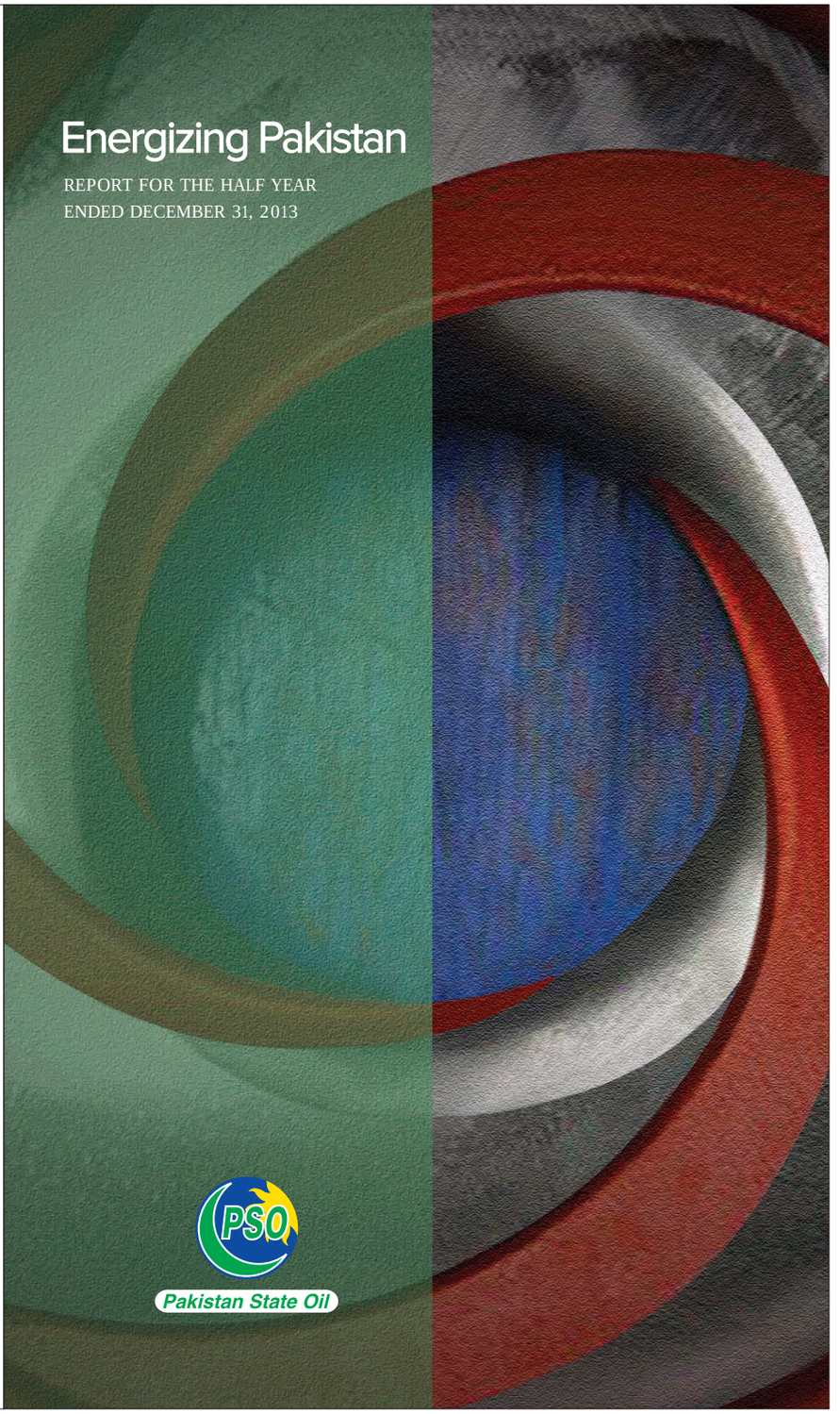
Pakistan State Oil

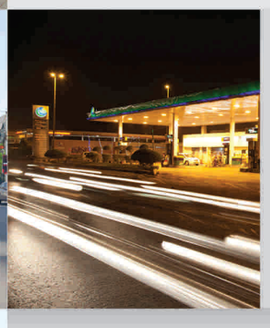
Pakistan State Oil Company Limited
PSO House, Khayaban-e-Iqbal, Clifton
Karachi-75600, Pakistan. UAN: (92-21) 111-111-PSO (776)
Ta'aluq Careline: 0800-03000 Email: taaluq@psopk.com
Fax: (92-21) 9920-3721 Website: www.psopk.com

Energizing Pakistan

REPORT FOR THE HALF YEAR
ENDED DECEMBER 31, 2013



Pakistan State Oil



New ideas and new directions, new initiatives and new dreams, these form the lifeblood of an organization.

As PSO continues to grow, so shall its business.
As PSO continues to excel, so shall its employees.
As PSO continues to prosper, so shall Pakistan.

PSO Zindabad, Pakistan Paindabad.

Vision

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

Mission

We are committed to leadership in the energy market through competitive advantage in providing the highest quality petroleum products and services to our customers, based on:

- Professionally trained, high-quality, motivated workforce that works as a team in an environment which recognizes and rewards performance, innovation and creativity and provides for personal growth and development.
- Lowest-cost operations and assured access to long-term and cost-effective supply sources.
- Sustained growth in earnings in real terms.
- Highly ethical, safe, environment-friendly and socially responsible business practices.

COMPANY INFORMATION

BOARD OF MANAGEMENT

Mr. Amjad Parvez Janjua
Managing Director

Mr. Muhammad Naeem Malik
Member

Mr. Muhammad Azam
Member

Dr. Mirza Ikhtiar Baig
Member

Mr. Malik Naseem Hussain Lawbar
Member

Mr. Ahsan Bashir
Member

Raja Hameed Ahmed Saleem
Member

Mr. Wazir Ali Khoja
Member

COMPANY SECRETARY

Ms. Ayesha Afzal

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

REGISTRAR OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building
No. 3 Dr. Ziauddin Ahmed Road,
Karachi.
Phone: 021-35689021
Fax: 021-35655595

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Citibank N.A
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
The HSBC Bank Middle East Limited
United Bank Limited

REGISTERED OFFICE

Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal, Clifton,
Karachi - 75600, Pakistan.
UAN: (92-21) 111-111-PSO (776)
Fax: (92-21) 9920-3721
Ta'aluq Careline: 0800-03000
E-mail: taaluq@psopk.com
Website: www.psopk.com

REPORT TO SHAREHOLDERS

The Board of Management (BoM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company for the first half of financial year 2013-14 (1HFY14) and is pleased to present its report thereon.

PSO's revenues rose 15% to Rs 727 billion for the half year ended 31st December 2013 as compared to Rs 630 billion during the Same Period Last Year (SPLY). The company's after tax earnings rose by 150% percent to Rs 15.8 billion as compared to Rs 6.31 billion during SPLY. These all time high six monthly earnings surpassed the after tax earnings of Rs 12.6 billion during the entire financial year 2012-2013 by 25%. PSOs share price recorded an impressive growth, outperforming KSE 100 share index by 11% during the second quarter ended December 31, 2013. It is indeed an evidence of strong investor confidence in the management of the company.

PSO led the market with a share of 63% while its market share in black oil and white oil stood at 75% and 53% respectively during the six month period ended December 2013. During this period, the company's sales of furnace oil and motor gasoline grew by 13% and 15% respectively. A decline of 6.4% in sale of high speed diesel during the first quarter was followed by a growth of 3.5% during second quarter resulting in 1% decline over the six months period.

