2015: Rs. 23,730) recoverable there against. This also includes stock held on behalf of related parties amounting to Rs. 40,518 (2015: Rs. 37,515).

(Amounts in Rs.'000)

12. TRADE DEBTS

	Note	2016	2015
Considered good			
- Due from Government agencies and autonomous bodies			
- Secured	12.1	24,739	29,403
- Unsecured	12.2 & 12.4	129,780,399	126,899,094
		129,805,138	126,928,497
- Due from other customers			
- Secured	12.1	937,411	748,052
- Unsecured	12.2 & 12.4	47,528,469	53,101,749
		48,465,880	53,849,801
		178,271,018	180,778,298
Considered doubtful		4,598,671	4,525,553
Trade debts - gross		182,869,689	185,303,851
Provision for impairment	12.2, 12.3 & 12.4	(4,598,671)	(4,525,553)
Trade debts - net		178,271,018	180,778,298

12.1 These debts are secured by way of security deposits and bank guarantees.

12.2 Included in trade debts is an aggregate amount of Rs. 146,525,466 (June 30, 2015: Rs. 148,020,543) due from Water and Power Development Authority (WAPDA), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO), as at June 30, 2016. These include overdue debts of Rs. 97,418,727 (June 30, 2015: Rs. 93,466,658), Rs. 36,081,348 (June 30, 2015: Rs. 30,372,233) and Rs. 758,230 (June 30, 2015: Rs. 6,491,532) from WAPDA, HUBCO & KAPCO, respectively, based on the agreed credit terms.

However, based on the Company's provisioning policy, receivables of Rs. 72,108,220 (June 30, 2015: Rs. 41,234,990) and Rs. 29,830,783 (June 30, 2015: Rs. 10,555,849) from WAPDA & HUBCO, respectively, are past due out of the aforementioned overdue balances. The Company carries a specific provision of Rs. 532,139 (June 30, 2015: Rs. 610,544) against these debts and did not consider the remaining aggregate past due balance as at June 30, 2016 of Rs. 101,406,864 (against which subsequent receipts of Rs. 4,806,300 from WAPDA and Rs. 7,083,900 from HUBCO have been made), as doubtful, as the Company based on measures undertaken by the GoP is confident that the aforementioned debts will be received in due course of time.

Further, as at June 30, 2016 against the remaining trade debts aggregating Rs. 8,975,851 (June 30, 2015: Rs. 9,554,856), which were past due, the Company carries a provision of Rs. 4,066,532 (June 30, 2015: Rs. 3,915,009). The impaired debts relate to various customers which are facing difficult economic conditions. The Company monitors risk profile of the customers considering ageing of existing balances and past payment history and makes appropriate provision against impaired debts based on time based criteria and other specific factors relevant to the customers. The ageing of these past due trade debts is as follows:

	2016	2015
3 to 6 months	19,332	51,691
More than 6 months	8,956,519	9,503,165
	8,975,851	9,554,856

Based on the past experience, past track record and recoveries, the Company believes that the above past due trade debts do not require any additional provision for impairment except as provided.

(Amounts in Rs.'000)

	Note	2016	2015
12.3 The movement in provision during the year is as follows:			
Balance at beginning of the year		4,525,553	2,874,026
Provision recognised during the year		346,945	2,053,837
Reversal due to recoveries during the year		(273,827)	(402,310)
	30	73,118	1,651,527
Balance at end of the year		4,598,671	4,525,553

12.3.1 The provision has been recognised on trade debts as follows:

	2016	2015
3 to 6 months	3,780	15,921
6 months to 1 year	1,377,641	1,866,943
1 year to 2 years	819,787	69,346
More than 2 years	2,397,463	2,573,343
	4,598,671	4,525,553

12.3.2 As at June 30, 2016, remaining trade debts aggregating to Rs. 3,403,400 (2015: Rs. 8,085,737) were past due but not impaired. These relate to a number of government and other customers. The ageing analysis of these trade debts is as follows:

	2016	2015
Up to 1 month	320,540	3,881,615
1 to 3 months	641,079	1,384,632
3 to 6 months	2,441,781	2,819,490
	3,403,400	8,085,737

12.4 Amounts due from related parties, included in trade debts, are as follows:

	Up to 6 months	More than 6 months (Past Due)	Total 2016	Total 2015
Water and Power Development Authority	34,131,389	72,108,220	106,239,609	106,200,605
Sui Northern Gas Pipeline Limited	11,066,558	-	11,066,558	-
Pakistan International Airlines Corporation	5,411,844	6,910,774	12,322,618	13,202,860
K-Electric Limited	1,202,557	1,635	1,204,192	4,000,682
Pakistan Railways	846,789	-	846,789	936,223
Kot Addu Power Company Limited	758,230	-	758,230	6,491,532
Oil & Gas Development Corporation Limited	207,651	-	207,651	337,352
National Logistic Cell	186,344	61,906	248,250	315,335
Pakistan Petroleum Limited	43,076	-	43,076	27,632
Sui Southern Gas Company Limited	2,860	-	2,860	-
Pakistan Steel Mills Corporation Limited	525	-	525	46,356
Civil Aviation Authority	457	-	457	657
Frontier Works Organization	-	-	-	463
Pakistan National Shipping Corporation	-	2,021	2,021	2,021
	53,858,280	79,084,556	132,942,836	131,561,718
Provision for impairment (note 12.4.1)			(2,698,407)	(2,493,622)
Net receivable from related parties			130,244,429	129,068,096

For the year ended June 30, 2016 (Amounts in Rs.'000)

	2016	2015
12.4.1 The movement in provision during the year is as follows:		
Balance at beginning of the year	2,493,622	604,928
Provision during the year	284,062	1,888,694
Reversals due to recoveries during the year	(79,277)	-
	204,785	1,888,694
Balance at end of the year	2,698,407	2,493,622

13. LOANS AND ADVANCES - considered good (interest free)

	Note	2016	2015
Secured			
Loan and advances to executives and employees			
- Current portion of long-term loans and advances, including Rs. 55,009 (2015: Rs. 77,245) to executives	7	108,402	104,039
- Short-term loans		64,065	32,515
		172,467	136,554
Advance against shares under Share Purchase Agreement (SPA)	13.1	1,680,000	1,680,000
Unsecured			
Advance to suppliers	13.2	99,802	99,802
Advance for Company-owned filling stations		6,881	218,809
		106,683	318,611
		1,959,150	2,135,165

13.1 This represents advance paid against purchase of 84 million right shares at the rate of Rs. 20 per share from Shell Petroleum Company Limited (Shell). These shares comprise 26.66% shareholding of PRL and have been purchased in accordance with the Share Purchase Agreement dated June 16, 2015 entered into between the Company and Shell. In accordance with SPA, the Company paid Rs. 840,000 to PRL on June 16, 2015 as advance consideration to Shell at the face value of Rs.10 per share and deposited the remaining Rs. 840,000 in the 'Escrow Account' maintained with Standard Chartered Bank (Pakistan) Limited. Currently, these 84 million shares have also been placed in Escrow Account in accordance with the terms of SPA.

During the year, the Competition Commission of Pakistan (CCP), vide its Order dated March 1, 2016, provided unconditional approval for the acquisition of 63 million shares. However, the acquisition of 21 million shares (out of the 84 million shares) has been subject to the final decision of Honourable High Court of Sindh. Furthermore, it has been stated in the said Order that whether the intended acquisition itself materialises and is successfully concluded will be conditional upon a final determination of factual controversies pending before the Honourable High Court of Sindh, and that the merging parties have been directed to intimate the CCP immediately upon a final disposal of the pending litigation. It has been further mentioned in the order that the completion of transaction whether in respect of 63 million shares or the entire 84 million shares would not lessen competition in any relevant market and would not otherwise be anti-competitive.

(Amounts in Rs.'000)

Subsequently, on April 26, 2016 the Company received a memorandum of appeal from counsel of Hascol Petroleum Limited (HASCOL) intimating about filing of appeal before the Competition Appellate Tribunal, whereby, it has been, inter alia, prayed to set aside the CCP order dated March 01, 2016 and prohibit the Company and PRL from carrying out any exclusionary conduct in the supply of petroleum products to HASCOL and other OMC's on the basis of distinction between Class A and Class B shareholders or otherwise. Notice dated May 16, 2016 from Competition Appellate Tribunal has been received on May 24, 2016 whereby respondents have been conveyed to restrain from taking any adverse action till the decision of appeal against HASCOL. The Company has filed the response against the said notice on July 18, 2016.

13.2 Includes Rs. 60,001 (2015: Rs. 60,001) to Pak-Arab Refinery Company Limited, a related party, against purchase of Liquefied Petroleum Gas (LPG).

14. DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2016	2015
Deposits - interest free			
Duty and development surcharge		2,288,209	1,691,777
Deposit against court orders		53,006	53,006
		2,341,215	1,744,783
Prepayments			
Rentals and others		111,832	44,392
Current portion of long-term prepaid rentals	8	99,114	114,185
		210,946	158,577
		2,552,161	1,903,360

(Amounts in Rs.'000)

15. OTHER RECEIVABLES - unsecured

	Note	2016	2015
Due from Government of Pakistan (GoP), a related party, on account of:			
- Price differential claims (PDC)			
- on imports (net of related liabilities) of motor gasoline	15.1	1,350,961	1,350,961
- on High Speed Diesel	15.2	602,603	602,603
- on Ethanol E-10 fuel		27,917	27,917
- on account of supply of Furnace Oil to K-Electric Limited at Natural Gas prices	15.3	3,908,581	3,908,581
- Water and Power Development Authority (WAPDA) receivables	15.4	3,407,357	3,407,357
		9,297,419	9,297,419
- Excise, Petroleum Levy, customs duty and regulatory duty	15.5	659,287	711,506
- Sales tax refundable		8,643,173	2,321,013
		18,599,879	12,329,938
Provision for impairment (related party)	15.6	(83,112)	(83,112)
		18,516,767	12,246,826
Handling and hospitality charges		850,121	891,219
Product claims - Insurance and others - considered doubtful		90,201	90,201
Provision for impairment	15.6	(90,201)	(90,201)
		-	-
Inland Freight Equalization Margin (IFEM) including freight equalization receivable from GoP (related party)		3,811,905	3,662,475
Others			
- considered good	15.7	3,084,532	2,749,661
- considered doubtful		1,602,549	1,377,184
		4,687,081	4,126,845
Provision for impairment	15.6	(1,602,549)	(1,377,184)
		3,084,532	2,749,661
		26,263,325	19,550,181

(Amounts in Rs.'000)

15.1 Import price differential on motor gasoline

These represents price differential claims on account of import of motor gasoline by the Company in, being the difference between their landed costs and the ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other Oil Marketing Companies (OMCs) were asked in the meeting chaired by Director General (Oil) to import motor gasoline to meet the increasing local demand. Accordingly, OMCs approached the Ministry of Petroleum and Natural Resources (MoP&NR), Government of Pakistan (GoP) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Although at that time, no response was received from the MoP&NR, the Company alongwith another OMC continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoP&NR's instruction.

