


Annual Report 2013

**Vision of today is
Tomorrow's Achievement**



National Refinery Limited

A composite image of space. In the upper right, there is a bright, colorful nebula with swirling patterns of blue, purple, and white. In the lower left, a planet with a prominent ring system, similar to Saturn, is visible. The bottom half of the image shows a view of Earth from space, with the dark, rocky surface of the planet in the foreground and the bright blue atmosphere curving over the horizon. The background is a deep black space filled with numerous stars of varying brightness and colors.

We believe in respecting the
community and preserving the
environment for our future
generations and keeping
National interest paramount
in all our actions



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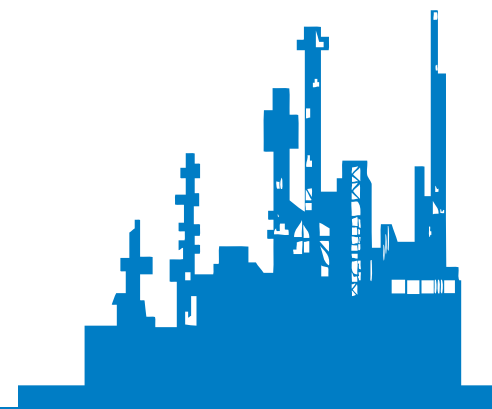
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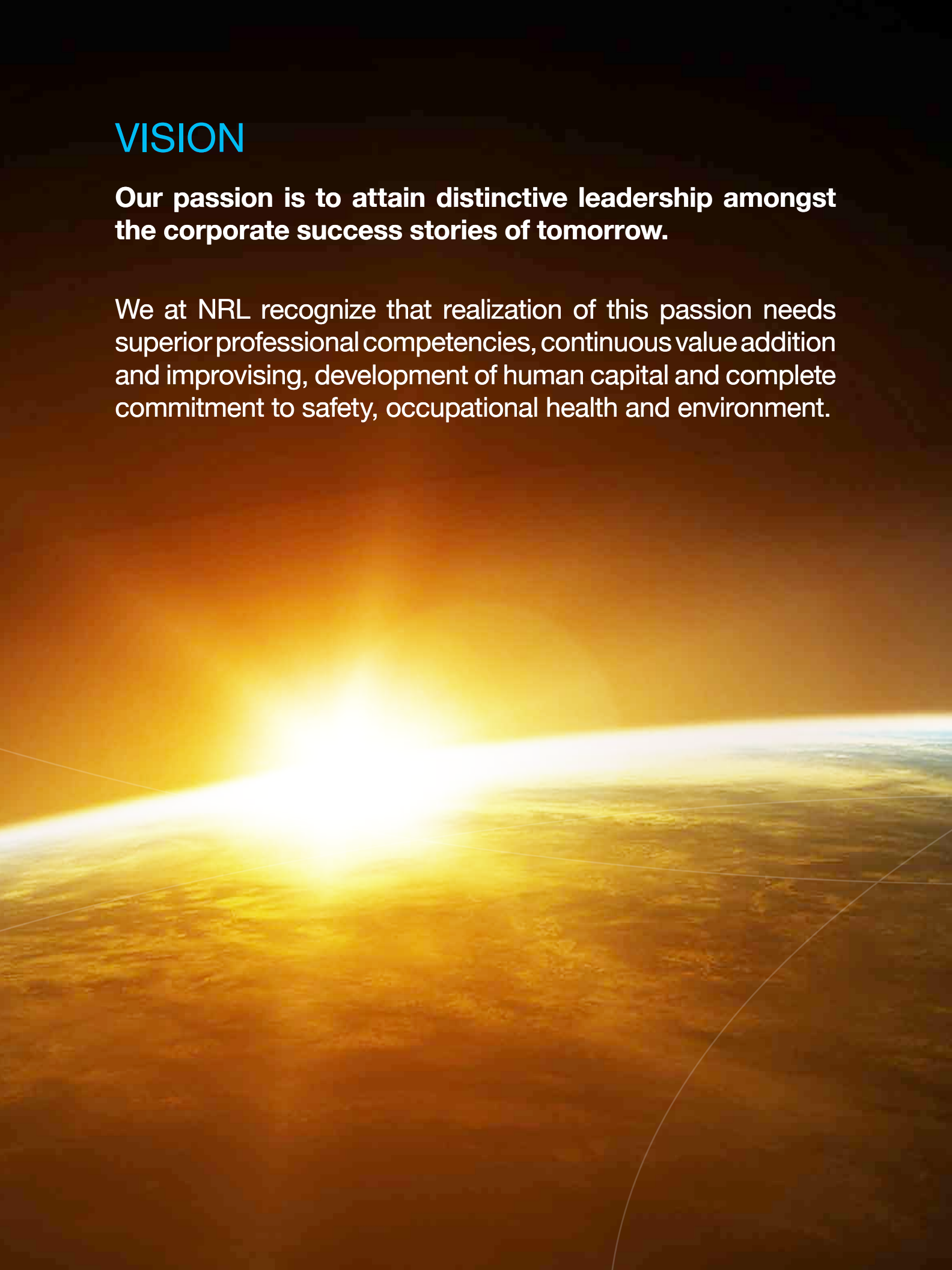
COMPANY

OVERVIEW

VISION

Our passion is to attain distinctive leadership amongst the corporate success stories of tomorrow.

We at NRL recognize that realization of this passion needs superior professional competencies, continuous value addition and improvising, development of human capital and complete commitment to safety, occupational health and environment.



MISSION

- To remain the premium and preferred supply source for various petroleum products and petrochemicals.
- Offer products that are not only viable in terms of desirability and price but most importantly give true and lasting value to our customers.
- Deliver strong returns on existing and projected investments of our stakeholders by use of specialised and high quality corporate capabilities.
- Business development by adoption of emerging technologies, growth in professional competence, support to innovation, enrichment of human resource and performance recognition.
- Be a responsible corporate citizen by serving the community through a variety of socio-economic acts and maintaining a high level of safety, occupational health and environmental care.



CORE VALUES

Following concepts and ideas guide the Management and staff of National Refinery Limited in conducting its business practices in most ethical ways.

1. Ethical Conduct and Integrity

We value lifestyle in our organization where ethics like truth, honesty, integrity and fair play are basic ingredients while interacting within the organization or dealing with the outside world.

2. Teamwork and Responsibility

We share information and resources and step in to help out other team members. Conflicts are worked out in spite of obstacles and difficulties. We accept responsibility with “can do” attitude.

3. Customer Satisfaction

We endeavor to provide quality products to our customers at competitive prices. We value their satisfaction essential for continued growth of our business.



4. Continuous Improvement

We generate new ideas and creative approaches to upgrade and update our refinery to best available technology and processes so that our products are at the level of internationally accepted standards.

5. Profitability

We believe in enhancing our profitability to the maximum so that Employees, Shareholders and Government all benefit from it.

6. Corporate Citizenship

As a good Corporate Citizen, we are more than willing and happy to meet our social responsibilities towards the community around us. We are also committed to meet requirements of health, safety and environment.

CORPORATE INFORMATION

Board of Directors

Dr. Ghaith R. Pharaon – Chairman
Alternate Director: Abdus Sattar

Laith G. Pharaon
Alternate Director: Jamil A. Khan

Wael G. Pharaon
Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik
Musa Bojang
Bahauddin Khan
Tariq Iqbal Khan

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Nouman Ahmed Usmani

Audit Committee

Tariq Iqbal Khan	Chairman
Abdus Sattar	Member
Alternate to Dr. Ghaith R. Pharaon	
Babar Bashir Nawaz	Member
Alternate to Wael G. Pharaon	
Bahauddin Khan	Member
Shaikh Ather Ahmed	Secretary

Human Resource and Remuneration Committee

Musa Bojang	Chairman
Bahauddin Khan	Member
Babar Bashir Nawaz	Member
Alternate to Wael G. Pharaon	
Shuaib A. Malik	Member
Nouman Ahmed Usmani	Secretary

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Bankers

Habib Bank Limited
National Bank of Pakistan
United Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Faysal Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited

Registered Office

7-B, Korangi Industrial Area,
P.O. Box 8228, Karachi-74900
UAN No. 111-675-675

Fax: +92-21 35054663,
+92-21 35066705

Website: www.nrlpak.com

E-mail: info@nrlpak.com

Share Registrar

THK Associates (Pvt.) Ltd.,
Ground Floor,
State Life Building-3,
Dr. Ziauddin Ahmed Road,
KARACHI-75530

P.O. Box. No. 8533

Contact No.+92(21) 111-000-322

Fax: +92(21) 35655595

Email: secretariat@thk.com.pk

Website: www.thk.com.pk



NRL AT A GLANCE

FIRST LUBE REFINERY

Design Capacity	539,700 Tons per year of Crude processing
Design Capacity	76,200 Tons per year of Lube Base Oils
Date Commissioned	June 1966
Project Cost	Rs. 103.9 million

FUEL REFINERY BEFORE RE-VAMP

Design Capacity	1,500,800 Tons per year of Crude processing
Date Commissioned	April 1977
Project Cost	Rs. 607.5 million

AFTER RE-VAMP

Design Capacity	2,170,800 Tons per year of Crude processing
Date Commissioned	February 1990
Project Cost of Revamping	Rs. 125.0 million

BTX UNIT

Design Capacity	25,000 Tons per year of BTX
Date Commissioned	April 1979
Project Cost	Rs. 66.7 million

SECOND LUBE REFINERY BEFORE RE-VAMP

Design Capacity	100,000 Tons per year of Lube Base Oils
Date Commissioned	January 1985
Project Cost	Rs. 2,082.4 million

AFTER RE-VAMP

Design Capacity	115,000 Tons per year of Lube Base Oils
Date Commissioned	June 2008
Project Cost of Revamping	Rs. 585.0 million

SHAREHOLDERS' EQUITY

June 1966	Rs. 20.0 million
June 2013	Rs. 26,871.4 million



CORPORATE OBJECTIVES & DEVELOPMENT STRATEGY

National Refinery Limited is a petroleum refining and petrochemical complex engaged in manufacturing and supplying a wide range of fuel products, lubes, BTX, asphalts and specialty products for domestic consumption and export.

NRL objectives and development strategy are aimed at achieving sustainable productivity and profitability and high standards of safety, occupational health and environmental care. This entails human resource re-engineering & development, enhancing value addition, implementing conservation measures and continuing growth through upgradation of existing as well as addition of new facilities. In the changing global environment, corporate objective and development strategy have been defined to meet the challenges of 21st Century.

Corporate Objectives

- Ensure that business policies and targets are in conformity with the national goals.
- Contribute in meeting the country's demand of petroleum and petrochemical products.
- Customer's satisfaction by providing best value and quality products.
- Optimization of the value of barrel of crude oil and cost reduction through conservation measures.
- Achieving and maintaining a high standard of Occupational Health, Safety and Environmental care.
- Ensure reasonable return on the shareholders' existing and projected investments.
- Maintain modern management systems conforming to international standards needed for an efficient organization.

Development Strategy



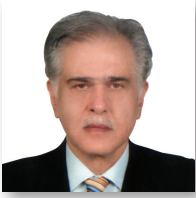
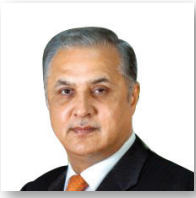

- Contribute in national efforts towards attaining sustainable self-efficiency in petroleum products.
- Human resource development by upgrading training facilities and exposure to modern technologies / management techniques.

- Balancing and Modernization for energy conservation and enhanced yield of value added products as well as revamping for environment friendly products.
- Expansion of refining capacity by debottlenecking and adding new facilities.
- Acquire newer generation technologies for the efficient refinery operations as well as for attaining highest standards of Occupational Health, Safety and Environmental care.
- Acquiring self-sufficiency in re-engineering, design and fabrication of equipments.



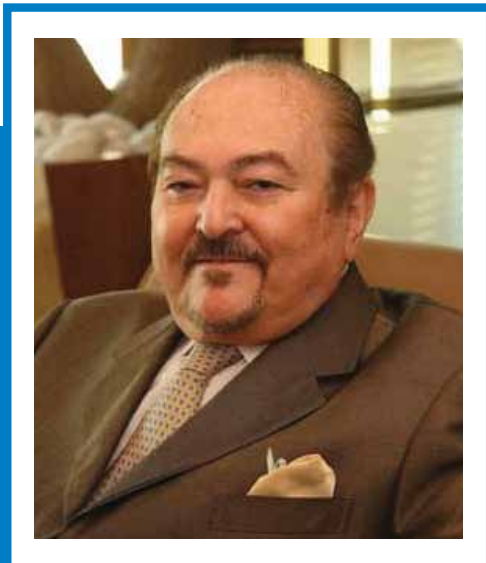
DIRECTORS' PROFILE

Name	Other Engagements
 <p>Dr. Ghaith R. Pharaon Chairman and Director (Non-Executive Director)</p>	<p>Chairman & Director The Attock Oil Company Limited Attock Petroleum Limited Attock Cement Pakistan Limited</p> <p>Director Pakistan Oilfields Limited Attock Gen Limited Attock Leisure & Management Associates (Pvt.) Limited Attock Refinery Limited</p>
 <p>Mr. Laith G. Pharaon (Non-Executive Director)</p>	<p>Director Attock Petroleum Limited Pakistan Oilfields Limited The Attock Oil Company Limited Attock Refinery Limited Attock Cement Pakistan Limited Attock Gen Limited</p>
 <p>Mr. Wael G. Pharaon (Non-Executive Director)</p>	<p>Director Attock Petroleum Limited Pakistan Oilfields Limited The Attock Oil Company Limited Attock Refinery Limited Attock Cement Pakistan Limited Attock Gen Limited Attock Leisure & Management Associates (Pvt.) Limited Angoori Heights Development (Pvt.) Limited Margalla Farm Houses Development (Pvt.) Limited Rawal Lodges Development (Pvt.) Limited</p>
 <p>Mr. Shuaib A. Malik Deputy Chairman & Chief Executive Officer (Executive Director)</p>	<p>Director, Chairman & CEO Pakistan Oilfields Limited</p> <p>Chairman & Director Attock Hospital (Pvt.) Limited Attock Refinery Limited</p> <p>Director & CEO Attock Petroleum Limited The Attock Oil Company Limited Attock Information Technology Services (Pvt.) Limited Angoori Heights Development (Pvt.) Limited Attock Leisure & Management Associates (Pvt.) Limited Falcon Pakistan (Pvt.) Limited</p> <p>Director Attock Cement Pakistan Limited Attock Gen Limited Rawal Lodges Development (Pvt.) Limited Margalla Farm Houses Development (Pvt.) Limited</p> <p>Resident Director Pharaon Investment Group Ltd. Holding SAL</p> <p>Group Regional Chief Executive</p> <p>Chairman NRL Management Staff Pension Fund</p>

Name	Other Engagements
 <p>Mr. Musa Bojang (Independent Director)</p>	<p>Team Leader Budget & Performance Management Department- Islamic Development Bank</p>
 <p>Mr. Tariq Iqbal Khan (Independent Director)</p>	<p>Director Gillette Pakistan Limited International Steels Limited Lucky Cement Limited Packages Limited PICIC Insurance Company Silk Bank Limited FFC Energy Limited - (Government Nominee) Pakistan Electric Agency (Pvt.) Limited - (Government Nominee)</p>
 <p>Mr. Bahauddin Khan (Independent Director)</p>	<p>Chief Operating Officer Bank Alfalah Limited</p>
 <p>Mr. Abdus Sattar Alternate for Dr. Ghaith R. Pharaon (Non-Executive Director)</p>	<p>Director Attock Refinery Limited Attock Petroleum Limited Pakistan Oilfields Limited Attock Cement Pakistan Limited</p>
 <p>Mr. Babar Bashir Nawaz Alternate for Mr. Wael G. Pharaon (Non-Executive Director)</p>	<p>Director & Chief Executive Attock Cement Pakistan Limited Rawal Lodges Development (Pvt.) Limited</p> <p>Director Attock Petroleum Limited Angoori Heights Development (Pvt.) Limited Margalla Farm Houses Development (Pvt.) Limited Falcon Pakistan (Pvt.) Limited</p>
<p>Alternate Director Attock Refinery Limited Attock Leisure & Management Associates (Pvt.) Limited Pakistan Oilfields Limited</p>	
 <p>Mr. Jamil A. Khan Deputy Managing Director Alternate for Mr. Laith G. Pharaon (Executive Director)</p>	<p>Chairman NRL Executive Staff Post Retirement Medical Benefit Fund NRL Non-MPT Staff Gratuity Fund</p> <p>Trustee NRL Management Staff Pension Fund NRL Officers Provident Fund NRL Workmen Provident Fund</p>



CHAIRMAN'S REVIEW



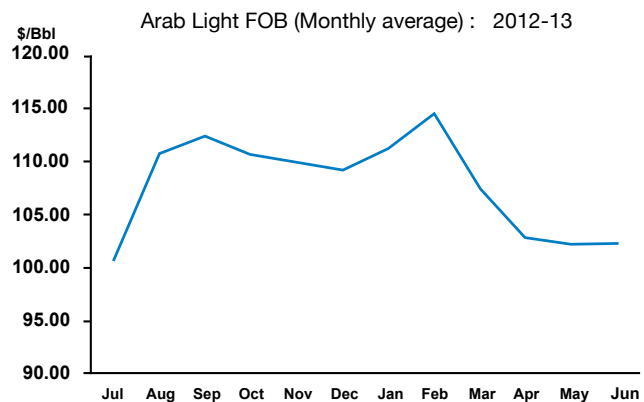
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, in the 50th Annual General Meeting of your Company and to present annual review of results and audited financial statements for the financial year ended June 30, 2013. I congratulate all the stakeholders of the Company, as it is their trust and support with which the Company has achieved a 50 years landmark since its incorporation.

The overall World economy is still struggling and has not shown much improvement to come out of recession. Uncertain economic activities did not let the crude demand stabilize. International crude price touched the maximum of US\$ 115 per barrel. However, during the month of June it was around US\$ 102 per barrel.

Pakistan's economy has not been much different from the rest of the world and faced many crises like energy crises, low foreign investment, devaluation of currency, high imports and budgetary deficits.

The country's GDP growth rate declined to 3.6 from last year's 4.4 showing a slow pace of development.



With a newly elected Government in place it is expected that a fresh approach to resolve the economic challenges, including the resolution of energy crisis, will result in improved GDP through increase in economic activity in the coming fiscal years.

Despite number of challenges, your Company posted profit after tax of Rs. 2,844 million compared to Rs. 2,618 million during last year.

Fuel Segment incurred loss after tax of Rs. 212 million compared to loss after tax of Rs. 117 million in the last year due to depressed sales of premium products and exchange losses. Effective, April 1, 2013, the Government has also imposed price differential on HSD, which reduce the profitability by Rs. 273 million.

Lube segment earned profit after tax of Rs. 3,056 million compared to Rs. 2,735 million in the last year. Profit increased due to improved margin in local sales of Lube Base Oils. The sale of Asphalt continued to remain low due to lower infrastructure development projects undertaken in the country. This has resulted in all time high inventory of Asphalt valuing Rs. 5.9 billion. However, the Company expects that the new Government will launch road infrastructure development in the Country, which will result in higher demand of Asphalt, and hopefully will reduce Company's increased Inventory of Asphalt.

