PAKISTAN REFINERY LIMITED

GROWING STRONGER

HALF YEARLY REPORT
DECEMBER 31, 2016

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
Shehrzad Aminullah

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor
Orr Dignam & Co.

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

Registered Office
P.O. Box 4612
Korangi Creek Road, Karachi-75190
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk

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
NIB Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Board of Directors

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Abdul Jabbar Memon
Director

Babar H. Chaudhary
Director

Faisal Waheed
Director

Farrokh K. Captain
Director

Jawwad Cheema
Director

Muhammad Najam Shamsuddin
Director

Mumtaz Hasan Khan
Director

Saleem Butt
Director

Sheikh Imran ul Haque
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 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

The Company posted a profit after tax of Rs. 690.21 million during the half year ended December 31, 2016 as compared to a profit after taxation of Rs. 209.03 million in the corresponding period last year in the backdrop of better refining margins coupled with a stable exchange rate.

Nonetheless, the Company continues to be burdened by negative effects of pricing mechanism of High Speed Diesel (HSD) whereby the refineries are required to pay the difference between actual import price and a notional ex-refinery price. The Company has suffered a further dent of Rs. 535 million in the form of HSD Price Differential in the six months ended December 31, 2016, whereas this adverse pricing mechanism which was introduced by the Government in March 2013 has so far eroded Rs. 3,729 million worth of profits of the Company. The Refinery has taken up this issue with the Ministry of Petroleum and Natural Resources.

The Refinery is continuing to work on the Refinery Expansion and Upgradation Project (REUP). The Diesel Hydrodesulphurisation Unit (DHDS), which is part of the REUP will make the refinery become compliant with the Government of Pakistan's requirement to produce EURO II compliant Diesel. The Company has received a feasibility report prepared by an international consultant engaged for evaluating different technological variants for expansion and upgradation of the Refinery including installation of DHDS. In view of the longer time frame involved in completing such a project, the Company is fully engaged with the relevant government authorities for relief in the timeline.

The Company, as always, remained committed to maintain the highest standards of Health, Safety, Environment and Quality and successfully clocked 8.6 million man-hours by December 31, 2016 without any Lost Time Injury (LTI). Meanwhile, by the grace of Allah, the Refinery also achieved the next milestone of 9 million man-hours without any LTI during January 2017.

During December 2016, the 3 Year Term Finance Certificates (TFC 1) worth Rs. 1,683 million were redeemed in full. The Board takes this opportunity to thank all TFC 1 Holders for their trust and support during this tenure.

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

On behalf of the Board of Directors

Farooq Rahmatullah Khan
Chairman

Karachi: February 9, 2017

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Refinery Limited as at 31 December 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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 interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 December 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2016.

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 interim financial information as of and for the half year ended 31 December 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.4 to the interim financial information, as stated in the Note, as at 31 December 2016 the Company has accumulated loss of Rs. 4.15 billion resulting in net negative equity of Rs. 0.72 billion. Further, current liabilities of the Company exceed its current assets by Rs. 7.6 billion. As stated in Note 2.4, these events or conditions, along with other matters as set forth in Note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Chartered Accountants
Karachi

Dated: February 14, 2017

Name of the engagement partner: Farrukh Rehman

Condensed Interim Balance Sheet
as at December 31, 2016

	Note	Unaudited December 31, 2016	Audited June 30, 2016
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	12,202,938	12,100,255
Intangible asset		7,463	9,214
Investment in associate		91,468	85,432
Long-term loans and advances		3,901	5,598
Long-term deposits		21,607	21,607
Deferred taxation	5	97,213	253,299
		12,424,590	12,475,405
Current assets			
Stores, spares and chemicals		387,083	347,029
Stock-in-trade	6	7,465,901	5,089,534
Trade debts		5,361,474	5,211,050
Loans and advances		13,211	62,291
Accrued mark-up		2,807	-
Trade deposits and short-term prepayments		67,881	77,646
Other receivables	7	1,059,806	95,842
Taxation - payments less provision		859,443	831,593
Cash and bank balances	8	4,617,558	586,791
		19,835,164	12,301,776
		32,259,754	24,777,181
EQUITY			
Share capital	9	2,940,000	2,940,000
Exchange equalisation reserve		897	897
General reserve		1,050	1,050
Special reserve	2.3	479,300	479,300
Accumulated loss	2.4	(4,153,995)	(4,753,066)
Fair value reserve		8,522	1,380
		(724,226)	(1,330,439)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,497,928	3,497,928
LIABILITIES			
Non-current liabilities			
Long-term borrowing		1,800,000	2,000,000
Retirement benefit obligations		236,464	241,495
Unearned income		13,333	20,000
		2,049,797	2,261,495
Current liabilities			
Trade and other payables	10	14,116,760	11,254,006
Term finance certificates	11	234,890	1,967,020
Short-term borrowings	12	11,771,022	5,688,057
Running finance under mark-up arrangements		-	905,685
Current portion of long-term borrowing		200,000	-
Accrued mark-up		156,816	39,299
Payable to government - sales tax		956,767	494,130
		27,436,255	20,348,197
		29,486,052	22,609,692
Contingencies and commitments	13		
		32,259,754	24,777,181

