PAKISTAN REFINERY LIMITED

Half Yearly Report
December 31, 2015

HEADING IN THE RIGHT DIRECTION

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
E-mail: info@prl.com.pk
www.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

Muhammad Najam Shamsuddin
Director

Mumtaz Hasan Khan
Director

Omar Yaqoob Sheikh
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 Board. The CEO may be inducted as member of the committee but not as the Chairman of committee. The Head of 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 / transmisssion 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

By the grace of Allah the Company has started realising the benefits of Isomerisation Plant and coupled with favourable refining margins posted a profit after tax of Rs. 857.16 million in the quarter ended December 31, 2015 as compared to loss after tax of Rs. 2,120 million in the second quarter of last financial year. On a cumulative basis, during the half year ended December 31, 2015, the Company earned a profit after taxation of Rs. 209.03 million as compared to loss after taxation of Rs. 3,577 million in the corresponding period last year.

Despite the above profitability, the Company continues to face challenges in respect of depreciating Pak Rupee and volatility in international crude and product prices which resulted in significant exchange and inventory losses to the Company. In addition, the Company is also burdened by negative effects of pricing mechanism of High Speed Diesel whereby the refineries are required to pay the difference between actual import price and a notional ex-refinery price. The Company has suffered Rs. 721 million on account of this adverse pricing mechanism in first six months of the current financial year alone. It is to be noted that this pricing mechanism which was introduced by the Government in March 2013 has so far eroded Rs. 2,555 million from the profitability of the Company.

The Company is engaged in certain foreign currency loans necessitated by Government direction since September 2013 with the Government assurance that there will be no adverse impact of such transactions on the Company. The Company from inception of this arrangement till December 31, 2015 has recorded exchange gains of Rs. 615.66 million (for the half year ended December 31, 2015: Rs. 18.42 million only and till June 2015: Rs. 597.24 million) and further claims of Rs. 219.31 million (June 30, 2015: Rs. 100.95 million) against exchange losses as recoverable from the Government. The Company has consistently maintained its position as taken in the previous financial statements in this regard based on its interactions with the Ministry of Finance (MoF). However, in light of some recent circulation of draft settlement process by MoF for the Industry consultation, the external auditors have shown their inability to make a definite view on this issue and have qualified their conclusion on this matter.

The Company is working with technical advisors in evaluating different technological options to install Diesel Hydro Desulphurisation Unit (DHDS) along with refinery upgrade option. Through DHDS, refinery will become compliant with the Government of Pakistan's requirement to produce EURO II compliant diesel. Meanwhile, the Company along with other refineries has requested the relevant Government authorities to extend the deadline of setting up DHDS units which expired on December 31, 2015, this extension is expected to be announced shortly by the Government.

The Company, as always, remained committed to maintain highest standards of Health, Safety, Environment and Quality and successfully achieved milestone of 6 million man-hours without Lost Time Injury in December 2015. The Company continuously reviews its processes to strengthen them further, wherever required.

The Board of Directors express their gratitude and appreciation to all out 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: January 26, 2016

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 (here-in-after referred to as "the Company") as at December 31, 2015 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 December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

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.

Basis of Qualified Conclusion

As explained in note 8 to the interim financial information, subsequent to the period end, the Company received a letter from the Ministry of Finance (MoF) proposing a draft formula in respect of calculation of losses / gains on foreign currency loan arrangements obtained by the Company on direction of MoF to retire certain letters of credit for crude oil imports (FC loans). The recognition and measurement of losses / gains by the Company on FC loans is therefore subject to finalisation of the aforesaid formula and related mechanism. Consequently, we were unable to determine whether any adjustments in the interim financial information in this respect were necessary.

Qualified Conclusion

Except for the possible effects of the matter reported in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to the note 2.5 to the interim financial information. As stated in the note, as at December 31, 2015 the Company has accumulated loss of Rs. 4.64 billion resulting in net negative equity of Rs. 1.30 billion. Further, current liabilities of the Company exceed its current assets by Rs. 8.22 billion. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

