3RD QUARTER REPORT

MARCH 31, 2012

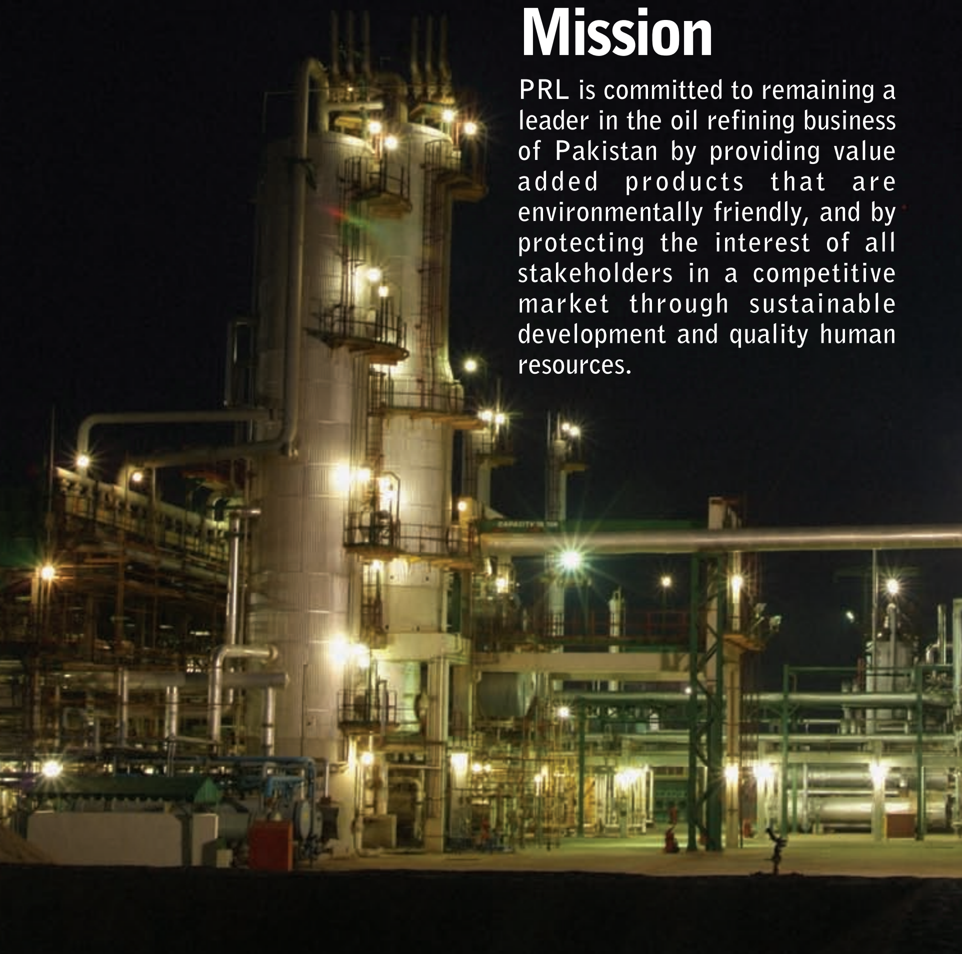
PAKISTAN REFINERY LIMITED

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.



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Company Information

Company Secretary & CFO
Imran Ahmad Mirza

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
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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

Board of Directors

Mr. Farooq Rahmatullah
Chairman

Mr. Aftab Husain
Managing Director & CEO

Mr. Chang Sern Ee
Director

Khawaja Nimr Majid, Esq.
Director

Mr. Mohammad Zubair
Director

Mr. Muhammad Azam
Director

Mr. Muqtadar A. Quraishi
Director

Mr. Naeem Yahya Mir
Director

Mr. Rafi Haroon Basheer
Director

Mr. Saleem Butt
Director

Mr. Sarim Sheikh
Director

Board Committees

Audit Committee
The Audit Committee comprises of three members from the non-executive Directors of the Board. 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.

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, institutionalising project execution process and governance for the refinery upgrade project and endorsement of the investment decisions recommended by the Project Steering Committee of management.

Management Committees

Tender Board
Tender Board 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.

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

After a difficult first six months of the current financial year, the Company made profit after taxation of Rs 251 million for the quarter ended March 31, 2012 as compared to loss after taxation of Rs 834 million during the same period last year.

