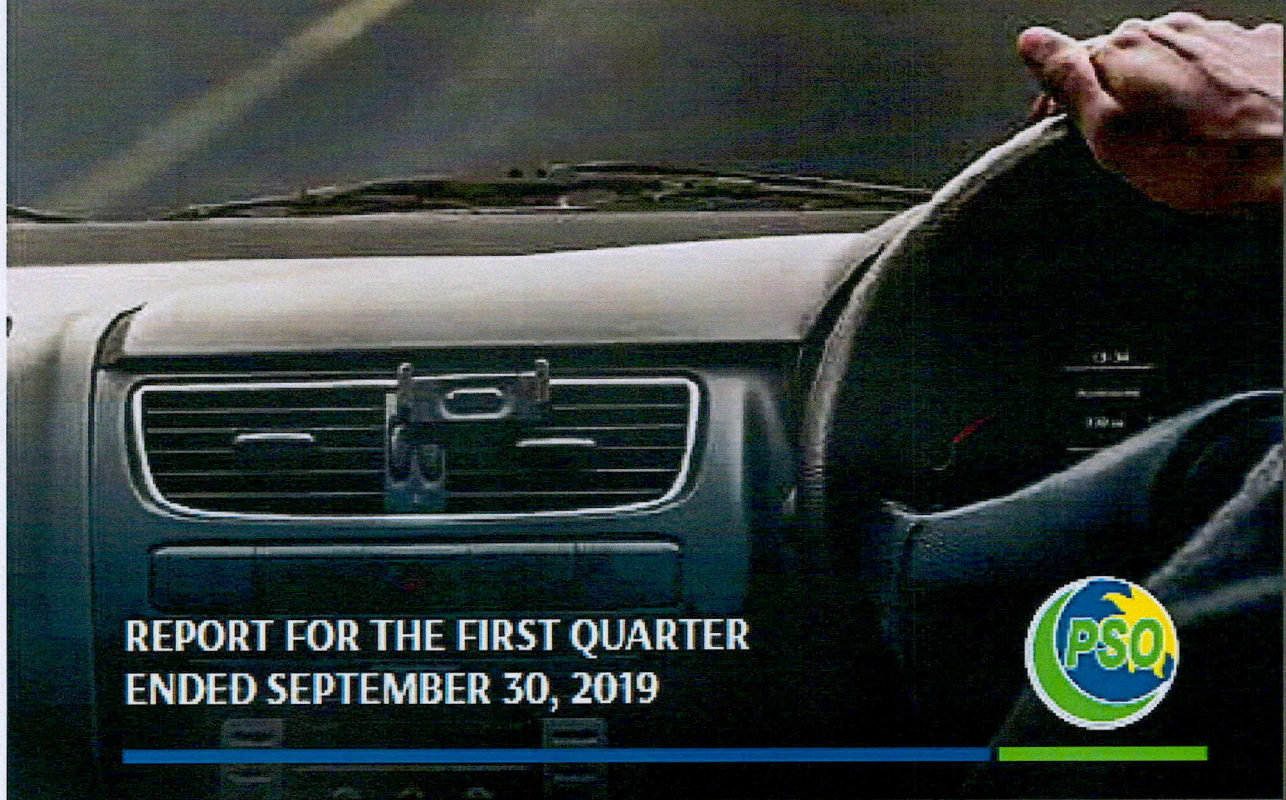


# ON THE MOVE WITH PSO



**REPORT FOR THE FIRST QUARTER  
ENDED SEPTEMBER 30, 2019**



## BOARD OF MANAGEMENT

### Chairman (Independent)

Mr. Zafar I. Usmani

### Independent Members

Ms. Tara Uzra Dawood

Mr. Mohammad Shahid Khan

Mr. Muhammad Hamayun Khan Barakzai

### Non-Executive Members

Mr. Muhammad Anwer

Mr. Sajid Mehmood Qazi

Mr. Irfan Ali

Dr. Naseem Ahmad

### Managing Director & Chief Executive Officer

Syed Jehangir Ali Shah

### DEPUTY MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER

Mr. Yacoob Suttar

### COMPANY SECRETARY

Mr. Rashid Umer Siddiqui

### AUDITORS

M/s. A. F. Ferguson & Co.

Chartered Accountants

M/s. EY Ford Rhodes

Chartered Accountants

### LEGAL ADVISOR

M/s. Orr, Dignam & Co.

Advocates

## REGISTERED OFFICE

Pakistan State Oil Company Limited

PSO House

Khayaban-e-Iqbal, Clifton

Karachi – 75600, Pakistan

UAN: +92 21 111 111 PSO (776)

Fax: +92 21 9920 3721

Website: www.psopk.com

## SHARE REGISTRAR

THK Associates (Pvt.) Limited

1st Floor, 40-C

Block-6, P.E.C.H.S.

Karachi – 75400

P. O. Box 8533

Tel.: +92 21 111 000 322

Tel.: +92 21 3416 8266-68-70

Fax: +92 21 3416 8271

Email: secretariat@thk.com.pk

## BANKERS

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

Citibank N.A.

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Samba Bank Limited

Standard Chartered Bank (Pakistan)  
Limited

United Bank Limited (Pakistan)

**Report to Shareholders**  
**For the first quarter ended September 30, 2019**

The Board of Management of Pakistan State Oil Company Limited (PSO) has reviewed the performance of the Company and the Group for the quarter ended September 30, 2019 and is pleased to present its report thereon.

Pakistan's economy continues to face economic challenges as experienced during FY2019. Reduced fiscal space due to IMF program and substantially high discount rates are impacting the overall industrial sector and consumer's spending. This can be witnessed through reduction in demand of automobiles by 22% over same period last year (SPLY) and considerable pressure on Large Scale Manufacturing sector. These economic indicators continued to impact the local petroleum industry and led to reduction in overall market size which was exhibited through decline of 6.9% in White Oil volumes, 21.2% in Black Oil and 9.8% in overall Liquid Fuels.

PSO, despite stiff competition and macroeconomic challenges, continued to lead the downstream oil market with an increased overall market share of 46.6% compared to 40.1% in SPLY in Liquid Fuel. The Company's market share improved primarily due to volume growth of 5.8% in White Oil. Consequently, the market share of White Oil increased to 45.0% compared to 39.6% in SPLY. The increase in market share was achieved through focused approach of Management to incentivize its customers and dedicated team efforts. PSO also managed to bring further efficiencies in its supply chain by sourcing 42% of Refinery production during the period compared to 33.6% in SPLY while 54% of industry imports were handled by PSO.

During the period, PSO maintained its focus towards enhancing customer's experiences. PSO's "DigiCash Card" initiative received an overwhelming response from customers and PSO was able to register more than 50,000 customers as a result of this initiative. PSO is working with Saudi Aramco for setting-up a Greenfield deep conversion Refinery in the country. Further, the Company's subsidiary, Pakistan Refinery Limited continues to progress its Refinery Upgrade Project.

The Company has reported Profit after Tax (PAT) of Rs. 3.53 bn compared to Rs. 4.18 bn in SPLY. Major reasons for reduction in PAT is significant increase in financing cost on account of higher discount rates set by the State Bank of Pakistan, partially offset by exchange gain due to appreciation of Pakistani Rupee. On a consolidated basis, the group achieved a net turnover of Rs. 340.64 bn which translated into a Group PAT of Rs. 3.48 bn.

During the quarter, PSO's receivables from power sector decreased by Rs. 8.9 bn whereas receivables from Sui Northern Gas Pipelines Limited increased by Rs. 2.4 bn. PSO is continuously engaged with concerned authorities for recovery as these receivables, in a higher borrowing cost scenario, will have negative impact on Company's bottom line.

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

  
Syed Jehangir Ali Shah  
Managing Director & CEO

  
Zafar I. Usmani  
Chairman-Board of Management

Karachi: October 30, 2019

PAKISTAN STATE OIL COMPANY LIMITED  
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2019

|   | Note | Un-Audited<br>September 30,<br>2019<br>(Rupees in '000) | Audited<br>June 30,<br>2019 |
|---|------|---|-----------------------------|
| <b>ASSETS</b>                                   |      |   |                             |
| <b>Non-current assets</b>                       |      |   |                             |
| Property, plant and equipment                   | 5    | 10,990,587  | 8,187,159                   |
| Intangibles                                     |      | 47,826  | 52,193                      |
| Long-term investments                           | 6    | 13,139,616  | 11,439,851                  |
| Long-term loans, advances and other receivables |      | 389,321   | 347,003                     |
| Long-term deposits and prepayments              |      | 257,397   | 331,300                     |
| Deferred tax asset - net                        |      | 12,188,592  | 12,496,742                  |
|   |      | <u>37,013,339</u>                                       | <u>32,854,248</u>           |
| <b>Current assets</b>                           |      |   |                             |
| Stores, spares and loose tools                  | 7    | 470,461   | 474,209                     |
| Stock-in-trade                                  | 8    | 91,503,252  | 89,665,031                  |
| Trade debts                                     |      | 209,698,239   | 219,586,332                 |
| Loans and advances                              |      | 358,886   | 234,734                     |
| Short-term deposits and prepayments             |      | 1,494,792   | 3,190,303                   |
| Other receivables                               | 9    | 49,279,256  | 57,955,771                  |
| Taxation - net                                  |      | 7,880,096   | 8,525,756                   |
| Cash and bank balances                          |      | 4,296,786   | 4,593,141                   |
|   |      | <u>364,981,768</u>                                      | <u>384,225,277</u>          |
| Net assets in Bangladesh                        |      | -   | -                           |
| <b>TOTAL ASSETS</b>                             |      | <u><u>401,995,107</u></u>                               | <u><u>417,079,525</u></u>   |
| <b>EQUITY AND LIABILITIES</b>                   |      |   |                             |
| <b>Equity</b>                                   |      |   |                             |
| Share capital                                   |      | 3,912,278   | 3,912,278                   |
| Reserves  |      | 120,013,802   | 115,268,409                 |
|   |      | <u>123,926,080</u>                                      | <u>119,180,687</u>          |
| <b>Non-current liabilities</b>                  |      |   |                             |
| Retirement and other service benefits           |      | 7,366,289   | 7,527,709                   |
| Lease liability                                 |      | 2,604,011   | -                           |
|   |      | <u>9,970,300</u>  | <u>7,527,709</u>            |
| <b>Current liabilities</b>                      |      |   |                             |
| Trade and other payables                        | 10   | 145,966,003   | 180,042,553                 |
| Unclaimed dividend                              |      | 865,239   | 1,739,860                   |
| Unpaid dividend                                 |      | -   | 103,297                     |
| Provisions                                      |      | 490,972   | 490,972                     |
| Accrued interest / mark-up                      |      | 1,318,125   | 1,017,317                   |
| Short-term borrowings                           |      | 119,458,388   | 106,977,130                 |
|   |      | <u>268,098,727</u>                                      | <u>290,371,129</u>          |
| <b>Contingencies and commitments</b>            | 11   |   |                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>             |      | <u><u>401,995,107</u></u>                               | <u><u>417,079,525</u></u>   |

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

*Shehryar al-Shah*  
Managing Director & CEO

*7/30*

*M. Khan*  
Member Board of Management

*J. Iqbal*  
Chief Financial Officer

PAKISTAN STATE OIL COMPANY LIMITED  
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Note | Quarter ended         |                       |
|---|------|-----------------------|-----------------------|
|   |      | September 30,<br>2019 | September 30,<br>2018 |
|   |      | (Rupees in '000)      |                       |
| Gross Sales                                   |      | 387,077,832           | 331,815,086           |
| Less:   |      |                       |                       |
| - Sales tax                                   |      | (51,888,404)          | (46,677,345)          |
| - Inland Freight Equalization Margin          |      | (5,406,602)           | (4,419,176)           |
|   |      | (57,295,006)          | (51,096,521)          |
| <b>Net sales</b>                              |      | <b>329,782,826</b>    | <b>280,718,565</b>    |
| Cost of products sold                         |      | (319,076,370)         | (269,812,166)         |
| <b>Gross profit</b>                           |      | <b>10,706,456</b>     | <b>10,906,399</b>     |
| Other income                                  |      | 1,584,184             | 970,454               |
| <b>Operating costs</b>                        |      |                       |                       |
| Distribution and marketing expenses           |      | (2,565,128)           | (2,068,021)           |
| Administrative expenses                       |      | (724,654)             | (720,772)             |
| Other expenses                                |      | (289,190)             | (792,062)             |
|   |      | (3,578,972)           | (3,580,855)           |
| <b>Profit from operations</b>                 |      | <b>8,711,668</b>      | <b>8,295,998</b>      |
| Finance costs                                 |      | (2,639,921)           | (1,826,054)           |
| Share of profit of associates - net of tax    |      | 144,583               | 119,959               |
| <b>Profit before taxation</b>                 |      | <b>6,216,330</b>      | <b>6,589,903</b>      |
| Taxation                                      |      |                       |                       |
| - current                                     |      | (2,717,976)           | (2,377,730)           |
| - deferred                                    |      | 30,104                | (31,289)              |
|   |      | (2,687,872)           | (2,409,019)           |
| <b>Profit for the period</b>                  |      | <b>3,528,458</b>      | <b>4,180,884</b>      |
|   |      | (Rupees)              |                       |
|   |      | (Restated)            |                       |
| <b>Earnings per share - basic and diluted</b> | 12   | <b>9.02</b>           | <b>10.69</b>          |

