PAKISTAN STATE OIL COMPANY LIMITED
PSO HOUSE, KHAYABAN-E-IQBAL, CLIFTON
KARACHI-75600, PAKISTAN.
UAN: (92-21) 111-111-PSO (776)
TA'ALUQ CARE LINE: 0800-03000
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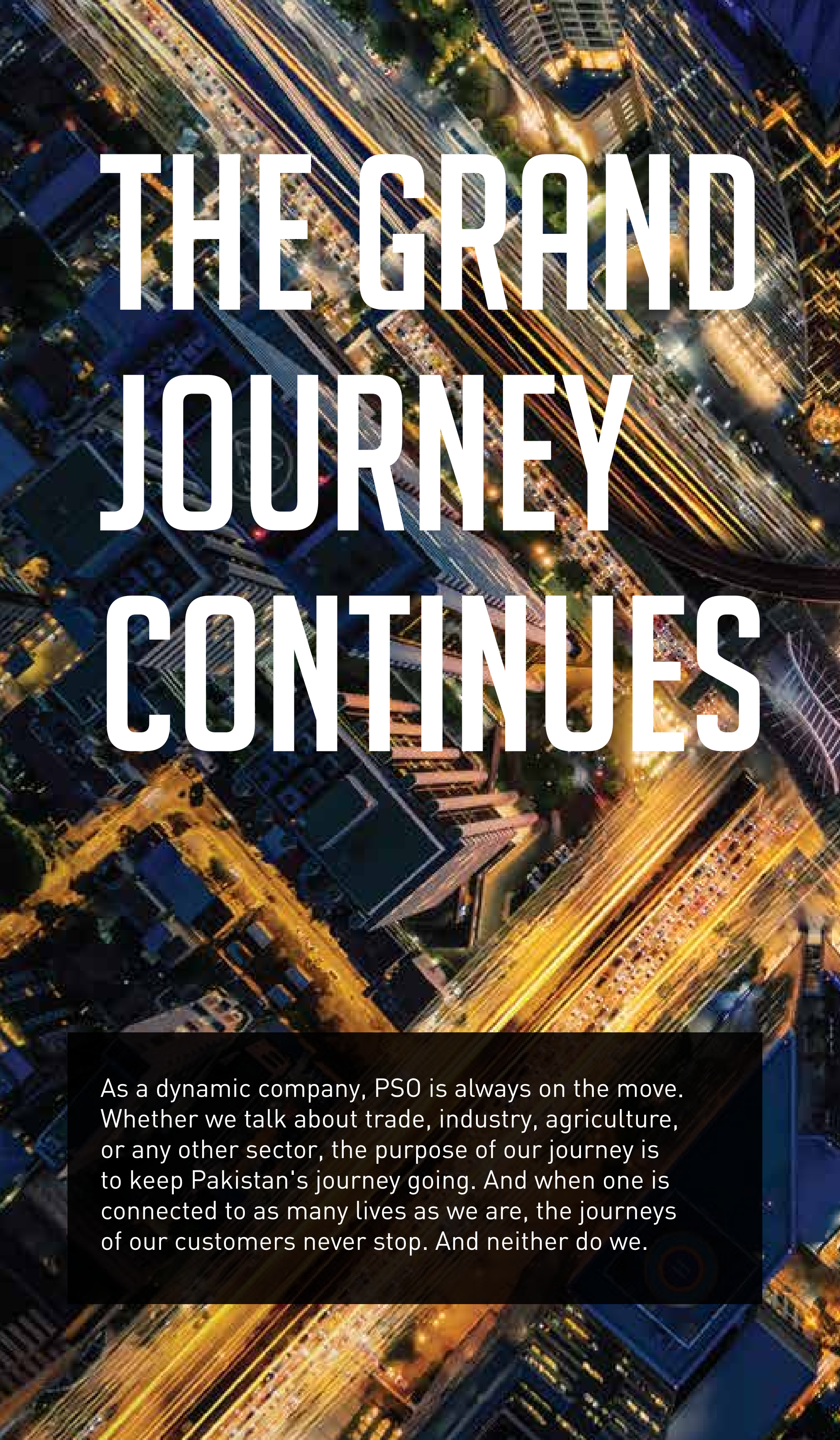
FAX: (92) 9920-3721
WEBSITE: WWW.PSOPK.COM

# THE GRAND JOURNEY CONTINUES

REPORT FOR THE HALF YEAR
ENDED DECEMBER 31, 2018



# THE GRAND JOURNEY CONTINUES

As a dynamic company, PSO is always on the move. Whether we talk about trade, industry, agriculture, or any other sector, the purpose of our journey is to keep Pakistan's journey going. And when one is connected to as many lives as we are, the journeys of our customers never stop. And neither do we.

## COMPANY INFORMATION

### BOARD OF MANAGEMENT

**Independent Member**
Mr. Amjad Nazir

**Non-Executive Members**
Mr. Zahid Mir
Mr. Yousaf Naseem Khokhar
Mr. Muhammad Anwer
Mr. Sajid Mehmood Qazi
Qazi Mohammad Saleem Siddiqui

**Managing Director &**
**Chief Executive Officer**
Syed Jehangir Ali Shah

### DEPUTY MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER
Mr. Yacoob Suttar

### COMPANY SECRETARY
Mr. Rashid Umer Siddiqui

### AUDITORS
M/s. A. F. Ferguson & Co.
Chartered Accountants

M/s. EY Ford Rhodes
Chartered Accountants

### LEGAL ADVISOR
M/s. Orr, Dignam & Co.
Advocates

### REGISTERED OFFICE
Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal, Clifton
Karachi – 75600, Pakistan
UAN: +92 21 111 111 PSO (776)
Fax: +92 21 9920 3721
Website: www.psopk.com

### SHARE REGISTRAR
THK Associates (Pvt.) Limited
1st Floor, 40-C
Block-6, P.E.C.H.S.
Karachi – 75400
P. O. Box 8533
UAN: +92 21 111 000 322
Tel.: +92 21 3416 8266-68-70
Fax: +92 21 3416 8271
Email: secretariat@thk.com.pk

### BANKERS
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

# REVIEW REPORT

**A. F. Ferguson & Co.**
**Chartered Accountants**
**State Life Building No. 1-C**
**I.I. Chundrigar Road**
**Karachi**

**EY Ford Rhodes**
**Chartered Accountants**
**Progressive Plaza**
**Beaumont Road**
**Karachi**

## INDEPENDENT AUDITORS' REVIEW REPORT

## To the members of Pakistan State Oil Company Limited

## Report on review of Interim Financial Statements

### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Pakistan State Oil Company Limited (the Company) as at December 31, 2018 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matters

We draw attention to:

- Note 8.3 to the interim financial statements. The Company considers aggregate amount of Rs. 163,737 million (net of provision of Rs. 383 million); inclusive of Rs. 10,200 million received subsequent to the reporting date, due from power generation companies as a good debt for the reasons given in the aforementioned note;

- Note 10.1 to the interim financial statements. The Company considers the aggregate amount of Rs. 9,297 million due from the Government of Pakistan as a good debt for the reasons given in the aforementioned note;

- Note 10.4 to the interim financial statements. The Company considers the amount of Rs. 20,605 million due from the Government of Pakistan in respect of FE-25 borrowings as a good debt for reasons given in the aforementioned note; and

- Note 13.1.1 to the interim financial statements regarding non-accrual of mark-up on delayed payments amounting to Rs. 8,017 million for the reasons given in the aforementioned note.

