



1st quarter report September 30, 2006



o u r

V I S I O N

To be the refinery of first choice
for all stakeholders.

o u r

M I S S I O N

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.

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Company INFORMATION

Company Secretary

Saleem Butt

Auditor

A. F. Ferguson & Co.

Legal Advisor

Orr Dignam & Co.

Registrar & Share Registration Office

Ferguson Associates (Pvt.) Ltd.
P. O. Box 4716,
State Life Building 1-A,
Off. I. I. Chundrigar Road, Karachi-74000.

Bankers

- ABN AMRO Bank N.V. ■ Askari Commercial Bank
- Bank Alfalah Limited ■ Bank Al-Habib Limited ■ Citi Bank, N.A.
- Habib Bank AG Zurich ■ Habib Bank Limited ■ MCB Bank Limited
- Soneri Bank Limited ■ National Bank Limited
- Standard Chartered Bank ■ The Hongkong and Shanghai Banking Corporation Limited ■ Union Bank Limited
- United Bank Limited

Registered Office

P. O. Box 4612, Korangi Creek Road, Karachi-74000
Tel Off: (92-21) 5091771-79, 5091811-16
Fax: (92-21) 5060145, 5091780
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info@prl.com.pk



Board of DIRECTORS

Farooq Rahmatullah
Chairman

Nadeem N. Jafarey
Director

Ardeshir Cowasjee
Director

S. Ali Raza
Director

Asif Sindhu
Director

Sabar Hussain
Director

Hussain Dawood
Director

Zaiviji Ismail bin Abdullah
Director

Ijaz Ali Khan
Director

Zafar Haleem
Managing Director & CEO

Jalees Ahmed Siddiqi
Director

Board COMMITTEES

Audit Committee

Zaiviji Ismail bin Abdullah
Jalees Ahmed Siddiqi
Asif Sindhu
Anwar Sadiq

Chairman
Member
Member
Secretary

Human Resources Committee

Jalees Ahmed Siddiqi
Ijaz Ali Khan
Nadeem N. Jafarey

Chairman
Member
Member

Strategic Project Committee

Hussain Dawood
Zaiviji Ismail bin Abdullah

Chairman
Member

Management COMMITTEES

Purchase Committee

Chief Financial Officer
General Manager Human Resources & Administration
General Manager Operations & Supply

Executive Committee

General Manager Human Resources & Administration
General Manager Engineering & Construction
General Manager Operations & Supply
Chief Financial Officer

Recruitment & Selection Committee

General Manager Human Resources & Administration
General Manager Commercial & Technical Services
General Manager Operations & Supply

Policies & Procedures Review

Advisory Committee

General Manager Human Resources & Administration - Coordinator
General Manager Engineering & Construction
General Manager Commercial & Technical Services
Chief Financial Officer

Directors' REVIEW

The Board of Directors of Pakistan Refinery Limited presents the unaudited Financial Statements of the Company for the quarter ended September 30, 2006.

The downward trend of oil prices was observed during the quarter under review, pushing down substantially the international refining margins. Rising U.S fuel stocks, a lessening of the threat of imminent action over Iran nuclear stand off, larger increase in US distillates inventories and downward forecast for oil demand for the years 2006 and 2007 are the key factors responsible for fall of oil prices.

The economy of our country remained under high pressure during the quarter under review due to inflation and ever-increasing trade deficit besides the oil prices, as the trickle down effect of change in oil prices is yet to assimilate to the economic fundamentals.

Consumption of petroleum products in the country was 4.181 million tons in comparison to 3.281 million tons in the corresponding quarter last year. Motor Spirit consumption decreased by 11.64% mainly because of cheaper CNG alternative. Furnace Oil consumption however, increased by 98% due to frequent interruption in gas supplies and late start of monsoon season.