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

  
 Managing Director & CEO

  
 Member-Board of Management

  
 Chief Financial Officer



PAKISTAN STATE OIL COMPANY LIMITED  
 UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Quarter ended      |                    |
|---|--------------------|--------------------|
|   | September 30, 2019 | September 30, 2018 |
|   | (Rupees in '000)   |                    |
| Profit for the period   | Note 3,528,458     | 4,180,884          |
| <b>Other comprehensive income / (loss):</b>   |                    |                    |
| <b>Items that will not be subsequently reclassified to statement of profit or loss:</b>                                   |                    |                    |
| Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax                          | -                  | (922)              |
| Unrealised gain on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI) | 6.1.1 1,555,189    | -                  |
| Taxation thereon  | (338,254)          | -                  |
|   | 1,216,935          | -                  |
| Actuarial loss on remeasurement of retirement and other service benefits  | -                  | -                  |
| Taxation thereon  | -                  | (2,208)            |
|   | -                  | (2,208)            |
|   | 1,216,935          | (3,130)            |
| <b>Items that may be subsequently reclassified to statement of profit or loss:</b>  |                    |                    |
| Share of unrealised loss due to change in fair value of available-for-sale (AFS) investments of associates - net of tax   | -                  | (315)              |
|   | -                  | (315)              |
|   | 1,216,935          | (3,445)            |
| <b>Total comprehensive income for the period</b>  | <b>4,745,393</b>   | <b>4,177,439</b>   |

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

*Jehangir A. Shal*  
 Managing Director & CEO

*M. S. Khan*  
 Member-Board of Management

*S. Iqbal*  
 Chief Financial Officer

*Z. A.*

PAKISTAN STATE OIL COMPANY LIMITED  
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|  | Share capital    | Reserves                         |   |  |                   |                        | Sub-total          | Total              |
|--|------------------|----------------------------------|---|--|-------------------|------------------------|--------------------|--------------------|
|  |                  | Capital Reserves                 |   | Revenue Reserves   |                   |                        |                    |                    |
|  |                  | Surplus on vesting of net assets | Unrealised gain on remeasurement of FVOCI investments | Company's share of unrealised loss on AFS investment of associates | General reserve   | Un-appropriated profit |                    |                    |
| (Rupees in '000)   |                  |                                  |   |  |                   |                        |                    |                    |
| Balance as at July 01, 2018 (Audited)  | 3,260,232        | 3,373                            | -   | (6,354)  | 25,282,373        | 81,912,851             | 107,192,243        | 110,452,475        |
| <b>Total comprehensive income for three months period ended</b>                                    |                  |                                  |   |  |                   |                        |                    |                    |
| Profit for the period  | -                | -                                | -   | -  | -                 | 4,180,884              | 4,180,884          | 4,180,884          |
| <b>Other comprehensive loss</b>  |                  |                                  |   |  |                   |                        |                    |                    |
| Share of unrealised loss due to change in fair value of AFS investments of associates - net of tax | -                | -                                | -   | -  | -                 | (2,208)                | (2,208)            | (2,208)            |
| Actuarial loss on remeasurement of retirement and other service benefits - net of tax              | -                | -                                | -   | (315)  | -                 | -                      | (315)              | (315)              |
| Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax   | -                | -                                | -   | -  | -                 | (922)                  | (922)              | (922)              |
|  | -                | -                                | -   | (315)  | -                 | (3,130)                | (3,445)            | (3,445)            |
| <b>Balance as at September 30, 2018 (Unaudited)</b>  | <b>3,260,232</b> | <b>3,373</b>                     | <b>-</b>  | <b>(6,669)</b>   | <b>25,282,373</b> | <b>86,090,605</b>      | <b>111,369,682</b> | <b>114,629,914</b> |
| Balance as at June 30, 2019 (Audited)  | 3,912,278        | 3,373                            | 4,335,648   | -  | 25,282,373        | 85,647,015             | 115,268,409        | 119,180,687        |
| <b>Total comprehensive income for three months period ended</b>                                    |                  |                                  |   |  |                   |                        |                    |                    |
| Profit for the period  | -                | -                                | -   | -  | -                 | 3,528,458              | 3,528,458          | 3,528,458          |
| <b>Other comprehensive income</b>  |                  |                                  |   |  |                   |                        |                    |                    |
| Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax             | -                | -                                | 1,216,935   | -  | -                 | -                      | 1,216,935          | 1,216,935          |
|  | -                | -                                | 1,216,935   | -  | -                 | -                      | 1,216,935          | 1,216,935          |
| <b>Balance as at September 30, 2019 (Unaudited)</b>  | <b>3,912,278</b> | <b>3,373</b>                     | <b>5,552,583</b>                                      | <b>-</b>   | <b>25,282,373</b> | <b>89,175,473</b>      | <b>120,013,802</b> | <b>123,926,080</b> |

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

*Jehangir ali Shah.*  
Managing Director & CEO

*M. S. Mani*  
Member-Board of Management

*S. Ullah*  
Chief Financial Officer

*ZSO*

PAKISTAN STATE OIL COMPANY LIMITED  
 UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)  
 FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Note | Quarter ended         |                       |
|---|------|-----------------------|-----------------------|
|   |      | September 30,<br>2019 | September 30,<br>2018 |
|   |      | (Rupees in '000)      |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                       |                       |
| Cash used in operations   | 13   | (6,819,052)           | (23,456,892)          |
| Long-term loans, advances and other receivables                 |      | (42,318)              | 12,784                |
| Long-term deposits and prepayments                              |      | (62,912)              | (69,456)              |
| Taxes paid  |      | (2,072,316)           | (1,692,788)           |
| Finance costs paid  |      | (2,247,001)           | (1,251,179)           |
| Retirement and other service benefits paid                      |      | (547,975)             | (472,635)             |
| <b>Net cash used in operating activities</b>                    |      | <b>(11,791,574)</b>   | <b>(26,930,166)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                       |                       |
| Purchase of   |      |                       |                       |
| - property, plant and equipment                                 |      | (193,913)             | (90,474)              |
| Proceeds from disposal of operating assets                      |      | 13,654                | 1,387                 |
| Dividends received  |      | 283,227               | 271,998               |
| <b>Net cash generated from investing activities</b>             |      | <b>102,968</b>        | <b>182,911</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                       |                       |
| Short-term borrowings - net                                     |      | (7,010,880)           | 26,627,151            |
| Lease payments  |      | (111,089)             |                       |
| Dividends paid  |      | (977,918)             | (2,227,267)           |
| <b>Net cash (used in) / generated from financing activities</b> |      | <b>(8,099,887)</b>    | <b>24,399,884</b>     |
| <b>Net decrease in cash and cash equivalents</b>                |      | <b>(19,788,493)</b>   | <b>(2,347,371)</b>    |
| Cash and cash equivalents at beginning of the period            |      | (16,467,793)          | (7,924,869)           |
| <b>Cash and cash equivalents at end of the period</b>           | 14   | <b>(36,256,286)</b>   | <b>(10,272,240)</b>   |

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

  
 Managing Director & CEO

  
 Member-Board of Management

  
 Chief Financial Officer



**PAKISTAN STATE OIL COMPANY LIMITED**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

**1. Legal status and nature of business**

- 1.1 Pakistan State Oil Company Limited ("the Company") is a public company incorporated in Pakistan in 1976 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is located at PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.
- 1.2 The Board of Management (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, 2017 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**

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

-International Accounting Standards (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB) as notified by the Companies Act, 2017 ; and

-Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**3. Basis of preparation**

- 3.1 These unconsolidated condensed interim financial statements 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, 2019. These unconsolidated condensed interim financial statements are unaudited and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.
- 3.2 In June 2011, the SECP on receiving representations from some of entities covered under Benazir Employees' Stock Option Scheme (the Scheme) and after having consulted the ICAP, 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 annual audited unconsolidated financial statements of the Company for the year ended June 30, 2019.

**3.3 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to accounting and reporting standards that became effective during the period**

The following accounting standards, amendments and interpretations to accounting and reporting standards became effective for the first time and are relevant to the Company.

IFRS 3 - 'Business Combinations: Previously held interests in a joint operation'  
IFRS 9 - 'Prepayment Features with Negative Compensation'  
IFRS11 - 'Joint Arrangements: Previously held interests in a joint operation'  
IFRS 16 - 'Leases'  
IAS 12 - 'Income Taxes: Income tax consequences of payments on financial instruments classified as equity'  
IAS 19 - 'Plan Amendment, Curtailment or Settlement'  
IAS 23 - 'Borrowing Costs - Borrowing cost eligible for capitalization'  
IAS 28 - 'Long-term Interests in Associates and Joint Ventures'  
IFRIC 23 - 'Uncertainty over Income Tax Treatments'

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these consolidated condensed interim financial statements except for IFRS 16 which is as follows:

**IFRS 16 - 'Leases'**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

The Company adopted IFRS 16 with effect from July 01, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with the similar characteristics. The Company also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a lease term of 12 months or less (short-term leases) and do not contain a purchase option, and lease contracts for which the underlying asset is of low value (low-value leases).

The right-of-use assets were recognized based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease or finance leases as on July 1, 2019.

Based on the above, as on July 1, 2019, the Company;

- Recognised a right-of-use asset (including prepayments) amounting to Rs. 2,972,002 thousand presented under Property, plant and equipment;
- Recognised lease liability of Rs. 2,710,551 thousand disclosed separately in the condensed interim statement of financial position; and

- Reclassified prepayments of Rs. 261,451 thousand relating to previous leases as right-of-use asset.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

|  |                           |
|--|---------------------------|
| Undiscounted operating lease commitments as at June 30, 2019 | Rupees in '000'           |
| Impact of discounting  | 7,862,275                 |
| <b>Total lease liability at July 1, 2019</b>                 | <u><u>(5,151,724)</u></u> |
|  | <u><u>2,710,551</u></u>   |

|   |               |
|---|---------------|
| <b>Weighted average incremental borrowing rate as at July 1, 2019</b> | <b>13.72%</b> |
|---|---------------|

|   |                        |
|---|------------------------|
| <b>Impact: Increase/ (decrease) of adopting IFRS 16 on financial statements</b> | <b>Rupees in '000'</b> |
|---|------------------------|

**Impact on Financial Position:**

**Assets**

|                               |                         |
|-------------------------------|-------------------------|
| Property, plant and equipment | 2,972,002               |
| Prepayments                   | (261,451)               |
| <b>Impact on Total Assets</b> | <u><u>2,710,551</u></u> |

**Liabilities**

|                 |                         |
|-----------------|-------------------------|
| Lease Liability | <u><u>2,710,551</u></u> |
|-----------------|-------------------------|

**Impact on Profit or loss:**

|                                 |                        |
|---------------------------------|------------------------|
| Rent, rate and taxes            | 129,984                |
| Depreciation Expense            | (68,364)               |
| Financial Charges               | (92,112)               |
| <b>Impact on Profit or loss</b> | <u><u>(30,492)</u></u> |

**b) Standards, amendments and interpretations to accounting and reporting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan are relevant to the Company and would be effective from the dates mentioned below against the respective standard or interpretation:

| Standards, amendments or interpretation  | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 3 Definition of a Business  | January 01, 2020                                      |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Not yet finalised                                     |
| IAS1 / IAS 8 Definition of Material  | January 01, 2020                                      |

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

During the preparation of these unconsolidated condensed interim financial statements, changes in the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2019 do not have any material impact.

- 3.5 These unconsolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency and all interim 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 these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2019 except as explained in note 3.3(a) to these consolidated condensed interim financial statements.

- 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 these unconsolidated condensed interim financial statements.