The Company is planning to venture into various new projects which includes HSD de-sulphurization unit, Isomerization unit and Uniflex. In this respect various meetings have been held with Government to provide incentives to make way easier for future investments. Recently, the Government has decided that deemed duty on HSD will be increased from 7.5% to 9% effective January 1, 2016, subject to the completion of HSD de-sulphurization project. The Company has already completed the studies for these projects and now it is in the process of hiring Engineering, Procurement, Construction and Commissioning (EPC) contractors for these projects. We are hopeful that these projects will be completed within the stipulated time resulting in improved margins on some of the fuel products.

I would like to acknowledge and commend the efforts of the management, employees and all other stakeholders for their efforts and continued support in improving the performance of the Company and expect that they will not only continue the same but will also put more focused efforts in meeting the new challenges ahead and deliver increasingly better results.



Dr. Ghaith R. Pharaon
Chairman

August 14, 2013
Islamabad



DIRECTORS' REPORT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

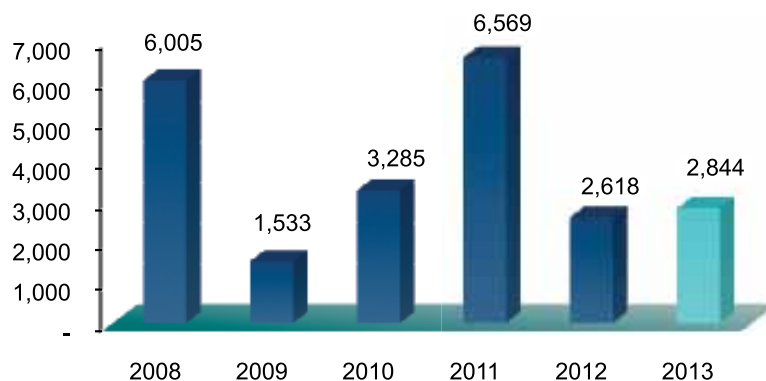
Assalam-o-Alaikum

The Board of Directors is pleased to present the 50th Annual Report of National Refinery Limited (NRL) together with the audited financial statements and auditors' report thereon for the year ended June 30, 2013.

FINANCIAL RESULTS

The refining activities remained under pressure throughout the year. The profitability continued to remain low due to slower economic activities, lesser throughput and higher inventories. However, your company managed to earn profit after tax of Rs. 2,844 million as compared to Rs. 2,618 million in the last year.

PROFIT AFTER TAX - (Rs in million)



Bank profit income declined due to lower availability of surplus funds, as the working capital was stuck-up in high value product inventories.

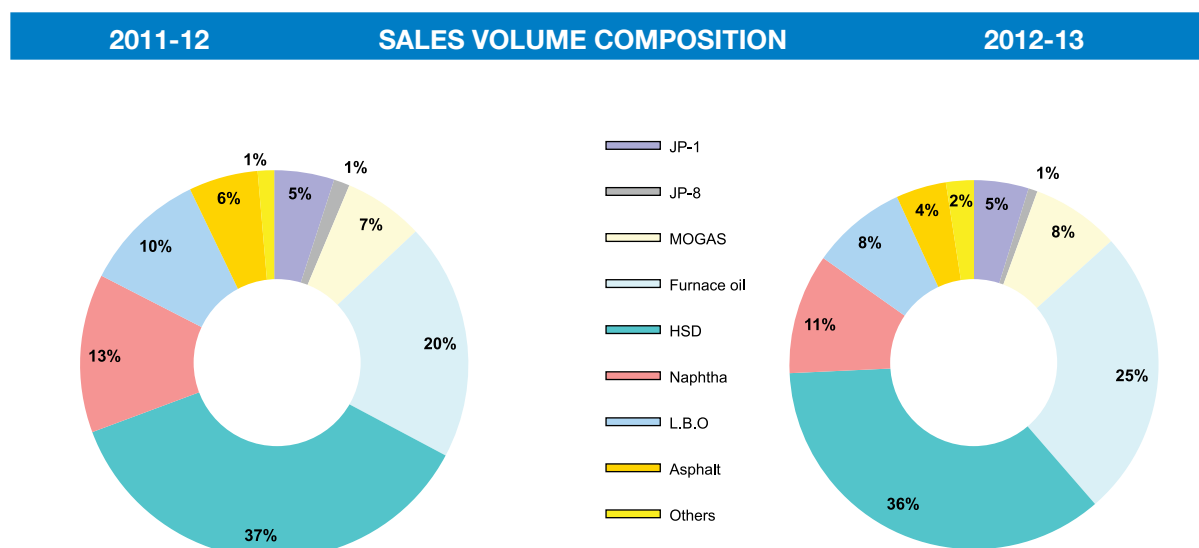
Fuel Segment

Fuel Segment incurred loss after tax of Rs. 212 million as compared to loss after tax of Rs. 117 million in the last year. Fuel Segment's results declined due to decrease in quantitative sales of premium products and lower Naphtha Exports. However, the Company managed to reduce high inventory of Furnace Oil during the year.

Segment results were further reduced by Sales Price Differential of Rs. 273 million effective April 2013 imposed by the Government on High Speed Diesel. The differential is excess of PSO import prices on import parity prices of HSD.

However, above losses in Fuel Segment were reduced by reversal of liabilities, credited to Other Income, due to acceptance of NRL claims by suppliers pertaining to product yield of raw materials.

During the year, the Company carried out planned turnaround of Fuel Refinery, which continued for 24 days during the second quarter. Therefore, throughput of Fuel Refinery remained 79% of the designed capacity compared to 84% of last year.



Lube Segment

The Lube Segment earned profit after tax of Rs. 3,056 million compared to Rs. 2,735 million during last year which is higher by Rs. 321 million. The results improved due to better margins as compared to last year.

The Company managed to achieve local sales of Lube Base Oils of 173,723 M. Tons compared to 176,454 M. Tons last year despite scheduled maintenance of Lube-II Refinery for 24 days. Simultaneously, export sales of Lube Base Oil declined to 29,354 M. Tons from 37,415 M. Tons.

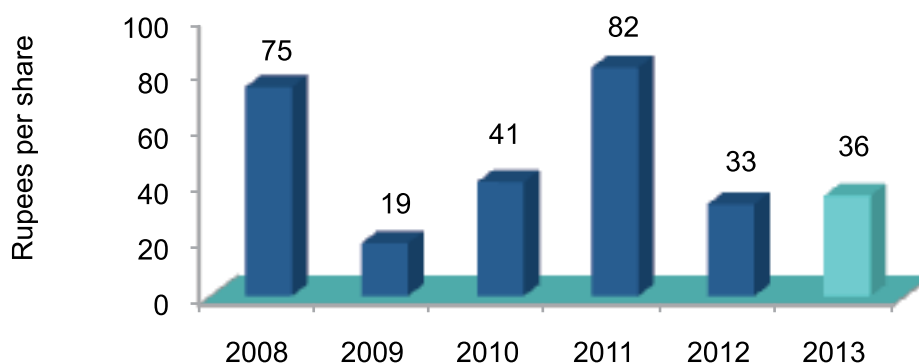
Sale of Asphalt remained depressed due to very little infrastructure development work and the inventory continued to rise at all time high level. Although, the Company

is carrying inventory of Asphalt amounting to Rs. 5.9 billion, it is anticipated that new projects for infrastructure development work in the country will be carried out during the next financial year.

As a part of routine maintenance, Lube-II Refinery's turnaround was carried out successfully by the Company. The turnaround continued for 24 days in the second quarter as a result of which throughput of Lube segment was reduced to 104% of the designed capacity compared to 107% during last year.

EARNING PER SHARE

Earnings per share was Rs. 35.57 compared to Rs. 32.74 in the last year.



APPROPRIATIONS

Description	2012-13	2011-12
	(Rupees in millions)	
Profit available for appropriation after transfer to Special Reserve under the Pricing Formula as per note 16.2	2,845	2,773
Transfer to General Reserves	1,600	1,573
Final Dividend @ 150% (2012: 150%)	1,199	1,199

DIVIDEND

The Board of Directors has recommended a final cash dividend @ Rs. 15 per share (150%) for the year ended June 30, 2013. The dividend recommended is subject to the approval by the shareholders in the Annual General Meeting.

COMPANY'S BUSINESS

The Company is engaged in the business of Crude Oil Refining with three refineries commissioned in the year 1966, 1977 and 1985. The Company was privatized in the year 2005, whereby 51% shares of the Company are held by the Attock Group.

The Company operates its three refineries in two business segments "Fuel Segment" and "Lube Segment". Fuel Segment products include High Speed Diesel, Naphtha, Motor Gasoline, Liquefied Petroleum Gas, Jet Fuels & Furnace Oil. Lube Segment produces multiple grades of Lube Base Oils, Asphalts, Waxes and Rubber Process Oil and some quantities of fuel products. All the products are marketed locally, except for Naphtha and some quantity of Lube Base Oils which is exported. The designed annual capacity of Fuel Segment is to process 2,710,500 M. Tons Crude Oil and condensate.

FUTURE OUTLOOK

Since commissioning of the refineries, two refineries have been re-vamped to enhance their production capacities. After the acquisition of controlling interest by the Attock Group, the Company successfully completed the re-vamp of Lube-II Refinery. Company is planning to further upgrade its plant to enhance its production capacity, increase production of value added and environment friendly products and to meet Country's growing demand of various products.

- **REFINERY UPGRADATION PROJECTS**

Following are the projects where Engineering Design has been completed, Project Management Consultant has been appointed and Company is in process of appointing Engineering, Procurement, Construction and Commissioning (EPCC) Contractor:

- **Diesel De-sulphurization Unit**

In order to meet the environment standards of Euro-II, the Company is in the process of planning the installation of Diesel De-sulphurization Unit. The engineering design is ready and bid documents are under preparation. The plant is expected to be commissioned by December 2015.

- **Naphtha Isomerization Project**

To overcome deficit production of Motor Gasoline in the Country, Company has planned to undertake Isomerization Project to increase the production of Motor Gasoline by 192,000 Metric Tons per year. The project is also likely to be completed by December 2015.

- **Two Stage Unit at Lube-I Refinery**

The project has been planned to enhance the installed crude oil processing capacity from 12,050 Barrel per stream day (bpsd) to 17,000 bpsd and vacuum fractionation capacity from 5,200 bpsd to 6,600 bpsd. Engineering design is complete and the project is likely to be commissioned in 2015.



- o **101 Crude Distillation Unit at Fuel Refinery**

The project has been envisioned, to enhance the installed crude oil processing capacity from 50,000 bpsd to 53,000 bpsd at crude distillation unit of Fuel Refinery. The project is likely to be completed by December 2015.

- o **Uniflex**

The project is envisaged to add value to low cost feed components and produce prime products to improve the profitability of the company. It is considered to be installed along with other deep conversion units.

- **REVERSE OSMOSIS PLANT**

250,000 gallons per day Reverse Osmosis Plant is in process of installation. The plant shall be ready for commissioning by December 2013.

After commissioning and testing of this plant another Reverse Osmosis Plant of similar capacity shall be initiated.

- **UPGRADATION OF SAP ERP SYSTEM FROM VERSION 4.6C TO SAP ECC6**

The Company is in the process of up-gradation of its ERP system for improved Management and Financial Reporting. In this context, Company has purchased the new version of SAP with additional modules and has appointed consultants for the implementation of the new version of SAP. The implementation is expected to be completed by mid of next year.

PRICING FORMULA

The Company's Fuel Segment is regulated by Government under the Import Parity Pricing Formula. Previously, under this formula prices of finished goods were notified by OGRA. However, effective from June 1, 2011, the Government de-regulated the prices of Motor Gasoline, Aviation Fuel and Light Diesel Oil with the capping that the prices announced by the refineries should not exceed the import prices of the relevant product of Pakistan State Oil average actual import prices of previous month including partially the incidentals/wharfage. In case these prices are not available then refineries have to fix their prices as per existing Import Parity Pricing Formula.

According to the Import Parity Pricing formula, the distribution of profits from Fuel Segment is restricted and only 50% of the paid-up capital as of July 1, 2002 can be distributed as dividend to shareholders and the remaining amount is to be transferred to Special Reserves. As per the initially announced formula Special Reserves could be utilized to offset against any future losses or to make investment for expansion or up-gradation of Refinery. However, following are some of the highlights of a recent directive issued by Government of Pakistan (GoP) in this regard:

- o Refineries have been restricted to adjust their losses from Special Reserve from the year June 30, 2013 and onwards.

- o Refineries have been allowed to utilize the Special Reserves for up-gradation and expansion of Fuel Refinery operations, subject to GoP approvals and verification.
- o Refineries have been directed to open Escrow Account for the amount held in Special Reserves less amount utilized as above.
- o Government of Pakistan has agreed to increase the import duty on High Speed Diesel from 7.5% to 9% effective January 1, 2016 subject to compliance of Euro-II specification by December 31, 2015.

CRUDE TRANSPORTATION

The Company imports crude oil using National Flagship oil tankers. During the last quarter of the year Company has renewed its agreement with National Flagship Company. According to the revised terms of the agreement, Company has been successful in negotiating discount in the transportation cost of imported crude oil.

SIGNIFICANT RESOURCES

The Company has sufficient funds in the form of cash and bank balances and short-term investments to maintain its liquidity. The Company is managing its liquidity without any long-term and short-term borrowings.

RELATIONSHIPS

We continue to maintain history of making timely payments for the supply of crude oil to Saudi Aramco and other oil exploration companies operating in Pakistan.

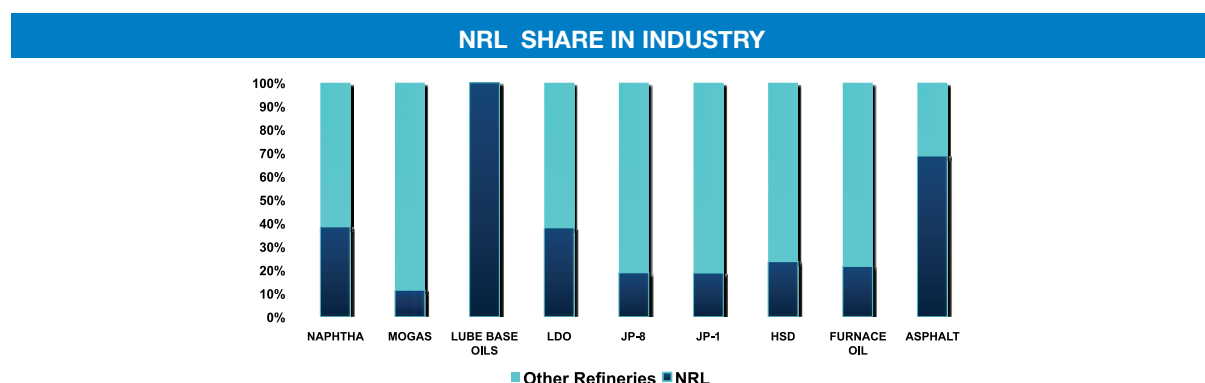
We always endeavor to maintain good relationship with our local suppliers, customers and other business partners.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last six years (2008 – 2013) is shown on page 43.

REFINERIES PRODUCTION AND PRODUCT-WISE SHARE PARTICIPATION 2011-12

According to throughput analysis, NRL is the second largest refinery of Pakistan currently in operation with a production capacity of 2.71 million tons per year. NRL is the only Lube Refinery of Pakistan producing multiple grades of Lube Base Oils to meet the demand of the Country.



CREDIT RATINGS

The credit rating of your Company for the year is under assessment by Pakistan Credit Rating Agency (PACRA), which has been maintained for last eight years as "AAA" for long-term and "A 1+" for short term due to exceptionally strong capacity for timely payment of financial obligations and commitments.

RISK & THREATS

The volatile crude oil and product prices in international market mostly result in narrow margins. In such case the Company adjusts its throughput to minimize the losses.

The Company faces exchange losses due to devaluation of Pak Rupee in making payments of raw material to suppliers in foreign currencies.

Your Company, being a strategic asset, focuses on security measures including acquiring and installing latest security hardware.

High inventory level of Asphalt has resulted in blocking up a substantial portion of your Company's working capital.

CORPORATE SOCIAL RESPONSIBILITY

The Company realizes its social responsibility towards the national economy apart from its customers, employees and shareholders. As a responsible corporate citizen, the Company has contributed to different social segments of the economy in various ways for improving quality of life in the country. Recently, Company contributed Rs.100,000 towards "World Environment Day" to create awareness about importance of cleaner environment among the society in collaboration with Environment Protection Agency.

Company is ambitious to be recognized as social partner and not only as commercial entity. In this respect, the Company has kept six disabled persons on its manpower strength as prescribed in Employment and Rehabilitation Ordinance, 1981 and also made payments to National Council for the Rehabilitation of Disabled Persons in lieu of less number of such persons in the Company's employment.

EMPLOYEES & MANAGEMENT RELATIONS

The cordial relationship between the management and union persisted unabatedly. The productivity achieved reflects the concerted and sincere collective endeavors. The Company lays emphasis on enhancing the Sports activities and has provided the required facilities to achieve this objective which may go a long way in maintaining good health of the employees, boosting up their moral and sense of belonging.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

We ensure that our manufacturing activities are in line with the Government environmental laws and Company's standard operating procedures and safe work practices to support towards environment protection.

Risk Management Survey will be conducted by foreign consultant during the second half of 2013. Based on survey report, capital investments will be incurred to mitigate the identified weaknesses.

Environmental performance is continuously reviewed at planned intervals to ensure its continuing suitability, adequacy and effectiveness. Opportunities of improvement and need for changes where required are discussed in HSE Committees and Steering Committee meetings. Decisions are taken, where needed, strategies are developed and implemented.

Management is committed towards acquiring excellence in overall performance specially for the conservation of environment, which is evident from implementation of IMS (Integrated Management System) based on ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007 standards.

NRL has achieved 18.47 million Safe Man Hours without Lost Time Injury (LTI) as on June 30, 2013. Continuous efforts are being made to ensure the effective application of operational controls for minimizing Occupational Health & Safety risk's values and environmental impacts.

ENVIRONMENT EXCELLENCE AWARDS

Company has participated in the following Environment Excellence Awards:

1. National Forum for Environment & Health (NFEH), Excellence award 2013, consecutively winner since last ten years.
2. Continually participating in the ACCA-WWF Pakistan Best Environment Reporting Awards since 2003 and was winner of the victory stand in 2003, 2009 & 2010.

Your Company is an environmental friendly enterprise in the petroleum-refining sector of the country.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the financial year, the Company contributed Rs. 37,508 million to the National exchequer in the shape of direct and indirect taxes and earned valuable foreign exchange of US\$ 232 million through the export of Naphtha, Lube Base Oil and Asphalt.

In addition to the above, the Company has paid to government Rs. 4,798 million as discount and windfall levy on account of local crude oil and condensates purchased from oil and gas exploration companies.



HUMAN RESOURCE DEVELOPMENT

Human Resource of the Company is playing a very significant role in achieving the short and long term corporate and strategic objectives of the Company. Therefore, your Company focuses special attention on their training and development. Various staff members were nominated for local and overseas courses and workshops in different technical and non-technical disciplines. In addition to hands on executive training programs, the Company has also conducted apprenticeship program where theoretical and practical training in Refinery operations and maintenance was imparted which will extend a great help to the Petroleum Refining industry in the availability of trained manpower.

