

ENERGIZING PAKISTAN'S FUTURE



Pakistan State Oil

Pakistan State Oil Company Limited
PSO House, Khayaban-e-Iqbal, Clifton
Karachi-75600, Pakistan. UAN: (92-21) 111-111-PSO (776)
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Report for the First Quarter Ended
September 30, 2016



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

EY Ford Rhodes
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.
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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 first quarter (1Q) of the Financial Year 2016-17 (FY17) and is pleased to present its report thereon.

During the period under review, PSO maintained its market leadership position with an overall market share (liquid fuels) of 56.5% (1QFY16: 56.9%). Market share of 75.2% (1QFY16: 71.1%) in Black Oil and 42.7% (1QFY16: 47.2%) in White Oil was witnessed during the period under review. Measures are being taken to improve the White Oil market share.

PSO's Profit After Tax (PAT) was Rs. 4.4 billion which is 35% higher than PAT of Rs. 3.3 billion for 1QFY2016. The increase in PAT was due to growth of 17% witnessed in the liquid fuel sales (White oil and Black oil) over the Same Period Last Year (SPLY). There was an increase of 2.9% in White oil sales and 31% in Furnace oil sales over SPLY. Gaseous Fuels business has shown improvement with increase in sales volume of LPG by 134% and LNG by 107% over SPLY.

Moreover, an increase in inventory gains along with decrease in finance cost by 32% on account of decline in markup rates and an increase in FE-25 borrowings also contributed to increase in PAT. However, the said increase was partially offset by decrease in black oil margins due to reduced price of black oil and nil LPS income from IPPs/PIA vs. Rs. 0.75 billion during SPLY. PSO continues to maintain inventory levels to keep the wheels of the country moving, hence is exposed to inventory gain/loss. The Regulator needs to ensure that OMCs supply product on a

consistent basis throughout the month and not retain volume during the price increase scenario.

The recovery of the outstanding receivables of Rs. 249 billion (June 30, 2016: Rs. 233 billion) from the power sector, PIA and SNGPL against supplies of FO, Aviation Fuels and LNG remains a challenge in the wake of increasing international oil price. However, the Management continues to work closely with the Ministry of Water & Power and PIA for timely realisation of due payments against uninterrupted fuel supply by PSO to support the power sector and continued airline operations. Efforts are also being made to recover Rs. 3.8 billion from OMCs and CNG dealers.

We would like to express sincere gratitude to our stakeholders including our shareholders for their continued support. We also take this opportunity to thank the Government of Pakistan, especially Ministry of Petroleum & Natural Resources for their continuous guidance and the contributions and efforts of our employees in improving company's performance is acknowledged and recognised.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

Karachi: October 21, 2016

CONDENSED INTERIM BALANCE SHEET

As at September 30, 2016

		Un-Audited September 30, 2016	Audited June 30, 2016
Note		(Rupees in '000)	
ASSETS			
Non - current assets			
Property, plant and equipment	5	6,418,063	6,607,396
Intangibles	6	44,157	47,329
Long - term investments		3,946,678	50,132,753
Long - term loans, advances and receivables		358,440	346,639
Long - term deposits and prepayments		132,001	141,292
Deferred tax	7	11,188,302	10,788,227
		22,087,641	68,063,636
Current assets			
Stores, spares and loose tools		219,633	218,978
Stock-in-trade		60,367,359	50,834,033
Trade debts	8	190,567,022	178,271,018
Loans and advances		1,997,870	1,959,150
Deposits and short - term prepayments	9	1,968,423	2,552,161
Short - term investment	10	45,690,813	-
Mark-up / interest receivable on investment		1,008,246	2,251,290
Other receivables	11	22,351,047	25,952,748
Taxation - net		4,690,164	6,168,926
Cash and bank balances		3,876,102	5,736,213
		332,736,679	273,944,517
Net assets in Bangladesh		-	-
TOTAL ASSETS		354,824,320	342,008,153
EQUITY AND LIABILITIES			
Equity			
Share capital		2,716,860	2,716,860
Reserves		90,853,886	88,864,465
		93,570,746	91,581,325
Non - current liabilities			
Retirement and other service benefits		6,036,810	6,234,132
Current liabilities			
Trade and other payables	12	139,052,815	137,579,616
Provisions		688,512	688,512
Accrued interest / mark-up on short - term borrowings		1,021,112	811,639
Short - term borrowings	13	114,454,325	105,112,929
		255,216,764	244,192,696
Contingencies and commitments			
	14		
TOTAL EQUITY AND LIABILITIES		354,824,320	342,008,153

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the three months period ended September 30, 2016

