

Nine Months Period Ended March 31, 2020

Committed to a promising
FUTURE



PAKISTAN REFINERY LIMITED

Contents

Vision / Mission	02
Company Information	03
Board of Directors	03
Board Committees	04
Directors' Review	05
Condensed Interim Statement of Financial Position	06
Condensed Interim Statement of Profit or Loss and other Comprehensive Income	07
Condensed Interim Statement of Changes in Equity	08
Condensed Interim Statement of Cash Flows	09
Notes to and Forming Part of the Condensed Interim Financial Information	10



Vision

To be the Refinery of first choice for all stakeholders.

Mission

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

Company Information

Deputy Managing Director (Finance & IT) / CFO

Imran Ahmad Mirza

Company Secretary

Mustafa Saleemi

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Tax Advisors

KPMG - Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

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
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk

Board of Directors

Syed Asad Ali Shah

Chairman

Zahid Mir

Managing Director & CEO

Abdul Jabbar Memon

Director

Aftab Husain

Director

Babar Hamid Chaudhary

Director

Mirza Mahmood Ahmad

Director

Mohammad Zubair

Director

Syed Jehangir Ali Shah

Director

Syed Mohammad Ali

Director

Syed Muhammad Taha

Director

Tara Uzra Dawood

Director

Board Committees

Board Audit Committee (BAC)

BAC 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 Project Steering Committee

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

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

Human Resource & 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;
- recommend to the board for consideration and approval a policy framework for determining remuneration of directors and senior management; and
- undertaking annually a formal process of evaluation of performance of the board and its committees. – there is no evaluation process of the BOD in PRL

Board Share Transfer Committee

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

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

Directors' Review

We are pleased to present this review report along with Unaudited Financial Statements for the nine months' period ended March 31, 2020.

In the meeting on February 10, 2020, the Board of Directors of Company announced a Right Issue in the ratio of 1:1 at par value of ordinary shares resulting in the increase of paid-up capital of Company from Rs. 3,150 million to Rs. 6,300 million. The Right Issue is targeted to help in meeting funding requirements for certain short to medium term CAPEX projects along with the working capital requirements. In order to comply with the Company Law, Pakistan State Oil, holding 60% shares, and all the Directors, except nominee Directors, have paid subscription money according to their respective shareholding which confirms the commitment from them. The 40% right shares are to be subscribed by 'A' Class Shareholders which are to be underwritten in accordance with the Company Law.

However, the unprecedented circumstances due to Novel Coronavirus (COVID-19) pandemic negatively affected the global financial markets including Pakistan's financial sector where the investors' confidence was eroded as evident from the performance of Pakistan Stock Exchange (PSX). Unfortunately, the aforesaid circumstances coincided with the Company's Right Issue process compelling the Company to approach PSX and Securities & Exchange Commission of Pakistan (SECP) for extension/waiver of Underwriting requirements under Company Law.

During the period, petroleum prices fell due to slump in the global petroleum demand, adversely impacting the Company and the refining industry as a whole. Resultantly, the Company suffered inventory loss of Rs. 4.07 billion out of total loss after taxation of Rs.6.77 billion.

On the positive side, during the current quarter, the Company in light of revised operational strategy has undertaken various non-CAPEX options targeting to achieve sustained production of MS 92 RON and ability to produce MS 95/97 RON. The Company is striving through revised operational strategy to meet regulatory compliance to produce HSD of EURO II standard as well as IMO-2020 grade Very Low Sulphur Furnace Oil (VLSFO) to improve Company's profitability.

In addition, the Economic Coordination Committee of the Government of Pakistan (ECC) has approved a revised pricing mechanism effective March 01, 2020 whereby the Company will recover certain portion of exchange loss suffered through product pricing. This will partly address the issue of exchange risk.

The Company maintained its commitment towards Health, Safety, Environment and Quality (HSEQ) standards and responded timely in adopting the precautionary standards demanded for mitigating impact of COVID-19 pandemic.