The company realized substantial cost efficiencies. The distribution and marketing expenses increased merely by 4% against 15% increase in sales. There has been an increase of 2% in the administrative, distribution and marketing expenses in comparison with 13% increase on average during the corresponding periods of the last three years and an inflation of 9.2% during the half year.

The positive impact of the sales performance and cost efficiency on the bottom line of the Company was partially offset by the sharp devaluation of Pak Rupees against US Dollar of approximately 6.5% as compared to 2.3% during SPLY. This resulted in an exchange loss of Rs 2.2 billion as compared to Rs 0.96 billion during SPLY. Recovery of interest from private power producers contributed positively to the bottom line although it caused an increase in finance cost.

In view of the strong performance of the Company, the Board declared a cash dividend of Rs 4 per share and 10% bonus shares.

Expressing concern over the increased balance of receivables from the power sector, the Board directed the management to continue working closely with the concerned government departments and customers for timely realization of due payments against the fuel supplies.

The Board unanimously resolved to place on record its commendation for outstanding leadership provided by Mr. Amjad Parvez Janjua, Manging Director & CEO of PSO, resulting in substantial improvements in performance, competitiveness, culture and reputation of PSO. The Board duly acknowledged the hard work of the PSO employees and their contribution to impressive performance and strong half yearly results of the company. The Board expressed gratitude to customers and business partners of the company as well as the Government of Pakistan for their unwavering support to PSO in achieving all time best results in terms of revenue and profitability. The management thanked the Board for their guidance and support and assured continued efforts to increase shareholder value in the future.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

Karachi: February 28, 2014

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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of Pakistan State Oil Company Limited ("the Company") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes forming part thereof for the six-months period then ended (here-in-after referred as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures in the condensed interim profit and loss account for the quarter ended December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EMPHASIS OF MATTER

We draw attention to:

- Notes 11.1 to 11.4 to the condensed interim financial information. The Company considers the aggregate amount of Rs. 9,318 million due from Government of Pakistan, as good debts for reasons given in the notes;

- Note 14.1.1 to the condensed interim financial information regarding non-accrual of mark-up on delayed payments for reasons given in the note; and

- Note 14.1.2 to the condensed interim financial information regarding tax implication of Rs. 958 million on the Company for the assessment years 1996-97 and 1997-98 for which the case is pending in the Supreme Court of Pakistan.

Our conclusion is not qualified in respect of the above mentioned matters.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Nadeem Yousuf Adil

Date: February 28, 2014
Place: Karachi

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2013

	Note	Unaudited December 31, 2013	Audited June 30, 2013 (Restated)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,277,787	5,524,767
Intangibles	7	28,682	30,068
Long term investments	8	45,676,948	48,253,164
Long term loans, advances and receivables		336,763	380,213
Long term deposits and prepayments		139,046	113,093
Deferred tax	9	4,527,153	3,292,075
		55,986,379	57,593,380
Current assets			
Stores, spare parts and loose tools		166,124	138,775
Stock-in-trade		100,512,397	106,089,048
Trade debts	10	152,737,161	76,596,194
Loans and advances		548,675	490,606
Deposits and short term prepayments		1,390,408	2,405,618
Markup / interest receivable on investments		2,292,724	2,251,290
Other receivables	11	22,308,968	26,570,948
Taxation -net		1,683,245	4,586,321
Cash and bank balances		5,119,984	5,227,328
		286,759,686	224,356,128
Net assets in Bangladesh		-	-
Total assets		342,746,065	281,949,508
EQUITY AND LIABILITIES			
Equity			
Share capital		2,469,872	2,469,872
Reserves		71,810,585	58,172,917
		74,280,457	60,642,789
Non-current liabilities			
Long term deposits		1,353,864	1,342,463
Retirement and other service benefits		4,103,552	4,271,222
		5,457,416	5,613,685
Current liabilities			
Trade and other payables	12	169,573,360	197,302,571
Provisions		688,512	688,512
Accrued interest/mark-up on short term borrowings		786,983	432,270
Short term borrowings	13	91,959,337	17,269,681
		263,008,192	215,693,034
Total equity and liabilities		342,746,065	281,949,508
Contingencies and commitments	14		

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Note	Six months period ended December 31, 2013	Six months period ended December 31, 2012 (Restated)	Quarter ended December 31, 2013	Quarter ended December 31, 2012 (Restated)
		(Rupees in '000)		(Rupees in '000)	
Sales - net of trade discounts and allowances amounting to Rs. 407,706 thousand (July - December 2012: Rs. 444,992 thousand)		726,959,863	629,532,818	362,657,966	304,575,929
Less:					
- Sales tax		(105,761,307)	(86,521,987)	(52,552,927)	(41,621,675)
- Inland freight equalization margin		(9,286,715)	(8,172,741)	(4,879,343)	(4,200,064)
		(115,048,022)	(94,694,728)	(57,432,270)	(45,821,739)
Net sales		611,911,841	534,838,090	305,225,696	258,754,190
Cost of products sold		(588,860,151)	(517,926,169)	(294,035,644)	(253,195,779)
Gross profit		23,051,690	16,911,921	11,190,052	5,558,411
Other income	15	14,667,496	3,334,372	4,526,768	2,160,573
Operating costs:					
Distribution and marketing expenses		(4,065,615)	(3,893,424)	(2,030,800)	(2,049,009)
Administrative expenses		(898,746)	(960,817)	(416,207)	(502,475)
Other operating expenses	16	(4,060,721)	(1,909,916)	671,351	(964,157)
		(9,025,082)	(6,764,157)	(1,775,656)	(3,515,641)
Profit from operations		28,694,104	13,482,136	13,941,164	4,203,343
Finance costs		(5,272,845)	(4,479,288)	(2,123,324)	(1,608,175)
		23,421,259	9,002,848	11,817,840	2,595,168
Share of profit of associates		283,355	326,435	145,881	144,344
Profit before taxation		23,704,614	9,329,283	11,963,721	2,739,512
Taxation	17	(7,905,192)	(3,015,493)	(3,962,229)	(693,859)
Profit for the period		15,799,422	6,313,790	8,001,492	2,045,653
		(Rupees)		(Rupees)	
			Restated		Restated
Earnings per share - Basic and Diluted	18	63.97	25.56	32.40	8.28

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Six months period ended		Quarter ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012 (Restated)
	(Rupees in '000)		(Rupees in '000)	
Profit for the period	15,799,422	6,313,790	8,001,492	2,045,653
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Share of unrealised gain due to change in fair value of available for sale investments in associates	1,517	4,053	813	3,514
Remeasurement of post employement benefit plans	104,277	228,042	104,277	(228,042)
Less: tax thereon	(35,454)	(77,534)	(35,454)	77,534
	68,823	150,508	68,823	(150,508)
Reversal of deferred tax asset recognised on actuarial losses and past service cost on its realisation	(608,653)	-	(608,653)	-
Current tax benefit on actuarial losses and past service cost	608,653	-	608,653	-
	-	-	-	-
Items that may be reclassified subsequently to profit or loss				
Unrealised (loss)/gain due to change in fair value of other long-term available for sale investments	(2,429,300)	74,656	682,554	59,221
Less: deferred tax thereon	814,674	-	(246,017)	-
	(1,614,626)	74,656	436,537	59,221
Total comprehensive income for the period	14,255,136	6,543,007	8,507,665	1,957,880

