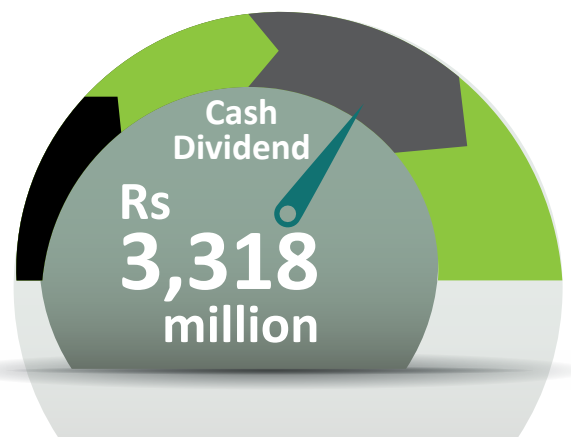
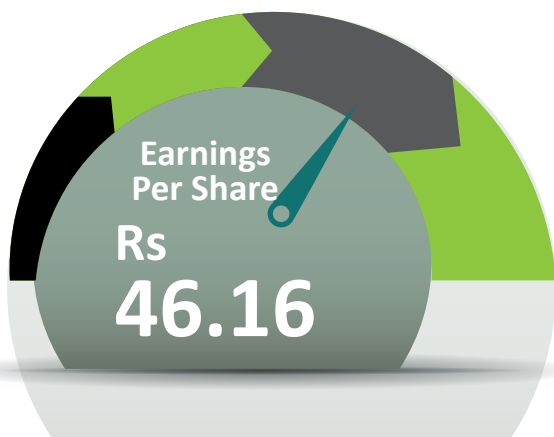
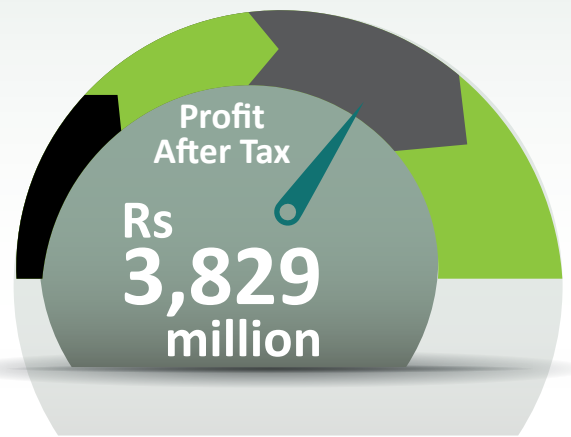
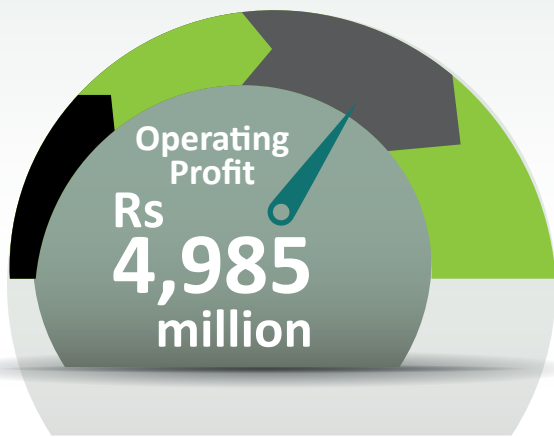
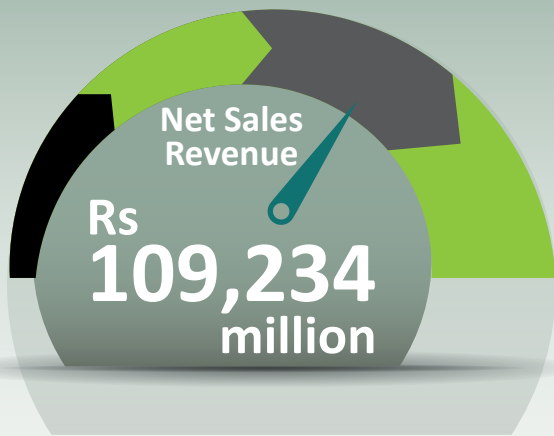




## Chasing Targets

Attock Petroleum Limited

# Financial Highlights



# Table of Contents

	2 - 15		69 - 81
Our Vision, Mission & Corporate Strategy	2	Six Years at a Glance	70
Core Values	3	DuPont Analysis	75
Management's Objectives & Strategies	4	Vertical Analysis	76
Code of Conduct	5	Horizontal Analysis	78
Brief Company Profile and Group Structure, Geographical Presence	10	Analysis of Variation in Results of Interim Reports	80
Quality Policy Statement	12	Statement of Value Added	81
Environment, Health & Safety Policy	13		
Product Portfolio	14	<b>Financial Statements</b>	<b>83 - 125</b>
<b>Chairman's Review</b>	<b>16 - 17</b>	Auditor's Report to the Members	85
Chairman's Review	16	Balance Sheet	86
		Profit and Loss Account	88
Whistle Blower Protection Mechanism Policy	18	Statement of Comprehensive Income	89
<b>Governance</b>	<b>19 - 68</b>	Cash Flow Statement	90
Profile of Board of Directors	20	Statement of Changes in Equity	91
Board Committees and Corporate Information	25	Notes to and forming part of the Financial Statements	92
Board and Management Committees and their Terms of Reference	26	<b>Annual General Meeting</b>	<b>126- 129</b>
Directors' Report	30	Notice of Annual General Meeting	126
Pattern of Shareholding	44	Definition & Glossary of Terms	130
Other Corporate Governance Matters	48	ڈائریکٹرز رپورٹ	142
Corporate Sustainability	51	Proxy Form	143
Audit Committee & Internal Control Framework	54	پراسی فارم	145
Key Sources of Estimating Uncertainty	56		
Share Price Sensitivity Analysis	57		
Prospects of the Entity including Targets for Financial and Non-Financial Measures	58		
Calendar of Major Events	61		
Information Technology Governance	62		
Organizational Chart	64		
Review Report on Statement of Compliance with the Code of Corporate Governance	66		
Statement of Compliance with the Code of Corporate Governance	67		



## Our Vision

To become a world class, professionally managed, fully integrated, customer focused, Oil Marketing Company, offering Value added quality and environment friendly products and services to its customers in Pakistan and beyond.

## Our Mission

To continuously provide quality and environment friendly petroleum products and related services to industrial, commercial and retail consumers, and exceeding their expectations through reliability, economy and quality of products and services. We are committed to benefiting the community and ensuring the creation of a safe, responsible and innovative environment geared to client satisfaction, end user gratification, employees' motivation and shareholders value.

## Corporate Strategy

To enable APL to attain new heights of success through investment in human capital, implementation of lean production methods and a commitment to Total Quality and Environment Management, we plan, with the help of Almighty Allah, to further expand our existing retail network and penetrate untapped markets with pro-active measures and effective planning, implementation and execution.

Our objective is to successfully deliver premium quality products and services, which will translate into maximum customer satisfaction. Beyond the technical excellence of our products, we intend to set an example in all dimensions of our entrepreneurial activities. We see ourselves committed to the self defined models of economic, social and ecological responsibility, which means not only economic success but also conscientious interaction with our employees, people and the environment.

**Our objective is to successfully deliver premium quality products and services, which will translate into maximum customer satisfaction**



## Core Values

### Ethical Principles and Moral Values

We promote a commitment to the highest moral values and ethical principles, demanding both personal and professional dedication towards the realization of these values and principles.

### Commitment and Cooperation

Two core fundamentals for the success of any business are complete employee commitment and cooperation. At APL we foster an environment of solid teamwork and professionalism to ensure that our employees engage in both personal and professional development.

### Environment Consciousness

We believe that it is our responsibility to safeguard our natural resources for future generations and actively engage in environment friendly practices, policies and management techniques.

### Corporate Social Citizenship

We strongly believe in the promotion of societal well-being and awareness within ones community, actively engaging in activities and initiatives to meet this objective.

### Maximum Stakeholder Return

Through our streamlined business processes and commitment to total quality management we seek to ensure maximum company performance and rewards for shareholders and stakeholders alike.

## Management's Objectives and Strategies

The objectives of the Company are defined in a manner such that the realisation of short-term goals leads to achieving those objectives. The management formulates strategies keeping in view the vision and mission statement of the Company. A balanced approach is adopted in this regard to come up to the expectations of all stakeholders. Actions are prioritized and performance objectives are periodically assessed to reduce deviations from the corporate strategy of the Company.

The management takes measures to transform the weaknesses into strengths and threats into opportunities. Long term goals can only be achieved by mitigating the risks and minimising the threats arising due to change in external and internal environment.

Management believes that our business objectives and strategies are well planned and there is no significant change from the previous years.

## Relationship between the Company's Results and Management's Objectives

In the year under review, volatility of oil prices at global stage demanded dexterous steering by the Company's management to achieve better profitability. APL maintained its market presence by venturing into a variety of projects and effectively managing the stock. The Company added a number of retail outlets during the year and is in the process

of establishing bulk terminals, APL enhanced its storage capacity to cater the demand of the country. The Company is en-route to go above and beyond the expectations of the investors and the customers.

## Critical Performance Measures

The critical performance measures and indicators against stated objectives of the Company include delivering premium quality products and services with customers' satisfaction, increase in number of retail outlets and customer base. It also includes enhancement of storage capacities, improvement

in operational performance, efficiency in supply chain management, decrease in operating cost and increase in shareholders' wealth. Management believes that current critical performance measures continue to be relevant in future as well.

# Code of Conduct

Attock Petroleum Limited has committed itself to conduct its business in an honest, ethical and legal manner. The Company wants to be seen as a role model in the community by its conduct and business practices. All this depends on the Company's personnel, as they are the ones who are at the forefront of Company's affairs with the outside world. Every member of the Company has to be familiar with his/her obligations in this regard and has to conduct him/her accordingly.

This statement in general is in accordance with Company goals and principles that must be interpreted and applied within the framework of laws and customs in which the Company operates. This code will be obligatory for each director and employee to adhere to.

## 1. Respect, Honesty and Integrity

Directors and employees are expected to exercise honesty, objectivity and due diligence in the performance of their duties and responsibilities. They are also directed to perform their work with due professionalism.

## 2. Compliance with Laws, Rules and Regulations

The Company is committed to comply and take all reasonable actions for compliance, with all applicable laws, rules and regulations of state or local jurisdiction in which the Company conducts business. Every director and employee, no matter what position he or she holds, is responsible for ensuring compliance with applicable laws.

## 3. Full and Fair Disclosure

Directors and employees are expected to help the Company in making full, fair, accurate, timely and understandable disclosure, in compliance with all applicable laws and regulations, in all reports and documents that the Company files with, furnishes to or otherwise submits to, any governmental authorities in the applicable jurisdiction and in all other public communications made by the Company. Employees or directors who have complaints or concerns regarding accounting, financial reporting, internal accounting control or auditing matters are expected to report such complaints or concerns in accordance with the procedures established by the Company's Board of Directors.

## 4. Prevent Conflict of Interest

Directors and employees, irrespective of their function, grade or standing, must avoid conflict of interest situations between their direct or indirect (including members of immediate family) personal interests and the interest of the Company.

Employees must notify their direct supervisor of any actual or potential conflict of interest situation and obtain a written ruling as to their individual case. In case of directors, such ruling can only be given by the Board and will be disclosed to the shareholders.

## 5. Trading in Company Shares

Trading by directors and employees in the Company shares is possible only in accordance with the more detailed guidelines issued from time to time by corporate management in accordance with applicable laws.

## 6. Inside Information

Directors and employees may become aware of information about Company that has not been made public. The use of such non-public or "inside" information about the Company other than in the normal performance of one's work, profession or position is unethical and may also be a violation of law.

Directors and employees becoming aware of information which might be price sensitive with respect to the Company's shares have to make sure that such information is treated strictly confidential and not disclosed to any colleagues or to third parties other than on a strict need-to-know basis.

Potentially price sensitive information pertaining to shares must be brought promptly to the attention of the Management, who will deliberate on the need for public disclosure. Only the Management will decide on such disclosure. In case of doubt, seek contact with the CFO.

## 7. Media Relations and Disclosures

To protect commercially sensitive information, financial details released to the media should never exceed the level of detail provided in quarterly and annual reports or official statements issued at the presentation of these figures. As regards topics such as financial performance, acquisitions,

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divestments, joint ventures and major investments, no information should be released to the press without prior consultation with the Management. Employees should not make statements that might make third parties capable of “insider trading” on the stock market.

### 8. Corporate Opportunities

Directors and employees are expected not to:

- take personal use of opportunities that are discovered through the use of Company property, information or position.
- use Company property, information or position for personal gains.

Directors and employees are expected to put aside their personal interests in favor of the Company interests.

### 9. Competition and Fair Dealing

The Company seeks to outperform its competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner’s consent or inducing such disclosures by past or present employees of other companies is prohibited. Each

director and employee is expected to deal fairly with Company’s customers, suppliers, competitors and other employees. No one is to take unfair advantage of anyone through manipulation, abuse of privileged information or any other unfair practice.

The Company is committed to selling its products and services honestly and will not pursue any activity that requires to act unlawfully or in violation of this Code.

Bribes, kickbacks and other improper payments shall not be made on behalf of the Company in connection with any of its businesses. However, tip, gratuity or hospitality may be offered if such act is customary and is not illegal under applicable law. Any commission payment should be justified by a clear and traceable service rendered to the Company. The remuneration of agents, distributors and commissioners cannot exceed normal business rates and practices. All such expenses should be reported and recorded in the Company’s books of accounts.

### 10. Equal Employment Opportunity

The Company believes in providing equal





opportunity to everyone around. The Company laws in this regard have to be complied with and no discrimination upon race, religion, age, national origin, gender or disability is acceptable. No harassment or discrimination of any kind will be tolerated; directors and employees need to adhere standards with regard to child labor and forced labor.

#### **11. Work Environment**

All employees are to be treated with respect. The Company is highly committed to providing its employees and directors with a safe, healthy and open work environment, free from harassment, intimidation or personal behavior not conducive to a productive work climate. In response the Company expects consummate employee allegiance to the Company and due diligence in his job.

The Company also encourages constructive reasonable criticism by the employees of the management and its policies. Such an atmosphere can only be encouraged in an environment free from any prospects of retaliation due to the expression of honest opinion.

#### **12. Protect Health, Safety and Security**

The Company intends to provide each director and employee with a safe work environment and comply with all applicable health and safety laws. Employees and directors should avoid violence and threatening behavior and report to work in fair condition to perform their duties.

#### **13. Record Keeping**

The Company is committed to compliance with all applicable laws and regulations that require the Company to maintain proper records and accounts which accurately and fairly reflect the Company's transactions. It is essential that all transactions be recorded and described truthfully, timely and accurately on the Company's books. No false, artificial or misleading transactions or entries shall be reflected or made in the books or records of the Company for any reason.

Records must always be retained or destroyed according to the Company's record retention policies.

#### **14. Protection of Privacy and Confidentiality**

All directors and employees, both during and after their employment, must respect the exclusivity



and trade secrets of the Company, its customers, suppliers and other colleagues and may not disclose any such information unless the individual or firm owning the information properly authorizes the release or disclosure.

All the Company's assets (processes, data, designs, etc) are considered as certified information of the Company. Any disclosure will be considered as grounds, not only for termination of services/employment, but also for criminal prosecution, legal action or other legal remedies available during or after employment with the Company to recover the damages and losses sustained.

#### **15. Protection and Proper use of Company Assets / Data**

Each director and employee is expected to be the guardian of the Company's assets and should ensure its efficient use. Theft, carelessness and waste have a direct and negative impact on the Company's profitability. All the Company assets should be used for legitimate business purposes only.

The use, directly or indirectly, of Company funds for political contributions to any organization or to any

candidate for public office is strictly prohibited.

Corporate funds and assets will be utilized solely for lawful and proper purposes in line with the Company's objectives.

#### **16. Gift Receiving**

Directors and employees will not accept gifts or favors from existing or potential customers, vendors or anyone doing or seeking to do business with the Company.

However, this does not preclude giving or receiving gifts or entertainment which are customary and proper in the circumstances, provided that no obligation could be or be perceived to be, expected in connection with the gifts or entertainment.

#### **17. Communication**

All communications, whether internal or external, should be accurate, forthright and where ever required, confidential. The Company is committed to conduct business in an open and honest manner and provide open communication channels that encourage candid dialogue relative to employee concerns. The Company strongly believes in a clean desk policy and expects its employees to adhere to it not only for neatness but also security purposes.



### **18. Employee Retention**

High quality employee's attraction and retention is very important. The Company will offer competitive packages to the deserving candidates. The Company strongly believes in personnel development and employee-training programs are arranged regularly.

### **19. Internet use / Information Technology**

As a general rule, all Information Technology related resources and facilities are provided only for internal use and/or business-related matters. Information Technology facilities which have been provided to employees should never be used for personal gain or profit, should not be misused during work time and remain the property of the Company. Disclosure or dissemination of confidential or proprietary information regarding the Company, its products or its customers outside the official communication structures is strictly prohibited.

### **20. Compliance with Business Travel Policies**

The safety of employees while on a business trip is of vital importance to the Company. The Company encourages the traveler and his/her supervisor to

exercise good judgment when determining whether travel to a high-risk area is necessary and is for the Company's business purposes.

It is not permitted to combine business trips with a vacation or to take along spouse, relative or friend without the prior written authorization from Management.

### **21. Compliance**

It is the responsibility of each director and employee to comply with this code. Failure to do so will result in appropriate disciplinary action, including possible warning issuance, suspension and termination of employment, legal action and reimbursement to the Company for any losses or damages resulting from such violation. Compliance also includes the responsibility to promptly report any apparent violation of the provisions of this code.

Any person meeting with difficulties in the application of this code should refer to the Management.

# Brief Company Profile and Group Structure

Attock Petroleum Limited was incorporated in Pakistan as a Public Limited Company on December 03, 1995. APL is the 4<sup>th</sup> Oil Marketing Company that was granted marketing license and commenced its operations in February 1998. The Company was listed on Pakistan Stock Exchange (formerly known as Karachi Stock Exchange) on March 07, 2005. Within a short span of time, APL has managed to establish its presence and reputation as a progressive and dynamic organization, having its focus on providing quality petroleum products and services in Pakistan and abroad, with special emphasis on meeting all safety and environment standards. Our steady and substantially growing market share and customer confidence is a testimony to our successful policies, proactive endeavors and visionary approach. APL is engaged in the marketing and distribution of numerous petroleum products including High Speed Diesel, Premier Motor Gasoline, Furnace Oil, Bitumen, Kerosene and Lubricants etc.

Though a new entrant in the field and having no linkage with the global oil majors, APL takes pride in its heritage being associated with the Attock Oil Group of Companies which rightly claim to be the pioneers in the Oil & Gas Sector in this part of the world, having started its operations in 1913.

Attock Group of Companies is the only fully vertically integrated Group covering all aspects of the Oil and Gas sectors of Pakistan, ranging from exploration, production, refining to marketing of a wide range of petroleum products. Besides oil & gas, Attock Group is also involved in other diversified businesses; like cement, energy & information technology. APL's sponsors include Pharaon Investment Group Limited Holding s.a.l and Attock Oil Group of Companies.

## Geographical Presence



### Marketing & Sales Office / Head Office

Morgah, Rawalpindi



### Bulk Oil Terminals

Rawalpindi Bulk Oil Terminal

Machike Bulk Oil Terminal

Karachi Bulk Oil Terminal



### Regional Marketing & Sales Offices

Karachi

Lahore

Faisalabad

Multan

Peshawar



### Invoicing Points

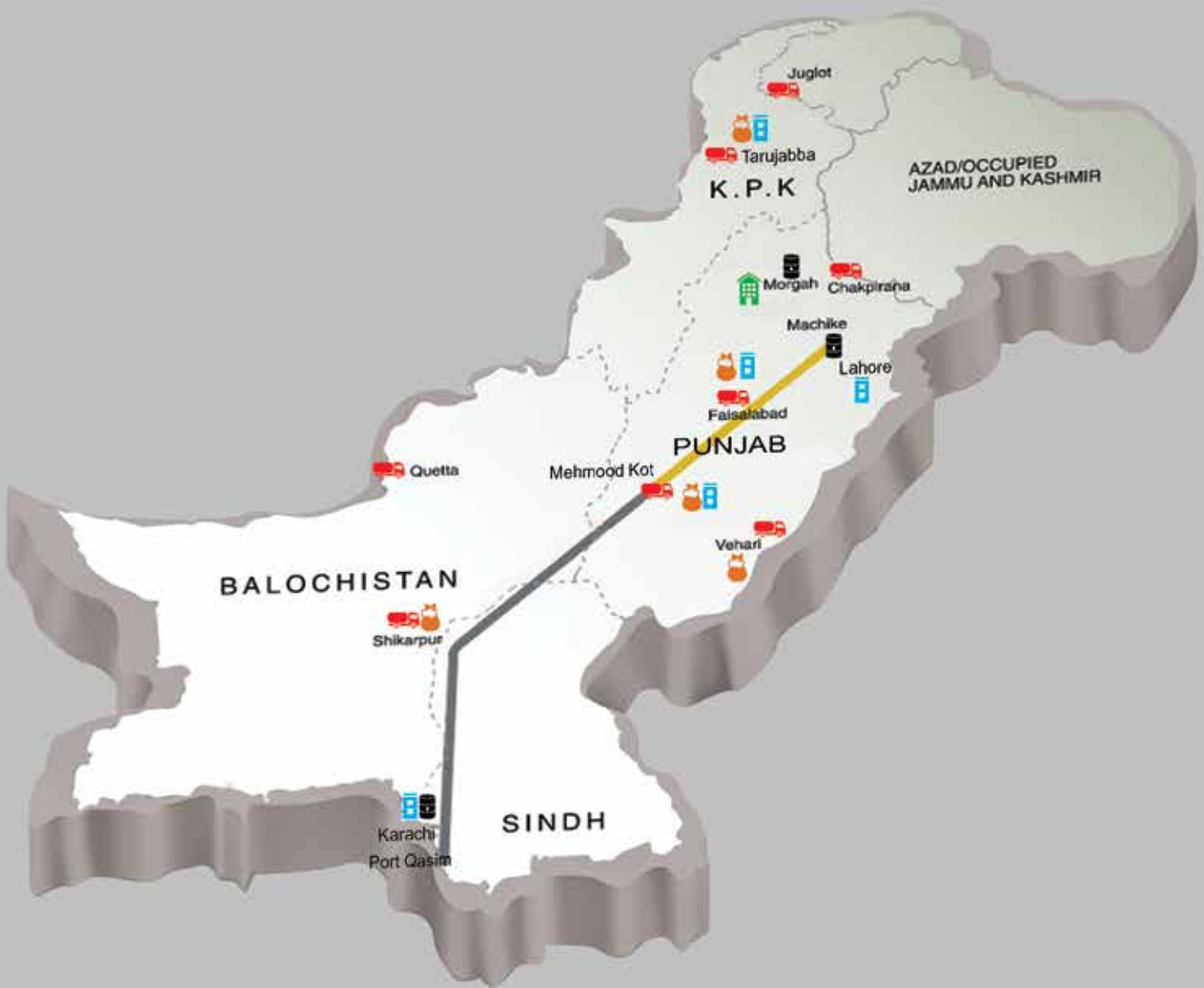
Mehmood Kot

Gatti

Vehari

Tarujabba

Shikarpur



Bulk Oil Terminals



Head Office



Virtual Depots



Regional Marketing & Sales Offices



Mehmoor Kot Faisalabad-Machike Pipeline (MFM)



Invoicing Points



White Oil Pipeline (WOP)

# Ensuring premium quality



## Quality Policy Statement

To further enhance its commitment towards Quality, APL management has set the following quality objectives:

1. The primary objective of the Quality Management System is to ensure conformance to product specifications of all goods shipped to customers.
2. Clearly identify and understand our internal and external customers stated and hidden needs, to develop a way of working to meet and exceed the expectations of customers.
3. Provide confidence to management, our employees, clients, and stakeholders that the requirements for quality are being fulfilled and maintained and that quality improvement is continuously taking place.
4. To develop measurement techniques to gauge performance for improving effectiveness of our services, operations and quality management system.
5. Fulfill all quality system requirements stated in our Quality Manual, including the requirements of ISO 9001:2000.
6. To be a trustworthy and leading oil marketing organization for providing consistent high quality products and services in the market.

