





**Bosicor Pakistan Limited** 

first fiscal quarter report September 30, 2009

# Company Information

#### Board of Directors

Amir Abbassciy, Chairman & CEO

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

Kashif Shah, Sponsors' Advisor (by invitation) Amir Waheed Ahmed, Company Secretary 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* Ozair Muhammad, *Secretary* 

Sved Arshad Raza, Member

#### Corporate Secretariat

Hamid Imtiaz Hanfi, Vice Chairman Jawed Ahmad, VP Compliance Syed Masood Raza, VP Strategy

Amir Waheed Ahmed, GM Services

#### **Presidents & Management Teams**

Kalim A. Siddiqui, President Petroleum Marketing Sh. Atta-ur-Rehman, Head of Marketing Zafar Ahmed Khan, Head of Operations Zafar Haleem, *President Oil Refining* Shamim Anwar, *GM Oil Refining* 

#### Corporate Office

Imran Farookhi, *GM Admin & HR* Wajahat Athar Jafri, *GM Commercial* Derek Lawler, *VP Technical*  Roshan Mehri, *GM Treasury* Amir Waheed Ahmed, *Chief Financial Officer* 

## 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

# Share Registrar

FAMCO Associates (Pvt) Limited First Floor, State Life Building No. 1A, I. I. Chundrigar Road, Karachi - 74000

Tel: (92 21) 3242 7012, 3242 6597, 3242 5467

Fax: (92 21) 3242 6752, 3242 8310

## Registered Office

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

### Website

www.bosicor.com.pk

Tel: (92 21) 111 222 081 Fax: (92 21) 111 888 081

# 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, 2009.

As the world economy recovers, it was expected that margins would begin to improve for the refining industry. However, the outlook for the refinery margins still remains poor until demand for Gasoil increases sufficiently to account for the refining capacity. As new refining capacity has come on stream in the Indo-Pak subcontinent, Middle East, China and Vietnam, the recovery in Gross Refiners' Margin (GRMs) has not taken place. However, it is expected that in foreseeable future, these GRMs could improve once demand starts to pick-up. In the meantime, the refining sector in Pakistan is looking towards Ministry of Petroleum and Natural Resources (MPNR) to step forward and protect these assets of national importance.

The overall financial conditions and profitability of the refinery sector, in general, continues to be affected by negative GRMs and circular debt with the result that your Refinery has posted a loss in this first quarter of fiscal year 2009-10. The profitability of the refinery has also been affected by a negative impact of US Dollar / Pak Rupee exchange parity against which refineries are not allowed to hedge their foreign currency exposures. In order to minimize operational losses due to these factors, the average throughput was curtailed at an average of 17,500 bpd for first fiscal quarter. As a result of these factors, your Company has suffered an operating loss of Rs. 360 million. The financial charges in this quarter were over Rs. 500 million with Rs. 212 million being incurred on account of exchange losses. This has resulted in a loss after taxation of Rs. 1,065 million during the quarter under review on net sales of Rs. 10,016 million as compared to a loss after taxation amounting to Rs. 2,506 million from net sales amounting to Rs. 19,764 million during the corresponding quarter last year.

In the absence of an appropriate mechanism provided by the Government for the refining sector which could cater to negative GRMs, circular debt, and foreign currency hedging, the refining sector is under financial pressure. Discussions are underway between the MNPR and the refinery sector to come up with a long-term viable pricing mechanism. The Supreme Court of Pakistan has set a date of December 24, 2010 for the MPNR to finalize this pricing mechanism.

As you are aware our Petroleum Marketing Business was launched with a new vision recently and continues to grow at a rapid pace. We are pleased to share with you that within a short span of a few months we now enjoy an overall liquid fuel market share of 1.44% and are ranked 6th in terms of market share by volume in Pakistan. We have established over 52 retail outlets across the country with plans to add additional 50 -100 outlets in near future. We have also strengthened our supply chain mechanism to ensure uninterrupted supplies to our Industrial and Retail consumers by entering into sale/purchase and hospitality agreements with major suppliers and Oil marketing companies across the country. With the proposed change in the name of our Organization, a comprehensive branding programme is being planned which will have a further positive impact on future business growth.

A study on debottlenecking of your Refinery to increase its throughput capacity by 5,000 bpd is at an advanced stage. We are trying to complete this within the current financial year and this will enable your Refinery to reap the benefits during periods of positive GRMs.

Work on Isomerization Plant is progressing as per plan, slated for mechanical completion by February 2010. However, the plant will commence operations when our Associated Company, Bosicor Oil Pakistan Limited (BOPL), starts up its refining operations due in July 2010, as our Isomerization plant will also take its Naphtha feed from BOPL.