Our conclusion is not modified in respect of the aforementioned matters.

The engagement partners on the review resulting in this independent auditors' review report are Osama Kapadia and Shaikh Ahmed Salman.

**A. F. Ferguson & Co.**
**Chartered Accountants**
**Karachi**

**EY Ford Rhodes**
**Chartered Accountants**

Date: February 26, 2019

# REPORT TO SHAREHOLDERS

The Board of Management (BOM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company for the first half of the financial year 2019 (1HFY19) and is pleased to present its report thereon.

Pakistan's economy is experiencing a downward trend during current fiscal year particularly attributed to Rupee devaluation and adverse Balance of Payments position. The downward trend and tightened monetary policy has pointedly impacted the consumer buying exhibited through Consumer Price Index (CPI) numbers.

The challenging economic trend has also impacted negatively on Country's industrial and domestic sectors. This coupled with factors such as easy access to smuggled product has caused significant decline in Pakistan's Downstream Oil sector. The sector has witnessed negative growth in volume for the first time since last eight years (Jul-Dec) for both Black and White Oil segments. The cumulative liquid fuel market has witnessed negative growth of 27% with negative contribution of white oil and black oil of 12% and 60% respectively. Black oil volumes have been impacted significantly due to power production shift towards RLNG in the country, based on GoP decision.

The dwindling market size has directly impacted PSO which is the largest oil marketing company in the Country. Notwithstanding the shrinking market size, PSO has lead the liquid fuel market in 1HFY19 with an overall market share of 40.9% (increase of 0.7% market share vs. Sept 18 quarter). In spite of soaring outstanding receivables (inclusive of LPS) from the Power Sector, PIA and SNGPL as of December 31, 2018 which stood at Rs. 325 billion (September 30, 2018: Rs. 310 billion), PSO maintained the sensitive supply chain by importing 48% of total industry imports and up lifting 36% of total refinery production in the Country.

The economic down trend and reduction in overall market size has impacted the Company's profitability. During the period under review, the Company reported Profit after Tax (PAT) of Rs. 4.2 billion (1HFY18: Rs. 8.5 billion). Major reasons for reduction in PAT are lower gross profit mainly due to dip in sales volume of black and white oil and inventory losses due to reduction in international Oil prices, increase in finance cost due to sharp hike in discount rate by SBP and higher average borrowing levels vs. same period last year, lower interest income from power sector and PIA and foreign exchange loss on account of PKR devaluation.

PSO is dedicated to playing an active role in supporting and working with its stakeholders for sustainable community and social development of Pakistan. During the period Jul-Dec - FY19, PSO CSR Trust has undertaken a wide range of initiatives by donating more than Rs. 105 million in the first half year of financial year of 2018-19. These funds were provided in the areas of education, health care and community building across Pakistan. Moreover, Rs. 24.9 million were also contributed by PSO CSR Trust in the Supreme Court of Pakistan and the Prime Minister of Pakistan Diamer Bhasha and Mohmand Dam Fund.

Despite stiff competition in the industry specially due to increase in the number of OMCs and shrinking market size, PSO is making all out efforts to maintain its market share and leadership position with sustained profitability. We express our sincere gratitude to all our employees, stakeholders and partners for their contributions and incessant support. We also take this opportunity to thank the Government of Pakistan, especially Petroleum Division of Ministry of Energy for their continuous support and guidance.

**Syed Jehangir Ali Shah**
**Managing Director & CEO**

**Zahid Mir**
**Member-Board of Management**

Karachi: February 16, 2019



## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

| | Note | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|---|
| **ASSETS** | | (Rupees in '000) | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 7,452,354 | 7,327,476 |
| Intangibles | | 13,217 | 19,732 |
| Long - term investments | 6 | 5,690,307 | 4,783,585 |
| Long - term loans, advances and other receivables | | 373,892 | 398,525 |
| Long - term deposits and prepayments | | 316,792 | 220,399 |
| Deferred tax assets - net | | 12,415,858 | 11,709,058 |
| | | 26,262,420 | 24,458,775 |
| **Current assets** | | | |
| Stores, spares and loose tools | | 339,238 | 239,981 |
| Stock-in-trade | 7 | 81,126,527 | 81,615,455 |
| Trade debts | 8 | 236,840,777 | 245,577,071 |
| Loans and advances | 9 | 345,206 | 1,919,400 |
| Short - term deposits and prepayments | | 1,791,163 | 3,329,991 |
| Other receivables | 10 | 44,289,294 | 33,017,635 |
| Taxation - net | | 8,035,574 | 7,767,381 |
| Cash and bank balances | | 2,964,688 | 4,636,643 |
| | | 375,732,467 | 378,103,557 |
| **Net assets in Bangladesh** | | - | - |
| **TOTAL ASSETS** | | 401,994,887 | 402,562,332 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 3,912,278 | 3,260,232 |
| Reserves | | 109,154,233 | 107,192,243 |
| | | 113,066,511 | 110,452,475 |
| **Non-current liabilities** | | | |
| Retirement and other service benefits | | 5,256,108 | 5,165,024 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 131,803,764 | 192,145,744 |
| Unclaimed dividend | | 1,324,946 | 3,443,218 |
| Unpaid dividend | | 91,522 | 221,587 |
| Provisions | | 490,972 | 490,972 |
| Accrued interest / mark-up | | 1,335,839 | 796,795 |
| Short - term borrowings | 12 | 148,625,225 | 89,846,517 |
| | | 283,672,268 | 286,944,833 |
| **Contingencies and commitments** | 13 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 401,994,887 | 402,562,332 |

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

**Syed Jehangir Ali Shah**
**Managing Director & CEO**

**Muhammad Anwer**
**Member-Board of Management**

**Yacoob Suttar**
**Chief Financial Officer**

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
For the Half Year Ended December 31, 2018

| | Note | Half year ended December 31, 2018 | Half year ended December 31, 2017 | Quarter ended December 31, 2018 | Quarter ended December 31, 2017 |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| **Gross Sales** | | **662,726,817** | 653,440,150 | **330,911,731** | 326,083,955 |
| Less: | | | | | |
| - Sales tax | | **(81,171,691)** | (120,720,877) | **(34,494,346)** | (59,492,644) |
| - Inland freight equalization margin | | **(9,011,896)** | (10,227,860) | **(4,592,720)** | (5,344,964) |
| | | **(90,183,587)** | (130,948,737) | **(39,087,066)** | (64,837,608) |
| **Net sales** | | **572,543,230** | 522,491,413 | **291,824,665** | 261,246,347 |
| Cost of products sold | | **(556,546,780)** | (503,791,356) | **(286,734,614)** | (251,717,034) |
| **Gross profit** | | **15,996,450** | 18,700,057 | **5,090,051** | 9,529,313 |
| Other income | | **2,650,049** | 2,969,337 | **1,679,595** | 756,292 |
| **Operating costs** | | | | | |
| Distribution and marketing expenses | | **(4,427,661)** | (4,281,479) | **(2,359,640)** | (2,236,291) |
| Administrative expenses | | **(1,285,573)** | (1,206,142) | **(564,801)** | (525,625) |
| Other expenses | | **(1,819,030)** | (1,532,922) | **(1,026,968)** | (892,620) |
| | | **(7,532,264)** | (7,020,543) | **(3,951,409)** | (3,654,536) |
| **Profit from operations** | | **11,114,235** | 14,648,851 | **2,818,237** | 6,631,069 |
| Finance cost | | **(3,855,407)** | (1,779,242) | **(2,029,353)** | (1,023,170) |
| Share of (loss) / profit of associates - net of tax | | **(65,309)** | 210,554 | **(185,268)** | 52,595 |
| **Profit before taxation** | | **7,193,519** | 13,080,163 | **603,616** | 5,660,494 |
| **Taxation** | | | | | |
| - current | | **(3,799,224)** | (4,810,956) | **(1,421,494)** | (2,159,474) |
| - prior | | **143,535** | (167,301) | **143,535** | (167,301) |
| - deferred | | **711,215** | 420,155 | **742,504** | 158,945 |
| | | **(2,944,474)** | (4,558,102) | **(535,455)** | (2,167,830) |
| **Profit for the period** | | **4,249,045** | 8,522,061 | **68,161** | 3,492,664 |
| | | (Rupees) | | | |
| | | | (Restated) | | (Restated) |
| **Earnings per share - basic and diluted** | 14 | **10.86** | 21.78 | **0.17** | 8.93 |