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Capital Reserves				Revenue Reserves		
	Share capital	Surplus on vesting of net assets	Unrealised gain / (loss) on remeasurement of long term investment available for sale	Company's share of unrealised gain / (loss) on available for sale investments in associates	General reserve	Unappropriated profit	Total
	(Rupees in '000)						
Balance as at July 1, 2012 (Audited) as previously reported	1,715,190	3,373	346,848	1,431	25,282,373	22,610,693	49,959,908
Effect of change in accounting policy due to application of IAS 19 (Revised) - (See note 3.1.1)							
Acturial losses and past service cost	-	-	-	-	-	(2,463,130)	(2,463,130)
Less: deferred tax thereon	-	-	-	-	-	837,465	837,465
	-	-	-	-	-	(1,625,665)	(1,625,665)
Balance as at July 1, 2012 (Restated)	1,715,190	3,373	346,848	1,431	25,282,373	20,985,028	48,334,243
Total comprehensive income for the six months period							
Profit for the six months period ended December 31, 2012 as reported earlier	-	-	-	-	-	6,273,873	6,273,873
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses and past service cost (note 3.1)	-	-	-	-	-	60,481	60,481
Less: deferred tax thereon	-	-	-	-	-	(20,564)	(20,564)
						39,917	39,917
Profit for the six months period ended December 31, 2012 (Restated)	-	-	-	-	-	6,313,790	6,313,790
Other comprehensive income							
Unrealised gain due to change in fair value of long-term available for sale investments	-	-	74,656	4,053	-	-	74,656
Share of unrealised gain due to change in fair value of available for sale investments in associates	-	-	-	-	-	-	4,053
Gain on remeasurement of retirement and other service benefits (See note 3.1.2)	-	-	-	-	-	228,042	228,042
Less: deferred tax thereon	-	-	-	-	-	(77,534)	(77,534)
						150,508	150,508
	-	-	74,656	4,053	-	150,508	229,217
	-	-	74,656	4,053	-	6,464,298	6,543,007
Transaction with the owners							
Final dividend for the year ended June 30, 2012 @ Rs. 2.5 per share	-	-	-	-	-	(428,797)	(428,797)
Issuance of bonus shares @ 20%	343,037	-	-	-	-	(343,037)	-
Balance as at December 31, 2012 (Restated)	2,058,227	3,373	421,504	5,484	25,282,373	26,677,492	54,448,453
Total comprehensive income for the six months period							
Profit for the six months period ended June 30, 2013	-	-	-	-	-	6,284,072	6,284,072
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses and past service cost (note 3.1)	-	-	-	-	-	60,481	60,481
Less: deferred tax thereon	-	-	-	-	-	(20,564)	(20,564)
						39,917	39,917
Profit for the six months period ended June 30, 2013 (Restated)	-	-	-	-	-	6,323,989	6,323,989
Other comprehensive income							
Unrealized gain due to change in fair value of long term available for sale investments - net of deferred tax	-	-	232,006	-	-	-	232,006
Share of unrealised gain due to change in fair value of available for sale investments in associates	-	-	-	2,390	-	-	2,390
Gain on remeasurement of retirement and other service benefits (See note 3.1.2)	-	-	-	-	-	228,042	228,042
Less: deferred tax thereon	-	-	-	-	-	(77,534)	(77,534)
						150,508	150,508
	-	-	232,006	2,390	-	150,508	384,904
	-	-	232,006	2,390	-	6,474,497	6,708,893
Transaction with the owners							
Interim dividend for the year ended June 30, 2013 @ Rs. 2.5 per share	-	-	-	-	-	(514,557)	(514,557)
Issuance of bonus shares @ 20%	411,645	-	-	-	-	(411,645)	-
Balance as at June 30, 2013 (Restated)	2,469,872	3,373	653,510	7,874	25,282,373	32,225,787	60,642,789
Total comprehensive income for the six months period							
Profit for the six months period ended December 31, 2013	-	-	-	-	-	15,799,422	15,799,422
Other comprehensive income							
Unrealised loss due to change in fair value of long-term investments - net of deferred tax	-	-	(1,614,626)	-	-	-	(1,614,626)
Share of unrealised gain due to change in fair value of available for sale investments in associates	-	-	-	1,517	-	-	1,517
Gain on remeasurement of retirement and other service benefits (See note 3.1.2)	-	-	-	-	-	104,277	104,277
Current tax on re-measurement of retirement and other service benefits (See note 3.1.3)	-	-	-	-	-	(35,454)	(35,454)
Reversal of deferred tax asset recognised on actuarial losses and past service cost on its realisation	-	-	-	-	-	68,823	68,823
						(608,653)	(608,653)
Current tax benefit on actuarial losses and past service cost (See note 3.1.3)	-	-	-	-	-	608,653	608,653
	-	-	(1,614,626)	1,517	-	68,823	(1,544,286)
	-	-	(1,614,626)	1,517	-	15,868,245	14,255,136
Transaction with the owners							
Final dividend for the year ended June 30, 2013 @ Rs.2.5 per share	-	-	-	-	-	(617,468)	(617,468)
Balance as at December 31, 2013	2,469,872	3,373	(961,116)	9,391	25,282,373	47,476,564	74,280,457

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Note	Six months period ended December 31, 2013	Six months period ended December 31, 2012
		(Rupees in '000)	
CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	19	(66,851,195)	8,084,587
Decrease in long-term loans, advances and receivables		43,450	15,523
Increase in long-term deposits and prepayments		(25,953)	(3,578)
Increase in long-term deposits		11,401	182,435
Taxes paid		(5,379,351)	(2,079,408)
Finance costs paid		(1,529,399)	(2,777,961)
Retirement benefits paid		(562,152)	(435,871)
Net cash (used in)/ generated from operating activities		(74,293,199)	2,985,727
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(281,905)	(232,875)
Purchase of intangibles - computer software		(6,063)	(160)
Proceeds from disposal of property, plant and equipment		4,582	5,504
Dividends received		383,336	433,816
Net cash generated from investing activities		99,950	206,285
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term finances obtained during the period-net of repayment		30,027,266	8,162,667
Dividends paid		(603,751)	(718,908)
Net cash generated from financing activities		29,423,515	7,443,759
Net (decrease)/increase in cash and cash equivalents		(44,769,734)	10,635,771
Cash and cash equivalents at beginning of the period		3,523,233	(18,116,141)
Cash and cash equivalents at end of the period	20	(41,246,501)	(7,480,370)

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan State Oil Company Limited ("the Company") is a public company incorporated in Pakistan in 1976 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is located at PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

1.2 The Board of Management - Oil nominated by the Federal Government under section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 1913 (now Companies Ordinance, 1984) or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand rupees unless otherwise stated.

2.3 This condensed interim financial information is un-audited and should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2013. This condensed interim financial information is being submitted to the shareholders as required by the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984. The figures for the six months period ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

3. ACCOUNTING POLICIES

3.1 The accounting policies and method of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2013 except as described below.

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to be recorded in Statement of Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Revised) - 'Employee Benefits', the Company's policy for staff retirement benefits in respect of remeasurements and past service costs is amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur.

- Past sevice costs are recognized immediately in the profit and loss account in the period in which these arise.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and corresponding figures have been restated.

