ANNUAL REPORT

2011

PRL

PAKISTAN REFINERY LIMITED

investing in a BRIGHTER FUTURE

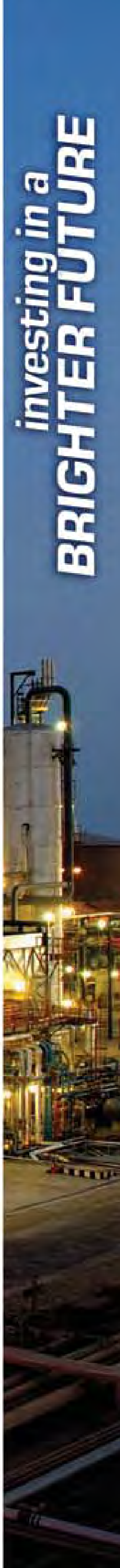
Vision

To be the Refinery of first choice for all stakeholders.

Mission

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmental friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.

Contents



Core Values

- Responsibilities
- Health, Safety, Environment and Quality
- Integrity
- Teamwork
- Excellence
- Corporate Social Responsibility

Responsibilities

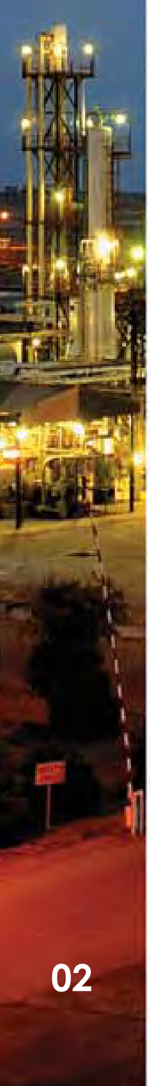
Pakistan Refinery Limited recognises five areas of responsibility. It is the duty of management continuously to assess the priorities and discharge these responsibilities on the basis of that assessment.

Shareholders

To protect their investment and provide an attractive return.

Customers

To win and retain customers by developing and providing products which offer value in terms of price, quality, safety and environmental impact, the sale of which is supported by the requisite technological, environmental and commercial expertise.



Employees

To respect the human rights of our employees, to provide them with good and safe working conditions, competitive terms and conditions of employment.

To promote the development and best use of the talent of our employees, to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents.

To encourage the involvement of employees in the planning and direction of their work, to provide them with channels to report concerns.

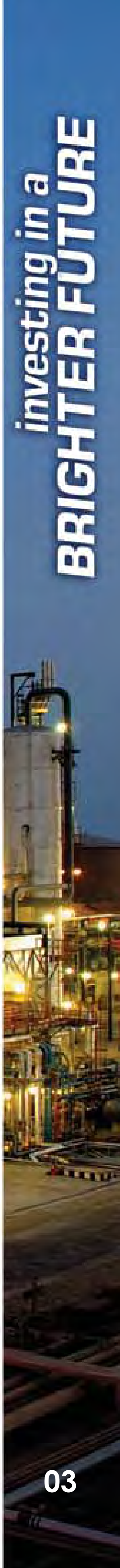
We recognise that commercial success depends on the full commitment of all employees.

Those with whom it does business

To seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these general business principles in doing so. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

Society

To conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business and to give due attention to health, safety, security and environment.



Health, Safety, Environment and Quality

Pakistan Refinery Limited is committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where it operates and practice quality in all its business activities so as to exceed customer expectations.

Pakistan Refinery Limited is also committed to comply with the applicable laws and requirements and work with the Government and their stakeholders in their development and implementation. Pakistan Refinery Limited shall continually improve the effectiveness of health, safety, environment and quality management system by achieving its commitments.

Health

Pakistan Refinery Limited seeks to conduct its activities in such a way as to avoid harm to the health of its employees and others, and to promote the health of its employees as appropriate.

Safety

Pakistan Refinery Limited works on the principle that all hazards can be prevented through effective leadership and actively promoting a high standard of safety including process safety.

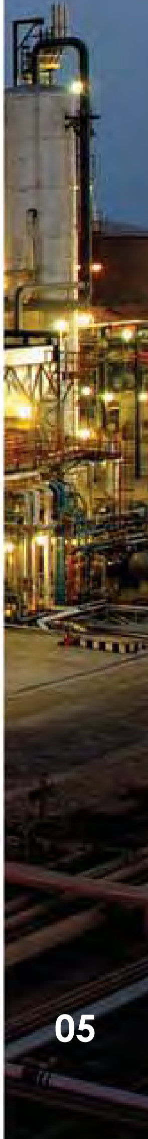
Environment

Pakistan Refinery Limited prevents pollution through progressive reduction of emissions and disposal of waste materials that are known to have a negative impact on the environment.

Quality

Pakistan Refinery Limited focuses on customer satisfaction by operating efficiently and by developing a culture which promotes innovation, error prevention and teamwork.

Pakistan Refinery Limited conducts periodic audits and risk management of its activities, processes and products for setting and reviewing its objectives and targets to provide assurance to improve HSEQ system and loss control. Pakistan Refinery Limited encourages its contractors working on its behalf or on its premises to also apply health, safety, environment and quality standards.



Pakistan Refinery Limited
Annual Report 2011

Integrity

Pakistan Refinery Limited insists on honesty, integrity and fairness in all aspects and expects the same in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflicts of interest between their private financial activities and their part in the conduct of Company business. All business transactions on behalf of Pakistan Refinery Limited must be reflected accurately and fairly in the accounts of the Company in accordance with established procedures and subject to audit. Law of the land shall be respected. In no case the Company is to become a party to the malpractices such as evasion of duty, cess, taxes etc.

Teamwork

The success of smooth operations of Pakistan Refinery Limited begins and ends with teamwork. PRL strongly believes in teamwork as a driving force to the path of perfection and believes that a team-based culture is an essential ingredient in the work of a successful organisation.

It is expected that each teamplayer will play his part for achievement of common goal which is sustainable and smooth operations of the Refinery. This does not mean that the individual is no longer important; however, it does mean that effective and efficient teamwork goes beyond individual accomplishments.

Excellence

Pakistan Refinery Limited is performance-driven with 281 employees committed to providing innovative and efficient solutions to achieve its goals. The Company serves diverse industries, providing quality distilled petroleum products that help move country commerce forward hence cost efficiency, operational excellence and innovativeness are paramount objectives. Pakistan Refinery Limited strives for excellence through sincere leadership and dynamic support staff along with using the right Management System Processes.

Corporate Social Responsibility

Pakistan Refinery Limited assesses the implications and effects of their decisions and policies on the components of the society and ensures that the interest is not affected by their actions.

Pakistan Refinery Limited takes a constructive interest in societal matters, which may not be directly related to the business. Opportunities for involvement - for example through community, educational or donation programmes will vary depending upon the scope for useful private initiatives.

Global Compact Principles

PRL has adopted UN Global Compact Principles stated as follows:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all form of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.


PRL
PAKISTAN REFINERY LTD.
MOGAS
HSD
KEROSENE
JET FUEL JP-1
JET FUEL JP-8
FURNACE OIL
NAPHTHA
M.T.T. & LPG

Company Information

Chief Financial Officer
Imran Ahmad Mirza

Company Secretary
Kashif Lawai

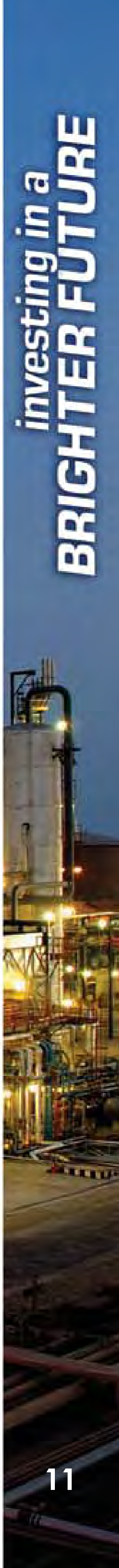
Auditors
A. F. Ferguson & Co.

Legal Advisor
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Pvt) Ltd.
State Life Building 1-A, 1st Floor
I.I. Chundrigar Road, Karachi-74000

Bankers
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citi Bank N.A.
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office
P.O. Box 4612
Korangi Creek Road, Karachi-75190
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk



Board of Directors

Mr. Farooq Rahmatullah
Chairman

Mr. Rahmatullah is a law graduate from University of Peshawar. He joined Burmah Shell Oil and Distribution Company in 1968 and worked in different capacities i.e. chemicals, human resources, marketing, supply, distribution, retail, etc. Transferred to Shell International London in 1994, he was appointed as a Manager in the Business Strategy Division and was involved in various portfolios covering over 140 countries. On his return in 1998, he was appointed as Head of Operations of Shell Pakistan and was looking after Middle East and South Asia (MESA). In 2001 he was appointed as Chairman of Shell Companies in Pakistan and Managing Director of Shell Pakistan Limited. He has been a founding member of PAPCO (Pak Arab Pipeline Company Limited). He retired from Shell on June 30, 2006. He has also served as Director General of Civil Aviation Authority of Pakistan, Chairman of Oil and Gas Development Company Limited and Chairman of LEADS Pakistan.

He has been Chairman of Pakistan Refinery Limited (PRL) since June, 2005. In addition to this, he is currently serving on the Board of Directors of Faysal Bank Ltd, founding member of Pakistan Human Development Fund, director on the Board of Society for Sustainable Development, member of Resource Development Committee of Aga Khan University Hospital, member of National Commission of Government Reforms and member of Pakistan Stone Development Company.

Mr. Ijaz Ali Khan
Managing Director & CEO

Mr. Khan is an Engineer by qualification and has extensive experience with international oil companies. He initially joined Burmah Shell Pakistan but left after few years to work for Aramco, Dhahran, Saudi Arabia. During his tenure in Aramco for over two decades, he worked in various professional and managerial capacities in engineering, planning and operations.

He returned in 1997 to join Shell Pakistan Limited and retired as Director Operations in 2008. While with Shell, he was also a Director on boards of Pak Arab Pipeline Company Limited and Pakistan Refinery Limited in addition to being on the board of Shell. As GM (S&D) he was also on the Leadership Team of Shell Middle East & Asia Distribution Leadership Team.

He subsequently joined Pakistan Refinery Limited as Managing Director & CEO in 2008 and is also on the board of Pak Grease Manufacturing Company (Private) Limited.

Mr. Sarim Sheikh
Director

Mr. Sarim joined Shell in 1995, as a Retail Territory Manager for Lahore, Pakistan. In 1997 he moved to Karachi as a Marketing Category Manager responsible for Lubricants & Services. In 1999 he was appointed as Convenience Retailing Manager responsible for Shell's C-Stores, car wash and other ancillary facilities across Pakistan. In 1999 he moved to an International assignment as Class of Market Manager for Middle East and South Asia, covering transport the largest segment in the region and 21 countries including India, KSA & CAS. In 2001 he moved to UK to become the Global Marketing Manager for Shell Transport business covering Fuels, Lubricants and Cards business in 140 countries across the Globe.

In 2004 he joined the Shell Downstream Strategy group where he was responsible for key Strategic business Reviews and M&A projects. In 2006, in addition to his responsibility he took over the role of Downstream Value Assurance Manager, where he was asked to provide oversight for all major Downstream & Wind Energy Investment and M&A projects exceeding US$ 30 million.

In 2007, Sarim moved to Hague, Netherlands as Cluster General Manager for Shell Lubricants business covering 55 countries in Europe, Africa and Latin America. During his term he also served as Director on the Boards of Shell Lubricants Supply Company b.v. and Shell Kamekalija Nafta d.o. (Shell Croatia).

After successful completion of his assignment in early 2011, he moved to Pakistan in his current role. Currently, he also serves on the Boards of Pakistan Refinery Limited, Pak-Arab Pipeline Company Limited, Shell Oman Marketing Limited in addition to various Industry Associations and Philanthropic bodies.

Mr. Mohammad Zubair
Director

Mohammad Zubair is Country Representative for Chevron Pakistan with overall responsibility of representing the company at all forums in the Country and executing strategies to achieve business plan targets. He holds degrees in Professional Accounting, Commerce and Laws from Pakistan and Canada. Other than several management and professional studies with American Management Association in the United States, he graduated in “Senior Executive Education” from Columbia University, New York, USA.