With this vision we want to create a culture of continuous quality improvement at APL.



## Environment, Health & Safety Policy

Attock Petroleum Limited's overriding objective is to ensure that none of our activities harm our employees, the public or the environment.

In order to achieve this objective...

We embrace a comprehensive policy on the Environment, Safety and Health that includes:-

1. We consider that none of our activities are more important than health and safety of any individual or protection of environment.
2. As a minimum we will comply with all relevant legislation and any other requirements to which we subscribe.
3. We will encourage a pro-active safety culture and ensure that each employee is trained, experienced and competent to perform his or her duties.
4. We will strive to remove all causes of accidents and events and to minimize the consequences of such if they occur.
5. We will ensure that all our operations are performed, and seen to be performed safely.
6. We will strive to continually improve performances in all areas of EHS performance and priorities on the basis of risk.
7. We will apply our EHS policy, standards, objectives and targets to our Retail Outlets, Distributors, Dealers and Contractors.

# Product Portfolio

## High Speed Diesel

High speed diesel is used in generators, cement factories (for ignition), vehicles etc. It is an end user product and is used in diesel engines, a type of internal combustion engine. Diesel engines are used in heavy vehicles, boats and locomotives etc.

## Premier Motor Gasoline

Gasoline or petrol is a petroleum-derived liquid mixture that is primarily used as a fuel in internal combustion engines. It is also used as a solvent, mainly known for its ability to dilute paints. Some additives are also added in it to improve quality.

## Furnace Fuel Oil

Furnace oil is largely an industrial fuel. It acts as a key ingredient in the generation of electricity and heat in a number of production units. Furnace oil is used for power generation, boilers, furnaces, air preheater, other heaters and for bunkering and feedstock in fertilizer plants.

## Residual Furnace Fuel Oil

It is special high viscosity residual oil requiring preheating. This fuel is specially manufactured for power plants.

## Kerosene Oil

It is primarily used for cooking and illumination purposes in Pakistan. APL Kerosene is less smoky, has high heat content and gives better illumination. Kerosene also has limited industrial use.

## Light Diesel Oil

It serves to run construction, petroleum drilling and other off road equipments; and to run prime movers in a wide range of power generations, industrial boilers, vessels with high & medium speed engines and pumping applications that remain liquid at low temperatures. It is also utilized for direct combustion in industrial kitchens.

## Jet Fuel

Jet fuel is a type of aviation fuel designed for use in aircraft powered by gas-turbine engines. It is clear to straw colored in appearance. The most commonly used fuels for commercial aviation are Jet A and Jet A-1 which are produced to a standardized international specification.



### Solvent Oil

Solvents are used to dissolve other substances during industrial processes. This petrochemical is used extensively in the production of paint, print ink, agricultural chemicals, for dyeing, curing homesickness, dry cleaning, and treatment of furs etc. It is also used as a high purity catalyst.

### Cutback Asphalts

Cutback Asphalt is manufactured by blending asphalt cement with a solvent. There are two major types based on the relative rate of evaporation of the solvent. It is used for prime coat, surface treatment, stock pile patching mixes etc.

### Polymer Modified Bitumen

Bitumen is further treated with polymer which improves consistency, reduce temperature susceptibility, improve stiffness and cohesion, improve flexibility, resilience and toughness, and improve binder-aggregate adhesion. It is used in making highways.

### Mineral Turpentine Oil

It is colorless petroleum solvent with a boiling range of 125-240 degrees centigrade. It is mainly used as a solvent for textile printing, dry cleaning and metal degreasing, as well as for insecticidal formulations, polish manufacture, thinner, oil soluble and as a rust inhibitor.

### Naphtha

Naphtha is a flammable liquid mixtures of hydrocarbons i.e. a component of natural gas condensate or a distillation product. Some uses of naphtha gas are as a fuel for camp stoves and blowtorches, providing light in gas lanterns.

### Jute Batching Oil

It is predominantly used in the jute industry for making jute fiber pliable. It also finds application as Wash Oil in the steel industry.

### Lubricants

Different types of Lubricants (Automotive and Industrial) are sold under APL brand name. Use of a lubricant is to reduce the overall system friction.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



## Chairman's Review

It is indeed an immense pleasure to welcome our esteemed shareholders to the 21<sup>st</sup> Annual General Meeting of the Company and to present Company's annual report and audited financial statements for the year ended June 30, 2016.

The year 2015-16 was controversial from every aspect which did little to help the global economy. The

energy industry remained one of the major players in this regard and the issues related to the sector remained unresolved. The fate of world economy is dependent on the growth of emerging markets, which slowed down during the year resulting in a discouraging outlook. It is not impertinent to mention that the oil industry continued to experience falling prices.

The economic climate of the country, if not worsened, has remained the same. Continued challenges regarding law and order situation, circular debt, unemployment, electricity shortage played a deteriorating role. The Government is pursuing viable projects for sustainable energy generation in coming years by attracting foreign investments. Amidst the tough conditions the Company stood firm, being proactive to the challenges and having zero dependency on debt finance.

The Company continued to perform in the financial year 2015-16, the way it has before in the previous years, by making the best out of the given circumstances and reaping the maximum benefit in return. The downward trend of oil prices in the first three quarters played a huge role on every oil marketing company. The Company relied on strategic decision making and maintained the profits by synergy of experience and business processes streamlining.

The year 2015-16 saw an upward surge in consumption of premier motor gasoline in the country making it an increase of 22% in comparison to the last year, however the Company increased its sales by almost 28% thus capitalizing on the situation and increasing its market presence. The decline in oil prices during the year negatively impacted the revenue generated, but the Company was able to increase its net profitability by 17% to Rs 3,829 million which reflected in improved earnings per share of Rs 46.16 (2014-15: Rs 39.62). Your Company, in order to maintain steady cash inflows has ventured into several profitable projects to ensure multiple streams of cash generation. The Company has been and will provide sufficient returns to its shareholders by virtue of strong cash flows and no gearing obligations resulting in positive financial results.

Your Company is continuing to grow its presence in far flung areas by strengthening the network of storage facilities and retail outlets. APL is committed to provide the best facilities available to the customers and to establish a loyal customer base. The Company is well rooted to achieve sustainable growth

and better profitability in times to come.

Along with business activities the Company actively plays its role of social responsibility to improve the environment and society at large and benefiting from a better image and reputation.

I wish to place on record my appreciation and gratitude for the support received by the Company from the Ministry of Petroleum & Natural Resources and other Government organizations, suppliers, customers and contractors. I would also like to thank our shareholders, for their confidence and trust in the Company and our Board of Directors and employees for their untiring endeavors and contribution that have made achievements to date possible.



Dr. Ghaith R. Pharaon  
Chairman

Rawalpindi.  
August 15, 2016



## Whistle Blower Protection Mechanism Policy

Whistle blower means an employee who reports a concern to management about illegal activities or a breach of code of conduct.

The management encourages whistle blowing culture in the organization and has adopted a culture to detect, identify and report any activity which is not in line with the Company policies, any misuse of Company's properties or any breach of law which may affect the reputation of the Company. The Company has adopted the best corporate policies to protect employee(s) who report corporate wrongdoings, illegal conduct, internal fraud and discrimination against retaliation. The Company promotes transparency and accountability through publication of accurate financial information to all the stakeholders, implementation of sound, effective and efficient internal control system and operational procedures.

All employees have signed a code of conduct and the Company takes any deviation very seriously.

Employees should report in good faith about illegal or unethical conduct. The Company encourages Whistle Blowing to raise the issue directly to Chief Executive and/or to the Company Secretary provided that:-

- The Whistle Blower has sufficient evidence(s) to ensure genuineness of the fact after a proper investigation at his own end;
- The Whistle Blower understands that his act will cause more good than harm to the Company and he/she is doing this because of his loyalty with the Company; and
- The Whistle Blower understands the seriousness of his/her action and is ready to assume his/her own responsibility.

The management understands that through the use of a good Whistle Blowing Plan, they can discover and develop a powerful ally in building trust with its employees and manage fair and transparent operations. The Company therefore provides a mechanism whereby any employee who meets the above referred conditions can report any case based on merit without any fear of retaliation and reprisal.

Allegations made by the whistle blower shall be investigated and claims made will be probed and scrutinized fairly. The management reserves the right to put forth the claims made by the whistle blower, as they deem appropriate.

# GOVERNANCE



Attock Petroleum Limited has established state of the art retail outlets, where the concept of all facilities under one roof is reflected. At these retail outlets, our customers get to experience world class facilities of refueling their vehicles in a friendly and secure environment at all times.

# Profile of Board of Directors

## Dr. Ghaith R. Pharaon

**Chairman**  
**Non Executive Director**

An international investor and industrialist who has financial and trading interests in Pakistan and other parts of the world in various sectors like petroleum, power generation, chemical, real estate and cement etc. He holds an MBA from Harvard University and Masters in Petroleum Engineering from University of Colorado and Stanford University.



**Other Engagements:**

**Chairman & Director**

The Attock Oil Company Limited  
National Refinery Limited  
Attock Cement Pakistan Limited

**Director**

Pakistan Oilfields Limited  
Attock Refinery Limited  
Attock Gen Limited



## Mr. Laith G. Pharaon

**Non Executive Director**

A businessman and an international investor who has financial and trading interests in Pakistan and other parts of the world in various sectors like petroleum, power generation, chemical, real estate and cement etc. Mr. Laith holds a graduate degree from the University of Southern California.

**Other Engagements:**

**Director**

The Attock Oil Company Limited  
Pakistan Oilfields Limited  
Attock Refinery Limited  
Attock Cement Pakistan Limited  
National Refinery Limited  
Attock Gen Limited



## **Mr. Shuaib A. Malik**

**Chief Executive Officer  
Executive Director**

Mr. Shuaib A. Malik has been associated with Attock Group of Companies for around four decades. He started his career as an Executive Officer in The Attock Oil Company Limited in July 1977 and served in different Companies in the Group at various times with the responsibility to supervise and oversee the operations and affairs of these Companies. He has exhaustive experience related to various aspects of upstream, midstream and downstream petroleum business. He obtained his bachelor's degree from Punjab University and has attended many international management programs, workshops and conferences including two such programs at British Institute of Management, UK and Harvard Business School, USA.

### **Other Engagements:**

**Chairman, Chief Executive Officer & Director**  
Pakistan Oilfields Limited

**Chairman & Director**  
Attock Refinery Limited

**Group Chief Executive**

**Chief Executive Officer, Deputy  
Chairman & Director**  
National Refinery Limited

**Chief Executive Officer & Director**  
The Attock Oil Company Limited

**Director**  
Attock Cement Pakistan Limited  
Attock Gen Limited

**Alternate Director**  
Attock Refinery Limited  
Attock Cement Pakistan Limited  
Attock Gen Limited

**Resident Director**  
Pharaon Investment Group Limited  
Holding s.a.l

## **Mr. Mofarrih Saeed H. Alghamdi**

**Non Executive Director**

Mr. Mofarrih Saeed H. Alghamdi is a senior business executive who has been associated with Pharaon Investment Group and Laith Trading & Contracting Company for more than two decades. He has a vast experience in financial and non-financial sectors and has undertaken number of projects for the different Group Companies. Mr. Mofarrih holds a graduate degree. He has also worked for Saudi Research & Development Corporation for around twenty years. Currently, he is working as Deputy General Manager of Pharaon Investment Group, Laith Trading & Contracting Company Limited and President of Concorde Holding. He is also Director on the Board of various Companies in the Group.



### **Other Engagements:**

**Director**  
Pakistan Oilfields Limited  
Attock Refinery Limited  
National Refinery Limited

## Mr. Abdus Sattar

### Non Executive Director

Mr. Abdus Sattar has over 35 years of Financial Management experience at key positions of responsibility in various Government organizations/ ministries, commercial organizations with the main objective of controlling costs of various commodities, to watch consumer interest, minimize government subsidies, improve government revenues, eliminate wasteful expenses/leakages and fixation of gas and POL prices. After serving as Financial Advisor to Ministry of Petroleum & Natural Resources, Government of Pakistan, he also remained Financial Advisor for Mari Gas Company Limited for around 8 years including 6 years as its Director on the Board. While working as Financial Advisor in Ministry of Petroleum he also served as Director on a number of boards like OGDCL, PPL, SNGPL, SSGCL, PSO, PARCO, ARL, POL, NRL, PMDC etc. as a nominee of Government of Pakistan for about seven years. He is a fellow member of Institute of Cost and Management Accountant of Pakistan (ICMAP) and was also nominated as council member of ICMAP for the three years (Jan 2000 to Dec 2002) by the Government of Pakistan. He has attended many advance financial management courses, programs and trainings in institutions of international repute in Pakistan and abroad.



### Other Engagements:

#### Director

Pakistan Oilfields Limited  
Attock Refinery Limited  
Attock Cement Pakistan Limited

#### Alternate Director

National Refinery Limited



## Mr. Babar Bashir Nawaz

### Non Executive Director

Mr. Babar has over 30 years of experience with the Attock Group of Companies. During this period he has held various positions in Finance, Personnel, Marketing & General Management before being appointed as the Chief Executive of Attock Cement Pakistan Limited in 2002. Mr. Bashir holds a Master's degree in Business Administration from the Quaid-e-Azam University, Islamabad. He has attended various courses, workshops and seminars in Pakistan and abroad on the business management and has substantial knowledge of the cement industry in Pakistan. Currently he is also a member of the Management Committee of the Overseas Investors Chamber of Commerce and Industry and the All Pakistan Cement Manufacturing Association.

### Other Engagements:

**Chief Executive Officer & Director**  
Attock Cement Pakistan Limited

#### Alternate Director

Pakistan Oilfields Limited  
Attock Refinery Limited  
National Refinery Limited





## **Mr. M. Raziuddin**

**Independent  
Non Executive Director**

Mr. Mohammad Raziuddin has over 30 years of rich experience in the energy sector. He holds a Master's Degree in Engineering from University of Detroit, Michigan, USA and did his MBA from Syracuse University, New York, USA. During his career, he has held top-level advisory positions in various organizations within the Country and also served as Technical Advisor in Saudi Arabia, Pakistan and Bangladesh. He has served as the CEO of Attock Refinery Ltd. and Managing Director, OGDCL. He has extensive knowledge and vast experience in energy consultancy, oil refining, exploration and production, petroleum marketing etc.

**Other Engagements:**

Chief Executive Officer  
KP Oil & Gas Co. Limited

## **Mr. M. Adil Khattak**

**Alternate Director to  
Dr. Ghaith R. Pharaon**

**Non Executive Director**

Mr. M. Adil Khattak, has been associated with Attock Group of Companies for the last 35 years. He holds a master's degree in engineering from Texas Tech University, USA and has attended many technical, financial and management programs in institutions of international repute in Pakistan and abroad. He has extensive experience in engineering, maintenance, human resource management, project management and marketing. Mr. Adil has keen interest in Corporate Social Responsibility activities. He is on the Boards of National Cleaner Production Centre Foundation, Attock Sahara Foundation, National Management Foundation (LUMS), Society for the Promotion of Engineering Sciences & Technology (GIK) and Cadet College, Hassanabdal.



**Other Engagements:**

Chief Executive Officer  
Attock Refinery limited

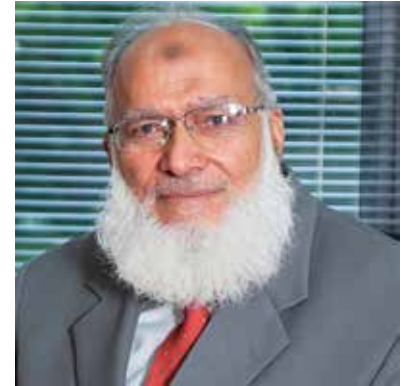
Chief Executive Officer & Director  
Attock Gen Limited

## **Mr. Iqbal A. Khwaja**

**Alternate Director to  
Mr. Laith G. Pharaon**

**Non Executive Director**

Mr. Iqbal Ahmad Khwaja is a Bachelor of Commerce from Karachi University and to obtain a professional degree, he proceeded to UK to qualify as Chartered Accountant from England and Wales. On his return from UK, he served with Attock Group of Companies for nearly thirty years in various capacities. He has been Chief Financial Officer and Corporate Secretary of Pakistan Oilfields Limited (POL), for many years. He rose to the position of its Deputy Chief Executive and also served on the Board of POL. He has also been CEO of POL's subsidiary Attock Chemicals (Pvt) Limited and CAPGAS (Pvt) Limited. During his tenure with the Group, he attended many national and international courses and seminars to remain up-to-date with his professional knowledge. Due to his knowledge and vast experience, he has been retained by The Attock Oil Company Limited, in the capacity of an advisor.



**Other Engagements:**

-



## **Mr. Rehmat Ullah Bardaie**

**Company Secretary &  
Alternate Director to  
Mr. Mofarrih Saeed H. Alghamdi**

**Executive Director**

Mr. Rehmat Ullah Bardaie is associated with Attock Group of Companies since June 1997 and has been part of the various assignments/projects undertaken from time to time. Presently, he is holding the charge of General Manager (Finance and Accounts) and Company Secretary. He has attended various financial management courses, training programs, seminars and conferences in Pakistan and abroad. He is a fellow member of both The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan.

**Other Engagements:**

Alternate Director  
Attock Gen Limited

Company Secretary  
The Attock Oil Company Limited

# Board Committees and Corporate Information

## Board Audit Committee

- |    |                        |          |
|----|------------------------|----------|
| 1. | Mr. Abdus Sattar       | Chairman |
| 2. | Mr. Babar Bashir Nawaz | Member   |
| 3. | Mr. Mohammad Raziuddin | Member   |

## Human Resource & Remuneration Committee

- |    |  |          |
|----|--|----------|
| 1. | Mr. Babar Bashir Nawaz   | Chairman |
| 2. | Mr. Shuaib A. Malik  | Member   |
| 3. | Mr. Iqbal A. Khwaja<br>(Alternate director to<br>Mr. Laith G. Pharaon) | Member   |

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants, Islamabad.

## Registered Office

Attock House, Morgah, Rawalpindi.

## Legal Advisor

Ali Sibtain Fazli Associates  
Mall Mansion, 30-The Mall, Lahore.

## Share Registrar

THK Associates (Pvt.) Limited  
2<sup>nd</sup> Floor, State Life Building-3  
Dr. Ziauddin Ahmed Road, Karachi.  
Tel: +92-21-111-000-322  
Fax: +92-21-35655595

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
National Bank of Pakistan  
The Bank of Khyber  
The Bank of Punjab  
The Bank of Tokyo Mitsubishi  
United Bank Limited

## Correspondence Address

Attock House, Morgah  
Rawalpindi, Pakistan.  
Tel: +92-51-5127250-54  
Fax: +92-51-5127272  
Email: [contact@apl.com.pk](mailto:contact@apl.com.pk)  
Website: [www.apl.com.pk](http://www.apl.com.pk)



## Board Committees and their Terms of Reference

### Board Committees

The management is committed to follow the principles of good Corporate Governance and being a responsible corporate entity it believes in transparency of system for effective monitoring and to enhance governance process. Keeping in view the requirements of new Code of Corporate Governance issued on April 10, 2012 the Board has revised the terms of reference of Audit Committee and established Human Resource and Remuneration Committee. The following Board Committees have

been formed to assist the Board in fulfilling its responsibilities.

