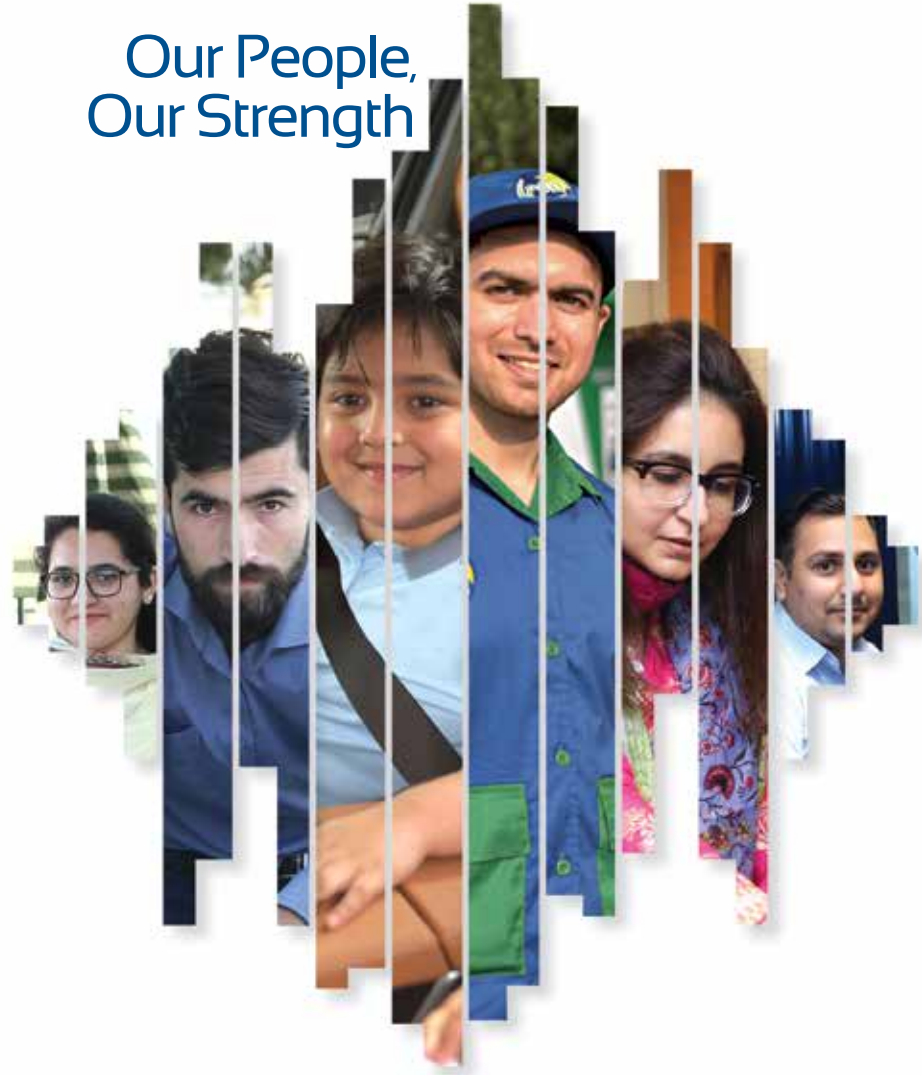


Our People,
Our Strength



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 Email: taalug@psopk.com
Fax: (92) 9920-3721 Website: www.psopk.com

Report for the First Quarter
ended September 30, 2020





Our People, Our Strength

As an organisation, PSO understands the fundamental importance of people. We truly value not just our team but also the countless people that make up our network, our stakeholders, our customers and our partners across the nation. The pandemic that swept the world this year has taught us about the fragility and importance of the people around us and has shown us the dedication with which we persevered and so, this annual report aims to pay homage to the people that make up PSO's network, working tirelessly to continue fuelling Pakistan.

Company Information

Board of Management

Chairman (Independent)

Mr. Zafar I. Usmani

Independent Members

Mr. Mohammad Shahid Khan

Mr. Muhammad Hamayun Khan Barakzai

Ms. Tara Uzra Dawood

Non-Executive Members

Mr. Ali Raza Bhutta

Mr. Muhammad Anwer

Mr. Nadeem Irshad Kayani

Mr. Sajid Mehmood Qazi

Mr. Shahid Salim Khan

Managing Director & Chief Executive Officer

Syed Muhammad Taha

Chief Financial Officer

Mr. Imtiaz Jaleel

Company Secretary

Mr. Rashid Umer Siddiqui

Auditors

KPMG Taseer Hadi & Co.

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

Tel.: +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

Soneri Bank Limited

Standard Chartered Bank (Pakistan)
Limited

The Bank of Punjab

United Bank Limited

Report to Shareholders

The Board of Management (BOM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the Company's and its subsidiary's - Pakistan Refinery Limited performance (collectively the 'Group') for the quarter ended September 30, 2020 (Q1FY21) and is pleased to present its report thereon.

Government of Pakistan's fiscal/monetary stimulus spurred economic activity throughout the country. During July-August the country registered current account surplus of US\$ 805 mn. vs a deficit of US\$ 1.2 bn. same period last year (SPLY). Automobile industry registered significant growth of 20.6% in Q1FY21 sales vs SPLY. Notable growth has been witnessed in two - three wheelers, pick-ups and tractors by 22.1%, 39.4% and 14.0% respectively. The performance of automobile sector can primarily be attributed to reduced borrowing rates.

The aviation sector significantly recovered with 88% growth in Jet fuel sales vs Q4FY20. The large scale manufacturing sector, a major indicator of economic activity in the country, also witnessed improvement during the period with growth of 3.7% vs SPLY. These factors contributed in an increased demand for petroleum products by 11.0% vs SPLY.

PSO continued re-gaining market share and achieving volumetric growth during the period. The Company witnessed a volumetric growth of 11.8% in MOGAS, 17.1% in HSD, 7.7% in white oil, 37.8% in black oil and 13.9% in liquid fuels resulting in a market share of 42.1% in MOGAS (increase of 1.2% vs. SPLY), 48.3% in HSD (increase of 2.8% vs. SPLY), 45.6% in white oil (increase of 0.5% vs. SPLY), 56.7% in black oil (increase of 2.7% vs. SPLY) and 47.9% in liquid fuels (increase of 1.2% vs. SPLY).

The Company attained new milestones on its journey of environmental stewardship and customer-focused innovations with the launch of Euro 5 Hi-Octane 97 and Altron Premium Euro 5 (92 Ron) during the months of August and September 2020. Plans are underway for the launch of Euro 5 compliant HSD. During the period under review, the Company's product sourcing comprised of 40% upliftment of refinery production (44%: 3MFY20) and 58% of industry imports (54%: Q1FY20). Additionally, a strong focus was maintained on infrastructural projects including the 203 KMTs of new storages, 176 KMTs of rehabilitated storages and 47.3 Km of pipeline projects. The business plan has been optimized to expedite project completion along with value addition to the business in the long-run. The volumetric growth complemented with reduction in finance cost resulted in a net profit after tax of Rs. 5.1 bn. (Q1FY20: 3.5bn.). The significant reduction in finance cost was achieved through effective planning and cash flow management which was supported by reduction in average policy rates and borrowing levels vs SPLY.

During the period under review, receivables from the power sector and SNGPL reduced by Rs. 2.3 bn. and Rs. 3.1 bn. respectively vs. those as of June 30, 2020. As of September 30, 2020, the Company's receivable from SNGPL stood at Rs. 68.1 bn. which is an area of concern and is becoming a major impediment to the Company's financial efficiency. The management is rigorously following-up with concerned authorities for early settlement of outstanding receivables.

We express our sincere gratitude to all our employees, stakeholders and business partners for their continued support. We would also like to thank the Government of Pakistan, especially the Ministry of Energy (Petroleum Division) for their guidance and confidence.