CORPORATE GOVERNANCE

The Company is committed to good corporate governance and has complied with the applicable 'Code of Corporate Governance' contained in the listing regulations of the stock exchanges. As required by the Code, following is the statement in compliance with the Corporate and Financial Reporting Framework of Code of Corporate Governance.

- a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained in the manner required under the Companies Ordinance, 1984.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements. From current year policy for recognition of major spares parts as fixed assets has been applied as discussed in note no 2.3 of financial statements. Accounting estimates are based on reasonable and prudent judgment. From the current year cost estimation formula for finished and semi-finished inventory has been changed, as discussed in note no. 8.1.
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. The values of investment of various funds, based on their respective accounts as at 30 June 2013 are as under:

Description	(Rs. in million) Un-audited
Management staff	
Pension Fund	3,590
Provident Fund	797
Post-Retirement Medical Fund	949
Non-Management staff	
Gratuity Fund	92
Provident Fund	371

- h. During the year, Mr. Tariq Iqbal Khan attended “Corporate Governance Leadership Skills” training program conducted by Pakistan Institute of Corporate Governance.
- i. No trade in the shares of the Company was carried out by the Board of Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children except that mentioned in “Pattern of Shareholding”.

Composition and Meetings of the Board of Directors

During the financial year 2012-13 five meetings of the Board of Directors were held. The attendance of the Directors is as under:

Name of Directors	Total Number of Meetings *	Meetings Attended
Dr. Ghaith R. Pharaon Alternate Director: Mr. Iqbal A. Khwaja/Mr. Abdus Sattar	5	5
Mr. Laith G. Pharaon Alternate Director: Mr. Babar Bashir Nawaz/Mr. Jamil A. Khan	5	5
Mr. Wael G. Pharaon Alternate Director: Mr. Jamil A. Khan/Mr. Babar Bashir Nawaz	5	5
Mr. Shuaib A. Malik Deputy Chairman /Chief Executive Officer	5	4
Mr. Abdus Sattar	2	2
Dr. Mohamed Djarraya / Mr. Musa Bojang – IDB Nominee	5	3
Mr. Bahauddin Khan – NIT Nominee	5	4
Mr. Tariq Iqbal Khan	3	2

* Held during the period concerned directors were on Board.



Changes in the Directors are pursuant to recent election of Directors held during the year. In these election, Mr. Tariq Iqbal Khan was elected as an independent Director of the Company; whereas, Mr. Abdus Sattar did not contest the election. All other Directors were re-elected for the next term except Mr. Musa Bojang, who was nominated by Islamic Development Bank in place of Dr. Mohamed Djarraya and stands elected. The Board of Directors placed on record its appreciation and gratitude to the previous Board for the valuable services they rendered for the Company.

Human Resource & Remuneration Committee

Meeting of the Committee held and attendance of the members during the period from July 01, 2012 to June 30, 2013:

Name of Directors	Total Number of Meetings	Meeting Attended
Mr. Musa Bojang	1	1
Mr. Bahauddin Khan	1	0
Mr. Babar Bashir Nawaz	1	1
Mr. Shuaib A. Malik	1	1

Audit Committee

The Directors have established Audit Committee. The attendance of the Directors' for Audit Committee meetings for the year ended June 30, 2013 is as follows:

Name of Directors	Total Number of Meetings *	Meetings attended
Mr. Tariq Iqbal Khan	3	2
Mr. Babar Bashir Nawaz	5	5
Mr. Iqbal A. Khwaja	2	2
Mr. Jamil A. Khan	2	2
Mr. Abdus Sattar	5	5
Mr. Bahauddin Khan	3	2

*Held during the period concerned directors were on Board

Composition of the Audit Committee has been re-constituted during the year consequent to the election of Board of Directors.

Pattern of Shareholding

Pattern of shareholdings is shown on page 96.

AUDITORS

Present Auditors Messrs A. F. Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. The Audit Committee recommends the reappointment of Messrs A. F. Ferguson & Co., Chartered Accountants as auditors for the financial year ending June 30, 2014.

ACKNOWLEDGEMENT

The Board places on record its appreciation and gratitude to the Company's management and its staff for their untiring efforts. The Board also acknowledges the efforts and contributions of customers, suppliers and other stakeholders for their patronage and business relations.

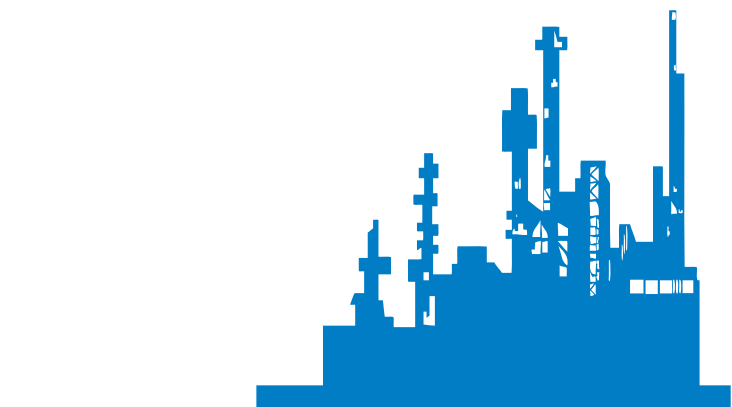
On behalf of the Board



Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

August 14, 2013
Islamabad







CORPORATE
GOVERNANCE

CODE OF CONDUCT

National Refinery Limited (the Company) is engaged in the manufacturing of wide range of petroleum products with the objective to achieve sustainable productivity, profitability and high standards of safety, occupational health and environmental care. This entails human resource development, enhancing value addition, implementing conservation measures and growth by up-gradation and addition of newer generation technologies.

The Company requires all its Board Members and Employees to act within the authority conferred upon them and in the best interests of the Company and observe all the Company's policies and procedures as well as relevant laws and regulations, as are applicable in individual capacity or otherwise, including but not limited to the corporate values, business principles and the acceptable and unacceptable behaviour (hereinafter called the Company's Code of Conduct) embodied in this document.

The Company believes that the credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.

- The business principles are derived from the above stated corporate values and are applied to all facets of business through well-established procedures. These procedures define behavior expected from each employee in the discharge of his/her responsibility.
- NRL recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:
 - Safeguarding of shareholders' interest and a suitable return on equity.
 - Service customers by providing products, which offer value in terms of price, quality, safety and environmental impact.
 - Respect human rights, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
 - Seek mutually beneficial business relationship with contractors, suppliers and investment partners.
- The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer places on products and services produced by the Company.
- The Company requires honesty and fairness in all aspect of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form is undesirable.

- The Company is fully committed to reliability and accuracy of financial statements and transparency of transactions in accordance with established procedures and practices.
- The Company does not support any political party or contributes funds to groups having political interests. The Company will however, promote its legitimate business interests through trade associations.
- The Company, consistent with its commitments to sustainable developments, has a systematic approach to the management of health, safety and environment.
- The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as education, sports, environment preservation, training programs, skills development and employment within the parameters of its commercial objectives.
- The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.
- In view of the critical importance of its business and impact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost.
- The Company requires all its board members and employees to essentially avoid conflict of interest between private financial and/or other activities and their professional role in the conduct of Company business.
- No board member or employee shall in any manner disclose to any person or cause disclosure of any information or documents, official or otherwise, relating to the Company, except those published, and unless he/she is authorised by the management.
- All papers, books, drawings, sketches, photographs, documents and similar papers containing analysis, formulas, notes or information relating to the Company's business affairs or operations shall always be treated as the Company property, whether prepared by the employee or otherwise and no employee shall be permitted to carry any of these outside business premises unless specifically authorised to do so by the management.
- The Company's property, funds, facilities and services must be used only for authorised purposes.
- The board members or employees of the Company specifically those coming in direct contact with the vendors doing or seeking to do business



with the Company shall not receive favours or incur obligations. In case any contractor/supplier to have business relations with the Company happen to be a relative of an official who is entrusted the responsibility of opening/evaluation/award of supply/contract job or with execution or certification of material/services, he/she shall immediately bring the fact to the notice of Managing Director who may entrust the responsibility to another.

- Each employee shall devote his/her full time and energy exclusively to the business and interests of the Company. In particular, no employee (including those on leave) unless otherwise permitted by the Company, shall directly or indirectly engage in any other profession or business or enter the services of or be employed in any capacity for any purpose whatsoever and for any part of his/her time by any other person, government department, firm or company and/or shall not have any private financial dealings with any other persons of firms having business relations with the company for sale or purchase of any materials or equipments or supply of labour or for any other purpose. Every employee shall hold himself in readiness to perform any duties required of him by his/her superiors to the best of his/her ability.
- No board member or employee of the Company shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period, as determined and informed by the Company.
- No board member or employee of the Company shall practice insider trading.

Without prejudice to any penal action defined in any statute, as applicable, against any kind of non-compliances/violations, non-compliance with the Company's Code of Conduct may expose the person involved to disciplinary action as per Company's rules and/or as determined by the management or the Board of Directors of the Company, as the case may be, on case to case basis.

On behalf of the Board



SHUAIB A. MALIK
Deputy Chairman &
Chief Executive Officer

June 18, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in listing regulations of Stock Exchanges where the shares of the Company are listed, for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Tariq Iqbal Khan Mr. Musa Bojang Mr. Bahauddin Khan
Executive Directors	Mr. Shuaib A. Malik Mr. Jamil A. Khan Alternate to Mr. Laith G. Pharaon, Director
Non-Executive Directors	Dr. Ghaith R. Pharaon Alternate Director: Mr. Abdus Sattar Mr. Laith G. Pharaon Mr. Wael G. Pharaon Alternate Director: Mr. Babar Bashir Nawaz

The independent directors meet the criteria of independence under clause (i)(b) of the Code.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of directors during the year ended June 30, 2013.



5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the Board were presided over by the Chairman or Deputy Chairman, and the Chief Financial Officer and Company Secretary attended all the meetings. The Board meets at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded, circulated and signed by the Chairman of the meeting of the Board of Directors.
9. The Directors were apprised of their duties and responsibilities from time to time.
10. The Board has approved terms of appointment and remunerations of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive directors, one is independent director and the Chairman of the committee is also an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of four members, of whom one is non-executive director, one is independent director and the Chairman of the Committee is also an independent director.
18. The Board has set-up an effective internal audit function and that is involved in the Internal Audit on full time basis relating to the business and other affairs of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The related party transactions have been placed before the audit committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



SHUAIB A. MALIK
Deputy Chairman & Chief Executive Officer

August 14, 2013





REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of National Refinery Limited to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.


Chartered Accountants
Karachi

Dated: 15 August 2013

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THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Board has constituted a fully functional Audit Committee. The features of the terms of reference of the Committee in accordance with the Code of Corporate Governance are as follows:

- a. Determination of appropriate measures to safeguard the company's assets;
- b. Review of preliminary announcements of results prior to publication;
- c. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards;
 - compliance with listing regulations and other statutory and regulatory requirements; and
 - significant related party transactions.
- d. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e. Review of management letter issued by external auditors and management's response thereto;
- f. Ensuring coordination between the internal and external auditors;
- g. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed;
- h. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and reporting structure are adequate and effective;



- j. Review of company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- l. Determination of compliance with relevant statutory requirements;
- m. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- n. Consideration of any other issue or matter as may be assigned by the Board of Directors; and
- o. Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the company in addition to audit of its financial statements.

TERM OF REFERENCE OF HUMAN RESOURCE & REMUNERATION COMMITTEE (HR&R)

The Board adopted the responsibilities contained in clause (xxv) of the Code 2012 from (i) to (iv) as the Terms of Reference (TOR) of the HR&R Committee.

The Committee shall be responsible for:

- i) recommending human resource management policies to the board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.



STAKEHOLDERS' INFORMATION

STATEMENT OF VALUE ADDED

For The Year Ended June 30, 2013

	2013		2012	
	Rupees in thousand	%	Rupees in thousand	%
Revenue Generated				
Gross sales revenue	216,123,042		207,588,512	
Less: Bought in material and services	<u>175,700,534</u> 40,422,508		<u>172,555,025</u> 35,033,487	
Add: Income from financial assets	706,234		1,325,872	
Other Income	1,473,509		1,810,960	
	<u>2,179,743</u>		<u>3,136,832</u>	
Total Revenue	<u>42,602,251</u>	<u>100.0%</u>	<u>38,170,319</u>	<u>100.0%</u>
Revenue Distributed				
To Employees remuneration as:				
Salaries, wages and benefits	1,581,146	3.7%	1,438,685	3.8%
To Government as:				
Levies	35,848,629	84.1%	31,662,104	82.9%
Company taxation	1,630,350	3.9%	1,833,488	4.8%
Worker's fund	348,275	0.8%	329,946	0.9%
	<u>37,827,254</u>	<u>88.8%</u>	<u>33,825,538</u>	<u>88.6%</u>
To Shareholders as:				
Cash Dividend	1,199,498	2.8%	1,199,498	3.1%
Retained in the business :				
Depreciation	308,200	0.7%	287,364	0.8%
Amortization	1,194	0.0%	348	0.0%
Net earnings	1,684,959	4.0%	1,418,886	3.7%
	<u>1,994,353</u>	<u>4.7%</u>	<u>1,706,598</u>	<u>4.5%</u>
	<u>42,602,251</u>	<u>100.00%</u>	<u>38,170,319</u>	<u>100.0%</u>

SIX YEARS AT A GLANCE

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
<i>Rupees in million</i>						
Profit and Loss Account						
Net sales	179,184	174,797	148,558	110,186	109,578	129,386
Cost of sales	174,119	170,075	138,551	103,854	104,302	118,705
Purchases	166,130	171,149	141,383	98,964	99,503	120,599
Gross profit	5,066	4,722	10,007	6,333	5,277	10,681
Operating profit	5,345	5,795	10,179	5,831	5,208	10,163
Profit before tax	4,475	4,452	10,029	5,136	2,813	8,831
Profit after tax	2,844	2,618	6,569	3,285	1,533	6,005
Balance Sheet						
Share Capital	800	800	800	800	800	800
Reserves	26,072	24,427	23,808	18,838	16,553	16,619
Shareholder equity	26,871	25,226	24,607	19,638	17,353	17,419
Fixed Assets	4,363	3,696	3,235	3,248	3,025	2,613
Current Assets	51,232	53,323	53,366	47,868	39,156	43,747
Current Liabilities	28,440	31,492	31,858	31,862	24,856	28,873
Net current assets / liabilities	22,792	21,831	21,508	16,006	14,299	14,874

		2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Profitability Ratios							
Gross profit	%	2.83	2.70	6.74	5.75	4.81	8.26
Net profit to sales	%	1.59	1.50	4.42	2.98	1.40	4.64
EBITDA Margin to sales	%	2.68	2.72	7.02	5.20	2.79	7.08
Return on Equity	%	10.59	10.38	26.69	16.73	8.83	34.47
Return on Capital Employed	%	10.92	10.51	29.69	17.76	8.82	39.81
Liquidity Ratios							
Current Ratio	Times	1.80	1.69	1.68	1.50	1.58	1.52
Quick / Acid test ratio	Times	1.01	0.89	1.07	1.13	1.08	1.05
Cash to Current Liabilities	Times	0.56	0.32	0.28	0.51	0.31	0.45
Activity / Turnover Ratios							
Inventory turnover	Days	49.54	47.32	40.46	41.68	44.08	31.81
Debtors turnover	Days	24.35	28.18	36.82	50.86	41.09	22.68
Creditors turnover	Days	53.03	55.47	67.63	88.67	83.61	61.71
Total Assets turnover ratio	Times	3.22	3.06	2.62	2.13	2.59	2.78
Fixed assets turnover ratio	Times	41.07	47.30	45.93	33.92	36.22	49.51
Investment / Market Ratios							
Earning per share (EPS) and diluted EPS	Rs.	35.57	32.74	82.14	41.08	19.17	75.10
Price earning ratio	Times	6.76	7.07	4.29	4.45	11.48	3.96
Dividend yield ratio	Times	6.23	6.48	7.10	10.94	5.68	6.72
Cash Dividend payout ratio	Times	42.17	45.82	30.44	48.69	65.21	26.63
Dividend cover ratio	Times	2.37	2.18	3.29	2.05	1.53	3.76
Cash Dividend per share	Rs.10/share	15.00	15.00	25.00	20.00	12.50	20.00
Market value per share at year end.	Rs.10/share	241	231	352	183	220	297
Breakup value per share	Rs.10/share	336	315	308	246	217	218



HORIZONTAL BALANCE SHEET

as at June, 30

	2013		2012		2011		2010		2009		2008	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
ASSETS												
NON-CURRENT ASSETS												
Fixed assets	4,362.94	167.0%	3,695.73	141.4%	3,234.79	123.8%	3,248.36	124.3%	3,025.25	115.8%	2,613.19	100.0%
Deferred taxation	-	-	-	-	-	-	432.73	263.2%	84.50	51.4%	164.41	100.0%
Long term loans	52.24	93.1%	65.41	116.6%	62.86	112.1%	60.06	107.1%	55.08	98.2%	56.10	100.0%
Long term deposits	30.19	126.7%	30.19	126.8%	30.17	126.7%	30.44	127.8%	24.06	101.0%	23.82	100.0%
	4,445.37	155.6%	3,791.33	132.7%	3,327.82	116.5%	3,771.59	132.0%	3,188.89	111.6%	2,857.52	100.0%
CURRENT ASSETS												
Stores, spares and chemicals	788.08	101.2%	986.57	126.6%	887.29	113.9%	904.37	116.1%	936.59	120.2%	779.08	100.0%
Stock-in-trade	22,563.75	169.8%	25,359.71	190.8%	19,346.93	145.6%	11,798.20	88.8%	12,251.18	92.2%	13,288.29	100.0%
Trade debts	10,976.99	107.9%	13,262.18	130.4%	14,100.49	138.6%	16,291.70	160.2%	14,841.29	145.9%	10,173.05	100.0%
Loans and advances	36.28	71.1%	40.13	78.6%	23.96	47.0%	21.43	42.0%	25.22	49.4%	51.03	100.0%
Trade deposits and short-term prepayments	8.22	8.6%	6.67	7.0%	18.45	19.2%	16.30	17.0%	53.75	56.1%	95.90	100.0%
Interest accrued	86.12	279.8%	110.69	359.6%	57.00	185.2%	69.23	224.9%	91.50	297.3%	30.78	100.0%
Other receivables	274.71	12.6%	248.14	11.4%	932.49	42.7%	941.59	43.1%	2,382.59	109.1%	2,183.25	100.0%
Financial asset - held to maturity investments	492.52	13.6%	3,230.47	89.4%	8,941.63	247.3%	1,553.67	43.0%	197.62	5.5%	3,615.36	100.0%
Tax refunds due from Government - Sales tax	-	-	-	-	-	-	62.03	15.2%	575.90	141.1%	408.22	100.0%
Cash and bank balances	16,004.88	122.0%	10,078.55	76.8%	9,058.20	69.0%	16,209.01	123.5%	7,800.08	59.4%	13,122.14	100.0%
	51,231.55	117.1%	53,323.10	121.9%	53,366.44	122.0%	47,867.53	109.4%	39,155.72	89.5%	43,747.10	100.0%
TOTAL ASSETS	55,676.92	119.5%	57,114.43	122.6%	56,694.26	121.7%	51,639.12	110.8%	42,344.61	90.9%	46,604.62	100.0%
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital	799.67	100.0%	799.67	100.0%	799.67	100.0%	799.67	100.0%	799.67	100.0%	799.67	100.0%
Reserves	26,071.69	156.9%	24,426.73	147.0%	23,807.51	143.3%	18,838.31	113.4%	16,553.07	99.6%	16,619.38	100.0%
	26,871.36	154.3%	25,226.40	144.8%	24,607.18	141.3%	19,637.98	112.7%	17,352.74	99.6%	17,419.05	100.0%
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	285.38	91.4%	223.44	71.6%	179.86	57.6%	139.49	44.7%	135.55	43.4%	312.28	100.0%
Deferred taxation	80.29		172.65		48.91							
CURRENT LIABILITIES												
Trade and other payables	26,546.46	99.6%	29,748.89	111.6%	29,400.16	110.3%	29,888.90	112.1%	23,032.24	86.4%	26,662.42	100.0%
Provisions	411.40	137.8%	398.91	133.6%	428.68	143.6%	298.57	100.0%	301.48	101.0%	298.57	100.0%
Taxation - provision less payments	1,482.03	77.5%	1,344.15	70.3%	2,029.47	106.1%	1,674.18	87.6%	1,522.60	79.6%	1,912.30	100.0%
	28,439.89	98.5%	31,491.95	109.1%	31,858.31	110.3%	31,861.65	110.4%	24,856.32	86.1%	28,873.29	100.0%
TOTAL EQUITY AND LIABILITIES	55,676.92	119.5%	57,114.43	122.6%	56,694.26	121.7%	51,639.12	110.8%	42,344.61	90.9%	46,604.62	100.0%

