



PROGRESSING TOWARDS PROSPERITY

Half Yearly Report 2016



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
Fax: (92-21) 9920-3721 Website: www.psopk.com



Pakistan State Oil



COMPANY INFORMATION



MANAGING DIRECTOR & CEO

Mr. Sheikh Imran ul Haque

COMPANY SECRETARY

Mr. Raza Mohsin Qizilbash

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

Ernst & Young Ford Rhodes
Sidat Hyder
Chartered Accountants

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Citibank N.A
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib 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

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)
Fax: (92-21) 9920-3721
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REPORT TO SHAREHOLDERS



The Board of Management (BOM) of Pakistan State Oil Company limited (PSOCL) has reviewed the performance of the Company for the first half of financial year 2015-16 (1HFY16) and is pleased to present its report thereon.

During the 1HFY16, PSO's market share stood at 55.5% with 46.9% share in White Oil (Mogas, HSD, SKO, JP-1) and 69.6% share in Black Oil (FO, LDO). The Mogas sales volume grew by 26% over Same Period Last Year (SPLY) mainly due to the impact of decline in the price of Mogas. A growth of 0.7% was observed in HSD, while 5.7% growth was witnessed in JP-1 on account of increased upliftment by PIA and international airlines over SPLY. FO volumes declined by 4.3% due to lower upliftment by IPP's primarily due to shifting from FO to natural gas.

The Company's Profit after Tax (PAT) for the 1HFY16 rose by 57% to Rs 6.7 billion as compared to Rs 4.3 billion during SPLY. The increase is mainly due to lesser inventory losses, the growth in sales volume and margins of white oil products. Reduction in operating and finance cost by 18% and 39% respectively also contributed to the profitability of the Company during the period under review. However, decrease in black oil margins owing to reduction of 48% in the OPEC price of crude oil per barrel had an adverse impact on the profitability of the Company.

The cash flows and liquidity position of the Company has improved, although remained critical as a consequence of outstanding receivables of Rs 219 billion (June 30, 2015: Rs 230 billion) from the power sector, PIA and SNGPL against supplies of FO, Aviation Fuels and Liquefied Natural Gas (LNG) respectively made by the company. The Board directed the Management to

continue working closely with the concerned government departments and customers for timely realization of due payments against fuel supplies.

Being a designated entity by Government of Pakistan for procuring LNG to meet the gas deficit of the country, the Company has entered into Long term LNG Sale Purchase Agreement (SPA) with Qatar Liquefied Gas Company Limited² (QG2).

Keeping into account the performance of the Company, the Board declared an interim cash dividend of Rs 5 per share (1HFY15: Nil).

The Board expressed gratitude to the shareholders, customers, business partners and other stakeholders for their trust in the Company and to the Government of Pakistan, especially the MoP&NR for their continuous guidance and assured efforts to increase shareholder value.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

Karachi: February 15, 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan State Oil Company Limited (the Company) as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matters

We draw attention to:

- Note 10.3 to the interim financial information. The Company considers aggregate amount of Rs. 64,380 million (net of provision of Rs. 610.54 million); inclusive of Rs. 6,383.3 million received subsequent to the balance sheet date, due from power generation companies as good debt for the reasons given in the aforementioned note;
- Note 12.1 to the interim financial information. The Company considers the aggregate amount of Rs. 9,270 million due from the Government of Pakistan as good debts for the reasons given in the aforementioned note;
- Note 15.1.1 to the interim financial information regarding non-accrual of mark-up on delayed payments amounting to Rs. 9,398.9 million for the reasons given in the aforementioned note; and
- Note 15.1.2 to the interim financial information regarding tax implication of Rs. 958 million on the Company for the assessment years 1996-97 and 1997-98 for which the case is pending in the Supreme Court of Pakistan.

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

Other matters

The financial statements of the Company for the half year ended December 31, 2014 and for the year ended June 30, 2015 were reviewed and audited by Deloitte Yousuf Adil Chartered Accountants and A. F. Ferguson & Co. Chartered Accountants, who through their reports dated February 28, 2015 and September 8, 2015 respectively, expressed an unqualified conclusion and opinion thereon. However, their aforementioned reports included emphasis of matter paragraphs highlighting matters relating to the financial difficulties being faced by the Company owing to status of recovery of overdue receivables and significant short-term borrowings, the amounts receivable from Government of Pakistan (note 12.1), amount due from a power generation company (note 10.3), non-accrual of mark-up on delayed payments (note 15.1.1), tax implication of Rs. 958 million for income tax years 1996-97 and 1997-98 which is pending in the Supreme Court of Pakistan (note 15.1.2) and approval of financial statements of the Company for the half year ended December 31, 2014 and for the year ended June 30, 2015 by the Managing Director, in the absence of the Board of Management – Oil (the Board), exercising the powers of the Board.

