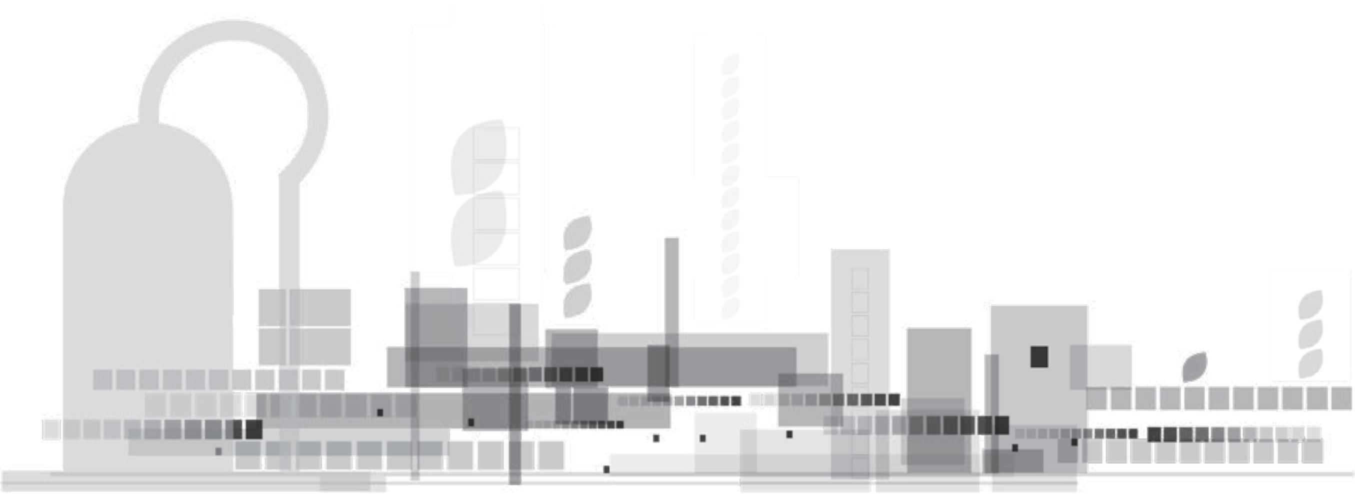
Defining Future

NINE MONTHS PERIOD ENDED MARCH 31, 2019

PRL

PAKISTAN REFINERY LIMITED

Content



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.

Company Information

Deputy Managing Director (Finance & IT) / CFO
Imran Ahmad Mirza

Company Secretary
Mustafa Saleemi

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
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) 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

Syed Asad Ali Shah
Chairman

Aftab Husain
Managing Director & CEO

Abdul Jabbar Memon
Director

Babar H. Chaudhary
Director

Imtiaz Jaleel
Director

Mirza Mahmood Ahmad
Director

Mohammad Zubair
Director

Syed Jehangir Ali Shah
Director

Syed Muhammad Ali
Director

Yacoob Suttar
Director

Board Committees

Board Audit Committee (BAC)
Audit Committee comprises of three 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 BAC and has provided adequate resources and authority to enable it to carry out its responsibilities effectively. The terms of reference of the Audit Committee have been adopted from the Listed Companies (Code of Corporate Governance) Regulations 2017. The board gives due consideration to the recommendations of the Audit Committee in all these matters.

Board Human Resource and Remuneration Committee (HR&RC)
HR&RC comprises of five members, with for members being non-executive Directors of the Company. The MD & CEO is also a member of the Committee. General Manager Human Resources is 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 Chief Financial Officer, Company Secretary and Chief Internal Auditor; and
- 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 the technical oversight of Company's business, governance of the Company's strategic projects and endorsement of the investment decisions recommended by the Management. The Committee assess the refinery technology in terms of competitiveness and functionality. This Committee also reviews and engages technical managers for HSEQ matters.

Board Project Steering Committee
The Board Project Steering Committee is responsible for monitoring and controlling the Refinery Upgrade Project . This Committee will assist the Board of Directors in Refinery Upgrade Project which includes the following:

- oversee projects execution process and governance for the project
- review and advise on program priorities for implementation of the project
- monitor and steer the project development to be consistent with the operating financial objectives for the project

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 Board 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 share 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

We are pleased to present this review report along with Unaudited Financial Statements for the nine months' period ended March 31, 2019. During the period, the Company yet again faced external challenges of negative refining margins and devaluation of Pak Rupee against USD, that have adversely impacted the company as well the refining industry as a whole.

