HALF YEARLY REPORT

DECEMBER 31, 2011

PAKISTAN REFINERY LIMITED

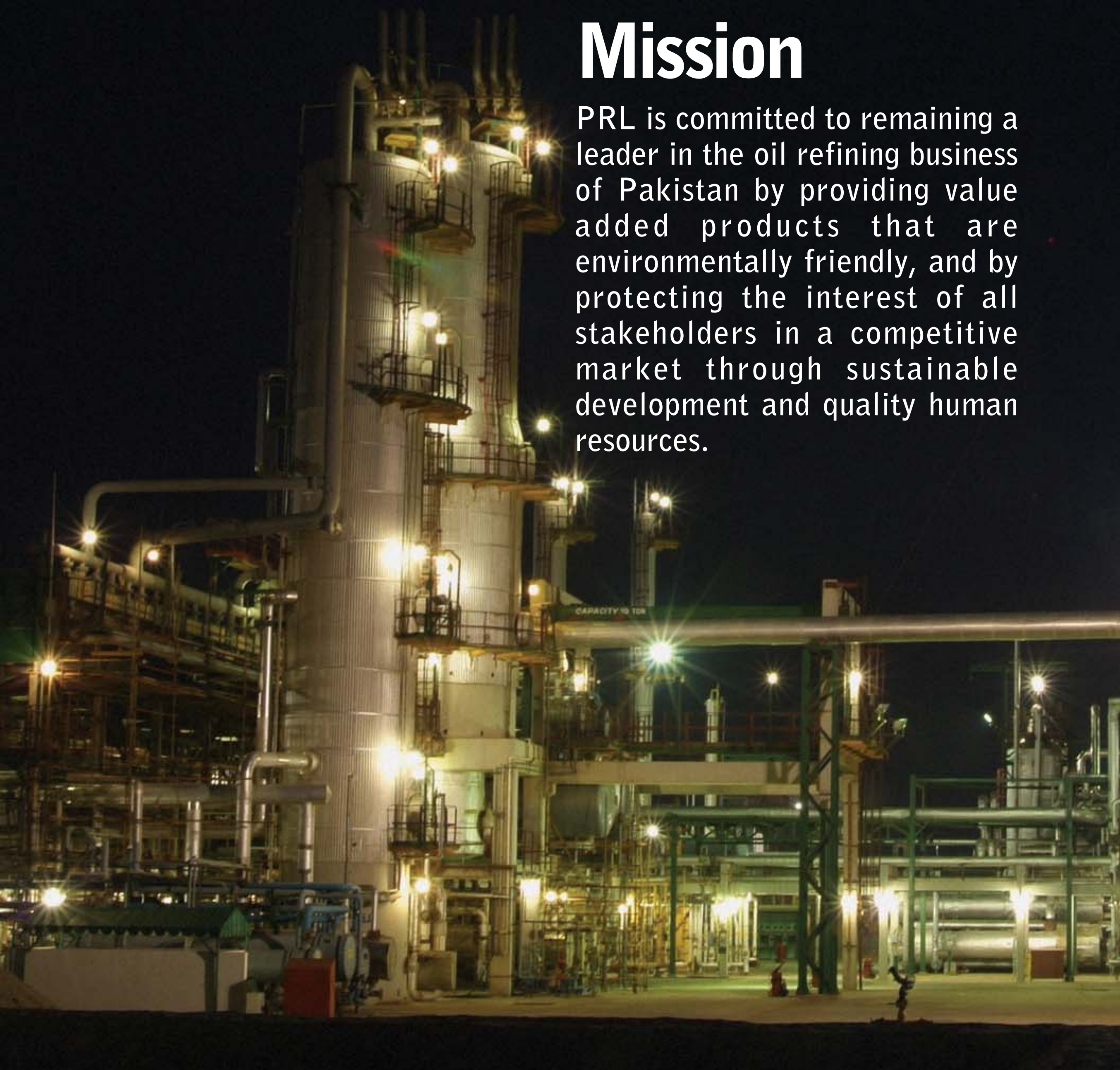
investing in a BRIGHTER FUTURE

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.