Tara Uzra Dawood
Member-Board of Management

October 27, 2020
Karachi


Mohammad Shahid Khan
Member-Board of Management

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

Note	Un-Audited September 30, 2020	Audited June 30, 2020
(Rupees in '000)		
ASSETS		
Non-current assets		
5	10,568,882	9,993,564
6	4,710,313	4,735,815
	75,738	82,930
7	17,039,038	16,190,758
	459,531	454,612
	277,357	207,272
	17,200,048	17,148,771
	50,330,907	48,813,722
Current assets		
	586,947	538,631
8	74,291,167	57,214,768
9	195,694,845	196,759,839
	371,956	414,315
	933,977	2,559,442
10	20,264,156	23,790,569
	6,321,486	7,718,188
	3,075,606	3,908,652
	301,540,140	292,904,404
	-	-
	351,871,047	341,718,126
EQUITY AND LIABILITIES		
Equity		
	4,694,734	4,694,734
	113,880,567	108,366,267
	118,575,301	113,061,001
Non-current liabilities		
	5,900,722	5,989,347
	4,258,922	4,314,789
	1,359,627	1,359,627
	11,519,271	11,663,763
Current liabilities		
11	177,489,753	147,460,348
	1,348,449	1,355,064
	490,972	490,972
	112,963	1,216,690
	42,196,043	66,433,196
	138,295	37,092
	221,776,475	216,993,362
12	-	-
	351,871,047	341,718,126

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Three Months Ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
Gross Sales		332,802,554	387,077,832
Less:			
- Sales tax		(46,665,158)	(51,888,404)
- Inland Freight Equalization Margin		(5,372,318)	(5,406,602)
		(52,037,476)	(57,295,006)
Net sales		280,765,078	329,782,826
Cost of products sold		(269,268,718)	(319,076,370)
Gross profit		11,496,360	10,706,456
Other income		1,236,173	1,602,755
Operating costs			
Distribution and marketing expenses		(2,535,921)	(2,565,128)
Administrative expenses		(774,786)	(724,654)
(Provision) / reversal of provision of impairment on financial assets - net		(478,067)	218,113
Other expenses		(560,889)	(507,303)
		(4,349,663)	(3,578,972)
Profit from operations		8,382,870	8,730,239
Finance cost	13	(858,853)	(2,658,492)
Share of profit of associates - net of tax		151,555	144,583
Profit before taxation		7,675,572	6,216,330
Taxation			
- current		(2,684,680)	(2,717,976)
- deferred		153,022	30,104
		(2,531,658)	(2,687,872)
Profit for the period		5,143,914	3,528,458
		(Rupees)	
		(Restated)	
Earnings per share - basic and diluted	14	10.96	7.52

The annexed notes I to 23 form an integral part of these unconsolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Three Months Ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
Profit for the period		5,143,914	3,528,458
Other comprehensive income:			
Items that will not be subsequently reclassified to statement of profit or loss:			
Share of actuarial gain on remeasurement of staff retirement benefits of associates		4,324	-
Unrealised gain on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	7.1.1	467,811	1,555,189
Taxation thereon		(101,749)	(338,254)
		366,062	1,216,935
Other comprehensive income		370,386	1,216,935
Total comprehensive income for the period		5,514,300	4,745,393

The annexed notes I to 23 form an integral part of these unconsolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended September 30, 2020

	Reserves						Total
	Share capital	Capital Reserves	Revenue Reserves				
		Surplus on vesting of net assets	Unrealised gain on remeasurement of FVOCI investments	General reserve	un-appropriated profit	Sub-total	
	(Rupees in '000)						
Balance as at July 01, 2019 (Audited)	3,912,278	3,373	4,335,648	25,282,373	85,647,015	115,268,409	119,180,687
Total comprehensive income for three months period ended							
Profit for the period	-	-	-	-	3,528,458	3,528,458	3,528,458
Other comprehensive income							
Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax	-	-	1,216,935	-	-	1,216,935	1,216,935
Balance as at September 30, 2019 (Un-audited)	3,912,278	3,373	5,552,583	25,282,373	89,175,473	120,013,802	123,926,080
Balance as at July 01, 2020 (Audited)	4,694,734	3,373	5,987,826	25,282,373	77,092,695	108,366,267	113,061,001
Total comprehensive income for three months period ended							
Profit for the period	-	-	-	-	5,143,914	5,143,914	5,143,914
Other comprehensive income							
Share of actuarial gain on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	4,324	4,324	4,324
Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax	-	-	366,062	-	-	366,062	366,062
	-	-	366,062	-	4,324	370,386	370,386
Balance as at September 30, 2020 (Un-audited)	4,694,734	3,373	6,353,888	25,282,373	82,240,933	113,880,567	118,575,301

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

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

For the three months period ended September 30, 2020

	Note	Three months ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	15	27,876,513	(6,819,052)
Long-term loans, advances and other receivables		(4,919)	(42,318)
Long-term deposits and prepayments		(70,085)	(62,912)
Taxes paid		(1,287,978)	(2,072,316)
Finance costs paid		(1,796,361)	(2,247,001)
Retirement and other service benefits paid		(359,600)	(547,975)
Net cash generated from / (used in) operating activities		24,357,570	(11,791,574)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(886,397)	(193,913)
Proceeds from disposal of operating assets		12,640	13,654
Purchase of PRL right shares		(224,590)	-
Dividend received		350,972	283,227
Net cash (used in) / generated from investing activities		(747,375)	102,968
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings - net		(24,839,066)	(7,010,880)
Lease payments		(199,473)	(111,089)
Dividends paid		(6,615)	(977,918)
Net cash used in financing activities		(25,045,154)	(8,099,887)
Net decrease in cash and cash equivalents		(1,434,959)	(19,788,493)
Cash and cash equivalents at beginning of the period		(880,853)	(16,467,793)
Cash and cash equivalents at end of the period	16	(2,315,812)	(36,256,286)

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

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 (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 Standards (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, 2020. These unconsolidated condensed interim financial statements are unaudited 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 These unconsolidated condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

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

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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

The following standards, amendments and interpretations to accounting and reporting standards became effective for the first time and are relevant to the Company.

IFRS 3 Definition of a Business
IAS 1/ IAS 8 Definition of Material

The adoption of the above standards, amendments and interpretations to accounting standards did not have any material effect on these unconsolidated condensed interim financial statements.

b) Standards, amendments and interpretations to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan are relevant to the Company and would be effective from the dates mentioned below against the respective standards, amendments or interpretation:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
IAS 1 Classification of Liabilities as Current and Non-current	January 01, 2022
IAS 37 Amendments to Onerous Contracts	January 01, 2022

3.4 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 judgment in the process of applying the Company's accounting policies. Estimates and judgments 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 judgments 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, 2020 do not have any material impact.

3.5 These unconsolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency.

3.6 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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, 2020.

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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

5. Property, plant and equipment

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

	Additions (at cost)		Disposals (at net book value)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Un-audited)		(Un-audited)	
	----- (Rupees in '000) -----			
Freehold land	-	11,012	-	-
Buildings on freehold land	15,196	-	-	-
Buildings on leasehold land	15,083	-	67	-
Tanks and pipelines	2,772	-	-	56
Service and filling stations	149,265	155,754	13	-
Plant and machinery	23,775	47,794	-	-
Furniture and fittings	4,273	3,125	2	-
Vehicles and other rolling stock	-	-	1,028	1,480
Office equipments	15,642	9,543	-	-
Gas cylinders / regulators	9,148	-	-	-
	<u>235,154</u>	<u>227,228</u>	<u>1,110</u>	<u>1,536</u>

5.2 The above disposals represented assets costing Rs. 73,380 thousand (September 30, 2019: Rs. 19,841 thousand) and were disposed off for Rs. 12,640 thousand (September 30, 2019: Rs. 13,654 thousand).

5.3 Includes operating assets having net book value of Rs. 689,340 thousand (June 30, 2020: Rs. 704,674 thousand) in respect of Company's share in joint operations.

5.4 Includes capital work-in-progress amounting to Rs. 186,599 thousand (June 30, 2020: Rs. 182,269 thousand) in respect of Company's share in joint operations.

6. Right-of-use assets

During the period, the Company recognised right of use asset comprising mainly land amounting to Rs. 16,120 thousand (September 30, 2020: 2,972,002 thousand) and modification amounting to Rs. 62,470 thousand (September 30, 2020: Nil).

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Un-Audited September 30, 2020	Audited June 30, 2020
		(Rupees in '000)	
7. Long-term investments			
Investment in related parties			
Investment held at fair value through other comprehensive income			
In a unquoted company			
- Pak-Arab Pipeline Company Limited (PAPCO)			
Equity held: 12% (June 30, 2020: 12%)			
No. of shares: 8,640,000			
(June 30, 2020: 8,640,000) of Rs. 100/- each	7.1	8,983,984	8,516,173
Investment in subsidiary - at cost			
In a quoted company			
- Pakistan Refinery Limited (PRL)			
Equity held 63.56% (June 30, 2020: 60.00%)			
No. of shares: 400,459,028			
(June 30, 2020: 189,000,000) of Rs. 10/- each	7.2 & 7.3	4,890,680	2,776,090
- Advance against issue of share capital	7.2	-	1,890,000
		4,890,680	4,666,090
Investment in associates			
In unquoted companies			
- Asia Petroleum Limited			
Equity held: 49% (June 30, 2020: 49%)			
No. of shares: 46,058,570 (June 30, 2020: 46,058,570) of Rs. 10/- each		3,111,680	2,955,801
- Pak Grease Manufacturing Company (Private) Limited			
Equity held: 22% (June 30, 2020: 22%)			
No. of shares: 686,192 (June 30, 2020: 686,192) of Rs. 10/- each		52,694	52,694
		3,164,374	3,008,495
		<u>17,039,038</u>	<u>16,190,758</u>

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- 7.1 The Company has carried out an exercise to ascertain the fair value of investment as at September 30, 2020 using the discounted cash flow technique (Level 3). The following major assumptions and inputs were used by the management to determine the aforesaid fair value:

	Un-Audited September 30, 2020	Audited June 30, 2020
- Discount rate	16.6% - 17.6%	16.8% - 17.8%
- Growth rate of terminal value	5%	5%

Based on the above fair valuation exercise, the Company has recorded an unrealised gain - net of tax of Rs. 366,062 thousand (September 30, 2019: 1,216,935 thousand) in other comprehensive income for the year.

