NATIONAL REFINERY LIMITED
ANNUAL REPORT & ACCOUNTS '95

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BOARD OF DIRECTORS

CHAIRMAN

Ainuddin Siddiqi

DIRECTORS

Ahmed Dawood

Dato Ahmed Hassan Bin Osman

G. A. Sabri

Javed Ashraf Hussain

Jehangir Ansari

Lt. Col. (Retd) M. Ashraf

Mahmood Ali Khan

Nisar Hussain Khan

Sultan Ahmed Samsi

MANAGING DIRECTOR

Mahmood Ali Khan

SECRETARY

Qazi Wajeehuddin

COMPANY INFORMATION

AUDITORS

TASEER HADI KHAL In & CO

SOLICITORS

QAMAR ABBAS & CO

BANKERS

ABN-AMRO BANK

ALLIED BANK OF PAKISTAN LIMITED

AMERICAN EXPRESS BANK LIMITED

ANZ GRINDLAYS BANK PLC

BANK OF AMERICA NT & SA

CITIBANK N.A.

HABIB BANK LIMITED

HABIB CREDIT & EXCHANGE BANK LTD.

MUSLIM COMMERCIAL BANK LIMITED
MASHREQ BANK PSC (Formerly Bank of Oman Ltd.)
NATIONAL BANK OF PAKISTAN
STANDARD CHARTERED BANK
UNITED BANK LIMITED

REGISTERED OFFICE

7-B, KORANGI INDUSTRIAL ZONE, KARACHI.

SHARES DEPARTMENT

3RD FLOOR, CENTRAL HOTEL BUILDING,
MEREWETHER ROAD, KARACHI.

REFINERY

7-B, KORANGI INDUSTRIAL ZONE, KARACHI

NRL AT A GLANCE

FIRST LUBE REFINERY

Design Capacity	- 539,700 Tonnes per year of Crude proc
	- 76,200 Tonnes per year of Lube Base Oils
Date Commissioned	June 1966
Project Cost	103.9 Million Rupees

FUEL REFINERY

BEFORE REVAMP

Design Capacity	1,500,800 tonnes per year of crude processing
Date Commissioned	April 1977
Project Cost	607.5 Million Rupees

AFTER REVAMP

Design Capacity	2, 70,800 tonnes per year of crude processing
Date Commissioning of Revamp	February 1990
Project Cost of Revamp	125.0 Million Rupees

B.T.X. UNIT

Design Capacity	25,000 Tonnes per year of B.T.X.
Date Commissioned	April 1979
Protect Cost	66.7 Million Rupees

SECOND LUBE REFINERY

Design Capacity	100,000 Tonnes per year of Lube Base Oils
Date Commissioned	January 1985
Project Cost	2,082.4 Million Rupees

SHARE HOLDERS' EQUITY

June 1966	20.0 Million Rupees
June 1995	709.735 Million Rupees

SUMMARY OF OPERATING RESULTS

RUPEES IN MILLION

YEAR ENDED 30TH JUNE	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sales including taxes	8166	6224	7410	7193	8617	14888	14386	15095	15159	16239
Less: Duties, taxes and										
development surcharge	58	54	90	239	195	766	794	940	1176	1018
Sales after duties, etc.	8108	6170	7320	6954	8422	14122	13592	14155	13983	15221
Other income	4	6	6	30	20	14	12	9	18	15
	8112	6176	7326	6984	8442	14136	13604	14164	14001	15236

Deduct: Cost of sales and other expenses excluding depreciation	7766	5849	6998	6269	7843	13354	12978	13357	13132	15082
	346	327	328	715	599	782	626	807	869	154
Depreciation	226	207	208	219	225	229	220	218	236	277
Net profit(loss) after depreciation	120	120	120	496	374	553	406	589	633	(123)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Unappropriated profit/(loss) brought forward	1	1	1	1	-	-	-	-	-	-
Provision for current taxation	-	-	-	217	161	234	179	298	280	132
Less: Dividend and other appropriations	120	120	120	200	186	250	220	267	300	-
Revenue Reserve - General	-	-	-	80	26	69	7	24	53	-
Unappropriated profit/(loss) carried to next year	1	1	1	-	1	-	-	-	-	(254)
Rate of dividend in %	18	18	18	30	28	37.50	33	40	45	-

NOTICE OF MEETING

Notice is hereby given that the Thirty-second Annual General Meeting of National Refinery Limited will be held on Saturday, 30th March, 1996 at 11.00 a.m. at Hotel Metropole, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on December 31, 1994.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1995 together with the Directors' Report and the Auditors' Report thereon.
3. To appoint Auditors for the year 1995-96 and to fix their remuneration.

Karachi: February 29, 1996

By Order of the Board
QAZI WAJEEHUDDIN
Secretary

NOTES

1. Share Transfer Books of the Company will remain closed from March 22, 1996 to March 31, 1996 both days inclusive.
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy.
3. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. Shareholders are requested to promptly notify the Company of any change in their address.

DIRECTORS' REPORT

The Directors of your Company are pleased in presenting the Annual Report together with Accounts & Auditor's Report thereon for the year ended June 30, 1995.

Profit & Loss Account

The Directors submit the results together with un-appropriated profit brought forward from previous year as under:

(Rs. in Million)

Net loss after taxation for the year taking into account the amount of Rs. 1,042.067 million taken in income

currently (Note 26) and amount of Rs. 1,666.169 million receivable from the Government as at June 30, 1995 shown in (Note 24) amounts to	255.057	
Un-appropriated profit being brought forward	0.916	

Net loss carried over		254.141
		=========

The amount taken to income currently and payable to the Government under the formula is determined after the audited accounts are submitted to the Government and the approval is received in due course of time.

Board of Directors

Mr. Ainuddin Siddiqi replaced Dr. M. H. Chaudhary as Chairman, Mr. Mahmood Ali Khan replaced Dr. A. A. Faruqui, M. D. NRL, retired. Mr. G. A. Sabri D. G. Oil replaced Mr. A. R. P. Memon and Mr. Dato Ahmed Hassan Bin Osman replaced Mr. Anwar Khanani nominee of IDB Jeddah. Mr. Nisar Hussain Khan replaced Mr. Rashid Mehmud Ansari and Mr. Javed Ashraf Hussain replaced Mr. Nazier Ahmed Jajvi. The Board wishes to place on record appreciation for the very useful services rendered by these directors and the outgoing Chairman & M.D.

Pattern of Shareholdings

Pattern of shareholdings is shown on page 8.

Auditors

The Auditors M/s. Taseer Hadi & Co. retire and being eligible offer themselves for reappointment.

Miscellaneous

Chairman's Review is endorsed by the Directors of the Company.

