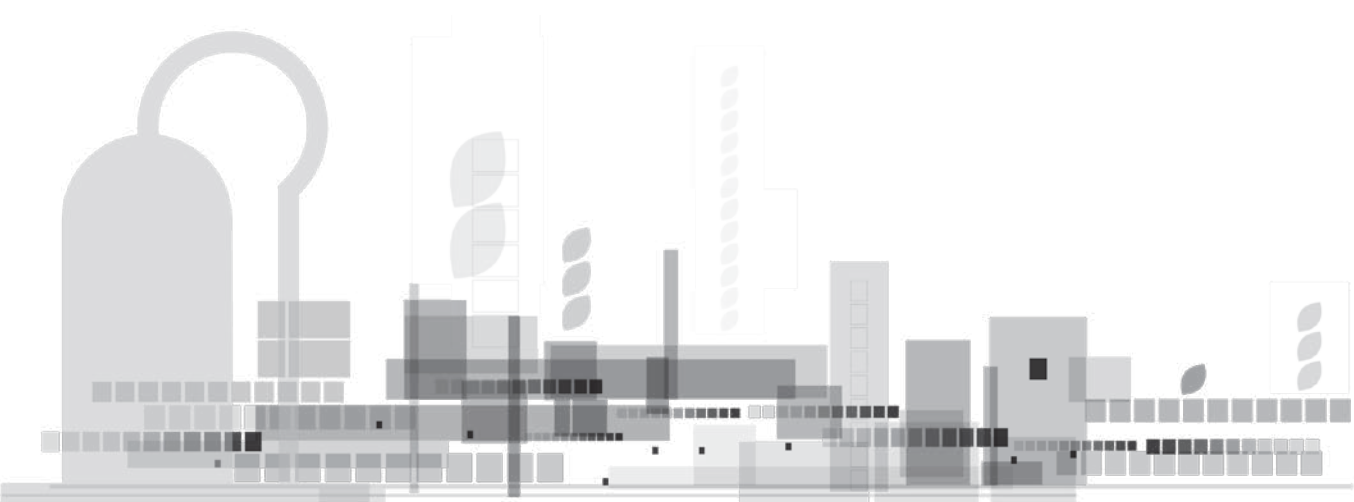
Defining Future

HALF YEARLY REPORT DECEMBER 31, 2018

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

Chief Financial Officer
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

Mirza Mahmood Ahmad
Director

Mohammad Zubair
Director

Syed Jehangir Ali Shah
Director

Syed Muhammad Ali
Director

Yacoob Suttar
Director

Babar H. Chaudhary
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 four 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 removing barriers for realising the upgradation project for the Company, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Company's Technical and Project Steering Committee. This Committee also reviews and engages 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 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

On December 1, 2018, Pakistan State Oil Company Limited (PSO) acquired 84 million shares from Shell Petroleum Company Limited, UK thereby increasing its shareholding in the Company to 52.6%. Consequently, the relationship between PSO and the Company is now that of a parent and a subsidiary. The Company will benefit from this transition in executing its plans of upgrading the Refinery while getting continuous support from its principal shareholder for uninterrupted refinery operations.

The Company is continuously working on the feasibility of setting up Diesel Hydro-desulphurisation Unit (DHDS) along with technological upgrade for changes in Refinery's product slate. Subsequent to the changes in the shareholding structure, the Company is now in a much better position of implementing this large strategic project, and your board and its strategic committee are continuously working on this, and we expect to take a final decision in the next few weeks.

Due to factors beyond Company's control it suffered loss of Rs. 3,010 million during the half year ended December 31, 2018 as compared to a profit of Rs. 145 million in the corresponding period last year. The loss was a result of factors including highly depressed margins during the second quarter comprising of unprecedented decline in the pricing of Motor Gasoline which fell below the price of crude oil and the fact that this year again, the country witnessed a decline in Furnace Oil demand during the Winter season due to which the Refinery operated at high inventory levels and consequently suffered huge inventory losses. In addition, the value of Pak Rupee against USD which weakened by 14% from Rs. 121.6 per USD in June 2018 to Rs. 139.1 per USD in December 2018 further deteriorated the profitability of the Company. The Company suffered an exchange loss of Rs. 1.3 billion during the period.