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Profit and Loss Account
for the half year ended December 31, 2016 (Unaudited)

	Note	For the quarter October - December 2016	For the quarter October - December 2015	For the half year July - December 2016	For the half year July - December 2015
		(Rupees in thousand)			
Net sales	14	17,065,654	18,150,509	34,304,634	37,380,482
Cost of sales		(16,532,247)	(16,958,781)	(33,267,756)	(36,464,293)
Gross profit		533,407	1,191,728	1,036,878	916,189
Distribution cost		(40,762)	(33,160)	(89,561)	(87,705)
Administrative expenses		(88,669)	(64,761)	(155,042)	(136,454)
Other operating expenses	15	(47,871)	(39,760)	(109,836)	(39,853)
Other income	16	427,786	52,455	480,051	85,175
Operating profit		783,891	1,106,502	1,162,490	737,352
Finance cost		(153,407)	(187,374)	(317,348)	(454,888)
Share of income of associate		980	1,361	2,348	2,211
Profit before taxation		631,464	920,489	847,490	284,675
Taxation - current		(3,268)	-	(3,268)	-
- deferred		(60,196)	(63,328)	(154,011)	(75,646)
		(63,464)	(63,328)	(157,279)	(75,646)
Profit after taxation		568,000	857,161	690,211	209,029
Other comprehensive income / (loss)					
Change in fair value reserve of available for sale investments of associate		6,424	985	9,215	(601)
Deferred tax relating to component of other comprehensive income		(1,445)	(222)	(2,073)	135
		4,979	763	7,142	(466)
Total comprehensive income		572,979	857,924	697,353	208,563
Earnings per share - basic and diluted	17	Rs. 1.83	Rs. 2.76	Rs. 2.22	Rs. 0.69

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Cash Flow Statement
for the half year ended December 31, 2016 (Unaudited)

	Note	December 31, 2016	December 31, 2015
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	18	1,413,226	(3,894,908)
Mark-up paid		(193,085)	(447,302)
Income taxes paid		(31,116)	(45,410)
Contribution to defined benefit retirement plans		(44,242)	(28,997)
Decrease in loans and advances		1,697	978
Net cash generated from / (used in) operating activities		1,146,480	(4,415,639)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(534,282)	(193,015)
Purchase of intangible asset		-	(6,008)
Proceeds from disposal of fixed assets		6	-
Return received on deposits		57,813	20,578
Dividend received		5,527	8,077
Net cash used in investing activities		(470,936)	(170,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(90,147)	(127)
Proceeds from foreign currency loans		8,582,965	14,263,576
Subscription money received against rights issue		-	42
Redemptions against term finance certificates		(1,732,130)	(87,700)
Net cash generated from financing activities		6,760,688	14,175,791
Net increase in cash and cash equivalents		7,436,232	9,589,784
Cash and cash equivalents at the beginning of the period		(2,818,894)	(4,169,290)
Exchange gains on cash and cash equivalents		220	4,224
Cash and cash equivalents at the end of the period		4,617,558	5,424,718

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Statement of Changes in Equity
for the half year ended December 31, 2016 (Unaudited)