On the positive side, during the current quarter, the Board made the strategic decision to undertake the Refinery Upgrade Project that also include installation of Diesel Hydro-desulphurisation Unit (DHDS) to produce EURO II compliant diesel with an approximate investment of USD one billion, which was communicated on March 01, 2019. The Company is now in the process of prequalification of engineering contractors for appointment as Project Management Consultant (PMC). Through a separate prequalification process, engineering contractor will be pre-qualified for award of combined Front End Engineering Design (FEED) and Engineering, Procurement and Construction (EPC) contract for the Refinery Upgrade Project.

During the period, the local refining industry witnessed highly depressed margins during the second and third quarter exacerbated by exceptional decline in the pricing of Motor Gasoline which traded in international market at a price lower than crude oil; and forced reduction in pricing of Furnace Oil due to its depressed demand during the winter season which led to build up of inventory levels and further resulted in huge inventory losses. The extraordinary low Petrol pricing and decline in Furnace Oil demand have reversed towards the end of third quarter and consequently, it is expected that the refining margins will improve in the final quarter.

The value of Pak Rupee remained volatile during the current period and PKR depreciated by 16% against USD during the period from Rs. 121.6 per USD in June 2018 to Rs. 140.7 per USD in March 2019. The Company suffered due to aforementioned volatility of Pak Rupee against USD and Rs. 1.47 billion were lost in terms of exchange loss alone. Government's efforts to strengthen country's macro-economic indicators and build foreign currency reserves could stabilise PKR-USD parity in the short term. Unusual fluctuations in PKR-USD parity is very significant impediment for the refining sector and Government's support is imperative in addressing this particular matter.

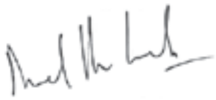
Moreover, negative burden of pricing mechanism of High Speed Diesel continues to affect the results of the Company. Under this mechanism, the refineries are required to pay the difference between actual import price and a notional ex-refinery price. During the period, the Company suffered loss of Rs. 782 million on this account which has cumulatively eroded Rs. 5,786 million since its introduction in March 2013. Furthermore, on the other hand, the company incurred huge loss owing to adverse external situation, but owing to huge turnover, it still had to suffer minimum tax of Rs. 390.5 million, which is highly inequitable fiscal policy, as it effectively results in tax on shareholders' equity.

The Board and the Management are making continuous representations with the relevant leadership in the Government for necessary adjustments in policies relating to the Refining Industry for sustainable Refinery operations, especially to mobilize investment in this sector for filling huge gap between domestic production and demand for petroleum products.

The Company maintained its commitment towards Health, Safety, Environment and Quality (HSEQ) standards with processes continuously being reviewed and strengthened, wherever required. The Refinery remained compliant with all applicable HSEQ standards during the period.

The Board would like to acknowledge and appreciate all stakeholders for their usual support which continued backing the Company in every situation.

On behalf of the Board of Directors



Syed Asad Ali Shah
April 26, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	Note	Unaudited March 31, 2019	Audited June 30, 2018
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,600,858	13,444,154
Intangible assets		390	2,444
Investment accounted for using the equity method		67,689	71,428
Long-term deposits and loans		28,262	29,347
Employee benefit prepayments		24,026	24,026
		13,721,225	13,571,399
Current assets			
Inventories	5	14,962,476	7,830,028
Trade receivables		5,798,502	7,265,482
Trade deposits, loans, advances and short-term prepayments		95,110	56,907
Other receivables	6	1,372,196	621,879
Taxation - payments less provision		348,895	597,080
Cash and bank balances	7	97,895	575,214
		22,675,074	16,946,590
		36,396,299	30,517,989
EQUITY AND LIABILITIES			
Equity			
Share capital	8	2,940,000	2,940,000
Accumulated loss		(8,300,952)	(4,816,826)
Special reserve	2.4	1,943,476	1,943,476
Revaluation surplus on property, plant and equipment		3,997,928	3,997,928
Other reserves		(3,347)	(2,023)
		577,105	4,062,555
Liabilities			
Non-current liabilities			
Long-term borrowings		4,300,000	4,700,000
Deferred tax liabilities	9	13,032	13,759
Employee benefit obligations		335,577	342,985
		4,648,609	5,056,744
Current liabilities			
Trade and other payables		22,377,402	16,757,444
Borrowings	10	8,771,415	4,619,390
Unclaimed dividend		21,768	21,856
		31,170,585	21,398,690
		35,819,194	26,455,434
CONTINGENCIES AND COMMITMENTS	11		
		36,396,299	30,517,989