A. F. Ferguson & Co.
Chartered Accountants
Waqas A. Sheikh

Karachi
Date: February 23, 2016

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Shariq Ali Zaidi

CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2015

| | Note | Un-Audited December 31, 2015 (Rupees in '000) | Audited June 30, 2015 |
|---|------|--|-----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 6,473,199 | 6,333,296 |
| Intangibles | 6 | 42,936 | 54,342 |
| Long-term investments | 7 | 50,552,844 | 50,680,952 |
| Long-term loans, advances and receivables | | 343,420 | 322,509 |
| Long-term deposits and prepayments | | 153,096 | 156,110 |
| Deferred tax | 8 | 9,205,255 | 8,011,313 |
| | | <u>66,770,750</u> | <u>65,558,522</u> |
| Current assets | | | |
| Stores, spare parts and loose tools | | 196,712 | 207,693 |
| Stock-in-trade | 9 | 59,073,549 | 58,492,301 |
| Trade debts | 10 | 165,110,977 | 180,778,298 |
| Loans and advances | | 2,111,479 | 2,135,165 |
| Deposits and short-term prepayments | 11 | 1,000,775 | 1,903,360 |
| Markup / interest receivable on investments | | 2,278,913 | 2,237,478 |
| Other receivables | 12 | 21,594,517 | 19,550,181 |
| Taxation - net | | 5,699,487 | 8,132,351 |
| Cash and bank balances | | 4,390,949 | 2,311,884 |
| | | <u>261,457,358</u> | <u>275,748,711</u> |
| Net assets in Bangladesh | | - | - |
| TOTAL ASSETS | | <u>328,228,108</u> | <u>341,307,233</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 2,716,860 | 2,716,860 |
| Reserves | | 85,175,076 | 79,593,436 |
| | | <u>87,891,936</u> | <u>82,310,296</u> |
| Non-current liabilities | | | |
| Retirement and other service benefits | | 8,434,190 | 8,320,764 |
| Current liabilities | | | |
| Trade and other payables | 13 | 125,772,642 | 147,045,253 |
| Provisions | | 688,512 | 688,512 |
| Accrued interest / mark-up | | 617,325 | 866,894 |
| Short-term borrowings | 14 | 104,823,503 | 102,075,514 |
| | | <u>231,901,982</u> | <u>250,676,173</u> |
| Contingencies and commitments | 15 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>328,228,108</u> | <u>341,307,233</u> |

The annexed notes 1 to 29 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

| | Note | Half year ended December 31, 2015 (Rupees in '000) | December 31, 2014 | Quarter ended December 31, 2015 (Rupees in '000) | December 31, 2014 |
|--|------|---|----------------------|---|----------------------|
| Net sales | 16 | 353,964,898 | 508,287,406 | 168,691,115 | 217,852,578 |
| Cost of products sold | | (339,941,698) | (496,135,261) | (162,075,120) | (217,143,063) |
| Gross profit | | <u>14,023,200</u> | <u>12,152,145</u> | <u>6,615,995</u> | <u>709,515</u> |
| Other income | 17 | 5,304,057 | 6,721,538 | 2,563,795 | 3,348,619 |
| Operating costs | | | | | |
| Distribution and marketing expenses | | (4,252,801) | (4,120,016) | (2,170,966) | (2,022,993) |
| Administrative expenses | | (1,115,870) | (1,035,776) | (508,782) | (471,539) |
| Other operating expenses | 18 | (749,838) | (2,271,448) | (228,374) | (733,313) |
| | | <u>(6,118,509)</u> | <u>(7,427,240)</u> | <u>(2,908,122)</u> | <u>(3,227,845)</u> |
| Profit from operations | | <u>13,208,748</u> | <u>11,446,443</u> | <u>6,271,668</u> | <u>830,289</u> |
| Finance costs | 19 | (3,601,171) | (5,941,323) | (1,714,989) | (3,267,062) |
| | | <u>9,607,577</u> | <u>5,505,120</u> | <u>4,556,679</u> | <u>(2,436,773)</u> |
| Share of profit from associates - net of tax | | 388,781 | 23,394 | 321,083 | 123,084 |
| Profit / (Loss) before taxation | | <u>9,996,358</u> | <u>5,528,514</u> | <u>4,877,762</u> | <u>(2,313,689)</u> |
| Taxation | 20 | (3,270,704) | (1,245,507) | (1,404,511) | 1,353,527 |
| Profit / (Loss) for the period | | <u>6,725,654</u> | <u>4,283,007</u> | <u>3,473,251</u> | <u>(960,162)</u> |
| Earnings / (Loss) per share - basic and diluted | | | | | |
| | 21 | <u>24.76</u> | <u>15.76</u> | <u>12.78</u> | <u>(3.53)</u> |

The annexed notes 1 to 29 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

| | Half year ended | | Quarter ended | |
|--|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | (Rupees in '000) | | (Rupees in '000) | |
| Profit / (Loss) for the period | 6,725,654 | 4,283,007 | 3,473,251 | (960,162) |
| Other Comprehensive Income: | | | | |
| Items that will not be reclassified to profit or loss: | | | | |
| Less: Effect of change in tax rate applied to previously recognised actuarial losses on remeasurement of retirement and other service benefits | - | 11,339 | - | 11,339 |
| 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 | (590) | 2,158 | 690 | 1,458 |
| Unrealized (loss) / gain due to change in fair value of long-term available-for-sale investments | (117,482) | 2,819,903 | (211,578) | 2,776,301 |
| Less: Taxation thereon | 60,802 | (939,413) | 65,589 | (925,024) |
| | (56,680) | 1,880,490 | (145,989) | 1,851,277 |
| Total comprehensive income for the period | 6,668,384 | 6,176,994 | 3,327,952 | 903,912 |

