



Bosicor Pakistan Limited

first fiscal
quarter report
September 30, 2008



> Welcome

By the way...

AIR

TYRE SHOP

SERVICES

DIESEL Rs. **64:76** / LTR

GASOLINE Rs. **86:78** / LTR

Rs. / Kg

Company Information

Board of Directors

Amir Abbassciy, *Chairman*
Hamid Imtiaz Hanfi, *Director*
Muhammad Rashid Zahir, *Director*
Syed Arshad Raza, *Director*

Farooq Ahmed Yamin Zubairi, *Director*
Samia Roomi, *Director*
Uzma Abbassciy, *Director*

Audit Sub Committee of the Board

Muhammad Rashid Zahir, *Chairman*
Hamid Imtiaz Hanfi, *Member*
Syed Arshad Raza, *Member*

Ozair Muhammad, *Secretary*
M. Mazahir Hussain (*by invitation*)

Corporate Secretariat

Hamid Imtiaz Hanfi, *Vice Chairman*
Amir Waheed Ahmed, *GM Corporate Services*
& *Company Secretary*

Ozair Muhammad, *Head Internal Financial Audits*

CEO / President Secretariat & Management Team

Mohammad Wasi Khan, *President & Chief Executive Officer*
Syed Masood Raza, *VP Admin & HR*
Derek Lawler, *VP Technical*
Jawed Ahmed, *VP Commercial*

M. Mazahir Hussain, *GM Treasury & Chief Financial Officer*
Muhammad Waseem, *GM Projects*
Shamim Anwar, *GM Oil Refining Unit*
Sh. Atta-ur-Rehman, *GM Oil Marketing Unit*

Auditors

Faruq Ali & Co. Chartered Accountants

Legal Advisor

Saleem uz Zaman of Kabraji & Talibuddin

Bankers

Allied Bank Limited
Bank Al-Falah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited

KASB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
The Bank of Khyber

Shares Registrar

THK Associates (Pvt) Limited,
Ground Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road, Karachi - 75530

Tel # 021-111-000-322
Fax # 021-565 5595

Registered Office

2nd Floor, Business Plaza,
Mumtaz Hassan Road,
Karachi-74000

Tel # 021-111-222-081
Fax # 021-111-888-081

Website

www.bosicor.com.pk

Directors' Report

In the name of Allah the Most Merciful and the Most Benevolent.

The Board of Directors of the Company presents the first quarterly report together with un-audited Financial Statements for the first fiscal quarter ended September 30, 2008.

Pakistan economy is presently at war on multilateral fronts - political, economic, social and external. Economically, the country is struggling with widening current account and fiscal deficit, soaring inflation, weakening rupee and falling exchange reserves. Recent changes in the geo-political scene have also drastically impacted the oil business the world over. Fluctuating Crude Oil Prices and now a sharp decline in the same has increased global economic uncertainty, bringing into question the future world demand for this energy source.

Internationally Crude Oil and Product prices remained under pressure and now have led to a downward trend. This downward trend has caused unprecedented inventory losses, affecting profitability of refineries all over the world in general, and specifically the smaller Pakistani refineries. Additionally, on local front, our Government has revised the Refinery sector's pricing formula for Diesel and Motor Spirit which has further deteriorated this sector's profitability.

The Pakistani Rupee has experienced a decline of over 30% or about Rs. 20 per dollar in value in less than four months, consequently increasing the Nation's external liabilities. This devaluation has had an immense negative affect on our Crude Oil procurement arrangements by increasing the payment in equivalent Pak Rupees. As a consequence, the Company has incurred an extra ordinary expense on account of foreign exchange differential of Rs. 1,704.978 million during the period under review which could have otherwise minimized our losses by the same amount.

As an outcome of this, the gross refining margins in the first quarter of this fiscal year have shown a very large negative trend.

In the absence of an appropriate mechanism provided by the Government for a Refinery to safeguard itself from foreign exchange differential, the Refinery becomes exposed to the risk of foreign exchange parity as State Bank of Pakistan / GOP does not allow foreign exchange forward cover or hedging on oil imports, which has no bearing with its core refining business.

Hence we have requested GOP for a mechanism same as the Price Differential Claim (PDC) on account of Pak Rupee parity differential with the US Dollar between the Bill of Lading and the Letter of Credit maturity dates.

Our medium term plans, i.e. 2008-2009, call for investment in additional storage capacity of 126,000 Metric Tons, along with investment in a Single Point Mooring (SPM) in order to improve freight economics by bringing in larger Crude Oil vessels, eliminating road bowser movements of Crude Oil and the related transit losses, are in advanced stage and these projects are expected to be completed during the current fiscal year. Both these projects are aimed at developing infrastructure to enable us to become self-reliant in supply chain in the most cost-effective manner.

Our longer term plans, i.e. 2009-2010, call for investment in an Isomerization plant for converting and upgrading Light Naphtha into environmental friendly Motor Gasoline. This complete unit, comprising equipment, machinery and plant has arrived at the Port and is on its way to the Refinery Site at the time of this Report.