Further, during the nine months period ended March 31, 2012, the Company posted operating profit of Rs 1.58 billion against an operating profit of Rs 491 million for the same period last year. However, huge exchange losses caused by significant rupee depreciation during the current period, increased financial charges and constant burden of turnover tax has made the Company incur an after tax loss of Rs 89 million as against profit after taxation of Rs 47 million during the corresponding period last year.

The impact of turnover tax on the Company has increased in line with increasing petroleum prices during the period; resultantly the Company has ended up paying Rs 521 million as taxes with an effective tax rate in excess of 100%. Tax liability calculated at 0.5% of turnover therefore significantly impacts the overall profitability and liquidity of the Company. It is pertinent to mention that refineries in Pakistan operate under a controlled pricing mechanism whereby the product prices are not only completely dependent on international prices but the Oil and Gas Regulatory Authority also monitors prices of majority products. The management of the Company, both individually and collectively with other stakeholders of the industry, is constantly making representations to different levels of Federal Board of Revenue (FBR) explaining the situation that refineries operate under a regulated pricing mechanism and hence deserve just relief from unnecessary hardship of turnover tax. FBR has been urged to provide similar relief in turnover tax as given to certain other industries from the applicability of turnover tax.

It is very encouraging that despite all the above challenges, the Refinery managed smooth, uninterrupted and safe operations during the period. Average crude intake during the period was 4,560 M.Tons/day against 4,865 M.Tons/day in the comparative period.

The Company will be shortly undertaking Isomerisation Project as required by the Government of Pakistan (GoP) which will result in increased production of Motor Gasoline, a better margin product and thereby increasing the profitability of the Company. Further, the Company is also considering different options to undertake project for production of environment friendly High Speed Diesel and other products in line with deadlines given by GoP.

The Company continues its focus on Health, Safety, Environment and Quality (HSEQ) standards with processes continuously being reviewed and strengthened, wherever required. The Refinery remained compliant with all applicable HSEQ standards during the period.

The Board of Directors express their gratitude to all stakeholders including Government ministries, employees and shareholders for their continuous support.

On behalf of the Board of Directors.

Farooq Rahmatullah
Chairman

Karachi: April 24, 2012

Condensed Interim Balance Sheet

as at March 31, 2012

	Note	Unaudited March 31, 2012	Audited June 30, 2011
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	2	4,430,338	4,359,064
Investment in associate		76,260	70,576
Long-term loans and advances		6,116	5,013
Long-term deposits		15,062	13,800
		4,527,776	4,448,453
Current assets			
Stores, spares and chemicals		258,139	253,888
Stock-in-trade		13,785,646	9,054,172
Trade debts		22,267,196	9,979,708
Loans and advances		23,298	26,075
Accrued mark-up		-	900
Trade deposits and short-term prepayments		24,706	47,901
Other receivables		5,137	1,139,886
Taxation - payments less provision		-	20,620
Cash and bank balances		14,375	7,164
		36,378,497	20,530,314
		40,906,273	24,978,767
EQUITY			
Share capital		350,000	350,000
Reserves		1,947	1,947
Accumulated loss	1.5	(1,059,286)	(917,140)
Fair value reserve		920	(1,818)
		(706,419)	(567,011)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,143,928	3,143,928
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		20,948	12,027
Deferred taxation		32,677	6,638
		53,625	18,665
Current liabilities			
Trade and other payables		36,433,918	20,070,080
Short-term borrowing		-	754,000
Running finance under mark-up arrangements		649,605	951,128
Accrued mark-up		105,567	22,706
Taxation - provision less payments		18,432	-
Payable to government - sales tax		1,207,617	585,271
		38,415,139	22,383,185
		38,468,764	22,401,850
Contingencies and commitments	3		
		40,906,273	24,978,767

The annexed notes 1 - 7 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Condensed Interim Profit and Loss Account

for the nine months period ended March 31, 2012 (Unaudited)

