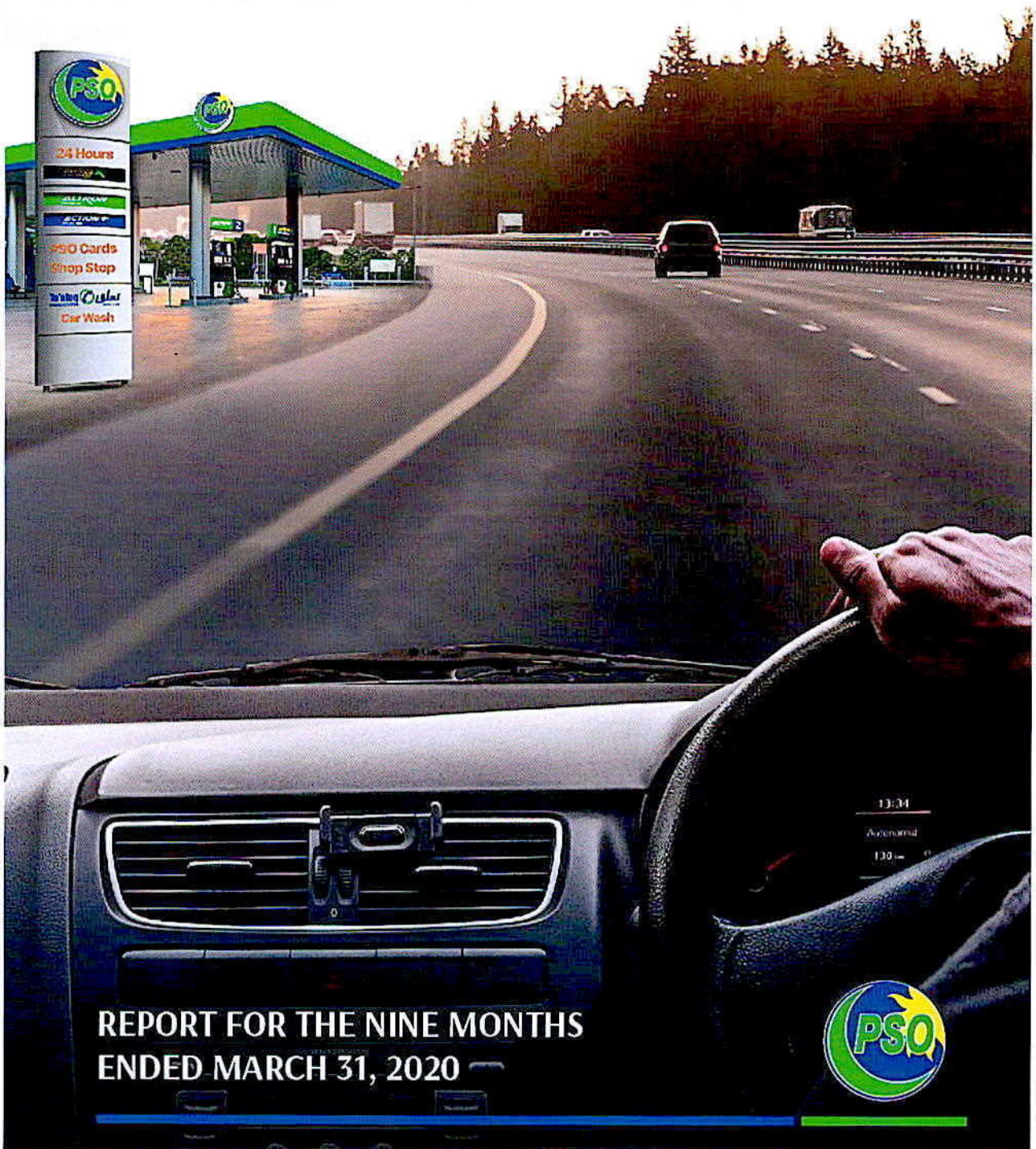


ON THE MOVE WITH PSO



REPORT FOR THE NINE MONTHS
ENDED MARCH 31, 2020



Report to Shareholders

The Board of Management (BOM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company and the Group for the period ended March 31, 2020 i.e. nine months of financial year 2020 (9MFY20) and is pleased to present its report thereon.

The third quarter marked the beginning of COVID-19 outbreak which evolved into a global pandemic. As a result, both global and our national economy is experiencing an uphill challenge with economists predicting inevitable global recession. PSO in this precarious situation successfully implemented its Business Continuity Plan and kept the wheels of the nation running. The Company also came forward to support the needy in these difficult times by contributing Rs. 71 mn through PSO CSR Trust to various organizations including Rs. 50 mn to the Prime Minister's COVID 19 Relief Fund.

In Pakistan, COVID-19 necessary containment measures such as lock-down and implementation of social distancing concept added new business challenges in the period of already slower economic growth, resulting into shrinkage of downstream oil industry. PSO however, continued its strategic focus of re-gaining market share with an increase of 2.4% in Mogas to stand at 37.8% (9MFY20) and 5.8% in HSD to stand at 43.4% (9MFY20). The overall market share of white oil increased by 3.76% during the period which stood at 42.9% compared to 39.2% for same period last year.

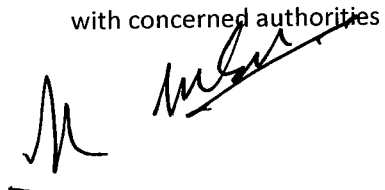
PSO procured around 40% of local refinery production during the period (vis-à-vis 9MFY19: 35%) while 49% of industry imports were handled by PSO. As part of ongoing storage building plan, the company added 7,000 Metric Tons of storage to its POL infrastructure while 14,150 Metric Tons POL storage was rehabilitated. During the period around 700 OGRA compliant new tank lorries were introduced to bring the upgraded OGRA compliant lorries to over 2,100. The company also added 26 New Vision Retail Outlets and 17 new Shop Stops to its network.

A combination of a huge decline in International Oil prices in March 2020 (Brent from \$52/bbl to \$18/bbl from March 2 to March 31, 2020) and its related impact on Net Realizable Value of inventory in hand by PSO, drop in consumption of petroleum products due to the country-wide lock down and continued economic slowdown impacted the Company's profitability. As a result, for the period 9MFY20, the Company has reported Profit after Tax of Rs. 3.0 bn (9MFY19: Rs 5.9 bn).

The lower profitability of the company in the current period is a derivative of net loss of Rs 3.4 bn in the third quarter mainly due to inventory loss on account of significant dip in international oil prices and lower sales owing to decline in overall industry volumes. The increase in finance cost due to bank borrowings to cater trade creditors' payments in absence of matching receipts from SNGPL, in a high interest rates scenario, further impacted the profitability.

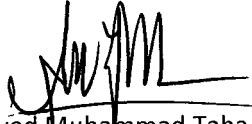
During the period PSO increased its shareholding in Pakistan Refinery Limited (PRL) from 52.68 to 60% by acquiring 34.1 mn additional shares. During the period under review, PRL incurred a loss after tax of Rs 6.8 bn (9MFY19: Rs 3.5 bn) as a result of inventory losses due to international crude oil dynamics, depressed refining margins and higher finance cost. On a consolidated basis, the group incurred a net loss of Rs 4.4 bn for the period ended 9MFY20.

During the 9MFY20, PSO's receivables from power sector declined by Rs. 15.6 bn while on the other hand receivables from SNGPL increased by Rs. 32.4 bn. Liquidity remained a key concern for the company and will pose formidable challenge in the future as well, especially in wake of COVID 19 and other economic challenges impeding growth. The management and the Board is continuously engaged with concerned authorities for earliest recovery of its receivables.

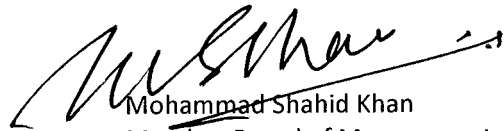


Subsequent to the period end, on April 9, 2020, the Economic Coordination Committee (ECC) of the Cabinet approved immediate release of Rs 29.7 bn in respect of exchange loss receivable by PSO on foreign currency loans taken on the instructions of Ministry of Finance. The ECC also gave direction to Finance, Petroleum and Power divisions to consider release of at least 60 bn by Power Division, in favor of PSO. The timely release of these approved amounts coupled with the cumulative reduction of 4.25% in policy interest rate by SBP in the months of March and April will help PSO in meeting its financial obligations and will also reduce the finance cost in the fourth quarter.

Despite the challenging socio-economic landscape, 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 incessant support and guidance.