3.1.1 The Company's condensed interim financial information is affected by the 'remeasurements and past service costs' relating to prior years. The reconciliation, considering effects of change in accounting policy, have been summarised below:

	Retirement and other service benefits	Deferred Tax	Unappropriated Profit
	(Rupees in '000)		
Balance as at June 30, 2012 as previously reported	2,518,502	1,292,316	22,610,693
Recognition of previously unrecognised cumulative actuarial losses and past service cost as a result of adoption of IAS 19 (Revised):			
(i) recognition of cumulative unrecognised actuarial losses at June 30, 2012 in OCI	2,443,775	830,884	(1,612,891)
(ii) recognition of cumulative unrecognised past service cost at June 30, 2012 in unappropriated profit	19,355	6,581	(12,774)
	2,463,130	837,465	(1,625,665)
Balance as at June 30, 2012 - as restated	4,981,632	2,129,781	20,985,028
Balance as at June 30, 2013 as previously reported	2,385,137	2,650,805	33,470,602
Recognition of previously unrecognised cumulative actuarial losses and past service cost as a result of adoption of IAS 19 (Revised):			
(i) recognition of cumulative unrecognised actuarial losses / (gains) in OCI			
-as at June 30, 2012	2,443,775	830,884	(1,612,891)
-for the year ended June 30, 2013	(456,084)	(155,069)	301,015
	1,987,691	675,815	(1,311,876)
(ii) recognition of cumulative unrecognised past service costs at June 30, 2012 in un-appropriated profit	19,355	6,581	(12,774)
Reversal of actuarial losses and past service costs amortised during the year ended June 30, 2013 as a result of adoption of IAS 19 (Revised)	(120,961)	(41,127)	79,834
Balance as at June 30, 2013 - restated	4,271,222	3,292,074	32,225,786

3.1.2 The change in accounting policy has resulted in increase in total comprehensive income by Rs. 90,903 thousand (December 31, 2012: Rs. 190,424 thousand) the details of which are as follows:

Impact on comprehensive income	Six Months Period Ended December 31, 2013	December 31, 2012
	(Rupees in '000)	
Profit and loss account		
Benefit/reversal of amortisation of actuarial losses and past service cost as a result of adoption of IAS 19 (Revised) from:		
- administrative expenses	8,364	15,121
- distribution and marketing expenses	25,091	45,361
Less: tax effect thereon	(11,375)	(20,565)
Increase in profit for the period	22,080	39,917
Other comprehensive income		
Recognition of gains on remeasurement of retirement and other service benefits during the period	104,277	228,042
Less: tax effect thereon	(35,454)	(77,535)
	68,823	150,507
Increase in total comprehensive income for the period	90,903	190,424
Increase in earnings per share (Rupees)	0.09	0.16

3.1.3 Based on advice of the tax advisors, the Company will claim the cumulative actuarial losses – net and past service costs relating to approved retirement benefit plans as allowable tax expense for the year ended June 30, 2014 resulting in reduction in tax liability of Rs. 573,199 thousand.

3.2 In June 2011, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan granted exemption to such entities from the application of IFRS 2 to the Scheme. There has been no change in status of Benazir Employee Stock Option Scheme ("the Scheme") as stated in note 2.6 to the audited financial statements for the year ended June 30, 2013.

Had the exemption not been granted, the staff costs of the Company for the six months period would have been higher by Rs. 104,619 thousand, profit before taxation would have been lower by Rs. 104,619 thousand, retained earnings would have been lower by Rs. 1,124,879 thousand, earning per share would have been lower by Rs. 0.42 per share and reserves would have been higher by Rs. 1,124,879 thousand.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. However, actual results may differ from these estimation. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the audited annual financial statements as at and for the year ended June 30, 2013.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended June 30, 2013.

6. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (Un-audited) (at cost)		Disposals (Un-audited) (at net book value)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)			
Buildings on leasehold land	4,032	29,143	42	-
Tanks and pipelines	21,385	39,003	-	2
Plant and machinery	31,454	21,539	-	210
Service and filling stations	45,866	113,241	50	26
Vehicles and other rolling stock	125,070	33,666	2,811	-
Furniture and fittings	1,301	1,846	4	47
Office equipment	15,376	10,014	57	2
Gas cylinders / regulators	1,429	-	-	-
	245,913	248,452	2,964	287

The above disposals represented assets costing Rs. 28,140 thousand (December 31, 2012: Rs. 24,057 thousand) and were disposed off for Rs. 4,582 thousand (December 31, 2012: Rs. 5,504 thousand).

7. INTANGIBLES

Additions made during the period amounted to Rs. 6,062 thousand (December 31, 2012: Rs. 160 thousand).

8. LONG TERM INVESTMENTS - AVAILABLE FOR SALE

This includes investment in Pakistan Investment Bonds (PIBs) made in June 2013 out of proceeds received against partial settlement of circular debt. As at December 31, 2013, the carrying value [net of amortization of Rs. 267,152 thousand (June 30, 2013: Rs. 2,857 thousand)] and fair value of the PIBs were Rs. 45,872,033 and Rs. 43,475,935 respectively. Thus, an unrealized loss on remeasurement to fair value of Rs. 2,396,098 thousand was recognized as at December 31, 2013. During the current period, PIBs having face value of Rs. 33,666,667 thousand were collateralized with a bank against borrowing facility of Rs. 30,000,000 thousand.

9. DEFERRED TAX

	Unaudited December 31, 2013	Audited June 30, 2013 (Restated)
	(Rupees in '000)	
Deductible temporary differences in respect of:		
Provision for:		
- retirement benefits	585,972	1,160,103
- doubtful trade debts	923,585	945,177
- doubtful receivables	445,723	393,259
- impairment of stores and spare parts	8,291	8,291
- excise, taxes and other duties	24,763	24,763
- impairment of stocks-in-trade	7,295	7,295
- tax amortization	5,517	404
Liabilities offered for taxation	2,278,371	1,390,787
Unrealized loss due to change in fair value of long term available for sale securities (AFS)	734,459	-
Others	2,769	2,769
	5,016,745	3,932,848
Taxable temporary differences in respect of:		
- accelerated tax depreciation	(451,933)	(535,743)
- investments in associates accounted for using equity method	(37,659)	(24,815)
- Unrealized gain due to change in fair value of long-term AFS securities	-	(80,215)
	(489,592)	(640,773)
	4,527,153	3,292,075

The net change of Rs. 1,235,078 thousand (December 31, 2012: Rs. 444,021) in the deferred tax asset balance for the period has been recognized as under:

	Unaudited December 31, 2013	Unaudited December 31, 2012
	(Rupees in '000)	
- Profit and loss account	1,029,057	444,021
- Other comprehensive income - investment in AFS securities	814,674	-
- Other comprehensive income - remeasurement of retirement benefit and other service benefits	(608,653)	-
	1,235,078	444,021

10. TRADE DEBTS

	Notes	Unaudited December 31, 2013	Audited June 30, 2013
		(Rupees in '000)	
Considered good			
Due from Government agencies and autonomous bodies			
- Secured	10.1	30,216	27,653,973
- Unsecured		97,992,915	11,922,844
		98,023,131	39,576,817
Due from other customers			
- Secured	10.1	2,430	31,091
- Unsecured		54,711,600	36,988,286
		54,714,030	37,019,377
Trade debts - considered good	10.2 & 10.4	152,737,161	76,596,194
Trade debts - considered doubtful		2,716,425	2,779,934
Trade debts - gross		155,453,586	79,376,128
Less: Provision for impairment	10.3	(2,716,425)	(2,779,934)
Trade debts - net		152,737,161	76,596,194

10.1 These debts are secured by way of letters of credit and bank guarantees.

10.2 Included therein are overdue amounts aggregating to Rs. 2,326,173 thousand (June 30 2013: 4,731,491 thousand) receivable from K-Electric Limited (KEL)

(formerly Karachi Electric Supply Company Limited) which has not been impaired. These receivables are on account of supplies made under Gas Load Management Programme (GLMP) to KEL during April 2011 and August 2011 at the directives of the GoP. During the current period, the Company has recovered Rs. 2,405,318 thousand against these GLMP receivables. The management is confident to recover the remaining amount in due course of time.