#### 5. Property, plant and equipment

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

|                                  | Additions<br>(at cost)                |                       | Disposals<br>(at net book value)      |                       |
|----------------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
|                                  | September 30,<br>2019<br>(Un-audited) | September 30,<br>2018 | September 30,<br>2019<br>(Un-audited) | September 30,<br>2018 |
|                                  | ------(Rupees in '000)-----           |                       |                                       |                       |
| Freehold land                    | 11,012                                | -                     | -                                     | -                     |
| Buildings on freehold land       | -                                     | 1,444                 | -                                     | -                     |
| Tanks and pipelines              | -                                     | 859                   | 56                                    | -                     |
| Service and filling stations     | 155,754                               | 35,417                | -                                     | 143                   |
| Plant and machinery              | 47,794                                | 35,080                | -                                     | -                     |
| Furniture and fittings           | 3,125                                 | -                     | -                                     | -                     |
| Vehicles and other rolling stock | -                                     | 11,964                | 1,480                                 | 37                    |
| Office equipment                 | 9,543                                 | 2,399                 | -                                     | -                     |
| Gas cylinders / regulators       | -                                     | 10,919                | -                                     | -                     |
|                                  | <u>227,228</u>                        | <u>98,082</u>         | <u>1,536</u>                          | <u>180</u>            |

- 5.2 The above disposals represented assets costing Rs. 19,841 thousand (September 30, 2018: Rs. 14,295 thousand) and were disposed off for Rs.13,654 thousand (September 30, 2018: Rs. 1,387 thousand).
- 5.3 Includes operating assets amounting to Rs.769,021 thousand (June 30, 2019: Rs. 796,624 thousand) in respect of Company's share in joint operations.
- 5.4 Includes capital work-in-progress amounting to Rs. 72,604 thousand (June 30, 2019: Rs. 72,604 thousand) in respect of Company's share in joint operations.
- 5.5 During the period, the Company recognised right of use asset amounting to Rs. 2,972,002 (June 30, 2019: Nil) having a net book value of Rs. 2,903,639 (June 30, 2019: Nil).



7. **Stock-in-trade**

The Company has recognised write-down of inventory to net realisable value amounting to Rs. 27,535 thousand (June 30, 2019: Rs. 51,286 thousand)

|   | Note      | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---|-----------|-------------------------------------|-----------------------------|
| ------(Rupees in '000)-----                               |           |                                     |                             |
| <b>8. Trade debts</b>                                     |           |                                     |                             |
| <b>Considered good</b>                                    |           |                                     |                             |
| <i>Due from Government agencies and autonomous bodies</i> |           |                                     |                             |
| - Secured   | 8.1       | 169,913                             | 155,524                     |
| - Unsecured   | 8.2 & 8.3 | 164,228,453                         | 168,277,493                 |
|   |           | 164,398,366                         | 168,433,017                 |
| <i>Due from other customers</i>                           |           |                                     |                             |
| - Secured   | 8.1       | 2,068,786                           | 1,819,131                   |
| - Unsecured   | 8.2 & 8.3 | 43,231,087                          | 49,334,184                  |
|   |           | 45,299,873                          | 51,153,315                  |
|   |           | 209,698,239                         | 219,586,332                 |
| <b>Considered doubtful</b>                                |           |                                     |                             |
| Trade debts - gross                                       |           | 212,487,501                         | 222,611,855                 |
| Less: Provision for impairment                            | 8.4       | (2,789,262)                         | (3,025,523)                 |
| <b>Trade debts - net</b>                                  |           | 209,698,239                         | 219,586,332                 |

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

8.2 Includes Rs.171,920,704 thousand (June 30, 2019: Rs. 170,735,867 thousand) due from related parties, against which provision for impairment of Rs. 935,368 thousand (June 30, 2019: Rs. 1,071,117 thousand) has been recognised.

8.3 Included in trade debts is an aggregate amount of Rs. 174,855,258 thousand (June 30, 2019:Rs. 180,676,446 thousand). These include past due trade debts of Rs. 80,639,061 thousand (June 30, 2019: Rs. 82,383,020 thousand), Rs. 25,433,881 thousand (June 30, 2019: Rs. 25,637,026 thousand), Rs 1,038,484 thousand (June 30, 2019: Rs. 4,105,302 thousand) and Rs. 58,725,332 thousand (June 30,2019 : Rs. 53,457,589 thousand) from GENCO Holding Company Limited (GHC), Hub Power Company Limited (HUBCO), Kot Addu Power Company Limited (KAPCO),and Sui Northern Gas Pipeline Limited (SNGPL) respectively, based on the agreed credit terms. The Company carries a specific provision of Rs. 346,975 thousand (June 30, 2019: Rs.346,975 thousand) against these debts and did not consider the remaining aggregate past due balance of Rs. 165,489,783 thousand (against which subsequent receipts of Rs. 40,000 thousand from GHC (formerly WAPDA), Rs.6,970,000 thousand from HUBCO, Rs. 1,550,000 thousand from KAPCO and Rs. 28,900,000 thousand from SNGPL have been received) as doubtful, as the Company based on measures undertaken by the Government of Pakistan (GoP) to resolve circular debt issue, is confident that the aforementioned debts will be received in due course of time.

Further, as at September 30, 2019 trade debts aggregating Rs. 32,259,235 thousand (June 30, 2019: Rs. 27,382,041 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 177,439,004 (June 30, 2019: Rs.192,204,291 thousand) are past due but not impaired.

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

|   | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---|-------------------------------------|-----------------------------|
| ------(Rupees in '000)-----   |                                     |                             |
| 8.4 The movement in provision during the period / year is as follows: |                                     |                             |
| Balance at beginning of the period / year                             | 3,025,523                           | 3,290,578                   |
| Impact of change in accounting policy                                 | -                                   | (330,234)                   |
| Balance at beginning of the period / year - restated                  | 3,025,523                           | 2,960,344                   |
| Provision recognised during the period / year                         | 11,088                              | 198,469                     |
| Reversal due to recoveries during the period / year                   | (247,349)                           | (133,290)                   |
|   | (236,261)                           | 65,179                      |
| Balance at the end of the period / year                               | 2,789,262                           | 3,025,523                   |

9. Other receivables

9.1 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, 2019:

|  | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|--|-------------------------------------|-----------------------------|
| ------(Rupees in '000)-----  |                                     |                             |
| <b>Price differential claims (PDC):</b>  |                                     |                             |
| - on imports (net of related liabilities) of Motor Gasoline                          | 1,350,961                           | 1,350,961                   |
| - on High Speed Diesel   | 602,603                             | 602,603                     |
| - on Ethanol E-10 fuel   | 27,917                              | 27,917                      |
| - on account of supply of Furnace Oil to K-Electric<br>Limited at Natural Gas prices | 3,908,581                           | 3,908,581                   |
| - GHC receivables  | 3,407,357                           | 3,407,357                   |
|  | <u>9,297,419</u>                    | <u>9,297,419</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.

9.2 Includes receivable of Rs. 40,058,653 thousand (June 30, 2019: Rs. 45,807,855 thousand) due from associates and related parties.

9.3 As at September 30, 2019, receivables aggregating to Rs. 2,925,164 thousand (June 30, 2019: Rs.2,907,016 thousand) were deemed to be impaired and hence have been provided for.

9.4 Includes Rs. 27,948,933 thousand (June 30, 2019: Rs.30,243,658 thousand) unfavourable exchange differences arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - Government of Pakistan (MoF - GoP). These exchange differences are to be settled in accordance with the instructions provided by the MoF - GoP. The Company recognises exchange differences arising on such borrowings as payable (in case of exchange gains) and receivable (in case of exchange losses) to / from GoP. As per letter dated November 27, 2013 from Finance Division, MoF - GoP shall defray extra cost and risks to be borne by the Company in respect of these long / extended term borrowing arrangements i.e. the Company would not bear any exchange differences on such borrowings. The Company is actively pursuing with MoF - GoP for settlement of this receivable and is confident for recovery of the same.

10. Trade and other payables

10.1. Includes Rs. 36,881,081 thousand (June 30, 2019: Rs. 37,012,699 thousand) due to various related parties.

11. Contingencies and commitments

11.1 Contingencies

The company has contingent liabilities in respect of unrecognized late payment surcharge, pending tax matters and other legal claims in the ordinary course of business.

11.1.1 Late Payment Surcharge

Claims amounting to Rs. 7,757,070 thousand (June 30, 2019: Rs.7,757,050 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.

11.1.2 Income Tax

The taxation officer passed assessment orders dated May 28, 2010, May 31, 2010, June 30, 2010, August 31, 2010 and January 29, 2011 in respect of tax years 2004 to 2008 and made certain disallowances and additions resulting in total tax demand of Rs. 1,733,038 thousand. These orders were later rectified and amended to Rs. 964,037 thousand. Currently, the appeal against tax year 2008 is pending before High Court of Sindh (SHC). During the year ended June 30, 2018 the ATIR passed an order in respect of Tax Year 2004 which was decided in favour of the Company and the Company obtained its effect from tax authorities after which the amended demand was reduced to Rs. 783,014 thousand. During the current period, ATIR has passed three orders in respect of Tax Year 2005, 2006 and 2007 which are mostly in favour of the Company except one point for Tax Year 2005 on which the Company is in process of filing reference before SHC. The Company has obtained the effect of ATIR order from taxation authorities for the tax year 2005 after which demand is further reduced to Rs. 593,127 thousand. Based on views of the tax advisor, the management believes that it is more likely than not that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in these unconsolidated condensed interim financial statements.

### 11.1.3 Sales Tax

- 11.1.3.1 A sales tax show cause notice dated April 11, 2014 was issued by the Additional Commissioner Inland Revenue (ACIR), FBR in respect of sales tax audit of the Company for tax year 2010. Under the said show cause notice, the ACIR showed the intention to impose a demand of Rs. 5,426,874 thousand on account of certain matters. Further, the show cause notice also includes default surcharge and penalty to be imposed at the time of payment. The Company filed a suit against the said show cause notice before the SHC. The SHC vide an order suit no.753/2014 dated May 08, 2014 restrained the tax authorities from issuing any final order and taking any adverse action against the Company and further instructed the Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Company based on views of its lawyers withdrew the suit consequent to recent decision of Honorable Supreme Court (SC) dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The Deputy Commissioner Inland Revenue (DCIR) issued notice subsequent to withdrawal of suit which were duly responded by the Company. During the period, the DCIR passed an order dated July 02, 2019 giving rise to demand of sales tax of Rs. 3,586,018 thousand alongwith penalty of Rs. 179,300 thousand and default surcharge to be calculated at the time of settlement of demand. The Company appealed against this order before Commissioner Inland Revenue (CIR - Appeals), who has annulled the order and has decided the case in the Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax and legal advisor of the Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.
- 11.1.3.2 During the year ended June 30, 2018, a show-cause notice dated November 17, 2017 for recovery of sales tax amounting to Rs.4,858,000 thousand was raised by the DCIR on the matter of non-charging of sales tax on supply of fuel to foreign going airlines for the year 2014-15. The show cause notice also included default surcharge and penalty to be imposed at the time of payment. The Company filed suit No. 46 dated January 08, 2018 before the SHC which restrained the tax authorities from issuing any final order and taking any adverse action against the Company and further instructed the Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Company based on views of its lawyers withdrew the aforesaid suit consequent to recent decision of SC dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. DCIR issued notices subsequent to withdrawal of suit which were duly responded by the Company. During the period, the DCIR has passed an order dated July 04, 2019 giving rise to demand of sales tax of Rs. 4,579,596 thousand along with penalty of Rs.228,979 thousand and default surcharge to be calculated at the time of settlement of demand. The Company appealed against this order before (CIR - Appeals), who has annulled the order and has decided the case in Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax and legal advisor of the Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.
- 11.1.3.3 Sales tax show cause notices dated May 09, 2017 and June 30, 2017 were issued by the Deputy Commissioner, Large tax payers unit (LTU), Karachi in respect of non-payment of sales tax on PDC / subsidies by the Company involving Rs. 35,696,013 thousand. The Company filed petition in SHC against these show cause notices, against which SHC passed stay order restraining the department from issuing any final order and instructed the Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Company based on views of its lawyers withdrew the suit consequent to recent decision of SC dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The DCIR issued notices subsequent to withdrawal of suit which were duly responded by the Company. During the period, the DCIR passed an order dated July 03, 2019 giving rise to demand of sales tax of Rs. 33,855,642 thousand alongwith penalty of Rs.33,855,642 thousand and default surcharge to be calculated at the time of settlement of demand. The Company appealed against this order before (CIR - Appeals), who has annulled the order and decided the case in Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax advisor of the Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.
- 11.1.3.4 The Collector (Adjudication) - Customs House Karachi, has issued a show-cause notice dated August 06, 2019 to the Company for recovery of minimum value added sales tax of Rs. 3,107,963 thousand, on import of furnace oil in Pakistan from Keamari terminals. The Company has challenged the impugned show-cause notice in the SHC, who has granted stay against any coercive action by the adjudicating authority. Based on the views of legal advisor 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 these unconsolidated condensed interim financial statements.

### 11.1.4 Other tax matters

- 11.1.4.1 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 SHC. Through the interim order passed on May 31, 2011, the SHC 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 Sep 30, 2019, the management has deposited Rs.109,461 (June 30, 2019: Rs.108,707) in cash and provided bank guarantee amounting to Rs.109,461 (June 30, 2019: Rs.108,707) 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 these unconsolidated condensed interim financial statements.

