Commitment | Technology | Growth

NINE MONTHS PERIOD ENDED MARCH 31, 2018

PRL

PAKISTAN REFINERY LIMITED

Vision

To be the Refinery of first choice for all stakeholders.

Mission

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmentally friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.

Contents

Company Information

Chief Financial Officer
Imran Ahmad Mirza

Company Secretary
Asim Akhund

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Private) Limited.
8-F, Next to Hotel Faran,
Nursery Block-6, P.E.C.H.S.
Shahra-e-Faisal, Karachi.

Bankers
Askari Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
Citi Bank N.A
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Registered Office
P.O. Box 4612, Korangi Creek Road,
Karachi-75190
Tel: (92-21) 35122131-40
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Board of Directors

Muhammad Aliuddin Ansari
Chairman

Aftab Husain
Managing Director & CEO

Abdul Jabbar Memon
Director

Faisal Waheed
Director

Farooq Rahmatullah Khan
Director

Farrokh K. Captain
Director

Jawwad Ahmed Cheema
Director

Muhammad Najam Shamsuddin
Director

Mumtaz Hasan Khan
Director

Sheikh Imran ul Haque
Director

Yacoob Suttar
Director

Board Committees

Audit Committee

The Audit Committee comprises of four members, from non-executive Directors of the Board all of whom have sufficient financial management expertise. The Chief Internal Auditor is the Secretary of the Committee.

The Board has determined the Terms of Reference of the Audit Committee and has provided adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

Human Resources and Remuneration Committee (HR&RC)

HR&RC comprises of four members, including its Chairman, from the non-executive Directors of the Company. The CEO may be inducted as member of the committee but not as the Chairman of committee. The General Manager Human Resources - Pakistan Refinery Limited will act as the Secretary of the Committee.

HR&RC has been delegated the role of assisting the Board of Directors in following matters:

- recommending human resource management policies to the board;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director & Chief Executive Officer;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Managing Director & Chief Executive Officer, Chief Financial Officer, Company Secretary and Chief Internal Auditor;
- consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters for key management positions who report directly to Managing Director & Chief Executive Officer.

Board Technical Committee

The Board Technical Committee is responsible for removing barriers for realising the upgradation project for the Company's project team, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Project Steering Committee. This committee also reviews and engages with technical managers for HSEQ matters.

Board Strategic Committee

The Board Strategic Committee has been set up to assist management in defining and putting up to the Board of Directors a structured strategic plan that will ensure future sustainability of the business and deliver sustainable returns to the shareholders.

Board Share Transfer Committee

The Board Share Transfer Committee comprises of two Directors and is set up to approve registration of transfer of shares received by the Company. The Share Transfer Committee shall assist the Board of Directors in the following matters:

- approve and register transfer / transmission of shares;
- sub-divide, consolidate and issue their certificates; and
- issue share certificates in place of those which are damaged or in which the pages are completely exhausted, provided the original certificates are surrendered to the Company.

Directors' Review

During the period, the Company earned a profit after taxation of Rs. 695 million as compared to a profit after taxation of Rs. 1,066 million in the corresponding period last year. Refining margins remained stable during the period, however, the Company was badly hit by Pak Rupee depreciation which devalued by 10% from Rs. 105 / USD on July 1, 2017 to Rs. 115.4 / USD on March 31, 2018. This eroded Rs. 763 million from the profitability during the nine-month period. Due to decrease in local consumption of Furnace Oil, which started in November 2017 and continued during the current quarter, the Company had to lower prices of Furnace Oil and hence had a negative impact on profitability. During the period the Company has started recognising in profit & loss the impact of customs/regulatory duty paid on imported crude oil recovered from sales of Furnace Oil, consequently amount of Rs. 951 million relating to prior years has also been taken to income. Oil & Gas Regulatory Authority in compliance with the directives of Economic Coordination Committee of the Government of Pakistan had finalised mechanism of recovery of such duty on Diesel and Petrol on 'no loss no gain' basis for refineries.