On behalf of the Board

AINUDDIN SIDDIQI
Chairman

PATTERN OF SHAREHOLDINGS

AS AT JUNE 30, 1995

NO. OF SHARE HOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1323	1	100	63,024
1412	101	500	441,992
737	501	1000	605,330
988	1001	5000	2,261,396
97	5001	10000	677,325
20	10001	15000	247,530
13	15001	20000	223,015
4	20001	25000	89,176
1	25001	30000	28,800
4	30001	35000	134,097
1	35001	40000	35,050
2	40001	45000	85,885
2	45001	50000	95,965
3	50001	55000	154,332
1	55001	60000	60,000
2	60001	75000	143,604
1	75001	90000	86,000
2	90001	95000	185,200
1	95001	100000	100,000
1	100001	105000	102,100

1	105001	120000	117,200
1	120001	170000	167,600
1	170001	310000	306,600
1	310001	315000	312,717
1	315001	340000	339,320
1	340001	575000	571,600
1	575001	660000	655,240
1	660001	1305000	1,300,182
1	1305001	2840000	2,838,447
1	2840001	4015000	4,010,060
1	4015001	10000000	10,000,000
1	10000001	10125000	10,121,343
1	10125001	10760000	10,757,382
1	10760001	19325000	19,321,288
4629			66,638,800

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	4,587,276	6.88	
Investment Companies	18	30,685,465	46.05
Joint Stock Companies	16	58,315	0.09
FinanciaI Institutions *	11	24,615,315	21.93
Modaraba Companies	5	244,400	0.37
Insurance Companies	12	5,268,669	7.91
Others	10	10,925,760	16.39
PERAC	1	10,757,382	16.14
1. Administrator Abandoned Properties	1	46,630	0.07
2. Charitable Organizations	6	107,447	0.16
Corporate Law Authority	1	1	_
Employees old age benefits	1	14,300	0.02
Non Residants	2	253,600	0.38
TOTAL"-	4629	66,638,800	100.00

*Including Islamic Development Bank Jeddah Holding 15% Shares.

CHAIRMAN'S REVIEW

I welcome you to the 32nd Annual General Meeting of the Company and present the Audited Accounts and the Audit Report of the Company for the year ended on 30th June 1995. The AG M has been delayed because the Management was making efforts with the Government to redress and remove genuine anomalies of duties and taxes suffered during the year for which summaries were to be examined by the Economic Committee of the Cabinet (ECC) and the decision which was not in our favour came with considerable delay.

You are aware that the Refinery has been operating under the Import Parity Formula in which the Fuel Refinery after tax profits have

iii) due to anomalies of higher duties & taxes on the locally produced Base Oils compared to the duties levied on the Imported Base Oils and Finished Lubricants it was not possible to increase the prices of Locally Produced Base Oil to fully recover the enhanced cost of feed stock. Some quantity of Lube Base Oil was exported at a rebate of Rs. 1,000/- per ton as it could not be sold in the local market.

iv) Asphalt which is produced in the Lube Refinery, is equally important product, also faced anomalous situation of duties & taxes due to which unchecked imports as well as smuggling of Asphalt continued been restricted between a minimum of 10% and a maximum of 40% of paid up capital.

Fuel Refinery suffered losses during the year as the crude oil prices registered an average increase of 18% while the CIF product prices increased by 6-10% only. Government was therefore, obliged to make up for the losses to arrive a minimum of 10% after tax profit only.

The Lube Base Oils have been free from controls and the Company fixes the prices competitive with the Imported Base Oils and Finished Lubricants which are freely importable. Lube Refinery suffered immense losses for the reasons that:

i) anomaly of development surcharge on feedstock consumed in the Lube Refinery continued unabated despite regular follow up by the Management during the year to remove the anomaly.

ii) additional 10% import duty was levied on the CIF price of the feedstock which further increased the cost of production of Lube Base Oils. Other consumers were subsequently exempted from the import duty but the Refinery was denied exemption. A summary was moved for review by the ECC. The ECC decided to remove the anomaly from the current year but Rs.150 million paid as Import Duty on the price of the feedstock during the year 1994-95 was not allowed refund.

from a neighbouring country. The local Asphalt price is still regulated and fixed by the Ministry of Petroleum and has not been revised since 1990. On the contrary, the duties and taxes on local Asphalt price were continuously revised upwards with the results that load of duties and taxes is 174% of the naked Asphalt price. On the contrary the imported Asphalt was assessed for import duty @ 25% only. Consequently the upliftment of our Asphalt in the local market was adversely affected and 97,224 M. Tons surplus had to be exported compared to 26,654 M tons exported last year at very low price and even the full prime cost could not be recovered. The exports had to be made to redeem inventory build up and to save total loss.

Management has been vigorously making efforts with the Government to remove anomalies in the taxes, duties and development surcharge and to deregulate the price of Asphalt.

CRUDE OIL

The supplies of Arabian Light Crude are continued from ARAMCO Saudi Arabia under the annual contract. The crude oil was shared and exchanged with Pakistan Refinery Limited for Iranian Light and Murban Crudes to give a blend mutually advantageous to both the Refineries as well as the Country. The prices

of crude oil in the international market registered increase of approximately 18%.

The Refinery processed 2,728,743 M. Tons of imported crude. The utilization of the indigenous crude oil was at an average of 15000 barrels per day, thus partially reducing foreign exchange requirements for the import of crude oil.

PRODUCTION

Fuel product mix was achieved in accordance with the market demand maximizing production of the deficit items as required by the Government. Lube Base Oils production was 185,191 M. Tons compared to 199,790 M. Tons of the previous year. The reduction in the production was due to plant shut down for repair/ maintenance and frequent power breakdowns.

SALES

The total sales during the year amounted to Rs. 15,221 million compared to Rs. 13,983 million of the previous year. The increase in

Financial expenses were Rs. 144 million compared to Rs. 109 million of last year. The increase was due to increased borrowing to meet liquidity shortfall for blockage of funds in the inventories of Asphalt and Lube Base Oils and losses suffered during the year. Besides, the mark up rates were also increased by the Banks under State Bank of Pakistan regulations.

PROJECTS

Execution of Energy Conservation Projects (Phase-lI) financed through the World Bank continued during the year. The status of progress is as under:-

a) Capacity enhancement of Platforming Unit to process additional 33,000 Tons per year of Naphata was completed during the year in May 1995.

b) Process Modification of Oil Lube Refinery sales was due to higher CIF prices of products. Sales included export sales of Lube Base Oil, Naphtha and Asphalt amounting to Rs. 978 million compared to Rs. 325 million last year.

COST OF GOODS SOLD, SELLING, ADMINISTRATION AND FINANCIAL EXPENSES

The Company operated on a throughput of 2,728,743 M. Tons of crude oil; and 667,708 M. Tons of Reduced Crude. The cost of goods sold was higher i.e. Rs.15,065 million compared to Rs. 13,090 million in the previous year due to higher prices of crude oil & reduced crude and inventory adjustments.

The selling, administration and general expenses were Rs. 1 49 million compared to Rs. 117 million last year. The increase was due to revision of the salaries as announced by the Government and general escalation for inflation.

to improve efficiency on energy utilization was completed during the year in December 1994.

c) Self Power Generation of 7.5 MW electricity by utilizing high pressure steam internally available, is expected to be completed by mid of 1996.

After completion of power project NRL will be ensured stable power supply for one of its units.

OUTLOOK

The Company is actively engaged in plans for putting up an Isomerisation Unit to produce environmental friendly Motor Gasoline. It will upgrade Naphtha to high value Motor Gasoline and reduce the overall lead content in it. The delay in the project is due to extra cost of processing with no increase in the price of Motor Gasoline. The matter is taker) up with the Government to review product prices.

