



3rd quarter report March 31, 2007



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V I S I O N

To be the refinery of first choice
for all stakeholders.

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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 Metropolitan Bank Limited ■ Habib Bank Limited ■ MCB Bank Limited
- Soneri Bank Limited ■ National Bank Limited
- Standard Chartered Bank / Union Bank Limited
- The Hongkong and Shanghai Banking Corporation 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

<http://www.prl.com.pk>

info@prl.com.pk



**Board of
DIRECTORS**

Farooq Rahmatullah
Chairman

Jalees Ahmed Siddiqi
Director

Ardeshir Cowasjee
Director

Nadeem N. Jafarey
Director

Asif S. Sindhu
Director

Shahid Anwar Khan
Director

G. A. Sabri
Director

Zaiviji Ismail bin Abdullah
Director

Hussain Dawood
Director

Zafar Haleem
Managing Director & CEO

Ijaz Ali Khan
Director

Board **COMMITTEES**

Audit Committee

Zaiviji Ismail bin Abdullah
Jalees Ahmed Siddiqi
Asif S. 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 meeting of the Board of Directors of Pakistan Refinery Limited was held on April 23, 2007 to approve and present to the members the un-audited condensed interim financial statements for the nine months ended March 31, 2007.

Your Company made a healthy net profit after tax of Rs. 406.57 million in the third quarter i.e. January-March 2007 and was able to recover some of the losses incurred in the preceding months resulting in a net loss after taxation of Rs. 406.69 million. This happened due to the strong performance of gasoline and naphtha in the month of February and March 2007 on global basis. Singapore complex margin went up as high as USD 8/bbl.

Petroleum products off take in the country has increased to 12.02 million MT versus 10.06 million MT in the corresponding period last year. Within product categories, Motor Spirit sale volume remained depressed, posting a decline of 6.2% from previous period due to shift in consumer preference towards cheaper fuel, CNG and LPG. On the other hand, Furnace Oil sale volume grew by 64.39% as a result of demand posted by higher oil based thermal power generation and frequent interruption in gas supplies from Baluchistan.

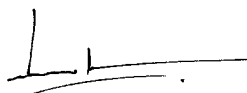
During the period July 2006 till March 2007, your refinery operated at a capacity of 5,728 MT/Day after taking effect of 28 days Turn-around which was carried out in the month of August 2006. However crude oil processed during January-March 2007 was 6,174 MT/Day which is 2% higher as compared to the corresponding period last year.

Your board has now finalised the investment plan and is pleased to inform you that your Company will be making a total investment of USD 320 million over a period of 48 months, this includes an investment of USD 188 million earlier approved by the Board.

The Company has received "Health and Environment National Excellence Award 2006" on account of environmental reporting. At the end of the current period, your Company has achieved 12.40 million man hours without Lost Time Injury and thereby setting a new HSE standard for the competitors.

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

On behalf of the Board of Directors



Farooq Rahmatullah
Chairman



Zafar Haleem
Chief Executive

Karachi: April 23, 2007

Condensed Interim BALANCE SHEET

as at March 31, 2007 (Unaudited)

	Note	March 31, 2007 (Rupees in thousand)	Audited June 30, 2006
ASSETS			
Non-current assets			
Fixed assets	2	933,297	816,734
Investment in associate		54,189	50,609
Long-term loans and advances		12,302	11,231
Long-term deposits		2,887	2,887
Deferred taxation		291,383	4,195
Retirement benefit obligations - prepayments		31,147	31,893
		1,325,205	917,549
Current assets			
Stores, spares and chemicals		224,341	282,797
Stock-in-trade		5,374,102	3,843,622
Trade debts		5,491,541	3,674,774
Loans and advances		30,260	25,852
Accrued interest / mark-up		11,492	1,271
Trade deposits and short-term prepayments		21,342	56,025
Other receivables		17,609	3,532
Tax refunds due from Government - Sales tax		1,385,576	833,671
Financial assets at fair value through profit and loss		-	2,199
Cash and bank balances		536,012	2,363,107
		13,092,275	11,086,850
Total assets		14,417,480	12,004,399
EQUITY AND LIABILITIES			
Share capital		300,000	250,000
Reserves		27,557	77,030
Special reserve	1.4	3,817,828	4,224,518
		4,145,385	4,551,548
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		3,295	5,628
Current liabilities			
Trade and other payables		9,325,667	7,063,744
Accrued interest / mark-up		26,793	8,782
Short-term borrowings		627,016	29,080
Taxation - provision less payments		289,324	345,617
		10,268,800	7,447,223
Total liabilities		10,272,095	7,452,851
Total equity and liabilities		14,417,480	12,004,399

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



Farooq Rahmatullah
Chairman



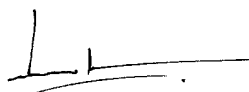
Zafar Haleem
Chief Executive

Condensed Interim PROFIT & LOSS ACCOUNT

for the nine months ended March 31, 2007 (Unaudited)