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Syed Asad Ali Shah
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

	Note	For the quarter January - March 2019	January - March 2018	For the nine months period July 2018 - March 2019	July 2017 - March 2018
		(Rupees in thousand)			
Revenue	12	**26,807,921**	25,061,992	**81,433,334**	64,614,814
Cost of sales		**(26,763,573)**	(25,014,048)	**(83,278,971)**	(63,625,257)
Gross profit / (loss)		**44,348**	47,944	**(1,845,637)**	989,557
Distribution costs		**(62,243)**	(49,837)	**(179,524)**	(151,653)
Administrative expenses		**(100,063)**	(88,868)	**(312,735)**	(265,821)
Other operating expenses		**(11,142)**	(74,335)	**(12,386)**	(144,300)
Other income	13	**61,536**	997,017	**141,322**	1,063,347
Operating (loss) / profit		**(67,564)**	831,921	**(2,208,960)**	1,491,130
Finance cost		**(306,090)**	(133,523)	**(913,403)**	(387,184)
Share of (loss) / income of associate accounted for using the equity method		**50**	(410)	**(2,044)**	158
(Loss) / profit before income tax		**(373,604)**	697,988	**(3,124,407)**	1,104,104
Income tax expense	14	**(100,126)**	(148,749)	**(359,719)**	(409,600)
(Loss) / profit for the period		**(473,730)**	549,239	**(3,484,126)**	694,504
Other comprehensive (loss) / income					
Items that may be subsequently reclassified to profit or loss					
Change in fair value of available for sale investments of associate		**925**	3,115	**(1,692)**	(2,824)
Deferred tax relating to change in fair value of available for sale investments of associate		**(201)**	(701)	**368**	635
		724	2,414	**(1,324)**	(2,189)
Total comprehensive (loss) / income		**(473,006)**	551,653	**(3,485,450)**	692,315
(Loss) / earnings per share - basic and diluted	15	**(Rs 1.54)**	Rs 1.78	**(Rs 11.32)**	Rs 2.26

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Syed Asad Ali Shah 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, 2019

	SHARE CAPITAL	CAPITAL RESERVE			REVENUE RESERVE			TOTAL
		Special reserve	Revaluation surplus on property, plant and equipment	Exchange equalisation reserve	Accumulated loss	Fair value reserve	General reserve	
	(Rupees in thousand)							
Balance as at July 1, 2017	2,940,000	1,405,313	3,497,928	897	(4,744,206)	300	1,050	3,101,282
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 / (loss) for the nine months period ended March 31, 2018	-	-	-	-	694,504	(2,189)	-	692,315
Balance as at March 31, 2018	2,940,000	1,405,313	3,497,928	897	(4,049,702)	(1,889)	1,050	3,793,597
Balance as at July 1, 2018	2,940,000	1,943,476	3,997,928	897	(4,816,826)	(3,970)	1,050	4,062,555
Loss for the nine months period ended March 31, 2019	-	-	-	-	(3,484,126)	-	-	(3,484,126)
Other comprehensive loss for the nine months period ended March 31, 2019	-	-	-	-	-	(1,324)	-	(1,324)
Total recognised loss for the nine months period ended March 31, 2019	-	-	-	-	(3,484,126)	(1,324)	-	(3,485,450)
Balance as at March 31, 2019	**2,940,000**	**1,943,476**	**3,997,928**	**897**	**(8,300,952)**	**(5,294)**	**1,050**	**577,105**

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Syed Asad Ali Shah	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

