HALF YEARLY REPORT
DECEMBER 31, 2013

PRL

Progress REdeFINED

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

Chief Financial Officer
Imran Ahmad Mirza

Company Secretary
Asim H. Akhund

Auditors
A. F. Ferguson & Co.

Legal Advisor
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Pvt) Ltd.
8-F, Next to Hotel Faran, Nursery Block-6,
P.E.C.H.S. Shahra-e-Faisal, Karachi.

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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
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Summit Bank Limited
Sindh Bank Limited

Board of Directors

Farooq Rahmatullah
Chairman

Aftab Husain
Managing Director & CEO

Chang Sern Ee
Director

Khawaja Nimr Majid
Director

Muhammad Azam
Director

Muhammad Zubair
Director

Amjad Parvez Janjua
Director

Omar Yaqoob Sheikh
Director

Rafi Haroon Basheer
Director

Saleem Butt
Director

Board Committees

Audit Committee

The Audit Committee comprises of three members, including the Chairman, from 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 Board has determined the Terms of Reference of the Audit Committee and has provided adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

Human Resources and Remuneration Committee (HR&RC)

HR&RC comprises of four members from the non-executive Directors of the Board. The head of Human Resources is the Secretary of the Committee. HR&RC has been delegated the role of assisting the Board of Directors in:

- recommending human resource management policies to the board;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director & Chief Executive Officer;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Managing Director & Chief Executive Officer, Deputy Managing Director (Operations & Supply), Chief Financial Officer, Company Secretary and Chief Internal Auditor;
- consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters for key management positions who report directly to Managing Director & Chief Executive Officer or Deputy Managing Director (Operations & Supply).

Board Technical Committee

The Board Technical Committee comprises of two non-executive Directors. It is responsible for removing barriers for realising the upgradation project for the Company's project team, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Project Steering Committee. This committee also reviews and engages with technical managers for HSEQ matters.

Board Strategic Committee

The Board Strategic Committee has been set up to assist management in defining and putting up to the Board of Directors a structured strategic plan that will ensure future sustainability of the business and deliver sustainable returns to the shareholders.

Share Transfer Committee

The Share Transfer Committee comprises of three Directors and is set up to approve registration of transfer of shares received by the Company. The Share Transfer Committee shall assist the Board of Directors in the following matters:

- approve and register transfer/transmission of shares;
- sub-divide, consolidate and issue certificates; and
- issue share certificates in place of those which are damaged or in which the pages are completely exhausted, provided the original certificates are surrendered to the Company.

Directors' Review

Pakistan economy remained bearish till the half year ended December 31, 2013 and consequently foreign exchange reserves with State Bank of Pakistan declined sharply adversely impacting Rupee-Dollar parity. This sharp decline in value of Pak Rupee against USD severely affected the results of the Company and it suffered an exchange loss of Rs. 916 million in the half year ended December 31, 2013 as compared to Rs. 430 million during the comparative period. In addition, international refining margins remained depressed during the period which further amplified the loss situation. Due to the collective effects of factors mentioned above, the Company incurred a loss after tax of Rs. 1.251 billion during the period as compared to a profit after tax of Rs. 1.196 billion in the corresponding period last year.

Despite aforementioned adverse economic conditions the Company not only continued uninterrupted smooth operations during the period but also applied funds towards capital expenditure for maintenance and upgrade of existing facilities. As a first step towards achieving sustainability, the Board took the Final Investment Decision to invest up to USD 50 million for installation of Isomerisation Unit – a project that will double the production of Motor Gasoline, which is a profitable product, from existing 12,000 M.Tons per month to 24,000 M.Tons per month. In this regard the Company has also signed an agreement for engineering and procurement of major equipment for USD 24.5 million in November 2013. It is expected that the project will be completed by the end of next financial year and will start operations in the first quarter of financial year 2015-16.

