NATIONAL REFINERY LIMITED

A PERAC COMPANY

33rd Annual Report and Accounts 1996

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BOARD OF DIRECTORS

CHAIRMAN
Mahmood Ahmed

DIRECTORS
Ahmed Dawood
Abdus Sattar
Dato Ahmed Hassan Bin Osman
G.A. Sabri
Istaqbal Mehdi
Javed Ashraf Hussain
Jehangir Ansari
Mahmood Ahmed
Sultan Ahmed Shamsi

MANAGING DIRECTOR
Mahmood Ahmed

SECRETARY
Qazi Wajeehuddin

COMPANY INFORMATION

AUDITORS
TASEER HADI KHALID & 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.

DEUTSCHE BANK AG.
MUSLIM COMMERCIAL BANK LIMITED
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,
MEREWEATHER 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 processing
	-	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
Design Capacity	2,170,800 Tomes 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
Project 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 1996	988.8 Million Rupees

SUMMARY OF OPERATING RESULTS

RUPEES IN MILLION

YEAR ENDED 30TH JUNE	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Sales including taxes	6224	7410	7193	8617	14888	14386	15095	15159	16239	18188

Less: Duties, taxes and development surcharge	54	90	239	195	766	794	940	1176	1018	1449
Sales after duties, etc.	6170	7320	6954	8422	14122	13592	14155	13983	15221	16739
Other income	6	6	30	20	14	12	9	18	15	10
	6176	7326	6984	8442	14136	13604	14164	14001	15236	16749
Deduct: Cost of sales and other expenses excluding depredation	5849	6998	6269	7843	13354	12978	13357	13132	15082	15968
	327	328	715	599	782	626	807	869	154	781
Depreciation	207	208	219	225	229	220	218	236	277	315
Net Profit/(loss) after depreciation	120	120	496	374	553	406	589	633	(123)	466
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Unappropriated profit/ (accumulated loss) brought forward	1	1	1		-	-	-	-	-	(254)
Provision for current taxation	-	-	217	161	234	179	298	280	132	187
Less. Dividend and other appropriations	120	120	200	186	250	220	267	300	-	-
Revenue Reserve - General			80	26	69	7	24	53	-	25
Unappropriated profit/(loss) carried to next year	1	1	-	1	-	-	-	-	(255)	-
Rate of dividend in %	18	18	30	28	37.50	33	40	45		

NOTICE OF MEETING

Notice is hereby given that the Thirty Third Annual General meeting of National Refinery Limited will be held on Saturday 28th December, 1996 at 10:30 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 March 30, 1996.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1996 together with the Director's Report and the Auditor's Report thereon.

3. To appoint Auditors for the year 1996-97 and to fix their remuneration.

By Order of the Board

QAZI WAJEEHUDDIN
Secretary

Karachi: November 10, 1996

NOTES:

1. Share Transfer Books of the Company will remain closed from 22-12-1996 to 31-12-1996 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 & Auditors Report thereon for the year ended June 30, 1996.

PROFIT & LOSS ACCOUNT

The Directors submit the results together with accumulated loss brought forward from previous year as under:-

	(Rs. in million)	
Net profit after taxation for the year taking into account the amount of Rs. 880.390 million taken in income currently (Note 26) and amount of Rs. 2828.793 million receivable from the Government as at June 30, 1996 shown in (Note 24) amounts to	279.05	
Accumulated loss being brought forward	254.14	
	24.90	
Less Transfer to Revenue Reserves - General	24.771	
Unappropriated profit carried forward		0.133

The amount taken to income currently and receivable/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. Istaqbal Mehdi replaced Mr. Nisar Hussain Khan and Mr. Abdus Sattar replaced Lt. Col. (Retd.) M. Ashraf. Mr. Mahmood Ahmed took over as Managing Director effective 1st November, 1996, after the sad demise of Mr. Mahmood Ali Khan, who died of a heart attack. The Board wishes to place on record appreciation of the useful services rendered by the outgoing directors of the Board and prays Almighty Allah for the eternal peace of the departed soul.

On 10th November, 1996 at 1700 hours Mr. Ainuddin Siddiqi, relinquished charge as Chairman under the Federal Government orders and Mr. Mahmood Ahmed, Managing Director, National Refinery Limited, assumed the charge as Chairman.

PATTERN OF SHAREHOLDINGS

Pattern of shareholdings is shown on page 14.

AUDITORS

The Auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants, 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

MAHMOOD AHMED

CHAIRMAN

CHAIRMAN'S REVIEW

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I welcome you to the 33rd Annual General Meeting of the company and present the Audited Accounts and the Audit Report of the company for the year ended 30th June 1996.

You are aware that the Fuel Refinery, a production section of the company, has been operating under the Import Parity Pricing Formula in which the after tax profits have been restricted between a minimum of 10% and a maximum of 40% of the paid up capital. Fuel Refinery earned maximum of 40% for the year under report and surplus profits amounting to Rs. 38 million were refunded to the Government.

