

PAKISTAN STATE OIL COMPANY LIMITED
PSO HOUSE, KHAYABAN-E-IQBAL, CLIFTON
KARRACHI-75600, PAKISTAN.
UAN: (92-21) 111-111-PSO (776)
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THE GRAND JOURNEY CONTINUES

REPORT FOR THE FIRST QUARTER
ENDED SEPTEMBER 30, 2018



THE GRAND JOURNEY CONTINUES

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

COMPANY INFORMATION

BOARD OF MANAGEMENT

Independent Member
Mr. Amjad Nazir

Non-Executive Members
Mr. Zahid Mir
Mr. Yousaf Naseem Khokhar
Mr. Abdul Jabbar Memon
Mr. Muhammad Anwer
Mr. Sajid Mehmood Qazi

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

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

COMPANY SECRETARY
Mr. Rashid Umer Siddiqui

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

M/s. EY Ford Rhodes
Chartered Accountants

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

BANKERS

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

REPORT TO SHAREHOLDERS

The Board of Management (BOM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company for the quarter ended September 30, 2018 and is pleased to present its report thereon.

Pakistan's Oil industry is facing stiff challenges in maintaining the market equilibria due to number of External and Internal factors. These factors have brought overall negative impact on market growth and Industry performance in Q1FY19.

Influx of smuggled product from Iran & increasing price trend in international oil market are external factors having direct impact on demand for petroleum product HSD (-19.5%) vs. SPLY and Mogas (-0.3%) vs. SPLY, whereas some of the internal factors affecting the Industry include adulteration, heavy discounts in market offered by new entrants in particular, exploitation of IFEM mechanism & erratic fuel demand by the power sector.

These factors have cumulatively resulted in shrinking of overall liquid fuel market by 29% during Q1FY19 due to reduction in White Oil volume by 11% and Black Oil volume by 60%.

PSO, being the largest oil marketing company, is the biggest sufferer of shrinking market size. Despite stiff challenges, PSO is leading the liquid fuel market with an overall market share of 40%. PSO has managed its market leadership position despite reduction in black oil volumes by 77% primarily due to power production shift towards RLNG and decline in white oil volumes by 22% mainly due to dip in industry volumes.

PSO imported 48% of total industry imports and uplifted 34% of total country refinery production in the country. PSO continues to approach relevant authorities on the matters pertaining to ban on development of new outlets, issue of fuel adulteration, delay in settlement of IFEM receivables FY10 – 18 and IFEM misuse by other OMCs. These matters are of prime concern and impacting Company's market share and profitability.

The Company reported Profit after Tax (PAT) of Rs. 4.2 billion in Q1FY19 (Rs. 5.0 billion SPLY). Gross profit grew by 19% despite decline in sales volumes. However, PAT declined by 17% primarily due to reduction in other income consequential to non-receipt of interest income from power sector and PIA, higher exchange losses on account of PKR devaluation and increase in finance cost due to higher markup rates in current period and lower borrowing levels in same period last year.

PSO's total outstanding receivables (inclusive of LPS) from the Power Sector, PIA and SNGPL as of September 30th, 2018 stood at Rs. 310 billion vs. Rs. 316 billion as of June 30, 2018. The management is continuously pursuing with MoE/ MoF for re-payment of PSO's receivables.

PSO is making all out efforts to maintain its profitability & leadership position and grow its market share. We express our sincere gratitude to all our employees, stakeholders and partners for their contributions and continuous support. We also take this opportunity to thank the Government of Pakistan, especially the Ministry of Energy, Petroleum Division for their continuous support and guidance.


Syed Jehangir Ali Shah
 Managing Director & CEO

Karachi: October 27, 2018


Amjad Nazir
 Member-Board of Management

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2018

	Note	Un-Audited September 30, 2018	Audited June 30, 2018
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,140,398	7,327,476
Intangibles		16,426	19,732
Long - term investments		4,902,307	4,783,585
Long - term loans, advances and other receivables		385,741	398,525
Long - term deposits and prepayments		289,855	220,399
Deferred tax assets - net		11,675,561	11,709,058
		24,410,288	24,458,775
Current assets			
Stores, spares and loose tools		256,970	239,981
Stock-in-trade		80,179,927	81,615,455
Trade debts	6	235,679,700	245,577,071
Loans and advances	7	1,856,537	1,919,400
Short - term deposits and prepayments		1,133,856	3,329,991
Other receivables	8	27,841,305	33,017,635
Taxation - net		7,082,439	7,767,381
Cash and bank balances		4,002,196	4,636,643
		358,032,930	378,103,557
		-	-
Net assets in Bangladesh		-	-
TOTAL ASSETS		382,443,218	402,562,332
EQUITY AND LIABILITIES			
Equity			
Share capital		3,260,232	3,260,232
Reserves		111,369,682	107,192,243
		114,629,914	110,452,475
Non-current liabilities			
Retirement and other service benefits		5,004,591	5,165,024
Current liabilities			
Trade and other payables	9	141,321,941	192,145,744
Unclaimed dividend		1,437,538	3,443,218
Unpaid dividend		-	221,587
Provisions		490,972	490,972
Accrued interest / mark-up		1,371,670	796,795
Short - term borrowings		118,186,592	89,846,517
		262,808,713	286,944,833
Contingencies and commitments			
	10		
TOTAL EQUITY AND LIABILITIES		382,443,218	402,562,332