VERTICAL BALANCE SHEET

as at June, 30

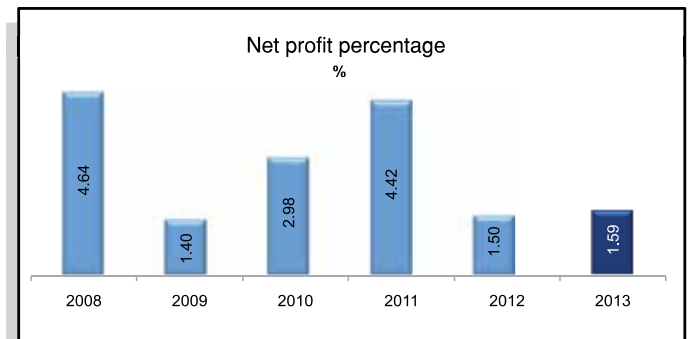
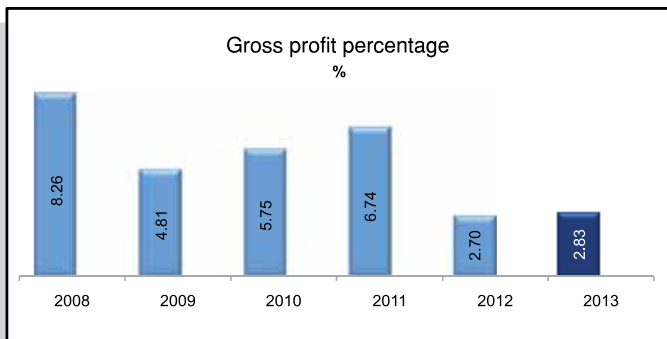
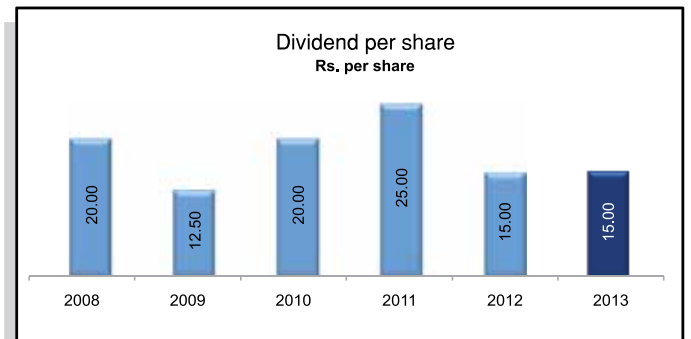
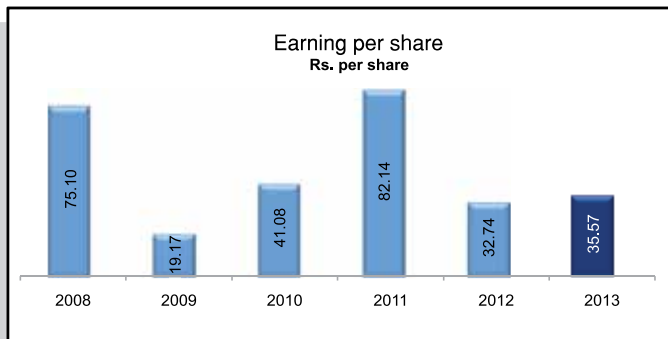
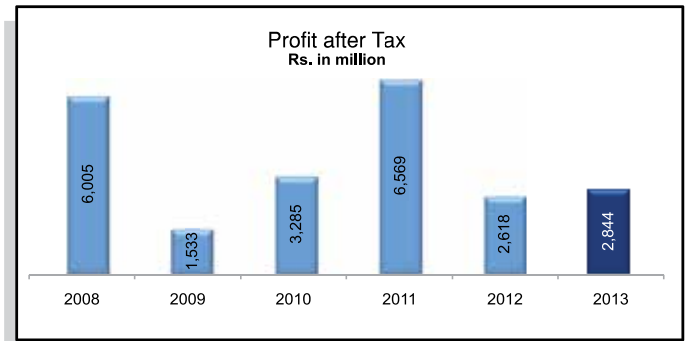
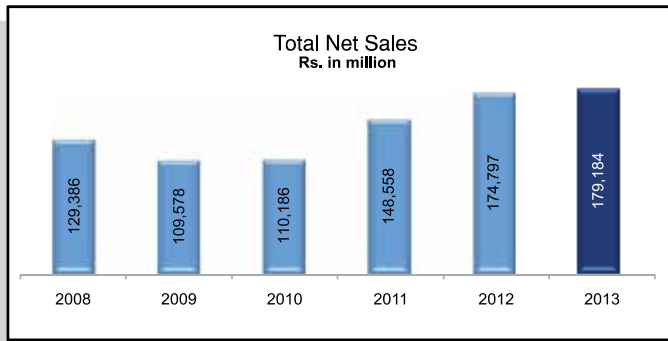
	2013	2012	2011	2010	2009	2008
	Rupees in million	Rupees in million	Rupees in million	Rupees in million	Rupees in million	Rupees in million
	%	%	%	%	%	%
ASSETS						
NON-CURRENT ASSETS						
Fixed assets	4,362.94	3,695.73	3,234.79	3,248.36	3,025.25	2,613.19
Deferred taxation	-	-	-	432.73	84.50	164.41
Long term loans	52.24	65.41	62.86	60.06	55.08	56.10
Long term deposits	30.19	30.19	30.17	30.44	24.06	23.82
	4,445.37	3,791.33	3,327.82	3,771.59	3,188.89	2,857.52
	8.0%	6.6%	5.9%	7.3%	7.5%	6.1%
CURRENT ASSETS						
Stores, spares and chemicals	788.08	986.57	887.29	904.37	936.59	779.08
Stock-in-trade	22,563.75	25,359.71	19,346.93	11,798.20	12,251.18	13,288.29
Trade debts	10,976.99	13,262.18	14,100.49	16,291.70	14,841.29	10,173.05
Loans and advances	36.28	40.13	23.96	21.43	25.22	51.03
Trade deposits and short-term prepayments	8.22	6.67	18.45	16.30	53.75	95.90
Interest accrued	86.12	110.69	57.00	69.23	91.50	30.78
Other receivables	274.71	248.14	932.49	941.59	2,382.59	2,183.25
Financial asset - held to maturity investments	492.52	3,230.47	8,941.63	1,553.67	197.62	3,615.36
Tax refunds due from Government - Sales tax	-	10,078.55	-	62.03	575.90	408.22
Cash and bank balances	16,004.88	53,323.10	53,366.44	16,209.01	7,800.08	13,122.14
	51,231.55	57,114.43	56,694.26	47,867.53	39,155.72	43,747.10
	92.0%	17.7%	94.1%	31.4%	92.5%	93.9%
TOTAL ASSETS	55,676.92	100.0%	100.0%	100.0%	100.0%	100.0%
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Share capital	799.67	799.67	799.67	799.67	799.67	799.67
Reserves	26,071.69	24,426.73	23,807.51	18,838.31	16,553.07	16,619.38
	26,871.36	25,226.40	24,607.18	19,637.98	17,352.74	17,419.05
	48.3%	44.2%	43.4%	38.0%	41.0%	37.4%
LIABILITIES						
NON - CURRENT LIABILITIES						
Retirement benefit obligations	285.38	223.44	179.86	139.49	135.55	312.28
Deferred taxation	80.29	172.65	48.91	-	-	-
	26,546.46	29,748.89	29,400.16	29,888.90	23,032.24	26,662.42
	47.6%	52.0%	51.8%	57.9%	54.4%	57.2%
Provisions	411.40	398.90	428.68	298.57	301.48	298.57
Taxation - provision less payments	1,482.03	1,344.15	2,029.47	1,674.18	1,522.60	1,912.30
	2,843.99	31,491.95	31,856.31	31,861.65	24,856.32	28,873.29
	51.1%	55.1%	56.2%	61.7%	58.7%	61.9%
TOTAL EQUITY AND LIABILITIES	55,676.92	100.0%	100.0%	100.0%	100.0%	100.0%

HORIZONTAL PROFIT & LOSS ACCOUNT

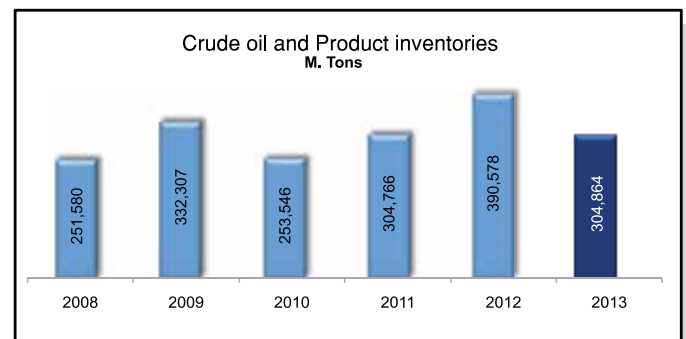
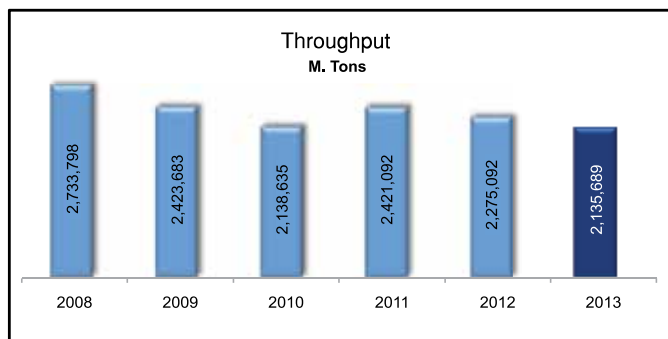
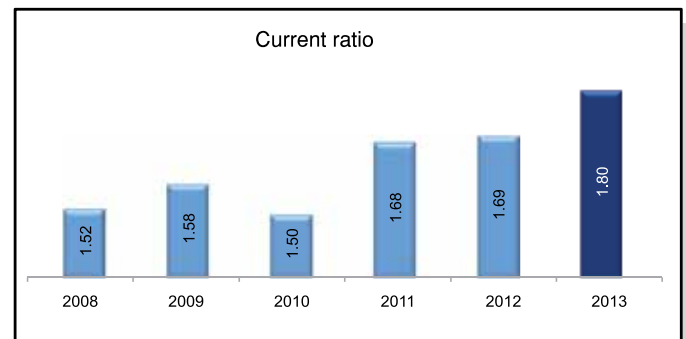
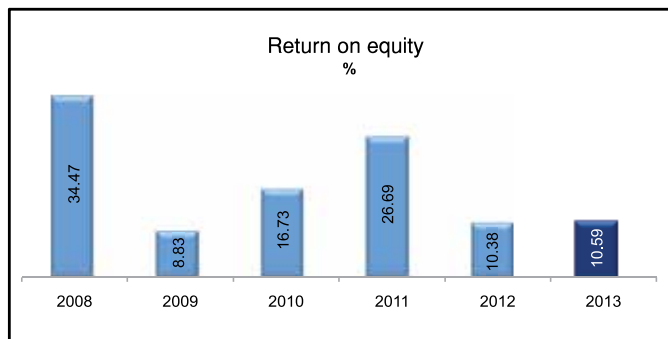
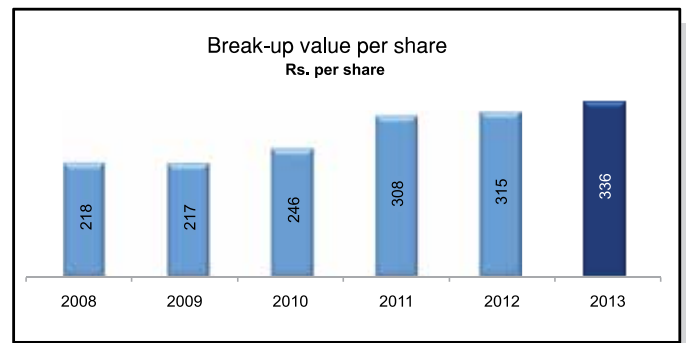
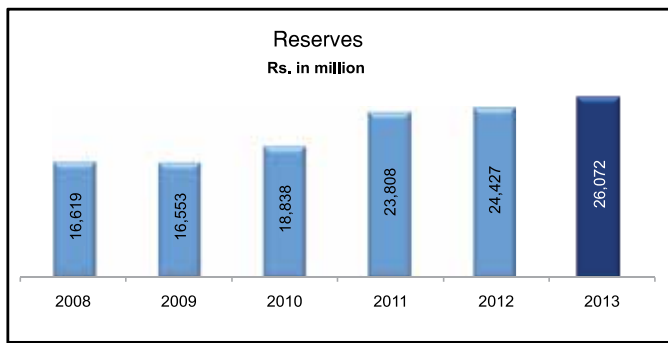
for the year ended

	2013		2012		2011		2010		2009		2008	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
Net sales	179,184.42	138.5%	174,797.07	135.1%	148,558.50	114.8%	110,186.38	85.2%	109,578.36	84.7%	129,385.82	100.0%
Cost of sales	(174,118.58)	146.7%	(170,074.58)	143.3%	(138,551.42)	116.7%	(103,853.57)	87.5%	(104,301.66)	87.9%	(118,705.06)	100.0%
Gross profit	5,065.84	47.4%	4,722.49	44.2%	10,007.08	93.7%	6,332.81	59.3%	5,276.70	49.4%	10,680.76	100.0%
Distribution and marketing expenses	(1,037.67)	116.7%	(1,264.03)	142.2%	(1,136.00)	127.8%	(996.10)	112.1%	(860.11)	96.8%	(889.01)	100.0%
Administrative expenses	(508.04)	135.1%	(464.10)	123.4%	(421.00)	111.9%	(373.78)	99.4%	(358.93)	95.4%	(376.17)	100.0%
Other income	2,179.74	155.2%	3,136.82	223.4%	2,497.58	177.8%	1,278.11	91.0%	1,365.15	97.2%	1,404.40	100.0%
Other operating expenses	(354.52)	54.0%	(336.45)	51.2%	(768.58)	117.0%	(409.66)	62.4%	(214.96)	32.7%	(657.02)	100.0%
Operating profit	5,345.35	52.6%	5,794.73	57.0%	10,179.08	100.2%	5,831.38	57.4%	5,207.85	51.2%	10,162.96	100.0%
Finance cost	(870.55)	65.4%	(1,342.86)	100.8%	(150.47)	11.3%	(695.76)	52.3%	(2,394.39)	179.8%	(1,331.67)	100.0%
Profit before taxation	4,474.80	50.7%	4,451.87	50.4%	10,028.61	113.6%	5,135.62	58.2%	2,813.46	31.9%	8,831.29	100.0%
Taxation	(1,630.35)	57.7%	(1,833.49)	64.9%	(3,460.08)	122.4%	(1,850.81)	65.5%	(1,280.43)	45.3%	(2,825.86)	100.0%
Profit after taxation	2,844.45	47.4%	2,618.38	43.6%	6,568.53	109.4%	3,284.81	54.7%	1,533.03	25.5%	6,005.43	100.0%

GRAPHICAL REPRESENTATION



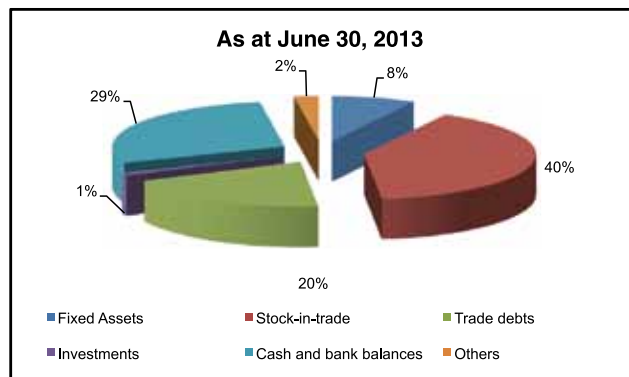
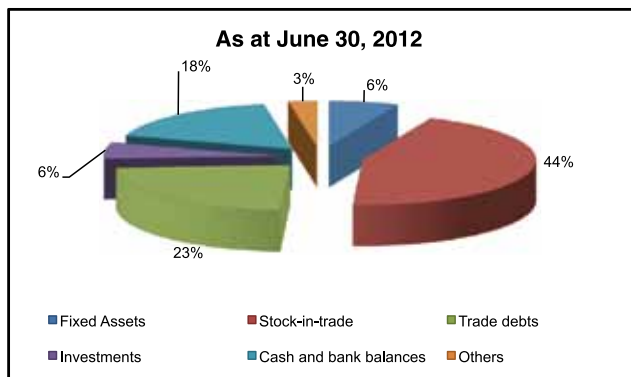
GRAPHICAL REPRESENTATION



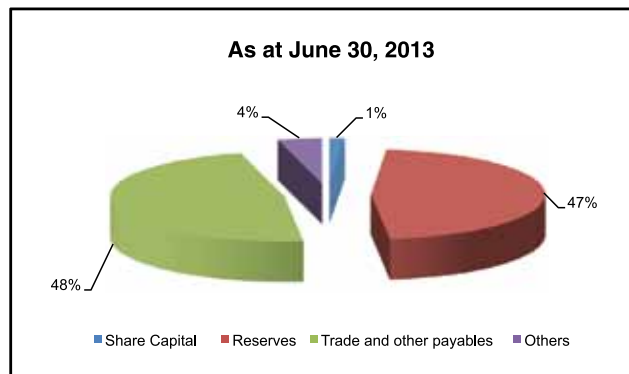
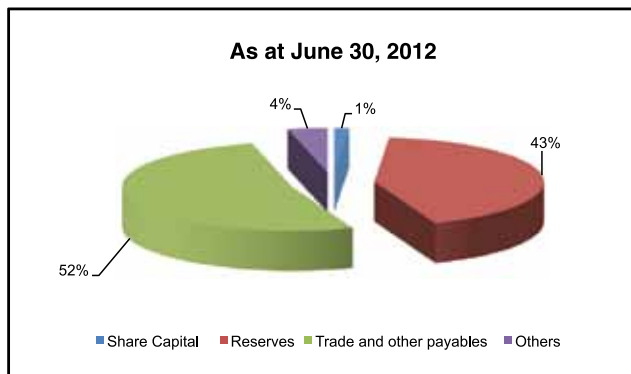
GRAPHICAL REPRESENTATION