### Audit Committee

The Audit Committee reviews the financial and internal reporting processes, the system of internal control, management of risk and the internal and external audit processes. The Audit Committee ensures that the Company has a sound system of internal financial and operational controls. It assists the Board in discharge of its fiduciary responsibilities. The Audit Committee reviews the



periodical statement of the Company before their respective presentation to the Board and ensures implementation of relevant controls for the integrity of the information. The Committee recommends to the Board of Directors the appointment of external auditors and discusses major observations with the external auditors arising from interim review and final audit. In doing so, Committee also reviews the management letter issued by the external auditors and management's response thereto. The Committee also goes through the legal matters which may significantly impact the financial statements and ensure compliance with relevant statutory requirements. Besides this, monitoring compliance with the best practices of corporate governance, investigating any violations thereof and ensuring

coordination between internal and external auditors are also the main responsibilities of the Audit Committee.

### **Human Resource & Remuneration Committee**

The Board has established Human Resource and Remuneration Committee which is responsible for recommending human resource management policies. The Committee is also responsible for recommending the selection, evaluation, compensation (including retirement benefits) of key management personnel and for consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer.

### Budget Committee

The Committee comprises of three directors and their responsibility is to assist the Board in formulating the annual budget and forecasts and reviewing analysis of actual performance with those budgeted/forecasted. The Committee also keeps an eye on the developments and trends in the industry to assist

the Board in planning for future capital intensive investments and growth of the Company.

### Share Transfer Committee

The Committee consists of three directors and is responsible for dealing with matters relating to the shares of the Company like transfers, issuance of new shares and related legal and regulatory requirements.



## Management Committees

### Executive Committee

Consist of all departmental heads and chaired by the CEO, they meet regularly to coordinate the activities, accomplishments and other pertinent issues.

### Retail Outlet Development Committee

Responsible for recommending proposals for setting up retail outlets and reviewing progress.

### Budget Committee

Reviews and recommends the annual budget proposals and discusses deviations with the departmental heads.

### Information Technology Committee

Responsible for automation of process and system in line with latest technology and developments.

### Pricing Committee

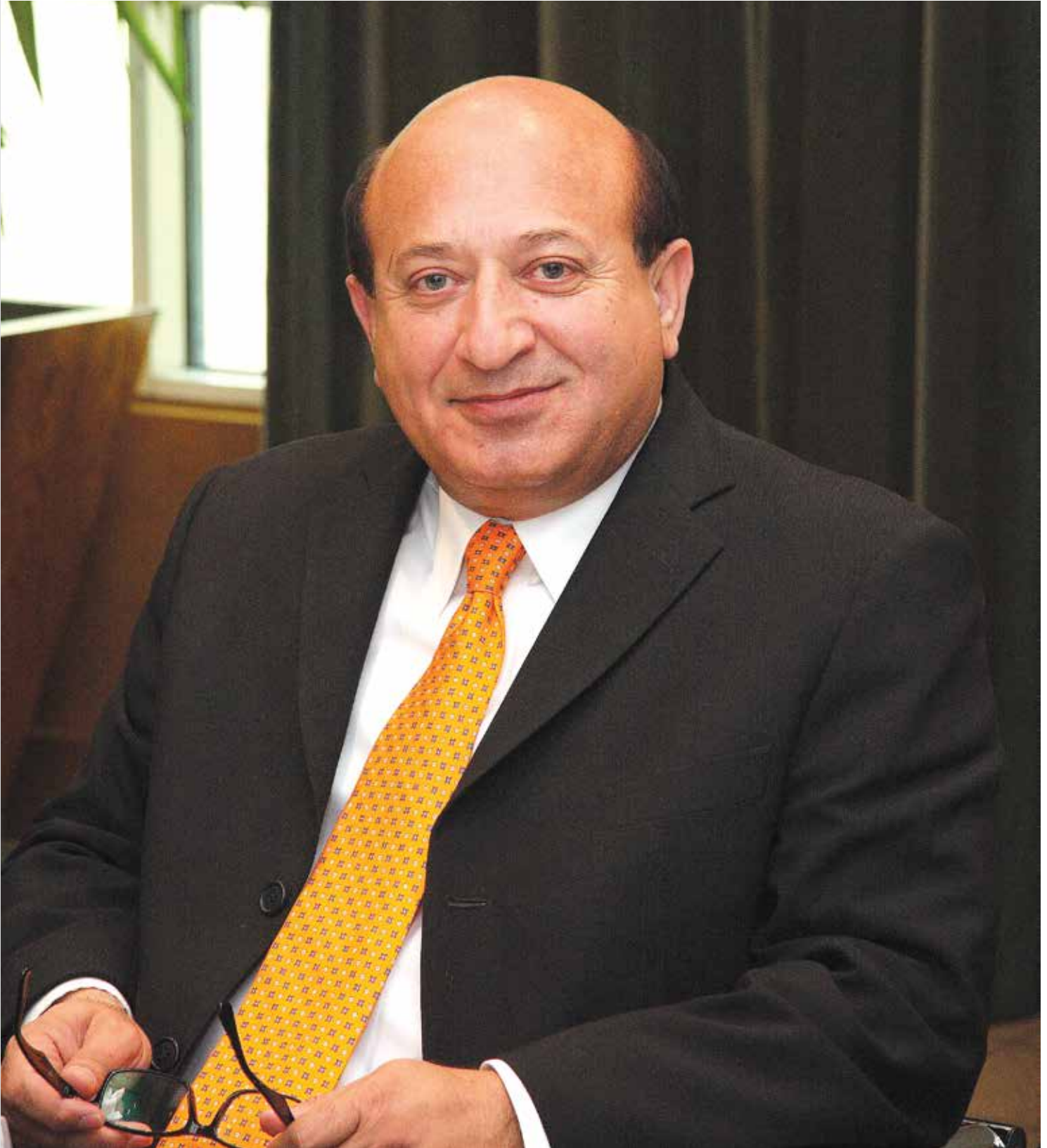
Reviews and recommends the pricing of deregulated products on regular intervals.

### Safety and Technical Committee

Reviews and monitors, the safety, health and environment matters for safe operations and better environment and matters relating to technological problems and operational risks affecting the business.



# DIRECTORS' REPORT



**Mr. Shuaib A. Malik**  
Chief Executive Officer



The Board of Directors takes pleasure in presenting the annual report on the performance and progress of the Company together with the audited financial statements for the year ended June 30, 2016.

## NATURE OF BUSINESS

Attock Petroleum Limited (APL) commenced its business as an Oil Marketing Company (OMC) in 1998. The Company is a part of a vertically integrated oil group based in Pakistan. It deals in a broad spectrum of petroleum products and serves local and international clientele. APL markets and supplies fuels to retail outlets, industries, armed forces, power producers, government/semi-government entities, developmental sector and agricultural customers etc. A range of automotive and industrial grades lubricants is offered as well.

The oil industry operates under the regulations framed by the Government of Pakistan (GoP) through Ministry of Petroleum and Natural Resources (MP&NR) and Oil & Gas Regulatory Authority (OGRA). Prices of some of the petroleum products are regulated by OGRA whereas prices of other products are declared by the Company as per its own mechanism.

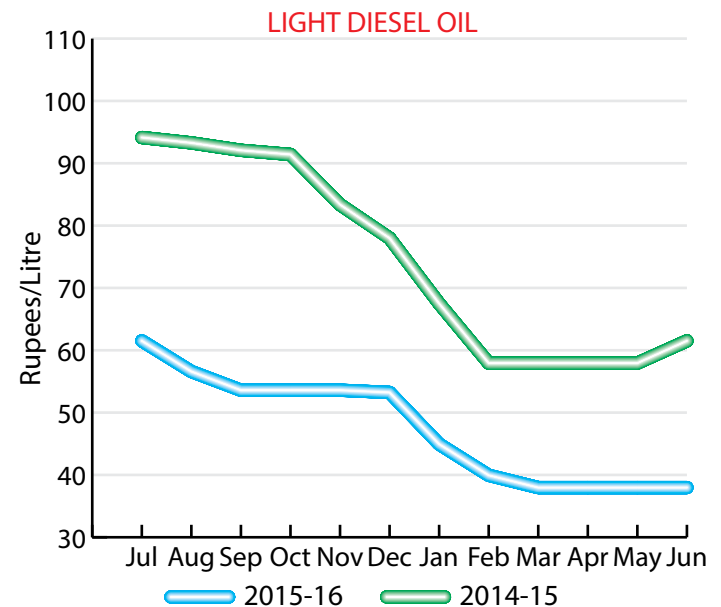
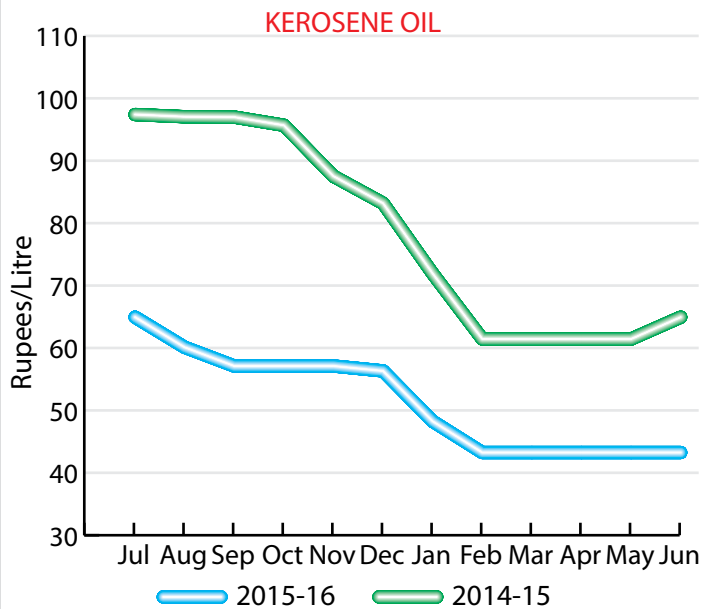
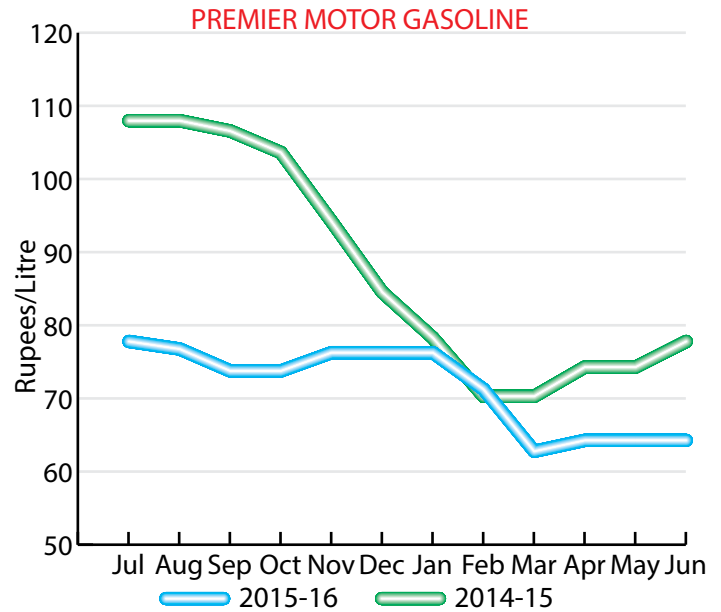
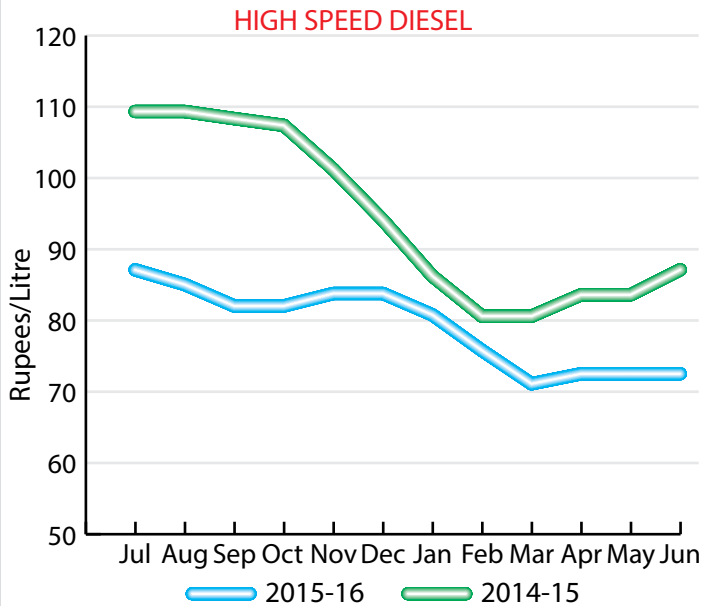
## FINANCIAL PERFORMANCE

During the year under review, the Company recorded net sales revenue of Rs 109,234 million, resulting in a decrease of 36% in comparison to the last year (2014-15: Rs 171,730 million). This decline is due to the downward trend of oil prices at an international level which has taken Pakistan in its fold as well. However, the Company achieved profit after tax of Rs 3,829 million, an increase of 17% as compared to last year (2014-15: Rs 3,286 million). In this challenging time on global oil market, the increase in profitability was made possible due to proactive approach and dedicated efforts by the management through excellent decision making and by ensuring a seamless supply chain along with effective stock management. The profit translated into earnings per share of Rs 46.16 (2014-15: Rs 39.62).

Financial results and appropriations for the year ended June 30, 2016 are summarized below:

	Rs in Million
Profit before taxation	5,634
Less: Provision for taxation	(1,805)
<b>Profit after taxation</b>	<b>3,829</b>
Add: un-appropriated profit as at June 30, 2015	12,728
Less: Transfer to special reserve by associated companies	(124)
Less: Other comprehensive loss for the year	(2)
<b>Profit available for appropriation</b>	<b>16,431</b>
<b>Appropriations during the year:</b>	
Final cash dividend for the year 2014-15 @ 220% (Rs 22/- per share of Rs 10/- each)	1,825
Interim cash dividend for the year 2015-16 @ 150% (Rs 15/- per share of Rs 10/- each)	1,244
	3,069
<b>Balance as at June 30, 2016</b>	<b>13,362</b>
<b>Subsequent Effects:</b>	
Final cash dividend for the year 2015-16 @ 250% (Rs 25/- per share of Rs 10/- each)	2,074
	11,288

## PRICE TREND ANALYSIS



### Dividend

The Board has recommended a final cash dividend @ 250% (Rs 25/- per share of Rs 10/- each) out of the profits for the year ended June 30, 2016. This is in addition to the interim cash dividend @ 150% (Rs 15/- per share of Rs 10/- each) already declared and paid to the shareholders, thus making a total of 400% for the year under review.

### Contribution towards National Exchequer and Economy

The Company contributed Rs 50,200 million towards national exchequer in the form of taxes and levies. The Company is upholding its responsible citizenship

by providing premium quality petroleum products throughout the Country including remote and far flung localities through expansion of its network of retail outlets and distributors, thus generating employment in various regions and promoting the quality of life of the local populace.

### Liquidity Management, Financing arrangements and Cash Flow Strategy

During the year under review, cash and cash equivalents increased by Rs 4,296 million. The cash was generated mainly from receipts from the customers and encashment of short term and long term investments. Cash and cash equivalents at year

end were Rs 9,162 million. Financial projections and other methods are employed and updated on a regular basis to guarantee availability of funds and to reap maximum returns by investing surplus liquidity in diversified portfolios. Even though the Company has sufficient borrowing capacity and is adequately geared to meet its future commitments and development plans, currently, all cash requirements are met by internal cash generation.

**Strategies to Overcome Financial Problems**

The Company does not expect any financial difficulties in the foreseeable future. Nonetheless, various standby arrangements with financial institutions have been made to ensure smooth continuation of the operations.

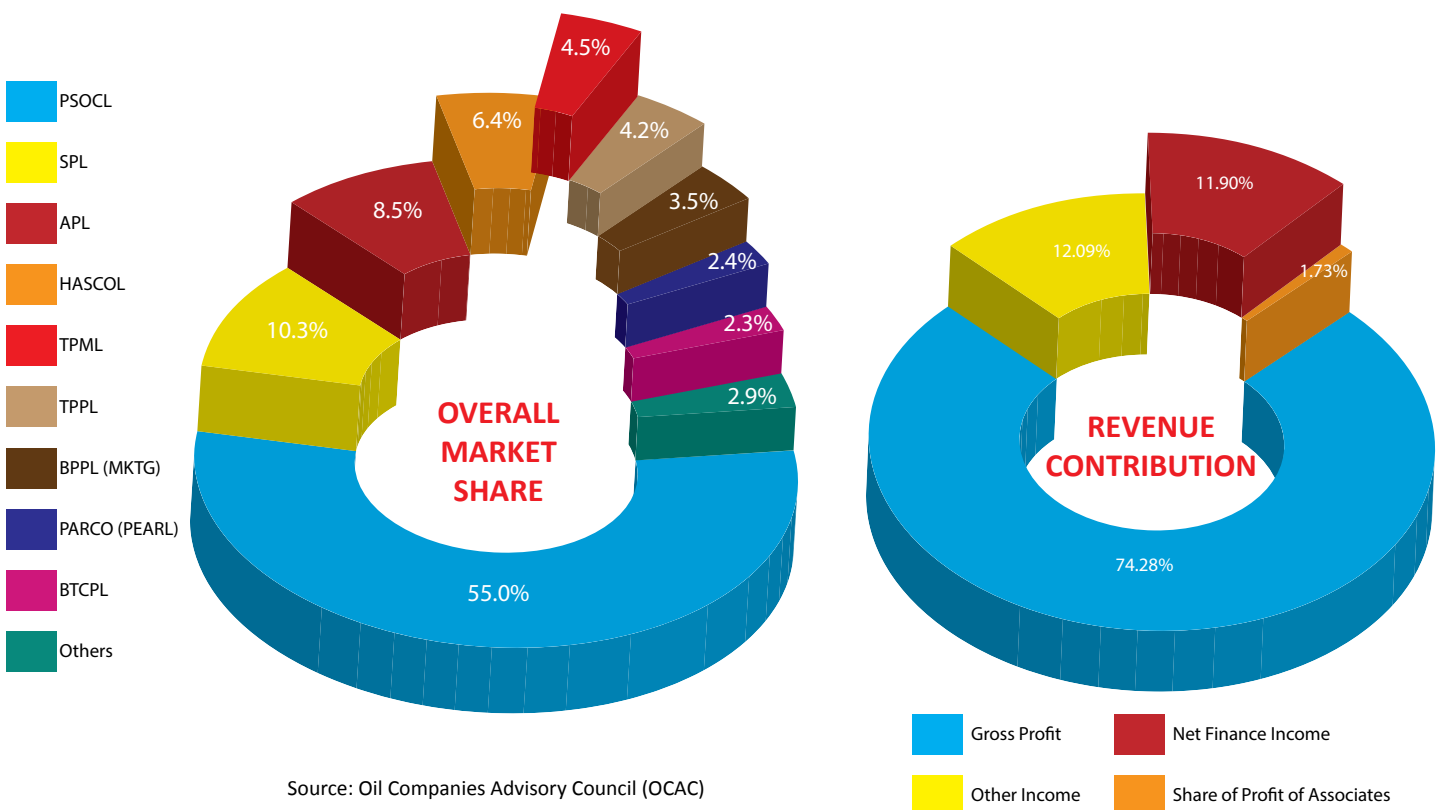
**Capital Structure**

The capital of the Company is entirely structured on equity finance. There was no change in the capital structure during the year and the management is of the view that the capital structure is appropriate for the foreseeable future.

**Significant Changes in Financial Position and Liquidity from last year**

As at June 30, 2016, total assets increased by Rs 614 million to Rs 30,525 million as compared to last year and total liabilities were reduced to Rs 16,208 million, a decrease of Rs 144 million. An increase of Rs 735 million was recorded in non-current assets from Rs 3,788 million to Rs 4,523 million, pertaining to purchase of lands and construction of terminals and retail outlets. An increase of Rs 43 million was observed in net current assets, resulting into Rs 10,420 million at the year end. Trade debts and trade payables decreased due to decreasing oil prices.

Cash flow from operating activities for the year was Rs 3,700 million representing a 22% decrease as compared to last year (2014-15: Rs 4,735 million) due to increase in payments. An inflow of Rs 3,660 million from investing activities was recorded pertaining to encashment of investments. Dividends paid during the year were Rs 3,065 million (2014-15: Rs 3,521 million).



Source: Oil Companies Advisory Council (OCAC)



Chief Executive Officer briefing the Chairman about Company's performance and future plans

## MARKET AND INDUSTRIAL REVIEW

### Global

During the year, the oil and gas industry observed a continued volatile state resulting from shifting technological paradigms and volatility of crude prices. The primary reason was increased supply and decreasing oil demand on a global scale. The decreased demand was mainly due to the slowing growth of emerging markets, whereas the upliftment of sanctions on some countries and the refusal of Organization of Petroleum Exporting Countries (OPEC) to reduce production has increased supply. The sector is going through an unprecedented transformation, which will ultimately re-define the energy business. Navigating through the changes of this scale will require strategic judgment and innovative business practices on the part of oil and gas industry.

### Domestic

The energy demand of the Country has increased in the past years. The production of oil and gas in the Country does not meet the fast rising requirement. Required availability of oil and gas in Pakistan is not expected any time soon, until the establishment of

appropriate infrastructure. With insufficient natural resources, limited increase in production and the absence of adequate infrastructure, the nation will most likely continue experiencing oil and gas shortage in the coming years and will continue to meet its requirement through imports.