10.3 The movement in provision during the period is as follows:

	Unaudited December 31, 2013	Audited June 30, 2013
	(Rupees in '000)	
Balance at beginning of the period / year	2,779,934	2,428,445
(Reversal of provision)/provision charged during the period/year recognized in other operating expenses	(63,509)	351,489
Balance at the end of the period / year	2,716,425	2,779,934

10.4 Includes Rs. 105,933,694 thousand (June 30, 2013: 54,816,270 thousand) due from related parties.

11. OTHER RECEIVABLES

Included in other receivables is an aggregate amount of Rs. 9,317,893 thousand (June 30, 2013: Rs. 9,456,656 thousand) due from GoP on account of the following:

11.1 Import price differential on motor gasoline aggregating Rs. 1,350,961 thousand (June 30, 2013: Rs.1,350,961 thousand)

These represent price differential claims on account of import of motor gasoline by the Company, being the difference between their landed costs and the ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other Oil Marketing Companies (OMCs) were asked in the meeting chaired by Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs approached the Ministry of Petroleum and Natural Resources, Government of Pakistan (MoP&NR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Although at that time, no response was received from the MoP&NR, the Company alongwith another OMC continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoP&NR's instruction.

The Company continued to follow up this matter with MoP&NR for an early settlement of these claims and the concerned ministry has also confirmed vide its letter Ref. PL-NP(4) /2010 - F & P dated July 28, 2010 that the abovementioned claims are under process. During financial year 2010-2011, MoP&NR - GoP vide its letter No. PL-3(434) /2011Vol XII dated May 31, 2011 implemented the ECC decision whereby end consumer price of motor gasoline will be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Out of total claim of Rs. 6,350,961 thousand, the Company has received an amount of Rs. 5,000,000 thousand during the year ended June 30, 2012. MoP&NR vide its letter Ref. PL-7 (4)/2012-13 dated March 1, 2013 informed the Ministry of Finance (MoF) regarding the balance amount payable to the Company and advised to include in budgetary allocation. The Company is actively pursuing this matter with GoP for inclusion of said claim in the Federal Budget 2014-2015 and is confident to recover the balance amount of Rs. 1,350,961 thousand in due course of time.

Subsequent to the period end, the Company wrote a letter dated 22 January 2014 to Directorate General (Oil) MoP & NR, in response to their letter dated January 17, 2014, requesting their assistance for the inclusion of said claim in the Federal Budget 2014-15, whose response is still awaited.

11.2 Price differential claims (PDC) relating to HSD products aggregating to Rs. 650,994 thousand (June 30, 2013: Rs.789,757 thousand)

This represents the balance of price differential claims (PDC) due from GoP. These claims have arisen on the instructions of MoP&NR for keeping the consumer prices of HSD products stable. This includes an amount of Rs. 602,602 which is being withheld by the GoP subject to finalization of the report on independent verification of these claims.

The GoP vide letter No. 2(5)/2008-BR-1/398 dated April 25, 2012 directed the Company to adjust an amount of Rs. 514,600 thousand against dividends payable to GoP. Accordingly, the Company adjusted a total of Rs. 466,209 thousand (June 30, 2013: 327,445 thousand) out of dividends paid subsequent to that direction. The Company is confident that it will adjust the remaining amount of Rs. 48,391 thousand from dividend and recover Rs. 602,602 thousand from GoP in due course of time.

Subsequent to the period end, the Company wrote a letter dated 22 January 2014 to Directorate General (Oil) MoP & NR, in response to their letter dated January 17, 2014, requesting their assistance for the inclusion of said claim in the Federal Budget 2014-15, whose response is still awaited.

11.3 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407,357 thousand (June 30, 2013: Rs. 3,407,357 thousand)

In 1996, through a decision taken at a meeting of the Privatisation Commission and Finance Division - GoP the Company was advised to supply LSFO to Kot Addu Power Project at the HSFO price and WAPDA was advised to absorb the price differential between the two products. In accordance with the decision of ECC dated November 4, 2003, the Company was allowed to recover this amount through a pricing mechanism after recovery of the amount outstanding against its claims for import price differential aggregating to Rs.1,465,406 thousand, the notification for which expired on December 31, 2004. Although no recovery has been made on this account, the Company continues to follow up the matter with MoP & NR. In 2005, the Company submitted an independent report on the verification of the above claim to MoP&NR, upon their request. In 2006, a joint reconciliation exercise was carried out with WAPDA as per the decision taken in a meeting held on May 19, 2006 under the Chairmanship of Additional Finance Secretary (GoP) and the final reconciliation statements were submitted to MoF and WAPDA. Subsequently, on February 3, 2007 the Company and WAPDA agreed upon the final receivable balance of Rs. 3,407,357 thousand. MoP &

NR vide its letter No. PL-7(4)/2012-13 dated March 01, 2013 has requested the MoF to make a provision of the said amount in the Federal Budget 2013-2014. During the current period, MoP & NR vide its letter No. PL-7(4)/2012-13 dated September 23, 2013 requested Ministry of Water and Power, Government of Pakistan (MoW&P) to take up the matter with MoF to settle this long outstanding issue. Recently, the Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-2015 and the Company is confident to recover the amount in full in due course of time.

11.4 Price differential claim on account of supply of furnace oil to KEL at Natural Gas prices aggregating to Rs.3,908,581 thousand (June 30, 2013: Rs. 3,908,581 thousand)

The Company received a directive from MoP&NR through letter NG(1)-7(58)09-LS(Vol-1) dated November 26, 2009 in which the Company was directed to supply furnace oil to K-Electric Limited (KEL) (formerly Karachi Electric Supply Company Limited) at the prices equivalent to natural gas prices plus applicable duties and taxes under the Natural Gas Load Management Program (NGLMP) for Winter 2009-2010. As per this arrangement the differential cost between the natural gas and furnace oil would be borne by GoP and reimbursed directly to the Company by Ministry of Finance. The Company was again directed by GoP in May 2010 to supply furnace oil to KEL at natural gas prices. Accordingly, furnace oil was provided to KEL due to which resulted in price differential claim of Rs. 5,708,581 thousand out of which Rs. 1,800,000 thousand were received from MoF in June 2010.

The Ministry of Water & Power vide its letter dated December 24, 2012 requested MoF to settle the above mentioned claims at the earliest. The MoP&NR vide its letter No. DOM-3(17)/2013 dated April 19, 2013 has also requested MoF to process the claim of PSO at the earliest. Recently, the Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-2015 and the Company is confident to recover the amount in full in due course of time.

