



PROGRESSING TOWARDS PROSPERITY

Nine Months 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: taalug@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
Website: www.psopk.com

REPORT TO SHAREHOLDERS



The Board of Management (BoM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company for the nine months period from July to March of Financial Year 2016 (9MFY16) and is pleased to present its report thereon.

OPERATIONAL PERFORMANCE

During the period under review, PSO continued to hold its market leadership position in the industry, despite stiff market conditions with an overall Market share of 55% (9MFY15: 56%), whereas Market share of Black Oil products was 69% (9MFY15: 65%) and White Oil products was 46% (9MFY15: 49%) respectively.

A growth of 2.4% was witnessed in total liquid fuels sales volume over Same Period Last Year (SPLY), which was primarily driven by growth in sales volume of White Oil and Black Oil by 3.9% and 0.9% respectively. Major increase was witnessed in Motor Gasoline sales, which increased by 13.5% over SPLY amid lower local petroleum prices and increased motor vehicle population. PSO Black Oil sales volume increased by 0.9% despite 5.3% decrease in industry volumes, owing to increased availability of natural gas / R-LNG to power producers.

The period under review also marked major achievement for your Company, when pursuant to long-term LNG Sale Purchase Agreement (SPA) signed in February 2016 with Qatar Liquefied Gas Company Limited² (QG2), PSO received the first Q-Flex ship carrying approximately 3.4 million MMBTU of LNG from Qatar on March 1, 2016. LNG has proven to be a major game changer in the energy mix of Pakistan.

FINANCIAL PERFORMANCE

During the period under review, the Company has reported a Profit after Tax of Rs 4.6 billion (9MFY15: Rs 3.2 billion). The increase is mainly due to growth in sales volume and margins of White Oil products revised in November 1, 2014 and reduction in Operating and Finance cost by 10% and 42% respectively. However, the said increase was partially offset by decrease in Black Oil margins due to reduced price impact of black oil.

The Company's profitability was also adversely affected by significant inventory losses due to dip in Oil price and the need to maintain inventory levels as a responsible company to prevent dry out situation in the country. The Regulators need to ensure that OMCs supply product as per their market share on a consistent basis throughout the month.

The outstanding receivables of Rs 224 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) will be a challenge as international oil price increases. The Management continues to work closely with Ministry of Water & Power and PIA for timely realization of due payments against uninterrupted fuel supplies to support the power sector and airline operations.

CSR INITIATIVES

Social responsibility and community engagement are at the core of PSO's vision and mission. PSO will continue contributing to the health and welfare of the society by operating its program transparently and ethically. As part of climate change initiative of GoP, PSO is facilitating Ministry of Petroleum & Natural Resources (MoP&NR) in introducing better quality fuels in the Country.

The supply chain infrastructure of the country requires augmentation and PSO is defining its plans which will require support of Ministry of Defence, MoP&NR and GoP for execution. In addition, reviews are being made to revive the lubricant business.

The Board of Management express sincere gratitude to all the stakeholders for their continued patronage and cooperation which has always been instrumental in driving the business performance forward. The Board also acknowledges the dedicated contributions and relentless efforts put in by the employees at all levels to ensure that the Company continues to grow and excel. They also thanked the Government of Pakistan whose unwavering support and confidence enabled the company to aim and achieve the best.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management

