BOSICOR

Bosicor Pakistan Limited

second fiscal
quarter report
December 31, 2008


Bosicor
Welcome
By the way...
Air
Tyre Shop
Services
Diesel Rs. 57:32/ LTR
Gasoline Rs. 57:84/ LTR
CNG Rs. 48:00/ 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*

Mohammad Wasi Khan, *President & CEO*
Amir Waheed Ahmed, *Company Secretary*

Kashif Shah, *Sponsors' Advisor (by invitation)*

Audit Sub Committee of the Board

Muhammad Rashid Zahir, *Chairman*

Hamid Imtiaz Hanfi, *Member*
Syed Arshad Raza, *Member*
Ozair Muhammad, *Secretary*

Kashif Shah, *Sponsors' Advisor (by invitation)*
Amir Waheed Ahmed *(by invitation)*

Corporate Secretariat

Hamid Imtiaz Hanfi, *Vice Chairman*

Amir Waheed Ahmed, *GM Corporate Services*

Ozair Muhammad, *Head Corporate Audits (Financial)*

CEO / President Secretariat & Management Team

Mohammad Wasi Khan, *President & Chief Executive Officer*

Syed Masood Raza, *VP Admin & HR*
Jawed Ahmed, *VP Commercial*
Derek Lawler, *VP Technical*
Amir Waheed Ahmed, *Chief Financial Officer*

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

Legal Counsel

Shahana Ahmed Ali

Auditors

Faruq Ali & Co. Chartered Accountants

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Habib Bank Limited
Habib Metropolitan Bank Limited

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

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 Directors present their report together with the condensed interim financial statements of the company for the six month period ending December 31, 2008 and the review report of the external auditors' thereon.

Pakistan economy is presently facing challenges on multilateral fronts: economic, political, social and external. The country is struggling with widening current account and fiscal deficit, soaring inflation, unstable rupee and exchange reserves. Recent changes in the geo-political scene have also drastically impacted the oil business the world over.

During the half year under review, the Crude Oil and Product prices remained under severe pressure and faced a rapid downward trend causing unprecedented inventory losses, which has affected profitability of refineries all over in general, and more specifically in Pakistan. Further, the Rupee experienced a depreciation of over 25% in its value versus the US Dollar during this period, causing an immense negative effect on arrangements for our Crude Oil procurement which consequently led to increase in the payment amount in equivalent Pak Rupees at the time of maturity of Crude Oil LCs. Resultantly, the Company has incurred an extra ordinary expense on account of foreign exchange differential of Rs. 4,228.52 million during this period which could have otherwise minimized our losses.

In addition to the above, the Government has revised the Refinery sector's pricing formula for Diesel and Motor Spirit in mid August 2008 which has further dented this sector's profitability.

During the half year under review, the Company's net loss after taxation was Rs. 7,918.19 million on net sales of Rs. 30,121.69 million as compared to a profit after taxation amounting to Rs. 143.11 million from the net sales of Rs. 9,684.34 million in the same period last year.

To counter the above negativity, your Company has prepared a comprehensive financial plan and renegotiated arrangements with the consortium of financial institutions for the existing syndicated Crude Oil LC facility of Rs. 19,800 million which has expired on 31 December 2008. Under the new arrangement, the consortium will provide: a) Syndicated Term Finance Facility of Rs. 6,000 million, by converting the Banks existing exposure of funded LC lines; and b) Letters of Credit Facility of up to Rs. 12,300 million to facilitate opening of LCs for Crude Oil purchases.

Under the above arrangement, the sponsoring shareholders have also been approached for assistance and they have agreed to provide urgent financial support of up to Rs. 4,200 million during the current fiscal year. This financial support will enable the Company to bridge the required funding gap for completing the projects under construction and in meeting Company's financial obligations. We are pleased to inform that even in these trying times; our sponsoring shareholders and the financial institutions have extended complete support to the Company. Subsequent to the Balance Sheet date of December 31, 2008, out of the committed Rs. 4,200 million the sponsoring shareholders have already injected an amount of Rs. 1,850 million till January 2009.

