



PROGRESSING TOWARDS PROSPERITY

REPORT FOR THE FIRST QUARTER ENDED
SEPTEMBER 30, 2015



Pakistan State Oil

Pakistan State Oil Company Limited

PSO House, Khayaban-e-Iqbal, Clifton
Karachi-75600, Pakistan. UAN: (92-21) 111-111-PSO (776)
Ta'aluq Careline: 0800-03000 Email: taaluq@psopk.com
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Pakistan State Oil



PROGRESSING TOWARDS PROSPERITY

Cognizant of our responsibility to fulfill the energy demands of the nation in a timely and responsible manner, PSO and its workforce continuously strive to ensure availability of fuel products across the country at all times.

As the country's leading oil marketing company, PSO is playing a defining role in the economy of Pakistan. From the waters of Karachi to the mountains of Karakorum, PSO is proud to be the catalyst for a progressive Pakistan.

This year, PSO pays tribute to its true asset, its people who work day and night to keep the wheels of the nation turning towards progress and prosperity.



OUR VISION

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

OUR MISSION

We are committed to leadership in the energy market through competitive advantage in providing the highest quality petroleum products and services to our customers, based on:

- Professionally trained, high-quality, motivated workforce that works as a team in an environment which recognizes and rewards performance, innovation and creativity and provides for personal growth and development.
- Lowest-cost operations and assured access to long-term and cost-effective supply sources.
- Sustained growth in earnings in real terms.
- Highly ethical, safe, environment-friendly and socially responsible business practices.





COMPANY INFORMATION

MANAGING DIRECTOR & CEO

Mr. Sheikh Imran ul Haque

COMPANY SECRETARY

Ms. Ayesha Afzal

AUDITORS

A. F. Ferguson & Co.
Ernst & Young Ford Rhodes
Sidat Hyder

REGISTRAR OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life
Building No. 3
Dr. Ziauddin Ahmed Road,
Karachi.
Phone: 021-35689021
Fax: 021-35655595

REGISTERED OFFICE

Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal, Clifton,
Karachi - 75600, Pakistan.
UAN: (92-21) 111-111-PSO (776)
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Website: www.psopk.com

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Citibank N.A
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank
Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank
(Pakistan) Limited
United Bank Limited

REPORT TO SHAREHOLDERS

Pursuant to the Notification from the Ministry of Petroleum & Natural Resources (MPNR), dated 12-02-2015 PSO was informed that the Federal Government in exercise of the powers under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 "the Act" has dissolved/de-notified the BOM with immediate effect. The above-referred Notification also stated that the Managing Director, PSO shall exercise and perform all the powers and functions of the Board under Section 6(4) of the Act till a new BOM is appointed by the Government of Pakistan.

During the period July-September 2015, PSO maintained its market leadership with overall market share of 56.9%, whereas its share in White Oil (Mogas, HSD, SKO, JP-1) and Black Oil (FO, LDO) stood at 47.2% and 71.1% respectively. The Mogas sales volume grew by 36% over Same Period Last year (SPLY) mainly due to the decline in the price of Mogas. A growth of 3.4% was observed in JP-1, whereas a decline of 7.4% and 17% was witnessed in HSD and FO respectively over SPLY.

The Company reported Profit After Tax (PAT) of Rs.3.3 billion during the period July-September 2015. A decline of 38% in PAT over SPLY was observed which was mainly due to the reduction in value of inventory and Black Oil margins owing to reduction of 27% in the OPEC basket price of crude oil (from USD 60 per barrel on July 1, 2015 to USD 44 per barrel on September 30, 2015). However, reduction in operating and finance cost by 24% and 29% respectively improved the profitability of the Company.

The cash flows and liquidity position of the Company remained critical as a consequence of outstanding receivables of Rs 169 billion from the power sector, PIA and SNGPL against supplies of FO, aviation fuels and LNG made by the company. However, your Company is making all possible efforts to ensure timely recovery of its outstanding dues through continuous follow-up with the concerned stakeholders. PSO has also taken up the matter of LNG margin reduction with OGRA for reinstatement of margins at the level of 4%.

Going forward, PSO's Management team is determined to make concentrated efforts in developing corporate reforms and institutionalizing the processes, while maximizing the value to Shareholders through sustainable growth in business and earnings.