The Company continued to follow up this matter with MoP&NR for an early settlement of these claims and the concerned ministry has also confirmed vide its letter No. PL-NP(4) /2010-F&P dated July 28, 2010 that the above mentioned claims are under process. During financial year 2010-2011, MoP&NR - GoP vide its letter No. PL-3(434)/2011Vol XII dated May 31, 2011 implemented the ECC decision whereby end consumer price of motor gasoline will be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Out of total claim of Rs. 6,350,961, the Company received an amount of Rs. 5,000,000 during the year ended June 30, 2012. MoP&NR vide its letter No. PL-7(4)/2012-13 dated March 1, 2013 informed the Ministry of Finance (MoF) regarding the balance amount payable to the Company and advised to include in budgetary allocation. The Company wrote a letter dated January 26, 2015 to Directorate General (Oil) MoP&NR, requesting for the inclusion of said claim in the Federal Budget 2015-16, however, the said claim was not included in Federal Budget 2015-16. Further, in response to confirmation request sent by the Company, MoP&NR vide its letter dated August 18, 2015 informed that the said claim will be processed after completion of a special audit.

During the year, the Company again wrote to MoP&NR through letter dated Feburary 22, 2016 for inclusion of this claim in Federal Budget 2016 -17. The Company is actively pursuing this matter with GoP through MoP&NR and is confident to recover the amount in due course of time.

15.2 Price differential claims (PDC) on High Speed Diesel (HSD)

This represents the balance of PDC due from GoP. These claims have arisen on instructions of MoP&NR for keeping the consumer prices of HSD products stable.

The GoP vide letter No. 2(5)/2008-BR-1/398 dated April 25, 2012 directed the Company to adjust an amount of Rs. 514,600 against dividends payable to GoP. Accordingly, the Company adjusted entire amount of Rs. 514,600 out of dividends paid subsequent to that direction.

Last year, the Company wrote a letter dated January 26, 2015 to Directorate General (Oil) MoP&NR, requesting for the inclusion of said claim in the Federal Budget 2015-16, however, the said claim was not included in Federal Budget 2015-16. Further, in response to confirmation request sent by the Company, MoP&NR vide its letter dated August 18, 2015 informed that the said claim will be processed after completion of a special audit.

During the year, the Company again wrote to MoP&NR through letter dated Feburary 22, 2016 for inclusion of this claim in Federal Budget 2016 -17.The Company is actively pursuing this matter with GoP through MoP&NR and is confident to recover the amount in due course of time.

15.3 Price differential claim on account of supply of furnace oil to K-Electric Limited (KEL) at Natural Gas prices

The Company received a directive from MoP&NR through letter No. NG(1)-7(58)09-LS(Vol-1) dated November 26, 2009 in which the Company was directed to supply furnace oil to KEL at the prices equivalent to natural gas prices plus applicable duties and taxes under the Natural Gas Load Management Program (GLMP) for Winter 2009-2010. As per this arrangement the differential cost between the natural gas and furnace oil was to be borne by GoP and reimbursed directly to the Company by MoF. The Company was again directed by GoP in May 2010 to supply furnace oil to KEL at natural gas prices. Accordingly, furnace oil was provided to KEL at natural gas price which resulted in price differential claim of Rs. 5,708,581 out of which Rs. 1,800,000 were received from MoF in June 2010.

The Ministry of Water & Power (MoW&P) vide its letter dated December 24, 2012 requested MoF to settle the above mentioned claims at the earliest. The MoP&NR vide its letter No. DOM-3(17)/2013 dated April 19, 2013 has also requested MoF to process the claim of PSO at the earliest. In last year, the Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-2015. Subsequently, MoW&P vide its letter dated March 26, 2014 requested the MoF for inclusion of the said claim in the Federal Budget 2014-15, but the said amount was not included in said Budget 2014-15.

Last year, MoW&P vide its letter No. PF-5(13)/2012 dated March 9, 2015 referred the matter to MoF for consideration in Federal Budget 2015-2016, however the said claim could not be included in the Federal Budget 2015-16. During the year, the Company vide its letter dated May 3, 2016 had again requested MoW&P for recommending this case for inclusion in the Federal Budget 2016-2017. The Company is fully confident to recover the amount in due course of time as the said claim is being consistently followed up with concerned Ministries.

15.4 WAPDA - Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO)

In 1996, through a decision taken at a meeting of the Privatisation Commission and Finance Division - GoP, the Company was advised to supply LSFO to Kot Addu Power Project at the HSFO price and WAPDA was advised to absorb the price differential between the two products. However, later on in accordance with the decision of ECC dated November 4, 2003, the Company was allowed to recover this amount through a pricing mechanism in addition to recovery of the amount outstanding against its other white oil claims for import price differential. As the validity period for said recovery mechanism expired on December 31, 2004, hence the Company could not make any recovery on this account through the recovery mechanism as other white oil price differential claims had to be recovered first which also could not be recovered in full through this recovery mechanism. However, the Company continued to follow up the matter with MoP&NR. In 2005, the Company submitted an independent report on the verification of the above claim to MoP&NR, upon their request. In 2006, a joint reconciliation exercise was carried out with WAPDA as per the decision taken in a meeting held on May 19, 2006 under the chairmanship of Additional Finance Secretary (GoP) and the final reconciliation statements were submitted to MoF and WAPDA. Subsequently, on February 3, 2007 the Company and WAPDA agreed upon the final receivable balance of Rs. 3,407,357. MoP&NR vide its letter No. PL-7(4)/2012-13 dated March 01, 2013 has requested the MoF to make a provision of the said amount in the Federal Budget 2013-2014.

During the year ended 30 June 2014, MoP&NR vide its letter No. PL-7(4)/2012-13 dated September 23, 2013 requested MoW&P to take up the matter with MoF to settle this long outstanding issue. The Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-2015. Further, MoP&NR had also issued a letter dated June 20, 2014 to MoW&P on said claim that till date no payment has been received by the Company, hence the said claim may also be recommended to MoF for budgetary provision.

In prior year, the Company vide its letter No. PDC/96/13/001 dated January 27, 2015 requested MoW&P to take up the matter with MoF to settle the claim. MoW&P vide its letter No. PF-5(13)/2012 dated March 9, 2015 sought certain clarifications regarding the claim. The Company vide its letter No. PDC/96/15/001 dated March 31, 2015 replied to the clarification sought by MoW&P and requested for inclusion of the said claim in Federal Budget 2015-2016, however the said claim was not included in the Federal Budget 2015-16. During the year, the Company vide its letter dated May 3, 2016 had again requested MoW&P for recommending this case for inclusion in the Federal Budget 2016-2017. The Company is fully confident to recover the amount in due course of time as the said claim is being consistently followed up with concerned Ministries.

15.5 This includes receivable in respect of regulatory duty imposed by the Ministry of Finance - GoP through SRO 392(I)/2015 dated April 30, 2015 on import of high speed diesel and motor gasoline. Under the product pricing formula, the OMCs were required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. Since the notification of regulatory duty was received on May 4, 2015, the impact of the regulatory duty could not be incorporated in the prices effective from May 1, 2015, which were announced on April 30, 2015. Therefore, the recovery of regulatory duty was to be made through subsequent month's prices of petroleum products. However, through SRO 603(I)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty amounting to Rs. 391,273. The Company is currently engaged with the MoP&NR and is actively pursuing recovery thereagainst. MoP&NR, in accordance with the decision of Economic Coordination Committee (ECC) dated July 10, 2015, has requested OGRA to develop a comprehensive recovery mechanism of regulatory duty based on the principle that there should be no gain or loss to OMCs.

During the year, a meeting was held with OGRA on November 11, 2015 wherein OGRA reviewed and discussed the claims put forth by the Company and other OMC's in this regard. The Company has been following up for recovery of this claim since then and is confident to recover the amount in due course of time.

15.6 As at June 30, 2016 receivables aggregating to Rs. 1,775,862 (2015: Rs. 1,550,497) were deemed to be impaired, and hence provision has been made there against as follows:

(Amounts in Rs.'000)

	Note	2016	2015
Provision against receivable from GoP		83,112	83,112
Provision against product claims		90,201	90,201
Provision against other receivables		1,602,549	1,377,184
		1,775,862	1,550,497

The movement in provision for impairment is as follows:

	Note	2016	2015
Balance at beginning of the year		1,550,497	1,373,123
Provision recognised during the year		287,000	177,374
Reversals during the year		(61,635)	-
	30	225,365	177,374
Balance at end of the year		1,775,862	1,550,497

15.7 Includes receivables of Rs. 35,042 (2015: Rs. 30,881) on account of facility charges due from Asia Petroleum Limited (a related party).

15.8 As at June 30, 2016, receivables other than freight equalization, Petroleum Levy, custom duty and sales tax refundable aggregating Rs. 12,631,503 (2015: Rs. 12,938,299) were past due but not impaired. The ageing of these receivables (net of provision) is as follows:

	Note	2016	2015
Up to 3 months		360,847	523,789
3 to 6 months		1,017,304	100,471
More than 6 months		11,253,352	12,314,039
		12,631,503	12,938,299

16. CASH AND BANK BALANCES

	Note	2016	2015
Cash in hand		9,537	9,273
Cash-in-transit	16.1	3,447,000	-
Cash at banks:			
- in current accounts	16.2	2,277,413	2,301,489
- in saving accounts	16.3	2,263	1,122
		2,279,676	2,302,611
	16.4	5,736,213	2,311,884

16.1 This represents amount received subsequent to year end from HUBCO against instructions given by HUBCO to respective banks for transfer of funds to the Company on June 30, 2016.

16.2 Includes Rs. 1,267,081 (2015: Rs. 1,169,405) kept in a separate bank account in respect of security deposits received from the customers. These balances do not carry any interest.

16.3 These balances carry mark-up ranging from 4% to 7% (2015: 4.5% to 7%) per annum.

16.4 These balances are held in accounts maintained under conventional banking.

(Amounts in Rs.'000)

17. NET ASSETS IN BANGLADESH	2016	2015
Property, plant and equipment - at cost	46,968	46,968
Accumulated depreciation	(16,056)	(16,056)
	30,912	30,912
Capital work-in-progress	809	809
Debtors	869	869
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	28,589	28,589
Provision for impairment	(28,589)	(28,589)
	-	-

The Company has no control over these assets and has maintained these in its records at the position as it was in 1971.

18. SHARE CAPITAL

18.1 Authorized capital

2016 (Number of shares)	2015 (Number of shares)		2016	2015
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000	5,000,000

18.2 Issued, subscribed and paid-up capital

2016 (Number of shares)	2015 (Number of shares)		2016	2015
3,000,000	3,000,000	Ordinary shares of Rs. 10 each issued for cash	30,000	30,000
7,694,469	7,694,469	Ordinary shares of Rs. 10 each issued against shares of the amalgamated companies	76,945	76,945
260,991,470	260,991,470	Ordinary shares of Rs. 10 each issued as bonus shares	2,609,915	2,609,915
271,685,939	271,685,939		2,716,860	2,716,860

18.3 These fully paid ordinary shares carry one vote per share and rights to dividend.

(Amounts in Rs.'000)

19. RESERVES

	Note	2016	2015
Capital reserves			
Surplus on vesting of net assets	19.1	3,373	3,373
Revenue reserves			
Unrealised gain on revaluation of long-term available-for-sale investments - net of tax		1,332,637	1,658,020
Company's share of unrealised gain on available-for-sale investments of associates		1,745	566
- General reserve		25,282,373	25,282,373
- Unappropriated profit		62,244,337	52,649,104
		88,861,092	79,590,063
		88,864,465	79,593,436

19.1 This represents surplus arising on vesting of net assets of Esso Oil Marketing business in Pakistan under the Esso Undertakings (Vesting) Act, 1976.