In the past few months, with the assistance of Ministry of Petroleum & Natural Resources (MP&NR) and the Government (GOP), the management has been able to secure allocation of local Crude Oil and import of Crude Oil from Iran under favorable terms and conditions. The Company has started receiving local Crude Oil from OGDC and import of Iranian Crude Oil has also started from January 2009. As a result of a joint presentation of all local refineries, the Ministry of Petroleum & Natural Resources (MP&NR) is framing an appropriate pricing mechanism for the Refining Industry to safeguard this sector and limit the risks to the exposures relating to its refining business. The management is confident that going forward this sector will be able to manage its core business, without being exposed to factors beyond its control like Rupee depreciation and Country's credit ratings.

The above steps taken by the management towards mitigating the adversaries are also covered in note 4 to the financial statements.

The projects under implementation, including additional storage tanks, Single Point Mooring (SPM) and installation of Isomerization unit are progressing well. The additional storage tanks are almost complete. This project now will provide additional storage capacity of 144,000 Metric Tons, against the original plan of 126,000 Metric Tons. The project of Single Point Mooring (SPM) had been delayed because of the difficulties being faced in arranging LCs for procuring / importing the pipeline and it is now expected to be completed by 4th quarter of the calendar year 2009. Both these projects are aimed at developing infrastructure to enable us to become self-reliant in supply chain in the most cost-effective manner.

The Isomerization unit, for converting and upgrading Light Naphtha into environmental friendly high octane Motor Gasoline has already arrived and its construction / erection is in progress. The completion is now, Inshah Allah, expected by December 2009.

Your Company has successfully established 37 of its product retail outlets across the country and we expect to increase the number of these retail outlets to 50 by June, 2009.

The auditors in their review report have emphasized on the company's ability to continue as a going concern based on the indicators that existed on the balance sheet date of December 31, 2008. Those indicators include the loss after taxation, net current liability position and negative equity. However, subsequent to the balance sheet date the management of your company has taken steps mentioned above to mitigate the risk.

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

For and on behalf of the Board of Directors

Karachi: February 26, 2009

Chairman

Review Report to the Members

Introduction

We have reviewed the accompanying interim condensed balance sheet of Bosicor Pakistan Limited as at December 31, 2008, and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim condensed financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. The figures for the quarters ended December 31, 2008 and 2007 in the interim condensed profit and loss account have not been reviewed and we do not express a conclusion thereon.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed 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 condensed financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Matter of emphasis

Without qualifying our review report, we draw attention to note no 4 to the interim condensed financial statements which indicate that the company has incurred net loss after taxation amounting to Rs. 7.918 billion during the period ended December 31, 2008 and as of that date its accumulated losses of Rs. 8.281 billion have resulted in net capital deficiency of Rs. 4.360 billion and its current liabilities exceeded its current assets by Rs. 11.107 billion. These conditions lead to uncertainty about the use of going concern assumption by the company in the preparation of financial statements. Note 4 further states that certain steps have been taken by the management to mitigate the risks mentioned above.

Dated: February 26, 2009
Place: Karachi

Faruq Ali & Co.
Chartered Accountants

Balance Sheet

as at December 31, 2008

Amount in Rs. '000

	Note	Un-audited Dec 31, 2008	Audited June 30, 2008
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	13,269,589	8,564,933
Intangible assets		8,849	10,618
Long term deposits		54,315	45,629
CURRENT ASSETS			
Stores and spares		134,490	132,253
Stock in trade		1,262,382	11,934,244
Trade debts - Considered good		3,567,788	3,217,917
Loans and advances - Considered good		151,179	87,978
Trade deposits, prepayments and other receivables		459,584	119,094
Markup accrued		42,432	42,432
Cash and bank balances		486,325	7,906,497
		6,104,180	23,440,415
		19,436,933	32,061,595
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
500,000,000 (June 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		(8,281,476)	(392,409)
		(4,360,432)	3,528,635
Surplus on revaluation of property, plant and equipment	6	4,183,462	1,571,647
NON-CURRENT LIABILITIES			
Loan from sponsor - Unsecured		–	170,140
Term finance certificates - Secured		–	107,094
Long term loans - Secured		489,505	644,340
Liabilities against assets subject to finance lease		241,338	182,465
Long term deposits		4,446	4,446
Deferred liabilities		1,666,951	260,589
CURRENT LIABILITIES			
Trade and other payables		15,962,602	23,683,442
Accrued markup		49,220	124,234
Short term borrowings	7	409,651	1,000,000
Current portion of non current liabilities	8	611,159	605,532
Provision for taxation		179,031	179,031
		17,211,663	25,592,239
CONTINGENCIES AND COMMITMENTS	9	–	–
		19,436,933	32,061,595