		Three months period ended	
Note		September 30, 2016	September 30, 2015
		(Rupees in '000)	
Net sales	15	193,512,461	185,273,783
Cost of products sold		(183,807,025)	(177,816,083)
Gross profit		9,705,436	7,457,700
Other income	16	1,909,085	2,718,062
Operating Costs			
Distribution and marketing expenses		(2,052,529)	(2,110,130)
Administrative expenses		(661,572)	(607,088)
Other expenses	17	(965,763)	(521,464)
		(3,679,864)	(3,238,682)
Profit from operations		7,934,657	6,937,080
Finance cost	18	(1,278,584)	(1,886,182)
		6,656,073	5,050,898
Share of profit of associates - net of tax		130,024	67,698
Profit before taxation		6,786,097	5,118,596
Taxation	19	(2,410,278)	(1,866,193)
Profit after taxation		4,375,819	3,252,403
		(Rupees)	
Earnings per share - basic and diluted	20	16.11	11.97

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the three months period ended September 30, 2016

	Three months period ended	
	September 30, 2016	September 30, 2015
	(Rupees in '000)	
Profit for the period	4,375,819	3,252,403
Other Comprehensive Income:		
Items that will not be reclassified subsequently to profit or loss:		
Share of actuarial losses on remeasurement of post employment benefit plan of an associate	(22,221)	-
Items that may be reclassified subsequently to profit or loss:		
Share of unrealised gain / (loss) due to change in fair value of long - term available-for-sale investments of associates	1,097	(1,280)
Amortisation of unrealised gain due to reclassification of investment in PIBs from available-for-sale to held-to-maturity	(474,824)	-
Unrealised gain due to change in fair value of available-for-sale investment in PIBs	-	94,096
Taxation thereon	147,195 (327,629)	(4,787) 89,309
Total comprehensive income for the period	4,027,066	3,340,432

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

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Managing Director & CEO

Musaddik Malik
Member - Board of Management

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended September 30, 2016

	Share capital	Capital Reserves		Reserves			Revenue Reserves		Total
		Surplus on vesting of net assets	Unrealised gain/(loss) on remeasurement of available-for-sale investment in PIBs	Company's share of unrealised (loss)/gain on long term available-for-sale investment of associates	General reserve	Un-appropriated profit	Sub-total		
	(Rupees in '000)								
Balance as at July 01, 2015 (Audited)	2,716,860	3,373	1,658,020	566	25,282,373	52,649,104	79,593,436	82,310,296	
Total comprehensive income for the three months period									
Profit for the period	-	-	-	-	-	3,252,403	3,252,403	3,252,403	
Other comprehensive income									
Unrealised gain due to change in fair value of long-term available-for-sale investment in PIBs - net of tax	-	-	89,309	-	-	-	89,309	89,309	
Share of unrealised loss due to change in fair value of long-term available-for-sale investment of associates	-	-	-	(1,280)	-	-	(1,280)	(1,280)	
	-	-	89,309	(1,280)	-	-	88,029	88,029	
Transaction with the owners									
Final dividend for the year ended June 30, 2015 @ Rs. 4 per share	-	-	-	-	-	(1,086,744)	(1,086,744)	(1,086,744)	
Balance as at September 30, 2015 (Un-audited)	2,716,860	3,373	1,747,329	(714)	25,282,373	54,814,763	81,847,124	84,563,984	
Balance as at June 30, 2016 (Audited)	2,716,860	3,373	1,332,637	1,745	25,282,373	62,244,337	88,864,465	91,581,325	
Total Comprehensive income for the three months period									
Profit for the period	-	-	-	-	-	4,375,819	4,375,819	4,375,819	
Other comprehensive income									
Amortisation of unrealised gain due to reclassification of investment in PIBs from available-for-sale to held-to-maturity - net of tax	-	-	(327,629)	-	-	-	(327,629)	(327,629)	
Share of unrealised gain due to change in fair value of long-term available-for-sale investment of associates	-	-	-	1,097	-	-	1,097	1,097	
Share of actuarial losses on remeasurement of post-employment benefit plan of an associate	-	-	-	(22,221)	-	-	(22,221)	(22,221)	
	-	-	(327,629)	(21,124)	-	-	(348,753)	(348,753)	
Transaction with the owners									
Final dividend for the year ended June 30, 2016 @ Rs. 7.5 per share	-	-	-	-	-	(2,037,645)	(2,037,645)	(2,037,645)	
Balance as at September 30, 2016 (Un-audited)	2,716,860	3,373	1,005,008	(19,379)	25,282,373	64,582,511	90,853,886	93,570,746	

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the three months period ended September 30, 2016