The Company also chalked out plans as joint venture with Private Sector Company to lay a new JP-1 Pipeline to the Quaid-e-Azam International Airport Karachi, as the old pipeline of PRL used so far is too old and vulnerable to leakages.

The Company has also planned to install additional Power Plant of 22 MW at Refinery site in collaboration with private sector so as to be independent of the National Power Grid and to ensure uninterrupted power supply to all its operating units.

As mentioned earlier, Management is making efforts with the Government to remove anomalies of duties & taxes levied on the products of Lube Refinery as well as on its feedstock

and expect favourable decision. I therefore, hope that the results in the next financial year would be positive.

STAFF

On the job training to technicians and engineers to meet the shortage of trained personnel continued during the year.

I would like to record my appreciation for the efforts and dedication of all the executives, staff and workers during the year in keeping the Refinery operating despite strikes and law & order situation in Karachi.

AINUDDIN SIDDIQI
CHAIRMAN

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of National Refinery Limited as at June 30, 1995, and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business;

and
(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
(c) the amount of Rs. 1,042.067 million taken to income currently (note 26) and the amount of Rs. 1,666.169 million receivable from the Government as at June 30, 1995 are subject to agreement of the Government;
(d) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and except for the effect, if any, of matter referred to in paragraph (c) above, respectively give a true and fair view of the state of the Company's affairs as at June 30, 1995 and of the loss and the cash flows for the year then ended;
and
(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

TASEER HADI KHALID & CO.
Chartered Accountants
Karachi: February 29, 1996

BALANCE SHEET

As at June 30, 1995	Note	1995	1994
			(Rupees '000)
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital			
66,638,800 ordinary shares of Rs. 10 each	3	666,388	666,388
Capital reserves	4	14,259	14,259
Revenue reserve - general	5	283,229	283,229
(Accumulated loss)/Unappropriated profit		(254,141)	916
		709735	964,792
REDEEMABLE CAPITAL	6	9,929	18,000
LONG-TERM AND DEFERRED LIABILITIES			
Loans	7	632,790	497,325
Staff retirement benefits		22,629	13,094
Compensated absences		12,374	11,608
Obligations under finance leases	8	3,336	4,048
Deferred taxation	9	144,838	96,823
		815,967	622,898
CURRENT LIABILITIES			
Short-term loans and running finances	10	1,430,542	1,345,642
Current portion of long-term finances and loans	11	349,293	235,904
Creditors, accrued and other liabilities	12	4,202,315	3,260,180
Taxation		_	130,716
Proposed dividend		_	1 53,269
		5,982,150	5,125,711
CONTINGENCIES AND COMMITMENTS	13		
		7,517,781	6,731,401

TANGIBLE FIXED ASSETS			
Operating assets	14	1,613,484	1,261,133
Capital work-in-progress	15	186,956	544,337
		1,800,440	1,805,470
LONG-TERM ASSETS			
Investments	16	25	31
Loans	17	50,813	51,342
Deposits & Prepayments		4,456	14,997
		55,294	66,370
CURRENT ASSETS			
Stores and spares	18	623,289	712,707
Stock-in-trade	19	1,215,821	1,353,134
Trade debts	20	1,596,657	1,691,854
Loans and advances	21	85,582	28,970
Deposits and prepayments	22	107,012	69,169
Other receivables	23	25,823	32,565
Due from Government	24	1,666,169	757,442
Cash and bank balances	25	341,694	213,720
		5,662,047	4,859,561
		7,517,781	6,731,401

The annexed notes form an integral part of these accounts.

MAHMOOD ALI KHAN	AHMED DAWOOD	AINUDDIN SIDDIQI
Chief Executive	*Director*	*Chairman*

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1995

	Note	**1995**	19944
		(Rupees '000)	
Sales	26	**15,221,141**	13,982,703
Cost of goods sold	27	**15,064,659**	13,089,832
Gross profit		**156,482**	892,871
Selling, administrative and general expenses	29	**148,938**	116,660
Trading profit		**7,544**	776,211
Other income	30	**9,252**	13,270
Non-refining income	31	**5,557**	4,450
		22,353	793,931
Financial expenses	32	**143,905**	108,611
Other charges	33	**1,733**	51,925
		145,638	160,536
(Loss)/Profit before taxation		**(123,285)**	633,395
Provision for taxation	34	**(131,772)**	(280,506)
(Loss)/Profit) after taxation		**(255,057)**	352,889
Unappropriated profit brought forward		**916**	901

	(254,141)	353,790
Appropriations		
Dividends		
- Interim Nil (1994: 22%)	_	146,605
- Proposed final Nil (1994: 23%)	_	153,269
Transfer to revenue reserve-general	_	53,000
	_	352,874
(Accumulated loss)/Unappropriated profit	**(254,141)**	916

The annexed notes form an integral part of these accounts.

MAHMOOD ALI KHAN	AHMED DAWOOD	AINUDDIN SIDDIQI
Chief Executive	*Director*	*Chairman*

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1995

	Note	**1995**	1994
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**558,459**	(303,574)
Financial expenses paid		**(128,017)**	(57,329)
Taxes paid		**(214,472)**	(268,657)
Net cash flows from operating activities		**215,970**	(629,560)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(269,435)**	(332,415)
Fixed assets disposals		**1,132**	1,413
Long term loans receivable		**529**	(2,781)
Long term deposits and prepayments		**10,541**	(11,261)
Net cash flows from investing activities		**(257,233)**	(345,044)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(153,269)**	(413,160)
Lease finance		**(1,787)**	4,697
Long term loans		**246,914**	8,950
Repayment of redeemable capital		**(7,521)**	(6,971)
Net cash flows from financing activities		**84,337**	(406,484)
INCREASE IN CASH AND CASH EQUIVALENTS		**43,074**	(1,381,088)
Cash and cash equivalents at beginning of the year		**(1,131,922)**	249,166
Cash and cash equivalents at end of the year	36	**(1,088,848)**	(1,131,922)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1995

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on August 19, 1963 as a public limited company. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. It is principally engaged in the production and sale of petroleum products. The Refinery Complex i.e. Fuel and Lube Sections consist of three separate refineries i.e. the Lube Refinery I commissioned in 1966, Fuel Refinery added in 1977 and Lube Refinery II commissioned in 1995.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that certain exchange differences referred to in note 2.9 have been incorporated in the cost of relevant assets.

2.2 Staff retirement benefits

The Company participates in funded Pension and Gratuity Schemes established for the management staff of Companies managed by State Petroleum Refining and Petrochemical Corporation Limited (PERAC). These schemes are administered by PERAC through a fund established out of contributions based on actuarial valuation from the participating companies. Contributions made by the Company are charged to profit and loss account.
The Company also operates an unfunded gratuity scheme covering all workers and clerical staff whose period ot service with the Company is five years or more. Based on graduated rates fixed under the scheme and calculated with reference to the last drawn salary and length of service of the employee, amounts are provided annually by way of charge to profit and loss account to cover obligations under the scheme.