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Syed Jehangir Ali Shah
 Managing Director & CEO


Amjad Nazir
 Member-Board of Management


Yacoub Suttar
 Chief Financial Officer

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

For the Three Months Period Ended September 30, 2018

	Note	Three months period ended	
		September 30, 2018	September 30, 2017
(Rupees in '000)			
Gross Sales		331,124,546	324,756,003
Less:			
- Sales tax		(46,677,345)	(61,228,233)
- Inland freight equalization margin		(4,419,176)	(4,882,896)
		(51,096,521)	(66,111,129)
Net sales		280,028,025	258,644,874
Cost of products sold		(269,121,626)	(249,472,509)
Gross profit		10,906,399	9,172,365
Other income		970,454	2,213,045
Operating costs			
Distribution and marketing expenses		(2,068,021)	(2,046,809)
Administrative expenses		(720,772)	(680,517)
Other expenses		(792,062)	(640,302)
		(3,580,855)	(3,367,628)
Profit from operations		8,295,998	8,017,782
Finance cost		(1,826,054)	(756,072)
		6,469,944	7,261,710
Share of profit of associates - net of tax		119,959	157,959
Profit before taxation		6,589,903	7,419,669
Taxation		(2,409,019)	(2,390,272)
Profit for the period		4,180,884	5,029,397
(Rupees)			
(Restated)			
Earnings per share - basic and diluted	11	12.82	15.43

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Syed Jehangir Ali Shah
 Managing Director & CEO


Amjad Nazir
 Member-Board of Management


Yacoob Suttar
 Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

For the Three Months Period Ended September 30, 2018

	Three months period ended	
	September 30, 2018	September 30, 2017
(Rupees in '000)		
Profit for the period	4,180,884	5,029,397
Other Comprehensive Income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on remeasurement of retirement and other service benefits - net of tax	(2,208)	-
Share of actuarial losses on remeasurement of post employment benefit plan of an associate - net of tax	(922)	(113)
Items that may be reclassified subsequently to profit or loss:		
Share of unrealised loss due to change in fair value of long-term available-for-sale investments of associates	(315)	(4,207)
Amortisation / recognition of unrealised gain due to reclassification of investments from available-for-sale to held-to-maturity	-	(93,104)
Taxation thereon	-	27,931
	-	(65,173)
Total comprehensive income for the period	4,177,439	4,959,904

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Syed Jehangir Ali Shah
 Managing Director & CEO


Amjad Nazir
 Member-Board of Management


Yacoob Suttar
 Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the Three Months Period Ended September 30, 2018

	Share capital	Reserves						Total
		Capital Reserves		Revenue Reserves				
		Surplus on vesting of net assets	Unrealised gain/(loss) on remeasurement of available-for-sale investment	Company's share of unrealised gain/(loss) on available-for-sale investment of associates	General reserve	un-appropriated profit	Sub-total	
----- (Rupees in '000) -----								
Balance as at July 01, 2017 (Audited)	2,716,860	3,373	65,173	(905)	25,282,373	74,782,728	100,132,742	102,849,602
Total Comprehensive income for the three months period								
Profit for the period	-	-	-	-	-	5,029,397	5,029,397	5,029,397
Other comprehensive income								
Amortisation of unrealised gain due to reclassification of long-term investments from available-for-sale to held-to-maturity - net of tax	-	-	(65,173)	-	-	-	(65,173)	(65,173)
Share of unrealised loss due to change in long-term available-for-sale investment of associates - net of tax	-	-	-	(4,207)	-	-	(4,207)	(4,207)
Share of Company's actuarial loss on remeasurement of defined benefit plan of an associate - net of tax	-	-	-	(113)	-	-	(113)	(113)
	-	-	(65,173)	(4,320)	-	-	(69,493)	(69,493)
Balance as at September 30, 2017 (Unaudited)	2,716,860	3,373	-	(5,225)	25,282,373	79,812,125	105,092,646	107,809,506
Balance as at June 30, 2018 (Audited)	3,260,232	3,373	-	(6,354)	25,282,373	81,912,851	107,192,243	110,452,475
Total Comprehensive income for the three months period								
Profit for the period	-	-	-	-	-	4,180,884	4,180,884	4,180,884
Other comprehensive income								
Actuarial loss on remeasurement of retirement and other service benefits - net of tax	-	-	-	-	-	(2,208)	(2,208)	(2,208)
Share of unrealised loss due to change in long-term available-for-sale investment of associates - net of tax	-	-	-	(315)	-	-	(315)	(315)
Share of Company's actuarial loss on remeasurement of defined benefit plan of an associate - net of tax	-	-	-	-	-	(922)	(922)	(922)
	-	-	-	(315)	-	(3,130)	(3,445)	(3,445)
Balance as at September 30, 2018 (Unaudited)	3,260,232	3,373	-	(6,669)	25,282,373	86,090,605	111,369,682	114,629,914