Karachi: April 29, 2016

CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2016

| | Notes | Un-Audited March 31, 2016(Rupees in '000)..... | Audited June 30, 2015 |
|---|-------|---|-----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 6,491,248 | 6,333,296 |
| Intangibles | 6 | 38,253 | 54,342 |
| Long-term investments | 7 | 50,507,536 | 50,680,952 |
| Long-term loans, advances and receivables | | 341,819 | 322,509 |
| Long-term deposits and prepayments | | 149,713 | 156,110 |
| Deferred tax | 8 | 10,098,089 | 8,011,313 |
| | | <u>67,626,658</u> | <u>65,558,522</u> |
| Current assets | | | |
| Stores, spare parts and loose tools | | 205,522 | 207,693 |
| Stock-in-trade | 9 | 44,387,719 | 58,492,301 |
| Trade debts | 10 | 172,662,814 | 180,778,298 |
| Loans and advances | 11 | 2,091,257 | 2,135,165 |
| Deposits and short-term prepayments | 12 | 775,847 | 1,903,360 |
| Markup / interest receivable on investments | | 994,435 | 2,237,478 |
| Other receivables | 13 | 17,289,178 | 19,550,181 |
| Taxation - net | | 8,470,471 | 8,132,351 |
| Cash and bank balances | | 3,048,077 | 2,311,884 |
| | | <u>249,925,320</u> | <u>275,748,711</u> |
| Net assets in Bangladesh | | - | - |
| TOTAL ASSETS | | <u><u>317,551,978</u></u> | <u><u>341,307,233</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 2,716,860 | 2,716,860 |
| Reserves | | 81,587,695 | 79,593,436 |
| | | <u>84,304,555</u> | <u>82,310,296</u> |
| Non-current liabilities | | | |
| Retirement and other service benefits | | 8,795,975 | 8,320,764 |
| Current liabilities | | | |
| Trade and other payables | 14 | 122,931,244 | 147,045,253 |
| Provisions | | 688,512 | 688,512 |
| Accrued interest / mark-up | | 641,931 | 866,894 |
| Short-term borrowings | 15 | 100,189,761 | 102,075,514 |
| | | <u>224,451,448</u> | <u>250,676,173</u> |
| Contingencies and commitments | 16 | | |
| TOTAL EQUITY AND LIABILITIES | | <u><u>317,551,978</u></u> | <u><u>341,307,233</u></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 NINE MONTHS PERIOD ENDED MARCH 31, 2016

| | Notes | Nine months ended March 31, 2016(Rupees in '000)..... | | Quarter ended March 31, 2016(Rupees in '000)..... | |
|--|-------|--|-------------------------|--|---------------------------|
| | | March 31, 2016 | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| Net sales | 17 | 488,587,191 | 682,217,229 | 134,622,293 | 173,929,823 |
| Cost of products sold | | (475,084,414) | (668,578,302) | (135,142,716) | (172,443,041) |
| Gross profit | | <u>13,502,777</u> | <u>13,638,927</u> | <u>(520,423)</u> | <u>1,486,782</u> |
| Other income | 18 | 6,927,956 | 9,311,687 | 1,623,899 | 2,590,149 |
| Operating costs | | | | | |
| Distribution and marketing expenses | | (6,400,060) | (6,180,455) | (2,147,259) | (2,060,439) |
| Administrative expenses | | (1,749,958) | (1,623,925) | (634,088) | (588,149) |
| Other operating expenses | 19 | (1,147,948) | (2,576,853) | (398,110) | (305,405) |
| | | <u>(9,297,966)</u> | <u>(10,381,233)</u> | <u>(3,179,457)</u> | <u>(2,953,993)</u> |
| Profit from operations | | <u>11,132,767</u> | <u>12,569,381</u> | <u>(2,075,981)</u> | <u>1,122,938</u> |
| Finance costs | 20 | (5,015,061) | (8,682,698) | (1,413,890) | (2,741,375) |
| | | <u>6,117,706</u> | <u>3,886,683</u> | <u>(3,489,871)</u> | <u>(1,618,437)</u> |
| Share of profit/(Loss) from associates - net of tax | | 613,414 | 1,408 | 224,633 | (21,986) |
| Profit / (Loss) before taxation | | <u>6,731,120</u> | <u>3,888,091</u> | <u>(3,265,238)</u> | <u>(1,640,423)</u> |
| Taxation | 21 | (2,137,292) | (645,773) | 1,133,412 | 599,734 |
| Profit / (Loss) for the period | | <u><u>4,593,828</u></u> | <u><u>3,242,318</u></u> | <u><u>(2,131,826)</u></u> | <u><u>(1,040,689)</u></u> |
| Earnings / (Loss) per share - basic and diluted | | | | | |
| | 22 | <u><u>16.91</u></u> | <u><u>11.93</u></u> | <u><u>(7.85)</u></u> | <u><u>(3.83)</u></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 NINE MONTHS PERIOD ENDED MARCH 31, 2016

| | Nine months ended | | Quarter ended | |
|--|-------------------|-------------------|--------------------|-------------------|
| | March 31, 2016 | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| | (Rupees in '000) | | (Rupees in '000) | |
| Profit / (Loss) for the period | 4,593,828 | 3,242,318 | (2,131,826) | (1,040,689) |
| Other Comprehensive Income: | | | | |
| Effect of change in tax rate applied to previously recognised actuarial losses on rereasurement of retirement and other service benefits | - | 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 | (454) | (2,261) | 136 | (4,419) |
| Unrealized (loss) / gain due to change in fair value available for sale investments | (258,439) | 4,275,927 | (140,957) | 1,456,024 |
| Less: Taxation thereon | 104,498 | (1,449,037) | 43,696 | (509,624) |
| | (153,941) | 2,826,890 | (97,261) | 946,400 |
| Total comprehensive income for the period | 4,439,433 | 6,078,286 | (2,228,951) | (98,708) |

