1ST QUARTER REPORT
SEPTEMBER 30, 2013

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.

contents

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

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

Registered Office
P.O. Box 4612
Korangi Creek Road, Karachi-75190
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk

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

Muqtadar A. Quraishi
Director

Naeem Yahya Mir
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/transmisssion of shares;
- sub-divide, consolidate and issue there 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

The financial year 2013-14 has started with new challenges for Pakistan economy, foremost is the steep decline in parity of Pak Rupee against US Dollar. This phenomenon has adversely affected the financial results of your Company and the exchange loss alone suffered by the refinery in the first quarter ended September 30, 2013 is more than the total exchange loss incurred by the refinery during the whole of last year ended June 30, 2013. The Company incurred overall exchange loss of Rs 775.58 million due to the high volatility in Rupee-Dollar parity during the period, whereas during the comparative quarter and the whole of last year exchange loss incurred by the refinery was Rs 150.07 million and Rs 677.42 million respectively. The Company incurred loss after tax of Rs 266.48 million in the current quarter ended September 30, 2013 as compared to the profit after tax of Rs 767.13 million in the same period last year. Refining margins were also depressed in the current quarter as compared to comparative quarter last year.

Despite these financial adversities, Refinery operated smoothly during the period processing on average 4,478 M. Tons of crude and condensates per day as compared to 4,431 M. Tons per day during corresponding period last year. Sales revenue increased by 8% as compared to the corresponding quarter last year.

Due to 'gross loss' situation the Refinery had no tax liability in the current quarter but the Refinery remains exposed to minimum tax on turnover at 0.5% when it will earn gross profit which will further adversely impact the future profitability and liquidity of the Company considering that the revenues of the Refinery are huge as compared to much less margins. The Refinery has made numerous representations to and will again take up the issue with the Federal Board of Revenue and the Government of Pakistan that the refineries should be given similar tax relief as is available to other segments of the industry to help the refineries operate in a competitive environment. This is important considering investment of millions of dollars in the near future by refineries in projects like Isomerisation and Diesel Hydrogen De-sulphurisation (DHDS).

The Isomerisation Project, a project to convert light Naphtha into more profitable Motor Gasoline, made significant progress during the current quarter. Following the completion and awarding of Front End Engineering Design (FEED) in the previous year, the Final Investment Decision was taken by the Board in the current quarter to invest upto USD 50 million in the Isomerisation Project. It is expected that Engineering, Procurement and Construction (EPC) phase shall start in the second quarter of the financial year.

During the current quarter, the Company successfully launched two Term Finance Certificate (TFC) issues, Taraqqi TFC1 and Taraqqi TFC2 with 3 and 5 years maturity respectively, to general public to meet working capital and capital expenditure requirements. The initial public offer for Taraqqi TFC1 and Taraqqi TFC2 commenced on August 16, 2013 and will continue till November 15, 2013. The public offering is against the total issue of Rs 3 billion (including green shoe option of Rs 500 million) for Taraqqi TFC1 and Rs 1 billion for Taraqqi TFC2. Taraqqi TFC1 and Taraqqi TFC2 carry quarterly payment of profits at fixed rate of 10.55% per annum and 10.75% per annum respectively. Both issues shall be listed on Karachi Stock Exchange and have been assigned credit rating 'A' (Single A) by The Pakistan Credit Rating Agency.

Operational Excellence and Health, Safety, Environment and Quality (HSEQ) remained under focus with the Company achieving the milestone of 2.5 million man-hours without a Lost-Time-Injury incident through continuous monitoring to ensure efficiency in operations, safety of employees, customers and contractors, compliance with national standards and production of quality products. The Refinery remained compliant with all national standards of HSEQ during the period.