As a consequence of exceptional financial burden from unprecedented exchange loss especially during the quarter under review and the resultant increase in the cost of executing the projects in hand and the sponsoring shareholder have been approached to provide financial support equivalent to US Dollar 30 million which will enable the Company to bridge the required funding gap for completing these projects and meeting Company's financial obligations. We trust that even in these trying times, our sponsoring shareholder will provide this necessary financial assistance to the Company.

Your Company is also making progress in establishing its product retail outlets with the professional support of its Oil Marketing Unit and we expect to increase the number of these retail outlets to approximately 75 by June, 2009.

During the period under review, the net loss after taxation was Rs. 2,505.652 million on net sales of Rs. 19,763.503 million as compared to a profit after taxation amounting to Rs. 75.954 million from the net sales of Rs. 5,748.428 million. However, it is expected that the gross margins for hydro-skimming refineries shall improve in future.

In conclusion the Board prays to Almighty Allah for His blessings and extends its gratitude to our Shareholders for their continued support, confidence and trust in your Company and its employees' efforts.

For and on behalf of the Board of Directors



Chairman

Karachi: October 30, 2008

Balance Sheet

as at September 30, 2008



Amount in Rs. '000

	Notes	Un-audited Sept 30, 2008	Audited June 30, 2008
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	8,751,688	8,564,933
Intangible asset		10,618	10,618
Long term deposits		55,885	45,629
CURRENT ASSETS			
Stores and spares		141,252	132,253
Stock in trade		6,175,124	11,934,244
Trade debts - Considered good	5	5,049,427	3,217,917
Loans and advances - Considered good		197,473	87,978
Trade deposits, prepayments and other receivables		253,099	119,094
Markup accrued		42,432	42,432
Cash and bank balances		8,095,513	7,906,497
		19,954,320	23,440,415
		28,772,511	32,061,595
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 500,000,000 (June 30, 2008: 500,000,000) Ordinary shares of Rs.10/- each		5,000,000	5,000,000
Issued, subscribed and paid-up capital		3,921,044	3,921,044
Accumulated loss		(2,890,701)	(392,409)
		1,030,343	3,528,635
Surplus on revaluation of property, plant and equipment		1,564,286	1,571,647
NON-CURRENT LIABILITIES			
Loan from sponsor - Unsecured		195,290	170,140
Term finance certificates - Secured		-	107,094
Long term loans - Secured		614,506	644,340
Liabilities against assets subject to finance lease		168,763	182,465
Long term deposits		4,446	4,446
Deferred liabilities		256,626	260,589
CURRENT LIABILITIES			
Trade and other payables		21,527,293	23,683,442
Accrued markup		144,657	124,234
Short term borrowings - Secured	6	2,500,000	1,000,000
Current portions of non current liabilities		587,271	605,532
Provision for taxation		179,031	179,031
		24,938,252	25,592,239
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		28,772,511	32,061,595

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

Chief Executive

Director

Profit and Loss Account

for the first fiscal quarter ended September 30, 2008 (Unaudited)

		Amount in Rs. '000	
	Notes	July - Sept 2008	July - Sept 2007
Net sales		19,763,503	5,748,428
Cost of sales		20,382,289	5,484,785
Gross (loss) / profit		(618,786)	263,643
Operating expenses			
Administrative expenses		71,662	50,447
Selling and distribution expenses		52,393	12,990
		124,055	63,437
Operating (loss) / profit		(742,841)	200,206
Other income		205,516	13,978
		(537,325)	214,184
Financial and other charges			
Financial charges		242,117	121,670
Exchange difference	8	1,730,173	(8,137)
		1,972,290	113,533
(Loss) / profit before taxation		(2,509,615)	100,651
Taxation			
Current		-	28,742
Deferred		(3,963)	(4,045)
		(3,963)	24,697
(Loss) / profit after taxation		(2,505,652)	75,954
(Loss) / Earnings per share - (Rupees)		(6.39)	0.19

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



Chief Executive



Director

Cash Flow Statement

for the first fiscal quarter ended September 30, 2008 (Unaudited)