The Refinery continues to explore options to meet regulatory requirements of installation of Diesel Hydro Desulphurisation (DHDS) Unit to produce EURO II compliant HSD. This project has been coupled with other upgrade considerations for changing the product slate to a more profitable mix; primarily to convert Fuel Oil into MS and Diesel. Detailed Feasibility Study with international consultant has been completed in this regard and currently the management is exploring opportunities to fund and move the project forward. Nonetheless, this non-compliance has exposed the Refinery to downward revision of HSD pricing due to higher sulphur content and occasioned a loss of Rs. 57 million on this account during the third quarter ended March 31, 2018.

Health, Safety, Environment and Quality continues to be the priority of the Company.

The Board of Directors express their gratitude and appreciation to all our stakeholders including shareholders, term finance holders, customers, suppliers, banks, employees and concerned Government Ministries for their continuous support.

On behalf of the Board of Directors

Muhammad Aliuddin Ansari
Chairman
Karachi: April 26, 2018

Condensed Interim Balance Sheet
As at March 31, 2018

	Note	Unaudited March 31, 2018	Audited June 30, 2017
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	12,930,598	12,246,829
Intangible assets		3,352	6,080
Investment in associate		75,816	84,012
Long-term loans and advances		6,366	4,972
Long-term deposits		21,198	21,198
Retirement benefit prepayments		26,710	26,990
		13,064,040	12,390,081
Current assets			
Stores, spares and chemicals	5	334,466	367,937
Stock-in-trade	6	8,607,098	6,128,132
Trade debts		6,078,730	4,470,649
Loans and advances		31,808	29,919
Trade deposits and short-term prepayments		49,313	18,250
Other receivables	7	1,197,108	1,009,852
Taxation - payments less provision		479,816	798,200
Cash and bank balances		689,146	712,186
		17,467,485	13,535,125
		30,531,525	25,925,206
EQUITY			
Share capital	8	2,940,000	2,940,000
Exchange equalisation reserve		897	897
General reserve		1,050	1,050
Accumulated loss		(4,049,702)	(4,744,206)
Special reserve	2.6	1,405,313	1,405,313
Fair value reserve		(1,889)	300
		295,669	(396,646)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,497,928	3,497,928
LIABILITIES			
Non-current liabilities			
Long-term borrowing		1,200,000	1,600,000
Deferred taxation	9	16,802	18,709
Retirement benefit obligations		299,921	299,921
Unearned Income		-	6,667
		1,516,723	1,925,297
Current liabilities			
Trade and other payables	10	17,573,371	13,908,222
Term finance certificates		229,390	234,390
Short-term borrowings	11	5,200,000	4,963,636
Running finance under mark-up arrangements		25,467	358,764
Current portion of long term borrowing		400,000	400,000
Accrued mark-up		82,621	135,095
Payable to government - sales tax		1,710,356	898,520
		25,221,205	20,898,627
		26,737,928	22,823,924
Contingencies and commitments	12		
		30,531,525	25,925,206

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Muhammad Aliuddin Ansari
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

Condensed Interim Profit and Loss Account
For the nine months period ended March 31, 2018

	Note	For the quarter		For the nine months period	
		January - March 2018	January - March 2017	July 2017 - March 2018	July 2016 - March 2017
		(Rupees in thousand)			
Net Sales	13	25,061,992	15,717,571	64,614,814	50,061,000
Cost of sales		(25,014,048)	(14,989,549)	(63,625,257)	(48,257,305)
Gross profit		47,944	728,022	989,557	1,803,695
Distribution cost		(49,837)	(47,075)	(151,653)	(136,636)
Administrative expenses		(88,868)	(81,080)	(265,821)	(236,122)
Other operating expenses		(74,335)	(44,139)	(144,300)	(153,975)
Other income	14	997,017	34,206	1,063,347	475,462
Operating profit		831,921	589,934	1,491,130	1,752,424
Finance cost		(133,523)	(138,918)	(387,184)	(456,266)
Share of (loss) / income of associate		(410)	6,297	158	8,645
Profit before taxation		697,988	457,313	1,104,104	1,304,803
Taxation	15	(148,749)	(81,991)	(409,600)	(239,270)
Profit after taxation		549,239	375,322	694,504	1,065,533
Other comprehensive income / (loss):					
Change in fair value reserve of available for sale investments of associate		3,115	(5,322)	(2,824)	3,893
Deferred tax relating to component of other comprehensive income		(701)	1,197	635	(876)
		2,414	(4,125)	(2,189)	3,017
Total comprehensive income		551,653	371,197	692,315	1,068,550
Earnings per share - basic and diluted	16	Rs 1.78	Rs 1.22	Rs 2.26	Rs 3.46