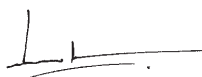
Tariff protection formula applicable to refining sector remained the key-differentiating factor between the global and local refining environment. In spite of this factor the company made a loss of Rs. 631.6 million after tax. The factors contributing to this loss were the negative margins for hydroskimming refineries due to depressed product prices, closure of refinery for 28 days Turn-around and recording a Net Realizable Value (NRV) adjustment on the closing stock, thereby reducing its value by Rs. 223.6 million. This adjustment is the consequence of significant reduction in world pricing during the quarter. The adjustment will be reversed in the second quarter (Oct-Dec 2006) to reflect the actual amount realised from these stocks.

During the current quarter, your refinery operated at a capacity of 5,500 MT/Day Vs 5,650 MT/Day during the corresponding quarter, recording a small decrease of 1.5%. The major event of the quarter is that of successful completion of 28 days Turn-around which was carried out in the month of August 2006. The suspension of refinery operations during such period has affected sales revenue, which has decreased by 27% in comparison with the corresponding quarter turnover.

Your Company has continued successful in providing its commitments towards sustained assets integrity and safety of its human resources by achieving the historical landmark of 11.45 million man-hours without Loss Time Injury and thereby setting a new HSE Standard. Your company also ensured compliance with applicable HSE&Q standards including National Environment Quality Standards (NEQS) and in addition, it also received "Annual Environmental Excellence Award 2006" during the quarter under review.

The Board of Directors' would like to express their gratitude to its valued customers and all employees of the Company for their continuous support.

On behalf of the Board of Directors



Farooq Rahmatullah
Chairman



Zafar Haleem
Chief Executive

Karachi: October 20, 2006

Balance SHEET

as at September 30, 2006 (Unaudited)

		Unaudited September 30, 2006	Audited June 30, 2006
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	2	892,166	816,734
Investment in associate		54,858	50,609
Long-term loans and advances		11,025	11,231
Long-term deposits		2,887	2,887
Deferred taxation		9,702	4,195
Retirement benefit obligations - prepayments		33,795	31,893
		1,004,433	917,549
Current assets			
Stores, spares and chemicals		221,647	282,797
Stock-in-trade		4,546,367	3,843,622
Trade debts		4,226,777	3,674,774
Loans and advances		22,590	25,852
Accrued interest / mark-up		2,920	1,271
Trade deposits and short-term prepayments		45,745	56,025
Other receivables		3,503	3,532
Tax refunds due from Government - Sales tax		1,050,655	833,671
Financial assets at fair value through profit and loss		4,589	2,199
Cash and bank balances		422,152	2,363,107
		10,546,945	11,086,850
Total assets		11,551,378	12,004,399
EQUITY AND LIABILITIES			
Share capital		250,000	250,000
Reserves		77,030	77,030
Special reserve	1.3	3,592,910	4,224,518
		3,919,940	4,551,548
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		6,495	5,628
Current liabilities			
Trade and other payables		5,343,217	7,063,744
Accrued interest / mark-up		7,740	8,782
Short-term borrowings		2,037,678	29,080
Taxation - provision less payments		236,308	345,617
		7,624,943	7,447,223
Total liabilities		7,631,438	7,452,851
Total equity and liabilities		11,551,378	12,004,399

The annexed notes form an integral part of these financial statements.



Farooq Rahmatullah
Chairman



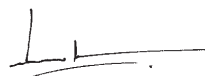
Zafar Haleem
Chief Executive

Profit & LOSS ACCOUNT

for the first quarter ended September 30, 2006 (Unaudited)

	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in thousand)	
Sales	12,144,222	16,010,560
Sales tax, excise duty and development surcharge	(1,891,964)	(1,952,800)
	10,252,258	14,057,760
Cost of sales	(10,797,618)	(13,286,926)
Gross (loss) / profit	(545,360)	770,834
Distribution cost	(21,461)	(35,803)
Administrative expenses	(33,481)	(25,619)
Other operating expenses	(130)	(50,737)
Other income	19,540	20,369
Operating (loss) / profit	(580,892)	679,044
Financial costs	(9,211)	(8,439)
Share of income of associate	4,036	2,167
(Loss) / Profit before taxation	(586,067)	672,772
Taxation - current	(51,261)	(236,082)
- deferred	5,720	4,076
	(45,541)	(232,006)
(Loss) / Profit after taxation	(631,608)	440,766
(Loss) / Earnings per share - basic and diluted	Rs (21.05)	Rs 14.69

The annexed notes form an integral part of these financial statements.



