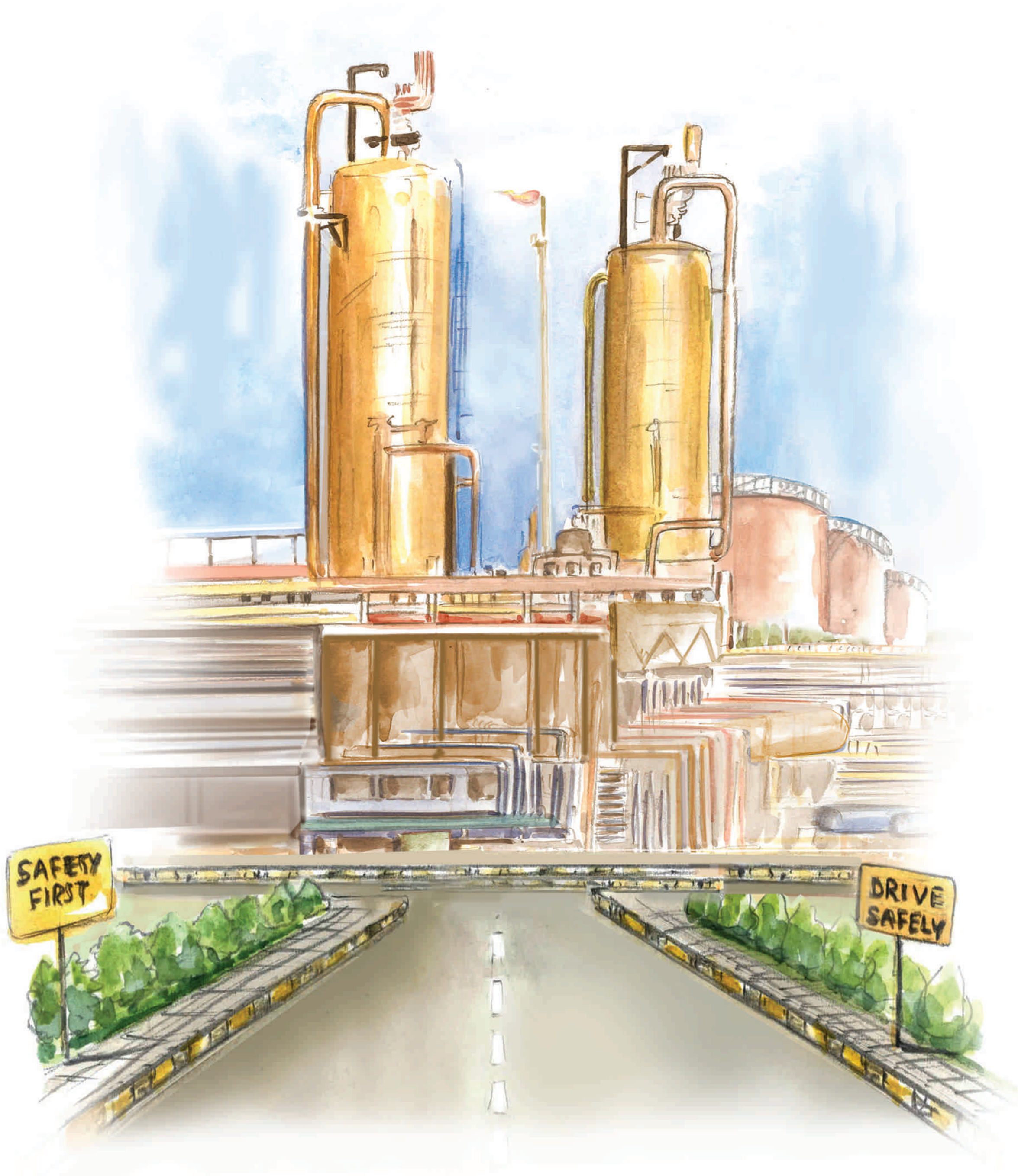
3rd Quarter Report
MARCH 31, 10



PRL

PAKISTAN REFINERY LTD.