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

On behalf of the Board of Directors



Syed Asad Ali Shah
Chairman



Zahid Mir
Managing Director & CEO

Karachi: April 22, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	(Unaudited) March 31, 2020 (Rupees in thousand)	(Audited) June 30, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	19,749,210	18,975,232
Intangible assets		14	108
Investment accounted for using the equity method		64,519	62,036
Long-term deposits and loans		26,516	29,352
Employee benefit prepayments		17,622	17,622
		19,857,881	19,084,350
Current assets			
Inventories	6	9,783,495	9,447,424
Trade receivables		8,577,246	13,195,089
Trade deposits, loans, advances and short-term prepayments		101,229	181,427
Other receivables		14,721	553,503
Taxation - payments less provision		130,991	164,940
Cash and bank balances	7	2,006,627	253,889
		20,614,309	23,796,272
		40,472,190	42,880,622
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	3,150,000	2,940,000
Share deposit money	9	1,890,280	-
Accumulated loss		(17,437,085)	(10,666,517)
Special reserve		1,943,476	1,943,476
Revaluation surplus on property, plant and equipment		9,290,728	9,290,728
Other reserves		1,947	1,554
		(1,160,654)	3,509,241
LIABILITIES			
Non-current liabilities			
Long-term borrowings		3,900,000	4,300,000
Long-term lease liability		141,907	-
Deferred tax liabilities		9,727	13,304
Employee benefit obligations		357,692	367,090
		4,409,326	4,680,394
Current liabilities			
Trade and other payables		21,868,892	19,967,440
Borrowings	10	15,331,720	14,701,779
Current portion of long-term lease liability		3,040	-
Unclaimed dividend		19,866	21,768
		37,223,518	34,690,987
		41,632,844	39,371,381
CONTINGENCIES AND COMMITMENTS			
	11	40,472,190	42,880,622

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

	Note	For the quarter		For the nine months period	
		January - March 2020	January - March 2019	July 2019 - March 2020	July 2018 - March 2019
(Rupees in thousand)					
Revenue from contracts with customers	12	17,121,242	26,807,921	75,439,544	81,433,334
Cost of sales		(21,191,250)	(26,763,573)	(79,651,953)	(83,278,971)
Gross (loss) / profit		(4,070,008)	44,348	(4,212,409)	(1,845,637)
Distribution costs		(33,472)	(62,243)	(160,291)	(179,524)
Administrative expenses		(102,245)	(100,063)	(318,301)	(312,735)
Other operating expenses		(2,895)	(11,142)	(30,814)	(12,386)
Other income		15,217	61,536	153,013	141,322
Operating loss		(4,193,403)	(67,564)	(4,568,802)	(2,208,960)
Finance cost		(763,971)	(306,090)	(1,631,654)	(913,403)
Share of income / (loss) of associate accounted for using the equity method		764	50	2,483	(2,044)
Loss before income tax		(4,956,610)	(373,604)	(6,197,973)	(3,124,407)
Income tax expense	13	(130,762)	(100,126)	(572,202)	(359,719)
Loss for the period		(5,087,372)	(473,730)	(6,770,175)	(3,484,126)
Other comprehensive income / (loss)					
Items that may be subsequently reclassified to profit or loss					
Change in fair value of available for sale investments in associate		-	925	-	(1,692)
Deferred tax relating to fair value change of available for sale investments of associate		-	(201)	-	368
		-	724	-	(1,324)
Total comprehensive loss		(5,087,372)	(473,006)	(6,770,175)	(3,485,450)
Loss per share - basic and diluted	14	(Rs. 11.89)	(Re-stated) (Rs. 1.11)	(Rs. 15.82)	(Re-stated) (Rs. 8.19)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.


Syed Asad Ali Shah
Chairman


Zahid Mir
Managing Director & CEO


Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

	SHARE CAPITAL	SHARE DEPOSIT MONEY	CAPITAL RESERVES			REVENUE RESERVES			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, 2018 - (audited)	2,940,000	-	1,943,476	3,997,928	897	(4,816,826)	(3,970)	1,050	4,062,555
Loss for the nine months period ended March 31, 2019	-	-	-	-	-	(3,484,126)	-	-	(3,484,126)
Other comprehensive loss for the nine months period ended March 31, 2019	-	-	-	-	-	-	(1,324)	-	(1,324)
	-	-	-	-	-	(3,484,126)	(1,324)	-	(3,485,450)
Balance as at March 31, 2019 - (unaudited)	2,940,000	-	1,943,476	3,997,928	897	(8,300,952)	(5,294)	1,050	577,105
Balance as at July 1, 2019 - (audited)	2,940,000	-	1,943,476	9,290,728	897	(10,666,517)	(393)	1,050	3,509,241
Loss for the nine months period ended March 31, 2020	-	-	-	-	-	(6,770,175)	-	-	(6,770,175)
Other comprehensive loss for the nine months period ended March 31, 2020	-	-	-	-	-	(393)	393	-	-
Share deposit money	-	2,100,280	-	-	-	-	-	-	2,100,280
Issue of right shares	210,000	(210,000)	-	-	-	-	-	-	-
	210,000	1,890,280	-	-	-	(6,770,568)	393	-	(4,669,895)
Balance as at March 31, 2020 - (unaudited)	3,150,000	1,890,280	1,943,476	9,290,728	897	(17,437,085)	-	1,050	(1,160,654)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