A.F.Ferguson & Co.
Chartered Accountants

Karachi: January 26, 2016

Name of the engagement partner: Mohammad Zulfikar Akhtar

Condensed Interim Balance Sheet
as at December 31, 2015

	Note	Unaudited December 31, 2015	Audited June 30, 2015
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	11,859,787	12,118,199
Intangible asset		5,841	-
Investment in associate		85,003	91,470
Long-term loans and advances		3,518	4,496
Long-term deposits		21,592	21,592
Deferred taxation	5	380,855	456,366
		12,356,596	12,692,123
Current assets			
Stores, spares and chemicals		314,055	210,495
Stock-in-trade	6	3,788,873	5,516,120
Trade debts		9,854,419	6,230,785
Loans and advances		81,588	13,807
Accrued mark-up on term deposits		12,748	-
Trade deposits and short-term prepayments		59,708	35,487
Other receivables		1,178,333	2,504,624
Taxation - payments less provisions		780,416	735,006
Cash and bank balances		5,424,718	2,814,526
		21,494,858	18,060,850
		33,851,454	30,752,973
EQUITY			
Share capital	7	2,940,000	350,000
Subscription money against rights issue		-	2,589,958
Reserves		397,965	397,965
Accumulated loss	2.5	(4,644,037)	(4,853,066)
Fair value reserve		1,484	1,950
		(1,304,588)	(1,513,193)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,297,928	3,297,928
LIABILITIES			
Non-current liabilities			
Long-term borrowing		2,000,000	2,000,000
Retirement benefit obligations		139,652	138,463
		2,139,652	2,138,463
Current liabilities			
Trade and other payables	8	11,741,291	17,007,133
Term finance certificates		2,034,920	2,122,620
Short-term borrowings	9	14,263,576	4,500,000
Running finance under mark-up arrangements		-	2,483,816
Accrued mark-up		207,006	209,762
Payable to government - sales tax		1,471,669	506,444
		29,718,462	26,829,775
		31,858,114	28,968,238
Contingencies and commitments	10		
		33,851,454	30,752,973

The annexed notes 1 to 17 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, 2015 (Unaudited)

	Note	For the quarter October - December 2015	For the quarter October - December 2014	For the half year July - December 2015	For the half year July - December 2014
		(Rupees in thousand)			
Net sales	11	18,150,509	17,434,203	37,380,482	50,569,127
Cost of sales		(16,958,781)	(19,544,053)	(36,464,293)	(53,767,874)
Gross profit / (loss)		1,191,728	(2,109,850)	916,189	(3,198,747)
Distribution cost		(33,160)	(44,105)	(87,705)	(99,658)
Administrative expenses		(64,761)	(65,708)	(136,454)	(121,820)
Other operating expenses		(39,760)	(78)	(39,853)	(378)
Other income		52,455	22,037	85,175	90,487
Operating profit / (loss)		1,106,502	(2,197,704)	737,352	(3,330,116)
Finance income / (cost) - net	12	(187,374)	40,743	(454,888)	(247,343)
Share of income of associate		1,361	2,774	2,211	4,316
Profit / (loss) before taxation		920,489	(2,154,187)	284,675	(3,573,143)
Taxation - current		-	32,801	-	(4,968)
- deferred		(63,328)	1,058	(75,646)	653
		(63,328)	33,859	(75,646)	(4,315)
Profit / (loss) after taxation		857,161	(2,120,328)	209,029	(3,577,458)
Other comprehensive income					
Change in fair value reserve of available for sale investments of associate		985	1,806	(601)	2,551
Deferred tax relating to component of other comprehensive income		(222)	(474)	135	(670)
		763	1,332	(466)	1,881
Total comprehensive income / (loss)		857,924	(2,118,996)	208,563	(3,575,577)
Earnings / (loss) per share	13	Rs. 2.76	(Re-stated) (Rs. 9.72)	Rs. 0.69	(Re-stated) (Rs. 16.39)

The annexed notes 1 to 17 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, 2015 (Unaudited)

	Note	December 31, 2015	December 31, 2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	14	(3,894,908)	(3,306,603)
Mark-up paid		(447,302)	(312,994)
Income taxes paid		(45,410)	(182,005)
Contribution to defined benefit retirement plans		(28,997)	(27,493)
Decrease / (increase) in loans and advances		978	(261)
Decrease in long term deposits		-	24,560
Net cash used in operating activities		(4,415,639)	(3,804,796)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(193,015)	(2,562,835)
Purchase of intangible asset		(6,008)	-
Proceeds from disposal of fixed assets		-	110
Return received on deposits		20,578	23,777
Dividend received		8,077	6,804
Net cash used in investing activities		(170,368)	(2,532,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(127)	(26,941)
Proceeds from / (repayment of) foreign currency loans		14,263,576	(529,752)
Subscription money received against rights issue		42	-
Redemptions against term finance certificates		(87,700)	(81,650)
Net cash generated from / (used in) financing activities		14,175,791	(638,343)
Net increase / (decrease) in cash and cash equivalents		9,589,784	(6,975,283)
Cash and cash equivalents at the beginning of the period		(4,169,290)	2,287,864
Exchange gains on cash and cash equivalents		4,224	12,904
Cash and cash equivalents at the end of the period	16	5,424,718	(4,674,515)