During the period, the Company successfully launched its first ever retail Term Finance Certificates (TFC)– Taraqqi TFC1 and Taraqqi TFC2 with maturity periods of 36 and 60 months respectively, to meet its working capital and CAPEX requirements. The Initial Public Offer for Taraqqi TFC1 and Taraqqi TFC2 commenced on August 16, 2013 and concluded on November 15, 2013 and were listed on Karachi Stock Exchange effective December 20, 2013. TFCs have been assigned credit rating of 'A' (Single A) by The Pakistan Credit Rating Agency (PACRA) which denotes low expectation of credit risk. Although the conditions prevailing in the country were not very conducive for investors, the Company was able to raise Rs. 2.78 billion from the above issues which depicts the confidence of investors in the Company.

PACRA has also assigned entity ratings of 'A-' (Single A minus) and 'A2' (Single A two) for long term and short term respectively to the Company which denotes low expectation of credit risk and strong capacity for timely payment of financial commitment. These ratings, however, indicate that the Company's repayment capacity may be vulnerable to changes in circumstances or in economic conditions.

The Company remained committed to operational excellence and its policy of Health, Safety, Environment and Quality (HSEQ) and successfully achieved 4 million man-hours without Lost-Time-Injury incident till December 31, 2013. Focus remained on efficient and safe operations including safety of employees, customers and contractors along with compliance with national standards for production of quality products.

The Board of Directors expresses their gratitude and appreciation to all stakeholders including shareholders, customers, suppliers, employees and concerned Government ministries for their continuous support.

On behalf of the Board of Directors

Farooq Rahmatullah
Chairman

Karachi: February 19, 2014

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, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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 interim financial information as of and for the half year ended December 31, 2013 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 2.6 to the interim financial information. As stated in the note, as at December 31, 2013 the company has accumulated loss of Rs. 4.09 billion resulting in net negative equity of Rs. 3.33 billion. Further, current liabilities of the company exceed its current assets by Rs. 5.59 billion. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: February 19, 2014

Name of the engagement partner: Mohammad Zulfikar Akhtar

Condensed Interim Balance Sheet

as at December 31, 2013

	Note	Unaudited December 31, 2013	(Restated) Audited June 30, 2013
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	5,602,846	5,111,367
Intangible assets		-	-
Investment in associate		85,650	85,455
Long-term loans and advances		1,873	2,630
Long-term deposits		51,610	51,396
		5,741,979	5,250,848
Current assets			
Stores, spares and chemicals		229,110	192,374
Stock-in-trade	5	8,744,307	10,978,536
Trade debts		8,045,914	10,803,826
Loans and advances		23,588	47,884
Trade deposits and short-term prepayments		49,116	8,070
Other receivables		2,001,969	45,998
Taxation - payments less provision		144,762	-
Cash and bank balances		1,201,435	85,089
		20,440,201	22,161,777
		26,182,180	27,412,625
EQUITY			
Share capital		350,000	350,000
Reserves		397,965	397,965
Accumulated loss	2.6	(4,089,127)	(2,738,342)
Fair value reserve		8,449	7,145
		(3,332,713)	(1,983,232)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,197,928	3,197,928
LIABILITIES			
Non-current liabilities			
Deferred taxation		21,621	21,571
Retirement benefit obligations		268,968	271,743
		290,589	293,314
Current liabilities			
Trade and other payables		15,136,690	16,925,840
Term Finance Certificates	6	2,773,020	-
Short-term borrowing	7	6,358,477	1,825,990
Running finance under mark-up arrangements		-	5,952,805
Accrued mark-up		75,427	39,136
Taxation - provision less payments		-	9,054
Payable to government - Sales tax		1,682,762	1,151,790
		26,026,376	25,904,615
		26,316,965	26,197,929
Contingencies and commitments	8		
Total equity and liabilities		26,182,180	27,412,625

The annexed notes 1 to 13 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, 2013 (Unaudited)

