PRL

PAKISTAN REFINERY LIMITED

HALF YEARLY REPORT DECEMBER 31,

2020

CONTENTS

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
KPMG - Taseer Hadi & Co.
Chartered Accountants

Legal Advisors
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Private) Limited.
8-F, near 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

Tariq Kirmani
Chairman

Zahid Mir
Managing Director & CEO

Abid Shahid Zuberi
Director

Aftab Husain
Director

Imtiaz Jaleel
Director

Mohammad Abdul Aleem
Director

Nadeem Safdar
Director

Shahbaz Tahir Nadeem
Director

Syed Jehangir Ali Shah
Director

Syed Muhammad Taha
Director

Tara Uzra Dawood
Director

DIRECTORS' REVIEW

Board of Directors presents its review report along with Unaudited Condensed Interim Financial Statements for the half year ended December 31, 2020 and the Review Report of Auditors thereon.

On October 7, 2020, election for the new Board of Directors was held in the Annual General Meeting of Company. Consequently, following persons were elected by the shareholders of Company as Directors for the period of three (03) years commenced from October 8, 2020:

1. Mr. Tariq Kirmani (Chairman)
2. Mr. Abid Shahid Zuberi
3. Mr. Aftab Husain
4. Mr. Imtiaz Jaleel
5. Mr. Mohammad Abdul Aleem
6. Mr. Nadeem Safdar
7. Mr. Shahbaz Tahir Nadeem
8. Syed Jehangir Ali Shah
9. Syed Muhammad Taha
10. Ms. Tara Uzra Dawood

The year 2020-21 continues to face the challenge of COVID-19 with refining sector additionally burdened with persistent low refining margins. However, through changes in operational strategies and stringent controls over operating expenses, the Company has posted profit after tax of Rs. 85 million during the period as compared to the loss after tax of Rs. 1,683 million in the corresponding period last year. The Company tested various new operational philosophies and crude mixes during the period which resulted in production of IMO-2020 grade low sulphur Marine Residual Fuel and EURO II compliant High Speed Diesel for a brief period without incurring any capital expenditure. These results have opened new avenues for the Company, the benefits of which can be availed in case of favourable margins.

The Company has successfully re-commissioned intra-city pipelines connecting the Company's Keamari Terminal to Korangi Refinery subsequent to period end in January 2021 and normal operations have resumed. These pipelines were damaged due to heavy rainfall and consequent flooding in August 2020 that resulted in shut down of Refinery operations. The Company made tremendous efforts to restore operations within minimum possible time and alternate arrangements were made to ensure continuous crude availability and product supplies which helped resume Refinery operations after 12 days of shut down.

The Company carried on exploring options for the Refinery Upgrade Project. Since the margins were deteriorated and Company's equity is in negative, the low capex options are preferred at present.

The Company continued its commitments to Health, Safety, Environment and Quality (HSEQ) standards especially focusing on SOPs and measures against COVID-19.

The Board of Directors places on record its appreciation for the continued support and cooperation extended by all the stakeholders that has given the Company strength to cope with business challenges.

On behalf of the Board of Directors

Tariq Kirmani
Chairman

Zahid Mir
Managing Director & CEO

Karachi: February 01, 2021

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF PAKISTAN REFINERY LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Refinery Limited ("the Company") as at December 31, 2020 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 condensed interim financial information for the six-months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

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

Emphasis of Matter

We draw attention to note 2.4 to the condensed interim financial information, which indicates that the Company earned a net profit of Rs. 85.07 million during the six months period ended December 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 15.23 billion. These conditions, along with other matters as set forth in note 2.4 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of the aforementioned matters.

Other matter

The financial statements of the Company for the six months period ended December 31, 2019 and for the year ended June 30, 2020 were reviewed and audited by another firm of professional accountants who through their reports dated February 26, 2020 and September 7, 2020, expressed an unqualified conclusion and opinion thereon.