The annexed notes 1 to 17 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, 2015 (Unaudited)

	SHARE CAPITAL (note 7)	SUB-SCRIPTION MONEY AGAINST RIGHTS ISSUE	RESERVES CAPITAL Exchange equalisation reserve	RESERVES REVENUE General reserve	RESERVES REVENUE Accumulated loss	RESERVES SPECIAL RESERVE (note 2.3)	RESERVES FAIR VALUE RESERVE	TOTAL
	(Rupees in thousand)							
Balance as at July 1, 2014	350,000	-	897	1,050	(3,484,462)	396,018	7,306	(2,729,191)
Loss for the half year ended December 31, 2014	-	-	-	-	(3,577,458)	-	-	(3,577,458)
Other comprehensive income	-	-	-	-	-	-	1,881	1,881
Total recognised loss for the half year ended December 31, 2014	-	-	-	-	(3,577,458)	-	1,881	(3,575,577)
Balance as at December 31, 2014	350,000	-	897	1,050	(7,061,920)	396,018	9,187	(6,304,768)
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)

The annexed notes 1 to 17 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, 2015 (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, 2015 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, 2015.

2.1 Changes in accounting standards, interpretations and pronouncements

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

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 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12,'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard may not have impact on future consolidated financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

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, 2015 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

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.

2.2 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, 2015.

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, Government of Pakistan issued a policy framework for up-gradation and expansion of refinery project which interalia states 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 amount of profits above 50% will be accumulated in the Special Reserve account as per the pricing formula (including unutilised balance), which shall, along with amounts presently available with refineries, be deposited on half yearly basis (with final adjustment on annual basis) in an ESCROW Account to be operated jointly with Finance Division and shall be available for utilisation exclusively for up-gradation of refineries; and

- with effect from January 1, 2016, subject to completion of Diesel Hydro Desulphurisation (DHDS) project, the 7.5% deemed duty on High Speed Diesel (HSD) will be enhanced to 9.0% which may remain applicable till the envisaged complete deregulation. Further, penalty clauses will apply in Import Price Parity (IPP) of HSD from January 1, 2016 if the project is not completed by the said date.

The Company is in discussions with Ministry of Petroleum about the opening of ESCROW Account; and presently continues to consider transfer to Special Reserve on annual basis.

2.4 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 Ministry of Petroleum and Natural Resources.

2.5 As at December 31, 2015 the Company has accumulated loss of Rs. 4.64 billion (June 30, 2015: Rs. 4.85 billion) resulting in net negative equity of Rs. 1.30 billion (June 30, 2015: Rs. 1.51 billion) and its current liabilities exceed its current assets by Rs. 8.22 billion (June 30, 2015: Rs. 8.77 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. During the period ended December 31, 2015, the Company earned profit after taxation of Rs. 209.03 million. In addition, the Isomerisation Project commissioned in June 2015 also started adding additional revenue by converting light Naphtha into Motor Gasoline.

Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity 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, 2015.

4. FIXED ASSETS

Following are additions to fixed assets during the period:

	December 31, 2015	December 31, 2014
	(Rupees in thousand)	
Buildings	-	526
Processing plant, tank farm, terminal, pipelines and power generation	453,196	546,010
Equipments including furniture and fixtures	37,714	17,047
Fire fighting and telecommunication systems	407	-
Major spare parts and stand by equipments - net of transfers	(403,688)	(4,462)
Capital work-in-progress - net of transfers	92,733	2,003,715
	180,362	2,562,836

4.1 During the period, assets costing Rs. Nil (2014: Rs. 6.71 million) having written down value of Rs. Nil (2014: Rs. 4 thousand) were disposed off.