Lube Base Oil Refinery which is another production segment has not been subjected to the profitability capping as is done in the Fuel Refinery. The company was free to fix the prices of base oil products. Asphalt which remained regulated during the year has also been deregulated effective mid June 1996 and the company has started fixing its price. During the year finished lubricants and asphalt were freely imported as well as smuggled into the Country, therefore, the company faced difficulty in the local upliftment of Lube Base Oils and Asphalt. Efforts were increased to sell these products and are reflected in the increased sale of Lube Base Oil and Asphalt.

The company earned after tax profit of Rs. 279 Million for the year under report compared to the loss of Rs. 255 million of last year. The main reasons for the conversion of loss into profit are as under:-

i. Due to upward trend of CIF prices of products in the Fuel Refinery which more than off set the upward trend of crude oil price, the after tax profit of 40% or Rs. 92 million was earned compared to the 10% profit or Rs.23 million earned last year.

ii. In the Lube Refinery after tax profit for the year amounted to Rs. 149 million compared to a loss of Rs. 278 million last year. The major reasons of profitability in the Lube Refinery may be attributed to the following:-

a. Elimination of development surcharge from the feed stock cost consumed in the Lube Refinery. As you are aware your management was persistently repre-
senting with the authorities against the

levy of development surcharge on the feedstock consumed in the Lube Refinery which was unjustified but the decision was delayed and company suffered substantial losses during the year. Ministry of Petroleum has now to officially confirm that development surcharge is not levieable on Furnace Oil consumed in Lube Oil Refinery. Your management decided not to book the development surcharge on the feedstock consumed in the Lube Refinery and excluded it from the cost of production for the year under report.

b. Increase in local sales volume of Lube Base Oil as well as Asphalt by 10,492 M. tons and 31,029 M. tons respectively.

c. Revision in the Lube Base Oil prices and export price of Asphalt.

d. Withdrawal of credit on sale of Lube Base Oils.

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 and the Country. The refinery processed 3,058,025 M. Tons of crude which included indigenous crude oil at an average of 15,000 barrel per day. It will, however, be noted that despite 28 strike calls and as many as 99 power failures (approx. 23 days production hurt) and acute shortage of water, the company achieved record production during the year.

PRODUCTION

Fuel products 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 189,042 M. Tons compared to 185,191 M. Tons of the previous year.

SALES

The total sales during the year amounted to Rs. 16,739 million compared to Rs. 15,221 million of the previous year. The increase in sales was due to higher production as well as CIF prices of products. Sales included export sales of Lube Base Oil, Naphtha and Asphalt amounting to Rs. 560 million compared to Rs. 978 million last year.

COST OF GOODS SOLD, SELLING, ADMINISTRATION AND FINANCIAL EXPENSES

The company operated on a throughput of 3,058,025 M. Tons of Crude Oil in the Fuel Refinery; and 696,765 M. Tons of Reduced Crude Oil in the Lube Refinery. The cost of goods sold was higher i.e. Rs. 15,768 million compared to Rs. 15,065 million in the previous year due to higher throughput of Crude oil & Reduced crude.

The selling administration and general expenses were RS. 208 million compared to Rs. 149 million last year. The increase was due to increase of the gas prices by 21.5% and electricity rates by 24%, revision of the salaries as announced by the Government and general escalation for inflation and Rupee/Dollar parity.

Financial expenses were Rs. 233 million compared to Rs. 144 million of last year. The increase was due to increased borrowng to meet liquidity shortfall for delayed clearance of bills by PSO who had their dues stuck up with WAPDA, and the increase in mark-up rates under State Bank of Pakistan regulations, whereby the minimum rate for Commercial bankers has been fixed @ 14%.

PROJECTS

- Self Generation of 7.5 MW electricity by utilizing high pressure steam internally available, was mechanically 90% completed by end of June 1996. It is expected to be commissioned by December 1996, after which company will be ensured stable power supply for one of its units.

- Company is also installing additional tankage of 45,000 tons Crude Oil capacity to achive crude oil inventory level upto 22 days. The project is expected to be completed by mid 1998.

OUTLOCK

The National Environmental Quality Standard of the Government of Pakistan now require that by the year 2000 the lead contents in M.S should be reduced from the present 0.42 mg/liter to 0.15 mg. and the Sulpher contents in the HSD be reduced to 0.05% from 1% at present. The company is actively engaged in plans for putting up an Isomerization Unit for M.S. and a Desulphurization Plant for HSD to produce both the products environmental friendly.

The projects feasibilities are being examined by the authorities to find ways to means as to their economic and financial viability due to extra cost of processing.

The Company has also chalked out plans as joint venture with private sector company to lay a new

JP-I 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 and entered into an agreement 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 uints.

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.

PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 1996

NO. OF SHARE HOLDERS	SHAREHOLDINGS FROM	TO	TOTAL SHARES HELD
1343	1	100	63,887
1399	101	500	437,993
743	501	1000	611,429
983	1001	5000	2,231,582
96	5001	10000	672,376
19	10001	15000	233,230
13	15001	20000	223,015
3	20001	25000	64,176
2	25001	30000	57,800
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	141,304
4	75001	90000	330,000
3	90001	100000	295,700
1	100001	120000	117,200
1	120001	145000	141,100
1	145001	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	3765000	3,762,260
1	3765001	10000000	10,000,000
1	10000001	10125000	10,121,243
1	10125001	10760000	10,757,382
1	10760001	19490000	19,487,688

4637	66,638,800

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	4563	4,533,820	6.80
Investment Companies	18	30,847,649	46.29
Joint Stock Companies	15	59,715	0.09
Financial Institutions *	10	14,614,855	21.93
Modaraba Companies	5	218,500	0.33
Insurance Companies	12	5,020,869	7.54
Others	10	10,940,192	16.41
1. PERAC	1	10,757,382	16.14
2. Administrator Abandoned Properties	1	46,630	0.07
3. Charitable Organizations	6	107,179	16
4. Corporate Law Authority	1	1	-
5. Employees old age benefits	1	29,000	0.04
Non Residents	4	403,200	0.61
TOTAL	4637	66,638,800	100.00

* Including Islamic Development Bank Jeddah Holding 15% Shares.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of National Refinery Limited as at 30 June 1996 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 880.390 million taken to income currently (note 26) and the amount of Rs. 2,828.793 million receivable from the Government as at 30 June 1996 are subject to agreement of the Government;

(d) in accordance with the Economic Co-ordination Committee of the cabinet (ECC) summary dated March 31, 1993, the Refinery is required to pay "identifiable government charges and duties as applicable on import of furnace oil" on the furnace oil which is to be used as feedstock in the Lube Refinery. The matter of development surcharge on feedstock for Lube Oil Refinery has been raised by the Company with relevant authorities. As per the import parity formula, it is contended by the Company that development surcharge is not a duty payable at import stage and is not part of the import duty structure as is apparent from the custom tariff, but it has been levied by the Ministry of

Petroleum from time to time irrespective of the import tariff structures. The development surcharge is part of the pricing mechanism of the Ministry of Petroleum and Natural Resources to regulate the petroleum products prices in the Country. Central Board of Revenue vide their letter dated 6 October 1996 has stated that the development surcharge is applicable on Furnace Oil at import stage at the rate fixed by the Ministry of Petroleum and Natural Resources from time to time. Therefore, the management is of the opinion that development surcharge is not payable on the cost of feedstock of the Lube Refinery. Accordingly, development surcharge amounting to RS. 294 million on furnace oil consumed as feedstock for the lube products and RS. 58 million on fuel products produced in the Lube Refinery have not been provided in these accounts. In the absence of any formal decision from the authorities, we are unable to determine with reasonable certainty whether development surcharge may be excluded from the definition of "identifiable government charges and duties as applicable on import of furnace oil".

(e) 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 the 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 matters referred to in paragraphs (c) and (d) above, respectively give a true and fair view of the state of the Company's affairs as at'June 30, 1996 and of the profit and the cash flows for the year then ended; and

(f) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

KARACHI: November 10, 1996

BALANCE SHEET AS AT JUNE 30, 1996

	Note	1996	1995
		(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 reserves - general	5	308,000	283,229
Unappropriated profit/(Accumulated loss)		133	(254,141)
		------------	------------
		988,780	709,735
REDEEMABLE CAPITAL	6	1,308	9,929
LONG TERM DEFERED LIABILITIES			
Loans	7	860,698	632,790
Staff retirement benefits		24,912	22,629
Compensated absences		12,441	12,374
Obligations under finance leases	8	255,305	3,336
Deferred taxation	9	11,024	144,838
		------------	------------
		1,164,380	815,967
Current LIABILITIES			
Short-term loans and running finances	10	1,130,140	1,430,542
Current portion of long-term finances and loans	11	290,773	349,293
Creditors, accrued and other liabilities	12	6,041,986	4,202,315

	Note	1996	1995
Taxation		174,201	-
		7,637,100	5,982,150
CONTINGENCIES AND COMMITMENTS	13	-	-
		9,791,568	7,517,781
TANGIBLE FIXED ASSETS			
Operating assets	14	1,399,836	1,613,484
Capital work-in-progress	15	596,752	186,956
		1,996,588	1,800,440
LONG-TERM ASSETS			
Investments	16	50,020	25
Loans	17	68,610	50,813
Deposits and prepayments		5,398	4,456
		124,028	55,294
CURRENT ASSETS			
Stores and spares	18	760,163	623,289
Stock-in-trade	19	1,539,581	1,215,821
Trade debts	20	2,121,504	1,596,657
Loans and advances	21	45,610	85,582
Deposits and prepayments	22	151,961	107,012
Other receivables	23	15,413	25,823
Due from Government	24	2,828,793	1,666,169
Cash and bank balances	25	207,927	341,694
		7,670,952	5,662,047
		9,791,568	7,517,781

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1996

	Note	1996	1995
		(Rupees '000)	
Sales	26	16,739,198	15,221,141
Cost of goods sold	27	15,768,326	15,064,659
Gross profit		970,872	156,482
Selling, administrative and general expenses	28	207,647	148,938
Trading profit		763,225	7,544
Other income	29	7,967	9,252
Non-refining income	30	2,431	5,557
		773,623	22,353
Financial expenses	31	233,080	143,905