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Company Information

Company Secretary & CFO
Imran Ahmad Mirza

Auditors
A. F. Ferguson & Co.

Legal Advisor
Orr Dignam & Co.

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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. Naeem Yahya Mir
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

Audit Committee
The Audit Committee comprises of three members, including the Chairman, 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

In the face of new challenges of the current year, the Company posted operating profit of Rs. 874.60 million during the half year ended December 31, 2011 as against Rs. 1,171.40 million during the same period last year. However, due to significant rupee depreciation during the period resulting in exchange losses, increased finance charges and excessive burden of turnover tax, the Company incurred after tax loss of Rs. 340.2 million as compared to profit after tax of Rs. 881.1 million during the same period last year.

The Company remained under turnover tax regime and paid income tax of Rs. 350 million during the period. It is pertinent to mention that the refineries in Pakistan operate under a controlled pricing mechanism i.e. the prices of products are monitored by Oil and Gas Regulatory Authority and are based on international product prices. The profit margins of the refineries in Pakistan are often very thin and under this scenario, tax liability calculated at 0.5% of turnover far exceeds the normal tax liability. The Company has made representations, individually as well as collectively, to Federal Board of Revenue in this regard urging FBR to give similar relief to refineries as given to certain other segments of the economy from the imposition of turnover tax @ 0.5%.

Refinery operated smoothly during the period and all key performance indicators, except for profit after tax, were achieved. Sales revenue increased by 37% as compared to same period last year. The Refinery's average crude intake was 4,643 M.Ton/day against 4,895 M.Ton/day for the comparative period last year. During the period, the refinery altered its crude recipe and Umme Shaif Crude was introduced which when blended with existing recipe of Murban and local crudes, improved the premium products' yields.

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. The Company is also committed to undertake project for production of environment friendly High Speed Diesel and other products in line with deadlines given by GoP.

During the period, the Company remained focused on its Health, Safety, Environment and Quality (HSEQ) standards and the processes were continuously reviewed and strengthened for mitigation of assessed risks. The 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, all employees and shareholders of the Company for their continuous support.

On behalf of the Board of Directors.

Farooq Rahmatullah
Chairman

Karachi: February 15, 2012

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Refinery Limited as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 1.5 to the condensed interim financial information. As stated in the note, as at December 31, 2011 the Company has accumulated loss of Rs 1.31 billion and its current liabilities exceed its current assets by Rs 2.28 billion. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

A.F. Ferguson & Co
Chartered Accountants
Karachi: February 15, 2012

Name of the engagement partner: Mohammad Zulfikar Akhtar

Condensed Interim Balance Sheet
as at December 31, 2011

	Note	Unaudited December 31, 2011	Audited June 30, 2011
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	2	4,400,965	4,359,064
Investment in associate		73,271	70,576
Long-term loans and advances		5,693	5,013
Long-term deposits		15,062	13,800
		4,494,991	4,448,453
Current assets			
Stores, spares and chemicals		244,169	253,888
Stock-in-trade	3	8,515,069	9,054,172
Trade debts		16,675,921	9,979,708
Loans and advances		24,904	26,075
Accrued mark-up		-	900
Trade deposits and short-term prepayments		38,246	47,901
Other receivables		267,038	1,139,886
Taxation - payments less provision		-	20,620
Cash and bank balances		6,490	7,164
		25,771,837	20,530,314
		30,266,828	24,978,767
EQUITY			
Share capital		350,000	350,000
Reserves		1,947	1,947
Accumulated loss	1.5	(1,309,871)	(917,140)
Fair value reserve		(1,586)	(1,818)
		(959,510)	(567,011)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,143,928	3,143,928
LIABILITIES			
Non-current liabilities			
Deferred taxation		19,006	6,638
Retirement benefit obligations		9,541	12,027
Current liabilities			
Trade and other payables		21,094,762	20,070,080
Short-term borrowing		5,019,396	754,000
Running finance under mark-up arrangements		1,811,275	951,128
Accrued mark-up		23,203	22,706
Taxation - provision less payments		13,119	-
Payable to government - Sales tax		92,108	585,271
		28,053,863	22,383,185
		28,082,410	22,401,850
Contingencies and commitments	4		
		30,266,828	24,978,767

