

1ST QUARTER REPORT

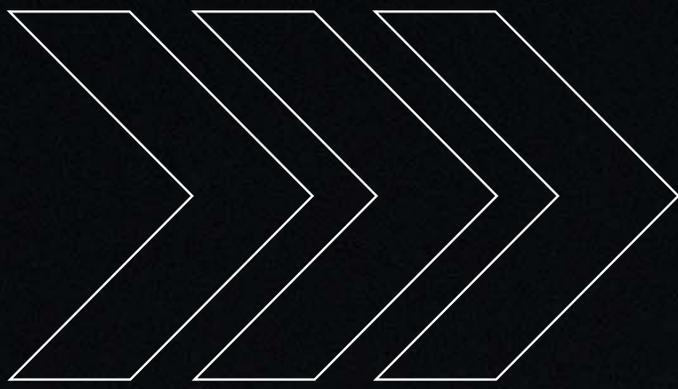
SEPTEMBER 30, 2011



PAKISTAN REFINERY LIMITED

The background of the entire page is a photograph of a refinery at night. The scene is illuminated by various lights, including a tall, slender stack on the left with a red light at the top, and several large, cylindrical distillation columns in the center. A complex network of pipes and structural steel is visible throughout the facility. The sky is a deep, dark blue, suggesting twilight or early night. The overall atmosphere is industrial and active.