	SHARE CAPITAL	SUB-SCRIPTION MONEY AGAINST RIGHTS ISSUE	CAPITAL RESERVE	REVENUE RESERVE		SPECIAL RESERVE (note 2.3)	FAIR VALUE RESERVE	TOTAL
			Exchange equalisation reserve	General reserve	Accumulated loss			
	(Rupees in thousand)							
Balance as at July 1, 2015	350,000	2,589,958	897	1,050	(4,853,066)	396,018	1,950	(1,513,193)
Subscription money against rights issue	-	42	-	-	-	-	-	42
Issue of right shares	2,590,000	(2,590,000)	-	-	-	-	-	-
Profit for the half year ended December 31, 2015	-	-	-	-	209,029	-	-	209,029
Other comprehensive loss	-	-	-	-	-	-	(466)	(466)
Total recognised profit for the half year ended December 31, 2015	-	-	-	-	209,029	-	(466)	208,563
Balance as at December 31, 2015	2,940,000	-	897	1,050	(4,644,037)	396,018	1,484	(1,304,588)
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 half year ended December 31, 2016	-	-	-	-	690,211	-	-	690,211
Other comprehensive income	-	-	-	-	-	-	7,142	7,142
Total recognised profit for the half year ended December 31, 2016	-	-	-	-	690,211	-	7,142	697,353
Balance as at December 31, 2016	2,940,000	-	897	1,050	(4,153,995)	479,300	8,522	(724,226)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2016 (Unaudited)

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. 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

This condensed interim financial information of the Company for the half year ended December 31, 2016 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 Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange.

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, 2016.

2.1 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, 2016.

2.2 Changes in accounting standards, interpretations and pronouncements

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

IAS 1, ‘Presentation of financial statements’ aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

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 1, 2016 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

Amendments to IAS 7 - Disclosure initiative

IAS 7, 'Statement of cash flows' 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.

2.3 Under directive from the Ministry of Petroleum & Natural Resources' (the Ministry), 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 is 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 state that:

- till completion of the projects refineries will not be allowed to offset losses, if any, for 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;

- 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.

During the period, the Company has completed a feasibility study in which various options have been considered for the Refinery expansion and up-gradation including the installation of DHDS under above policy framework.

2.3.1 The Company has not transferred any amount to special reserve for the half year ended December 31, 2016 since it continues to consider transfer to Special Reserve on annual basis.

2.4 As at December 31, 2016 the Company has accumulated loss of Rs. 4.15 billion (June 30, 2016: Rs. 4.75 billion) resulting in negative equity of Rs. 0.72 billion (June 30, 2016: Rs. 1.33 billion) and its current liabilities exceed its current assets by Rs. 7.6 billion (June 30, 2016: Rs. 8.05 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. During the period ended December 31, 2016, the Company earned profit after taxation of Rs. 690.21 million. In addition, the Company has banking facilities which will ease the pressure on Company's liquidity.

Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity / liquidity situation will be overcome in future. Accordingly, this condensed interim financial information has been prepared on a going concern 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, 2016.

4. FIXED ASSETS

Following are additions to fixed assets during the period:

	December 31, 2016	December 31, 2015
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	90,243	453,196
Equipment including furniture	10,360	37,714
Fire fighting and telecommunication systems	4,738	407
Major spare parts and stand by equipments - net of transfers	(67,759)	(403,688)
Capital work-in-progress - net of transfers	496,700	92,733
	534,282	180,362

4.1 During the period, assets costing Rs. 0.5 million (2015: Rs. Nil) having written down value of Rs. Nil (2015: Rs. Nil) were disposed off.

	As at December 31, 2016	As at June 30, 2016
	(Rupees in thousand)	
4.2 Capital work-in-progress		
Buildings	872	-
Processing plant	208,098	89,998
Korangi tank farm	199,329	174,116
Keamari terminal	143,855	96,405
Pipelines	71,988	21,182
Power generation, transmission and distribution	8,509	491
Firefighting and telecommunication systems	7,237	-
Equipment including furniture	3,184	876
Advances to contractors / suppliers	431,150	194,454
	1,074,222	577,522

4.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 26.12 million (June 30, 2016: Rs. 17.35 million). Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 8.45% (June 30, 2016: 9.35%) per annum.

5. DEFERRED TAXATION

Deferred tax debit balances of Rs. 2.71 billion (June 30, 2016: Rs. 2.97 billion) in respect of unabsorbed depreciation, tax losses, minimum tax and deductible temporary differences have not been recognised as their recoverability is not expected.