20. RETIREMENT AND OTHER SERVICE BENEFITS

	Note	2016	2015
Gratuity	20.1.1	292,375	1,259,472
Pension	20.1.1	2,698,398	4,207,661
Medical benefits	20.1.1	2,861,692	2,415,925
Compensated absences		381,667	437,706
		6,234,132	8,320,764

20.1 The details of employee retirement and other service benefit obligations based on actuarial valuations carried out by an independent actuary as at June 30, 2016 under the Projected Unit Credit Method are as follows:

20.1.1 Balance sheet reconciliation

		Gratuity fund		Pension funds		Medical benefits	
	Note	2016	2015	2016	2015	2016	2015
Present value of defined benefit obligations	20.1.2	5,150,030	5,809,804	12,284,584	12,928,359	2,861,692	2,415,925
Fair value of plan assets	20.1.3	(4,857,655)	(4,550,332)	(9,586,186)	(8,720,698)	-	-
Net liability at end of the year	20.1.8	292,375	1,259,472	2,698,398	4,207,661	2,861,692	2,415,925

20.1.2 Movement in present value of defined benefit obligations

	Gratuity fund 2016	Gratuity fund 2015	Pension funds 2016	Pension funds 2015	Medical benefits 2016	Medical benefits 2015
Present value of defined benefit obligations at beginning of the year	5,809,804	3,951,877	12,928,359	7,800,697	2,415,925	2,015,823
Current service cost	307,369	225,176	341,082	231,631	53,719	44,686
Interest cost	527,330	508,792	1,106,956	1,010,983	237,970	261,112
Benefits paid during the year	(241,535)	(94,088)	(416,366)	(296,624)	(72,447)	(47,640)
Remeasurement: Actuarial (gain) / loss	(1,252,938)	1,218,047	(1,675,447)	4,181,672	226,525	141,944
Present value of defined benefit obligations at end of the year	5,150,030	5,809,804	12,284,584	12,928,359	2,861,692	2,415,925

(Amounts in Rs.'000)

	Gratuity fund		Pension funds		Medical benefits	
	2016	2015	**2016**	2015	**2016**	2015
20.1.3 Movement in fair value of plan assets						
Fair value of plan assets at beginning of the year	4,550,332	2,818,267	8,720,698	6,069,623	-	-
Expected return on plan assets	453,583	362,315	870,756	789,788	-	-
Contributions made by the Company	212,539	1,503,061	390,094	2,155,616	-	-
Benefits paid during the year	(241,535)	(94,088)	(416,366)	(296,624)	-	-
Remeasurement: Actuarial (loss) / gain	(117,264)	(39,223)	21,004	2,295	-	-
Fair value of plan assets at end of the year	4,857,655	4,550,332	9,586,186	8,720,698	-	-
20.1.4 Expense recognized in profit and loss account						
Current service cost	307,369	225,176	341,082	231,631	53,719	44,686
Net interest expense	73,747	146,477	236,200	221,195	237,970	261,112
Expense for the year	381,116	371,653	577,282	452,826	291,689	305,798
20.1.5 Actual return on plan assets	336,319	323,092	891,760	619,275	-	-
20.1.6 Remeasurement (gain) / losses recognised in other comprehensive income						
Actuarial (gain) / loss on defined benefit obligation	(1,252,938)	1,218,047	(1,675,447)	4,181,672	226,525	141,944
Remeasurement of fair value of plan assets	117,264	39,223	(21,004)	(2,295)	-	-
Remeasurement (gain) / loss	(1,135,674)	1,257,270	(1,696,451)	4,179,377	226,525	141,944
20.1.7 The Actuarial (gains) / losses occured on account of following:						
- Financial assumptions	(790,195)	1,059,544	(1,780,064)	3,237,139	-	48,318
- Experience adjustments	(462,743)	158,503	104,617	944,533	226,525	93,626
	(1,252,938)	1,218,047	(1,675,447)	4,181,672	226,525	141,944
20.1.8 Net recognised liability						
Net liability at beginning of the year	1,259,472	1,133,610	4,207,661	1,731,074	2,415,925	2,015,823
Expense recognised in profit and loss account	381,116	371,653	577,282	452,826	291,689	305,798
Contributions during the year	(212,539)	(1,503,061)	(390,094)	(2,155,616)	(72,447)	(47,640)
Remeasurement (gain)/loss recognised in other comprehensive income	(1,135,674)	1,257,270	(1,696,451)	4,179,377	226,525	141,944
Net liability at end of the year	292,375	1,259,472	2,698,398	4,207,661	2,861,692	2,415,925
20.2 Plan assets comprise of following						
Special Saving Certificates	3,851,673	2,986,472	6,481,701	4,870,888	-	-
Term Finance Receipt	-	1,000,000	-	1,300,000	-	-
Mutual funds	704,405	270,866	1,254,209	820,042	-	-
Pakistan Investment Bonds	182,297	181,125	811,141	806,796	-	-
Quoted shares	-	-	758,105	725,819	-	-
Term Finance Certificates	76,434	69,145	123,952	95,077	-	-
Accrued income	9,792	25,847	36,489	51,133	-	-
Cash and cash equivalents (after adjusting liabilities)	33,054	14,715	120,589	50,943	-	-
Other receivables	-	2,162	-	-	-	-
Fair value of plan assets at end of the year	4,857,655	4,550,332	9,586,186	8,720,698	-	-

(Amounts in Rs.'000)

20.2.1 Plan assets include the Company's ordinary shares with a fair value of Rs. 180,182 (2015: Rs. 172,987).

20.3 The principal assumptions used in the actuarial valuations carried out as of June 30, 2016, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund		Pension funds		Medical benefits		Compensated absences	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate per annum (%)	9.00	10.00	9.00	10.00	9.00	10.00	9.00	10.00
Expected per annum rate of return on plan assets (%)	9.00	10.00	9.00	10.00	-	-	-	-
Expected per annum rate of increase in future salaries (%)	9.00	12.00	9.00	12.00	-	-	9.00	12.00
Expected per annum rate of increase in medical costs (%):								
- active employees	-	-	-	-	7.00	8.00	-	-
- pensioners	-	-	-	-	9.00	10.00	-	-
Indexation of pension (%)	-	-	4.00	5.00	-	-	-	-
Expected mortality rate	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table	SLIC (2001-05) Ultimate Mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent

20.3.1 The plans expose the Company to the actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

20.4 In case of the funded plans, the investment positions are managed by Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage risks has not been changed from previous periods. Investments are well diversified and a large portion of plan assets in 2016 consist of Special Saving Certificates and Pakistan Investment Bonds.

20.4.1 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

(Amounts in Rs.'000)

20.4.2 Expected contributions to gratuity fund and pension funds for the year ending June 30, 2017 are Rs. 239,213 and Rs.635,494 (2015: Rs. 243,148 and Rs. 653,843) respectively.

20.4.3 Historical information of staff retirement benefits

	2016	2015	2014	2013	2012
			Rupees		
Pension Plan Funded					
Present value of defined benefit obligation	12,284,584	12,928,359	7,800,697	6,268,180	6,268,180
Fair value of plan assets	(9,586,186)	(8,720,698)	(6,069,623)	(4,586,850)	(3,690,014)
Deficit	2,698,398	4,207,661	1,731,074	1,681,330	2,578,166
Gratuity Plans Funded					
Present value of defined benefit obligation	5,150,030	5,809,804	3,951,877	3,172,309	2,903,619
Fair value of plan assets	(4,857,655)	(4,550,332)	(2,818,267)	(2,204,324)	(1,508,365)
Deficit	292,375	1,259,472	1,133,610	967,985	1,395,254

20.4.4 Defined contribution plans

An amount of Rs.132,401 has been charged during the year in respect of defined contribution plan maintained by the Company.

20.5 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Gratuity fund	**Pension funds**	**Medical benefits**
Discount rate (1% increase)	4,779,079	10,735,278	2,358,486
Discount rate (1% decrease)	5,574,076	14,215,372	3,528,791
Future salary increase rate (1% increase)	5,594,425	12,940,464	-
Future salary increase rate (1% decrease)	4,754,932	11,702,454	-
Future pension increase rate (1% increase)	-	13,560,161	-
Future pension increase rate (1% decrease)	-	11,186,795	-
Medical cost trend rate (1% increase)	-	-	5,630,690
Medical cost trend rate (1% decrease)	-	-	5,230,253

If longevity increases by 1 year, obligation increases by Rs. 396,124.

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity, pension and medical benefits recognised within the balance sheet. There has been no change in assumptions and methods used in preparing the sensivity analysis from prior year.

(Amounts in Rs.'000)

20.6 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the funds, at the beginning of the year.

20.7 The expected maturity analysis of undiscounted retirement benefit plans is:

	Gratuity fund	Pension funds	Medical benefits
Less than a year	618,592	464,836	123,245
Between 1-2 years	374,813	502,852	126,749
Between 2-3 years	449,251	595,420	167,907
Between 3-4 years	474,510	705,520	193,435
Between 4-5 years	393,228	783,713	127,522
Between 6-10 years	2,520,250	5,833,698	1,095,881
Over 10 years	6,819,826	277,121,553	1,658,907

21. TRADE AND OTHER PAYABLES

	Note	2016	2015
Local creditors	21.1 & 21.2	11,305,166	20,233,078
Foreign creditors	21.1 & 21.3	59,308,410	61,552,639
		70,613,576	81,785,717
Security deposits	21.4	2,831,756	2,541,741
Accrued expenses and other liabilities	21.5, 21.6, 21.7 & 21.8	52,166,046	50,055,640
Due to Oil Marketing Companies (OMC) and refineries		712,867	812,530
Advances			
- from customers		4,502,832	3,891,528
- against equipments		1,743	1,883
		4,504,575	3,893,411
Taxes and other government dues			
- Excise, taxes and other duties		4,254,941	5,760,690
- Octroi		31,590	31,590
- Income tax deducted at source		89,721	95,561
		4,376,252	5,887,841
Workers' Profits Participation Fund	21.8	852,720	183,264
Workers' Welfare Fund		553,221	392,811
Unclaimed dividends		1,174,061	1,445,918
Others		105,119	46,380
		137,890,193	147,045,253

21.1 The average credit period on import is 30 days on white oil, 60 days on black oil and ranges between 14 to 21 days on LNG. On local purchases, the Company is availing 13 to 14 days credit. Thereafter, interest is charged in accordance with the terms of agreement on the outstanding balance.The imports of oil and LNG are secured against letters of credit.

