



PAKISTAN REFINERY LIMITED

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

September 12, 2017

Dear Sir,

Subject: Financial Results of Pakistan Refinery Limited (PRL) for the year ended June 30, 2017

We have to inform you that the Board of Directors of PRL in their meeting held on September 12, 2017 at 10:00 am at Pakistan Refinery Limited, Korangi Creek Road, Karachi has recommended a Nil dividend.

The profit and loss account of the Company for the year ended June 30, 2017 is given as follows:

	2017 (Rupees in thousand)	2016
Net sales	69,928,562	64,732,948
Cost of sales	<u>(67,418,422)</u>	<u>(62,743,236)</u>
Gross profit	2,510,140	1,989,712
Distribution cost	(191,188)	(170,473)
Administrative expenses	(348,828)	(283,936)
Other operating expenses	(493,888)	(780,578)
Other income	<u>557,772</u>	<u>635,351</u>
Operating profit	2,034,008	1,390,076
Finance cost - net	(603,728)	(908,780)
Share of income of associate	10,602	5,327
Profit before taxation	<u>1,440,882</u>	<u>486,623</u>
Taxation	<u>(380,604)</u>	<u>(203,232)</u>
Profit after taxation	<u>1,060,278</u>	<u>283,391</u>
Earnings per share	<u>Rs. 3.45</u>	<u>Rs. 0.93</u>

**A. EXTRACTS FROM THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017:****NOTE 2.1.2 - BASIS OF PREPARATION**

As at June 30, 2017, the Company has accumulated loss of Rs. 4.74 billion (2016: Rs. 4.75 billion) resulting in net negative equity of Rs. 396.6 million (2016: Rs. 1,330 million) and its current liabilities exceed its current assets by Rs. 7.36 billion (2016: Rs. 8.05 billion). Further, under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Petroleum & Natural Resources on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce Euro II compliant High Speed Diesel (HSD) and in case of non-compliance, the ex-refinery price of HSD based on Import Parity Price (IPP) formula will be downward adjusted / reduced due to higher Sulphur content. The Company did not meet the aforementioned deadline of setting up DHDS unit and hence will be subjected to downward adjustments of its HSD pricing in future until the setting up of DHDS unit. These conditions may cast a significant 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.

However, despite the above challenges during the year, on account of improved gross refinery margins the Company earned profit after taxation of Rs. 1.06 billion for the current year. Further, the Company has increased its running finance facilities from Rs. 8.75 billion to Rs. 9.75 billion to support its liquidity management. In addition, the Company has completed a feasibility study in which various technological options have been considered for the refinery up-gradation including the installation of DHDS under above policy framework.

Based on the projected profitability and cash flows (after considering the effects of future downward adjustment /reduction in HSD price), the Company believes that the current negative equity / liquidity situation will be overcome in future. Accordingly, these financial statements have been prepared on a going concern basis.

B. EXTRACTS FROM THE AUDITORS' REPORT TO THE MEMBERS ON FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017:

The external auditors have included the following paragraph of emphasis in their report:

We draw attention to note 2.1.2 to the financial statements. As stated in the note, as at 30 June 2017 the Company has accumulated loss of Rs. 4.74 billion resulting in net negative equity of Rs. 396.6 million. Further, current liabilities of the Company exceed its current assets by Rs. 7.36 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 opinion is not modified in respect of this matter.

C. ISOMERISATION UNIT

After the year ended June 30, 2017 production of Motor Spirit (Petrol) is reduced from 20,000 metric tons per month to 15,000 metric tons per month due to deactivation of Catalyst of the Isomerisation unit. The Company is undertaking measures to address this issue on a priority basis. The Company has already booked impairment loss of Rs. 274 million on this account in the financial statements for the year ended June 30, 2017.



D. ANNUAL GENERAL MEETING & BOOK CLOSURE

The Annual General Meeting of the Company will be held on Thursday, October 26, 2017 at 11:00 am at Karachi. The Share Transfer Books of the Company will remain closed from Friday, October 20, 2017 to Thursday, October 26, 2017 (both days inclusive) when no applications for transfer of shares will be accepted.

Yours truly,
for PAKISTAN REFINERY LIMITED


Imran Ahmad Mirza
Chief Financial Officer


Shehrzad Aminullah
Company Secretary