OUR VISION

To be the Refinery of first choice for all stakeholders.

OUR MISSION

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmental friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.

CONTENTS

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.
Habib Metropolitan Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
NIB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland Limited
United Bank Limited

Registered Office
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BOARD OF DIRECTORS

Mr. Farooq Rahmatullah
Chairman

Mr. Ijaz Ali Khan
Managing Director & CEO

Mr. Ardeshir Cowasjee
Director

Mr. Zaiviji Ismail bin Abdullah
Director

Mr. Irfan K. Qureshi
Director

Mr. Nadeem N. Jafarey
Director

Mr. Sabar Hussain
Director

Mr. Rafi Haroon Basheer
Director

Mr. Saleem Butt
Director

Mr. Khong Kok Toong
Director

Mr. Amr Ahmed
Director

BOARD COMMITTEES

Human Resource Committee
The HR Committee comprises of three 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.

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.

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.

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.

DIRECTORS' REVIEW

The current financial year continued with low overall refining margins and high financial costs resulting in after tax loss of Rs. 105 million for the third quarter ended March 31, 2010 compared to after tax profit of Rs. 308 million earned in the corresponding quarter last year. The cumulative loss after tax amounted to Rs. 1,805 million for the nine months period ended March 31, 2010 against loss of Rs. 3,669 million for the comparable period.

During the quarter under review, the Refinery operated at low throughput, mainly due to financing issues resulting from the circular debt in the energy sector. Arab light crude marked high and low of USD 81.94 per bbl and USD 69.71 per bbl respectively during the current quarter.

Throughput during the quarter under review is analysed as follows:

- 4,153 MT of crude oil was processed per day as compared to 5,618 MT per day for the corresponding quarter.
- Sales volume of products decreased by 27 percent over last year.
- Local crude was processed at 792 MT per day as compared with 1,116 MT per day in the corresponding period.

The Company management has been engaging with the highest levels of the Ministry of Petroleum and Natural Resources to address pertinent issues including working out a suitable refinery pricing formula to ensure refinery operations on a long term basis as well as the implementation of the upgrade project.

During the quarter under review, Company started repayment of its short term loan of USD 50 million obtained from ECO Trade and Development Bank (ETDB) of Turkey which was obtained to finance PRL's crude oil imports from Iran. Subsequent to this quarter end, the company has fully repaid the loan. As the Company achieved significant financial benefits from the low financing cost of this transaction, the Company is renegotiating a new loan agreement with ETDB to dilute the impact of inter corporate circular debt and its consequent financial cost.

The Company continued to focus on operating cost management and operational excellence to mitigate the effects of depressed refining margins. HSEQ and Business Controls remained the primary area of focus and PRL continued to strengthen processes for mitigation of assessed risks. During the nine months period, Refinery achieved 1.51 million man-hours without Lost Time Injury and 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: April 21, 2010

Condensed Interim Balance Sheet
as at March 31, 2010

	Note	Unaudited March 31, 2010	Audited June 30, 2009
ASSETS		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment	2	**2,394,869**	2,336,063
Intangible assets		**1,226**	6,739
Investment in associate		**63,641**	57,280
Long-term loans and advances		**12,820**	16,466
Long-term deposits		**14,056**	14,012
Deferred taxation	3	**384,475**	978,215
Retirement benefit obligations - prepayments		**25,997**	4,161
		2,897,084	3,412,936
Current assets			
Stores, spares and chemicals		**232,596**	239,794
Stock-in-trade		**7,151,779**	8,367,282
Trade debts		**16,205,414**	14,431,063
Loans and advances		**15,051**	14,383
Accrued mark-up		**5,986**	13,160
Trade deposits and short-term prepayments		**25,400**	8,542
Other receivables		**1,030,835**	1,969,604
Tax refunds due from government - sales tax		**1,095,058**	1,095,058
Cash and bank balances		**66,290**	3,909,833
		25,828,409	30,048,719
Total assets		**28,725,493**	33,461,655
EQUITY			
Share capital		**350,000**	350,000
Reserves		**16,958**	14,921
Special reserve	1.3	**9,257**	1,814,421
		376,215	2,179,342
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		**35**	4,372
Current liabilities			
Trade and other payables		**25,525,975**	25,377,179
Short-term borrowings		**898,934**	4,105,936
Running finance under mark-up arrangements		**264,676**	-
Accrued interest / mark-up		**75,637**	-
Tax due to government - sales tax		**1,035,214**	894,810
Taxation - provision less payments		**548,807**	900,016
		28,349,243	31,277,941
Total liabilities		**28,349,278**	31,282,313
Contingencies and commitments	4		
Total equity and liabilities		**28,725,493**	33,461,655