Balance Sheet Composition

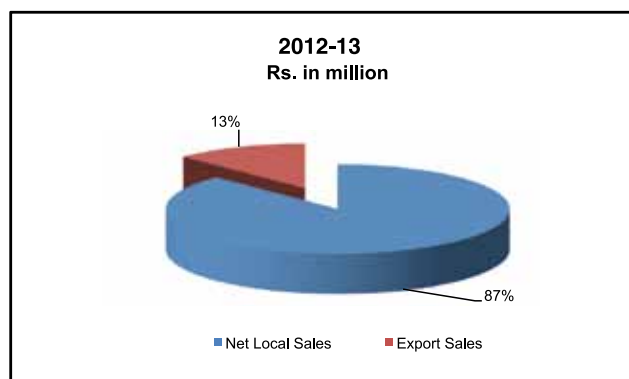
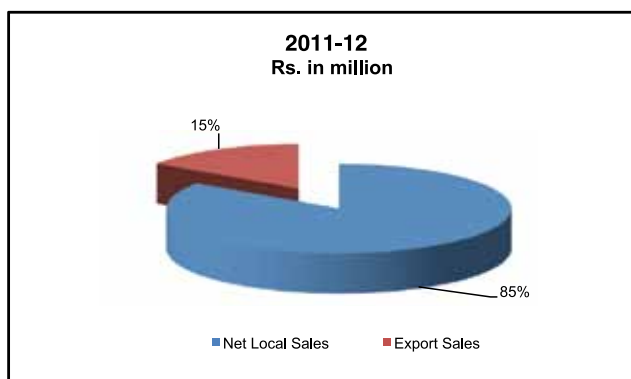
Assets

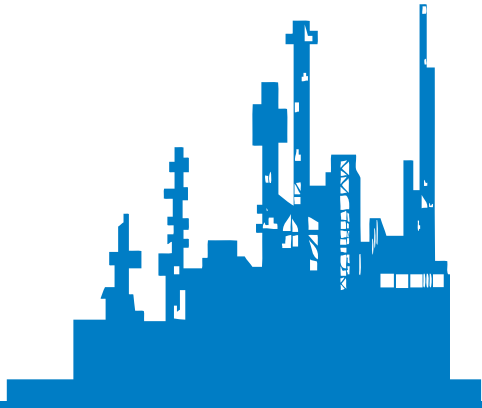


Share capital, reserves and liabilities



Comparison of Local and Export Sales





FINANCIAL
STATEMENTS



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Refinery Limited as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.3 with which we concur;
 - (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) 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.


Chartered Accountants

Karachi

Dated: 15 August 2013

Name of the engagement partner: Farrukh Rehman

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

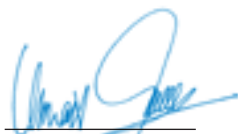
Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

BALANCE SHEET

AS AT JUNE 30, 2013

	Note	2013 (Rupees in thousand)	(Restated) 2012
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	4,362,936	3,695,731
Long term investment	4	-	-
Long term loans	5	52,242	65,413
Long term deposits	6	30,189	30,189
		<u>4,445,367</u>	<u>3,791,333</u>
CURRENT ASSETS			
Stores, spares and chemicals	7	788,078	986,568
Stock-in-trade	8	22,563,754	25,359,710
Trade debts	9	10,976,992	13,262,184
Loans and advances	10	36,276	40,127
Trade deposits and short-term prepayments	11	8,221	6,666
Interest accrued		86,120	110,686
Other receivables	12	274,711	248,126
Financial asset - held to maturity investments	13	492,524	3,230,473
Cash and bank balances	14	16,004,875	10,078,554
		<u>51,231,551</u>	<u>53,323,094</u>
TOTAL ASSETS		<u>55,676,918</u>	<u>57,114,427</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	799,666	799,666
Reserves	16	26,071,688	24,426,729
		<u>26,871,354</u>	<u>25,226,395</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefit obligations	17	285,389	223,437
Deferred taxation	18	80,288	172,647
		<u>365,677</u>	<u>396,084</u>
CURRENT LIABILITIES			
Trade and other payables	19	26,546,460	29,748,891
Provisions	20	411,401	398,905
Taxation - provision less payments		1,482,026	1,344,152
		<u>28,439,887</u>	<u>31,491,948</u>
TOTAL LIABILITIES		<u>28,805,564</u>	<u>31,888,032</u>
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		<u>55,676,918</u>	<u>57,114,427</u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive


Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
Gross sales	22	216,123,042	207,588,512
Trade discounts, taxes, duties, levies and price differential	23	<u>(36,938,627)</u>	<u>(32,791,437)</u>
Net sales		179,184,415	174,797,075
Cost of sales	24	<u>(174,118,575)</u>	<u>(170,074,583)</u>
Gross profit		5,065,840	4,722,492
Distribution and marketing expenses	25	(1,037,671)	(1,264,034)
Administrative expenses	26	(508,039)	(464,104)
Other income	27	2,179,743	3,136,832
Other operating expenses	28	<u>(354,519)</u>	<u>(336,454)</u>
Operating profit		5,345,354	5,794,732
Finance cost	29	<u>(870,547)</u>	<u>(1,342,860)</u>
Profit before taxation		4,474,807	4,451,872
Taxation	30	<u>(1,630,350)</u>	<u>(1,833,488)</u>
Profit after taxation		2,844,457	2,618,384
Other comprehensive income		-	-
Total comprehensive income		<u><u>2,844,457</u></u>	<u><u>2,618,384</u></u>
(Rupees)			
Earnings per share - basic and diluted	31	<u><u>35.57</u></u>	<u><u>32.74</u></u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive


Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	(Restated) 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	6,283,015	(834,333)
Income tax paid		(1,584,835)	(2,395,070)
Decrease / (Increase) in long term loans and advances		13,171	(2,556)
Increase in long term deposits		-	(16)
Payment made to pension fund		(69,778)	(74,285)
Payment made to gratuity fund		(7,217)	(7,927)
Post retirement medical benefits paid		-	(314)
Net cash flow from / (used in) operating activities		4,634,356	(3,314,501)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(977,992)	(653,944)
Purchase of intangible assets		(2,816)	(1,797)
Proceeds from disposal of property, plant and equipment		600	1,053
Return on treasury bills received		199,392	496,604
Return received on bank accounts		558,259	855,789
Net cash flow (used in) / from investing activities		(222,557)	697,705
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,195,924)	(1,993,165)
Net increase / (decrease) in cash and cash equivalents		3,215,875	(4,609,961)
Cash and cash equivalents at beginning of the year		13,278,525	17,888,486
Cash and cash equivalents at end of the year	33	16,494,400	13,278,525

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	SHARE	CAPITAL RESERVES		REVENUE RESERVES		Special reserve (note 16.2)	Total
	CAPITAL	Capital	Exchange	General	Unappropriated		
	Issued, subscribed and paid-up	compensation reserve (note 16.1)	equalisation reserve	reserve	profit		
← (Rupees in thousand) →							
Balance as at July 1, 2011	799,666	10,142	4,117	13,988,000	5,936,182	3,869,068	24,607,175
Profit for the year	-	-	-	-	2,618,384	-	2,618,384
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,618,384	-	2,618,384
Transfer to general reserve	-	-	-	3,900,000	(3,900,000)	-	-
Final dividend for the year ended June 30, 2011 - Rs. 25 per share	-	-	-	-	(1,999,164)	-	(1,999,164)
Loss after tax from fuel refinery operations transferred to special reserve - note 16.2	-	-	-	-	117,324	(117,324)	-
Balance as at June 30, 2012	799,666	10,142	4,117	17,888,000	2,772,726	3,751,744	25,226,395
Balance as at July 1, 2012	799,666	10,142	4,117	17,888,000	2,772,726	3,751,744	25,226,395
Profit for the year	-	-	-	-	2,844,457	-	2,844,457
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,844,457	-	2,844,457
Transfer to general reserve	-	-	-	1,573,000	(1,573,000)	-	-
Final dividend for the year ended June 30, 2012 - Rs. 15 per share	-	-	-	-	(1,199,498)	-	(1,199,498)
Balance as at June 30, 2013	799,666	10,142	4,117	19,461,000	2,844,685	3,751,744	26,871,354

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive


Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company and its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The registered office of the Company is situated at 7-B, Korangi Industrial Area, Karachi, Pakistan.

The Company is engaged in the manufacturing, production and sale of large range of petroleum products. The refinery complex of the Company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Taxation

The Company recognises provision for income tax based on best current estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.

ii. Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 17.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the change in outcome of estimates would not have a material impact on the amounts disclosed in the financial statements.

No critical judgement has been used in applying the accounting policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2.3 Change in accounting policy and disclosures

During the year the Securities and Exchange Commission of Pakistan has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984, which specifically classifies major parts and stand-by equipment into property, plant and equipment.

		2013	2012
		(Rupees in thousand)	
Reclassification from	Reclassification to		
Stores, spares and chemicals	Fixed assets - note 3.2	149,193	162,118

The change in the requirement is considered to be a change in accounting policy and has been applied retrospectively to all prior periods presented. As there is no material effect in the information in the balance sheet at the beginning of the earliest period presented, the Company has not presented that balance sheet.

2.4 New and amended standards and interpretations that are effective in the current year

There are no new amended standards and interpretations that have been published and are mandatory for accounting periods on or after July 1, 2012 that would have a material effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards that are considered relevant, but not yet effective

- IAS 19 (amendment) - 'Employee Benefits', is effective for accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in the other comprehensive income as they occur, immediately recognises all past service cost and replaces interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. The application of these amendments would result in the recognition of cumulative unrecognised actuarial gains / losses as at July 1, 2013 as disclosed in note 17 in other comprehensive income in the financial statements for the year ending June 30, 2014.

There are no other standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

2.6 Overall Valuation Policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policies notes.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2.7 Property, plant and equipment

These are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and impairment, if any, except major spare parts and stand-by equipments which are stated at cost less accumulated impairment, if any, and capital work-in-progress, which are stated at cost.

Major spare parts and stand-by equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating assets category as and when assets are available for use.

Depreciation is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 3.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month immediately preceding the disposal. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of operating assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal or retirement of property, plant and equipment are recognised in income currently.

2.8 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the Company and that the cost of such asset can be measured reliably. These are stated at cost less accumulated amortisation and impairment, if any.

Costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognised as intangible asset. Direct costs include the purchase cost of software, implementation cost and related overhead cost.

Intangible assets are amortised using the straight-line method over a period of three years or license period, whichever is shorter.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.9 Investments

The Company determines the appropriate classification of its investment at the time of purchase.

Investment in securities which are intended to be held for an undefined period of time are classified as available for sale. These are initially measured at fair value including the transaction costs. Subsequent measurement of investments whose fair value can be reliably measured is stated at fair value with gains or losses taken to other comprehensive income.

Available for sale investments in unlisted securities whose fair value can not be reliably measured are carried at cost less impairment, if any.

Investments with fixed payments and maturity that the Company has positive intent and ability to hold till maturity are classified as held-to-maturity investments. These are measured at amortised cost using effective interest method.

Investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses recognised directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices. In the case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company.

Impairment, if any is charged to profit and loss account.

2.10 Stores, spares and chemicals

Stores, spares and chemicals, except items in transit, are stated at moving average cost. Cost comprises invoice value and other direct costs. Provision is made for slow moving and obsolete items wherever necessary.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.11 Stock-in-trade

Stock of crude oil is valued at lower of cost, determined on a First-In-First-Out (FIFO) basis and net realisable value. Crude oil in transit is valued at cost comprising invoice value plus other charges incurred thereon.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Stocks of semi-finished and finished products are valued at lower of cost, determined on a FIFO basis and net realisable value. Cost in relation to semi-finished and finished products represents cost of crude oil and an appropriate portion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at invoice value less a provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written-off.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current, savings and deposit accounts, short-term investments with original maturities of three months or less, running finance under mark-up arrangements and short-term finance.

2.14 Staff retirement benefits

2.14.1 Defined contribution plan

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% per annum of the basic salary.

2.14.2 Defined benefit plans

The Company operates the following schemes:

- i) Funded pension scheme for permanent, regular and full time managerial and supervisory staff of the Company who joined prior to January 01, 2012. Contributions are made to the fund on the basis of actuarial valuation and are charged to income. The most recent valuation of the scheme was carried out as at June 30, 2013, using the 'Projected Unit Credit Method'.
- ii) Funded gratuity scheme for non-management permanent employees of the Company. Provision is made annually to cover obligations under the scheme, as per actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2013, using the 'Projected Unit Credit Method'.
- iii) Funded medical scheme for its management employees who joined the Company prior to 1 September 2006. Provision is made annually to cover obligations under the scheme, by way of a charge to income, calculated in accordance with the actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2013, using the 'Projected Unit Credit Method'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

iv) A gratuity scheme for management employees of the Company joining on or after January 1, 2012. Provision is made annually to cover obligations under the scheme, as per actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2013, using the 'Projected Unit Credit Method'. The Company is in the process of establishing the Fund for the scheme for which the approval will be obtained from Commissioner Inland Revenue.

Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of respective fund's assets are amortised over the average remaining working lives of employees participating in the plan.

2.15 Compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2013 using the 'Projected Unit Credit Method'.

2.16 Trade and other payables

Trade and other payables are carried at fair value of the consideration to be paid for goods and services.

2.17 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.18 Taxation

2.18.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

2.18.2 Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account. Deferred income tax is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised as follows:

- a) Local sales of products delivered through pipelines are recorded when products passes through pipelines' flange. Sale of products loaded through gantry is recognised when products are loaded into tank lorries.
- b) Export sales are recorded on the basis of products delivered to tankers.
- c) Handling and storage income, pipelines charges, scrap sales, insurance commission and rental income are recognised on accrual basis.
- d) Return / Interest on bank deposits and advances to employees are recognised on accrual basis.
- e) Return / Interest on treasury bills is recognised using the effective interest method.
- f) Dividend income is recognised as income when the right of receipt is established.

2.20 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

2.21 Foreign currency transactions and translation

The financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

Transactions in foreign currencies are converted into Pak Rupees using the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing on the balance sheet date. Exchange differences are taken to income currently.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2.22 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer of the Company.

2.24 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

	2013	(Restated) 2012
	(Rupees in thousand)	
3. FIXED ASSETS		
Property, plant and equipment		
- Operating assets - note 3.1	2,977,683	2,939,577
- Major spare parts and stand-by equipments - note 3.2	149,193	162,118
- Capital work-in-progress - note 3.3	1,232,954	592,552
	4,359,830	3,694,247
Intangible assets - note 3.4	3,106	1,484
	4,362,936	3,695,731



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

3.1 Operating assets

	Leasehold land (note 3.1.1)	Buildings on leasehold land	Oil terminal	Processing plant and storage tanks	Power generation plant	Pipelines	Water, power and other utilities	Vehicles	Furniture and fixtures	Computers and other related accessories	Office and other equipments	Total
(Rupees in thousand)												
Year ended June 30, 2013												
Opening net book value	47,225	184,835	406,267	1,165,551	96,013	190,771	441,413	13,440	5,275	8,721	380,066	2,939,577
Additions including transfers - note 3.1.2	-	8,329	4,081	178,037	11,460	11,583	69,335	5,519	730	4,042	53,213	346,329
Disposals												
Cost	-	-	-	-	-	-	-	(1,765)	-	-	(68)	(1,833)
Depreciation	-	-	-	-	-	-	-	1,750	-	-	60	1,810
	-	-	-	-	-	-	-	(15)	-	-	(8)	(23)
Depreciation charge	(600)	(15,084)	(32,370)	(116,289)	(36,874)	(24,195)	(40,234)	(4,305)	(777)	(3,918)	(33,554)	(308,200)
Closing net book value	46,625	178,080	377,978	1,227,299	70,599	178,159	470,514	14,639	5,228	8,845	399,717	2,977,683
As at June 30, 2013												
Cost	60,035	412,960	667,212	5,134,103	758,753	411,964	1,331,253	79,642	12,607	55,755	664,800	9,589,084
Accumulated depreciation	(13,410)	(234,880)	(289,234)	(3,906,804)	(688,154)	(233,805)	(860,739)	(65,003)	(7,379)	(46,910)	(265,083)	(6,611,401)
Net book value	46,625	178,080	377,978	1,227,299	70,599	178,159	470,514	14,639	5,228	8,845	399,717	2,977,683
Year ended June 30, 2012												
Opening net book value	47,825	196,282	381,124	1,192,595	136,596	186,807	470,416	14,372	5,394	4,442	367,626	3,003,479
Additions including transfers - note 3.1.2	-	3,521	56,550	75,422	-	26,563	8,161	4,344	655	7,469	41,071	223,756
Disposals												
Cost	-	-	-	-	-	-	-	(1,890)	-	(3,848)	(5,501)	(11,239)
Depreciation	-	-	-	-	-	-	-	1,618	-	3,842	5,485	10,945
	-	-	-	-	-	-	-	(272)	-	(6)	(16)	(294)
Depreciation charge	(600)	(14,968)	(31,407)	(102,466)	(40,583)	(22,599)	(37,164)	(5,004)	(774)	(3,184)	(28,615)	(287,364)
Closing net book value	47,225	184,835	406,267	1,165,551	96,013	190,771	441,413	13,440	5,275	8,721	380,066	2,939,577
As at June 30, 2012												
Cost	60,035	404,631	663,131	4,956,066	747,293	400,381	1,261,918	75,888	11,877	51,713	611,655	9,244,588
Accumulated depreciation	(12,810)	(219,796)	(256,864)	(3,790,515)	(651,280)	(209,610)	(820,505)	(62,448)	(6,602)	(42,992)	(231,589)	(6,305,011)
Net book value	47,225	184,835	406,267	1,165,551	96,013	190,771	441,413	13,440	5,275	8,721	380,066	2,939,577
Annual Rate of Depreciation %	1	5	5 to 8	5 & 33.33	7	8	6 & 33.33	20	7.5	33.33	5 to 15	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

3.1.1 Leasehold land includes land subleased / licensed to the following lessees / licensees:

- Pak-Hy Oils (Private) Limited
- Chevron Pakistan Limited
- Pakistan State Oil Company Limited
- PERAC Research & Development Foundation
- Petroleum Packages (Private) Limited
- Anoud Power Generation Limited
- Pakistan Oilfields Limited
- Attock Petroleum Limited

The carrying value of each of the above is immaterial.