7.1.1 Movement of investment classified as FVOCI	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
Balance at beginning of the period / year	8,516,173	6,404,764
Remeasurement gain recognised in other comprehensive income	467,811	2,111,409
Balance at the end of the period / year	8,983,984	8,516,173

7.1.2 Sensitivity to unobservable inputs:

- Discount rate (1% increase)	(651,542)	(619,123)
- Discount rate (1% decrease)	777,857	737,965
- Growth rate of terminal value (1% increase)	540,851	500,839
- Growth rate of terminal value (1% decrease)	(455,019)	(422,476)

- 7.2 During the year ended June 30, 2020, Board of Directors of PRL approved increase in share capital of PRL by 100% through issue of 1 right share for every 1 existing ordinary share held at Rs. 10/- per share. The Company fully subscribed its portion (60%) of right shares and paid Rs.1,890,000 thousand. These shares have been issued to the Company on July 24, 2020.

- 7.3 During the year ended June 30, 2020, the Company gave undertaking to PRL for subscribing such remaining portion of 40% of the Right Issue which remains unsubscribed. During the period, 92.87% of the Right Issue has been subscribed and remaining 7.13% unsubscribed portion (22,459,028 shares) has been subscribed by the Company. The payment for the unsubscribed portion amounting to Rs. 224,590 thousand has been made by the Company on July 23, 2020. These shares have been issued to the Company on July 24, 2020.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

8. Stock-in-trade

The Company has recognised write-down of inventory to net realisable value amounting to Rs. 121,532 thousand (June 30, 2020: Rs. 304,248 thousand).

9. Trade debts	Note	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
Considered good			
Due from Government agencies and autonomous bodies			
- Secured	9.1	315,781	124,663
- Unsecured	9.2 & 9.3	157,227,627	161,751,360
		157,543,408	161,876,023
Due from other customers			
- Secured	9.1	3,070,776	1,826,424
- Unsecured	9.2 & 9.3	35,080,661	33,057,392
		38,151,437	34,883,816
		195,694,845	196,759,839
Considered doubtful			
Trade debts - gross		3,581,211	3,099,727
Less: Provision for impairment	9.5	(3,581,211)	(3,099,727)
Trade debts - net		195,694,845	196,759,839

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

- 9.2 Includes Rs. 160,539,535 thousand (June 30, 2020: Rs. 163,845,827 thousand) due from related parties, against which provision for impairment of Rs. 1,736,810 thousand (June 30, 2020: Rs. 1,332,981 thousand) has been recognised.

- 9.3 Included in trade debts are the receivable from following:

	Past due		Total	
	Un-audited September 30, 2020	Audited June 30, 2020	Un-audited September 30, 2020	Audited June 30, 2020
Northern Power Generation Company Limited	71,576,279	72,957,116	71,576,279	72,957,116
Jamshoro Power Company Limited	429,916	929,916	429,916	929,916
Cental Power Purchasing Company	1,092,614	1,092,614	1,092,614	1,092,614
WAPDA Foundation	76,385	34,174	76,385	34,174
Hub Power Company Limited	23,329,094	23,331,012	23,329,094	23,331,012
Kot Addu Power Company Limited	-	473,458	-	473,458
Sui Northern Gas Pipelines Company Limited	60,463,475	68,296,465	68,058,461	71,171,324
	156,967,763	167,114,755	164,562,749	169,989,614
Provision for impairment	(346,975)	(346,975)	(346,975)	(346,975)
	156,620,788	166,767,780	164,215,774	169,642,639

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

The Company did not consider the remaining aggregate past due balance of Rs. 156,620,788 thousand (June 30, 2020: Rs. 166,767,780 thousand) (against which subsequent receipts of Rs. 875,000 thousand from Northern Power Generation Company Limited and Rs. 12,026,000 thousand from Sui Northern Gas Pipelines Company Limited 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.

- 9.4 As at September 30, 2020 trade debts aggregating Rs. 26,841,900 thousand (June 30, 2020: Rs. 17,312,197 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 168,852,945 thousand (June 30, 2020: Rs. 179,447,642 thousand) are past due but not impaired.

Based on the past experience, past track record, 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.

	Un-Audited September 30, 2020	Audited June 30, 2020
(Rupees in '000)		
9.5 The movement in provision during the period / year is as follows:		
Balance at beginning of the period / year	3,099,727	3,025,523
Provision recognised during the period / year	489,933	262,952
Reversal of provision during the period / year	(8,449)	(188,748)
	481,484	74,204
Balance at the end of the period / year	3,581,211	3,099,727

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 unconsolidated financial statements for the year ended June 30, 2020:

	Un-Audited September 30, 2020	Audited June 30, 2020
(Rupees in '000)		
Price differential claims (PDC):		
- 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
- between the product Low Sulphur Furnace Oil and High Sulphur Furnace Oil	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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- 10.2 Includes receivable of Rs. 10,868,383 thousand (June 30, 2020: Rs. 10,666,183 thousand) due from associates and related parties.
- 10.3 As at September 30, 2020, receivables aggregating to Rs. 2,660,179 thousand (June 30, 2020: Rs. 2,663,597 thousand) were deemed to be impaired and hence have been provided for. The movement of provision for impairment is as follows:

	Un-Audited September 30, 2020	Audited June 30, 2020
(Rupees in '000)		
The movement in provision during the period / year is as follows:		
Balance at beginning of the period / year	2,663,597	2,907,016
Provision recognised during the period / year	-	37,394
Reversal of provision due to recoveries during the period / year	(3,418)	(280,813)
	(3,418)	(243,419)
Balance at the end of the period / year	2,660,179	2,663,597

- 10.4 Includes Rs. 1,282,860 thousand (June 30, 2020: Rs. 1,798,997 thousand) on account of 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

Includes Rs. 41,700,611 thousand (June 30, 2020: Rs. 40,800,474 thousand) due to various related parties.

12 Contingencies and commitments

12.1 Contingencies

The Company has contingent liabilities in respect of unrecognized late payment surcharge, pending tax matters and other legal claims in the ordinary course of business.

12.1.1 Late Payment Surcharge

Claims amounting to Rs. 6,834,015 thousand (June 30, 2020: Rs. 6,836,838 thousand) in respect of delayed payment charges are not recognised 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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

12.1.2 Income Tax

The Additional Commissioner Inland Revenue through his order dated September 30, 2020 made certain additions and disallowances in respect of Tax Year 2019 and raised tax demand of Rs. 411,567 thousand. The Company is in process of filing an appeal before Commissioner Inland Revenue (Appeals). 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.

12.1.3 Other tax matters

12.1.3.1 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh which was instituted on May 26, 2011. Through the interim order passed on May 31, 2011, the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-II), up to September 30, 2020, the management has deposited Rs. 121,052 thousand (June 30, 2020: Rs. 115,047 thousand) in cash and provided bank guarantee amounting to Rs. 121,052 thousand (June 30, 2020: Rs. 115,047 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.

12.1.3.2 There is no significant change in the status of other contingencies as disclosed in notes 29.1.2 to 29.1.4 to the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2020.

12.1.4 Other Legal Claims

12.1.4.1 As at September 30, 2020 certain legal cases amounting to Rs. 7,682,477 thousand (June 30, 2020: Rs. 7,682,477 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 this unconsolidated condensed interim financial statements.

12.1.4.2 Claims against the Company not acknowledged as debts amount to Rs. 7,014,302 thousand (June 30, 2020: Rs. 6,801,846 thousand) other than as mentioned in note 12.1.1 above.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

12.2	Commitments	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
12.2.1	Commitments in respect of capital expenditure contracted for but not yet incurred are as follows:		
	- Property, plant and equipment	6,333,741	6,461,609
	- Intangibles	656,035	872,588
		<u>6,989,776</u>	<u>7,334,197</u>
12.2.2	Letters of credit	<u>24,514,014</u>	<u>26,070,442</u>
12.2.3	Bank guarantees	<u>1,909,225</u>	<u>1,474,867</u>
12.2.4	Standby Letters of credit	<u>32,268,292</u>	<u>32,609,446</u>
12.2.5	Post-dated cheques	<u>3,300,000</u>	<u>1,300,000</u>

13. Finance costs

Includes mark-up on short-term borrowings amounting to Rs. 614,556 thousand (September 30, 2019: 2,493,704 thousand).

14. Earnings per share

14.1	Basic	Un-audited Quarter Ended September 30, 2020 (Rupees in '000)	September 30, 2019
	Profit for the period attributable to ordinary shareholders	<u>5,143,914</u>	<u>3,528,458</u>
			(Restated)
	Weighted average number of ordinary shares in issue during the period (number of shares)	<u>469,473,302</u>	<u>469,473,302</u>
			(Rupees) (Restated)
	Earnings per share - basic and diluted	<u>10.96</u>	<u>7.52</u>

14.2 During the year ended June 30, 2020, the Company issued 20% bonus shares (i.e. one for every five ordinary shares held) which resulted in restatement of basic and diluted earnings per share.