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Muhammad Aliuddin Ansari	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

Condensed Interim Cash Flow Statement

For the nine months period ended March 31, 2018

	Note	March 31, 2018	March 31, 2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	2,264,023	1,640,981
Mark-up paid		(421,113)	(392,747)
Income tax paid		(92,488)	(44,617)
Contribution to defined benefit retirement plans		(66,671)	(63,847)
(Increase) / decrease in long-term loans and advances		(1,394)	1,666
Increase in long-term deposits		-	(332)
Net cash generated from operating activities		1,682,357	1,141,104
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,250,164)	(852,462)
Proceeds from disposal of fixed assets		1,610	6
Return received on deposits		19,386	80,000
Dividend received		5,527	10,629
Net cash used in investing activities		(1,223,641)	(761,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(63)	(90,386)
Repayments of foreign currency loans		-	(3,188,057)
Repayments of long term loan		(400,000)	-
Redemptions against term finance certificates		(5,000)	(1,732,130)
Net cash used in financing activities		(405,063)	(5,010,573)
Net increase / (decrease) in cash and cash equivalents		53,653	(4,631,296)
Cash and cash equivalents at the beginning of the period		(4,610,214)	(2,818,894)
Exchange gains on cash and cash equivalents		20,240	331
Cash and cash equivalents at the end of the period	19	(4,536,321)	(7,449,859)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Muhammad Aliuddin Ansari
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

Condensed Interim Statement of Changes in Equity

For the nine months period ended March 31, 2018

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES		SPECIAL RESERVE (note 2.6)	FAIR VALUE RESERVE	TOTAL
		Exchange equalisation reserve	General reserve	Accumulated loss			
	(Rupees in thousand)						
Balance as at July 1, 2016	2,940,000	897	1,050	(4,753,066)	479,300	1,380	(1,330,439)
Final cash Dividend for the year ended June 30, 2016 - Rs. 0.31 per share	-	-	-	(91,140)	-	-	(91,140)
Profit for the nine months period ended March 31, 2017	-	-	-	1,065,533	-	-	1,065,533
Other comprehensive income for the nine months period ended March 31, 2017	-	-	-	-	-	3,017	3,017
Total recognised income for the nine months period ended March 31, 2017	-	-	-	1,065,533	-	3,017	1,068,550
Balance as at March 31, 2017	2,940,000	897	1,050	(3,778,673)	479,300	4,397	(353,029)
Balance as at July 1, 2017	2,940,000	897	1,050	(4,744,206)	1,405,313	300	(396,646)
Profit for the nine months period ended March 31, 2018	-	-	-	694,504	-	-	694,504
Other comprehensive loss for the nine months period ended March 31, 2018	-	-	-	-	-	(2,189)	(2,189)
Total recognised income for the nine months period ended March 31, 2018	-	-	-	694,504	-	(2,189)	692,315
Balance as at March 31, 2018	2,940,000	897	1,050	(4,049,702)	1,405,313	(1,889)	295,669

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Muhammad Aliuddin Ansari
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

Notes to and Forming Part of the Condensed Interim Financial Information
For the nine months period ended March 31, 2018

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is quoted on Pakistan Stock Exchange Limited. The registered office of the Company is at Korangi Creek Road, Karachi. The Company is engaged in the production and sale of petroleum products.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the nine months period ended March 31, 2018 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. This condensed interim financial information is being submitted to the shareholders as required by section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

2.2 This condensed interim financial information does not include all the information required for a complete set of financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2017.