11.1.4.2 There is no significant change in the status of other contingencies as disclosed in notes 26.1.2 to 26.1.4 to the annual audited unconsolidated financial statements of the Company for the year ended June 30, 2019.

#### 11.1.5 Other Legal Claims

11.1.5.1 As at September 30, 2019 certain legal cases amounting to Rs. 7,801,972 thousand (June 30, 2019: Rs. 7,801,972 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 unconsolidated condensed interim financial statements.

11.1.5.2 Claims against the Company not acknowledged as debts amount to Rs. 5,874,827 thousand (June 30, 2019: Rs. 5,629,189 thousand) other than as mentioned in note 11.1.5.1 above.

#### 11.2 Commitments

|  | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|--|-------------------------------------|-----------------------------|
|  | ------(Rupees in '000)-----         |                             |
| 11.2.1 Commitments in respect of capital expenditure contracted for but not yet incurred are as follows: |                                     |                             |
| - Property, plant and equipment  | 1,441,302                           | 2,845,135                   |
| - Intangibles  | 2,878,424                           | 984,726                     |
|  | <u>4,319,726</u>                    | <u>3,829,861</u>            |
| 11.2.2 Letters of credit   | <u>28,005,065</u>                   | <u>27,680,685</u>           |
| 11.2.3 Bank guarantees   | <u>1,277,328</u>                    | <u>1,189,181</u>            |
| 11.2.4 Standby Letters of credit   | <u>36,967,215</u>                   | <u>38,897,240</u>           |
| 11.2.5 Post - dated cheques  | <u>5,148,000</u>                    | <u>5,160,000</u>            |

#### 12. Earnings per share

|   | Un-audited<br>Quarter Ended |                       |
|---|-----------------------------|-----------------------|
|   | September 30,<br>2019       | September 30,<br>2018 |
|   | ------(Rupees in '000)----- |                       |
| 12.1 Basic  |                             |                       |
| Profit for the period attributable to ordinary shareholders   | <u>3,528,458</u>            | <u>4,180,884</u>      |
|   |                             | (Restated)            |
| Weighted average number of ordinary shares in issue during the period (number of shares)  | <u>391,227,752</u>          | <u>391,227,752</u>    |
|   | ------(Rupees)-----         |                       |
| Earnings per share - basic and diluted  | <u>9.02</u>                 | <u>10.69</u>          |
| 12.2 During the year ended June 30, 2019, the Company has issued 20% bonus shares (i.e.) one for every five ordinary shares held) which has resulted in restatement of basic and diluted earnings per share |                             |                       |
| 12.3 Diluted  |                             |                       |
| There is no dilutive effect on the basic earnings per share of the Company as there are no convertible potential ordinary shares in issue as at September 30, 2019.   |                             |                       |

|            |   | Un-audited<br>Quarter Ended |                       |
|------------|---|-----------------------------|-----------------------|
|            |   | September 30,<br>2019       | September 30,<br>2018 |
|            |   | ------(Rupees in '000)----- |                       |
| <b>13.</b> | <b>Cash used in operations</b>                                    |                             |                       |
|            | <b>Profit before taxation</b>                                     | 6,216,330                   | 6,589,903             |
|            | Depreciation and Amortisation                                     | 365,318                     | 280,678               |
|            | Reversal of provision for impairment on trade debts - net         | (236,261)                   | (191,564)             |
|            | Provision for impairment against doubtful other receivables - net | 18,148                      | 3,215                 |
|            | Provision for impairment against stores, spares and loose tools   | 41,598                      | -                     |
|            | Provision for retirement and other services benefits              | 386,555                     | 312,202               |
|            | Gain on disposal of operating assets                              | (12,118)                    | (1,207)               |
|            | Share of profit from associates - net of tax                      | (144,583)                   | (119,959)             |
|            | Dividend income from FVOCI / AFS investment                       | (283,227)                   | (271,998)             |
|            | Interest on lease payments  | 92,112                      | -                     |
|            | Finance costs   | 2,547,809                   | 1,826,054             |
|            |   | 2,775,351                   | 1,837,421             |
|            | Working capital changes   | 13.1 (15,810,733)           | (31,884,216)          |
|            |   | <u>(6,819,052)</u>          | <u>(23,456,892)</u>   |

**13.1 Working capital changes**

*(Increase) / decrease in current assets:*

|                                       |             |            |
|---------------------------------------|-------------|------------|
| - Stores, spares and loose tools      | (37,850)    | (16,989)   |
| - Stock-in-trade                      | (1,838,221) | 1,435,528  |
| - Trade debts                         | 10,124,354  | 10,088,935 |
| - Loans and advances                  | (124,152)   | 62,863     |
| - Deposits and short-term prepayments | 1,570,874   | 2,196,135  |
| - Other receivables                   | 8,658,367   | 5,173,115  |

*Decrease in current liabilities:*

|                            |              |              |
|----------------------------|--------------|--------------|
| - Trade and other payables | (34,164,105) | (50,823,803) |
|----------------------------|--------------|--------------|

|                     |                     |
|---------------------|---------------------|
| <u>(15,810,733)</u> | <u>(31,884,216)</u> |
|---------------------|---------------------|

**14. Cash and cash equivalents**

Cash and cash equivalents comprise following items in the unconsolidated condensed interim statement of financial position:

|  |   | Un-audited<br>Quarter Ended |                       |
|--|---|-----------------------------|-----------------------|
|  |   | September 30,<br>2019       | September 30,<br>2018 |
|  |   | ------(Rupees in '000)----- |                       |
|  | Cash and bank balances                                      | 4,296,786                   | 4,002,196             |
|  | Short-term borrowings (finances under mark-up arrangements) | (40,553,072)                | (14,274,436)          |
|  |   | <u>(36,256,286)</u>         | <u>(10,272,240)</u>   |

**15. Fair value of financial assets and liabilities**

15.1 These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual audited unconsolidated financial statements for the year ended June 30, 2019. There have been no change in any risk management policies since the year end.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The carrying values of all financial assets and liabilities reflected in these unconsolidated condensed interim financial statements approximate their fair values. The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

**16. Transactions with related parties**

16.1 Related parties comprise subsidiary, associates, retirement benefit funds, state owned / controlled entities, GoP and its related entities and key management personnel. Details of transactions with the related parties during the period, other than those disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

| Name of the related party and relationship with the Company | Nature of transactions               | Un-audited<br>Quarter Ended |                       |
|---|--------------------------------------|-----------------------------|-----------------------|
|   |                                      | September 30,<br>2019       | September 30,<br>2018 |
| ------(Rupees in '000)-----                                 |                                      |                             |                       |
| <b>Subsidiary</b>   |                                      |                             |                       |
| - Pakistan Refinery Limited                                 | Purchases                            | 28,357,258                  | -                     |
|   | Income facility charges              | 297                         | -                     |
| <b>Associates</b>   |                                      |                             |                       |
| - Pakistan Refinery Limited                                 | Purchases                            | -                           | 13,311,647            |
| - Pak Grease Manufacturing Company (Private) Limited        | Purchases                            | 15,295                      | 6,763                 |
| <b>Retirement benefit funds</b>                             |                                      |                             |                       |
| - Pension Funds (Defined Benefit)                           | Charge for the period                | 104,940                     | 140,375               |
|   | Contributions                        | 377,436                     | 328,408               |
| - Gratuity Fund   | Charge for the period                | 60,863                      | 71,092                |
|   | Contributions                        | 157,202                     | 136,782               |
| - Provident Funds   | Charge / Contribution for the period | 38,600                      | 34,323                |
| - Pension Funds (Defined Contribution)                      | Charge / Contribution for the period | 38,480                      | -                     |
| <b>Key management personnel</b>                             |                                      |                             |                       |
|   | Managerial remuneration              | 118,100                     | 110,488               |
|   | Charge / Contribution for the period | 2,843                       | 2,519                 |
| <b>Non-executive Directors</b>                              |                                      |                             |                       |
|   | Remuneration and fees                | 8,000                       | 4,400                 |

**16.2 Related parties by virtue of GoP holdings**

The Federal Government of Pakistan directly holds 25.51% (including shares under Pakistan State Oil Company Limited Employee Empowerment Trust) of the Company's issued share capital and is entitled to appoint members of the Board of Management (BoM) 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<br>Quarter Ended |                       |
|--|--------------------------------------|-----------------------------|-----------------------|
|  |                                      | September 30,<br>2019       | September 30,<br>2018 |
| ------(Rupees in '000)-----  |                                      |                             |                       |
| - Board of Management  | Contribution towards expenses of BoM | 6,188                       | 5,444                 |
| - Pak Arab Pipeline Company Limited  | Pipeline charges                     | 760,533                     | 449,514               |
|  | Dividend received                    | 283,227                     | 271,998               |
| - Sui Northern Gas Pipelines Limited   | Sales                                | 101,472,477                 | 94,775,766            |
| - GENCO Holding Company Limited (formerly Water and Power Development Authority) | Sales                                | 1,506,084                   | 7,280,890             |
|  | Utility charges                      | 34,332                      | 23,633                |
| - Pakistan International Airlines Corporation Limited                            | Sales                                | 7,227,201                   | 4,592,542             |
|  | Purchases                            | 1,203                       | 1,919                 |
| - Pak Arab Refinery Limited  | Purchases                            | 46,957,314                  | 37,561,805            |
|  | Pipeline charges                     | 90,590                      | 59,749                |
| - K-Electric   | Sales                                | 26,852,867                  | 17,052,020            |
| - National Bank of Pakistan  | Finance cost and bank charges        | 534,303                     | 396,297               |

The transactions described below are collectively but not individually significant to these unconsolidated condensed interim financial statements 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 the 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.
  - (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 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 has obtained various financing facilities from National Bank of Pakistan.
  - (ix) The Company also pays dividend to various government related entities who are shareholders of the Company.
- 16.3 Inventory of the Company held by related parties as at September 30, 2019 amounts to Rs. 18,415,878 thousand (June 30, 2019: Rs. 22,767,496 thousand).
- 16.4 Short term borrowings includes Rs. 27,763,059 thousand (June 30, 2019: Rs. 30,153,558 thousand) under finances obtained from National Bank of Pakistan. Cash and bank balances includes Rs. 1,329 (June 30, 2019: Nil) kept in National Bank of Pakistan.
- 16.5 The status of outstanding receivables and payables from / to related parties as at September 30, 2019 are included in respective notes to this unconsolidated condensed interim financial statements.
- 16.6 Contributions to staff retirement benefit funds are in accordance with the terms of the service rules. Remuneration of key management personnel are in accordance with the terms of the employment / appointment. Other transactions with the related parties are carried out as per agreed terms.

| 17. Operating segments                             | Un-audited<br>Quarter Ended |                       |
|--|-----------------------------|-----------------------|
|  | September 30,<br>2019       | September 30,<br>2018 |
| 17.1 Segment wise revenues and profit is as under: | ------(Rupees in '000)----- |                       |
| <b>Revenue - net sales</b>                         |                             |                       |
| Petroleum Products                                 | 238,622,000                 | 198,181,365           |
| Liquefied Natural Gas (LNG)                        | 90,600,826                  | 81,004,928            |
| Others   | 560,000                     | 1,532,272             |
|  | <u>329,782,826</u>          | <u>280,718,565</u>    |
| <b>Profit for the period</b>                       |                             |                       |
| Petroleum Products                                 | 3,876,000                   | 3,368,000             |
| Liquefied Natural Gas (LNG)                        | (833,000)                   | 342,000               |
| Others   | 485,458                     | 470,884               |
|  | <u>3,528,458</u>            | <u>4,180,884</u>      |

- 17.2 Timing of revenue recognition is at a point in time.
- 17.3 Out of total sales of the Company, 99.5% (September 30, 2018: 99.0%) relates to customers in Pakistan.
- 17.4 All non-current assets of the Company as at September 30, 2019 and 2018 are located in Pakistan.
- 17.5 Sales to five major customers of the Company are approximately 36% during the Three months period ended September 30, 2019 (September 30, 2018: 34%).

**18. Events after the reporting date**

The member in the 43rd Annual General Meeting held on October 28, 2019 have approved (i) a final cash dividend of Rs. 5 per share amounting to Rs. 1,956,139 thousand (ii) 20% bonus shares (78,245,550 shares) i.e. one share for every five ordinary shares held.

**19. Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison the effect of which is not material.

**20. Date of authorisation for issue**

These unconsolidated condensed interim financial statements were approved and authorised for issue on October 30, 2019 by the Board of Management.