The annexed notes 1 to 29 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

| | Share capital | Capital Reserves | Reserves | | | | | Total |
|--|------------------|----------------------------------|---|---|-------------------|-----------------------|-------------------|-------------------|
| | | Surplus on vesting of net assets | Unrealised (loss)/gain on remeasurement of long term available for sale investments | Company's share of unrealised gain/(loss) on available for sale investments of associates | General reserve | Unappropriated profit | Sub-total | |
| | (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 six months period | | | | | | | | |
| Profit for the half year ended December 31, 2014 | - | - | - | - | - | 4,283,007 | 4,283,007 | 4,283,007 |
| Other comprehensive income | | | | | | | | |
| Unrealised gain due to change in fair value of long-term available-for-sale investments - net of tax | - | - | 1,880,490 | - | - | - | 1,880,490 | 1,880,490 |
| Share of unrealised gain due to change in fair value of available-for-sale investments of associates | - | - | - | 2,158 | - | - | 2,158 | 2,158 |
| Effect of change in tax rate applied to previously recognised actuarial losses | - | - | - | - | - | 11,339 | 11,339 | 11,339 |
| | - | - | 1,880,490 | 2,158 | - | 11,339 | 1,893,987 | 1,893,987 |
| 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 December 31, 2014 (Un-audited) | 2,716,860 | 3,373 | 287,510 | 9,241 | 25,282,373 | 55,412,050 | 80,994,547 | 83,711,407 |
| 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 six months period | | | | | | | | |
| Profit for the half year ended December 31, 2015 | - | - | - | - | - | 6,725,654 | 6,725,654 | 6,725,654 |
| Other comprehensive income | | | | | | | | |
| Unrealised loss due to change in fair value of long-term available-for-sale investments-net of tax | - | - | (56,680) | - | - | - | (56,680) | (56,680) |
| Share of unrealised loss due to change in fair value of available-for-sale investments of associates | - | - | - | (590) | - | - | (590) | (590) |
| | - | - | (56,680) | (590) | - | - | (57,270) | (57,270) |
| 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 December 31, 2015 (Un-audited) | 2,716,860 | 3,373 | 1,601,340 | (24) | 25,282,373 | 58,288,014 | 85,175,076 | 87,891,936 |

The annexed notes 1 to 29 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

| | | Half Year Ended | |
|---|------|----------------------|----------------------|
| | | December 31, 2015 | December 31, 2014 |
| | Note | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from / (used in) operations | 22 | 4,608,154 | (54,256,667) |
| (Increase) /decrease in long term loans, advances and receivables | | (20,911) | 24,524 |
| Decrease in long term deposits and prepayments | | 3,014 | 4,761 |
| Taxes paid | | (1,970,980) | (3,690,685) |
| Finance costs paid | | (3,240,142) | (4,752,865) |
| Retirement and other service benefits paid | | (770,004) | (496,444) |
| Net cash used in operating activities | | (1,390,869) | (63,167,376) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of | | | |
| -property, plant and equipment | | (637,516) | (233,991) |
| -intangibles | | (2,109) | (19,721) |
| Proceeds from disposal of operating assets | | 25,460 | 3,580 |
| Investment in associate | | - | (115,675) |
| Interest income on investments - Pakistan Investment Bonds | | 2,541,333 | 2,527,522 |
| Dividends received | | 340,189 | 342,614 |
| Net cash generated from investing activities | | 2,267,357 | 2,504,329 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Short term finances obtained - net | | 23,535,060 | 34,584,509 |
| Dividends paid | | (1,545,412) | (956,834) |
| Net cash generated from financing activities | | 21,989,648 | 33,627,675 |
| Net increase / (decrease) in cash and cash equivalents | | 22,866,136 | (27,035,372) |
| Cash and cash equivalents at beginning of the period | | (39,584,225) | 9,119,088 |
| Cash and cash equivalents at end of the period | 23 | (16,718,089) | (17,916,284) |

The annexed notes 1 to 29 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 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 Pakistan Stock Exchange Limited. The registered office of the Company is located at PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.
- 1.2 The Board of Management - Oil (the Board) nominated by the Federal Government under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Ordinance, 1984 or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.
- 1.3 On November 2, 2015, a notification was received from the Ministry of Petroleum & Natural Resources (MoP&NR) whereby the Company was informed by the MoP&NR that the Federal Government in exercise of the powers under Section 7 of the Act has constituted the Board of the Company with immediate effect.

2. Statement of compliance

This condensed interim financial information of the Company 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.

3. Basis of preparation

- 3.1 This condensed interim financial information 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, 2015. This condensed interim financial information is unaudited, however, have been subjected to limited scope review by the auditors and is being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 245 of the Companies Ordinance, 1984.
- 3.2 The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2015 and December 31, 2014 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2015 and December 31, 2014.

3.3 In June 2011, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under Benazir Employees' Stock Option Scheme (the Scheme) and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of International Financial Reporting Standard (IFRS) 2 "Share-based Payment" to the Scheme. There has been no change in the status of the Scheme as stated in note 2.6 to the audited financial statements for the year ended June 30, 2015.

3.4 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

4.1 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, except for the adoption of the following new standards:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interest in Other Entities
IFRS 13 - Fair Value Measurement

The adoption of the aforementioned standards does not have any material effect on this condensed interim financial information of the Company.

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 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) | |
|----------------------------------|-------------------------------------|----------------------|---|----------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | ----- (Rupees in '000) ----- | | | |
| Buildings on leasehold land | 55,124 | 20,046 | 130 | - |
| Tanks and pipelines | 55,978 | 11,090 | - | 726 |
| Service and filling stations | 336,790 | 137,636 | 47 | 88 |
| Plant and machinery | 133,016 | 56,626 | 69 | 256 |
| Furniture and fittings | 11,527 | 34,384 | 120 | 9 |
| Vehicles and other rolling stock | 12,288 | 24,004 | 1,806 | - |
| Office equipment | 36,394 | 10,856 | 3 | 4 |
| Gas cylinders / regulators | 2,553 | 3,235 | 1,377 | - |
| | <u>643,670</u> | <u>297,877</u> | <u>3,552</u> | <u>1,083</u> |

5.2 The above disposals represented assets costing Rs. 63,932 thousand (December 31, 2014: Rs. 42,538 thousand) and were disposed off for Rs. 25,460 thousand (December 31, 2014: Rs. 3,580 thousand).

6. Intangibles

Additions made during the period amounted to Rs. 2,109 thousand (December 31, 2014: Rs. 19,721 thousand).