Syed Muhammad Taha
Managing Director & CEO



Mohammad Shahid Khan
Member-Board of Management


Karachi: April 29, 2020

PAKISTAN STATE OIL COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	Note	Un-Audited March 31, 2020	Audited June 30, 2019
		------(Rupees in '000)-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	13,131,199	8,187,159
Intangibles		83,391	52,193
Long-term investments	6	15,744,562	11,439,851
Long-term loans, advances and other receivables		663,756	347,003
Long-term deposits and prepayments		270,930	331,300
Deferred tax asset - net		12,920,599	12,496,742
		<u>42,814,437</u>	<u>32,854,248</u>
Current assets			
Stores, spares and loose tools		521,332	474,209
Stock-in-trade	7	74,533,997	89,665,031
Trade debts	8	222,729,171	219,586,332
Loans and advances		240,983	234,734
Short-term deposits and prepayments		472,825	3,190,303
Other receivables	9	52,906,788	57,955,771
Taxation - net		8,572,293	8,525,756
Cash and bank balances		2,408,947	4,593,141
		<u>362,386,336</u>	<u>384,225,277</u>
Net assets in Bangladesh		-	-
TOTAL ASSETS		<u><u>405,200,773</u></u>	<u><u>417,079,525</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,694,734	3,912,278
Reserves		116,906,041	115,268,409
		<u>121,600,775</u>	<u>119,180,687</u>
Non-current liabilities			
Retirement and other service benefits		6,210,309	7,527,709
Lease liabilities		3,507,654	-
		<u>9,717,963</u>	<u>7,527,709</u>
Current liabilities			
Trade and other payables	10	120,907,026	180,042,553
Unclaimed dividend		1,357,272	1,739,860
Unpaid dividend		-	103,297
Provisions		490,972	490,972
Accrued interest / mark-up		2,353,112	1,017,317
Short-term borrowings		148,721,136	106,977,130
Current portion of lease liabilities		52,517	-
		<u>273,882,035</u>	<u>290,371,129</u>
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		<u><u>405,200,773</u></u>	<u><u>417,079,525</u></u>

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Managing Director & CEO


Member Board of Management


Chief Financial Officer

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PAKISTAN STATE OIL COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Nine Months Ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Note	(Rupees in '000)			
Gross Sales	1,038,089,398	950,930,813	285,556,804	288,203,996
Less:				
- Sales tax	(137,522,274)	(119,516,513)	(37,013,259)	(38,344,822)
- Inland Freight Equalization Margin	(13,236,505)	(12,215,391)	(3,551,604)	(3,203,495)
	(150,758,779)	(131,731,904)	(40,564,863)	(41,548,317)
Net sales	887,330,619	819,198,909	244,991,941	246,655,679
Cost of products sold	(867,188,834)	(795,314,964)	(242,526,887)	(238,768,184)
Gross profit	20,141,785	23,883,945	2,465,054	7,887,495
Other income	12 8,282,297	3,592,155	1,303,397	942,106
Operating costs				
Distribution and marketing expenses	(8,077,804)	(6,606,972)	(2,314,710)	(2,179,311)
Administrative expenses	(2,494,955)	(2,277,325)	(1,039,504)	(991,752)
Other expenses	(185,609)	(1,205,163)	(34,439)	613,867
	(10,758,368)	(10,089,460)	(3,388,653)	(2,557,196)
Profit from operations	17,665,714	17,386,640	379,798	6,272,405
Finance costs	13 (10,507,858)	(6,775,565)	(3,967,642)	(2,920,158)
Share of profit of associates - net of tax	456,843	82,188	144,602	147,497
Profit / (Loss) before taxation	7,614,699	10,693,263	(3,443,242)	3,499,744
Taxation				
- current	(6,139,522)	(5,541,982)	(1,145,626)	(1,742,758)
- prior	1,738	143,535	-	-
- deferred	1,531,479	631,442	1,162,512	(79,773)
	(4,606,305)	(4,767,005)	16,886	(1,822,531)
Profit / (Loss) for the period	3,008,394	5,926,258	(3,426,356)	1,677,213
	----- (Rupees) -----			
		(Restated)		(Restated)
Earning / (Loss) per share				
- basic and diluted	14 6.41	12.62	(7.30)	3.57

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Managing Director & CEO


Member-Board of Management



Chief Financial Officer

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PAKISTAN STATE OIL COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Nine Months Ended		Quarter ended	
	March 31, 2020	March 31, 2019 (Restated)	March 31, 2020	March 31, 2019 (Restated)
Profit / (Loss) for the period	3,008,394	5,926,258	(3,426,356)	1,677,213
Other comprehensive income / (loss):				
Items that will not be subsequently reclassified to statement of profit or loss:				
Share of actuarial gain / (loss) on remeasurement of staff retirement benefits of associates - net of tax	579	(10,143)	-	-
Unrealised gain / (loss) on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.1.1			
	1,747,289	-	(38,496)	-
Taxation thereon	(380,035)	-	8,373	-
	1,367,254	-	(30,123)	-
Actuarial loss on remeasurement of retirement and other service benefits - net of tax	-	(6,623)	-	(2,208)
	1,367,833	(16,766)	(30,123)	(2,208)
Total comprehensive income / (loss) for the period	4,376,227	5,909,492	(3,456,479)	1,675,005

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Managing Director & CEO


Member-Board of Management

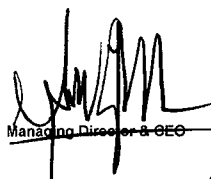

Chief Financial Officer

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PAKISTAN STATE OIL COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Reserves						Total	
	Share capital	Capital Reserves	Revenue Reserves					Sub-total
			Surplus on vesting of net assets	Unrealised gain on remeasurement of AFS / FVOCI investments	Companies' share of unrealised loss on AFS investment of associates	General reserve		
----- (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
Effect of change in accounting policy	-	-	6,063,653	6,354	-	17,907	6,087,914	6,087,914
Balance as at July 01, 2018 - Restated	3,260,232	3,373	6,063,653	-	25,282,373	81,930,758	113,280,157	116,540,389
Total Comprehensive Income For Nine Months Period Ended								
Profit for the period	-	-	-	-	-	5,926,258	5,926,258	5,926,258
Other comprehensive loss - Restated								
Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	-	(10,143)	(10,143)	(10,143)
Actuarial loss on remeasurement of retirement and other service benefits - net of tax	-	-	-	-	-	(6,623)	(6,623)	(6,623)
	-	-	-	-	-	(16,766)	(16,766)	(16,766)
Transaction with the owners								
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(1,630,116)	(1,630,116)	(1,630,116)
Bonus shares issued for the year ended June 30, 2018 @ 20%	652,046	-	-	-	-	(652,046)	(652,046)	-
Balance as at March 31, 2019 (Unaudited) - Restated	3,912,278	3,373	6,063,653	-	25,282,373	85,558,088	116,907,467	120,819,765
Balance as at July 01, 2019 (Audited)	3,912,278	3,373	4,335,648	-	25,282,373	85,647,015	115,268,409	119,180,687
Total Comprehensive Income For Nine Months Period Ended								
Profit for the period	-	-	-	-	-	3,008,394	3,008,394	3,008,394
Other comprehensive income								
Share of actuarial gain on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	-	579	579	579
Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax	-	-	1,367,254	-	-	-	1,367,254	1,367,254
	-	-	1,367,254	-	-	579	1,367,833	1,367,833
Transaction with the owners								
Final dividend for the year ended June 30, 2019 @ Rs. 5 per share	-	-	-	-	-	(1,956,139)	(1,956,139)	(1,956,139)
Bonus shares issued for the year ended June 30, 2019 @ 20%	782,456	-	-	-	-	(782,456)	(782,456)	-
Balance as at March 31, 2020 (Unaudited)	4,694,734	3,373	5,702,902	-	25,282,373	85,917,393	116,906,041	121,600,775

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Managing Director & CEO


Member Board of Management

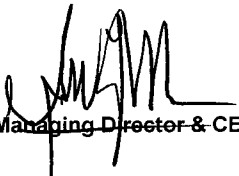

Chief Financial Officer



PAKISTAN STATE OIL COMPANY LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Note	Nine months ended	
		March 31, 2020	March 31, 2019
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	15	(20,990,352)	6,091,743
Long-term loans, advances and other receivables		(316,753)	46,489
Long-term deposits and prepayments		60,370	(91,279)
Taxes paid		(5,456,734)	(5,163,858)
Finance costs paid		(7,823,241)	(5,986,061)
Retirement and other service benefits paid		(2,477,063)	(2,313,291)
Net cash used in operating activities		(37,003,773)	(7,416,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of			
- property, plant and equipment		(1,694,480)	(1,022,916)
- Intangibles		(45,209)	(2,883)
Proceeds from disposal of operating assets		29,853	25,232
Acquisition of shares in PRL		(210,000)	(840,000)
Advance against purchase of PRL right shares		(1,890,000)	-
Dividend received		283,227	298,038
Net cash used in investing activities		(3,526,609)	(1,542,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings - net		23,792,559	3,992,905
Lease rentals paid		(955,794)	-
Dividends paid		(2,442,024)	(2,314,018)
Net cash generated from financing activities		20,394,741	1,678,887
Net decrease in cash and cash equivalents		(20,135,641)	(7,279,899)
Cash and cash equivalents at beginning of the period		(16,467,793)	(7,924,869)
Cash and cash equivalents at end of the period	16	(36,603,434)	(15,204,768)

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Managing Director & CEO


Member-Board of Management


Chief Financial Officer

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PAKISTAN STATE OIL COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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 These unconsolidated condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

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

IFRS 16 - 'Leases'
 IAS 19 - 'Plan Amendment, Curtailment or Settlement'
 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 interpretations to accounting standards did not have any material effect on these unconsolidated 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. IFRS-16 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 1, 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 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 does not have any sub-lease or finance leases as on July 1, 2019.

Lease term is the non-cancelable period for which the Company has right to use the underlying asset in line with the lease contract together with the periods covered by an option to extend which the Company is reasonably certain to exercise and option to terminate which the Company is not reasonably certain to exercise.