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

On behalf of the Board of Directors

Farooq Rahmatullah
Chairman

Karachi: October 14, 2013

Condensed Interim Balance Sheet
as at September 30, 2013

	Note	Unaudited September 30, 2013	(Restated) Audited June 30, 2013
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	2	5,561,049	5,111,367
Investment in associate		88,650	85,455
Long-term loans and advances		2,069	2,630
Long-term deposits		51,610	51,396
		5,703,378	5,250,848
Current assets			
Stores, spares and chemicals		220,027	192,374
Stock-in-trade	3	9,920,393	10,978,536
Trade debts		8,423,047	10,803,826
Loans and advances		77,306	47,884
Trade deposits and short-term prepayments		64,400	8,070
Other receivables		195,784	45,998
Taxation - payments less provision		134,856	-
Cash and bank balances		1,478,453	85,089
		20,514,266	22,161,777
		26,217,644	27,412,625
EQUITY			
Share capital		350,000	350,000
Reserves		397,965	397,965
Accumulated loss	1.5	(3,011,521)	(2,736,931)
Fair value reserve		7,698	7,145
		(2,255,858)	(1,981,821)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,197,928	3,197,928
LIABILITIES			
Non-current liabilities			
Deferred taxation		22,386	21,571
Retirement benefit obligations		273,627	270,332
		296,013	291,903
Current liabilities			
Trade and other payables		16,396,584	16,925,840
Advance against TFC Subscription	4	1,313,080	-
Short-term borrowings and running finance		6,175,879	7,778,795
Accrued mark-up		22,530	39,136
Taxation - provision less payments		-	9,054
Payable to government - sales tax		1,071,488	1,151,790
		24,979,561	25,904,615
		25,275,574	26,196,518
Contingencies and commitments	5		
		26,217,644	27,412,625

The annexed notes 1 to 10 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 quarter ended September 30, 2013 (Unaudited)

	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
Sales	41,376,418	38,201,841
Less: Sales tax, excise duty and petroleum levy	(7,054,238)	(6,545,495)
	34,322,180	31,656,346
Cost of sales	(34,364,618)	(30,452,296)
Gross (loss) / profit	(42,438)	1,204,050
Distribution cost	(48,979)	(40,599)
Administrative expenses	(43,180)	(49,787)
Other operating expenses	-	(71,328)
Other income	86,195	37,344
Operating (loss) / profit	(48,402)	1,079,680
Finance cost	(186,088)	(137,331)
Share of income of associate	2,453	1,699
(Loss) / profit before taxation	(232,037)	944,048
Taxation - current	(41,927)	(176,474)
- deferred	(626)	(446)
	(42,553)	(176,920)
(Loss) / profit after taxation	(274,590)	767,128
Other comprehensive income		
Change in fair value of available for sale investments of associate	742	1,219
Deferred tax relating to fair value change of available for sale investments of associate	(189)	(320)
	553	899
Total comprehensive (loss) / income	(274,037)	768,027
(Loss) / earnings per share	(Rs 7.85)	Rs 21.92

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Condensed Interim Cash Flow Statement

for the quarter ended September 30, 2013 (Unaudited)

	Note	September 30, 2013	September 30, 2012
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	6	2,463,776	(299,349)
Mark-up paid		(97,925)	(90,365)
Income tax paid		(185,837)	(148,168)
Contribution to defined benefit retirement plans		(14,914)	(19,010)
Decrease in long-term loans and advances		561	415
Increase in long term deposits		(214)	-
Net cash generated from / (used in) operating activities		2,165,447	(556,477)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(499,753)	(100,595)
Return received on deposits		17,506	12,662
Net cash used in investing activities		(482,247)	(87,933)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(7)
Advance received against TFC subscription		1,313,080	-
Net increase / (decrease) in cash and cash equivalents		2,996,280	(644,417)
Cash and cash equivalents at the beginning of the period		(7,693,706)	(146,358)
Cash and cash equivalents at the end of the period	8	(4,697,426)	(790,775)