		Three months period ended	
		September 30, 2016	September 30, 2015
Note		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	21	(10,863,691)	7,231,584
Increase in long - term loans, advances and receivables		(11,801)	(24,674)
Decrease / (increase) in long - term deposits and prepayments		9,291	(45,718)
Taxes paid		(1,184,396)	(1,120,702)
Finance cost paid		(1,069,111)	(1,621,477)
Retirement and other service benefits paid		(520,022)	(603,741)
Net cash (used in) / generated from operating activities		(13,639,730)	3,815,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of			
-property, plant and equipment		(63,759)	(175,758)
-intangibles		(3,439)	-
Proceeds from disposal of operating assets		1,930	24,307
Interest income from Pakistan Investment Bonds		2,520,616	2,499,898
Dividend received		182,857	-
Net cash generated from investing activities		2,638,205	2,348,447
CASH FLOWS FROM FINANCING ACTIVITIES			
Short - term borrowings obtained - net		10,907,327	9,245,063
Dividends paid		(199,982)	(577,551)
Net cash generated from financing activities		10,707,345	8,667,512
Net (decrease) / increase in cash and cash equivalents		(294,180)	14,831,231
Cash and cash equivalents at beginning of the period		(30,273,825)	(39,584,225)
Cash and cash equivalents at end of the period	22	(30,568,005)	(24,752,994)

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the three months period ended September 30, 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 Act, 1913 (now Companies Ordinance, 1984) or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

2. Statement of compliance

This condensed interim financial information 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, 2016. This condensed interim financial information is un-audited 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, 2016.

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, 2016 except as mentioned below:

4.1.1 Segment Reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Managing Director (MD) & Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD & CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The business segments are engaged in providing products or services which are subject to risk and rewards which differ from the risk and rewards of other segments. Segments reported are Petroleum products, Liquefied Natural Gas (LNG) and Others including interest income from PIBS, income from CNG, Non-fuel retail and cards, dividend income, share of profit of associates and income from other sources.

- 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)	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(Rupees in '000)			
Buildings on freehold land	69,083	-	-	-
Buildings on leasehold land	5,746	8,651	-	-
Furniture and fittings	5,030	1,908	-	42
Gas cylinders / regulators	4,007	2,553	-	1,377
Office equipment	54,109	24,756	4	3
Plant and machinery	105,025	76,210	-	-
Service and filling stations	43,979	175,823	10	41
Tanks and pipelines	66,687	35,189	-	-
Vehicles and other rolling stock	78,398	1,658	1,755	1,806
	<u>432,064</u>	<u>326,748</u>	<u>1,769</u>	<u>3,269</u>

- 5.2 The above disposals represented assets costing Rs. 6,435 thousand (September 30, 2015: Rs. 35,326 thousand) and were disposed off for Rs.1,930 thousand (September 30, 2015: Rs. 24,307 thousand).

6. Intangibles

Additions made during the period amounted to Rs. 3,439 thousand (September 30, 2015: Nil).

Un-audited September 30, 2016	Audited June 30, 2016
(Rupees in '000)	

7. Deferred tax

Deductible temporary differences in respect of:

Provision for:

- retirement and other service benefits	999,489	973,008
- doubtful trade debts	1,529,482	1,425,588
- doubtful other receivables	508,119	550,517
- impairment of stores, spares and loose tools	9,682	10,005
- excise, taxes and other duties	21,850	22,578
- impairment of stock-in-trade	6,437	6,651
- tax amortisation	1,027	1,114
Liabilities offered for taxation	9,004,608	8,841,428
Others	2,441	2,524
	<u>12,083,135</u>	<u>11,833,413</u>

Taxable temporary differences in respect of:

Accelerated tax depreciation	(341,111)	(357,879)
Investments in associates accounted for using equity method	(102,195)	(88,585)
Unrealised gain due to change in fair value of investments in PIBs	(451,527)	(598,722)
	<u>(894,833)</u>	<u>(1,045,186)</u>
	<u>11,188,302</u>	<u>10,788,227</u>

The net change of Rs. 400,075 thousand (September 30, 2015: Rs. 604,316 thousand) in the deferred tax asset balance for the period has been recognised as follows:

Note	Un-audited September 30, 2016 (Rupees in '000)	Un-audited September 30, 2015
- Profit and loss account	252,880	609,103
- Other comprehensive income	147,195	(4,787)
	<u>400,075</u>	<u>604,316</u>

8. Trade debts

Considered good

Due from Government agencies and autonomous bodies

- Secured	8.1	41,800	24,739
- Unsecured	8.2 & 8.3	136,089,234	129,780,399
		<u>136,131,034</u>	<u>129,805,138</u>

Due from other customers

- Secured	8.1	1,043,981	937,411
- Unsecured	8.2 & 8.3	53,392,007	47,528,469
		<u>54,435,988</u>	<u>48,465,880</u>
		<u>190,567,022</u>	<u>178,271,018</u>

Considered doubtful

Trade debts - gross		195,665,294	182,869,689
Less: Provision for impairment	8.2, 8.3 & 8.4	(5,098,272)	(4,598,671)
Trade debts - net		<u>190,567,022</u>	<u>178,271,018</u>