(Amounts in Rs.'000)

	2016	2015
21.2 This includes amounts payable to following related parties:		
Pak-Arab Refinery Company Limited	4,476,976	5,970,726
Pakistan Refinery Limited - associated undertaking	2,155,417	1,741,899
Pak Grease Manufacturing Company (Private) Limited - associated undertaking	-	15,274
	6,632,393	7,727,899

21.3 This includes amount of Rs. 5,963,146 (2015: Rs. 3,835,697) in respect of import of LNG.

21.4 Security deposits	Note	2016	2015
Dealers	21.4.1	680,667	638,515
Equipment	21.4.2	188,709	197,886
Cartage contractors	21.4.3	630,924	613,829
Card holders	21.4.4	1,059,262	780,499
Suppliers	21.4.4	190,172	234,494
Others	21.4.4	82,022	76,518
		2,831,756	2,541,741

21.4.1 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand.

21.4.2 These represent interest-free deposits from customers against Liquefied Petroleum Gas (LPG) equipment. The deposits are refundable on the return of equipments and are payable on demand.

21.4.3 These represent interest bearing deposits from contractors against the cartage contracts for transportation of petroleum products. The deposits are refundable on cancellation of these contracts.

21.4.4 These represent non-interest bearing security deposits and are repayable on termination of contract / performance of the services.

21.5 Includes Rs. 1,140,391 (2015: Rs. 1,124,840) payable to Pakistan National Shipping Corporation, a related party, on account of freight and demurrage charges.

21.6 Includes amount due to various related parties on account of insurance premium, late payment surcharge, pipeline and other charges aggregating to Rs. 17,221,222 (2015: Rs. 16,553,614).

21.7 Includes favourable exchange difference of Rs. 2,536,634 (2015: Rs. 2,506,217) arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - GoP. These exchange differences are to be settled in accordance with the instructions to be obtained by the Company from MoF-GoP.

(Amounts in Rs.'000)

21.8 Workers' Profits Participation Fund	**Note**	**2016**	2015
Balance at beginning of the year		183,264	1,748,278
Add: Allocation for the year	30	852,720	633,264
		1,035,984	2,381,542
Less: Payments during the year		(183,264)	(2,198,278)
Balance at end of the year		852,720	183,264

22. PROVISIONS

These represent provisions for certain legal claims raised by the regulatory authorities against the Company. The outcome of these legal claims will not give rise to any significant loss beyond those provided for.

23. SHORT-TERM BORROWINGS - secured

	Note	**2016**	2015
Short-term finances			
- Local currency - conventional bank	23.1, 23.2, 23.3 & 23.4	22,667,081	60,179,405
- Foreign currency	23.5	46,435,810	-
		69,102,891	60,179,405
Finances under mark-up arrangements	23.1, 23.2 & 23.4	36,010,038	41,896,109
		105,112,929	102,075,514

23.1 The total outstanding balance is against the facilities aggregating Rs. 91,302,000 (2015: Rs. 107,411,600) available from various banks. These facilities are secured by way of floating / pari passu charge on Company's stocks, receivables, collateralized PIBs and trust receipts.

23.2 This includes Nil (2015: Rs. 4,800,000) outstanding against Islamic financing facilities.

23.3 As at June 30, 2016 accrued mark-up on short-term local borrowings amounted to Rs. 811,639 (2015: Rs. 866,894).

23.4 The rate of mark-up on short-term finance facilities ranges from Re. 0.03 to Re. 0.17 (2015: Re.0.03 to Re. 0.22) per Rs. 1,000 per day. The rate of mark-up for finances under mark up arrangements ranges from Re. 0.18 to 0.24 (2015: Re. 0.20 to 0.26) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

23.5 The rate of mark-up for this facility ranges from Re. 0.08 to 0.11 (2015: Re. 0.14 to 0.17) per Rs. 1,000 per day. This facilty is secured by way of trust receipts of the Company. These loans have been obtained on the directives of Ministry of Finance (MoF) via letter dated September 09, 2015.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

The Company has contingent liabilities in respect of legal claims in the ordinary course of business.

24.1.1 Claims not acknowledged as debts amount to Rs. 17,171,192 (2015: Rs. 13,636,680) other than as mentioned in note 24.1.18. These include claim amounting to Rs. 8,649,123 (2015: Rs. 9,391,307) for delayed payment charges on the understanding that this amount will be payable only when the Company will fully realise interest due from its customers (which is more than the above amount). Charges claimed by the Company for delayed payment by customers due to circular debt are recognised on receipt basis as the ultimate outcome of the matter and amount of settlement between the stakeholders cannot be presently determined.

24.1.2 In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax on the Company to the value of petroleum products imported by the Company on behalf of the GoP by treating the Company as the importer of such products. The Income Tax Appellate Tribunal (ITAT) cancelled the order of the assessing officer, and as a consequence of the order of the ITAT, an amount of Rs. 958,152 became refundable to the Company, which was adjusted against the tax liability of the subsequent years. The department had filed an appeal with the High Court of Sindh against the aforesaid decision of the ITAT, which was adjudicated against the Company. The Company filed petition for leave to appeal with the Supreme Court of Pakistan against the aforementioned decision, which was granted by the Supreme Court of Pakistan through its order dated March 7, 2007. The Supreme Court also suspended the operation of the impugned judgment of the High Court of Sindh. The management maintains that the Company was merely acting as a handling agent on behalf of GoP, which was in fact the importer of the products. Hence, the ultimate liability, if any, is recoverable from GoP, for which the management is in communication with the MoP & NR. Based on the merits of the case and opinion of its legal advisor, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

24.1.3 The Company had received demands for tax year 2004 to 2008 from the taxation authority aggregating to Rs. 823,227 in respect of tax short withheld on incentives paid to dealers. As per the taxation authorities, these payments were in the nature of prices on sales promotions to dealers and hence subject to withholding of tax @ 20% under Section 156 of the Income Tax Ordinance (ITO), 2001. The Company maintains that such incentives to dealers attract tax @ 10% under Section 156A of the ITO, 2001. The Company was contesting the case at Appeallate Tribunal Inland Revenue (ATIR) level which has been decided in favour of the Company during the year. The Company is still evaluating whether the departmental right to appeal has exhausted.

24.1.4 The Inland Revenue officers, through their orders classified the payments in respect of trade discounts and advertisment expenses during tax years 2009 to 2014 as prizes subject to withholding tax @ 20% under section 156 of the Income Tax Ordinance, 2001 (ITO, 2001). Consequently, tax demands aggregating to Rs. 851,183 were created through the aforementioned orders which were subsequently rectified and amended to Rs. 669,142. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 and advertisement expenses attract taxes @ 6% under section 153 of the ITO, 2001 which have been duly paid by the Company. The Company had filed the appeals before Commissioner Inland Revenue (Appeals) (CIR(A)) against these orders which have been upheld by CIR(A). The Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the orders of CIR(A) in respect of tax years from 2009 to 2012 and 2014 whereas it is in the process of filing an appeal in ATIR for tax year 2013. Based on the views of tax advisor of the Company, the management believes that this matter will ultimately be decided in Company's favour. Accordingly, no provision has been made for these tax demands in these financial statements.

24.1.5 The taxation officers have passed assessment orders in respect of tax years 2004 to 2008 and made certain disallowances and additions resulting in an additional tax demand of Rs. 1,733,038. These orders were later rectified and amended to Rs. 1,389,050. The Company filed appeals against these orders before CIR(A) which were decided in favour of the Company on several points. The Company had received revised orders from CIR(A) resulting in tax refunds of Rs. 420,385 which were adjusted against the tax liability for tax year 2015. The Company has filed appeals before ATIR against disallowances/add backs which were upheld by CIR(A) for these years. The appeals with ATIR are pending for hearing except for the tax year 2008 which has been decided against the Company during the year. The Company is in process of filing an appeal thereagainst before the Sindh High Court. Based on views of the tax advisor of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision has been made for these matters in these financial statements.

24.1.6 The taxation officers have passed assessment orders in respect of tax years 2009 to 2011 and made certain disallowances and additions resulting in an additional tax demand of Rs. 4,598,246. The Company filed appeals against these orders before CIR (A) who decided certain matters in favour of the Company. During the year ended June 30, 2013, the Company received revised orders showing a demand of Rs. 740,871 after taking into effect for matters decided in favour of the Company by CIR (A).The Company has filed appeals before ATIR for remaining matters adjudicated against the Company by CIR (A) which are pending for hearing. Based on the views of tax advisor of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.7 Assistant Commissioner Inland Revenue (ACIR) through his orders has made certain additions and disallowances in respect of tax year 2012 and 2013 and created tax demands of Rs. 3,096,173. The Company has filed appeals against the said orders before CIR(A) which were decided against the Company during the year, against which the Company has filed appeals before the ATIR. Based on the views of tax advisor of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.8 ACIR through his orders has made certain additions and disallowances in respect of tax year 2014 and 2015 and created the tax demand of Rs. 35,992,978. The orders were later rectified and amended to Rs. 3,619,899. The Company has filed appeals against the orders before the CIR(A) which are pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.9 A sales tax order dated March 30, 2010 was issued by Deputy Commissioner Inland Revenue (DCIR), FBR in respect of sales tax audit of the Company for the tax years 2004-2007. Under the said order, a demand of Rs. 883,864 was raised on account of certain transactions and default surcharge of Rs. 512,172 was imposed. The ATIR decided the appeals in favour of the Company. However, the tax department has filed an appeal against the aforesaid decision of ATIR in the High Court of Sindh which is pending for hearing. The management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.10 A sales tax order dated June 30, 2011 was issued by the DCIR, FBR in respect of sales tax audit of the Company for tax year 2008. Under the said order, a demand of Rs. 643,759 was raised on account of certain matters and penalty of Rs. 32,188 was imposed. The Company filed an appeal against the said order before the CIR (A) which was decided in favour of the Company. The department has filed an appeal against the order of CIR(A) before the ATIR which is pending for adjudication. Based on the view of tax advisor of the Company, the management believes that the matters will ultimately be decided in favour of Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.11 A sales tax show cause notice dated April 11, 2014 was issued by the ACIR, FBR in respect of sales tax audit of the Company for tax year 2010. Under the said show cause notice, the ACIR has shown his intention to impose a demand of Rs. 5,426,874 on account of certain matters. Further the show cause notice also includes default surcharge and penalty which will be imposed at the time of payment. The Company filed a suit against the said show cause notice before the High Court of Sindh. The High Court of Sindh through order dated May 8, 2014 has restrained the tax authorities from issuing any final order and taking any adverse action against the Company and has further instructed the Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.12 A sales tax order dated October 27, 2014 regarding alleged non charging of sales tax on supply of fuel to International Airlines for the year 2014 was raised by the DCIR, FBR. Under the said order, the DCIR imposed a sales tax demand of Rs. 6,243,369 alongwith default surcharge of Rs. 1,375,082 and a penalty of Rs. 312,168. The Company based on the advice of its tax advisors believe that it has correctly treated the aforesaid supplies as being 'zero' rated. Accordingly, the Company filed a suit against the said order before the High Court of Sindh which has provided a stay order in respect of this demand and restrained the tax authorities from taking any adverse action against the Company. The Company has also filed an appeal against the said order before the CIR (A) which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this respect in these financial statements.