7. Long-term investments

This includes investments in Pakistan Investment Bonds (PIBs) carried at fair value of Rs. 46,938,736 thousand (June 30, 2015: Rs. 47,310,340 thousand). As at December 31, 2015, these PIBs have been collateralised with various banks against borrowings facilities obtained by the Company as disclosed in note 14.1 to this condensed interim financial information.

8. Deferred tax

Un-audited
December 31,
2015
Audited
June 30,
2015
----- (Rupees in '000) -----

Deductible temporary differences in respect of:

| | | |
|---|-------------------|------------------|
| Provision for: | | |
| - retirement and other service benefits | 904,605 | 856,089 |
| - doubtful trade debts | 1,313,321 | 1,448,177 |
| - doubtful other receivables | 460,850 | 496,159 |
| - impairment of stores and spare parts | 10,005 | 11,488 |
| - excise, taxes and other duties | 22,578 | 23,306 |
| - impairment of stock-in-trade | 6,651 | 6,866 |
| - tax amortisation | 1,080 | 707 |
| Liabilities offered for taxation | 7,570,688 | 6,311,478 |
| Others | 2,539 | 2,606 |
| | <u>10,292,317</u> | <u>9,156,876</u> |

Taxable temporary differences in respect of:

| | | |
|---|--------------------|--------------------|
| Accelerated tax depreciation | (304,698) | (332,876) |
| Investments in associates accounted for using equity method | (62,927) | (32,463) |
| Unrealised gain due to change in fair value of long-term available for sale investments | (719,437) | (780,224) |
| | <u>(1,087,062)</u> | <u>(1,145,563)</u> |
| | <u>9,205,255</u> | <u>8,011,313</u> |

The net change of Rs. 1,193,942 thousand (December 31, 2014: Rs. 1,520,131 thousand) in the deferred tax asset balance for the period has been recognised as follows:

| | Un-audited December 31, 2015 | Un-audited December 31, 2014 |
|------------------------------|------------------------------------|------------------------------------|
| | (Rupees in '000) | |
| - Profit and loss account | 1,133,140 | 2,448,205 |
| - Other comprehensive income | 60,802 | (928,074) |
| | <u>1,193,942</u> | <u>1,520,131</u> |

9. Stock-in-trade

In view of declining prices of oil products, the Company has recognised write-down of inventory to net realisable value amounting to Rs. 508,932 thousand (June 30, 2015: Rs. 9,008 thousand).

| | Note | Un-audited December 31, 2015 | Audited June 30, 2015 |
|--|------|------------------------------------|-----------------------------|
| | | (Rupees in '000) | |

10. Trade debts

Considered good

Due from Government agencies and autonomous bodies

| | | | |
|-------------|-------------|--------------------|--------------------|
| - Secured | 10.1 | 36,334 | 29,403 |
| - Unsecured | 10.2 & 10.3 | 119,878,858 | 126,899,094 |
| | | <u>119,915,192</u> | <u>126,928,497</u> |

Due from other customers

| | | | |
|-------------|-------------|--------------------|--------------------|
| - Secured | 10.1 | 854,266 | 748,052 |
| - Unsecured | 10.2 & 10.3 | 44,341,519 | 53,101,749 |
| | | <u>45,195,785</u> | <u>53,849,801</u> |
| | | <u>165,110,977</u> | <u>180,778,298</u> |

Considered doubtful

| | | | |
|--------------------------------|-------------------|--------------------|--------------------|
| Trade debts - gross | | 4,236,520 | 4,525,553 |
| Less: Provision for impairment | 10.2, 10.3 & 10.4 | 169,347,497 | 185,303,851 |
| | | <u>(4,236,520)</u> | <u>(4,525,553)</u> |
| Trade debts - net | | <u>165,110,977</u> | <u>180,778,298</u> |

- 10.1 These debts are secured by way of bank guarantees and security deposits.
- 10.2 Includes Rs. 120,796,151 thousand (June 30, 2015: Rs. 139,412,810 thousand) due from related parties, against which provision for impairment of Rs. 2,234,155 thousand (June 30, 2015: Rs. 2,493,622 thousand) has been recognised.
- 10.3 Included in trade debts is an aggregate amount of Rs. 133,826,087 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 December 31, 2015. These include overdue debts of Rs. 93,267,236 thousand (June 30,

2015: Rs. 93,466,658 thousand), Rs. 35,127,036 thousand (June 30, 2015: Rs. 30,372,233 thousand) and Nil (June 30, 2015: Rs. 6,491,532 thousand) from WAPDA, HUBCO and KAPCO, respectively, based on the agreed credit terms.

However, based on the Company's provisioning policy, receivables of Rs. 42,477,206 thousand (June 30, 2015: Rs. 41,234,990 thousand) and Rs. 22,513,052 thousand (June 30, 2015: Rs. 10,555,849 thousand) from WAPDA and 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 December 31, 2015 of Rs. 64,379,714 thousand (against which subsequent receipts of Rs. 2,374,500 thousand from WAPDA and Rs. 4,035,800 thousand from HUBCO have been made), as doubtful, as the Company based on measures undertaken by the Government of Pakistan (GoP) is confident that the aforementioned debts will be received in due course of time.

Further, as at December 31, 2015 against the remaining trade debts aggregating Rs. 7,943,698 thousand (June 30, 2015: Rs. 9,554,856 thousand), which were past due, the Company carries a provision of Rs. 3,625,976 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 in this condensed interim financial information.

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

| | Un-audited December 31, 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 | 35,007 | 2,053,837 |
| Less: Reversal due to recoveries during the period / year | (324,040) | (402,310) |
| | <u>(289,033)</u> | <u>1,651,527</u> |
| Balance at the end of the period / year | <u>4,236,520</u> | <u>4,525,553</u> |

11. Deposits and short-term prepayments

Includes deposits against 'Custom duty and development surcharge' amounting to Rs. 760,259 thousand (June 30, 2015: Rs. 1,691,777 thousand).