- 8.1 These debts are secured by way of bank guarantees and security deposits.
- 8.2 Includes Rs. 146,566,068 thousand (June 30, 2016: Rs. 132,942,836 thousand) due from related parties, against which provision for impairment of Rs. 3,212,358 thousand (June 30, 2016: Rs. 2,698,407 thousand) has been recognised.
- 8.3 Included in trade debts is an aggregate amount of Rs. 155,848,991 thousand (June 30, 2016: Rs. 146,525,466 thousand) due from Water and Power Development Authority (WAPDA), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO), as at September 30, 2016. These include overdue debts of Rs. 100,580,086 thousand (June 30, 2016: Rs. 97,418,737 thousand), Rs. 35,200,472 thousand (June 30, 2016: Rs. 36,081,348 thousand) and Rs. 7,385,764 thousand (June 30, 2016: Rs. 758,230 thousand) from WAPDA, HUBCO and KAPCO, respectively, based on the agreed credit terms.

However, based on the Company's provisioning policy, receivables of Rs. 60,265,977 thousand (June 30, 2016: Rs. 72,108,220 thousand) and Rs. 29,282,198 thousand (June 30, 2016: Rs. 29,830,783 thousand) from WAPDA and HUBCO, respectively, are past due out of the aforementioned overdue balances. The Company carries a specific provision of Rs. 526,778 thousand (June 30, 2016: Rs. 532,139 thousand) against these debts and did not consider the remaining aggregate past due balance as at September 30, 2016 of Rs. 89,021,397 thousand (against which subsequent receipts of Rs. 1,999,000 thousand from WAPDA and Rs. 1,300,000 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 September 30, 2016 against the remaining trade debts aggregating Rs. 9,805,914 thousand (June 30, 2016: Rs. 8,975,851 thousand), which were past due, the Company carries a provision of Rs. 4,571,494 thousand (June 30, 2016: Rs. 4,066,532 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.

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

	Un-audited September 30, 2016 (Rupees in '000)	Audited June 30, 2016
Balance at beginning of the period / year	4,598,671	4,525,553
Add: Provision recognised during the period / year	557,859	346,945
Less: Reversal due to recoveries during the period / year	(58,258)	(273,827)
	<u>499,601</u>	<u>73,118</u>
Balance at the end of the period / year	<u>5,098,272</u>	<u>4,598,671</u>

9. Deposits and short - term prepayments

Includes deposits against 'Custom duty and development surcharge' amounting to Rs. 1,604,334 thousand (June 30, 2016: Rs. 2,288,209 thousand).

10. Short - term investment

This represents investment in Pakistan Investment Bonds (PIBs) maturing on July 19, 2017 and carried at amortised cost of Rs. 45,690,813 thousand (June 30, 2016: 46,295,212 thousand). As at September 30, 2016, these PIBs have been collateralised with various banks against borrowing facilities obtained by the Company as disclosed in note 13.1 to this condensed interim financial information.

11. Other receivables

- 11.1 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, 2016:

	Un-audited September 30, 2016	Audited June 30, 2016
	(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
Water and Power Development Authority (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.

- 11.2 Includes receivable of Rs. 33,804 thousand (June 30, 2016: Rs. 35,042 thousand) on account of facility charges due from Asia Petroleum Limited (a related party).

12. Trade and other payables

- 12.1 Includes payable in respect of purchase of oil and Liquefied Natural Gas (LNG) from local and foreign suppliers aggregating to Rs. 65,257,450 thousand (June 30, 2016: Rs. 70,613,576 thousand).
- 12.2 Includes Rs. 27,412,696 thousand (June 30, 2016 : Rs. 24,994,006 thousand) due to various related parties.

- 12.3 Includes favourable exchange differences of Rs. 2,557,925 thousand (June 30, 2016: Rs. 2,536,634 thousand) arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - GoP (MoF - GoP), as stated in note 13.2 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 September 30, 2016	Audited June 30, 2016
		(Rupees in '000)	
13. Short - term borrowings			
Short - term finances			
- Local currency - conventional bank	13.1 & 13.3	33,583,043	22,667,081
- Foreign currency	13.2	46,427,175	46,435,810
		80,010,218	69,102,891
Finances under mark-up arrangements	13.1 & 13.4	34,444,107	36,010,038
		<u>114,454,325</u>	<u>105,112,929</u>

- 13.1 The total outstanding balance is against the facilities aggregating Rs. 91,532,100 thousand (June 30, 2016: Rs. 91,302,000 thousand) available from various banks. These facilities are secured by way of floating / pari passu charges on Company's stocks, receivables, collateralized PIBs and trust receipts.

- 13.2 The rate of mark-up for this facility ranges from Re. 0.09 to 0.10 (June 30, 2016: Re. 0.08 to 0.11) per Rs. 1,000 per day. This facility is secured by way of trust receipts of the Company. These loans have been obtained on the directives of Ministry of Finance (MoF) via letter dated September 09, 2015.