Farooq Rahmatullah
Chairman



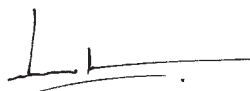
Zafar Haleem
Chief Executive

Statement Of CHANGES IN EQUITY

for the first quarter ended September 30, 2006 (Unaudited)

	SHARE CAPITAL	CAPITAL		RESERVES		FAIR VALUE RESERVE	SPECIAL RESERVE	TOTAL
		Reserve for issue of Bonus Shares	Exchange Equalisation Reserve	REVENUE				
				General Reserve	Unappropriated Profit			
(Rupees in thousand)								
Balance as at June 30, 2005 as previously reported	200,000	-	897	1,050	69,698	-	2,960,053	3,231,698
Effect of change in accounting policy for recognition of investment in associate on equity method	-	-	-	-	-	12,608	19,523	32,131
Balance as at June 30, 2005 as restated	200,000	-	897	1,050	69,698	12,608	2,979,576	3,263,829
Profit for the three months ended September 30, 2005	-	-	-	-	440,766	-	-	440,766
Final dividend for the year ended June 30, 2005 @ Rs. 2.50 per share	-	-	-	-	(50,000)	-	-	(50,000)
Balance as at September 30, 2005	<u>200,000</u>	<u>-</u>	<u>897</u>	<u>1,050</u>	<u>460,464</u>	<u>12,608</u>	<u>2,979,576</u>	<u>3,654,595</u>
Balance as at June 30, 2006	250,000	-	897	1,050	69,698	5,385	4,224,518	4,551,548
loss for the three months ended September 30, 2006	-	-	-	-	-	-	(631,608)	(631,608)
Issue of 1 bonus share of every 5 share held	-	50,000	-	-	(50,000)	-	-	-
Balance as at September 30, 2006	<u><u>250,000</u></u>	<u><u>50,000</u></u>	<u><u>897</u></u>	<u><u>1,050</u></u>	<u><u>19,698</u></u>	<u><u>5,385</u></u>	<u><u>3,592,910</u></u>	<u><u>3,919,940</u></u>

The annexed notes form an integral part of these financial statements.



Farooq Rahmatullah
Chairman



Zafar Haleem
Chief Executive

Cash Flow STATEMENT

for the first quarter ended September 30, 2006 (Unaudited)

	Note	September 30, 2006	September 30, 2005 (Restated)
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	3	(3,680,314)	120,022
Mark-up paid		(8,782)	(11,607)
Taxes paid		(160,357)	(105,203)
Payments for defined benefit retirement plans		(6,743)	(331)
Long-term loans and advances (net)		206	(1,463)
Net cash (used in) / from operating activities		(3,855,990)	1,418
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(104,355)	(45,259)
Proceeds from sale of fixed assets		42	-
Investment in associate		(213)	-
Profit received on deposits		10,963	(7,670)
Net cash used in investing activities		(93,563)	(52,929)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(227)
Net decrease in cash and cash equivalents		(3,949,553)	(51,738)
Cash and cash equivalents at the beginning of period		2,334,027	248,487
Cash and cash equivalents at the end of the period	4	(1,615,526)	196,749

The annexed notes form an integral part of these financial statements.


Farooq Rahmatullah
Chairman


Zafar Haleem
Chief Executive

Notes to the FINANCIAL STATEMENTS

for the first quarter ended September 30, 2006 (Unaudited)

1. BASIS OF PREPARATION

- 1.1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting and are 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 these financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2006.

However for accounting for 'Investment in associated' in the current quarter, the only effect of share of profit after tax of associate and related tax impact have been taken.