12. Other receivables

- 12.1 Included in other receivables is long outstanding aggregate amount due from GoP on account of the following receivables, as more fully explained in note 15 to the annual audited financial statements for the year ended June 30, 2015:

| | Un-audited December 31, 2015 | Audited June 30, 2015 |
|---|------------------------------------|-----------------------------|
| | ----- (Rupees in '000) ----- | |
| Price differential claims: | | |
| - on imports (net of related liabilities) of motor gasoline | 1,350,961 | 1,350,961 |
| - on High Speed Diesel | 602,603 | 602,603 |
| - on account of supply of Furnace Oil to K-Electric Limited at Natural Gas prices | 3,908,581 | 3,908,581 |
| WAPDA receivables | 3,407,357 | 3,407,357 |
| | <u>9,269,502</u> | <u>9,269,502</u> |

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.

12.2 Includes receivable of Rs. 33,236 thousand (June 30, 2015: Rs. 30,881 thousand) on account of facility charges due from Asia Petroleum Limited (a related party).

12.3 Included in other receivables is an aggregate amount of Rs 878,508 thousand (June 30, 2015: Nil), which represents the differential between actual cost of Freight on Board (FOB) cargoes imported during April 2015 to August 2015 from Qatar Liquefied Gas Company Limited(2) plus incidentals and the cost components incorporated by Oil & Gas Regulatory Authority (OGRA) in it's provisional price determination.

The Company has filed a review petition with OGRA against the aforementioned provisional price determination against which two public hearings have been held till date. It is expected that pursuant to Economic Coordination Committee (ECC) decisions dated January 13, 2016 and January 28, 2016, the Sales Purchase Agreement (SPA) will be signed in first quarter of 2016 and accordingly the final price will be determined by OGRA after incorporating these differential cost components.

The Company is confident of recovering the aforementioned amount in due course of time. Accordingly, no provision has been made in this respect in this condensed interim financial information.

12.4 As at December 31, 2015, receivables aggregating Rs. 1,488,862 thousand (June 30, 2015: Rs. 1,550,497 thousand) were deemed to be impaired and hence have been provided for.

13. Trade and other payables

13.1 Includes payable in respect of purchase of oil and Liquefied Natural Gas (LNG) from local and foreign suppliers aggregating to Rs. 59,478,397 thousand (June 30, 2015: Rs. 81,785,717 thousand).

13.2 Includes Rs. 31,566,584 thousand (June 30, 2015 : Rs. 25,406,353 thousand) due to various related parties.

13.3 Includes favourable exchange differences of Rs. 2,444,642 thousand (June 30, 2015: Rs. 2,506,217 thousand) arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - GoP (MoF-GoP), as stated in note 14.2 to this condensed interim financial information. These exchange differences are to be settled in accordance with clarifications/instructions to be obtained by the Company from MoF - GoP.

| | Notes | Un-audited December 31, 2015 | Audited June 30, 2015 |
|-------------------------------------|-------------|------------------------------------|-----------------------------|
| | | ----- (Rupees in '000) ----- | |
| 14. Short-term borrowings | | | |
| Short-term finances | | | |
| - Local currency | 14.1 & 14.3 | 28,392,722 | 60,179,405 |
| - Foreign currency | 14.2 | 55,321,743 | - |
| | | 83,714,465 | 60,179,405 |
| Finances under mark-up arrangements | 14.1 & 14.4 | 21,109,038 | 41,896,109 |
| | | <u>104,823,503</u> | <u>102,075,514</u> |

14.1 The total outstanding balance is against the facilities aggregating Rs. 91,854,478 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.

14.2 These represent foreign currency (FE-25) borrowings of US\$ 527,628 thousand payable to various banks by the Company having maturity upto June 28, 2016 and carry mark-up at the rate upto LIBOR + 3% per annum. The Company has obtained these FE-25 facilities on directives of GoP communicated vide letter dated September 9, 2015 that it will bear additional foreign exchange losses suffered by the Company on these borrowings. These borrowings are secured against the trust receipts.

14.3 The rate of mark up for these facilities ranges from Re. 0.03 to Re. 0.18 (June 30, 2015: Re. 0.03 to Re. 0.22) per Rs. 1,000 per day.

14.4 The rate of mark up on these facilities ranges from Re. 0.19 to Re. 0.25 (June 30, 2015: 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.

15. Contingencies and commitments

15.1 Contingencies

15.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 16,762,548 thousand (June 30, 2015: Rs. 13,636,680 thousand) other than as mentioned in note 15.1.10 to this condensed interim financial information. This includes claim amounting to Rs. 9,398,851 thousand (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 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.