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Syed Jehangir Ali Shah
Managing Director & CEO


Amjad Nazir
Member-Board of Management


Yacoub Suttar
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

	Note	Three months period ended	
		September 30, 2018	September 30, 2017
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	12	(23,456,892)	24,910,848
Decrease / (increase) in long-term loans, advances and receivables		12,784	(42,668)
Increase in long-term deposits and prepayments		(69,456)	(50,168)
Taxes paid		(1,692,788)	(1,999,077)
Finance cost paid		(1,251,179)	(1,657,032)
Retirement and other service benefits paid		(472,635)	(398,761)
Net cash (used in) / generated from operating activities		(26,930,166)	20,763,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of			
- property, plant and equipment		(90,474)	(585,948)
- intangibles		-	(691)
Proceeds from disposal of operating assets		1,387	3,807
Interest income from Pakistan Investment Bonds		-	2,520,616
Proceeds from redemption of Pakistan Investment Bonds		-	43,836,800
Dividend received		271,998	240,702
Net cash generated from investing activities		182,911	46,015,286
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings obtained / (repaid) - net		26,627,151	(10,462,188)
Dividends paid		(2,227,267)	(1,869,197)
Net cash generated from / (used in) financing activities		24,399,884	(12,331,385)
Net (decrease) / increase in cash and cash equivalents		(2,347,371)	54,447,043
Cash and cash equivalents at beginning of the period		(7,924,869)	(41,502,241)
Cash and cash equivalents at end of the period	13	(10,272,240)	12,944,802

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Syed Jehangir Ali Shah
Managing Director & CEO


Amjad Nazir
Member-Board of Management


Yacoub Suttar
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

1. Legal status and nature of business

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

1.2 The Board of Management - Oil (BoM) nominated by the Federal Government under section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 2017 (previously Companies Ordinance, 1984) or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

2. Statement of compliance

This condensed interim financial information has 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:

- 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 This condensed interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2018. This condensed interim financial information is unaudited and is being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

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

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

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

3.5 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand rupees unless otherwise stated.

4. Accounting policies

The accounting policies and method of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2018, except for the following accounting standards which became applicable during the period:

IFRS 9 Financial Instruments

IFRS 15 Revenue from contract with customers

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above mentioned accounting standards and amendments did not have any significant effect on the condensed interim financial statements.

4.1 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 this condensed interim financial information.

5. Property, plant and equipment

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

	Additions (Un-audited) (at cost)		Disposals (Un-audited) (at net book value)	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	(Rupees in '000)			
Buildings on freehold land	-	7,435	-	-
Buildings on leasehold land	1,444	-	-	-
Furniture and fittings	-	1,640	-	-
Gas cylinders / regulators	10,919	13,445	-	-
Office equipment	2,399	32,265	-	-
Plant and machinery	35,080	13,454	-	-
Service and filling stations	35,417	107,366	143	2,175
Tanks and pipelines	859	10,347	-	-
Vehicles and other rolling stock	11,964	76,310	37	33
	98,082	262,262	180	2,208

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

- 5.2 The above disposals represented assets costing Rs. 14,295 thousand (September 30, 2017: Rs. 12,392 thousand) and were disposed off for Rs. 1,387 thousand (September 30, 2017: Rs. 3,807 thousand).
- 5.3 Includes capital work-in-progress amounting to Rs. 58,277 thousand (June 30, 2018: Rs. 53,344 thousand) in respect of Company's share in joint operations.
- 5.4 Includes operating assets amounting to Rs. 810,291 thousand (June 30, 2018: 838,248 thousand) in respect of Company's share in joint operations.