The figures of the condensed interim financial information for the quarter ended December 31, 2020, have not been reviewed and we do not express a conclusion thereon.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammad Nadeem.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi; February 25, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	Unaudited December 31, 2020	Audited June 30, 2020
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	**20,742,030**	21,208,088
Right of use asset		**155,121**	163,075
Investment accounted for using the equity method		**60,223**	65,294
Long term deposits and loans		**25,296**	25,946
Employee benefit prepayments		**30,257**	30,257
		21,012,927	21,492,660
Current assets			
Inventories		**9,695,702**	7,964,392
Trade receivables	9	**5,775,270**	3,667,153
Trade deposits, loans, advances and short-term prepayments	10	**177,175**	49,340
Other receivables	11	**208,042**	6,556
Taxation - net		**139,292**	82,540
Cash and bank balances		**20,804**	2,189,707
		16,016,285	13,959,688
		37,029,212	35,452,348
EQUITY AND LIABILITIES			
Equity			
Issued, subscribed and paid-up capital	12	**6,300,000**	3,150,000
Subscription money against rights issue		**-**	1,943,175
Accumulated loss		**(18,275,899)**	(18,362,739)
Special reserve		**1,943,476**	1,943,476
Revaluation surplus on property, plant and equipment		**11,149,288**	11,149,288
Other reserves		**1,947**	1,947
		1,118,812	(174,853)
Non-current liabilities			
Long-term borrowings		**4,054,249**	4,215,146
Long-term lease liability		**148,237**	152,448
Deferred taxation - net		**12,735**	9,922
Employee benefit obligations		**450,323**	450,323
		4,665,544	4,827,839
Current liabilities			
Trade and other payables		**18,875,639**	18,036,132
Short-term borrowings	13	**12,322,058**	12,599,469
Unearned revenue	14	**22,719**	140,525
Current portion of long-term lease liability		**4,586**	3,370
Unclaimed dividend		**19,854**	19,866
		31,244,856	30,799,362
		35,910,400	35,627,201
CONTINGENCIES AND COMMITMENTS	15		
		37,029,212	35,452,348

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Aftab Husain	Zahid Mir	Imran Ahmad Mirza
Director	Managing Director & CEO	Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020 - UNAUDITED

		Six months ended		Quarter ended	
	Note	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
		(Rupees in thousand)			
Revenue from contracts with customers	16	**37,621,872**	58,318,302	**19,963,015**	22,596,860
Cost of sales		**(36,389,820)**	(58,460,703)	**(19,612,165)**	(23,741,651)
Gross profit / (loss)		**1,232,052**	(142,401)	**350,850**	(1,144,791)
Distribution costs		**(118,082)**	(126,819)	**(64,666)**	(60,285)
Administrative expenses		**(226,719)**	(216,056)	**(127,236)**	(126,088)
Other operating expenses	17	**(35,269)**	(27,919)	**1,878**	(27,301)
Other income		**178,093**	137,796	**144,138**	102,259
Operating profit / (loss)		**1,030,075**	(375,399)	**304,964**	(1,256,206)
Finance costs		**(649,073)**	(867,683)	**(339,284)**	(441,331)
Share of (loss) / income of associate accounted for using the equity method		**(5,070)**	1,719	**(5,070)**	1,719
Profit / (loss) before taxation		**375,932**	(1,241,363)	**(39,390)**	(1,695,818)
Taxation		**(290,858)**	(441,440)	**(157,374)**	(168,299)
Profit / (loss) for the period		**85,074**	(1,682,803)	**(196,764)**	(1,864,117)
Other comprehensive income / (loss)		**-**	-	**-**	-
Total comprehensive profit / (loss)		**85,074**	(1,682,803)	**(196,764)**	(1,864,117)
			(Re-stated)		(Re-stated)
Earnings / (loss) per share - basic and diluted	18	**Rs. 0.14**	(Rs. 3.89)	**(Rs. 0.33)**	(Rs. 4.31)

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Aftab Husain	**Zahid Mir**	**Imran Ahmad Mirza**
Director	Managing Director & CEO	Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020 - UNAUDITED