- 15.1.2 In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax to the value of petroleum products imported by the Company on behalf of the GoP by treating the Company as the importer of such products. Appellate Tribunal Inland Revenue (ATIR) cancelled the order of the assessing officer, and as a consequence of the order of the ATIR, an amount of Rs. 958,152 thousand became refundable to the Company, which was adjusted against the tax liability of the subsequent years. The department had filed an appeal with the High Court of Sindh against the aforesaid decision of the ATIR, which was adjudicated against the Company. The Company filed petition for leave to appeal with the Supreme Court of Pakistan (SCP) against the aforementioned decision, which was granted by SCP through its order dated March 7, 2007. The SCP also suspended the operation of the impugned judgment of the High Court of Sindh. Currently, the matter is under appeal with the SCP. The management maintains that the Company was merely acting as a handling agent on behalf of GoP, which was in fact the importer of the products. Hence, the ultimate liability, if any, is recoverable from GoP, for which the management is in communication with the MoP & NR. Based on the merits of the case and upon opinion of its legal advisor, the Company is confident that the ultimate outcome of the matter would be in its favour. Accordingly, no provision in this respect has been made in this condensed interim financial information.
- 15.1.3 The Company received demands for tax years 2004 to 2008, from the taxation authorities aggregating to Rs. 823,227 thousand in respect of tax short withheld on incentives paid to dealers. As per the taxation authorities, these payments were in the nature of prizes on sales promotion to dealers and hence subject to withholding of tax @ 20% under Section 156 of the Income Tax Ordinance (ITO), 2001. The Company maintains that such incentives to dealers attract tax @ 10% under Section 156A of the ITO, 2001. The Company was contesting the case at Appellate Tribunal Inland Revenue (ATIR) level which has been decided in favour of the Company during the period. The Company is evaluating the financial impact of the order and will reverse the provision, if required based on appeal effect order, as it is maintaining a provision of Rs. 501,234 thousand in this respect. In respect of balance remaining of tax demand over provision i.e. Rs. 321,993 thousand the Company has already recovered from the dealers Rs. 221,911 thousand (as at June 30, 2015: Rs. 220,410 thousand) and is in the process of recovering the balance amount of Rs. 100,082 thousand (June 30, 2015: Rs. 101,583 thousand).
- 15.1.4 The Assistant Commissioner Inland Revenue (ACIR) through his order dated June 29, 2013 made certain additions and disallowances in respect of tax year 2012 and raised tax demand of Rs. 2,293,495 thousand. The Company had filed an appeal thereagainst before the CIR (Appeals) which was decided against the Company during the period, against which the Company has filed an appeal before the ATIR. Based on the views of tax advisor of the Company, the management believes that the matters will

ultimately be decided in favour of the Company. Accordingly, no provision in this respect has been made in this condensed interim financial information.

- 15.1.5 ACIR through his order dated January 28, 2014 made certain additions and disallowances in respect of tax year 2013 and raised tax demand of Rs. 802,678 thousand. The Company had filed an appeal thereagainst before the CIR (Appeals) which was decided against the Company during the period, against which the Company has filed an appeal before the ATIR. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision in this respect has been made in this condensed interim financial information.
- 15.1.6 A sales tax order no. 01/2011 dated January 22, 2011 was issued by Assistant Commissioner (IR) - Enforcement and Collection Division against the Company in which a demand was raised in respect of input sales tax claimed amounting to Rs. 650,446 thousand. The demand also included default surcharge (to be calculated at the time of final payment) and penalty of Rs. 32,522 thousand at the rate of 5% of sales tax. The demand was created on the grounds that the Company failed to make payments to the supplier in respect of these purchases through banking channels within 180 days of the issuance of sales tax invoice as required under section 73(2) of the Sales Act, 1990. The Company is now contesting the case at ATIR which is pending for adjudication. Further, the Company also filed stay application before the High Court of Sindh against the said demand which has been allowed during the period on November 26, 2015. Based on the the decision of the High Court and views of tax and legal advisors of the Company, the management believes that the matter will ultimately be decided in favour of the Company. Accordingly, no provision in this respect has been made for the aforementioned demand in this interim condensed financial information.
- 15.1.7 A sales tax order No. 01/2012 dated January 16, 2013 was issued by DCIR (Adjudication), FBR in respect of delayed payment of sales tax due in sales tax return for March 2011. Under the said order, demand of Rs. 437,305 thousand was raised which comprised default surcharge of Rs. 82,265 thousand and penalty of Rs. 355,040 thousand on late payment. The Company filed an appeal against the said order before CIR (A) which was decided against the Company. The Company, accordingly, filed an appeal against the aforesaid order of CIR (A) before ATIR which vide its order dated September 13, 2013 upheld the imposition of default surcharge, however, vacated penalty imposed for de novo consideration by adjudicating authority. The matter of penalty was again decided against the Company by adjudicating officer and later on by CIR (A) vide its order dated September 29, 2015 against which the Company is in process of filing an appeal before the ATIR. Further, the Company has also filed an appeal before the High Court of Sindh against the order of ATIR, which is pending for hearing. Based on the views of tax and legal advisors of the Company, the management believes that the matters will ultimately be decided in favour of the Company. Accordingly, no provision in this respect has been made in this condensed interim financial information.
- 15.1.8 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 December 31, 2015, the management has deposited Rs. 229,989 thousand in cash and provided bank guarantee amounting to Rs. 229,989 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.

15.1.9 Other than as disclosed in notes 15.1.1 to 15.1.8 to this condensed interim financial information, there are no major changes in the status of tax, sales tax and other contingencies as disclosed in notes to the annual audited financial statements of the Company for the year ended June 30, 2015.

15.1.10 As at December 31, 2015 certain legal cases amounting to Rs. 3,384,019 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. Accordingly, no provision has been made in this condensed interim financial information.

| Un-audited December 31, 2015 | Audited June 30 2015 |
|------------------------------------|----------------------------|
|(Rupees in '000)..... | |

15.2 Commitments

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

| | | |
|---------------------------------|------------------|------------------|
| - Property, plant and equipment | 1,719,060 | 1,738,790 |
| - Intangibles | 14,443 | 16,073 |
| | <u>1,733,503</u> | <u>1,754,863</u> |

15.2.2 Letters of credit, bank guarantees and post dated cheques outstanding as at December 31, 2015 amounted to Rs. 13,394,870 thousand (June 30, 2015: Rs. 13,471,674 thousand).