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

Chief Executive **Director**

Profit and Loss Account

for the six months ended December 31, 2008 - (Unaudited)

Amount in Rs. '000

	Note	3 months ended Oct - Dec 2008	Oct - Dec 2007	6 months ended Jul - Dec 2008	Jul - Dec 2007
Gross sales		**12,754,467**	4,500,865	**34,499,431**	11,268,047
Government levies		**2,396,279**	564,954	**4,377,740**	1,583,708
Net sales		**10,358,188**	3,935,911	**30,121,691**	9,684,339
Cost of sales	10	**13,053,105**	3,616,300	**33,435,394**	9,101,085
Gross (loss) / profit		**(2,694,917)**	319,611	**(3,313,703)**	583,254
Operating expenses					
Administrative expenses		**70,021**	54,439	**141,683**	104,886
Selling expenses		**40,560**	32,776	**92,953**	45,766
Operating (loss) / profit		**(2,805,498)**	232,396	**(3,548,339)**	432,602
Other income		**57,883**	34,513	**263,399**	48,491
		(2,747,615)	266,909	**(3,284,940)**	481,093
Financial and other charges					
Financial Charges		**178,307**	135,586	**420,424**	257,257
Exchange differences-net		**2,498,342**	48,538	**4,228,515**	40,400
		2,676,649	184,124	**4,648,939**	297,657
(Loss) / profit before taxation		**(5,424,264)**	82,785	**(7,933,879)**	183,436
Taxation					
Current		**–**	19,680	**–**	48,422
Deferred		**(15,684)**	(4,046)	**(15,684)**	(8,091)
		(15,684)	15,634	**(15,684)**	40,331
(Loss) / profit after taxation		**(5,408,580)**	67,151	**(7,918,195)**	143,105
(Loss) / earnings per share - basic and diluted (Rupees)	11	**(13.79)**	0.18	**(20.19)**	0.37

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

Chief Executive | **Director**

Cash Flow Statement

for the six months ended December 31, 2008 - (Unaudited)

Amount in Rs. '000

	6 months ended	
	Dec 31, 2008	Dec 31, 2007
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	**(7,933,879)**	183,436
Adjustments for non-cash charges and other items:		
Depreciation	**177,875**	121,390
Financial and other charges	**4,648,939**	297,657
Amortization of intangible assets	**1,769**	1,770
(Gain) on disposal of vehicle	**(112)**	(156)
Operating (loss) / profit before working capital changes	**(3,105,408)**	604,097
Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(2,237)**	4,654
Stock in trade	**10,671,862**	(1,248,134)
Trade debts - considered good	**(349,871)**	(741,961)
Loans and advances	**(63,201)**	(212,061)
Trade deposits, prepayments and other receivables	**(223,257)**	68,913
Increase / (decrease) in current liabilities		
Trade and other payables	**(7,720,840)**	815,763
Cash used in operations	**(792,952)**	(708,729)
Payments for:		
Financial charges paid	**(4,723,953)**	(341,073)
Taxes paid	**(117,233)**	(61,048)
Net cash used in operating activities	**(5,634,138)**	(1,110,850)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(715,175)**	(834,535)
Proceeds from disposal of vehicle	**1,053**	1,309
Long term deposits	**(8,686)**	(3,965)
Net cash used in investing activities	**(722,808)**	(837,191)
CASH FLOW FROM FINANCING ACTIVITIES		
Contribution towards right issue of shares	**–**	36,364
Short term financing - Net	**(590,349)**	134,049
Loan from sponsor	**(170,140)**	400,059
Repayment of obligation under finance lease	**(14,769)**	(18,147)
Repayment against term finance certificates	**(107,092)**	(107,108)
Repayment of long term loans	**(180,876)**	(180,876)
Net cash generated from financing activities	**(1,063,226)**	264,341
Net decrease in cash and cash equivalents	**(7,420,172)**	(1,683,700)
Cash and cash equivalents at the beginning of the period	**7,906,497**	1,788,863
Cash and cash equivalents at the end of the period	**486,325**	105,163