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 NINE MONTHS PERIOD ENDED MARCH 31, 2016

| | Share capital | Capital Reserves | Reserves | | | | | Total |
|--|------------------|----------------------------------|---|---|-------------------|-----------------------|-------------------|-------------------|
| | | Surplus on vesting of net assets | Unrealised (loss)/gain on rereasurement 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 nine months period | | | | | | | | |
| Profit for the nine months period ended March 31, 2015 | - | - | - | - | - | 3,242,318 | 3,242,318 | 3,242,318 |
| Other comprehensive income | | | | | | | | |
| Unrealised gain due to change in fair value of long-term available-for-sale investments - net of tax | - | - | 2,826,890 | - | - | - | 2,826,890 | 2,826,890 |
| Share of unrealised gain due to change in fair value of available-for-sale investments of associates | - | - | - | (2,261) | - | - | (2,261) | (2,261) |
| Effect of change in tax rate applied to previously recognised actuarial losses | - | - | - | - | - | 11,339 | 11,339 | 11,339 |
| | - | - | 2,826,890 | (2,261) | - | 11,339 | 2,835,968 | 2,835,968 |
| 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 March 31, 2015 (Un-audited) | 2,716,860 | 3,373 | 1,233,910 | 4,822 | 25,282,373 | 54,371,361 | 80,895,839 | 83,612,699 |
| 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 nine months period | | | | | | | | |
| Profit for the nine months period ended March 31, 2016 | - | - | - | - | - | 4,593,828 | 4,593,828 | 4,593,828 |
| Other comprehensive income | | | | | | | | |
| Unrealised loss due to change in fair value of long-term available-for-sale investments-net of tax | - | - | (153,941) | - | - | - | (153,941) | (153,941) |
| Share of unrealised loss due to change in fair value of available-for-sale investments of associates | - | - | - | (454) | - | - | (454) | (454) |
| | - | - | (153,941) | (454) | - | - | (154,395) | (154,395) |
| 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) |
| First Interim dividend for the year ending June 30, 2016 @ Rs.5 per share | - | - | - | - | - | (1,358,430) | (1,358,430) | (1,358,430) |
| Balance as at March 31, 2016 (Un-audited) | 2,716,860 | 3,373 | 1,504,079 | 112 | 25,282,373 | 54,797,758 | 81,587,695 | 84,304,555 |

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 NINE MONTHS PERIOD ENDED MARCH 31, 2016

| | | Nine Months period Ended | |
|--|----|--------------------------|-------------------|
| | | March 31, 2016 | March 31, 2015 |
| Notes | | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from / (used in) operations | 23 | 10,705,970 | (1,396,427) |
| (Increase) / decrease in long term loans, advances and receivables | | (19,310) | 131 |
| Decrease / (Increase) in long term deposits and prepayments | | 6,397 | (26,713) |
| Taxes paid | | (4,457,690) | (6,490,272) |
| Finance costs paid | | (4,425,426) | (8,030,127) |
| Retirement and other service benefits paid | | (849,934) | (536,046) |
| Net cash generated from/(used in) operating activities | | 960,007 | (16,479,454) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of | | | |
| -property, plant and equipment | | (912,932) | (551,245) |
| -intangibles | | (3,948) | (32,842) |
| Proceeds from disposal of operating assets | | 33,914 | 6,268 |
| Investment in associate | | - | (115,674) |
| Interest income from Pakistan Investment Bonds | | 3,777,471 | 3,770,566 |
| Dividends received | | 342,247 | 507,936 |
| Net cash generated from investing activities | | 3,236,752 | 3,585,009 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Short term finances obtained/(repaid) - net | | 19,428,153 | (9,110,187) |
| Dividends paid | | (1,574,813) | (959,827) |
| Net cash generated from/(used in) financing activities | | 17,853,340 | (10,070,014) |
| Net increase / (decrease) in cash and cash equivalents | | 22,050,099 | (22,964,459) |
| Cash and cash equivalents at beginning of the period | | (39,584,225) | 9,119,088 |
| Cash and cash equivalents at end of the period | 24 | (17,534,126) | (13,845,371) |

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 NINE MONTHS PERIOD ENDED MARCH 31, 2016

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 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 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.