	For the quarter		For the nine months period	
	January - March 2012	January - March 2011	**July - March 2012**	July - March 2011
	(Rupees in thousand)			
Sales	39,380,787	29,786,538	113,382,187	86,229,387
Less: Sales tax, excise duty and development levy	(6,199,558)	(4,338,253)	(17,527,030)	(15,189,141)
	33,181,229	25,448,285	95,855,157	71,040,246
Cost of sales	(32,389,216)	(25,109,200)	(94,239,285)	(69,556,931)
Gross profit	792,013	339,085	1,615,872	1,483,315
Distribution cost	(38,351)	(33,966)	(120,743)	(95,853)
Administrative expenses	(49,283)	(40,226)	(143,022)	(116,797)
Other operating expenses	(32,974)	(1,026,784)	(35,019)	(1,105,441)
Other income	34,153	104,355	263,060	326,207
Operating profit / (loss)	705,558	(657,536)	1,580,148	491,431
Finance cost	(272,807)	(35,919)	(1,132,960)	(139,419)
Share of income of associate	2,141	2,531	9,625	7,060
Profit / (Loss) before taxation	434,892	(690,924)	456,813	359,072
Taxation - current	(171,528)	(148,122)	(521,394)	(397,903)
- prior years	-	-	-	73,226
- deferred	(12,779)	4,966	(25,065)	12,646
	(184,307)	(143,156)	(546,459)	(312,031)
Profit / (Loss) after taxation	250,585	(834,080)	(89,646)	47,041
Other comprehensive income				
Change in fair value reserve on account of available for sale investments of associate	3,398	1,751	3,712	5,393
Deferred tax relating to component of other comprehensive income	(892)	(613)	(974)	(1,888)
	2,506	1,138	2,738	3,505
Total comprehensive income / (loss)	253,091	(832,942)	(86,908)	50,546
Earnings / (Loss) per share	Rs 7.16	(Rs 23.83)	(Rs 2.56)	Rs 1.34

The annexed notes 1 - 7 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Condensed Interim Cash Flow Statement
for the nine months period ended March 31, 2012 (Unaudited)

	Note	March 31, 2012	March 31, 2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from / (used in) operations	4	2,024,654	(563,525)
Mark-up paid		(264,862)	(117,910)
Taxes paid		(482,342)	(255,651)
Payment for defined benefit plans		(25,301)	(7,652)
(Increase) / Decrease in loans and advances		(1,103)	2,432
Increase in long term deposits		(1,262)	(127)
Net cash from / (used in) operating activities		1,249,784	(942,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(214,786)	(126,377)
Proceeds from disposal of property, plant and equipment		5,410	1,460
Profit received on deposits		65,804	117,371
Dividend received		7,654	7,654
Net cash (used in) / from investing activities		(135,918)	108
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(51,132)	(53)
Net increase / (decrease) in cash and cash equivalents		1,062,734	(942,378)
Cash and cash equivalents at the beginning of period		(1,697,964)	(170,084)
Cash and cash equivalents at the end of period	5	(635,230)	(1,112,462)

The annexed notes 1 - 7 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Condensed Interim Statement of Changes in Equity

for the nine months period ended March 31, 2012 (Unaudited)

	SHARE CAPITAL	RESERVES: CAPITAL — Exchange equalisation reserve	RESERVES: REVENUE — General reserve	RESERVES: REVENUE — Accumulated loss	SPECIAL RESERVE (note 1.3)	FAIR VALUE RESERVE	TOTAL
	(Rupees in thousand)						
Balance as at July 1, 2010	350,000	897	1,050	(1,141,096)	-	(5,966)	(795,115)
Profit for the nine months period ended March 31, 2011	-	-	-	47,041	-	-	47,041
Other comprehensive income	-	-	-	-	-	3,505	3,505
Total recognised income for the nine months period ended March 31, 2011	-	-	-	47,041	-	3,505	50,546
Balance as at March 31, 2011	350,000	897	1,050	(1,094,055)	-	(2,461)	(744,569)
Balance as at July 1, 2011	350,000	897	1,050	(917,140)	-	(1,818)	(567,011)
Dividend at Rs. 1.50 per share relating to year ended June 30, 2011	-	-	-	(52,500)	-	-	(52,500)
Loss for the nine months period ended March 31, 2012	-	-	-	(89,646)	-	-	(89,646)
Other comprehensive income	-	-	-	-	-	2,738	2,738
Total recognised loss for the nine months period ended March 31, 2012	-	-	-	(89,646)	-	2,738	(86,908)
Balance as at March 31, 2012	350,000	897	1,050	(1,059,286)	-	920	(706,419)

The annexed notes 1 - 7 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2012 (Unaudited)

1. BASIS OF PREPARATION

1.1 This condensed interim financial information has 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 The prices of refinery products are notified by the Oil & Gas Regulatory Authority (OGRA) which 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, effective from July 1, 2002 the Government 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, profit after taxation for a year above 50% of the paid-up capital as it was 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 respective refineries. Transfer to Special Reserve is considered on annual basis.