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

| | | |
|---|---|---|
| **Syed Jehangir Ali Shah** | **Muhammad Anwer** | **Yacoob Suttar** |
| **Managing Director & CEO** | **Member-Board of Management** | **Chief Financial Officer** |

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the Half Year Ended December 31, 2018

| | Half year ended December 31, 2018 | Half year ended December 31, 2017 | Quarter ended December 31, 2018 | Quarter ended December 31, 2017 |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Profit for the period | **4,249,045** | 8,522,061 | **68,161** | 3,492,664 |
| **Other comprehensive Income:** | | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| Actuarial losses on remeasurement of staff retirement and other service benefits - net of tax | **(4,415)** | - | **(2,207)** | - |
| Share of actuarial losses on remeasurement of staff retirement benefits of associates - net of tax | **(10,143)** | (8,374) | **(9,221)** | (8,261) |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Share of unrealised loss due to change in fair value of available-for-sale investments of associates - net of tax | **(2,161)** | (6,035) | **(1,846)** | (1,828) |
| Reclassification of unrealised loss due to change in fair value of available-for-sale investments of associates - net of tax to profit or loss upon acquisition of control of Pakistan Refinery Limited | **11,826** | - | **11,826** | - |
| Amortisation of unrealised gain due to reclassification of investments from available-for-sale to held-to-maturity-net of tax | **-** | (93,104) | **-** | - |
| Less: Taxation thereon | **-** | 27,931 | **-** | - |
| | **-** | (65,173) | **-** | - |
| **Total comprehensive income for the period** | **4,244,152** | 8,442,479 | **66,713** | 3,482,575 |

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

| | | |
|---|---|---|
| **Syed Jehangir Ali Shah** | **Muhammad Anwer** | **Yacoob Suttar** |
| **Managing Director & CEO** | **Member-Board of Management** | **Chief Financial Officer** |

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half Year Ended December 31, 2018

| | Share capital | Reserves | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Capital Reserves | Revenue Reserves | | | | | |
| | | Surplus on vesting of net assets | Unrealised gain/(loss) on remeasurement of available-for-sale investment | Company's share of unrealised (loss)/gain on available-for-sale investment of associates | General reserve | un-appropriated profit | Sub-total | |
| | (Rupees in '000) | | | | | | | |
| **Balance as at July 01, 2017 (Audited)** | 2,716,860 | 3,373 | 65,173 | (905) | 25,282,373 | 74,782,728 | 100,132,742 | 102,849,602 |
| **Total comprehensive income for half year ended** | | | | | | | | |
| Profit for the period | - | - | - | - | - | 8,522,061 | 8,522,061 | 8,522,061 |
| **Other comprehensive income** | | | | | | | | |
| Amortisation of unrealised gain due to reclassification of investments from available-for-sale to held-to-maturity - net of tax | - | - | (65,173) | - | - | - | (65,173) | (65,173) |
| Share of unrealised gain due to change in fair value of available-for-sale investments of associates - net of tax | - | - | - | (6,035) | - | - | (6,035) | (6,035) |
| Share of actuarial loss on remeasurement of staff retirement benefits of an associate - net of tax | - | - | - | - | - | (8,374) | (8,374) | (8,374) |
| | - | - | (65,173) | (6,035) | - | (8,374) | (79,582) | (79,582) |
| **Transaction with the owners** | | | | | | | | |
| Final dividend for the year ended June 30, 2017 @ Rs. 15 per share | - | - | - | - | - | (4,075,289) | (4,075,289) | (4,075,289) |
| Bonus shares issued for the year ended June 30, 2017 @ 20% | 543,372 | - | - | - | - | (543,372) | (543,372) | - |
| **Balance as at December 31, 2017 (Unaudited)** | **3,260,232** | **3,373** | **-** | **(6,940)** | **25,282,373** | **78,677,754** | **103,956,560** | **107,216,792** |
| **Balance as at July 1, 2018** | **3,260,232** | **3,373** | **-** | **(6,354)** | **25,282,373** | **81,912,851** | **107,192,243** | **110,452,475** |
| **Total comprehensive income for half year ended** | | | | | | | | |
| Profit for the period | - | - | - | - | - | 4,249,045 | 4,249,045 | 4,249,045 |
| **Other comprehensive income** | | | | | | | | |
| Actuarial losses on remeasurement of staff retirement and other service benefits- net of tax | - | - | - | - | - | (4,415) | (4,415) | (4,415) |
| Share of unrealised gain due to change in fair value of available-for-sale investments of associates - net of tax | - | - | - | (2,161) | - | - | (2,161) | (2,161) |
| Reclassification of unrealised loss due to change in fair value of available-for-sale investments of associates - net of tax to profit or loss upon acquisition of control of Pakistan Refinery Limited | - | - | - | 11,826 | - | - | 11,826 | 11,826 |
| Share of actuarial loss on remeasurement of staff retirement benefits of associate - net of tax | - | - | - | - | - | (10,143) | (10,143) | (10,143) |
| | - | - | - | 9,665 | - | (14,558) | (4,893) | (4,893) |
| **Transactions with the owners** | | | | | | | | |
| Final dividend for the year ended June 30, 2018 @ Rs. 5 per share | - | - | - | - | - | (1,630,116) | (1,630,116) | (1,630,116) |
| Bonus shares issued for the year ended June 30, 2018 @ 20% | 652,046 | | | | | (652,046) | (652,046) | - |
| **Balance as at December 31, 2018 (Unaudited)** | **3,912,278** | **3,373** | **-** | **3,311** | **25,282,373** | **83,865,176** | **109,154,233** | **113,066,511** |