6. Trade debts

Considered good

	Note	Un-Audited September 30, 2018 (Rupees in '000)	Audited June 30, 2018
Due from Government agencies and autonomous bodies			
- Secured	6.1	131,422	111,790
- Unsecured	6.2 & 6.3	143,657,018	150,169,855
		143,788,440	150,281,645
Due from other customers			
- Secured	6.1	1,864,071	1,994,024
- Unsecured	6.2 & 6.3	90,027,189	93,301,402
		91,891,260	95,295,426
		235,679,700	245,577,071
		3,099,014	3,290,578
Considered doubtful			
Trade debts - gross		238,778,714	248,867,649
Less: Provision for impairment	6.2, 6.3 & 6.4	(3,099,014)	(3,290,578)
Trade debts - net		235,679,700	245,577,071

- 6.1 These debts are secured by way of bank guarantees and security deposits.
- 6.2 Includes Rs. 146,548,380 thousand (June 30, 2018: Rs. 127,667,280 thousand) due from related parties, against which provision for impairment of Rs. 1,471,378 thousand (June 30, 2018: Rs. 1,611,927 thousand) has been recognised.
- 6.3 Included in trade debts is an aggregate amount of Rs. 184,189,924 thousand (June 30, 2018: Rs. 199,999,246 thousand) due from GENCO Holding Company Limited (GHC), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO), as at Sep 30, 2018. These include past due trade debts of Rs. 109,428,898 thousand (June 30, 2018: Rs.104,251,942 thousand), Rs. 45,867,850 thousand (June 30, 2018: Rs. 50,789,306 thousand) and Rs. 28,893,176 thousand (June 30, 2018: Rs. 27,067,694 thousand) from GHC, HUBCO and KAPCO, respectively, based on the agreed credit terms. The Company carries a specific provision of Rs. 383,358 thousand (June 30, 2018: Rs. 398,962 thousand) against these debts and did not consider the remaining aggregate past due balance of Rs. 183,806,566 thousand (against which subsequent receipts of Rs. 1,900,000 thousand from GHC (formerly WAPDA) Rs. 4,850,000 from HUBCO and Rs. 900,000 thousand from KAPCO have been made) as doubtful, as the Company, based on measures undertaken by the Government of Pakistan (GoP) to resolve circular debt issue, is confident that the aforementioned debts will be received in due course of time.

Further, as at September 30, 2018 trade debts aggregating to Rs. 26,015,057 thousand (June 30, 2018: Rs. 42,710,830 thousand) are neither past due nor impaired. The remaining trade debts aggregating to Rs. 209,664,643 thousand (June 30, 2018: Rs. 202,866,241 thousand) are past due but not impaired.

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

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

	Un-Audited September 30, 2018 (Rupees in '000)	Audited June 30, 2018
Balance at beginning of the period / year	3,290,578	4,201,355
Add: Provision recognised during the period / year	33,401	66,670
Less: Reversal due to recoveries during the period / year	(224,965)	(977,447)
	(191,564)	(910,777)
Balance at the end of the period / year	3,099,014	3,290,578

7. Loans and advances

Includes advance of Rs.1,680,000 thousand paid against purchase of 84 million right shares of Pakistan Refinery Limited (PRL) at the rate of Rs. 20 per share from Shell Petroleum Company Limited (Shell). These shares comprise 26.66% shareholding of PRL (28.57% of the paid-up capital) and have been purchased in accordance with the Share Purchase Agreement (SPA) dated June 16, 2015 entered into between the Company and Shell. In accordance with the SPA, the Company paid Rs. 840,000 thousand to PRL on June 16, 2015 as advance consideration to Shell at the face value of Rs.10 per share and deposited the remaining amount of Rs. 840,000 thousand in the 'Escrow Account' maintained with Standard Chartered Bank (Pakistan) Limited. Currently, these 84 million shares have also been placed in Escrow Account in accordance with the terms of SPA.

Subsequent to the period end, the acquisition of these 84 million shares has been completed at the discounted price of Rs. 10 per share and the Company has received back Rs. 840,000 thousand along with 84 million shares. Consequently, the total shareholding of the Company in Pakistan Refinery Limited has increased to 52.68% of the paid up capital.

8. Other receivables

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

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.

- 8.2 Includes receivable of Rs. 11,634 thousand (June 30, 2018: Rs. 18,231 thousand) on account of facility charges due from Asia Petroleum Limited (a related party).
- 8.3 As at September 30, 2018, receivables aggregating to Rs. 2,372,037 thousand (June 30, 2018: Rs. 2,368,822 thousand) were deemed to be impaired and hence have been provided for:
- 8.4 Includes Rs. 11,518,869 thousand (June 30, 2018: Rs. 9,737,703 thousand) unfavourable exchange difference arising on foreign currency borrowings (FE-25), obtained under the directives of 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.