- 13.3 The rate of mark-up for these facilities ranges from Re. 0.03 to Re. 0.17 (June 30, 2016: Re. 0.03 to Re. 0.17) per Rs. 1,000 per day.

- 13.4 The rate of mark up on these facilities ranges from Re. 0.18 to Re. 0.24 (June 30, 2016: Re. 0.18 to Re. 0.24) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

14. Contingencies and commitments

14.1 Contingencies

- 14.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 17,293,947 thousand (June 30, 2016: Rs. 17,171,192 thousand) other than as mentioned in note 16.1.6 to this condensed interim financial information. This includes claim amounting to Rs. 8,649,123 thousand (June 30, 2016: Rs. 8,649,123 thousand) in respect of delayed payment charges on the understanding that these will be payable only when the

Company will fully realise 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.

14.1.2 ACIR through his orders made certain additions and disallowances in respect of tax year 2014 and 2015 thereby creating tax demand of Rs. 35,992,978 thousand. The orders were later rectified and amended to Rs. 3,619,899 thousand. Further, through computerized balloting, PSO was selected for Audit by FBR as well and another demand of Rs. 53,023 thousand was created during the period by FBR for tax year 2014. The Company has filed appeals against these orders before the CIR (Appeals) which are pending for hearing. 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 condensed interim financial information.

14.1.3 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-II), up to September 30, 2016, the management has deposited Rs. 76,539 thousand in cash and provided bank guarantee amounting to Rs. 76,539 thousand with the Excise and Taxation Department. Based on the views of its legal advisor, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in this condensed interim financial information.

14.1.4 There is no change in the status of tax contingencies aggregating to Rs. 23,288,791 thousand as disclosed in notes 24.1.2 to 24.1.17 to the annual audited financial statements of the Company for the year ended June 30, 2016 excluding 24.1.8 and 24.1.15 which is explained above in 14.1.2 and 14.1.3 respectively. These contingencies pertain to income tax and sales tax audits, short deduction of withholding tax on incentive paid to dealers, exempt / zero rated supplies to International Airlines and customers in Afghanistan, disallowance of input sales tax and additional tax on delayed payments which are pending adjudication at various forums.

14.1.5 As at March 31, 2016 certain legal cases amounting to Rs. 3,676,967 thousand (June 30, 2016: Rs. 3,676,967 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
September 30,
2016
Audited
June 30
2016
..... (Rupees in '000)

14.2 Commitments

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

- Property, plant and equipment	1,333,323	1,134,781
- Intangibles	36,505	34,213
	<u>1,369,828</u>	<u>1,168,994</u>

14.2.2 Letters of credit 13,346,960 15,498,665

14.2.3 Bank Guarantees 1,191,135 1,190,860

14.2.4 Standby Letters of credit 2,196,954 8,241,605

14.2.5 Post - dated cheques 2,700,000 5,779,000

Three months period ended
September 30, 2016 September 30, 2015
..... (Rupees in '000)

Note

15. Net Sales

Gross Sales	15.1	241,375,588	236,275,446
Less:			
- Sales tax		(43,685,456)	(46,562,555)
- Inland freight equalization margin		(4,177,671)	(4,439,108)
		<u>(47,863,127)</u>	<u>(51,001,663)</u>
Net sales		<u>193,512,461</u>	<u>185,273,783</u>

15.1 Includes revenue against sale of LNG amounting to Rs. 31,769,990 thousand (September 30, 2015: 18,556,415 thousand).

16. Other income

Includes Rs. 56,436 thousand (September 30, 2015: Rs. 996,135 thousand) representing delayed payment surcharge received from various customers and interest (net of amortisation) of Rs. 1,147,917 thousand (September 30, 2015: Rs. 1,143,605 thousand) earned on Pakistan Investment Bonds (PIBs) during the period.

17. Other expenses

Includes provision for doubtful trade debts, reversal of provision for other receivables, foreign exchange loss (net), contribution to Workers' Profits Participation Fund and Workers' Welfare Fund amounting to Rs. 499,601 thousand (September 30, 2015: Rs. 6,505 thousand), Rs.82,131 thousand (September 30, 2015: Nil), Rs. 32,077 thousand (September 30, 2015: Rs. 96,271 thousand), Rs. 358,612 thousand (September 30, 2015: Rs. 273,479 thousand) and Rs. 157,550 thousand (September 30, 2015: Rs. 145,209 thousand) respectively.

18. Finance cost

Includes markup on short - term borrowings, late payments and bank charges amounting to Rs. 1,250,114 thousand (September 30, 2015: 1,668,068 thousand) and Rs. 28,471 thousand (September 30, 2015: 218,114 thousand), respectively.

Un-audited Three months period ended	
September 30, 2016	September 30, 2015
.....(Rupees in '000).....	