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

**Syed Jehangir Ali Shah**
Managing Director & CEO

**Muhammad Anwer**
Member-Board of Management

**Yacoob Suttar**
Chief Financial Officer

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the Half Year Ended December 31, 2018

| | Note | Half year ended December 31, 2018 | Half year ended December 31, 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash used in operations | 15 | **(47,518,489)** | (13,715,681) |
| Long-term loans, advances and other receivables | | **24,633** | (14,966) |
| Long-term deposits and prepayments | | **(96,393)** | (39,993) |
| Taxes paid | | **(3,923,882)** | (4,468,728) |
| Finance costs paid | | **(3,316,363)** | (2,289,622) |
| Retirement and other service benefits paid | | **(530,073)** | (5,493,975) |
| **Net cash used in operating activities** | | **(55,360,567)** | (26,022,965) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of | | | |
| - property, plant and equipment including capital work-in-progress | | **(679,833)** | (748,730) |
| - intangibles | | **-** | (691) |
| Proceeds from disposal of operating assets | | **10,152** | 15,646 |
| Interest income received on Pakistan Investment Bonds | | **-** | 2,520,616 |
| Proceeds from redemption of Pakistan Investment Bonds | | **-** | 43,836,800 |
| Acquisition of shares in PRL | | **(840,000)** | - |
| Dividends received | | **298,038** | 245,162 |
| **Net cash (used in) / generated from investing activities** | | **(1,211,643)** | 45,868,803 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short-term borrowings - net | | **32,484,508** | 19,758,415 |
| Dividends paid | | **(3,878,453)** | (5,676,997) |
| **Net cash generated from financing activities** | | **28,606,055** | 14,081,418 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(27,966,155)** | 33,927,256 |
| Cash and cash equivalents at beginning of the period | | **(7,924,869)** | (41,502,241) |
| **Cash and cash equivalents at end of the period** | 16 | **(35,891,024)** | (7,574,985) |

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

**Syed Jehangir Ali Shah**
Managing Director & CEO

**Muhammad Anwer**
Member-Board of Management

**Yacoob Suttar**
Chief Financial Officer

## 1. Legal status and nature of business

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

1.2 The Board of Management - Oil (the Board) nominated by the Federal Government under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 2017 or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

## 2. Statement of compliance

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified by the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

## 3. Basis of preparation

3.1 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2018. These unconsolidated condensed interim financial statements are unaudited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

3.2 The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2018 and December 31, 2017.

3.3 In June 2011, the SECP on receiving representations from some of entities covered under Benazir Employees' Stock Option Scheme (the Scheme) and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of International Financial Reporting Standard (IFRS) 2 "Share-based Payment" to the Scheme. There has been no change in the status of the Scheme as stated in note 3.6 to the annual audited financial statements of the Company for the year ended June 30, 2018.

**3.4 Initial application of standards, amendments or an interpretation to existing standards.**

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

The following accounting standard became effective during the period as applicable in Pakistan for the first time for the period ended December 31, 2018 and are relevant to the Company.

**IFRS 9 - 'Financial instruments'**

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

However, Securities and Exchange Commission of Pakistan through its S.R.O. No. 229 (1)/2019 dated February 14, 2019 has deferred application of the aforementioned standard.

**IFRS 15 - 'Revenue from contracts with customers'**

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company is engaged in procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils. The Company has assessed that significant performance obligation in contracts with customers is to deliver the products and is discharged at one point of time. The Company has concluded the impact of this standard is immaterial on the unconsolidated condensed interim financial statements. However, expenses amounting to Rs. 4,138,237 thousand previously netted off in expenses have now been reclassified to net sales and cost of products sold.

**IFRIC 22 - 'Foreign currency transactions and advance consideration'**

This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of the implementation of the above interpretation is not considered material on the unconsolidated condensed interim financial statements of the Company.

**b) Standards, interpretations and amendments to published approved accounting and reporting standards that became effective during the period but not relevant**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2018 are considered not to be relevant for the Company's unconsolidated condensed interim financial statements and hence have not been presented here.

**c) Standards, interpretations and amendments to published approved accounting and reporting standards that are not yet effective but relevant**

Following is the new standard and interpretation that will be effective for the annual period beginning on or after July 01, 2019:

**IFRS 16 - 'Leases'**

IFRS 16 replaces the previous lease standard: IAS 17 - Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.The management is in the process of assessing the impact of changes laid down by this standard on its financial statements.

**IFRIC 23 'Uncertainity over income tax treatments'**

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS interpretations committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

3.5 The preparation of these unconsolidated condensed interim financial statements, in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

During the preparation of these unconsolidated condensed interim financial statements, changes in the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2018 do not have any material impact.

3.6 These unconsolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency and all interim financial information presented has been rounded off to the nearest thousand rupees unless otherwise stated.

## 4. Accounting policies

4.1 The accounting policies and method of computation adopted for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2018 except for the following:

**Revenue Recognition**

The Company recognises revenue when the goods are transferred to the customer and when performance obligations are fulfilled. Goods are considered to be transferred when the control is transferred to the customer.

**Investment in Subsidiary**

Investment in subsidiary is stated at cost less impairment losses, if any.

4.2 The Company follows the practice to conduct actuarial valuation annually at the year end. Hence, the impact of remeasurement of post-employment benefit plans has not been incorporated in these unconsolidated condensed interim financial statements.

## 5. Property, plant and equipment

5.1 Additions and disposals to operating assets during the period are as follows:

| | Additions (Un-audited) (at cost) | | Disposals (Un-audited) (at net book value) | |
|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | (Rupees in '000) | | | |
| Freehold land | 326,725 | - | - | 6,289 |
| Buildings on freehold land | - | 53,873 | - | - |
| Buildings on leasehold land | 2,185 | 10,461 | 116 | - |
| Tanks and pipelines | 12,909 | 136,840 | 16 | - |
| Service and filling stations | 107,713 | 290,810 | 517 | 2,353 |
| Plant and machinery | 41,580 | 42,384 | - | - |
| Furniture and fittings | 1,619 | 18,497 | 45 | 3 |
| Vehicles and other rolling stock | 12,282 | 80,703 | 911 | 178 |
| Office equipment | 16,726 | 33,411 | - | 14 |
| Railway sidings | - | 44,346 | - | - |
| Gas cylinders / regulators | 32,993 | 23,910 | - | - |
| | 554,732 | 735,235 | 1,605 | 8,837 |

5.2 The above disposals represented assets costing Rs. 151,669 thousand (December 31, 2017: Rs. 44,649 thousand) and were disposed off for Rs. 10,152 thousand (December 31, 2017: Rs. 15,646 thousand).

5.3 Includes operating assets amounting to Rs. 796,212 thousand (June 30, 2018: Rs. 838,248 thousand) in respect of Company's share in joint operations.

5.4 Includes capital work-in-progress amounting to Rs. 59,030 thousand (June 30, 2018: Rs. 53,344 thousand) in respect of Company's share in joint operations.

| | Note | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|---|
| **6. Long - term investments** | | (Rupees in '000) | |
| **Investment in related parties** | | | |
| **Investment held at Cost in an unquoted company** | | | |
| - Pak-Arab Pipeline Company Limited (PAPCO) Equity held 12% (June 30, 2018: 12%) No. of shares: 8,640,000 (June 30, 2018: 8,640,000) shares of Rs. 100 each | | 864,000 | 864,000 |
| **Investment in subsidiary - at cost** | | | |
| - Pakistan Refinery Limited (PRL) Equity held 52.68% (June 30, 2018: 24.11%) No. of shares: 154,875,000 (June 30, 2018: 70,875,000) shares of Rs. 10 each | 6.1 | 2,662,196 | - |
| **Investment in associates - Quoted Company** | | | |
| - Pakistan Refinery Limited (PRL) Equity held 52.68% (June 30, 2018: 24.11%) No. of shares: 154,875,000 (June 30, 2018: 70,875,000) shares of Rs. 10 each | 6.1 | - | 2,018,551 |
| **Investment in associates - Unquoted Company** | | | |
| - Asia Petroleum Limited,(APL) Equity held 49% (June 30, 2018: 49%) No. of shares: 46,058,570 (June 30, 2018: 46,058,570) shares of Rs. 10 each | | 2,110,793 | 1,843,027 |
| - Pak Grease Manufacturing Company (Private) Limited (PGMCL) Equity held 22% (June 30, 2018: 22%) No. of shares: 686,192 (June 30, 2018: 686,192) shares of Rs.10 each | | 53,318 | 58,007 |
| | | 5,690,307 | 4,783,585 |

6.1 As at June 30, 2018 the Company was carrying its investment in PRL as an associated company and was accounting for its interest in PRL through equity accounting under IAS 28 'Investment in Associates'. Pursuant to the order of the Honourable Sindh High Court dated October 12, 2018 removing the restraining order in respect of 21 million shares, as disclosed in note 7.1 to the annual audited financial statements of the Company, the Company acquired 84 mn. shares at the discounted value of Rs. 10 each.