2.3 Taxation

The Company accounts for current taxation on the basis of taxable income at the current rates of Taxation after taking into account tax credits and rebates available, if any.
The Company accounts for deferred taxation on all timing differences using the liability method. There was balance of tax effects of timing differences not accounted for till 1988 which was adjusted during 1992-93 after considering subsequent reversals on aggregate net change basis. The liability relating to periods prior to 1988 is being accounted for over a period of 5 years commencing from June 30, 1993.

2.4 Tangible fixed assets

These are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost. Exchange gains and losses in respect of long-term foreign currency loans utilised for the acquisition of assets are reflected in the cost of the respective assets. Depreciation is charged to income applying the straight line method whereby the cost of the asset is written off over its estimated service life.
Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalised and the assets so replaced, if any, are retired.
Gains and losses on disposal of asset are included in income currently.
Assets acquired under finance lease are recorded at lower of fair value of assets acquired and the Present value of minimum lease payments.

2.5 Stores and spares

Stores and spares excluding drum sheets, empty drums and items in transit are valued at moving average cost. Drum sheets and drums are valued at cost using first-in-first out (FIFO) basis. Provision is made for low moving and obsolete items, wherever considered necessary.
Items in transit are valued at cost accumulated to balance sheet date.

2.6 Stock-in-trade

Stock of crude oil is valued at cost determined on first-in-first-out basis. Crude oil in transit comprises costs incurred to date. Stock of own processed semi-finished and finished products are valued at lower of cost and net realisable value. Cost in relation to semi-finished and finished products represents cost of crude oil and an appropriate allocation of manufacturing overheads. Cost in respect of semi-finished items is adjusted to appropriate stage of processing.

2.7 Capitalisation of borrowing cost

Borrowing costs during construction period, on loans obtained for specific project net of return on deposit accounts out of the proceeds of such loans, if any, are taken to fixed capital expenditure.

2.8 Import parity entitled prices

Effective July 01, 1992 Government has introduced Import Parity Formula under which the product prices are fixed at CIF level restricting profitability in the Fuel Refinery in the range of 10% - 40% including "other income" on the paid up capital with no such restriction in respect of the Lube Refinery. Effective July 01, 1994, the company has retained the non-refining income in addition to above restricted return on capital in accordance with 1994 petroleum policy.

2.9 Foreign currency translation

Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates of exchange ruling on the balance sheet date. In accordance with the decision of the Government applicable to the Company, exchange gains and losses on repayments and translation of foreign currency loans are capitalized and included in the cost of fixed assets acquired from the proceeds of those loans and are depreciated over the remaining useful lives of those assets while other exchange gains or losses are included in income currently.

2.10 Revenue recognition

Local sales are recorded on the basis of products pumped to marketing companies' tanks and delivered to customers. Export sales are recorded on the basis of products pumped to tankers and shipped to customers. Rebate on exports, if any, is accounted for on receipt basis.

2.11 Obligations under the finance leases

Finance charge under the lease purchase agreements is allocated to periods during the lease term so as to produce constant periodic rate of financial cost on the remaining balance of principal liability for each period.

2.12 Research and development costs

Contributions made to the State Petroleum Refining and Petrochemical Corporation Limited (PERAC) Research and Development Fund and expenses incurred by the Company are charged to profit and loss account currently.

2.13 Compensated absences

The liability for the employees compensated absences is accrued on the basis of accumulated leaves and the last drawn pay.

2.14 Investments

Investments are stated at lower of cost and market value.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		1995	1994
		(Rupees '000)	
59,450,417	Ordinary shares of Rs. 10 each fully paid in cash	**594,504**	594,504
6,469,963	Shares of Rs. 10 each fully paid for consideration other than cash	**64,700**	64,700
718,420	Shares issued as fully paid bonus shares	**7,184**	7,184
66,638,800		**666,388**	666,388

4. CAPITAL RESERVES

Capital compensation:

	1995	1994
(a) For premature termination of crude oil sales, bareboat charter-party and technical assistance agreements	**17,396**	17,396

(b) For design defects and terminated services agreements	**613**	613
(c) For termination of bareboat charter-party and affreightment agreements	**395**	395
	18,404	18,404
Less: Amount capitalised by issue of bonus shares of Rs. 7.184 million and tax thereon	**8,262**	8,262
	10,142	10,142
Exchange equalisation	**4,117**	4,117
Balance at beginning and end of the year	**14,259**	14,259

5. REVENUE RESERVE

At beginning of the year	**283,229**	230,229
Transfer from appropriation account	_	53,000
At end of the year	**283,229**	283,229

6. REDEEMABLE CAPITAL - Secured

Long-term running finance utilised under mark-up arrangement:

Purchase price payable	**23,270**	32,579
Less: Prompt payments rebate allowable	**3,208**	3,208
	20,062	29,371
Less: Mark-up not due	**2,062**	3,850
	18,000	25,521
Less: Current Maturity	**8,071**	7,521
	9,929	18,000

6.1 The Company has arranged a long-term finance of Rs. 50.0 million from Habib Bank Limited. The amount utilised represents 'sale price' of the agreement with a corresponding purchase price of Rs. 93.083 million. A rebate of Rs. 3.208 million shall be available to the Company if all instalments are paid on due dates. The rate of mark-up is 11 percent per annum on outstanding principal liability.

The remaining purchase price is payable in seven equal half yearly instalments on December 31 and June 30. In the event of failure on the part of the Company to pay any instalment on its due date, the bank will be entitled to demand immediate payment of the outstanding balance of purchase price.

The finance and loan referred to in note 7.1 are secured by an equitable mortgage of Plot 7D and 7E at Korangi Industrial Area, Karachi.

7. LOANS

	Note	Currency	Foreign Currency balance in thousands		Rupee equivalent in thousands	
			1995	1994	**1995**	1994
Secured loans						
From banks						
Habib Bank Limited	7.1	Rupees			**13,500**	17,154

Citi Bank NA	7.2	Rupees			**200,000**	_
ANZ Grindlays Bank	7.3	Rupees			**200,000**	_
Muslim Commercial Bank	7.4	Rupees			**92,676**	100,000
					506,176	117,154
Unsecured loans						
International Bank for Reconstruction and Development through PERAC	7.5	US Dollars	**1,073**	1,068	**33,038**	32,893
	7.6	US Dollars	**3,147**	3,978	**96,897**	122,495
Industrial Export Import, Romania	7.7	US Dollars	**4,209**	8,309	**129,600**	255,857
Deferred custom duty on - assets under lease purchase agreement	7.8	Rupees			**96,064**	96,065
Interest on deferred custom duty on - assets under lease purchase agreement	7.8	Rupees			**110,198**	100,590
					465,797	607,905
Less: Instalments due within one year, shown under current liabilities					**971,973**	725,059
Secured					**136,272**	27,154
Unsecured					**202,911**	200,580
					339,183	227,734
					632,790	497,325

7.1 The loan from Habib Bank Limited bears interest at an annual rate of 1 percent above the bank rate with a minimum of 11 percent. The original loan of Rs. 70 million along with long term finance referred to in note 6 are secured by an equitable mortgage of Plot 7D and 7E Korangi Karachi. The loan is also secured by guarantee of Rs. 55 million from Government of Pakistan. The balance is repayable in two half-yearly instalments on June 30 and December 31.