11.5 Includes Rs.35,210 thousand (June 30, 2013: Rs. 34,323 thousand) receivable from Asia Petroleum Limited, a related party, on account of facilities charge.

11.6 As at December 31, 2013, receivables from related parties aggregating Rs. 1,310,950 thousand (June 30, 2013: 1,156,645 thousands) were deemed to be impaired and hence provision of the same amount was made thereagainst.

12. TRADE AND OTHER PAYABLES

12.1 This includes amounts payable in respect of purchase of oil from local and foreign suppliers aggregating Rs.102,997,033 thousand (June 30, 2013: Rs. 138,194,325 thousand).

12.2 Includes Rs. 12,933,290 thousand (June 30, 2013 : Rs. 4,277,628 thousand) due to related parties.

13. SHORT TERM BORROWINGS - SECURED

	Notes	Unaudited December 31, 2013	Audited June 30, 2013
		(Rupees in '000)	
Short-term finances	13.1, 13.2 & 13.3	45,592,852	15,565,586
Finances under mark-up arrangements	13.1 & 13.4	46,366,485	1,704,095
		91,959,337	17,269,681

13.1 The total outstanding balance is against the facilities aggregating Rs. 107,342,648 thousand (June 30, 2013: Rs. 43,485,000 thousand) available from various banks. These facilities are secured by way of floating / pari passu charges on Company's stocks and receivables wheresoever located in Pakistan.

13.2 Includes foreign currency (FE-25) borrowings of US$ 367,796 thousand equivalent to Rs. 38,812,920 thousand (June 30, 2013: Nil) payable to various banks by the Company. The Company has obtained FE-25 facilities aggregating US$ 450,966 thousand equivalent to Rs. 48,414,168 thousand during the period on directives and assurance of the GoP communicated vide letter dated November 27, 2013 that it will bear additional cost and foreign exchange losses suffered by the Company on these borrowings. These borrowings are secured against the trust receipts.

These foreign currency borrowings have various maturity dates upto March 3, 2014 and carry mark-up rates ranging from LIBOR plus 2% to LIBOR plus 5% per annum.

13.3 The rate of mark up for these facilities (other than on the foreign currency borrowings mentioned in note 13.2) ranges from Re. 0.03 to Re. 0.30 (June 30, 2013: Re. 0.03 to Re. 0.27) per Rs. 1,000 per day.

13.4 The rate of mark up for these facilities ranges from Re. 0.28 to Re. 0.33 (June 30, 2013: Re. 0.28 to Re. 0.33) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

The Company has contingent liabilities in respect of legal claims in the ordinary course of business.

14.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 12,588,765 thousand (June 30,2013: Rs. 15,280,622 thousand). This includes claim amounting to Rs. 10,662,090 thousand (June 30, 2013: Rs. 13,684,734 thousand) for delayed payment charges on the understanding that this amount will be payable only when the Company will fully realize interest due from all other entities under the circular debt chain (which is more than the above amount). Charges claimed by the Company for delayed payment by customers due to circular debt are recognized on receipt basis as the ultimate outcome of the matter and amount of settlement between the stakeholders cannot be presently determined.

14.1.2 In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax on the Company to the value of petroleum products imported by the Company on behalf of the GoP by treating the Company as the importer of such products. The Income Tax Appellate Tribunal (ITAT) cancelled the order of the assessing officer, and as a consequence of the order of the ITAT, an amount of Rs. 958,152 thousand became refundable to the Company, which was adjusted against the tax liability of the subsequent years. The department had filed an appeal with the High Court of Sindh against the aforesaid decision of the ITAT, which was adjudicated against the Company. The Company filed petition for leave to appeal with the Supreme Court of Pakistan against the aforementioned decision, which was granted by the Supreme Court of Pakistan through its order dated March 7, 2007 and also suspended the operation of the impugned judgment of the High Court of Sindh. The management maintains that the Company was merely acting as a handling agent on behalf of GoP, which was in fact the importer of the products. Hence, the ultimate liability, if any, is recoverable from GoP, for which the management is in communication with the MoP & NR.

Based on the merits of the case and its legal advisors' opinion, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in this condensed interim financial information.

14.1.3 The Company received demands for tax years 2004 to 2008, from the taxation authorities aggregating to Rs. 823,227 thousand in respect of tax less withheld on incentives paid to dealers operating retail outlets. As per the taxation authorities, such payments were in the nature of prizes on sales promotion to dealers and hence subject to withholding of tax @ 20% under section 156 of the Income Tax Ordinance (ITO), 2001. The Company maintains that such incentives to dealers attract tax @ 10% under section 156A of the ITO, 2001. The Company is currently contesting the case at Appellate Tribunal Inland Revenue (ATIR) level. Though the Company has the right to recover the demands from dealers, however the Company has, as a matter of prudence, created a provision of Rs. 501,234 thousand against the aforesaid demands raised by the Income Tax Authority. In respect of balance remaining of tax demand over provision i.e. Rs. 321,993 thousand the Company has already recovered from the dealers Rs. 200,889 thousand (as at June 30, 2013: Rs. 184,844 thousand) and is in the process of recovering the balance amount of Rs.121,104 thousand (June 30, 2013: Rs. 137,149 thousand).

14.1.4 The Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) through his orders passed under the ITO, 2001 classified the payments in respect of trade discounts and advertisement expenses incurred during tax years 2009 and 2010 as prizes subject to withholding of tax @ 20% under section 156 of the ITO, 2001. Consequently, total tax demands of Rs. 339,312 thousand was created in the abovementioned orders which was subsequently rectified and amended to Rs. 318,837 thousand. The said rectification orders for the tax years 2009 and 2010 were further revised on October 11, 2011 and November 29, 2011 respectively and the said demands were reduced to Rs. 165,856 thousand. The Company has contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 and advertisement expenses attract taxes @ 6% under section 153 of the ITO, 2001 which have been duly paid by the Company. The Company is currently contesting the case before ATIR which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that these matters will ultimately be decided in the Company's favour. Accordingly, no provision has been made for these tax demands in this condensed interim financial information.

14.1.5 The Assistant Commissioner Inland Revenue (ACIR), FBR through his orders classified the payments in respect of trade discounts during tax years 2011 and 2012 as prizes subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently tax demand aggregating to Rs. 262,030 thousand was created through the abovementioned orders against which the Company has filed rectification applications which are pending. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 which have been duly paid by the Company. The Company has filed appeals against aforesaid orders before Commissioner Inland Revenue [CIR (Appeals)], which are pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour and accordingly no provision has been made in this respect in this condensed interim financial information.

14.1.6 The taxation officer passed assessment orders in respect of tax years 2004 to 2008 and made certain disallowances and additions resulting in an additional tax demand of Rs. 1,733,038 thousand. These orders were later rectified and amended to Rs. 1,389,050 thousand. The Company filed appeals against these orders before CIR (Appeals) which were decided in favour of the Company on several points. During the current period, the Company received revised orders in which effects of matters decided in favour of the Company by CIR (Appeals) were incorporated resulting in tax refunds of Rs. 420,385 thousand. The Company has adjusted these tax refunds against future tax payments. The Company has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against disallowances/add backs which were upheld in order of CIR (Appeals) for these years. The appeals with ATIR are pending for hearing. Based on views of the tax advisors, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in this condensed interim financial information.