The annexed notes 1 to 8 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 half year ended December 31, 2011 (unaudited)

	For the quarter		For the half year	
	October - December 2011	October - December 2010	**July - December 2011**	July - December 2010
	(Rupees in thousand)			
Sales	39,905,509	29,989,013	74,001,400	56,442,849
Less: Sales tax, excise duty and development levy	(6,376,148)	(5,460,412)	(11,327,472)	(10,850,888)
	33,529,361	24,528,601	62,673,928	45,591,961
Cost of sales	(33,272,672)	(23,722,705)	(61,850,069)	(44,447,731)
Gross profit	256,689	805,896	823,859	1,144,230
Distribution cost	(43,255)	(34,262)	(82,392)	(61,887)
Administrative expenses	(48,918)	(41,454)	(93,739)	(76,571)
Other operating expenses	12,577	(65,096)	(2,045)	(78,657)
Other income	211,783	218,242	228,907	244,251
Operating profit	388,876	883,326	874,590	1,171,366
Share of income of associate	3,573	1,705	7,484	4,529
Finance cost	(567,820)	(15,992)	(860,153)	(125,899)
(Loss) / Profit before taxation	(175,371)	869,039	21,921	1,049,996
Taxation - current	(185,456)	(38,940)	(349,866)	(249,781)
- prior years	-	73,226	-	73,226
- deferred	(3,812)	1,808	(12,286)	7,680
	(189,268)	36,094	(362,152)	(168,875)
(Loss) / Profit after taxation	(364,639)	905,133	(340,231)	881,121
Other comprehensive income				
Change in fair value reserve on account of available for sale investments of associate	(1,200)	2,958	314	3,642
Deferred tax relating to component of other comprehensive income	448	(1,035)	(82)	(1,275)
	(752)	1,923	232	2,367
Total comprehensive (loss) / income	(365,391)	907,056	(339,999)	883,488
(Loss) / Earnings per share	(Rs 10.42)	Rs 25.86	(Rs 9.72)	Rs 25.17

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

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Condensed Interim Cash Flow Statement
for the half year ended December 31, 2011 (unaudited)

	Note	December 31, 2011	December 31, 2010
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / from operations	5	(4,273,545)	138,280
Mark-up paid		(177,553)	(114,934)
Taxes paid		(316,127)	(161,695)
Payment for defined benefit plans		(25,301)	(5,583)
(Increase) / Decrease in loans and advances		(680)	2,755
Increase in long term deposits		(1,262)	(127)
Net cash (used in) operating activities		(4,794,468)	(141,304)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(135,872)	(73,452)
Proceeds from disposal of property, plant and equipment		2,592	1,387
Profit received on deposits		60,560	93,541
Dividend received		5,103	7,654
Net cash (used in) / from investing activities		(67,617)	29,130
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(50,800)	(53)
Short term borrowing		4,806,064	-
Net cash from / (used in) financing activities		4,755,264	(53)
Net decrease in cash and cash equivalents		(106,821)	(112,227)
Cash and cash equivalents at the beginning of period		(1,697,964)	(170,084)
Cash and cash equivalents at the end of period	6	(1,804,785)	(282,311)

The annexed notes 1 to 8 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 half year ended December 31, 2011 (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 half year ended December 31, 2010	-	-	-	881,121	-	-	881,121
Other comprehensive income	-	-	-	-	-	2,367	2,367
Total recognised income for the half year ended December 31, 2010	-	-	-	881,121	-	2,367	883,488
Balance as at December 31, 2010	350,000	897	1,050	(259,975)	-	(3,599)	88,373
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 half year ended December 31, 2011	-	-	-	(340,231)	-	-	(340,231)
Other comprehensive income	-	-	-	-	-	232	232
Total recognised loss for the half year ended December 31, 2011	-	-	-	(340,231)	-	232	(339,999)
Balance as at December 31, 2011	350,000	897	1,050	(1,309,871)	-	(1,586)	(959,510)