7.2 The loan from Citibank N. A. represents a medium term loan which was repaid in July 1995 from the proceeds of lease finance facility arranged by the bank from Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited.

7.3 The loan from ANZ Grindlays Bank Plc carries mark-up at an approximately 16.25% per annum. The loan is secured by first hypothecation charge over present and future plant and machinery of the company. The loan is repayable in ten equal half yearly instalments commencing from December 29, 1995.

7.4 The loan from Muslim Commercial Bank carries mark-up at an annual rate of 13.5%. The loan is secured by first charge ranking pari pass I on the fixed assets of the company and joint hypothecation of crude oil. The balance of the loan is repayable in nine equal half yearly instalments.

7.5 The loan from State Petroleum Refining and Petrochemical Corporation Limited (PERAC) is a subsidiary loan, out of the loan obtained by PERAC from International Bank for

Reconstruction and Development (IBRD). The repayments commenced on July 15, 1988 and the balance of loan is repayable in eighteen equal half-yearly instalments on January 15 and July 15. The loan carries interest at the rate of one half of one percent per annum above the cost of qualified borrowings for the last semester ending prior to the commencement of such interest period. The effective rate of interest for the year was 7.18% (1994: 7.41 %).

7.6 The loan from PERAC is a subsidiary loan of U' $21 million, out of the loan obtained by PERAC from International Bank for Reconstruction and Development (IBRD). Com mitment charges at an annual rate of three fourth of one percent per annum are payable on the principal amount of the loan not withdrawn from time to time. Service charges are also payable to PERAC for managing, handling and executing various functions under the agreement at a rate of one half of one percent of the loan amount withdrawn. The repayment commenced on December 15, 1992 and the balance of loan is repayable in fourteen equal half yearly instalments. The interest is payable at the rate of one half of one percent per annum above the cost of qualified borrowings for the last semester ending prior to the commencement of such interest period. The effective rate of interest for the year was 7.18% (1994: 7.41%).

7.7 The loan from Industrial Export Import, Romania, the prime contractor for the Lube Refinery Expansion, represents the deferred portion of the US dollar component of the contracted cost price of the project relating to supply of engineering services and material and equipment. The balance of the loan is repayable in two equal half-yearly instalments. Repayment of the loan including interest at 4.5 per cent per annum computed from the date of each delivery, is guaranteed by the company's banker who had a letter of intent for counter guarantee from the Government of Pakistan.

7.8 The custom duty and other charges alongwith interest at the bank rate were deferred for the lease period provided for in the lease agreement for transfer of machinery from IDBI to the Company. According to the agreement such period consisted of payment of instalments of rentals and on completion of such period Islamic Dinar (ID) 1 to purchase the assets. Last payment of instalment was made on January 25,1992 but ID 1 has not yet been paid and therefore the title of the leased assets is yet to be transferred to the Company. The management intends to request the authorities to accept deferred payment of the duties, payable on transfer of assets, in instalments over a period of time preferably in the shape of debentures.

No payment is expected to be made during the next financial year.

8. OBLIGATION UNDER FINANCE LEASES

	1995	1994
	(Rupees '000)	
Balance as on July 01	**4,697**	_
Acquired during the year	**2,465**	4,926
Present value of minimum lease payments	**7,162**	4,926
Less: Payments made	**1,787**	229
	5,375	4,697
Less: Rentals due within one year, shown under current liabilities	**2,039**	649
	3,336	4,048

8.1 The Company entered into lease purchase agreement for vehicles and office equipment. Monthly rental payments include financial cost ranging from 18% to 22.36% per annum

(1994: 22.36%) on principal liability.

8.2 The amount of future lease payments and the periods in which these payments will become due are:

Year to 30 June 1995	_	2,058
Year to 30 June 1996	**2,780**	2,058
Year to 30 June 1997	**2,428**	1,030
Year to 30 June 1998	**541**	_
	5,749	5,146
Financial charges not due	**1,091**	709
Less: Prepaid amount included in other deposits	**717**	260
	374	449
	5,375	4,697

9. DEFERRED TAXATION

The liability for deferred taxation computed on liability method, comprises the timing differences relating to:

	1995	1994
	(Rupees '000)	
Accelerated tax depreciation allowances and borrowing cost in Capital Work in Progress	**295,755**	309,524
Tax recoverable due to provisions	**(38,857)**	(30,344)
Consideration for hire under lease purchase agreement	**225**	105
	257,123	279,285
Liability not accounted for (Note 9.1)	**112,285**	182,462
	144,838	96,823

9.1 Until June 1988 the Company was operating on fixed return on equity formula regulated by the Government of Pakistan. During that period the company approached the Government to allow it to account for deferred taxation in order to comply with requirements of International Accounting Standards but the request was declined. While declining the request, the Government vice letter No. PL-3(56)/87 dated May 6, 1987 agreed to pick up tax liability as and when it arose. The processing fee formula was introduced in place of fixed return on equity with effect from July 1, 1988. Accordingly, with effect from financial year ended June 30,1989, the Company changed its accounting policy to account for deferred taxation under liability method for all timing differences except for those differences not accounted for till June 30, 1988 which remain unadjusted after considering subsequent reversal on aggregate net change basis. The above referred assurance was denied by Ministry of Production vice their letter No. 1-7/93-PERAC dated December 13, 1993. Effective July 1, 1992, the Company has decided to account for tax effect of timing differences not accounted for till 1988 over a period of 5 years in equal instalments.

10. SHORT TERM LOAN AND RUNNING FINANCES - SECURED

	Note	Currency	Foreign Currency balance in thousands		Rupee equivalent in thousands	
			1995	1994	**1995**	1994
Finances under mark-up arrangements	10.1	Rupees			**928,442**	437,439

Short term loans		US Dollars	_	14,870	_	457,903
	10.2	US Dollars	**89,926**	68,802	**2,805,353**	2,118,661
	10.3	US Dollars	**42,397**	_	**1,322,629**	_
Less: Counterpart funds in NSC account	10.4				**(3,625,882)**	(1,668,361)
					502,100	450,300
					1,430,542	1,345,642

10.1 The Company has arranged short-term running finances from various banks on mark-up basis. Under these arrangements the Company can avail finances aggregating upto Rs. 925.286 million (1994: Rs. 451.786 million). The rates of mark-up range from 11.32% to 16.43% (1994: 11.32% to 14.97%). The finances under mark-up arrangements are secured by hypothecation of stock-in-trade and stores and spares, assignment of trade debts and guarantee from one of the Company's bankers.

10.2 The Company has arranged short term syndicated foreign currency loan of US$ 100 million through Islamic Development Bank for the import of crude oil. The principal amount alongwith interest thereon at the rate of 1.30% (1994: 1.95%)over six months LIBOR is payable in US dollars in nine instalments during September 1995 to November 1995. The loan including interest is secured against a guarantee of the State Bank of Pakistan. Exchange loss and interest thereon net of interest earned on counterpart rupee deposit in NSC account referred to in note 10.4 below, will be payable or recoverable from the Government.