- 3.3 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) | |
|----------------------------------|-------------------------------------|-------------------|---|-------------------|
| | March 31, 2016 | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| | (Rupees in '000) | | | |
| Buildings on freehold land | 148,599 | 9,631 | - | - |
| Buildings on leasehold land | 92,033 | 36,151 | 131 | - |
| Freehold land | 21,047 | - | - | - |
| Tanks and pipelines | 295,705 | 33,411 | - | 763 |
| Service and filling stations | 502,077 | 227,514 | 261 | 173 |
| Plant and machinery | 451,911 | 101,659 | 69 | 256 |
| Furniture and fittings | 19,456 | 34,449 | 187 | 12 |
| Vehicles and other rolling stock | 26,326 | 24,004 | 5,318 | - |
| Office equipment | 54,567 | 16,240 | 4 | 6 |
| Gas cylinders / regulators | 2,553 | 3,733 | 1,377 | - |
| | <u>1,614,274</u> | <u>486,792</u> | <u>7,347</u> | <u>1,210</u> |

- 5.2 The above disposals represented assets costing Rs. 81,214 thousand (March 31, 2015: Rs. 62,639 thousand) and were disposed off for Rs. 33,914 thousand (March 31, 2015: Rs. 6,268 thousand).

6. Intangibles

Additions made during the period amounted to Rs. 3,948 thousand (March 31, 2015: Rs. 32,842 thousand).

7. Long-term investments

This includes investments in Pakistan Investment Bonds (PIBs) carried at fair value of Rs. 46,670,718 thousand (June 30, 2015: 47,310,340 thousand). As at March 31, 2016, these PIBs have been collateralised with various banks against borrowings facilities obtained by the Company as disclosed in note 15.1 to this condensed interim financial information.

8. Deferred tax

Deductible temporary differences in respect of:

| | Un-audited March 31, 2016 | Audited June 30, 2015 |
|---|---------------------------------|-----------------------------|
| | (Rupees in '000) | |
| Provision for: | | |
| - retirement and other service benefits | 932,720 | 856,089 |
| - doubtful trade debts | 1,402,650 | 1,448,177 |
| - doubtful other receivables | 548,696 | 496,159 |
| - impairment of stores and spare parts | 11,129 | 11,488 |
| - excise, taxes and other duties | 22,578 | 23,306 |
| - impairment of stock-in-trade | 6,651 | 6,866 |
| - tax amortisation | 1,147 | 707 |
| Liabilities offered for taxation | 8,234,308 | 6,311,478 |
| Others | 2,511 | 2,606 |
| | <u>11,162,390</u> | <u>9,156,876</u> |

Taxable temporary differences in respect of:

| | | |
|---|--------------------|--------------------|
| Accelerated tax depreciation | (318,166) | (332,876) |
| Investments in associates accounted for using equity method | (70,409) | (32,463) |
| Unrealised gain due to change in fair value of long-term available for sale investments | (675,726) | (780,224) |
| | <u>(1,064,301)</u> | <u>(1,145,563)</u> |
| | <u>10,098,089</u> | <u>8,011,313</u> |

The net change of Rs. 2,086,776 thousand (March 31, 2015: Rs. 1,894,084 thousand) in the deferred tax asset balance for the period has been recognised as follows:

| | Un-audited March 31, 2016 | Un-audited March 31, 2016 |
|------------------------------|---------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| - Profit and loss account | 1,982,278 | 3,331,782 |
| - Other comprehensive income | 104,498 | (1,437,698) |
| | <u>2,086,776</u> | <u>1,894,084</u> |

9. Stock-in-trade

In view of increasing prices of oil products, the Company has not recognised any write-down of inventory to net realisable value as at March 31, 2016 (June 30, 2015: Rs. 9,008 thousand).

| | Notes | Un-audited March 31, 2016 | Audited June 30, 2015 |
|--|-------|---------------------------------|-----------------------------|
| | | ----- (Rupees in '000) ----- | |

10. Trade debts

Considered good

Due from Government agencies and autonomous bodies

| | | | |
|-------------|-------------|--------------------|--------------------|
| - Secured | 10.1 | 35,012 | 29,403 |
| - Unsecured | 10.2 & 10.3 | 125,569,067 | 126,899,094 |
| | | <u>125,604,079</u> | <u>126,928,497</u> |