	As at December 31, 2015	As at June 30, 2015
	(Rupees in thousand)	
4.2 Capital work-in-progress		
Buildings	666	-
Processing plant	230,223	236,512
Korangi tank farm	113,678	99,645
Keamari terminal	22,531	732
Pipelines	20,311	3,248
Power generation, transmission and distribution	1,222	-
Equipments	1,857	-
Fire fighting and telecommunication systems	16,732	-
Intangible	1,800	-
Advances to contractors / suppliers	69,196	51,354
	478,216	391,491

4.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 4.66 million (June 30, 2015: Rs. 3.83 million) on capital work-in-progress. Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 8.98% (June 30, 2015: 10.04%) per annum.

5. DEFERRED TAXATION

Deferred tax debit balances of Rs. 3.58 billion (June 30, 2015: Rs 3.38 billion) in respect of unabsorbed depreciation, tax losses and deductible temporary differences have not been recognised as their recoverability is not expected.

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2015 (Unaudited)

6. STOCK-IN-TRADE

As at December 31, 2015 stock of crude oil has been written down by Rs. Nil (June 30, 2015: Rs. 15.42 million) and finished goods by Rs. 61.42 million (June 30, 2015: Rs. 133.81 million) to arrive at its net realisable value.

7. SHARE CAPITAL

Issued, subscribed and paid-up Ordinary shares of Rs.10 each.

As at December 31, 2015	As at June 30, 2015		As at December 31, 2015	As at June 30, 2015
(Number of shares)			(Rupees in thousand)	
114,400,000	2,400,000	'A' ordinary shares fully paid in cash	1,144,000	24,000
150,600,000	3,600,000	'B' ordinary shares fully paid in cash	1,506,000	36,000
265,000,000	6,000,000		2,650,000	60,000
11,600,000	11,600,000	'A' ordinary shares issued as fully paid bonus shares	116,000	116,000
17,400,000	17,400,000	'B' ordinary shares issued as fully paid bonus shares	174,000	174,000
29,000,000	29,000,000		290,000	290,000
294,000,000	35,000,000		2,940,000	350,000

7.1 During the period, the Company issued shares against Subscription Money received amounting to Rs. 2,590 million. The subscription money was received against right issue of Rs. 2,800 million approved by the Board of Directors on March 9, 2015. In respect of remaining right issue of Rs. 210 million, a restraining order has been 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.

8. TRADE AND OTHER PAYABLES

This includes claims regarding exchange losses on foreign currency loan arrangements (FC loans) amounting to Rs. 219.31 million (June 30, 2015: Rs. 100.95 million) which were obtained on the direction of the Ministry of Finance (MoF) to retire certain letters of credit for crude oil imports. Further during the current period, the Company has also recognized exchange gain amounting to Rs. 18.42 million (2014: Rs. 140.82 million) on above transactions. Since the inception of this arrangement till December 31, 2015 the Company has recognised as income Rs. 615.66 million (December 31, 2014: Rs. 456.42 million) on account of exchange gains on these FC loans. This has been done on the understanding with the MoF through various communications, meetings, discussions and legal advice obtained by the Company in this respect.

However, subsequent to period end the Company received a letter from the MoF which proposed a draft mechanism for calculation of losses and gains incurred by oil importing entities under aforementioned FC loans and have invited views / comments on the proposed draft mechanism. The Company is of the view that this proposed draft mechanism for calculation of gains and losses is inconsistent with earlier understanding given by the MoF as mentioned above and therefore, has not changed its methodology for calculation of gains and losses on above arrangements.

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2015 (Unaudited)

	As at December 31, 2015	As at June 30, 2015
	(Rupees in thousand)	
9. SHORT-TERM BORROWINGS - Secured		
Short-term bank borrowings	-	4,500,000
Foreign currency loans – note 9.1	14,263,576	-
	14,263,576	4,500,000

9.1 This represents short term foreign currency loans from commercial banks at a markup rate ranging from 2 months LIBOR + 3.0% to 3 months LIBOR + 3.5%.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Claims against the Company not acknowledged as debt amount to Rs. 4.69 billion (June 30, 2015: Rs. 4.59 billion). These include Rs. 4.06 billion (June 30, 2015: Rs. 3.97 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.13 billion (June 30, 2015: Rs. 6.98 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

10.1.2 Bank guarantees of Rs. 211 million (June 30, 2015: Rs. 213 million) were issued in favour of third parties.

10.2 Commitments

As at December 31, 2015 commitments outstanding for capital expenditure amounted to Rs. 0.68 billion (June 30, 2015: Rs. 0.27 billion).