investing in a
BRIGHTER FUTURE

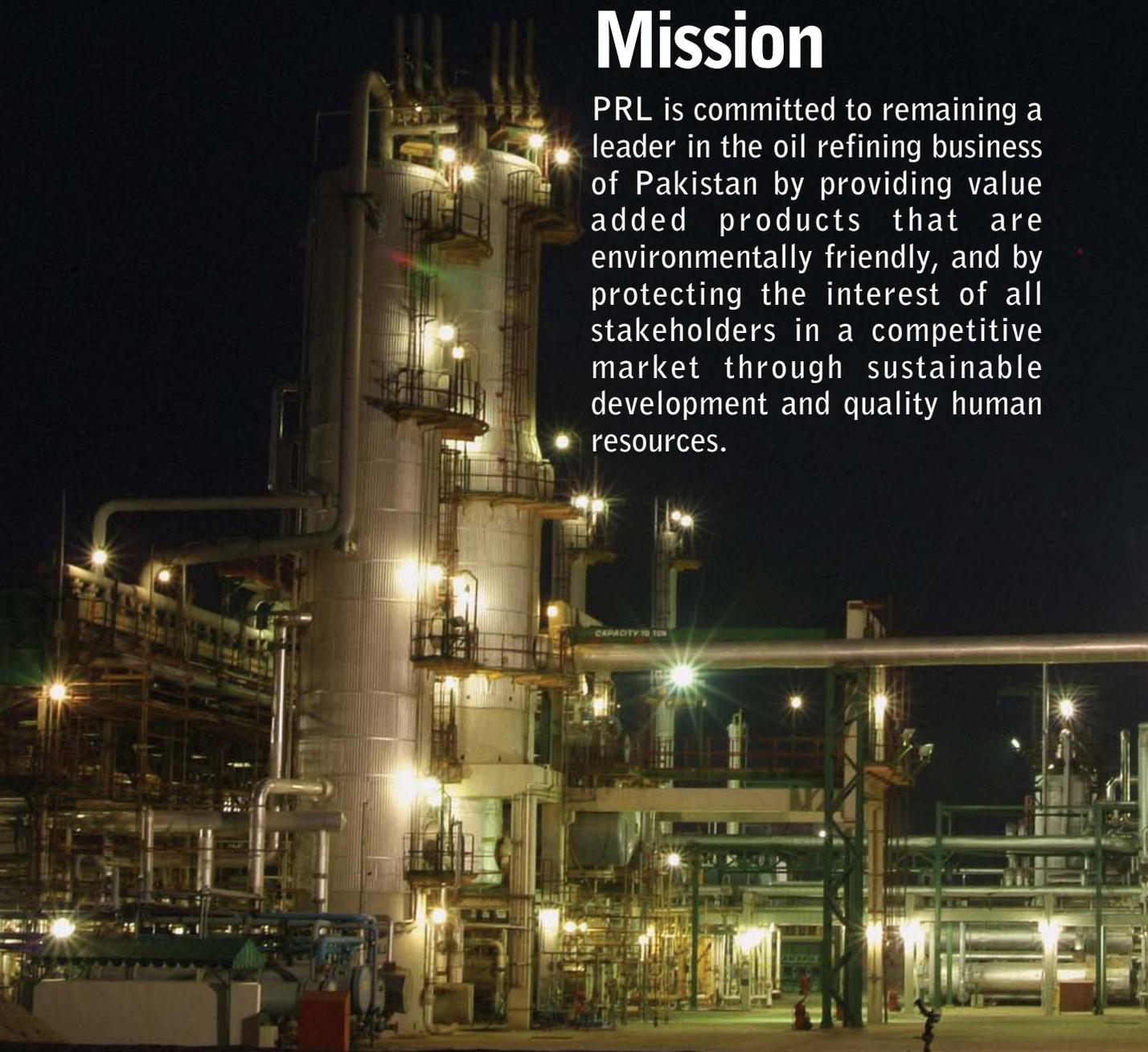


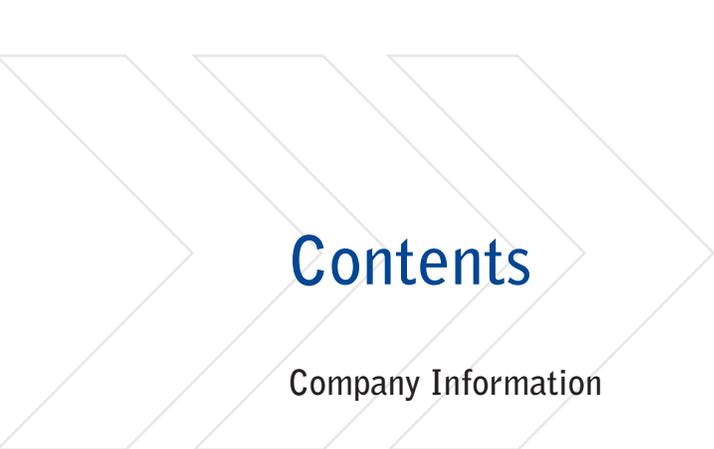
Vision

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.





Contents

Company Information	02
Board of Directors	03
Board and Management Committees	04
Directors' Review	05
Condensed Interim Balance Sheet	06
Condensed Interim Profit and Loss Account	07
Condensed Interim Cash Flow Statement	08
Condensed Interim Statement of Changes in Equity	09
Notes to and Forming Part of the Condensed Interim Financial Information	10

Company Information

Chief Financial Officer

Imran Ahmad Mirza

Company Secretary

Kashif Lawai

Auditors

A. F. Ferguson & Co.

Legal Advisor

Orr Dignam & Co.

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.

State Life Building 1-A, 1st Floor

I.I. Chundrigar Road, Karachi-74000

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

MCB Bank Limited

National Bank of Pakistan

NIB 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

Mr. Farooq Rahmatullah

Chairman

Mr. Ijaz Ali Khan

Managing Director & CEO

Mr. Chang Sern Ee

Director

Mr. Jahangir Ali Shah

Director

Mr. Khawaja Nimr Majid

Director

Mr. Mohammad Zubair

Director

Mr. Muhammad Azam

Director

Mr. Muqtadar A. Quraishi

Director

Mr. Rafi Haroon Basheer

Director

Mr. Saleem Butt

Director

Mr. Sarim Sheikh

Director

Board Committees

Human Resource Committee

The HR Committee comprises of four members, including the Chairman, from the non-executive Directors of the Board. The HR Committee has been delegated the role of assisting the Board of Directors in ensuring that the Company is able to attract and retain a professional, motivated and competent workforce.