Resultantly, effective December 01, 2018 being the acquisition date, the shareholding of the Company in PRL increased from 24.11% to 52.68% making it a subsidiary as at December 01, 2018. Accordingly as at the period end, Company is carrying its investment in PRL at cost less impairment losses, if any.

The primary reason for business combination with PRL is to have concentric diversification. The Company acquired control of PRL through acquisition of 52.68% controlling shares. Consequently, investment in PRL has been reclassified as investment in subsidiary as on December 01, 2018.

Movement in investment in PRL is as follows:

| | (Rupees in '000) |
|---|---|
| Balance as at July 01, 2018 | 2,018,551 |
| Investment made during the period | 840,000 |
| Dividend received prior to acquisition date | (26,040) |
| Share of loss from PRL till acquisition date | (340,690) |
| Unrealised gain on revaluation of shares on acquisition date | 170,375 |
| Balance as at December 31, 2018 | 2,662,196 |

## 7. Stock-in-Trade

The Company has recognised write-down of inventory to net realisable value amounting to Rs. 5,194,589 thousand (June 30, 2018: Rs. Nil).

| | Note | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|---|
| **8. Trade debts** | | (Rupees in '000) | |
| **Considered good** | | | |
| Due from Government agencies and autonomous bodies | | | |
| - Secured | 8.1 | 132,297 | 111,790 |
| - Unsecured | 8.2 & 8.3 | 163,982,698 | 150,169,855 |
| | | 164,114,995 | 150,281,645 |
| Due from other customers | | | |
| - Secured | 8.1 | 2,403,525 | 1,994,024 |
| - Unsecured | 8.2 & 8.3 | 70,322,257 | 93,301,402 |
| | | 72,725,782 | 95,295,426 |
| | | 236,840,777 | 245,577,071 |
| **Considered doubtful** | | 3,047,969 | 3,290,578 |
| Trade debts - gross | | 239,888,746 | 248,867,649 |
| Less: Provision for impairment | 8.2, 8.3 & 8.4 | (3,047,969) | (3,290,578) |
| **Trade debts - net** | | 236,840,777 | 245,577,071 |

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

8.2 Includes Rs. 164,209,391 thousand (June 30, 2018: Rs. 127,667,280 thousand) due from related parties, against which provision for impairment of Rs. 1,393,629 thousand (June 30, 2018: Rs. 1,611,927 thousand) has been recognised.

8.3 Included in trade debts is an aggregate amount of Rs. 167,447,608 thousand (June 30, 2018: Rs. 199,999,246 thousand) due from GENCO Holding Company Limited (GHC), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited

(KAPCO), as at December 31, 2018. These include past due trade debts of Rs. 102,976,176 thousand (June 30, 2018: Rs. 104,251,942 thousand), Rs. 37,743,985 thousand (June 30, 2018: Rs. 50,789,306 thousand) and Rs. 23,400,696 thousand (June 30, 2018: Rs. 27,067,694 thousand) from GHC, HUBCO and KAPCO, respectively, based on the agreed credit terms. The Company carries a specific provision of Rs. 383,358 thousand (June 30, 2018: Rs. 398,962 thousand) against these debts and does not consider the remaining aggregate past due balance of Rs. 163,737,499 thousand (against which subsequent payments of Rs. 50,000 thousand from GHC, Rs. 2,700,000 thousand from HUBCO and Rs. 7,450,000 thousand from KAPCO have been received) as doubtful, as the Company based on measures undertaken by the Government of Pakistan (GoP) to resolve circular debt issue, is confident that the aforementioned debts will be received in due course of time.

Further, as at December 31, 2018 trade debts aggregating to Rs. 54,541,169 thousand (June 30, 2018: Rs. 42,710,830 thousand) are neither past due nor impaired. The remaining trade debts aggregating to Rs. 185,347,577 thousand (June 30, 2018: Rs. 202,866,241 thousand) are past due but not impaired.

Based on the past experience, past track record and recoveries and future economic forecasts, the Company believes that the above past due trade debts do not require any additional provision for impairment except as provided in these unconsolidated condensed interim financial statements.

8.4 The movement in provision during the period / year is as follows:

| | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Balance at beginning of the period / year | 3,290,578 | 4,201,355 |
| Add: Provision recognised during the period / year | 27,103 | 66,670 |
| Less: Reversal due to recoveries during the period / year | (269,712) | (977,447) |
| | (242,609) | (910,777) |
| Balance at the end of the period / year | 3,047,969 | 3,290,578 |

## 9. Loans and advances

As at June 30, 2018 the Company was carrying a total advance aggregating to Rs. 1,680,000 thousand as fully disclosed in note 14.1 to the annual audited financial statements. Pursuant to the acquisition of 84,000,000 right shares of PRL as disclosed in note 6.1 to these unconsolidated condensed interim financial statements, the Company has received Rs. 840,000 thousand held in an escrow account and the remaining amount has been adjusted by Shell Pakistan Limited.

## 10. Other receivables

10.1 Included in other receivables is long outstanding aggregate amount due from GoP on account of the following receivables, as more fully explained in note 16 to the annual audited financial statements for the year ended June 30, 2018:

| | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Price differential claims:** | | |
| - on imports (net of related liabilities) of motor gasoline | 1,350,961 | 1,350,961 |
| - on High Speed Diesel | 602,603 | 602,603 |
| - on Ethanol E-10 fuel | 27,917 | 27,917 |
| - on account of supply of Furnace Oil to K-Electric Limited at Natural Gas prices | 3,908,581 | 3,908,581 |
| Water and Power Development Authority (WAPDA) / (GHC) Receivables | 3,407,357 | 3,407,357 |
| | 9,297,419 | 9,297,419 |

During the period, there has been no significant change in the status of the abovementioned claims. The Company is fully confident of recoveries against these receivables and is actively pursuing these receivables / matters with the GoP through concerned / relevant ministries.

10.2 Includes receivable of Rs. 13,862 thousand (June 30, 2018: Rs. 18,231 thousand) on account of facility charges due from Asia Petroleum Limited (a related party).

10.3 As at December 31, 2018, receivables aggregating to Rs. 2,357,790 thousand (June 30, 2018: Rs. 2,368,822 thousand) were deemed to be impaired and hence, have been provided for.

10.4 Includes Rs. 20,604,545 thousand (June 30, 2018: Rs. 9,737,703 thousand) unfavourable exchange differences arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - Government of Pakistan (MoF - GoP). These exchange differences are to be settled in accordance with the instructions provided by the MoF - GoP. The Company recognises exchange differences arising on such borrowings as payable (in case of exchange gains) and receivable (in case of exchange losses) to / from GoP. As per letter dated November 27, 2013 from Finance Division, MoF - GoP shall defray extra cost and risks to be borne by the Company in respect of these long / extended term borrowing arrangements i.e. the Company would not bear any exchange differences on such borrowings. The Company is actively pursuing with MoF - GoP for settlement of this receivable and is confident for recovery of the same.