Other charges	32	74,259	1,733
		307,339	145,638
Profit/(Loss) before taxation		466,284	(123,285)
Provision for taxation	33	(187,239)	(131,772)
Profit/(Loss) after taxation		279,045	(255,057)
(Accumulated loss)/Unappropriated profit brought forward		(254,141)	916
		24,904	(254,141)
Appropriations			
Transfer to revenue reserve-general		24,771	-
Unappropriated profit (Accumulated Loss) Carried forward		133	(254,141)

The annexed notes form an integeral part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	623,232	558,459
Financial expenses paid		(143,929)	(128,017)
Taxes paid		(146,852)	(214,472)
Net cash flows from operating activities		332,451	215,970
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(511,341)	(269,435)
Fixed assets disposals		1,528	1,132
Long term investments		(50,000)	-
Long term loans receivable		(17,797)	529
Long term deposits and prepayments		(942)	10,541
Net cash flows from investing activities		(578,552)	(257,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(153,269)
Lease finance		379,235	(1,787)
Long term loans		41,572	246,914
Repayment of redeemable capital		(8,071)	(7,521)
Net cash flows from financing activities		412,736	84,337
INCREASE IN CASH AND CASH EQUIVALENTS		166,635	43,074
Cash and cash equivalents at beginning of the year		(1,088,848)	(1,131,922)
Cash and cash equivalents at end of the year	35	(922,213)	(1,088,848)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1996

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 1985.

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 of 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 leases 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 vlaued at moving average cost. Drum sheets and drums are valued at cost using first-in-first-out (FIFO) basis. Provision is made for slow 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 I0% - 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 capitalised 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

		1996	1995
		(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:

(a) For premature termination of crude oil

sales, bare boat charter-party and technical assistance agreements	17,396	17,396
(b) For design defects and terminated services agreements	613	613
(c) For termination of bare boat 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

	1996	1995
	(Rupees '000)	
5. REVENUE RESERVE		
At beginning of the year	283,229	283,229
Transfer from appropriation account	24,771	-
At the end of the year	308,000	283,229

6. REDEEABLE CAPITAL - Secured

Long-term running finance utilised under mark-up arrangement:		
Purchase price payable	13,961	23,270
Less: Prompt payments rebate allowable	3,208	3,208
	10,753	20,062
Less: Mark-up not due	824	2,062
	9,929	18,000
Less:Current maturity	8,621	8,071
	1,308	9,929

6.1 The Company has arranged a long-term finance of Rs. 50 million from Habib Bank Limited. The amount utilised represents 'sale price' of the agreement with a corresponding purchase price of Rs. 93.083 million. 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 five 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 1996	1995	Rupee equivalent 1996 (Rupees '000)	1995
Secured loans						
From banks						
Habib Bank Limited	7.1	Rupees			12,000	13,500
Allied Bank of Pakistan	7.2	Rupees			78,000	-
ANZ Grindlays Bank Karachi	7.3	Rupees			160,000	200,000
Muslim Commercial Bank	7.4	Rupees			76,515	92,676
Citibank N.A. Karachi		Rupees			-	200,000
					326,515	506,176
Saudi Hollandi Bank	7.5	US Dollars	65,000	-	2,295,189	-
Counterpart fund in NSC account					(2,019,451)	-
					275,738	-
Unsecured loans						
International Bank for Reconstruction and Development through PERAC	7.6	US Dollars	817	1,073	28,858	33,038
	7.7	US Dollars	10,831	3,147	382,434	96,897
Industrial Export Import, Romania		US Dollars	-	4,154	-	129,600
Deferred custom duty on assets under lease purchase agreement		Rupees			-	96,064
Interest on deferred custom duty on assets under lease purchase agreement		Rupees			-	110,198
					411,292	465,797
					1,013,545	971,973
Less: Instalments due within one year, shown under current liabilities						
-Secured					70,419	136,272
- Unsecured					82,428	202,911
					152,847	339,183
					860,698	632,790

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 sixteen half-yearly instalments on June 30 and December 31.

7.2 The loan from Allied Bank of Pakistan carries mark-up at 16% per annum. The loan is secured by first charge ranking pari passu on the fixed assets of the company with senior creditors. The balance of the loan is payable in twenty equal half yea fly instalments commencing March 20, 1998.

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

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 passu on the fixed assets of the company and joint hypothecation of crude oil. The balance of the loan is repayable in seven equal half yearly instalments.

7.5 The company has arranged foreign currency loan of US $ 65 million through Saudi Hollandi Bank for purchase of crude oil. The loan carries interest at 1.10% above LIBOR for the applicable interest period on the quotation date and is payable in US Dollars semiannually. The entire principal is payable in August 1997. The loan including interest is secured by a guarantee of the State Bank of Pakistan. Exchange loss and interset thereon net of interset on counterpart Rupee deposit in NSC account will be payable or recoverable from the Government.

7.6 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 fourteen 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 6.98% (1995: 7.18%).

7.7 The loan from PERAC is a subsidiary loan of USS 19.818 million obtained by PERAC from International Bank for Reconstruction and Development (IBRD). Commitment 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 twelve 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 6.98% (1995: 7.18%).