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

Condensed Interim Profit and Loss Account

for the nine months period ended March 31, 2010 (Unaudited)

	Note	For the quarter January - March 2010	For the quarter January - March 2009	For the nine months period July 2009 March 2010	For the nine months period July 2008 March 2009
		(Rupees in thousand)			
Sales		**21,926,444**	20,347,418	**70,244,263**	77,060,041
Less: Sales tax, excise duty and development levy		**(4,185,108)**	(5,913,447)	**(13,557,990)**	(14,957,642)
		17,741,336	14,433,971	**56,686,273**	62,102,399
Cost of sales		**(17,706,732)**	(13,748,001)	**(56,821,419)**	(65,275,065)
Gross profit / (loss)		**34,604**	685,970	**(135,146)**	(3,172,666)
Distribution cost		**(26,194)**	(24,856)	**(90,254)**	(83,154)
Administrative expenses		**(36,363)**	(32,970)	**(104,535)**	(113,579)
Other operating expenses		**(200)**	(268)	**(200)**	(1,057)
Other income		**25,834**	24,266	**116,819**	102,424
Operating (loss) / profit		**(2,319)**	652,142	**(213,316)**	(3,268,032)
Share of income of associate		**2,544**	4,318	**9,605**	10,958
Finance costs	5	**(93,911)**	(151,001)	**(945,416)**	(2,057,101)
(Loss) / profit before taxation		**(93,686)**	505,459	**(1,149,127)**	(5,314,175)
Taxation - current		**(16,156)**	(19,766)	**(63,393)**	(71,916)
- deferred		**4,514**	(177,517)	**(592,644)**	1,717,180
		(11,642)	(197,283)	**(656,037)**	1,645,264
(Loss) / profit after taxation		**(105,328)**	308,176	**(1,805,164)**	(3,668,911)
Other comprehensive (loss) / income					
Change in fair value reserve on account of available for sale investments of associate		**849**	1,217	**3,134**	(7,675)
Deferred tax relating to component of other comprehensive income / (loss)		**(297)**	(426)	**(1,097)**	2,686
		552	791	**2,037**	(4,989)
Total comprehensive (loss) / income		**(104,776)**	308,967	**(1,803,127)**	(3,673,900)
(Loss) / earnings per share		**Rs. (3.01)**	Rs. 8.81	**Rs. (51.58)**	Rs. (104.83)

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

Condensed Interim Cash Flow Statement

for the nine months period ended March 31, 2010 (Unaudited)

	Note	March 31, 2010	March 31, 2009
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	6	(78,251)	2,775,451
Mark-up paid		(69,582)	(411,999)
Income taxes paid		(414,602)	(83,326)
Contribution to defined retirement benefit plans		(37,350)	(29,795)
Decrease / (increase) in long-term loans and advances (net)		3,646	(3,856)
Increase in long term deposits		(44)	-
Net cash (outflow) / inflow from operating activities		(596,183)	2,246,475
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(175,086)	(828,549)
Sale proceeds from disposal of property, plant and equipment		283	1,994
Profit on deposits received		106,367	42,507
Dividend received		6,378	5,528
Net cash outflow from investing activities		(62,058)	(778,520)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(37)	(44,720)
Short term borrowing		(3,449,941)	1,488,175
Net cash (outflow) / inflow from financing activities		(3,449,978)	1,443,455
Net (decrease) / increase in cash and cash equivalents		(4,108,219)	2,911,410
Cash and cash equivalents at the beginning of the period		3,909,833	2,646,115
Cash and cash equivalents at the end of the period	7	(198,386)	5,557,525