10.3 The Company has arranged short term foreign currency loan of US$ 50 million from ABN AMRO Bank, Karachi for the import of crude oil. The principal amount along with interest thereon at the rate of 1.32% above six months LIBOR is repayable in US dollars in seven instalments during July and August 1995. The loan including interest is secured against a guarantee of State Bank of Pakistan. Exchange loss and interest thereon net of interest earned on counterpart rupee deposit in NSC account referred to in note 10.4 below, will be payable or recoverable from the Government.

10.4 The Company is depositing in National Saving Centre (NSC) equivalent local currency of the amount disbursed to the supplier, through the Islamic development bank and ABN AMRO Bank for the purchase of crude oil. The amounts deposited and related mark-up will be used by the Company for the repayment of the loans referred to in 10.2 and 10.3 above.

11. CURRENT PORTION OF LONG-TERM FlNANCES AND LOANS

	Note	**1995**	1994
		(Rupees '000)	
Long-term running finance	6	**8,071**	7,521
Long-term loans	7	**339,183**	227,734
Obligations under finance leases	8	**2,039**	649
		349,293	235,904

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Advances from customers	**104,413**	150,263
Trade creditors	**3,365,308**	2,546,785
Other creditors	**152,316**	149,376
Accrued expenses	**259,540**	148,915
Accrued interest on		

-- Unsecured loans		**32,363**	33,374
-- Bankers' acceptances		**19,105**	3,046
-- Short-term running finance		**66,323**	65,483
Sales tax		**152,371**	77,261
Income tax deducted at source		**2**	1,954
Workers' profits participation fund	12.1	_	34,460
Workers' welfare fund		**44,209**	42,482
Unclaimed dividends		**6,365**	6,781
		4,202,315	3,260,180

	1995	1994
	(Rupees '000)	
12.1 Workers. profits participation fund		
Balance at the beginning of the year	**34,460**	35,424
Allocation for the year	_	34,460
Amount available to Company for its business operations/ utilised by the Company	**34,460**	69,884
Interest on funds utilised in Company's business	**1,704**	5,646
	36,164	75,530
Less: Amount paid to the Trustees of the Fund	**36,164**	41,070
Balance at the end of the year	_	34,460

13. CONTINGENCIES AND COMMITMENTS

13.1 Claims against the Company not acknowledged as debt Rs. 10.977 million (1994: Rs. 10.977 million) in respect of crude oil affreightment contracts.

13.2 One of the customers has invoked arbitration proceedings on account of a dispute pertaining to the alleged contamination of the cargo sold by the Company. To-date both the parties have merely appointed their respective arbitrators and statement of claim is yet to be filed, therefore amount of claim cannot be estimated.

13.3 Out of total loan of US$ 21 million referred to in note 7.5 an amount of US$ 8.913 million has been disbursed by IBRD against withdrawal applications of the Company. An amount of US$ 9.907 million is to be disbursed for Power Generation Project. Aggregate commitments contracted for but remaining to be executed at June 30, 1995 and not provided for in the accounts are as follows:

	Rupee equivalent in thousands	
Currency	**1995**	1994
F. Francs	_	40,906
NL Guilders	_	2,680
1. Lira	_	16,326
DM	**336,292**	8,589
	376,740	117,263

13.4 During previous year manufacturing contract for some packing materials was changed from one contractor to another contractor. The outgoing contractor has filed a suit claiming breach of his rights. In the opinion of the legal advisors of the Company there is no exposure of National Refinery to payment of damages or suffering any loss and the company intends to defend its position vigorously.

14. TANGIBLE FIXED ASSETS

14.1 The following is a statement of operating assets:

For the Annual	Cost at July 1, 1994	Additions/ (deletions)/	**Cost at June 30, 1995**	Accumu- lated depre- ciation	**Book value at June 30, 1995**	DEPRECIATION For the year	Annual rate %
				(Rupees '000)			
Leasehold land	**33,974**	175	**34,149**	2,657	**31,492**	341	1
Buildings on leasehold land	**48,577**	2,667	**51,244**	29,755	**21,489**	2,317	5
Keamari terminal	**101,645**	580	**102,225**	93,404	**8,821**	1,638	6
Processing plant and storage tanks	**2,855,505**	499,583	**3,355,088**	2,145,579	**1,209,509**	227,216	5 to 10
Pipeline	**106,019**	115	**106,134**	103,769	**2,365**	372	8
Water, power and other utilities	**555,308**	115,418	**670,726**	372,680	**298,046**	36,138	6
Vehicles	**11,760**	2,123 (1,750)	**12,133**	8,999	**3,134**	1,638	20
Furniture and equipment	**21,731**	2,988 (287)	**24,432**	15,736	**8,696**	2,073	7.5 to 15
Other equipment	**66,438**	3,397	**69,835**	44,895	**24,940**	3,840	5 to 10
Leased:							
-- Vehicles	**2,596**	2,087	**4,683**	1,455	**3,228**	936	20
-- Equipment	**2,330**	148	**2,478**	714	**1,764**	373	15
	3,805,883	629,281 (2,037)	**4,433,127**	2,819,643	**1,613,484**	276,882	
1994	3,671,528	137,090 (2,735)	3,805,883	2,544,750	1,261,133	236,226	

14.2 Additions to processing plant and storage tanks include Rs. 13.807 million (1994: Rs. 47.705 million) representing exchange loss arising on repayments during the year and the year end translation of foreign currency loans utilised for the acquisition of such assets. :

14.3 The Company entered into lease purchase agreement with the Islamic Development Bank, Jeddah, Saudi Arabia (IDB) for machinery, material and equipment and services for Lube Refinery Expansion. Acquisition cost of assets and services included in processing plant and storage tanks was US$ 13.903 million (about Islamic Dinar (ID) 13.284 million) equivalent to Rs. 187.404 million.

The Company made the last rental payment on January 25, 1992 and has an option to purchase the leased assets for a nominal amount of ID 1. However, this option has not been exercised to date.

14.4 The Controller of Capital Issues requires through notification SRO 221(1)/75 dated February 11, 1975 that depreciation be charged at not less than the 'normal' rates prescribe under the Income Tax Ordinance 1979 and rules made thereunder.

Although the depreciation rates charged by the Company for certain items, are less than these rates, on an overall basis depreciation charge for the year is higher than the depreciation calculated at rates specified in the Income Tax regulations.