	Issued subscribed and paid up Share Capital	Subscription money against rights Issue	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, 2019	2,940,000	-	1,943,476	9,290,728	897	(10,666,517)	(393)	1,050	3,509,241
Loss for the six months period ended December 31, 2019	-	-	-	-	-	(1,682,803)	-	-	(1,682,803)
Other comprehensive income for the six months period ended December 31, 2019	-	-	-	-	-	-	-	-	-
Effect of change in accounting policy due to adoption of IFRS 9 by associate	-	-	-	-	-	(393)	393	-	-
	-	-	-	-	-	(1,683,196)	393	-	(1,682,803)
Balance as at December 31, 2019	2,940,000	-	1,943,476	9,290,728	897	(12,349,713)	-	1,050	1,826,438
Balance as at July 1, 2020	3,150,000	1,943,175	1,943,476	11,149,288	897	(18,362,739)	-	1,050	(174,853)
Profit for the six months period ended December 31, 2020	-	-	-	-	-	85,074	-	-	85,074
Other comprehensive income for the six months period ended December 31, 2020	-	-	-	-	-	-	-	-	-
Subscription money against rights issue	-	1,207,277	-	-	-	-	-	-	1,207,277
Issuance costs for rights shares	-	(452)	-	-	-	1,766	-	-	1,314
Issue of right shares (note 12.1)	3,150,000	(3,150,000)	-	-	-	-	-	-	-
	3,150,000	(1,943,175)	-	-	-	86,840	-	-	1,293,665
Balance as at December 31, 2020	**6,300,000**	**-**	**1,943,476**	**11,149,288**	**897**	**(18,275,899)**	**-**	**1,050**	**1,118,812**

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Aftab Husain
Director

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020 - UNAUDITED

	Note	December 31, 2020	December 31, 2019
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	20	**(1,802,064)**	8,377,262
Interest paid		**(698,841)**	(929,164)
Taxes paid		**(344,797)**	(417,704)
Contribution made to retirement benefit plans		**(61,064)**	(57,524)
Decrease in long-term deposits and loans		**650**	2,604
Net cash (used in) / generated from operating activities		**(2,906,116)**	6,975,474
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(85,693)**	(953,862)
Proceeds from disposal of property, plant and equipment		**3,984**	-
Interest recieved		**50,291**	33,847
Net cash used in investing activities		**(31,418)**	(920,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received net of rights issuance cost		**1,208,591**	-
Payment against long-term borrowing		**(200,000)**	(200,000)
Proceeds / (repayment) of short term borrowings - net		**1,850,000**	(3,100,000)
Proceeds from salary refinancing		**145,301**	-
Payment against lease obligation		**(24,358)**	(21,551)
Dividend paid		**(12)**	(1,902)
Net cash from / (used) in financing activities		**2,979,522**	(3,323,453)
Net (decrease) / increase in cash and cash equivalents		**41,988**	2,732,006
Cash and cash equivalents at the beginning of the period		**(3,693,313)**	(4,547,890)
Exchange gain on cash and cash equivalents		**-**	685
Cash and cash equivalents at the end of the period	21	**(3,651,325)**	(1,815,199)

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Aftab Husain	**Zahid Mir**	**Imran Ahmad Mirza**
Director	Managing Director & CEO	Chief Financial Officer

1 THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited ("the Company") was incorporated in Pakistan as a public limited company in May 1960. The Company 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).

The geographical locations and addresses of the Company's business units, including plant are as under:

- Refinery complex and registered office of the Company is at Korangi Creek Road, Karachi; and

- Storage tanks are at Kamari, Karachi.