16. Net Sales

| | Un-audited Half year ended December 31, 2015 | December 31, 2014 | Un-audited Quarter ended December 31, 2015 | December 31, 2014 |
|------------|---|----------------------|---|----------------------|
| Note | (Rupees in '000)..... | | | |

| | | | | | |
|--------------------------------------|------|----------------------|---------------------|---------------------|---------------------|
| Gross Sales | 16.1 | 463,369,850 | 604,569,106 | 227,094,404 | 259,986,715 |
| Less: | | | | | |
| - Sales tax | | (100,581,367) | (87,893,828) | (54,018,812) | (37,771,600) |
| - Inland freight equalization margin | | (8,823,585) | (8,387,872) | (4,384,477) | (4,362,537) |
| | | <u>(109,404,952)</u> | <u>(96,281,700)</u> | <u>(58,403,289)</u> | <u>(42,134,137)</u> |
| Net sales | | <u>353,964,898</u> | <u>508,287,406</u> | <u>168,691,115</u> | <u>217,852,578</u> |

16.1 Includes revenue against sale of LNG amounting to Rs. 34,467,245 thousand (December 31, 2014: Nil).

17. Other income

Includes Rs. 1,514,466 thousand (December 31, 2014: Rs. 3,013,977 thousand) representing delayed payment surcharge received from various customers and interest (net of amortization) of Rs. 2,287,212 thousand (December 31, 2014: Rs. 2,271,195 thousand) earned on Pakistan Investment Bonds (PIBs) during the period.

18. Other operating expenses

Includes reversal of provision for doubtful trade debts, foreign exchange loss (net), contribution to Workers' Profits Participation Fund and Workers' Welfare Fund amounting to Rs. 289,033 thousand (December 31, 2014: Rs. 1,135,412 thousand), Rs. 304,164 thousand (December 31, 2014: Rs. 482,346 thousand), Rs. 520,490 thousand (December 31, 2014: Rs. 302,418 thousand) and Rs. 281,725 thousand (December 31, 2014: Rs. 240,826 thousand), respectively.

19. Finance costs

Includes markup on short-term borrowings, late payments and bank charges amounting to Rs. 2,887,838 thousand (December 31, 2014: Rs. 5,338,930 thousand) and Rs. 713,333 thousand (December 31, 2014: Rs. 602,392 thousand), respectively.

20. Taxation

| | Un-audited Half year ended | | Un-audited Quarter ended | |
|---------------------|-------------------------------|----------------------|-----------------------------|----------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | (Rupees in '000) | | | |
| Current | | | | |
| - for the period | 4,680,282 | 3,774,657 | 2,204,986 | 409,895 |
| - for prior periods | (276,438) | (80,945) | (276,438) | (80,945) |
| Deferred | (1,133,140) | (2,448,205) | (524,037) | (1,682,477) |
| | <u>3,270,704</u> | <u>1,245,507</u> | <u>1,404,511</u> | <u>(1,353,527)</u> |
| | Un-audited Half year ended | | Un-audited Quarter ended | |
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| | (Rupees in '000) | | | |

21. Earnings per share**21.1 Basic**

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Profit/(Loss) for the period attributable to ordinary shareholders | <u>6,725,654</u> | <u>4,283,007</u> | <u>3,473,251</u> | <u>(960,162)</u> |
| Weighted average number of ordinary shares in issue during the period | <u>271,685,939</u> | <u>271,685,939</u> | <u>271,685,939</u> | <u>271,685,939</u> |
| Earnings/(Loss) per share (in Rupees) | <u>24.76</u> | <u>15.76</u> | <u>12.78</u> | <u>(3.53)</u> |

21.2 Diluted

There is no dilutive effect on the basic earnings per share of the Company, as there are no convertible potential ordinary shares in issue as at December 31, 2015.

| | Un-audited Half year ended | |
|------|-------------------------------|----------------------|
| | December 31, 2015 | December 31, 2014 |
| | (Rupees in '000) | |
| Note | | |

22. Cash generated from / (used in) operations

| | | |
|---|--------------------|---------------------|
| Profit before taxation | 9,996,358 | 5,528,514 |
| Adjustments for: | | |
| Depreciation | 494,061 | 495,286 |
| Amortisation of the cost of intangible assets | 13,515 | 12,599 |
| Write down of stock-in-trade to net realizable value | 508,932 | 2,854,919 |
| Markup / interest on investments - net of amortisation (Reversal of provision) / Provision against doubtful trade debts | (2,287,212) | (2,271,195) |
| Retirement and other services benefits accrued | (289,033) | 1,135,412 |
| Gain on disposal of operating assets | 883,430 | 629,498 |
| Share of profit from associates | (21,908) | (2,497) |
| Dividend income | (388,781) | (23,394) |
| Finance costs | (195,494) | (154,949) |
| | <u>3,601,171</u> | <u>5,941,323</u> |
| | <u>2,318,681</u> | <u>8,617,002</u> |
| Working capital changes | 22.1 | |
| | <u>(7,706,885)</u> | <u>(68,402,183)</u> |
| Cash generated from / (used in) operations | <u>4,608,154</u> | <u>(54,256,667)</u> |

22.1 Working capital changes

(Increase) / decrease in current assets:

| | | |
|---------------------------------------|-------------|--------------|
| - Stores, spare parts and loose tools | 10,981 | (3,524) |
| - Stock-in-trade | (1,090,180) | 10,487,597 |
| - Trade debts | 15,956,354 | (28,819,254) |
| - Loans and advances | 23,686 | 46,118 |
| - Deposits and short-term prepayments | 902,585 | 1,828,905 |
| - Mark-up / interest receivable | (41,435) | (27,623) |
| - Other receivables | (2,044,336) | 2,481,748 |

Decrease in current liabilities:

| | | |
|----------------------------|--------------------|---------------------|
| - Trade and other payables | (21,424,540) | (54,396,150) |
| | <u>(7,706,885)</u> | <u>(68,402,183)</u> |

23. Cash and cash equivalents

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

| | | Un-audited December 31, 2015 | Un-audited December 31, 2014 |
|------------------------------------|----|------------------------------------|------------------------------------|
| | | (Rupees in '000) | |
| Note | | | |
| Cash and bank balances | | <u>4,390,949</u> | <u>4,826,456</u> |
| Finance under mark-up arrangements | 14 | <u>(21,109,038)</u> | <u>(22,742,740)</u> |
| | | <u>(16,718,089)</u> | <u>(17,916,284)</u> |

24. Fair value of financial assets and liabilities

24.1 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.