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: November 16, 2009

# Condensed Interim Balance Sheet

as at September 30, 2009

		Am	ount in Rs. '000
	Note	Unaudited Sep 30, 2009	Audited June 30, 2009
ASSETS	Note	Sep 30, 2009	June 30, 2009
NON CURRENT ASSETS Property, plant and equipment Intangible asset Long term deposits Long term loan	4	15,746,685 6,193 56,710 29,700	14,778,562 7,079 57,360 31,320
CURRENT ASSETS Stores and spares Stock in trade Trade debts - considered good Loans and advances - considered good Trade deposits, prepayments and other receivables Markup accrued Cash and bank balances		141,446 5,281,342 6,261,401 149,822 828,952 42,432 969,287 13,674,681 29,513,970	152,342 4,487,801 9,089,974 112,787 780,691 42,432 2,078,445 16,744,472 31,618,793
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES Authorized share capital 500,000,000 (June 2009: 500,000,000) Ordinary shares of Rs. 10/- each		5,000,000	5,000,000
Issued, subscribed and paid-up capital Accumulated loss		3,921,044 (11,614,009) (7,692,965)	3,921,044 (10,597,517) (6,676,473)
Surplus on revaluation of property, plant and equipment		4,035,674	4,084,753
NON-CURRENT LIABILITIES Subordinated loan from sponsor and associates - unsecured Long term loans - secured Liabilities against assets subject to finance lease Long term deposits Deferred liabilities	d 5	4,024,251 4,718,073 258,074 4,946 1,595,212	4,023,101 5,158,837 273,308 4,446 1,621,641
CURRENT LIABILITIES Trade and other payables Accrued markup Short term borrowing - secured Current portion of non-current liabilities	6	19,214,494 1,401,187 216,000 1,739,024 22,570,704	20,397,465 1,071,469 217,549 1,442,697 23,129,180
CONTINGENCIES AND COMMITMENTS	7	_	
		29,513,970	31,618,793

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Chief Executive

Director

# Condensed Interim Profit and Loss Account

for the first fiscal guarter ended September 30, 2009 (Unaudited)

Amount in Rs. '000 3 months ended

	July -Sep 2009	Jul - Sep 2008
Net sales	10,016,161	19,763,503
Cost of sales	10,238,628	20,382,289
Grossloss	(222,467)	(618,786)
Operating expenses Administrative expenses Selling and distribution expenses	111,774 60,150 171,925	71,662 52,393 124,055
Operating loss	(394,391)	(742,841)
Otherincome	33,909	205,516
	(360,482)	(537,325)
Financial and other charges Financial Charges Exchange differences	519,585 211,930 731,515	242,117 1,730,173 1,972,290
Loss before taxation	(1,091,998)	2,509,615
Taxation Current Deferred	(26,427) (26,427)	(3,963) (3,963)
Loss after taxation	(1,065,571)	(2,505,652)
Loss per share - (Rupees)	(2.72)	(6.39)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Chief Executive

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**Emerging Energy Leader** 

# Condensed Interim Cash Flow Statement

for the first fiscal quarter ended September 30, 2009 (Unaudited)

Amount in Rs. '000 3 months ended

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	July -Sep 2009	Jul - Sep 2008
CASH FLOW FROM OPERATING ACTIVITIES (Loss) before taxation Adjustments for non-cash charges and other items: Depreciation and amortization	(1,091,998) 158,118	(2,509,616) 76,854
Financial and other charges (Gain) on disposal of asset(s) Cash flow before working capital changes	731,515 — (202,365)	242,117 (82) (2,190,726)
Movement in working capital (Increase) / decrease in current assets Stores and spares Stock in trade Trade debts Loans and advances Trade deposits, prepayments and other receivables	10,896 (793,541) 2,828,573 (35,415) (26,451)	(8,999) 5,759,120 (1,831,510) (109,495) (61,165)
Increase / (decrease) in current liabilities Trade and other payables Cash flow from /(used in) operations	<u>(1,182,971)</u> 598,726	<u>(2,130,999)</u> (573,775)
Payments for: Financial charges Taxes paid	(401,797) (21,761)	(221,695) (72,840)
Net cash flow from /(used in) operating activities	175,167	(868,310)
CASH FLOW FROM INVESTING ACTIVITIES Fixed capital expenditure Proceeds from disposal of asset(s) Long term deposits-net	(1,123,556) - 1,150	(263,609) 433 (10,256)
Net cash used in investing activities	(1,122,406)	(273,432)
CASH FLOW FROM FINANCING ACTIVITIES  Short term financing - net Loan from sponsor and associates - net Repayment of obligation under finance leases Repayment of term finance certificates Repayment of long term loans	(1,549) 1,150 (9,542) (107,143) (44,835)	1,500,000 - (12,325) (107,094) (49,823)
Net cash used in financing activities	(161,919)	(1,330,758)
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the period	(1,109,158) 2,078,445	189,016 7,906,497
Cash and cash equivalents at the end of the period	969,287	8,095,513

Chief Executive

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Director

# Condensed Interim Statement of Changes in Equity

for the first fiscal quarter ended September 30, 2009 (Unaudited)

Amount in Rs. '000

	Issued, subscribed and paid up capital	Accumulated (Loss)	Total
Balance as at 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	-	7,360	7,360
Balance as at September 30, 2009	3,921,044	(2,890,701)	1,030,343
Balance as at July 01, 2009	3,921,044	(10,597,517)	(6,676,473)
Net loss for the period	-	(1,065,571)	(1,065,571)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	49,079	49,079
Balance as at September 30, 2009	3,921,044	(11,614,009)	(7,692,965)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

**Chief Executive** 

# Notes to and Forming Part of the Condensed Interim Financial Statements

for the first fiscal quarter ended September 30, 2009 (Unaudited)

### 1 STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a Public Limited Company on January 9, 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 Company is engaged in production, sale and marketing of petroleum products.