3.1.2 During the year, the following amounts have been transferred from capital work-in-progress (note 3.3) to operating assets (note 3.1):

	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Buildings on leasehold land	8,329	3,521
Oil terminal	2,307	56,550
Processing plant and storage tanks	187,715	75,422
Pipelines	11,583	26,563
Water power and other utilities	64,474	8,161
Office and other equipments	32,347	24,604
	<u>306,755</u>	<u>194,821</u>
		(Restated)
	2013 (Rupees in thousand)	2012 (Rupees in thousand)

3.2 MAJOR SPARE PARTS AND STAND-BY EQUIPMENTS

Gross carrying value

Balance at beginning of the year	283,801	227,428
Additions during the year	96,377	114,454
Transfers made during the year	(105,116)	(58,081)
Balance at end of the year	<u>275,062</u>	283,801
Provision for impairment - note - 3.2.1	(125,869)	(121,683)
Net carrying value	<u>149,193</u>	<u>162,118</u>

3.2.1 During the year net charge of Rs. 4.19 million (2012: Rs. 9.61 million) was booked.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
3.3 Capital work-in-progress		
Opening balance	592,552	231,276
Additions during the year	947,157	556,097
Transfers during the year - note 3.1.2	(306,755)	(194,821)
Closing balance - note 3.3.1	<u>1,232,954</u>	<u>592,552</u>

3.3.1 As at June 30, 2013 and 2012, capital work-in-progress represents:

	2013	2012
	(Rupees in thousand)	
Buildings on leasehold land	2,823	4,292
Oil terminal	14,642	7,995
Refineries upgradation projects - note 3.3.1.1 and 16.3	1,096,437	451,158
Processing plant and storage tanks	40,318	48,842
Pipelines	6,188	8,588
Water power and other utilities	3,388	12,792
Office and other equipments	39,233	19,355
Advances to contractors / suppliers	29,925	39,530
	<u>1,232,954</u>	<u>592,552</u>

3.3.1.1 This relates to cost associated with front end engineering designs and process licenses in relation to the fuel and lube refineries upgradation projects. These projects have been undertaken; (i) to comply with the government's directives to produce High Speed Diesel with low sulphur contents and; (ii) to enhance Company's profitability on a sustainable basis.

	2013	2012
	(Rupees in thousand)	
3.4 INTANGIBLE ASSETS – Computer softwares		
Net carrying value		
Balance at beginning of the year	1,484	35
Additions during the year	2,816	1,797
Amortisation for the year	(1,194)	(348)
Balance at end of the year	<u>3,106</u>	<u>1,484</u>
Gross carrying value		
Cost	55,449	52,633
Accumulated amortisation	(52,343)	(51,149)
Net book value	<u>3,106</u>	<u>1,484</u>

Amortisation is charged at the rate of 33.33% per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
4. LONG TERM INVESTMENT		
Available for sale		
Anoud Power Generation Limited [1,080,000 (2012: 1,080,000) Ordinary shares of Rs.10 each, Equity held 9.09 percent (2012: 9.09 percent)]	10,800	10,800
Less: Provision for impairment	<u>10,800</u>	<u>10,800</u>
	<u>-</u>	<u>-</u>
5. LONG TERM LOANS		
Loans - considered good		
Secured - note 5.2		
- Executives	48,703	56,001
- Employees	<u>18,440</u>	<u>25,049</u>
	67,143	81,050
Less: Recoverable within one year shown under current assets - note 10		
- Executives	13,524	13,195
- Employees	<u>2,547</u>	<u>3,577</u>
	16,071	16,772
	51,072	64,278
Unsecured - note 5.3		
- Executives	388	649
- Employees	<u>1,491</u>	<u>1,002</u>
	1,879	1,651
Less: Recoverable within one year shown under current assets - note 10		
- Executives	207	260
- Employees	<u>502</u>	<u>256</u>
	709	516
	1,170	1,135
	<u>52,242</u>	<u>65,413</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

5.1 Reconciliation of the carrying amount of loans:

	2013			2012		
	Executives	Employees	Total	Executives	Employees	Total
	(Rupees in thousand)					
Balance at beginning of the year	56,650	26,051	82,701	37,879	40,920	78,799
Effect of promotions to Executives	5,024	(5,024)	-	15,167	(15,167)	-
Add: Disbursements	4,620	2,870	7,490	16,075	8,000	24,075
Less: Recoveries	(17,203)	(3,966)	(21,169)	(12,471)	(7,702)	(20,173)
Balance at end of the year	<u>49,091</u>	<u>19,931</u>	<u>69,022</u>	<u>56,650</u>	<u>26,051</u>	<u>82,701</u>

5.2 The secured loans to executives and employees are for the purchase of motor cars and house building. These are granted in accordance with the terms of their employment and are recoverable in monthly instalments over a period ranging between 5 to 10 (2012: 5 to 10) years. Certain of these loans are interest free, whereas others carry interest ranging from 3% to 7% (2012: 3% to 7%) per annum in case of motor car loans and 5% (2012: 5%) per annum in case of house loans. These loans are secured against original title documents of respective assets.

5.3 The unsecured loans to executives and employees are either personal loans or given for the purchase of furniture and motor cycles. These are granted in accordance with the terms of their employment and are recoverable in monthly instalments over a period of 4 to 12 (2012: 4 to 12) years and are interest free.

6. LONG TERM DEPOSITS	2013	2012
	(Rupees in thousand)	
Utilities	14,216	14,216
Others	15,973	15,973
	<u>30,189</u>	<u>30,189</u>

7. STORES, SPARES AND CHEMICALS	2013	2012
	(Rupees in thousand)	
In hand		(Restated)
- Stores - note 7.1	268,358	491,555
- Spares	788,730	781,176
- Chemicals	111,281	102,866
	<u>1,168,369</u>	1,375,597
In transit	45,920	56,397
	<u>1,214,289</u>	1,431,994
Provision for slow moving and obsolete stores, spares and chemicals - note 7.2	(426,211)	(445,426)
	<u>788,078</u>	<u>986,568</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
7.1	Includes stores held with the following third parties:	
- Petroleum Packages (Pvt.) Limited	-	20,071
- Karachi Containers & Engineering (Pvt.) Limited	6,930	17,332
- Esquire Packaging Company (Pvt.) Limited	8,731	11,252
- Continental Engineering Services (Pvt.) Limited	12,567	-
- Mema Packages	11,450	-
	39,678	48,655
7.2	The Company made a reversal of provision for slow moving and obsolescence of Rs.19.22 million (2012: Nil).	
	2013	2012
	(Rupees in thousand)	
8.	STOCK-IN-TRADE	
Crude oil and condensate [including in transit Rs. 156.35 million (2012: Rs. 70.68 million)]	5,796,476	6,578,110
Semi finished products - note 8.1	2,906,729	5,091,602
Finished products - notes 8.1, 8.2 and 8.3	13,860,549	13,689,998
	22,563,754	25,359,710
8.1	During the year ended June 30, 2013, the Company changed its cost estimation formula for valuation of stock-in-trade from weighted average to First-In-First-Out (FIFO) basis to be consistent with industry and maintenance practice of inventory. Had the cost formula not been changed, profit before tax for the year and stock-in-trade would have been lower by Rs. 250.78 million.	
8.2	As at June 30, stock of finished goods has been written down by Rs. 32.36 million (2012: Rs. 870.96 million) to arrive at its net realisable value.	
	2013	2012
	(Rupees in thousand)	
8.3	Includes stocks held with the following third parties:	
- Karachi Bulk Storage & Terminals (Pvt.) Limited	402,025	344,319
- Eastern Joint Hydrant Depot	107,547	-
- Pakistan State Oil Company Limited	83,970	50,094
- Al-Rahim Tank Terminal Services (Pvt.) Limited	-	544,633
	593,542	939,046



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
9. TRADE DEBTS - unsecured		
Considered good		
- Related party - Attock Petroleum Limited - note 9.1	6,714,759	1,459,794
- Others - note 9.2	4,262,233	11,802,390
Considered doubtful	21,174	21,174
	<u>10,998,166</u>	<u>13,283,358</u>
Provision for doubtful debts	(21,174)	(21,174)
	<u>10,976,992</u>	<u>13,262,184</u>

9.1 There are no trade debts receivable from related party that are past due or impaired.

9.2 The age analysis of debt past due but not impaired is as follows:

	2013	2012
	(Rupees in thousand)	
Up to 3 months	39,514	305,638
3 to 6 months	2,456	-
More than 6 months	10,441	8,834,985

10. LOANS AND ADVANCES

Loans - considered good

Current portion of long term loans - note 5

Secured

- Executives	13,524	13,195
- Employees	2,547	3,577
	<u>16,071</u>	<u>16,772</u>

Unsecured

- Executives	207	260
- Employees	502	256
	<u>709</u>	<u>516</u>

**Short term loans to employees - unsecured,
interest free**

715	782
-----	-----

Advances

- Executives	1,147	1,963
- Employees	1,712	1,754
- Suppliers	15,922	18,340
	<u>18,781</u>	<u>22,057</u>
	<u>36,276</u>	<u>40,127</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Deposits	598	335
Prepayments		
- Insurance	886	732
- Others	6,737	5,599
	7,623	6,331
	8,221	6,666
12. OTHER RECEIVABLES – considered good		
Receivable from related parties:		
- Attock Petroleum Limited	4,894	-
- Attock Refinery Limited	8,811	1,712
Others:		
- Government of Pakistan - note 12.1	232,809	232,809
- Claims receivable	1,251	1,251
- Margin against letters of credit	4,283	6,306
- Insurance rebate receivable	-	4,171
- Others - note 12.2	22,663	1,877
	274,711	248,126
12.1	This represents price differential claims receivable from Government of Pakistan. On behalf of oil refineries, Oil Companies Advisory Committee (OCAC) has presented the claims before the Ministry of Petroleum & Natural Resources, which are under review.	
12.2	This includes deposit with Sindh High Court as per Court's Order on account of dispute with Karachi Water and Sewerage Board amounting to Rs. 21.07 million (2012: Nil).	
	2013	2012
	(Rupees in thousand)	
13. FINANCIAL ASSET - INVESTMENTS		
Held to maturity		
3 months treasury bills - at amortised cost - note 13.1	492,524	3,230,473
13.1	These are held by Company's banker on behalf of the Company. The yield on these bills ranges from 9.23% to 9.37% (2012: 11.87% to 11.92%) per annum and these bills will mature from August 2013 and September 2013.	



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

		2013	2012
		(Rupees in thousand)	
14.	CASH AND BANK BALANCES		
	In hand	500	500
	With banks on:		
	Current accounts	99,350	38,662
	Savings accounts - note 14.2	6,863,890	6,248,730
	Deposit accounts		
	- local currency - notes 14.1 and 14.2	9,041,135	3,790,662
		16,004,375	10,078,054
		16,004,875	10,078,554
14.1	These will mature from July 2013 to June 2014 and includes Rs. 345.64 million (2012: Rs. 290.66 million) under lien with banks against bank guarantees issued on behalf of the Company.		
14.2	These carry interest at the rates varying from 6% to 11.90% (2012: 6% to 12.75%) per annum.		
15.	SHARE CAPITAL	2013	2012
		(Rupees in thousand)	
	Number of shares		
	Authorised		
	100,000,000 Ordinary shares of Rs. 10 each	1,000,000	1,000,000
	Issued, subscribed and paid-up		
	59,450,417 Ordinary shares of Rs. 10 each fully paid in cash	594,504	594,504
	6,469,963 Ordinary shares of Rs. 10 each issued for consideration other than cash	64,700	64,700
	14,046,180 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	140,462	140,462
	79,966,560	799,666	799,666
15.1	As at June 30, 2013 and 2012, Attock Group holds 51% equity stake in the Company through the following companies:		
		2013	2012
		(Number of shares)	
	- Attock Refinery Limited	19,991,640	19,991,640
	- Pakistan Oilfields Limited	19,991,640	19,991,640
	- Attock Petroleum Limited	799,665	799,665

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
16. RESERVES		
Capital reserves		
Capital compensation reserve - note 16.1	10,142	10,142
Exchange equalisation reserve	4,117	4,117
	<u>14,259</u>	<u>14,259</u>
Revenue reserves		
General reserve	19,461,000	17,888,000
Unappropriated profit	2,844,685	2,772,726
	<u>22,305,685</u>	<u>20,660,726</u>
Special reserve - note 16.2 and 16.3	<u>3,751,744</u>	<u>3,751,744</u>
	<u>26,071,688</u>	<u>24,426,729</u>

16.1 Capital compensation reserve includes net amounts for (a) premature termination of crude oil sales, bareboat charter-party and technical assistance agreements, (b) design defects and terminated service agreements and (c) termination of bareboat charter-party and affreightment agreements.

16.2 As per the Import Parity Pricing formula, effective July 1, 2002, certain refineries including the Company have been directed to transfer from their net profit after tax for the year from fuel refinery operations, an amount in excess of 50% of the paid-up share capital, as on July 1, 2002 attributable to fuel segment, to offset against any future losses or to make investment for expansion or up-gradation and is therefore not available for distribution.

During the year Government of Pakistan issued a policy framework for up-gradation and expansion of refinery project which inter alia states that:

- refineries will not be allowed to offset losses, if any, for year ending June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula; and
- the amount of profits above 50% will be accumulated in the Special Reserve account as per the pricing formula (including unutilised balance), which shall along with amounts presently available with refineries be deposited on half yearly basis (with final adjustment on annual basis) in an ESCROW Account to be operated jointly with Finance Division and shall be available for utilisation exclusively for up-gradation of refineries.

Based on above the Company has not offset loss for the year ended June 30, 2013 on fuel refinery operations and is in discussions with Ministry of Petroleum about the opening of ESCROW Account.

16.3 The Company has incurred capital expenditure of Rs. 1,096.44 million (2012: Rs. 451.16 million) on up-gradation and expansion projects. It includes Rs. 912.56 million (2012: Rs. 154.36 million) for the up-gradation and expansion of fuel refinery operations.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

17. RETIREMENT BENEFIT OBLIGATIONS

The details of staff retirement benefits are as follows:

	2013				2012			
	Pension Fund	Gratuity Fund	Medical Fund	Gratuity Un-funded (note - 2.14.2)	Pension Fund	Gratuity Fund	Medical Fund	Gratuity Un-funded
	(Rupees in thousand)							
17.1 Reconciliations of obligations								
Present value of defined benefit obligations	3,871,133	128,810	840,730	795	3,264,638	118,209	786,802	80
Fair value of plan assets	(3,574,309)	(90,649)	(780,502)	-	(3,252,080)	(73,844)	(712,300)	-
Funded status	296,824	38,161	60,228	795	12,558	44,365	74,502	80
Unrecognised net actuarial gain / (loss)	(190,450)	(24,335)	104,543	(377)	69,142	(37,292)	60,082	-
Recognised liability	106,374	13,826	164,771	418	81,700	7,073	134,584	80
17.2 Movement in liability								
Liability at beginning of the year	81,700	7,073	134,584	80	70,604	4,374	104,879	-
Charge for the year	94,452	13,970	30,187	338	85,381	10,626	30,019	80
Contribution paid to the fund	(69,778)	(7,217)	-	-	(74,285)	(7,927)	(314)	-
Liability at end of the year	106,374	13,826	164,771	418	81,700	7,073	134,584	80
17.3 Charge for the year								
Current service cost	87,931	5,314	14,082	288	83,020	4,325	13,578	77
Interest cost	406,113	16,557	105,301	50	394,539	13,377	104,778	3
Expected return on plan assets	(399,592)	(9,599)	(89,196)	-	(392,178)	(8,296)	(88,337)	-
Net actuarial loss recognised during the year	-	1,698	-	-	-	1,220	-	-
	94,452	13,970	30,187	338	85,381	10,626	30,019	80
17.4 Movement in present value of defined benefit obligations								
Opening balance	3,264,638	118,209	786,802	80	2,938,458	90,789	728,221	-
Service cost	87,931	5,314	14,082	288	83,020	4,325	13,578	77
Interest cost	406,113	16,557	105,301	50	394,539	13,377	104,778	3
Benefits paid	(185,830)	(1,448)	(23,855)	-	(171,650)	(643)	(21,691)	-
Actuarial loss / (gain)	298,281	(9,822)	(41,600)	377	20,271	10,361	(38,084)	-
Present value of defined benefit obligations at the end of the year	3,871,133	128,810	840,730	795	3,264,638	118,209	786,802	80
17.5 Movement in fair value of plan assets								
Opening balance	3,252,080	73,844	712,300	-	2,950,214	59,039	651,744	-
Expected return	399,592	9,599	89,196	-	392,178	8,296	88,337	-
Contributions	69,778	7,217	-	-	74,285	7,927	314	-
Benefits paid	(185,830)	(1,448)	(23,855)	-	(171,650)	(643)	(21,691)	-
Actuarial gain / (loss)	38,689	1,437	2,861	-	7,053	(775)	(6,404)	-
Fair value of plan assets at the end of the year	3,574,309	90,649	780,502	-	3,252,080	73,844	712,300	-
Actual return on plan assets	438,281	11,036	92,057	-	372,926	7,521	75,883	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

17.6 Historical information	← 2013	2012	2011	2010	2009 →
	(Rupees in thousand)				
PENSION FUND					
As at June 30					
Present value of defined benefit obligation	3,871,133	3,264,638	2,938,458	2,478,854	2,312,535
Fair value of plan assets	(3,574,309)	(3,252,080)	(2,950,214)	(2,659,526)	(2,396,530)
Deficit / (Surplus)	<u>296,824</u>	<u>12,558</u>	<u>(11,756)</u>	<u>(180,672)</u>	<u>(83,995)</u>
Experience (gain) / loss on obligation	298,281	20,271	223,123	(8,813)	(104,285)
Experience gain / (loss) on plan assets	37,485	(19,252)	104,861	67,285	(148,795)
GRATUITY FUND					
As at June 30					
Present value of defined benefit obligation	128,810	118,209	90,789	73,659	53,946
Fair value of plan assets	(90,649)	(73,844)	(59,039)	(47,721)	(62,950)
Deficit / (Surplus)	<u>38,161</u>	<u>44,365</u>	<u>31,750</u>	<u>25,938</u>	<u>(9,004)</u>
Experience (gain) / loss on obligation	(9,822)	10,361	12,092	11,105	2,681
Experience gain / (loss) on plan assets	1,437	(775)	1,006	(1,199)	(15,500)
MEDICAL FUND					
As at June 30					
Present value of defined benefit obligation	840,730	786,802	728,221	645,699	581,215
Fair value of plan assets	(780,502)	(712,300)	(651,744)	(551,351)	(534,593)
Deficit	<u>60,228</u>	<u>74,502</u>	<u>76,477</u>	<u>94,348</u>	<u>46,622</u>
Experience (gain) / loss on obligation	(41,600)	(38,084)	7,611	6,556	(39,626)
Experience gain / (loss) on plan assets	2,875	(12,454)	5,708	(39,896)	(41,160)

17.7 Major categories / composition of plan assets are as follows:

	Pension		Gratuity		Medical fund		Gratuity (un-funded)	
	2013	2012	2013	2012	2013	2012	2013	2012
Debt Instrument	89.34%	90.76%	90.79%	88.66%	63.46%	47.86%	-	-
Equity	2.93%	2.75%	7.86%	6.78%	0.00%	0.00%	-	-
Mixed funds	7.73%	6.33%	0.00%	0.00%	36.50%	34.60%	-	-
Others	0.00%	0.16%	1.35%	4.56%	0.04%	17.54%	-	-