Mr. Zubair joined Chevron (formerly known as Caltex) as a Management Trainee in Karachi in 1977. He was transferred to Internal Audits in 1979 and was promoted to the position of Manager Internal Audits in 1987. From April 1989 he was involved extensively in the international audits and 50% of his time was allocated to financial and management audits in Singapore, Thailand, Dubai, Bahrain and Egypt.

In 1993, he was selected Chief Internal Auditor of newly formed Company 'Star Refinery - Thailand'. He served Star Refinery from the grass-root level until the refinery came upstream in 1996 and was awarded Chairman's Award for his performance on this assignment. In August 1996, he was assigned to Caltex Headquarters in Dallas, USA. During the J-1 assignment of executive training and development, he worked with Comptroller Division, Planning, Tax and Treasury Operations.

On his return from Dallas to Pakistan, he was appointed as Chief Financial Officer (CFO) and then appointed to the Board of Caltex Oil Pakistan in January 1998. In October 1998, he was appointed Director Fiscal and Business Support Services with oversight responsibility of business support services at Chevron Pakistan.

In January 2005, he was appointed Group CFO of Pakistan and Middle East countries. Later, Egypt was also added to his area of responsibility. He served as a member on several boards until recently (Feb 11) where Chevron have joint ventures in Middle East which include Emirates Petroleum & Products Company (EPPCO) in U.A.E., Chevron Albakri Limited in Saudi Arabia and Qatex in Qatar. Effective July 1, 2010, he was designated as Country Representative for Chevron Pakistan.

Mr. Jahangir Ali Shah
Director

Mr. Jehangir Ali Shah is a veteran of Pakistan's oil industry with nearly 25 years of experience in Pakistan State Oil (PSO). Holding a Masters Degree from McGill University, Mr. Shah joined PSO in the late 1980's as a Grade VII employee.

Working his way up, he reached the position of General Manager Consumer Business and was later given the portfolio of Retail Business and was appointed as General Manager Retail. During the course of his career at PSO, Mr. Shah gained a great deal of exposure of different operational areas of the business.

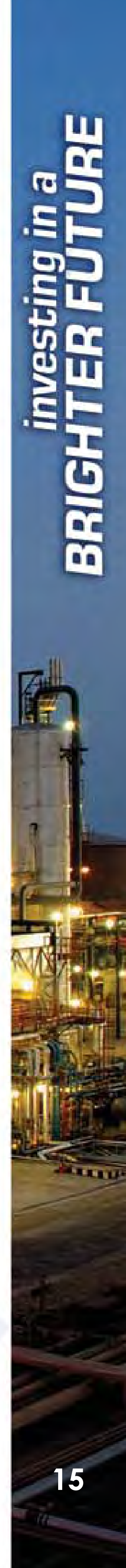
With an intimate knowledge of the workings of both the energy sector as a whole and PSO in particular, Mr. Shah was appointed as the Managing Director PSO by the GoP in April 2011 and currently holds this position.

Mr. Muhammad Azam
Director

Mr. Muhammad Azam holds the degree of Civil Engineering from Curtin University of Technology, Perth, Australia. He also holds degree in Petroleum Geology from University of Punjab, Lahore, Pakistan. He has vast experience of over three decades in Ministry of Petroleum and Natural Resources (MoP&NR) in various capacities including upstream and downstream oil industry.

Mr. Azam has been actively involved in upstream and downstream operations including formulation and implementation of petroleum policies along with identifying investment opportunities for upstream and downstream oil industry. He has also been involved in planning, development and implementation of various infrastructure projects.

Mr Azam has attended a number of training courses and workshops on Petroleum industry including project management, refining, processing and marketing of POL products, skill development and leadership, etc. He is currently serving MoP&NR as Director General (Oil).



Mr. Muqtadar A. Quraishi
Director

Mr. Quraishi joined Caltex Oil Pakistan Limited (now Chevron Pakistan Limited) in 1990. He has worked in different functions and capacities in this organization which include market development, design and engineering, project management, LPG, operations and supply. Prior to joining Chevron he worked for various organizations which included Exxon Chemicals Pakistan, Enar Petrotech, KNPC (Kuwait) and NDFC. At Chevron Pakistan Limited he currently looks after the Value Chain Optimisation function and covers Pakistan, Egypt and Middle East. Mr. Quraishi is a mechanical engineer and business graduate with degrees from Brown University and Cornell University in the USA and an MBA from IBA, University of Karachi.

Mr. Saleem Butt
Director

Mr. Butt has a 22 years diverse experience in Finance, Corporate Affairs, Supply Chain, Sales, Management, Human Resources, Administration, IT and ERP Project Implementation. He started his career with a Chartered Accountant Firm that is now part of Price Waterhouse Coopers in Pakistan for six years. He spent 14 years with various Shell Group of Companies in Pakistan and abroad. He also worked with Emaar Pakistan Group, a subsidiary of Emaar Properties PJSC, UAE as Chief Operating Officer. His current employment is with Hascol Petroleum Limited as Executive Director & Chief Operating Officer.

He is a Chartered Accountant and obtained a Bachelors of Commerce degree from the University of Karachi. In 1992, he was awarded an Associate Membership of the Institute of Chartered Accountants of Pakistan further obtaining a Fellow membership in 2004. He is also a non executive Director on the Boards of TRG Pakistan Limited.

Mr. Rafi Haroon Basheer
Director

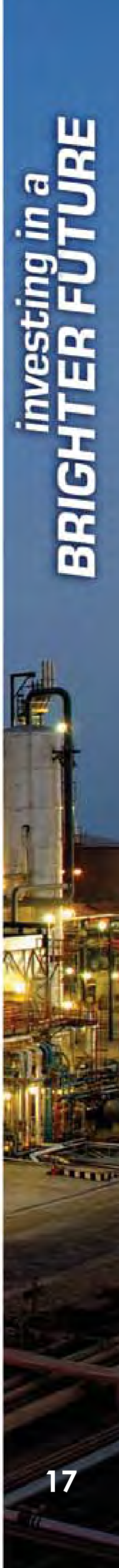
Mr. Rafi is a Chartered Accountant and career finance professional and currently the Finance Director of Shell Pakistan Limited.

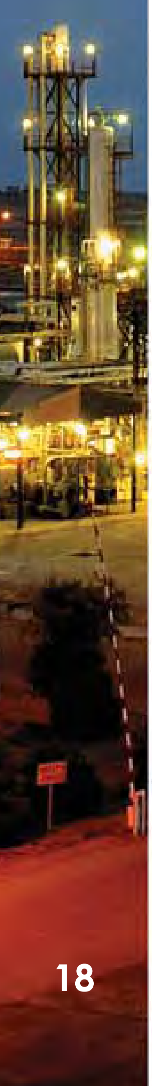
Mr. Chang Sern Ee
Director

Mr. Ee is a graduate with a chemical engineering degree from National University of Singapore and MBA from University of Hull, UK. He currently works for Shell Eastern Petroleum Limited as a General Manager of Downstream Manufacturing, Joint Ventures East. Other than PRL, he also supports various board and shareholder's duties in other Shell's joint ventures in the Middle East, Japan and China. His background is largely in the oil refining area and has worked in Exxon Mobil and Kellogg Brown and Roots. For the past 20 years of his career, he has worked with more than 50 refineries / petrochemical plants in Japan, Korea, China, Taiwan, Philippines, India, Thailand, Malaysia, Indonesia, Singapore, Australia and New Zealand as a technologist, technology and catalyst licensor and technical director. While most of his career is based in Singapore, he has spent 3 years in Shell Research Technology Center Amsterdam as a technologist consultant.

Mr. Khawaja Nimr Majid
Director

Mr. Nimr is a Barrister-at-Law and currently serving as Chief Executive of Dadu Energy (Private) Limited. In addition to this, he is also a Director of Bawany Sugar Mills Limited, New Dadu Sugar Mills (Private) Limited and Tando Allayar Sugar (Private) Limited.





Board Committees

Human Resources Committee

Members:
Mr. Mohammad Zubair
Mr. Farooq Rahmatullah
Mr. Jehangir Ali Shah
Mr. Sarim Sheikh

Terms of reference:
The HR Committee Comprises of three members, including the Chairman, from the non-executive Directors of the Board. During the period the Committee held three meetings on a required / directed basis. The HR Committee has been delegated the role of assisting the Board of Directors in ensuring that the Company is able to attract and retain a professional, motivated and competent workforce. To this end, the Committee evaluates and recommends salary structures, variable pay, key-position recruitments, succession plans etc. to the Board of Directors for their review and approval.

Board Technical Review Committee

Members:
Mr. Chang Sern Ee
Mr. Muqtadar A. Quraishi

Terms of reference:
The Board Technical Review Committee comprises of two non-executive Directors. It is responsible for removing barriers for realising the upgradation project for the Company's project team, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Project Steering Committee. This committee also reviews and engages with technical managers for HSEQ matters.

Audit Committee

Members:
Mr. Rafi Haroon Basheer
Mr. Saleem Butt
Mr. Amr Ahmed

Terms of reference:
The Audit Committee comprises of three members, including the Chairman, from non-executive Directors of the Board all of whom have sufficient financial management expertise. The Chief Internal Auditor is the Secretary of the Committee.

The Committee held four meetings during the year and held separate meetings with the Chief Financial Officer, Chief Internal Auditor and External Auditors as required under the Code of Corporate Governance. The attendance of each Director in the said meetings is given below:

Name of Director	Total No. of meetings*	Meetings attended
Mr. Rafi Haroon Basheer	**4**	**4**
Mr. Saleem Butt	**4**	**4**
Mr. Amr Ahmed	**3**	**3**

*Held during the period, concerned Director was the member of the Committee.

The Audit Committee is responsible for the following:

- Recommending to the Board of Directors the appointment of external auditors by the shareholders. The Committee shall consider any question of resignation / removal, audit fee and provision of other services by external auditors.
- Determining appropriate measures to safeguard the Company's assets.
- Review of preliminary announcements of results prior to publication.
- Review on interim and annual accounts prior to the Board of Directors' approval, focusing on:
  - Major judgmental areas;
  - Significant adjustments resulting from audit;
  - Going concern assumption;
  - Changes in accounting policies and practices;
  - Compliance with applicable accounting standards, listing regulations and other regulatory requirements.
- Discussion on audit issues with external auditors, review of management letter and management response thereagainst and ensuring coordination between internal and external auditors.
- Review of scope and extent of internal audit, consideration of major findings and ensuring that internal audit function has adequate resources and is appropriately placed within the Company.
- Consideration of major findings on internal investigations and management response thereto. Ascertaining the adequacy and effectiveness of internal control system.
- Review of Company's statement on internal control prior to its endorsement by the Board of Directors. 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 Officer and to consider remittance on any matter to the external auditors or to any other body.
- Monitoring compliance with statutory requirements and Code of Corporate Governance and identification of significant violations thereof.
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

Refinery Leadership Team

Front Row:
(Left to Right)

Mr. Ijaz Ali Khan	Managing Director & CEO
Mr. Aftab Husain	Deputy Managing Director
Mr. Imran Ahmad Mirza	Chief Financial Officer
Mr. Khalid Junejo	General Manager Human Resource
Mr. Naman Shah	General Manager Technology & Inspection

Back Row:
(Left to Right)

Mr. Kashif Lawai	Company Secretary
Mr. Muhammad Azhar	General Manager Operations
Mr. Muhammad Ali Mirza	General Manager Supply & Oil Opertations
Mr. Asad Hasan	Senior Manager Projects
Mr. Mohammad Khalid	Senior Manager Maintenance
Mr. Shehrzad Aminullah	Chief Internal Auditor

Management Committees

Purchase Committee

Purchase Committee is responsible for ensuring that all procurement activities are conducted in a transparent and objective manner and the same is duly monitored by the senior management representatives of the Committee.

Recruitment and Selection Committee

Recruitment and Selection Committee is responsible for ensuring that the Company adds only top-class talent to its existing talent pool in order to sustain standards of professionalism and competence in the Company. The Committee consists of managers with diversified experience in order to ensure recruitment of well-rounded individuals.