19. Taxation

Current	2,663,158	2,475,296
Deferred	(252,880)	(609,103)
	<u>2,410,278</u>	<u>1,866,193</u>

20. Earnings per share

20.1 Basic

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

Profit for the period attributable to ordinary shareholders	4,375,819	3,252,403
Weighted average number of ordinary shares in issue during the period	<u>271,685,939</u>	<u>271,685,939</u>
(Rupees).....	
Earnings per share - basic and diluted	<u>16.11</u>	<u>11.97</u>

Un-audited Three months period ended	
September 30, 2016	September 30, 2015
.....(Rupees in '000).....	

21. Cash (used in) / generated from operations

Profit before taxation	6,786,097	5,118,596
Adjustments for:		
Depreciation and amortisation	257,934	253,532
Write down of stock-in-trade to net realisable value	-	28,615
Mark-up / interest on investments - net of amortisation	(1,147,997)	(1,143,605)
Provision for doubtful trade debts	499,601	6,505
Reversal of provision for other receivables	(82,131)	-
Retirement and other services benefits accrued	322,700	441,715
Gain on disposal of operating assets	(161)	(21,038)
Share of profit of associates	(130,024)	(67,698)
Dividend income	(182,857)	-
Finance cost	1,278,584	1,886,182
	<u>815,649</u>	<u>1,384,208</u>
Working capital changes	(18,465,437)	728,780
	<u>(10,863,691)</u>	<u>7,231,584</u>

21.1 Working capital changes

(Increase) / decrease in current assets:

- Stores, spares and loose tools	(655)	2,515
- Stock-in-trade	(9,533,326)	(8,251,570)
- Trade debts	(12,795,605)	6,343,997
- Loans and advances	(38,720)	(15,264)
- Deposits and short - term prepayments	583,738	1,163,405
- Other receivables	3,683,832	3,058,217

Decrease in current liabilities:

- Trade and other payables	(364,701)	(1,572,520)
	<u>(18,465,437)</u>	<u>728,780</u>

22. Cash and cash equivalents

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

Un-audited September 30, 2016		Un-audited September 30, 2015
Note	(Rupees in '000).....
Cash and bank balances	13	3,876,102
Finance under mark-up arrangements		(34,444,107)
		<u>(30,568,005)</u>
		<u>3,249,739</u>
		<u>(28,002,733)</u>
		<u>(24,752,994)</u>

23. Fair value of financial assets and liabilities

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

23.2 Fair value estimation

There were no transfers during the period between fair value hierarchy level 1, 2 and 3, as disclosed in note 37.3 of the annual audited financial statements for the year ended June 30, 2016.

24. Transactions with related parties

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

Name of the related party and relationship with the Company	Nature of transaction	Un-audited Three months period ended	
		September 30, 2016	September 30, 2015
	(Rupees in '000)	
Associates			
- Pakistan Refinery Limited	Purchases	7,903,566	4,815,914
	Other expenses	-	53,711
- Pak Grease Manufacturing Company (Private) Limited	Purchases	21,628	3,760
	Facility charges income	43,112	59,292
- Asia Petroleum Limited	Pipeline charges	465,611	628,494
	Retirement benefit funds		
- Pension Funds	Contributions	390,815	390,094
- Gratuity Fund	Contributions	112,899	162,539
- Provident Funds	Contributions	30,812	37,321
Key management personnel			
Managerial remuneration	Contribution to provident fund	115,343	94,874
		1,916	1,830

24.2 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 of Management - Oil under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 for management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore regards the GoP and its various bodies as related parties for the purpose of disclosures in respect of related parties.

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

		Un-audited Three months period ended	
		September 30, 2016	September 30, 2015
.....(Rupees in '000)			
- Government of Pakistan	Income from PIBs (net of amortisation)	1,147,917	1,143,605
- Pak Arab Pipeline Company Limited	Pipeline charges	668,085	674,691
	Dividend received	182,857	-
- Sui Northern Gas Pipelines Limited	Sales	31,769,990	18,556,415
- Water and Power Development Authority	Sales	28,603,112	19,853,827
	Utility charges	33,552	16,800
- Kot Addu Power Company Limited	Sales	14,572,463	14,552,090
	Pipeline income	38,738	39,101
- Pakistan International Airlines Corporation	Sales	3,052,770	2,662,152
	Purchases	367	1,480
- Pak Arab Refinery Company Limited	Purchases	22,252,382	32,525,903
	Pipeline charges	123,185	128,952
	Other expenses	-	163,488

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

- (i) The Company sells petroleum products to various government bodies in the normal course of its business and has banking relationship with institutions controlled by GoP. As an Oil Marketing Company, Oil and Gas Regulatory Authority (OGRA) is the regulatory authority of the Company.
- (ii) The Company collects income tax, sales tax, federal excise duty and petroleum levy in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh Board of Revenue and Customs authorities.
- (iii) The Company incurs rental charges in respect of storage facilities at Keamari terminal and at various airports which are paid to Karachi Port Trust and Civil Aviation Authority, respectively. The Company also utilises port facilities of Port Qasim Authority and Karachi Port Trust.
- (iv) The Company has obtained insurance cover for its inventory and fixed assets from National Insurance Company 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.