2 BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the six months period ended December 31, 2020 has 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 Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting 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 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 This condensed interim financial information of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

2.3 During the period due to heavy rainfall, the rainwater washed away a portion of the Pile Bridge inside Malir River, which carries the intra-city oil pipelines connecting Keamari Terminal to the Refinery, located at Korangi Creek for transportation of crude oil and products. Consequently, the Refinery was shut down for 12 days and resumed operations on September 9, 2020. The management considered various options to minimise the resultant loss and restored the crude supply line on priority basis within minimum time span, through a temporary arrangement, whereas gantry operations were used for product deliveries in addition to the High Speed Diesel (HSD) supplies through PARCO System. White oil line was restored in December 2020 while crude and furnace oil line were restored subsequent to the reporting period. The Company used Horizontal Directional Drilling (HDD) technique to lay the pipeline below the river bed.

2.4 As at December 31, 2020, the Company's accumulated loss was Rs. 18.28 billion on December 31, 2020 (June 30, 2020: Rs. 18.36 billion). In addition, current liabilities of the Company exceeded its current assets by Rs. 15.23 billion as at December 31, 2020 (June 30, 2020: 16.84 billion). The Company ended the period with negative cash and cash equivalents amounting to Rs. 3.65 billion (June 30, 2020: Rs. 3.69 billion).

The above 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.

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 at par value amounting to Rs. 3.15 billion. This activity was completed during the period thereby increasing the share capital to Rs. 6.3 billion.

Further, by changing crude recipe and operational philosophy during the period, Company was able to produce IMO-2020 grade Marine Residual Fuel (MRF), a premium product and EURO II compliant High Speed Diesel for a certain period that enabled the company to earn additional revenues. However, sustainable production of above high premium products is tied with long term crude arrangements.

Furthermore, sustainable production of Petrol (MS) 92 RON and the ability to produce MS 95/97 RON has also resulted in saving of RON differential price adjustment on MS and generation of additional revenues to the Company.

In addition the continued availability of financing facilities demonstrate the confidence of financial institutions on the Company's business model supporting the liquidity management. All the above factors contributed positively and the Company earned profits during the period as compared to loss in the corresponding period.

Based on the above factors and their expected positive impact on the Company's financial projections, and continuous availability of financing facilities, 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 this condensed interim financial information. Accordingly, this condensed interim financial information 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 considered unable to continue as a going concern.

2.5 The Company continued its operations despite slowdown of economic activities due to spread of COVID-19 with no material impact during the period. As explained in note 14 to this condensed interim financial information the Company has availed long term loan under SBP's refinance scheme for payment of salaries and wages.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2020.

4 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2020, but are considered not to be relevant or do not have any significant effect on the Company's financial position and are therefore not stated in this condensed interim financial information.

5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) relevant to the Company as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS standards 2018-2020 relevant to the Company are effective for annual reporting periods beginning on or after January 1, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 1, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 1, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

6 USE OF ESTIMATES AND JUDGEMENTS

In preparing this condensed interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements as at and for the year ended June 30, 2020.

7 FINANCIAL RISK MANAGEMENT

The Company's financial risk management policies and objectives are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2020.

8 PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	**307,137**	217,998
Equipment including furniture	**23,533**	5,890
Fire fighting and telecommunication systems	**759**	1,322
Buildings	**-**	2,777
Major spare parts and stand by equipment - net of transfers	**(6,195)**	8,665
Capital work-in-progress - net of transfers	**(242,387)**	717,210
	82,847	953,862

8.1.1 Fixed assets having Net Book Value of Rs. 2.89 million were disposed-off during the period. No disposal of assets were made during the corresponding period.

8.2 During the period, assets having Net Book Value of Rs. 4.81 million were written off as explained in detail in note 2.3 to this condensed interim financial information.

8.3 Capital work-in-progress

	Unaudited December 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	
Keamari terminal	**73,713**	291,787
Power generation, transmission and distribution	**72,838**	61,385
Processing plant	**48,069**	105,094
Pipelines	**20,956**	19,499
Equipment including furniture	**23,440**	19,823
Vehicles and other automotive equipment	**8,641**	1,827
Water treatment and cooling system	**5,331**	5,331
Korangi tank farm	**763**	2,503
Advances to contractors / suppliers	**29,772**	18,661
	283,523	525,910

9 TRADE RECEIVABLES

This includes an amount of Rs. 4.05 billion due from PSO - (related party).