24.2 Fair value estimation

There were no transfers during the period between fair value hierarchy level 1, 2 and 3, as disclosed in note 37.1 of the annual audited financial statements for the year ended June 30, 2015.

25. Transactions with related parties

25.1 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 this condensed interim financial information, are as follows:

| Name of the related party and relationship with the Company | Nature of transaction | Un-audited Half year ended | |
|---|--------------------------------|-------------------------------|----------------------|
| | | December 31, 2015 | December 31, 2014 |
| | | (Rupees in '000) | |
| Associates | | | |
| - Pakistan Refinery Limited | Purchases | 9,317,018 | 9,162,433 |
| | Other expenses | 185,467 | 44,973 |
| - Pak Grease Manufacturing Company (Private) Limited | Purchases | 16,931 | 39,676 |
| | Dividend received | 6,519 | 5,490 |
| - Asia Petroleum Limited | Facility charges income | 106,174 | 105,300 |
| | Dividend received | 138,176 | 345,439 |
| | Pipeline charges | 1,107,466 | 1,209,331 |
| Retirement benefit funds | | | |
| - Pension Funds | Contributions | 523,310 | 325,000 |
| - Gratuity Fund | Contributions | 162,539 | 145,000 |
| - Provident Funds | Contributions | 67,087 | 53,916 |
| Key management personnel | | | |
| | Managerial remuneration | 151,100 | 155,752 |
| | Contribution to provident fund | 3,651 | 3,805 |

25.2 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 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 Half year ended | |
|--|---|--|----------------------|
| | | December 31, 2015 (Rupees in '000) | December 31, 2014 |
| - Government of Pakistan | Income from PIBs | 2,287,212 | 2,271,195 |
| | Dividend paid | 244,223 | 244,142 |
| | Dividend adjusted against price differential claims | - | 81 |
| - Board of Management - Oil (BoM) | Contribution towards expenses of BoM | - | 4,600 |
| - Benazir Employees' Stock Option Scheme | Dividend paid | 28,890 | 29,716 |
| - Prime Minister Relief Fund for Internally Displaced Persons (IDPs) | Donation paid | - | 40,000 |
| - Pak Arab Pipeline Company Limited | Pipeline charges | 1,490,695 | 2,025,804 |
| | Dividend received | 195,494 | 154,949 |
| - Sui Northern Gas Pipelines Limited | Sales | 33,587,904 | - |
| - Water and Power Development Authority | Sales | 33,724,244 | 75,526,204 |
| | Utility charges | 46,675 | 69,970 |
| - Kot Addu Power Company Limited | Sales | 26,010,272 | 52,367,151 |
| | Other income | 123,000 | 2,000,000 |
| | Pipeline income | 74,833 | 52,444 |
| - Pakistan International Airlines Corporation Limited | Sales | 5,471,592 | 7,172,075 |
| | Purchases | 3,230 | 4,150 |
| | Other income | 630,000 | - |
| - Pak Arab Refinery Company Limited | Purchases | 48,710,279 | 69,351,015 |
| | Pipeline charges | 242,311 | 259,092 |
| | Other expenses | - | 271,857 |

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. 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 Limited.
- (v) The Company utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railway for movement of its petroleum products. The Company also uses pipeline of Pak Arab Refinery Company Limited (PARCO) and Pak Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.
- (vi) The Company obtains utility services from Civil Aviation Authority, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited and K-Electric Limited.
- (vii) The Company sells fuel, oil and other allied products to K-Electric Limited and receives pipeline income as per agreed terms and conditions.
- (viii) The Company also pays dividend to various government related entities who are shareholders of the Company.

25.3 The status of outstanding receivables and payables from / to related parties as at December 31, 2015 are included in respective notes to this condensed interim financial information.

25.4 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.

26. Operating segments

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

Sales from petroleum products represent 91.73% (December 31, 2014: 99.2%) of total revenue of the Company.

Total sales of the Company relating to customers in Pakistan were 99.5% during the half year ended December 31, 2015 (December 31, 2014: 97.6%).

All non-current assets of the Company as at December 31, 2015 and 2014 are located in Pakistan.

Sales to four major customers of the Company are around 28% during the half year ended December 31, 2015 (December 31, 2014: 31.4%).

27. Non-adjusting events after the balance sheet date

The Board of Management in their meeting held on February 15, 2016 has proposed an interim cash dividend of Rs. 5/- per share (December 31, 2014: Nil) for the year ending June 30, 2016, amounting to Rs. 1,358,430/= thousand (December 31, 2014: Nil). This condensed interim financial information do not reflect such appropriation and the proposed dividend payable.

28. 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 reclassification has been made during the period:

| Nature | Financial statements line item | | (Rupees in '000) |
|---------------------------------|-------------------------------------|-----------------------|------------------|
| | December 31, 2014 | December 31, 2015 | |
| Primary freight cost of Jet A-1 | Distribution and marketing expenses | Cost of products sold | 356,088 |

The effects of other reclassifications are not material.

29. Date of authorisation for issue

This condensed interim financial information were approved and authorised for issue on February 15, 2016 by the Board of Management.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management