In the year 2015-16, the Country observed around five percent increase in consumption of petroleum products in comparison to the last year. Major increase was witnessed in usage of Premier Motor Gasoline (PMG). The prime reason behind the increase was the shortage of Compressed Natural Gas (CNG) and low prices – enabling higher buying power for the population at large. Consumption of High Speed Diesel (HSD) increased as well, primarily due to the increase in development projects by the Government and low prices. Dependency on imports increased in order to meet the Country's demand. Some projects of restoration of existing highways and construction of motorways throughout the Country led to the increase in consumption of Bitumen. The prices of petroleum products in the Country followed

the declining global trend in the year 2015-16. Moreover, import and distribution of Liquefied Natural Gas (LNG) eased out certain energy short-falls. However, in order for the Country to realize its future growth projections, the need to further

expand the infrastructural strength is of a paramount importance and needs consistent policies in order to attract investments within the sector.

## COMPANY'S SALES AND MARKETING REVIEW

The management defines sustainable development as the process of increasing the Country's access to higher quality fuel, while contributing to long term social and economic development and preserving the environment for future generations.

The Company's struggle with the uncertain and unforeseen factors has always been there; nevertheless the management's efforts in producing best possible results have enabled growth in market presence of the Company. APL recorded an increase of 28% in its sales volume of PMG – higher than the industry, which recorded an increase of 22%. Refocusing on its strengths, consolidation of businesses, and optimizing the inventory, the management effectively helped steer the Company to higher profits even in these volatile conditions. The management practices and implements the principles of sustainable development where the Company has a direct influence and impact on economy, society and environment.

Moreover, alternate import channels and hiring of storage facilities are made for ample product availability of Premier Motor Gasoline (PMG) in Karachi region further streamlining its supply-chain. The Company added another 10,000 M.Tons storage capacity in Karachi to handle further imports – for catering to the increased demand of the valuable customers throughout the Country.

Along with the aforementioned, the management is reviving dormant retail outlets with new equipment and smart signages. The overhauling of network will certainly increase the Company's brand image. As part of the Company's development strategy the management is concentrating its efforts towards retail outlets in major cities, key sales pockets on national highways and partnering with prestigious institutions both national and international.

Prudent forecasting and intelligent commercial sense has enabled APL to win the major portion of order from the defence sector for the next year as well – making it the seventh consecutive year for APL to be a preferred fuel partner of defence services. The Company's strong strategic relationship has also helped it to enter into various projects with the defence sector due to its unmatched services.

### Other Business Activities

APL has employed satellite tracker-equipment in fleet vehicles as a step to increase effectiveness and to ensure better supply chain management. Using the latest technology available enhances operational efficiency and the Company always strives to be a pioneer in bringing these tools in the industry.

The Company successfully installed solar panels for generation of electricity at two of the major retail outlets and has planned to introduce the same in other retail outlets as well. This initiative will help overcome the problem of electricity deficit in the Country and will result in reduction of carbon emission.

For customer convenience and under the concept of multi-service facilities under one roof, the Company has introduced ATM facility at more than hundred retail outlets. This has not only provided an additional service to the customers but has also helped the Company to generate additional revenue.

### Infrastructure Development

Infrastructural expansion and strength is directly proportional to gaining competitive advantage. In realization of the same, the Company always manages to endure and progress in several projects.

Partnering with another OMC for development of Fuel Farm and Into-Plane Facility at Islamabad International Airport under a joint venture; the Company is gearing up to enter into this new

business segment. Resources have been aligned and mobilized for speedy work at site for the earliest commissioning.

Construction of Mehmood Kot and Shikarpur terminals are in pipeline and preliminary formalities are underway. The Company has finalized the procurement of land at Tarujabba, Sahiwal and Daulatpur for construction of terminals. The Company is positive that these developments will increase effectiveness and efficiency of the operations in addition to increase in sales.

### Quality Assurance of Products

In line with its vision, APL strives to provide the highest quality products to its valued customers. APL's quality assurance team ensures premium quality of petroleum products received at APL terminals and supply points, and ensures consistency in quality of all the products supplied to customers at retail outlets and other valuable clients by employing state-of-the-art ground and mobile Quality Assurance Labs - equipped with modern apparatus followed by quick responsiveness to queries on quality whenever required by the customers.

During the year, quality assurance labs carried out quality inspection visits to various locations. A number of samples of various petroleum products were tested at the Company's ground laboratory which included samples from terminal tanks, tank lorries and retail outlets.

Going forward, procurement of viscosity testing equipment is planned which will further increase testing capability by adding another sophisticated test to ensure adherence to the highest quality standards.

## RISK MANAGEMENT

APL will continue to face economic uncertainties, both in terms of demand of the products and price volatility. Global environmental pressures for a cleaner and greener energy based source, technological advancements, surplus production and weaker demand all pose a risk which needs careful foresight and alignment of resources to remain profitable in times to come. However, in the long term, increase in population, economic growth and overall increase in energy consumption are expected.

### Volatility in International Oil Prices and Regulatory Risk

The year observed a lot of factors and uncertainties within the global arena, contributing to the volatility in the prices. The decline in prices and the resultant inventory losses during the first three quarters negatively impacted the revenue of the Company. However, the Company prudently managed its stocks at optimum levels in order to minimize the negative impact of the international price deterioration and managed to perform better than the industry. The Company continues to focus on developing an effective mix of regulated and deregulated products and characterized strategy, and has also ventured into new business opportunities to augment its profitability.

### Geopolitical and Security Risks

The phrase 'global village' is truer today than ever before. Due to rapid technological advancements in the field of communications, connectivity has increased; yet borders still exist in a globalized world. Issues regarding shift of power dynamics, security and equilibrium maintenance have become intertwined with those of trade, migration, employment etc.

The recent global events have further made an impact on the overall supply-demand and pricing of oil in international markets. Oversupply and surplus storage has made traders confident that even in the face of supply disruptions, there would be enough oil.

The Company has a positive edge over the competitors, due to the support of refineries and hospitality arrangements with other OMCs under proper agreements. Moreover, increased imports during the year has further strengthened strategic trade relations as a secondary source of product availability, thereby ensuring smooth and guaranteed supply of petroleum products for the Company and its valuable customers throughout the Country.

### Intense Competition

Perhaps the biggest challenge within the industry is posed by the new and recent entrants, resulting in a highly competitive landscape. Due to evolving geo-political environment on a global scale, struggle between the major global players for market share has resulted in surplus production against a weaker demand – thereby causing the crude prices to take a plunge to their lowest in almost 10 years. This creates challenges as well as opportunities within

the markets. Thorough research, analysis and expertise of the management is required in order to identify and assess various threats and new business avenues. Lower prices allow higher buying power, thus providing an opportunity to capitalize on this increased consumption, the Company has been able to gather substantial market share in the MOGAS sector via strategically timed import along with strengthening the relationship with its import partners.

Under these circumstances, the business strategy is to refocus the Company on what it does best and where it can outpace its competitors. The crux of the management during the year was looking for growth areas where the Company already has established massive strength along with bringing agility to adapt with changing market conditions.

### Human Resource

The Company's most valued resource is its competent and committed work force, powering the Company's growth and contributing towards its corporate image. APL invests in its human capital to maintain a healthy working relationship by providing an employee-friendly environment, nurturing their skills and talents.

Effectively managing the workforce leads to efficient business operations which directly impact the Company's growth and profit. Workforce has to be retained and kept motivated. To achieve the best from the employees the Company provides them environment where they can demonstrate leadership,



accountability and teamwork, and through these behaviors, they contribute to the overall success of the Company.

### Health, Safety, Environment and Security

The long-term business success of APL depends on its ability to continually improve the quality of products while protecting people and the environment. Emphasis is placed on ensuring human health, operational safety, environmental protection and quality enhancement. This commitment is in the best interests of the customers, the employees, contractors, the shareholders and the communities. The Company's HSE policy is a true reflection of the fact that the business practices do not contravene to laws pertaining to health, safety and environment.

APL adopted a pre-emptive approach mitigating the security risks which have increased manifolds due to past security challenges. Serious measures have been taken to address the security risks and to enhance





the already developed trust by its employees and valuable customers. Measures adopted include installation of electronic walk through gates at operating facilities, increase in strength of security staff and number of security check posts, induction of explosive detectors and provision of hand-held scanners. Moreover, the security staff is regularly updated and trained.

APL is bound to provide its customers and employees a safe and risk free working environment. For this purpose, all elaborated efforts are being taken and many are in the pipeline.

### **Information Technology Risk**

Information technology risk includes internal factors such as the number and duration of systems failures, employee access controls, protection of confidential data and information, as well as external factors such as the introduction of advanced software and hardware into the industry and incidents of cybercrime.

The Company maintains a central database environment where online transactions are entered in real time. An automated procedure generates a daily data backup at midnight. Further, incremental and monthly backups are generated and maintained on hard drives and data tapes. An offsite backup mechanism is also in place as an additional measure to safeguard data integrity.

### **Disaster Recovery and Business Continuity Planning**

Technological advancements, volatility in global prices, political turmoil, increased awareness of renewable energy sources and stiffer competition due to advent of more marketing companies has led the need to analyse and assess continuity of business operations and to undertake measures to enhance the resilience capacities of business and operations against such disruptions. The Company has implemented an effective system for sustained business operations via strategic infra-structure and alternate supply channels in the event of a disaster/ disruption and the Board reviews the system from time to time.

## **CORPORATE GOVERNANCE**

Good Corporate Governance holds a paramount importance to the Company. The Board makes certain that all the activities carried out are at par with the best practices. As a result of years of making this practice a habit, the Company is highly trusted by the investors. The Board ensures transparency in communication with stakeholders and implementation of a professional corporate culture thus complying with the principles of good governance at every step.





### Board Annual Evaluation

The Board complies with the Code of Corporate Governance and is always finding ways to enhance the performance of Board Committees and itself. A mechanism is developed as prescribed by the Code to assess efficacy of constituents of the Board and its Committees on an annual basis. During the year, the Board and its Committees were evaluated to increase their effectiveness. The Board is constantly aligning itself with the developments in corporate governance.

### Role of the Chairman and CEO

The Chairman heads the Board of Directors and is appointed by the Board from amongst the Non-Executive directors. Heading the meetings, defining agendas and signing the minutes are the primary responsibilities of the Chairman and making sure that the duties of the Board of Directors are met. He also manages conflicts of interests arising, if any, and makes recommendations to improve performance and effectiveness of the Board.

The CEO manages the Company and is responsible for all of its operations. The CEO designs and proposes strategies and implements decisions of the Board. The CEO reports to the Board regarding the Company's performance and profitability along with suggesting improvements to enhance shareholders' wealth.

### CEO Performance Review

The Board assesses the CEO's performance using key performance indicators set on financial and non-financial measures. The Board also discusses the prospects of the Company with the CEO to ascertain smooth operation of the Company's affairs.

The Board is well contented with the CEO's performance for the year. Multiple new ventures, better profitability, improving market presence, up-gradation of the current bulk terminals along with construction of the new ones are a few examples of the Company's excellent performance during the year.

### Directors' Training Programme and Formal Orientation for Directors

The Company ensures that it meets the requirements set forth by Securities and Exchange Commission of Pakistan (SECP) and is complying with criteria of Directors' Training Programme (DTP) by obtaining certification for half of the Directors on Board till June 30, 2018. Two of the Directors have attended the Directors' Training Programme from recognized institution of Pakistan approved by the SECP whereas four of the Directors meet the exemption criteria for this purpose.

The Company keeps the Directors updated about the prevailing relevant laws and the current matters regarding corporate governance. The Directors are well-equipped with a thorough and practicable



knowledge of the regulations in addition to the Code of Corporate Governance.

### **Whistleblower Protection Mechanism**

The Whistleblower Policy encompasses the procedure for reporting, handling, investigating and eliminating fraudulent activities in the Company's operations. The policy ensures protection of the whistleblowers. The Company makes certain that an open and transparent working environment is maintained and employees who intend to report such activities are provided with an adequate forum also ensuring their anonymity. No incident of whistle blowing was reported during the year.

### **Code of Conduct for Directors and Employees**

The Code of Conduct has been circulated to all the directors and the employees of the Company for their compliance as required under Code of Corporate Governance 2012. This Code provides the standard for professional behaviour in order to ensure that the business is carried out in an honest and ethical manner.

### **Compliance with Code of Corporate Governance**

The Company is compliant in all respects with the Code of Corporate Governance as per the

requirements of the PSX Rule Book. Specific statements are being given hereunder:

- 1) The financial statements, prepared by the management, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- 2) Proper books of account have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Company's ability to continue as a going concern.
- 7) Significant deviations from the last year's operating results have been disclosed in this Report.
- 8) Key operating and financial data of the last 6 years in summarised form is annexed with the Report.

- 9) All major Government levies in the normal course of business, payable as at June 30, 2016, have been cleared subsequent to the year-end.
- 10) The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.
- 11) The values of investments in employee retirement funds based on the latest audited accounts as of June 30, 2016 are as follows:
- |                           |                   |
|---------------------------|-------------------|
| Employees' Gratuity Fund  | Rs53.054 million  |
| Employees' Provident Fund | Rs 90.651 million |
- 12) The total number of Company's shareholders as at June 30, 2016 was 3,031. The pattern of shareholding as at June 30, 2016 along with necessary disclosures as required under the Code of Corporate Governance is annexed.

A separate statement of compliance signed by the Chief Executive Officer is included in this Annual Report.

### Board of Directors Structure, its Committees and Meetings

During the year, Mr. Wael G. Pharaon resigned from the Board and the casual vacancy was filled up by Mr. Mofarrih Saeed H. Alghamdi.

The status of each director on the Company's Board whether non-executive, executive or independent has been disclosed in the Statement of Compliance as required under Code of Corporate Governance, 2012.

During the year the Board remained actively involved in performing their duties under various laws and

the Memorandum and Articles of Association of the Company with the ultimate objective of enhancing the profitability of the Company thus increasing shareholders return.

During the year, five meetings of Board of Directors were held for review of periodic Financial Statements as well as for consideration of significant and routine matters including those referred to it by Board committees.

### Audit Committee

The Audit Committee consists of three members comprising of non-executive directors including an independent director and the Chairman having relevant expertise and experience. The Audit Committee met four times during the year and these meetings were held prior to the Board meetings.

### Human Resource and Remuneration Committee

The Board Human Resource and Remuneration (HR&R) Committee comprises of two non-executive directors and Chief Executive Officer. The Committee met once during the year to review the HR related agendas.

### Attendance by Directors in the Meetings

Sr. No.	Name	Board of Directors meetings	Audit Committee meetings	HR&R Committee meetings
1	Dr. Ghaith R. Pharaon*	5/5		
2	Mr. Laith G. Pharaon*	5/5		1/1
3	Mr. Wael G. Pharaon*	2/2		
4	Mr. Mofarrih Saeed H. Alghamdi*	3/3		
5	Mr. Shuaib A. Malik	5/5		1/1
6	Mr. Abdus Sattar	5/5	4/4	
7	Mr. Babar Bashir Nawaz	4/5	3/4	1/1
8	Mr. Mohammad Raziuddin	5/5	3/4	

\*Overseas directors attended the meetings either in person or through alternate directors.

## AUDITORS

The present auditors Messrs A. F. Ferguson and Co., Chartered Accountants, a member firm of the PricewaterhouseCoopers network, retire and are eligible for reappointment for the year 2016-17. The Audit Committee of the Board has recommended the re-appointment of the retiring auditors for the year ending June 30, 2017. The Board has recommended the same for the approval of the shareholders in the forthcoming Annual General Meeting.

## FORWARD LOOKING STATEMENT AND FUTURE PLANS

The Company has come a long way, and has always emerged successful in challenging times. The current global conditions have been volatile and the market is getting tough. However, APL has stood firm and is well rooted to achieve more in the years to come. The management has taken strategic steps to maintain its hold on the market and acquire more. The management of APL is vigorously pursuing different projects and is forming various alliances, thus planning for an even more successful future.

Some of the major projects underway are as follows:

- The establishment of Fuel Farm and Maintenance/Operations of Fuel Farm and Hydrant Refueling System (HRS) at New Islamabad International Air-Port under a joint venture between APL and Pakistan State Oil (PSO) is expected to be completed within a year.
- The Company is establishing bulk terminals at strategic locations and is increasing the number of storage facilities to ensure a seamless supply chain. In this regard work is underway in relation to design and construction of Mehmood Kot and Shikarpur terminals and is expected to be completed in the coming year. Moreover, acquisition of land at Tarujabba, Sahiwal and Daulatpur is at final stages for construction of terminals.
- The Company is determined to reduce its carbon footprint for preservation of environment and reducing costs by introducing solar panels at its

major retail outlets for generation of electricity.

- The Company has in past made its grip strong on the national highways, and has established a prominent presence there. However, establishment of retail outlets at urban areas and city centers are in pipeline to grab a new chunk of market share and to promote brand image.

The Company is well geared to venture into new business segments to increase revenue generation and sustainability in times to come. Formation of strategic partnerships at both international and national level will ensure steady creation of wealth in difficult times.

During the year, the oil industry saw turbulence and experienced changes in the dynamics, both in terms of supply and demand. The global political and economic conditions had a negative impact on the oil business. However, the Company is focused on maximizing the shareholders' wealth and its brand reputation along with its presence in the oil market. The management is determined to achieve sustainable business growth.

## ACKNOWLEDGEMENT

The Board would like to take this opportunity to express its gratitude to our esteemed shareholders for their support. The Board also extends its appreciation and gratefulness to Government of Pakistan and regulatory bodies for their cooperation. The Directors are thankful to employees, customers and strategic partners for their resolute dedication and contribution.

On behalf of the Board



Shuaib A. Malik  
Chief Executive

Rawalpindi.  
August 15, 2016

# Bringing the best to our customers



# Pattern of Shareholding

As on June 30, 2016

Corporate Universal Identification Number: 0035831

Form-34

Sr. No.	Number of Shareholders	<-----HAVING SHARES----->		Shares Held	Percentage
		From	To		
1	559	1	100	27,694	0.03
2	676	101	500	188,929	0.23
3	373	501	1,000	298,453	0.36
4	1,171	1,001	5,000	1,786,208	2.15
5	72	5,001	10,000	522,655	0.63
6	46	10,001	15,000	557,208	0.67
7	23	15,001	20,000	413,620	0.50
8	28	20,001	25,000	647,180	0.78
9	5	25,001	30,000	136,750	0.15
10	11	30,001	35,000	357,472	0.43
11	5	35,001	40,000	184,399	0.22
12	1	40,001	45,000	42,800	0.05
13	5	45,001	50,000	236,150	0.28
14	4	50,001	55,000	213,487	0.26
15	1	55,001	60,000	55,229	0.07
16	3	60,001	65,000	188,190	0.22
17	1	65,001	70,000	65,674	0.08
18	3	70,001	75,000	214,847	0.26
19	2	75,001	80,000	157,600	0.19
20	2	80,001	85,000	166,108	0.20
21	1	85,001	90,000	89,100	0.11
22	2	90,001	95,000	181,800	0.22
23	1	95,001	100,000	96,100	0.12
24	1	105,001	110,000	109,200	0.13
25	2	110,001	115,000	227,250	0.27
26	3	115,001	120,000	358,800	0.43
27	2	120,001	125,000	248,850	0.30
28	1	140,001	145,000	144,000	0.17
29	1	145,001	150,000	146,416	0.18
30	1	155,001	160,000	156,505	0.19
31	1	170,001	175,000	175,000	0.21
32	1	175,001	180,000	177,450	0.21
33	1	180,001	185,000	184,112	0.22
34	2	185,001	190,000	379,500	0.46
35	1	195,001	200,000	196,640	0.24
36	1	205,001	210,000	209,200	0.25
37	1	215,001	220,000	215,300	0.26
38	1	235,001	240,000	240,000	0.29
39	1	240,001	245,000	244,588	0.30
40	1	300,001	305,000	302,579	0.37
41	1	370,001	375,000	370,200	0.45
42	1	545,001	550,000	550,000	0.66
43	1	550,001	555,000	555,000	0.67
44	1	775,001	780,000	778,694	0.94
45	1	900,001	905,000	901,626	1.09
46	1	1,010,001	1,015,000	1,011,151	1.22
47	1	1,215,001	1,220,000	1,219,350	1.47
48	1	1,335,001	1,340,000	1,338,450	1.61
49	1	1,820,001	1,825,000	1,824,768	2.20
50	1	5,530,001	5,535,000	5,534,821	6.67
51	1	5,820,001	5,825,000	5,820,595	7.02
52	1	5,835,001	5,840,000	5,836,017	7.04
53	1	18,140,001	18,145,000	18,144,138	21.88
54	1	28,515,001	28,520,000	28,516,147	34.38
<b>3,031</b>				<b>82,944,000</b>	<b>100.00</b>

## Categories of Shareholders

As on June 30, 2016

Sr. No.	Categories	Number of Shareholders	Shares Held	Percentage
1	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES & MINOR CHILDREN	10	5,584,061	6.73
2	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	5	60,141,665	72.51
3	NATIONAL INVESTMENT TRUST & INDUSTRIAL CORPORATION OF PAKISTAN	1	55,229	0.07
4	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS	13	4,756,857	5.73
5	INSURANCE COMPANIES	8	2,737,025	3.30
6	MODARABAS & MUTUAL FUNDS	32	2,028,076	2.44
7	FOREIGN COMPANIES	11	521,314	0.63
8	TRUSTS AND FUNDS	80	1,385,776	1.67
9	JOINT STOCK COMPANIES	54	569,904	0.69
10	GENERAL PUBLIC (LOCAL)	2,744	4,975,309	6.00
11	GENERAL PUBLIC (FOREIGN)	73	188,784	0.23
12	SHAREHOLDERS HOLDING 10% OR MORE SHARES	2	46,660,285	56.26

## Information Required

### Under Code of Corporate Governance

	Number of Shareholders	Shares Held
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		
Pharaon Investment Group Limited Holding s.a.l.	1	28,516,147
Attock Refinery Limited	1	18,144,138
Attock Petroleum Limited Employees Welfare Trust	1	5,836,017
Pakistan Oilfields Limited	1	5,820,595
The Attock Oil Company Limited	1	1,824,768
	<b>5</b>	<b>60,141,665</b>
<b>MUTUAL FUNDS</b>		
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	1	50
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	2,200
CDC - TRUSTEE APF-EQUITY SUB FUND	1	2,500
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	4,450
CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	1	7,800
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	1	8,700
PAK QATAR INDIVIDUAL FAMILY PARTICIPANT INVEST FUND	1	10,900
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	1	14,900
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	15,200
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	18,951
CDC - TRUSTEE PICIC STOCK FUND	1	22,000
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	23,148
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	23,650
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	26,000
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	30,100
CDC - TRUSTEE MEEZAN TAHAFUZ PENSION FUND - EQUITY SUB FUND	1	34,120
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	46,050
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	51,100
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	61,740
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	1	64,050
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	85,000
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	89,100
CDC - TRUSTEE JS LARGE CAP. FUND	1	90,300
CDC - TRUSTEE JS ISLAMIC FUND	1	91,500
CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND	1	96,100
CDC - TRUSTEE NAFA STOCK FUND	1	123,850
CDC - TRUSTEE PICIC ENERGY FUND	1	244,588
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	302,579
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	37,750
MC FSL - TRUSTEE JS GROWTH FUND	1	189,500
CDC - TRUSTEE HBL - STOCK FUND	1	209,200
	<b>31</b>	<b>2,027,076</b>



	Number of Shareholders	Shares Held
<b>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</b>		
Dr. Ghaith R. Pharaon	1	1
Mr. Laith G. Pharaon	1	1
Mr. Mofarrih Saeed H. Alghamdi	1	1
Mr. Shuaib A. Malik	1	5,534,821
Mr. Abdus Sattar	1	600
Mr. Babar Bashir Nawaz	1	1
Mr. Mohammad Raziuddin	1	1
Mr. Iqbal A. Khwaja	1	13,296
Mr. M. Adil Khattak	1	35,251
Mr. Rehmat Ullah Bardaie	1	88
	<b>10</b>	<b>5,584,061</b>
<b>EXECUTIVES</b>	<b>8</b>	<b>71,845</b>
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	<b>1</b>	<b>184,112</b>
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</b>	<b>40</b>	<b>8,002,155</b>
<b>SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS</b>		
Pharaon Investment Group Limited Holding s.a.l.	1	28,516,147
Attock Refinery Limited	1	18,144,138
Attock Petroleum Limited Employees Welfare Trust	1	5,836,017
Pakistan Oilfields Limited	1	5,820,595
Mr. Shuaib A. Malik	1	5,534,821
	<b>5</b>	<b>63,851,718</b>

### Trade in shares by Directors, Executives and their spouses and minor children during 2015-16:

Trade in shares by Directors, Executives\*, their spouses and minor children during 2015-16.