Amount in Rs. '000

	July - Sept 2008	July - Sept 2007
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(2,509,615)	100,651
Adjustments for non cash charges and other items:		
Depreciation	76,854	60,313
Financial charges	242,117	113,533
Gain on disposal of fixed assets	(82)	-
Cash flow before working capital changes	(2,190,726)	274,497
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(8,999)	(4,493)
Stock in trade	5,759,120	(2,926)
Trade debts	(1,831,510)	(76,342)
Loans and advances	(109,495)	(16,839)
Trade deposits, prepayments and other receivables	(61,165)	144,565
Increase / (decrease) in current liabilities		
Trade and other payables	(2,130,999)	(177,612)
Cash (used in) / generated from operations	(573,774)	140,850
Payments for:		
Financial charges	(221,695)	(162,613)
Taxes	(72,840)	(16,186)
Net cash used in operating activities	(868,309)	(37,949)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(263,609)	(588,212)
Sales proceeds of fixed assets	433	-
Long term deposits	(10,256)	(508)
Net cash used in investing activities	(273,432)	(588,720)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds against right issue of shares	-	36,364
Proceeds against loan from sponsor - net	-	496,729
Repayment of term finance certificates	(107,094)	(107,109)
Repayment of long term loans	(49,823)	(49,523)
Liabilities against assets subject to finance lease - net	(12,326)	(1,318)
Short term borrowings	1,500,000	(230,250)
Net cash generated from financing activities	1,330,757	144,893
Net increase / (decrease) in cash and cash equivalents	189,016	(481,776)
Cash and cash equivalents as at 1st July	7,906,497	1,788,863
Cash and cash equivalents as at 30th Sept	8,095,513	1,307,087

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

Chief Executive

Director

Statement of Changes in Equity

for the first fiscal quarter ended September 30, 2008 (Unaudited)

Amount in Rs. '000

	Issued, subscribed and paid up capital	Accumulated Profit / (loss)	Total
Balance as on July 01, 2007	2,450,652	(437,581)	2,013,071
Shares issued during the period	1,470,392	-	1,470,392
Net profit for the period	-	75,954	75,954
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	7,512	7,512
Balance as on September 30, 2007	3,921,044	(354,115)	3,566,929
Balance as on July 01, 2008	3,921,044	(392,409)	3,528,635
Net loss for the period	-	(2,505,652)	(2,505,652)
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	7,361	7,361
Balance as on September 30, 2008	3,921,044	(2,890,701)	1,030,343

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



Chief Executive



Director

Notes to the Financial Statements

for the first fiscal quarter ended September 30, 2008 (Unaudited)



1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company on January 09, 1995 and was granted a certificate of commencement of business on March 13, 1995. The shares of the company are listed on the Karachi, Lahore and Islamabad Stock Exchanges. The company is engaged in the refining and sale of the petroleum products.

2 ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in the preparation of the preceding annual financial statements of the company.

3 BASIS OF PREPARATION

These financial statements are unaudited and have been prepared in accordance with the requirements of section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as applicable in Pakistan.

Amount in Rs. '000

	Notes	Sept 30, 2008	June 30, 2008
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		6,065,558	6,142,776
Capital work in progress	4.1	2,686,130	2,422,157
		8,751,688	8,564,933
4.1 Capital work in progress			
Opening balance		2,422,157	1,310,332
Additions		263,973	2,322,906
		2,686,130	3,633,238
Less: Capitalized		-	(1,211,081)
Closing balance		2,686,130	2,422,157

5 TRADE DEBTS - Considered good

Trade debt include receivables amounting to Rs.234.526 million (June 30, 2008: Rs.169.439 million) in respect of price differential claims from Ministry of Petroleum, Government of Pakistan.

6 SHORT TERM BORROWINGS - Secured

Bills discounting facility	6.1	2,500,000	1,000,000
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6.1 These include facilities from Habib Bank Limited and Allied Bank Limited and are secured against equitable mortgage charge on land, building, plant & machinery of the company, first specific hypothecation charge on receivables from PSO and also PSO's undertaking for payment against invoices raised by the company by or before a specific date.

The facilities carry markup @ 1.75% over three months KIBOR and @ 2.00% over three months KIBOR respectively, payable at the time of invoice discounting.

7 CONTINGENCIES AND COMMITMENTS

Commitments in respect of:

- Capital expenditures amounting to Rs. 1,150 million (June 30, 2008: Rs. 332.011 million).
- Letter of credit other than capital expenditure amounting to Rs. 3,057 million (June 30, 2008: nil)

8 EXCHANGE DIFFERENCE

This represents exchange difference incurred due to translation of foreign currency liabilities in respect of crude oil and on account of unprecedented depreciation of Pak Rupee against US Dollar during the first quarter of the financial year.

9 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, directors, key management personnel and staff provident fund.

Amount in Rs. '000

	Sept 30, 2008	Sept 30, 2007
Holding company:		
Receipt of loan	–	496,729
Markup on loan	1,671	–
Associated companies:		
Purchase of operating fixed assets & services	665	590
Payment of rent	87	87
Repayment of loan and lease liabilities	19,688	38,816
Payment against services (freight for crude oil)	276,555	85,713
Markup on borrowings and leases	4,205	7,384
Land lease rentals	10,938	–
Staff provident fund		
Payment of employees and company's contribution	6,397	4,600

10 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 30, 2008 in accordance with the resolution of the Board of Directors of the company.

11 GENERAL

These financial statements are presented in Rupees and figures have been rounded off to nearest thousand rupees.



Chief Executive



Director





Bosicor Pakistan Limited

2nd Floor, Business Plaza,
Mumtaz Hassan Road, Karachi-74000
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Fax # 021-111-888-081
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