	Note	For the quarter October-December 2013	For the quarter (Restated) October-December 2012	For the Half Year July - December 2013	For the Half Year (Restated) July - December 2012
		(Rupees in thousand)			
Sales		43,184,429	41,934,819	84,560,847	80,136,660
Less : Sales tax, excise duty, petroleum levy and price differential		(7,256,423)	(7,218,349)	(14,310,661)	(13,763,844)
		35,928,006	34,716,470	70,250,186	66,372,816
Cost of sales		(36,561,828)	(33,958,304)	(70,926,446)	(64,410,600)
Gross (loss) / profit		(633,822)	758,166	(676,260)	1,962,216
Distribution cost		(51,163)	(41,457)	(100,142)	(82,056)
Administrative expenses		(64,421)	(53,598)	(107,601)	(103,385)
Other operating expenses		(2,864)	(44,808)	(2,864)	(116,136)
Other income		52,552	45,962	138,747	83,306
Operating (loss) / profit		(699,718)	664,265	(748,120)	1,743,945
Share of income of associate		2,796	2,971	5,249	4,670
Finance costs	9	(238,901)	(44,426)	(424,989)	(181,757)
(Loss) / profit before taxation		(935,823)	622,810	(1,167,860)	1,566,858
Taxation - current		(41,644)	(193,183)	(83,571)	(369,657)
- deferred		1,022	783	396	337
		(40,622)	(192,400)	(83,175)	(369,320)
(Loss) / profit after taxation		(976,445)	430,410	(1,251,035)	1,197,538
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurement of post employment benefit obligations	2.3	-	-	-	-
Items that may be subsequently reclassified to profit or loss					
Change in fair value reserve on account of available for sale investments of associate		1,008	1,830	1,750	3,049
Deferred tax relating to component of other comprehensive income		(257)	(480)	(446)	(800)
		751	1,350	1,304	2,249
Total comprehensive (loss) / income		(975,694)	431,760	(1,249,731)	1,199,787
(Loss) / earnings per share		(Rs 27.90)	Rs 12.30	(Rs 35.74)	Rs 34.22

The annexed notes 1 to 13 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, 2013 (Unaudited)

	Note	December 31, 2013	December 31, 2012
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	818,249	250,131
Mark-up paid		(226,082)	(137,788)
Income taxes paid		(237,387)	(391,112)
Payment for defined benefit plans		(39,192)	(30,417)
Decrease in loans and advances		757	1,955
Increase in long term deposits		(214)	(26)
Net cash generated / (used) in operating activities		316,131	(307,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(595,813)	(282,407)
Proceeds from disposal of fixed assets		410	2,100
Profit received on deposits		53,813	28,325
Dividend received		6,804	5,952
Net cash used in investing activities		(534,786)	(246,030)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(72,522)	(13)
Proceeds from foreign currency loan		6,413,298	-
Proceeds from issuance of Term Finance Certificates - net of redemptions		2,773,020	-
Net cash from / (used in) financing activities		9,113,796	(13)
Net increase / (decrease) in cash and cash equivalents		8,895,141	(553,300)
Cash and cash equivalents at the beginning of period		(7,693,706)	(146,358)
Cash and cash equivalents at the end of period	12	1,201,435	(699,658)

The annexed notes 1 to 13 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, 2013 (Unaudited)