	Note	March 31, 2019	March 31, 2018
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	16	**(2,605,838)**	2,264,023
Mark-up paid		**(704,004)**	(421,113)
Income tax paid		**(111,893)**	(92,488)
Contribution to retirement benefit plans		**(79,366)**	(66,671)
Decrease / (increase) in long-term deposits and loans		**1,085**	(1,394)
Net cash (used in) / generated from operating activities		**(3,500,016)**	1,682,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(793,642)**	(1,250,164)
Proceeds from disposal of property, plant and equipment		**97**	1,610
Return received on bank deposits		**43,810**	19,386
Dividend received		**-**	5,527
Net cash used in investing activities		**(749,735)**	(1,223,641)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(88)**	(63)
Repayment of current portion of long-term borrowing		**(400,000)**	(400,000)
Redemptions against term finance certificates		**(229,390)**	(5,000)
Net cash used in financing activities		**(629,478)**	(405,063)
Net (decrease) / increase in cash and cash equivalents		**(4,879,229)**	53,653
Cash and cash equivalents at the beginning of the period		**(3,414,786)**	(4,610,214)
Exchange gain on cash and cash equivalents		**20,495**	20,240
Cash and cash equivalents at the end of the period	18	**(8,273,520)**	(4,536,321)

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Syed Asad Ali Shah 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, 2019 - UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited (PRL) was incorporated in Pakistan as a public limited company in May 1960 and is listed on Pakistan Stock Exchange. The Company is engaged in the production and sale of petroleum products.

During the period, Pakistan State Oil Company Limited (PSO) acquired 84 million class-B shares of Shell Petroleum Company Limited, United Kingdom in the Company – 28.571% of the total paid-up capital. Effective December 1, 2018, the total shareholding of PSO increased to 52.67% holding 154.875 million class-B shares in the Company making it the parent company of PRL.

2. BASIS OF PREPARATION

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

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

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

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

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

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, 2018.

2.2 As at March 31, 2019, the Company has accumulated loss of Rs. 8.30 billion and its current liabilities exceed its current assets by Rs. 8.49 billion. Moreover during the nine months period ended March 31, 2019, the Company witnessed a decline in gross refinery margins including an unprecedented decline in the pricing of Motor Gasoline (Petrol) going well below cost of crude, significant inventory losses on Furnace Oil due to low domestic demand and huge exchange loss due to sharp decline in value of Pak Rupee against USD.

Further, the Company has not yet installed Diesel Hydrodesulphurisation Unit (DHDS) to produce Euro II compliant High Speed Diesel (HSD) under the policy framework of up-gradation and expansion of refinery projects issued by the Ministry of Energy on March 27, 2013. Consequently, the ex-refinery price of HSD based on Import Parity Price (IPP) formula is being downward adjusted / reduced due to higher Sulphur content. These conditions may cast a doubt on the Company's ability to continue as a going concern and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The extraordinary low Petrol pricing and decline in Furnace Oil demand have reversed towards the end of third quarter of current period and consequently, refining margins are expected to improve. Further, expected macro-economic stability due to GoP efforts to build foreign currency reserves could stabilise Rupee-USD parity, thus further abnormal exchange losses are not expected. The Company with the support of its parent company has been able to sell its products on a timely basis which have ensured continuous refinery operations and have generated sufficient cash flows for timely repayment of liabilities.

Based on the projected profitability and cash flows including expected increase in the ex-refinery price of petrol, the Company believes that the current liquidity situation will be overcome in future. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

2.3 Changes in accounting standards, interpretations and pronouncements

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

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 loss 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 has assessed that the changes laid down by these standards do not have effect on this condensed interim financial information.

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 January 01, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognsied. The only exceptions are short term and low value leases.

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

2.4 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

- 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.

3. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

However, management believes that the change in outcome of judgments, 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, 2018.

4. PROPERTY, PLANT AND EQUIPMENT

Following are additions to fixed assets during the period:

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	**659,135**	737,305
Buildings	**1,644**	88
Equipment including furniture	**14,692**	8,382
Vehicles and other automotive equipment	**165**	6,541
Firefighting and telecommunication systems	**7,422**	-
Major spare parts and stand-by equipment - net of transfers	**(5,634)**	(142,773)
Capital work in progress - net of transfers	**116,218**	640,621
	793,642	1,250,164

4.1 During the period, assets costing Rs. 1.70 million (2018: Rs. 1.06 million) having written down value of Rs. Nil (2018: Rs. Nil) were disposed off. Further, During the period, precious metal amounting to Rs. 142.57 million was recovered from spent catalyst. This metal was used for composition of new catalyst for Isomerisation and Platformer Units.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