17.8 Principal actuarial assumptions

Rate of discount	11.00% p.a	13.50% p.a	11.00% p.a	13.50% p.a	11.00% p.a	13.50% p.a	11.00% p.a	13.50% p.a
Expected rate of increment of salary / increase in cost								
- Three succeeding year's after valuation	8.00% p.a	10.00% p.a	10.00% p.a	12.50% p.a	8.00% p.a	10.50% p.a	10.00% p.a	12.50% p.a
- Long term increase	10.00% p.a	12.50% p.a	10.00% p.a	12.50% p.a	8.00% p.a	10.50% p.a	10.00% p.a	12.50% p.a
Expected rate of increase in pension	5.00% p.a	6.50% p.a	-	-	-	-	-	-
Expected rate of return on assets	11.00% p.a	12.50% p.a	11.00% p.a	12.50% p.a	11.00% p.a	12.50% p.a	-	-
Expected retirement age	60 years	60 years	60 years	60 years	60 years	60 years	60 years	60 years

17.9 The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Increase (Rupees in thousand)	Decrease (Rupees in thousand)
Effect on the aggregate of current service cost and interest cost	16,203	13,272
Effect on the defined benefit obligation	126,680	104,424
The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:		
	← 2013	2012 →
Male	16.8	16.8
Female	21.2	21.2

17.10 The expected contributions to the plans for the coming year are as follows:

	(Rupees in thousand)
Pension fund	98,350
Gratuity fund	9,876
Medical fund	20,750
Gratuity (un-funded)	1,548

17.11 Information in note 17 is based on actuarial advice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
18. DEFERRED TAXATION		
Credit / (Debit) balances arising in respect of:		
- accelerated tax depreciation and amortisation	553,179	548,001
Provisions for:		
- slow moving and obsolete stores, spares and chemicals	(164,430)	(171,891)
- duties and taxes	(63,803)	(64,930)
- long term investment, doubtful debts, doubtful receivables, staff retirement benefits, pending litigations and others	(108,687)	(59,510)
- old outstanding liabilities offered for tax	(135,971)	(79,023)
	<u>(472,891)</u>	<u>(375,354)</u>
	<u>80,288</u>	<u>172,647</u>
19. TRADE AND OTHER PAYABLES		
Trade creditors	20,986,932	25,927,544
Due to Government of Pakistan	925,163	1,107,730
Due to related party - Attock Petroleum Limited	36,687	-
Accrued liabilities	709,788	626,493
Surplus price differential payable - note 19.1	273,297	-
Sales tax payable	1,960,272	675,351
Retention money	15,247	12,207
Deposits from contractors	30,486	27,981
Advances from customers	309,242	470,284
Workers' profits participation fund - note 19.2	16,256	14,091
Workers' welfare fund	138,914	122,750
Income tax deducted at source	5,106	10,476
Unclaimed dividend	63,910	60,336
Excise duty and petroleum levy	1,067,669	690,160
Others	7,491	3,488
	<u>26,546,460</u>	<u>29,748,891</u>

19.1 This represents amount to be deposited in Inland Freight Equalisation Margin pool in respect of surplus of High Speed Diesel (HSD) price as per Pakistan State Oil Limited's (PSO) actual import price excluding ocean losses over HSD price based on import price parity formula in accordance with the Economic Coordination Committee's decision dated February 26, 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

		2013	2012
		(Rupees in thousand)	
19.2	Workers' profits participation fund		
	Payable / (Receivable) at beginning of the year	14,091	(11,373)
	Allocation for the year - note 28	241,256	239,091
	Interest on funds utilised in the Company's business - note 29	<u>2,041</u>	<u>-</u>
		257,388	227,718
	Amount paid to the Trustees of the Fund	<u>(241,132)</u>	<u>(213,627)</u>
	Payable at end of the year	<u><u>16,256</u></u>	<u><u>14,091</u></u>
20.	PROVISIONS		
	Duties and taxes - note 20.1	194,220	194,220
	Others - note 20.2	<u>217,181</u>	<u>204,685</u>
		<u><u>411,401</u></u>	<u><u>398,905</u></u>
20.1	These represent provisions for:		
	Claim by the Government - note 20.1.1	165,214	165,214
	Sales tax and central excise duty - note 20.1.2	<u>29,006</u>	<u>29,006</u>
		<u><u>194,220</u></u>	<u><u>194,220</u></u>
20.1.1	This represents amount claimed by the Government of Pakistan (GoP), on the grounds that the Company had been allowed excess refunds in the year 2000 - 2001, on account of Import Parity Formula. The Company has taken up this matter with the GoP and is contesting the same.		
20.1.2	This represents provision made by the Company in respect of sales tax and central excise duty aggregating to Rs. 29.01 million (2012: Rs. 29.01 million), determined by the Collectorate of Customs, Sales Tax and Central Excise (Adjudication) in 2004 in respect of goods sold by the Company to one of its customer without deduction of sales tax and central excise duties.		
20.2	This includes provision for interest made by the Company aggregating to Rs. 133.83 million (2012: Rs. 121.33 million) in respect of arbitration claim from one of the suppliers of the Company on account of cancellation of a supply contract and Rs. 55.62 million (2012: Rs. 55.62 million) in respect of sales tax and excise duty on account of purchases of crude oil and drums.		
20.3	Reconciliation of provisions	2013	2012
		(Rupees in thousand)	
	Balance at the beginning of the year	398,905	428,676
	Provisions	12,496	9,177
	Payment	-	(38,948)
	Balance at the end of the year	<u><u>411,401</u></u>	<u><u>398,905</u></u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Outstanding counter guarantees at the end of the year amounted to Rs. 345.64 million (2012: Rs. 295.60 million).

21.1.2 Claims not acknowledged by the Company as debt at the end of the year amounted to Rs. 4.57 billion (2012: Rs. 4.35 billion). These include claims accumulating to Rs. 4.30 billion (2012: Rs. 3.57 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 16.49 million (2012: Rs. 354.29 million) relating to freight claims.

21.1.3 The Company has raised claims on certain Oil Marketing Companies (OMCs) in respect of interest on late payments against receivables aggregating to Rs. 5.08 billion (2012: Rs. 4.98 billion). However, these have not been recognised in the financial statements as these claims have not been acknowledged by the OMCs.

21.2 Commitments

21.2.1 Commitments outstanding for capital expenditures as at June 30, 2013 amounted to Rs. 603.56 million (2012: Rs. 940.30 million).

21.2.2 Outstanding letters of credit at the end of the year amounted to Rs. 17.35 billion (2012: Rs. 18.06 billion).

	2013	2012
	(Rupees in thousand)	
22. GROSS SALES		
Local	193,716,679	180,678,301
Less: sales returns	<u>-</u>	<u>(53,949)</u>
	193,716,679	180,624,352
Exports	22,406,363	26,964,160
	<u>216,123,042</u>	<u>207,588,512</u>

23. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL

Trade discounts	1,089,998	1,129,333
Sales tax	26,807,541	24,810,105
Excise duty	518	1,294,810
Petroleum levy	8,767,273	5,557,189
Surplus price differential - note19.1	273,297	-
	<u>36,938,627</u>	<u>32,791,437</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
24. COST OF SALES		
Opening stock of semi-finished products	5,091,602	2,579,119
Crude oil, condensate and drums consumed - notes 24.1 and 24.2	167,422,607	170,374,228
Stores, spares and chemicals consumed	472,150	431,812
Salaries, wages and staff benefits - note 24.3	1,053,437	968,213
Staff transport and canteen	98,307	87,082
Fuel, power and water	2,119,510	2,067,650
Rent, rates and taxes	37,309	35,212
Insurance	249,233	231,011
Contract services	59,206	58,047
Repairs and maintenance	317,392	79,633
(Reversal) / Provision for slow moving and obsolete stores, spares and chemicals	(15,029)	22,151
Depreciation - note 3.1	272,656	253,894
Health, safety, environment and related cost	5,734	3,623
Professional charges	1,529	2,610
Consultancy charges	5,605	11,050
Others	4,607	4,434
	172,104,253	174,630,650
Closing stock of semi-finished products - note 8	(2,906,729)	(5,091,602)
Cost of products manufactured	174,289,126	172,118,167
Opening stock of finished products	13,689,998	11,646,414
Closing stock of finished products - note 8	(13,860,549)	(13,689,998)
	(170,551)	(2,043,584)
	174,118,575	170,074,583
24.1 Crude oil, condensate and drums consumed		
Crude oil and condensate		
- Opening stock	6,578,110	5,121,396
- Purchases	166,130,365	171,149,407
- Closing stock - note 8	(5,796,476)	(6,578,110)
	166,911,999	169,692,693
Drums	510,608	681,535
	167,422,607	170,374,228
24.2 Cost of crude oil and condensate consumed in respect of non-finalised Crude Oil Sale Agreements has been recorded provisionally in line with notifications of the Ministry of Petroleum & Natural Resources.		
24.3 Includes Rs. 92.01 million (2012: Rs. 82.60 million) and Rs. 28.94 million (2012: Rs. 28.55 million) in respect of defined benefit and defined contribution plans respectively.		



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
25. DISTRIBUTION AND MARKETING EXPENSES		
Salaries and staff benefits - note 25.1	58,800	55,700
Staff transport and canteen	6,058	5,381
Stores, spares and chemicals consumed	3,433	3,784
Commission on local sales	543,639	711,857
Commission on export sales	224,634	270,966
Export expenses	114,806	155,331
Depreciation - note 3.1	22,481	21,450
Storage charges	26,120	7,411
Repairs and maintenance	12,703	11,226
Postage and periodicals	3,048	2,358
Reversal for doubtful receivable	-	(2,734)
Selling expenses	8,313	7,478
Pipeline charges	3,152	5,794
Others	10,484	8,032
	<u>1,037,671</u>	<u>1,264,034</u>

25.1 Includes Rs. 7.50 million (2012: Rs. 6.91 million) and Rs. 2.16 million (2012: Rs. 2.31 million) in respect of defined benefit and defined contribution plans respectively.

	2013	2012
	(Rupees in thousand)	
26. ADMINISTRATIVE EXPENSES		
Salaries and staff benefits - note 26.1	335,828	297,552
Staff transport and canteen	28,716	24,757
Directors' fee	3,520	3,129
Rent, rates and taxes	2,662	2,590
Depreciation - note 3.1	13,063	12,020
Amortisation of intangible assets - note 3.4	1,194	348
Legal and professional charges	2,365	3,531
Printing and stationery	6,692	5,430
Contract services	33,515	35,241
Repairs and maintenance	35,763	32,062
Telecommunication	5,876	5,283
Electricity and power	3,611	13,514
Insurance	1,621	1,125
Training and seminar	829	977
Postage and periodicals	6,119	5,677
Security charges	16,416	13,417
Others - note 26.2	10,249	7,451
	<u>508,039</u>	<u>464,104</u>

26.1 Includes Rs. 39.44 million (2012: Rs. 36.60 million) and Rs. 11.08 million (2012: Rs. 10.46 million) in respect of defined benefit and defined contribution plans respectively.

26.2 This includes penalty imposed by Securities and Exchange Commission of Pakistan amounting to Rs 500 thousand.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
27. OTHER INCOME		
Income from financial assets		
Return / interest / mark-up on:		
- PLS savings and deposit accounts	533,693	909,480
- Secured loans to employees and executives	652	637
- Treasury bills	171,889	415,755
Others		
Handling and storage income	160,818	147,264
Hospitality income	44,077	15,583
Liabilities no longer payable written back - note 27.1	1,224,109	1,566,766
Profit on disposal of property, plant and equipment	577	759
Sale of scrap and empties	5,015	1,924
Pipeline charges recovered	5,603	6,179
Rental income	7,796	7,446
Rebate on insurance	5,327	4,627
Encashment of bank guarantee	12,287	-
Tender fees	229	299
Others	7,671	60,113
	<u>2,179,743</u>	<u>3,136,832</u>

27.1 This includes reversal of excess mark-up of Rs. 516.28 million accrued on amounts withheld pertaining to local crude purchases consequent to finalisation of amounts by the Company and settlement of old yield differential claims with suppliers during the year amounting to Rs. 605.31 million.

	2013	2012
	(Rupees in thousand)	
28. OTHER OPERATING EXPENSES		
Workers' profits participation fund - note 19.2	241,256	239,091
Workers' welfare fund	107,019	90,855
Auditors' remuneration - note 28.1	6,144	6,508
Corporate Social Responsibility	100	-
	<u>354,519</u>	<u>336,454</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
28.1 Auditors' remuneration		
Audit fee	1,815	1,650
Taxation services	2,725	3,032
Fee for review of half yearly financial information, special reports and certifications	1,177	1,439
Out-of-pocket expenses	427	387
	<u>6,144</u>	<u>6,508</u>
29. FINANCE COST		
Mark-up on late payment to supplier	12,452	9,189
Exchange loss - note 29.1	853,776	1,331,814
Interest on workers' profits participation fund	2,041	-
Guarantee commission and service charges	1,330	1,425
Bank charges	948	432
	<u>870,547</u>	<u>1,342,860</u>
29.1 This is net off exchange gain on export sales amounting Rs. 68.02 million (2012: Rs. 132.51 million).		
	2013	2012
	(Rupees in thousand)	
30. TAXATION		
Current		
- for the year	1,759,226	1,678,338
- for prior year	(36,517)	31,412
	1,722,709	1,709,750
Deferred	(92,359)	123,738
	<u>1,630,350</u>	<u>1,833,488</u>
30.1 Relationship between tax expense and accounting profit		
Accounting profit before taxation	4,474,807	4,451,872
Tax at the applicable tax rate of 35%	1,566,182	1,558,155
Tax effect of expenses not allowed for tax	438	(20,385)
Tax effect of Final Tax Regime	143,939	302,224
Effect of tax credits	(39,341)	(36,021)
Effect of income taxable at lower rate	(1,984)	(1,897)
Effect of prior year tax	(36,517)	31,412
Effect of change in tax rate	(2,367)	-
Tax expense for the year	<u>1,630,350</u>	<u>1,833,488</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
31. EARNINGS PER SHARE - basic and diluted		
Profit after taxation (Rupees in thousand)	<u>2,844,457</u>	<u>2,618,384</u>
Weighted average number of ordinary shares in issue (in thousand)	<u>79,967</u>	<u>79,967</u>
Basic earnings per share (Rupees)	<u>35.57</u>	<u>32.74</u>

There were no dilutive potential ordinary shares in issue as at June 30, 2013 and 2012.

	2013	(Restated) 2012
	(Rupees in thousand)	
32. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	4,474,807	4,451,872
Adjustment for non cash charges and other items:		
Depreciation and amortisation	309,394	287,712
Provision for pension	94,452	85,381
Provision for gratuity	14,308	10,706
Provision for post retirement medical benefits	30,187	30,019
(Reversal) / Provision for slow moving and obsolete stores, spares and chemicals	(15,029)	22,151
Reversal of doubtful receivables	-	(2,734)
Return / interest on PLS savings and deposit accounts	(533,693)	(909,480)
Return on treasury bills	(171,889)	(415,755)
Profit on disposal of property, plant and equipment	(577)	(759)
Decrease / (Increase) in working capital - note 32.1	<u>2,081,055</u>	<u>(4,393,446)</u>
	<u>6,283,015</u>	<u>(834,333)</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	(Restated) 2012
	(Rupees in thousand)	
32.1 Decrease / (Increase) in working capital		
Decrease / (Increase) in current assets		
Stores, spares and chemicals	217,705	(214,633)
Stock-in-trade	2,795,956	(6,012,781)
Trade debts	2,285,192	841,043
Loans and advances	3,851	(16,165)
Deposits and prepayments	(1,555)	11,780
Other receivables	(26,585)	684,359
	5,274,564	(4,706,397)
(Decrease) / Increase in current liabilities		
Trade and other payables	(3,206,005)	342,722
Provisions	12,496	(29,771)
	2,081,055	(4,393,446)
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,004,875	10,078,554
Short term investments	489,525	3,199,971
	16,494,400	13,278,525
34. UNAVAILED CREDIT FACILITIES		
Short term running finance - note 34.1	350,000	350,000
Letters of credit and guarantee - note 34.2	36,873,379	32,203,558
34.1 Short term running finance		
The rates of mark-up on these finance ranges between 9.58% and 12.48% (2012: 12.25% and 14.13%) per annum, payable quarterly.		
The facilities are secured against joint pari passu charge on Company's stocks, receivables and other current assets.		
The purchase prices are repayable on various dates latest by March 31, 2014.		
34.2 Letters of credit and guarantee		
The facilities are secured by way of pari passu charge against hypothecation of Company's plant and machinery and ranking charge on Company's stocks, receivables and other current assets.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(Rupees in thousand)					
Managerial remuneration	10,190	5,616	330,088	8,482	5,041	299,352
Bonus	2,772	1,555	68,020	2,497	1,401	62,436
Retirement benefits	372	1,493	84,737	2,287	1,381	76,404
House rent	4,202	2,184	132,045	3,551	2,014	119,215
Conveyance	289	409	35,486	265	376	30,406
Leave benefits	2,296	473	37,506	732	441	32,076
	<u>20,121</u>	<u>11,730</u>	<u>687,882</u>	<u>17,814</u>	<u>10,654</u>	<u>619,889</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>392</u>	<u>1</u>	<u>1</u>	<u>354</u>

35.1 In addition to the above, fee to executive and non-executive directors during the year amounted to Rs. 1.16 million (2012: Rs. 1.16 million) and Rs. 2.36 million (2012: Rs. 1.97 million) respectively.

35.2 The Chief Executive, director and some of the executives of the Company are provided with free use of Company's cars and additionally, the Chief Executive, director and executives are also entitled to medical benefits and club subscriptions in accordance with their terms of service.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial assets and liabilities

	Interest/mark-up bearing			Non-interest/mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial assets							
Loans and receivables							
Loans and advances	2,175	8,973	11,148	18,179	43,269	61,448	72,596
Deposits	-	-	-	598	30,189	30,787	30,787
Trade debts	-	-	-	10,976,992	-	10,976,992	10,976,992
Accrued interest	-	-	-	86,120	-	86,120	86,120
Other receivables	-	-	-	274,711	-	274,711	274,711
Cash and bank balances	15,905,025	-	15,905,025	99,850	-	99,850	16,004,875
Held to maturity							
Investments	492,524	-	492,524	-	-	-	492,524
2013	<u>16,399,724</u>	<u>8,973</u>	<u>16,408,697</u>	<u>11,456,450</u>	<u>73,458</u>	<u>11,529,908</u>	<u>27,938,605</u>
2012	<u>13,272,082</u>	<u>8,845</u>	<u>13,280,927</u>	<u>13,680,063</u>	<u>86,757</u>	<u>13,766,820</u>	<u>27,047,747</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Interest/mark-up bearing			Non-interest/mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial liabilities							
Trade and other payables	-	-	-	26,237,218	-	26,237,218	26,237,218
2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,237,218</u>	<u>-</u>	<u>26,237,218</u>	<u>26,237,218</u>
2012	<u>586,093</u>	<u>-</u>	<u>586,093</u>	<u>27,179,686</u>	<u>-</u>	<u>27,179,686</u>	<u>27,765,779</u>
On balance sheet gap							
2013	<u>16,399,724</u>	<u>8,973</u>	<u>16,408,697</u>	<u>(14,780,768)</u>	<u>73,458</u>	<u>(14,707,310)</u>	<u>1,701,387</u>
2012	<u>12,685,989</u>	<u>8,845</u>	<u>12,694,834</u>	<u>(13,499,623)</u>	<u>86,757</u>	<u>(13,412,866)</u>	<u>(718,032)</u>
OFF BALANCE SHEET ITEMS							
Commitments for capital expenditure							603,559
Letters of credit							17,346,621
Letters of guarantees							345,636
2013							<u>18,295,816</u>
2012							<u>19,299,912</u>

36.2 Financial risk management objectives and policies

(i) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders. As mentioned in note - 16.2, the Company operates under tariff protection formula for fuel operations whereby profits after tax attributable to fuel segment in excess of 50% of the paid up capital as of July 1, 2002 attributable to fuel segment are transferred to special reserve.