Due from other customers

| | | | |
|-------------|-------------|--------------------|--------------------|
| - Secured | 10.1 | 861,565 | 748,052 |
| - Unsecured | 10.2 & 10.3 | 46,197,170 | 53,101,749 |
| | | <u>47,058,735</u> | <u>53,849,801</u> |
| | | <u>172,662,814</u> | <u>180,778,298</u> |

Considered doubtful

| | | | |
|--------------------------------|-------------------|--------------------|--------------------|
| Trade debts - gross | | 4,524,677 | 4,525,553 |
| Less: Provision for impairment | 10.2, 10.3 & 10.4 | (4,524,677) | (4,525,553) |
| Trade debts - net | | <u>172,662,814</u> | <u>180,778,298</u> |

- 10.1 These debts are secured by way of bank guarantees and security deposits.
- 10.2 Includes Rs. 127,494,597 thousand (June 30, 2015: Rs. 139,412,810 thousand) due from related parties, against which provision for impairment of Rs. 2,456,616 thousand (June 30, 2015: Rs. 2,493,622 thousand) has been recognised.
- 10.3 Included in trade debts is an aggregate amount of Rs. 141,654,638 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 March 31, 2016. These include overdue debts of Rs. 98,587,986 thousand (June 30, 2015: Rs. 93,466,658 thousand), Rs. 36,391,716 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. 68,340,119 thousand (June 30, 2015: Rs. 41,234,990 thousand) and Rs. 29,597,036 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 March 31, 2016 of Rs. 97,326,611 thousand (against which subsequent receipts of Rs. 400,000 thousand from WAPDA and Rs. 150,000 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 March 31, 2016 against the remaining trade debts aggregating Rs. 8,371,001 thousand (June 30, 2015: Rs. 9,554,856 thousand), which were past due, the Company carries a provision of Rs. 3,914,133 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 March 31, 2016 | 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 | 69,129 | 2,053,837 |
| Less: Reversal due to recoveries during the period / year | (70,005) | (402,310) |
| | <u>(876)</u> | <u>1,651,527</u> |
| Balance at the end of the period / year | <u>4,524,677</u> | <u>4,525,553</u> |

11. Loans and Advances

Includes advance paid against purchase of 84 million right shares of PRL issued to Shell Petroleum Company Limited (Shell), in the ratio of eight shares for every one share held, at the rate of Rs. 20 per share. This is equivalent to 26.66% shareholding in PRL. These shares have been purchased in accordance with the Share Purchase Agreement (SPA) dated June 16, 2015 entered into between the Company and Shell. In accordance with SPA, the Company paid Rs. 840,000 thousand to PRL on June 16, 2015 to subscribe right shares at the face value of Rs.10 per share and deposited the remaining Rs. 840,000 thousand in the 'Escrow Account' maintained with Standard Chartered Bank (Pakistan) Limited.

Currently, these 84 million shares have been placed in Escrow Account in accordance with the terms of SPA. During the period, the Competition Commission of Pakistan (CCP), vide its Order dated March 1, 2016, provided unconditional approval for the acquisition of 63 million shares. However, the acquisition of 21 million shares (out of the 84 million shares) has been subjected to the final decision of the Honourable High Court of Sindh. Furthermore, it has been stated in the said Order that whether the intended acquisition itself materialises and is successfully concluded will be conditional upon a final determination of factual controversies pending before the Honourable High Court of Sindh, and that the merging parties have been directed to intimate the CCP immediately upon a final disposal of the pending litigation. It has been further mentioned in the order that the completion of transaction whether in respect of 63 million shares or the entire 84 million shares would not lessen competition in any relevant market and would not otherwise be anti-competitive.

12. Deposits and short-term prepayments

Includes deposits against 'Custom duty and development surcharge' amounting to Rs. 550,578 thousand (June 30, 2015: Rs. 1,691,777 thousand).

13. Other receivables

| | Un-audited March 31, 2016 | 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> |

- 13.1 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:

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. Includes receivable of Rs. 16,487 thousand (June 30, 2015: Rs. 30,881 thousand) on account of facility charges due from Asia Petroleum Limited (a related party).

14. Trade and other payables

Includes payable in respect of purchase of oil and Liquefied Natural Gas (LNG) from local and foreign suppliers aggregating to Rs. 56,120,179 thousand (June 30, 2015: Rs. 81,785,717 thousand).