The annexed notes 1 to 10 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 quarter ended September 30, 2013 (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, 2012	350,000	897	1,050	(2,585,357)	-	1,265	(2,232,145)
Effect of change in accounting policy with respect to accounting for retirement benefits under IAS 19 (revised)	-	-	-	(126,821)	-	-	(126,821)
Balance as at July 1, 2012 - restated	350,000	897	1,050	(2,712,178)	-	1,265	(2,358,966)
Profit for the quarter ended September 30, 2012	-	-	-	767,128	-	-	767,128
Other comprehensive income	-	-	-	-	-	899	899
Total recognised profit for the quarter ended September 30, 2012	-	-	-	767,128	-	899	768,027
Balance as at September 30, 2012 - restated	350,000	897	1,050	(1,945,050)	-	2,164	(1,590,939)
Balance as at July 1, 2013	350,000	897	1,050	(2,485,357)	396,018	7,145	(1,730,247)
Effect of change in accounting policy with respect to accounting for retirement benefits under IAS 19 (revised)	-	-	-	(251,574)	-	-	(251,574)
Balance as at July 1, 2013 - restated	350,000	897	1,050	(2,736,931)	396,018	7,145	(1,981,821)
Loss for the quarter ended September 30, 2013	-	-	-	(274,590)	-	-	(274,590)
Other comprehensive income	-	-	-	-	-	553	553
Total recognised loss for the quarter ended September 30, 2013	-	-	-	(274,590)	-	553	(274,037)
Balance as at September 30, 2013	350,000	897	1,050	(3,011,521)	396,018	7,698	(2,255,858)

The annexed notes 1 to 10 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 quarter ended September 30, 2013 (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, 2013 except as follows:

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 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 (i) actuarial gains and losses on obligations, and (ii) the difference between actual investment returns and the return implied on plan assets. 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.

The Company's condensed interim financial information is affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Impact on Balance Sheet		
- Increase in retirement benefit obligations	251,574	126,821
- Increase in accumulated losses	251,574	126,821
Impact on Statement of Changes in Equity		
- Increase in accumulated losses		
Cumulative effect from prior years	-	82,765
Impact for the year ended	124,753	44,056

Actuarial valuations are carried out on bi-annual basis. The last actuarial valuation was carried out on June 30, 2013, therefore no impact has been calculated for the current quarter and comparitive condensed financial information has also not been adjusted for the same reason.

1.3 Under directive from the Ministry of Petroleum & Natural Resources' (the Ministry) dated March 27, 2013, 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" which shall be available for utilization exclusively for upgradation of the refineries, and is not available for set off of losses till the completion of upgradation project. The revised directive is applicable from the year ended June 30, 2013.

1.4 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.

1.5 As at September 30, 2013 the Company has accumulated losses of Rs 3.01 billion [June 30, 2013 (Restated): Rs 2.74 billion] and its current liabilities exceed its current assets by Rs 4.46 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, these financial statements are prepared on a going concern basis.

2. FIXED ASSETS

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

	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
Revaluation of freehold land	-	54,000
Additions:		
Processing plant, tank farm and power generation	1,820	-
Equipment including furniture and fixtures	5,063	100
Major spare parts and stand-by equipments - net of transfers	(276)	(541)
Capital work in progress - net of transfers	493,146	101,036
	499,753	154,595

There were no disposal of fixed assets made during the period.

Notes to and Forming Part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Unaudited)

	As at September 30, 2013	As at June 30, 2013
	(Rupees in thousand)	
2.1 Capital work-in-progress		
Buildings	4,743	4,026
Processing plant - note 2.1.1	898,771	477,241
Korangi tank farm	202,916	142,003
Keamari terminal	190,394	184,897
Pipelines	31,370	29,541
Water treatment and cooling systems	1,761	-
Equipments	8,319	7,588
Fire fighting and telecommunication systems	168	-
	1,338,442	845,296

2.1.1 This includes Rs 214.36 million (June 30, 2013: Rs 172.51 million) in respect of Isomerisation Project.

3. STOCK-IN-TRADE

As at September 30, 2013, stock-in-trade has been written down by Rs 165.30 million (June 30, 2013: Rs Nil) to account for the impact of reduction in net realisable value.