	Unaudited December 31, 2020	Audited June 30, 2020
10 TRADE DEPOSITS, LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS	(Rupees in thousand)	
Trade deposits	**49,275**	12,146
Loans to employees recoverable within one year	**7,332**	8,785
Advances for supplies and services	**13,749**	13,706
Short-term prepayments	**106,819**	14,703
	177,175	49,340

10.1 Trade deposits, loans and advances do not carry any interest.

11 OTHER RECEIVABLES

11.1 This include an amount of Rs. 176.33 million receivable from insurance companies. The amount includes replacement cost for damaged components of the pile bridge and estimated inventory losses as mentioned in note 2.3 with the consultation of surveyor.

11.2 It includes an amount of Rs. 10.20 million due from Pak-Arab Refinery Limited (PARCO) - (related party) in respect of sharing of crude oil, freight and other charges.

12 SHARE CAPITAL

Unaudited December 31, 2020	Audited June 30, 2020		Note	Unaudited December 31, 2020	Audited June 30, 2020
(Numbers)				(Rupees in thousand)	
		Authorised share capital			
		1,000,000,000 (2019: 1,000,000,000) Ordinary shares of Rs. 10 each		**10,000,000**	10,000,000
		Issued, subscribed and paid-up share capital			
		Ordinary shares of Rs. 10 each			
601,000,000	286,000,000	Ordinary shares fully paid in cash		**6,010,000**	2,860,000
29,000,000	29,000,000	Ordinary shares issued as fully paid bonus shares		**290,000**	290,000
630,000,000	315,000,000			**6,300,000**	3,150,000

Reconciliation between Ordinary shares in issue at the beginning and end of the year / period is as follows:

315,000,000	294,000,000	Opening shares outstanding		**3,150,000**	2,940,000
315,000,000	21,000,000	Shares issued during the period	12.1	**3,150,000**	210,000
630,000,000	315,000,000			**6,300,000**	3,150,000

12.1 During the period the Company issued 315 million right shares at Rs. 10 per ordinary share in the ratio of 1 right share for every 1 ordinary share held.

To facilitate completion of rights issue process, PSO provided an undertaking that it will subscribe such portion of Class A shares (i.e. 40% of the total Rights Issue) which remains unsubscribed. This was accepted by the Securities and Exchange Commission of Pakistan, resultantly waiving the requirement of underwriting for the said rights issue.

The process of Rights Issue was completed during the period, thereby increasing the share capital from Rs. 3.15 billion to Rs. 6.3 billion. PSO subscribed additional 22,459,028 Class A shares of the Company thereby increasing its shareholding from 60% to 63.56%.

12.2 On September 1, 2020, the Members in the Extra-Ordinary General Meeting passed a special resolution to amend the Memorandum and Articles of Association of the Company eliminating classes of shares which was bifurcated into Class 'A' and 'B' shares in the ratio of 40 : 60, wherein the authorised share capital for Class 'A' and 'B' shares was Rs. 4,000 million and Rs. 6,000 million respectively.

		Unaudited December 31, 2020	Audited June 30, 2020
13 SHORT TERM BORROWINGS	**Note**	**(Rupees in thousand)**	
Short-term borrowings	13.1	**8,350,000**	6,500,000
Running finance under mark-up arrangements	13.2	**3,672,129**	5,883,020
Current portion of long-term borrowings		**299,929**	216,449
		12,322,058	12,599,469

13.1 This represents mark-up based short term finance from commercial banks repayable in 5 to 47 (June 30, 2020: 13 to 34) days from the date of condensed interim statement of financial position at a mark-up ranging from 7.85% to 7.99% (June 30, 2020: 7.94% to 9.43%) per annum. These are secured by way of ranking charge on inventory and trade receivables.