The annexed notes 1 to 8 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 half year ended December 31, 2011 (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 Reserves 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 December 31, 2011 the Company has accumulated losses of Rs 1.31 billion and its current liabilities exceed its current assets by Rs 2.28 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 half year ended December 31, 2011 the Company has earned gross profit of Rs 823.9 million and profit before tax of Rs 21.92 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:

	December 31, 2011	December 31, 2010
	(Rupees in thousand)	
Buildings	1,369	-
Processing plant, tank farm and power generation	45,443	24,402
Equipment including furniture and fixtures	5,020	2,349
Vehicles and other automotive equipment	2,740	1,692
Capital work in progress	81,300	45,009
	135,872	73,452

There were no major disposals during the period.

3. STOCK-IN-TRADE

As at December 31, 2011, stock of finished goods has been written down by Rs 8.32 million (June 30, 2011: stock of finished goods and stock of raw material written down by Rs 23.04 million and Rs 33.67 million respectively).

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

4.1.1 Claims against the Company not acknowledged as debt, including late payment surcharges, amount to Rs 2.58 billion (June 30, 2011: Rs 1.92 billion).

4.1.2 The Company has raised claims aggregating Rs 5.47 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.

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

4.2 Commitments

4.2.1 Commitments outstanding for capital expenditure as at December 31, 2011 amounted to Rs 43.67 million (June 30, 2011: Rs 38.33 million).

4.2.2 Outstanding letters of credit as at December 31, 2011 amounted to Rs 21.29 million (June 30, 2011: Rs 40.03 million).

4.2.3 Aggregate commitments in respect of ijarah arrangements of motors vehicles and equipment amounted to Rs 29.86 million (June 30, 2011: Rs 28.19 million).

	December 31, 2011	December 31, 2010
	(Rupees in thousand)	
5. CASH (USED IN) / FROM OPERATIONS		
Profit before taxation	21,921	1,049,996
Adjustments for non-cash charges and other items		
Depreciation	93,848	76,778
Mark-up expense	219,077	69,838
Exchange loss on short term borrowing	172,305	10,435
Provision for defined benefit plans	22,815	9,771
Share of income of associate	(7,484)	(4,529)
Return on deposit accounts	(59,660)	(93,541)
Gain on disposal of property, plant and equipment	(2,469)	(1,110)
Working capital changes - note 5.1	(4,733,898)	(979,358)
Cash (used in) / from operations	(4,273,545)	138,280

Notes to and Forming Part of the Condensed Interim Financial Information
for the half year ended December 31, 2011 (unaudited)

	December 31, 2011	December 31, 2010
	(Rupees in thousand)	
5.1 Working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	9,719	(5,586)
Stock-in-trade	539,103	877,253
Trade debts	(6,696,213)	862,041
Loans and advances	1,171	10,483
Trade deposits and short-term prepayments	9,655	10,038
Other receivables	872,848	1,003,236
	(5,263,717)	2,757,465
Increase / (Decrease) in current liabilities		
Trade and other payables	1,022,982	(4,560,810)
Payable to government - Sales tax	(493,163)	823,987
	529,819	(3,736,823)
	(4,733,898)	(979,358)

6. CASH AND CASH EQUIVALENTS

Cash and bank balances	6,490	76,027
Running finance under mark-up arrangements	(1,811,275)	(358,338)
	(1,804,785)	(282,311)

7. TRANSACTIONS WITH RELATED PARTIES

Relationship	**Nature of transaction**	**Transactions during the period**	
Significant related party transactions are:			
Associated companies	Sale of goods	50,799,354	35,196,829
	Sale of services	11,709	21,072
	Purchase of goods	15,260,037	2,972,567
	Dividend paid	31,805	-
	Dividend received	5,103	7,654
Entity where a Director of the Company is a key management personnel	Sale of goods	-	1,150,063
	Interest received	-	2,355
	Sale of services	-	373
Key management compensation	Salaries and other short-term employee benefits	38,381	21,106
	Post-employment benefits	3,616	3,378