	Note	March 31, 2020 (Rupees in thousand)	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	16	2,929,585	(2,605,838)
Mark-up paid		(1,566,134)	(704,004)
Income tax paid		(541,830)	(111,893)
Contribution to retirement benefit plans		(118,589)	(79,366)
Decrease in long-term deposits and loans		2,836	1,085
Net cash generated from / (used in) operating activities		705,868	(3,500,016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,302,936)	(793,642)
Return received on bank deposits		42,353	43,810
Proceeds from disposal of property, plant and equipment		-	97
Net cash used in investing activities		(1,260,583)	(749,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received		1,890,280	-
Issue of Share Capital		210,000	-
Repayment of current portion of long term borrowing		(400,000)	(400,000)
Lease rentals paid		(21,551)	-
Dividend paid		(1,902)	(88)
Redemptions against term finance certificates		-	(229,390)
Net cash generated from / (used in) financing activities		1,676,827	(629,478)
Net increase / (decrease) in cash and cash equivalents		1,122,112	(4,879,229)
Cash and cash equivalents at the beginning of the period		(14,047,890)	(3,414,786)
Exchange gain on cash and cash equivalents		685	20,495
Cash and cash equivalents at the end of the period	17	(12,925,093)	(8,273,520)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - 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.

The Company is a subsidiary of Pakistan State Oil Company Limited (PSO).

During the period, PSO acquired additional 10,500,000 Class B shares from Shell Petroleum Company Limited, UK (Shell) and 2,625,000 Class B shares from Chevron Global Energy Inc. (Chevron). In addition, PSO also subscribed additional 21,000,000 Class B shares which were under injunction (refer note 8.2 to these condensed interim financial statements). Consequently, the holding of PSO has now increased from 52.68% to 60%.

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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, 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, 2019.

2.2 During the nine month period ended March 31, 2020, the Company incurred a loss after taxation of Rs. 6.77 billion (March 31, 2019: loss after tax of Rs. 3.48 billion) resulting in accumulated loss of Rs. 17.44 billion (June 30, 2019: Rs. 10.67 billion). Further, current liabilities of the Company exceeded its current assets by Rs. 16.61 billion as at March 31, 2020 (June 30, 2019: 10.89 billion). The Company ended the period with negative cash and cash equivalents amounting to Rs. 12.93 billion (June 30, 2019: Rs. 14.05 billion).

To address negative equity and liquidity issues the Board of Directors in their meeting dated February 10, 2020, decided to make a right issue of 1 ordinary share for every 1 share held amounting to Rs. 3.15 billion (please refer note 9 to these condensed interim financial statements). In addition, as already announced in Pakistan Stock Exchange, the Company in light of new operational strategy has undertaken various non-CAPEX options which will not only make the Refinery compliant with the regulatory requirements but will also have a significant impact on the Company's profitability. These measures include:

- 1) Sustained production of MS 92 RON and the ability to produce MS 95/97 RON. This will result in saving of RON differential on MS and generate additional revenues. The Refinery has already started production of MS 92 and 95/97 RON.
- 2) Changes in crude recipe and operational philosophy which will enable the Refinery to produce EURO II compliant High Speed Diesel (HSD). This will not only make the Refinery compliant with regulatory requirements but will also save price differential which the Company is required to pay to the Government due to production of HSD with higher Sulphur content. It is to be noted that the Company has suffered cumulative Rs. 7.11 billion on account of HSD price differential since March 2013. The Refinery is expected to start production of EURO II compliant HSD by the end of current financial year.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

- 3) The above measure will also make the Company the first Refinery in Pakistan to produce IMO-2020 grade Very Low Sulphur Furnace Oil (VLSFO). VLSFO is a premium product and will significantly add to the margins of the Company. The Company is expected to start production of VLSFO by the end of current financial year.

In addition, the Economic Coordination Committee of the Government of Pakistan (ECC) has approved a revised pricing mechanism effective March 1, 2020 whereby the Company will be able to recover certain portion of exchange loss suffered on crude oil imports through pricing of some of its products. This will partly address the issue of exchange risk which the Company faces.