On behalf of the Management, I take this opportunity to express gratitude to our shareholders, customers, business partners and other stakeholders for their trust in the Company and to the Government of Pakistan, especially the MPNR for their continuous guidance. With the continued facilitation and support, the PSO team will deliver on its objectives as we move forward.

Sheikh Imran ul Haque
Managing Director & CEO

October 28, 2015





CONDENSED INTERIM BALANCE SHEET

As at September 30, 2015

	Note	Un-audited September 30, 2015	Audited June 30, 2015
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,258,750	6,333,296
Intangibles	7	47,610	54,342
Long term investments	8	50,714,640	50,680,952
Long term loans, advances and receivables		347,183	322,509
Long term deposits and prepayments		201,828	156,110
Deferred tax	9	8,615,629	8,011,313
		66,185,640	65,558,522
Current assets			
Stores, spare parts and loose tools		205,178	207,693
Stock-in-trade		66,715,256	58,492,301
Trade debt	10	174,427,796	180,778,298
Loans and advances		2,150,429	2,135,165
Deposits and short term prepayments		739,955	1,903,360
Markup / interest receivable on investments		1,008,246	2,237,478
Other receivables	11	16,885,860	19,550,181
Taxation - net		6,777,757	8,132,351
Cash and bank balances		3,249,739	2,311,884
		272,160,216	275,748,711
Net assets in Bangladesh		-	-
TOTAL ASSETS		338,345,856	341,307,233
EQUITY AND LIABILITIES			
Equity			
Share capital		2,716,860	2,716,860
Reserves		81,847,124	79,593,436
		84,563,984	82,310,296
Non-current liabilities			
Retirement and other service benefits		8,158,738	8,320,764
Current liabilities			
Trade and other payables	12	146,539,310	147,045,253
Provisions		688,512	688,512
Accrued interest / mark-up on short term borrowings		968,111	866,894
Short term borrowings	13	97,427,201	102,075,514
		245,623,134	250,676,173
Contingencies and commitments			
	14		
TOTAL EQUITY AND LIABILITIES		338,345,856	341,307,233

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the three months period ended September 30, 2015

	Note	Three months period ended	
		September 30, 2015	September 30, 2014
(Rupees in '000)			
Net sales	15	185,273,783	290,434,828
Cost of products sold		(177,728,447)	(278,820,208)
Gross profit		7,545,336	11,614,620
Other income	16	2,740,262	3,372,919
Operating costs			
Distribution and marketing expenses		(2,219,966)	(2,269,013)
Administrative expenses		(607,088)	(564,237)
Other operating expenses	17	(521,464)	(1,538,135)
		(3,348,518)	(4,371,385)
Profit from operations		6,937,080	10,616,154
Finance costs	18	(1,886,182)	(2,674,261)
		5,050,898	7,941,893
Share of profit / (loss) from associates - net of tax		67,698	(99,690)
Profit before taxation		5,118,596	7,842,203
Taxation	19	(1,866,193)	(2,599,034)
Profit for the period		3,252,403	5,243,169
(Rupees)			
Earnings per share - basic and diluted	20	11.97	19.30

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the three months period ended September 30, 2015

	Three months period ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Profit for the period	3,252,403	5,243,169
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Share of unrealized (loss) / gain due to change in fair value of available for sale investments of associates	(1,280)	700
Unrealised gain due to change in fair value of long-term available-for-sale investments	94,096	43,602
Less: Taxation thereon	(4,787)	(14,389)
	89,309	29,213
Total comprehensive income for the period	3,340,432	5,273,082