- 1.3. The prices of refinery products are primarily based on import parity pricing formula. However, in order to enable certain refineries including the Company to operate on a self financing basis, the Government effective from July 01, 2002 had introduced a tariff protection formula under which deemed duty is built into the import parity based prices of some of the products. Under this formula, any profit after taxation above 50% of the paid-up capital as it was on July 01, 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 respective refineries.

Sales for the current quarter are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Any subsequent adjustment arising there from shall be accounted for as and when the said policy is finalized.

- 1.4. Net Realizable Value (NRV) Adjustment

During this period the company has recorded an NRV adjustment of Rs. 223.65 million on its closing inventory as at September 30, 2006. This adjustment is the consequence of significant reduction in world oil prices during the quarter.

2. FIXED ASSETS

Following are the major additions to fixed assets during the period:

	September 30, 2006 (Rupees in thousand)
Processing plant	17,032
Equipment including furniture	4,986
Vehicles and other automotive equipment	2,260
	24,278

3. CASH FLOW FROM OPERATING ACTIVITIES

	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in thousand)	
(Loss) / Profit before taxation	(586,067)	672,772
Adjustments for non-cash charges and other items:		
Depreciation	28,923	30,000
Profit on disposal of fixed assets	(42)	-
Profit on deposits	(12,612)	(3,045)
Share of income of associate	(4,036)	(2,167)
Mark-up expense	7,740	6,696
Provision for defined benefit retirement plans	5,708	5,994
Working capital changes - Note 3.1	(3,119,928)	(590,228)
Cash (used in) / generated from operations	(3,680,314)	120,022

Notes to the FINANCIAL STATEMENTS

for the first quarter ended September 30, 2006 (Unaudited)

3.1 Working Capital Changes

	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in thousand)	
(Increase)/decrease in current assets		
Stores, spares and chemicals	61,150	2,181
Stocks in trade	(702,745)	(2,449,509)
Trade debts	(552,003)	(307,044)
Loans and advances	3,262	(52,399)
Trade deposits and short-term prepayments	10,280	(6,303)
Other receivables	29	(2,896)
Tax refund due from Government	(216,984)	(301,174)
Financial assets at fair value through profit and loss	(2,390)	-
	(1,399,401)	(3,117,144)
Increase/(decrease) in current liabilities		
Trade and other payables	(1,720,527)	2,526,916
	(3,119,928)	(590,228)
	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in thousand)	

4. CASH AND CASH EQUIVALENT

Cash and bank balances	422,152	598,189
Short-term loans	-	(400,000)
Short-term running finance	(2,037,678)	(1,440)
	(1,615,526)	196,749

5. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

Relationship	Nature of transaction	Transactions during the period	
		September 30, 2006	September 30, 2005
		(Rupees in thousand)	
Associated companies	Sale of goods	8,287,353	12,512,081
	Sale of services	349	-
	Purchase of goods and services	3,623	20,251
	Provision of services and other receipts	-	11,408
	Donations	-	1,000
	Contribution to staff retirement benefit plans	6,743	5,994

There are no transactions with Key Management Personnel other than under their terms of employment.

Notes to the FINANCIAL STATEMENTS

for the first quarter ended September 30, 2006 (Unaudited)

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of the financial assets and liabilities approximate their fair value.

7. CORRESPONDING FIGURES

Prior period's figures have been rearranged and reclassified for the purpose of comparison. Major changes are:

Reclassification from component	Reclassification to component	Reason for reclassification	Amount (Rupees in thousand)
Profit and loss account - Administration expenses - Donation - Worker's profits participation fund - Worker's welfare fund	Profit and loss account - Other operating expenses	To bring it in line with annual financial statements that were changed after the revision of Fourth Schedule to the Companies Ordinance, 1984	130 - -
Face of Profit and loss account - Reimbursement to Government	Cost of Sales - Reimbursement to Government	For better presentation	101,023

8. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 20, 2006 by the Board of Director of the Company.


Farooq Rahmatullah
 Chairman


Zafar Haleem
 Chief Executive



PAKISTAN REFINERY LIMITED

P. O. Box 4612 Korangi Creek Road, Karachi-74000, Pakistan.

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