## 11. Trade and other payables

11.1. Includes Rs. 27,447,189 thousand (June 30, 2018: Rs. 31,555,414 thousand) due to various related parties.

## 12. Short - term borrowings

| | Un-Audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Short - term Finances** | | |
| - Local currency | 27,340,000 | 1,100,000 |
| - Foreign currency | 82,429,513 | 76,185,005 |
| | 109,769,513 | 77,285,005 |
| **Finances under mark-up arrangements** | 38,855,712 | 12,561,512 |
| | 148,625,225 | 89,846,517 |

## 13. Contingencies and commitments

### 13.1 Contingencies

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

13.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 13,128,417 thousand (June 30, 2018: Rs. 12,806,764 thousand) other than as mentioned in note 13.1.8 to these unconsolidated condensed interim financial statements. This includes claims amounting to Rs. 8,016,538 thousand (June 30, 2018: Rs. 8,016,538 thousand) in respect of delayed payment charges on the understanding that these will be payable only when the Company will fully realize delayed payment charges due from its customers, which is more than the aforementioned amount. Charges claimed by the Company against delayed payments by the customers, due to circular debt situation, are recognised on receipt basis as the ultimate outcome of the matter and amount of settlement cannot be presently determined.

13.1.2 The ACIR through his orders dated February 09, 2015 and March 22, 2016 made certain additions and disallowances in respect of tax year 2014 and 2015 respectively, thereby creating total tax demand of Rs. 35,992,978 thousand. The orders were later rectified and amended to Rs. 3,619,899 thousand. Further, through computerised balloting, the Company was selected for audit of tax year 2014 by the Federal Board of Revenue (FBR) and another demand of Rs. 53,023 thousand was created by FBR for tax year 2014. The Company has filed appeals against these orders before the CIR (Appeals) which were decided partially against the Company during FY2018 except for audit case of tax year 2014 which was remanded back by CIR (Appeals) to the assessing officer for verification and effect. The Company has filed appeals before ATIR against these CIR (Appeals) orders. During the current period, the Company has received an appeal effect on aforesaid CIR (Appeals) orders from Tax authorities after which the amended demand has been reduced to Rs. 2,585,773 thousand. Based on the views of tax advisor of the Company, the management believes that it is more likely than not that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

13.1.3 A sales tax order No. 03/2018 dated July 31, 2018 was issued by Deputy Commissioner Inland Revenue (DCIR) in respect of sales tax audit for the tax periods from July 2013 to June 2014. Under the said assessment order, a demand of Rs. 205,406 thousand was raised on account of certain matters along with default surcharge of Rs. 127,602 thousand and penalty of Rs. 10,270 thousand. The Company filed an appeal against the said order before Commissioner Inland Revenue (CIR Appeals) who in the Appellate Order dated September 17, 2018 remanded back tax demand of Rs. 335, 596 thousand while upholding the decision of DCIR for tax demand of Rs. 7,683 thousand. The Company filed an appeal against the said decision of CIR (Appeals) in the Appellate Tribunal Inland Revenue (ATIR) who vide order STA No. 517/KB-2018 dated November 15, 2018 annulled both the orders.

13.1.4 With respect to tax contingencies disclosed in note 27.1.9, 27.1.10 and 27.1.12 to the annual financial statements of the Company for the year ended June 30, 2018, the Company based on the view of its lawyer has withdrawn the suits consequent to recent decision of Honorable Supreme Court dated June 27, 2018 whereby it was held that suits will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The Company has submitted all the replies with respect to the notices issued by tax authorities after withdrawal of suits.

13.1.5 Punjab Revenue Authority (PRA) has issued an order dated September 18, 2017, received on November 30, 2017, against the Company demanding Rs. 2,258,235 thousand inclusive of penalty and default surcharge on alleged non-recovery of Punjab Service Sales Tax alleged commission paid to petroleum dealers. The Company did not agree with the stance of PRA as the Authority erroneously assumed the dealer's margin allowed to petroleum dealers through OGRA's price notification as "dealer's commission". The Company further collects general sales tax on such dealer's margin and submits the same to Government treasury with monthly sales tax return. Accordingly, levy of Punjab Service Sales Tax on the alleged commission would lead to double imposition of sales tax on dealer's margin. The Company challenged the order in Honourable Lahore High Court, which duly granted stay against the subject tax demand. Further, in consultation with legal advisor, an appeal was filed with Commissioner - Appeals PRA against the subject order. During the current period, Commissioner - Appeals PRA in his appellate order dated September 05, 2018 decided the case against PSO. However levy of penalty thereon has been waived. The Company has filed an appeal before Appellate Tribunal PRA against the aforesaid order of Commissioner - Appeals PRA. Based on the view of tax and legal advisors, the management believes that it is more likely than not that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

13.1.6 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the Honourable High Court of Sindh (HCS). Through the interim order passed on May 31, 2011 the HCS has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-II), up to December 31, 2018, the management has deposited Rs. 102,463 thousand in cash and provided bank guarantee amounting to Rs. 102,463 thousand with the Excise and Taxation Department. Based on the views of its legal advisor, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in these unconsolidated condensed interim financial statements.

13.1.7 There is no significant change in the status of tax contingencies as disclosed in notes 27.1.2 to 27.1.4, 27.1.6 to 27.1.8, 27.1.11, 27.1.14, 27.1.15, 27.1.17 and 27.1.18 to the annual audited financial statements of the Company for the year ended June 30, 2018. These contingencies pertain to income tax and sales tax audits, matter of supplies to customers in Afghanistan, disallowances of input sales tax, additional tax on delayed payments, stamp duty and property tax which are pending adjudication at various forums.

13.1.8 As at December 31, 2018 certain legal cases amounting to Rs. 11,349,581 thousand (June 30, 2018: Rs. 3,494,863 thousand) had been filed against the Company. However, based on advice of legal advisors of the Company, the management believes that the outcome of these cases would be decided in Company's favour. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

**13.2 Commitments**

13.2.1 Commitments in respect of capital expenditure contracted for but not yet incurred are as follows:

| | Un-audited December 31, 2018 | Audited June 30, 2018 |
|---|---|---|
| | (Rupees in '000) | |
| - Property, plant and equipment | 1,049,222 | 1,195,065 |
| - Intangibles | 523,879 | 165,709 |
| | 1,573,101 | 1,360,774 |
| 13.2.2 Letters of credit | 14,330,681 | 12,550,247 |
| 13.2.3 Bank Guarantees | 1,263,508 | 1,202,547 |
| 13.2.4 Standby Letters of credit | 34,527,796 | 25,387,343 |
| 13.2.5 Post-dated cheques | 4,305,000 | 8,777,500 |

## 14. Earnings per share

**14.1 Basic**

| | Un-audited Half year ended | | Un-audited Quarter ended | |
|---|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | (Rupees in '000) | | | |
| Profit for the period attributable to ordinary shareholders (Rupees In '000) | 4,249,045 | 8,522,061 | 68,161 | 3,492,664 |
| | | (Restated) | | (Restated) |
| Weighted average number of ordinary shares in issue during the period (number of shares) | 391,227,752 | 391,227,752 | 391,227,752 | 391,227,752 |
| | (Rupees) | | | |
| | | (Restated) | | (Restated) |
| Earnings per share - basic and diluted | 10.86 | 21.78 | 0.17 | 8.93 |

14.2 During the period, the Company has issued 20% bonus shares (i.e. one for every five ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for quarter and half year ended December 31, 2017.