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended September 30, 2015

	Share capital	Reserves					Sub-total	Total
		Capital Reserves	Revenue Reserves	General reserve	Un-appropriated profit			
		Surplus on vesting of net assets	Unrealized (loss)/gain on remeasurement of long term available for sale investments	Company's share of unrealised gain/(loss) on available for sale investment of associates				
----- (Rupees in '000) -----								
Balance as at July 01, 2014 (Audited)	2,716,860	3,373	(1,592,980)	7,083	25,282,373	52,204,448	75,904,297	78,621,157
Total Comprehensive income for the three months period	-	-	-	-	-	5,243,169	5,243,169	5,243,169
Profit for the three months period ended September 30, 2014	-	-	-	-	-	5,243,169	5,243,169	5,243,169
Other comprehensive income for the three months period								
Unrealized gain due to change in fair value of long term available for sale investments - net of tax	-	-	29,213	-	-	-	29,213	29,213
Share of unrealized gain due to change in fair value of available for sale investments of associates	-	-	-	700	-	-	700	700
	-	-	29,213	700	-	-	29,913	29,913
Transaction with the owners								
Final dividend for the year ended June 30, 2014 @ Rs. 4 per share	-	-	-	-	-	(1,086,744)	(1,086,744)	(1,086,744)
Balance as at September 30, 2014 (Unaudited)	2,716,860	3,373	(1,563,767)	7,783	25,282,373	56,360,873	80,090,635	82,807,495
Balance as at June 30, 2015 (Audited)	2,716,860	3,373	1,658,020	566	25,282,373	52,649,104	79,593,436	82,310,296
Total Comprehensive income for the three months period								
Profit for the three months period ended September 30, 2015	-	-	-	-	-	3,252,403	3,252,403	3,252,403
Other comprehensive income for the three months period								
Unrealised gain due to change in fair value of long term available for sale investments - net of tax	-	-	89,309	-	-	-	89,309	89,309
Share of unrealized loss due to change in fair value of available for sale investment of associates	-	-	-	(1,280)	-	-	(1,280)	(1,280)
	-	-	89,309	(1,280)	-	-	88,029	88,029
Transaction with the owners								
Final dividend for the year ended June 30, 2015 @ Rs. 4 per share	-	-	-	-	-	(1,086,744)	(1,086,744)	(1,086,744)
Balance as at September 30, 2015 (Unaudited)	2,716,860	3,373	1,658,020	(714)	25,282,373	54,814,763	81,847,124	84,563,984

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
For the three months period ended September 30, 2015

Note	Three months period ended		
	September 30, 2015	September 30, 2014	
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	21	8,460,816	(45,808,516)
(Increase) /decrease in long term loans, advances and receivables		(24,674)	4,344
Increase in long term deposits and prepayments		(45,718)	(40,021)
Taxes paid		(1,120,702)	(2,351,544)
Finance costs paid		(1,621,477)	(2,250,382)
Retirement and other service benefits paid		(603,741)	(17,462)
Net cash generated from / (used in) operating activities		5,044,504	(50,463,581)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of			
-property, plant and equipment		(175,758)	(44,025)
-intangibles		-	(16,829)
Proceeds from disposal of operating assets		24,307	1,015
Investment in associate		-	(115,675)
Interest income from PIBs		1,270,666	1,255,391
Dividends received		-	184,234
Net cash generated from investing activities		1,119,215	1,264,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term finances obtained - net		9,245,063	30,514,148
Dividends paid		(577,551)	(48,767)
Net cash generated from financing activities		8,667,512	30,465,381
Net increase / (decrease) in cash and cash equivalents		14,831,231	(18,734,089)
Cash and cash equivalents at beginning of the period		(39,584,225)	9,119,088
Cash and cash equivalents at end of the period	22	(24,752,994)	(9,615,001)

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
For the three months period ended September 30, 2015

1. Legal status and nature of business

1.1 Pakistan State Oil Company Limited ("the Company") is a public company incorporated in Pakistan in 1976 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. 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 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 Ordinance, 1984 or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

On February 12, 2015, a notification was received from the Ministry of Petroleum & Natural Resources (MoP&NR), whereby PSO was informed by the MoP&NR that the Federal Government in exercise of the powers under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 "the Act" dissolved/de-notified the BoM of the Company with immediate effect. The notification also stated that the Managing Director of the Company shall exercise and perform all the powers and functions of the Board under Section 6(4) of the Act till a new BoM is appointed by the Government of Pakistan. Accordingly, effective February 12, 2015, the affairs of the Company are being managed solely by the Managing Director of the Company.

2. Basis of preparation

2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 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.



2.3 This condensed interim financial information is un-audited and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2015. This condensed interim financial information is being submitted to the shareholders as required by the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

2.4 There has been no change in the status of Benazir Employees' Stock Option Scheme as stated in note 2.6 to the annual audited financial statements for the year ended June 30, 2015.