### 2 GOING CONCERN ASSUMPTION

During the guarter ended Sept 30, 2009 Company incurred net loss after tax of Rs. 1.065 billion and as of that date it has accumulated losses of Rs. 11.614 billion (June 30, 2009: Rs. 10.597 billion) have resulted in net capital deficiency of Rs. 7.693 billion and excess of current liabilities over current assets of Rs. 8.896 billion (June 30, 2009; Rs. 6,385 billion). These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern, therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared using going concern assumption since the management is confident that all these conditions are temporary, not permanent and would reverse in foreseeable future. During the year ended June 30, 2009, the Company successfully finalized the letter of credit facility of Rs. 12.300 billion with consortium of banks which enabled the Company to ensure adequate supplies of Crude Oil to the Refinery. The Company is also in process to enhance its existing Letter of Credits limit to Rs.20 billion which will enable the Company to operate at the full refining capacity. The Company has also been able to convert its existing outstanding Letter of Credits amounting to Rs.5.753 billion into long term loan, which had a positive effect on Company's cash flows. Further, the Company's ability to arrange funds from sponsors and associates when required, is yet another positive indicator, Accordingly, the sponsors have further agreed to provide funds up to Rs.1 billion by the end of this financial year.

Apart from the refinery operations, the Company is also targeting to boost its Petroleum Marketing Business which has visibly improved Company's market position in the Oil Marketing Sector and also enabled the Company to diversify its revenue stream. Further the Company's Projects in progress like Isomerization Plant, which is expected to commence operation by July 2010, will enable the Company to process Naphtha and will ultimately improve the profit margins, whereas the Single Buoy Mooring Project will reduce the Crude oil/Products transportation costs. Furthermore, the offer to purchase of the Company's share pursuant to the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 has been made subsequent to balance sheet date due to the finalization of an arrangement with Abraaj Capital Limited. Addition of Abraaj as Sponsor to the Company alongwith Bosicor Corporation shall substantially add to financial strength and enhance strong shareholders' support to the Company.

### 3 BASIS OF PREPARATIONS

These condensed interim 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 "Interim Financial Reporting".

Amount in Rs. '000

		Note	Sep 30, 2009	June 30, 2009
4	PROPERTY PLANT AND EQUIPMENT			
	Operating fixed assets - at cost less accumulated depreciation Capital work in progress - at cost	4.1	10,336,237 5,410,448	10,480,610 4,297,952
			15,746,685	14,778,562
	4.1 Additions during the period Plant and machinery Generators Safety and laboratory equipments Computer and allied Furniture and fixtures Vehicles		- 4,985 - 2,445 40 3,600	559,615 10,293 2,927 6,418 592 178,900
			11,070	758,745

		Sep 30, 2009	June 30, 2009
5	LONG TERM LOANS		
	From Banks Term Finance - I Term Finance - II Syndicated Loan Syndicated Term Finance	75,000 89,505 420,000 5,753,000	75,000 119,340 420,000 5,753,000
	From related party Term Finance	15,000 6,352,505	30,000 6,397,340
	Current portion of long term loans Banks Related party	1,619,432 15,000 1,634,432 4,718,073	1,208,503 30,000 1,238,503 5,158,837
6	TRADE AND OTHER PAYABLES Foreign bills payable Forced PADs Creditors for services Creditors for supplies Advances from customers Payable to staff provident fund Accrued expenses Withholding tax deductions payable Dividend payable Payable to statutory authorities	8,190,780 4,050,821 666,629 2,770,872 355,861 3,448 727 6,855 1,146 3,167,355	10,129,814 5,472,161 585,198 1,408,070 210,812 2,753 842 5,282 1,146 2,581,387 20,397,465

## 7 CONTINGENCIES AND COMMITMENTS

Commitments in respect of Capital expenditure amounting to Rs.354.70 million (June 30, 2009 : 715.44 million)

3 months ended

	July-Sep, 2009	July-Sep, 2009
8 TRANSACTION WITH RELATED PARTIES		
Holding Company		
Receipt of loan	146,151	_
Repayment of loan	_	_
Mark up on loan	1,086	1,671
Associated Companies		
Purchase of assets and services	26,805	665
Rent	115	87
Receipt of loans	_	_
Repayment of loans	160,001	19,688
Markup on loans	159,001	4,205
Payment against freight for crude oil shipments	90,511	276,555
Land lease rentals	10,938	10,938
Staff Provident Fund		
Employees' and Company's contribution	9,606	6,397

# 9 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 16th November 2009 in accordance with the resolution of the Board of Directors of the Company.

# 10 GENERAL

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

Chief Executive

Director