13.2 As at December 31, 2020 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 9.45 billion (June 30, 2020: Rs. 9.45 billion). These arrangements are secured by way of hypothecation over stock of crude oil, finished products and trade receivables of the Company. The mark-up rate ranging from one month KIBOR+3% to three months KIBOR+0.5% as at December 31, 2020 (June 30, 2020: one month KIBOR+3% to three months KIBOR+0.50%) per annum. Purchase prices are payable on demand. Facilities for invoice discounting as at December 31, 2020 amounted to Rs. 7 billion (June 30, 2020: Rs. 7 billion).

14 UNEARNED REVENUE

In pursuant to Circular Letter dated April 10, 2020 from State Bank of Pakistan (SBP), the Company has obtained payroll refinancing amounting to Rs. 277 million from United Bank Limited (UBL) for six months period starting from April 2020 to September 2020 for the payment of salaries and wages for the said period. The loan is repayable in 8 equal quarterly instalments and carries mark-up of 3% per annum.

The loan is initially recognised in accordance with the requirements of IFRS 9 "Financial Instruments" i.e. at fair value basis. The differential between the loan proceeds and fair value of the loan is recorded as deferred income in accordance with the requirements of IAS 20 "Government Grants". The deferred income is amortised over the life of the loan using effective interest rate method. During the period, the Company recognised deferred income amounting to Rs. 22.72 million. Subsequently, Rs. 7.10 million has been recognised as Other Income.

Balance as at June 30, 2020 represents additional revenue earned on sale of petroleum products during June 27, 2020 to June 30, 2020 consequent to increase in ex-refinery prices by the GoP effective June 27, 2020. The amount has been recognised as income during the period.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 Claims against the Company not acknowledged as debt amount to Rs. 5.92 billion (June 30, 2020: Rs. 5.69 billion). These include Rs. 5.31 billion (June 30, 2020: Rs. 5.38 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.40 billion (June 30, 2020: Rs. 7.40 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

15.1.2 There have been no significant changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2020.

15.1.3 Bank guarantee of Rs. 124.63 million (June 30, 2020: Rs. 124.63 million) was issued in favour of Sui Southern Gas Company Limited.

15.2 Commitments

As at December 31, 2020 commitments outstanding for capital expenditure amounted to Rs. 0.14 billion (June 30, 2020: Rs. 0.13 billion).

		Six months ended		Quarter ended	
		December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
16 REVENUE FROM CONTRACTS WITH CUSTOMERS	**Note**	**(Rupees in thousand)**			
Local sales	16.1	**62,233,595**	78,857,582	**32,001,073**	30,240,120
Exports		**1,572,060**	2,362,886	**1,572,060**	1,266,969
Gross sales		**63,805,655**	81,220,468	**33,573,133**	31,507,089
Less:					
- Sales tax		**(9,022,159)**	(11,458,039)	**(4,649,778)**	(4,393,921)
- Excise duty and petroleum levy		**(15,418,892)**	(8,598,136)	**(7,982,167)**	(3,545,675)
- Custom duty		**(1,396,165)**	(1,935,732)	**(696,981)**	(751,894)
- Surplus price differential		**(346,567)**	(910,259)	**(281,192)**	(218,739)
		37,621,872	58,318,302	**19,963,015**	22,596,860

16.1 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 Ministry of Energy (MoE)

17 This includes an amount of Rs. 10 million imposed by OGRA as a penalty alleging that one of the product sample independently tested by OGRA did not meet the required specifications. The Company is of the opinion that the penalty is in non-compliance with OGRA Rules 2016 and has challenged the Order by filing a review petition with the Office of Chairman OGRA.

	Six months ended		Quarter ended	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
18 EARNINGS / (LOSS) PER SHARE	**(Rupees in thousand)**			
Earnings / (loss) attributable to ordinary shareholders	**85,074**	(1,682,803)	**(196,764)**	(1,864,117)
Weighted average number of ordinary shares outstanding during the period	**605,344**	(Re-stated) 432,755	**605,344**	(Re-stated) 432,755
Basic and diluted earnings / (loss) per share	**Rs. 0.14**	(Rs. 3.89)	**(Rs. 0.33)**	(Rs. 4.31)

18.1 The weighted average number of shares as at December 31, 2019 have been increased to reflect the bonus element in the rights issue.