9. Trade and other payables

- 9.1 Includes Rs. 31,114,045 thousand (June 30, 2018: Rs. 31,555,414 thousand) due to various related parties.

10. Contingencies and commitments

10.1 Contingencies

- 10.1.1 Claims against the Company not acknowledged as debts amount to Rs. 12,968,792 thousand (June 30, 2018: Rs. 12,806,764 thousand) other than as mentioned in note 10.1.7 to this condensed interim financial information. This includes claim in respect of delayed payment charges on the understanding that these will be payable only when the Company will fully realize delayed payment charges due from its customers, which is more than the aforementioned amount. Charges claimed by the Company against delayed payments by the customers, due to circular debt situation, are recognised on receipt basis as the ultimate outcome of the matter and amount of settlement cannot be presently determined.
- 10.1.2 The ACIR through his orders dated February 09, 2015 and March 22, 2016 made certain additions and disallowances in respect of tax year 2014 and 2015 respectively thereby creating total tax demand of Rs. 35,992,978 thousand. The orders were later rectified and amended to Rs. 3,619,899 thousand. Further, through computerised balloting, the Company was selected for audit of tax year 2014 by Federal Board of Revenue (FBR) and another demand of Rs. 53,023 thousand was created by FBR for tax year 2014. The Company has filed appeals against these orders before the CIR (Appeals) which were decided partially against the Company during FY2018 except for audit case of tax year 2014 which has been remanded back by CIR (Appeals) to the assessing officer for verification and effect. The Company has filed appeals before ATIR against these CIR (Appeals) orders. During the current period, the Company has received an appeal effect on aforesaid CIR (Appeals) Orders from Tax authorities after which the amended demand has been reduced to Rs. 2,585,773 thousand. Based on the views of tax advisor of the Company, the management believes that it is more likely than not that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this condensed interim financial information.

- 10.1.3 With respect to tax contingencies disclosed in note 27.1.9, 27.1.10 and 27.1.12 to the annual financial statements of the Company for the year ended June 30, 2018, the Company based on the view of its lawyer has withdrawn the suits consequent to recent decision of Honorable Supreme Court dated June 27, 2018 whereby it was held that suits will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The Company is in process of submitting replies to the notices issued by tax authorities after withdrawal of suits.
- 10.1.4 In the sales tax audit for the tax periods from July 2013 to June 2014, DCIR passed an assessment order dated July 31, 2018, demanding Rs. 205,406 thousand including default surcharge of Rs. 127,602 thousand and penalty of Rs. 10,270 thousand. An appeal was filed with CIR (Appeals) who in his Appellate Order dated September 17, 2018 has set-aside tax demand of Rs. 335,596 thousand and upheld the decision of DCIR against PSO for tax demand of Rs. 7,682 thousand. The Company is in the process of filing appeal against the CIR (Appeals) order in the Appellate Tribunal Inland Revenue.
- 10.1.5 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-II), up to September 30, 2018, the management has deposited Rs. 95,663 thousand in cash and provided bank guarantee amounting to Rs. 95,663 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 this condensed interim financial information.
- 10.1.6 There is no significant change in the status of tax contingencies as disclosed in notes 27.1.2 to 27.1.4, 27.1.6 to 27.1.8, 27.1.11 and 27.1.13 to 27.1.19 to the annual audited financial statements of the Company for the year ended June 30, 2018. These contingencies pertain to income tax and sales tax audits, matter of supplies to customers in Afghanistan, disallowances of input sales tax, additional tax on delayed payments and property tax which are pending adjudication at various forums.
- 10.1.7 As at September 30, 2018 certain legal cases amounting to Rs. 3,494,863 thousand (June 30, 2018: Rs. 3,494,863 thousand) had been filed against the Company. However, based on advice of legal advisors of the Company, the management believes that the outcome of these cases would be decided in Company's favour. Accordingly, no provision has been made in this condensed interim financial information.

10.2 Commitments

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

	Un-audited	Audited
	September 30, 2018	June 30, 2018
	(Rupees in '000)	
- Property, plant and equipment	1,096,070	1,195,065
- Intangibles	350,482	165,709
	<u>1,446,552</u>	<u>1,360,774</u>
10.2.2 Letters of credit	<u>13,530,825</u>	<u>12,550,247</u>
10.2.3 Bank Guarantees	<u>1,273,270</u>	<u>1,202,547</u>
10.2.4 Standby Letters of credit	<u>29,180,623</u>	<u>25,387,343</u>
10.2.5 Post-dated cheques	<u>5,775,740</u>	<u>8,777,500</u>

	Un-audited Three months period ended	
	September 30, 2018	September 30, 2017

11. Earnings per share

11.1 Basic

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit for the period attributable to ordinary shareholders (Rs. In '000)	<u>4,180,884</u>	<u>5,029,397</u>
Weighted average number of ordinary shares in issue during the period (number of shares)	<u>326,023,127</u>	<u>(Restated) 326,023,127</u>
	<u>(Rupees)</u>	<u>(Restated)</u>
Earnings per share - basic and diluted	<u>12.82</u>	<u>15.43</u>

11.2 During the year ended June 30, 2018, the Company has issued 20% bonus shares (i.e. one for every five ordinary shares held) which has resulted in restatement of basic and diluted earnings per share.