The Ministry of Petroleum and Natural Resources (MoP&NR) 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 MoP&NR.

1.5 As at March 31, 2012 the Company has accumulated losses of Rs 1.06 billion and its current liabilities exceed its current assets by Rs 2.04 billion. These conditions indicate the existence of material uncertainty that may cast a 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 March 31, 2012 the Company has earned gross profit of Rs 792 million and profit after tax of Rs 250.59 million. Further, the pricing mechanism of certain products, effective from June 1, 2011 has been revised by the Government of Pakistan (GoP) which has positively contributed in the current period and is expected to have a further favourable impact on the Company's profitability and liquidity in the future. Moreover, the Company intends to undertake shortly the mandatory up-gradation projects as required by the GoP which will result in increased production of better margin products and thereby the overall profitability will increase. Based on the above facts and the projected profitability of operations and cash flows, 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 additions to property, plant and equipment during the period:

	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Buildings	989	1,171
Processing plant, tank farm and power generation	178,276	25,965
Equipment including furniture and fixtures	18,345	3,336
Vehicles and other automotive equipment	6,474	5,138
Capital work in progress	10,702	90,767
	214,786	126,377

There were no major disposals during the period.

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 3.08 billion (June 30, 2011: Rs 1.92 billion).

3.1.2 The Company has raised claims aggregating Rs 5.93 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 March 31, 2012 amounted to Rs 230.07 million (June 30, 2011: Rs 38.33 million).

3.2.2 Outstanding letters of credit as at March 31, 2012 amounted to Rs 5.32 million (June 30, 2011: Rs 40.03 million).

3.2.3 Aggregate commitments in respect of Ijarah arrangements of motor vehicles and equipment amounted to Rs 41.62 million (June 30, 2011: Rs 28.19 million).

	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
4. CASH FROM / (USED IN) OPERATIONS		
Profit before taxation	456,813	359,072
Adjustments for non-cash charges and other items		
Depreciation	143,389	121,047
Write off of capital work in progress	-	1,077,617
Share of income of associate	(9,625)	(7,060)
Gain on disposal of property, plant and equipment	(5,287)	(1,120)
Exchange loss on short term borrowing	-	(12,619)
Mark-up expense	347,724	105,402
Return on deposit accounts	(64,904)	(117,371)
Provision for defined benefit plans	34,220	14,656
	445,517	1,180,552
Working capital changes - note 4.1	1,122,324	(2,103,149)
Cash from / (used in) operations	2,024,654	(563,525)
4.1 Working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(4,251)	(31,427)
Stock-in-trade	(4,731,474)	(6,061,488)
Trade debts	(12,287,488)	(1,311,876)
Loans and advances	2,777	(59,925)
Trade deposits and short-term prepayments	23,195	24,788
Other receivables	1,134,749	1,381,621
	(15,862,492)	(6,058,307)
Increase in current liabilities		
Trade and other payables	16,362,470	2,933,243
Payable to government - sales tax	622,346	1,021,915
	16,984,816	3,955,158
	1,122,324	(2,103,149)

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2012 (Unaudited)

	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	14,375	18,705
Running finance under mark-up arrangements	(649,605)	(1,131,167)
	(635,230)	(1,112,462)

6. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	Transactions during the period	
Significant related party transactions are:			
Associated companies	Dividend received	7,654	7,654
	Dividend paid	31,805	-
	Sale of goods	75,974,850	53,251,298
	Purchase of goods	24,570,656	15,435,370
	Sale of services	17,395	26,094
	Bank charges	63	7
Entity where a Director of the Company is a key management personnel	Sale of goods	-	2,976,889
	Interest received	-	4,401
	Sale of services	-	2,115
Key management compensation	Salaries and other short-term employee benefits	52,585	36,341
	Post-employment benefits	5,491	5,002

Sale of regulated products is transacted at prices fixed by the Oil and Gas Regulatory Authority and sale of certain deregulated products are based on prices set under notification No. PL-3 (434)/2011 Vol-XII dated May 31, 2011 from MoP&NR. Other transactions with related parties are carried out on commercially negotiated terms.

7. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 24, 2012 by the Board of Directors of the Company.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

PAKISTAN REFINERY LIMITED

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