3. Accounting policies

3.1 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, 2015.

3.2 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 the condensed interim financial information.

4. Accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. However, actual results may differ from these estimations. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the annual audited financial statements as at and for the year ended June 30, 2015.

5. Financial risk management

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company as at and for the year ended June 30, 2015.

6. Property, plant and equipment

6.1 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, 2015	September 30, 2014	September 30, 2015	September 30, 2014
(Rupees in '000)				
Buildings on leasehold land	8,651	10,559	-	-
Tanks and pipelines	35,189	6,942	-	726
Plant and machinery	76,210	42,626	-	255
Service and filling stations	175,823	42,408	41	19
Vehicles and other rolling stock	1,658	24,004	1,806	-
Furniture and fittings	1,908	2,995	42	9
Office equipment	24,756	6,902	3	2
Gas cylinders / regulators	2,553	1,518	1,377	-
	<u>326,748</u>	<u>137,954</u>	<u>3,269</u>	<u>1,011</u>

The above disposals represented assets costing Rs. 35,326 thousand (September 30, 2014: Rs. 32,927 thousand) and were disposed off for Rs. 24,307 thousand (September 30, 2014: Rs. 1,015 thousand).

7. Intangibles

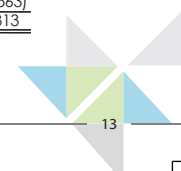
No additions were made during the period (September 30, 2014: Rs. 16,829 thousand).

8. Long term investments

This includes investments in Pakistan Investment Bonds (PIBs) carried at fair value amounting to Rs. 47,277,375 thousand. (June 30, 2015: 47,310,340 thousand). As at September 30, 2015, these PIBs have been collateralised with various banks against borrowings facilities obtained by the Company.

9. Deferred tax

	Un-audited September 30, 2015	Audited June 30, 2015
(Rupees in '000)		
Deductible temporary differences in respect of:		
Provision for:		
- retirement and other service benefits	877,637	856,089
- doubtful trade debts	1,404,938	1,448,177
- doubtful other receivables	480,654	496,159
- impairment of stores and spares	11,129	11,488
- excise, taxes and other duties	22,578	23,306
- impairment of stock in trade	6,651	6,866
- tax amortisation	876	707
Liabilities offered for taxation	6,942,119	6,311,478
Others	2,521	2,606
	<u>9,749,103</u>	<u>9,156,876</u>
Taxable temporary differences in respect of:		
Accelerated tax depreciation	(307,538)	(332,876)
Investments in associates accounted for using equity method	(40,925)	(32,463)
Unrealised gain due to change in fair value of long term available for sale investments	(785,011)	(780,224)
	<u>(1,133,474)</u>	<u>(1,145,563)</u>
	<u>8,615,629</u>	<u>8,011,313</u>





The net change of Rs. 604,316 thousand (September 30, 2014: Rs. 751,339 thousand) in the deferred tax asset balance for the period has been recognised as under:

	Un-audited September 30, 2015	Un-audited September 30, 2014
	(Rupees in '000)	
- Profit and loss account	609,103	765,728
- Other comprehensive income	(4,787)	(14,389)
	<u>604,316</u>	<u>751,339</u>

10. Trade debts

Considered good

Due from Government agencies and autonomous bodies

- Secured	10.1	29,403	29,403
- Unsecured	10.2 & 10.3	130,606,403	126,899,094
		<u>130,635,806</u>	<u>126,928,497</u>

Due from other customers

- Secured	10.1	782,619	748,052
- Unsecured	10.2 & 10.3	43,009,371	53,101,749
		<u>43,791,990</u>	<u>53,849,801</u>
		<u>174,427,796</u>	<u>180,778,298</u>

Considered doubtful

Trade debts - gross		178,959,854	185,303,851
Less: Provision for impairment	10.2, 10.3 & 10.4	(4,532,058)	(4,525,553)
Trade debts - net		<u>174,427,796</u>	<u>180,778,298</u>

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

10.2 Includes Rs. 135,132,362 thousand (June 30, 2015: Rs. 131,561,718 thousand) due from related parties.

10.3 Included in trade debts is an aggregate amount of Rs. 133,556,891 thousand (June 30, 2015: Rs. 148,020,543 thousand) due from Water and Power Development Authority (WAPDA), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO), as at September 30, 2015. These include overdue debts of Rs. 92,154,162 thousand (June 30, 2015: Rs. 93,466,658 thousand), Rs. 32,582,591 thousand (June 30, 2015: Rs. 30,372,233 thousand) and Rs. 1,469,463 thousand (June 30, 2015: Rs. 6,491,532 thousand) from WAPDA, HUBCO & KAPCO, respectively, based on the agreed credit terms.