24.1.13 A sales tax order dated January 16, 2013 was issued by DCIR (Adjudication), FBR in respect of delayed payment of sales tax due in sales tax return for March 2011. Under the said order, demand of Rs. 437,305 was raised which comprised default surcharge of Rs. 82,265 and penalty of Rs. 355,040 on late payment. The Company filed an appeal against the said order before CIR (A) which was decided against the Company. The Company, accordingly, filed an appeal against the aforesaid order of CIR (A) before ATIR which vide its order dated September 13, 2013 upheld the imposition of default surcharge, however, vacated penalty imposed for de novo consideration by adjudicating authority. The matter of penalty was again decided against the Company by adjudicating officer and later on by CIR(A) vide its order dated September 29, 2015, against which the Company has filed an appeal before the ATIR on February 18, 2016. Further, the Company has also filed an appeal before the High Court of Sindh against the first order of ATIR, which is pending for hearing. Based on the views of tax and legal advisors of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision in this respect has been made in these financial statements.

24.1.14 During the year 2005, a demand was raised by the Collector of Customs, Sales Tax and Central Excise (Adjudication) in respect of sales tax, central excise duty and petroleum development levy aggregating to Rs. 165,781 inclusive of additional sales tax and central excise duty on exports of POL products to Afghanistan during the period August 2002 to November 2003. The demand was raised on the grounds that the export consignments were not verified by the Pakistan Embassy / Consulate in Afghanistan as required under Export Policy and Procedures, 2000. It is the Company's contention that this requirement was in suspension as in the aforesaid period the Pakistan Embassy

(Amounts in Rs.'000)

/ Consulate was not fully functional. This condition of suspension was removed only on July 22, 2004 through Export Policy Order, 2004 when the Pakistan Embassy / Consulate became fully functional in Afghanistan. Besides the issue of verification, it is also the Company's contention that export of POL products to Afghanistan can be verified from the relevant documents and therefore, the demand is unwarranted. The Company had been contesting the matter before honorable Appellate Tribunal Inland Revenue who has remanded the case back to adjudication officer vide its order dated February 06, 2012. Based on the view of tax advisors, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

24.1.15 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011, the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-III), up to June 30, 2016, the management has deposited Rs. 76,158 in cash and provided bank guarantee amounting to Rs. 76,158 with the Excise and Taxation Department. Based on the views of its legal advisor, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in these financial statements.

24.1.16 During the year 2011, the Deputy District Officer, Property Division-B, Government of Sindh issued a show cause notice dated February 25, 2011 under the Sindh Immovable Properties Tax Act, 1958 against the Company for payment of property tax amounting to Rs. 35,474 in respect of Kemari terminal land rented by the Company from Karachi Port Trust (KPT). The Company has filed a suit in the High Court of Sindh for restraining the relevant authorities from levying and collecting property tax from the Company and against KPT for recovery of property taxes paid on behalf of KPT during earlier periods amounting to Rs. 39,782. The decision of the suit is pending and based on the views of its legal advisors, the management believes that the matter will ultimately be decided in favour of Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.17 During the year ended June 30, 2002, Schedule I to Stamp Duty Act, 1899 was substituted with a revised Schedule vide Stamp (Sindh Amendment) Ordinance, 2002 and stamp duty was levied at the rate of 0.2% of amount of contracts including purchase orders for supply or to undertake cartage of stores and materials. MoP&NR has also approached Chief Minister Sindh vide its letter reference D.O.No.PL-3(413)/2009 dated April 04, 2009 on behalf of the oil marketing companies and refineries and has requested Chief Minister Sindh to direct Board of Revenue, Sindh to withdraw the levy of Stamp Duty on purchases of petroleum products as the pricing of petroleum products is a Federal subject.

Management in consultation with its legal advisors evaluated that the purchases of petroleum, oil and lubricants does not fall within the purview of the said Act and, however, it may be applicable on the purchase of certain items the impact of which will not be significant.

The management of the Company is confident that the merits of the case are in favor of the Company and based on the views of its legal advisors, there will be no financial implication on the Company. Accordingly, no provision has been made in this respect in these financial statements.

(Amounts in Rs.'000)

24.1.18 As at June 30, 2016 certain legal cases amounting to Rs. 3,676,967 (2015: Rs. 3,374,082) had been filed against the Company. However, based on the advice of its legal advisors, the management believes that the outcome of these cases would be decided in Company's favour.

24.2 Commitments

24.2.1 Commitments in respect of capital expenditure contracted for but not as yet incurred is as follows:

	2016	2015
Property, plant and equipment	1,134,781	1,738,790
Intangibles	34,213	16,073
	1,168,994	1,754,863
24.2.2 Letters of credit	15,498,665	9,446,595
24.2.3 Bank Guarantees	1,190,860	1,074,456
24.2.4 Standby letters of credit	8,241,605	-
24.2.5 Post-dated cheques	5,779,000	2,950,623

25. NET SALES

	Note	2016	2015
Gross sales	25.1	906,204,185	1,114,410,796
Less:			
- Discounts / allowances		(176)	(1,832)
- Sales tax		(210,999,957)	(183,891,088)
- Inland Freight Equalization Margin (IFEM)		(17,237,175)	(17,423,499)
		(228,237,308)	(201,316,419)
Net sales		677,966,877	913,094,377

25.1 Includes revenue against sale of Liquified Natural Gas (LNG) amounting to Rs. 80,557,703 (2015: Rs. 17,010,513).

(Amounts in Rs.'000)

26. COST OF PRODUCTS SOLD

	Note	2016	2015
Opening stock		58,492,301	86,297,218
Add: Purchases during the year		647,445,484	862,368,502
		705,937,785	948,665,720
Less: Closing stock	11	(50,834,033)	(58,492,301)
		655,103,752	890,173,419

26.1 Includes cost incurred on manufacturing of lubricants amounting to Rs. 4,283,762 (2015: Rs. 4,379,062).

27. OTHER INCOME

	Note	2016	2015
Income from financial assets			
Mark-up on delayed payments		5,863,705	6,866,104
Mark-up / interest on investments - net of amortisation	27.1	4,526,083	4,514,767
Mark-up on savings bank accounts	27.1	32,797	60,823
Dividend income on available-for-sale investments	27.2	195,494	154,949
		10,618,079	11,596,643
Income from non-financial assets			
Handling, storage and other recoveries		799,865	1,113,574
Commission, handling and other services		730,897	634,066
Commission income from Compressed Natural Gas (CNG) operators		321,268	284,083
Income from non fuel retail business		84,602	94,190
Income from retail outlets - net		67,008	64,148
Scrap sales		7,220	11,987
Gain on disposal of operating assets		27,974	10,184
Penalties and other recoveries		103,314	124,046
Others	27.3	38,037	2,215
		2,180,185	2,338,493
		12,798,264	13,935,136

27.1 This represents mark-up income against non-islamic facilities and investments.

27.2 This includes dividends received from Pak-Arab Pipeline Company Limited - related party.

27.3 This includes other service income on toll blending and liabilities written back.

(Amounts in Rs.'000)

28. DISTRIBUTION AND MARKETING EXPENSES

	Note	2016	2015
Salaries, wages and benefits	20.1.4 & 29.1	4,775,770	4,570,937
Transportation costs		297,897	373,600
Depreciation	4.1.1	916,066	900,472
Security and other services		174,159	144,733
Rent, rates and taxes		342,220	392,980
Repairs and maintenance		854,210	861,744
Insurance		94,635	137,581
Travelling and office transport		190,983	217,339
Printing and stationery		18,148	16,306
Communication		27,463	27,118
Utilities		240,154	303,463
Storage and technical services		368,394	192,351
Sales promotion and advertisement		116,248	125,780
Fees and subscription		9,944	7,126
		8,426,291	8,271,530

29. ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, wages and benefits	20.1.4 & 29.1	1,750,170	1,675,578
Depreciation	4.1.1	82,449	73,484
Amortisation	5	26,810	26,907
Security and other services		20,211	13,897
Rent, rates and taxes		6,059	8,480
Repairs and maintenance		70,051	67,545
Insurance		88,021	86,362
Travelling and office transport		58,742	53,053
Printing and stationery		12,405	14,435
Communication		19,638	19,514
Utilities		69,616	59,940
Storage and technical services		13,705	15,992
Legal and professional		81,935	92,193
Auditors' remuneration	29.3	24,880	13,466
Contribution towards expenses of Board of Management - Oil (a related party)		3,440	5,565
Donations		86,073	167,696
Fees and subscription		8,533	6,717
		2,422,738	2,400,824

29.1 Salaries, wages and benefits also include Rs. 132,401 (2015: Rs. 115,183) and Rs. 44,809 (2015: Rs. 178,579) in respect of Company's contribution towards provident funds and staff compensated absences, respectively.

(Amounts in Rs.'000)

29.2 Remuneration of Managing Director, Directors and Executives

29.2.1 The aggregate charge for the year in respect of remuneration and benefits to the Managing Director and Executives are as follows:

	2016		2015	
	Managing Director	Executives	Managing Director	Executives
Managerial remuneration	20,451	1,139,491	6,087	958,407
Housing and utilities	11,248	639,495	3,348	529,832
Performance bonus	6,503	323,569	2,029	243,075
Other allowances and benefits	15,590	651,819	5,664	563,424
Retirement benefits	-	509,453	2,807	420,255
Leave encashment	-	55,020	2,595	3,125
	53,792	3,318,847	22,530	2,718,118
Number, including those who worked part of the year	1	955	1	787

29.2.2 The amount charged in respect of fee to 4 non-executive directors (2015: 7) aggregated to Rs. 2,125 (2015: Rs. 3,375).

29.2.3 In addition, the Managing Director and certain Executives are provided with free use of Company maintained cars. Further, the Managing Director and Executives are also entitled to avail medical facilities and other benefits as per the Company's policy.

29.3 Auditors' remuneration

	2016			2015		
	A.F. Fergoson & Co.	EY Ford Rhodes	Total	A.F. Fergoson & Co.	Deloitte Yousuf Adil	Total
Fee for the:						
- audit of annual financial statements	2,650	2,650	5,300	2,650	2,650	5,300
- review of half yearly financial information	1,060	1,060	2,120	1,060	1,060	2,120
Certification of claims, tax and other advisory services	13,843	2,164	16,007	3,625	519	4,144
Out of pocket expenses	884	569	1,453	1,039	863	1,902
	18,437	6,443	24,880	8,374	5,092	13,466

(Amounts in Rs.'000)

30. OTHER EXPENSES

	Note	2016	2015
Workers Profit Participation Fund	21.8	852,720	633,264
Workers' Welfare Fund		524,981	377,614
Exchange loss arising on currency fluctuations - net		313,505	661,495
Provision against doubtful trade debts - net	12.3	73,118	1,651,527
Provision against doubtful other receivables - net	15.6	225,365	177,374
(Reversal of provision) / provision against stores, spares and loose tools		(3,625)	11,514
		1,986,064	3,512,788

31. FINANCE COSTS

	Note	2016	2015
Mark-up on short-term borrowings			
- Local currency	31.1	3,878,671	8,147,482
- Foreign currency	31.1	1,158,830	1,158,935
		5,037,501	9,306,417
Bank charges under Islamic financing		165,993	101,856
Late payment and other bank charges		1,946,098	1,608,280
		7,149,592	11,016,553

31.1 Includes Nil (2015: Rs. 738,610) in respect of charges paid on forced payments against documents arising on defaults on letters of credit and foreign exchange borrowings during the year.