2.3 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2017.

2.4 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IAS-7, 'Statement of cashflows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

The change will impact the disclosures of the Company's annual financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2018 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

2.5 Under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy - MoE on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce Euro II compliant High Speed Diesel (HSD) and in case of non-compliance, the ex-refinery price of HSD based on Import Parity Price (IPP) formula will be downward adjusted due to higher Sulphur content. The Company did not meet the aforementioned deadline of setting up DHDS unit and therefore, it is subject to downward adjustments in HSD pricing until the setting up of DHDS unit.

2.6 Under directive from the MoE, any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty was built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

On March 27, 2013, the Government of Pakistan issued a policy framework for up-gradation and expansion of refinery projects, amended through a letter dated April 25, 2016, which interalia states that:

- till completion of the projects, refineries will not be allowed to offset losses, if any, for the year ended June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula; and

- the refineries are required to install Diesel Hydro Desulphurisation (DHDS) plant by June 30, 2017. If any refinery fails to install DHDS by June 30, 2017 then the ex-refinery price of High Speed Diesel (HSD) based on Import Parity Price (IPP) formula will be adjusted / reduced due to higher Sulphur content.

The Company has not transferred any amount to special reserve for the nine months period ended March 31, 2018 since it continues to consider transfer to Special Reserve on annual basis.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.

4. FIXED ASSETS

Following are additions to fixed assets during the period:

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	737,305	375,308
Buildings	88	-
Equipment including furniture	8,382	11,659
Vehicles and other automotive equipment	6,541	-
Firefighting and telecommunication systems	-	5,538
Major spare parts and stand-by equipment - net of transfers	(142,773)	(67,112)
Capital work in progress - net of transfers	640,621	527,069
	1,250,164	852,462

4.1 During the period, assets costing Rs. 1.06 million (2016: Rs. 0.5 million) having written down value of Rs. Nil (2016: Rs. Nil) were disposed off.

4.2 During the period, major spare items costing Rs. 2.37 million (2016: Rs. Nil) having carrying value of Rs. 1.58 million (2016: Rs. Nil) were written off.

Notes to and Forming Part of the Condensed Interim Financial Information
For the nine months period ended March 31, 2018

	As at March 31, 2018	(Audited) As at June 30, 2017
	(Rupees in thousand)	
4.3 Capital work-in-progress		
Buildings	4,695	-
Processing plant	814,123	279,888
Korangi tank farm	142,783	37,115
Keamari terminal	195,532	204,298
Pipelines	76,007	139,519
Fire fighting and telecommunication systems	117,413	19,626
Power generation, transmission and distribution	367,790	214,104
Equipment including furniture	4,120	-
Water treatment and cooling system	17,529	2,088
Advances to contractors / suppliers	122,500	325,233
	1,862,492	1,221,871

5. STORES, SPARES AND CHEMICALS

During the period, store items costing Rs. 9.56 million (2016: Rs. Nil) having carrying value of Rs. 8.24 million (2016: Rs. Nil) were written off.

6. STOCK-IN-TRADE

6.1 This includes crude oil in transit amounting to Rs. 3.74 billion (June 30, 2017: 2.76 billion).

6.2 As at December 31, 2017 stock of crude oil has been written down by Rs. 41.31 million (June 30, 2017: Rs. Nil) and finished goods by Rs. 31.09 million (June 30, 2017: Rs. 18.12 million) to arrive at their net realisable values.

7. OTHER RECEIVABLES

This includes an amount of Rs. 1.19 billion (June 30, 2017: Rs. 0.98 billion) receivable from refinery in respect of import of crude oil, freight and other charges on sharing basis.

