Pakistan State Oil Company Limited

PSO House, Khayaban-e-Iqbal, Clifton, Karachi-75600, Pakistan.
UAN: 111-111-PSO (776), Website: www.psopk.com

Ref.: CS/PSO/255
August 13, 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

Subject: Certificate on Free Reserves for the Issue of Bonus Shares

This has reference to our letter no. CS/PSO/254 dated August 13, 2018 through which the financial results of the Company for the year ended June 30, 2018 have been communicated to the Exchange.

We are enclosing herewith copies of the separate Certificates on Free Reserves received from our external joint auditors A. F. Ferguson & Co., Chartered Accountants and EY Ford Rhodes, Chartered Accountants having reference numbers ASR 0294 dated August 11, 2018 and AA/FB/1944/18 dated August 11, 2018 respectively for the issue of Bonus Shares.

Yours sincerely
for **Pakistan State Oil Company Limited**

Rashid Umer Siddiqui
Company Secretary

Encl.: As stated above

Copy: Director/HOD
Surveillance, Supervision and Enforcement Department
Securities and Exchange Commission of Pakistan
NIC Building
63 Jinnah Avenue
Blue Area
Islamabad

pwc

A·F·FERGUSON&CO.

The Board of Management - Oil
Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal
Clifton
Karachi - 75600

August 11, 2018
ASR 0294

Dear Sirs

FREE RESERVES AS AT JUNE 30, 2018

As requested, we have ascertained, from the Company's audited financial statements for the year ended June 30, 2018, which have been approved by the Board of Management (BOM) and on which the auditors' report remains to be signed, that the Company's residual free reserves in terms of the meaning given to free reserves in the Companies (Issue of Capital) Rules, 1996 after the proposed issue of bonus shares of a face value of Rs. 652,046 thousand would be higher than fifteen percent of the enhanced paid up capital of Rs. 3,912,278 thousand.

We have reviewed the contingent liabilities outstanding as at June 30, 2018 to determine the contingent loss, if any, falling within the scope of the paragraph 14 of the International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets" and confirm that all such liabilities have been accounted for which are deductible from the aforementioned "Free Reserves" of the Company.

Further, the Company's "Free Reserves" retained, after the aforementioned proposed bonus issue, do not include any reserve created as a result of revaluation of fixed assets or any intangible or fictitious assets such as preliminary expenses or goodwill.

Yours truly

encls

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

AA/FB/1944/18
11 August 2018

The Board of Management (BOM)
Pakistan State Oil Company Limited (the Company)
Karachi

Auditors' Certificate on Computation of 'Free Reserves'

Dear Sirs

We have been requested to examine the computation of residual "free reserves' of the Company for the issue of bonus shares to the shareholders of the Company on the basis of financial statements of the Company for the year ended 30 June 2018, which have been approved by the BOM on 11 August 2018, and on which the auditors' report remains to be signed, in accordance with the Companies (issue of Capital) Rules, 1996 (the Rules).

Scope of Certificate

We understand that our certificate is required for the issue of bonus shares to shareholders of the Company in accordance with the Rules.

Management Responsibility

It is the responsibility of the Company's management to prepare and ensure the computation of residual free reserves in accordance with the Rules.

Auditors' Responsibility

Our responsibility is to certify the residual free reserves for the issue of bonus shares in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

a) Obtained computation for free reserves with following documents and checked the amounts, proposed bonus issue and other relevant information used for computation with the trial balance, financial statements and board resolution:

   - trial balance and financial statements of the Company for the year ended 30 June 2018.
   - board resolutions approving the annual financial statements for the year ended 30 June 2018 and proposed bonus issue.
   - computation of free reserves as at 30 June 2018 after the proposed bonus issue.

b) Checked that the total proposed bonus issue is within the limits prescribed under the Rules including Company's " Free Reserves" retained, after the aforementioned proposed bonus issue do not include any reserve created as a result of revaluation of fixed assets or any intangible or fictitious assets such as preliminary expenses or goodwill. Further, reviewed the contingent liabilities outstanding as at 30 June 2018 to determine the contingent loss, if any, falling within the scope of the paragraph 14 of International Accounting Standard 37 " Provisions, Contingent Liabilities and Contingent Assets" and confirmed that all such liabilities have been accounted for which are deductible from the aforementioned "Free Reserves" of the Company.

c) Obtained representation from the management of the Company in respect of the above computation.

Certificate

Based on the procedures mentioned above, we certify that residual ' free reserves' of the Company, in terms of meaning given to 'free reserves' of the Company in the Rules after the proposed issue of bonus shares of face value of Rs. 652,046 thousands would be which higher than the fifteen percent of enhanced paid up capital of Rs. 3,912,278 thousands.

Restriction on use and distribution

This certificate is issued on the request of the Company for the purpose of issue of bonus shares to shareholders of the Company as required under the Rules and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein and the attachment.

Yours faithfully

EY Ford Rhodes

SAZ/FB:ah.