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

	Rupees in '000'
Undiscounted operating lease commitments as at June 30, 2019	13,512,093
Impact of discounting	<u>(9,414,142)</u>
Total lease liability at July 1, 2019	<u>4,097,951</u>
Incremental borrowing rate as at July 1, 2019	<u>13.72%</u>
	Rupees in '000'
Impact: Increase/ (decrease) of adopting IFRS 16 on financial statements as at July 1, 2019	
Impact on unconsolidated condensed interim statement of financial position	
Assets	
Property, plant and equipment	4,388,198
Prepayments	<u>(290,247)</u>
Impact on Total Assets	<u>4,097,951</u>
Liabilities	
Current portion of lease liabilities	89,153
Lease liabilities	<u>4,008,798</u>
	<u>4,097,951</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 standards, amendments or interpretation:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
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 judgment in the process of applying the Company's accounting policies. Estimates and judgments 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 judgments 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, except for as disclosed in note 3.3(a).

- 3.5 These unconsolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency.
- 3.6 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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 4.2 to these unconsolidated condensed interim financial statements.

4.2 Lease liability and Right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4.3 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 (at cost)		Disposals (at net book value)	
	March 31, 2020 (Un-audited)	March 31, 2019 (Un-audited)	March 31, 2020 (Un-audited)	March 31, 2019 (Un-audited)
	------(Rupees in '000)-----			
Freehold land	-	326,725	-	-
Buildings on freehold land	66,913	-	-	-
Buildings on leasehold land	899	7,503	-	116
Tanks and pipelines	12,456	48,793	80	16
Service and filling stations	461,687	206,930	201	517
Plant and machinery	109,663	74,837	301	-
Furniture and fittings	5,098	12,693	202	45
Vehicles and other rolling stock	79,030	39,013	7,470	2,604
Office equipments	32,658	25,692	-	-
Gas cylinders / regulators	52,325	88,747	-	-
	820,729	830,933	8,254	3,298

5.2 The above disposals represented assets costing Rs. 114,003 thousand (March 31, 2019: Rs. 198,191 thousand) and were disposed off for Rs. 29,853 thousand (March 31, 2019: Rs. 25,232 thousand).

5.3 Includes operating assets amounting to Rs. 732,127 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. 82,507 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 comprising mainly land amounting to Rs. 4,388,198 thousand (June 30, 2019: Nil) having a net book value as at reporting date amounting to Rs. 4,144,526 thousand (June 30, 2019: Nil).

6. Long-term investments		Un-audited March 31, 2020	Audited June 30, 2019
Investment in related parties	Note	------(Rupees in '000)-----	
Investment held at fair value through other comprehensive income			
In a unquoted company			
- Pak-Arab Pipeline Company Limited (PAPCO) Equity held: 12% (June 30, 2019: 12%) No. of shares: 8,640,000 (June 30, 2019: 8,640,000) of Rs. 100/- each	6.1	8,152,053	6,404,764
Investment in subsidiary - at cost			
In a quoted company			
- Pakistan Refinery Limited (PRL) Equity held 60.00% (June 30, 2019: 52.68%) No. of shares: 189,000,000 (2019: 154,875,000) of Rs. 10/- each	6.2	2,776,090	2,566,090
- Advance against right issue	6.3	1,890,000	-
		4,666,090	2,566,090
Investment in associates			
In unquoted companies			
- Asia Petroleum Limited Equity held: 49% (June 30, 2019: 49%) No. of shares: 46,058,570 (2019: 46,058,570) of Rs. 10/- each		2,873,094	2,418,932
- Pak Grease Manufacturing Company (Private) Limited Equity held: 22% (June 30, 2019: 22%) No. of shares: 686,192 (2019: 686,192) of Rs. 10/- each		53,325	50,065
		2,926,419	2,468,997
		15,744,562	11,439,851

6.1 The Company has carried out an exercise to ascertain the fair value of investment as at March 31, 2020 using the discounted cash flow technique (Level 3) and determined that the fair value amounts to Rs. 8,152,053 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 March 31, 2019	Audited June 30, 2019
- Discount rate	18.0% - 18.9%	20.5% - 21.8%
- Growth rate of terminal value	5%	5%

Based on the above fair valuation exercise, the Company has recorded an unrealised gain - net of tax of Rs. 1,367,254 thousand (March 31, 2019: Nil) in other comprehensive income for the year.

6.1.1 Movement of investment classified as FVOCI	Un-audited March 31, 2020	Audited June 30, 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)	1,747,289	(2,062,563)
Balance at the end of the period / year	8,152,053	6,404,764

6.1.2 Sensitivity to unobservable inputs:		Un-audited March 31, 2020	Audited June 30, 2019
- Discount rate (1% increase)		(529,467)	(359,561)
- Discount rate (1% decrease)		620,625	411,960
- Growth rate of terminal value (1% increase)		429,352	254,700
- Growth rate of terminal value (1% decrease)		(368,225)	(223,821)

6.2 During the period, the Company acquired 10,500,000 shares and 2,625,000 shares of PRL from The Shell Petroleum Company Limited and Chevron Global Energy Inc., USA, respectively, at nominal values. Further, the Company subscribed 21,000,000 right shares of PRL offered in 2015 at Rs. 10 per share. Resultantly, the Company's shareholding in PRL has increased to 189,000,000 shares (60%) from 154,875,000 shares (52.68%).

6.3 During the period, Board of Directors of PRL approved increase in share capital of PRL by 100% through issue of 1 right share for every 1 existing ordinary share held at Rs. 10 per share. The Company has fully subscribed its portion of right shares and has paid Rs. 1,890,000 thousand which has been classified as advance against right shares as transfer of these shares is pending at the reporting date.

7. Stock-in-trade

The Company has recognised write-down of inventory to net realisable value amounting to Rs. 3,551,113 thousand (June 30, 2019: Rs. 51,286 thousand).

	Note	Un-audited March 31, 2020	Audited June 30, 2019
------(Rupees in '000)-----			
8. Trade debts			
Considered good			
<i>Due from Government agencies and autonomous bodies</i>			
- Secured	8.1	247,877	155,524
- Unsecured	8.2 & 8.3	189,002,644	168,277,493
		189,250,521	168,433,017
<i>Due from other customers</i>			
- Secured	8.1	1,774,947	1,819,131
- Unsecured	8.2 & 8.3	31,703,703	49,334,184
		33,478,650	51,153,315
		222,729,171	219,586,332
		2,614,204	3,025,523
Considered doubtful			
Trade debts - gross		225,343,375	222,611,855
Less: Provision for impairment	8.4	(2,614,204)	(3,025,523)
Trade debts - net		222,729,171	219,586,332

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

8.2 Includes Rs.188,280,742 thousand (June 30, 2019: Rs. 170,735,867 thousand) due from related parties, against which provision for impairment of Rs. 898,097 thousand (June 30, 2019: Rs. 1,071,117 thousand) has been recognised.

8.3 Included in trade debts is an aggregate amount of Rs. 197,425,470 thousand (June 30, 2019:Rs. 180,676,446 thousand) due from GENCO Holding Company Limited (GENCO), Hub Power Company Limited (HUBCO), Kot Addu Power Company Limited (KAPCO), and Sui Northern Gas Pipeline Limited (SNGPL). These include past due trade debts of Rs. 75,024,525 thousand (June 30, 2019: Rs. 82,383,020 thousand), Rs. 23,332,015 thousand (June 30, 2019: Rs. 25,637,026 thousand), Rs 1,969,557 thousand (June 30, 2019: Rs. 4,105,302 thousand) and Rs. 87,151,459 thousand (June 30,2019 : Rs. 53,457,589 thousand) from GENCO, HUBCO, KAPCO and 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. 187,130,581 thousand (against which subsequent receipts of Rs. 19,100,000 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.

As at March 31, 2020 trade debts aggregating Rs. 20,400,118 thousand (June 30, 2019: Rs. 27,382,041 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 202,329,053 thousand (June 30, 2019: Rs.192,204,291 thousand) are past due but not impaired.

Based on the past experience, past track record, recoveries and future economic forecasts, 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 March 31, 2020	Audited June 30, 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	1,808	198,469
Reversal due to recoveries during the period / year	(413,127)	(133,290)
	(411,319)	65,179
Balance at the end of the period / year	2,614,204	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 unconsolidated financial statements for the year ended June 30, 2019:

	Un-audited March 31, 2020	Audited June 30, 2019
------(Rupees in '000)-----		
Price differential claims (PDC):		
- on imports (net of related liabilities and specific provision of Rs 365,294 included in note 9.3) of Motor Gasoline	985,667	985,667
- 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
- GENCO receivables	3,407,357	3,407,357
	8,932,125	8,932,125

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. 40,737,651 thousand (June 30, 2019: Rs. 45,807,855 thousand) due from associates and related parties.

9.3 As at March 31, 2020, receivables aggregating to Rs. 2,971,139 thousand (June 30, 2019: Rs. 2,907,016 thousand) were deemed to be impaired and hence have been provided for. The movement of provision for impairment is as follows:

	Un-audited March 31, 2020	Audited June 30, 2019
------(Rupees in '000)-----		
Balance at beginning of the period / year	2,907,016	2,368,822
Impact of change in accounting policy	-	297,000
Balance at beginning of the period / year - Restated	2,907,016	2,665,822
Provision recognised during the period / year	86,977	311,327
Reversal of provision due to recoveries during the period / year	(22,854)	(70,133)
	64,123	241,194
Balance at the end of the period / year	<u>2,971,139</u>	<u>2,907,016</u>

9.4 Includes Rs. 29,671,739 thousand (June 30, 2019: Rs.30,243,658 thousand) on account of 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. During the period, Economic Coordination Committee has directed allocation of requisite amount for settlement of these exchange losses. 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. 28,420,921 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. 6,868,134 thousand (June 30, 2019: Rs.7,757,050 thousand) in respect of delayed payment charges are not recognised 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 has filed reference before SHC. The Company has obtained the effect of ATIR order from taxation authorities for the tax years 2005 and 2006 after which demand is further reduced to Rs. 435,662 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 in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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.