	No of Shares Purchased
Mr. Ijaz Khan	1,000
Mr. Yasir Chughtai	1,000

\* "Executive means Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary and other employees of the Company who are drawing an annual basic salary of Rs. 500,000 or more."



## Other Corporate Governance Matters

### Investor Grievance Handling

Investor satisfaction is the prime focus of the Company to retain long lasting relationship with its prestigious investors. The Company's existing and potential investors are allowed access to information regarding Company's operations in addition to details of investments, dividend distribution or circulation of regulatory publications.

Investor Grievances are managed centrally by Company Secretarial Matters (CSM) section. The section has an effective Investor Grievance redressal mechanism in place to handle investor's queries and complaints promptly and effectively. The Company's grievance handling is supported by a review mechanism to minimize recurrence of similar issues in future:

- Investors' queries and complaints are dealt with courtesy at all the times.
- Investors have facility to call on the contact number provided for the purpose on the Company's website.
- The Company has maintained an investor's relations section on the website.
- An email ID is designated for the investor's queries and complaints.
- Feedback/complaint forms are available on website where investors can lodge their complaints at any time.
- Complaints are addressed by designated employees

without any delay. The CSM section has maintained a record of complaints mentioning status of pending complaints and their resolution.

### Issues raised at last AGM

The Company is working to safeguard the interests of the shareholders and maximize their wealth by value creation. The Annual General Meeting (AGM) is an effective way of engaging shareholders. In addition to AGM, the queries and concerns of shareholders are highlighted and addressed appropriately from time to time. During last AGM of the Company held on September 18, 2015 shareholders raised some concerns which were satisfactorily responded.

### Safety of Records of the Company

To ensure prompt and accurate retrieval of records, protection of vital information in the event of disaster and to ensure compliance with legal and regulatory requirements, the Company has an established procedure for preservation of records holding significant value, in line with good governance practices and administrative requirements.

Records include books of accounts, documents pertaining to secretarial, legal, taxation and other matters etc. Key records are archived in a manner to protect them from physical deterioration, accidental fire and natural calamities;

- Documents in physical forms are stored at specifically designated record rooms with proper safety features.
- Financial data and other records in the ERP system

are periodically backed up at various servers and protected under secure access protocols.

- Paperless environment is also being promoted and an e-record management system is being put in place to safeguard the records of the Company along with optimizing storage spaces.

### **Conflict of Interest among members of the Board of directors and employees**

In addition to the compliance of regulatory requirements, a formal Code of conduct is in place for avoidance of known or perceived conflicts of interest among board of directors and employees. Board members exercise their due rights of participation in proceedings of Board meetings. The minutes of the proceedings are comprehensively prepared and any reservation of the Board members are appropriately documented, for further evaluation as to qualification for conflict of interest.

### **Investors Relations Section on Website**

Detailed Company information specified under the relevant regulations, including but not limited to, financial reports, financial highlights, investors

notices/announcements, pattern of shareholding, dividend declarations etc have been placed on the Company's website "[www.apl.com.pk](http://www.apl.com.pk)".

In order to promote investors' relations and to facilitate investors' access for grievance/ other query registration, a comprehensive "Investor Relations" section is placed on the APL website.

APL ensures to present the latest information by regularly updating its website. The Company is in full compliance with the latest regulations issued by SECP regarding maintenance of functional website by the listed companies. A Compliance Certificate by the Chief Executive is placed on the website as well.

### **Stakeholder Engagement**

Frequency of engagements is based on specific corporate requirements under the Code of Corporate Governance and with the objective to establish, promote and enhance the corporate image of the Company.



Stakeholders	Management of Stakeholder Engagement	Effect and value to APL
Institutional Investors/ Shareholders	The confidence put in the Company by the investors is honored and acknowledged by providing them with a steady rate of return on their investment. General meetings provide the shareholders a platform to voice their concerns and raise their queries which are addressed appropriately. The Company also engages shareholders through issuance of annual/quarterly financial reports and notices/updates.	The financiers of capital help APL: <ul style="list-style-type: none"> <li>• Convert its business plans into actions.</li> <li>• Achieve its business targets.</li> </ul>
Customers and Suppliers	The Company's primary customers include dealers, distributors and institutional customers. APL Customer Relationship Management is beyond extending credit facilities and trade discounts. Periodic engagements are held with customers in the form of dealers/distributors conference. Various informal meetings are also held with customers and suppliers to maintain effectiveness of Supply Chain Management.	Customers' loyalty and effective supply chain is the key to the Company's sustainable business growth.
Banks	Banks and other financial institutions are engaged by the Company on regular basis in relation to negotiation of rates, short term financing arrangements, deposits and investments. Banks are also consulted on issues linked with letters of credit and payments to suppliers, along with other disbursements of operational nature including payment of dividends and foreign remittances.	Bank dealings are central to the Company's performance in terms of: <ul style="list-style-type: none"> <li>• Access to better interest rates and financing terms.</li> <li>• Efficient Customer Service.</li> </ul>
Media	The Company engages with the media through regular press releases regarding key achievements. Statutory notices and other public announcements required by law are generally circulated through print media. Multiple mediums are also used for advertisement and marketing purposes. Employees of the Company have made appearances on media as well, for brand advertisement and awareness. Retail prices are notified through press-gazette. Furthermore, the website of the Company is also used as a medium to communicate information to stakeholders.	<ul style="list-style-type: none"> <li>• Media communication of the Company's achievements helps strengthen APL brand image.</li> <li>• Awareness of the Company's status and activities is developed among the general public and potential investors.</li> </ul>
Regulators	APL prides itself for being a responsible corporate citizen. The Company abides by the laws and regulations of the Pakistan and makes certain that all the requirements of relevant regulators are met in a timely manner. Regulators are continuously engaged at various local, provincial and federal levels. Various statutory forms and returns are periodically submitted as per requirements of the law in addition to the information required by regulators. Company constantly liaisons with the Government authorities and regulators in terms of matters / issues relating to energy requirements of the Country.	Country's laws, regulations and other factors controlled by the Regulators, set operating guidelines for the Company.
Analysts	The Company regularly engages with analysts on its financial and operating results, with due regard to regulatory restrictions imposed on inside information/trading.	Providing required information to analysts helps: <ul style="list-style-type: none"> <li>• Attracting potential investors.</li> <li>• Clarifying misconceptions/ market rumors</li> </ul>
Employees	Focus on the Company's most valuable resource "our competent and committed workforce" is the base of APL's Human Resource Strategy. Multiple in-house and external training are conducted for continuing professional developments of our employees. APL provides a nurturing and employee friendly work environment. APL has also invested in health and fitness activities for its employees.	The competent employees are the backbone of the Company. The Company's strategic, operational and tactical decisions taken by management are effectively implemented through our committed workforce.
General Public	Being a good corporate citizen, APL always tries to add value to the society. APL engages with general public at large through its CSR activities.	A contented and peaceful nation fixes the roots for a prosperous society.

# CORPORATE SUSTAINABILITY

## Human Resource Development and Succession Planning

APL prides itself to be included amongst the leading Oil Marketing Companies of the Country. Our employees are our biggest assets and the Company endeavours to facilitate them in achieving their career progression and helping them to hone their personal and professional skills. APL equips the employees with latest market trends and keeps the employees updated by training and development programs planned throughout the year. Various social activities are also organised to keep the employees socially active. Such activities improve the working relationship among the employees and superiors and also enhance the association among peers. This ensures the welfare of the employees while reducing risk of employee turnover.

To improve effectiveness of business as well as human resource processes, APL has implemented Human Resource Management System (HRMS) across the organization. The implementation of HRMS has streamlined employee database management by providing swift yet reliable employee information.

APL believes in proactive approach towards succession planning. We recruit employees, develop their knowledge, skills, abilities and prepare them for future roles. The Company also ensures availability of competent personnel in each department through a comprehensive succession planning policy.

## Corporate Social Responsibility

APL is committed to play vital role in supporting and working with its stakeholders for sustainable community and social development programs.

Corporate Social Responsibility (CSR) is one of the core values and an integral part of the Company's overall mission. By integrating CSR into our business strategy, APL is helping to drive shared value amongst its stakeholders and enhance its corporate brand image community wide.

**Internship Opportunities:** As per APL's Internship Policy, the Company considers it a social responsibility to provide opportunity for first hand practical experience to students of Higher Education Commission (HEC) recognized educational institutions of the country. During the current year, 20 students were offered internships in various disciplines like



Interns receiving an insight of oil market supply chain mechanism

Engineering, Finance, Supply Chain, Human Resource and Marketing & Sales.

These internships not only provide them the exposure of a corporate environment, but also a platform to apply their academic skills in order to jump-start their professional careers. Students are provided with an opportunity to experience and preview the practical environment, building their professional confidence through these internship programs.

**Scholarships:** APL through its Trust awarded scholarships to 32 brilliant children of employees ranging from primary education to graduation. The Company ensures commitment in the area of education and always supports the bright students by sponsoring their education.

**Recreational Activities:** APL always strives on developing harmonious working environment among the employees through different recreational activities. This helps them develop team work and socialize with each other thus satisfying their social appetite.

Annual Sports Gala with cricket tournament as a main event was arranged as part of such activities. APL's senior management also participated with full spirit in these activities thus encouraging camaraderie. Recreational events increase rapport among the employees and break various barriers between them. Individuals get to know one another on a personal level. Strengthening these bonds amongst employees helps them work better with one another.

**Women's Day Celebrations:** APL values the services provided by female staff members. A get together event was organized for female staff members to value them and mark the occasion of International Women's Day.

**Earth Hour:** Being a socially responsible OMC, APL thrives to educate employees on environment. APL took initiative and started awareness campaign by communicating to all staff members about Earth Hour and motivated employees to switch off extra lights and plant a tree in their vicinity on eve of Earth Day.

### **Health, Safety and Environment Consciousness**

At APL it is ensured that the employees stay safe

all the time, safety precautions are considered a mandatory practice. We consistently train our workforce and encourage them to take a proactive approach when it comes to identify and suggest practicable methods to solve the issues which might result hazardous.

We strive to achieve world-class performance and prevent all incidents through a rigorous and systematic process of continuous improvement. Our workforce truly believes that incidents are preventable and that the status "zero incidents" is achievable. We have policies, processes, tools and behavioral expectations in place to assist us in achieving that goal.

APL's commitment for "Safety first" ensures employee's safety by organizing different programs for awareness. An in-house training session on "Incident Investigation, Root Cause Analysis and Formal Reporting" was part of it. This training was meant to equip our employees with knowledge on how to report and investigate an incident and avoid chances of its reoccurrence. All the employees who attended this training were awarded international "Highfield Awarding Body of Compliance".

### **Energy Conservation, Energy saving measures and plan to overcome the escalating energy crisis**

Optimization of energy consumption always remains a prime focus of the Company. APL has taken number of initiatives in this regard. As part of this initiative, installation of energy efficient equipment like LEDs in pylons, spreaders and fascia is continued in the current year too. Canopy ceiling lights have been converted from conventional 400 watts to 100 Watts. Up till now we have successfully converted approx. 40% of retail network upon smart signages conserving energy at the same time helping business partners reducing their overhead costs.

Company has also converted power load of its Company Owned Company Operated (COCO) site, Model Filling Station, Islamabad to Hybrid Solar System - reducing energy consumption significantly. In next phase, the Company intends to shift remaining COCO sites on green energy in order to reduce financial and environmental impacts.

APL keeps on imparting Energy conservation awareness among employees. Paperless Environment Campaign is being promoted to avoid unnecessary resources utilization.

### **Training and Organizational Development**

Training allows employees to acquire new skills, sharpen existing ones, perform better, increase productivity and be better leaders. Since APL strongly believes that a company is the sum total of what employees achieve individually, we try to ensure that employees perform at their peak.

Our trainings are composed of in-house and external trainings. During the year 2015-16, a number of in-house workshops were organized for APL staff members on Incident Reporting, Work Ethics and Awareness, Internal Auditing of ISO 9001:2008 etc. Total of 106 employees were trained during the year in various internal and external training programs.

### **Community investment and welfare schemes**

APL fully understands and realizes the need and responsibility towards the community. APL has taken different measures for the prosperity, health and

literacy of the local community. The Company has also supported healthy and productive activities such as sports and providing sponsorships to various institutions.

### **Efforts made to mitigate the adverse impact of industrial effluents**

Our foremost priority is preservation of public health and safety. In order to fulfill this obligation, operational procedures for shipping and handling of oil products to the end users are strictly observed under the Health, Safety and Environment (HSE) guidelines. All of our products have well defined Material Safety Data Sheet (MSDS), from entrance of the tank lorry in the bulk terminal for filling, to the decantation process at the customer's oil storage tanks.

Employees' training in progress



# Audit Committee and Internal Control Framework

The Board of Directors of the Company has formed a Board Audit Committee as required under the Code of Corporate Governance (the Code). The Committee comprises of 03 non executive directors including an independent director. The Chairman of the Committee, Mr. Abdus Sattar has vast experience in finance and accounting. Detailed profile of Mr. Abdus Sattar is given in 'Profile of Board of Directors' section.

The Audit Committee met 04 times during the year ended June 30, 2016. The meetings of the Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The agenda of the meetings included discussions on financial matters of the Company along with review of other matters as per the Terms of Reference (TOR) of the Committee.

Head of Internal Audit Department, being the Secretary to the Committee, arranged all the Committee meetings. In addition to the Committee members, the meetings were also attended by the Chief Financial Officer (CFO). The Committee also met with the External Auditors separately in the absence of Head of Internal Audit and CFO to get feedback on the overall control and governance framework within the Company.

The Internal Control Framework is a major part of

overall governance structure. It is fundamental to the successful operation and day-to-day running of a business. The scope of internal control is very broad. It encompasses all controls incorporated into the strategic, governance and management processes, covering the Company's entire range of activities and operations and not just those directly related to financial operations and reporting.

Internal control as a process designed to provide reasonable assurance regarding the achievement of objectives in relation to the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Internal auditors play an important role in evaluating the effectiveness of control systems and have a significant monitoring role because of authority and independency in the organisation.

The Head of Internal Audit has direct access to the Committee. Audit observations along with compliance status are regularly presented to the Committee. The role of Internal Audit department includes review of systems within the Company at appropriate intervals to determine whether they are effectively designed and carrying out the functions in accordance with management instructions, policies and procedures and in a manner that is in agreement with Company's objectives and high standard of administrative practices.





## Key Sources of Estimating Uncertainty

Financial Statement preparation requires the management and the Board of Directors to make estimates that affect the reported figures of financial statements' elements and use their professional judgment while applying appropriate accounting policies.

These estimates are developed on assumptions based on historical experience and other reasonable factors, the result of which form the basis for making judgment about the carrying values of assets and liabilities which are not readily available from other sources. Actual results may differ from the estimates under different assumptions or conditions applicable.

The estimates are reviewed on ongoing basis to check for any revision in the estimates. Effect of revision in accounting estimates are recognized prospectively i.e. in the period of revision or future period if it effects so. Key sources of estimation of uncertainty are detailed below:

### Recoverable amount and valuation of investment in associated companies

APL has investment in associated companies ARL, NRL and AITSL. The value of investments in listed associated companies NRL and ARL is based on valuation analysis carried out based on value in use calculation described in notes 14.5, 14.6 while value of unlisted associated company AITSL is based on its financial statements as described in note 14.7 of financial statements.

### Assessment of significant influence in associated companies

NRL, ARL and AITSL are treated as associated

companies in spite of having less than 20% shareholding by APL in these companies, as APL has representation on their Board of Directors.

### Provision for taxation

Current tax (Rs. 1,860 million) has been recognized in financial statements taking account of relevant laws and decisions taken by appellate authorities. Contingent liabilities are disclosed in financial statements where the Company's view differs from the tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law. Deferred tax asset (Rs. 55 million) is recorded in the Company's financial statements on the assumption that future taxable profit will be available to utilize the deferred tax assets.

### Useful life of property, plant and equipment

The useful lives are estimated having regard to the factors as asset usage, maintenance, rate of technical and commercial obsolescence. The useful lives of assets are reviewed annually.

### Value of staff retirement benefit obligations

The defined benefit obligations are based on actuarial assumptions such as discount rate, expected rate of return on plan assets, expected rate of growth in salaries and expected average remaining working life of employees and detailed extensively in note 31 to the financial statements.

## Materiality approach adopted by the Management

Information and events are considered to be material if, individually or in aggregate, they have significant impact on the Company's performance or profitability which in turn can influence the economic decisions of the Company's Stakeholders.

APL's management has developed a materiality policy duly approved by the Board. Assessment of

materiality levels other than those provided under the regulations is matter of professional judgment and is organization specific. Materiality levels are reviewed periodically and updated appropriately where necessary.

Power of the Board of Directors and the Company's Management have been defined in line with the

guidelines of the Companies Ordinance 1984, the Code of Corporate Governance, Company's Article of Association and regulations of professional bodies and best practices. All the decisions are taken and

new risks and opportunities are identified, assessed and disclosed in light of Company's materiality policy in addition to other regulatory requirements

## Share Price Sensitivity Analysis

The shares of Attock Petroleum Limited are regarded as blue chip stock and considered as a secure investment. The share price has reflected our strong market position and prospects of growth but might respond to exogenous factors in the future as there are number of events that are affecting the share prices either in the short or broad spectrum.

During the year, the share price varied from Rs 398 to the mark of Rs 596. The spread between the prices is attributable to the milestones achieved by the Company during the period under review. Strong performance resulted in higher dividend payouts over the years, which in turn has gradually increased the share price of the Company. We continuously build confidence of our investors, providing them optimal returns on their investment promoting the long term retention of the shares.

Following factors or events may affect the share price of the Company:

### Sales Volume

Operating in an industry where margins are fixed, the profitability of the Company is highly dependent on sales volume which ultimately also affects the share price. Increase in economic activity will lead to increased sales and ultimately reflected on the net

profit and share price of the Company.

### Sales Margin

As stated above, the profitability is positively correlated to fixed sales margin on petroleum products. Any change in margins by the Government of Pakistan (GoP) for the regulated products shall directly affect the profitability and the same shall be reflected on the share price of the Company.

### Exchange Losses

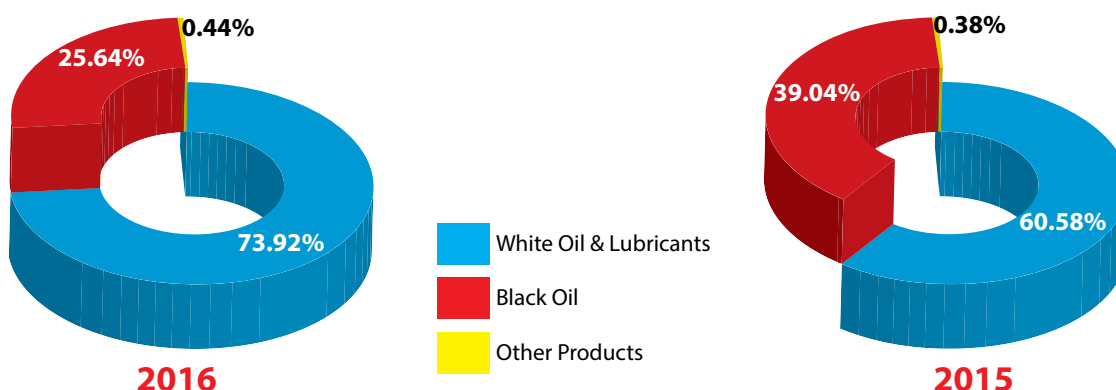
The Country is highly dependent for its energy requirements on import of petroleum products. APL also actively imports various POL products. Movement in Rupee – Dollar parity incurs exchange can also indirectly affect the share price.