Board Technical Review Committee

The Board Technical Review Committee comprises of two non-executive Directors. It is responsible for removing barriers for realising the upgrade project for the Company's project team, institutionalising project execution process and governance for the upgrade project and endorsement of the investment decisions recommended by the Project Steering Committee.

Audit Committee

The Audit Committee comprises of three members, including the Chairman, from the 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 Committee assists the Board of Directors in ensuring adequate safeguard of Company's assets, effectiveness and adequacy of its system of internal controls and compliance with operational, financial and risk management policies.

Management Committees

Purchase Committee

Purchase Committee is responsible for ensuring that all procurement activities are conducted in a transparent and objective manner and the same is duly monitored by the senior management representatives of the Committee.

Recruitment and Selection Committee

Recruitment and Selection Committee is responsible for ensuring that the Company adds only top-class talent to its existing talent pool in order to sustain standards of professionalism and competence in the Company. The Committee consists of managers with diversified experience in order to ensure recruitment of well-rounded individuals.

Policies & Procedures Review Advisory Committee

This Committee is responsible for ensuring that Company's policies are as per market practices and in line with regulatory requirements and that well laid-out and documented procedures exist for these policies. The Committee is responsible for the regular review of these policies and procedures to ensure that they remain relevant and appropriate over time.

Project Steering Committee

Project Steering Committee is responsible to facilitate and support the project manager by ensuring adequate involvement in the project by various stakeholders. It also acts in an advisory capacity regarding major decisions at venture level and scope decisions and provision of assistance for resolution of resourcing issues.

Ethics Committee

Ethics Committee is responsible for ensuring that Company's operations are conducted in conformity with organisational objectives and policies with high standards of values and ethical conduct. The Company has defined policies regarding harassment, acceptance of gifts, conflict of interest etc. and no deviations are tolerated.

Directors' Review

The year 2011-12 has had a positive start. The Company posted profit after tax of Rs. 24.40 million for the quarter as compared to loss after tax of Rs. 24.01 million during the same period last year. This improved profitability was mainly on the back of stable hydrocarbon prices supported by improved refining margins and operational excellence through increased production of value added products. However, Rupee depreciation and increasing financing cost resulting from liquidity challenges, resulted in Company incurring substantial cost of Rs. 292 million during the period under review.

During the period under review, Company paid Rs. 128 million on account of turnover tax. Currently refineries in Pakistan are operating under specified pricing mechanism set by Oil & Gas Regulatory Authority and at very thin and volatile margins. Resultantly, this minimum tax liability is far exceeding the normal tax liability in case of our Company. This increased burden of tax has further aggravated the financial position of the Company already affected due to volatile margins, devaluation of Pak Rupee and circular debt issue.

Sales revenue of the Company increased by 38% mainly due to significant increase in product prices as compared to same period last year. The Refinery processed 419,652 M.Tons of crude / condensate with average crude intake of 4,561 M.Tons/day against 5,011 M.Tons/day during the comparable period. During the period, average prices of Murban Crude and Arabian Light Crude, major components of the Refinery's crude recipe, were USD 111.34/bbl and USD 108.53/bbl against USD 74.48/bbl and USD 73.66/bbl respectively during the same period last year.

The management of your Company is committed and striving for operational excellence and cost control through various initiatives, and remains in constant communication with the highest levels of Oil Marketing Companies and representatives of Ministry of Petroleum & Natural Resources for timely settlement of our overdue amounts.

The Company will continue to strive for undertaking the upgradation project for production of value added and environment friendly products by the stipulated deadline. However, improved Government support would assist the continuity and timely completion of the projects.

HSEQ and Business Controls remained an area of focus and PRL continued to strengthen processes for mitigation of assessed risks. During the quarter, Refinery remained compliant with all applicable HSEQ standards including National Environment Quality Standards.

The Board of Directors would like to express their gratitude to our valued customers, concerned Government ministries and all employees of the Company for their continuous support.