4. ADVANCE AGAINST TFC SUBSCRIPTION

During the current period, the Company launched two Term Finance Certificate (TFC) issues, Taraqqi TFC1 and Taraqqi TFC2 with 3 and 5 years maturity respectively, to general public and received subscription money thereagainst amounting to Rs 1,201.54 million and Rs 111.54 million respectively till September 30, 2013. The initial public offer for Taraqqi TFC1 and Taraqqi TFC2 commenced on August 16, 2013 and will continue till November 15, 2013. The subscription received is against the total issue of Rs 3 billion (including green shoe option of Rs 500 million) for Taraqqi TFC1 and Rs 1 billion for Taraqqi TFC2. Taraqqi TFC1 and Taraqqi TFC2 carry quarterly payment of profits at fixed rate of 10.55% per annum and 10.75% per annum respectively. Both issues shall be listed on Karachi Stock Exchange and have been assigned credit rating 'A' (Single A) by The Pakistan Credit Rating Agency (PACRA).

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 Claims against the Company not acknowledged as debt amount to Rs 3.85 billion (June 30, 2013: Rs 3.82 billion). These include Rs 3.52 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 6.86 billion (June 30, 2013: Rs 6.86 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

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

5.2 Commitments

5.2.1 Commitments outstanding for capital expenditure as at September 30, 2013 amounted to Rs 582.15 million (June 30, 2013: Rs 1,110.72 million).

5.2.2 Outstanding letters of credit as at September 30, 2013 amounted to Rs 12.72 billion (June 30, 2013: Rs 6.27 billion).

5.2.3 Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipment amounted to Rs 40.38 million (June 30, 2013: Rs 44.23 million).

	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
6. CASH GENERATED FROM / (USED IN) OPERATIONS		
(Loss) / profit before taxation	(232,037)	944,048
Adjustments for non-cash charges and other items		
Depreciation and amortisation	50,071	48,970
Share of income of associate	(2,453)	(1,699)
Profit on deposits	(16,435)	(12,662)
Mark-up expense	80,248	87,035
Provision for defined benefit retirement plans	18,209	11,406
	129,640	133,050
Working capital changes - note 6.1	2,566,173	(1,376,447)
Cash generated from / (used in) operations	2,463,776	(299,349)

Notes to and Forming Part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Unaudited)

		September 30, 2013	September 30, 2012
		(Rupees in thousand)	
6.1 Working capital changes			
Decrease / (Increase) in current assets			
Stores, spares and chemicals		(27,653)	(18,296)
Stock-in-trade		1,058,143	(4,605,771)
Trade debts		2,380,779	12,335,717
Loans and advances		(29,422)	(15,216)
Trade deposits and short-term prepayments		(56,330)	(2,988)
Other receivables		(149,786)	412,888
		3,175,731	8,106,334
Increase / (Decrease) in current liabilities			
Trade and other payables		(529,256)	(9,679,419)
Payable to government - sales tax		(80,302)	196,638
		(609,558)	(9,482,781)
		2,566,173	(1,376,447)

7. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

Relationship	**Nature of transaction**	September 30, 2013	September 30, 2012
Associated companies	Sale of goods - net	29,476,235	24,775,274
	Services rendered	9,069	4,775
	Purchase of goods	2,204,847	8,062,699
	Mark-up paid	5,292	561
	Interest claim on late payments	298	-
	Bank charges	22	13
Key management compensation			
	Salaries and other short term employee benefits	17,962	15,136
	Post-employment benefits	2,433	2,057
Contributions to retirement plans		22,328	27,300
Directors' fee including honorarium		645	450

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

Key management comprises of members of the Refinery Leadership Team.

8. CASH AND CASH EQUIVALENTS

	September 30, 2013	September 30, 2012
Cash and bank balances	1,478,453	182,586
Short term borrowings and running finance	(6,175,879)	(973,361)
	(4,697,426)	(790,775)

9. CREDIT RATING

PACRA has also assigned 'A-' (Single A minus) credit rating to the Company as an entity. This credit rating denotes a low expectation of credit risk with the capacity for timely payment of financial commitments considered strong.

10. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on October 14, 2013.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

PAKISTAN REFINERY LIMITED

P.O. Box 4612, Korangi Creek Road,
Karachi-75190, Pakistan.
Tel: (92-21) 35122131-40,
Fax: (92-21) 35060145, 35091780
Email: info@prl.com.pk
Website: www.prl.com.pk