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

Condensed Interim Statement of Changes in Equity

for the nine months period ended March 31, 2010 (Unaudited)

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL	REVENUE		SPECIAL RESERVE	FAIR VALUE RESERVE	
		Exchange equalisation reserve	General reserve	Unappropriated profit			
	(Rupees in thousand)						
Balance as at July 1, 2008	350,000	897	1,050	69,698	6,386,076	(1,816)	6,805,905
Loss for the nine months period ended March 31, 2009	-	-	-	(3,668,911)	-	-	(3,668,911)
Other comprehensive income	-	-	-	-	-	(4,989)	(4,989)
Total recognised loss for the nine months period ended March 31, 2009	-	-	-	(3,668,911)	-	(4,989)	(3,673,900)
Final dividend for the year ended June 30, 2008 @ Rs. 1.42 per share	-	-	-	(50,000)	-	-	(50,000)
Loss for the nine months period ended March 31, 2009 transferred to Special Reserve	-	-	-	3,668,911	(3,668,911)	-	-
Balance as at March 31, 2009	350,000	897	1,050	19,698	2,717,165	(6,805)	3,082,005
Balance as at July 1, 2009	350,000	897	1,050	19,698	1,814,421	(6,724)	2,179,342
Loss for the nine months period ended March 31, 2010	-	-	-	(1,805,164)	-	-	(1,805,164)
Other comprehensive income	-	-	-	-	-	2,037	2,037
Total recognised loss for the nine months period ended March 31, 2010	-	-	-	(1,805,164)	-	2,037	(1,803,127)
Loss for the nine months period ended March 31, 2010 transferred to Special Reserve	-	-	-	1,805,164	(1,805,164)	-	-
Balance as at March 31, 2010	**350,000**	**897**	**1,050**	**19,698**	**9,257**	**(4,687)**	**376,215**

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Statements

for the nine months period ended March 31, 2010 (Unaudited)

1. BASIS OF PREPARATION

1.1. These condensed interim 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 condensed interim 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, 2009.

1.3. Certain refineries including the Company are operating under the tariff protection formula whereby Oil and Gas Regulatory Authority (OGRA) announces the prices of petroleum products, based on international prices including deemed duty in respect of certain products. Profit after tax for a year above 50% of the paid-up capital as at the date of applicability of the tariff formula i.e. July 1, 2002, is to be transferred to a "Special Reserve Account" to offset against future losses or to make investments for expansion or up-gradation of the respective refineries and is therefore not available for distribution. Such transfer is recognised at interim stage and is reviewed for adjustment based on profit / loss on annual basis.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Included in property, plant and equipment are costs aggregating Rs. 1,368.84 million (June 30, 2009: Rs. 1,292.47 million) representing capital work in progress relating to the refinery up-gradation project. The recoverability of this asset is dependent on the arrangement of financing to complete the project. These arrangements are considerably dependent on a favourable outcome on the petroleum pricing mechanism presently under consideration of the Government of Pakistan.

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

	March 31, 2010	March 31, 2009
	(Rupees in thousand)	
Building	**1,391**	15,227
Processing plant, tank farm and power generation	**15,537**	126,263
Equipment including furniture	**8,383**	13,716
Vehicles and other automotive equipment	**370**	2,377
Capital work in progress	**149,405**	670,966
	175,086	828,549

There were no major disposals during the period.

3. DEFERRED TAXATION

Deferred tax asset of Rs. 457.90 million (June 30, 2009: Rs. 1,056.67 million) has been recognised on the carried forward tax losses, the recoverability of which is mainly dependent on timely commissioning of the up-gradation project (referred to in note 2.1) based on which sufficient taxable profits will be available to recover this asset.