On behalf of the Board of Directors



Farooq Rahmatullah

Chairman

Karachi: October 26, 2011

Condensed Interim Balance Sheet

as at September 30, 2011

	Note	Unaudited September 30, 2011	Audited June 30, 2011
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets	2	4,384,337	4,359,064
Investment in associate		73,449	70,576
Long-term loans and advances		4,298	5,013
Long-term deposits		13,800	13,800
		<u>4,475,884</u>	<u>4,448,453</u>
Current assets			
Stores, spares and chemicals		246,805	253,888
Stock-in-trade		12,444,014	9,054,172
Trade debts		14,407,915	9,979,708
Loans and advances		32,203	26,075
Accrued mark-up		-	900
Trade deposits and short-term prepayments		52,168	47,901
Other receivables		7,855	1,139,886
Taxation - payments less provision		6,282	20,620
Tax refunds due from government - sales tax		856,944	856,944
Cash and bank balances		4,670	7,164
		<u>28,058,856</u>	<u>21,387,258</u>
		<u>32,534,740</u>	<u>25,835,711</u>
EQUITY			
Share capital		350,000	350,000
Reserves		1,947	1,947
Accumulated loss	1.5	(892,732)	(917,140)
Fair value reserve		(834)	(1,818)
		<u>(541,619)</u>	<u>(567,011)</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
		3,143,928	3,143,928
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		-	12,027
Deferred taxation		15,642	6,638
		<u>15,642</u>	<u>18,665</u>
Current liabilities			
Trade and other payables		21,809,157	20,070,080
Short-term borrowing		6,705,928	1,705,128
Accrued mark-up		138,773	22,706
Payable to government - sales tax		1,262,931	1,442,215
		<u>29,916,789</u>	<u>23,240,129</u>
		29,932,431	23,258,794
Contingencies and commitments	3		
		<u>32,534,740</u>	<u>25,835,711</u>

The annexed notes 1 - 8 form an integral part of this condensed interim financial information.



Farooq Rahmatullah
Chairman



Ijaz Ali Khan
Chief Executive

Condensed Interim Profit and Loss Account

for the quarter ended September 30, 2011 (Unaudited)

	Note	September 30, 2011	September 30, 2010
(Rupees in thousand)			
Sales	1.4	34,095,891	26,453,836
Less: Sales tax, excise duty and petroleum levy		(4,951,324)	(5,390,476)
		29,144,567	21,063,360
Cost of sales		(28,577,397)	(20,725,026)
Gross profit		567,170	338,334
Distribution cost		(39,137)	(27,625)
Administrative expenses		(44,821)	(35,117)
Other operating expenses		(14,622)	(13,561)
Other income		17,124	26,009
Operating profit		485,714	288,040
Finance cost		(292,333)	(109,907)
Share of income of associate		3,911	2,824
Profit before taxation		197,292	180,957
Taxation - current		(164,410)	(210,841)
- deferred		(8,474)	5,872
		(172,884)	(204,969)
Profit / (Loss) after taxation		24,408	(24,012)
Other comprehensive income			
Change in fair value of available for sale investments of associate		1,514	684
Deferred tax relating to fair value change of available for sale investments of associate		(530)	(240)
		984	444
Total comprehensive income / (loss)		25,392	(23,568)
Earnings / (Loss) per share		Rs 0.70	(Rs 0.69)

The annexed notes 1 - 8 form an integral part of this condensed interim financial information.



Farooq Rahmatullah
Chairman



Ijaz Ali Khan
Chief Executive

Condensed Interim Cash Flow Statement

for the quarter ended September 30, 2011 (Unaudited)

	Note	September 30, 2011	September 30, 2010
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	4	(4,720,201)	371,503
Mark-up paid		(31,623)	(49,138)
Income Tax paid		(150,072)	(113,146)
Contribution to defined benefit retirement plans		(24,936)	(1,138)
Decrease in long-term loans and advances		715	518
Increase in long term deposits		-	(80)
Net cash (used in) / generated from operating activities		(4,926,117)	208,519
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(81,932)	(17,279)
Proceeds from sale of property, plant and equipment		-	1,227
Return on deposits		2,204	4,936
Dividend received		2,552	5,102
Net cash used in investing activities		(77,176)	(6,014)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(1)	(53)
Net (decrease) / increase in cash and cash equivalents		(5,003,294)	202,452
Cash and cash equivalents at the beginning of the period		(1,697,964)	(170,084)
Cash and cash equivalents at the end of the period	5	(6,701,258)	32,368

The annexed notes 1 - 8 form an integral part of this condensed interim financial information.