8. OBLIGATION UNDER FINANCE LEASES

	1996	1995
	(Rupees '000)	
Balance as on July 01	5,375	4,697
Acquired during the year	476,724	2,465
Present value of minimum lease payments	482,099	7,162
Less: Payments made	97,489	1,787
	384,610	5,375
Less: Rentals due within one year, shown under current liabilities	129,305	2,039
	255,305	3,336

8.1 The company entered into lease purchase agreement for vehicles, office equipment's and sale and lease back agreements for plant and machinery and storage tanks. The financial cost ranges from 17% to 22.36% per annum (1995: 18% to 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 1996	-	2,780
Year to 30 June 1997	178,830	2,428
Year to 30 June 1998	154,564	541
Year to 30 June 1999	130,752	-
	464,146	5,749
Financial charges not due	811,551	1,091
Less: Prepaid amount included in other deposits	1,619	717
	79,536	374
	384,610	5,375

9. DEFERRED TAXATION

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

	1996	1995
	(Rupees '000)	
Accelerated tax depreciation allowances and borrowing cost in capital Work in Progress	195,409	295,755
Tax debit due to provisions	(150,453)	(38,857)
Consideration for hire under lease purchase agreement	22,212	225
	67,168	257,123
Liability not accounted for (Note 9.1)	56,144	112,285
	11,024	144,838

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 vide 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 vide 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 LOANS AND RUNNING FINANCES - SECURED

	1996	1995	1996	1995

	Note	Currency	Foreign currency balance in thousands		(Rupees '000)	
Finances under mark-up arrangements	10.1				535,766	928,442
Short term loans						
Islamic Development Bank	10.2	US Dollars	87,500	89,926	3,089,682	2,805,353
ABN Amro Bank		US Dollars	-	42,397	-	1,322,629
Citibank International plc	10.3	US Dollars	88,500	-	3,124,988	-
					6,214,670	4,127,982
Less: Counterpart funds in NSC account	10.4				(5,620,296)	(3,625,882)
					594,374	502,100
					1,130,140	1,430,542

10.1 The Company has arranged short-term running finances from various banks on mark-up basis. Under these arrangemnets the Company can avail finances aggregating upto Rs. 440 million (1995:925.286 million) The rates of mark-up range from 14% to 16.43% (1995: 11.32% to 16.43%). The finances under mark-up arrangments 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 USS 87.5 million (1995: USS 100 million) through Islamic Development Bank for the import of crude oil. The principal amount along with interest thereon at the rate of 1.30% (1995: 1.30%) over six months LIBOR is payable in US Dollars in thirteen instalments during November 1996 to May 1997. 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 USS 88.5 million from Citibank International plc. Karachi. The principal amount along with interest thereon at the rate of 6.63% is payable in US Dollars on 04 December 1996. 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 by the Islamic Development Bank and Citibank International plc. The amounts deposited and the related mark-up will be used by the company for the repayment of the loans referred to in notes 10.2 and 10.3 above.

11. CURRENT PORTION OF LONG-TERM FINANCES AND LOANS

Note	1996	1995	
(Rupees '000)			
Redeemable capital	6	8,621	8,071
Long-term loans	7	152,847	339,183
Obligations under finance leases	8	129,305	2,039
		290,773	349,293

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	1996	1995
		(Rupees '000)	
Advances from customers		367,527	104,413
Trade creditors		4,608,638	3,365,308
Other creditors		175,389	142,096
Deposits from contractors		12,794	10,220
Accrued expenses		248,842	259,540
Accrued interest on			
- Unsecured loans		129,929	32,363
- Bankers' acceptances		7,011	19,105
- Short term running finance		70,002	66,323
Sales tax		109,354	152,371
Income tax deducted at source		3	2
Workers' profit participation fund	12.1	27,027	-
Workers welfare fund		63,617	44,209
Unclaimed dividends		5,985	6,365
Custom duty payable on assets acquired from IDB under lease purchase agreement and Interest thereon		215,868	-
		6,041,986	4,202,315

12.1 Workers' profit participation fund

	1996	1995
Balance at the beginning of the year	-	34,460
Allocation for the year	27,027	-
Amount available to Company for its business operations/utilised by the Company	27,027	34,460
Interest on funds utilised in Company's business	-	1,704
	27,027	36,164
Less: Amount paid to the Trustees of the Fund	-	36,164
Balance at the end of the year	27,027	-

13. CONTINGENCIES AND COMMITMENTS

13.1 Claims against the Company not acknowledged as debt Rs. 10.977 million (1995: 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 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.

13.4 Out of total loan of USS 19.818 million referred to in note 7.7 an amount of USS 19.466 million has been disbursed by IBRD against withdrawal applications of the Company. An amount of USS 0.352 million is to be disbursed for Power Generation Project. Aggregate commitments contracted for but remaining to be executed at June 30, 1996 and not provided for in the accounts are as follows:

	1996	1995
	(Rupees '000)	
Currency		
US dollars	8,361	33,650
Sterling	791	2,229
Austrian Schilling	495	4,569
DM	6,033	336,292
	15,680	376,740

13.5 The board of directors have approved acquisition of 5% equity (estimated at Rs. 12.5 million) in Anoud Power Generation Limited.