Policies & Procedures Review Advisory Committee

This Committee is responsible for ensuring that Company policies are as per market practices and in line with regulatory requirements and that well laid-out and documented procedures exist for these policies. The Committee is responsible for the regular review of these policies and procedures to ensure that they remain relevant and appropriate over time.

Project Steering Committee

Project Steering Committee is responsible to facilitate and support the project manager by ensuring adequate involvement in the project by various stakeholders. It also acts in an advisory capacity regarding major decisions at venture level and scope decisions and provision of assistance for resolution of resourcing issues.

Ethics Committee

Ethics Committee is responsible for ensuring that Company's operations are conducted in conformity with organisational objectives and policies with high standards of values and ethical conduct. The Company has defined policies regarding harassment, acceptance of gifts, conflict of interest etc. and no deviations are tolerated.

Chairman's Review

On behalf of the Board of Directors, I am pleased to welcome you all to the 51st Annual General Meeting of your Company to present the annual review of its operations and audited financial statements for the year ended June 30, 2011.

The Company took an upturn during the financial year 2010-11 after two consecutive loss years and posted annual profit after tax of Rs 223.96 million as compared to the losses of Rs 2.98 billion and Rs 4.57 billion during 2009-10 and 2008-09 respectively. In the current financial year, as there was no material progress on the financing arrangement and considering other options available for completion of the upgradation project, Company has written off capital-work -in progress amounting to Rs 1.39 billion relating to the cost associated with the Refinery upgradation project incurred in prior years. Had there been no such extra ordinary charge, the profit of the Company would have been higher. The Company continues to strive for the completion of the Refinery upgradation project through alternate cost effective options including purchasing & installing preowned units for compliance with GoP directive to produce Euro II specs High Speed Diesel and to improve profitability.

During the year Refinery processed 1.60 million M.tons of crude oil with average daily intake of 4,802 M.tons. Refinery's crude recipe was modified during the year with substantial processing of Murban crude which resulted in optimisation of product slate and together with increase in POL prices, sales revenue also increased by 26 percent during the year. The Company successfully completed 22 days plant turn-around activity during the month of May 2011 for major overhauling and maintenance work of the Refinery.

The Company management continued the process of strengthening controls and processes in all departments. Your Company is committed to the quality products and the environment to ensure health & safety of its employees, customers & contractors. Focus on operating cost management and operational excellence remained supreme in all areas to ensure sustainability of the Refinery in these testing times.

Your Company remained compliant with all applicable HSEQ standards including National Environment Quality Standards (NEQS) during the period under review. Products supplied to customers remained within the specifications of Pakistan Standard & Quality Control Authority (PSQCA).

During the year, new Board of Directors was constituted consequent to election of Directors held in the Extraordinary General Meeting of the Company held on May 31, 2011. The Board of Directors will continue to endeavor to deliver maximum value to its shareholders.

I would also like to take this opportunity to thank our shareholders, staff, all outgoing directors and customers for their continued support and commitment in ensuring the sustainable operations of the Company.

Farooq Rahmatullah
Chairman
Karachi: September 16, 2011

Directors' Report

The Directors of your Company are pleased to present their Annual Report together with Audited Financial Statements for the year ended June 30, 2011.

1. Financial Results

	2011	2010
	(Rupees in thousand)	
Profit / (Loss) after taxation	223,956	(2,975,215)
(Accumulated loss) / unappropriated profit as at July 01	(1,141,096)	19,698
Appropriations:		
2011: Nil (2010: Nil)	-	-
Loss transferred to Special Reserve	-	1,814,421
Accumulated loss as at June 30	(917,140)	(1,141,096)
Earnings / (Loss) per share	Rs 6.40	(Rs 85.01)

After two consecutive challenging financial years, Company earned profit after tax of Rs 223.96 million during the year under review. This was possible due to favourable refining margins, effective inventory management and sustainable Rupee / USD parity.

The auditors have given paragraphs of emphasis drawing attention to the following:

- Write off of Rs 1.39 billion relating to Refinery Upgrade Project in the current year which was included in capital-work-in-progress as at June 30, 2010.
- Conditions that affect the Company's ability to continue as a going concern.

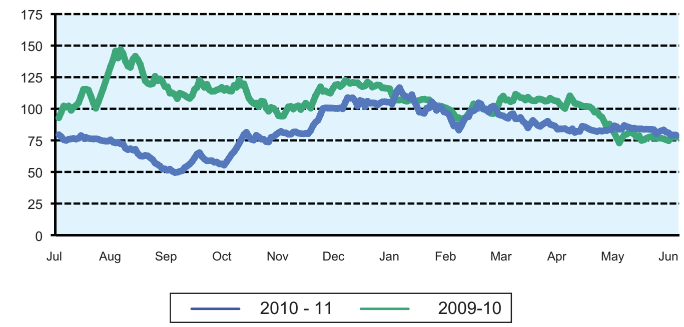
The Company had earlier recognised capital-work-in-progress (CWIP) amounting to Rs 1.39 billion as at June 30, 2010 relating to cost associated with the refinery upgradation project which has been written off during the year. The Company has not abandoned the refinery upgrade project which is imperative for the long term sustainability of the refinery operations.

During the year, the financial position of the Company has improved and it has earned a profit after taxation of Rs 223.96 million and generated cashflows of Rs 1.64 billion from operating activities. Consequently, negative equity balance has reduced to Rs 567.01 million as at June 30, 2011 (2010: Rs 795.12 million) and excess of current liabilities over current assets has reduced to Rs 1.85 billion (2010: Rs 3.35 billion) due to these positive factors. Further, the pricing mechanism of certain products, effective from June 1, 2011 has been revised by the Government of Pakistan which is expected to have a favourable impact on the Company's future profitability. Therefore, the Company believes that it will be able to realize its assets and discharge its liabilities in the normal course of business and will continue as a going concern.

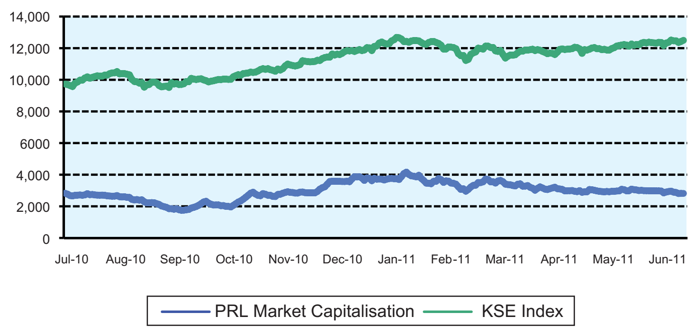
2. Dividend

The Directors are pleased to recommend a final cash dividend of 15% or Rs 1.50 per share which will be paid to the shareholders whose names appear on the shareholders' register on Wednesday October 19, 2011.

PRL SHARE PRICE TREND



KSE 100 Index & PRL Market Capitalisation



3. Corporate and Financial Reporting Framework

- The Financial Statements of the Company have been prepared by the Management and represent fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes, wherever made, have been adequately disclosed. Accounting estimates are on the basis of prudent and reasonable judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored regularly.

4. Corporate Governance

The Company is committed to high standards of corporate governance. There is no departure from the best practice of corporate governance, as detailed in the listing regulations. The Company has been and shall remain committed to the conduct of its business in line with the Code of Corporate Governance and the listing regulations of the Stock Exchanges, which specify the role and responsibilities of the Board of Directors and management.

5. Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years is given on page 35 to the report.

6. Contribution to the National Exchequer and value addition

During the current year, your Company contributed an amount of Rs. 19.73 billion to the National Exchequer on account of direct and indirect taxes. In addition, the Company brought valuable Foreign Exchange of approximately USD 154.32 million into the economy, through the exports of Naphtha product, thereby contributing towards reducing burden on the country's balance of payments.

7. Revised pricing mechanism

Effective June 2011, Ministry of Petroleum & Natural Resources implemented decisions of Economic Coordination Committee of Cabinet on deregulation of pricing of Motor Spirit (MS), High Octane Blending Component (HOBC), Light Diesel Oil (LDO) and Aviation Fuels (JP-1 & JP-4&8). Under the revised pricing mechanism, the refineries are allowed to fix and announce ex-refinery prices of these products on a monthly basis within given parameters. This change is expected to have a positive impact on the financial performance of the Company.

The government also requires that each refinery should set up an Isomerisation Unit to improve the quality / production of Motor Spirit (Petrol) and install Diesel Hydro De-Sulphurisation project to produce Euro-II low sulphur environment friendly diesel by June 2014. As mentioned earlier, the Company has already taken steps to meet this deadline.

8. Refinery Management and Operations

Stock Management & Oil Movement

During the year, fuel oil loading gantry was re-commissioned in minimum possible time and successfully started operations resulting in additional revenues. Further, stock management process was improved for reduction of the discrepancies in custody transfer and process loss.

Turnaround 2011

During the year, a planned major turnaround activity was carried out for a total 22 days to undertake major overhauling and maintenance work of the Refinery after 56 months of continuous operations, which is the longest period in the 50 year history of the Refinery.

Planned shutdown of a refinery is a very complex and methodological process which requires thorough planning and tireless execution of work. This also includes various pre-shutdown activities that are carried out months prior to the shutdown itself to ensure timely availability of resources.

During turnaround major overhaul, repair works and painting was carried out of critical plant piping, heat exchangers, air coolers, crude towers, rotating equipments, instrumentation and electrical equipments, in order to rectify wear and tear and protect the same from environmental degradation and to ensure un-interrupted operations of the Refinery. Apart from the above, following major projects were completed during the turnaround:

• Replacement of Platformer Stabilizer Column 311-EN

A revamp study of Platformer Unit was earlier carried out by an independent consultant with the objective to determine modifications required to increase the capacity of the unit from 320 MT/day to 500 MT/day and thereby increasing MS production. To achieve this objective, Platformer Stabilizer Column (311-E) was replaced with higher capacity and more efficient column (311-EN).

• Upgradation / replacement of Crude and Hydro Unit Distribution Control System (DCS)

DCS was installed on Crude and Hydro Units in 2004. Due to technological changes, major hardware was required to upgrade for safe and smooth plant operations.

The DCS has been upgraded with latest Honeywell breakthrough Experion Process Knowledge System (PKS) with better proven technology and life cycle span. This project was successfully and safely completed within the challenging timeframe mainly through local technical support using indigenous human resources with increased safety thereby saving cost and reducing the execution period. Control system of boilers was successfully transferred to new Distribution Control System (DCS) stationed in central control room to improve operational performance.

Refinery Upgradation

The Company is committed to upgrade its product lines of High Speed Diesel (HSD) and Motor Spirit (Petrol) in compliance with the directives of the Ministry of Petroleum & Natural Resources dated May 31, 2011. To achieve this objective during the current year, refinery upgrade project strategy was revisited to take advantage of global recessionary environment by exploring other cost effective options including purchasing and installing pre-owned units for compliance with GOP directive to produce Euro II specs HSD and to improve profitability.

Recently the Company has engaged a global engineering contractor to perform due diligence for an Isomerization Unit to improve the quality / production of Motor Spirit (Petrol). Based on the findings and recommendations, the Company may choose to initiate commercial negotiations for procurement of such units.

9. Corporate Social Responsibility (CSR) Social Citizenship - A Corporate Commitment

The Company being a responsible corporate citizen is committed to ensure that materials and products produced are both environment friendly and technically sound. CSR practice impacts the community stakeholders and the environment. CSR strategy demonstrates good faith, social legitimacy and commitment.

During the year, donations were also made for Internally Displaced Persons (IDPs) and victims of last year's devastating floods.

10. Human Resources

During the period efforts were directed towards staff training and cross business developments keeping due focus on cost effectiveness thereby improving the working environment within the Company. Internship opportunities were provided to students of various disciplines, industrial visits were facilitated and guidance was provided to students for their research projects.

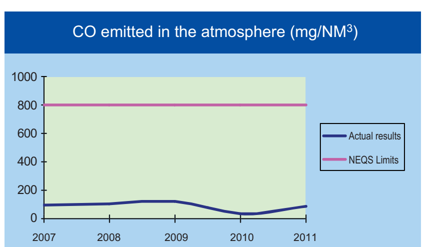
The focus on increased communication and engagement with employees continued unabated with regular company-wide communication meetings, leadership team meetings, departmental meetings, meetings of HSEQ teams and management reviews.