### Inventory Gains / Losses

High volatility in international oil prices also severely affects the profitability of the Company. Downward trend leads to inventory losses while an increasing trend positively impacts the profitability and hence affects the share price accordingly.

## Segmental Review of Business Performance

APL's financial statements have been prepared on the basis of a single reportable segment. Total sales revenue is broadly divided into following categories:



# Prospects of the Entity including Targets for Financial and Non-Financial Measures

## Prospects of the Entity

Retail network Expansion, effective Supply chain management and Partnerships agreement with leading local & foreign companies are milestones of the Company towards business expansion and sustainable profitability. Establishment of bulk storage facilities and other capital ventures are also there to improve the operation's throughput.

## Financial Measures

APL has projected its financial targets based on historical financial performance keeping in view multiple risk & uncertainties prevailing in the market.

Stiff market competition compounded by decrease in international prices of POL products are the uncontrollable factors that are effecting the Company's profitability adversely. The Company is striving continuously to curtail these adverse effects with due strength by its effective strategic, tactical & operational direction, efficient inventory management, control over supply chain and growth in sales volumes.

Growth of 5% as compared to financial year 2014-15 is observed in Oil marketing industry. The prices of High Speed Diesel and Premier Motor Gasoline remained volatile due to international POL prices volatility. Despite the factor, APL has maintained to be in profits.

Performance targets are continuously monitored to observe and reduce deviation from the defined goals.

## Non-financial Measures

The Company has identified following areas as key non-financial measures:

- Human resource development, training and Succession planning
- Product Quality maintenance & improvement assurance
- Corporate Social Responsibility
- Healthy & Safe Environment
- Revamping of business processes in line with best practices
- Management responsibility for effective implementation of business plans, under strategic directions of the Board



CA  
PAKISTAN



ICMA  
Pakistan

# Best Corporate & Sustainability Report Awards 2014





# Calendar of Major Events

Sep 2015	To remain abreast with the latest international procedures/standards of sample testing, APL has developed the firefighting foam testing facility in its Machike Bulk Oil Terminal and become the first OMC to have this facility.
Sep 2015	APL secured 5 <sup>th</sup> position in Fuel and Energy Sector, in "Best Corporate Report Award" ceremony jointly organised by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.
Dec 2015	In order to cater to the exponential growth in PMG sales, APL has further enhanced its storage capacity by additional 5,700 MT at Keamari - ensuring smoother handling of import vessels and a guaranteed product supply chain to our valued customers.
Jan 2016	In the development of Company's infrastructure, for improving the efficiency of its operations and to meet the Supply Chain requirement, APL has installed a new decantation header which has increased decantation efficiency more than 30% at its Rawalpindi Bulk Oil Terminal.
Feb , Mar 2016	After entering into a Joint Venture with JX Nippon Energy Company last year, APL conducted its first ENEOS Consumer promotion campaign during February & March 2016. Five (05) major cities were targeted and massive media coverage was made. Prizes were distributed - 10 lucky winners got Motor Cycles and 2 lucky winners got the prizes worth Free Fuel for the whole year.
Apr 2016	Won over 70% of the defense supplies contract for the next Fiscal Year 2016-2017; making it the 7 <sup>th</sup> consecutive year for APL to be the major & preferred fuel supplier of Pakistan Army & Pakistan Airforce.
Apr 2016	Organized annual sports event to support the active recreation of staff and to help building a sense of cooperation and team-spirit.
May 2016	True to its mission, APL celebrated the commissioning of its 550 <sup>th</sup> retail outlet within the network - committed to delivering premium quality fuels & adopting best industry practices for all our valuable consumers.
May 2016	After successful commissioning of the solar power system pilot project at Quality Filling Station (Sector H-8, Islamabad) by our engineering team in coordination with NCPC in 2015, we have now successfully installed solar power system at Model Filling Station, F-11 Islamabad. These projects are a step towards conservation of energy & reduce our power consumption and would in turn drive us towards utilization of Renewable & Sustainable Energy.
Jun 2016	New plot at Islamabad in D-12 sector for establishment of New COCO Site has been purchased through bidding process done by Capital Development Authority (CDA). This will further enhance Company brand image in capital city.

# Information Technology Governance

As businesses evolve and adapt to the changing market dynamics, they require a flexible approach to Information Technology introduction and utilization for achieving their strategic goals and objectives.

## Information Systems Strategic Planning

The APL IT Committee oversees the requirements, approves the planning and supervises the introduction of new automated functionalities required for optimal business operations. Generic and industry-specific Best Practices are also reviewed and incorporated in to APL functions.

## Business Alignment with Information Technology

APL is endeavoring to transform its strategic vision into automated systems that encapsulate the APL Business Cycle in to a web based environment to process and track every key transaction in a real time environment.

## Business Process Streamlining

Business Processes are being continuously mapped, documented, re-engineered and improved upon for transformation in to automated functions. Plans are also being developed for introduction of an automated Work Flow System.

## IT for Internal Controls

Automated controls are being incorporated at each step of the APL Supply Chain to check and validate information being entered to reduce the possibility of human error. System generated audit and consistency mechanism are being planned to ensure system integrity.

## Real Time Reporting for Decision Making

An Online Real Time System opens up the possibilities for Real Time Reporting and Real Time Decision Making: Business outcomes can be positively impacted when actionable data is on hand in real time.

## Business Intelligence for Planning and Forecasting

APL is continuing to explore Business Intelligence Tools and Technologies that will provide insights in to the hows and whys of the Business through dashboards and analytical drill-downs across all business areas and functions. This will open up the possibilities for targeted planning and forecasting based on existing data and what-if scenarios.

## Value Addition and Return on Investment

APL has an on-going commitment to continuously improve upon its IT infrastructure, technologies, processes and procedures. This directly translates in to improved controls, enhanced reporting, optimized procedures and better overall performance. Key Performance Indicators are being developed to quantify the value added to various business functions across APL.



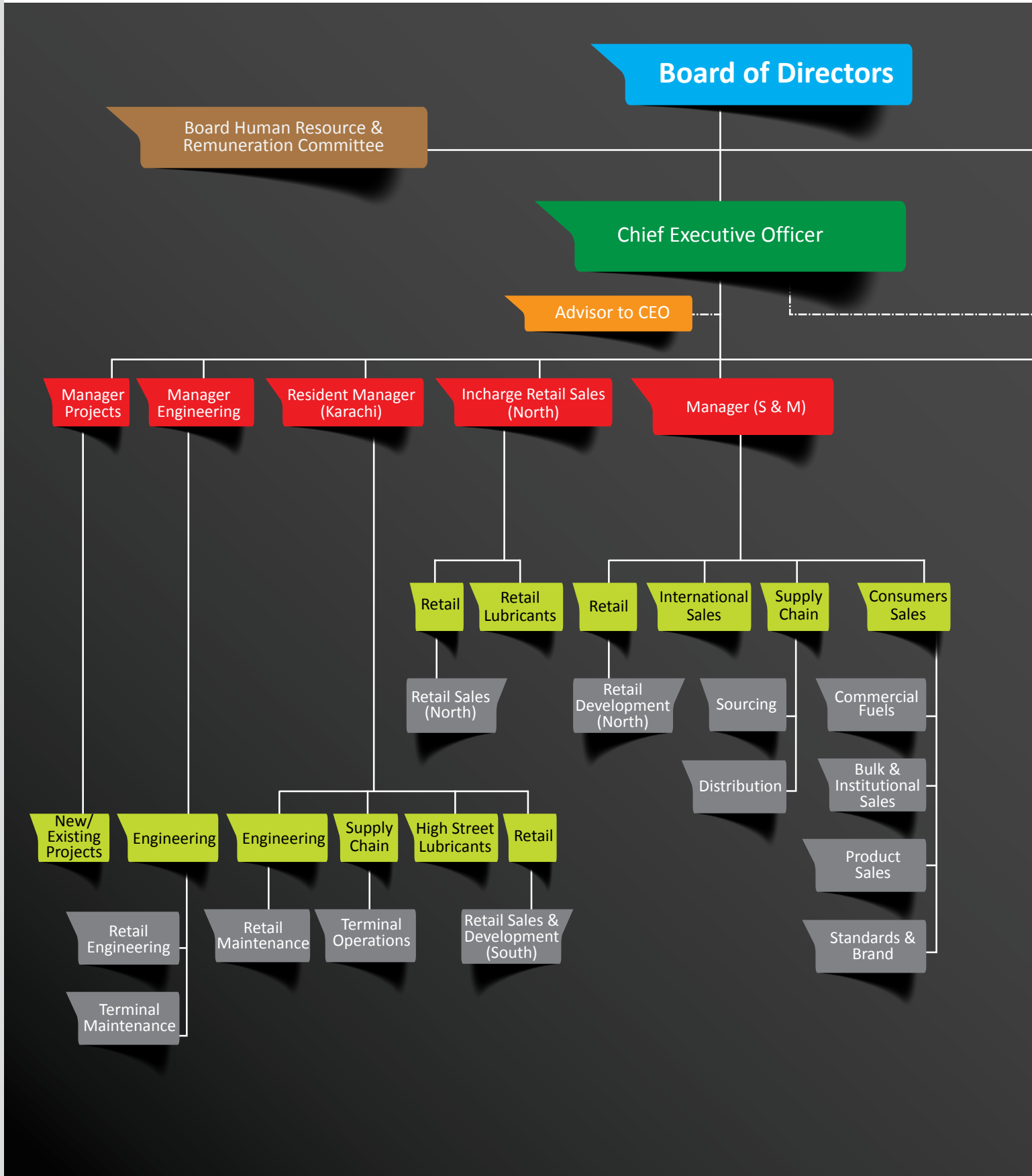


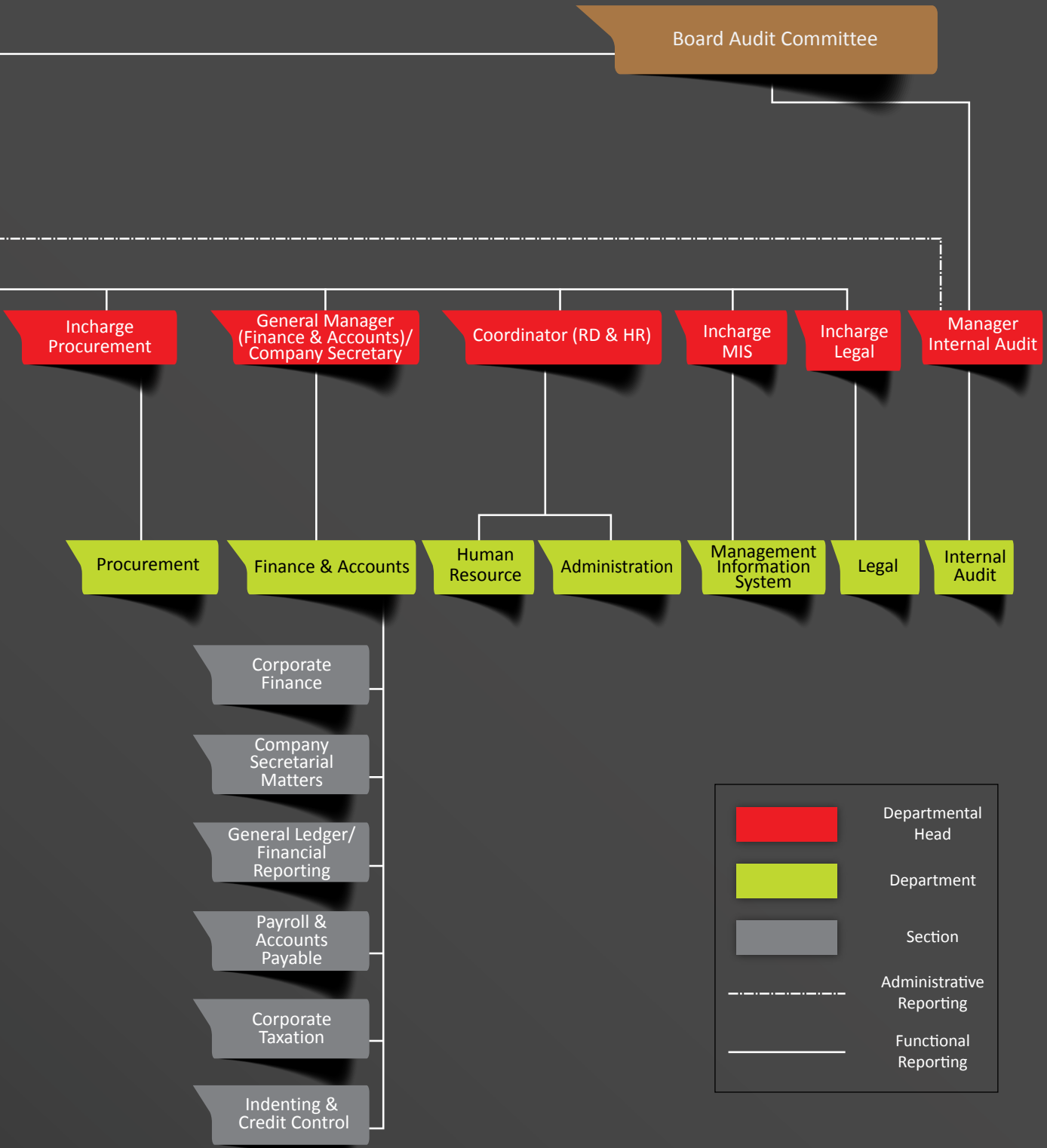
# TOTAL RETAIL OUTLETS

# 563

563 and counting retail outlets spread strategically across the country to provide the best petroleum products and services to the local populace

# Organizational Chart







A·F·FERGUSON&amp;Co.

## Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Attock Petroleum Limited (the Company) for the year ended June 30, 2016, to comply with the requirements of the Clause No. 5.19.23 of Pakistan Stock Exchange Limited Regulations.

The responsibility for compliance with the Code is that of the Board of Directors 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 Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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 Board of Directors' 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 code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors 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 Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 Code as applicable to the Company for the year ended June 30, 2016.

Chartered Accountants

Islamabad

August 15, 2016

Engagement partner: Asim Masood Iqbal

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan  
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk >*

■ KARACHI ■ LAHORE ■ ISLAMABAD

## Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in regulation No. 5.19.23 of the Pakistan Stock Exchange Limited Regulations for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at June 30, 2016, the Board includes:

Category	Names
Independent Director*	Mr. Mohammad Raziuddin
Non Executive Directors	Dr. Ghaith R. Pharaon Mr. Laith G. Pharaon Mr. Mofarrih Saeed H. Alghamdi Mr. Abdus Sattar Mr. Babar Bashir Nawaz Mr. M. Adil Khattak (Alternate Director) Mr. Iqbal A. Khwaja (Alternate Director)
Executive Directors	Mr. Shuaib A. Malik Mr. Rehmat Ullah Bardaie (Alternate Director)

\*The independent director meets the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution or a Non-Banking Financial Institution, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on November 13, 2015 was filled up by the directors on next working day.
5. 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.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Four of the Directors meet the exemption requirement of the directors' training program and two Directors have obtained the certification under directors' training program. Directors are also kept abreast with changes/updates in relevant laws and regulations including Code of Corporate Governance from time to time.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of

Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members of whom all are non-executive directors including one independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has also formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two members including the chairman are non-executive directors.
18. The Board has set up an effective internal audit function.
19. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted

by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. 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 directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.



Shuaib A. Malik  
Chief Executive

Rawalpindi.  
August 15, 2016

# FINANCIAL ANALYSIS

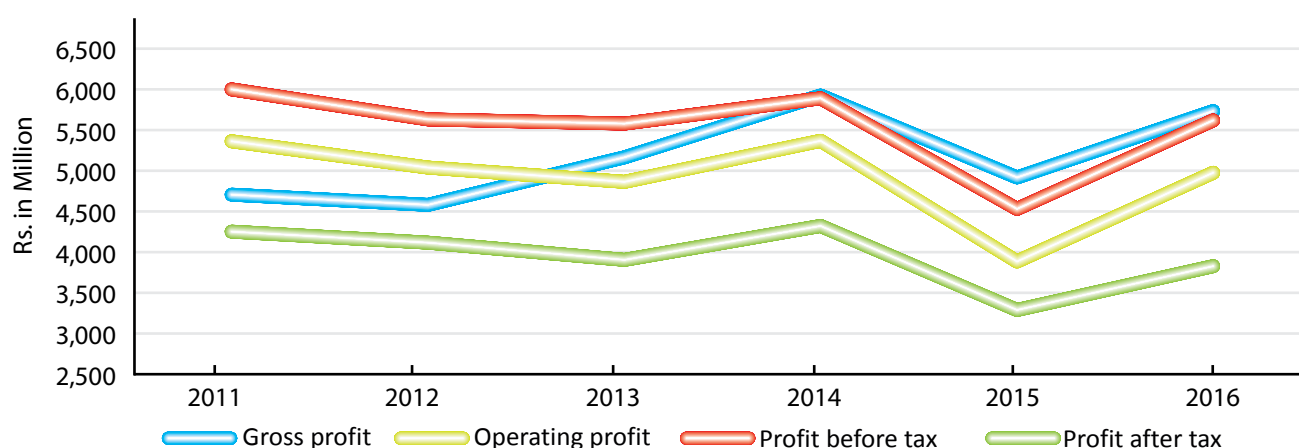


# Six Years at a Glance

2016 2015 2014 2013 2012 2011

## Profit and Loss Summary

		2016	2015	2014	2013	2012	2011
Sales volumes	Metric Tons	2,034,818	2,368,990	2,190,293	1,837,357	1,761,682	1,593,336
Net sales	Rs thousand	109,234,361	171,729,782	205,162,911	164,710,177	152,843,437	109,394,725
Gross profit	Rs thousand	5,749,061	4,926,509	5,942,294	5,176,801	4,587,853	4,714,218
Operating profit	Rs thousand	4,984,849	3,885,822	5,381,469	4,873,355	5,050,460	5,374,298
Profit before tax	Rs thousand	5,633,450	4,537,855	5,906,565	5,593,404	5,646,740	6,017,511
Profit after tax	Rs thousand	3,828,585	3,286,384	4,326,764	3,906,534	4,120,315	4,256,511
Profit before, interest, tax, depreciation and amortization (EBITDA)	Rs thousand	5,951,622	4,828,902	6,228,433	5,817,731	5,822,179	6,162,575



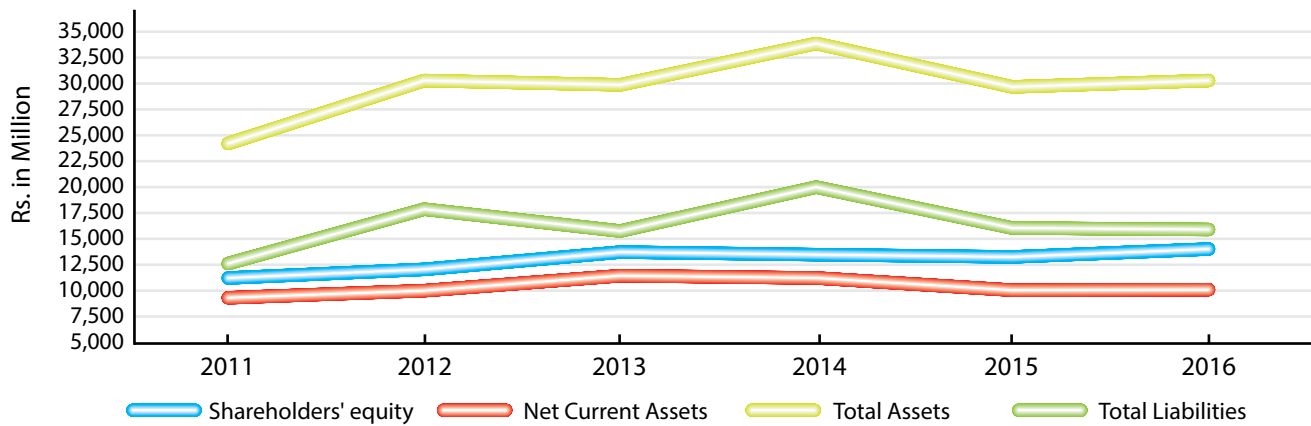
- Sales volumes decreased by 14% in 2016 from last year.
- Net sales decreased by Rs 63 billion due to both decrease in sale volume and decrease in prices. During the year crude oil prices in January 2016 fell to their lowest rate in the last 10 years.
- Gross profit increased by 17% due to decrease in inventory losses.