	For the quarter		Year to date	
	January - March 2007	January - March 2006 (Restated)	July - March 2007	July - March 2006 (Restated)
(Rupees in thousand)				
Sales	18,244,221	18,628,383	47,099,188	51,416,766
Less : Sales tax, excise duty and development levy	2,691,547	3,005,870	7,351,144	7,896,892
	<u>15,552,674</u>	<u>15,622,513</u>	<u>39,748,044</u>	<u>43,519,874</u>
Cost of sales	<u>(14,834,046)</u>	<u>(15,383,536)</u>	<u>(40,053,098)</u>	<u>(42,126,320)</u>
Gross (loss) / profit	718,628	238,977	(305,054)	1,393,554
Distribution cost	(20,285)	(20,993)	(59,798)	(76,585)
Administrative expenses	(35,091)	(32,653)	(104,261)	(84,232)
Other operating expenses	(532)	(11,992)	(2,341)	(100,045)
Other income	15,033	32,158	45,449	91,853
Operating (loss) / profit	677,753	205,497	(426,005)	1,224,545
Share of income of associate	3,000	9,292	9,827	17,485
Finance costs	(35,046)	(8,594)	(78,988)	(29,423)
(Loss) / Profit before taxation	645,707	206,195	(495,166)	1,212,607
Taxation - Current	(77,230)	(22,251)	(198,740)	(373,814)
- Deferred	(161,907)	1,195	287,216	19,054
	<u>(239,137)</u>	<u>(21,056)</u>	<u>88,476</u>	<u>(354,760)</u>
(Loss) / Profit after taxation	<u>406,570</u>	<u>185,139</u>	<u>(406,690)</u>	<u>857,847</u>
(Loss) / Earnings per share - basic and diluted	<u>Rs. 13.55</u>	<u>Rs. 6.17</u>	<u>Rs. (13.56)</u>	<u>Rs. 28.59</u>

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Farooq Rahmatullah
Chairman



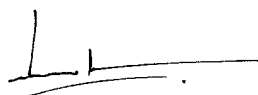
Zafar Haleem
Chief Executive

Condensed Interim CASH FLOW STATEMENT

for the nine months ended March 31, 2007 (Unaudited)

	Note	March 31, 2007 (Rupees in thousand)	March 31, 2006
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	3	(1,889,089)	1,257,883
Mark-up paid		(57,761)	(32,551)
Taxes paid		(255,033)	(659,063)
Payments for defined benefit retirement plans		(25,243)	(17,449)
Long-terms loans and advances (net)		(1,071)	95
Net cash (used in) / generated from operating activities		(2,228,197)	548,915
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(210,639)	(157,259)
Proceeds from sale of fixed assets		274	153
Dividend received		6,803	5,528
Profit on deposits received		6,804	38,755
Net cash used in investing activities		(196,758)	(112,823)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(76)	(50,372)
Net (decrease) / increase in cash and cash equivalents		(2,425,031)	385,720
Cash and cash equivalents at the beginning of the period		2,334,027	248,487
Cash and cash equivalents at the end of the period	4	(91,004)	634,207

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



Farooq Rahmatullah
Chairman



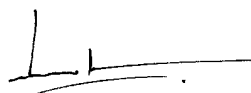
Zafar Haleem
Chief Executive

Condensed Interim Statement of CHANGES IN EQUITY

for the nine months ended March 31, 2007 (Unaudited)

	SHARE CAPITAL	CAPITAL		RESERVES	SPECIAL RESERVE	FAIR VALUE RESERVE	TOTAL
		Exchange Equalisation Reserve	General Reserve	REVENUE			
				Unappropriated Profit			
(Rupees in thousand)							
Balance as at July 1, 2005	200,000	897	1,050	69,698	2,979,576	12,608	3,263,829
Net income recognised directly in equity							
-Change in fair value reserve on account of available for sale investments of associate	-	-	-	-	-	(6,098)	(6,098)
Profit for the nine months March 31, 2006	-	-	-	857,847	-	-	857,847
Total recognised income for the nine months March 31, 2006	-	-	-	857,847	-	(6,098)	851,749
Final dividend for the year ended June 30, 2005 @ Rs. 2.50 per share	-	-	-	(50,000)	-	-	(50,000)
Issue of bonus shares	50,000	-	-	(50,000)	-	-	-
	50,000	-	-	(100,000)	-	-	(50,000)
Balance as at March 31, 2006	<u>250,000</u>	<u>897</u>	<u>1,050</u>	<u>827,545</u>	<u>2,979,576</u>	<u>6,510</u>	<u>4,065,578</u>
Balance as at July 1, 2006	250,000	897	1,050	69,698	4,224,518	5,385	4,551,548
Net income recognised directly in equity							
-Change in fair value reserve on account of available for sale investments of associate	-	-	-	-	-	527	527
Loss for the nine months March 31, 2007	-	-	-	(406,690)	-	-	(406,690)
Total recognised loss for the nine months March 31, 2007	-	-	-	(406,690)	-	527	(406,163)
Issue of bonus shares	50,000	-	-	(50,000)	-	-	-
Loss for the nine months March 31, 2007 transferred to Special Reserve	-	-	-	406,690	(406,690)	-	-
Balance as at March 31, 2007	<u>300,000</u>	<u>897</u>	<u>1,050</u>	<u>19,698</u>	<u>3,817,828</u>	<u>5,912</u>	<u>4,145,385</u>