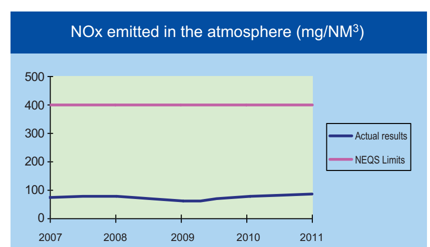
11. Health, Safety, Environment & Quality (HSEQ)

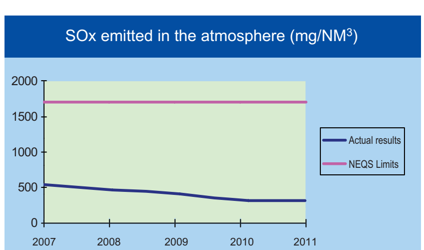
The leadership commitment to HSEQ sustainable development is clearly reflected in the Company's HSEQ Management System which is certified through the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. PRL was the recipient of the Annual Environment Excellence Award from National Forum for Environment & Health and OH&S Best Practice Award Trophy from Employers' Federation of Pakistan.

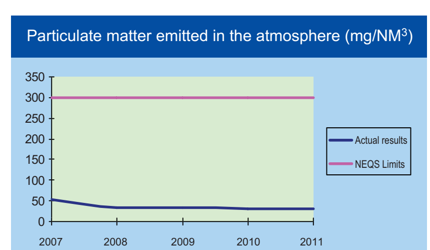
- **Shipping and Marine Business:** The Company has made significant improvements in the management of maritime risks by aligning its shipping business with international standards. The Company only employs STASCO approved double hull vessels, maintain continuous liaison with KPT through OCAC for improvement of jetty standards. In addition, detailed risk assessment of the ship to shore interface along with its mitigation, preparation of oil spill response and stakeholder engagements are some of the steps taken by the management to ensure continuous improvements in the maritime business.

- **Emissions, Effluent and Ambient Air Quality Test:** The Company continues to share its emission and effluent test results with Sindh EPA and Pakistan EPA under Self Monitoring and Reporting Tool (SMART) programme. Ambient air quality is being monitored annually and all results are within permissible limits.









- **Soil and Ground Water Monitoring:** Soil and ground water testing is also being performed on annual basis to monitor and ensure continual improvements.

- **Health Risk Assessment**: Health Risk Assessment has been conducted during the period to ascertain and mitigate the impact of various operational activities on the health of employees.

- **Driving Policy and Transport Safety Management:** The Company Driving Policy provides HSE guidelines to all Company and contractors' drivers for driving Company related vehicles in a safe manner. Additionally, regular defensive driving courses are conducted for staff to reinforce transport safety management.

- **Crisis Management & Mock Drills:** PRL has an established Emergency Response and Crisis Management plan. Mock drills were conducted at product storage tank at Keamari Terminal and an unannounced drill at Korangi to check the effectiveness of ERS and timely deployment of resources.

- **Environment:** World Environment Day was celebrated to appreciate the importance of environment in our daily lives. The year 2011 has been declared by the United Nations as the International Year of Forests. World Environment Day this year reinforced this global concern with the official tagline - Forests: Nature at Your Service - a message focusing on the central importance to humanity of the globe's wealth of species and ecosystems.

12. Election of Directors

During the year, the term of office of the Board expired and elections were held on May 31, 2011. Following persons were elected as directors of the Company for a term of three years commencing June 7, 2011:

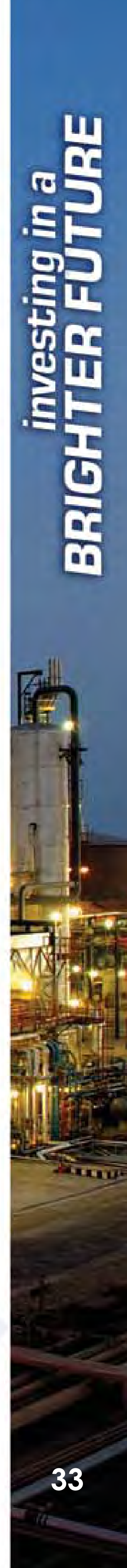
Mr. Farooq Rahmatullah	Mr. Muqtadar A. Qureshi
Mr. Sarim Sheikh	Mr. Saleem Butt
Mr. Jehangir Ali Shah	Mr. Rafi Haroon Basheer
Mr. Mohammad Zubair	Mr. Chang Sern Ee
Mr. Sabar Hussain	Mr. Khawaja Nimr Majid

13. Board of Directors and Board meetings held during the year

During the year, six meetings of the Board of Directors were held and the attendance of each director is given below:

Name of Director	Total No. of Board Meetings*	No. of Meetings Attended
Mr. Farooq Rahmatullah	6	6
Mr. Ardeshir Cowasjee	4	1
Mr. Amr Ahmed	4	3
Mr. Chang Sern Ee	2	2
Mr. Ijaz Ali Khan	6	6
Mr. Khong Kok Toong	4	4
Mr. Irfan K. Qureshi	4	2
Mr. Jehangir Ali Shah	2	2
Mr. Khawaja Nimr Majid	2	2
Mr. Mohammad Zubair	2	2
Mr. Muqtadar A. Quraishi	6	6
Mr. Rafi Haroon Basheer	6	6
Mr. Sabar Hussain	6	6
Mr. Saleem Butt	6	6
Mr. Sarim Sheikh	2	2
Mr. Zaiviji Ismail bin Abdullah	4	4

*Held during the period when concerned Director was on Board.



The Board places on record its appreciation for the valuable services rendered by the outgoing directors Mr. Ardeshir Cowasjee, Mr. Amr Ahmed, Mr. Khong Kok Toong, Mr. Irfan K. Qureshi, Mr. Nadeem N. Jafarey and Mr. Zaiviji Ismail bin Abdullah. The Board also welcomes Mr. Chang Sern Ee, Mr. Jehangir Ali Shah, Mr. Khawaja Nimr Majid, Mr. Mohammad Zubair and Mr. Sarim Sheikh on Board.

14. Chairman’s review endorsement

The Directors duly endorse the contents of Chairman's Review.

15. Trading in Company shares

Directors, CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year under consideration.

16. Value of Investment in Post-Employment Benefit Funds

The value of investments of provident, gratuity and pension funds on the basis of unaudited accounts as at June 30, 2011 was as follows:

	(Rupees in '000)
Provident Fund	203,926
Gratuity fund - management staff	50,506
Gratuity fund - non-management staff	40,824
Pension fund - management staff	454,024
Pension fund - non-management staff	18,026

17. Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2011 is given on page 42 to the report.

18. External Auditors

The Auditors Messrs A.F. Ferguson & Co. Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

19. Acknowledgement

We would like to take this opportunity to thank our employees, customers and strategic partners for their support and commitment towards sustainable operations during these trying times. The Board also places on record its gratitude to its esteemed shareholders, Government of Pakistan and regulatory bodies for their continued support.

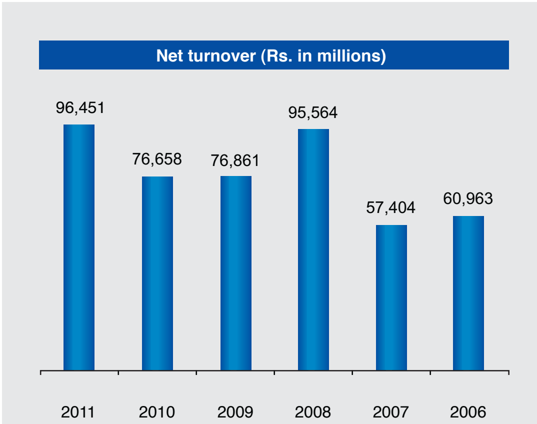
On Behalf of the Board of Directors

Farooq Rahmatullah
Chairman
Karachi: September 16, 2011

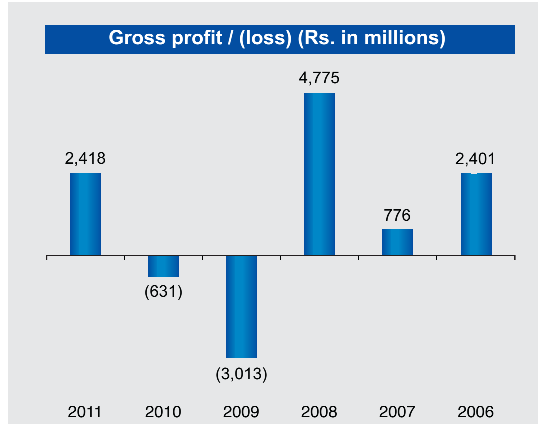
Key Operational and Financial Data

Six Years Summary

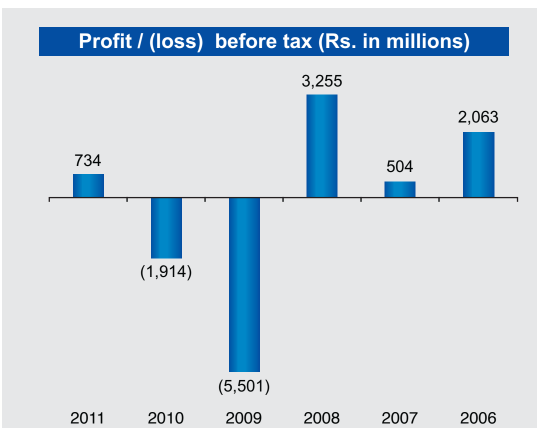
		2011	2010	2009	Restated 2008	Restated 2007	Restated 2006
Profit and loss							
Revenue (net)	Rs/mn	96,450.6	76,658.3	76,861.1	95,564.0	57,404.1	60,963.2
Gross profit / (loss)	Rs/mn	2,417.7	(630.9)	(3,013.1)	4,774.9	776.0	2,401.4
Operating profit / (loss)	Rs/mn	937.5	(794.8)	(3,038.6)	3,843.2	579.0	2,084.8
Profit / (Loss) before tax	Rs/mn	734.1	(1,914.4)	(5,501.4)	3,254.6	504.3	2,063.4
Profit / (Loss) after tax	Rs/mn	223.9	(2,975.2)	(4,571.7)	2,110.7	250.8	1,344.9
Earnings before interest, taxes, depreciation and amortisation	Rs/mn	1,074.0	(1,337.9)	(4,762.5)	3,630.5	706.7	2,189.7
Balance Sheet							
Share Capital	Rs/mn	350.0	350.0	350.0	350.0	300.0	250.0
Reserves	Rs/mn	(917.0)	(1,145.1)	1,829.3	6,455.9	4,505.1	4,301.5
Fixed assets	Rs/mn	4,359.0	5,598.9	2,342.8	989.9	952.1	816.7
Net current assets / liabilities	Rs/mn	(1,852.9)	(3,346.3)	(1,229.2)	5,767.8	3,711.0	3,639.6
Long term / deferred liabilities	Rs/mn	18.7	1.1	4.4	47.1	4.4	5.6
Surplus on revaluation of fixed assets	Rs/mn	3,143.9	3,143.9	-	-	-	-
Investor Information							
Gross profit / (loss) ratio	%	2.51	(0.82)	(3.92)	5.00	1.35	3.94
Net profit / (loss) ratio	%	0.23	(3.88)	(5.95)	2.21	0.44	2.21
EBITDA margin	%	1.11	(1.75)	(6.20)	3.80	1.23	3.59
Cash flow from operations to sales	%	1.70	(3.69)	(1.82)	1.16	(0.71)	3.85
Inventory turnover	Days	30.79	35.84	39.91	28.43	28.85	18.34
Debtor turnover	Days	49.39	72.73	56.74	27.22	26.91	22.75
Operating cycle	Days	(8.89)	(17.32)	0.39	7.26	3.94	7.88
Debtor turnover	Times	7.39	5.02	6.43	13.41	13.56	16.04
Creditor turnover	Times	4.10	2.90	3.79	7.54	7.04	10.99
Inventory turnover	Times	11.85	10.18	9.14	12.84	12.65	19.90
Total assets turnover ratio	Times	3.86	2.48	2.36	4.02	3.91	5.08
Fixed assets turnover ratio	Times	22.13	13.69	80.48	123.09	71.23	112.98
Market value per share at the end of the year	Rs.	80.45	78.57	89.80	151.38	221.95	213.90
Market value per share - high during the year	Rs.	118.87	149.79	149.87	301.00	334.50	457.50
Market value per share - low during the year	Rs.	50.02	74.01	48.61	133.85	190.00	195.00
Earning / (Loss) per share	Rs	6.40	(85.01)	(130.62)	60.31	8.36	53.80
Price earning ratio	Times	12.57	(0.92)	(0.69)	2.51	26.55	3.97
Cash dividend per share	Rs.	-	-	-	14.29	3.33	-
Stock dividend per share	%	-	-	-	16.67	-	45.00
Bonus shares issued	Rs.	-	-	-	50.00	50.00	50.00
Dividend yield	%	-	-	-	1.10	1.50	21.04
Dividend pay out	%	-	-	-	2.77	39.83	8.36
Dividend Cover	Times	-	-	-	21.11	2.51	13.45
Interest cover ratio	Times	5.19	-	-	16.37	7.69	58.66
Current ratio	Ratio	0.92:1	0.88:1	0.96:1	1.34:1	1.38:1	1.49:1
Quick ratio / acid test ratio	Ratio	0.45:1	0.57:1	0.6:1	0.72:1	0.68:1	0.81:1
Summary of cash flow statement							
Cash flows from operating activities	Rs/mn	1,638.04	(2,830.9)	(1,397.2)	1,110.1	(406.5)	2,346.5
Cash flows from investing activities	Rs/mn	(173.81)	(130.1)	(1,291.0)	(61.7)	(229.1)	(210.6)
Cash flows from financing activities	Rs/mn	(2,992.10)	(1,118.8)	3,952.0	(100.6)	(0.08)	(50.4)
Net cash flows during the year	Rs/mn	(1,527.9)	(4,079.8)	1,263.7	947.8	(635.75)	2,086