Further, 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 loss of Rs. 757 million in the form of HSD Price Differential in the six months' period ended December 31, 2018.

The external auditors of the Company have included a para of emphasis in their review report highlighting uncertainties relating to going concern assumption as accumulated losses have soared to Rs. 7.83 billion and current liabilities have exceeded current assets by Rs. 7.75 billion as at December 31, 2018. Despite these adversities, the management and the board believe that the extraordinary events like steep decline in Petrol prices, decline in Furnace Oil demand and steep devaluation, which have caused losses during the period are unusual, and the refinery operations and underlying business model are sustainable. We also expect that considering government's policy of establishing deep refineries in the country, proper incentives will be provided to attract large investment required in this sector. Further, the expected macro-economic stability will augment Rupee-USD parity. Company's view point on the going concern assumption is explained in detail in note 2.2 to the annexed condensed interim financial statements.

Health, Safety, Environment and Quality remains the strength of the Company with its positive impact on all operations of the Company.

The Board of Directors acknowledges the contributions of all stakeholders of the Company for their incessant support during this period.

On behalf of the Board of Directors

Syed Asad Ali Shah
January 30, 2019

Independent Auditor's Review Report to the members of Pakistan Refinery Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Refinery Limited as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

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 statements 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 statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the interim financial statements, which indicates that as at December 31, 2018 the Company has accumulated loss of Rs. 7.83 billion and its current liabilities exceed its current assets by Rs. 7.75 billion. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, 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.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

Chartered Accountants
Karachi

Date: February 27, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	(Unaudited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**13,535,321**	13,444,154
Intangible assets		**797**	2,444
Investment accounted for using the equity method		**66,714**	71,428
Long-term deposits and loans		**29,224**	29,347
Employee benefit prepayments		**24,026**	24,026
		13,656,082	13,571,399
Current assets			
Inventories	5	**8,304,107**	7,830,028
Trade receivables		**5,005,596**	7,265,482
Trade deposits, loans, advances and short-term prepayments		**171,969**	56,907
Other receivables	6	**65,875**	621,879
Taxation - payments less provision		**415,221**	597,080
Cash and bank balances	7	**1,443,890**	575,214
		15,406,658	16,946,590
		29,062,740	30,517,989
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**2,940,000**	2,940,000
Accumulated loss		**(7,827,222)**	(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		**(4,071)**	(2,023)
		1,050,111	4,062,555
Liabilities			
Non-current liabilities			
Long-term borrowings		**4,500,000**	4,700,000
Deferred tax liabilities	9	**12,842**	13,759
Employee benefit obligations		**333,200**	342,985
		4,846,042	5,056,744
Current liabilities			
Trade and other payables	10	**13,231,497**	16,757,444
Borrowings	11	**9,913,322**	4,619,390
Unclaimed dividend		**21,768**	21,856
		23,166,587	21,398,690
		28,012,629	26,455,434
CONTINGENCIES AND COMMITMENTS	12		
		29,062,740	30,517,989

The annexed notes 1 to 19 form an integral part of these 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 AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

	Note	For the quarter October - December 2018	October - December 2017	For the half year July - December 2018	July - December 2017
		(Rupees in thousand)			
Revenue	13	**29,115,777**	21,095,757	**54,625,413**	39,552,822
Cost of sales		**(31,049,757)**	(20,969,966)	**(56,515,398)**	(38,611,209)
Gross (loss) / profit		**(1,933,980)**	125,791	**(1,889,985)**	941,613
Distribution costs		**(60,617)**	(51,248)	**(117,281)**	(101,816)
Administrative expenses		**(126,427)**	(98,152)	**(212,672)**	(176,953)
Other operating expenses		**(546)**	(9,662)	**(1,244)**	(69,965)
Other income		**37,530**	41,074	**79,786**	66,330
Operating (loss) / profit		**(2,084,040)**	7,803	**(2,141,396)**	659,209
Finance cost		**(378,666)**	(132,822)	**(607,313)**	(253,661)
Share of (loss) / income of associate accounted for using the equity method		**(313)**	41	**(2,094)**	568
(Loss) / profit before income tax		**(2,463,019)**	(124,978)	**(2,750,803)**	406,116
Income tax expense	14	**(126,901)**	(78,363)	**(259,593)**	(260,851)
(Loss) / profit for the period		**(2,589,920)**	(203,341)	**(3,010,396)**	145,265
Other comprehensive loss					
Items that may be subsequently reclassified to profit or loss					
Change in fair value of available for sale investments in associate		**(2,226)**	(1,839)	**(2,617)**	(5,939)
Deferred tax relating to fair value change of available for sale investments of associate		**484**	413	**569**	1,336
		(1,742)	(1,426)	**(2,048)**	(4,603)
Total comprehensive (loss) / income		**(2,591,662)**	(204,767)	**(3,012,444)**	140,662
Basic (loss) / earnings per share	15	**(Rs. 8.42)**	(Rs. 0.66)	**(Rs. 9.78)**	Rs. 0.47