11.3 Diluted

There is no dilutive effect on the basic earnings per share of the Company as there are no convertible potential ordinary shares in issue as at September 30, 2018.

	Un-audited Three months period ended	
	September 30, 2018	September 30, 2017
	(Rupees in '000)	
12. Cash generated from/(used in) operations		
Profit before taxation	6,589,903	7,419,669
Adjustments for:		
Depreciation and amortisation	280,678	259,216
Mark-up / interest on investments - net of amortisation	-	(237,682)
(Reversal of provision) / Provision for doubtful trade debts	(191,564)	21,370
Provision for other receivables	3,215	20,884
Retirement and other services benefits accrued	312,202	256,149
Gain on disposal of operating assets	(1,207)	(1,599)
Share of profit of associates - net of tax	(119,959)	(157,959)
Dividend income	(271,998)	(240,702)
Finance cost	1,826,054	756,072
	<u>1,837,421</u>	<u>675,749</u>
Working capital changes	(31,884,216)	16,815,430
	<u>(23,456,892)</u>	<u>24,910,848</u>

12.1 Working capital changes

(Increase) / Decrease in current assets:		
- Stores, spares and loose tools	(16,989)	3,960
- Stock-in-trade	1,435,528	1,292,863
- Trade debts	10,088,935	(6,521,743)
- Loans and advances	62,863	18,470
- Deposits and short-term prepayments	2,196,135	3,462,040
- Other receivables	5,173,115	5,106,987
(Decrease) / Increase in current liabilities:		
- Trade and other payables	(50,823,803)	13,452,853
	<u>(31,884,216)</u>	<u>16,815,430</u>

13. Cash and cash equivalents

Cash and cash equivalents comprise the following items included in the condensed interim balance sheet:

	Un-Audited September 30, 2018	Un-audited September 30, 2017
	(Rupees in '000)	
Cash and bank balances	4,002,196	14,705,393
Short - term borrowings (Finances under mark-up arrangements)	(14,274,436)	(1,760,591)
	<u>(10,272,240)</u>	<u>12,944,802</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

14. Fair value of financial assets and liabilities

14.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values except for investment in Pak-Arab Pipeline Company Limited held at cost as its fair value cannot be reasonably determined. However, the management believes that its fair value is more than its carrying value.

14.2 Fair value estimation

As at September 30, 2018, no financial instrument is carried / measured at fair value.

15. Transactions with related parties

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

Name of the related party and relationship with the Company	Nature of transactions	Un-audited Three months period ended	
		September 30, 2018	September 30, 2017
		(Rupees in '000)	
Associates			
- Pakistan Refinery Limited	Purchases	13,311,647	10,690,563
- Pak Grease Manufacturing Company (Private) Limited	Purchases	6,763	26,242
- Asia Petroleum Limited	Facility charges income	-	36,414
	Pipeline charges	-	393,268
Retirement benefit funds			
- Pension Funds	Charge for the year Contributions	140,375 328,408	188,203 321,204
- Gratuity Fund	Charge for the year Contributions	71,092 136,782	67,946 133,782
- Provident Funds	Contributions	34,323	32,202
Key management personnel			
	Managerial remuneration	110,488	134,399
	Contribution to provident fund	2,519	2,435

15.2 Related parties by virtue of GoP holdings

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

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

		Un-audited Three months period ended	
		September 30, 2018	September 30, 2017
(Rupees in '000)			
- Government of Pakistan	Income from PIBs (net of amortisation)	-	237,682
- Board of Management - Oil (BoM)	Contribution towards expenses of BoM	5,444	1,434
- Pak Arab Pipeline Company Limited	Pipeline charges Dividend received	449,514 271,998	734,120 240,702
- Sui Northern Gas Pipelines Limited	Sales	94,775,766	50,317,452
- GENCO Holding Company Limited	Sales	7,280,890	32,023,096
- Water and Power Development Authority	Utility charges	23,633	29,465
- Pakistan International Airlines Corporation	Sales Purchases	4,592,542 1,919	2,790,016 1,087
- Pak Arab Refinery Company Limited	Purchases Pipeline charges	37,561,805 59,749	28,591,917 115,950
- National Bank of Pakistan	Finance cost and bank charges	396,297	257,574