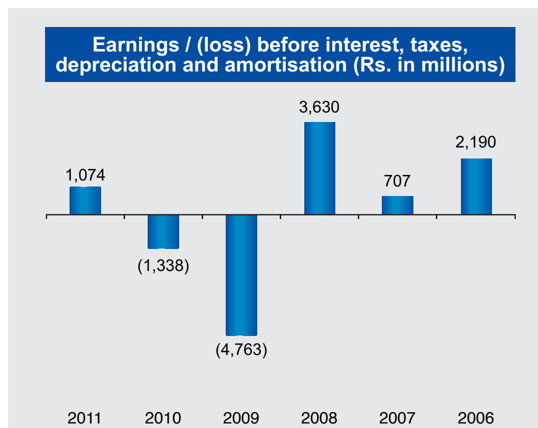
Net turnover (Rs. in millions)



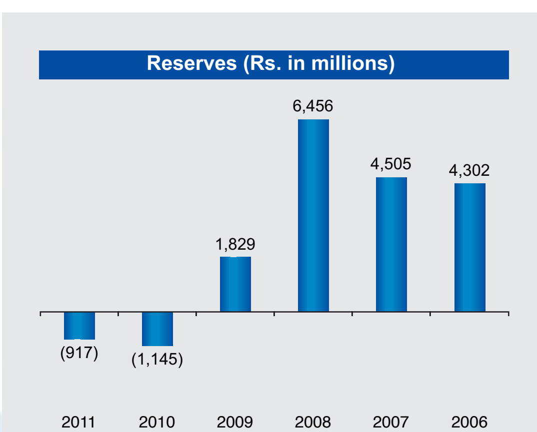
Gross profit / (loss) (Rs. in millions)



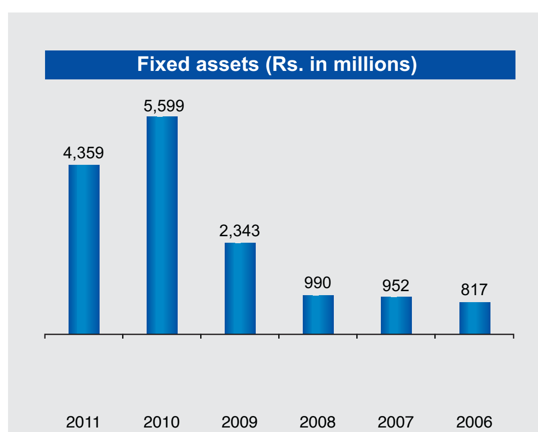
Profit / (loss) before tax (Rs. in millions)



Earnings / (loss) before interest, taxes, depreciation and amortisation (Rs. in millions)

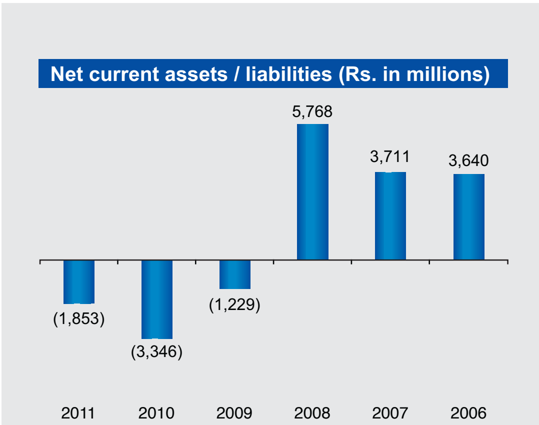


Reserves (Rs. in millions)



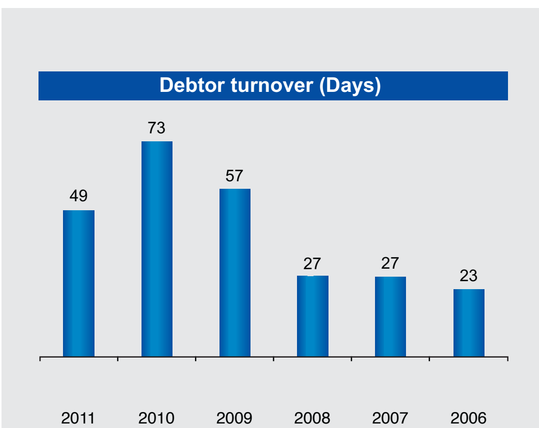
Fixed assets (Rs. in millions)

Net current assets / liabilities (Rs. in millions)

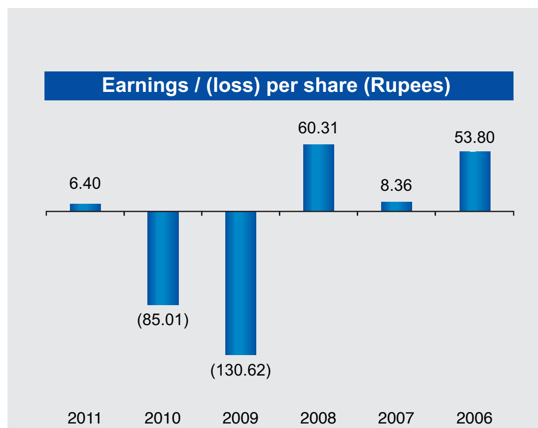


Inventory turnover (Days)

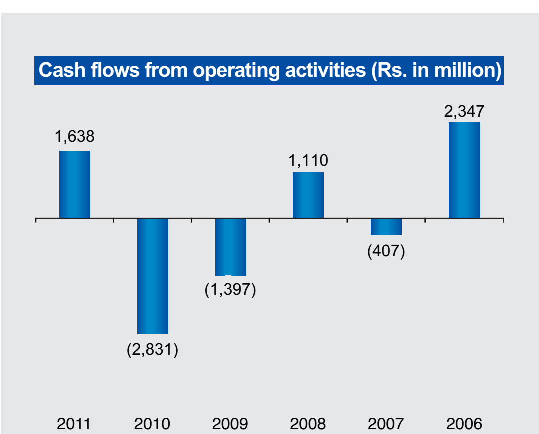
Debtor turnover (Days)



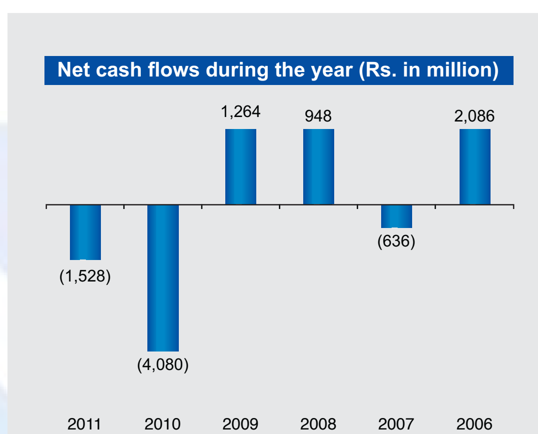
Earnings / (loss) per share (Rupees)

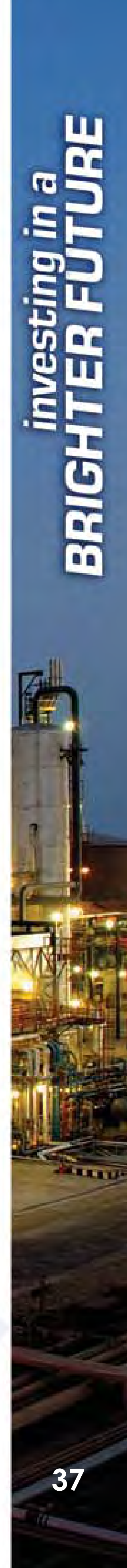


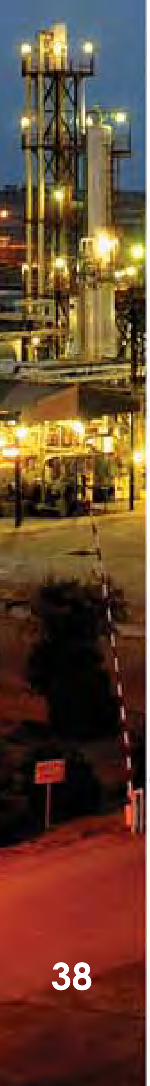
Cash flows from operating activities (Rs. in million)



Net cash flows during the year (Rs. in million)