However, based on the Company's provisioning policy, receivables of Rs. 57,160,161 thousand (June 30, 2015: Rs. 41,234,990 thousand) and Rs. 20,911,577 thousand (June 30, 2015: Rs. 10,555,849 thousand) from WAPDA & HUBCO, respectively, are past due out of the aforementioned overdue balances. The Company carries a specific provision of Rs. 610,544 thousand (June 30, 2015: Rs. 610,544 thousand) against these debts and did not consider the remaining aggregate past due balance as at September 30, 2015 of Rs. 77,461,194 thousand (against which subsequent receipts of Rs. 2,888,882 thousand from WAPDA and Rs. 1,946,412 thousand from HUBCO have been made), as doubtful, as the Company based on measures undertaken by the GoP is confident that the aforementioned

debts will be received in due course of time.

Further, as at September 30, 2015 against the remaining trade debts aggregating Rs. 8,168,910 thousand (June 30, 2015: Rs. 9,554,856 thousand), which were past due, the Company carries a provision of Rs. 3,921,514 thousand (June 30, 2015: Rs. 3,915,009 thousand). The impaired debts relate to various customers which are facing difficult economic conditions.

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.

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

	Un-audited September 30, 2015	Audited June 30, 2015
	(Rupees in '000)	
Balance at beginning of the period / year	4,525,553	2,874,026
Add: Provision recognised during the period / year	20,561	2,053,837
Less: Reversal due to recoveries during the period / year	(14,056)	(402,310)
	<u>6,505</u>	<u>1,651,527</u>
Balance at the end of the period / year	<u>4,532,058</u>	<u>4,525,553</u>

11. Other receivables

11.1 Included in other receivables is an aggregate amount of Rs. 9,297,419 thousand (June 30, 2015: Rs. 9,297,419 thousand) due from Government of Pakistan (GoP), a related party on account of various price differential claims as more fully explained in note 15 to the annual audited financial statements for the year ended June 30, 2015. During the period, there has been no change in the status of the abovementioned claims.

11.2 Includes receivable of Rs. 37,810 thousand (June 30, 2015: Rs. 30,881 thousand) on account of facility charges from Asia Petroleum Limited (a related party).

11.3 As at September 30, 2015, receivables aggregating Rs. 1,550,497 thousand (June 30, 2015: Rs. 1,550,497 thousand) were deemed to be impaired and hence have been provided for.

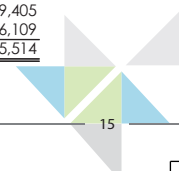
12. Trade and other payables

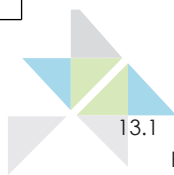
12.1 This includes payable in respect of purchase of oil and LNG from local and foreign suppliers aggregating Rs. 81,222,266 thousand (June 30, 2015: Rs. 81,785,717 thousand).

12.2 Includes Rs. 29,003,721 thousand (June 30, 2015: Rs. 25,406,353 thousand) due to various related parties.

13. Short-term borrowings - secured

	Notes	Un-audited September 30, 2015	Audited June 30, 2015
		(Rupees in '000)	
Short-term finances	13.1, 13.2 & 13.3	69,424,468	60,179,405
Finances under mark-up arrangements	13.1 & 13.4	28,002,733	41,896,109
		<u>97,427,201</u>	<u>102,075,514</u>





13.1 The total outstanding balance is against the facilities aggregating Rs. 101,922,878 thousand (June 30, 2015: Rs. 107,411,600 thousand) available from various banks. These facilities are secured by way of floating / pari passu charges on Company's stocks, receivables, collateralized PIBs and trust receipts.