18.2 There were no dilutive potential ordinary shares in issue as at December 31, 2020 and December 31, 2019.

19 TRANSACTION WITH RELATED PARTIES

The Company has related party relationship with parent company, associated undertakings, directors, key management personnel and retirement benefit funds.

Sale of certain products is transacted at prices regulated by the Oil & Gas Regulatory Authority. Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to the actuarial advice. All other related party transactions are carried out on commercial terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their Refinery Leadership Team including the Chief Executive Officer and Directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements.

			Six months ended	
			December 31, 2020	December 31, 2019
		Note	**(Rupees in thousand)**	
Name	**Nature of transaction**			
Parent Company	Sale of goods - net		**23,966,666**	39,879,532
	Services rendered		**168**	315
Associated companies	Purchase of goods - net		**4,712,373**	1,453,330
	Sale of goods - net		**1,048,285**	-
	Services received		**519,289**	504,938
	Services rendered		**11,120**	-
Key management personnel compensation (excluding non-executive directors)	Salaries and other short-term employee benefits		**64,822**	77,474
	Post-employment benefits		**5,380**	4,776
Staff retirement benefit funds	Payments to staff retirement benefit funds		**101,295**	118,540
Non-executive Directors	Remuneration and fees		**11,538**	9,435

20 CASH GENERATED FROM OPERATIONS

	Note	December 31, 2020	December 31, 2019
Profit / (loss) before taxation		**375,932**	(1,241,363)
Adjustments for non-cash charges and other items:			
Mark-up expense		**638,620**	935,912
Depreciation and amortisation		**549,029**	451,947
Provision for employee benefit obligations		**61,064**	57,524
Assets written-off		**4,849**	-
Charge / (reversal) of provision for slow moving stores and spares - net		**7,321**	(1,500)
Profit on deposits		**(50,291)**	(33,847)
Share of loss / (income) of associate		**5,070**	(1,719)
Exchange gains on cash and cash equivalents		**-**	(685)
Gain on disposal of operating assets - net		**(1,091)**	-
		1,214,571	1,407,632
Working capital changes	20.1	**(3,392,567)**	8,210,993
Cash (used in) / generated from operations		**(1,802,064)**	8,377,262

			Six months ended	
			December 31, 2020	December 31, 2019
20.1	**Working capital changes**	**Note**	**(Rupees in thousand)**	
	(Increase) / decrease in current assets			
	Inventories		**(1,735,696)**	3,866,444
	Trade receivables		**(2,108,117)**	13,033,171
	Trade deposits, loans, advances and short-term prepayments		**(127,835)**	(1,287,617)
	Other receivables		**(201,486)**	514,444
			(4,173,134)	16,126,442
	Increase / (decrease) in current liabilities			
	Trade and other payables		**780,567**	(7,915,449)
			(3,392,567)	8,210,993

21 CASH AND CASH EQUIVALENTS

			(Re-stated)
Cash and bank balances		**20,804**	247,359
Running finance under mark-up arrangements	13	**(3,672,129)**	(2,062,558)
		(3,651,325)	(1,815,199)

22 OPERATING SEGMENTS

This condensed interim financial information has been prepared on the basis of a single reportable segment.

Sales to 2 customers represents 77.83% of the revenue during the period and each customer individually exceeds 10% of the revenue.

23 FAIR VALUE FINANCIAL INSTRUMENTS

The carrying values of all financial assets (loans and receivables) and other financial liabilities reflected in this condensed interim financial information are estimated to approximate their fair values, as these are either short-term in nature or repriced periodically.

24 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on February 01, 2021.

Aftab Husain	**Zahid Mir**	**Imran Ahmad Mirza**
Director	Managing Director & CEO	Chief Financial Officer

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