Farooq Rahmatullah
Chairman



Ijaz Ali Khan
Chief Executive

Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2011 (Unaudited)

	SHARE CAPITAL	RESERVES				FAIR VALUE RESERVE	TOTAL
		CAPITAL Exchange equalisation reserve	REVENUE General reserve	Unappropri- ated profit / (accumula- ted loss)	SPECIAL RESERVE (note 1.3)		
← (Rupees in thousand) →							
Balance as at July 1, 2010	350,000	897	1,050	(1,141,096)	-	(5,966)	(795,115)
Loss for the quarter ended September 30, 2010	-	-	-	(24,012)	-	-	(24,012)
Other comprehensive income	-	-	-	-	-	444	444
Total recognised loss for the quarter ended September 30, 2010	-	-	-	(24,012)	-	444	(23,568)
Balance as at September 30, 2010	350,000	897	1,050	(1,165,108)	-	(5,522)	(818,683)
Balance as at July 1, 2011	350,000	897	1,050	(917,140)	-	(1,818)	(567,011)
Profit for the quarter ended September 30, 2011	-	-	-	24,408	-	-	24,408
Other comprehensive income	-	-	-	-	-	984	984
Total recognised profit for the quarter ended September 30, 2011	-	-	-	24,408	-	984	25,392
Balance as at September 30, 2011	350,000	897	1,050	(892,732)	-	(834)	(541,619)

The annexed notes 1 - 8 form an integral part of this condensed interim financial information.



Farooq Rahmatullah
Chairman



Ijaz Ali Khan
Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter ended September 30, 2011 (Unaudited)

1. BASIS OF PREPARATION

- 1.1 This condensed interim financial information have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi and Lahore Stock Exchanges.
- 1.2 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2011.
- 1.3 Under directive from the Ministry of Petroleum & Natural Resources' (the Ministry), any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

The Ministry through its notification dated October 14, 2010 has directed refineries not to adjust the losses against Special Reserves. However, Company's legal counsel has advised that the notification is not applicable as the matter is sub judice before the Supreme Court of Pakistan.

- 1.4 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government, which adjustment, if any, shall be accounted for when it arises. Sales of certain de-regulated products (MS, HOBC, LDO and Aviation Fuels) are based on prices set under notification No. PL-3(434)/2011 Vol-XII dated May 31, 2011 from the Ministry of Petroleum and Natural Resources (MoP&NR).
- 1.5 As at September 30, 2011 the Company has accumulated losses of Rs 892.73 million and its current liabilities exceed its current assets by Rs 1.86 billion. These conditions indicate the existence of material uncertainty that may cast doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. During the quarter ended September 30, 2011 the Company has earned profit after taxation of Rs 24.41 million. Further, the pricing mechanism of certain products, effective from June 1, 2011, has been revised by the Government of Pakistan (GoP) which is expected to have a favourable impact on the Company's profitability and liquidity. Therefore, the Company expects to be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, this condensed interim financial information is prepared on a going concern basis.

2. FIXED ASSETS

Following are the additions to property, plant and equipment during the period:

	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
Buildings	674	-
Processing plant, tank farm and power generation	13,925	2,702
Equipment including furniture	10,533	1,152
Capital work-in-progress	56,800	13,425
	<u>81,932</u>	<u>17,279</u>

There were no major disposals during the period.

Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter ended September 30, 2011 (Unaudited)

3. CONTINGENCIES AND COMMITMENTS

3.1 Contingencies

3.1.1 Claims against the Company not acknowledged as debt, including late payment surcharges, amount to Rs 1.93 billion (June 30, 2011: Rs 1.92 billion).