	SHARE CAPITAL	RESERVES: CAPITAL	RESERVES: REVENUE		RESERVES: SPECIAL RESERVE (note 2.4)	RESERVES: FAIR VALUE RESERVE	TOTAL
		Exchange equalisation reserve	General reserve	Accumulated loss			
	(Rupees in thousand)						
Balance as at July 1, 2012 - as previously reported	350,000	897	1,050	(2,585,357)	-	1,265	(2,232,145)
Effect of change in accounting policy in respect of remeasurement of retirement benefit obligations - note 2.3	-	-	-	(134,985)	-	-	(134,985)
Balance as at July 1, 2012 - restated	350,000	897	1,050	(2,720,342)	-	1,265	(2,367,130)
Profit for the half year ended December 31, 2012	-	-	-	1,197,538	-	-	1,197,538
Other comprehensive income	-	-	-	-	-	2,249	2,249
Total recognised income for the half year ended December 31, 2012	-	-	-	1,197,538	-	2,249	1,199,787
Balance as at December 31, 2012 - restated	350,000	897	1,050	(1,522,804)	-	3,514	(1,167,343)
Balance as at July 1, 2013 - as previously reported	350,000	897	1,050	(2,485,357)	396,018	7,145	(1,730,247)
Effect of change in accounting policy in respect of remeasurement of retirement benefit obligations - note 2.3	-	-	-	(252,985)	-	-	(252,985)
Balance as at July 1, 2013 - restated	350,000	897	1,050	(2,738,342)	396,018	7,145	(1,983,232)
Final dividend for the year ended June 30, 2013 @ Rs. 2.85 per share	-	-	-	(99,750)	-	-	(99,750)
Loss for the half year ended December 31, 2013	-	-	-	(1,251,035)	-	-	(1,251,035)
Other comprehensive income	-	-	-	-	-	1,304	1,304
Total recognised loss for the half year ended December 31, 2013	-	-	-	(1,251,035)	-	1,304	(1,249,731)
Balance as at December 31, 2013	350,000	897	1,050	(4,089,127)	396,018	8,449	(3,332,713)

The annexed notes 1 to 13 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, 2013 (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is at Korangi Creek Road, Karachi. The Company is engaged in the production and sale of petroleum products.

2. BASIS OF PREPARATION

2.1 This condensed interim financial report of the Company for the six months period ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2013.

2.3 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, 2013 except as follows:

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur, which are not later reclassified to profit and loss account.

Following the application of IAS 19 (revised), the Company's policy for Retirement Benefit Obligations - Defined Benefit Plans stands amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur, which are not later reclassified to profit and loss account.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effects of this change in accounting policy are summarised below:

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Condensed Interim Balance Sheet		
Increase in retirement benefit obligations	252,985	134,985
Increase in accumulated losses	252,985	134,985
Condensed Interim Statement of Changes in Equity		
Increase in accumulated losses		
Cumulative effect from prior years	134,985	
Impact for the year ended June 30, 2013	118,000	

The effect on the condensed interim profit and loss account for the six months period ended December 31, 2013 has not been incorporated in this condensed interim financial information since the actuarial valuation is carried out on annual basis. There is no impact on condensed interim cash flow statement.

2.4 Under directive from the Ministry of Petroleum & Natural Resources' (the Ministry), any profit after taxation above 50% of the paid-up capital as 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 refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

During 2013, Government of Pakistan issued a policy framework for upgradation and expansion of refinery project which interalia states that:

- refineries will not be allowed to offset losses, if any, for year ending June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula; and

- the amount of profits above 50% will be accumulated in the Special Reserve Account as per the pricing formula (including unutilised balance), which shall, along with amounts presently available with refineries, be deposited on half yearly basis (with final adjustment on annual basis) in an ESCROW Account to be operated jointly with Finance Division and shall be available for utilisation exclusively for upgradation of refineries.

The Company is in discussions with Ministry of Petroleum about the opening of ESCROW Account; and presently continues to consider transfer to Special Reserve on annual basis.

2.5 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (MS, HOBC, HSD, LDO and Aviation Fuels) are based on prices set under notifications of the Ministry of Petroleum and Natural Resources.

2.6 As at December 31, 2013 the Company has accumulated losses of Rs. 4.09 billion [June 30, 2013 (Restated): Rs. 2.74 billion] and its current liabilities exceed its current assets by Rs. 5.59 billion (June 30, 2013: Rs. 3.74 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. However, the Company has plans to invest in projects, including Isomerisation project, which will improve the profitability of the Company after commencement of operations. The work on Isomerisation project has commenced. Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, this condensed interim financial information has been prepared on a going concern basis.

3. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

4. FIXED ASSETS

Following are revaluation and additions to fixed assets during the period:

	December 31, 2013	(Restated) December 31, 2012
	(Rupees in thousand)	
Revaluation of freehold land	-	54,000
Additions:		
Buildings	3,231	-
Processing plant, tank farm, terminal, pipelines and power generation	49,790	43,516
Equipments including furniture and fixtures	9,134	2,284
Fire fighting and telecommunication systems	696	-
Vehicle and other automotive equipments	-	2,741
Major spare parts and stand by equipments - net of transfers	542	(394)
Capital work in progress - net of transfers	532,420	233,866
	595,813	336,013

4.1 During the period, assets costing Rs. 54.57 million (2012: Rs. 15.38 million) having written down value of Rs. 3.27 million (2012: Rs. 1.14 million) were disposed off.

4.2 Capital work-in-progress

	As at December 31, 2013	As at June 30, 2013
	(Rupees in thousand)	
Buildings	2,053	4,026
Processing plant - note 4.2.1	830,319	477,241
Korangi tank farm	212,584	142,003
Kemari terminal	319,442	184,897
Pipelines	5,316	29,541
Water treatment and cooling systems	2,476	-
Equipments	5,526	7,588
	1,377,716	845,296

4.2.1 This includes Rs. 320.55 million (June 30, 2013: Rs. 172.51) in respect of Isomerisation Project.

Notes to and Forming Part of the Condensed Interim Financial Information

for the half year ended December 31, 2013 (Unaudited)

5. STOCK IN TRADE

As at December 31, 2013 stock of raw material has been written down by Rs. 183.89 million (June 30, 2013: Nil) and finished goods by Rs. 47.82 million (June 30, 2013: Nil) to arrive at its net realisable value.

	As at December 31, 2013	As at June 30, 2013
	(Rupees in thousand)	
6. TERM FINANCE CERTIFICATES		
PRL Taraqqi TFC1 - 'TFC1'	2,237,730	-
PRL Taraqqi TFC2 - 'TFC2'	535,290	-
	2,773,020	-

6.1 During the year, Company has issued TFC1 and TFC2 to general public and raised money thereagainst amounting to Rs. 2.24 billion and 0.54 billion respectively. The profit is payable quarterly at the fixed rate of 10.55% and 10.75% on TFC1 and TFC2 respectively from the date of investment by the certificate holder. TFC1 and TFC2 are issued for a tenor of 3 years and 5 years respectively and are structured to redeem 100% of the principal amount in the 36th and 60th month respectively from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charges. Both issues are listed on Karachi Stock Exchange.

These certificates are secured by way of hypothecation of stocks and book debts and hypothecation of fixed assets located in Karachi (excluding any immovable properties).

Pak Oman Investment Company Limited has been appointed as Trustee in respect of these certificates.

	As at December 31, 2013	As at June 30, 2013
7. SHORT-TERM BORROWING - Secured	(Rupees in thousand)	
Short-term bank borrowings	-	1,825,990
Foreign currency loan - note 7.1	6,358,477	-
	6,358,477	1,825,990

7.1 This represent short term foreign currency loan from MCB Bank Limited at a markup rate of one month LIBOR + 4.5% per annum repayable by February 22, 2014.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 Claims against the Company not acknowledged as debt amount to Rs. 4.02 billion (June 30, 2013: Rs. 3.82 billion). These include Rs. 3.68 billion (June 30, 2013: Rs. 3.50 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 6.87 billion (June 30, 2013: Rs. 6.86 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