Includes Rs. 29,788,968 thousand (June 30, 2015 : Rs. 25,406,353 thousand) due to various related parties.

Includes favourable exchange differences of Rs. 2,478,814 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 15.2 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.

| | | Un-audited March 31, 2016 | Audited June 30, 2015 |
|-------------------------------------|-------------|---------------------------------|-----------------------------|
| | Notes |(Rupees in '000)..... | |
| Short-term finances | | | |
| - Local currency | 15.1 & 15.3 | 22,858,237 | 60,179,405 |
| - Foreign currency | 15.2 | 56,749,321 | - |
| | | 79,607,558 | 60,179,405 |
| Finances under mark-up arrangements | 15.1 & 15.4 | 20,582,203 | 41,896,109 |
| | | <u>100,189,761</u> | <u>102,075,514</u> |

- 15.1 The total outstanding balance is against the facilities aggregating Rs. 80,241,903 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.
- 15.2 These represent foreign currency (FE-25) borrowings of US\$ 541,469 thousand payable to various banks by the Company having maturity upto September 05, 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.
- 15.3 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.
- 15.4 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.

16. Contingencies and commitments

16.1 Contingencies

- 16.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 16,759,947 thousand (June 30, 2015: Rs. 13,636,680 thousand) other than as mentioned in note 16.1.11 to this condensed interim financial information. This includes claim amounting to Rs. 9,396,262 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.
- 16.1.2 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.
- 16.1.3 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. 223,635 thousand (as at June 30, 2015: Rs. 220,410 thousand) and is in the process of recovering the balance amount of Rs.98,358 thousand (June 30, 2015: Rs. 101,583 thousand).

- 16.1.4 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.
- 16.1.5 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.
- 16.1.6 ACIR through his order dated March 22, 2016 made certain additions and disallowances in respect of tax year 2015 and raised tax demand of Rs. 1,531,437 thousand. The Company is in the process of filing an appeal against that order before the CIR (Appeals). Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in this condensed interim financial information.
- 16.1.7 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 Tax 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 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.

16.1.8 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 has filed an appeal before the ATIR on February 18, 2016. Further, the Company has also filed an appeal before the High Court of Sindh against the first 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.

16.1.9 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 March 31, 2016, the management has deposited Rs. 231,847 thousand in cash and provided bank guarantee amounting to Rs. 231,847 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.

16.1.10 Other than as disclosed in notes 16.1.1 to 16.1.9 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.

16.1.11 As at March 31, 2016 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.

16.2 Commitments

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

| | Un-audited March 31, 2016 | Audited June 30, 2015 |
|---------------------------------|---------------------------------|-----------------------------|
| | (Rupees in '000) | |
| - Property, plant and equipment | 1,711,552 | 1,738,790 |
| - Intangibles | 21,850 | 16,073 |
| | <u>1,733,402</u> | <u>1,754,863</u> |

16.2.2 Letters of credit, bank guarantees and post dated cheques outstanding as at March 31, 2016 amounted to Rs. 20,131,278 thousand (June 30, 2015: Rs. 13,471,674 thousand).

| | Un-audited Nine months ended | | Un-audited Quarter ended | |
|--------------------------------------|---------------------------------|----------------------|-----------------------------|---------------------|
| | March 31, 2016 | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| | (Rupees in '000) | | | |
| Gross Sales | 650,747,922 | 823,694,519 | 187,378,072 | 219,125,413 |
| Less: | | | | |
| - Sales tax | (149,760,254) | (128,827,125) | (49,178,887) | (40,933,297) |
| - Inland freight equalization margin | (12,400,477) | (12,650,165) | (3,576,892) | (4,262,293) |
| | <u>(162,160,731)</u> | <u>(141,477,290)</u> | <u>(52,755,779)</u> | <u>(45,195,590)</u> |
| Net sales | <u>488,587,191</u> | <u>682,217,229</u> | <u>134,622,293</u> | <u>173,929,823</u> |

17.1 Includes revenue against sale of LNG amounting to Rs. 52,412,031 thousand (March 31, 2015: 4,253,187 thousand).

18. Other income

Includes Rs. 1,593,038 thousand (March 31, 2015: Rs. 3,908,564 thousand) representing delayed payment surcharge received from various customers and interest (net of amortization) of Rs. 3,396,289 thousand (March 31, 2015: Rs. 3,386,075 thousand) earned on Pakistan Investment Bonds (PIBs) during the period.