3.1.2 The Company has raised claims aggregating Rs 5.14 billion (June 30, 2011: Rs 4.90 billion) on certain Oil Marketing Companies (OMCs) under the respective sale and purchase of product agreements in respect of interest on late payments from them against receivables. These claims, however, have not been recognised in this condensed interim financial information as these have not been acknowledged by the OMCs.

3.1.3 Bank guarantees of Rs 193 million (June 30, 2011: Rs 193 million) were issued in favour of third parties.

3.2 Commitments

3.2.1 Commitments outstanding for capital expenditure as at September 30, 2011 amounted to Rs 58.03 million (June 30, 2011: Rs 38.33 million).

3.2.2 Outstanding letters of credit as at September 30, 2011 amounted to Rs 15.84 million (June 30, 2011: Rs 23.97 million).

3.2.3 Commitments for rentals under ijarah arrangements amounted to Rs 24.54 million (June 30, 2011: Rs 28.19 million).

4. CASH FLOW FROM OPERATING ACTIVITIES

September 30, 2011	September 30, 2010
-----------------------	-----------------------

(Rupees in thousand)

Profit before taxation	197,292	180,957
Adjustments for non-cash charges and other items		
Depreciation	46,157	37,930
Share of income of associate	(3,911)	(2,824)
Gain on disposal of property, plant and equipment	-	(1,110)
Exchange loss on short-term borrowing	-	21,044
Mark-up expense	147,690	50,355
Return on deposits	(1,304)	(4,936)
Provision for defined benefit retirement plans	12,909	4,885
	201,541	105,344
Working capital changes - note 4.1	(5,119,034)	85,202
Cash (used in) / generated from operations	<u>(4,720,201)</u>	<u>371,503</u>

4.1 Working capital changes

(Increase) / Decrease in current assets		
Stores, spares and chemicals	7,083	(6,108)
Stock-in-trade	(3,389,842)	(3,099,003)
Trade debts	(4,428,207)	(3,147,305)
Loans and advances	(6,128)	7,317
Trade deposits and short-term prepayments	(4,267)	(1,327)
Other receivables	1,132,031	1,369,627
	(6,689,330)	(4,876,799)
(Decrease) / Increase in current liabilities		
Trade and other payables	1,749,580	4,121,427
Tax due to government - sales tax	(179,284)	840,574
	1,570,296	4,962,001
	<u>(5,119,034)</u>	<u>85,202</u>

Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter ended September 30, 2011 (Unaudited)

September 30, 2011	September 30, 2010
(Rupees in thousand)	

5. CASH AND CASH EQUIVALENTS

Cash and bank balances	4,670	32,368
Short-term loan	(855,040)	-
Running finance under mark-up arrangements	(5,850,888)	-
	(6,701,258)	32,368

6. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions during the period are:

Relationship	Nature of transaction		
Associated companies	Dividend received	2,551	5,102
	Sale of goods	23,910,165	17,258,706
	Purchase of goods	7,099,250	2,227,528
	Services rendered	8,284	10,904
Entity where a director of the Company is a key management personnel	Sale of goods	-	564,922
	Interest received	-	1,948
Key management employees' compensation	Salaries and other short-term employee benefits	24,582	11,099
	Post-employment benefits	1,903	1,186

Sale of certain products is transacted at prices fixed by the Oil and Gas Regulatory Authority. Other transactions with related parties are carried out on commercially negotiated terms.

Status of outstanding balances in respect of related parties as at September 30, 2011 is included in trade debts, other receivables and trade and other payables.

7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 16, 2011 proposed a final cash dividend of Rs. 1.5 per share (2010: Nil) in respect of the year ended June 30, 2011 which was later approved by members in the 51st Annual General Meeting held on October 26, 2011. The financial information for the quarter ended September 30, 2011 does not include the effect of approved dividend amounting to Rs.52.5 million which will be accounted for in the financial information for the half year ending December 31, 2011.

8. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on October 26, 2011 by the Board of Directors of the Company.





PAKISTAN REFINERY LIMITED

P.O. Box 4612, Korangi Creek Road
Karachi-75190, Pakistan.
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
Email: info@prl.com.pk
Website: www.prl.com.pk