8. SHARE CAPITAL

During the year ended June 30, 2016, the Company issued 259 million right shares out of the total size of issue of 280 million rights shares at the rate of Rs. 10 each. 21 million right shares have not been issued due to the restraining order obtained under Suit No. 931 of 2015 by one of the Class B shareholder 'Pakistan State Oil Company Limited' against another Class B shareholder 'Chevron Global Energy Inc. (Chevron)'. The order in the suit interalia directs all the defendants to maintain status quo in respect of the letters of rights issued to and shares held by Chevron; and restrains Chevron from creating any third party interest in respect of shares offered to it under the letters of rights issued to another class B shareholder namely Shell Petroleum Company Limited.

9. DEFERRED TAXATION

Deferred tax debit balances of Rs. 2.19 billion (June 30, 2017: Rs. 2.3 billion) in respect of unabsorbed depreciation, tax losses, minimum tax and deductible temporary differences have not been recognised as their recoverability is not expected.

10. TRADE AND OTHER PAYABLES

This includes Rs. 1.29 billion (June 30, 2017: Rs. 1.83 billion) as differential of regulatory / custom duty levied on import of crude oil and sale of petroleum products based on directives issued by Ministry of Finance and MoE. Oil and Gas Regulatory Authority (OGRA) in compliance with the directives of MoE has approved a recovery mechanism for regulated products through which refineries will operate on no gain / loss basis on this account. OGRA has directed Oil Companies Advisory Committee (OCAC) to ensure the implementation of the said mechanism.

	As at March 31, 2018	(Audited) As at June 30, 2017
	(Rupees in thousand)	
11. SHORT-TERM BORROWING - Secured		
Short-term finance - note 11.1	5,200,000	4,963,636

11.1 This represents mark-up based short term finance from commercial banks repayable in 2 to 27 days after the date of balance sheet (June 30, 2017: 34 to 59 days) at a mark-up ranging from 6.59% to 6.66% (June 30, 2017: 6.49% to 6.63%) per annum.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debt amount to Rs. 4.87 billion (June 30, 2017: Rs. 4.82 billion). These include Rs. 4.18 billion (June 30, 2017: Rs. 4.13 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.36 billion (June 30, 2017: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

12.1.2 Bank guarantees of Rs. 53 million (June 30, 2017: Rs. 53 million) were issued in favor of third parties.

12.2 Commitments

As at March 31, 2018 commitments outstanding for capital expenditure amounted to Rs. 0.92 billion (June 30, 2017: Rs. 1.07 billion).

Outstanding letters of credit as at March 31, 2018 amounted to Rs. 9.05 billion (June 30, 2017: Rs. 8.23 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipment amounted to Rs. 20.68 million (June 30, 2017: Rs. 26.51 million).

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
13. NET SALES		
Local sales	87,596,279	71,372,382
Exports	3,563,260	2,251,287
Gross sales	91,159,539	73,623,669
Less:		
- Sales tax	(16,944,565)	(14,013,308)
- Excise duty and petroleum levy	(6,994,720)	(6,599,770)
- Surplus price differential	(942,861)	(749,930)
- Regulatory duty - note 13.1	(1,662,579)	(2,199,661)
	64,614,814	50,061,000

13.1 This represents regulatory duty recovered on sale of products subject to regulatory duty.

13.2 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (MS, HOBC, HSD, LDO and Aviation Fuels) are based on prices set under notifications of the MoE.

14. OTHER INCOME

This includes reversal of Rs. 950.71 million accumulated upto June 30, 2017 representing regulatory duty on sale of deregulated products. During the current period, OGRA finalised the recovery mechanism of regulatory duty on regulated products on 'no loss no gain basis' as directed by Economic Coordination Committee (ECC) in May 2015. Considering this development and after taking independent legal opinion, the Company has started including the impact of allocated / apportioned regulatory duty on deregulated products in the pricing of Furnace Oil. Consequently, the balance accumulated upto June 30, 2017 on this account has also been recognised in the profit and loss account.