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



Farooq Rahmatullah
Chairman



Zafar Haleem
Chief Executive

Notes to the Condensed Interim FINANCIAL STATEMENTS

for the nine months ended March 31, 2007 (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. New accounting standards, interpretations and amendments in existing standards becoming mandatory for accounting periods beginning on or after January 1, 2006 are not considered to have any effect on these condensed interim financial statements. IAS-1 Presentation of Financial Statements - Capital Disclosures becoming mandatory for accounting periods beginning on or after January 1, 2007 may only impact the extent of disclosures presented.
- 1.3. 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, 2006.
- 1.4. The refineries were operating till June 30, 2002 under the 1992 Import Parity Pricing formula whereby the rate of return on paid-up capital was limited to a range of 10% to 40%. The price fixation of products under the above formula was handled by the Government until it was handed over to Oil Companies Advisory Committee with certain amendments from July 1, 2001 up to March 31, 2006. Subsequently under a directive from the Government, prices are now notified by Oil and Gas Regulatory Authority.

The formula was further amended, effective July 1, 2002, for certain refineries including the Company when the capping of 10% to 40% was removed. Under the new tariff protection formula the concerned refineries have been allowed to charge a deemed duty on some of their products enabling them to run their operations on a self-financing basis. After tax profit for a year above 50% of the paid-up capital as at the date of applicability of the tariff protection 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 upgradation of the respective refineries and is therefore not available for distribution.

2. FIXED ASSETS

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

	March 31, 2007	March 31, 2006
	(Rupees in thousand)	
Building	4,196	8,706
Processing plant, pipeline, power generation, transmission and distribution	171,091	10,120
Equipment including furniture	26,427	11,274
Fire fighting and telecommunication systems	-	432
Vehicles and other automotive equipment	8,355	5,792
	<u>210,069</u>	<u>36,324</u>

3. CASH FLOW FROM OPERATING ACTIVITIES

(Loss) / Profit before taxation	(495,166)	1,212,607
Adjustments for non-cash charges and other items:		
Depreciation	94,076	86,604
Gain on disposal of property, plant and equipment	(274)	(63)
Profit on deposits	(17,025)	(24,167)
Interest on late payment from a related party	-	(45,053)
Share of income of associate	(9,827)	(17,485)
Mark-up expense	75,773	27,020
Provision for defined benefit retirement plans	23,655	15,631
Working capital changes - Note 3.1	(1,560,301)	2,789
Cash (used in) / generated from operations	<u>(1,889,089)</u>	<u>1,257,883</u>

Notes to the Condensed Interim FINANCIAL STATEMENTS

for the nine months ended March 31, 2007 (Unaudited)

3.1 Working Capital Changes

	March 31, 2007 (Rupees in thousand)	March 31, 2006
(Increase)/decrease in current assets		
Stores, spares and chemicals	58,456	(18,584)
Stocks-in-trade	(1,530,480)	(1,662,722)
Trade debts	(1,816,767)	(412,748)
Loans and advances	(4,408)	(65)
Trade deposits and short-term prepayments	34,683	25,980
Other receivables	(14,078)	(1,565)
Tax refund due from Government	(551,905)	(244,271)
Financial assets at fair value through profit and loss	2,199	-
	(3,822,300)	(2,313,975)
 Increase/(Decrease) in trade and other payables	 2,261,999	 2,316,764
	(1,560,301)	2,789

4. CASH AND CASH EQUIVALENTS

Cash and bank balances	536,012	637,418
Short-term running finance	(627,016)	(3,211)
	(91,004)	634,207

5. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

Relationship	Nature of transactions	Transactions during the period 2007 2006 (Rupees in thousand)	
Associated companies	Dividend income	6,803	5,527
	Sale of goods	30,810,984	37,260,592
	Sale of services	1,066	1,212
	Purchase of services	-	18,708
	Insurance premium	15,012	16,093

Key management employees compensation:

Salaries and other short-term employee benefits	17,950	12,785
Post-employment benefits	4,873	3,417

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Notes to the Condensed Interim FINANCIAL STATEMENTS

for the nine months ended March 31, 2007 (Unaudited)

7. CORRESPONDING FIGURES

Following reclassification has been made in prior period's figure for better presentation.

Reclassification from component	Reclassification to component	(Rupees in thousand)
Face of Profit and loss account - Reimbursement to Government	Cost of Sales	423,310

For the purpose of calculation of earnings per share, number of ordinary shares outstanding at March 31, 2006 has been increased to reflect the bonus shares issued during the period.

8. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 23, 2007 by the Board of Directors of the Company.



Farooq Rahmatullah
Chairman



Zafar Haleem
Chief Executive



PAKISTAN REFINERY LIMITED

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

Tel Off: (92-21) 5091771-79, 5091811-16

Fax: (92-21) 5091780, 5060145, Email: info@prl.com.pk

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