  
Managing Director & CEO  


  
Member-Board of Management

  
Chief Financial Officer

PAKISTAN STATE OIL COMPANY LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2019

|   | Note | Un-Audited<br>September 30,<br>2019<br>(Rupees in '000) | Audited<br>June 30,<br>2019 |
|---|------|---|-----------------------------|
| <b>ASSETS</b>   |      |   |                             |
| <b>Non-current assets</b>                                 |      |   |                             |
| Property, plant and equipment                             | 5    | 37,203,899  | 34,581,849                  |
| Intangibles   |      | 56,005  | 60,455                      |
| Long-term investments                                     | 6    | 10,630,327  | 8,930,555                   |
| Long-term loans, advances and other receivables           |      | 387,005   | 346,617                     |
| Long-term deposits and prepayments                        |      | 279,155   | 353,058                     |
| Deferred tax asset - net                                  |      | 11,643,621  | 11,854,947                  |
|   |      | <u>60,200,012</u>                                       | <u>56,127,481</u>           |
| <b>Current assets</b>                                     |      |   |                             |
| Stores, spares, chemicals and loose tools                 |      | 986,381   | 889,295                     |
| Stock-in-trade  | 7    | 99,599,121  | 98,847,665                  |
| Trade debts   | 8    | 212,298,987   | 223,797,044                 |
| Loans and advances  |      | 492,516   | 390,909                     |
| Short-term deposits and prepayments                       |      | 1,645,307   | 3,211,845                   |
| Other receivables   | 9    | 49,691,861  | 56,797,908                  |
| Taxation - net  |      | 8,043,891   | 8,690,696                   |
| Cash and bank balances                                    |      | 4,425,208   | 4,847,030                   |
|   |      | <u>377,183,272</u>                                      | <u>397,472,392</u>          |
| Net assets in Bangladesh                                  |      | -   | -                           |
| <b>TOTAL ASSETS</b>                                       |      | <u><u>437,383,284</u></u>                               | <u><u>453,599,873</u></u>   |
| <b>EQUITY AND LIABILITIES</b>                             |      |   |                             |
| <b>Equity</b>   |      |   |                             |
| Share capital   |      | 3,912,278   | 3,912,278                   |
| Reserves  |      | 123,651,212   | 118,934,765                 |
| Equity attributable to the owner's of the Holding Company |      | 127,563,490   | 122,847,043                 |
| Non-controlling interest                                  |      | 5,572,807   | 5,598,368                   |
|   |      | <u>133,136,297</u>                                      | <u>128,445,411</u>          |
| <b>Non-current liabilities</b>                            |      |   |                             |
| Retirement and other service benefits                     |      | 7,715,757   | 7,877,177                   |
| Long term borrowings                                      |      | 4,100,000   | 4,300,000                   |
| Lease liability   |      | 2,604,011   | -                           |
|   |      | <u>14,419,768</u>                                       | <u>12,177,177</u>           |
| <b>Current liabilities</b>                                |      |   |                             |
| Trade and other payables                                  | 10   | 160,094,912   | 187,650,036                 |
| Unclaimed dividend  |      | 885,105   | 1,761,628                   |
| Unpaid dividend   |      | -   | 103,297                     |
| Provisions  |      | 490,972   | 490,972                     |
| Accrued interest / mark-up                                |      | 1,557,195   | 1,292,443                   |
| Short-term borrowings                                     |      | 126,799,035   | 121,678,909                 |
|   |      | <u>289,827,219</u>                                      | <u>312,977,285</u>          |
| Contingencies and commitments                             | 11   |   |                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       |      | <u><u>437,383,284</u></u>                               | <u><u>453,599,873</u></u>   |

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

  
Managing Director & CEO

  
Member-Board of Management

  
Chief Financial Officer



PAKISTAN STATE OIL COMPANY LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Note | Quarter ended         |                       |
|---|------|-----------------------|-----------------------|
|   |      | September 30,<br>2019 | September 30,<br>2018 |
| (Rupees in '000)                              |      |                       |                       |
| <b>Net sales</b>                              | 12   | <b>340,642,349</b>    | 280,718,565           |
| Cost of products sold                         |      | <b>(329,227,949)</b>  | (269,812,166)         |
| <b>Gross profit</b>                           |      | <b>11,414,400</b>     | 10,906,399            |
| Other income                                  |      | 1,686,730             | 970,454               |
| <b>Operating costs</b>                        |      |                       |                       |
| Distribution and marketing expenses           |      | <b>(2,662,437)</b>    | (2,068,021)           |
| Administrative expenses                       |      | <b>(828,995)</b>      | (720,772)             |
| Other expenses                                |      | <b>(324,161)</b>      | (792,062)             |
|   |      | <b>(3,815,593)</b>    | (3,580,855)           |
| <b>Profit from operations</b>                 |      | <b>9,285,537</b>      | 8,295,998             |
| Finance costs                                 |      | <b>(3,093,722)</b>    | (1,826,054)           |
| Share of profit of associates - net of tax    |      | <b>144,583</b>        | 119,959               |
| <b>Profit before taxation</b>                 |      | <b>6,336,398</b>      | 6,589,903             |
| Taxation                                      |      |                       |                       |
| - current                                     |      | <b>(2,989,375)</b>    | (2,377,730)           |
| - deferred                                    |      | <b>126,928</b>        | (31,289)              |
|   |      | <b>(2,862,447)</b>    | (2,409,019)           |
| <b>Profit for the period</b>                  |      | <b>3,473,951</b>      | 4,180,884             |
| <b>Profit / (loss) attributable to:</b>       |      |                       |                       |
| Owners of the Holding Company                 |      | <b>3,499,512</b>      | 4,180,884             |
| Non-controlling interest                      |      | <b>(25,561)</b>       | -                     |
|   |      | <b>3,473,951</b>      | 4,180,884             |
| (Rupees)                                      |      |                       |                       |
| (Restated)                                    |      |                       |                       |
| <b>Earnings per share - basic and diluted</b> | 13   | <b>8.94</b>           | 10.69                 |

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

*Jehangir al-Shah*

Managing Director & CEO

*M. S. Khan*

Member-Board of Management

*S. Iqbal*

Chief Financial Officer

*2019*

PAKISTAN STATE OIL COMPANY LIMITED  
 CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Quarter ended      |                    |
|---|--------------------|--------------------|
|   | September 30, 2019 | September 30, 2018 |
|   | (Rupees in '000)   |                    |
| Profit for the period   | Note 3,473,951     | 4,180,884          |
| <b>Other comprehensive income / (loss):</b>   |                    |                    |
| <b>Items that will not be subsequently reclassified to statement of profit or loss:</b>                                   |                    |                    |
| Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax                          | -                  | (922)              |
| Unrealised gain on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI) | 6.1.1 1,555,189    | -                  |
| Taxation thereon  | (338,254)          | -                  |
|   | 1,216,935          | -                  |
| Actuarial loss on remeasurement of retirement and other service benefits  | -                  | -                  |
| Taxation thereon  | -                  | (2,208)            |
|   | -                  | (2,208)            |
|   | 1,216,935          | (3,130)            |
| <b>Items that may be subsequently reclassified to statement of profit or loss:</b>  |                    |                    |
| Share of unrealised loss due to change in fair value of available-for-sale (AFS) investments of associates - net of tax   | -                  | (315)              |
|   | -                  | (315)              |
|   | 1,216,935          | (3,445)            |
| <b>Total comprehensive income for the period</b>  | <b>4,690,886</b>   | <b>4,177,439</b>   |
| <b>Profit / (loss) attributable to:</b>   |                    |                    |
| Owners of the Holding Company   | 4,716,447          | 4,177,439          |
| Non-controlling interest  | (25,561)           | -                  |
|   | <b>4,690,886</b>   | <b>4,177,439</b>   |

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

  
 Managing Director & CEO

  
 Member-Board of Management

  
 Chief Financial Officer



PAKISTAN STATE OIL COMPANY LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|  | Share capital    | Reserves         |   |  |                   |                        | Sub-total          | Non-controlling interest | Total              |
|--|------------------|------------------|---|--|-------------------|------------------------|--------------------|--------------------------|--------------------|
|  |                  | Capital Reserves | Unrealised gain on remeasurement of FVOCI Investments | Company's share of unrealised loss on AFS investment of associates | General reserve   | Un-appropriated profit |                    |                          |                    |
| (Rupees in '000)   |                  |                  |   |  |                   |                        |                    |                          |                    |
| Balance as at July 01, 2018 (Audited)  | 3,260,232        | 3,373            | -   | (6,354)  | 25,282,373        | 81,912,851             | 107,192,243        | -                        | 110,452,475        |
| <b>Total comprehensive income for three months period ended</b>                                    |                  |                  |   |  |                   |                        |                    |                          |                    |
| Profit for the period  | -                | -                | -   | -  | -                 | 4,180,884              | 4,180,884          | -                        | 4,180,884          |
| <b>Other comprehensive loss</b>  |                  |                  |   |  |                   |                        |                    |                          |                    |
| Share of unrealised loss due to change in fair value of AFS investments of associates - net of tax | -                | -                | -   | -  | -                 | (2,208)                | (2,208)            | -                        | (2,208)            |
| Actuarial loss on remeasurement of retirement and other service benefits - net of tax              | -                | -                | -   | (315)  | -                 | -                      | (315)              | -                        | (315)              |
| Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax   | -                | -                | -   | (315)  | -                 | (922)                  | (922)              | -                        | (922)              |
|  | -                | -                | -   | (315)  | -                 | (3,130)                | (3,445)            | -                        | (3,445)            |
| <b>Balance as at September 30, 2018 (Unaudited)</b>  | <b>3,260,232</b> | <b>3,373</b>     | <b>-</b>  | <b>(6,669)</b>   | <b>25,282,373</b> | <b>86,090,605</b>      | <b>111,369,682</b> | <b>-</b>                 | <b>114,629,914</b> |
| Balance as at June 30, 2019 (Audited)  | 3,912,278        | 3,373            | 4,335,648   | -  | 25,282,373        | 89,313,371             | 118,934,765        | 5,598,368                | 128,445,411        |
| <b>Total comprehensive income for three months period ended</b>                                    |                  |                  |   |  |                   |                        |                    |                          |                    |
| Profit / (loss) for the period   | -                | -                | -   | -  | -                 | 3,499,512              | 3,499,512          | (25,561)                 | 3,473,951          |
| <b>Other comprehensive income</b>  |                  |                  |   |  |                   |                        |                    |                          |                    |
| Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax             | -                | -                | 1,216,935   | -  | -                 | -                      | 1,216,935          | -                        | 1,216,935          |
|  | -                | -                | 1,216,935   | -  | -                 | -                      | 1,216,935          | -                        | 1,216,935          |
| <b>Balance as at September 30, 2019 (Unaudited)</b>  | <b>3,912,278</b> | <b>3,373</b>     | <b>5,552,583</b>                                      | <b>-</b>   | <b>25,282,373</b> | <b>92,812,883</b>      | <b>123,651,212</b> | <b>5,572,807</b>         | <b>133,136,297</b> |

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements

*Jehangir al-Shah*  
Managing Director & CEO

*M. S. Khan*  
Member Board of Management

*J. P. P. P.*  
Chief Financial Officer

*2019*

PAKISTAN STATE OIL COMPANY LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

|   | Note | Quarter ended         |                       |
|---|------|-----------------------|-----------------------|
|   |      | September 30,<br>2019 | September 30,<br>2018 |
|   |      | (Rupees in '000)      |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                       |                       |
| Cash used in operations   | 14   | 1,757,207             | (23,456,892)          |
| Long-term loans, advances and other receivables                 |      | (40,388)              | 12,784                |
| Long-term deposits and prepayments                              |      | (62,912)              | (69,456)              |
| Taxes paid  |      | (2,342,570)           | (1,692,788)           |
| Finance costs paid  |      | (2,736,858)           | (1,251,179)           |
| Retirement and other service benefits paid                      |      | (584,352)             | (472,635)             |
| <b>Net cash used in operating activities</b>                    |      | <b>(4,009,873)</b>    | <b>(26,930,166)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                       |                       |
| Purchase of   |      |                       |                       |
| - property, plant and equipment                                 |      | (538,047)             | (90,474)              |
| Proceeds from disposal of operating assets                      |      | 13,654                | 1,387                 |
| Dividends received  |      | 283,227               | 271,998               |
| <b>Net cash (used in) / generated from investing activities</b> |      | <b>(241,166)</b>      | <b>182,911</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                       |                       |
| Long-term borrowings repaid                                     |      | (200,000)             | -                     |
| Short-term borrowings - net                                     |      | (10,010,880)          | 26,627,151            |
| Lease payments  |      | (111,089)             | -                     |
| Dividends paid  |      | (979,820)             | (2,227,267)           |
| <b>Net cash (used in) / generated from financing activities</b> |      | <b>(11,301,789)</b>   | <b>24,399,884</b>     |
| <b>Net decrease in cash and cash equivalents</b>                |      | <b>(15,552,828)</b>   | <b>(2,347,371)</b>    |
| Cash and cash equivalents at beginning of the period            |      | (21,015,683)          | (7,924,869)           |
| <b>Cash and cash equivalents at end of the period</b>           | 15.1 | <b>(36,568,511)</b>   | <b>(10,272,240)</b>   |

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

*Shehryar al-Ghal*  
Managing Director & CEO

*Zaid*

*M. S. Khan*  
Member-Board of Management

*S. Iqbal*

Chief Financial Officer

**PAKISTAN STATE OIL COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

**1. GROUP LEGAL STATUS AND NATURE OF BUSINESS**

The Group consist of Pakistan State Oil Company Limited ("the Holding Company") and Pakistan Refinery Limited ("the Subsidiary Company"). Brief Profile of the Holding and Subsidiary Company is given below:

**1.1 Pakistan State Oil Company Limited**

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

1.1.2 The Board of Management (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 Holding Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 2017 or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Holding Company.