Based on the above factors and their expected positive impact on the Company's projections, the Company believes that it will meet the obligations and continue to operate for a period of at least twelve months from the date of approval of these condensed interim financial statements. Accordingly, these condensed interim financial statements have been prepared on a going concern basis and therefore, do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Company was unable to continue as a going concern.

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 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 recognised. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1, of these condensed interim financial information.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019, except as disclosed in note 3.1.

3.1 CHANGES IN ACCOUNTING POLICIES - IFRS 16

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for a lessee. A lessee recognises "right-of-use" asset representing its right-to-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's lease liability and right-of-use asset are disclosed in note 3.2.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

The Company has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 13.71%.

The following summary reconciles the Company's operating lease commitments previously considered as land rentals at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

	(Rupees in thousand)
Operating lease commitment as at July 01, 2019	315,389
Discounted using the lessee's incremental borrowing rate at the date of initial application	(148,891)
Total liability as at July 01, 2019	<u>166,498</u>
Of which are:	
Current lease liabilities	1,679
Non-current lease liabilities	164,819

3.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease i.e. it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From July 1, 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, exercise price of a purchase option, payments of penalties for terminating the lease, less any lease incentives receivable. The purchase, extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future payments arising from a change in fixed payments or an index or rate, Company's estimate of the amount expected to be payable under a residual value guarantee or its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset is reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any payments made at or before the commencement date and any incentive received, plus any initial direct costs and estimate of costs to dismantle, remove or restore the underlying asset (if any) or to restore the site on which it is located. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

The Company does not recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less, leases of low-value assets and recognises associated payments in the period in which these are incurred.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of these 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 these condensed interim financial statements.

4.2 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, 2019.

March 31, 2020 (Rupees in thousand)	March 31, 2019
---	-------------------

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Following are additions to Property, Plant and Equipment during the period:

Processing plant, tank farm, terminal, pipelines and power generation	1,936,442	659,135
Buildings	2,775	1,644
Equipment including furniture	7,435	14,692
Fire fighting and telecommunication systems	32,717	7,422
Vehicles and other automotive equipments	51,250	165
Major spare parts and stand by equipments - net of transfers	12,426	(5,634)
Capital work-in-progress - net of transfers	(740,109)	116,218
	<u>1,302,936</u>	<u>793,642</u>

5.1.1 No disposal of assets were made during the current and corresponding period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

(Unaudited)	(Audited)
As at	As at
March 31,	June 30,
2020	2019
(Rupees in thousand)	

5.2 Capital work-in-progress

Buildings	-	2,775
Processing plant	302,668	581,007
Korangi tank farm	7,994	72,396
Keamari terminal	285,497	467,703
Pipelines	46,377	129,158
Power generation, transmission and distribution	63,057	68,083
Water treatment and cooling system	5,331	22,169
Equipment including furniture	21,011	19,924
Fire fighting and telecommunication systems	10,594	43,667
Advances to contractors / suppliers	14,501	90,254
	757,029	1,497,136

5.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 60.70 million (June 30, 2019: Rs. 12.39 million). Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 13.92% (June 30, 2019: 10.42%) per annum.

6. INVENTORIES

As at March 31, 2020 stock of crude oil has been written down by Rs. 0.72 billion (June 30, 2019: Nil) and finished products by Rs. 0.94 billion (June 30, 2019: Rs. 88.68 million) to arrive at their net realisable values.

(Unaudited)	(Audited)
As at	As at
March 31,	June 30,
2020	2019
(Rupees in thousand)	

7. CASH AND BANK BALANCES

With banks on		
- current accounts	15,614	75
- mark-up bearing savings accounts	100,228	252,935
- Right issue subscription account - note 7.1	1,890,280	-
Cash in hand	505	879
	2,006,627	253,889

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

- 7.1 This represents amount deposited by Directors and Sponsors in the Right Issue Subscription Account relating to Right Issue of the Company. Refer note 9 for details.