6. STOCK-IN-TRADE

6.1 This includes crude oil in transit amounting to Rs. 2.96 billion (June 30, 2016: Rs. 0.96 billion).

6.2 As at December 31, 2016 stock of crude oil has been written down by Rs. 38.43 (June 30, 2016: Rs. 31.54 million) and finished goods by Rs. Nil (June 30, 2016: Rs. 83.76 million) to arrive at its net realisable value.

7. OTHER RECEIVABLES

This includes an amount of Rs. 1.06 billion receivable from a refinery in respect of import of crude oil, freight and other charges on sharing basis.

	As at December 31, 2016	As at June 30, 2016
	(Rupees in thousand)	
8. CASH AND BANK BALANCES		
With banks on		
- current accounts - note 8.1	59,834	12,948
- savings accounts - notes 8.2 & 8.3 [including foreign currency account Rs. 230.62 million (June 30, 2016: Rs. 230.40 million)]	1,056,224	572,668
- term deposit accounts - note 8.4	3,500,000	-
Cash in hand	1,500	1,175
	4,617,558	586,791

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

8.2 The rates of mark-up on savings accounts during the year ranged from 3.75% to 5.75% per annum (June 30, 2016: mark-up on savings accounts ranged from 3.85% to 5.75% per annum).

8.3 This includes local and foreign currency balances maintained with Faysal Bank Limited - a related party of Rs. 3.51 million and Rs. 230.62 million (June 30, 2016: Rs. 3.22 million and Rs. 230.40 million) respectively.

8.4 Term deposits carry mark-up ranging from 6.75% to 7% per annum with maturity ranging from January 13, 2017 to January 20, 2017.

9. SHARE CAPITAL

During the year ended June 30, 2016, the Company issued right shares amounting to Rs. 2.59 billion out of the total size of issue of Rs. 2.8 billion. The amount of Rs. 210 million has 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.

10. TRADE AND OTHER PAYABLES

This includes differential of regulatory duty / custom duty levied amounting to Rs.1.3 billion (June 30, 2016: Rs. 0.86 billion) on import of crude oil consumed in the production and sale of products based on SROs issued by Government of Pakistan and MoPNR. The Oil and Gas Regulatory Authority (OGRA) has been advised by MoPNR to establish a recovery mechanism for regulated products through which refineries are expected to operate on no gain / loss basis on this account.

11. TERM FINANCE CERTIFICATES

During the period, PRL Taraqqi TFC 1 amounting to Rs. 1.7 billion was fully redeemed after expiry of tenor of 3 years.

	As at December 31, 2016	As at June 30, 2016
	(Rupees in thousand)	
12. SHORT-TERM BORROWINGS - Secured		
Short-term bank borrowings	-	2,500,000
Foreign currency loans – note 12.1	11,771,022	3,188,057
	11,771,022	5,688,057

12.1 This represents short term foreign currency loans from commercial banks at a mark-up ranging from 3 months LIBOR + 1.5% to 6 months LIBOR + 2.5% (June 30, 2016: 3 months LIBOR + 2.5%) with maturity ranging from January 17, 2017 to March 8, 2017 (June 30, 2016: September 2, 2016).

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Claims against the Company not acknowledged as debt amount to Rs. 4.75 billion (June 30, 2016: Rs. 4.74 billion). These include Rs. 4.12 billion (June 30, 2016: Rs. 4.11 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, 2016: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

13.1.2 Bank guarantees of Rs. 53 million (June 30, 2016: Rs. 54 million) were issued in favour of third parties.

Notes to and Forming Part of the Condensed Interim Financial Information

for the half year ended December 31, 2016 (Unaudited)

13.2 Commitments

As at December 31, 2016 commitments outstanding for capital expenditure amounted to Rs. 0.92 billion (June 30, 2016: Rs. 0.41 billion).

Outstanding letters of credit as at December 31, 2016 amounted to Rs. 6.99 billion (June 30, 2016: Rs. 13.37 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipments amounted to Rs. 35.26 million (June 30, 2016: Rs. 32.57 million).