13.2 Includes foreign currency (FE-25) borrowings of US\$ 162,465 thousand equivalent to Rs. 16,924,798 thousand (June 30, 2015: Nil) having maturity upto January 27, 2016 and carry mark-up at the rate of LIBOR+3%. The Company has obtained FE-25 facilities on directives and assurance of the GoP communicated vide letter dated November 27, 2013 and letter dated January 2, 2014, that it will bear additional cost and foreign exchange losses suffered by the Company on these borrowings. These borrowings are secured against the trust receipts.

13.3 The rate of mark up for these facilities (other than on the foreign currency borrowings mentioned in note 13.2) ranges from Re. 0.03 to Re. 0.22 (June 30, 2015: Re. 0.03 to Re. 0.22) per Rs. 1,000 per day.

13.4 The rate of mark up on these facilities ranges from Re. 0.19 to Re. 0.25 (June 30, 2014: Re. 0.20 to Re. 0.26) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

14. Contingencies and commitments

14.1 Contingencies

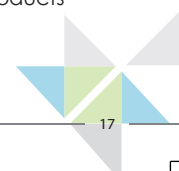
14.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 13,602,632 thousand (June 30, 2015: Rs. 13,636,680 thousand) other than as mentioned in note 14.1.6. This includes claim amounting to Rs. 9,357,259 (June 30, 2015: Rs. 9,391,307 thousand) in respect of delayed payment charges on the understanding that these will be payable only when the Company will fully realize delayed payment charges due from its customers (which is more than above amount). Charges claimed by the Company for delayed payment by customers due to circular debt are recognised on receipt basis as the ultimate outcome of the matter and amount of settlement cannot be presently determined.

14.1.2 There is no change in the status of tax contingencies aggregating to Rs. 26,274,505 thousand as disclosed in notes 24.1.2 to 24.1.18 to the annual audited financial statements of the Company for the year ended June 30, 2015. These contingencies pertain to income tax and sales tax audits, short deduction of withholding tax on incentive paid to dealers, exempt / zero rated supplies to International Airlines and customers in Afghanistan, disallowance of input sales tax and additional tax on delayed payments which are pending adjudication at various forums.

14.1.3 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-III), up to Sept 30, 2015, the management has deposited Rs. 214,283 thousand in cash and provided bank guarantee amounting to Rs. 214,283 thousand with the Excise and Taxation Department. Based on the views of its legal advisors, 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.

14.1.4 During 2011, the Deputy District Officer, Property Division-B, Government of Sindh issued a show cause notice dated February 25, 2011 under the Sindh Immovable Properties Tax Act, 1958 against the Company for payment of property tax amounting to Rs. 35,578 thousand in respect of Kemari terminal land rented by the Company from Karachi Port Trust (KPT). The Company has filed a suit in High Court of Sindh for restraining the relevant authorities from levying and collecting property tax from the Company and against KPT for recovery of property taxes paid on behalf of KPT during earlier years amounting to Rs. 39,781 thousand. The decision of the suit is pending and based on the views of the Company's legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this respect in this condensed interim financial information.

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





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

The management of the Company is confident that the merits of the matter are in favour of the Company and based on the views of its legal advisors, there will be no financial implication on the Company. Accordingly, no provision has been made in this condensed interim financial information in this respect.

14.1.6 As at September 30, 2015 certain legal cases amounting to Rs. 3,374,082 thousand (June 30, 2015: Rs. 3,374,082 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.

14.2 Commitments

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

	Un-audited September 30, 2015	Audited June 30, 2015
	(Rupees in '000)	
- Property, plant and equipment	1,714,510	1,738,790
- Intangibles	15,344	16,073
	<u>1,729,854</u>	<u>1,754,863</u>

14.2.2 Letters of credit and bank guarantees outstanding as at September 30, 2015 amounted to Rs. 16,292,485 thousand (June 30, 2015: Rs. 13,471,674 thousand).