24.3 The status of outstanding receivables and payables from / to related parties as at September 30, 2016 are included in respective notes to this condensed interim financial information.

24.4 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.

25 Operating Segments

25.1 Segment wise profitability of the Company is as under:

	Three months period ended				September 30, 2015			
	September 30, 2016		September 30, 2015		September 30, 2015		September 30, 2015	
	PETROLEUM PRODUCTS	LNG	OTHERS	TOTAL	PETROLEUM PRODUCTS	LNG	OTHERS	TOTAL
	-Rs. in '000-							
Gross Sales	209,168,845	31,769,989	436,754	241,375,588	217,283,000	18,556,000	436,446	236,275,446
Less:								
- Sales tax	(39,002,590)	(4,616,152)	(66,714)	(43,685,456)	(43,722,000)	(2,773,000)	(67,555)	(46,562,555)
- Inland freight equalization margin	(4,177,671)	-	-	(4,177,671)	(4,439,108)	-	-	(4,439,108)
	(43,180,261)	(4,616,152)	(66,714)	(47,863,127)	(48,161,108)	(2,773,000)	(67,555)	(51,001,663)
Net sales	165,988,584	27,153,837	370,040	193,512,461	169,121,892	15,783,000	368,891	185,273,783
Cost of products sold	(157,035,585)	(26,456,837)	(314,603)	(183,807,025)	(162,113,636)	(15,357,000)	(345,447)	(177,816,083)
Gross Profit	8,952,999	697,000	55,437	9,705,436	7,008,256	426,000	23,444	7,457,700
Other income	350,868	-	1,559,217	1,909,085	1,395,000	-	1,323,062	2,718,062
Operating Cost								
Admin, distribution and marketing expenses	(2,531,080)	(99,220)	(83,801)	(2,714,101)	(2,551,248)	(77,235)	(88,735)	(2,717,218)
Other expenses	(891,883)	(26,399)	(47,481)	(965,763)	(969,614)	(7,769)	(144,081)	(521,464)
Profit from operations	(3,472,963)	(125,619)	(131,282)	(3,679,864)	(2,920,862)	(85,004)	(232,816)	(3,238,682)
Finance cost	5,880,904	571,381	1,482,372	7,934,657	5,482,394	340,996	1,113,690	6,937,080
	(1,209,196)	(69,388)	-	(1,278,584)	(1,692,795)	(193,387)	-	(1,886,182)
Share of profit of associates	4,671,708	501,993	1,482,372	6,656,073	3,769,599	147,609	1,113,690	5,030,898
Profit before taxation	4,671,708	501,993	1,612,396	6,786,097	3,769,599	147,609	1,181,388	5,118,596
Taxation	(1,579,023)	(311,729)	(519,526)	(2,410,278)	(1,257,603)	(221,520)	(387,070)	(1,866,193)
Profit after taxation	3,092,685	190,264	1,092,870	4,375,819	2,531,996	(73,911)	794,318	3,252,403

- 25.2 Out of total sales of the Company, 99% (September 30, 2015: 91.2%) relates to customers in Pakistan.
- 25.3 All non - current assets of the Company as at September 30, 2016 and 2015 are located in Pakistan.
- 25.4 Sales to four major customers of the Company are around 39% during the three months period ended September 30, 2016 (September 30, 2015: 31%).

26. Corresponding figures

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

Description	Reclassified		(Amount Rs. in '000)
	From	To	
Transportation Cost	Distribution and Marketing Expenses	Cost of Products Sold	87,636
Payable to OMCs	Other receivables	Trade and other payables	310,577
Card related costs	Distribution and Marketing Expenses	Other income	22,200

The effects of other reclassifications are not material.

27. Date of authorisation for issue

This condensed interim financial information was approved and authorised for issue on October 21, 2016 by the Board of Management - Oil.

Sheikh Imran ul Haque
Managing Director & CEO

Musaddik Malik
Member - Board of Management

ہے۔ تاہم، پی ایس او کی انتظامیہ وزارت پانی و بجلی اور PIA کے ساتھ مل کر پی ایس او کی جانب سے بلار کاوٹ تیل کی فراہمی کے بدلے بروقت ادائیگیوں کو یقینی بنانے کے لئے کام کر رہی ہے تاکہ بجلی کے شعبے کو تعاون فراہم کیا جائے اور ایئر لائن آپریشن جاری و ساری رہے۔ آئل مارکیٹنگ کمپنیوں (OMCs) اور CNG ڈیلرز سے 3.8 ارب روپے کی وصولی کے لئے بھی کوششیں کی جا رہی ہیں۔