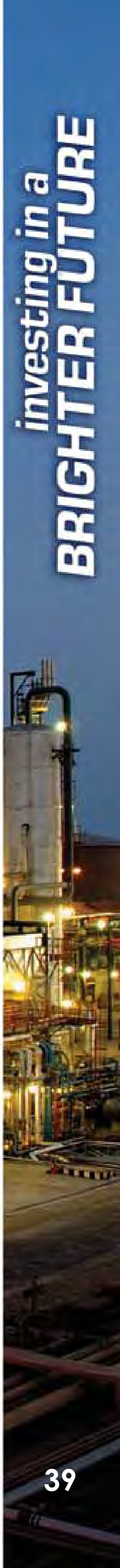
Horizontal Analysis of Balance Sheet

	2011	2010	2009	2008	2007	2006	2005
ASSETS							
Non-current assets							
Fixed assets	614.1	788.8	330.1	139.5	134.1	115.1	100.0
Investment in associate	140.3	132.5	113.9	115.8	107.5	100.6	100.0
Long-term loans and advances	63.8	111.3	209.6	172.9	139.3	142.9	100.0
Long-term deposits	478.0	473.6	485.3	485.3	100.0	100.0	100.0
Deferred taxation	-	198.3	23,318.6	-	919.7	100.0	-
Retirement benefit obligations - prepayments	-	-	80.9	185.0	773.6	619.8	100.0
Total non-current assets	573.3	734.1	439.8	139.9	141.6	118.2	100.0
Current assets							
Stores, spares and chemicals	120.9	107.8	114.2	111.2	109.2	134.7	100.0
Stock-in-trade	443.6	333.7	410.0	446.0	250.3	188.3	100.0
Trade debts	254.3	410.8	367.7	241.2	122.0	93.6	100.0
Loans and advances	150.4	135.5	83.0	108.4	129.5	149.2	100.0
Accrued mark-up	6.4	-	93.6	0.3	54.9	9.0	100.0
Trade deposits and short-term prepayments	96.1	93.8	17.1	97.9	98.4	112.3	100.0
Other receivables	9,074.8	11,042.8	15,680.3	7,826.4	126.5	28.1	100.0
Taxation - payments less provision	18.2	100.0	-	-	-	-	-
Tax refunds due from Government - Sales tax	-	104.9	49.4	46.5	364.5	205.9	100.0
Investments	-	-	-	16.6	9,175.5	100.0	-
Cash and bank balances	2.9	3.9	1,572.0	1,063.9	682.8	950.1	100.0
Total current assets	296.5	363.5	421.1	327.7	196.4	160.1	100.0
Total assets	324.4	400.8	423.0	308.8	190.9	155.9	100.0
EQUITY AND LIABILITIES							
Share capital	175.0	175.0	175.0	175.0	150.0	125.0	100.0
Reserves	(1,088.4)	(1,359.1)	17.7	82.9	154.0	91.4	100.0
Special reserve	-	-	60.9	214.3	146.8	141.8	100.0
Total equity	(17.4)	(24.4)	66.8	208.5	147.2	139.5	100.0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100.0	100.0	-	-	-	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	152.8	14.5	55.6	89.9	55.6	71.5	100.0
Deferred taxation	63.3	-	-	381.7	-	-	100.0
Total non-current liabilities	101.7	6.2	23.8	256.6	23.8	30.7	100.0
Current liabilities							
Trade and other payables	508.3	640.5	642.7	402.8	241.5	178.9	100.0
Short-term borrowings / running finance	719,463	1,338,274	1,732,462	-	-	12,270.0	100.0
Accrued interest / mark-up	238.8	516.8	-	815.6	20.9	92.4	100.0
Taxation - provision less payments	-	-	196.2	204.2	75.9	75.3	100.0
Payable to government - Sales tax	100.0	-	-	-	-	-	-
Total current liabilities	506.8	645.5	687.9	383.1	223.9	168.6	100.0
Total liabilities	505.1	642.8	685.1	382.5	223.0	168.0	100.0
Total equity and liabilities	324.4	400.8	423.0	308.8	190.9	155.9	100.0

Vertical Analysis of Balance Sheet

(as a percentage of total assets)

	2011	2010	2009	2008	2007	2006	2005
				(In percentages)			
ASSETS							
Non-current assets							
Fixed assets	17.5	18.1	7.2	4.2	6.5	6.8	9.2
Investment in associate	0.3	0.2	0.2	0.2	0.4	0.4	0.7
Long-term loans and advances	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Long-term deposits	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Deferred taxation	-	0.0	3.0	-	0.3	0.0	-
Retirement benefit obligations - prepayments	-	-	0.0	0.0	0.3	0.3	0.1
Total non-current assets	17.8	18.5	10.5	4.6	7.5	7.6	10.1
Current assets							
Stores, spares and chemicals	1.0	0.7	0.7	1.0	1.6	2.4	2.7
Stock-in-trade	36.2	22.1	25.7	38.3	34.8	32.0	26.5
Trade debts	40.0	52.2	44.3	39.8	32.6	30.6	51.0
Loans and advances	0.1	0.1	0.0	0.1	0.2	0.2	0.2
Accrued mark-up	0.0	-	0.0	0.0	0.1	0.0	0.2
Trade deposits and short-term prepayments	0.2	0.2	0.0	0.2	0.3	0.5	0.6
Other receivables	4.6	4.5	6.0	4.1	0.1	0.0	0.2
Taxation - payments less provision	0.1	0.4	-	-	-	-	-
Tax refunds due from Government - Sales tax	-	1.4	0.6	0.8	10.0	6.9	5.3
Investments	-	-	-	0.0	1.4	0.0	-
Cash and bank balances	0.0	0.0	12.0	11.1	11.6	19.7	3.2
Total current assets	82.2	81.5	89.5	95.4	92.5	92.4	89.9
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EQUITY AND LIABILITIES							
Share capital	1.4	1.1	1.1	1.5	2.0	2.1	2.6
Reserves	(3.7)	(3.7)	0.0	0.3	0.9	0.6	1.1
Special reserve	-	-	5.6	26.9	29.8	35.2	38.7
Total equity	(2.3)	(2.6)	6.7	28.6	32.7	37.9	42.4
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	12.6	10.2	-	-	-	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	0.05	0.00	0.01	0.03	0.03	0.05	0.10
Deferred taxation	0.0	-	-	0.2	-	-	0.1
Total non-current liabilities	0.1	0.0	0.0	0.2	0.0	0.0	0.2
Current liabilities							
Trade and other payables	80.3	81.9	77.9	66.9	64.9	58.8	51.3
Short-term borrowings / running finance	6.8	10.3	12.6	-	-	0.2	0.0
Accrued interest / mark-up	0.1	0.2	-	0.3	0.0	0.1	0.1
Taxation - provision less payments	-	-	2.8	3.9	2.4	2.9	6.0
Payable to government - Sales tax	2.3	-	-	-	-	-	-
Total current liabilities	89.6	92.4	93.3	71.2	67.3	62.0	57.4
Total liabilities	89.7	92.4	93.3	71.4	67.3	62.1	57.6
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0



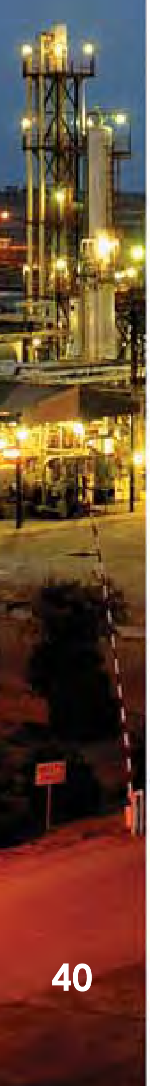
Horizontal Analysis of Profit and Loss Account

	2011	2010	2009	2008	2007	2006	2005
Sales	217.0	172.5	172.9	215.0	129.2	137.2	100.0
Cost of sales	(226.6)	(186.2)	(192.4)	(218.7)	(136.4)	(141.1)	(100.0)
Gross profit / (loss)	82.3	(21.5)	(102.6)	162.6	26.4	81.8	100.0
Distribution cost	(234.7)	(180.2)	(172.3)	(184.5)	(127.5)	(120.9)	(100.0)
Administrative expenses	(168.1)	(154.1)	(156.3)	(662.5)	(128.1)	(115.0)	(100.0)
Other operating expenses	(719.4)	(0.2)	(1.6)	(125.3)	(23.0)	(92.0)	(100.0)
Other income	468.9	189.6	398.2	223.9	111.6	112.9	100.0
Operating profit / (loss)	35.7	(30.3)	(115.7)	146.4	22.0	79.4	100.0
Finance costs	(707.7)	(3,786.3)	(8,270.1)	(2,047.3)	(272.8)	(136.9)	(100.0)
Share of income of associate	92.5	157.3	158.1	266.4	74.9	210.9	100.0
Profit / (Loss) before taxation	28.2	(73.5)	(211.2)	124.9	19.4	79.2	100.0
Taxation	(57.9)	(120.5)	105.6	(129.9)	(28.8)	(81.6)	(100.0)
Profit / (Loss) after taxation	13.0	(172.5)	(265.0)	122.4	14.5	78.0	100.0

Vertical Analysis of Profit and Loss Account

(as a percentage of sales)

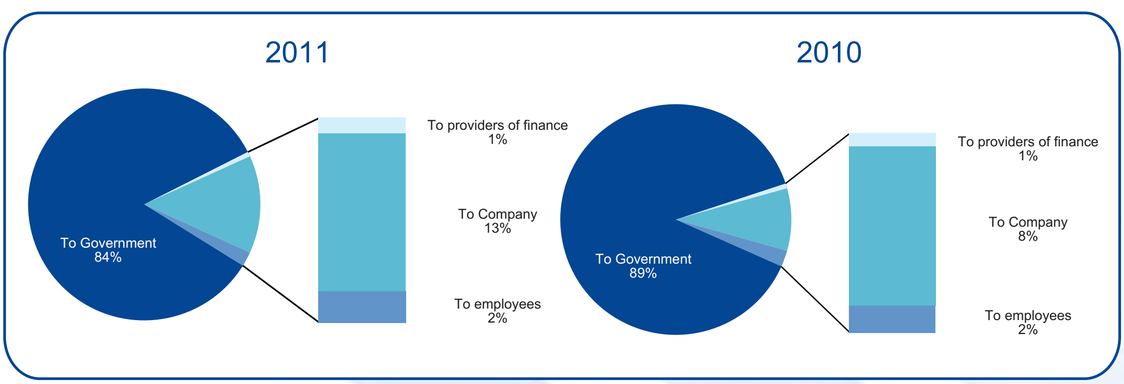
	2011	2010	2009	2008	2007	2006	2005
				(In percentages)			
Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(97.5)	(100.8)	(103.9)	(95.0)	(98.6)	(96.1)	(93.4)
Gross profit / (loss)	2.5	(0.8)	(3.9)	5.0	1.4	3.9	6.6
Distribution cost	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)
Administrative expenses	(0.2)	(0.2)	(0.2)	(0.7)	(0.2)	(0.2)	(0.2)
Other operating expenses	(1.502)	(0.001)	(0.004)	(0.3)	(0.1)	(0.3)	(0.5)
Other income	0.3	0.2	0.3	0.2	0.1	0.1	0.1
Operating profit / (loss)	1.0	(1.0)	(4.0)	4.0	1.0	3.4	5.9
Finance costs	(0.2)	(1.5)	(3.2)	(0.6)	(0.1)	(0.1)	(0.1)
Share of income of associate	0.01	0.02	0.02	0.03	0.01	0.03	0.02
Profit / (Loss) before taxation	0.8	(2.5)	(7.2)	3.4	0.9	3.4	5.9
Taxation	(0.5)	(1.4)	1.2	(1.2)	(0.4)	(1.2)	(2.0)
Profit / (Loss) after taxation	0.2	(3.9)	(5.9)	2.2	0.4	2.2	3.9



Statement of Value Addition and its Distribution

For the year ended June 30, 2011

	2011 Rupees in thousand	%	2010 Rupees in thousand	%
Wealth Generated				
Total gross revenue and other income	115,907,597		94,908,936	
Brought in materials and services	(93,733,318)		(77,782,557)	
	22,174,279	**100%**	**17,126,379**	**100%**
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	509,603	2.30%	467,122	2.73%
To Government				
Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	19,732,628	88.99%	19,190,307	112.05%
To society				
Donation towards earthquake victims, IDPs and health	1,237	0.01%	420	0.00%
To shareholders				
Dividends and bonus	-	0.00%	-	0.00%
To providers of finance				
Finance charges for borrowed funds	151,727	0.68%	281,750	1.65%
To Company				
Depreciation, amortisation and retained profit / (loss)	1,779,084	8.0%	(2,813,220)	-16.43%
	22,174,279	**100.0%**	**17,126,379**	**100.0%**