- 11.1.3.2 A sales tax order dated October 27, 2014 regarding alleged non charging of sales tax on supply of fuel to international airlines for the year 2014 was raised by the DCIR, FBR. Under the said order, the DCIR imposed a sales tax demand of Rs. 6,243,369 thousand along with default surcharge of Rs. 1,375,082 thousand and a penalty of Rs. 312,168 thousand. The Company based on the advice of its tax consultants believes that it has correctly treated the aforesaid supplies as being 'zero' rated. The Company filed an appeal against the said order before the CIR (Appeals) which was decided against the Company in decision dated June 29, 2017, received on December 05, 2017. The Company filed an appeal against the order of CIR (Appeals) before ATIR. During the current period, the Appeal has been decided in favor of Company by ATIR. 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 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 in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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 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 in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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.
- 11.1.3.5 Punjab Revenue Authority (PRA) has issued two Orders dated April 10, 2018, against the Company demanding Rs. 571,933 thousand alongwith penalty and default surcharge on alleged non-recovery of Punjab sales tax on account of distribution, marketing and administrative expenses as illustrated in Annual Audited Accounts of 2014-15 and 2015-16. The Orders were raised on an unsubstantiated assumption that distribution, marketing and administrative expenses disclosed by the Company in its financial statements of aforementioned periods are completely taxable and pertains solely to the province of Punjab. The Company challenged the Orders in Lahore High Court, which duly granted stay against the subject tax demand. Further, in consultation with legal advisor, appeals have also been filed with Commissioner - Appeals PRA against the subject orders, which is still pending. Based on the view of tax and legal advisor, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in these unconsolidated condensed interim financial statements. Further, PRA has also issued show cause notice dated April 04, 2018 in respect of the year 2016-17 for recovery of sales tax demand of Rs. 409,491 thousand on similar issue against which the Company has obtained stay order from Lahore High Court. In a recent development, Lahore High Court has quashed its orders on constitutional grounds. The Company, however, has applied for stay of demand with Commissioner Appeals against the orders for Financial Years 2014-15 and 2015-16. 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.
- 11.1.3.6 PRA has issued a Show Cause Notice dated October 01, 2019 demanding Rs. 8,839,550 thousand claiming certain components of petroleum price (e.g. dealer's margin, OMC margin and IFEM) as subject to levy of Punjab Sales Tax. The Company did not agree with the view of PRA as it was treating the whole price of POL products subject to levy of general sales tax. The Company challenged the said show cause notice, against which the Lahore High Court has duly granted stay. 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.
- 11.1.3.7 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 Deputy Director / Sr. Excise and Taxation Officer (ETO) C.M.D.I, Karachi Port Trust (KPT) has issued a notice dated January 6, 2020 to PSO. Through said notice, a demand of Rs.6,438,869 thousand has been raised on account of Sindh maintenance & development infrastructure cess (SMDIC) in respect of POL products consignments imported by PSO during the period 01.07.2016 to 15.11.2019 at Keamari. The Company challenged the aforesaid notice in the High Court of Sindh on February 24, 2020. The High Court through its interim order passed on February 26, 2020, has restricted the respondents from taking any action against the petitioner as well as creating any hindrance of lawful import / export of POL products. Based on the views of its legal advisor, the management believes 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.

11.1.4.2 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 March 31, 2020, the management has deposited Rs.112,899 thousand (June 30, 2019: Rs.108,707 thousand) in cash and provided bank guarantee amounting to Rs.112,899 thousand (June 30, 2019: Rs.108,707 thousand) with the Excise and Taxation Department. Based on the views of its legal advisor, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in these unconsolidated condensed interim financial statements.

11.1.4.3 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 March 31, 2019 certain legal cases amounting to Rs. 7,989,472 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. 6,602,166 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 March 31, 2020	Audited June 30, 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	2,102,192	2,845,135
- Intangibles	5,782,695	984,726
	<u>7,884,887</u>	<u>3,829,861</u>
11.2.2 Letters of credit	<u>3,522,481</u>	<u>27,680,685</u>
11.2.3 Bank guarantees	<u>1,355,242</u>	<u>1,189,181</u>
11.2.4 Standby Letters of credit	<u>32,136,704</u>	<u>38,897,240</u>
11.2.5 Post - dated cheques	<u>2,650,000</u>	<u>5,160,000</u>

12. Other income

Mainly includes delayed payment surcharge received from various customers.

13. Finance costs

Includes mark-up on short-term borrowings and late payment charges amounting to Rs. 9,935,077 thousand (March 31, 2019: 6,662,272 thousand).

14. Earning / (Loss) per share

	Un-audited Nine months ended		Un-audited Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	------(Rupees in '000)-----			
14.1 Basic				
Profit / (Loss) for the period attributable to ordinary shareholders	3,008,394	5,926,258	(3,426,356)	1,677,213
		(Restated)		(Restated)
Weighted average number of ordinary shares in issue during the period (number of shares)	<u>469,473,302</u>	469,473,302	<u>469,473,302</u>	469,473,302
		------(Rupees)-----		
		(Restated)		(Restated)
Earning / (Loss) per share - basic and diluted	<u>6.41</u>	12.62	<u>(7.30)</u>	3.57

14.2 During the period, 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 for quarter and nine months ended March 31, 2019.

14.3 Diluted

There is no dilutive effect on the basic earning / (loss) per share of the Company as there are no convertible ordinary shares in issue as at March 31, 2020 and March 31, 2019.

		Un-audited Nine months ended	
		March 31, 2020	March 31, 2019
		------(Rupees in '000)-----	
15.	Cash (used in) / generated from operations		
	Profit before taxation	7,614,699	10,693,263
	Depreciation and amortisation	1,144,395	838,752
	Unrealised gain on revaluation of investment in PRL on acquisition date	-	(170,375)
	Unrealised loss transferred to profit or loss on reclassification of investment in associate to subsidiary at cost	-	11,826
	Reversal of provision for impairment on trade debts - net	(411,319)	(379,737)
	Provision / (Reversal of provision) for other receivables - net	64,123	(16,829)
	Provision against stock-in-trade	89,543	-
	Provision for impairment against stores, spares and loose tools	12,552	4,534
	Provision for retirement and other services benefits	1,159,663	914,423
	Provision for write down of inventory to net realisable value	3,551,113	-
	Gain on disposal of operating assets	(21,599)	(21,934)
	Share of profit from associates - net of tax	(456,843)	(82,188)
	Dividend income from FVOCI / AFS investment	(283,227)	(271,998)
	Interest on lease payments	418,014	-
	Finance costs	10,089,844	6,775,565
		15,356,259	7,602,039
	Working capital changes	(43,961,310)	(12,203,559)
		(20,990,352)	6,091,743
15.1	Working capital changes		
	<i>(Increase) / decrease in current assets:</i>		
	- Stores, spares and loose tools	(59,675)	(159,800)
	- Stock-in-trade	11,490,378	3,741,356
	- Trade debts	(2,731,520)	45,830,358
	- Loans and advances	(6,249)	1,610,963
	- Deposits and short-term prepayments	2,427,231	948,600
	- Other receivables	4,984,860	(10,678,827)
	<i>Decrease in current liabilities:</i>		
	- Trade and other payables	(60,066,335)	(53,496,209)
		(43,961,310)	(12,203,559)
16.	Cash and cash equivalents		
	Cash and cash equivalents comprise following items in the unconsolidated condensed interim statement of financial position:		
	Cash and bank balances	2,408,947	5,507,795
	Short-term borrowings (finances under mark-up arrangements)	(39,012,381)	(20,712,563)
		(36,603,434)	(15,204,768)
17.	Fair value of financial assets and liabilities		
17.1	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).

As at March 31, 2020, except for the Company's investment in PAPCO, none of the financial instruments are carried at fair value. The valuation technique and assumptions used in fair valuation are disclosed in note 6.1 of these unconsolidated condensed interim financial statements.