The transactions described below are collectively but not individually significant to this condensed interim financial information and therefore have been described below:

- (i) The Company sells petroleum products to various government bodies in the normal course of its business and has banking relationship with institutions controlled by GoP. As an Oil Marketing Company, Oil and Gas Regulatory Authority (OGRA) is the regulatory authority of the Company.
- (ii) The Company collects income tax, sales tax, federal excise duty and petroleum levy on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Provincial Revenue Authorities and Customs authorities.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the Three Months Period Ended September 30, 2018

- (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.
- (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 government related entities who are shareholders of the Company.
- 15.3 Inventory of the Company held by related parties as at September 30, 2018 amounts to Rs.13,381,546 thousand (June 30, 2018: Rs. 21,595,616 thousand).
- 15.4 Short term borrowings include Rs. 25,465,465 thousand (June 30, 2018: Rs. 21,200,092 thousand) under finances obtained from National Bank of Pakistan.
- 15.5 The status of outstanding receivables and payables from / to related parties as at September 30, 2018 are included in respective notes to this condensed interim financial information.
- 15.6 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 period ended**

	September 30, 2018	September 30, 2017
	(Rupees in '000)	

16. Operating segments

- 16.1 Segment wise revenues and profit / (loss) is as under:

Revenue - net sales

Petroleum Products	198,181,365	215,437,000
Liquefied Natural Gas (LNG)	81,004,928	42,598,000
Others	841,732	609,874
	280,028,025	258,644,874

Profit / (loss) for the period

Petroleum Products	3,368,000	4,220,000
Liquefied Natural Gas (LNG)	342,000	228,000
Others	470,884	581,397
	4,180,884	5,029,397

- 16.2 Out of total sales of the Company, 98% (September 30, 2017: 99%) relates to customers in Pakistan.
- 16.3 All non-current assets of the Company as at September 30, 2018 and 2017 are located in Pakistan.
- 16.4 Sales to five major customers of the Company are around 34% during the three months period ended September 30, 2018 (September 30, 2017: 36%).

17. Non-adjusting event after the balance sheet date

The members in the 42nd Annual General Meeting held on October 16, 2018 have approved (i) a final cash dividend of Rs. 5 per share amounting to Rs. 1,630,116 thousand (ii) 20% bonus shares (65,204,625 shares) i.e. one share for every five ordinary shares held. Further, the Company has acquired additional share capital in Pakistan Refinery Limited which has been disclosed in note 7 to this condensed interim financial information.

18. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transaction. Following major reclassifications have been made during the period:

Description	Reclassified		Amount Rs. in '000
	From	To	
Throughput charges	Distribution and marketing expenses	Cost of products sold	17,700

The effects of other reclassifications are not material.

19. Date of authorisation for issue

This condensed interim financial information was approved and authorised for issue on October 27, 2018 by the Board of Management - Oil.


Syed Jehangir Ali Shah
Managing Director & CEO


Amjad Nazir
Member-Board of Management


Yacoob Suttar
Chief Financial Officer

رپورٹ برائے حصص یافتگان

پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (پی ایس او ای ایل) کے بورڈ آف مینجمنٹ (بی او ایم) نے 30 ستمبر 2018 کو ختم شدہ سہ ماہی کے حوالے سے کمپنی کی کارکردگی کا جائزہ لیا اور وہ اس کی رپورٹ مسرت پیش کرتا ہے۔

پاکستان کی آئل صنعت کو اس وقت مارکیٹ کا توازن برقرار رکھنے میں سخت دشواریوں کا سامنا ہے جس کی وجہی خارجی اور داخلی عوامل ہیں۔ ان عوامل کے باعث Q1FY19 میں مجموعی طور پر مارکیٹ کی نمو اور صنعت کی کارکردگی پر منفی اثرات رونما ہوئے۔

ایران سے اسمگل شدہ مصنوعات کی آمد اور بین الاقوامی آئل مارکیٹ میں بڑھتی قیمتوں کا رجحان وہ خارجی عوامل ہیں جو پاکستان کی پیٹرولیم مصنوعات کی طلب پر براہ راست اثر انداز ہوئے۔ اس طرح گزشتہ سال کی اسی مدت کے مقابلے میں HSD اور مگس کی طلب بالترتیب 19.5 فیصد اور 0.3 فیصد کم رہی، جبکہ صنعت پر اثر انداز ہونے والے کچھ داخلی عوامل میں ملاوٹ، خصوصاً نئی کمپنیوں کی جانب سے مارکیٹ میں پرکشش ڈسکاؤنٹس کی پیشکش، IFEM طریقہ کار کا غلط استعمال اور پاور سیکر کی جانب سے ایندھن کی بے ترتیب طلب شامل ہیں۔