	Unaudited As at March 31, 2019	Audited As at June 30, 2018
	(Rupees in thousand)	
4.2 Capital work-in-progress		
Building	**2,775**	6,183
Processing plant	**459,045**	356,976
Steam generation plant	**-**	9,849
Korangi tank farm	**75,026**	87,234
Keamari terminal	**368,334**	291,161
Pipelines	**108,044**	93,265
Power generation, transmission and distribution	**65,564**	19,917
Water treatment and cooling system	**22,148**	22,978
Equipment including furniture	**16,663**	4,779
Fire fighting and telecommunication systems	**123,398**	104,409
Advances to contractors / suppliers	**74,899**	73,026
	1,315,896	1,069,777

4.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 32.72 million (June 30, 2018: Rs. 12.30 million) on capital work-in-progress. Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 9.56% per annum (June 30, 2018: 6.94% per annum).

5. INVENTORIES

As at March 31, 2019 stock of crude oil has been written down by Rs. 58 million (June 30, 2018: Rs. 59.1 million) to arrive at its net realisable values.

6. OTHER RECEIVABLES

This includes an amount of Rs. 1.37 billion (June 30, 2018: Rs. 0.61 billion) receivable from a refinery in respect of sharing of crude oil, freight and other charges.

	Unaudited March 31, 2019	Audited June 30, 2018
	(Rupees in thousand)	
7. CASH AND BANK BALANCES		
With banks on		
- current accounts - note 7.1 [including foreign currency account Rs. Nil (June 30, 2018: Rs. 138.69 million)]	**1,749**	259,107
- mark-up bearing savings accounts - notes 7.2	**94,924**	315,535
Cash in hand	**1,222**	572
	97,895	575,214

7.1 These bank balances are maintained under current accounts and do not carry any interest.

7.2 The rates of mark-up on savings accounts during the period ranged from 4.5% to 8.75% per annum (June 30, 2018: 4.5% to 5.0% per annum).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

8. SHARE CAPITAL

8.1. 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 TAX LIABILITIES

Deferred tax debit balances of Rs. 1.32 billion (June 30, 2018: Rs. 0.54 billion) in respect of unabsorbed depreciation, tax losses and deductible temporary differences have not been recognised as their recoverability is not expected.

10. BORROWINGS

	Unaudited March 31, 2019	Audited June 30, 2018
	(Rupees in thousand)	
Term finance certificates - note 10.1	**-**	229,390
Short-term borrowings - note 10.2	**4,000,000**	3,990,000
Running finance under mark-up arrangements - note 10.3	**4,371,415**	-
Current portion of long-term borrowings	**400,000**	400,000
Current portion of long-term borrowings	**8,771,415**	4,619,390

10.1 During the period, PRL Taraqqi TFC 2 amounting to Rs. 229.39 million was fully redeemed after expiry of tenor of 5 years.

10.2 This represents mark-up based short term finance from commercial banks repayable in 1 to 12 (2018: 3 to 27) days from the date of statement of financial position at a mark-up ranging from 10.76% to 11.21% (June 30, 2018: 7.02% to 7.13%) per annum. These are secured by way of first joint pari passu charge over stock of crude oil, finished products and trade receivables of the Company.

10.3 As at March 31, 2019 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.55 billion (June 30, 2018: Rs. 8.35 billion).

These arrangements are secured by way of hypothecation over stock of crude oil, finished products and trade receivables of the Company.

The rates of mark-up range between three months KIBOR+0.5% to one month KIBOR+3% per annum as at March 31, 2019 (June 30, 2018: three months KIBOR+0.55% to one month KIBOR+3% per annum). Purchase prices are payable on demand.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Claims against the Company not acknowledged as debt amount to Rs. 5.41 billion (June 30, 2018: Rs. 5.24 billion). These include Rs. 4.29 billion (June 30, 2018: Rs. 4.20 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, 2018: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

11.1.2 Bank guarantees of Rs. 124 million (June 30, 2018: Rs. 53 million) were issued in favor of third parties.

11.2 Commitments

As at March 31, 2019, commitments outstanding for capital expenditure amounted to Rs. 0.70 billion (June 30, 2018: Rs. 0.87 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipment amounted to Rs. 28.30 million (June 30, 2018: Rs. 16.57 million).