Outstanding letters of credit as at December 31, 2015 amounted to Rs. 8.31 billion (June 30, 2015: Rs. 11.41 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipments amounted to Rs. 40.52 million (June 30, 2015: Rs. 31.65 million).

	December 31, 2015	December 31, 2014
	(Rupees in thousand)	
11. NET SALES		
Local sales	55,479,679	56,098,071
Export sales	1,936,898	6,084,470
Gross sales	57,416,577	62,182,541
Less:		
- Sales tax	(13,344,496)	(8,151,017)
- Excise duty and petroleum levy	(4,918,534)	(3,066,534)
- Surplus price differential	(720,642)	(395,863)
- Regulatory duty - note 11.1	(1,052,423)	-
	37,380,482	50,569,127

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

Notes to and Forming Part of the Condensed Interim Financial Information

for the half year ended December 31, 2015 (Unaudited)

12. FINANCE INCOME / (COST) - NET

This includes foreign exchange gain amounting to Rs. 18.42 million (2014: Rs 140.82 million) on foreign currency loan arrangements which were obtained on the direction of Ministry of Finance (MoF) to retire certain letters of credit for crude oil imports.

13. EARNINGS / (LOSS) PER SHARE

	For the quarter		For the half year	
	October - December 2015	October - December 2014	July - December 2015	July - December 2014
	(Rupees in thousand)			
Profit / (loss) after taxation attributable to ordinary shareholders	857,161	(2,120,328)	209,029	(3,577,458)
Weighted average number of ordinary shares outstanding during the period (in thousand) - note 7.1	310,366	218,207	302,702	218,207
		(Re-stated)		(Re-stated)
Basic and diluted earnings / (loss) per share	Rs. 2.76	(Rs. 9.72)	Rs. 0.69	(Rs. 16.39)

	December 31, 2015	December 31, 2014
	(Rupees in thousand)	
14. CASH USED IN OPERATIONS		
Profit / (loss) before taxation	284,675	(3,573,143)
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	432,933	137,283
Capital work-in-progress written off	18,661	-
Mark-up expense	444,546	381,010
Provision for defined benefit retirement plans	30,186	23,030
Exchange gains on cash and cash equivalents	(4,224)	(12,904)
Share of income of associate	(2,211)	(4,316)
Return on deposits	(33,326)	(23,777)
Gain on disposal of fixed assets	-	(106)
Working capital changes – note 14.1	(5,066,148)	(233,680)
Cash used in operations	(3,894,908)	(3,306,603)
14.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and chemicals	(103,560)	(13,670)
Stock-in-trade	1,727,247	2,358,754
Trade debts	(3,623,634)	3,069,932
Loans and advances	(67,781)	5,428
Trade deposits and short-term prepayments	(24,221)	(46,657)
Other receivables	1,326,291	(5,034)
	(765,658)	5,368,753
(Decrease) / increase in current liabilities		
Trade and other payables	(5,265,715)	(5,380,937)
Payable to government - sales tax	965,225	(221,496)
	(4,300,490)	(5,602,433)
	(5,066,148)	(233,680)

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2015 (Unaudited)

15. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	Transactions during the period December 31, 2015	December 31, 2014
		(Rupees in thousand)	
Significant related party transactions are:			
Associated companies	Sale of goods	30,260,917	4,256,418
	Sale of services	30,673	20,297
	Purchase of goods	33,355	1,078,964
	Services received	37,151	-
	Mark-up paid	22,370	8,987
	Dividend paid	-	29,925
	Dividend received	8,077	6,804
	Interest claimed on late payments	-	2,246
	Bank charges	19	115
Key management compensation	Salaries and other short-term employee benefits	44,226	41,222
	Post-employment benefits	5,821	5,635
Staff retirement benefit plans	Contributions to retirement plans	54,063	50,226
	Markup paid on TFCs	4,042	4,042
Directors' fee including honorarium		1,893	2,880

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.

	December 31, 2015	December 31, 2014
	(Rupees in thousand)	
16. CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,424,718	70,587
Short term loan	-	(850,000)
Running finance under mark-up arrangements	-	(3,895,102)
	5,424,718	(4,674,515)

17. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on January 26, 2016.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

PAKISTAN REFINERY LIMITED

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