**1.2 Pakistan Refinery Limited**

1.2.1 The Subsidiary Company was incorporated in Pakistan as a public limited company in May 1960 and is listed on the Pakistan Stock Exchange. The Subsidiary Company is engaged in the production and sale of petroleum products. The Holding Company controls 52.68% effective from December 01, 2018 (2018: 24.11%) shares of the Subsidiary Company.

1.3 These financial statements denote the consolidated condensed interim financial statements of the Group. Unconsolidated condensed interim financial statements of the Holding Company and its Subsidiary have been presented separately.

**2. Statement of compliance**

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**3. Basis of preparation**

3.1 These consolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the consolidated annual audited financial statements of the Group for the year ended June 30, 2019. These consolidated condensed interim financial statements are unaudited and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

3.2 In June 2011, the SECP on receiving representations from some of entities covered under Benazir Employees' Stock Option Scheme (the Scheme) and after having consulted the ICAP, 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 2.7 to the annual audited consolidated financial statements of the Group for the year ended June 30, 2019.

**3.3 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to accounting and reporting standards that became effective during the period**

The following accounting standards, amendments and interpretations to accounting and reporting standards became effective for the first time and are relevant to the Group.

IFRS 3 - 'Business Combinations: Previously held interests in a joint operation'  
 IFRS 9 - 'Prepayment Features with Negative Compensation'  
 IFRS11 - 'Joint Arrangements: Previously held interests in a joint operation'  
 IFRS 16 - 'Leases'  
 IAS 12 - 'Income Taxes: Income tax consequences of payments on financial instruments classified as equity'  
 IAS 19 - 'Plan Amendment, Curtailment or Settlement'  
 IAS 23 - 'Borrowing Costs - Borrowing cost eligible for capitalization'  
 IAS 28 - 'Long-term Interests in Associates and Joint Ventures'  
 IFRIC 23 - 'Uncertainty over Income Tax Treatments'

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these consolidated condensed interim financial statements except for IFRS 16 which is as follows:

#### IFRS 16 - 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

The Group adopted IFRS 16 with effect from July 01, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Group elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with the similar characteristics. The Company also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a lease term of 12 months or less (short-term leases) and do not contain a purchase option, and lease contracts for which the underlying asset is of low value (low-value leases).

The right-of-use assets were recognised based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease or finance leases as on July 1, 2019.

Based on the above, as on July 1, 2019, the Company;

- Recognised a right-of-use asset (including prepayments) amounting to Rs. 2,972,002 thousand presented under Property, plant and equipment;
- Recognised lease liability of Rs. 2,710,551 thousand disclosed separately in the condensed interim statement of financial position; and
- Reclassified prepayments of Rs. 261,451 thousand relating to previous leases as right-of-use asset.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

|   |                         |
|---|-------------------------|
|   | <b>Rupees in '000'</b>  |
| Undiscounted operating lease commitments as at June 30, 2019                    | 7,862,275               |
| Impact of discounting   | (5,151,724)             |
| <b>Total lease liability at July 1, 2019</b>                                    | <b><u>2,710,551</u></b> |
| <b>Weighted average incremental borrowing rate as at July 1, 2019</b>           | <b>13.72%</b>           |
|   | <b>Rupees in '000'</b>  |
| <b>Impact: Increase/ (decrease) of adopting IFRS 16 on financial statements</b> |                         |
| <b>Impact on Financial Position:</b>  |                         |
| <b>Assets</b>   |                         |
| Property, plant and equipment   | 2,972,002               |
| Prepayments   | (261,451)               |
| <b>Impact on Total Assets</b>   | <b><u>2,710,551</u></b> |
| <b>Liabilities</b>  |                         |
| Lease Liability   | <b><u>2,710,551</u></b> |
| <b>Impact on Profit and loss account:</b>                                       |                         |
| Rent, rate and taxes  | 129,984                 |
| Depreciation Expense  | (68,364)                |
| Financial Charges   | (92,112)                |
| <b>Impact on P&amp;L</b>  | <b><u>(30,492)</u></b>  |

b) **Standards, amendments and interpretations to accounting and reporting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan are relevant to the Group and would be effective from the dates mentioned below against the respective standard or interpretation:

| Standards, amendments or interpretation  | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 3 Definition of a Business  | January 01,2020                                       |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Not yet finalised                                     |
| IAS1 / IAS 8 Definition of Material  | January 01,2020                                       |

3.4 The preparation of these consolidated condensed interim financial statements, in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

During the preparation of these consolidated condensed interim financial statements, changes in the significant judgements made by management in applying the Group accounting policies and the key sources of estimation and uncertainty from those that were applied to the consolidated annual audited financial statements of the Group for the year ended June 30, 2019 do not have any material impact.

3.5 These consolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Group's functional currency and all interim 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 these consolidated condensed interim financial statements are the same as those applied in the preparation of the Group's Consolidated annual audited financial statements for the year ended June 30, 2019 except as explained in note 3.3(a) to these consolidated condensed interim financial statements.

4.2 The Group 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 these consolidated condensed interim financial statements.

5. **Property, plant and equipment**

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

|                                  | Additions<br>(at cost)                |                       | Disposals<br>(at net book value)      |                       |
|----------------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
|                                  | September 30,<br>2019<br>(Un-audited) | September 30,<br>2018 | September 30,<br>2019<br>(Un-audited) | September 30,<br>2018 |
|                                  | ------(Rupees in '000)-----           |                       |                                       |                       |
| Freehold land                    | 11,012                                | -                     | -                                     | -                     |
| Buildings on freehold land       | 2,775                                 | 1,444                 | -                                     | -                     |
| Tanks and pipelines              | 179,377                               | 859                   | 56                                    | -                     |
| Service and filling stations     | 155,754                               | 35,417                | -                                     | 143                   |
| Plant and machinery              | 47,794                                | 35,080                | -                                     | -                     |
| Furniture and fittings           | 3,125                                 | -                     | -                                     | -                     |
| Vehicles and other rolling stock | -                                     | 11,964                | 1,480                                 | 37                    |
| Office equipment                 | 9,905                                 | 2,399                 | -                                     | -                     |
| Gas cylinders / regulators       | -                                     | 10,919                | -                                     | -                     |
|                                  | <u>409,742</u>                        | <u>98,082</u>         | <u>1,536</u>                          | <u>180</u>            |

5.2 The above disposals represented assets costing Rs. 19,841 thousand (September 30, 2018: Rs. 14,295 thousand) and were disposed off for Rs.13,654 thousand (September 30, 2018: Rs. 1,387 thousand).

5.3 Includes operating assets amounting to Rs.769,021 thousand (June 30, 2019: Rs. 796,624 thousand) in respect of Holding Company's share in joint operations.

5.4 Includes capital work-in-progress amounting to Rs. 72,604 thousand (June 30, 2019: Rs. 72,604 thousand) in respect of Holding Company's share in joint operations.

5.5 During the period, the Holding Company recognised right of use asset amounting to Rs. 2,972,003 (June 30, 2019: Nil) having a net book value of Rs. 2,903,639 (June 30, 2019: Nil).

| 6. | Long-term investments   | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|----|---|-------------------------------------|-----------------------------|
|    | Note  | ------(Rupees in '000)-----         |                             |
|    | <b>Investment in related parties</b>                                    |                                     |                             |
|    | <b>Investment held at fair value through other comprehensive income</b> |                                     |                             |
|    | <b>In a unquoted company</b>  |                                     |                             |
|    | - Pak-Arab Pipeline Company Limited (PAPCO)                             |                                     |                             |
|    | Equity held: 12% (2019: 12%)  |                                     |                             |
|    | No. of shares: 8,640,000  |                                     |                             |
|    | (June 30, 2019: 8,640,000) of Rs. 100/- each                            | 6.1                                 | 7,959,953                   |
|    |   |                                     | 6,404,764                   |
|    | <b>Investment in associates</b>   |                                     |                             |
|    | <b>In unquoted companies</b>  |                                     |                             |
|    | - Asia Petroleum Limited  |                                     |                             |
|    | Equity held: 49% (2019: 49%)  |                                     |                             |
|    | No. of shares: 46,058,570 (2019: 46,058,570) of Rs. 10/- each           | 2,563,507                           | 2,418,932                   |
|    | - Pak Grease Manufacturing Company (Private) Limited                    |                                     |                             |
|    | Equity held: 49.26% (2019: 49.26%)                                      |                                     |                             |
|    | No. of shares: 1,536,593 (2019: 1,536,593) of Rs. 10/- each             | 106,866                             | 106,859                     |
|    |   | 2,670,374                           | 2,525,791                   |
|    |   | <u>10,630,327</u>                   | <u>8,930,555</u>            |

6.1 The Group has carried out an exercise to ascertain the fair value of investment as at September 30, 2019 using the discounted cash flow technique (Level 3) and determined that the fair value amounts to Rs. 7,959,953 thousand (June 30, 2019: 6,404,764 thousand). The following major assumptions and inputs were used by the management to determine the aforesaid fair value:

|                                 | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---------------------------------|-------------------------------------|-----------------------------|
| - Discount rate                 | 17.3% - 18.3%                       | 20.5% - 21.8%               |
| - Growth rate of terminal value | 5%                                  | 5%                          |

Based on the above fair valuation exercise, the Group has recorded an unrealised profit - net of tax of Rs.1,216,935 thousand (September 30, 2018: Nil) in other comprehensive income for the year.

| 6.1.1 | Movement of investment classified as FVOCI                                      | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|-------|---|-------------------------------------|-----------------------------|
|       |   | ------(Rupees in '000)-----         |                             |
|       | Balance at beginning of the period / year                                       | 6,404,764                           | 864,000                     |
|       | Impact of change in accounting policy   | -                                   | 7,603,327                   |
|       | Balance at beginning of the period / year - restated                            | 6,404,764                           | 8,467,327                   |
|       | Remeasurement profit / (loss) recognised in other comprehensive income / (loss) | 1,555,189                           | (2,062,563)                 |
|       | Balance at the end of the period / year   | <u>7,959,953</u>                    | <u>6,404,764</u>            |
| 6.1.2 | <b>Sensitivity to unobservable inputs:</b>                                      |                                     |                             |
|       | - Discount rate (1% increase)   | (571,351)                           | (359,561)                   |
|       | - Discount rate (1% decrease)   | 676,502                             | 411,960                     |
|       | - Growth rate of terminal value (1% increase)                                   | 455,327                             | 254,700                     |
|       | - Growth rate of terminal value (1% decrease)                                   | (387,029)                           | (223,821)                   |

## 7. Stock-in-trade

The Group has recognised write-down of inventory to net realisable value amounting to Rs. 149,045 thousand (June 30, 2019: Rs. 170,781 thousand)

|   | Note      | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---|-----------|-------------------------------------|-----------------------------|
| ------(Rupees in '000)-----                               |           |                                     |                             |
| <b>8. Trade debts</b>                                     |           |                                     |                             |
| <b>    Considered good</b>                                |           |                                     |                             |
| <i>Due from Government agencies and autonomous bodies</i> |           |                                     |                             |
| - Secured   | 8.1       | 169,913                             | 155,524                     |
| - Unsecured   | 8.2 & 8.3 | 164,228,453                         | 168,277,493                 |
|   |           | <b>164,398,366</b>                  | <b>168,433,017</b>          |
| <i>Due from other customers</i>                           |           |                                     |                             |
| - Secured   | 8.1       | 2,938,152                           | 3,208,767                   |
| - Unsecured   | 8.2 & 8.3 | 44,962,469                          | 52,155,260                  |
|   |           | <b>47,900,621</b>                   | <b>55,364,027</b>           |
|   |           | <b>212,298,987</b>                  | <b>223,797,044</b>          |
| <b>    Considered doubtful</b>                            |           |                                     |                             |
| Trade debts - gross                                       |           | 215,223,141                         | 226,957,459                 |
| Less: Provision for impairment                            | 8.4       | (2,924,154)                         | (3,160,415)                 |
| <b>Trade debts - net</b>                                  |           | <b>212,298,987</b>                  | <b>223,797,044</b>          |

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

8.2 Includes Rs. 171,920,704 thousand (June 30, 2019: Rs. 170,735,867 thousand) due from related parties, against which provision for impairment of Rs. 935,368 thousand (June 30, 2019: Rs. 1,071,117 thousand) has been recognised.