14.3 Diluted

There is no dilutive effect on the basic earning per share of the Company as there are no convertible ordinary shares in issue as at September 30, 2020 and September 30, 2019.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Un-audited Three months ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
15. Cash generated from / (used in) operations			
Profit before taxation		7,675,572	6,216,330
Depreciation and amortisation		421,253	365,318
Provision / (reversal of provision) for impairment on trade debts - net		481,484	(236,261)
(Reversal of provision) / provision for other receivables - net		(3,418)	18,148
Provision for impairment against stores, spares and loose tools		-	41,598
Provision for retirement and other services benefits		270,975	386,555
Provision for write down of inventory to net realisable value		121,532	-
Gain on disposal of operating assets		(11,530)	(12,118)
Share of profit from associates - net of tax		(151,555)	(144,583)
Dividend income from FVOCI investment		(350,972)	(283,227)
Interest on lease payments		166,219	92,112
Finance costs		692,634	2,547,809
		1,636,622	2,775,351
Working capital changes	15.1	18,564,319	(15,810,733)
		27,876,513	(6,819,052)

15.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(48,316)	(37,850)
- Stock-in-trade	(17,197,931)	(1,838,221)
- Trade debts	583,510	10,124,354
- Loans and advances	42,359	(124,152)
- Deposits and short-term prepayments	1,625,465	1,570,874
- Other receivables	3,529,831	8,658,367
Increase / (decrease) in current liabilities:		
- Trade and other payables	30,029,401	(34,164,105)
	18,564,319	(15,810,733)

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

16. Cash and cash equivalents

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

	Un-audited Three months ended	
	September 30, 2020	September 30, 2019
(Rupees in '000)		
Cash and bank balances	3,075,606	4,296,786
Short - term borrowings (Finances under mark-up arrangements)	(5,391,418)	(40,553,072)
	(2,315,812)	(36,256,286)

17. Fair value of financial assets and liabilities

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 audited unconsolidated financial statements for the year ended June 30, 2020. There have been no change in any risk management policies since the year end.

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 Company 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).

As at September 30, 2020, except for the Company's investment in PAPCO, none of the financial instruments are carried at fair value. The valuation technique and assumptions used in fair valuation are disclosed in note 7.1 of these unconsolidated condensed interim financial statements.

For the three months period ended September 30, 2020

18 Transactions with related parties

18.1 Related parties comprise subsidiary company, associate 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 Three months ended	
		September 30, 2020	September 30, 2019
(Rupees in '000)			
Subsidiary			
- Pakistan Refinery Limited	Purchases	18,362,940	28,357,258
	Income facility charges	459	297
- Pak Grease Manufacturing Company (Private) Limited	Purchases	10,429	15,295
Retirement benefit funds			
- Pension Funds (Defined Benefit)	Charge for the period	44,106	104,940
	Contributions	169,045	377,436
- Gratuity Fund	Charge for the period	65,973	60,863
	Contributions	170,565	157,202
- Provident Funds	Charge / Contribution for the period	41,502	38,600
- Pension Funds (Defined Contribution)	Charge / Contribution for the period	48,045	38,480
Key management personnel			
	Managerial remuneration	86,671	93,168
	Provident Fund Charge / Contribution for the period	2,447	2,843
Non-executive Directors			
	Remuneration and fees	4,200	8,000

18.2 Related parties by virtue of GoP holdings

The Federal Government of Pakistan 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 (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.

For the three months period ended September 30, 2020

The Company has availed the exemption available to it under IAS 24, 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 Three months ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
- Board of Management	Contribution towards expenses of BoM	4,705	6,188
- Pak Arab Pipeline Company Limited	Pipeline charges	925,935	760,533
	Dividend received	350,972	283,227
- Sui Northern Gas Pipelines Limited	Sales	63,101,544	101,472,477
- Northern Power Generation Company Limited	Sales	8,685	-
- Jamshoro Power Company Limited	Sales	-	1,188,545
- WAPDA Foundation	Sales	266,467	317,539
- Pakistan International Airlines Corporation Limited	Sales	1,732,188	7,227,201
	Purchases	1,791	1,203
- Pak Arab Refinery Limited	Purchases	37,180,970	46,957,314
	Pipeline charges	136,781	90,590
- K-Electric Limited	Sales	21,292,237	26,852,867
- National Bank of Pakistan	Finance cost and bank charges	179,227	534,303

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

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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- (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 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 September 30, 2020 amounts to Rs. 25,266,167 thousand (June 30, 2020: Rs. 15,518,767 thousand).
- 18.4 Short term borrowings includes Rs. 18,565,394 thousand (June 30, 2020: Rs. 18,110,162 thousand) under finances obtained from National Bank of Pakistan.
- 18.5 The status of outstanding receivables and payables from / to related parties as at September 30, 2020 are included in respective notes to this 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.

	Un-audited Three months ended	
	September 30, 2020	September 30, 2019
(Rupees in '000)		
19. Operating segments		
19.1 Segment wise revenues and profit is as under:		
Revenue - net sales		
Petroleum Products	223,915,000	238,622,000
Liquefied Natural Gas (LNG)	56,341,000	90,600,826
Others	509,078	560,000
	280,765,078	329,782,826
Profit / (loss) for the period		
Petroleum Products	4,345,000	3,876,000
Liquefied Natural Gas (LNG)	245,000	(833,000)
Others	553,914	485,458
	5,143,914	3,528,458

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- 19.2 Timing of revenue recognition is at a point in time.
- 19.3 Out of total sales of the Company, 99.6% (September 30, 2019: 99.5%) relates to customers in Pakistan.
- 19.4 All non-current assets of the Company as at September 30, 2020 and 2019 are located in Pakistan and Bangladesh. Sales to five major customers of the Company are approximately 27% during the three months ended September 30, 2020 (September 30, 2019: 36%)
- 19.5 Out of total gross sales of the Company, sales for the three months ended September 30, 2020, amounting to Rs. 301,651,750 thousand (September 30, 2019: Rs 305,341,455 thousand), relates to circular debt customers.

20. Events after the reporting date

The Board of Management in its meeting held on October 27, 2020 has proposed an interim cash dividend of Nil (September 30, 2019: Nil) amounting to Nil (September 30, 2019: Nil) for the year ending June 30, 2021.

21. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of better presentation and / or to comply with requirements of accounting and reporting standards the effects of which are not considered material.

Description	Reclassified		Amount
	From	To	
Reversal of provision for impairment against trade debts	Other expenses	(Provisions)/reversal of impairment on financial assets - net	236,261
Provision for impairment against other receivables	Other expenses	(Provisions)/reversal of impairment on financial assets - net	18,148
Card sweeping bank charges	Other income	Finance costs	18,571

22. General

The figures are rounded off to the nearest thousand rupees, unless otherwise specified.

23. Date of authorisation for issue

These unconsolidated condensed interim financial statements were approved and authorised for issue on October 27, 2020 by the Board of Management.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Note	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020 (Rupees in '000)
ASSETS			
Non-current assets			
Property, plant and equipment	5	35,992,516	35,691,707
Right-of-use assets	6	4,869,411	4,898,890
Intangibles		83,694	90,885
Long-term investments	7	12,208,410	11,584,720
Long-term loans, advances and other receivables		463,331	459,376
Long-term deposits and prepayments		298,539	228,454
Deferred tax asset - net		16,925,074	16,848,132
		70,840,975	69,802,164
Current assets			
Stores, spares, chemicals and loose tools		1,071,111	991,583
Stock-in-trade	8	85,000,730	64,758,242
Trade debts	9	196,723,559	197,777,742
Loans and advances		392,917	433,797
Short-term deposits and prepayments		1,084,711	2,586,292
Other receivables	10	20,508,920	23,797,120
Taxation - net		6,414,364	7,800,728
Cash and bank balances		3,078,664	6,098,361
		314,274,976	304,243,865
Net assets in Bangladesh		-	-
		385,115,951	374,046,029
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,694,734	4,694,734
Reserves		113,560,941	107,869,046
Equity attributable to the owner's of the Holding Company		118,255,675	112,563,780
Non-controlling interest		2,300,088	1,413,801
		120,555,763	113,977,581
Non-current liabilities			
Retirement and other service benefits		6,318,262	6,409,414
Long-term borrowing		4,307,673	4,215,146
Lease liabilities		4,408,871	4,488,600
Other payable		1,359,627	1,359,627
		16,394,433	16,472,787
Current liabilities			
Trade and other payables	11	192,401,735	161,148,826
Unclaimed dividend		1,368,303	1,374,930
Provisions		490,972	490,972
Accrued interest / mark-up		291,065	1,507,806
Short-term borrowings		53,467,272	79,032,665
Current portion of lease liabilities		146,408	40,462
		248,165,755	243,595,661
Contingencies and commitments	12		
		385,115,951	374,046,029
TOTAL EQUITY AND LIABILITIES			

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the three months period ended September 30, 2020