14. TANGIBLE FIXED ASSETS

14.1 The following is a statement of operating assets:

	Cost at July 1, 1995	Additions/ (deletion)	Cost at June 30, 1996	Accumulated depreciation	Book value at June 30, 1996	DEPRECIATION For the year	Annual rate %
				(RUPEES '000)			
Leasehold land	34,149	24,519	58,668	3,245	55,423	587	1
Buildings on leasehold land	51,244	3,160	54,404	32,231	22,173	2,475	5
Keamari terminal	102,225		102,225	94,106	8,119	701	6
Processing plant and storage tanks	3,355,088	53,956 (424,188)	2,984,856	2,347,102	637,754	230490	5 to 10
Pipeline	106,134	1,192	107,326	104,237	3,089	467	8
Water, power and other utilities	670,726	4,837 (77,265)	598,298	404,459	193,839	36,414	6
Vehicles	12,133	17 (1,926)	10,224	9,826	398	2,430	20
Furniture and equipment	24,432	1,894 (405)	25,921	18,019	7,902	2,565	7.5 to 15
Other equipment	69,835	2,936	72,771	48,986	23,785	4,090	5 to 10
Leased:							
Vehicles	4,683	7,624 (160)	12,147	3,899	8,248	2,508	20
Computers	2,478	1,410	3,888	1,298	2,590	584	15
Plant and tanks	-	467,850	467,850	31,334	436,516	31,334	5 to 7
	4,433,127	569,395	4,498,578	3,098,742	1,399,836	314,645	

		(503,944)				
1995	3,805,883	629,281	4,433,127	2,819,643	1,613,484	276,882
		(2,037)				

14.2 Lease hold land includes a piece of its land measuring 13,200 square yards which has been sub-leased to Anoud Power Generation Limited (APGL) for the purposes of setting up a power plant basically to provide power to the refinery to make it self sufficient and independent of KESC grid. The land has been mortgaged by APGL for obtaining a financing facility from the financial institutions. The sub lease is for an initial period of 30 years. This period can be extended by mutual agreement.

14.3 Additions to processing plant and storage tanks include Rs. 11.696 million (1995: Rs. 13.807 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.

14.4 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 prescribed under the Income Tax Ordinance, 1979 and the 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	Vendee's name and address
			(Rs. '000)			
Plant and machinery	424,188	28,967	395,221	395,221	Sale and Lease back	Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Limited Saudi Pak Tower, 6 l-A, Jinnah Avenue, Blue Area, Islamabad.
Water, power & utilities	77,265	4,636	72,629	72,629	Sale and Lease back	Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited Saudi Pak Tower, 6 l-A, Jinnah Avenue, Blue Area, Islamabad.
Vehicles	325	130	195	208	Company Policy	Mr. Arif Bashir (Ex-employee)
Vehicles	632	505	127	127	Company Policy	Dr. A. A. Faruqui (Ex-employee)
Vehicles	160	64	96	175	Insurance claim	EFU General Insurance 406, Japan Plaza, opp. Tibet Centre, M. A. Jinnah Road, Karachi.
Furniture & equipment	105	47	58	58	Company Policy	Dr. A. A. Faruqui (Ex-employee)
Furniture & equipment	35	10	25	25	Company Policy	Mr. Arif Bashir (Ex-employee)

Furniture & equipment	6	0	6	0	Company Policy	Mr. M. A. Siraj (Late) (Ex-employee)
Furniture & equipment	34	25	9	9	Company Policy	Mr. Samiullah Sharif (Employee)
Vehicles and equipment with written down value below Rs. 5,000	1,194	1,170	24	918	Tender/ Negotiation	Various
	503,944	35,554	468,390	469,370		

	Note	1996	1995
		(Rupees '000)	
15. CAPITAL WORK-IN-PROGRESS			
Energy conservation project:			
Fees & technical studies		62,564	111,767
Materials, equipment and cost of related services		468,858	539,155
Borrowing cost		35,685	26,790
Revolving fund bank account		4,519	4,519
Other costs		58,734	15,242
		630,360	697,473
TRANSFERRED TO OPERATING ASSETS			
Processing plant and storage tanks		(39,284)	(510,365)
Written off		-	(7,329)
		591,076	179,779
Other items		5,676	7,177
		596,752	186,956
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. 20,000 (1995: Rs. 25,000).		20	25
Unlisted - Advance against shares subscription National Crescent Petroleum Limited	16.1	50,000	-
		50,020	25

16.1 This represents advance to PERAC for purchase of shares in National Crescent Petroleum Limited. The shares have not yet been alloted by the company.

17. LONG-TERM LOANS - CONSIDERED GOOD

	1996		1995		1996	1995
	Executives	Others	Executives	Others	(Rupees '000)	
	(Rupees '000)					
Due from Employees	8,254	28,424	7,131	7,876	36,678	15,007

Less: Receivable within one year note - 21	1,958	6,110	1,847	2,347	8,068	4,194
	6,296	22,314	5,284	5,529	28,610	10,813
Loan to PERAC - note 17.3					40,000	40,000
					68,610	50,813

17.1 Due from employees

Outstanding for periods exceeding three years	1,622	2,354
Others	26,988	8,459
	28,610	10,813

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 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. 8.576 million (1995: Rs. 6.675 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.