18. Transactions with related parties

- 18.1 Related parties comprise subsidiary company, associate companies, 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 Nine months ended	
		March 31, 2020	March 31, 2019
------(Rupees in '000)-----			
Subsidiary			
- Pakistan Refinery Limited	Purchases	61,680,642	19,646,442
	Income facility charges	1,170	257
Associates			
- Pakistan Refinery Limited	Purchases	-	44,479,113
	Dividend received	-	26,040
	Income facility charges	-	490
- Pak Grease Manufacturing Company (Private) Limited	Purchases	67,684	67,835
- Asia Petroleum Limited	Income facility charges	4,718	11,881
	Pipeline charges	47,180	128,320
Retirement benefit funds			
- Pension Funds (Defined Benefit)	Charge for the period	314,818	402,191
	Contributions	1,831,706	1,434,660
- Gratuity Fund	Charge for the period	182,588	213,273
	Contributions	481,108	796,993
- Provident Funds	Charge / Contribution for the period	121,015	117,673
- Pension Funds (Defined Contribution)	Charge / Contribution for the period	142,862	13,149
Key management personnel			
	Managerial remuneration	312,949	270,467
	Provident Fund Charge / Contribution for the period	9,786	7,723
Non-executive Directors			
	Remuneration and fees	21,600	10,500

18.2 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 IAS 24, and therefore has not provided detailed disclosures of its transactions with GoP related entities except for transactions stated below, which the Company considers to be significant:

		Un-audited Nine months ended	
		March 31, 2020	March 31, 2019
		------(Rupees in '000)-----	
- Board of Management	Contribution towards expenses of BoM	25,692	13,392
- Federal Government of Pakistan	Dividend paid	439,601	366,334
- Benazir Employees' Stock Option Scheme	Dividend paid	59,432	49,526
- Pak Arab Pipeline Company Limited	Pipeline charges	2,611,159	1,857,153
	Dividend received	283,227	271,998
- Sui Northern Gas Pipelines Limited	Sales	284,898,469	269,947,825
- GENCO Holding Company Limited (formerly Water and Power Development Authority)	Sales	6,360,955	7,181,361
	Utility charges	24,862	22,154
- Pakistan International Airlines Corporation Limited	Sales	22,453,972	19,821,835
	Purchases	5,379	6,986
- Pak Arab Refinery Limited	Purchases	103,084,112	105,553,214
	Pipeline charges	296,062	216,442
	Other expense	881,048	-
- K-Electric	Sales	42,075,412	40,908,573
- National Bank of Pakistan	Finance cost and bank charges	1,682,638	1,595,409

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 GoP related entities who are shareholders of the Company.
- 18.3 Inventory of the Company held by related parties as at March 31, 2020 amounts to Rs. 26,259,828 thousand (June 30, 2019: Rs. 22,767,496 thousand).
- 18.4 Short term borrowings includes Rs. 33,552,279 thousand (June 30, 2019: Rs. 30,153,558 thousand) under finances obtained from National Bank of Pakistan.
- 18.5 The status of outstanding receivables and payables from / to related parties as at March 31, 2020 are included in respective notes to this unconsolidated condensed interim financial statements.

- 18.6 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.

19. Operating segments	Un-audited Nine months ended	
	March 31, 2020	March 31, 2019
19.1 Segment wise revenues and profit is as under:	------(Rupees in '000)-----	
Revenue - net sales		
Petroleum Products	630,494,619	580,128,000
Liquefied Natural Gas (LNG)	254,473,000	237,014,000
Others	2,363,000	2,056,909
	887,330,619	819,198,909
Profit / (loss) for the period		
Petroleum Products	3,684,000	4,190,000
Liquefied Natural Gas (LNG)	(1,680,000)	856,000
Others	1,004,394	880,258
	3,008,394	5,926,258

- 19.2 Timing of revenue recognition is at a point in time.
- 19.3 Out of total sales of the Company, 99.4% (March 31, 2019: 98.6%) relates to customers in Pakistan.
- 19.4 All non-current assets of the Company as at March 31, 2020 and 2019 are located in Pakistan and Bangladesh. Sales to five major customers of the Company are approximately 31% during the nine months ended March 31, 2020 (March 31, 2019: 34%).
- 19.5 Out of total gross sales of the Company, sales for the nine months ended March 31, 2020, amounting to Rs. 301,651,750 thousand (March 31, 2019: Rs 305,341,455 thousand), relates to circular debt customers.

20. Events after the reporting date


The Board of Management in its meeting held on April 29, 2020 has proposed an interim cash dividend of NIL (March 31, 2019: Rs. 5 per share) amounting to Rs. NIL thousand (March 31, 2019: Rs. 1,956,139 thousand) for the year ending June 30, 2020.

21. General

The figures are rounded off to the nearest thousand rupees, unless otherwise specified.

22. Date of authorisation for issue

These unconsolidated condensed interim financial statements were approved and authorised for issue on April 29, 2020 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 MARCH 31, 2020

	Note	Un-Audited March 31, 2020 (Rupees in '000)	Audited June 30, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	39,470,418	34,581,849
Intangibles		91,402	60,455
Long-term investments	6	11,137,749	8,930,555
Long-term loans, advances and other receivables		669,090	346,617
Long-term deposits and prepayments		292,112	353,058
Deferred tax asset - net		12,507,041	11,854,947
		<u>64,167,812</u>	<u>56,127,481</u>
Current assets			
Stores, spares, chemicals and loose tools		1,047,564	889,295
Stock-in-trade	7	83,886,954	98,847,665
Trade debts	8	224,359,154	223,797,044
Loans and advances		272,283	390,909
Short-term deposits and prepayments		539,744	3,211,845
Other receivables	9	51,545,238	56,797,908
Taxation - net		8,703,284	8,690,696
Cash and bank balances		4,415,574	4,847,030
		<u>374,769,795</u>	<u>397,472,392</u>
Net assets in Bangladesh		-	-
TOTAL ASSETS		<u><u>438,937,607</u></u>	<u><u>453,599,873</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,694,734	3,912,278
Reserves		116,811,922	118,934,765
Equity attributable to the owner's of the Holding Company		121,506,656	122,847,043
Non-controlling interest		1,943,432	5,598,368
		<u>123,450,088</u>	<u>128,445,411</u>
Non-current liabilities			
Retirement and other service benefits		6,550,378	7,877,177
Long term borrowing		3,900,000	4,300,000
Lease liabilities		3,664,465	-
		<u>14,114,843</u>	<u>12,177,177</u>
Current liabilities			
Trade and other payables	10	132,717,299	187,650,036
Unclaimed dividend		1,377,138	1,761,628
Unpaid dividend		-	103,297
Provisions		490,972	490,972
Accrued interest / mark-up		2,678,854	1,292,443
Short-term borrowings		164,052,856	121,678,909
Current portion of lease liabilities		55,557	-
		<u>301,372,676</u>	<u>312,977,285</u>
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		<u><u>438,937,607</u></u>	<u><u>453,599,873</u></u>

The annexed notes 1 to 23 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 NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Note	Nine months ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
----- (Rupees in '000) -----					
Net sales	12	901,955,027	819,198,909	242,997,886	246,655,679
Cost of products sold		(886,797,485)	(795,314,964)	(244,877,196)	(238,768,184)
Gross profit / (loss)		15,157,542	23,883,945	(1,879,310)	7,887,495
Other income	13	8,447,046	3,592,155	1,318,149	942,106
Operating costs					
Distribution and marketing expenses		(8,295,676)	(6,606,972)	(2,343,467)	(2,179,311)
Administrative expenses		(2,868,273)	(2,277,325)	(1,166,540)	(991,752)
Other expenses		(213,903)	(1,205,163)	(35,499)	613,867
		(11,377,852)	(10,089,460)	(3,545,506)	(2,557,196)
Profit / (Loss) from operations		12,226,736	17,386,640	(4,106,667)	6,272,405
Finance costs	14	(12,139,512)	(6,775,565)	(4,731,613)	(2,920,158)
Share of profit of associates - net of tax		459,326	82,188	145,366	147,497
Profit / (Loss) before taxation		546,550	10,693,263	(8,692,914)	3,499,744
Taxation					
- current		(6,714,307)	(5,541,982)	(1,276,388)	(1,742,758)
- prior		1,738	143,535	-	-
- deferred		1,758,722	631,442	1,218,389	(79,773)
		(4,953,847)	(4,767,005)	(57,999)	(1,822,531)
(Loss) / Profit for the period		(4,407,297)	5,926,258	(8,750,913)	1,677,213
(Loss) / Profit attributable to:					
Owners of the Holding Company		(1,028,451)	5,926,258	(6,361,349)	1,677,213
Non-controlling interest		(3,378,846)	-	(2,389,564)	-
		(4,407,297)	5,926,258	(8,750,913)	1,677,213
----- (Rupees) -----					
		(Restated)		(Restated)	
(Loss) / Earning per share					
- basic and diluted	15	(2.19)	12.62	(13.55)	3.57

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.



Managing Director & CEO



Member-Board of Management

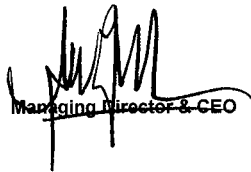


Chief Financial Officer

PAKISTAN STATE OIL COMPANY LIMITED
 CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019 (Restated)	March 31, 2020	March 31, 2019 (Restated)
----- (Rupees in '000) -----				
(Loss) / Profit for the period	(4,407,297)	5,926,258	(8,750,913)	1,677,213
Other comprehensive (loss) / income:				
Items that will not be subsequently reclassified to statement of profit or loss:				
Share of actuarial gain / (loss) on remeasurement of staff retirement benefits of associates - net of tax	579	(10,143)	-	-
Unrealised gain / (loss) on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	1,747,289	-	(38,496)	-
Taxation thereon	(380,035)	-	8,373	-
	1,367,254	-	(30,123)	-
Actuarial loss on remeasurement of retirement and other service benefits	-	(6,623)	-	(2,208)
	-	(6,623)	-	(2,208)
	1,367,833	(16,766)	(30,123)	(2,208)
Total comprehensive (loss) / income for the period	(3,039,464)	5,909,492	(8,781,036)	1,675,005
Profit / (loss) attributable to:				
Owners of the Holding Company	339,382	5,909,492	(5,595,169)	1,675,005
Non-controlling interest	(3,378,846)	-	(3,185,867)	-
	(3,039,464)	5,909,492	(8,781,036)	1,675,005

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.