32. TAXATION

	Note	2016	2015
Current			
- for the year	32.1	8,819,984	8,264,509
- for prior years		(276,452)	(80,945)
		8,543,532	8,183,564
Deferred	9	(2,527,454)	(3,086,180)
		6,016,078	5,097,384

32.1 Includes Rs. 851,558 (2015: Rs. 557,802) on account of Super Tax for the tax year 2016, which has been levied through Finance Act, 2016 for the rehabiliation of temporary displaced persons.

32.2 Relationship between accounting profit and tax expense

	2016	2015
Accounting profit before taxation	16,289,208	12,033,748
Tax at the applicable tax rate of 32% (2015: 33%)	5,212,547	3,971,137
Tax effect of:		
- Lower rate applicable to certain income including share of associates	471,469	(86,251)
- Permanent differences	26,581	55,340
- Adjustments relating to prior years	(276,452)	(80,945)
- Change in rate of tax	(118,348)	750,730
- Super tax	851,558	557,802
- Others	(151,277)	(70,429)
	6,016,078	5,097,384

(Amounts in Rs.'000)

32.3 Under section 5A of the Income Tax Ordinance, 2001, the Company is obligated to pay tax at the rate of 10 percent on its undistributed reserves exceeding 100 percent of its paid-up capital. Further, such tax shall not be applicable to a public company which distributes lower of 40 percent of its after tax profits or 50 percent of its paid up capital, within six months of the end of the tax year. The Company, during the year, paid an interim dividend of Rs. 5 per share and as such has discharged its liability under section 5A of the Income Tax Ordinance, 2001 for tax year 2016 relevant to the year ended June 30, 2016.

33. EARNINGS PER SHARE

	2016	2015
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the year	10,273,130	6,936,364
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	271,685,939	271,685,939
	Rupees	
Earnings per share - basic and diluted	37.81	25.53

34. CASH GENERATED FROM / (USED IN) OPERATIONS

	Note	**2016**	2015
Profit before taxation		16,289,208	12,033,748
Adjustments for:			
Depreciation		998,515	973,956
Amortisation of intangibles		26,810	26,907
Write down of stock-in-trade to net realisable value		-	9,008
Markup / interest on investment - net of amortisation		(4,526,083)	(4,514,767)
Provision against doubtful trade debts		73,118	1,651,527
Provision against other receivables		225,365	177,374
(Reversal) / Provision against stores, spares and loose tools		(3,625)	11,514
Retirement and other services benefits accrued		1,294,896	1,308,856
Gain on disposal of operating assets		(27,974)	(10,184)
Share of profit from associates		(612,504)	(379,349)
Dividend income on investment		(195,494)	(154,949)
Finance cost		7,149,592	11,016,553
		4,402,616	10,116,446
Working capital changes	34.1	(7,976,290)	(28,052,532)
		12,715,534	(5,902,338)

(Amounts in Rs.'000)

34.1 Working capital changes

	2016	2015
Increase / (decrease) in current assets:		
- Stores, spares and loose tools	(7,660)	(29,872)
- Stock-in-trade	7,658,268	27,795,909
- Trade debts	2,434,162	(7,043,657)
- Loans and advances	176,015	(1,644,354)
- Deposits and short-term prepayments	(648,801)	607,969
- Other receivables	(6,938,509)	1,380,440
Decrease in current liability:		
- Trade and other payables	(10,649,765)	(49,118,967)
	(7,976,290)	(28,052,532)

35. CASH AND CASH EQUIVALENTS

	Note	2016	2015
Cash and cash equivalents comprise of the following items included in the balance sheet:			
- Cash and bank balances	16	5,736,213	2,311,884
- Finances under mark-up arrangements	23	(36,010,038)	(41,896,109)
		(30,273,825)	(39,584,225)

36. OTHER INFORMATION

36.1 Operating Segments

These financial statements have been prepared on the basis of a single reportable segment. The information with respect to major items of sales and customers are as follows:

- Sales from petroleum products represent 91.00% (2015: 98.25%) of total revenues of the Company.
- Out of total sales of the Company, 99.62% (2015: 99.83%) relates to customers in Pakistan.
- All non-current assets of the Company as at June 30, 2016 are located in Pakistan.
- The Company sells its products to dealers, government agencies and autonomous bodies, independent power projects and other corporate customers. Sales to four major customers of the Company is approximately Rs. 258,338,806 during the year ended June 30, 2016 (2015: Rs. 312,117,022).

36.2 Others

The Ministry of Petroleum & Natural Resources (MoP&NR) vide letter no. NG (II)-16(I)/15-RLNG-IPP-Vol-III dated September 20, 2015 advised the Company that Government of Pakistan is in the process of establishment of 100% Government owned company under the umbrella of Government Holdings Private Limited (GHPL) with the objective to handle LNG import, its storage / regasification and transportation thereof. Accordingly, all the agreements being executed amongst PSOCL, SSGCL and SNGPL i.e. Tripartite Agreement (TA), Gas Sales Agreement (GSA), Reimbursement Agreement (RA), LNG Service Agreements (LSAs) and LNG Sale Purchase Agreement (LSPA) with LNG supplier(s) shall be novated / transferred / assigned to above mentioned Government owned entity.

Consequently, the management is of the view that LNG project may be discontinued subject to completion of legal formalities.

(Amounts in Rs.'000)

A summarised Profit and Loss account of Company's LNG business is as follows:	**2016**	2015
Net sales	68,852,738	14,538,900
Cost of products sold	(66,879,314)	(14,064,757)
Gross profit	1,973,424	474,143
Operating expenses	(676,968)	(246,385)
Profit from operations	1,296,456	227,758
Finance cost	(605,335)	(74,227)
Profit before taxation	691,121	153,531
Taxation	(809,658)	(66,134)
(Loss) / Profit for the year	(118,537)	87,397

37. FINANCIAL INSTRUMENTS BY CATEGORY

37.1 Financial assets as per balance sheet

Held-to-maturity		
- In Government securities - Pakistan Investment Bonds	46,295,212	-
Available-for-sale		
- In Government securities - Pakistan Investment Bonds	-	47,310,340
- Pak-Arab Pipeline Company Limited	864,000	864,000
Loans and receivables at amortised cost		
- Loans, advances and receivables	1,833,252	1,844,620
- Deposits	65,521	61,879
- Trade debts	182,869,689	185,303,851
- Mark-up / interest receivable	2,251,290	2,237,478
- Other receivables	14,924,822	14,405,684
- Cash and bank balances	5,736,213	2,311,884
	207,680,787	206,165,396
	254,839,999	254,339,736

37.2 Financial liabilities as per balance sheet

Financial liabilities measured at amortised cost		
- Trade and other payables	127,603,425	136,687,926
- Accrued interest / mark-up	811,639	866,894
- Short-term borrowings	105,112,929	102,075,514
	233,527,993	239,630,334

(Amounts in Rs.'000)

37.3 Fair values of financial assets and liabilities

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in Pak-Arab Pipeline Company Limited held at cost as its fair value cannot be reasonably determined. However, the management believes that its fair value is more than its carrying value.

(b) Fair value estimation

The Company discloses the financial instruments carried at fair value in the balance sheet in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	2016			
Financial assets				
Debt securities - PIBs	-	-	-	-
	2015			
Financial assets				
Debt securities - PIBs	-	47,310,340	-	47,310,340

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial risk factors

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk

(Amounts in Rs.'000)

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

Financial risk factors and risk management framework

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on limits established by the internal controls set on different activities of the Company by the Board of Management - Oil through specific directives. These controls and limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Company's finance and treasury department oversees the management of the financial risk reflecting changes in the market conditions and also the Company's risk taking activities, and provide assurance that these activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

(a) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. There has been no change in the Company's exposure to market risk or the manner in which this risk is managed and measured.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports petroleum products, LNG, chemicals and is exposed to currency risk, primarily with respect to foreign creditors for purchase of aforementioned products denominated in US Dollars. As at year end, the total exposure against foreign suppliers amounts to US$ 566,731 (2015: US$ 604,153) equivalent to Rs. 59,308,410 (2015: Rs. 61,552,639) and advances amounting to US$ 9,082 (2015: US$ 10,840) equivalent to Rs. 950,415 (2015: Rs. 1,104,441). The average rates applied during the year is Rs. 103.27 (2015: Rs. 101.53 / US $) and the spot rate as at June 30, 2016 was Rs. 104.65 (2015: Rs. 101.88 / US$).

The Company manages its currency risk by close monitoring of currency markets. As per central bank regulations, the Company cannot hedge its currency risk exposure. The Company has incurred exchange loss of Rs. 313,631 (2015: Rs. 661,495).

(Amounts in Rs.'000)

At June 30, 2016, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, profit for the year would have been lower/higher by Rs. 2,048,800 (2015: Rs. 2,099,012), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables and advances.

Further, the Company has also availed foreign currency borrowing (FE-25) as of June 30 2016. However, there is no foreign currency risk involved on these loans as detailed in note 21.7.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from local creditors, security deposits, short-term borrowing and running finance facilities amounting to Rs.117,049,019 (2015: Rs.122,922,421). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
	2016	2015
Variable rate instruments		
Financial liabilities		
- Short-term borrowings	105,112,929	102,075,514
- Local creditors	11,305,166	20,233,078
- Security deposits	630,924	613,829
	117,049,019	122,922,421
Net financial liabilities at variable interest rates	117,049,019	122,922,421

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholder's equity by Rs. 795,933 (2015: Rs. 823,580). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2015.

(Amounts in Rs.'000)

	2016	2015
Fixed rate instruments		
Investment in Pakistan Investment Bonds	46,295,212	47,310,340

Sensitivity analysis for fixed rate instrument

The Company's fixed rate instrument is carried at held to maturity. They are, therefore, not subject to interest rate risk, since neither the carrying not the future cash flows will fluctuate because of change in market interest rates.