18. STOICS AND SPARES

	1996	1995
	(Rupees '000)	
Stores		
In hand	381,710	179,055
Chemicals	167,366	218,147
In transit	6,675	16,193
	555,751	413,395
Spares		
In hand	313,105	282,573
In transit	7,061	5,240
	320,166	287,813
	875,917	701,208
Less: Provision for slow moving and obsolete items	115,754	77,919
	760,163	623,289

Stores include		
- Items loaned	41	12,804
- Fabricated drums and drum sheets for fabrication, held by fabricators	84,461	50,233

Due to nature of company's inventory, stores and spares held for capital expenditure purposes could not be separately identified.

19. STOCK IN TRADE

Crude oil in transit		376,502	342,170
Crude oil stock in tanks		406,319	315,039
Own processed			
Semi-finished products - at cost		288,712	53,780
- at net realisable value (1995: cost Rs.267.836 million)		-	228,716
Finished products - at cost		341,258	17,769
- at net realisable value (cost Rs. 131.097 million)			
(1995: cost Rs. 316.399 million)		126,790	258,347
		756,760	558,612
		1,539,581	1,215,821

20. TRADE DEBTS - UNSECURED

Considered good		2,121,504	1,596,657
Considered doubtful		29,819	2,000
		2,151,323	1,598,657
Less: Provision for doubtful debts		29,819	2,000
		2,121,504	1,596,657

21. LOANS AND ADVANCES - CONSIDERED GOOD

Short-term portion of long-term loans	17		
to executives		1,958	1,847
to other employees		6,110	2,347
Short-term loans to other employees		1,656	1,095
Advance income tax		-	50,310
Advances to			
- executives		32	32
- employees		507	1,371
- suppliers		35,347	28,580
		45,610	85,582

21.1 The maximum aggregate amount due from executives in respect of advances at the end of any month during the year was Rs. 151,000 (1995: Rs. 127,000).

22. DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits		
Development surcharge	28,390	26,444
F. Excise duty	37,897	20,196
Margin against letters of credit and guarantees	68	837
Surcharge	41,907	-
Others	1,100	1,077
Short-term prepayments	42,599	58,458
	151,961	107,012

23. OTHER RECEIVABLES

In respect of imported furnace oil

transactions on behalf of Government		-	21,280
Claims against insurance company and others		166	301
Customs duty refund claim		499	499
Miscellaneous		14,748	3,743
		15,413	25,823

24. DUE FROM GOVERNMENT

Sales tax - refundable	5,597	4,245
In respect of exchange loss on bankers' acceptances and interest thereon net of interest earned on counterpart rupee funds	439,477	41,166
In respect of arrangements with the Government under the import parity formula	2,383,719	1,620,758
	2,828,793	1,666,169

25. CASH AND BANK BALANCES

At bank -	on current accounts	196,160	341,249
-	on deposit accounts	11,510	193
In hand -	Cash	257	252
		207,927	341,694

26. SALES

Local Less excise duty, sales tax and development surcharge Rs. 1,449 million (1995: Rs. 1,018 million)	15,262,075	13,152,846
Bunker (Price differential payable by oil marketing Companies on such supplies)	34,580	30,730
Export After deducting wharfage and other charges Rs. 22.307 million (1995: Rs. 44.155 million)	560,307	978,143
Export Rebate	1,846	17,355
Refunds from Government under the import parity formula	880,390	1,042,067
	16,739,198	15,221,141

27. COST OF GOODS SOLD

Opening stock of semi-finished and finished products		558,612	733,633
Crude oil and drums consumed - note	27.1	14,165,676	13,380,074
Salaries, wages and staff benefits		293,881	212,062
Stores consumed		293,778	233,930
Fuel and power		603,893	501,910
Rent, rates and taxes		20,673	11,326
Insurance		29,024	32,796
Repairs and maintenance		182,204	185,957

Consultancy charges		3,038	3,751
Depreciation		306,558	271,859
Staff transport		17,939	13,036
Research & Development outlay		16,943	16,457
Other expenses		32,867	26,480
		15,966,474	14,889,638
		16,525,086	15,623,271
Less: Closing stock of semi-finished and finished products		756,760	558,612
		15,768,326	15,064,659

27.1 CRUDE OIL AND DRUMS CONSUMED

Crude oil - opening stock	315,039	281,859
- purchases	14,001,015	13,185,232
- closing stock	(406,319)	(315,039)
	13,909,735	13,152,052
Drums - consumption	255,941	228,022
	14,165,676	13,380,074

28. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and staff benefits		108,445	79,192
Rent, rates and taxes		489	517
Selling expenses		4,004	3,960
Depreciation		8,087	5,023
Legal and professional charges	28.1	1,521	2,225
Service charges ~ PERAC		29,500	22,740
Printing and stationery		3,879	2,823
Staff transport		6,270	4,575
Repairs and maintenance		7,927	5,708
Telephone		3,863	3,699
Electricity and water charges		2,643	2,128
Postage, telegrams and periodicals		1,426	1,190
Subscriptions		2,758	2,126
Sanitation and gardening		2,778	2,768
Other expenses		14,013	10,264
Donations (includes Prime Minister's flood relief fund Rs. 10.000 million)	28.2	10,044	-
		207,647	148,938