(Unaudited)	(Audited)
As at	As at
March 31,	June 30,
2020	2019
(Rupees in thousand)	

8. SHARE CAPITAL

Authorised share capital

400,000,000 (2019: 400,000,000)

'A' ordinary shares of Rs. 10 each

600,000,000 (2019: 600,000,000)

'B' ordinary shares of Rs. 10 each

4,000,000	4,000,000
6,000,000	6,000,000
10,000,000	10,000,000

Issued, subscribed and paid-up share capital

Ordinary shares of Rs. 10 each

(Unaudited)	(Audited)
As at	As at
March 31,	June 30,
2020	2019

114,400,000	114,400,000	'A' ordinary shares fully paid in cash	1,144,000	1,144,000
171,600,000	150,600,000	'B' ordinary shares fully paid in cash	1,716,000	1,506,000
286,000,000	265,000,000		2,860,000	2,650,000
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
315,000,000	294,000,000		3,150,000	2,940,000

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

(Unaudited) (Audited)
As at As at
March 31, June 30,
2020 2019
(Rupees in thousand)

8.1 Movement in issued, subscribed and paid-up

(Unaudited) March 31, 2020	(Audited) June 30, 2019		(Unaudited) As at March 31, 2020	(Audited) As at June 30, 2019
		Opening shares outstanding		
126,000,000	126,000,000	- 'A' ordinary shares	1,260,000	1,260,000
168,000,000	168,000,000	- 'B' ordinary shares	1,680,000	1,680,000
294,000,000	294,000,000		2,940,000	2,940,000
		Right shares issued		
-	-	- 'A' ordinary shares	-	-
21,000,000	-	- 'B' ordinary shares	210,000	-
21,000,000	-		210,000	-
315,000,000	294,000,000		3,150,000	2,940,000

8.2 As per the orders of the High Court of Sindh dated October 12, 2018 and March 4, 2020 in respect of Suit No. 931 of 2015, PSO entered into compromise arrangements with Shell and Chevron, wherein both the parties consented to sell their shares to PSO. Resultantly, PSO acquired 10,500,000 Class B shares from Shell and 2,625 million Class B shares alongwith 21 million Class B right shares which arose during the year ended June 30, 2015 from Chevron during the period. Consequently, the holding of PSO increased from 52.68% to 60%.

9. SHARE DEPOSIT MONEY

The Board of Directors in its meeting held on February 10, 2020 approved right issue at par in the ratio of 1 right share for every 1 ordinary share held. Total size of the issue is Rs. 3.15 billion. As required by Regulation 3(3) of the Companies (Further Issue of Shares) Regulations, 2018, the concerned directors entitled to 28,000 Class A right shares have duly deposited the subscription amount of Rs. 0.28 million in the Right Shares Subscription Account before the book closure date. Similarly PSO, being the parent company entitled to subscribe 189,000,000 Class B shares has also deposited the subscription amount of Rs. 1.89 billion in the Right Shares Subscription Account before the book closure date.

(Unaudited) (Audited)
As at As at
March 31, June 30,
2020 2019
(Rupees in thousand)

10. BORROWINGS

Short-term borrowings - note 10.1	9,400,000	9,500,000
Running finance under mark-up arrangements - note 10.2	5,531,720	4,801,779
Current portion of long-term borrowings	400,000	400,000
	15,331,720	14,701,779

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

10.1 This represents mark-up based short term finance from commercial banks repayable in 3 to 45 (June 30, 2019: 1 to 62) days from the date of interim statement of financial position at a mark-up ranging from 11.84% to 14.33% (June 30, 2019: 13.00% to 13.37%) per annum. These are secured by way of ranking charge on inventory and trade receivables.

10.2 As at March 31, 2020 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 9.45 billion (June 30, 2019: Rs. 8.55 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+0.50% to one month KIBOR+3% per annum as at March 31, 2020 (June 30, 2019: three months KIBOR+0.50% to six months KIBOR+3% per annum). Purchase prices are payable on demand.

11. CONTINGENCIES AND COMMITMENTS**11.1 Contingencies**

11.1.1 Claims against the Company not acknowledged as debt amount to Rs. 5.62 billion (June 30, 2019: Rs. 5.54 billion). These include Rs. 5.03 billion (June 30, 2019: Rs. 4.40 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, 2019: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

11.1.2 There has been no significant changes during the period in the contingencies reported in annual financial statements for the year ended June 30, 2019.

11.1.3 Bank guarantee of Rs. 124 million (June 30, 2019: Rs. 124 million) was issued in favour of Sui Southern Gas Company Limited*.

* During the period, with effect from October 28, 2019 Sui Southern Gas Company Limited (SSGC) ceased to be a related party of the Company.

11.2 Commitments

As at March 31, 2020 commitments outstanding for capital expenditure amounted to Rs. 0.25 billion (June 30, 2019: Rs. 0.52 billion).