15. Net Sales

	Note	Un-audited Three months period ended	
		September 30, 2015	September 30, 2014
		(Rupees in '000)	
Gross Sales	15.1	236,275,446	344,582,391
Less:			
- Sales tax		(46,562,555)	(50,122,228)
- Inland freight equalization margin		(4,439,108)	(4,025,335)
		<u>(51,001,663)</u>	<u>(54,147,563)</u>
Net sales		<u>185,273,783</u>	<u>290,434,828</u>

15.1 Includes revenue against sale of Liquefied Natural Gas (LNG) amounting to Rs. 18,556,415 thousand (September 30, 2014: Nil)

16. Other income

Includes Rs. 996,135 thousand (September 30, 2014: Rs. 1,708,173 thousand) representing delayed payment surcharge received during the period from various customers and interest (net of amortization) of Rs. 1,143,605 thousand (September 30, 2014: Rs. 1,127,228 thousand) on Pakistan Investment Bonds (PIBs) earned during the period.

17. Other operating expenses

Includes provisions for doubtful trade debts, foreign exchange loss (net), contribution to Workers' Profits Participation Fund and Workers' Welfare Fund amounting to Rs. 6,505 thousand (September 30, 2014: 23,988), Rs. 96,271 thousand (September 30, 2014: Rs. 874,661 thousand), Rs. 273,479 thousand (September 30, 2014: Rs. 429,069 thousand) and Rs. 145,209 thousand (September 30, 2014: Rs. 210,417 thousand), respectively.

18. Finance costs

Includes markup on short term borrowings and late payment & bank charges amounting to Rs 1,668,068 thousand (September 30, 2014: 2,284,032 thousand) and Rs. 218,114 thousand (September 30, 2014: Rs. 390,229 thousand) respectively.

19. Taxation

	Un-audited Three months period ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Current	2,475,296	3,364,762
Deferred	(609,103)	(765,728)
	<u>1,866,193</u>	<u>2,599,034</u>

20. Earnings per share

20.1 Basic

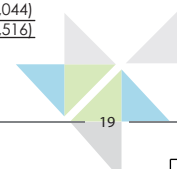
	Un-audited Three months period ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Profit for the period attributable to ordinary shareholders	3,252,403	5,243,169
Weighted average number of ordinary shares in issue during the period	<u>271,685,939</u>	<u>271,685,939</u>
Earnings per share in rupees	<u>11.97</u>	<u>19.30</u>

20.2 Diluted

There is no dilutive effect on the basic earnings per share of the Company, as there were no convertible potential ordinary shares in issue till September 30, 2015.

21. Cash generated from / (used in) operations

	Note	Un-audited Three months period ended	
		September 30, 2015	September 30, 2014
		(Rupees in '000)	
Profit before taxation		5,118,596	7,842,203
Adjustments for:			
Depreciation and amortization		253,532	256,993
Write down of stock-in-trade to net realizable value		28,615	-
Markup / interest on investments - net of amortization		(1,143,605)	(1,127,228)
Provision against doubtful trade debts		6,505	23,988
Retirement and other services benefits accrued		441,715	303,625
Gain on disposal of operating assets		(21,038)	(4)
Share of (profit) / loss from associates		(67,698)	99,690
Finance costs		<u>1,886,182</u>	<u>2,674,261</u>
		1,384,208	2,231,325
Working capital changes	21.1	<u>1,958,012</u>	<u>(55,882,044)</u>
		<u>8,460,816</u>	<u>(45,808,516)</u>





21.1 Working capital changes

(Increase) / decrease in current assets:

	September 30, 2015	September 30, 2014
- Stores, spare parts and loose tools	2,515	(17,495)
- Stock in trade	(8,251,570)	2,518,289
- Trade debts	6,343,997	(46,500,492)
- Loans and advances	(15,264)	37,041
- Deposits and short-term prepayments	1,163,405	522,443
- Mark-up/interest receivable	1,229,232	1,244,508
- Other receivables	3,058,217	3,363,761

Decrease in current liabilities:

- Trade and other payable	(1,572,520)	(17,050,099)
	<u>1,958,012</u>	<u>(55,882,044)</u>

22. Cash and cash equivalents

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

Note	Un-audited September 30, 2015	Un-audited September 30, 2014
	(Rupees in '000)	(Rupees in '000)
Cash and bank balances	3,249,739	4,997,460
Finance under mark-up arrangements	(28,002,733)	(14,612,461)
	<u>(24,752,994)</u>	<u>(9,615,001)</u>

23. Fair value of financial assets and liabilities

23.1 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.