**14.3 Diluted**

There is no dilutive effect on the basic earnings per share of the Company as there are no convertible potential ordinary shares in issue as at December 31, 2018.

## 15. Cash used in operations

| | Note | Un-audited Half year ended December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Profit before taxation** | | 7,193,519 | 13,080,163 |
| Depreciation | | 553,350 | 516,742 |
| Amortisation | | 6,515 | 9,167 |
| Mark-up / interest on investments - net of amortisation | | - | (237,682) |
| Unrealised gain on revaluation of investment in PRL on acquisition | | (170,375) | - |
| Unrealised loss transferred to profit or loss on reclassification of investment in associate to subsidiary at cost | | 11,826 | - |
| Provision for write down of inventory to net realisable value | | 5,194,589 | - |
| Reversal of provision against doubtful trade debts | | (242,609) | (140,004) |
| Reversal of provision for other receivables | | (11,032) | (45,928) |
| Provision for stores and spares | | 4,534 | - |
| Retirement and other services benefits accrued | | 621,157 | 666,349 |
| Gain on disposal of operating assets | | (8,547) | (6,809) |
| Share of profit of associates - net of tax | | 65,309 | (210,554) |
| Dividend income | | (271,998) | (240,702) |
| Finance costs | | 3,855,407 | 1,779,242 |
| | | 9,608,126 | 2,089,821 |
| Working capital changes | 15.1 | (64,320,134) | (28,885,665) |
| | | (47,518,489) | (13,715,681) |

**15.1 Working capital changes**

| | | |
|---|---|---|
| (Increase) / decrease in current assets: | | |
| - Stores, spares and loose tools | (103,791) | 14,333 |
| - Stock-in-trade | (4,705,661) | 7,905,558 |
| - Trade debts | 8,978,903 | (34,879,778) |
| - Loans and advances | 1,574,194 | 7,291 |
| - Short - term deposits and prepayments | 1,538,828 | 4,034,823 |
| - Other receivables | (11,260,627) | 4,107,563 |
| Decrease in current liabilities: | | |
| - Trade and other payables | (60,341,980) | (10,075,455) |
| | (64,320,134) | (28,885,665) |

## 16. Cash and cash equivalents

Cash and cash equivalents comprise following items in the unconsolidated condensed interim statement of financial position:

| | Un-Audited December 31, 2018 | Un-audited December 31, 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Cash and bank balances | 2,964,688 | 6,628,504 |
| Short - term borrowings (Finances under mark-up arrangements) | (38,855,712) | (14,203,489) |
| | (35,891,024) | (7,574,985) |

## 17. Financial Risk Management and Fair value of financial assets and liabilities

17.1 These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018. There have been no change in any risk management policies since the year end.

17.2 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The carrying values of all financial assets and liabilities reflected in these unconsolidated condensed interim financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

## 18. Transactions with related parties

18.1 Related parties comprise subsidiary company, associated companies, retirement benefit funds, state owned / controlled entities, GoP and its related entities and key management personnel. Details of transactions with the related parties during the period, other than those disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

| Name of the related party and relationship with the Company | Nature of transactions | Un-audited Half year ended December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Subsidiary** | | | |
| - Pakistan Refinery Limited | Purchases | 5,587,796 | - |
| **Associates** | | | |
| - Pakistan Refinery Limited | Purchases | 24,832,671 | 21,179,252 |
| | Dividend received | 26,040 | - |
| | Income facility charges | 233 | 470 |
| - Pak Grease Manufacturing Company (Private) Limited | Purchases | 37,099 | 50,573 |
| | Dividend Received | - | 4,460 |
| - Asia Petroleum Limited | Income facility charges | 6,862 | 77,186 |
| | Pipeline charges | 74,106 | 833,604 |
| **Retirement benefit funds** | | | |
| - Pension Funds | Charge for the period | 280,750 | 376,415 |
| | Contributions | 328,408 | 4,586,053 |
| - Gratuity Fund | Charge for the period | 142,182 | 135,893 |
| | Contributions | 136,782 | 832,124 |
| - Provident Funds | Charge/contribution for the period | 66,684 | 65,109 |
| **Key management personnel** | Managerial remuneration | 175,456 | 262,801 |
| | Charge/contribution for the period | 4,250 | 6,056 |

### 18.2 Related parties by virtue of GoP holdings

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

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

| | | Un-audited Half year ended | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| | | (Rupees in '000) | |
| - Federal Government of Pakistan | Income from PIBs (net of amortisation) | - | 237,682 |
| | Dividend paid | 366,334 | - |
| - Benazir Employees' Stock Option Scheme | Dividend paid | 49,526 | 123,816 |
| - Pak Arab Pipeline Company Limited | Pipeline charges | 1,381,939 | 2,008,928 |
| | Dividend received | 271,998 | 240,702 |
| - Sui Northern Gas Pipelines Limited | Sales | 194,027,724 | 105,680,972 |
| - GENCO Holding Company Limited | Sales | 5,674,932 | 48,630,471 |
| | Utility charges | 46,112 | 31,176 |
| - Pakistan International Airlines Corporation Limited | Sales | 13,748,564 | 5,978,976 |
| | Purchases | 3,265 | 1,087 |
| - Pak Arab Refinery Company Limited | Purchases | 73,948,394 | 53,371,857 |
| | Pipeline charges | 159,465 | 298,092 |
| | Other expenses | - | 133,924 |
| - National Bank of Pakistan | Finance cost and bank charges | 877,924 | 469,437 |

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

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

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

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

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

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

(vi) The Company obtains utility services from Civil Aviation Authority, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited and K-Electric Limited.

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

(viii) The Company has obtained various financing facilities from National Bank of Pakistan.

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

18.3 Inventory of the Company held by related parties as at December 31, 2018 amounts to Rs. 21,263,685 thousand (June 30, 2018: Rs. 21,595,616 thousand).

18.4 Short term borrowings includes Rs. 37,025,420 thousand (June 30, 2018: Rs. 21,200,092 thousand) under finances obtained from National Bank of Pakistan.

18.5 The status of outstanding receivables and payables from / to related parties as at December 31, 2018 are included in respective notes to these unconsolidated condensed interim financial statements.

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

## 19. Operating segments

19.1 Segment wise revenues and profit is as under:

| | Un-audited Half year ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| | (Rupees in '000) | |
| **Revenue - net sales** | | |
| Petroleum Products | 401,916,012 | 431,292,740 |
| Liquefied Natural Gas (LNG) | 169,228,950 | 90,073,162 |
| Others | 1,398,268 | 1,125,511 |
| | 572,543,230 | 522,491,413 |
| **Profit for the period** | | |
| Petroleum Products | 2,222,794 | 7,165,052 |
| Liquefied Natural Gas (LNG) | 1,431,310 | 541,863 |
| Others | 594,941 | 815,146 |
| | 4,249,045 | 8,522,061 |

19.2 Timing of revenue recognition is at a point in time.

19.3 Out of total sales of the Company, 98.4% (December 31, 2017: 98.7%) relates to customers in Pakistan.

19.4 All non-current assets of the Company as at December 31, 2018 and 2017 are located in Pakistan.

19.5 Sales to five major customers of the Company are approximately 34% during the half year ended December 31, 2018 (December 31, 2017: 42%).