19. Other operating expenses

Includes reversal of provision for doubtful trade debts, provision for other receivables, foreign exchange loss (net), contribution to Workers' Profits Participation Fund and Workers' Welfare Fund amounting to Rs. 876 thousand (March 31, 2015: Rs. 1,363,294 thousand), Rs. 219,491 thousand (March 31, 2015: Rs. 110,446 thousand), Rs.336,986 thousand (March 31, 2015: Rs. 625,082 thousand) Rs.335,500 thousand (March 31, 2015: Rs. 218,210 thousand) and Rs. 256,847 thousand (March 31, 2015: Rs259,303 thousand) respectively.

20. Finance costs

Includes markup on short-term borrowings, late payments and bank charges amounting to Rs. 4,883,419 thousand (March 31, 2015: 8,533,879 thousand) and Rs. 131,642 thousand (March 31, 2015: 148,819 thousand), respectively.

| | Un-audited Nine Months period ended | | Un-audited Quarter ended | |
|---------------------|--|-------------------|-----------------------------|-------------------|
| | March 31, 2016 | March 31, 2015 | March 31, 2016 | March 31, 2015 |
| | (Rupees in '000) | | | |
| 21. Taxation | | | | |
| Current | | | | |
| - for the period | 4,396,022 | 4,058,500 | (284,260) | 283,843 |
| - for prior periods | (276,452) | (80,945) | - | - |
| Deferred | (1,982,278) | (3,331,782) | (849,152) | (883,577) |
| | <u>2,137,292</u> | <u>645,773</u> | <u>(1,133,412)</u> | <u>(599,734)</u> |

22. Earnings per share**22.1 Basic**

Profit/(Loss) for the period attributable to ordinary shareholders

| | | | | |
|--|------------------|------------------|--------------------|--------------------|
| | <u>4,593,828</u> | <u>3,242,318</u> | <u>(2,131,826)</u> | <u>(1,040,689)</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>16.91</u> | <u>11.93</u> | <u>(7.85)</u> | <u>(3.83)</u> |
|--|--------------|--------------|---------------|---------------|

22.2 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 March 31, 2016.

| | Note | Un-audited March 31, 2016 | Un-audited March 31, 2015 |
|--|------|---------------------------------|---------------------------------|
| 23. Cash generated from operations | | | |
| Profit before taxation | | 6,731,120 | 3,888,091 |
| Adjustments for: | | | |
| Depreciation | | 747,635 | 731,718 |
| Amortisation of the cost of intangible assets | | 20,035 | 21,153 |
| Markup/interest on investments-net of amortisation | | (3,396,289) | (3,386,075) |
| (Reversal of provision)/provision against doubtful trade debts | | (876) | 1,363,294 |
| Provision against other receivables | | 219,491 | 110,446 |
| Retirement and other services benefits accrued | | 1,325,145 | 944,247 |
| Gain on disposal of operating assets | | (26,567) | (5,058) |
| Share of profit from associates | | (195,494) | (1,408) |
| Dividend income | | (613,414) | (154,949) |
| Finance costs | | 5,015,061 | 8,682,698 |
| | | <u>3,094,727</u> | <u>8,306,066</u> |
| Working capital changes | 23.1 | 880,123 | (13,590,584) |
| Cash generated from operations | | <u>10,705,970</u> | <u>(1,396,427)</u> |

23.1 Working capital changes

Decrease / (Increase) in current assets:

| | | |
|---------------------------------------|----------------|---------------------|
| - Stores, spare parts and loose tools | 2,171 | (6,476) |
| - Stock-in-trade | 14,104,582 | 28,205,917 |
| - Trade debts | 8,116,360 | 10,019,735 |
| - Loans and advances | 43,908 | 86,608 |
| - Deposits and short-term prepayments | 1,127,513 | 1,577,385 |
| - Mark-up / Interest receivable | 1,243,043 | 1,270,667 |
| - Other receivables | 2,041,512 | 5,597,562 |
| Decrease in current liabilities: | | |
| - Trade and other payables | (25,798,966) | (60,341,982) |
| | <u>880,123</u> | <u>(13,590,584)</u> |

24. Cash and cash equivalents

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

| | Note | Un-audited March 31, 2016 | Audited June 30, 2015 |
|------------------------------------|------|---------------------------------|-----------------------------|
| Cash and bank balances | | 3,048,077 | 2,602,979 |
| Finance under mark-up arrangements | 15 | (20,582,203) | (16,448,350) |
| | | <u>(17,534,126)</u> | <u>(13,845,371)</u> |

25. Fair value of financial assets and liabilities

25.1 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.