23.2 Fair value estimation

There were no transfers among Level 1, 2 and 3 as described in relevant accounting standard during the period.

24. Transactions with related parties

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

Details of transactions with the related parties during the period, other than those disclosed elsewhere in the condensed interim financial

information, are as follows:

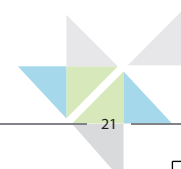
Name of the related party and relationship with the Company	Nature of transactions	Un-audited Three months period ended	
		September 30, 2015	September 30, 2014
		(Rupees in '000)	(Rupees in '000)
Associates			
- Pak Grease Manufacturing Company (Private) Limited	Purchases	3,760	15,600
- Asia Petroleum Limited	Facility charges income	59,292	60,883
	Dividend received	-	184,234
	Pipeline charges	628,494	608,832
- Pakistan Refinery Limited	Purchases	4,815,914	5,413,997
	Other expenses	53,711	11,782
Retirement benefit funds			
- Pension Funds	Contributions	390,094	113,207
- Gratuity Fund	Contributions	162,539	92,913
- Provident Funds	Contributions	37,321	26,918
Keymanagement personnel			
	Managerial remuneration	85,146	72,266
	Contribution to provident fund	1,830	1,732

Related parties by virtue of common directorship and GoP holdings

"The Federal Government of Pakistan directly holds 25.51% 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 the disclosures in respect of related parties."

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

		Un-audited Three months period ended	
		September 30, 2015	September 30, 2014
		(Rupees in '000)	(Rupees in '000)
- Government of Pakistan	Income from PIBs (net of amortization)	1,143,605	1,127,228
- Board of management - Oil (BOM)	Contribution towards expenses of BOM	-	2,238
- Pak Arab Pipeline Company Limited	Pipeline charges	674,691	715,956
- Sui Northern Gas Company Limited	Sales	18,556,415	-





		Un-audited Three months period ended	
		September 30, 2015	September 30, 2014
		(Rupees in '000)	
- Water and Power Development Authority	Sales	19,853,827	52,320,292
	Utility charges	16,800	37,812
- Kot Addu Power Company Limited	Sales	14,552,090	31,993,079
	Other income	-	1,500,000
	Pipeline income	39,101	27,131
- Pakistan International Airlines Corporation	Sales	2,662,152	3,421,518
	Purchases	1,480	4,854
- Pak Arab Refinery Limited	Purchases	32,525,903	32,344,157
	Pipeline charges	128,952	89,659
	Other expense	163,488	138,767

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 in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh Board of Revenue and Customs authorities.
- (iii) The Company incurs rental charges in respect of storage facilities at 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 of Pakistan.
- (v) The Company utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railway for movement of its petroleum products. The Company also uses pipeline of Pak Arab Refinery Limited (PARCO) and Pak Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.
- (vi) The Company obtains utility services from Civil Aviation Authority, Sui Northern Gas Company Limited, 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 also pays dividend to various government related entities who are shareholders of the Company.

24.2 The status of outstanding receivables and payables from / to related parties as at September 30, 2015 are included in respective notes to the condensed interim financial information.

24.3 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.

25. Operating segments

This condensed interim financial information has been prepared on the basis of a single reportable segment.

Sales from petroleum products represent 91.2% (September 30, 2014: 99.8%) of total revenue of the Company.

Total sales of the Company relating to customers in Pakistan were 98.6% during the three months period ended September 30, 2015 (September 30, 2014: 97.2%).

All non-current assets of the Company as at September 30, 2015 are located in Pakistan.

Sales to four major customers of the Company are around 31% during the three months period ended September 30, 2015 (September 30, 2014: 36%).

26. Date of authorisation for issue

In pursuance to the notification from the MoP&NR - GoP dated February 12, 2015 regarding de-notification of BoM-Oil (note 1.2) and exercise of powers under section 6 (4) of the Act, this condensed interim financial information has been approved and authorized for issue on October 28, 2015 by the Managing Director of the Company.

Sheikh Imran ul Haque
Managing Director & CEO