2016 2015 2014 2013 2012 2011

## Balance Sheet Summary

Share capital	Rs thousand	829,440	829,440	829,440	691,200	691,200	691,200
Reserves	Rs thousand	13,487,726	12,730,365	12,970,282	13,352,257	11,692,123	10,855,008
Shareholders' equity	Rs thousand	14,317,166	13,559,805	13,799,722	14,043,457	12,383,323	11,546,208
Non-current liabilities	Rs thousand	626,159	604,814	581,682	462,871	412,729	320,316
Current assets	Rs thousand	26,001,840	26,123,577	31,248,819	27,356,666	28,062,795	22,247,396
Current liabilities	Rs thousand	15,581,980	15,747,035	19,704,460	15,591,191	17,735,089	12,613,827
Net current assets	Rs thousand	10,419,860	10,376,542	11,544,359	11,765,475	10,327,706	9,633,569
Property, plant and equipment	Rs thousand	3,011,665	2,444,164	1,931,085	1,862,742	1,601,576	1,374,767
Other non-current assets	Rs thousand	1,511,800	1,343,913	905,960	878,111	866,770	858,188
Capital expenditure during the year	Rs thousand	886,972	808,421	392,261	485,684	402,248	308,200
Total assets	Rs thousand	30,525,305	29,911,654	34,085,864	30,097,519	30,531,141	24,480,351
Total liabilities	Rs thousand	16,208,139	16,351,849	20,286,142	16,054,062	18,147,818	12,934,143



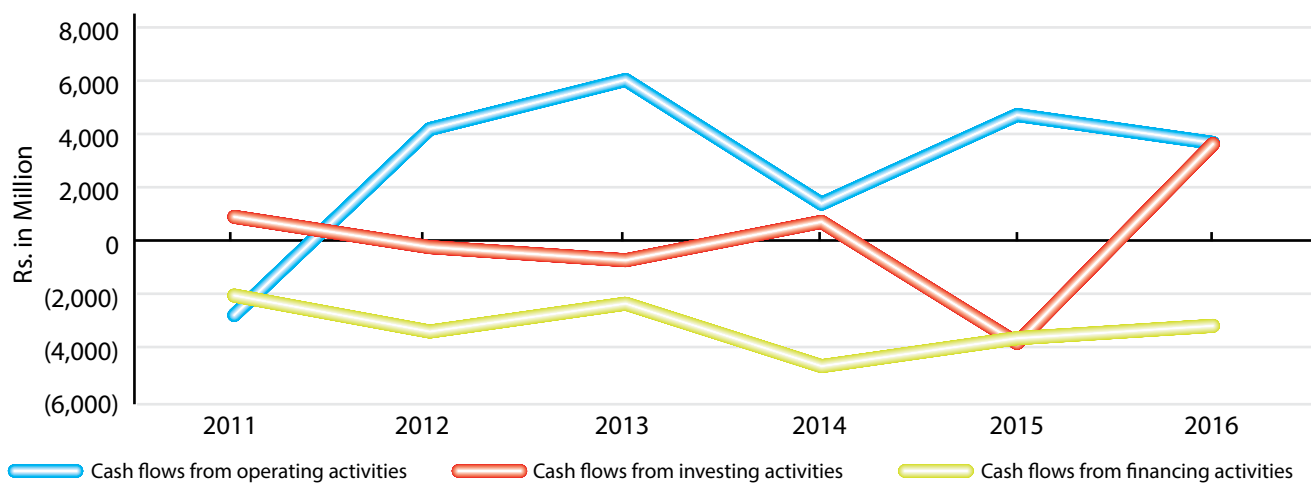


- Shareholders' equity increased due to increase of 17% in profit after tax during the year.
- Property, plant and equipment increased by 23% on account of purchase of land for establishing bulk oil terminals and company owned retail outlet.

2016      2015      2014      2013      2012      2011

### Cash Flow Summary

Cash flows of operating activities	Rs thousand	3,700,253	4,735,369	1,456,813	6,035,751	4,213,709	(2,668,549)
Cash flows of investing activities	Rs thousand	3,660,211	(3,999,956)	778,567	(636,059)	(155,887)	966,107
Cash flows of financing activities	Rs thousand	(3,064,694)	(3,521,257)	(4,555,092)	(2,244,902)	(3,278,768)	(1,944,108)
Effect of exchange rate changes	Rs thousand	698	1,206	(153)	1,797	4,470	1,903
Net change in cash and cash equivalents	Rs thousand	4,296,468	(2,784,638)	(2,319,865)	3,156,587	783,524	(3,644,647)
Cash & cash equivalents at end of the year	Rs thousand	9,162,282	4,865,814	7,650,452	9,970,317	6,813,730	6,030,206

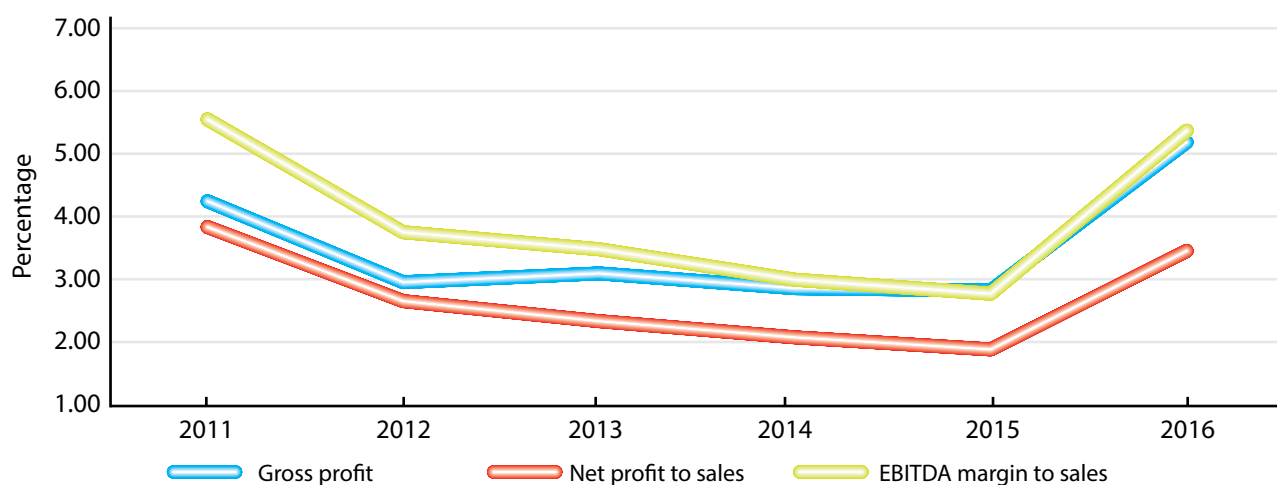


- Cash flows from operating activities has decreased mainly due to utilization of cash for purchase of products and related duties.
- Cash flow from investing activities have increased due to encashment of short term investments.
- Cash flow from financing activities have reduced as less dividend was paid during the year, as compared to last year.

2016 2015 2014 2013 2012 2011

## Profitability and Operating Ratios

		2016	2015	2014	2013	2012	2011
Gross profit	%	5.26	2.87	2.90	3.14	3.00	4.31
Net profit to sales	%	3.50	1.91	2.11	2.37	2.70	3.89
EBITDA margin to sales	%	5.45	2.81	3.04	3.53	3.81	5.63
Operating leverage	%	(66.34)	142.20	22.80	(12.17)	(15.51)	75.21
Return on equity	%	27.47	24.02	31.08	29.56	34.44	40.96
Return on capital employed	%	27.47	24.02	31.08	29.56	34.44	40.96

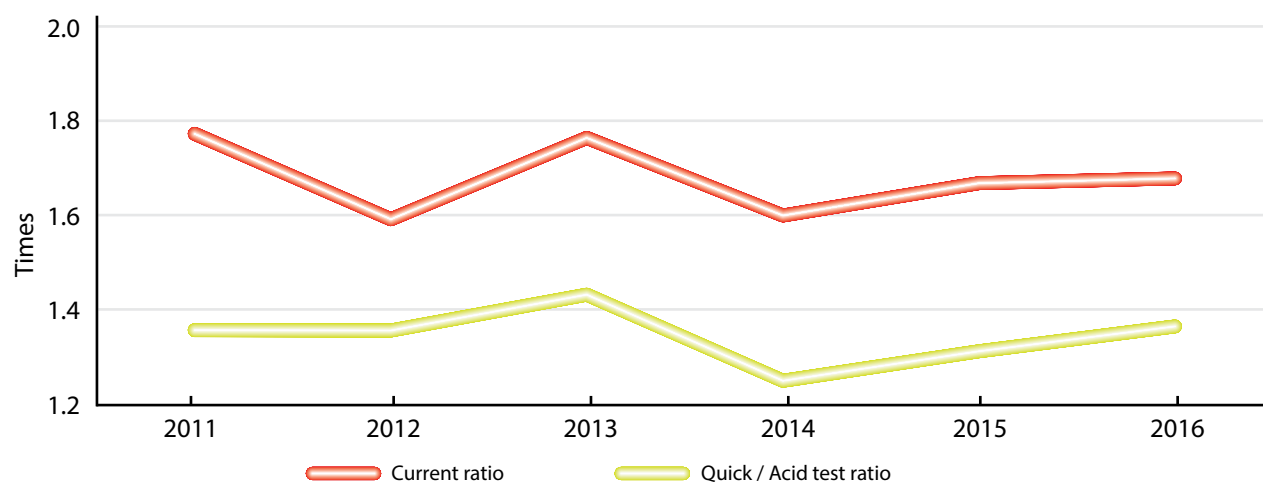


- Gross profit ratio has increased as compared to last year due to reduction of inventory losses in year 2016 as compared to last year, this has also resulted in improved net profit ratio and EBITDA margin to sales ratio.
- Return on equity increased by 11% due to increase in net profit during the year.

2016 2015 2014 2013 2012 2011

## Liquidity Ratios

		2016	2015	2014	2013	2012	2011
Current	Times	1.67	1.66	1.59	1.75	1.58	1.76
Quick / Acid test ratio	Times	1.36	1.30	1.24	1.42	1.35	1.35
Cash to current liabilities	Times	0.59	0.31	0.39	0.64	0.38	0.48
Cash flows from operations to sales	Times	0.03	0.03	0.01	0.04	0.03	(0.02)

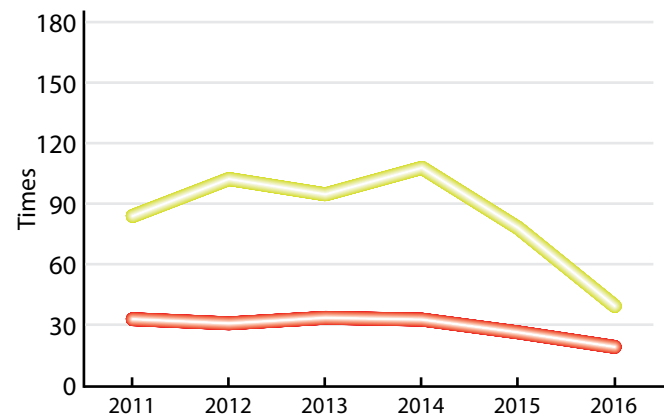
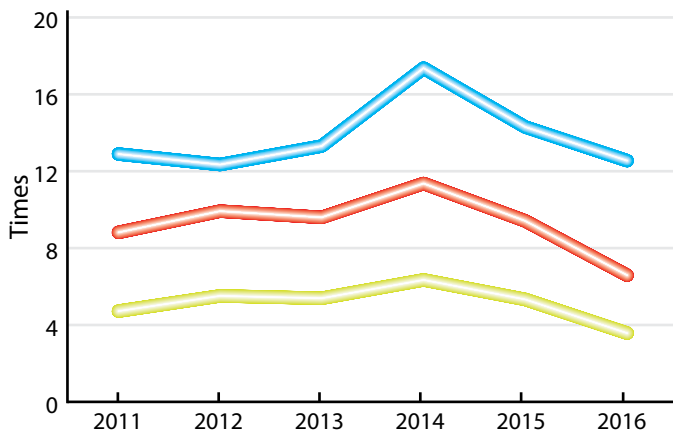


- Current and Quick ratio improved by 1% and 5% respectively.
- Cash to current liabilities increased due to increase in cash flow from investing activities on account of encashment of short term investments .
- Cash flow from operations to sales has shown stable trend.

2016      2015      2014      2013      2012      2011

### Activity / Turn Over Ratios

		2016	2015	2014	2013	2012	2011
Inventory turnover	Times	19.88	26.99	33.36	34.23	31.50	33.55
No. of days in inventory		18	14	11	11	12	11
Debtors turnover	Times	12.60	14.36	17.42	13.36	12.40	12.95
No. of days in receivables		29	25	21	27	29	28
Creditors turnover	Times	6.63	9.46	11.41	9.65	9.97	8.86
No. of days in payables		55	39	32	38	37	41
Total assets turnover	Times	3.61	5.37	6.39	5.43	5.56	4.76
Fixed assets turnover	Times	40.04	78.50	108.16	95.09	102.71	84.41
Operating cycle	Days	(8)	0	0	0	4	(2)
Number of retail outlets		563	516	468	414	362	318



— Debtors turnover — Creditors turnover — Total assets turnover

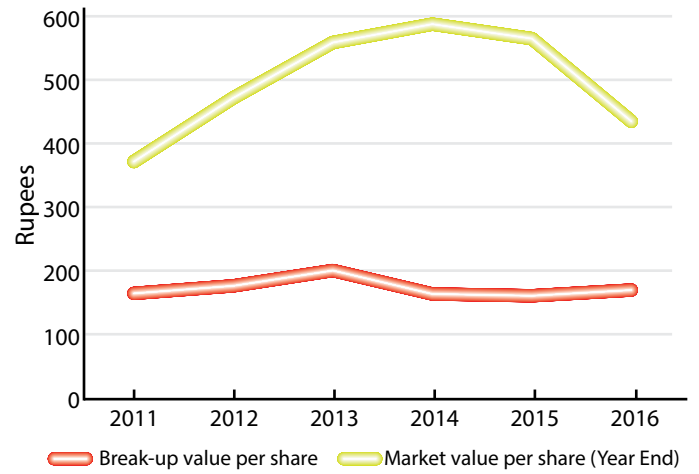
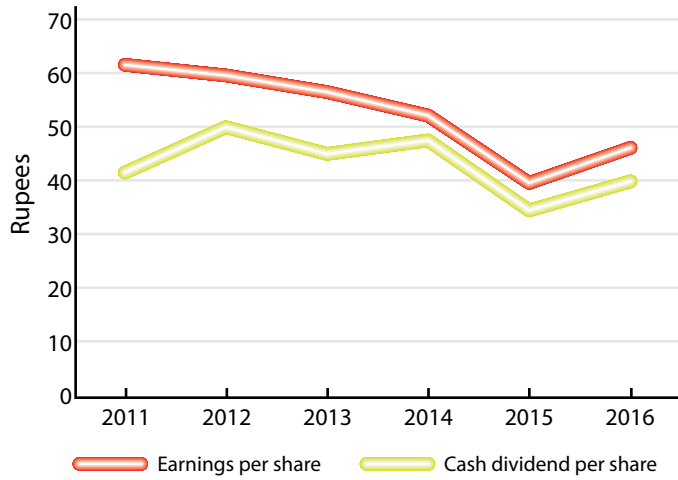
— Inventory turnover — Fixed assets turnover

- Inventory turnover, debtors turnover and creditors turnover decreased by 26%, 12% and 30% respectively due to decrease in net sales by 36%, however number of days increased in each case.
- Total asset turnover and fixed asset turnover decreased by 33% and 49% respectively due to decrease in net sales by 36%.

2016      2015      2014      2013      2012      2011

### Investment / Market Ratios

Basic and diluted EPS	Rs	46.16	39.62	52.16	56.52	59.61	61.58
Basic and diluted EPS (restated)	Rs	46.16	39.62	52.16	47.10	49.68	51.32
Price earning	Times	9.48	14.32	11.31	9.93	7.96	6.08
Dividend yield	%	8.32	6.26	9.01	8.96	11.98	12.08
Dividend payout	%	86.66	87.07	91.06	79.62	83.88	67.39
Dividend cover	Times	1.15	1.15	1.10	1.26	1.19	1.48
Cash dividends	Rs thousand	3,317,760	2,861,568	3,939,840	3,110,400	3,456,000	2,868,480
Cash dividend per share	Rs	40.00	34.50	47.50	45.00	50.00	41.50
Bonus shares issued	Rs thousand	-	-	-	138,240	-	-
Bonus per share	%	-	-	-	20.00	-	-
Break-up value per share without surplus on revaluation of fixed assets	Rs	172.61	163.48	166.37	203.18	179.16	167.05
Break-up value per share including the effect of surplus on revaluation of fixed assets	Rs	172.61	163.48	166.37	203.18	179.16	167.05
<b>Market value per share</b>							
Year end	Rs	438	567	590	561	474	374
Highest (during the year)	Rs	596	610	607	585	478	401
Lowest (during the year)	Rs	398	494	414	471	316	281



- Earnings per share increased by 17% in year 2016 as compared to last year mainly due to increase in gross profit, resultantly, cash dividend also increased.

		2016	2015	2014	2013	2012	2011
<b>Capital Structure Ratios</b>							
Debt to equity		0:100	0:100	0:100	0:100	0:100	0:100
Financial leverage		-	-	-	-	-	-
Weighted average cost of debt		-	-	-	-	-	-
Interest cover		-	-	-	-	-	-
<b>Market Share</b>	<b>%</b>	8.5	10.4	10.1	9.3	9.1	7.9
<small>(Source: OCAC)</small>							

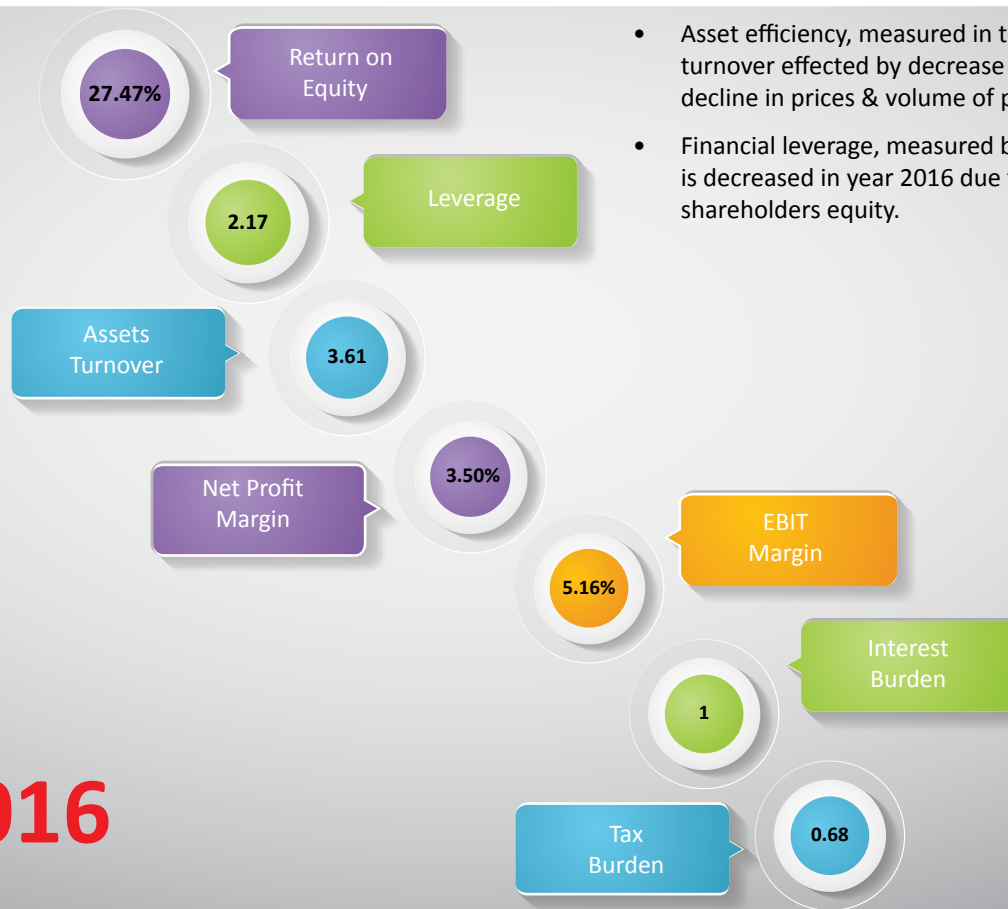
- Company has no debt impact due to 100% equity based capital structure.

# DuPont Analysis

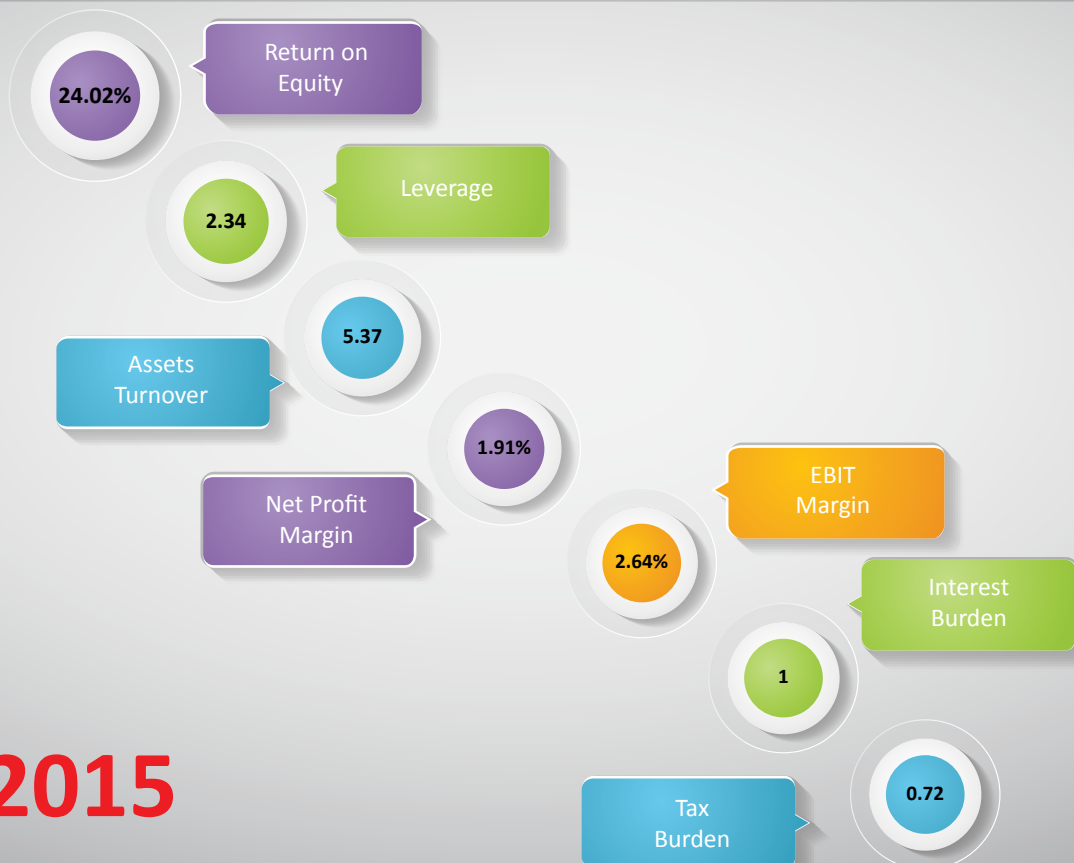
In year 2016, the DuPont analysis shows upward movement in Return on Equity (ROE) as compared to last year due to following reasons;

- Operating efficiency in terms of profit margins is improved in year 2016 due to reduction in inventory losses.
- Asset efficiency, measured in terms of total asset turnover effected by decrease in net sales due to decline in prices & volume of petroleum products.
- Financial leverage, measured by the equity multiplier is decreased in year 2016 due to increase in shareholders equity.