 Managing Director & CEO


 Member Board of Management


 Chief Financial Officer

ZNO

PAKISTAN STATE OIL COMPANY LIMITED
 CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
 FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Share capital	Reserves					Sub-total	Non-controlling interest (NCI)	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				
Note (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
Effect of change in accounting policy	-	-	6,063,653	6,354	-	17,907	6,087,914	-	6,087,914
Balance as at July 01, 2018 - Restated	3,260,232	3,373	6,063,653	-	25,282,373	81,930,758	113,280,157	-	116,540,389
Total Comprehensive Income For Nine Months Period Ended									
Profit for the period	-	-	-	-	-	5,926,258	5,926,258	-	5,926,258
Other comprehensive loss									
Share of actuarial loss on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	-	(10,143)	(10,143)	-	(10,143)
Actuarial loss on remeasurement of retirement and other service benefits - net of tax	-	-	-	-	-	(6,623)	(6,623)	-	(6,623)
	-	-	-	-	-	(16,766)	(16,766)	-	(16,766)
Transaction with the owners									
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(1,630,116)	(1,630,116)	-	(1,630,116)
Bonus shares issued for the year ended June 30, 2018 @ 20%	652,046	-	-	-	-	(652,046)	(652,046)	-	-
Balance as at December 31, 2018 (Unaudited)	3,912,278	3,373	6,063,653	-	25,282,373	85,558,088	116,907,487	-	120,819,765
Balance as at July 01, 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
Total Comprehensive Income / (Loss) For Nine Months Period Ended									
Loss for the period	-	-	-	-	-	(1,028,451)	(1,028,451)	(3,378,846)	(4,407,297)
Other comprehensive income									
Share of actuarial gain on remeasurement of staff retirement benefits of associates - net of tax	-	-	-	-	-	579	579	-	579
Unrealized gain on remeasurement of equity investment classified as FVOCI - net of tax	-	-	1,367,254	-	-	-	1,367,254	-	1,367,254
	-	-	1,367,254	-	-	579	1,367,833	-	1,367,833
Transaction with the owners									
Transaction with the Non-controlling interest	1.2.1	-	-	-	-	276,370	276,370	(276,370)	-
Share deposit money	-	-	-	-	-	-	-	280	280
Final dividend for the year ended June 30, 2019 @ Rs. 5 per share	-	-	-	-	-	(1,956,139)	(1,956,139)	-	(1,956,139)
Bonus shares issued for the year ended June 30, 2019 @ 20%	782,456	-	-	-	-	(782,456)	(782,456)	-	-
Balance as at March 31, 2020 (Unaudited)	4,694,734	3,373	5,702,902	-	25,282,373	85,546,904	116,811,922	1,943,432	123,450,088

The annexed notes 1 to 23 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 CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Note	Nine months ended	
		March 31, 2020	March 31, 2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	16	(18,009,748)	6,091,743
Long-term loans, advances and other receivables		(322,473)	46,489
Long-term deposits and prepayments		60,946	(91,279)
Taxes paid		(5,998,564)	(5,163,858)
Finance costs paid		(9,389,375)	(5,986,061)
Retirement and other service benefits paid		(2,595,653)	(2,313,291)
Net cash used in operating activities		(36,254,867)	(7,416,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of			
- property, plant and equipment		(2,997,416)	(1,022,916)
- intangibles		(45,209)	(2,883)
Proceeds from disposal of operating assets		29,853	25,232
Acquisition of shares in PRL		-	(840,000)
Dividends received		283,227	298,038
Net cash used in investing activities		(2,729,545)	(1,542,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term borrowings repaid		(400,000)	-
Short-term borrowings - net		23,692,559	3,992,905
Share deposit money received from Non-controlling interest		280	-
Lease payments		(977,345)	-
Dividends paid		(2,443,926)	(2,314,018)
Net cash generated from financing activities		19,871,568	1,678,887
Net decrease in cash and cash equivalents		(19,112,844)	(7,279,899)
Cash and cash equivalents at beginning of the period		(21,015,683)	(7,924,869)
Cash and cash equivalents at end of the period	17	(40,128,527)	(15,204,768)

The annexed notes 1 to 23 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
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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. During the period, PSO acquired additional 10,500,000 Class B shares from Shell Petroleum Company Limited, UK and 2,625,000 Class B shares from Chevron Global Energy Inc. In addition, PSO also subscribed additional 21,000,000 Class B shares which were under injunction. Consequently, the holding of PSO has now increased from 52.68% to 60.00%.

2. Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 from the IFRSs and IFAS, 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 Company 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 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.

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

IFRS 16 - 'Leases'
IAS 19 - 'Plan Amendment, Curtailment or Settlement'
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 interpretations 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. IFRS-16 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 1, 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 Group to use a single discount rate to a portfolio of leases with the similar characteristics.

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 Group does not have any sub-lease or finance leases as on July 1, 2019.

Lease term is the non-cancelable period for which the Group has right to use the underlying asset in line with the lease contract together with the periods covered by an option to extend which the Group is reasonably certain to exercise and option to terminate which the Group is not reasonably certain to exercise.

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

	Rupees in '000'
Undiscounted operating lease commitments as at June 30, 2019	13,827,482
Impact of discounting	(9,563,033)
Total lease liability at July 1, 2019	<u>4,264,449</u>

Weighted average incremental borrowing rate as at July 1, 2019 **13.72%**

Impact: Increase/ (decrease) of adopting IFRS 16 on financial statements as at July 1, 2019 **Rupees in '000'**

Impact on consolidated condensed interim statement of financial position

Assets

Property, plant and equipment	4,554,696
Prepayments	(290,247)
Impact on Total Assets	<u>4,264,449</u>

Liabilities

Current portion of lease liabilities	90,832
Lease liabilities	4,173,617
	<u>4,264,449</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 Group and would be effective from the dates mentioned below against the respective standards, amendments 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 finalized
IAS1 / IAS 8 Definition of Material	January 01,2020

- 3.4 The preparation of these consolidated condensed interim financial statements, is in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments 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 judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Group for the year ended June 30, 2019 do not have any material impact, except for as disclosed in note 3.3(a).

- 3.5 These consolidated condensed interim financial statements are presented in Pakistan Rupee which is also the Group's functional currency.
- 3.6 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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 annual audited financial statements for the year ended June 30, 2019 except as explained in note 4.2 to these consolidated condensed interim financial statements.

4.2 Lease liability and Right-of-use asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

- 4.3 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 (at cost)		Disposals (at net book value)	
	March 31, 2020 (Un-audited)	March 31, 2019	March 31, 2020 (Un-audited)	March 31, 2019
	------(Rupees in '000)-----			
Freehold land	-	326,725	-	-
Buildings on freehold land	69,688	-	-	-
Buildings on leasehold land	899	7,503	-	116
Tanks and pipelines	596,743	48,793	80	16
Service and filling stations	461,687	206,930	201	517
Plant and machinery	1,494,537	74,837	301	-
Furniture and fittings	5,098	12,693	202	45
Vehicles and other rolling stock	130,278	39,013	7,470	2,604
Office equipment	40,093	25,692	-	-
Gas cylinders / regulators	52,325	88,747	-	-
	2,851,348	830,933	8,254	3,298

5.2 The above disposals represented assets costing Rs. 114,003 thousand (March 31, 2019: Rs. 198,191 thousand) and were disposed off for Rs. 29,853 thousand (March 31, 2019: Rs. 25,232 thousand).

5.3 Includes operating assets amounting to Rs. 732,127 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. 82,507 thousand (June 30, 2019: Rs. 72,604 thousand) in respect of Holding Company's share in joint operations.

5.5 During the period, the Group recognised right of use asset comprising mainly land amounting to Rs. 4,554,696 (June 30, 2019: Nil) having a net book value as at reporting date amounting to Rs. 4,299,924 (June 30, 2019: Nil).

5.6 During the period, the Subsidiary Company has capitalised borrowing costs amounting to Rs. 60,700 thousand (June 30, 2019: Rs. 49,452 thousand). Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 13.92% (June 30, 2019: 10.42%) per annum.

6. Long-term investments

	Note	Un-audited March 31, 2020 (Rupees in '000)	Audited June 30, 2019
Investment in related parties			
Investment held at fair value through other comprehensive income			
In a unquoted company			
- 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	8,152,053	6,404,764
Investment in associates			
In unquoted companies			
- Asia Petroleum Limited Equity held: 49% (2019: 49%) No. of shares: 46,058,570 (2019: 46,058,570) of Rs. 10/- each		2,873,094	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		112,602	106,859
		2,985,696	2,525,791
		11,137,749	8,930,555

6.1 The Group has carried out an exercise to ascertain the fair value of investment as at March 31, 2020 using the discounted cash flow technique (Level 3) and determined that the fair value amounts to Rs. 8,152,053 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 March 31, 2020	Audited June 30, 2019
- Discount rate	18.0% - 18.9%	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. 1,367,254 (March 31, 2019: Nil) in other comprehensive income for the period.