The annexed notes 1 to 19 form an integral part of these 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 HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

	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 half year ended December 31, 2017	-	-	-	-	145,265	-	-	145,265
Other comprehensive loss for the half year ended December 31, 2017	-	-	-	-	-	(4,603)	-	(4,603)
	-	-	-	-	145,265	(4,603)	-	140,662
Balance as at December 31, 2017	2,940,000	1,405,313	3,497,928	897	(4,598,941)	(4,303)	1,050	3,241,944
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 half year ended December 31, 2018	-	-	-	-	(3,010,396)	-	-	(3,010,396)
Other comprehensive loss for the half year ended December 31, 2018	-	-	-	-	-	(2,048)	-	(2,048)
	-	-	-	-	(3,010,396)	(2,048)	-	(3,012,444)
Balance as at December 31, 2018	**2,940,000**	**1,943,476**	**3,997,928**	**897**	**(7,827,222)**	**(6,018)**	**1,050**	**1,050,111**

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

Syed Asad Ali Shah
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

	Note	December 31, 2018	December 31, 2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	16	(3,182,505)	2,350,878
Mark-up paid		(410,535)	(256,163)
Income tax paid		(78,082)	(77,546)
Contribution to defined benefit retirement plans		(51,855)	(44,447)
Decrease / (increase) in long-term deposits and loans		123	(713)
Net cash (used in) / generated from operating activities		(3,722,854)	1,972,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(547,730)	(906,115)
Proceeds from disposal of property, plant and equipment		95	51
Return received on bank deposits		25,671	7,028
Dividend received		-	5,527
Net cash used in investing activities		(521,964)	(893,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(88)	(57)
Repayment of long term borrowings		(200,000)	(200,000)
Redemptions against term finance certificates		(229,390)	(5,000)
Net cash used in financing activities		(429,478)	(205,057)
Net (decrease) / increase in cash and cash equivalents		(4,674,296)	873,443
Cash and cash equivalents at the beginning of the period		(3,414,786)	(4,610,214)
Exchange gains on cash and cash equivalents		19,650	14,955
Cash and cash equivalents at the end of the period	18	(8,069,432)	(3,721,816)

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

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited 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;

- Islamic Financial 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.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

2.2 As at December 31, 2018, the Company has accumulated loss of Rs. 7.83 billion and its current liabilities exceed its current assets by Rs. 7.75 billion. 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 current period's loss was caused by 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.

The Company believes that this extraordinary low Petrol pricing and decline in Furnace Oil demand will reverse during the remaining period of current year, consequently refining margins will improve. Expected macro-economic stability due to GoP efforts to build Foreign currency reserves will stabilise Rupee-USD parity thus abnormal exchange losses are not expected. Moreover, with the support of its parent company to uplift refined products, continuous refinery operations will generate cash flows to ensure timely repayment of liabilities.

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – 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 these condensed interim 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 1, 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 is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after January 1, 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'Ministry of Energy' (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 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:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

- 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; 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.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of condensed interim financial statements 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 statements.