12. REVENUE

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
Local sales	**101,338,191**	87,596,279
Exports	**5,669,400**	3,563,260
Gross sales	**107,007,591**	91,159,539
Less:		
- Sales tax	**(14,271,805)**	(16,944,565)
- Petroleum levy	**(8,012,191)**	(6,993,516)
- Excise duty	**(932)**	(1,204)
- Surplus price differential	**(1,016,447)**	(942,861)
- Custom duty	**(2,272,882)**	(1,662,579)
	81,433,334	64,614,814

12.1 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.

13. Included in other income is an amount of Rs. 39.90 million representing reversal of impairment loss charged on catalyst of Isomerisation Unit during the year ended June 30, 2017. During the period, the platinum used in catalyst was recovered. The fair value of the catalyst less its recovery costs was in excess of recoverable amount earlier estimated. The main valuation inputs used were market value of platinum as at the date of recovery, quantity of platinum actually recovered and actual costs of recovery.

14. INCOME TAX EXPENSE

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
Current - for the year	**379,977**	410,872
- for prior years	**(19,898)**	-
Deferred	**(360)**	(1,272)
	359,719	409,600

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

15. (LOSS) / EARNINGS PER SHARE

	For the quarter		For the nine months Period	
	January - March 2019	January - March 2018	**July 2018 - March 2019**	July 2017 - March 2018
	(Rupees in thousand)			
(Loss) / Profit attributable to ordinary shareholders	**(473,730)**	549,239	**(3,484,126)**	694,504
Weighted average number of ordinary shares outstanding during the period (in thousand)	**307,741**	307,741	**307,741**	307,741
Basic and diluted (loss)/ earnings share	**(Rs. 1.54)**	Rs. 1.78	**(Rs. 11.32)**	Rs.2.26

16. CASH (USED IN) / GENERATED FROM OPERATIONS

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
(Loss) / profit before income tax	**(3,124,407)**	1,104,104
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	**679,610**	567,547
Mark-up expense	**812,440**	368,639
Reversal of provision for slow moving stores and spares	**(719)**	-
Reversal of impairment loss	**(39,899)**	-
Provision for employee benefit obligations	**71,958**	66,951
Exchange gain on cash and cash equivalents	**(20,495)**	(20,240)
Share of loss / (income) of associate	**2,044**	(156)
Profit on deposits	**(43,810)**	(19,386)
Gain on disposal of fixed assets	**(97)**	(1,610)
Agreement signing fees	**(6,667)**	(10,000)
Major spares written off	**-**	1,577
Stores and spares written off	**-**	8,232
Working capital changes - note 16.1	**(935,796)**	198,365
Cash (used) in / generated from operations	**(2,605,838)**	2,264,023

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 - UNAUDITED

16.1 WORKING CAPITAL CHANGES

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Inventories	(7,132,447)	(2,453,727)
Trade receivables	1,466,980	(1,608,081)
Trade deposits, loans, advances and short-term prepayments	(38,203)	(32,952)
Other receivables	(750,317)	(187,256)
	(6,453,987)	(4,282,016)
(Decrease) / increase in current liabilities		
Trade and other payables	5,518,191	4,480,381
	(935,796)	198,365

17. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

Relationship	Nature of transactions	March 31, 2019	March 31, 2018
Parent company	Sale of goods - net	16,927,492	-
	Services rendered	258,890	-
Associated companies	Sale of goods - net	37,154,829	54,254,189
	Services rendered	341	779
	Services received	421,293	54,554
	Mark-up paid	25,214	26,372
	Dividend received	-	5,528
	Bank charges	16	188
Key management personnel compensation (excluding non-executive directors)	Salaries and other short term employee benefits	100,492	88,463
	Post-employment benefits	7,331	8,085
Staff retirement benefit funds	Payments to staff retirement benefit funds	123,279	115,853
	Mark-up paid on TFC	3,358	6,030
Non-executive Directors	Fee including honorarium	5,776	4,750

Sale of certain products is transacted at prices fixed by the Oil & Gas Regulatory Authority. 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, 2019 - UNAUDITED

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**97,895**	689,146
Short-term borrowings	**(4,000,000)**	(5,200,000)
Running finance under mark-up arrangements	**(4,371,415)**	(25,467)
	(8,273,520)	(4,536,321)

19. 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, 2019.

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Syed Asad Ali Shah	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

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