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at June 30, 2016, there are no equity investments of the Company measured at fair value, hence no equity price risk exists.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from balances with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk before any credit enhancement is given below:

(Amounts in Rs.'000)

	2016		2015	
	Balance Sheet	**Maximum exposure**	Balance Sheet	Maximum exposure
PIBs including accrued mark-up				
- Held to maturity	48,546,502	-	-	-
- Available-for-sale	-	-	49,547,818	-
Loans and receivables				
- Loans, advances and other receivables	1,833,252	1,833,252	1,844,620	1,844,620
- Deposits	65,521	65,521	61,879	61,879
- Trade debts	182,869,689	38,828,352	185,303,851	41,462,026
- Other receivables	14,924,822	5,627,403	14,405,684	5,108,265
- Bank balances	5,726,676	5,726,676	2,302,611	2,302,611
	253,966,462	52,081,204	253,466,463	50,779,401

Significant concentration of credit risk is on amounts due from Government agencies and autonomous bodies amounting to Rs. 129,805,138 (2015: Rs. 126,928,497). Credit risk on private sector other than retail sales is covered to the maximum possible extent through legally binding contracts. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers. Sales to dealers are settled in cash or using short term financial instruments. However, some of the Company's trade debts are secured by way of bank guarantees and security deposits.

Ageing of trade debts (net of provision), which includes past due balances, is as follows:

	Less than 3 months	**3 to 6 months**	**6 months to 1 year**	**1 year to 2 years**	**More than 2 years**	**Total**
			2016			
Trade debts - gross	56,312,516	25,900,420	75,791,791	22,464,620	2,400,342	182,869,689
Provision	-	(3,780)	(1,377,641)	(819,787)	(2,397,463)	(4,598,671)
Trade debts - net	56,312,516	25,896,640	74,414,150	21,644,833	2,879	178,271,018
			2015			
Trade debts - gross	100,694,484	33,871,212	48,050,879	113,933	2,573,343	185,303,851
Provision	-	(15,921)	(1,866,943)	(69,346)	(2,573,343)	(4,525,553)
Trade debts - net	100,694,484	33,855,291	46,183,936	44,587	-	180,778,298

(Amounts in Rs.'000)

Based on the past experience, past track records of recoveries, the Company believes that the past due amount included in above trade debts (net of existing provision) do not require any further provision or impairment testing.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Date of Rating	Rating agency	Rating Short-term	Rating Long-term
Allied Bank Limited	June, 2016	PACRA	A1+	AA+
Askari Bank Limited	June, 2016	JCR-VIS	A-1+	AA
Bank Al Habib Limited	June, 2016	PACRA	A1+	AA+
Bank Alfalah Limited	June, 2016	PACRA	A1+	AA
Bank Islami Pakistan Limited	May, 2016	PACRA	A1	A+
Citibank N.A.	March, 2016	Moody's	P-1	A1
Deutsche Bank AG	May, 2016	Moody's	P-2	Baa2
Faysal Bank Limited	June, 2016	PACRA	A1+	AA
Habib Bank Limited	June, 2016	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	June, 2016	PACRA	A1+	AA+
MCB Bank Limited	June, 2016	PACRA	A1+	AAA
Meezan Bank Limited	June, 2016	JCR-VIS	A-1+	AA
National Bank of Pakistan	June, 2016	JCR-VIS	A-1+	AAA
NIB Bank Limited	June, 2016	PACRA	A1+	AA-
Samba Bank Limited	June, 2016	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	June, 2016	PACRA	A1+	AAA
United Bank Limited	June, 2016	JCR-VIS	A-1+	AAA

Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed on sale. The risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

(Amounts in Rs.'000)

Maturity analysis of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and represents the undiscounted cash flows.

	2016	2015
	Contractual maturity Up to three months	
Financial liabilities		
Trade and other payables	127,603,425	136,687,926
Accrued interest / mark-up	811,639	866,894
Short-term borrowings	69,102,891	60,179,405
Finances under mark-up arrangements	36,010,038	41,896,109
	233,527,993	239,630,334

In respect of above there were no liabilities with contractual maturity of more than three months.

The Company has access to financing facilities as described in note 23; of which Rs. 32,624,881 (2015: Rs. 5,336,086) are unused at the reporting date. The company expects to meet its obligation from the operating cash flows and proceeds of maturity of financial assets.

(d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of

(Amounts in Rs.'000)

controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective;
- operational and qualitative track record of the plant and equipment supplier and related service providers.

38.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide adequate returns to shareholders and to benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 2015.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The capital structure of the Company consist of net debt consistent with other companies in the industry, the Company monitors the capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as sum of equity shown in balance sheet and net debt.

	Note	2016	2015
The gearing ratios as at June 30, 2016 and 2015 were as follows:			
Short-term borrowings	23	105,112,929	102,075,514
Less: Cash and bank balances	16	(5,736,213)	(2,311,884)
Net debt		99,376,716	99,763,630
Total equity		91,581,325	82,310,296
Total capital		190,958,041	182,073,926
Gearing ratio		52.04%	54.79%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

(Amounts in Rs.'000)

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Related parties comprise of associated companies, retirement benefit funds, state owned / controlled entities, common directorship companies, GoP and its related entities, and key management personnel.

Details of transactions with the related parties during the year, other than those disclosed elsewhere in these financial statements, are as follows:

Name of related party and relationship with the Company	Nature of transactions	2016	2015
Associates			
- Pakistan Refinery Limited	Purchases	17,456,798	13,797,724
	Other expense	381,349	91,383
- Pak Grease Manufacturing Company (Private) Limited	Purchases	28,676	92,927
	Dividend received	8,578	7,548
- Asia Petroleum Limited	Income (facility charges)	184,319	197,580
	Dividend received	138,176	506,644
	Pipeline charges	1,953,779	2,110,907
Retirement benefit funds			
- Pension Funds	Charge for the year	577,282	452,826
	Contributions	390,094	2,155,616
- Gratuity Fund	Charge for the year	381,116	371,653
	Contributions	212,539	1,503,061
- Provident Fund	Contributions	132,402	115,183
Key management personnel	Managerial remuneration	124,798	109,532
	Housing and utilities	68,639	60,243
	Performance bonus	34,156	33,379
	Other allowances and benefits	84,886	77,023
	Retirement benefits	45,626	49,615
	Leave encashment	7,210	3,745
	Vehicles having book value of Rs. 5,611 (2015: Nil) transferred under employee car scheme (sale proceeds)	5,680	-

39.2 Related parties by virtue of common directorship and GoP holdings

The Federal Government of Pakistan directly holds 25.51% (including shares under PSOCL Employee Empowerment Trust) of the Company's issued share capital and is entitled to appoint members of the Board of Management – Oil under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974, for the management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties.

The Company has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for transactions stated below which the Company considers are significant:

(Amounts in Rs.'000)

		2016	2015
- Government of Pakistan	Dividend paid	549,501	610,475
	Dividend adjusted against price differential claim	-	81
	Income from PIBs	5,034,326	5,027,420
- Board of Management - Oil	Contribution towards expenses of BOM	3,440	5,565
- Benazir Employees' Stock Option Scheme	Dividend paid to the trust	65,003	74,289
- Prime Minister Relief Fund for Internally Displaced Persons (IDPs)	Donation paid	-	40,000
- Pak-Arab Pipeline Company Limited	Pipeline charges	3,640,338	3,693,205
	Dividend received	195,494	154,949
- Water and Power Development Authority	Sales	73,223,370	125,184,313
	Utility charges	101,287	149,329
- Kot Addu Power Company Limited	Sales	46,032,463	84,534,147
	Other income	123,000	5,064,380
	Pipeline income	143,075	120,777
- Pakistan International Airlines Corporation	Sales	10,281,041	12,614,285
	Purchases	7,327	10,434
	Other income	1,322,000	-
- Pak-Arab Refinery Company Limited	Purchases	72,983,254	120,766,759
	Pipeline charges	570,261	516,979
	Other expense	731,768	850,612
- Sui Northern Gas Pipeline Limited	Sales	77,667,215	9,949,094

The transactions described below are collectively but not individually significant to these financial statements and therefore have been described below:

(i) The Company sells petroleum products to various government bodies in the normal course of its business and has banking relationship with institutions controlled by GoP. As an Oil Marketing Company, Oil and Gas Regulatory Authority (OGRA) is the regulatory authority of the Company.

(ii) The Company collects income tax, sales tax, federal excise duty and petroleum levy in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue , Sindh Board of Revenue and Customs authorities.

(iii) The Company incurs rental charges in respect of storage facilities at Kemari terminal and at various airports which are paid to Karachi Port Trust and Civil Aviation Authority, respectively. The Company also utilises port facilities of Port Qasim Authority and Karachi Port Trust.

(Amounts in Rs.'000)

(iv) The Company has obtained insurance cover for its inventory and fixed assets from National Insurance Company of Pakistan.

(v) The Company utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railway for movement of its petroleum products. The Company also uses pipeline of Pak-Arab Refinery Limited (PARCO) and Pak-Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.

(vi) The Company obtains utility services from Civil Aviation Authority, Sui Northern Gas Company Limited and Sui Southern Gas Company Limited on account of utility charges.

(vii) The Company sells fuel oil and other allied products to K-Electric Limited and receives pipeline income as per agreed terms and conditions.

(viii) The Company also pays dividend to various government related entities who are shareholders of the Company.

39.3 The status of outstanding receivables and payables from / to related parties as at June 30, 2016 are included in respective notes to the financial statements.

39.4 Contributions to staff retirement benefit funds are in accordance with the terms of the service rules. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. Other transactions with the related parties are carried out at agreed terms.

39.5 Dividend income is recorded on the basis of dividend / rates declared by the related party. Dividend paid is recorded on the basis of rates declared by the Company.

40. PROVIDENT FUND RELATED DISCLOSURE

40.1 The Company operates approved funded contributory provident funds for both its management and non-management employees. Details of net assets and investments based upon the latest audited financial statements of the Company's provident funds as at June 30, 2015 and un-audited financial statements as at June 30, 2016 are as follows:

	2016	2015
Size of the fund - net assets	4,222,195	3,859,618
Cost of the investment made	4,094,117	3,709,167
Percentage of the investment made (based on fair value)	91%	92%
Fair value of the investment made	3,826,142	3,553,800

(Amounts in Rs.'000)

40.2 The break up of fair value of the investment is as follows:

	2016		2015	
	Amount	**%**	Amount	%
Share in the listed companies	55,760	1%	66,843	2%
Bank balances	181,316	5%	134,304	4%
Government securities	2,431,557	63%	2,410,659	67%
Debt securities	294,279	8%	346,139	10%
Mutual fund	863,230	23%	595,855	17%
	3,826,142		3,553,800	

40.3 The investments out of the provident funds have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the Rules formulated for this purpose.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassification has been made during the year:

Description	**Reclassified**		
	From	**To**	**Amount**
Card related costs	Distribution and marketing expenses	Other income	88,822
Primary freight cost of Jet A-1	Distribution and marketing expenses	Cost of products sold	658,152

42. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Management - Oil in its meeting held on August 13, 2016 proposed a final cash dividend of Rs. 7.5 per share for the year ended June 30, 2016, amounting to Rs. 2,037,645 for approval of the members at the Annual General Meeting to be held on October 21, 2016.