مشترکہ طور پر مذکورہ بالا عوامل کے نتیجے میں Q1FY19 میں مجموعی مانع ایندھن مارکیٹ میں 29 فیصد کمی ہوئی، جبکہ اس طرح سفید آئل میں 11 فیصد اور کالے آئل کے حجم میں 60 فیصد کمی واقع ہوئی۔

پی ایس او، پاکستان کی سب سے بڑی آئل مارکیٹنگ کمپنی ہے لہذا مارکیٹ حجم میں کمی کا بوجھ بھی سب سے زیادہ پی ایس او کو اٹھانا پڑا۔ ان سخت آزمائشی حالات کے باوجود، پی ایس او 40 فیصد کے مجموعی مارکیٹ شیئر کے ساتھ فیول مارکیٹ کو لید کر رہی ہے۔ کمپنی نے مارکیٹ میں اپنی قائمہ حیثیت کو برقرار رکھا ہے باوجود یہ کہ پاور پروڈکشن کے لئے RLNG کے زیادہ استعمال کے باعث بلیک آئل کے حجم میں 77 فیصد کمی ہوئی اور صنعتی حجم کے سکنے کے نتیجے میں وائٹ آئل کے حجم میں 22 فیصد کمی ہوئی۔

پی ایس او نے کل صنعتی درآمدات 48.4 فیصد درآمد کیا جبکہ مقامی ریفاؤنڈری سے خریداری 34 فیصد رہی۔ پی ایس او، نئے آڈٹ ایبلس کی تعمیر پر عائد پابندی، فیول میں ملاوٹ اور مالی سال 2010 تا 2018 آئی ایف ایم وصولیوں پر تصفیہ میں تاخیر اور دیگر OMCs کی جانب سے آئی ایف ایم کے نامناسب استعمال سے متعلق مسائل پر متعلقہ حکام سے مستقل رابطے میں ہے۔ مذکورہ معاملات شدید تشویش کا باعث ہیں اور مارکیٹ میں کمپنی کے شیئر اور منافع کو متاثر کر رہے ہیں۔

کمپنی نے Q1FY19 میں 4.2 بلین روپے کا بعد از ٹیکس منافع (PAT) رپورٹ کیا ہے (گزشتہ سال اسی مدت میں 5.0 بلین روپے)۔ فروخت کے حجم میں کمی کے باوجود خام منافع میں 19 فیصد اضافہ ہوا ہے۔ لیکن بنیادی طور پر بعد از ٹیکس منافع میں 17 فیصد کمی ہوئی جس کی وجوہات میں پاور سیکر اور پی آئی اے سے انٹرنیٹ آمدنی کی عدم وصولی کے باعث دیگر آمدنی میں کمی، پاکستانی روپے کی قدر میں کمی کے باعث زیادہ ایکسیج فنڈس، اور حالیہ مدت میں زیادہ مارک اپ ریش اور گزشتہ سال کی اسی مدت میں قرضوں کی کم سطح کے باعث مالی لاگت میں اضافہ شامل ہیں۔

30 ستمبر 2018 تک بجلی کے شعبے، پی آئی اے اور ایس این جی پی ای ایل سے مجموعی واجب الادا رقم (بشمول تاخیر سے ادائیگی پر سرجارج) 310 بلین روپے ہے (30 جون 2018 کو 316 بلین روپے کے مقابلے میں)۔ انتظامیہ مذکورہ بالا وصولیوں کے لئے MoE/MoF کے ساتھ مسلسل رابطے میں ہے۔

پی ایس او، مستحکم نفع کے ساتھ ساتھ اپنا مارکیٹ شیئر اور قائمہ حیثیت برقرار رکھنے کے لئے ہر ممکن کوششیں بروئے کار لارہی ہیں۔ ہم اپنے تمام اسٹیک ہولڈرز بشمول حکومت پاکستان خصوصاً وزارت توانائی اور کمپنی شیئر ہولڈرز کے مسلسل تعاون پر تہ دل سے شکر گزار ہیں۔ انتظامیہ، پی ایس او کی ٹیم کی بھی شکر گزار ہے جن کے ہر عزم اور مستقل ارادوں کی بدولت ہم مستقبل کے چیلنجز کا سامنا کرنے کے لئے بھرپور تیار ہیں۔

محمد امجد میر

ممبر۔ بورڈ آف مینجمنٹ

Shehryar Ali Shah

سید جہانگیر علی شاہ

مینجنگ ڈائریکٹر اور سی ای او

کراچی: 27 اکتوبر 2018