Pattern of Shareholding

as at June 30, 2011

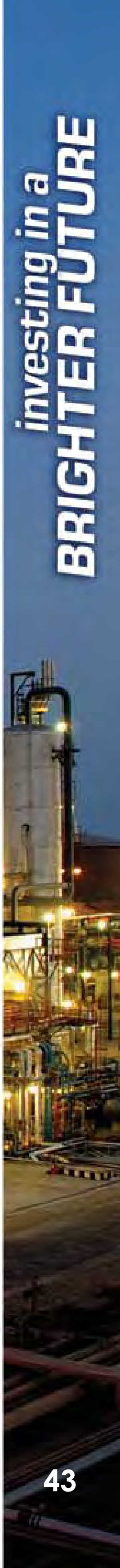
Number of Shareholders	Shareholding From		Shareholding To	Number of Shares Held
1,476	1	-	100	48,191
1,173	101	-	500	354,907
531	501	-	1,000	423,856
722	1,001	-	5,000	1,638,054
114	5,001	-	10,000	810,360
25	10,001	-	15,000	305,928
16	15,001	-	20,000	292,190
13	20,001	-	25,000	299,711
6	25,001	-	30,000	168,222
3	30,001	-	35,000	101,450
1	35,001	-	40,000	37,332
1	40,001	-	45,000	41,000
4	45,001	-	50,000	191,663
3	50,001	-	55,000	159,175
1	60,001	-	65,000	64,470
1	65,001	-	70,000	70,000
2	75,001	-	80,000	158,046
1	80,001	-	85,000	85,000
1	85,001	-	90,000	86,049
1	100,001	-	105,000	104,158
1	105,001	-	110,000	105,308
1	145,001	-	150,000	148,632
1	150,001	-	155,000	151,988
1	200,001	-	205,000	202,506
1	240,001	-	245,000	245,000
1	285,001	-	290,000	289,100
1	345,001	-	350,000	350,000
2	390,001	-	395,000	784,136
1	575,001	-	580,000	575,646
1	745,001	-	750,000	750,000
1	1,595,001	-	1,600,000	1,596,616
1	3,360,001	-	3,365,000	3,361,306
1	4,195,001	-	4,200,000	4,200,000
1	6,295,001	-	6,300,000	6,300,000
1	10,495,001	-	10,500,000	10,500,000
4,111				**35,000,000**

Pattern of Shareholding

as at June 30, 2011

Shareholder's Category	No. of Shareholders	No. of Shares	Percentage Issued Capital
Associated Companies and related parties	4	21,202,506	60.58
NIT and ICP	3	1,653,523	4.72
Public Sector Companies and Corporations	3	925,766	2.65
Banks, DFI's, Modarabas, Insurance, M.Funds	20	4,965,142	14.19
Others	15	66,267	0.19
Individuals	4,006	5,506,461	15.73
Joint Stock Companies and Body Corporates	60	680,335	1.94
Total	**4,111**	**35,000,000**	**100.00**

Associated companies, undertaking and related parties			
Shell Petroleum Co. Limited, London	1	10,500,000	30.00
Pakistan State Oil Company Limited	1	6,300,000	18.00
Chevron Texaco Global Energy Inc.	1	4,200,000	12.00
Faysal Bank Limited	1	202,506	0.58
NIT / ICP			
National Bank of Pakistan - Trustee Dept.	1	1,596,616	4.56
IDBP (ICP UNIT)	1	2,959	0.01
National Investment Trust	1	53,948	0.15
Directors, Chief Executive and their spouses and minor children			
Mr. Farooq Rahmatullah	1	3,500	0.01
Mr. Saleem Butt	1	2,500	0.01
Mr. Khawaja Nimr Majid	1	2,500	0.01
Public Sector Companies and Corporations	3	925,766	2.65
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	18	1,451,848	4.15
National Bank of Pakistan	2	3,513,294	10.04
Joint Stock Companies and Body Corporates	60	680,335	1.94
Individuals - other than Directors & their spouses	4,003	5,497,961	15.71
Others	15	66,267	0.18
Total	**4,111**	**35,000,000**	**100.00**



Notice of Annual General Meeting

Notice is hereby given that the Fifty First Annual General Meeting of the Company will be held on Wednesday October 26, 2011 at 9:30 am at Marriott Hotel, Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting of the Company held on May 31, 2011.

2. To review and approve the Audited Financial Statements for the year ended June 30, 2011 together with the Directors' Report and Auditors' Report thereon.

3. To approve final cash dividend recommended by the Board of Directors.

4. To appoint Auditors for the next accounting period i.e. year ending June 30, 2012 and to fix their remuneration.

The Share Transfer Books of the Company will remain closed from October 20, 2011 to October 26, 2011 (both days inclusive) when no transfer of shares will be accepted for registration.

By Order of the Board

Kashif Lawai
Company Secretary

Karachi: October 3, 2011

Notes:

1. A member of the Company entitled to attend and vote may appoint any other person as his / her proxy to attend and vote instead of him / her. Proxies must be received at the registered office of the Company or Share Registrar's office not less than 48 hours before the time of holding the meeting.

CDC account holders will further have to follow the under-mentioned guidelines as laid down 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 attending 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 / her original CNIC or original Passport at the time of attending 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.

C. Shareholders are requested to provide photocopies of their CNICs directly to our Share Registrar in order to meet the requirement of recently issued SECP's notification which states that the dividend warrant should bear CNIC number of the member. Shareholders are also requested to notify any change in their addresses to our Share Registrar, FAMCO Associates (Pvt) Limited, State Life Building 1-A, 1st Floor, I.I. Chundrigar Road, Karachi-74000.

2. The minutes of the Extraordinary General Meeting held on May 31, 2011 are available at the Registered Office of the Company.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of the Karachi Stock Exchange and Lahore Stock Exchange 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 ten non-executive directors. The Board has only one executive director i.e. Chief Executive.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the directors have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.

4. 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 Development Financial Institution or a Non-Banking Financial Institution or is a member of Stock Exchange.

5. During the year, two casual vacancies occurred on the Board on July 26, 2010 and April 27, 2011 which were filled on August 25, 2010 and through elections of the new Board members respectively. Further, the term of office of Board of Directors ended on June 6, 2011. At an Extraordinary General Meeting of the Company held on May 31, 2011, ten members of the Board were elected for a term of three years effective June 7, 2011. The Directors have given due declaration in their consent under clause (ii) of the Code of Corporate Governance.

6. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.

7. The Board has developed a vision / mission statement, overall corporate strategy and framed significant policies as required by the Code. The Board considers any amendment to these policies or any new policy(s) as and when required. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO. The Chairman is a non-executive director and the roles and responsibilities of Chairman and Chief Executive have been clearly defined.

9. The meetings of the Board were presided over by the Chairman and the Board met 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 and circulated as applicable.

10. Directors are well conversant with the listing regulations, legal and operational requirements of the Company, and as such are fully aware of their duties and responsibilities. Further, the Company has been updating them, in the board meetings held during the year, regarding their duties and responsibilities and those arising from the Memorandum and Articles of Association of the Company.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.

14. 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.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an Audit Committee. It comprises of three members, including the chairman of the committee, all of whom are non-executive directors.

17. The meetings of the Audit Committee were held at least once every quarter, prior to the approval of the interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

18. 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.

19. The Board has set up an effective internal audit function that is involved in internal audit activities on a full time basis.

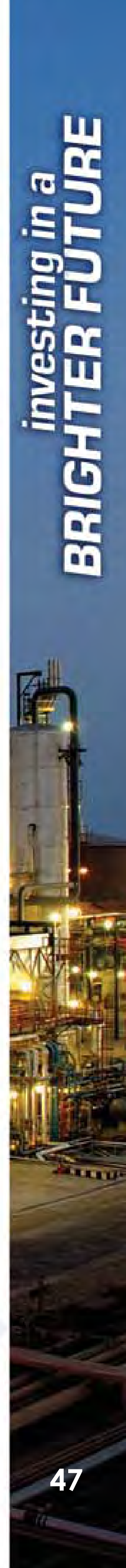
20. The statutory auditors of the Company have confirmed that they are maintaining a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of 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.

21. 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.

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

Farooq Rahmatullah
Chairman

Karachi: September 16, 2011



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, 2011 prepared by the Board of Directors of Pakistan Refinery Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and the Lahore Stock Exchange 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of the Listing Regulation No. 35 of The Karachi and Lahore 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, 2011.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: September 16, 2011

Financial Statements

for the year ended June 30, 2011

Auditors’ Report to the Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2011 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.

After due verification, we report that:

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

(b) in our opinion:

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

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to:

i. note 28.1 to the financial statements. As explained in the note, the company has written off a sum of Rs 1.39 billion relating to refinery upgradation project which was included in capital-work-in-progress as at June 30, 2010. We had expressed a qualified opinion on the company's financial statements for the year ended June 30, 2010 in respect of this matter.

ii. note 2.1 to the financial statements. As stated in the note, as at June 30, 2011 the company has accumulated loss of Rs 917.14 million resulting in net negative equity of Rs 567.01 million. Further, current liabilities of the company exceed its current assets by Rs 1.85 billion. These conditions, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

A.F. Ferguson & Co.
Chartered Accountants

Karachi: September 16, 2011

Name of the engagement partner: Ali Muhammad Mesia

BALANCE SHEET
as at June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	4,359,064	5,598,868
Investment in associate	5	70,576	66,663
Long-term loans and advances	6	5,013	8,742
Long-term deposits		13,800	13,673
Deferred taxation	7	-	8,320
		4,448,453	5,696,266
Current assets			
Stores, spares and chemicals	9	253,888	226,353
Stock-in-trade	10	9,054,172	6,810,970
Trade debts	11	9,979,708	16,120,819
Loans and advances	12	26,075	23,478
Accrued mark-up		900	-
Trade deposits and short-term prepayments	13	47,901	46,776
Other receivables	14	1,139,886	1,387,088
Taxation - payments less provision		20,620	113,411
Tax refunds due from government - sales tax	15	-	424,965
Cash and bank balances	16	7,164	9,590
		20,530,314	25,163,450
		24,978,767	30,859,716
EQUITY			
Share capital	17	350,000	350,000
Reserves	18	1,947	1,947
Accumulated loss		(917,140)	(1,141,096)
Fair value reserve		(1,818)	(5,966)
		(567,011)	(795,115)
SURPLUS ON REVALUATION OF FIXED ASSETS	19	3,143,928	3,143,928
LIABILITIES			
Non-current liabilities			
Deferred taxation	7	6,638	-
Retirement benefit obligations	8	12,027	1,138
		18,665	1,138
Current liabilities			
Trade and other payables	20	20,070,080	25,288,917
Short-term borrowings	21	1,705,128	3,171,710
Accrued mark-up	22	22,706	49,138
Payable to government - sales tax	15	585,271	-
		22,383,185	28,509,765
		22,401,850	28,510,903
Contingencies and commitments	23		
		24,978,767	30,859,716

The annexed notes 1 - 41 form an integral part of these financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	24	96,450,545	76,658,272
Cost of sales	25	(94,032,891)	(77,289,144)
Gross profit / (loss)		2,417,654	(630,872)
Distribution cost	26	(164,585)	(126,394)
Administrative expenses	27	(177,153)	(162,373)
Other operating expenses	28	(1,448,262)	(420)
Other income	29	309,890	125,303
Operating profit / (loss)		937,544	(794,756)
Finance cost	30	(212,009)	(1,134,272)
Share of income of associate		8,587	14,595
Profit / (Loss) before taxation		734,122	(1,914,433)
Taxation	31	(510,166)	(1,060,782)
Profit / (Loss) after taxation		223,956	(2,975,215)
Other comprehensive income			
Change in fair value of available for sale investments of associate		6,381	1,166
Deferred tax relating to fair value change of available for sale investments of associate		(2,233)	(408)
		4,148	758
Total comprehensive income / (loss)		228,104	(2,974,457)
Earnings / (Loss) per share	32	Rs 6.40	(Rs 85.01)

The annexed notes 1 - 41 form an integral part of these financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

CASH FLOW STATEMENT
for the year ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	2,225,896	(1,484,809)
Mark-up paid		(178,159)	(232,613)
Income tax paid		(404,650)	(1,104,721)
Contribution to defined benefit retirement plans		(8,652)	(16,891)
Decrease in long-term loans and advances		3,729	7,724
(Increase) / Decrease in long-term deposits		(127)	339
Net cash generated from / (used in) operating activities		1,638,037	(2,830,971)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(315,664)	(252,202)
Proceeds from sale of property, plant and equipment		1,460	1,314
Return on deposits		129,335	114,391
Dividend received		11,055	6,378
Net cash used in investing activities		(173,814)	(130,119)
CASH FLOW FROM FINANCING ACTIVITIES			
Net repayment of short-term borrowings		(2,992,036)	(1,118,783)
Dividend paid		(67)	(44)
Net cash used in financing activities		(2,992,103)	(1,118,827)
Net decrease in cash and cash equivalents		(1,527,880)	(4,079,917)
Cash and cash equivalents at the beginning of the year		(170,084)	3,909,833
Cash and cash equivalents at the end of the year	38	(1,697,964)	(170,084)

The annexed notes 1 - 41 form an integral part of these financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2011

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL	REVENUE		SPECIAL RESERVE note 18.1	FAIR VALUE RESERVE	
		Exchange equalisation reserve	General reserve	Unappropriated profit / (Accumulated loss)			
	(Rupees in thousand)						
Balance as at July 1, 2009	350,000	897	1,050	19,698	1,814,421	(6,724)	2,179,342
Loss for the year 2010	-	-	-	(2,975,215)	-	-	(2,975,215)
Other comprehensive income	-	-	-	-	-	758	758
Total recognised loss for the year 2010	-	-	-	(2,975,215)	-	758	(2,974,457)
Loss for the year transferred to special reserve	-	-	-	1,814,421	(1,814,421)	-	-
Balance as at June 30, 2010	350,000	897	1,050	(1,141,096)	-	(5,966)	(795,115)
Profit for the year 2011	-	-	-	223,956	-	-	223,956
Other comprehensive income	-	-	-	-	-	4,148	4,148
Total recognised profit for the year 2011	-	-	-	223,956	-	4,148	228,104
Balance as at June 30, 2011	**350,000**	**897**	**1,050**	**(917,140)**	**-**	**(1,818)**	**(567,011)**

The annexed notes 1 - 41 form an integral part of these financial statements.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the company is at Korangi Creek Road, Karachi. The company is engaged in the production and sale of petroleum products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as have been notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ from the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives have been followed.