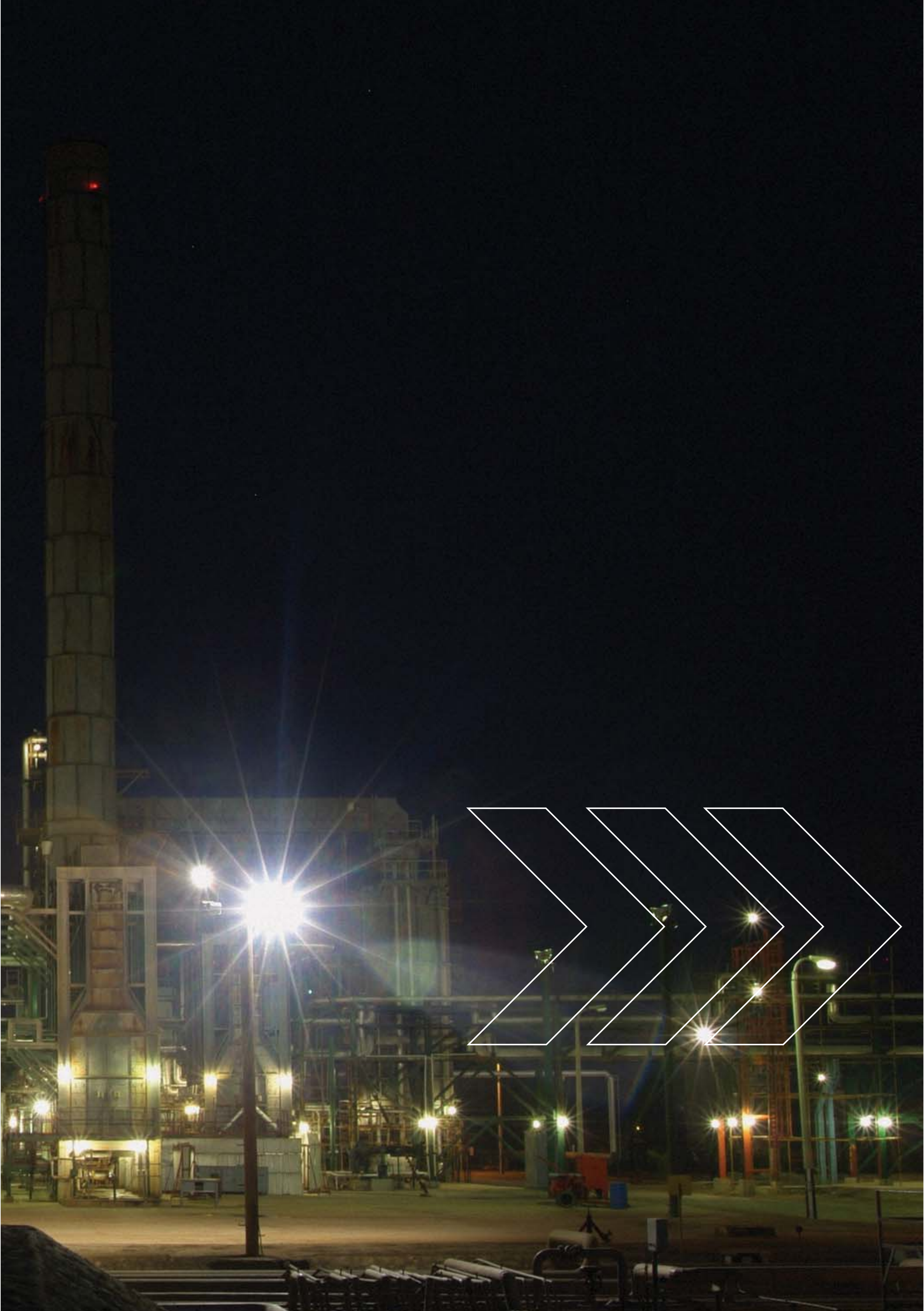
Sale of certain products is transacted at prices fixed by the Oil and Gas Regulatory Authority. Other transactions with related parties are carried on commercially negotiated terms.

8. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on February 15, 2012 by the Board of Directors of the Company.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive



PRL

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