The capital structure of the Company is equity based with no financing through long term borrowings.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets that are subject to credit risk amounted to Rs. 27.21 billion (2012: Rs. 23.58 billion).

The Company monitors its exposure to credit risk on an ongoing basis at various levels. The Company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry and has as customers only a few sound organisations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

The carrying values of financial assets which are neither past due nor impaired are as under:

	2013	2012
	(Rupees in thousand)	
Loans and advances	72,596	87,200
Deposits	30,787	30,524
Trade debts	10,924,581	4,121,561
Accrued interest	86,120	110,686
Other receivables	274,711	248,126
Investments	492,524	3,230,473
Cash and bank balances	16,004,875	10,078,554
	<u>27,886,194</u>	<u>17,907,124</u>

(iii) Foreign exchange risk

Foreign currency risk arises mainly when receivables and payables exist due to transactions in foreign currencies primarily with respect to US Dollar. Financial assets include Rs. 958.14 million (2012: Nil) and financial liabilities include Rs. 14.31 billion (2012: Rs. 10.69 billion) which are subject to foreign currency risk. The Company believes that it is not materially exposed to foreign exchange risk as its product prices are linked to the currency of its imports.

As at June 30, 2013, if the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit after tax for the year would have been lower/higher by Rs. 1.34 billion (2012: Rs. 1.07 billion), mainly as a result of foreign exchange losses / gains on translation of US Dollar-denominated trade payables and trade debts.

(iv) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments.

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

(v) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at June 30, 2013 the Company does not have any borrowings, hence management believes that the Company is not exposed to interest rate changes.

(vi) Price risk

The Company is not exposed to any price risk with respect to its investments in treasury bills.

(vii) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

37. SEGMENT INFORMATION

37.1 The Company's operating segments are organised and managed separately according to the nature of production process for products and services provided, with each segment representing a strategic business unit. The fuel segment is primarily a diverse supplier of fuel products and offers gasoline, diesel oils, and furnace oil. The lube segment mainly provides different types of lube base oils, asphalt, wax free oil and other petroleum products for different sectors of the economy. Inter-segment transfers are made at relevant costs to each segment.

37.2 Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets include property, plant and equipment.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local, net of discounts, taxes, duties, levies and price differential	111,376,431	105,290,400	45,401,621	42,542,515	156,778,052	147,832,915
- exports	19,633,766	23,062,279	2,772,597	3,901,881	22,406,363	26,964,160
	131,010,197	128,352,679	48,174,218	46,444,396	179,184,415	174,797,075
Inter-segment transfers	40,716,707	41,661,211	-	37,180	40,716,707	41,698,391
Elimination of inter-segment transfers	-	-	-	-	(40,716,707)	(41,698,391)
Net sales	171,726,904	170,013,890	48,174,218	46,481,576	179,184,415	174,797,075
Segment results after tax	(211,455)	(117,324)	3,055,912	2,735,708	2,844,457	2,618,384
Segment assets	29,801,090	34,276,233	24,513,477	20,937,822	54,314,567	55,214,055
Unallocated assets	-	-	-	-	1,362,351	1,900,372
Total assets	29,801,090	34,276,233	24,513,477	20,937,822	55,676,918	57,114,427
Segment liabilities	25,839,610	28,673,583	1,403,642	1,697,650	27,243,252	30,371,233
Unallocated liabilities	-	-	-	-	1,562,312	1,516,799
Total liabilities	25,839,610	28,673,583	1,403,642	1,697,650	28,805,564	31,888,032
Other Segment Information:						
Capital expenditure	122,187	78,091	122,014	27,122	244,201	105,213
Unallocated capital expenditure	-	-	-	-	104,946	120,340
	122,187	78,091	122,014	27,122	349,147	225,553
Depreciation and amortisation	102,818	93,024	206,578	194,688	309,396	287,712
Interest income	235,411	441,957	470,823	883,915	706,234	1,325,872
Interest expense	1,316	351	13,177	8,838	14,493	9,189
Non-cash expenses						
other than depreciation	(5,010)	7,384	(10,019)	14,767	(15,029)	22,151
Stock-in-trade written down	32,358	870,955	-	-	32,358	870,955

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

37.3 The Company sells its manufactured products to Oil Marketing Companies (OMCs) and other organisations / institutions. Out of these, two (2012: three) of the Company's customers contributed towards 58.98% (2012: 68.15%) of the net revenues during the year amounting to Rs. 105.69 billion (2012: Rs. 119.13 billion) and each customer individually exceeds 10% of the net revenues.

38. TRANSACTIONS WITH RELATED PARTIES

38.1 The following transactions were carried out with related parties during the year:

Nature of relationship	Nature of transactions	2013	2012
		(Rupees in thousand)	
Associated companies			
	Sale of petroleum products - note 38.1.1	105,533,386	92,089,091
	Sales returns	-	53,949
	Purchase of crude oil and condensate - note 38.1.2	1,417,478	-
	Rental income	4,400	4,067
	Hospitality income	43,178	13,273
	Handling income	127,762	114,890
	Trade discounts and commission on sales	1,858,271	2,098,365
	Reimbursement of expenses	1,571	2,058
	Purchase of petroleum products	8,743	17,490
	Dividend paid	611,744	1,019,574
	Purchase of stores	328,192	1,200
	Sale of stores	138	174
Post employment staff benefit plans			
	Contributions	119,175	123,837
Key management employees compensation			
	Salaries and other employee benefits	43,723	39,447
	Post retirement benefits	2,661	4,400
	Directors' fees	3,520	3,129

38.1.1 Sales of petroleum products to associated companies are based on prices fixed by Oil & Gas Regulatory Authority, import prices of Pakistan State Oil, Company announced prices and other services on contractual basis.

38.1.2 Purchase of crude oil and condensate from associated company is based on price mechanism provided in its respective Petroleum Concession Agreement till finalisation of Crude Oil / Condensate Sale and Purchase Agreements.

38.2 The related party status of outstanding balances as at June 30, 2013 is included in trade debts, other receivables and trade and other payables. These are settled in ordinary course of business.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Annual designed throughput capacity	Actual throughput	
		2013	2012
	(In Metric Tons)		
39. CAPACITY			
Fuel section - throughput of crude oil - note 39	<u>2,710,500</u>	<u>2,135,689</u>	<u>2,275,092</u>
Lube section - throughput of reduced crude oil	<u>620,486</u>	<u>645,775</u>	<u>663,588</u>

39.1 Reduction is due to turnaround of fuel and lube refineries during the year and day to day monitoring of throughput based on expected product margins.

40. PROVIDENT FUNDS RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Funds as at June 30, 2013:

	2013	2012
	(Rupees in thousand)	
Size of the fund - Total assets	1,167,830	1,019,268
Fair value of investments	1,064,798	924,671
Percentage of investments made	91%	91%

40.1 The cost of above investments amounted to Rs. 1,022.4 million (2012: Rs. 973.2 million).

40.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		(Rupees in thousand)	
National savings scheme	55%	41%	583,056	378,989
Bank deposits	12%	18%	125,142	165,679
Government securities	10%	19%	105,361	176,661
Debt securities	0%	1%	-	8,425
Equity securities	2%	2%	21,550	17,047
Unit trust schemes	21%	19%	229,689	177,870

40.3 The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
41. NUMBER OF EMPLOYEES		
Number of employees including contractual employees at June 30	859	826
Average number of employees including contractual employees during the year	843	823

42. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 14, 2013 (i) approved transfer of Rs.1.60 billion (2012: Rs.1.57 billion) from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs.15 per share (2012: Rs.15 per share) for the year ended June 30, 2013 amounting to Rs.1.20 billion (2012: Rs.1.2 billion) for approval of the members at the Annual General Meeting to be held on September 30, 2013. These financial statements do not recognise these appropriations which will be accounted for in the financial statements for the year ending June 30, 2014.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 14, 2013 by the Board of Directors of the Company.



Chief Executive



Director





PATTERN OF SHARE HOLDING
NOTICE & FORMS

PATTERN OF SHAREHOLDING

As At June 30, 2013

NUMBER OF SHARES FROM TO		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% ON ISSUED
1	100	1,566	48,771	0.06
101	500	1,249	342,078	0.43
501	1,000	612	473,304	0.59
1,001	5,000	830	1,890,508	2.36
5,001	10,000	155	1,135,891	1.42
10,001	15,000	38	458,904	0.57
15,001	20,000	31	547,913	0.69
20,001	25,000	13	295,820	0.37
25,001	30,000	10	283,245	0.35
30,001	35,000	10	327,920	0.41
35,001	40,000	6	235,400	0.29
40,001	45,000	6	263,579	0.33
45,001	50,000	5	241,200	0.30
50,001	55,000	3	156,400	0.20
55,001	60,000	4	232,706	0.29
60,001	65,000	1	63,317	0.08
65,001	70,000	1	66,229	0.08
70,001	75,000	4	288,153	0.36
75,001	80,000	2	159,600	0.20
80,001	85,000	1	84,600	0.11
85,001	90,000	2	177,111	0.22
90,001	95,000	2	186,833	0.23
95,001	100,000	4	397,400	0.50
100,001	105,000	1	104,100	0.13
105,001	110,000	1	110,000	0.14
110,001	115,000	1	110,654	0.14
120,001	125,000	1	125,000	0.16
130,001	135,000	1	131,000	0.16
135,001	140,000	1	138,000	0.17
145,001	150,000	2	300,000	0.38
165,001	170,000	1	168,460	0.21
195,001	200,000	1	199,100	0.25
210,001	215,000	1	215,000	0.27
240,001	245,000	1	243,658	0.30
250,001	255,000	1	253,677	0.32
275,001	280,000	1	275,875	0.34
310,001	315,000	1	314,285	0.39
320,001	325,000	1	320,100	0.40
330,001	335,000	1	332,000	0.42
345,001	350,000	1	350,000	0.44
360,001	365,000	1	361,185	0.45
445,001	450,000	1	445,584	0.56
455,001	460,000	1	455,400	0.57
500,001	505,000	1	502,363	0.63
580,001	585,000	1	580,554	0.73
610,001	615,000	1	611,217	0.76
795,001	800,000	1	799,665	1.00
800,001	805,000	1	800,896	1.00
1,035,001	1,040,000	1	1,037,255	1.30
1,080,001	1,085,000	1	1,083,400	1.35
3,585,001	3,590,000	1	3,589,819	4.49
5,665,001	5,670,000	1	5,668,151	7.10
11,995,001	12,000,000	1	12,000,000	15.00
19,990,001	19,995,000	2	39,983,280	50.00
		4,588	79,966,560	100.00

CATEGORIES OF SHAREHOLDING

As At June 30, 2013

Categories	% on Issued	Number of Shareholders	Number of Shares held
Associated Companies	50.00	2	39,983,280
Individuals	8.94	4,373	7,147,690
Joint Stock Companies	1.40	20	1,120,820
NIT & ICP	9.89	10	7,910,500
Banks, Insurance and Modaraba	8.83	38	7,064,292
Mutual Funds	0.61	17	483,765
Foreign Investors (including IDB)	17.54	31	14,027,542
Provident / Pension Funds	0.95	20	756,019
Investment Companies	0.06	12	49,447
Charitable Trust	0.24	10	188,295
Others	1.54	55	1,234,910
	<u>100.00</u>	<u>4,588</u>	<u>79,966,560</u>

INFORMATION REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Associated Companies

Attock Refinery Limited	19,991,640
Pakistan Oilfields Limited	19,991,640

Mutual Funds (as per LOBO from CDC)

NIT-Equity Market Opportunity Fund	1,037,255
Pakistan Stock Market Fund	80,000
MCB Dynamic Stock Fund	54,000
UBL Stock Advantage Fund	51,000
UBL Sharia Stock Fund	50,000
AKD Opportunity Fund	45,600
KSE Meezan Index Fund	44,951
Pakistan Premier Fund	32,000
First Habib Islamic Balanced Fund	27,000
First Habib Stock Fund	19,200
Pak Strategic Alloc. Fund	9,800
AKD Index Tracker Fund	5,960
Meezan Islamic Fund	2,656
Meezan Balanced Fund	900
Golden Arrow Selected Stocks Fund Limited	51,400
First Capital Mutual Fund Limited	7,500
JS KSE-30 Index Fund	1,298
Adamjee Life Assurance Co. Ltd. - Amaanat Fund	500
NBP-Trustee Department NI(U)T Fund	5,668,151
IDBP (ICP Unit)	339
National Bank of Pakistan Trustee Wing	9,600



Categories	Number of Shareholders	Number of Shares held
Directors, Chief Executive Officer, their spouse(s) and minor children		
Dr. Ghaith R. Pharaon		1
Mr. Laith G. Pharaon		1
Mr. Wael G. Pharaon		1
Mr. Shuaib A. Malik		2
Mr. Tariq Iqbal Khan		10,001
Mr. Babar Bashir Nawaz		1
Mr. Abdus Sattar		1
Executives		1098
Public Sector Companies and Corporations		5,286,871
Banks, DFIs, NBFCs, Insurance Companies, Takaful, Modarabas and Pension Funds		20,653,951
Shareholders holding 5% or more voting interest		
Attock Refinery Limited	25 %	19,991,640
Pakistan Oilfields Limited	25 %	19,991,640
Islamic Development Bank	15 %	12,000,000
NIT & ICP	10 %	7,910,500

Trades in the shares of the Company carried out by directors, executives, their spouse(s) and minor children

Mr. Tariq Iqbal Khan, Director, acquired 10,001 shares during the year.

The expression "executive" means the CEO, CFO, Head of internal audit, Company Secretary and other employees of the Company drawing annual basic salary of Rs. 738,000 including all employees of Finance Division.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Fiftieth (50th) Annual General Meeting** of National Refinery Limited will be held on Monday, September 30, 2013 at 1630 hours at Carlton Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' Report and the Auditors' Report thereon.
2. To consider and, if thought fit, to approve the payment of Final Cash Dividend at the rate of Rs. 15/- per share i.e., 150% for the year ended June 30, 2013 as recommended by the Board of Directors.
3. To appoint Company's auditors for the year ending June 30, 2014 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board



Nouman Ahmed Usmani
Company Secretary

Karachi:
Dated: September 07, 2013

NOTES:

1. The Register of Members of the Company will remain closed and no transfer of shares will be accepted for registration from Friday, September 20, 2013 to Monday, September 30, 2013 (both days inclusive). Transfers received in order at the office of the Share Registrar:

THK Associates (Pvt.) Ltd., Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi-75530;

at the close of business on Thursday, September 19, 2013 will be in time for the purpose of determination of entitlement to the transferees.

2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a member.

Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the Share Registrar not less than 48 hours before the meeting.

3. The shareholder/proxy shall produce his/her original CNIC or passport at the time of the meeting.



4. Shareholders are requested to promptly notify the office of the Share Registrar of any change in their address.
5. Members who may be seeking exemption from the deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a declaration for non-deduction of zakat. Necessary advice in either case must be submitted within not more than 15 days from the date of dividend entitlement.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - (iii) Attested copies of CNIC or the passport, of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
7. Form of proxy is attached to the notice of meeting being sent to the members.
 8. Members who have not yet provided their dividend mandate information and/or CNIC/NTN (as the case may be) are requested to kindly provide the same at the earliest to the Company's Share Registrar at the address mentioned-above in compliance with the directives issued by the Securities and Exchange Commission of Pakistan and/or Federal Board of Revenue from time to time.

FORM OF PROXY

50th Annual General Meeting NATIONAL REFINERY LIMITED

I _____ of _____ in the district of _____ being a Member of NATIONAL REFINERY LIMITED hereby appoint _____ of _____ as my proxy, and failing him, _____ of _____ another Member of the Company to vote for me and on my behalf at the 50th Annual General Meeting of the Company to be held on the 30th day of September 2013 and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Signed by the said Member

SIGNED IN THE PRESENCE OF:

1. Signature: _____

2. Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

CNIC/Passport No. _____

CNIC/Passport No. _____

Information required:		For Member (Shareholder)	For Proxy	For alternate Proxy (*)
			(if member)	
Number of shares held				
Folio No.				
CDC Account No.	Participant I.D.			
	Account No.			

Affix
Revenue
Stamp of
Rs.5/-

(*) Upon failing of appointed Proxy.

Notes:

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member.
2. This Proxy Form, duly completed and signed, together with Board Resolution / Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar, **THK Associates (Pvt.) Ltd.**, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530, Telephone No. 021-111-000-322 , not later than 48 hours before the time of holding the meeting.
3. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity its common seal should be affixed on the instrument.
4. Any alteration made in this instrument of proxy should be initialled by the person who signs it.
5. Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be provided with the proxy form.
6. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
7. In the case of joint holders the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
8. The proxy shall produce his / her original CNIC or passport at the time of the meeting.

AFFIX
CORRECT
POSTAGE

THK Associates (Pvt.) Ltd.,

Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi-75530,
Telephone No. 021-111-000-322

DIVIDEND MANDATE FORM

Members of National Refinery Limited

Subject: Dividend Mandate Form

It is to inform you that under section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs the Company to pay dividend through his / her / its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan from time to time relating to the subject you being the registered shareholder of National Refinery Limited are hereby given the opportunity to authorize the Company to directly credit into your bank account cash dividend ,if any, declared by the Company in future.

PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY, IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.

Do you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick "√" any of the following boxes:

 YES NO

If yes, then please provide the following information:

(i) Shareholder's Detail	
Name of the shareholder	
Folio No. / CDC No.	
CNIC No.	
Passport No. (in case of Foreign Shareholder)	
Land Line Phone No.	
Mobile No.	
(ii) Shareholder's Bank Detail	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

The Company is hereby authorized to directly credit cash dividend declared by it, if any, from time to time, in the above-mentioned bank account.

It is stated that the above-mentioned information is correct, and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as they occur.

Signature of the Member / Shareholder

Date:_____

Note:

- The shareholders who hold shares in physical form are requested to submit this Dividend Mandate Form duly filled-in to the Share Registrar concerned.
- Shareholders maintaining their shareholdings under Central Depository System (CDS) are advised to submit this form directly to relevant Participant/ CDC Investor Account Service.
- Please attach attested photocopy of the CNIC / Passport (in case of Foreign Shareholder).

Company Secretary

National Refinery Limited

7-B, Korangi Industrial Area,
Karachi-74900,
Pakistan.

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National Refinery Limited

7-B, Korangi Industrial Area, Karachi-74900, Pakistan.

Tel: 92-21-35064981-86 Fax: 92-21-35054663

UAN: **111-675-675** URL: www.nrlpak.com

Email: info@nrlpak.com