		Three months ended	
		September 30, 2020	September 30, 2019
	Note	(Rupees in '000)	
Net sales	13	285,109,660	340,642,349
Cost of products sold		(272,941,147)	(329,227,949)
Gross profit		12,168,513	11,414,400
Other income		1,220,929	1,705,301
Operating costs			
Distribution and marketing expenses		(2,597,396)	(2,662,437)
Administrative expenses		(880,176)	(828,995)
(Provision) / reversal of provision of impairment on financial assets - net		(478,067)	218,113
Other expenses		(550,180)	(542,274)
		(4,505,819)	(3,815,593)
Profit from operations		8,883,623	9,304,108
Finance costs	14	(1,168,641)	(3,112,293)
Share of profit of associates - net of tax		151,555	144,583
Profit before taxation		7,866,537	6,336,398
Taxation			
- current		(2,818,164)	(2,989,375)
- deferred		178,686	126,928
		(2,639,478)	(2,862,447)
Profit for the period		5,227,059	3,473,951
Profit attributable to:			
Owners of the Holding Company		5,198,560	3,499,512
Non-controlling interest		28,499	(25,561)
		5,227,059	3,473,951
		(Rupees)	
		(Restated)	
Earnings per share - basic and diluted	15	11.07	7.45

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the three months period ended September 30, 2020

Note	Three months ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
Profit for the period	5,227,059	3,473,951
Other comprehensive income:		
Items that will not be subsequently reclassified to statement of profit or loss:		
Share of actuarial gain on remeasurement of staff retirement benefits of associates - net of tax	4,324	-
Unrealised gain on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	7.1.1 467,811	1,555,189
Taxation thereon	(101,749)	(338,254)
	366,062	1,216,935
Other comprehensive income	370,386	1,216,935
Total comprehensive income for the period	5,597,445	4,690,886
Profit attributable to:		
Owners of the Holding Company	5,568,946	4,716,447
Non-controlling interest	28,499	(25,561)
	5,597,445	4,690,886

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended September 30, 2020

	Equity attributable to the owners of the Holding Company							
	Capital Reserves		Revenue Reserves					
	Share capital	Surplus on vesting of net assets	Unrealised gain on remeasurement of FVOCI investments	General reserve	un-appropriated profit	Sub-total	Non-controlling interest (NCI)	Total
	-(Rupees in '000)							
Balance as at July 01, 2019 (Audited)	3,912,278	3,373	4,335,648	25,282,373	89,313,371	118,934,765	5,598,368	128,445,411
Total Comprehensive Income For Three Months Period Ended								
Profit for the period	-	-	-	-	3,499,512	3,499,512	(25,561)	3,473,951
Other comprehensive income								
Unrealised gain on remeasurement of equity investment classified as FVOCI	-	-	1,216,935	-	-	1,216,935	-	1,216,935
Balance as at September 30, 2019 (Un-audited)	3,912,278	3,373	5,552,583	25,282,373	92,812,883	123,651,212	5,572,807	133,136,297
Balance as at July 01, 2020 (Audited)	4,694,734	3,373	5,987,826	25,282,373	76,595,474	107,869,046	1,413,801	113,977,581
Total Comprehensive Income For Three Months Period Ended								
Profit for the period	-	-	-	-	5,198,560	5,198,560	28,499	5,227,059
Other comprehensive income								
Share of actuarial gain on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	4,324	4,324	-	4,324
Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax	-	-	366,062	-	-	366,062	-	366,062
Transaction with Non-controlling interest	-	-	366,062	-	4,324	370,386	-	370,386
Right shares subscription money	-	-	-	-	123,900	123,900	(123,900)	-
Right issue issuance cost	-	-	-	-	-	-	982,234	982,234
	-	-	-	-	(951)	(951)	(546)	(1,497)
Balance as at September 30, 2020 (Un-audited)	4,694,734	3,373	6,353,888	25,282,373	81,921,307	113,560,941	2,300,088	120,555,763

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Three months ended	
		September 30, 2020	September 30, 2019
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	26,427,384	1,775,778
Long-term loans, advances and other receivables		(3,955)	(40,388)
Long-term deposits and prepayments		(70,085)	(62,912)
Taxes paid		(1,431,800)	(2,342,570)
Finance costs paid		(2,213,925)	(2,755,429)
Retirement and other service benefits paid		(391,395)	(584,352)
Net cash generated from / (used in) operating activities		22,316,224	(4,009,873)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(976,942)	(538,047)
Proceeds from disposal of operating assets		12,640	13,654
Dividends received		350,972	283,227
Net cash used in investing activities		(613,330)	(241,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received net of rights issuance cost		980,732	-
Long-term borrowings repaid		(200,000)	(200,000)
Short-term borrowings - net		(29,193,764)	(10,010,880)
Lease payments		(223,830)	(111,089)
Dividends paid		(6,627)	(979,820)
Net cash used in financing activities		(28,643,489)	(11,301,789)
Net decrease in cash and cash equivalents		(6,940,595)	(15,552,828)
Cash and cash equivalents at beginning of the period		(4,574,164)	(21,015,683)
Cash and cash equivalents at end of the period	17	(11,514,759)	(36,568,511)

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

1. GROUP LEGAL STATUS AND NATURE OF BUSINESS

The Group consist of Pakistan State Oil Company Limited ("the Holding Company") and Pakistan Refinery Limited ("the Subsidiary Company"). Brief Profile of the Holding and Subsidiary Company is given below:

1.1 Pakistan State Oil Company Limited

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

1.1.2 The Board of Management (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 Holding 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 Holding Company.

1.2 Pakistan Refinery Limited

1.2.1 The Subsidiary Company was incorporated in Pakistan as a public limited company in May 1960 and is listed on the Pakistan Stock Exchange. The Subsidiary Company is engaged in the production and sale of petroleum products. During the year ended June 30, 2020, the Holding Company fully subscribed 189,000,000 right shares (its portion of the right issue) which have been issued to Holding Company during the period. Further, the Holding Company had given undertaking to the Subsidiary Company for subscribing such remaining portion of remaining 40% of the Right Issue which remains unsubscribed. Therefore, during the period, the Holding Company further subscribed 7.13% unsubscribed portion (22,459,028 shares) of such right issue. This has resulted in increase in the shareholding of the Holding Company from 60.00% to 63.56%.

1.2.2 During August 2020, on account of unusual heavy rain in Karachi, the rainwater washed away a portion of the Piles Bridge inside Malir River carrying the intra-city oil pipelines which connect Keamari Terminal to the Refinery at Korangi Creek for transportation of crude oil and products. Consequently, the intra-city pipelines were immediately isolated from both ends (i.e. Korangi and Keamari Terminal). This hampered the operations and the refinery was shut down for 12 days and resumed the operations from September 9, 2020.

The management considered various options to limit the resultant loss and to resume the operations within minimum time span. The crude supply line was restored on priority basis, through a temporary arrangement, whereas gantry operations are being used for product deliveries in addition to the HSD supplies through PARCO System.

The total cost incurred on replacement of pipelines will be finalised once the pipelines are fully restored and normal operations resume.

2. Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

3.1 These consolidated 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 consolidated annual audited financial statements of the Group for the year ended June 30, 2020. These consolidated condensed interim financial statements are un-audited 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 These financial statements denote the consolidated condensed interim financial statements of the Group. Unconsolidated condensed interim financial statements of the Holding Company and its Subsidiary have been presented separately.

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

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

The following standards, amendments and interpretations to accounting and reporting standards became effective for the first time and are relevant to the Group

IFRS 3 Definition of a Business
IAS 1/ IAS 8 Definition of Material

The adoption of the above standards, amendments and interpretations to accounting standards did not have any material effect on these consolidated condensed interim financial statements.

b) Standards, amendments and interpretations to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan are relevant to the Group and would be effective from the dates mentioned below against the respective standards, amendments or interpretation:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
IAS 1 Classification of Liabilities as Current and Non-current	January 01, 2022
IAS 37 Amendments to Onerous Contracts	January 01, 2022

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

3.4 The preparation of these consolidated condensed interim financial statements, is in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments 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 consolidated condensed interim financial statements, changes in the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Group for the year ended June 30, 2020 do not have any material impact.

3.5 These consolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Group's functional currency.

3.6 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Accounting policies

4.1 The accounting policies and method of computation adopted for the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the Group's annual audited financial statements for the year ended June 30, 2020.

4.2 The Group 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 consolidated condensed interim financial statements.

5. Property, plant and equipment

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

	Additions (at cost)		Disposals (at net book value)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	(Rupees in '000)			
Freehold land	-	11,012	-	-
Buildings on freehold land	15,196	2,775	-	-
Buildings on leasehold land	15,083	-	67	-
Tanks and pipelines	2,772	179,377	-	56
Service and filling stations	149,265	155,754	13	-
Plant and machinery	31,307	47,794	-	-
Furniture and fittings	6,350	3,125	2	-
Vehicles and other rolling stock	-	-	1,028	1,480
Office equipments	15,642	9,905	-	-
Gas cylinders / regulators	9,148	-	-	-
	<u>244,763</u>	<u>409,742</u>	<u>1,110</u>	<u>1,536</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- 5.2 The above disposals represented assets costing Rs. 114,003 thousand (September 30, 2019: Rs. 19,841 thousand) and were disposed off for Rs. 12,640 thousand (September 30, 2019: Rs. 13,654 thousand).
- 5.3 Includes operating assets amounting to Rs. 689,340 thousand (June 30, 2020: Rs. 704,674 thousand) in respect of Holding Company's share in joint operations.
- 5.4 Includes capital work-in-progress amounting to Rs. 186,599 thousand (June 30, 2020: Rs. 182,269 thousand) in respect of Holding Company's share in joint operations.
- 5.5 During the period, assets having net book value of Rs. 5,571 thousand were written off due to unforeseen incident explained in detail in note 1.2.2 to these consolidated condensed interim financial statements.