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 Property, Plant and Equipment during the period:

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	**395,828**	691,758
Buildings	**1,644**	88
Equipment including furniture	**14,540**	4,903
Vehicles and other automotive equipment	**-**	6,541
Fire fighting and telecommunication systems	**7,422**	-
Major spare parts and stand by equipments - net of transfers	**(5,909)**	(143,417)
Capital work-in-progress - net of transfers	**134,205**	346,242
	547,730	906,115

4.1 During the period, assets costing Rs. 1.54 million (2017: Rs. 1.06 million) having written down value of Nil (2017: Nil) were disposed off.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

	(Unaudited) As at December 31, 2018	(Audited) As at June 30, 2018
	(Rupees in thousand)	
4.2 Capital work-in-progress		
Buildings	**2,775**	6,183
Processing plant	**502,434**	356,976
Steam generation plant	**-**	9,849
Korangi tank farm	**75,396**	87,234
Keamari terminal	**193,646**	291,161
Pipelines	**104,417**	93,265
Power generation, transmission and distribution	**64,894**	19,917
Water treatment and cooling system	**22,145**	22,978
Equipment including furniture	**13,840**	4,779
Fire fighting and telecommunication systems	**119,584**	104,409
Advances to contractors / suppliers	**104,851**	73,026
	1,203,982	1,069,777

4.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 20.28 million (June 30, 2018: Rs. 12.30 million). Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 8.69% (June 30, 2018: 6.94%) per annum.

5. INVENTORIES

As at December 31, 2018 stock of crude oil has been written down by Rs. 450.81 million (June 30, 2018: Rs. 59.1 million) and finished products by Rs. 532.69 million (June 30, 2018: Nil) to arrive at their net realisable values.

6. OTHER RECEIVABLES

This includes an amount of Rs. 60.62 million (June 30, 2018: Rs. 612.6 million) receivable from refineries in respect of import of crude oil, freight and other charges on sharing basis.

	(Unaudited) As at December 31, 2018	(Audited) As at June 30, 2018
	(Rupees in thousand)	
7. CASH AND BANK BALANCES		
With banks on		
- current accounts - note 7.1 [including foreign currency account Rs. 158.34 million (June 30, 2018: Rs. 138.69 million)]	**215,869**	259,107
- mark-up bearing savings accounts - note 7.2	**1,227,594**	315,535
Cash in hand	**427**	572
	1,443,890	575,214

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

7.2 The rates of mark-up on savings accounts during the year ranged from 4.5% to 8.5% per annum (June 30, 2018: 4.5% to 5% per annum).

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 TAX LIABILITIES

Deferred tax debit balances of Rs. 1.21 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 will be dependent on improved profitability of the Company.

10. TRADE AND OTHER PAYABLES

This includes Rs. 1.63 billion (June 30, 2018: Rs. 1.48 billion) as differential of regulatory / custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by Government of Pakistan and directives issued by 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. During the financial year 2018, the OGRA has approved the mechanism for recovery of this duty. The Company in accordance with the OGRA notification has started adjusting this amount effective from August 1, 2018.

	(Unaudited) As at December 31, 2018	(Audited) As at June 30, 2017
	(Rupees in thousand)	
11. BORROWINGS		
Term finance certificates - note 11.1	**-**	229,390
Short-term borrowings - note 11.2	**6,690,000**	3,990,000
Running finance under mark-up arrangements - note 11.3	**2,823,322**	-
Current portion of long-term borrowings	**400,000**	400,000
	9,913,322	4,619,390

11.1 During the period, PRL Taraqqi TFC 2 amounting to Rs. 229 million was fully redeemed after expiry of tenor of 5 years.

11.2 This represents mark-up based short term finance from commercial banks repayable in 2 to 44 (2018: 3 to 27) days from the date of statement of financial position at a mark-up ranging from 10.75% to 10.98% (2018: 7.02% to 7.13%) per annum. These are secured by way of first joint pari passu charge on raw materials, finished products and trade receivables.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

11.3 As at December 31, 2018 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 and finished products and trade receivables of the Company.

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

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debt amount to Rs. 5.32 billion (June 30, 2018: Rs. 5.24 billion). These include Rs. 4.28 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.

12.1.2 There has been no major change in contingencies during the period, other than disclosed above, reported in the annual financial statements for the year ended June 30, 2018.