6.1.1 Movement of investment classified as FVOCI	Un-audited March 31, 2020	Audited June 30, 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)	1,747,289	(2,062,563)
Balance at the end of the period / year	8,152,053	6,404,764

6.1.2 Sensitivity to unobservable inputs:

- Discount rate (1% increase)	(529,467)	(359,561)
- Discount rate (1% decrease)	620,625	411,960
- Growth rate of terminal value (1% increase)	429,352	254,700
- Growth rate of terminal value (1% decrease)	(368,225)	(223,821)

7. Stock-in-trade

The Group has recognised write-down of inventory to net realisable value amounting to Rs. 5,240,303 thousand (June 30, 2019: Rs. 170,781 thousand)

	Note	Un-audited March 31, 2020	Audited June 30, 2019
		------(Rupees in '000)-----	
8. Trade debts			
 Considered good			
<i>Due from Government agencies and autonomous bodies</i>			
- Secured	8.1	247,877	155,524
- Unsecured	8.2 & 8.3	189,297,569	168,277,493
		189,545,446	168,433,017
<i>Due from other customers</i>			
- Secured	8.1	1,774,947	3,208,767
- Unsecured	8.2 & 8.3	33,038,761	52,155,260
		34,813,708	55,364,027
		224,359,154	223,797,044
 Considered doubtful		2,749,096	3,160,415
Trade debts - gross		227,108,250	226,957,459
Less: Provision for impairment	8.4	(2,749,096)	(3,160,415)
Trade debts - net		224,359,154	223,797,044

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

8.2 Includes Rs.188,280,742 thousand (June 30, 2019: Rs. 170,735,867 thousand) due from related parties, against which provision for impairment of Rs. 898,097 thousand (June 30, 2019: Rs. 1,071,117 thousand) has been recognised.

8.3 Included in trade debts is an aggregate amount of Rs. 197,425,470 thousand (June 30, 2019:Rs. 180,676,446 thousand) due from GENCO Holding Company Limited (GENCO), Hub Power Company Limited (HUBCO), Kot Addu Power Company Limited (KAPCO),and Sui Northern Gas Pipeline Limited (SNGPL). These include past due trade debts of Rs. 75,024,525 thousand (June 30, 2019: Rs. 82,383,020 thousand), Rs. 23,332,015 thousand (June 30, 2019: Rs. 25,637,026 thousand), Rs 1,969,557 thousand (June 30, 2019: Rs. 4,105,302 thousand) and Rs. 87,151,459 thousand (June 30,2019 : Rs. 53,457,589 thousand) from GENCO, HUBCO, KAPCO and 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. 187,130,581 thousand (against which subsequent receipts of Rs. 225,000 thousand from GENCO (formerly WAPDA) and Rs. 20,812,000 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 March 31, 2020 against the remaining trade debts aggregating Rs. 21,575,502 thousand (June 30, 2019: Rs. 27,382,041 thousand) are neither past due nor impaired. The remaining trade debt aggregating to Rs. 202,783,652 (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 March 31, 2020	Audited June 30, 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	1,808	198,469
Reversal due to recoveries during the period / year	(413,127)	(133,290)
	(411,319)	65,179
Balance at the end of the period / year	<u>2,749,096</u>	<u>3,160,415</u>

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 for the year ended June 30, 2019:

	Un-audited March 31, 2020	Audited June 30, 2019
	------(Rupees in '000)-----	
Price differential claims (PDC):		
- on imports (net of related liabilities and specific provision of Rs. 365,294 included in note 9.3) of Motor Gasoline	985,667	985,667
- 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	3,407,357	3,407,357
	<u>8,932,125</u>	<u>8,932,125</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. 39,361,375 thousand (June 30, 2019: Rs. 46,345,131 thousand) due from associates and related parties.

- 9.3 As at March 31, 2020, receivables aggregating to Rs. 2,971,139 thousand (June 30, 2019: Rs.2,907,016 thousand) were deemed to be impaired and hence have been provided for.

	Un-audited March 31, 2020	Audited June 30, 2019
	------(Rupees in '000)-----	
Balance at beginning of the period / year	2,907,016	2,368,822
Impact of change in accounting policy	-	297,000
Balance at beginning of the period / year - Restated	2,907,016	2,665,822
Provision recognised during the period / year	86,977	311,327
Reversal of provision due to recoveries during the period / year	(22,854)	(70,133)
	64,123	241,194
Balance at the end of the period / year	<u>2,971,139</u>	<u>2,907,016</u>

- 9.4 Includes Rs. 29,671,739 thousand (June 30, 2019: Rs.30,243,658 thousand) on account of unfavorable 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. During the period, Economic Coordination Committee has directed allocation of requisite amount for settlement of these exchange losses. 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. 35,917,344 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. 7,614,466 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 has filed reference before SHC. The Holding Company has obtained the effect of ATIR order from taxation authorities for the tax years 2005 and 2006 after which demand is further reduced to Rs. 435,662 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 in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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.
- 11.1.3.2 A sales tax order dated October 27, 2014 regarding alleged non charging of sales tax on supply of fuel to international airlines for the year 2014 was raised by the DCIR, FBR. Under the said order, the DCIR imposed a sales tax demand of Rs. 6,243,369 thousand along with default surcharge of Rs. 1,375,082 thousand and a penalty of Rs. 312,168 thousand. The Holding Company based on the advice of its tax consultants believes that it has correctly treated the aforesaid supplies as being 'zero' rated. The Holding Company filed an appeal against the said order before the CIR (Appeals) which was decided against the Holding Company in decision dated June 29, 2017, received on December 05, 2017. The Holding Company filed an appeal against the order of CIR (Appeals) before ATIR. During the current period, the Appeal has been decided in favor of Holding Company by ATIR. 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 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 in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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 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 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 decided the case in Holding Company's favour in an order dated September 9, 2019. Tax department has filed an appeal, against this order, to appellate tribunal. 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.

11.1.3.5 Punjab Revenue Authority (PRA) has issued two Orders dated April 10, 2018, against the Holding Company demanding Rs. 571,933 thousand alongwith penalty and default surcharge on alleged non-recovery of Punjab sales tax on account of distribution, marketing and administrative expenses as illustrated in Annual Audited Accounts of 2014-15 and 2015-16. The Orders were raised on an unsubstantiated assumption that distribution, marketing and administrative expenses disclosed by the Holding Company in its financial statements of aforementioned periods are completely taxable and pertains solely to the province of Punjab. The Holding Company challenged the Orders in Lahore High Court, which duly granted stay against the subject tax demand. Further, in consultation with legal advisor, appeals have also been filed with Commissioner - Appeals PRA against the subject orders, which is still pending. Based on the view of tax and legal advisor, the Holding Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in these consolidated condensed interim financial statements. Further, PRA has also issued show cause notice dated April 04, 2018 in respect of the year 2016-17 for recovery of sales tax demand of Rs. 409,491 thousand on similar issue against which the Holding Company has obtained stay order from Lahore High Court. In a recent development, Lahore High Court has quashed its orders on constitutional grounds. The Holding Company, however, has applied for stay of demand with Commissioner Appeals against the orders for Financial Years 2014-15 and 2015-16. 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.

11.1.3.6 PRA has issued a Show Cause Notice dated October 01, 2019 demanding Rs. 8,839,550 thousand claiming certain components of petroleum price (e.g. dealer's margin, OMC margin and IFEM) as subject to levy of Punjab Sales Tax. The Holding Company did not agree with the view of PRA as it was treating the whole price of POL products subject to levy of general sales tax. The Holding Company challenged the said show cause notice, against which the Lahore High Court has duly granted stay. 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.

11.1.3.7 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 unconsolidated condensed interim financial statements.

11.1.4 Other tax matters

11.1.4.1 The Deputy Director / Sr. Excise and Taxation Officer (ETO) C.M.D.I, Karachi Port Trust (KPT) has issued a notice dated January 6, 2020 to PSO. Through said notice, a demand of Rs.6,438,869 thousand has been raised on account of Sindh maintenance & development infrastructure cess (SMDIC) in respect of POL products consignments imported by PSO during the period 01.07.2016 to 15.11.2019 at Keamari. The Holding Company challenged the aforesaid notice in the High Court of Sindh on February 24, 2020. The High Court through its interim order passed on February 26, 2020, has restricted the respondents from taking any action against the petitioner as well as creating any hindrance of lawful import / export of POL products. Based on the views of its legal advisor, the management believes 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.

11.1.4.2 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 March 31, 2020, the management has deposited Rs.112,899 thousand (June 30, 2019: Rs.108,707 thousand) in cash and provided bank guarantee amounting to Rs.112,899 thousand (June 30, 2019: Rs.108,707 thousand) with the Excise and Taxation Department. Based on the views of its legal advisor, the management believes that the matter will ultimately be decided in the 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.

11.1.4.3 There is no significant change in the status of other contingencies as disclosed in notes 28.1.2 to 28.1.4 to the annual audited consolidated financial statements of the Group for the year ended June 30, 2019.

11.1.5 Other Legal Claims

11.1.5.1 As at March 31, 2020 certain legal cases amounting to Rs. 8,086,044 thousand (June 30, 2019: Rs. 7,808,554 thousand) had been filed against the Group. However, based on advice of legal advisors of the Group, the management believes that the outcome of these cases would be decided in Group's favor. Accordingly, no provision has been made in these consolidated condensed interim financial statements.

11.1.5.2 Claims against the Group not acknowledged as debts amount to Rs. 6,609,094 thousand (June 30, 2019: Rs. 5,725,761 thousand) other than as mentioned in note 11.1.5.1 above.