8.3 Included in trade debts is an aggregate amount of Rs. 174,855,258 thousand (June 30, 2019: Rs. 180,676,446 thousand). These include past due trade debts of Rs. 80,639,061 thousand (June 30, 2019: Rs. 82,383,020 thousand), Rs. 25,433,881 thousand (June 30, 2019: Rs. 25,637,026 thousand) Rs. 1,038,484 thousand (June 30, 2019: Rs. 4,105,302 thousand) and Rs. 58,725,332 thousand (June 30, 2019: Rs. 53,457,589 thousand) from GENCO Holding Company Limited (GHC), Hub Power Company Limited (HUBCO), Kot Addu Power Company Limited (KAPCO), and Sui Northern Gas Pipeline Limited (SNGPL) respectively, based on the agreed credit terms. The Group carries a specific provision of Rs. 346,975 thousand (June 30, 2019: Rs. 346,975 thousand) against these debts and did not consider the remaining aggregate past due balance of Rs. 165,489,783 thousand (against which subsequent receipts of Rs. 40,000 thousand from GHC (formerly WAPDA), Rs. 6,970,000 thousand from HUBCO, Rs. 1,550,000 thousand from KAPCO and Rs. 28,900,000 thousand from SNGPL have been received) as doubtful, as the Group based on measures undertaken by the Government of Pakistan (GoP) to resolve circular debt issue, is confident that the aforementioned debts will be received in due course of time.

Further, as at September 30, 2019 trade debts aggregating Rs. 34,432,316 thousand (June 30, 2019: Rs. 27,382,041 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 177,866,671 (June 30, 2019: Rs. 196,415,003 thousand) are past due but not impaired.

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

|   | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---|-------------------------------------|-----------------------------|
| ------(Rupees in '000)-----   |                                     |                             |
| 8.4 The movement in provision during the period / year is as follows: |                                     |                             |
| Balance at beginning of the period / year                             | 3,160,415                           | 3,290,578                   |
| Impact of change in accounting policy                                 | -                                   | (330,234)                   |
| Balance at beginning of the period / year - restated                  | 3,160,415                           | 2,960,344                   |
| Provision assumed through business combination                        |                                     | 134,892                     |
| Provision recognised during the period / year                         | 11,088                              | 198,469                     |
| Reversal due to recoveries during the period / year                   | (247,349)                           | (133,290)                   |
|   | <b>(236,261)</b>                    | <b>65,179</b>               |
| Balance at the end of the period / year                               | <b>2,924,154</b>                    | <b>3,160,415</b>            |

## 9. Other receivables

9.1 Included in other receivables is long outstanding aggregate amount due from GoP on account of the following receivables, as more fully explained in note 16 to the consolidated annual audited financial statements of the Group for the year ended June 30, 2019:

|   | Un-audited<br>September 30,<br>2019 | Audited<br>June 30,<br>2019 |
|---|-------------------------------------|-----------------------------|
|   | ------(Rupees in '000)-----         |                             |
| <b>Price differential claims (PDC):</b>   |                                     |                             |
| - on imports (net of related liabilities) of Motor Gasoline                       | 1,350,961                           | 1,350,961                   |
| - on High Speed Diesel  | 602,603                             | 602,603                     |
| - on Ethanol E-10 fuel  | 27,917                              | 27,917                      |
| - on account of supply of Furnace Oil to K-Electric Limited at Natural Gas prices | 3,908,581                           | 3,908,581                   |
| - GHC receivables   | <u>3,407,357</u>                    | <u>3,407,357</u>            |
|   | <u>9,297,419</u>                    | <u>9,297,419</u>            |

During the period, there has been no significant change in the status of the abovementioned claims. The Group is fully confident of recoveries against these receivables and is actively pursuing these receivables / matters with the GoP through concerned / relevant ministries.

9.2 Includes receivable of Rs. 41,310,946 thousand (June 30, 2019: Rs. 46,345,131 thousand) due from associates and related parties.

9.3 As at September 30, 2019, receivables aggregating to Rs. 2,925,164 thousand (June 30, 2019: Rs.2,907,016 thousand) were deemed to be impaired and hence have been provided for.

9.4 Includes Rs. 27,948,933 thousand (June 30, 2019: Rs.30,243,658 thousand) unfavourable exchange differences arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - Government of Pakistan (MoF - GoP). These exchange differences are to be settled in accordance with the instructions provided by the MoF - GoP. The Holding Company recognises exchange differences arising on such borrowings as payable (in case of exchange gains) and receivable (in case of exchange losses) to / from GoP. As per letter dated November 27, 2013 from Finance Division, MoF - GoP shall defray extra cost and risks to be borne by the Holding Company in respect of these long / extended term borrowing arrangements i.e. the Holding Company would not bear any exchange differences on such borrowings. The Holding Company is actively pursuing with MoF - GoP for settlement of this receivable and is confident for recovery of the same.

## 10. Trade and other payables

10.1. Includes Rs. 43,753,252 thousand (June 30, 2019: Rs. 30,958,529 thousand) due to various related parties.

## 11. Contingencies and commitments

### 11.1 Contingencies

The Group has contingent liabilities in respect of unrecognized late payment surcharge, pending tax matters and other legal claims in the ordinary course of business.

#### 11.1.1 Late Payment Surcharge

Claims amounting to Rs. 7,811,681 thousand (June 30, 2019: Rs. 7,877,755 thousand) in respect of delayed payment charges on the understanding that these will be payable only when the Group will fully realize delayed payment charges due from its customers, which is more than the aforementioned amount. Charges claimed by the Group 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.

#### 11.1.2 Income Tax

The taxation officer passed assessment orders dated May 28, 2010, May 31, 2010, June 30, 2010, August 31, 2010 and January 29, 2011 in respect of tax years 2004 to 2008 and made certain disallowances and additions resulting in total tax demand of Rs. 1,733,038 thousand. These orders were later rectified and amended to Rs. 964,037 thousand. Currently, the appeal against tax year 2008 is pending before High Court of Sindh (SHC). During the year ended June 30, 2018 the ATIR passed an order in respect of Tax Year 2004 which was decided in favour of the Holding Company and the Holding Company obtained its effect from tax authorities after which the amended demand was reduced to Rs. 783,014 thousand. During the current period, ATIR has passed three orders in respect of Tax Year 2005, 2006 and 2007 which are mostly in favour of the Holding Company except one point for Tax Year 2005 on which the Holding Company is in process of filing reference before SHC. The Holding Company has obtained the effect of ATIR order from taxation authorities for the tax year 2005 after which demand is further reduced to Rs. 593,127 thousand. Based on views of the tax advisor, the management believes that it is more likely than not that the matters will ultimately be decided in the favour of the Holding Company. Accordingly, no provision has been made for the said matters in these consolidated condensed interim financial statements.

### 11.1.3 Sales Tax

- 11.1.3.1 A sales tax show cause notice dated April 11, 2014 was issued by the Additional Commissioner Inland Revenue (ACIR), FBR in respect of sales tax audit of the Holding Company for tax year 2010. Under the said show cause notice, the ACIR showed the intention to impose a demand of Rs. 5,426,874 thousand on account of certain matters. Further, the show cause notice also includes default surcharge and penalty to be imposed at the time of payment. The Holding Company filed a suit against the said show cause notice before the SHC. The SHC vide an order suit no.753/2014 dated May 08, 2014 restrained the tax authorities from issuing any final order and taking any adverse action against the Holding Company and further instructed the Holding Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Holding Company based on views of its lawyers withdrew the suit consequent to recent decision of Honorable Supreme Court (SC) dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The Deputy Commissioner Inland Revenue (DCIR) issued notice subsequent to withdrawal of suit which were duly responded by the Holding Company. During the period, the DCIR passed an order dated July 02, 2019 giving rise to demand of sales tax of Rs. 3,586,018 thousand alongwith penalty of Rs. 179,300 thousand and default surcharge to be calculated at the time of settlement of demand. The Holding Company appealed against this order before Commissioner Inland Revenue (CIR - Appeals), who has annulled the order and has decided the case in the Holding Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax and legal advisor of the Holding Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Holding Company's favour. Accordingly, no provision has been made in these consolidated condensed interim financial statements.
- 11.1.3.2 During the year ended June 30, 2018, a show-cause notice dated November 17, 2017 for recovery of sales tax amounting to Rs.4,858,000 thousand was raised by the DCIR on the matter of non-charging of sales tax on supply of fuel to foreign going airlines for the year 2014-15. The show cause notice also included default surcharge and penalty to be imposed at the time of payment. The Holding Company filed suit No. 46 dated January 08, 2018 before the SHC which restrained the tax authorities from issuing any final order and taking any adverse action against the Holding Company and further instructed the Holding Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Holding Company based on views of its lawyers withdrew the aforesaid suit consequent to recent decision of SC dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. DCIR issued notices subsequent to withdrawal of suit which were duly responded by the Holding Company. During the period, the DCIR has passed an order dated July 04, 2019 giving rise to demand of sales tax of Rs. 4,579,596 thousand along with penalty of Rs.228,979 thousand and default surcharge to be calculated at the time of settlement of demand. The Holding Company appealed against this order before (CIR - Appeals), who has annulled the order and has decided the case in Holding Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax and legal advisor of the Holding Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Holding Company's favour. Accordingly, no provision has been made in these consolidated condensed interim financial statements.
- 11.1.3.3 Sales tax show cause notices dated May 09, 2017 and June 30, 2017 were issued by the Deputy Commissioner, Large tax payers unit (LTU), Karachi in respect of non-payment of sales tax on PDC / subsidies by the Holding Company involving Rs. 35,696,013 thousand. The Holding Company filed petition in SHC against these show cause notices, against which SHC passed stay order in restraining the department from issuing any final order and instructed the Holding Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. However, during the year ended June 30, 2019, the Holding Company based on views of its lawyers withdrew the suit consequent to recent decision of SC dated June 27, 2018, whereby it was held that suit will only be entertained on the condition that 50% of the tax calculated by tax authorities is deposited with the authorities. The DCIR issued notices subsequent to withdrawal of suit which were duly responded by the Holding Company. During the period, the DCIR passed an order dated July 03, 2019 giving rise to demand of sales tax of Rs. 33,855,642 thousand alongwith penalty of Rs.33,855,642 thousand and default surcharge to be calculated at the time of settlement of demand. The Holding Company appealed against this order before (CIR - Appeals), who has annulled the order and has decided the case in Holding Company's favour. Tax department is likely to file an appeal against this order. Based on the views of tax advisor of the Holding Company, the management believes that it is more likely than not that the matter will ultimately be decided in the Holding Company's favour. Accordingly, no provision has been made in these consolidated condensed interim financial statements.
- 11.1.3.4 The Collector (Adjudication) - Customs House Karachi, has issued a show-cause notice dated August 06, 2019 to the Holding Company for recovery of minimum value added sales tax of Rs. 3,107,963 thousand, on import of furnace oil in Pakistan from Keamari terminals. The Holding Company has challenged the impugned show-cause notice in the SHC, who has granted stay against any coercive action by the adjudicating authority. Based on the views of legal advisor of the Holding Company, the management believes that the matters will ultimately be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated condensed interim financial statements.
- ### 11.1.4 Other tax matters
- 11.1.4.1 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 Holding Company is contesting the levy along with other companies in the SHC. Through the interim order passed on May 31, 2011, the SHC 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 Sep 30, 2019, the management has deposited Rs.109,461 (June 30, 2019: Rs.108,707) in cash and provided bank guarantee amounting to Rs.109,461 (June 30, 2019: Rs.108,707) 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 Holding 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 these consolidated condensed interim financial statements.
- 11.1.4.2 There is no significant change in the status of other contingencies as disclosed in notes 28.1.2 to 28.1.5 to the annual audited consolidated financial statements of the Group for the year ended June 30, 2019.