14.5 The following fixed assets were sold during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Vendees' name and address
		(Rupees '000)				
Vehicles	134	104	30	30	Transfer	PERAC
Furniture and equipment	17	5	12	12	Transfer	Mr. Mumtaz Ali Shah (Ex-Employee)
Vehicles and equipment with written down value below Rs. 5,00	1,886	1,881	5	1,090	Tender/ Negotiation	Various
	2,037	1,990	47	1,132		

Mr. Mumtaz Ali Shah

15. CAPITAL WORK-IN-PROGRESS

	1995	1994
	(Rupees '000)	
(i) Energy Conservation Project		
Fees & technical studies	**111,767**	84,624
Materials, equipment and cost of related services	**539,155**	310,467
Borrowing Cost	**26,790**	61,538
Revolving fund bank account	**4,519**	20,001
Other costs	**15,242**	57,256
	697,473	533,886
TRANSFERRED TO OPERATING ASSETS		
Processing plant and storage tanks	**(510,365)**	(3,059)
Written off	**(7,329)**	_
	179,779	530,827
(ii) Other Items	**7,177**	13,510
	186,956	544,337

16. LONG-TERM INVESTMENT

At lower of cost and market value Listed - 3,125 ordinary shares of Rs. 10 each of Pakistan PVC Ltd. (market value Rs. 25,000/-; 1994: Rs. 31,000/-).	**25**	31

17. LONG-TERM LOANS- CONSIDERED GOOD

1995 1994

	Executives	**Others**	Executives	Others		
	(Rupees '000)					
Due from Employees	**7,131**	**7,876**	5,057	10,957	**15,007**	16,014
Less: Receivable within one year (note - 21)	**1,847**	**2,347**	1,507	3,165	**4,194**	4,672
	5,284	**5,529**	3,550	7,792	**10,813**	11,342
- Loan to PERAC (note 17.3)					**40,000**	40,000
					50,813	51,342

17.1 Due from Employees		
-- Outstanding for periods exceeding three years	**2,354**	2,040
-- Others	**8,459**	9,302
	10,813	11,342

17.2 It is the Company's policy to give loans to employees for purchase of furniture, car, house and motor cycle. The loans are recoverable in 144,84,96 and 84 equal monthly instalments respectively and are secured by the creation of a charge on the respective asset purchased. The maximum aggregate amount due from executives in respect of loans at the end of any month during the year was Rs. 6.675 million (1994: Rs. 4.498 million).

17.3 The Company advanced a loan of Rs. 40 million to State Petroleum Refining and Petrochemical Corporation (PERAC) for the purpose of Iran-Pak Refinery Project under Government of Pakistan directive. Mark-up accrued on this loan is at 14.8% per annum. The Company has the option to convert the loan into equity in the project.

	1995	1994
	(Rupees '000)	
18. STORES AND SPARES		
Stores		
In hand	**179,055**	211,392
Chemicals	**218,147**	234,924
In transit	**16,193**	34,681
	413,395	480,997
Spares		
In hand	**282,573**	253,162
In transit	**5,240**	25,674
	287,813	278,836
	701,208	759,833
Less: Provision for slow moving and obsolete items	**77,919**	47,126
	623,289	712,707
Stores include		
Items loaned	**12,804**	9
Fabricated drums and drum sheets for fabrication, held by fabricators	**50,233**	109,238
19. STOCK IN TRADE		
Crude oil in transit	**342,170**	337,642
Crude oil stock in tanks	**315,039**	281,859

Own processed		
Semi-finished products		
-- at cost	**53,780**	338,768
-- at net realisable value (cost - Rs. 267.836 million)	**228,716**	_
Finished products		
-- at cost	**17,769**	297,949
-- at net realisable value (cost - Rs. 316.399 million)	**258,347**	96,916
	558,612	733,633
	1,215,821	1,353,134

20. TRADE DEBTS - UNSECURED

Considered good	**1,596,657**	1,691,854
Considered doubtful	**2,000**	2,000
	1,598,657	1,693,854
Less: Provision for doubtful debts	**2,000**	2,000
	1,596,657	1,691,854

21. LOANS AND ADVANCES - CONSIDERED GOOD	**1995**	1994
	(Rupees '000)	
Short-term portion of long-term loans (note -17)		
to executives	**1,847**	1,507
to other employees	**2,347**	3,165
Short term loans to other employees	**1,095**	1,778
Advance income tax	**50,310**	_
Advances to		
- executives	**32**	32
- employees	**1,371**	548
- suppliers	**28,580**	21,940
	85,582	28,970

21.1 The maximum aggregate amount due from executives in respect of advances at the end of any month during the year was Rs. 1 27,(~0 (1994: Rs. 149,000).

22. DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits		
Development surcharge	**26,444**	8,037
Excise duty	**20,196**	3,943
Margin against letters of credit and guarantees	**837**	1,652
Others	**1,077**	909
	48,554	14.541
Short-term prepayments	**58,458**	54,628
	107,012	69,169

23. OTHER RECEIVABLES

Due from an associated undertaking	_	6,257
In respect of imported furnace oil transactions on behalf of Government	**21,280**	20,040
Claims against insurance company and others	**301**	663
Customs duty refund claim	**499**	499
Miscellaneous	**3,743**	5,106
	25,823	32,565

24. DUE FROM GOVERNMENT

	1995	1994
	(Rupees '000)	
Sales tax- refundable	**4,245**	7,333
In respect of exchange loss on bankers' acceptances and interest thereon net of interest earned on counterpart rupee funds	**41,166**	114,261
In respect of arrangements with the Government under the import parity formula	**1,620,758**	635,848
	1,666,169	757,442

25. CASH AND BANK BALANCES

At banks - on current accounts	**341,249**	149,544
- on deposit accounts	**193**	63,944
In hand - Cash	**252**	232
	341,694	213,720

26. SALES

Local Less excise duty, sales tax and development surcharge Rs. 1,018 million (1994: Rs. 1,176 million)	**13,152,846**	12,942,649
Bunker (Price differential payable by oil marketing Companies on such supplies)	**30,730**	22,057
Export After deducting wharfage and other charges Rs. 44.155 million (1994: Rs. 17.252 million)	**978,143**	351,698
Export Rebate	**17,355**	_
Refunds from Government under the import parity formula	**1,042,067**	666,299
	15,221,141	13,982,703

27. COST OF GOODS SOLD

	Note	**1995**	1994
		(Rupees '000)	
Opening stock of semi-finished and finished products		**733,633**	541,785
Crude oil and drums consumed	28	**13,380,074**	12,074,085
Salaries, wages and staff benefits		**212,062**	152,828
Stores consumed		**233,930**	220,593

Fuel and power		**501,910**	379,609
Rent, rates and taxes		**11,326**	12,224
Insurance		**32,796**	24,106
Repairs and maintenance		**185,957**	140,110
Consultancy charges		**3,751**	3,414
Depreciation		**271,859**	232,211
Staff transport		**13,036**	10,143
Research & Development outlay		**16,457**	11,468
Other expenses		**26,480**	20,889
		14,889,638	13,281,680
		15,632,271	13,823,465
Less: Closing stock of semi-finished and finished products		**558,612**	733,633
		15,064,659	13,089,832

28. CRUDE OIL AND DRUMS CONSUMED

Crude oil -- opening stock		**281,859**	312,679
-- purchases		**13,185,232**	11,886,289
-- closing stock		**(315,039)**	(281,859)
		13,152,052	11,917,109
Drums consumption		**228,022**	156,976
		13,380,074	1 2,074,085

29. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and staff benefits		**79,192**	57,952
Rent, rate and taxes		**517**	144
Selling expenses		**3,960**	2,904
Depreciation		**5,023**	4,015
Legal and professional charges	29.1	**2,225**	2,838
Service charges -- PERAC		**22,740**	19,433
Printing and stationery		**2,823**	2,331
Staff transport		**4,575**	3,305
Repairs and maintenance		**5,708**	4,049
Telephone		**3,699**	3,287
Electricity and water charges		**2,128**	1,379
Postages, telegrams and periodicals		**1,190**	1,546
Subscriptions		**2,126**	653
Sanitation and gardening		**2,768**	2,286
Other expenses		**10,264**	10,488
Donations		_	50
		148,938	116,660
		1995	1994
		(Rupees '000)	