14.1.7 The taxation officer passed assessment orders in respect of tax years 2009 to 2011 and made certain disallowances and additions resulting in an additional tax demand of Rs. 4,598,246 thousand. The Company filed appeals against these orders before CIR (Appeals) who decided certain matters in favour of the Company. During the year ended June 30, 2013, the Company received revised orders after taking into effect for matters decided in favour of the Company by CIR (Appeals) and these tax refunds of Rs. 2,114,028 thousand have been determined in these revised orders which have been subsequently adjusted against other tax payments. The Company has filed appeals before ATIR for remaining points adjudicated against the Company by CIR (Appeals) which are pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in this condensed interim financial information.

14.1.8 ACIR through his order dated June 29, 2013 made certain additions and disallowances in respect of tax year 2012 and raised tax demand of Rs. 2,293,495 thousand. The Company has filed an appeal against that order before the CIR (Appeals) which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in this condensed interim financial information.

14.1.9 A sales tax order-in-original No. 01/2010 dated March 30, 2010 was issued by DCIR, FBR in respect of sales tax audit of the Company for the tax years 2004-2007. Under the said order, a demand of Rs. 883,864 thousand was raised on account of certain transactions and default surcharge of Rs. 512,172 thousand was imposed. The ATIR decided the case in favour of the Company. However, the tax department has filed an appeal against the aforesaid decision of ATIR in the High Court of Sindh which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in this condensed interim financial information.

14.1.10 A sales tax order-in-original No.01/2011 dated June 30, 2011 was issued by the DCIR, FBR in respect of sales tax audit of the Company for tax year 2008. Under the said order, a demand of Rs. 643,759 thousand was raised on account of certain matters and penalty of Rs. 32,188 thousand was imposed. The Company filed an appeal against the said order before the CIR (Appeals) which has been decided in favor of the Company through order No.11 of 2012 dated September 27, 2012. The department has filed an appeal against the said order before the ATIR which is pending for adjudication. Based on the view of tax advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made for the said amount in this condensed interim financial information.

14.1.11 An Order was passed by Assistant Commissioner (IR) - Enforcement and Collection Division against the Company on January 22, 2011 in which a demand was raised in respect of input sales tax claimed amounting to Rs. 650,446 thousand. The demand also included default surcharge (to be calculated at the time of final payment) and penalty of Rs. 32,522 thousand at the rate of 5% of sales tax. The demand was created on the grounds that the Company failed to make payments to the supplier in respect of these purchases through banking channels within 180 days of the issuance of sales tax invoice as required under section 73(2) of the Sales Act, 1990. The Company is now contesting the case at ATIR which is pending for adjudication. Further, the Company has obtained stay from High Court of Sindh against the said demand. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made for the aformentioned demand in this condensed interim financial information.

14.1.12 A sales tax order-in-original No. 01/2012 dated January 16, 2013 was issued by DCIR, FBR in respect of delayed payment of sales tax due in sales tax return for March 2011. Under the said order, a demand of Rs. 437,305 thousand has been raised which comprised of default surcharge of Rs. 82,265 thousand and penalty of Rs. 355,040 thousand on late payment. The Company then filed an appeal against the said order before CIR (Appeals) which was decided against the Company. The Company filed an appeal against the aforesaid order of CIR (Appeals) before ATIR vide order dated September 13, 2013 which upheld the imposition of default surcharge however vacated penalty imposed for de novo consideration. The Company has filed an appeal before the High Court of Sindh against imposition of default surcharge which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in this condensed interim financial information.

14.1.13 In the year 2005, a demand was raised by the Collector of Customs, Sales Tax and Central Excise (Adjudication) in respect of sales tax, central excise duty and petroleum development levy aggregating to Rs. 165,781 thousand inclusive of additional sales tax and central excise duty on exports of POL products to Afghanistan during the period August 2002 to November 2003. The demand was raised on the grounds that the export consignments were not verified by the Pakistan Embassy / Consulate in Afghanistan as required under Export Policy and Procedures, 2000. It is the Company's contention that this requirement was in suspension as in the aforesaid period the Pakistan Embassy / Consulate was not fully functional. This condition of suspension was removed only on July 22, 2004 through Export Policy Order, 2004 when the Pakistan Embassy / Consulate became fully functional in Afghanistan. Besides the issue of verification, it is also the Company's contention that export of POL products to Afghanistan can be verified from the relevant documents and therefore, the demand is unwarranted.

The Company had been contesting the matter before honorable ATIR who has remanded the case back to adjudication officer vide its order dated February 06, 2012. Based on the view of tax advisors, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in this Condensed Interim financial information.

14.1.14 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-III), up to December 31, 2013, the management has deposited Rs. 59,970 thousand in cash and provided bank guarantee amounting to Rs.59,970 thousand with the Excise and Taxation Department. Based on the views of its legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible

obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in this condensed interim financial information.

14.1.15 During financial year 2010-2011, the Deputy District Officer, Property Division-B, Government of Sindh issued a show cause notice dated February 25, 2011 under the Sindh Immovable Properties Tax Act, 1958 against the Company for payment of property tax amounting to Rs. 35,578 thousand in respect of Kemari terminal land rented by the Company from Karachi Port Trust (KPT). The Company has filed a suit in High Court of Sindh for restraining the relevant authorities from levying and collecting property tax from the Company and against KPT for recovery of property taxes paid on behalf of KPT during earlier periods amounting to Rs. 39,781 thousand. The decision of the suit is pending and based on the views of its legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this condensed interim financial information.

14.1.16 During the year ended June 30, 2002, Schedule I to Stamp Duty Act, 1899 was substituted with a revised Schedule vide Stamp (Sindh Amendment) Ordinance, 2002 and stamp duty was levied at the rate of 0.2% of amount of contracts including purchase orders for supply or to undertake cartage of stores and materials. MoP & NR has also approached Chief Minister Sindh vide its letter reference D.O.No.PL-3(413)/2009 dated April 04, 2009 on behalf of the oil marketing companies and refineries and has requested Chief Minister Sindh to direct Board of Revenue, Sindh to withdraw the levy of Stamp Duty on purchases of petroleum products as the pricing of petroleum products is a Federal subject.

Management in consultation with its legal advisors evaluated that the purchases of petroleum, oil and lubricants does not fall within the purview of the said Act and, however, it may be applicable on the purchase of certain items the impact of which will not be significant.

14.1.17 As at December 31, 2013 certain legal cases amounting to Rs. 3,041,548 thousand (June 30, 2013: Rs. 3,060,578 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 decidedin Company' s favour.

14.2 COMMITMENTS

	Unaudited December 31, 2013	Audited June 30, 2013
	(Rupees in '000)	
14.2.1 Commitments in respect of capital expenditure contracted for but not yet incurred is as follows:		
- Property, plant and equipment	1,060,178	971,329
- Intangibles	13,733	14,486
	1,073,911	985,815

14.2.2 Letters of credit and bank guarantees outstanding as at December 31, 2013 amounted to Rs. 29,487,971 thousand (June 30, 2013: Rs. 10,046,727 thousand).

15. OTHER INCOME

Included therein is an amount of Rs. 10,914,446 thousand (December 31, 2012: Rs. 1,809,470 thousand) representing delayed payment mark-up received during the period from various customers and profit of Rs. 2,274,182 thousand (December 31, 2012: Nil) on Pakistan Investment Bonds (PIBs).