12.1.3 Bank guarantees of Rs. 125 million (June 30, 2018: Rs. 53 million) were issued in favour of third parties.

12.2 Commitments

As at December 31, 2018 commitments outstanding for capital expenditure amounted to Rs. 0.58 billion (June 30, 2018: Rs. 0.87 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipment amounted to Rs. 26.86 million (June 30, 2018: Rs. 16.57 million).

13. REVENUE

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
Local sales - note 13.1	**65,776,558**	54,336,761
Exports	**4,053,926**	2,957,223
Gross sales	**69,830,484**	57,293,984
Less:		
- Sales tax	**(9,104,635)**	(10,966,668)
- Petroleum levy	**(3,731,654)**	(4,534,287)
- Excise duty	**(534)**	(745)
- Surplus price differential	**(896,511)**	(456,970)
- Custom duty	**(1,471,737)**	(1,782,492)
	54,625,413	39,552,822

13.1 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 determined in the light of notifications of the MoE

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

14. INCOME TAX EXPENSE

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
Current for the year	**259,943**	262,030
Deferred	**(350)**	(1,179)
	259,593	260,851

15. EARNINGS PER SHARE - Basic and Diluted

	For the quarter		For the half year	
	October - December 2018	October - December 2017	July - December 2018	July - December 2017
	(Rupees in thousand)			
(Loss) / Profit forthe period attributable to ordinary shareholders	**(2,589,920)**	(203,341)	**(3,010,396)**	145,265
Weighted average number of ordinary shares outstand during the period (in thousand)	**307,741**	307,741	**307,741**	307,741
Basic eamings per share	**(Rs. 8.42)**	(Rs. 0.66)	**(Rs. 9.78)**	(Rs.0.47)

There were no dilutive potential ordinary shares in issue as at December 31, 2018 and 2017.

16. CASH (USED IN) / GENERATED FROM OPERATIONS

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
(Loss) / Profit before income tax	**(2,750,803)**	406,116
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	**458,838**	366,279
Stores and spares written off	**-**	8,232
Major spares written off	**-**	1,577
Reversal of provision for slow moving stores and spares	**(626)**	-
Mark-up expense	**507,124**	238,391
Provision for employee benefit obligations	**42,070**	44,634
Exchange gains on cash and cash equivalents	**(19,650)**	(14,955)
Share of income of associate	**2,094**	(568)
Profit on deposits	**(25,671)**	(7,028)
Gain on disposal of operating assets - net	**(95)**	(51)
Agreement signing fee	**(6,667)**	(6,667)
Working capital changes – note 16.1	**(1,389,119)**	1,314,918
Cash (used in) / generated from operations	**(3,182,505)**	2,350,878

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
16.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Inventories	**(474,079)**	(1,366,769)
Trade receivables	**2,259,886**	(1,856,304)
Trade deposits, loans, advances and short-term prepayments	**(115,062)**	(56,267)
Other receivables	**556,004**	348,026
	2,226,749	(2,931,314)
(Decrease) / increase in current liabilities		
Trade and other payables	**(3,615,868)**	4,246,232
	(1,389,119)	1,314,918

17. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	December 31, 2018	December 31, 2017
Parent company	Sale of goods - net	**5,149,724**	-
	Services rendered	**69**	-
Associated companies	Sale of goods - net	**37,154,829**	32,708,583
	Purchase of goods	**24,000**	-
	Services rendered	**341**	552
	Services received	**79,455**	38,339
	Mark-up paid	**25,214**	26,372
	Dividend received	**-**	5,528
	Bank charges	**16**	168
Key management personnel compensation (excluding non-executive directors)	Salaries and other short-term employee benefits	**67,966**	64,020
	Post-employment benefits	**4,887**	5,787
			-
Staff retirement benefit funds	Payments to staff retirement benefit funds	**81,226**	76,892
	Markup paid on TFCs	**3,358**	4,042
			-
Non-executive Directors	Fee including honorarium	**2,250**	2,300

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 STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 – UNAUDITED

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,443,890**	851,862
Short-term borrowings	**(6,690,000)**	(4,569,043)
Running finance under mark-up arrangements	**(2,823,322)**	(4,635)
	(8,069,432)	(3,721,816)

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company on January 30, 2019.

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

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