ہم اپنے شریکان کار بشمول اپنے حصص یافتگان کے، ان کے مسلسل تعاون کے لئے تہہ دل سے مشکور ہیں۔ ہم اس موقع پر حکومت پاکستان، بالخصوص وزارت پیٹرولیم اور قدرتی وسائل کا بھی ان کی مسلسل رہنمائی کے لئے شکریہ ادا کرتے ہیں۔ اس کے ساتھ ساتھ ہم کمپنی کی کارکردگی میں بہتری کے لئے اپنے ملازمین کی انتھک محنت اور کاوشوں کی بھی قدر کرتے ہیں۔

شیخ عمران الحق
سی ای او اور مینجنگ ڈائریکٹر

شیخ مصدق ملک
ممبر بورڈ آف مینجمنٹ

کراچی: 21 اکتوبر 2016

رپورٹ برائے حصص یافتگان



پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (PSOCL) کے بورڈ آف مینجمنٹ نے مالی سال 2016-17 کی پہلی سہ ماہی میں کمپنی کی کارکردگی کا تجزیہ کیا ہے جس کی رپورٹ درج ذیل ہے۔

زیر جائزہ مدت میں، پی ایس او نے 56.5 فیصد مارکیٹ کے حصے (لکوڈ فیولز) (مالی سال 2016 کی پہلی سہ ماہی: 56.9 فیصد) کے ساتھ مارکیٹ میں اپنا قائدانہ مقام برقرار رکھا ہے۔ زیر جائزہ مدت میں بلیک آئل کا مارکیٹ کا حصہ 75.2 فیصد (مالی سال 2016 کی پہلی سہ ماہی: 71.1 فیصد) اور وائٹ آئل کا حصہ 42.7 فیصد (مالی سال 2016 کی پہلی سہ ماہی: 47.2 فیصد) رہا۔ وائٹ آئل کے مارکیٹ کے حصے میں اضافے کے لئے اقدامات کئے جا رہے ہیں۔

پی ایس او کا بعد از ٹیکس منافع 4.4 ارب روپے رہا جو مالی سال 2016 کی پہلی سہ ماہی کے 3.3 ارب روپے سے 35 فیصد زیادہ ہے۔

بعد از ٹیکس منافع میں اضافے کی وجہ گزشتہ سال کی اسی مدت کے مقابلے میں لکوڈ فیولز (وائٹ آئل اور بلیک آئل) کی فروخت میں ہونے والا 17 فیصد اضافہ تھی۔ زیر جائزہ مدت میں گزشتہ سال کی اسی مدت کے مقابلے میں وائٹ آئل کی فروخت میں 2.9 فیصد اور فرنس آئل کی فروخت میں 31 فیصد اضافہ ہوا۔ گیسس فیولز کے کاروبار میں بہتری آئی اور گزشتہ سال کی اسی مدت کے مقابلے میں LPG کی فروخت کے حجم میں 134 فیصد اور LNG کی فروخت کے حجم میں 107 فیصد اضافہ ہوا۔

مزید برآں، انوینٹری گینز (Inventory gains) میں اضافے اور شرح سود میں کمی اور FE-25 قرضہ جات میں اضافے کی وجہ سے مالیاتی لاگت میں ہونے والی 32 فیصد کمی بھی بعد از ٹیکس منافع میں اضافے کا باعث بنی۔ تاہم، بلیک آئل کی قیمتوں میں کمی کی وجہ سے اس کے منافع میں ہونے والی تخفیف اور گزشتہ سال کی اسی مدت کے دوران IPP/PIA سے ہونے والی 0.75 ارب کی آمدنی کے برعکس اس مدت میں صفر LPS آمدنی کی وجہ سے مذکورہ منافع جزوی طور پر متاثر ہوا۔

پی ایس او انوینٹری لیولز برقرار رکھنے کے لئے مسلسل کوشش کر رہی ہے تاکہ ملکی معیشت کا پیہر رواں رہے، نتیجتاً اسے انوینٹری گینز/لاس کا سامنا ہے۔ ضابطہ کاران کی جانب سے اس بات کو یقینی بنانے کی ضرورت ہے کہ آئل مارکیٹنگ کمپنیاں پورے ماہ مسلسل مصنوعات کی فراہمی جاری رکھیں اور قیمتوں میں اضافے کی وجہ سے فراہمی کے حجم میں کمی نہ کریں۔

پی ایس او کو توانائی کے شعبے، IPIA اور SNGPL سے فرنس آئل (FO)، ایوی ایشن فیولز اور LNG کی فراہمی کی مدد میں 249 ارب روپے (30 جون 2016: 233 ارب روپے) کی وصولیاں کرنی ہیں جو تیل کی بڑھتی ہوئی بین الاقوامی قیمتوں کے باعث ایک بہت بڑا چیلنج