29.1. AUDITORS' REMUNERATION

Audit fee		
Special reports and certifications, audit of workers' profit	**100**	100
participation fund, sundry accounting and advisory services	**301**	452
Out of pocket expenses	**44**	45
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	445	597
	===========	===========

30. OTHER INCOME

Interest -- on advance tax payments	_	3,951
-- on long term loan to PERAC	**5,929**	5,929
-- on advances to employees	**101**	97
-- others	**29**	149
Sales of scrap and empties	**2,146**	1,935
Other receipts	**1,047**	1,209
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	9,252	13,270
	===========	===========

31. NON REFINING INCOME

Gain on sale of fixed assets	**1,042**	951
Supply of utilities	**1,847**	1,841
Furnace oil handling charges	**899**	1,167
Ground rent	**284**	_
Tender fees	**120**	485
Stores handling charges	**690**	6
Vehicle hire charges	**637**	_
Miscellaneous	**38**	_
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	5,557	4,450
	===========	===========

32. FINANCIAL EXPENSES

Mark-up on		
-- finance leases	**683**	123
-- long-term finance	**43,620**	42,033
-- short-term running finance	**92,783**	55,019
-- workers' profit participation fund	**1,704**	5,876
Guarantee commission	**4,476**	5,030
Bank charges	**639**	271
Exchange loss	_	259
	----------	----------
	143,905	108,611
	===========	===========

33. OTHER CHARGES

Federal education fee	_	2,000
Due to (appreciation)/ diminution in the value of investment	**6**	(4)
Workers' welfare fund	**1,727**	15,469
Workers' profits participation fund	_	34,460
	----------	----------
	1,733	51,925

34. PROVISION FOR TAXATION		
- Current- for the year	**76,106**	304,662
- for prior years	**7,650**	
- Deferred Taxation		
- for the current year	**(678)**	(76,336)
- for prior years	**(7,448)**	(8,641)
- for Period Unto 1988 - Partial (note 2.3)	**56,142**	60,821
	131,772	280,506

34.1 Provision for current taxation represents minimum tax payable @ 0.5% of turnover under section 80D of the Income Tax Ordinance, 1979.

34.2 The assessing officer, whilst finalising the Company's assessment for the accounting year 1991 -92 (assessment year 1992-93) has added to income a sum of Rs. 664,067,655 under section 12(12) of the Ordinance on the contention that certain assets were purchased from the Islamic Development Bank, Saudi Arabia at prices below the "Fair Market Value". The aforesaid action of the assessing officer has been upheld by the Commissioner of Income Tax CIT (Appeals). The Company filed an appeal against the order of the CIT (Appeals) before the Income Tax Appellate Tribunal which was heard on December 6,1995 and the order is expected shortly.

No provision has been made in the accounts on the contention that it is Company's view that provisions- of section 12(12) of the Ordinance are not applicable in this case for the reason that aforesaid assets were accounted for under Circular 9 of 1943 and the department has accepted the Company's treatment for all the earlier years.

35, CASH GENERATED FROM OPERATIONS		
(Loss)/Profit before taxation	**123,285**	633,395
Adjustments for:		
Provision for diminution in value of investment	**6**	-4.0000
Depreciation	**276,882**	236,226
Financial expenses	**143,905**	108,611
Staff retirement benefits	**9,535**	2,854
Deferred liability for compensated absences	**766**	726
Profit on sale of fixed assets	**(1085)**	(951)
Profit before working capital changes	**306,724**	980,857
(Increase)/decrease in current assets		
Stores and spares	**89,418**	(117,377)
Stock-i e-trade	**137,313**	(201,414)
Trade debts	**95,197**	(1,158,310)
Loans and advances	**(56,612)**	(6,714)
Deposits and short term prepayments	**(37,843)**	57,783
Other receivable	**6,742**	5,192
Due from government	**(908,727)**	801,760
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	**926,247**	(665,351)
Cash generated from operations	**558,459**	(303,574)

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36. CASH AND CASH EQUIVALENTS

	1995	1994
	(Rupees '000)	
Cash and bank balances	**341,694**	213,720
Short-term loans and running finances	**(1,430,540)**	(1,345,642)
	(1,088,848)	(1,131,922)

37. REMUNERATION OF THE DIRECTORS AND EXECUTIVES

The aggregate amounts including all benefits charged in these accounts for remuneration to the directors. chief executive and executives of the company were as given below:

	1995			1994		
	Directors	**Chief Executive**	**Executives**	Directors	Chief Executive	Executives
			(Rupees '000)			
Fee	**15**	_	_	18	_	_
Managerial remuneration	_	**535**	**36,875**	_	420	19,922
Company's contribution to provident, pension funds	_	**120**	**8,928**	_	89	4,446
	15	**655**	**45,803**	18	509	24,368
Other perquisites and benefits						
Rent and housing	_	**265**	**16,450**	_	266	10,341
Conveyance	_	**72**	**1,228**	_	58	4,610
Leave benefits	_	**53**	**3,628**	_	99	2,176
	_	**390**	**21,306**	_	423	17,127
	15	**49**	**67,109**	18	932	41,495
Reimbursed expenses	**98**	**1**	**3,631**	41	25	603
Number of persons	**8**	**1**	**182**	8	1	103

The chief executive and some of the executives of the company are also provided with free use of car and residential equipment under their terms of services.

38. ASSOCIATED UNDERTAKINGS

The company shares crude oil imports with Pakistan Refinery Limited (PRL). Under this arrangement crude oil delivered to PRL amounted to Rs. 3,922.536 million (1994: Rs. 3,610.645 million) and it also received crude oil from PRL in an aggregate amount of Rs. 2.830.171 million (1994: Rs. 2,339.359 million).

In addition certain administrative support services are provided by PERAC (note 29) and company contributes to research and development program of PERAC (note 27).

39. SEGMENT INFORMATION

	Fuel Section	**Lube Section**	**Non-Refining**	**Total**
		(Rupees '000)		

Sales				
- to outside customers	10,935,480	3,243,594	_	**14,179,074**
- to other segment	2,267,310	(2,267,310)	_	
Profit/(loss) after tax	22,917	(283,531)	5,557	**(255,057)**
Assets employed (as a percentage of consolidated total)	67%	33%		100%

Inter segment sales are made on the basis of cost.

40. CAPACITY AND ACTUAL PERFORMANCE (IN METRIC TONS)

	Annual Designed Throughput Capacity	Actual Throughout for the year ended June 30	
		1995	1994
Fuel Section			
- throughput of crude oil	2,710,500	**2,728,743**	2,961,690
Lube Section			
- throughput of reduced crude oil	620,486	**667,708**	720,911

41. Previous year's figures nave been restated wherever necessary for the purposes of comparison.

MAHMOOD ALI KHAN	**AHMED DAWOOD**	**AINUDDIN SIDDIQI**
Chief Executive	*Director*	*Chairman*