4. CONTINGENCIES AND COMMITMENTS

4.1. Contingencies

4.1.1. The Company has raised claims aggregating Rs. 2,869.95 million (June 30, 2009: Rs. 1,771.45 million) on certain oil marketing companies (OMCs) under the respective sale and purchase of products agreements in respect of interest on late payments from them against receivables. These claims, however, have not been recognised in these condensed interim financial statements as these have not been acknowledged by the OMCs.

Notes to and Forming Part of the Condensed Interim Financial Statements

for the nine months period ended March 31, 2010 (Unaudited)

4.1.2. Claims against the Company not acknowledged as debt, including late payment surcharges amount to Rs. 356.35 million (June 30, 2009: Rs. 168.27 million).

4.2. Commitments

4.2.1. Aggregate commitments outstanding for capital expenditure as at March 31, 2010 amount to Rs. 23.06 million (June 30, 2009: Rs. 3.25 million).

4.2.2. Outstanding letters of credit as at March 31, 2010 amount to Rs. 29.23 million (June 30, 2009: Rs. 13.53 million).

4.2.3. Aggregate commitments in respect of leasing and ijarah arrangements of motor vehicles and equipments amounted to Rs. 36.17 million (June 30, 2009: Rs. 33.46 million).

5. FINANCE COSTS

This includes exchange loss on foreign currency transactions amounting to Rs. 628.32 million (March 31, 2009: Rs. 1,552.43 million).

6. CASH (USED IN) / GENERATED FROM OPERATIONS

	March 31, 2010	March 31, 2009
	(Rupees in thousand)	
Loss before taxation	**(1,149,127)**	(5,314,175)
Adjustments for non-cash charges and other items:		
Depreciation / amortisation	**121,510**	101,825
Share of income of associate	**(9,605)**	(10,958)
Gain on disposal of property, plant and equipment	**-**	(1,770)
Exchange loss on short term borrowing	**156,364**	-
Finance costs	**231,793**	504,669
Profit on deposits	**(99,193)**	(49,640)
Provision for defined retirement benefit plans	**11,177**	20,039
Working capital changes - note 6.1	**658,830**	7,525,461
Cash (used in) / generated from operations	**(78,251)**	2,775,451

6.1. Working capital changes

	March 31, 2010	March 31, 2009
(Increase) / decrease in current assets		
Stores, spares and chemicals	**7,198**	(2,368)
Stock-in-trade	**1,215,503**	3,856,652
Trade debts	**(1,774,351)**	(3,840,738)
Loans and advances	**(668)**	4,693
Trade deposits and short-term prepayments	**(16,858)**	28,380
Other receivables	**938,769**	(11,833)
Tax refunds due from government - sales tax	**-**	154,454
Financial assets at fair value through profit and loss	**-**	365
	369,593	189,605
Increase / (decrease) in current liabilities		
Trade and other payables	**148,833**	7,680,108
Tax due to government - sales tax	**140,404**	(344,252)
	289,237	7,335,856
	658,830	7,525,461

Notes to and Forming Part of the Condensed Interim Financial Statements

for the nine months period ended March 31, 2010 (Unaudited)

7. CASH AND CASH EQUIVALENTS

	March 31, 2010	March 31, 2009
	(Rupees in thousand)	
Cash and bank balances	**66,290**	5,557,525
Running finance under mark-up arrangements	**(264,676)**	-
	(198,386)	5,557,525

8. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

	Relationship	Nature of transaction	Transactions during the period	
i	Associated companies	Dividend received	**6,378**	5,528
		Sale of goods	**45,482,928**	52,794,896
		Sale of services	**1,543**	1,916
		Purchase of goods	**5,684,872**	14,372,747
ii	Entity where a Director of the Company is a key management personnel	Sales of goods	**1,305,106**	162,884
iii	Entities whose directors and that of the Company have been appointed by same person(s)	Purchase of services	**63,285**	656,290
iv	Key management compensation	Salaries and other short-term employee benefits	**36,872**	38,493
		Post-employment benefits	**2,693**	2,046

Sale of certain products is transacted at prices fixed by the OGRA. Other transactions with related parties are carried on commercially negotiated terms.

9. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 21, 2010 by the Board of Directors of the Company.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

PAKISTAN REFINERY LTD.

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