43. NUMBER OF EMPLOYEES

	2016	2015
As at June 30	1,926	1,900
Average number during the year	1,913	1,947

(Amounts in Rs.'000)

44. GENERAL

The figures have been rounded off to nearest thousand Rupees unless otherwise stated.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue on August 13, 2016 by the Board of Management- Oil.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member-Board of Management

Attendance at Board of Management Meetings

For the year ended June 30, 2016

Names of Members	Total No. of Board Meetings *	Number of Meetings Attended
Mr. Sheikh Imranul Haque	9	9
Mr. Zahid Mir	9	9
Mr. Hassan Nawaz Tarar	9	9
Mr. Haque Nawaz	9	8
Mr. Musadik Malik	9	9

*Number of meeting held during the period when the concerned BoM member was on the Board.

Note: No BoM meeting was held outside Pakistan during the year.

Shareholders' Categories

For the year ended June 30, 2016

	NO. OF SHAREHOLDERS	NO. OF SHARES	%
Associated Companies, Undertakings and related Parties			
Government of Pakistan	1	61,055,634	22.47
GOP's Indirect Holding:- PSOCL Employee Empowerment Trust	1	8,254,381	3.04
NIT ICP & Other			
National Investment Trust Limited	1	136,425	0.05
NBP, Trustee Department	1	40,779,388	15.01
Investment Corporation of Pakistan	1	1,344,325	0.50
CDC-Trustee National Investment Trust	1	114,016	0.04
Public Sector Companies & Corporations			
Banks, DFIs NBFIs, Insurance Companies,			
Modarbas, Mutual Funds and other Orgnizations	527	100,373,017	36.94
Individuals	12,481	37,244,537	13.71
Others	296	22,384,215	8.24
TOTAL	13,310	271,685,938	100.00

Shareholders' Categories

For the year ended June 30, 2016

	NO. OF SHAREHOLDERS	NO. OF SHARE	%
INDIVIDUALS	12481	37,244,537	13.71
NIT & ICP	4	42,374,154	15.60
FINANCIAL INSTITUTION AND BANKS	39	11,662,227	4.30
INSURANCE COMPANIES	12	23,129,757	8.51
MORARABA COMPANIES & MUTUAL FUNDS	94	43,928,520	16.17
PUBLIC SECTOR COMPANIES	9	713,146	0.26
FEDERAL GOVERNMENT	2	69,310,015	25.51
FOREIGN INVESTORS	373	20,939,367	7.70
OTHERS	296	22,384,215	8.24
TOTALS	13,310	271,685,938	100.00

Pattern of Shareholdings

For the year ended June 30, 2016

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
4500	1	100	132702	0.0488
2790	101	500	761490	0.2803
1508	501	1000	1151098	0.4237
2945	1001	5000	6703793	2.4675
632	5001	10000	4555238	1.6767
260	10001	15000	3215637	1.1836
136	15001	20000	2399624	0.8832
100	20001	25000	2249257	0.8279
64	25001	30000	1776808	0.6540
46	30001	35000	1453516	0.5350
18	35001	40000	674840	0.2484
20	40001	45000	846388	0.3115
21	45001	50000	1012391	0.3726
16	50001	55000	840235	0.3093
18	55001	60000	1033430	0.3804
9	60001	65000	557550	0.2052
15	65001	70000	1014199	0.3733
10	70001	75000	722683	0.2660
12	75001	80000	925108	0.3405
4	80001	85000	326767	0.1203
4	85001	90000	351168	0.1293
8	90001	95000	739045	0.2720
5	95001	100000	491192	0.1808
4	100001	105000	412300	0.1518
10	105001	110000	1088772	0.4007
5	110001	115000	564216	0.2077
4	115001	120000	475058	0.1749
8	120001	125000	982672	0.3617
2	125001	130000	255000	0.0939
1	130001	135000	133400	0.0491
3	135001	140000	413620	0.1522
2	140001	145000	287528	0.1058
4	145001	150000	600000	0.2208

Pattern of Shareholdings

For the year ended June 30, 2016

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
3	150001	155000	459058	0.1690
2	155001	160000	319700	0.1177
1	160001	165000	162700	0.0599
2	175001	180000	354412	0.1304
1	180001	185000	182160	0.0670
3	185001	190000	565000	0.2080
2	195001	200000	395236	0.1455
2	205001	210000	415374	0.1529
3	210001	215000	639300	0.2353
2	215001	220000	430850	0.1586
2	220001	225000	443000	0.1631
3	230001	235000	696908	0.2565
2	235001	240000	470600	0.1732
2	240001	245000	482000	0.1774
1	245001	250000	245400	0.0903
1	250001	255000	250972	0.0924
1	255001	260000	255860	0.0942
3	260001	265000	788538	0.2902
2	280001	285000	566000	0.2083
1	285001	290000	288992	0.1064
1	290001	295000	294122	0.1083
3	295001	300000	899492	0.3311
2	300001	305000	608347	0.2239
1	305001	310000	308740	0.1136
2	310001	315000	622810	0.2292
1	315001	320000	316800	0.1166
1	320001	325000	325000	0.1196
2	325001	330000	656000	0.2415
2	330001	335000	664604	0.2446
4	340001	345000	1368786	0.5038
1	350001	355000	355000	0.1307
2	355001	360000	716778	0.2638
2	375001	380000	756410	0.2784

Pattern of Shareholdings

For the year ended June 30, 2016

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
2	380001	385000	760862	0.2801
2	385001	390000	773839	0.2848
2	395001	400000	800000	0.2945
1	425001	430000	427700	0.1574
1	460001	465000	463134	0.1705
1	465001	470000	465100	0.1712
3	480001	485000	1453502	0.5350
1	485001	490000	486950	0.1792
1	495001	500000	500000	0.1840
1	525001	530000	527420	0.1941
1	535001	540000	539300	0.1985
1	540001	545000	541300	0.1992
1	550001	555000	554133	0.2040
1	560001	565000	564000	0.2076
1	575001	580000	577151	0.2124
1	595001	600000	595581	0.2192
1	635001	640000	636000	0.2341
1	645001	650000	650000	0.2392
2	700001	705000	1400928	0.5156
1	705001	710000	709500	0.2611
2	730001	735000	1463786	0.5388
1	780001	785000	783067	0.2882
1	805001	810000	806387	0.2968
1	820001	825000	825000	0.3037
1	830001	835000	834344	0.3071
1	850001	855000	852000	0.3136
1	865001	870000	870000	0.3202
1	905001	910000	908232	0.3343
1	910001	915000	914500	0.3366
2	915001	920000	1830900	0.6739
1	945001	950000	948500	0.3491
1	965001	970000	966427	0.3557
2	975001	980000	1957800	0.7206

Pattern of Shareholdings

For the year ended June 30, 2016

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	1010001	1015000	1013040	0.3729
1	1125001	1130000	1128666	0.4154
1	1300001	1305000	1304156	0.4800
1	1310001	1315000	1312100	0.4829
1	1340001	1345000	1344325	0.4948
1	1430001	1435000	1432500	0.5273
1	1485001	1490000	1486500	0.5471
1	1525001	1530000	1525441	0.5615
1	1575001	1580000	1578385	0.5810
1	1630001	1635000	1632930	0.6010
1	1670001	1675000	1672538	0.6156
1	2680001	2685000	2681811	0.9871
1	2725001	2730000	2729847	1.0048
1	4650001	4655000	4653023	1.7126
1	5920001	5925000	5922149	2.1798
1	8250001	8255000	8254381	3.0382
1	13095001	13100000	13095147	4.8200
1	15835001	15840000	15836172	5.8289
1	18405001	18410000	18408788	6.7758
1	40775001	40780000	40779388	15.0098
1	61055001	61060000	61055634	22.4729
13310	Company	Total	271685938	100.0000

Shareholders and Investors Information

Annual General Meeting

The annual shareholders' meeting will be held at 11:00 am, October 21st, 2016 at Ballroom, Pearl Continental Hotel, Karachi.

Shareholders' Enquiries

Enquiries about the shareholding, dividends should be directed either to company's registered office or share registrar at the following address:

Ms. THK Associates Private Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
UAN: 111-000-322
Telephone: 021-35689021
Fax: 021-35655595

Quarterly Reports

The company publishes interim reports at the end of the first, second and third quarters of the financial year. The interim reports for the preceding year can be accessed at PSO's website www.psopk.com or printed copies may be obtained by writing to the Company Secretary.

Annual Report

The Annual Report of the Company summarizes the Company's performance during the year and provides an outlook in the future.

The Annual Report may be downloaded from the Company's website www.psopk.com or printed copies may be obtained by writing to the Company Secretary.

Stock Exchange Listing

Pakistan State Oil's shares are traded on Pakistan Stock Exchange. The symbol code for dealing in shares of Pakistan State Oil Company Limited "PSO."

Glossary

Automated Teller Machines (ATMs)
Board of Management (BoM)
Capital Expenditure (Capex)
Company-owned and Company-operated (Co-Co)
Compressed Natural Gas (CNG)
Consumer Price Index (CPI)
Corporate Social Responsibility (CSR)
Managing Director (MD)
Earnings before Interest, taxes, depreciation and amortization (EBITDA)
Economic Coordination Committee (ECC)
National Bank of Pakistan (NBP)
Financial Year (FY)
Furnace Oil (FO)
Gross Domestic Product (GDP)
Gross Profit (GP)
Habib Bank Limited (HBL)
High Speed Diesel (HSD)
Independent Power Producers (IPPs)
International Monetary Fund (IMF)
Jet Fuel (JP-1)
Liquified Natural Gas (LNG)
Memorandum of Understanding (MoU)
Million British Thermal Unit (MMBTU)
Million Metric Tons (MMTs)
Metric Tons (MTs)
Mobile Quality Testing Units (MQTUs)
Motor Gasoline (Mogas)
Net profit (NP)
New Vision Retail Outlet (NVRO)
Non-Fuel Retail (NFR)
Oil Marketing Company (OMC)
Pakistan Investment Bonds (PIBs)
Pakistan State Oil (PSO)
Petroleum, Oil and Lubricant (POL)
Price Earning Ratio (P/E)
Profit after tax (PAT)
Quarter (Qtr)

Feedback

Our commitment to maintain highest level of transparency and accountability continues to take us to the next level in reporting year on year. In case, you have any concerns about this report and its contents, please feel free to contact us at following:

- corporate.communications@psopk.com
- +92-21-99203827

Pakistan State Oil Company Limited

Fortieth Annual General Meeting - 2016

FORM OF PROXY____

I/We ____

At ____

A member of PAKISTAN STATE OIL COMPANY LIMITED and holder of____________________

Ordinary shares as per registered Folio No. ____________________________

Hereby appoint ____

Of ____

Or failing him ____

Of ____

As our proxy to vote for us and on our behalf at the Fortieth Annual General Meeting of the Company to be held on Friday, October 21, 2016 and at any adjournment thereof.

Signed by me/us this ____________________ day of ____________________ 2016.

Signed by the said

Five Rupees Revenue Stamps

Important:

This form of Proxy duly completed must be deposited at the Company's Registered Office, PSO House, Khayaban-e-Iqbal, Clifton, Karachi not later than 48 hours before the time of holding the meeting.

A proxy should also be a Shareholder of the Company.

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for Office use