16. OTHER OPERATING EXPENSES

Included therein are foreign exchange loss (net), contribution to workers' profits participation fund and workers' welfare fund amounting to Rs. 2,201,443 thousand (December 31, 2012: Rs. 961,104 thousand), Rs. 1,319,940 thousand (December 31, 2012: Rs. 482,450 thousand) and Rs. 531,925 thousand (December 31, 2012: Rs. 224,185 thousand) respectively.

17. TAXATION

	Unaudited Six months period ended		Unaudited Six months period ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012 (Restated)
	(Rupees in '000)		(Rupees in '000)	
Current				
- for the period	8,962,541	3,574,576	4,574,096	1,283,847
- for prior period	(28,292)	(115,062)	(28,292)	(115,062)
Deferred - for the period	(1,029,057)	(444,021)	(583,575)	(474,926)
	7,905,192	3,015,493	3,962,229	693,859

18. EARNINGS PER SHARE

18.1 Basic

	Unaudited Six months period ended		Unaudited Quarter ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012 (Restated)
	(Rupees in '000)		(Rupees in '000)	
Profit after taxation attributable to ordinary shareholders	15,799,422	6,313,790	8,001,492	2,045,653
Weighted average number of ordinary shares in issue during the period (2012:Restated)	246,987,217	246,987,217	246,987,217	246,987,217
Earnings per share in rupees (2012:Restated)	63.97	25.56	32.40	8.28

Number of shares for prior period has been adjusted for the effect of bonus shares issued during the intervening period till December 31, 2013.

18.2 Diluted

There is no dilutive effect on the basic earnings per share of the Company as there were no convertible potential ordinary shares in issue as at December 31, 2013 and December 31, 2012.

19. CASH (USED IN)/GENERATED FROM OPERATIONS

	Note	Unaudited Six months period ended December 31, 2013	December 31, 2012 Restated
		(Rupees in '000)	
Profit before taxation		23,704,614	9,329,283
Adjustment for:			
Depreciation		525,921	581,145
Amortisation of the cost of intangible assets		7,448	7,572
Amortization of premium on purchase of PIBs		267,152	-
Reversal of provision against doubtful trade debts		(63,509)	(16,707)
Retirement and other services benefits accrued		420,138	535,501
Gain on disposal of operating assets		(1,618)	(5,217)
Share of profit of investments in associates		(283,355)	(326,434)
Dividend income		(218,701)	(221,750)
Finance charges		5,272,845	4,479,288
		5,926,321	5,033,398
Working capital changes	19.1	(96,482,130)	(6,278,094)
Cash (used in)/generated from operations		(66,851,195)	8,084,587

19.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(27,349)	(2,836)
- Stock in trade	5,576,651	(20,230,788)
- Trade debts	(76,077,458)	78,264,819
- Loans and advances	(58,069)	(215,486)
- Deposits and short-term prepayments	1,015,210	1,367,990
- Mark-up/interest receivable	(41,434)	-
- Other receivables	4,261,980	(2,642,468)
Decrease in current liabilities:		
- Trade and other payables	(31,131,661)	(62,819,325)
	(96,482,130)	(6,278,094)

20. CASH AND CASH EQUIVALENTS

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

	Note	Un-audited December 31, 2013	December 31, 2012
		(Rupees in '000)	
Cash and bank balances		5,119,984	4,227,764
Finance under mark-up arrangements	13	(46,366,485)	(11,708,134)
		(41,246,501)	(7,480,370)

21. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, retirement benefit funds, state owned / controlled entities, common directorship companies, Government of Pakistan and key management personnel.

Details of transactions with the related parties during the period, other than disclosed elsewhere in the condensed interim financial information, are as follows:

Name of the related party and relationship with the Company	Nature of transaction	Unaudited Six months period ended December 31, 2013	December 31, 2012
		(Rupees in '000)	
Associates			
- Pak Grease Manufacturing Company(Private) Limited	Purchases	19,561	14,023
	Dividend received	3,431	4,803
	Income (facility charges)	103,208	110,542
- Asia Petroleum Limited	Rental income	-	3,120
	Dividend received	161,205	207,264
	Pipeline charges	1,032,082	1,105,423
Retirement benefit funds			
- Pension Funds	Contributions	280,000	208,403
- Gratuity Fund	Contributions	100,000	200,000
- Provident Funds	Contributions	50,183	52,433
Other related parties			
- Pakistan Refinery Limited	Purchases	9,832,008	15,487,968
	Other expense	10,999	299,980
- Pak Arab Pipeline Company Limited	Pipeline charges	1,919,771	1,942,005
	Dividend received	218,701	221,750
- Government of Pakistan	Dividend adjusted against price differential claim	138,763	96,332
	Income from PIBs	2,274,182	-
- Board of management - Oil	Contribution towards expenses of BOM	6,250	4,350
- Benazir Employees' Stock Option Scheme	Dividend	16,884	13,059
State - controlled entities - various	Purchases	78,355,189	64,135,428
	Freight charges	3,318,028	39,165
	Sales	194,829,199	122,612,561
	Transportation charges	28,837	-
	Utility charges	88,690	85,332
	Rental charges	12,637	60,663
	Insurance premium paid	486,509	643,916
	Dividend paid	92,680	70,001
	Other income received	1,319,859	1,437,000
	Pipeline charges	208,506	271,404
	Other expense	3,123,837	93,743
Key management personnel	Managerial Remuneration	137,759	135,086
	Contribution to retirement benefits	3,576	3,000
	Vehicles having book value of Rs. 2.811 million transferred under employee car scheme (Sale proceeds)	2,811	-

21.1 The related party status of outstanding receivables and payables as at December 31, 2013 are included in respective notes to the condensed interim financial information.

21.2 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 at agreed terms.

22. OPERATING SEGMENTS

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

Sales from fuel products and others represent 99% and 1% (December 31, 2012: 99% and 1%) of total revenue of the Company respectively.

Total sales of the Company relating to customers in Pakistan was 98.4% during the six months period ended December 31, 2013 (December 31, 2012: 98.4%) .

All non-current assets of the Company as at December 31, 2013 are located in Pakistan.

Sales to three major customers of the Company is around 35% during the six months period ended December 31, 2013 (December 31, 2012: 33%).

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions . No significant rearrangements or reclassifications were made in the condensed interim financial information except the following:

Description	Reclasssified		(Rupees in '000)
	From	To	
Reclassifications made due to amendments in Fourth Schedule, Companies Ordinance, 1984:			
- Depreciation and amortization	Depreciation and amortization	Distribution and marketing expenses	551,109
"	Depreciation and amortization	Administrative expenses	37,608
Exchange losses	Other operating expenses	Cost of products sold	1,188,929

24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Management in its meeting held on February 28, 2014 proposed interim cash dividend of Rs. 4 per share amounting to Rs. 987,949 thousand (December 31, 2012: 514,557 thousand) and 10% bonus shares (24,698,722 shares) i.e. one share for every ten shares held (December 31, 2012: 20%) for the year ending June 30, 2014. This condensed interim financial information does not include the effect of these appropriations which will be accounted for in the annual financial statements for the year ending June 30, 2014.

25. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue on Febuary 28, 2014 by the Board of Management - Oil of the Company.

Amjad Pervez Janjua
Managing Director

Muhammad Naeem Malik
Member - Board of Management

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