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

Mohammad Hussain

Chief Executive

Director

Statement of Changes in Equity

for the six months ended December 31, 2008 - (Unaudited)

Amount in Rs. '000

	Issued, subscribed and paid up capital	Accumulated (Loss)	Total
Balance as at July 01, 2007	2,450,652	(437,581)	2,013,071
Issuance of right shares	1,470,392	–	1,470,392
Net profit for the period	–	143,105	143,105
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	–	15,027	15,027
Balance as at December 31, 2007	3,921,044	(279,449)	3,641,595
Balance as at July 01, 2008	3,921,044	(392,409)	3,528,635
Net loss for the period	–	(7,918,195)	(7,918,195)
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	–	29,128	29,128
Balance as at December 31, 2008	**3,921,044**	**(8,281,476)**	**(4,360,432)**

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

Chief Executive

Director

Notes to the Financial Statements

for the six months ended December 31, 2008 - (Unaudited)

1 STATUS AND NATURE OF BUSINESS

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 company is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The principal business of the company is refining and selling of the petroleum products.

2 BASIS OF PREPARATIONS

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".

3 ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these six monthly accounts are the same as those applied in the preparation of the financial statements for the preceding year ended June 30, 2008.

3.2 Significant accounting estimates and judgments are the same as those applied in preparation of annual financial statements for the year ended June 30, 2008.

4 GOING CONCERN ASSUMPTION

During the half year ended December 31, 2008, Company incurred net loss after tax of Rs. 7.918 billion and as of that date it has accumulated losses of Rs. 8.281 billion (2008: Rs. 0.392 billion) and excess of current liabilities over current assets of Rs. 11.107 billion (2008: Rs. 2.151 billion). Although these conditions could lead to uncertainty towards use of going concern assumption by the company for the preparation of financial statements however subsequent to the balance sheet date the company has taken appropriate steps as mentioned hereunder to mitigate the risks involved.

The Company has successfully finalized a syndicated financing arrangement with a consortium of financial institutions, whereby the consortium will provide Letters of Credit facility of up to 12.300 billion and long term loan facility of Rs. 6,000 million by conversion of existing over due letter of credits. The terms of aforesaid arrangement require the injection of equity / subordinated debt of Rs. 4,200 million before the year ending 30th June 2009. Out of this arrangement, Rs. 1,850 million have already been arranged by the sponsors and accordingly received by the company. All these steps contribute towards favorable conditions and mitigate the risks, therefore, the preparation of financial statements using the going concern assumption is justified.

Amount in Rs. '000

	Note	Dec 31, 2008	June 30, 2008
5 PROPERTY PLANT AND EQUIPMENT			
Operating fixed assets - At written down value	5.1	**10,161,524**	6,142,776
Capital work in progress - At cost	5.2	**3,108,065**	2,422,157
		13,269,589	8,564,933

5.1 Additions, Revaluations and disposals during the period (Operating fixed assets)

Revaluation

	Dec 31, 2008	June 30, 2008
Plant and machinery	**4,062,989**	–

Amount in Rs. '000

	Dec 31, 2008	June 30, 2008
Additions in owned assets		
Plant and machinery	5,817	1,030,145
Generator	9,301	–
Building, on freehold land, roads and civil works	–	44,741
Furniture, fixture and equipment	286	453
Computer and allied	4,281	4,984
Safety and lab equipments	983	1,096
Vehicles	8,599	1,522
	4,092,256	1,082,941
Additions in leased assets		
Plant and machinery	–	217,718
Vehicles	105,308	15,517
	105,308	233,235
Disposals		
Vehicles	3,409	5,146

5.2 Additions during the period (Capital work in progress)

	Dec 31, 2008	June 30, 2008
Plant and machinery	676,244	1,234,123
Civil and mechanical works	9,664	16,410
	685,908	1,250,533

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Dec 31, 2008	June 30, 2008
Surplus on revaluation of Property, plant and equipment - Opening	1,571,647	1,601,698
Surplus arising due to revaluation of Property, plant and equipment	4,062,989	–
Related deferred tax liability	(1,422,046)	–
Transfer to accumulated loss in respect of incremental depreciation charged during the year - Net of tax	(29,128)	(30,051)
Surplus on revaluation of Property, plant and equipment - Closing	4,183,462	1,571,647

During the period under review plant and machinery owned by the company has further been revalued by independent valuer M/s. Asif Associates (Pvt) Limited, using prevailing market value being the basis of revaluation. The effective date of revaluation is December 17, 2008. The surplus arising from revaluation is Rs. 4,062.989 million. The entire closing balance of surplus on revaluation of Property, plant and equipment is not available for distribution to shareholders as per fourth schedule of the Companies Ordinance, 1984.

