



PAKISTAN REFINERY LTD.

January 26, 2016

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road, Karachi

Dear Sir,

Subject: Financial Results of Pakistan Refinery Limited (PRL) for the half year ended December 31, 2015

We have to inform you that the Board of Directors of PRL in their meeting held on January 26, 2016 at 11:00 am at Marriott Hotel, Karachi has recommended a "Nil" dividend.

The condensed interim profit and loss account of the Company for the half year ended December 31, 2015 is given as follows:

	For the quarter		For the half year	
	October - December 2015	October - December 2014	July - December 2015	July - December 2014
	(Rupees in thousand)			
Net sales	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	(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
Profit / (loss) after taxation	857,161	(2,120,328)	209,029	(3,577,456)
Earnings / (loss) per share	Rs. 2.76	(Re-stated) (Rs. 9.72)	Rs. 0.69	(Re-stated) (Rs. 16.39)



A. EXTRACTS FROM THE NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2015:

NOTE 2.5 - BASIS OF PREPARATION

As at December 31, 2015 the Company has accumulated loss of Rs. 4.64 billion (June 30, 2015: Rs. 4.85 billion) resulting in 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.

NOTE 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.



B. EXTRACTS FROM THE AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2015:

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.

Yours truly,
for **PAKISTAN REFINERY LIMITED**

Shehrzad Aminullah
Company Secretary

Imran Ahmad Mirza
Chief Financial Officer