## 20. Events after the reporting date

The Board of Management - Oil in its meeting held on February 16, 2019 has proposed an interim cash dividend of 'Nil' (December 31, 2017: 'Nil') amounting to 'Nil' (December 31, 2017: 'Nil') for the year ending June 30, 2019.

## 21. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison the effect of which is not material except as disclosed in these notes.

## 22. Date of authorisation for issue

These unconsolidated condensed interim financial statements were approved and authorised for issue on February 16, 2019 by the Board of Management - Oil.

**Syed Jehangir Ali Shah**
**Managing Director & CEO**

**Muhammad Anwer**
**Member-Board of Management**

**Yacoob Suttar**
**Chief Financial Officer**



# رپورٹ برائے حصص یافتگان

پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (پی ایس او سی ایل) کے بورڈ آف مینجمنٹ (بی او ایم) نے مالی سال 2019 کی پہلی ششماہی کے حوالے سے کمپنی کی کارکردگی کا جائزہ لیا اور وہ اس کی رپورٹ بمسرت پیش کرتا ہے۔

حالیہ مالی سال کے دوران پاکستان کی معیشت میں تنزلی کا رجحان رہا جس کی بنیادی وجوہات میں روپے کی قدر میں کمی اور ادائیگیوں کا منفی توازن شامل ہیں۔ اس منفی رجحان اور سخت مالیاتی پالیسی نے صارف کی خریداری پر براہ راست اثر کیا ہے جو کہ کنزیومر پرائس انڈیکس (سی پی آئی) اعداد و شمار سے بھی ظاہر ہے۔

مذکورہ آزمائشی صورتحال نے ملک کے صنعتی اور چھوٹے کاروباری شعبہ جات پر بھی منفی اثر ڈالا ہے، اس کے ساتھ ساتھ اسمگل شدہ پروڈکٹ کی آسان دستیابی جیسے عوامل نے پاکستان کے ڈاؤن سٹریم آئل سیکٹر کی نمو میں نمایاں کمی کی ہے۔ اس سیکٹر کو بلیک اور وائٹ آئل کے شعبوں میں گذشتہ آٹھ سالوں (جولائی تا دسمبر) میں پہلی بار حجم میں کمی کا سامنا ہے۔ اس طرح وائٹ آئل اور بلیک آئل کی بالترتیب 12 فیصد اور 60 فیصد کے ساتھ، مائع ایندھن مارکیٹ کو مجموعی طور پر 27 فیصد منفی شرحِ نمو کا سامنا کرنا پڑا۔ حکومتِ پاکستان کے فیصلے کی وجہ سے پاور پروڈکشن کے لئے RLNG کے زیادہ استعمال کی وجہ سے بلیک آئل کے حجم میں نمایاں کمی واقع ہوئی۔

مارکیٹ کے حجم میں اس کمی نے پاکستان کی سب سے بڑی آئل مارکیٹنگ کمپنی، پی ایس او پر براہ راست اثر ڈالا ہے، مذکورہ عوامل کے باوجود پی ایس او 40.9 فیصد کے مجموعی مارکیٹ شیئر (ستمبر 2018 سہ ماہی کے مقابلے میں مارکیٹ شیئر میں 0.7 فیصد اضافہ) کے ساتھ 1HFY19 میں مائع فیول مارکیٹ کو لیڈ کر رہی ہے۔ 31 دسمبر 2018 تک بجلی کے شعبے، پی آئی اے اور ایس این جی پی ایل سے مجموعی واجب الادا رقم (بشمول تاخیر سے ادائیگی پر سرچارج) 325 بلین روپے ہے (30 ستمبر 2018 کو 310 بلین کے مقابلے میں)۔ ان وصولیوں کے بھاری بوجھ کے باوجود پی ایس او نے حساس سپلائی چین کو برقرار رکھنے کے لئے مجموعی انڈسٹری کی درآمدات کا 48 فیصد درآمد کیا اور مقامی ریفائنری سے خریداری 36 فیصد رہی۔

معاشی صورتحال کی تنزلی اور مجموعی مارکیٹ کے حجم میں کمی نے ادارے کے منافع پر بھی اثر ڈالا ہے۔ زیرِ جائزہ مدّت کے دوران، کمپنی نے 4.2 بلین روپے کا بعد از ٹیکس منافع (PAT) رپورٹ کیا ہے (1HFY18 میں 8.5 ارب روپے)۔ بعد از ٹیکس منافع میں کمی کی بنیادی وجوہات میں بلیک اور وائٹ آئل کے فروخت کے حجم میں کمی سے خام منافع میں تنزلی، بین الاقوامی آئل قیمتوں میں کمی سے انوینٹری نقصانات، ایس بی پی کی جانب سے ڈسکاؤنٹ ریٹ میں بڑھوتی کے نتیجے میں مالیاتی لاگت میں اضافہ، گذشتہ سال کی اسی مدت کے مقابلے میں اوسط قرضوں کی زیادہ شرح، پاور سیکٹر اور پی آئی اے سے انٹرسٹ آمدنی میں کمی اور پاکستانی کرنسی کی قدر میں کمی سے فارن ایکسچینج نقصان شامل ہیں۔

پی ایس او، پاکستان میں مستحکم کمیونٹی اور سماجی ترقی کے لئے اپنے اسٹیک ہولڈرز کی معاونت سے بھرپور کردار ادا کر رہی ہے۔ مالی سال 2019 جولائی تا دسمبر کی مدت کے دوران، پی ایس او سی ایس آر ٹرسٹ نے 105 ملین روپے سے زائد کے عطیات دیتے ہوئے وسیع اقدامات اٹھائے۔ یہ فنڈز پاکستان بھر میں تعلیم، صحت اور سماجی بہتری کے شعبوں میں خرچ کئے گئے۔ اس کے علاوہ پی ایس او سی ایس آر ٹرسٹ کے تحت، سپریم کورٹ آف پاکستان اور پرائم منسٹر آف پاکستان دیامر بھاشا اینڈ مہمند ڈیم فنڈ میں 24.9 ملین روپے عطیہ کئے گئے۔

ادارے کو خصوصاً OMC's کی تعداد میں اضافے اور مارکیٹ میں کمی کی وجہ سے سخت آزمائش کا سامنا ہے، تاہم پی ایس او مستحکم نفع کے ساتھ ساتھ اپنا مارکیٹ شیئر اور قائدانہ حیثیت برقرار رکھنے کے لئے ہر ممکن کوششیں بروئے کار لا رہی ہیں۔ ہم اپنے تمام اسٹیک ہولڈرز بشمول حکومت پاکستان خصوصاً وزارت توانائی، پیٹرولیم ڈویژن اور کمپنی شیئر ہولڈرز کے مسلسل تعاون پر تہہ دل سے شکر گزار ہیں۔ انتظامیہ، پی ایس او کی ٹیم کی بھی شکر گزار ہے جن کے پرعزم اور مستقل ارادوں کی بدولت ہم مستقبل کے چیلنجز کا سامنا کرنے کے لئے بھرپور تیار ہیں۔

**سید جہانگیر علی شاہ**
مینیجنگ ڈائریکٹر اور سی ای او

**زاہد میر**
ممبر۔ بورڈ آف مینجمنٹ

کراچی 16 فروری 2019