8.1.2 Through the Finance Act, 2013, section 2(22-A) of the Sales Tax Act, 1990 has been amended on which the Federal Board of Revenue (FBR) contends that unless the Federal Government through a notification in the official gazette declares any tax levied under the provincial laws to be the provincial sales tax for the purpose of 'input tax', no adjustment can be taken for any provincial sales tax paid on services. In this regard constitution petition has been filed by the Company along with 12 other companies in the High Court of Sindh praying either to declare aforementioned section 2(22-A) amended through the Finance Act, 2013 to be completely unconstitutional, without jurisdiction, illegal, void ab-initio and of no legal effect; or hold and declare that the aforementioned section 2(22-A) amended through the Finance Act, 2013 does not have any bearing on the definition of the 'input tax' as stated in section 2(14)(d) of the Sales Tax Act, 1990. The constitutional petition is pending before the High Court of Sindh; however, an interim relief has been granted that no action whatsoever should be initiated against the petitioner who have filed sales tax returns manually or electronically after adjustment of provincial sales tax on services up to December 31, 2013. Accordingly, the sales tax on services aggregating Rs. 55 million paid by the Company from July 1, 2013 up to December 31, 2013 has been recorded as refundable in this condensed interim financial information and adjusted as 'input tax' by the Company while filing monthly sales tax return subsequent to the balance sheet date .

The management is confident that the ultimate decision in the above case will be in favour of the Company, hence no provision has been made in respect of the above.

8.1.3 Bank guarantees of Rs. 193 million (June 30, 2013: Rs. 193 million) were issued in favour of third parties.

8.2 Commitments

As at December 31, 2013 commitments outstanding for capital expenditure amounted to Rs. 3.42 billion (June 30, 2013: Rs. 1.11 billion).

Outstanding letters of credit as at December 31, 2013 amounted to Rs. 12.57 billion (June 30, 2013: Rs. 6.27 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipments amounted to Rs. 30.84 million (June 30, 2013: Rs. 44.23 million).

9. FINANCE COSTS

This includes transaction cost amounting to Rs. 76.16 million incurred on Term Finance Certificates issued during the period.

	December 31, 2013	December 31, 2012
	(Rupees in thousand)	
10. CASH GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(1,167,860)	1,566,858
Adjustments for non-cash charges and other items:		
Depreciation	101,060	98,808
Mark-up expense	262,373	126,661
Provision for defined benefit plans	36,417	29,829
Share of income of associate	(5,249)	(4,670)
Return on deposit accounts	(53,813)	(28,325)
Loss / (gain) on disposal of fixed assets	2,864	(2,100)
Fixed assets written off	-	1,136
Working capital changes – note 10.1	1,642,457	(1,538,066)
Cash generated from operations	818,249	250,131
10.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and chemicals	(36,736)	(6,272)
Stock-in-trade	2,234,229	(816,488)
Trade debts	2,757,912	12,580,296
Loans and advances	24,296	(12,836)
Trade deposits and short-term prepayments	(41,046)	9,079
Other receivables	(1,955,971)	422,395
	2,982,684	12,176,174
(Decrease) / increase in current liabilities		
Trade and other payables	(1,871,199)	(13,933,908)
Payable to government - Sales tax	530,972	219,668
	(1,340,227)	(13,714,240)
	1,642,457	(1,538,066)

Notes to and Forming Part of the Condensed Interim Financial Information

for the half year ended December 31, 2013 (Unaudited)

		December 31, 2013	December 31, 2012
		(Rupees in thousand)	

11. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

Relationship	Nature of transactions	December 31, 2013	December 31, 2012
Associated companies	Sale of goods	58,241,423	53,384,403
	Sale of service	17,472	15,217
	Purchase of goods	2,392,439	13,712,481
	Mark-up-paid	5,292	561
	Dividend paid	41,895	-
	Dividend received	6,804	5,952
	Interest claim on late payments	749	-
	Bank charges	42	128
Key management compensation	Salaries and other shot-term employee benefits	35,551	30,443
	Post-employment benefits	4,767	4,113
Staff retirement benefit plans	Contributions to retirement plan	60,920	44,668
	Proceeds recieved from TFC issue	200,000	-
	Mark-up paid on TFC	3,541	-
Directors' fee including honorarium		1,215	870

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

Key management personnel comprises of members of Refinery Leadership Team.

12. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash and bank balances	1,201,435	254,117
Short term loan	-	(800,000)
Running finance under mark-up arrangements	-	(153,775)
	1,201,435	(699,658)

13. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on February 19, 2014.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Notes

Notes

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