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
15. TAXATION		
Current for the year - note 15.1	410,872	26,456
Deferred	(1,272)	212,814
	409,600	239,270

15.1 This includes tax charge of Rs. 108.07 million (March 31, 2017: Rs. Nil) in respect of tax on undistributed profit for the year ended June 30, 2017 under section 5A of the Income Tax Ordinance, 2001 which was amended by the Government of Pakistan through Finance Act, 2017. The amendments introduced income tax at the rate of 7.5% on accounting profit before tax on every public company that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. During the period ended March 31, 2018, Honorable High Court of Sindh has granted stay from recovery of this tax from the Company.

Subsequently in February 2018 the Government of Pakistan (GoP) issued an amendment to section 5A during the period clarifying that the section will not be applicable where there is a restriction on distribution of dividend by GoP. Therefore the said section is no more applicable to the Company. However, as advised by the Company's Tax consultants the said amendment is applicable from Tax year 2018 and therefore the above petition has not been withdrawn.

16. EARNINGS PER SHARE

	For the quarter		For the nine months period	
	January - March 2018	January - March 2017	July 2017 - March 2018	July 2016 - March 2017
	(Rupees in thousand)			
Profit after taxation attributable to ordinary shareholders	549,239	375,322	694,504	1,065,533
Weighted average number of ordinary shares outstanding during the period (in thousand)	307,741	307,741	307,741	307,741
Basic and diluted earnings per share	Rs. 1.78	Rs. 1.22	Rs. 2.26	Rs. 3.46

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
17. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,104,104	1,304,803
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	567,547	650,056
Mark-up expense	368,639	446,969
Provision for defined benefit retirement plans	66,951	58,816
Exchange gains on cash and cash equivalents	(20,240)	(331)
Share of income of associate	(156)	(8,645)
Return on deposits	(19,386)	(80,000)
Gain on disposal of fixed assets	(1,610)	(6)
Agreement signing fees	(10,000)	(10,000)
Store items written off	8,232	-
Major spares written off	1,577	-
Working capital changes - note 17.1	198,365	(720,681)
Cash generated from operations	2,264,023	1,640,981
17.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and chemicals	25,239	(40,035)
Stock-in-trade	(2,478,966)	(2,937,244)
Trade debts	(1,608,081)	(12,225)
Loans and advances	(1,889)	49,495
Trade deposits and short-term prepayments	(31,063)	29,680
Other receivables	(187,256)	91,166
	(4,282,016)	(2,819,163)
Increase in current liabilities		
Trade and other payables	3,668,545	1,598,771
Payable to government - sales tax	811,836	499,711
	4,480,381	2,098,482
	198,365	(720,681)

18. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	March 31, 2018	March 31, 2017
		(Rupees in thousand)	
Associated companies			
	Sale of goods - net	54,254,189	45,242,789
	Sale of services	779	783
	Services received	54,554	48,468
	Mark-up paid	26,372	6,875
	Dividend paid	-	64,674
	Dividend received	5,528	10,630
	Interest claimed on late payments	-	2,130
	Bank charges	188	170
Key management compensation			
	Salaries and other short term employee benefits	88,463	77,545
	Post-employment benefits	8,085	11,621
Staff retirement benefit plans			
	Contributions to retirement plans	115,853	97,110
	Markup paid on TFCs	6,030	6,030
Non-executive directors	Fee including honorarium	4,750	2,677
	Dividend paid	-	26

Sale of certain products is transacted at prices fixed by the OGRA. Other transactions with related parties are carried on commercially negotiated terms.

Key management personnel comprises of members of the Refinery Leadership Team.

Notes to and Forming Part of the Condensed Interim Financial Information

For the nine months period ended March 31, 2018

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances	689,146	767,851
Short-term borrowings	(5,200,000)	(4,963,636)
Running finance under mark-up arrangements	(25,467)	(3,254,074)
	(4,536,321)	(7,449,859)

20. CORRESPONDING FIGURES

Following reclassification has been made for the purpose of better presentation and comparison:

Reclassification from component	Reclassification to component	Rupees in thousand
Profit and loss account		
- Other income	Net sales	49,766

21. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on April 26, 2018.

Muhammad Aliuddin Ansari Chairman	Aftab Husain Managing Director & CEO	Imran Ahmad Mirza Chief Financial Officer

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