## 2016



## 2015

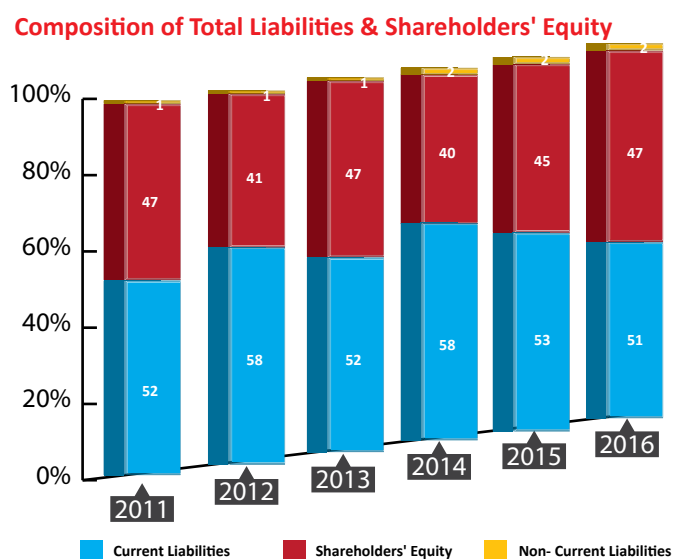
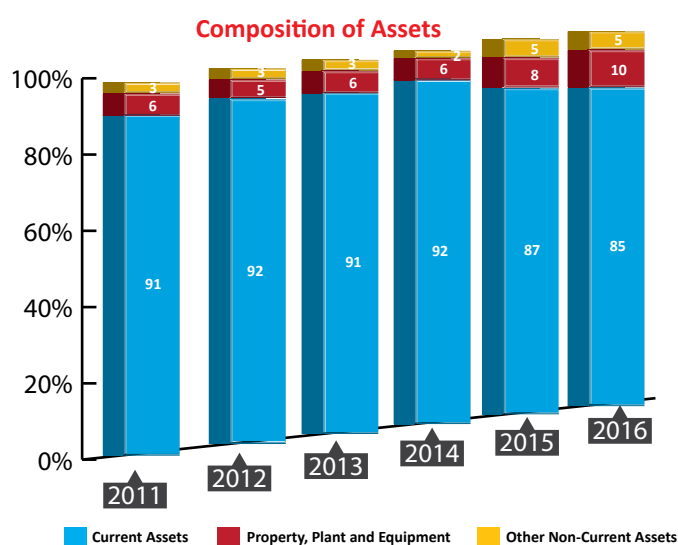


# Vertical Analysis

2016

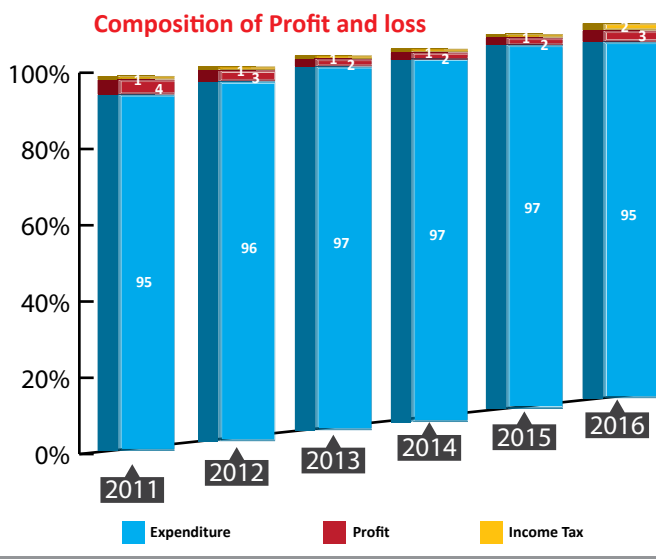
2015

	Rs ('000)	%	Rs ('000)	%
<b>Balance Sheet Items</b>				
Property, Plant and Equipment	3,011,665	9.9	2,444,164	8.2
Other Non-Current Assets	1,511,800	5.0	1,343,913	4.5
Current Assets	26,001,840	85.1	26,123,577	87.3
<b>Total Assets</b>	<b>30,525,305</b>	<b>100.0</b>	<b>29,911,654</b>	<b>100.0</b>
Shareholders' Equity	14,317,166	46.9	13,559,805	45.3
Non- Current Liabilities	626,159	2.1	604,814	2.0
Current Liabilities	15,581,980	51.0	15,747,035	52.6
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>30,525,305</b>	<b>100.0</b>	<b>29,911,654</b>	<b>100.0</b>
<b>Profit &amp; Loss Items</b>				
Net Sales	109,234,361	100.0	171,729,782	100.0
Cost of Products Sold	103,485,300	94.7	166,803,273	97.1
Gross Profit	5,749,061	5.3	4,926,509	2.9
Operating Profit	4,984,849	4.6	3,885,822	2.3
Profit before Taxation	5,633,450	5.2	4,537,855	2.6
<b>Profit for the Year</b>	<b>3,828,585</b>	<b>3.5</b>	<b>3,286,384</b>	<b>1.9</b>



Total assets comprise of current assets by 85% and non-current assets by 15% showing slight change in composition from last year due to decrease in current assets. On the other side, the ratio of total liabilities to shareholders' equity is 53:47 as compared to last year of 55:45. This change is due to increase in shareholders equity.

2014		2013		2012		2011	
Rs ('000)	%	Rs ('000)	%	Rs ('000)	%	Rs ('000)	%
1,931,085	5.7	1,862,742	6.2	1,601,576	5.3	1,374,767	5.6
905,960	2.6	878,111	2.9	866,770	2.8	858,188	3.5
31,248,819	91.7	27,356,666	90.9	28,062,795	91.9	22,247,396	90.9
<b>34,085,864</b>	<b>100.0</b>	<b>30,097,519</b>	<b>100.0</b>	<b>30,531,141</b>	<b>100.0</b>	<b>24,480,351</b>	<b>100.0</b>
13,799,722	40.5	14,043,457	46.7	12,383,323	40.6	11,546,208	47.2
581,682	1.7	462,871	1.5	412,729	1.4	320,316	1.3
19,704,460	57.8	15,591,191	51.8	17,735,089	58.0	12,613,827	51.5
<b>34,085,864</b>	<b>100.0</b>	<b>30,097,519</b>	<b>100.0</b>	<b>30,531,141</b>	<b>100.0</b>	<b>24,480,351</b>	<b>100.0</b>
205,162,911	100.0	164,710,177	100.0	152,843,437	100.0	109,394,725	100.0
199,220,617	97.1	159,533,376	96.9	148,255,584	97.0	104,680,507	95.7
5,942,294	2.9	5,176,801	3.1	4,587,853	3.0	4,714,218	4.3
5,381,469	2.6	4,873,355	3.0	5,050,460	3.3	5,374,298	4.9
5,906,565	2.9	5,593,404	3.4	5,646,740	3.7	6,017,511	5.5
<b>4,326,764</b>	<b>2.1</b>	<b>3,906,534</b>	<b>2.4</b>	<b>4,120,315</b>	<b>2.7</b>	<b>4,256,511</b>	<b>3.9</b>



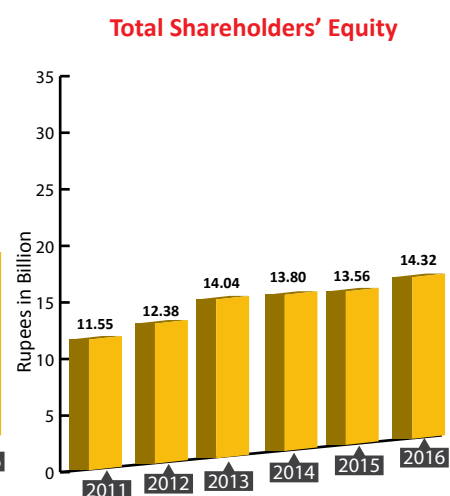
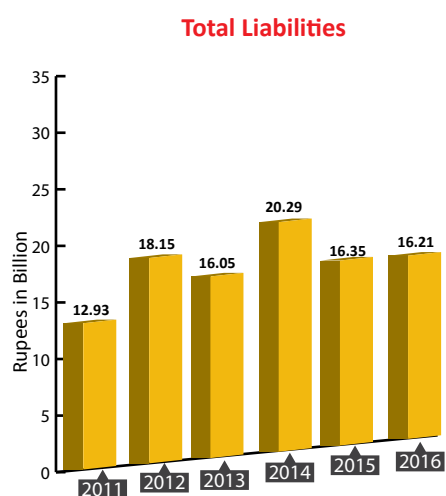
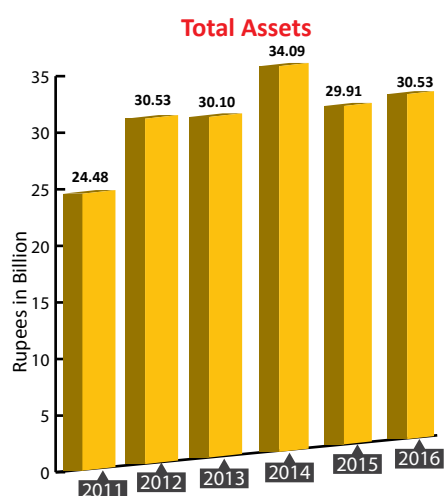
During the year 2016, in profit and loss, %age portion of profit for the year increased from 1.9% to 3.5% of net sales due to reduction in inventory losses as compared to last year.

# Horizontal Analysis

2016

2015

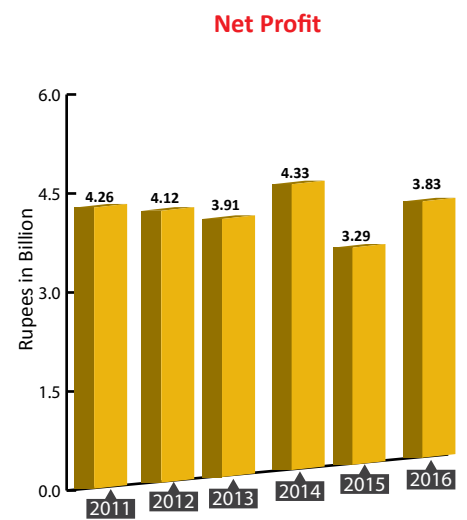
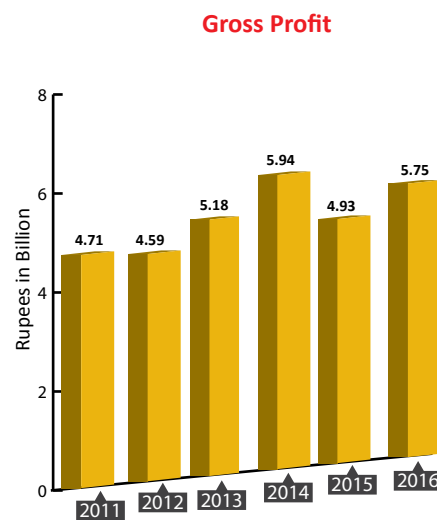
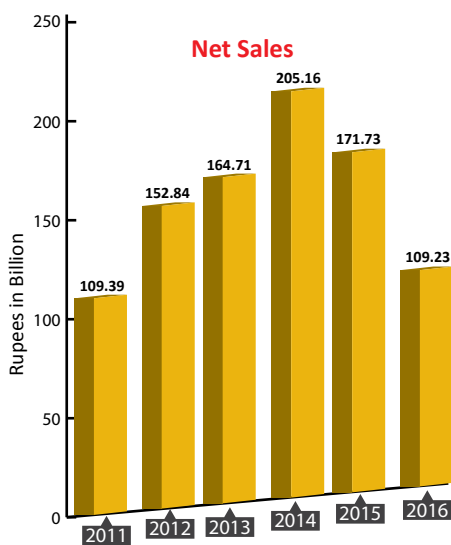
	Rs ('000)	Increase / (decrease) from last year (%)	Rs ('000)	Increase / (decrease) from last year (%)
<b>Balance Sheet Items</b>				
Property, Plant and Equipment	3,011,665	23.2	2,444,164	26.6
Other Non-Current Assets	1,511,800	12.5	1,343,913	48.3
Current Assets	26,001,840	(0.5)	26,123,577	(16.4)
<b>Total Assets</b>	<b>30,525,305</b>	<b>2.1</b>	<b>29,911,654</b>	<b>(12.2)</b>
Shareholders' Equity	14,317,166	5.6	13,559,805	(1.7)
Non- Current Liabilities	626,159	3.5	604,814	4.0
Current Liabilities	15,581,980	(1.0)	15,747,035	(20.1)
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>30,525,305</b>	<b>2.1</b>	<b>29,911,654</b>	<b>(12.2)</b>
<b>Profit &amp; Loss Items</b>				
Net Sales	109,234,361	(36.4)	171,729,782	(16.3)
Cost of Products Sold	103,485,300	(38.0)	166,803,273	(16.3)
Gross Profit	5,749,061	16.7	4,926,509	(17.1)
Operating Profit	4,984,849	28.3	3,885,822	(27.8)
Profit Before Taxation	5,633,450	24.1	4,537,855	(23.2)
<b>Profit for the Year</b>	<b>3,828,585</b>	<b>16.5</b>	<b>3,286,384</b>	<b>(24.0)</b>



In 2016, Property, plant and equipment increased by 23% representing purchase of land for establishing bulk oil terminals and company owned retail outlet. Other non-current assets increased by 12% due to long term investments made during the year. Shareholder's equity increased by 6% due to increase in net profit.



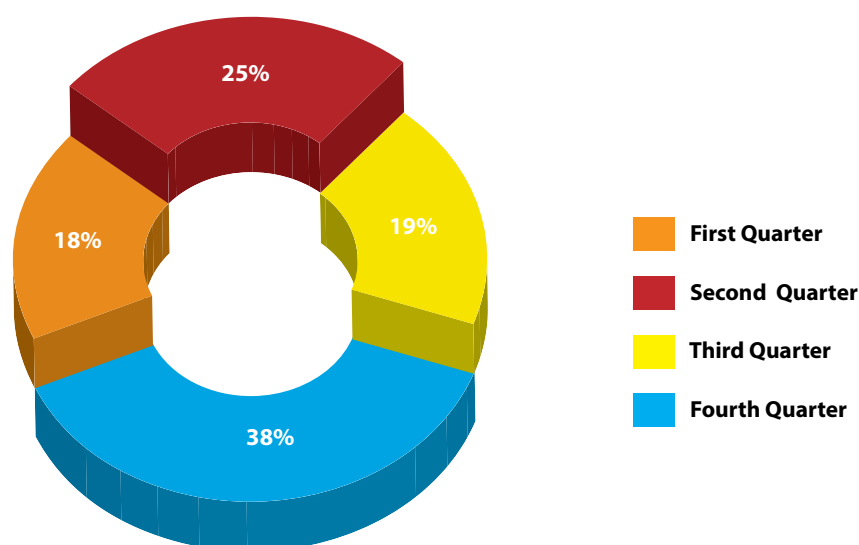
2014		2013		2012		2011	
Rs ('000)	Increase / (decrease) from last year (%)	Rs ('000)	Increase / (decrease) from last year (%)	Rs ('000)	Increase / (decrease) from last year (%)	Rs ('000)	Increase / (decrease) from last year (%)
1,931,085	3.7	1,862,742	16.3	1,601,576	16.5	1,374,767	12.9
905,960	3.2	878,111	1.3	866,770	1.00	858,188	7.8
31,248,819	14.2	27,356,666	(2.5)	28,062,795	26.1	22,247,396	14.5
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13,799,722	(1.7)	14,043,457	13.4	12,383,323	7.3	11,546,208	25.0
581,682	25.7	462,871	12.1	412,729	28.9	320,316	10.9
19,704,460	26.4	15,591,191	(12.1)	17,735,089	40.6	12,613,827	5.8
34,085,864	13.3	30,097,519	(1.4)	30,531,141	24.7	24,480,351	14.2
205,162,911	24.6	164,710,177	7.8	152,843,437	39.7	109,394,725	32.1
199,220,617	24.9	159,533,376	7.6	148,255,584	41.6	104,680,507	32.5
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5,381,469	10.4	4,873,355	(3.5)	5,050,460	(6.0)	5,374,298	25.5
5,906,565	5.6	5,593,404	(0.9)	5,646,740	(6.2)	6,017,511	24.2
4,326,764	10.8	3,906,534	(5.2)	4,120,315	(3.2)	4,256,511	18.4



Net sales revenue in 2016 decreased by 36% from last year due to decrease in sale volume and decrease in prices. Profitability increased by 17% as compared to last year due to reduction in inventory losses in year 2016.

## Analysis of variation in results of interim reports with the final accounts

	Total	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	Rs ('000)	Rs ('000)	Rs ('000)	Rs ('000)	Rs ('000)
<b>Profit &amp; Loss Items</b>					
Net Sales	109,234,361	24,919,642	23,472,769	29,440,480	31,401,470
Gross Profit	5,749,061	2,394,450	973,106	1,355,361	1,026,144
Profit Before Taxation	5,633,450	2,280,975	1,033,559	1,351,273	967,643
Net Profit	3,828,585	1,452,197	735,472	949,273	691,643
Earnings Per share (Rupees)	46.16	17.51	8.87	11.44	8.34



The highest sale revenue was earned in the first quarter because average prices were higher in first quarter as compared to other three quarters. The sales revenue started to decrease in the second quarter and lowest sales revenue was earned in the third quarter due to significant fall in prices. The downward trend in the oil prices led to substantial inventory losses in the third quarter. However, due to recovery in the international oil prices and better profit margins, the Company's net profitability was highest in the last quarter.

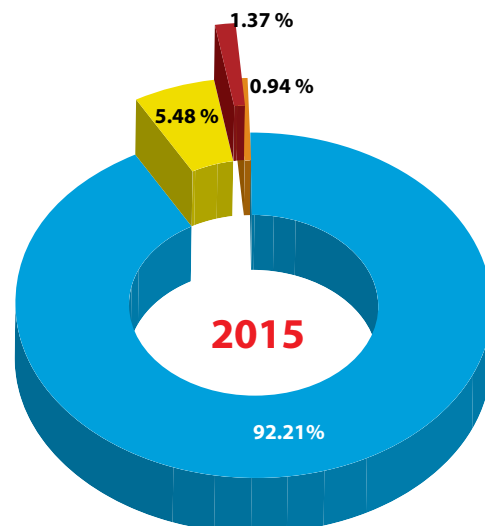
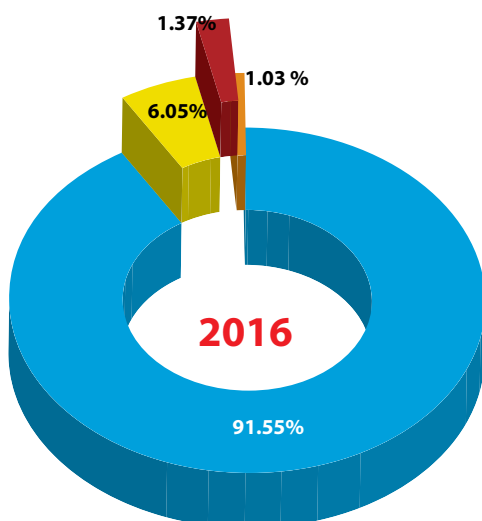
## Statement of Charity Account \*

	2016 Rs ('000)
Education and Scholarship	1,501
Health care and Environment	190
Sports Promotion and Sponsorships	1,121
Community Welfare	982
	<b>3,794</b>
* Includes through Company's trust	

# Statement of Value Added

	2016 Rs ('000)	%	2015 Rs ('000)	%
Gross revenue and other income	146,350,281		208,190,082	
Cost of sales and operating expenses	(91,519,095)		(155,931,958)	
<b>Total value added</b>	<b>54,831,186</b>		<b>52,258,124</b>	

DISTRIBUTION				
Employee remuneration:	563,248	1.03	490,009	0.94
Government as:				
Company taxation	1,804,865	3.29	1,251,471	2.39
Sales tax, duties and levies	47,989,264	87.52	46,605,194	89.18
WPPF & WWF	406,328	0.74	334,019	0.64
Shareholders as:				
Dividends	3,317,760	6.05	2,861,568	5.48
Bonus share	-	-	-	-
Society as:				
Donation	272	0.00	-	-
Providers of finance as:				
Financial Charges	-	-	-	-
Retained in business:				
Depreciation	318,172	0.58	291,047	0.56
Net earnings	431,277	0.79	424,816	0.81
	<b>54,831,186</b>	<b>100.00</b>	<b>52,258,124</b>	<b>100.00</b>














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