6. Right-of-use assets

During the period, the Group recognised right of use asset comprising mainly land amounting to Rs. 16,120 thousand (September 30, 2020: 2,972,002 thousand) and modification amounting to Rs. 62,470 thousand (September 30, 2020: Nil).

	Note	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
7. Long-term investments			
Investment in related parties			
Investment held at fair value through other comprehensive income			
In a unquoted company			
- Pak-Arab Pipeline Company Limited (PAPCO) Equity held: 12% (June 30, 2020: 12%) No. of shares: 8,640,000 (June 30, 2020: 8,640,000) of Rs. 100/- each	7.1	8,983,984	8,516,173
Investment in associates			
In unquoted companies			
- Asia Petroleum Limited Equity held: 49% (June 30, 2020: 49%) No. of shares: 46,058,570 (June 30, 2020: 46,058,570) of Rs. 10/- each		3,111,680	2,955,801
- Pak Grease Manufacturing Company (Private) Limited Equity held: 49.26% (June 30, 2020: 49.26%) No. of shares: 1,536,593 (June 30, 2020: 1,536,593) of Rs. 10/- each		112,746	112,746
		3,224,426	3,068,547
		12,208,410	11,584,720

- 7.1 The Group has carried out an exercise to ascertain the fair value of investment as at September 30, 2020 using the discounted cash flow technique (Level 3). The following major assumptions and inputs were used by the management to determine the aforesaid fair value:

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Un-Audited September 30, 2020	Audited June 30, 2020
- Discount rate	16.6% - 17.6%	16.8% - 17.8%
- Growth rate of terminal value	5%	5%

Based on the above fair valuation exercise, the Group has recorded an unrealised gain - net of tax of Rs. 366,062 thousand (September 30, 2019: 1,216,935 thousand) in other comprehensive income for the year.

7.1.1 Movement of investment classified as FVOCI	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
Balance at beginning of the period / year	8,516,173	6,404,764
Remeasurement profit recognised in other comprehensive income	467,811	2,111,409
Balance at the end of the period / year	8,983,984	8,516,173
7.1.2 Sensitivity to unobservable inputs:		
- Discount rate (1% increase)	(651,542)	(619,123)
- Discount rate (1% decrease)	777,857	737,965
- Growth rate of terminal value (1% increase)	540,851	500,839
- Growth rate of terminal value (1% decrease)	(455,019)	(422,476)

8. Stock-in-trade

The Group has recognised write-down of inventory to net realisable value amounting to Rs. 812,865 thousand (June 30, 2020: Rs. 358,387 thousand)

		Un-Audited September 30, 2020	Audited June 30, 2020
9. Trade debts			
Considered good			
Due from Government agencies and autonomous bodies			
- Secured	9.1	315,781	124,663
- Unsecured	9.2 & 9.3	157,370,022	159,102,110
		157,685,803	159,226,773
Due from other customers			
- Secured	9.1	3,070,776	1,826,424
- Unsecured	9.2 & 9.3	35,966,980	36,724,545
		39,037,756	38,550,969
		196,723,559	197,777,742
Considered doubtful			
Trade debts - gross		3,716,103	3,234,619
Less: Provision for impairment	9.5	(3,716,103)	(3,234,619)
Trade debts - net		196,723,559	197,777,742

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

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

9.2 Includes Rs. 160,539,535 thousand (June 30, 2020: Rs. 163,845,827 thousand) due from related parties, against which provision for impairment of Rs. 1,736,810 thousand (June 30, 2020: Rs. 1,332,981 thousand) has been recognised.

9.3 Included in trade debts are the receivable from following:

	Past due		Total	
	Un-audited September 30, 2020	Audited June 30, 2020	Un-audited September 30, 2020	Audited June 30, 2020
Northern Power Generation Company Limited	71,576,279	72,957,116	71,576,279	72,957,116
Jamshoro Power Company Limited	429,916	929,916	429,916	929,916
Cental Power Purchasing Company	1,092,614	1,092,614	1,092,614	1,092,614
WAPDA Foundation	76,385	34,174	76,385	34,174
Hub Power Company Limited	23,329,094	23,331,012	23,329,094	23,331,012
Kot Addu Power Company Limited	-	473,458	-	473,458
Sui Northern Gas Pipelines Company Limited	60,463,475	68,296,465	68,058,461	71,171,324
	156,967,763	167,114,755	164,562,749	169,989,614
Provision for impairment	(346,975)	(346,975)	(346,975)	(346,975)
	156,620,788	166,767,780	164,215,774	169,642,639

The Group did not consider the remaining aggregate past due balance of Rs. 156,620,788 thousand (June 30, 2020: Rs. 166,767,780 thousand) (against which subsequent receipts of Rs. 875,000 thousand from Northern Power Generation Company Limited and Rs. 12,026,000 thousand from Sui Northern Gas Pipelines Company Limited have been received) as doubtful, as the Group 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.

9.4 As at September 30, 2020 trade debts aggregating Rs. 27,808,329 thousand (June 30, 2020: Rs. 18,245,454 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 168,915,230 thousand (June 30, 2020: Rs. 179,532,288 thousand) are past due but not impaired.

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
9.5 The movement in provision during the period / year is as follows:		
Balance at beginning of the period / year	3,234,619	3,160,415
Provision recognised during the period / year	489,933	262,952
Reversal of provision during the period / year	(8,449)	(188,748)
	481,484	74,204
Balance at the end of the period / year	3,716,103	3,234,619

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 17 to the consolidated annual audited financial statements for the year ended June 30, 2020:

	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
Price differential claims (PDC):		
- 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
- between the product Low Sulphur Furnace Oil and High Sulphur Furnace Oil	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 Group 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. 10,890,503 thousand (June 30, 2020: Rs. 10,671,960 thousand) due from associates and related parties.

10.3 As at September 30, 2020, receivables aggregating to Rs. 2,660,179 thousand (June 30, 2020: Rs. 2,663,597 thousand) were deemed to be impaired and hence have been provided for.

	Un-Audited September 30, 2020 (Rupees in '000)	Audited June 30, 2020
The movement in provision during the period / year is as follows:		
Balance at beginning of the period / year	2,663,597	2,907,016
Provision recognised during the period / year	-	37,394
Reversal of provision due to recoveries during the period / year	(3,418)	(280,813)
	(3,418)	(243,419)
Balance at the end of the period / year	2,660,179	2,663,597

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

10.4 Includes Rs. 1,282,860 thousand (June 30, 2020: Rs. 1,798,997 thousand) on account of 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 Group 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 Group in respect of these long / extended term borrowing arrangements i.e. the Group would not bear any exchange differences on such borrowings. The Group is actively pursuing with MoF - GoP for settlement of this receivable and is confident for recovery of the same.

11. Trade and other payables

Includes Rs. 36,503,514 thousand (June 30, 2020: Rs. 32,229,801 thousand) due to various related parties.

12. Contingencies and commitments

12.1 Contingencies

The Group has contingent liabilities in respect of unrecognized late payment surcharge, pending tax matters and other legal claims in the ordinary course of business.

12.1.1 Late Payment Surcharge

Claims amounting to Rs. 7,653,182 thousand (June 30, 2020: Rs. 7,626,014 thousand) in respect of delayed payment charges on the understanding that these will be payable only when the Group will fully realize delayed payment charges due from its customers, which is more than the aforementioned amount. Charges claimed by the Group 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.

12.1.2 Income Tax

The Additional Commissioner Inland Revenue through his order dated September 30, 2020 made certain additions and disallowances in respect of Tax Year 2019 and raised tax demand of Rs. 411,567 thousand. The Holding Company is in process of filing an appeal before Commissioner Inland Revenue (Appeals). Based on the views of tax advisor of the Holding Company, the management believes that it is more likely than not that the matters will ultimately be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated condensed interim financial statements.

12.1.3 Other tax matters

12.1.3.1 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 Holding Company is contesting the levy along with other companies in the Sindh High Court (SHC). Through the interim order passed on May 31, 2011, the SHC 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 September 30, 2020, the management has deposited Rs.121,052 thousand (June 30, 2020: Rs.115,047 thousand) in cash and provided bank guarantee amounting to Rs.121,052 thousand (June 30, 2020: Rs.115,047 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 Holding 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 consolidated condensed interim financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

12.1.3.2 There is no significant change in the status of other contingencies as disclosed in notes 31.1.2 to 31.1.4 to the annual audited consolidated financial statements of the Group for the year ended June 30, 2020.