25.2 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 .

26. Transactions with related parties

26.1 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 Nine months ended | |
|---|--------------------------------|---------------------------------|-------------------|
| | | March 31, 2016 | March 31, 2015 |
| | | ----- (Rupees in '000) ----- | |
| Associates | | | |
| - Pakistan Refinery Limited | Purchases | 11,988,954 | 13,730,223 |
| | Other expenses | 248,636 | 123,395 |
| - Pak Grease Manufacturing Company (Private) Limited | Purchases | 19,809 | 61,657 |
| | Dividend received | 8,320 | 7,548 |
| - Asia Petroleum Limited | Facility charges income | 142,612 | 154,417 |
| | Dividend received | 138,176 | 345,439 |
| | Pipeline charges | 1,489,834 | 1,621,383 |
| Retirement benefit funds | | | |
| - Pension Funds | Contributions | 474,035 | 325,000 |
| - Gratuity Fund | Contributions | 262,539 | 145,000 |
| - Provident Funds | Contributions | 101,262 | 80,594 |
| Key management personnel | | | |
| | Managerial remuneration | 220,081 | 184,706 |
| | Contribution to provident fund | 5,643 | 5,392 |

- 26.2 Related parties by virtue of common directorship and GoP holdings "The Federal Government of Pakistan directly holds 25.51% (including shares under PSOCL Employee Empowerment Trust) of the Company's issued share capital and is entitled to appoint members of the Board 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 Nine months ended | |
|--|---|---------------------------------|-------------------|
| | | March 31, 2016 | March 31, 2015 |
| | | (Rupees in '000) | |
| - Government of Pakistan | Income from PIBs | 3,396,289 | 3,386,075 |
| | Dividend paid | 244,223 | 244,142 |
| | Dividend adjusted against price differential claims | - | 81 |
| - Board of Management - Oil (BoM) | Contribution towards expenses of BoM | 2,190 | 5,400 |
| - 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 | 2,197,002 | 2,467,870 |
| | Dividend received | 195,494 | 154,949 |
| - Sui Northern Gas Pipelines Limited | Sales | 49,520,866 | - |
| - Water and Power Development Authority | Sales | 55,141,981 | 93,040,375 |
| | Utility charges | 75,538 | 99,610 |
| - Kot Addu Power Company Limited | Sales | 34,252,147 | 67,871,741 |
| | Other income | 123,000 | 2,500,000 |
| | Pipeline income | 106,648 | 83,019 |
| - Pakistan International Airlines Corporation Limited | Sales | 7,678,766 | 9,951,938 |
| | Purchases | 4,239 | 10,740 |
| | Other income | 630,000 | - |
| - Pak Arab Refinery Company Limited | Purchases | 57,072,221 | 110,031,013 |
| | Pipeline charges | 359,799 | 365,034 |
| | Other expenses | - | 243,197 |

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

- The Company sells petroleum products to various government bodies in the normal course of its business and has banking relationship with institutions controlled by GoP. OGRA is the regulatory authority of the Company.
- 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.
- 26.3 The status of outstanding receivables and payables from / to related parties as at March 31, 2016 are included in respective notes to this condensed interim financial information.
- 26.4 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.

27. Operating segments

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

Sales from petroleum products represent 91.81% (March 31, 2015: 99.3%) of total revenue of the Company.

Total sales of the Company relating to customers in Pakistan were 99.59% during the nine months period ended March 31, 2016 (March 31, 2015: 99.83%).

All non-current assets of the Company as at March 31, 2016 and 2015 are located in Pakistan.

Sales to four major customers of the Company are around 28.44% during the nine months period ended March 31, 2016 (March 31, 2015: 30%).

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)---- |
|---------------------------------|-------------------------------------|-----------------------|--------------------------|
| | March 31, 2015 | March 31, 2016 | |
| Primary freight cost of Jet A-1 | Distribution and marketing expenses | Cost of products sold | 513,491 |

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 April 29, 2016 by the Board of Management.

Sheikh Imran ul Haque
Managing Director & CEO

Musadik Malik
Member-Board of Management