7 SHORT TERM BORROWINGS

	Note	Dec 31, 2008	June 30, 2008
From Banks - secured			
Bill discounting facility		–	1,000,000
Short term running finances		82,599	–
Short term loan		216,000	–
From sponsors - unsecured	7.1	111,052	–
		409,651	1,000,000

7.1 The foreign currency loan has been obtained from M/s Bosicor Corporation Limited (holding company), which carries markup @ LIBOR plus 1% payable semiannually. The loan is repayable within one year from the date of each disbursement. The repayment period can be extended to further period(s).

Amount in Rs. '000

8 CURRENT PORTIONS OF NON CURRENT LIABILITIES

	Dec 31, 2008	June 30, 2008
Term finance certificates	214,304	214,302
Long term loans - Secured	314,358	340,399
Liabilities against assets subject to finance leases	82,497	50,831
	611,159	605,532

9 CONTINGENCIES AND COMMITMENTS

There is no significant change in contingencies and commitments since June 30, 2008.

Amount in Rs. '000

10 COST OF SALES

	3 months ended		6 months ended	
	Oct - Dec 2008	Oct - Dec 2007	Jul - Dec 2008	Jul - Dec 2007
Opening stock of raw material	4,716,538	4,153,424	10,733,399	4,343,029
Purchases	7,950,149	4,700,657	22,408,117	10,049,518
Available for use	12,666,687	8,854,081	33,141,516	14,392,547
Closing stock of raw material	(1,010,343)	(5,285,332)	(1,010,343)	(5,285,332)
Raw material consumed	11,656,344	3,568,749	32,131,173	9,107,215
Manufacturing expenses	188,144	160,852	353,345	299,700
Cost of goods manufactured	11,844,488	3,729,601	32,484,518	9,406,915
Opening stock of finished products	1,458,586	1,026,922	1,200,845	834,393
Closing stock of finished products	(249,969)	(1,140,223)	(249,969)	(1,140,223)
	13,053,105	3,616,300	33,435,394	9,101,085

11 EARNINGS PER SHARE - BASIC AND DILUTED

	Oct - Dec 2008	Oct - Dec 2007	Jul - Dec 2008	Jul - Dec 2007
(Loss) / profit after taxation	(5,408,580)	67,151	(7,918,195)	143,105
	Number of Shares		Number of Shares	
Weighted average number of ordinary shares	392,104,400	382,971,578	392,104,400	382,971,578
	Rupees		Rupees	
Earnings per share - basic and diluted	(13.79)	0.18	(20.19)	0.37

Amount in Rs. '000

	6 months Jul – Dec 2008	6 months Jul – Dec 2007
12 TRANSACTION WITH RELATED PARTIES		
Holding company:		
Receipt of loan	111,052	400,059
Repayment of loan	170,140	–
Markup on loan	300	7,875
Associated companies:		
Purchase of operating fixed assets	1,569	1,226
Services received	7,484	13,626
Sale of fixed assets	–	1,184
Payment of rent	230	175
Repayment of loan and lease liabilities	45,029	77,333
Payment against services (freight for crude oil)	537,422	170,618
Markup on borrowings and leases	9,335	12,178
Land lease rentals	21,875	–
Staff provident fund		
Payment of employees and company's contribution	13,508	9,323

13 DATE OF AUTHORIZATION OF ISSUE

The financial statements were authorized for issue on February 26, 2009 in accordance with the resolution of the Board of Directors of the company.

14 GENERAL

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

Chief Executive

Director

BOSICOR

Bosicor Pakistan Limited
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Mumtaz Hassan Road, Karachi-74000
Tel # 021-111-222-081
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www.bosicor.com.pk