12.1.4 Other Legal Claims

12.1.4.1 As at September 30, 2020 certain legal cases amounting to Rs. 7,859,942 thousand (June 30, 2020: Rs. 7,859,942 thousand) had been filed against the Group. However, based on advice of legal advisors of the Group, the management believes that the outcome of these cases would be decided in Group's favor. Accordingly, no provision has been made in these consolidated condensed interim financial statements.

12.1.4.2 Claims against the Group not acknowledged as debts amount to Rs. 7,021,176 thousand (June 30, 2020: Rs. 6,926,195 thousand) other than as mentioned in note 12.1.1 above.

12.2 Commitments

	Un-Audited September 30, 2020	Audited June 30, 2020
	(Rupees in '000)	
12.2.1 Commitments in respect of capital expenditure contracted for but not yet incurred are as follows:		
- Property, plant and equipment	6,583,741	6,591,609
- Intangibles	656,035	872,588
	<u>7,239,776</u>	<u>7,464,197</u>
12.2.2 Letters of credit	<u>30,954,014</u>	<u>26,070,442</u>
12.2.3 Bank guarantees	<u>2,033,225</u>	<u>1,598,867</u>
12.2.4 Standby Letters of credit	<u>32,268,292</u>	<u>32,609,446</u>
12.2.5 Post-dated cheques	<u>3,300,000</u>	<u>1,300,000</u>

13. Net Sales

	Un-audited Quarter Ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
Gross Sales	349,720,800	411,929,292
Less:		
- Sales tax	(51,037,539)	(58,952,522)
- Excise duty and petroleum levy	(7,436,724)	(5,052,460)
- Surplus price differential	(65,375)	(691,520)
- Custom duty	(699,184)	(1,183,839)
- Inland freight Equalization Margin (IFEM)	(5,372,318)	(5,406,602)
	<u>(64,611,140)</u>	<u>(71,286,943)</u>
Net Sales	<u>285,109,660</u>	<u>340,642,349</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

14. Finance costs

Includes mark-up on short-term borrowings and late payment charges amounting to Rs. 917,018 thousand (September 30, 2019: 2,998,882 thousand).

15. Earning per share

	Un-audited Quarter Ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
15.1 Basic		
Profit for the period attributable to the owners of the Holding Company	5,198,560	3,499,512
		(Restated)
Weighted average number of ordinary shares in issue during the period (number of shares)	469,473,302	469,473,302
	(Rupees)	
	(Restated)	
Earning per share - basic and diluted	11.07	7.45

15.2 During the year ended June 30, 2020, the Holding Company 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.

15.3 Diluted

There is no dilutive effect on the basic earning per share of the Holding Company as there are no convertible potential ordinary shares in issue as at September 30, 2020 and September 30, 2019.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Note	Un-audited Quarter ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
16. Cash generated from / (used in) operations			
Profit before taxation		7,866,537	6,336,398
Depreciation and Amortisation		784,712	890,914
Provision / (reversal of provision) for impairment on trade debts - net		481,484	(236,261)
(Reversal of provision) / provision for other receivables - net		(3,418)	18,148
(Reversal of provision) / provision for stores, spares and loose tools		(695)	41,598
Provision for retirement and other services benefits		300,243	422,932
Provision for write down of inventory to net realisable value		812,865	-
Gain on disposal of operating assets		(11,530)	(12,118)
Operating asset written off		5,571	-
Share of profit from associates - net of tax		(151,555)	(144,583)
Dividend income from FVOCI / AFS investment		(350,972)	(283,227)
Interest on lease payments		171,457	92,112
Finance costs		997,184	3,020,181
		3,035,346	3,809,696
Working capital changes	16.1	15,525,501	(8,370,316)
		26,427,384	1,775,778

16.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(78,833)	(138,684)
- Stock-in-trade	(21,055,353)	(751,456)
- Trade debts	572,699	11,734,318
- Loans and advances	40,880	(101,607)
- Deposits and short-term prepayments	1,501,581	1,441,901
- Other receivables	3,291,618	7,087,899
Increase / (decrease) in current liabilities:		
- Trade and other payables	31,252,909	(27,642,687)
	15,525,501	(8,370,316)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

17. Cash and cash equivalents

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

	Un-audited Quarter ended	
	September 30, 2020	September 30, 2019
	(Rupees in '000)	
Cash and bank balances	3,078,664	4,425,208
Short - term borrowings (Finances under mark-up arrangements)	(14,593,423)	(40,993,719)
	<u>(11,514,759)</u>	<u>(36,568,511)</u>

18. Fair value of financial assets and liabilities

These consolidated 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 Group's annual audited consolidated financial statements for the year ended June 30, 2020. There have been no change in any risk management policies since the year end.

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 consolidated condensed interim financial statements approximate their fair values. The Group 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).

As at September 30, 2020, except for the Holding Company's investment in PAPCO, none of the financial instruments are carried at fair value. The valuation technique and assumptions used in fair valuation are disclosed in note 7.1 of these consolidated condensed interim financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

19. Transactions with related parties

- 19.1 Related parties comprise associates, 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 consolidated condensed interim financial statements, are as follows:

Name of the related party and relationship with the Group	Nature of transactions	Un-audited Quarter ended	
		September 30, 2020	September 30, 2019
(Rupees in '000)			
Associates			
- Pak Grease Manufacturing Company (Private) Limited	Purchases	10,429	15,295
Retirement benefit funds			
- Pension Funds (Defined Benefit)	Charge for the period Contributions	69,811 169,045	144,997 377,436
- Gratuity Fund	Charge for the period Contributions	69,443 170,565	69,377 157,202
- Provident Funds	Charge / Contribution for the period	60,679	56,684
- Pension Funds (Defined Contribution)	Charge / Contribution for the period	48,045	73,091
Key management personnel	Managerial remuneration Provident Fund Charge / Contribution for the period	122,257 4,853	161,502 3,230
Non-executive Directors	Remuneration and fees	16,981	13,029

19.2 Related parties by virtue of GoP holdings

The Federal Government of Pakistan directly holds 25.51% (including shares under Pakistan State Oil Company Limited Employee Empowerment Trust) of the Holding Company's issued share capital and is entitled to appoint members of the Board of Management (BoM) under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 for management of the affairs of the Holding Company. The Holding 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

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

		Un-audited Quarter ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
- Board of Management	Contribution towards expenses of BoM	4,705	6,188
- Pak Arab Pipeline Company Limited	Pipeline charges	925,935	760,533
	Dividend received	350,972	283,227
- Sui Northern Gas Pipelines Limited	Sales	63,101,544	101,472,777
- Northern Power Generation Company Limited	Sales	8,685	-
- Jamshoro Power Company Limited	Sales	-	1,188,545
- WAPDA Foundation	Sales	266,467	317,539
- Pakistan International Airlines Corporation Limited	Sales	1,732,188	7,227,201
	Purchases	1,791	1,203
- Pak Arab Refinery Limited	Purchases	39,622,360	49,283,291
	Pipeline charges	136,781	90,590
- Oil and Gas Development Company	Purchases	1,244,392	1,524,187
- Pakistan Petroleum Limited	Purchases	399,790	819,882
- K-Electric Limited	Sales	42,075,412	26,852,867
- National Bank of Pakistan	Finance cost and bank charges	185,823	534,332

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

- (ii) The Group collects income tax, sales tax, federal excise duty and petroleum levy in the capacity of withholding Agent on behalf of GoP. The Group also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue.
- (iii) The Group 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 Group also utilises port facilities of Port Qasim Authority and Karachi Port Trust.
- (iv) The Group has obtained insurance cover for its inventory and fixed assets from National Insurance Company Limited.
- (v) The Group utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railway for movement of its petroleum products. The Group also uses pipeline of Pak Arab Refinery Limited (PARCO) and Pak Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.
- (vi) The Group obtains utility services from Civil Aviation Authority, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited and K-Electric Limited.
- (vii) The Group sells fuel, oil and other allied products to K-Electric Limited and receives pipeline income as per agreed terms and conditions.
- (viii) The Group has obtained various financing facilities from National Bank of Pakistan
- (ix) The Group also pays dividend to various government related entities who are shareholders of the Group.

- 19.3 Inventory of the Holding Company held by related parties as at September 30, 2020 amounts to Rs. 25,266,167 thousand (June 30, 2020: Rs. 15,518,767 thousand).
- 19.4 Short term borrowings includes Rs. 19,059,215 thousand (June 30, 2020: Rs. 18,591,496 thousand) under finances obtained from National Bank of Pakistan.
- 19.5 The status of outstanding receivables and payables from / to related parties as at September 30, 2020 are included in respective notes to these consolidated condensed interim financial statements.
- 19.6 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

	Un-audited Quarter ended	
	September 30, 2020	September 30, 2019
(Rupees in '000)		
20. Operating segments		
20.1 Segment wise revenues and profit is as under:		
Revenue - net sales		
Petroleum Products	223,915,000	238,622,000
Liquefied Natural Gas (LNG)	56,341,000	90,600,826
Refining operations	4,344,551	10,859,523
Others	509,109	560,000
	<u>285,109,660</u>	<u>340,642,349</u>
Profit for the period		
Petroleum Products	4,344,613	3,876,000
Liquefied Natural Gas (LNG)	245,000	(833,000)
Refining operations	83,502	(54,018)
Others	553,944	484,969
	<u>5,227,059</u>	<u>3,473,951</u>

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

20.3 Out of total sales of the Group, 99.6% (September 30, 2019: 99.2%) relates to customers in Pakistan.

20.4 All non-current assets of the Group as at September 30, 2020 and 2019 are located in Pakistan and Bangladesh. Sales to five major customers of the Group are approximately 26% during the three months period ended September 30, 2020 (September 30, 2019: 34%).