	December 31, 2016	December 31, 2015
	(Rupees in thousand)	
14. NET SALES		
Local sales	49,917,388	55,479,679
Export sales	1,095,330	1,936,898
Gross sales	51,012,718	57,416,577
Less:		
- Sales tax	(9,908,989)	(13,344,496)
- Excise duty and petroleum levy	(4,693,101)	(4,918,534)
- Surplus price differential - note 14.1	(567,708)	(720,642)
- Regulatory duty - note 14.2	(1,538,286)	(1,052,423)
	34,304,634	37,380,482

14.1 This includes price differential amounting to Rs. 32.56 million on sale of 90 RON MS, under the mechanism notified by Ministry of Petroleum & Natural Resources dated December 30, 2016.

14.2 This represents regulatory duty on sale of products subject to regulatory duty.

14.3 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 determined in the light of notifications of the Ministry of Petroleum and Natural Resources.

15. OTHER OPERATING EXPENSES

This includes an amount of Rs. 47.03 million in respect of feasibility study for Refinery expansion and up-gradation project including Diesel Hydrodesulphurisation (DHDS).

16. OTHER INCOME

This includes net reversal of Rs. 350.85 million representing accrued amount in respect of crude purchases consequent to finalisation of these amounts by the Company as per the agreement, which are no more considered payable.

17. EARNINGS PER SHARE

	For the quarter		For the half year	
	October - December 2016	October - December 2015	July - December 2016	July - December 2015
	(Rupees in thousand)			
Profit after taxation attributable to ordinary shareholders	568,000	857,161	690,211	209,029
Weighted average number of ordinary shares outstanding during the period (in thousand)	310,366	310,366	310,366	302,702
Basic and diluted earnings per share	Rs. 1.83	Rs. 2.76	Rs. 2.22	Rs. 0.69

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2016 (Unaudited)

	December 31, 2016	December 31, 2015
	(Rupees in thousand)	
18. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	847,490	284,675
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	433,350	432,933
Capital work-in-progress written off	-	18,661
Mark-up expense	310,602	444,546
Provision for defined benefit retirement plans	39,211	30,186
Exchange gains on cash and cash equivalents	(220)	(4,224)
Share of income of associate	(2,348)	(2,211)
Return on deposits	(60,620)	(33,326)
Gain on disposal of fixed assets	(6)	-
Agreement signing fee	(6,667)	-
Working capital changes – note 18.1	(147,566)	(5,066,148)
Cash generated from / (used in) operations	1,413,226	(3,894,908)
18.1 WORKING CAPITAL CHANGES		
Increase in current assets		
Stores, spares and chemicals	(40,054)	(103,560)
Stock-in-trade	(2,376,367)	1,727,247
Trade debts	(150,424)	(3,623,634)
Loans and advances	49,080	(67,781)
Trade deposits and short-term prepayments	9,765	(24,221)
Other receivables	(963,964)	1,326,291
	(3,471,964)	(765,658)
Increase / (decrease) in current liabilities		
Trade and other payables	2,861,761	(5,265,715)
Payable to government - sales tax	462,637	965,225
	3,324,398	(4,300,490)
	(147,566)	(5,066,148)

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2016 (Unaudited)

19. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	Transactions during the period December 31, 2016	Transactions during the period December 31, 2015
		(Rupees in thousand)	
Associated companies	Sale of goods - net	31,835,109	30,260,917
	Sale of services	36,897	30,673
	Purchase of goods	-	33,355
	Services received	36,268	37,151
	Mark-up paid	6,680	22,370
	Dividend paid	64,674	-
	Dividend received	5,528	8,077
	Interest claimed on late payments	1,368	-
	Bank charges	162	19
	Agreement signing fee	2,500	-
Key management compensation	Salaries and other short-term employee benefits	51,623	44,226
	Post-employment benefits	7,728	5,821
Staff retirement benefit plans	Contributions to retirement plans	74,049	54,063
	Mark-up paid on TFCs	4,042	4,042
Directors	Fee including honorarium	1,643	1,893
	Dividend paid	26	-

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 Refinery Leadership Team.

20. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on February 9, 2017.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

PAKISTAN REFINERY LIMITED

P.O. Box 4612, Korangi Creek Road, Karachi-75191, Pakistan.
Tel: (92-21) 35122131-40, Fax: (92-21) 35060145, 35091780
E-mail: info@prl.com.pk, Website: www.prl.com.pk