



PAKISTAN REFINERY LTD.

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

August 16, 2021

Dear Sir,

Subject: Financial Results of Pakistan Refinery Limited (PRL) for the year ended June 30, 2021

We have to inform you that the Board of Directors of PRL in their held on August 16, 2021 at 11:30 am at Pakistan Refinery Limited, Karachi has recommended a Nil dividend.

The statement of profit and loss account of the Company for the year ended June 30, 2021 is set out below:

	2021	2020
	(Rupees in thousand)	
Revenue from contracts with customers	92,084,090	90,524,260
Cost of sales	(88,843,085)	(94,892,607)
Gross profit / (loss)	3,241,005	(4,368,347)
Distribution costs	(266,280)	(206,096)
Administrative expenses	(478,810)	(459,767)
Other operating expenses	(176,074)	(43,038)
Other income	636,931	163,901
Operating profit / (loss)	2,956,772	(4,913,347)
Finance cost	(1,311,384)	(1,995,012)
Share of (loss) / income of associate accounted for using the equity method	(6,364)	3,258
Profit / (loss) before income tax	1,639,024	(6,905,101)
Income tax expense	(701,868)	(685,625)
Profit / (loss) for the year	937,156	(7,590,726)
Earnings / (loss) per share - basic and diluted	Rs. 1.52	(Rs. 17.54)

(Re-stated)



A. EXTRACTS FROM THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2.1.3 - BASIS OF PREPARATION

As at June 30, 2021, the Company's accumulated loss was Rs. 18.18 billion (June 30, 2020: Rs. 18.36 billion) and, as at that date current liabilities exceeded its current assets by Rs. 17.80 billion (June 30, 2020: 16.84 billion). The Company ended the year with negative cash and cash equivalents amounting to Rs. 5.46 billion (June 30, 2020: Rs. 3.69 billion). These conditions may cast a significant doubt on the Company's ability to continue as a going concern.

Right issue of 1 ordinary share for every 1 share held amounting to Rs. 3.15 billion, announced in February 2020 primarily to address negative equity and liquidity issues was completed during the year thereby increasing the share capital to Rs. 6.30 billion.

During the year, the Economic Coordination Committee (ECC) of the Government of Pakistan approved a revised pricing mechanism effective September 1, 2020 which allowed refineries to announce ex-refinery prices of regulated products on fortnightly basis as compared to previous monthly basis. Under the revised mechanism, pricing of regulated products is based on average Freight on Board (FOB) price published by Platts for Arab Gulf Market plus PSO's actual premium, freight, incidentals (excluding ocean losses) and applicable taxes. Through the same mechanism, EURO V standard is introduced for pricing of Motor Spirit (MS) and High Speed Diesel (HSD) instead of EURO II resulting in a price differential element for refineries not producing EURO V standard MS and HSD.

Further, by changing crude recipe and operational philosophy during the year, the 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 year that enabled the Company to earn additional revenues. However, sustainable production of above high premium products is tied with long term crude arrangements. The Company's ability to produce Petrol (MS) 92, 95 and 97 RON resulted in saving of RON differential price adjustment on MS and also generated additional revenues to the Company during the year. 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.



Finance Act, 2021 introduced following amendments which have material impact on existing refineries:

- Reduction in rate of Minimum Tax on turnover from 0.75% to 0.5%;
- Decrease in rate of Custom Duty on crude oil imports from 5% to 2.5%;
- 10-year tax holiday for undertaking upgrade or expansion projects on profit earned therefrom; and
- Levy of General Sales Tax at the rate of 17% on crude oil purchases which were "zero rated" previously.

These measures will have a favourable impact on the future results of the Company.

Based on the above factors and their positive effect on Company's projections together with the continuous availability of financing facilities, the Company believes that it will meet the obligations and will continue to operate as a going concern for a period of at least 12 months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis and therefore, do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if for any reason, the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realise assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in these financial statements.

B. EXTRACTS FROM THE INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

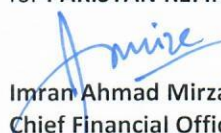
Material Uncertainty Relating to Going Concern

We draw attention to note 2.1.3 to the financial statements, which indicates that the Company has accumulated losses of Rs. 18.18 billion as at June 30, 2021 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 17.80 billion. As stated in note 2.1.3, these events or conditions, along with the other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

C. ANNUAL GENERAL MEETING & BOOK CLOSURE

The Annual General Meeting of the Company will be held on Thursday, October 14, 2021 at 11:00 am at Karachi. The Share Transfer Books of the Company will remain closed from Friday, October 8, 2021 to Thursday, October 14, 2021 (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


Mustafa Saleemi
Company Secretary