28.1 AUDITORS' REMUNERATION

Audit fee	100	100
Special reports and certifications, audit of workers' profit participation fund, sundry accounting and advisory services	413	301
Out of pocket expenses	65	44
	578	445

28.2 The directors and their spouses did not have any interest in the donee fund.

29. OTHER INCOME

Interest - on long term loan to PERAC	5,944	5,929
- on advances to employees	110	101
- others	-	29
Sales of scrap and empties	1,623	2,146
Other receipts	290	1,047
	7,967	9,252

30. NON REFINING INCOME

Gain on sale of fixed assets	980	1,042
Supply of utilities	733	1,847
Furnace oil handling charges	-	899
Ground rent	180	284
Tender fees	137	120
Stores handling charges	3	690
Vehicle hire charges	1	637
Miscellaneous	397	38
	2,431	5,557

31. FINANCIAL EXPENSES

Mark-up on		
- finance leases	61,633	683
- long-term finance	71,588	43,620
- short-term running finance	97,440	92,783
- workers' profit participation fund	-	1,704
Guarantee commission	1,559	4,476
Bank charges	860	639
	233,080	143,905

32. OTHER CHARGES

Provision for doubtful debts	27,819	-
Due to diminution in the value of investment	5	6
Workers' welfare fund	19,408	1,727
Workers' profits participation fund	27,027	-
	74,259	1,733

33. PROVISION FOR TAXATION

- Current - for the year	321,053	76,106
- for prior years	-	7,650
- Deferred Taxation		
- for the current year	(189,956)	(8,126)
- for period upto 1988 - partial (note 2.3)	56,142	56,142
	187,239	131,772

The income tax assessments of the company have been finalized upto and including accounting year 1993-94. However, appeals against some of the order are pencling with various authorities. Demands pertaining to these appeals have been provided.

34. CASH GENERATED FROM OPERATIONS

Profit/(Loss) before taxation	466,284	(123,285)
Adjustments for:		
Provision for dminution in value of investment	5	6
Depreciation	314,645	276,882
Financial expenses	235,080	143,905
Staff retirement benefits	2,283	9,535
Deferred liability for compensated absences	67	766
Profit on sale of fixed assets	(980)	(1,085)
	1,015,384	306,724
(Increase)/decrease in operating assets		
Stores and spares	(136,874)	89,418
Stock-in-trade	(3 23,760)	137,313
Trade debts	(524,847)	95,197
Loans and advances	39,972	(56,612)
Deposits and short term prepayments	(44,949)	(37,843)
Other receivable	10,410	6,742
Due from government	(1,162,624)	(908,727)
Increase/(decrease) in operating liabilities		
Creditors, accrued and other liabilities		
Cash generated from operations	1,750,520	926,247
	623,232	558,459

35. CASH AND CASH EQUIVALENTS

Cash and bank balances	207,927	341,694
Short-term loans and running finances	(1,130,140)	(1,430,542)
	(922,213)	(1,088,848)

36. 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:

	1996			1995		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
Fee	14	-	-	15	-	-
Managerial remuneration	-	507	46,167	-	535	36,875
Company's contribution to provident and pension funds	-	129	11,122	-	120	8,928
	14	636	57,289	15	655	45,803
Other perquisites and benefits						
Rent and housing	-	250	18,475	-	265	16,450
Conveyance	-	69	13,496	-	72	1,228

Leave benefits	-	145	4,913	-	53	3,628
	-	464	36,884	-	390	21,306
	14	1,100	94,173	15	1,045	67,109
Reimbursed expenses	6	54	4,769	98	49	3,631
Number of persons	8	1	209	8	1	182

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.

37. 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, 573.924 million (1995: Rs. 3,922.536 million) and it also received crude oil from PRL in an aggregate amount of Rs. 2,608.652 million (1995: Rs. 2,830.171 million).

In addition certain administrative support services are provided by PERAC (note 28) and company contributes to research and development program of PERAC (note 27).

38. SEGMENT INFORMATION

	Fuel	Lube	Non-refining	Total
1996		(Rupees '000)		
Sales				
- to outside customers	11,904,536	3,954,272	-	15,858,808
- to other segment	2,403,256	(2,403,256)	-	-
Profit after tax	91,668	184,946	2,431	279,045
Assets employed (as a percentage of consolidated total)	69%	31%	-	100%
1995				
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.

39. CAPACITY AND ACTUAL PERFORMANCE (IN METRIC TONS)

	Annual Designed Throughput Capacity	Actual Throughput for the year ended June 30 1996	1995
Fuel Section			
- throughput of crude oil	2,710,500	3,058,025	2,728,743
Lube Section			
- throughput of reduced crude oil	620,486	696,765	667,708

40. Previous year's figures have been restated wherever necessary for the purposes of comparison.