March 31, 2020	March 31, 2019
(Rupees in thousand)	

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sales - note 12.1	102,687,673	101,338,191
Exports	2,950,380	5,669,400
Gross sales	105,638,053	107,007,591
Less:		
- Sales tax	(14,920,609)	(14,271,805)
- Excise duty and petroleum levy	(11,565,073)	(8,013,123)
- Custom Duty	(2,501,868)	(2,272,882)
- Surplus price differential	(1,210,959)	(1,016,447)
	75,439,544	81,433,334

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

- 12.1** Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (Motor Spirit, High Octane Blending Component, High Speed Diesel, Light Diesel Oil and Aviation Fuels) are based on prices set under notifications of the MoE.

March 31, **March 31,**
2020 **2019**
(Rupees in thousand)

13. INCOME TAX EXPENSE

Current for the year	574,785	379,977
Prior year	-	(19,898)
Deferred	(2,583)	(360)
	572,202	359,719

14. LOSS PER SHARE

	For the quarter		For the nine months period	
	January - March 2020	January - March 2019	July 2019 - March 2020	July 2018 - March 2019
Loss attributable to ordinary shareholders (Rs. in thousand)	(5,087,372)	(473,730)	(6,770,175)	(3,484,126)
Weighted average number of ordinary shares outstanding during the period (in thousand)	427,856	(Re-stated) 425,496	427,856	(Re-stated) 425,496
Basic and diluted loss per share	(Rs. 11.89)	(Rs. 1.11)	(Rs. 15.82)	(Rs. 8.19)

- 14.1.** The weighted average number of shares as at March 31, 2019 have been increased to reflect the bonus element in the rights issue.

- 14.2.** There were no dilutive potential ordinary shares in issue as at March 31, 2020 and 2019.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

		March 31, 2020 (Rupees in thousand)	March 31, 2019
15. TRANSACTIONS WITH RELATED PARTIES			
Relationship	Nature of transaction		
(a) Parent company	Sale of goods - net Services rendered	50,679,478 437	16,927,492 258,890
(b) Associated companies	Purchase of goods - net Services received Sale of goods - net Mark-up paid Services rendered Bank charges	2,329,103 930,979 - - - -	- 421,293 37,154,829 25,214 341 16
(c) Key management personnel compensation (excluding non-executive directors)	Salaries and other short-term employee benefits Post-employment benefits	111,333 7,182	100,492 7,331
(d) Staff retirement benefit funds	Payments to staff retirement benefit funds Mark-up paid on TFC	166,087 -	123,279 3,358
(e) Non-executive Directors	Remuneration and fees	12,781	5,776

Sale of certain products is transacted at prices fixed by the Oil & Gas Regulatory Authority. Apart from the referred sales, all other transactions with related parties are carried out on commercially negotiated terms.

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

		March 31, 2020 (Rupees in thousand)	March 31, 2019
16. CASH GENERATED FROM OPERATIONS			
Loss before income tax		(6,197,973)	(3,124,407)
Adjustments for non-cash charges and other items:			
Mark-up expense		1,631,654	812,440
Depreciation and amortisation		695,550	679,610
Provision for employee benefit obligations		109,191	71,958
Exchange gain on cash and cash equivalents		(685)	(20,495)
Share of (income) / loss of associate		(2,483)	2,044
Reversal of provision for slow moving stores and spares - net		(1,950)	(719)
Profit on deposits		(42,353)	(43,810)
Gain on disposal of operating assets - net		-	(97)
Agreement signing fee		-	(6,667)
Reversal of impairment loss		-	(39,899)
		2,388,924	1,454,365
Working capital changes - note 16.1		6,738,634	(935,796)
Cash generated from / (used in) operations		2,929,585	(2,605,838)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 - UNAUDITED

	March 31, 2020	March 31, 2019
	(Rupees in thousand)	
16.1 Working capital changes		
Decrease / (Increase) in current assets		
Inventories	(334,121)	(7,132,447)
Trade receivables	4,617,843	1,466,980
Trade deposits, loans, advances and short-term prepayments	80,198	(38,203)
Other receivables	538,782	(750,317)
	4,902,702	(6,453,987)
Increase in current liabilities		
Trade and other payables	1,835,932	5,518,191
	6,738,634	(935,796)
17. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 7	2,006,627	97,895
Short-term borrowings - note 10	(9,400,000)	(4,000,000)
Running finance under mark-up arrangements - note 10	(5,531,720)	(4,371,415)
	(12,925,093)	(8,273,520)
18. DATE OF AUTHORISATION		

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company on April 22, 2020.



Syed Asad Ali Shah
Chairman



Zahid Mir
Managing Director & CEO



Imran Ahmad Mirza
Chief Financial Officer



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, Website: www.prl.com.pk