## 11.2 Commitments

|        | Un-audited<br>September 30,<br>2019   | Audited<br>June 30,<br>2019 |
|--------|---|-----------------------------|
|        | ------(Rupees in '000)-----   |                             |
| 11.2.1 | Commitments in respect of capital expenditure contracted for but not yet incurred are as follows: |                             |
|        |   |                             |
|        | - Property, plant and equipment   | 3,365,135                   |
|        | - Intangibles   | 984,726                     |
|        | <u>4,639,726</u>  | <u>4,349,861</u>            |
| 11.2.2 | <u>40,004,065</u>   | <u>42,196,685</u>           |
| 11.2.3 | <u>1,401,328</u>  | <u>1,313,181</u>            |
| 11.2.4 | <u>36,967,215</u>   | <u>38,897,240</u>           |
| 11.2.5 | <u>5,148,000</u>  | <u>5,160,000</u>            |
| 11.2.6 | <u>45,550</u>   | <u>29,851</u>               |

## 12. Net Sales

|   | Un-audited<br>Quarter Ended |                       |
|---|-----------------------------|-----------------------|
|   | September 30,<br>2019       | September 30,<br>2018 |
|   | ------(Rupees in '000)----- |                       |
| Gross Sales                                 | <u>411,929,292</u>          | <u>331,815,086</u>    |
| Less:                                       |                             |                       |
| - Sales tax                                 | (58,952,522)                | (46,677,345)          |
| - Excise duty and petroleum levy            | (5,052,460)                 | -                     |
| - Surplus price differential                | (691,520)                   | -                     |
| - Custom duty                               | (1,183,839)                 | -                     |
| - Inland freight Equalization Margin (IFEM) | (5,406,602)                 | (4,419,176)           |
|   | <u>(71,286,943)</u>         | <u>(51,096,521)</u>   |
| <b>Net Sales</b>                            | <u>340,642,349</u>          | <u>280,718,565</u>    |

## 13. Earning per share

|      | Un-audited<br>Quarter Ended  |                       |
|------|--|-----------------------|
|      | September 30,<br>2019  | September 30,<br>2018 |
|      | ------(Rupees in '000)-----  |                       |
| 13.1 | <b>Basic</b>   |                       |
|      |  |                       |
|      | Profit for the period attributable to the owners of the Holding Company                  |                       |
|      | <u>3,499,512</u>   | <u>4,180,884</u>      |
|      |  | (Restated)            |
|      | Weighted average number of ordinary shares in issue during the period (number of shares) |                       |
|      | <u>391,227,752</u>   | <u>391,227,752</u>    |
|      | ------(Rupees)-----  |                       |
|      | (Restated)   |                       |
|      | <u>8.94</u>  | <u>10.69</u>          |

13.2 During the year ended June 30, 2019, the Holding Company has issued 20% bonus shares (i.e.) one for every five ordinary shares held) which has resulted in restatement of basic and diluted earnings per share

### 13.3 Diluted

There is no dilutive effect on the basic earnings per share of the Holding Company as there are no convertible potential ordinary shares in issue as at September 30, 2019.

|             |   | Un-audited<br>Quarter Ended |                       |
|-------------|---|-----------------------------|-----------------------|
|             |   | September 30,<br>2019       | September 30,<br>2018 |
|             |   | ------(Rupees in '000)----- |                       |
| <b>14.</b>  | <b>Cash used in operations</b>                                    |                             |                       |
|             | <b>Profit before taxation</b>                                     | <b>6,336,398</b>            | <b>6,589,903</b>      |
|             | Depreciation and Amortisation                                     | 890,914                     | 280,678               |
|             | Reversal of provision for impairment on trade debts - net         | (236,261)                   | (191,564)             |
|             | Provision for impairment against doubtful other receivables - net | 18,148                      | 3,215                 |
|             | Provision for impairment against stores, spares and loose tools   | 41,598                      | -                     |
|             | Provision for retirement and other services benefits              | 422,932                     | 312,202               |
|             | Gain on disposal of operating assets                              | (12,118)                    | (1,207)               |
|             | Share of profit from associates - net of tax                      | (144,583)                   | (119,959)             |
|             | Dividend income from FVOCI / AFS investment                       | (283,227)                   | (271,998)             |
|             | Interest on lease payments  | 92,112                      | -                     |
|             | Finance costs   | 3,001,610                   | 1,826,054             |
|             |   | 3,791,125                   | 1,837,421             |
|             | Working capital changes   | 14.1 (8,370,316)            | (31,884,216)          |
|             |   | <u>1,757,207</u>            | <u>(23,456,892)</u>   |
| <b>14.1</b> | <b>Working capital changes</b>                                    |                             |                       |
|             | <i>(Increase) / decrease in current assets:</i>                   |                             |                       |
|             | - Stores, spares and loose tools                                  | (138,684)                   | (16,989)              |
|             | - Stock-in-trade  | (751,456)                   | 1,435,528             |
|             | - Trade debts   | 11,734,318                  | 10,088,935            |
|             | - Loans and advances  | (101,607)                   | 62,863                |
|             | - Deposits and short-term prepayments                             | 1,441,901                   | 2,196,135             |
|             | - Other receivables   | 7,087,899                   | 5,173,115             |
|             | <i>Decrease in current liabilities:</i>                           |                             |                       |
|             | - Trade and other payables  | (27,642,687)                | (50,823,803)          |
|             |   | <u>(8,370,316)</u>          | <u>(31,884,216)</u>   |

**15. Cash and cash equivalents**

Cash and cash equivalents comprise following items in the consolidated condensed interim statement of financial position:

|  |   | Un-audited<br>Quarter Ended |                       |
|--|---|-----------------------------|-----------------------|
|  |   | September 30,<br>2019       | September 30,<br>2018 |
|  |   | ------(Rupees in '000)----- |                       |
|  | Cash and bank balances                                      | 4,425,208                   | 4,002,196             |
|  | Short-term borrowings (finances under mark-up arrangements) | (40,993,719)                | (14,274,436)          |
|  |   | <u>(36,568,511)</u>         | <u>(10,272,240)</u>   |

**16. Fair value of financial assets and liabilities**

These consolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended June 30, 2019. There have been no change in any risk management policies since the year end.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The carrying values of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair values. The Group analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

## 17. Transactions with related parties

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

| Name of the related party and relationship with the Group | Nature of transactions               | Un-audited Quarter Ended |                    |
|---|--------------------------------------|--------------------------|--------------------|
|   |                                      | September 30, 2019       | September 30, 2018 |
| ------(Rupees in '000)-----                               |                                      |                          |                    |
| <b>Associates</b>   |                                      |                          |                    |
| - Pak Grease Manufacturing Company (Private) Limited      | Purchases                            | 15,295                   | 6,763              |
| <b>Retirement benefit funds</b>                           |                                      |                          |                    |
| - Pension Funds (Defined Benefit)                         | Charge for the period                | 144,997                  | 140,375            |
|   | Contributions                        | 377,436                  | 328,408            |
| - Gratuity Fund   | Charge for the period                | 69,377                   | 71,092             |
|   | Contributions                        | 157,202                  | 136,782            |
| - Provident Funds   | Charge / Contribution for the period | 56,684                   | 34,323             |
| - Pension Funds (Defined Contribution)                    | Charge / Contribution for the period | 73,091                   | -                  |
| <b>Key management personnel</b>                           |                                      |                          |                    |
|   | Managerial remuneration              | 161,502                  | 110,488            |
|   | Charge / Contribution for the period | 3,230                    | 2,519              |
| <b>Non-executive Directors</b>                            |                                      |                          |                    |
|   | Remuneration and fees                | 13,029                   | 4,400              |

## 17.2 Related parties by virtue of GoP holdings

The Federal Government of Pakistan directly holds 25.51% (including shares under Pakistan State Oil Company Limited Employee Empowerment Trust) of the Holding Company's issued share capital and is entitled to appoint members of the Board of Management (BoM) under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 for management of the affairs of the Holding Company. The Holding 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 Group 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 Group considers to be significant:

|  |                                      | Un-audited Quarter Ended |                    |
|--|--------------------------------------|--------------------------|--------------------|
|  |                                      | September 30, 2019       | September 30, 2018 |
| ------(Rupees in '000)-----  |                                      |                          |                    |
| - Board of Management  | Contribution towards expenses of BoM | 6,188                    | 5,444              |
| - Pak Arab Pipeline Company Limited  | Pipeline charges                     | 760,533                  | 449,514            |
|  | Dividend received                    | 283,227                  | 271,998            |
| - Sui Northern Gas Pipelines Limited   | Sales                                | 101,472,477              | 94,775,766         |
| - GENCO Holding Company Limited (formerly Water and Power Development Authority) | Sales                                | 1,506,084                | 7,280,890          |
|  | Utility charges                      | 34,332                   | 23,633             |
| - Pakistan Petroleum Limited   | Purchases                            | 819,882                  | -                  |
| - Pakistan International Airlines Corporation Limited                            | Sales                                | 7,227,201                | 4,592,542          |
|  | Purchases                            | 1,203                    | 1,919              |
| - Pak Arab Refinery Limited  | Purchases                            | 49,283,291               | 37,561,805         |
|  | Pipeline charges                     | 90,590                   | 59,749             |
| - Oil and Gas Development Company  | Purchases                            | 1,524,187                | -                  |
| - Pakistan Petroleum Limited   | Purchases                            | 819,882                  | -                  |
| - K-Electric   | Sales                                | 26,852,867               | 17,052,020         |
| - National Bank of Pakistan  | Finance cost and bank charges        | 534,332                  | 396,297            |

The transactions described below are collectively but not individually significant to these consolidated condensed interim financial statements and therefore have been described below:

- (i) The Group 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 and Refining Group, Oil and Gas Regulatory Authority (OGRA) is the regulatory authority of the Group.
- (ii) The Group collects income tax, sales tax, federal excise duty and petroleum levy in the capacity of withholding Agent on behalf of GoP. The Group also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue.
- (iii) The Group 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 Group also utilises port facilities of Port Qasim Authority and Karachi Port Trust.
- (iv) The Group has obtained insurance cover for its inventory and fixed assets from National Insurance Company Limited.
- (v) The Group utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railway for movement of its petroleum products. The Group also uses pipeline of Pak Arab Refinery Limited (PARCO) and Pak Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.
- (vi) The Group obtains utility services from Civil Aviation Authority, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited and K-Electric Limited.
- (vii) The Group sells fuel, oil and other allied products to K-Electric Limited and receives pipeline income as per agreed terms and conditions.
- (viii) The Group has obtained various financing facilities from National Bank of Pakistan.
- (ix) The Group also pays dividend to various government related entities who are shareholders of the Group.

- 17.3 Inventory of the Group held by related parties as at September 30, 2019 amounts to Rs. 18,415,878 thousand (June 30, 2019: Rs. 22,767,496 thousand).
- 17.4 Short term borrowings includes Rs. 28,004,813 thousand (June 30, 2019: Rs. 30,604,813 thousand) under finances obtained from National Bank of Pakistan. Cash and bank balances includes Rs. 1,329 (June 30, 2019: Nil) kept in National Bank of Pakistan.
- 17.5 Accrued interest / mark-up includes Rs. 452,754 (June 30, 2019: Rs. 362,457) interest / mark-up on account of short term finances obtained from National Bank of Pakistan.
- 17.6 The status of outstanding receivables and payables from / to related parties as at September 30, 2019 are included in respective notes to these consolidated condensed interim financial statements.
- 17.7 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.

|                               |   | <b>Un-audited<br/>Quarter Ended</b> |                               |
|-------------------------------|---|-------------------------------------|-------------------------------|
|                               |   | <b>September 30,<br/>2019</b>       | <b>September 30,<br/>2018</b> |
|                               |   | ------(Rupees in '000)-----         |                               |
| <b>18. Operating segments</b> |   |                                     |                               |
| 18.1                          | Segment wise revenues and profit is as under: |                                     |                               |
|                               | <b>Revenue - net sales</b>                    |                                     |                               |
|                               | Petroleum Products                            | 238,622,000                         | 198,181,365                   |
|                               | Liquefied Natural Gas (LNG)                   | 90,600,826                          | 81,004,928                    |
|                               | Refining operations                           | 10,859,523                          | -                             |
|                               | Others  | 560,000                             | 1,532,272                     |
|                               |   | <u>340,642,349</u>                  | <u>280,718,565</u>            |
|                               | <b>Profit for the period</b>                  |                                     |                               |
|                               | Petroleum Products                            | 3,876,000                           | 3,368,000                     |
|                               | Liquefied Natural Gas (LNG)                   | (833,000)                           | 342,000                       |
|                               | Refining operations                           | (54,018)                            | -                             |
|                               | Others  | 484,969                             | 470,884                       |
|                               |   | <u>3,473,951</u>                    | <u>4,180,884</u>              |

- 18.2 Timing of revenue recognition is at a point in time.
- 18.3 Out of total sales of the Group, 99.2% (September 30, 2018: 99.0%) relates to customers in Pakistan.
- 18.4 All non-current assets of the Group as at September 30, 2019 and 2018 are located in Pakistan.
- 18.5 Sales to five major customers of the Group are approximately 34% during the three months period ended September 30, 2019 (September 30, 2018: 34%).

19. **Events after the reporting date**

The members of the Holding Company in the 43rd Annual General Meeting held on October 28, 2019 have approved (i) a final cash dividend of Rs. 5 per share amounting to Rs. 1,956,139 thousand (ii) 20% bonus shares (78,245,550 shares) i.e. one share for every five ordinary shares held.

20. **Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison the effect of which is not material.

21. **Date of authorisation for issue**

These consolidated condensed interim financial statements were approved and authorised for issue on October 30, 2019 by the Board of Management.

*Sehanshi al-Shah*  
Managing Director & CEO

*MS*

*[Signature]*  
Member Board of Management

*[Signature]*

Chief Financial Officer