11.2 Commitments

	Un-audited March 31, 2020	Audited June 30, 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	2,352,192	3,365,135
- Intangibles	5,782,695	984,726
	<u>8,134,887</u>	<u>4,349,861</u>
11.2.2 Letters of credit	<u>9,962,481</u>	<u>42,196,685</u>
11.2.3 Bank guarantees	<u>1,479,242</u>	<u>1,313,181</u>
11.2.4 Standby Letters of credit	<u>32,136,704</u>	<u>38,897,240</u>
11.2.5 Post - dated cheques	<u>2,650,000</u>	<u>5,160,000</u>

12. Net Sales

	Un-audited Nine months ended		Un-audited Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	------(Rupees in '000)-----			
Gross Sales	<u>1,067,634,415</u>	950,930,813	<u>287,025,319</u>	<u>288,203,996</u>
Less:				
- Sales tax	<u>(152,442,883)</u>	(119,516,513)	<u>(40,475,829)</u>	(38,344,822)
- Inland freight Equalization Margin (IFEM)	<u>(13,236,505)</u>	(12,215,391)	<u>(3,551,604)</u>	(3,203,495)
	<u>(165,679,388)</u>	(131,731,904)	<u>(44,027,433)</u>	(41,548,317)
Net Sales	<u>901,955,027</u>	819,198,909	<u>242,997,886</u>	<u>246,655,679</u>

13. Other income

Mainly includes delayed payment surcharge received from various customers.

14. Finance costs

Includes mark-up on short-term borrowings and late payment charges amounting to Rs. 11,428,049 thousand (March 31, 2019: 6,662,272 thousand).

15.	(Loss) / Earning per share	Un-audited Nine months ended		Un-audited Quarter Ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
------(Rupees in '000)-----					
15.1	Basic				
	(Loss) / Profit for the period attributable to the owners of the Holding Company	<u>(1,028,451)</u>	<u>5,926,258</u>	<u>(6,361,349)</u>	<u>1,677,213</u>
			(Restated)		(Restated)
	Weighted average number of ordinary shares in issue during the period (number of shares)	<u>469,473,302</u>	<u>469,473,302</u>	<u>469,473,302</u>	<u>469,473,302</u>
------(Rupees)-----					
			(Restated)		(Restated)
	(Loss) / Earning per share - basic and diluted	<u>(2.19)</u>	<u>12.62</u>	<u>(13.55)</u>	<u>3.57</u>

15.2 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

15.3 **Diluted**

There is no dilutive effect on the basic (loss) / earning per share of the Holding Company as there are no convertible potential ordinary shares in issue as at March 31, 2020.

16.	Cash (used in) / generated from operations	Un-audited Nine months ended	
		March 31, 2020	March 31, 2019
------(Rupees in '000)-----			
	Profit before taxation	546,550	10,693,263
	Depreciation and Amortisation	2,669,551	838,752
	Unrealised gain on revaluation of investment in PRL on acquisition	-	(170,375)
	Unrealised loss transferred to profit or loss on reclassification of investment in associate to subsidiary at cost	-	-
	Reversal of provision for impairment on trade debts - net	(411,319)	(379,737)
	Provision / (Reversal of provision) for other receivables - net	64,123	(16,829)
	Provision against stock-in-trade	89,543	-
	Provision for impairment against stores, spares and loose tools	10,602	4,534
	Provision for retirement and other services benefits	1,268,854	914,423
	Provision for write down of inventory to net realisable value	5,240,303	-
	Gain on disposal of operating assets	(21,599)	(21,934)
	Share of profit from associates - net of tax	(459,326)	(82,188)
	Dividend income from FVOCI / AFS investment	(283,227)	(271,998)
	Interest on lease payments	432,918	-
	Finance costs	11,706,594	6,775,565
		20,307,017	7,602,039
	Working capital changes	(38,863,315)	(12,203,559)
		(18,009,748)	6,091,743
16.1	Working capital changes		
	<i>(Increase) / decrease in current assets:</i>		
	- Stores, spares and loose tools	(168,871)	(159,800)
	- Stock-in-trade	9,630,865	3,741,356
	- Trade debts	(150,791)	45,830,358
	- Loans and advances	118,626	1,610,963
	- Deposits and short-term prepayments	2,381,854	948,600
	- Other receivables	5,188,547	(10,678,827)
	<i>Decrease in current liabilities:</i>		
	- Trade and other payables	(55,863,545)	(53,496,209)
		(38,863,315)	(12,203,559)

17. Cash and cash equivalents

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

	Un-audited	
	Nine months ended	
	March 31,	March 31,
	2020	2019
	------(Rupees in '000)-----	
Cash and bank balances	4,415,574	5,507,795
Short-term borrowings (finances under mark-up arrangements)	(44,544,101)	(20,712,563)
	<u>(40,128,527)</u>	<u>(15,204,768)</u>

18. Fair value of financial assets and liabilities

18.1 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).

As at March 31, 2020, except for the Holding Company's investment in PAPCO, none of the financial instruments are carried at fair value. The valuation technique and assumptions used in fair valuation are disclosed in note 6.1 of these consolidated condensed interim financial statements.

19. Transactions with related parties

19.1 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	
		Nine months ended	
		March 31,	March 31,
		2020	2019
		------(Rupees in '000)-----	
Associates			
- Pak Grease Manufacturing Company (Private) Limited	Purchases	67,684	67,835
- Asia Petroleum Limited	Income facility charges	4,718	11,881
	Pipeline charges	47,180	128,320
Retirement benefit funds			
- Pension Funds (Defined Benefit)	Charge for the period	389,989	402,191
	Contributions	1,921,876	1,434,660
- Gratuity Fund	Charge for the period	193,703	213,273
	Contributions	496,649	796,993
- Provident Funds	Charge / Contribution for the period	181,390	117,673
- Pension Funds (Defined Contribution)	Charge / Contribution for the period	142,862	13,149

Key management personnel	Managerial remuneration	424,282	270,467
	Provident Fund Charge / Contribution for the period	16,968	7,723
Non-executive Directors	Remuneration and fees	34,381	10,500

19.2 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	
		Nine months ended	
		March 31,	March 31,
		2020	2019
		------(Rupees in '000)-----	
- Board of Management	Contribution towards expenses of BoM	25,692	13,392
- Federal Government of Pakistan	Dividend paid	439,601	366,334
- Benazir Employees' Stock Option Scheme	Dividend paid	59,432	49,526
- Pak Arab Pipeline Company Limited	Pipeline charges	2,611,159	1,857,153
	Dividend received	283,227	271,998
- Sui Northern Gas Pipelines Limited	Sales	284,898,469	269,947,825
- GENCO Holding Company Limited (formerly Water and Power Development Authority)	Sales	6,360,955	7,181,361
	Utility charges	24,862	22,154
- Pakistan International Airlines Corporation Limited	Sales	22,453,972	19,821,835
	Purchases	5,379	6,986
- Pak Arab Refinery Limited	Purchases	110,172,340	105,553,214
	Pipeline charges	296,062	216,442
	Other expense	881,048	-
- Oil and Gas Development Company	Purchases	7,017,808	-
-Pakistan Petroleum Limited	Purchases	2,188,271	-
- K-Electric	Sales	42,075,412	40,908,573
- National Bank of Pakistan	Finance cost and bank charges	1,729,113	1,595,409

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 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.
- 19.3 Inventory of the Group held by related parties as at March 31, 2020 amounts to Rs. 26,259,828 thousand (June 30, 2019: Rs. 22,767,496 thousand).
- 19.4 Short term borrowings includes Rs. 34,050,856 thousand (June 30, 2019: Rs. 30,604,813 thousand) under finances obtained from National Bank of Pakistan.
- 19.5 The status of outstanding receivables and payables from / to related parties as at March 31, 2020 are included in respective notes to these consolidated condensed interim financial statements.
- 19.6 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.

		Un-audited	
		Nine months ended	
		March 31,	March 31,
		2020	2019
		------(Rupees in '000)-----	
20. Operating segments			
20.1	Segment wise revenues and profit is as under:		
	Revenue - net sales		
	Petroleum Products	630,494,619	580,128,000
	Liquefied Natural Gas (LNG)	254,473,000	237,014,000
	Refining operations	14,624,408	-
	Others	2,363,000	2,056,909
		<u>901,955,027</u>	<u>819,198,909</u>
	Profit / (Loss) for the period		
	Petroleum Products	3,683,270	4,181,000
	Liquefied Natural Gas (LNG)	(1,680,000)	856,000
	Refining operations	(7,414,961)	-
	Others	1,004,394	889,258
		<u>(4,407,297)</u>	<u>5,926,258</u>
20.2	Timing of revenue recognition is at a point in time.		
20.3	Out of total sales of the Group, 99.2% (March 31, 2019: 98.6%) relates to customers in Pakistan.		
20.4	All non-current assets of the Group as at March 31, 2020 and 2019 are located in Pakistan and Bangladesh. Sales to five major customers of the Group are approximately 30% during the half year ended March 31, 2020 (March 31, 2019: 34%).		

21. Events after the reporting date

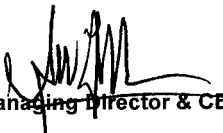
The Board of Management of the Group in its meeting held on April **29**, 2020 has proposed an interim cash dividend of NIL (March 31, 2019: Rs. 5 per share) amounting to Rs. NIL thousand (March 31, 2019: Rs. 1,956,139 thousand) for the year ending June 30, 2020.

22. General

The figures are rounded off to the nearest thousand rupees, unless otherwise specified.

23. Date of authorisation for issue

These consolidated condensed interim financial statements were approved and authorised for issue on April **29**, 2020 by the Board of Management.


Managing Director & CEO


Member-Board of Management


Chief Financial Officer

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