20.5 Out of total gross sales of the Group, sales for the three months period ended September 30, 2020, amounting to Rs. 301,651,750 thousand (September 30, 2019: Rs 305,341,455 thousand), relates to circular debt customers.

21. Events after the reporting date

The Board of Management of the Group in its meeting held on October 27, 2020 has proposed an interim cash dividend of Nil (September 30, 2019: Nil) amounting to Nil (September 30, 2019: Nil) for the year ending June 30, 2021.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

For the three months period ended September 30, 2020

22. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of better presentation and / or to comply with requirements of accounting and reporting standards the effects of which are not considered material.


Description	Reclassified		Amount
	From	To	
Reversal of Provision for impairment against trade debts	Other expenses	(Provisions)/reversal of impairment on financial assets - net	236,261
Provision for impairment against other receivables	Other expenses	(Provisions)/reversal of impairment on financial assets - net	18,148
Card sweeping bank charges	Other income	Finance costs	18,571

23. General

The figures are rounded off to the nearest thousand rupees, unless otherwise specified.

24. Date of authorisation for issue

These consolidated condensed interim financial statements were approved and authorised for issue on October 27, 2020 by the Board of Management.


Tara Uzra Dawood
Member-Board of Management


Mohammad Shahid Khan
Member-Board of Management


Imtiaz Jaleel
Chief Financial Officer

پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (پی ایس او ایل) کے بورڈ آف مینجمنٹ نے مالی سال 2021-20 کی پہلی سہ ماہی جو 30 ستمبر 2020 کو ختم ہوئی، کے دوران کمپنی بشمول اس کی ذیلی پاکستان ریفرنسری لمیٹڈ (اجتماعی طور پر گروپ) کی کارکردگی کا جائزہ لیا ہے اور اس حوالے سے رپورٹ پیش کی جا رہی ہے۔

حکومت پاکستان کی مالیاتی / مانیٹری پالیسی نے پورے ملک میں معاشی سرگرمیوں کو فروغ دیا۔ جولائی تا اگست کے دوران ملک کے کرنٹ اکاؤنٹ میں 805 ملین امریکی ڈالر کا اضافہ ہوا جو کہ گزشتہ سال کی اسی مدت کے دوران 1.2 بلین امریکی ڈالر کا خسارہ تھا۔ مالی سال 2021-20 کی پہلی سہ ماہی کے دوران گزشتہ سال کی اسی مدت کے مقابلے میں آئٹوموبائل انڈسٹری میں 20.6 فیصد افزائش ہوئی۔ دو-تین ویہلز، پک اپس اور ٹریکٹروں کی فروخت میں بالترتیب 22.1 فیصد، 39.4 فیصد اور 14.0 فیصد کا نمایاں اضافہ شامل ہے۔ آئٹوموبائل سیکٹر کی فروخت میں اضافے کی بنیادی وجہ مستعارات کے ریٹ میں کمی ہے۔

مالی سال 20 کی چوتھی سہ ماہی کے مقابلے میں ایوی ایشن کے شعبے میں حیث فیول کی فروخت میں 88 فیصد اضافے کے ساتھ نمایاں طور پر بحالی ہوئی۔ لارج اسکیل مینوفیکچرنگ سیکٹر میں، جو ملک میں معاشی سرگرمیوں کا ایک اہم اشاریہ ہے، بھی اس عرصے کے دوران گزشتہ سال کی اسی مدت کے مقابلے میں 3.7 فیصد اضافے کے ساتھ بہتری نظر آئی۔ ان عوامل کی بدولت پٹرولیم مصنوعات کی طلب میں گزشتہ سال کے مقابلے میں 11.0 فیصد اضافہ ہوا ہے۔


پی ایس او نے مذکورہ مدت کے دوران مارکیٹ شیئر اور والیوم میں اضافے کا سلسلہ جاری رکھا۔ کمپنی کے موبائیل والیوم میں 11.8 فیصد، ایچ ایس ڈی میں 17.1 فیصد، وائٹ آئل میں 7.7 فیصد، بلیک آئل میں 37.8 فیصد اور کلوئڈ فیولز میں 13.9 فیصد اضافہ ہوا جس کے نتیجے میں موبائیل مارکیٹ شیئر 42.1 فیصد ہو گیا (گزشتہ سال کے مقابلے میں 1.2 فیصد اضافہ)، ایچ ایس ڈی میں 48.3 فیصد (گزشتہ سال کے مقابلے میں 2.8 فیصد اضافہ)، وائٹ آئل میں 45.6 فیصد (گزشتہ سال کے مقابلے میں 0.5 اضافہ)، بلیک آئل میں 56.7 فیصد (گزشتہ سال کے مقابلے میں 2.7 فیصد اضافہ) اور کلوئڈ فیولز میں 47.9 فیصد (گزشتہ سال کے مقابلے میں 1.2 فیصد اضافہ) ہو گیا۔


پی ایس او نے اگست اور ستمبر 2020 کے مہینوں کے دوران یورو ہائی اوکٹین 97 اور الٹرون پرییم یورو 92 (رون) کی فروخت کا آغاز کیا جس کے ذریعے کمپنی نے ماحولیاتی اسٹیورڈ شپ اور کسٹمر فوئڈ اختراعات کے اپنے سفر میں نئے سنگ میل حاصل کر لیے ہیں۔ یورو 5 معیار کے ایچ ایس ڈی کی فروخت کے منصوبے پر کام جاری

ہے۔ زیر جائزہ مدت کے دوران، کمپنی کی مصنوعات کا حصول 40 فیصد ریفرنسری سے (44%: پہلی سہ ماہی مالی سال 20) رہا اور انڈسٹری کی کل درآمدات کا 58 فیصد (پہلی سہ ماہی مالی سال 20 54%) انتظام پی ایس او نے کیا۔ علاوہ ازیں، بنیادی انفراسٹرکچر کے منصوبوں پر خصوصی توجہ برقرار رکھی گئی ہے جس میں 203 کے ایم ٹی کے نئے اسٹورٹیجز، 176 کے ایم ٹی بحال شدہ اسٹورٹیجز اور 47.3 کلو میٹر پائپ لائن کے منصوبے شامل ہیں۔ طویل مدت کے لئے کاروباری قدر میں اضافے کے ساتھ ساتھ منصوبوں کی جلد از جلد تکمیل کے حوالے سے کاروباری منصوبوں کی بھی اصلاح کی گئی ہے۔ والیوم میں اضافے اور مالیاتی لاگت میں کمی کے نتیجے میں بعد از ٹیکس خالص منافع 5.1 بلین روپے رہا (مالی سال 20 کی پہلی سہ ماہی: 3.5 ارب روپے)۔ کمپنی نے مؤثر منصوبہ بندی اور کیش فلو مینجمنٹ کے ذریعے اپنے مالیاتی اخراجات کو کامیابی کے ساتھ واضح حد تک کم کر دیا ہے جس کو اوسط پالیسی ریٹ میں کمی اور قرضہ جات کی سطح میں کمی کے ذریعے مزید مدد ملی۔

پاور سیکٹر اور ایس این جی پی ایل سے واجبات میں بالترتیب 2.3 ارب اور 3.1 ارب روپے کی کمی ہوئی جبکہ سوئی نادرن گیس کمپنی لمیٹڈ پر واجبات تا حال تشویش کا باعث ہیں۔ 30 ستمبر 2020 پر ایس این جی پی ایل کی جانب سے کمپنی کے 68.1 ارب روپے واجب الادا تھے اور یہ رقم کمپنی کی مالی استعداد کار میں رکاوٹ کا باعث بن رہی ہے۔ انتظامیہ بقایا جات کی جلد از جلد وصول یابی کے حوالے سے متعلقہ حکام کے ساتھ مسلسل رابطے میں ہیں۔

ہم اپنے تمام ملازمین، اسٹیک ہولڈرز اور کاروباری شراکت داروں کی جانب سے ان کے تعاون کے لئے اظہار تشکر کرتے ہیں۔ اس کے ساتھ ساتھ ہم حکومت پاکستان خصوصاً وزارت توانائی، پٹرولیم ڈویژن کی جانب سے ان کی مسلسل رہنمائی اور حوصلہ افزائی کے لئے بھی شکر گزار ہیں۔


محمد شاہد شاہ
ممبر - بورڈ آف مینجمنٹ


تارا عزرہ داؤد
ممبر - بورڈ آف مینجمنٹ

27 اکتوبر 2020
کراچی