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 judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are provisions for income tax and post employment benefits and are accordingly disclosed in note 3 of these financial statements.

As at June 30, 2011 the company has accumulated losses of Rs. 917.14 million (2010: Rs.1.14 billion) and its current liabilities exceed its current assets by Rs. 1.85 billion (2010: Rs. 3.35 billion). These conditions indicate the existence of material uncertainty that may cast doubt on the company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. During the year ended June 30, 2011 the company has earned profit after taxation of Rs. 223.96 million. Further, during the year the pricing mechanism of certain products, effective from June 1, 2011, has been revised by the Government of Pakistan (GoP) which is expected to have a favourable impact on the company's profitability and liquidity. Therefore, the company expects to be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements are prepared on a going concern basis.

Changes in accounting policies and disclosures

(a) New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

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

Following amendments to existing standards and interpretation have been published that are mandatory for accounting periods beginning on the dates mentioned below:

i. Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to materially affect the disclosures in the financial statements of the company.

ii. 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments rectifies this. The amendments are effective for annual periods beginning January 1, 2011. The company's retirement benefit funds are not subject to any minimum funding requirement, therefore, there is no expected effect of this amendment on the company's financial statements.

iii. IFRS 7 (amendment), 'Financial Instruments: Disclosures' (effective for period beginning on or after January 1, 2011). The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is expected to only effect the disclosures in the company's financial statements.

(c) Interpretations to published approved accounting standards that are not yet effective and are not considered relevant

Standards, amendments to existing approved accounting standards and new interpretations have been published that are mandatory for future years. However, these are not expected to affect materially the financial statements of the company for the accounting periods beginning on the dates prescribed therein.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as stated below in the respective policy notes.

2.3 Fixed assets

These are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and impairment losses, if any except land which is carried at revalued amount less accumulated depreciation and impairment loss, if any; and capital work-in-progress which is stated at cost less impairment loss, if any.

Depreciation is charged to income by applying the straight-line method whereby the cost or revalued amount less residual value, if not insignificant, of an asset is written off over its estimated useful life to the company. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

Assets' residual values and useful lives are reviewed and adjusted if expectations significantly differ from previous estimates, at each balance sheet date.

Surplus arising on revaluation of land is disclosed as surplus on revaluation. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

Company accounts for impairment, where indications exist, by reducing asset's carrying amount to the recoverable amount.

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

Gains and losses on disposal of property, plant and equipment are included in income currently.

2.4 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 cost of such asset can be measured reliably. Intangibles acquired by the company are initially recognised at cost and are carried at cost less accumulated amortisation and impairment. Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. However, costs that are directly associated with identifiable and unique software products controlled by the company and that have probable economic benefits exceeding their cost and beyond one year, are recognised as intangible assets.

Amortisation is charged to income by applying the straight-line method whereby the cost less residual value, if not insignificant, of an asset is written off over its estimated useful life to the company. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

Company accounts for impairment, where indications exist, by reducing asset's carrying amount to the recoverable amount.

2.5 Investment in associate

Investment in associate is accounted for using equity method of accounting. It is initially recognised at cost. The company's share in its associate's post-acquisition profits or losses and their other comprehensive income are respectively recognised in the income statement and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.6 Taxation

2.6.1 Current

The charge for current taxation is based on taxable income / turnover at the current rates of taxation after taking into account tax credits and rebates available, if any.

2.6.2 Deferred

Deferred tax is accounted for, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax asset is recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2.7 Stores, spares and chemicals

These are valued at cost less provision for obsolescence. Cost is determined using weighted average method except items in transit where cost comprises invoice value plus other charges incurred thereon.

2.8 Stock-in-trade

Stock in trade is valued at lower of cost and net realisable value. Cost is determined using "first-in, first-out" method except crude oil in transit where cost comprises invoice value plus other charges incurred thereon. Cost in relation to finished products represents cost of crude oil and appropriate manufacturing overheads. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and costs necessarily to be incurred to make the sale.

2.9 Trade and other debts

Trade and other debts are recognised at the fair value of consideration to be received against goods and services and are carried at amortised cost. Provision is made in respect of doubtful debts, if any.

2.10 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, with banks on currents, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

2.11 Trade and other payables

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

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently these are measured at amortised cost using the effective interest method.

2.13 Borrowing costs

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. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.14 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made.

2.15 Retirement benefits

The company operates recognised Provident, Gratuity and Pension Funds for all its eligible employees. The Provident Fund is a defined contribution plan. All others are defined benefit plans. Actuarial valuations of defined benefit plans are carried out on periodical basis using the projected unit credit method. The latest valuations were carried out as at June 30, 2011. 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 life of the employees. The unrecognised past service cost is recognised over its vesting period.

2.16 Foreign currency translation

These financial statements are presented in Pak Rupees (Rupees) which is also the functional currency of the company.

Transactions in foreign currencies are converted into Rupees at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at rates prevailing at the balance sheet date. Gains and losses are recognised in the profit and loss account.

2.17 Financial instruments

All financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

Any gains and losses on derecognition of financial assets and liabilities are taken to income currently.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. The company recognises revenue when the amounts of revenue can be reliably measured and it is probable that future economic benefits will flow to the company. Accordingly:

(a) Local sales are recognised on the basis of products pumped in oil marketing companies' tanks. Sale of products loaded through gantry is recognised when the products are loaded into tank lorries.

(b) Export sales are recognised on the basis of products shipped to customers.

(c) Dividend is recognised when the right of receipt is established.

(d) Income on bank deposits is recognised on accrual basis.

(e) Handling income including income from gantry operations, pipeline charges, scrap sales, insurance commission and rental incomes are recognised on accrual basis.

2.19 Government grants

Government grants related to costs are deferred and recognised in the income statement as a deduction from the related expense over the period necessary to match them with the costs that these are intended to compensate.

2.20 Dividend

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividend is approved.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

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 will impact the income tax provision in the period in which such determination is made.

Significant estimates relating to deferred taxation and post employment benefits are disclosed in notes 7 and 8 respectively.

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 effect on the amounts disclosed in the financial statements.

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

	2011	2010
	(Rupees in thousand)	
4. FIXED ASSETS		
Property, plant and equipment		
Operating assets - note 4.1	4,142,422	4,036,490
Capital work-in-progress - note 4.2	216,642	1,562,378
	4,359,064	5,598,868

4.1 Operating assets

	TANGIBLE												
	Freehold land (note 4.1.1 and 4.1.2)	Buildings	Processing plant	Korangi tank farm	Keamari terminal	Pipelines	Steam generation plant	Power generation, transmission and distribution	Water treatment and cooling system	Equipment including furniture	Fire fighting and telecommunication systems	Vehicles and other automotive equipments	TOTAL
	(Rupees in thousand)												
Net carrying value basis Year ended June 30, 2011													
Opening net book value (NBV)	3,146,000	63,957	265,162	152,887	83,777	64,142	18,529	41,230	31,793	126,658	36,523	5,832	4,036,490
Additions (at cost)	-	2,215	145,008	39,320	32,287	3,487	15,347	1,250	6,594	7,166	10,159	5,951	268,784
Disposals (at NBV)	-	-	-	-	-	-	-		-	(340)	-	-	(340)
Depreciation charge	-	(9,077)	(56,577)	(22,399)	(7,461)	(10,922)	(4,530)	(6,944)	(6,793)	(30,741)	(3,669)	(3,399)	(162,512)
Closing net book value	3,146,000	57,095	353,593	169,808	108,603	56,707	29,346	35,536	31,594	102,743	43,013	8,384	4,142,422
Gross carrying value basis At June 30, 2011													
Cost or revaluation	3,146,000	110,390	975,603	345,119	188,215	145,160	72,771	77,745	82,382	365,357	64,361	53,172	5,626,275
Accumulated depreciation	-	(53,295)	(622,010)	(175,311)	(79,612)	(88,453)	(43,425)	(42,209)	(50,788)	(262,614)	(21,348)	(44,788)	(1,483,853)
Net book value	3,146,000	57,095	353,593	169,808	108,603	56,707	29,346	35,536	31,594	102,743	43,013	8,384	4,142,422
Net carrying value basis Year ended June 30, 2010													
Opening net book value (NBV)	2,108	64,009	303,697	158,932	86,080	73,219	22,271	42,842	27,137	135,748	29,732	9,213	954,988
Revaluation	3,143,928	-	-	-	-	-	-	-	-	-	-	-	3,143,928
Additions (at cost)	-	7,872	18,336	23,680	119	2,177	226	4,792	10,503	18,034	8,622	370	94,731
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(190)	-	(259)	(449)
Depreciation charge	(36)	(7,924)	(56,871)	(23,367)	(7,328)	(11,254)	(3,968)	(6,404)	(5,847)	(26,934)	(1,831)	(3,492)	(155,256)
Transfer	-	-	-	(6,358)	6,358	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	(1,452)	-	-	-	-	-	-	-	(1,452)
Closing net book value	3,146,000	63,957	265,162	152,887	83,777	64,142	18,529	41,230	31,793	126,658	36,523	5,832	4,036,490
Gross carrying value basis At June 30, 2010													
Cost	3,146,000	108,175	830,595	305,799	155,928	141,673	57,424	77,200	75,788	360,701	54,202	48,172	5,361,657
Accumulated depreciation	-	(44,218)	(565,433)	(152,912)	(72,151)	(77,531)	(38,895)	(35,970)	(43,995)	(234,043)	(17,679)	(42,340)	(1,325,167)
Net book value	3,146,000	63,957	265,162	152,887	83,777	64,142	18,529	41,230	31,793	126,658	36,523	5,832	4,036,490
Depreciation rate % per annum	-	5 to 20	10 to 33	10 to 20	5 to 10	10	10	10	10	10 to 33	5 to 10	25	

4.1.1 The land is freehold to be used for oil refinery by the company.

4.1.2 During the year ended June 30, 2010 the freehold land where the refinery is situated was revalued. The revaluation was carried out by an independent valuer on the basis of market values keeping in view the condition mentioned in note 4.1.1.

Had there been no revaluation, the net book value of land would have amounted to Rs. 2.07 million.

4.1.3 Details of disposals of operating assets are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Net book value exceeding Rs 50,000 each:						
Equipment and furniture	64	(6)	58	58	Company policy	Akram Paracha Ex - executive
Equipment and furniture	100	(18)	82	82	Company policy	Nawaz Akhter Ex - executive
Items having net book value not exceeding Rs 50,000 each:						
- Equipment including furniture	1,624	(1,424)	200	246		
- Vehicles and other automotive equipments	950	(950)	-	1		
- Power generation, transmission and distribution	706	(706)	-	1,073		
	3,280	(3,080)	200	1,320		
	3,444	(3,104)	340	1,460		

4.2 Capital work-in-progress

	2011	2010
	(Rupees in thousand)	
Refinery upgradation project - note 28.1	-	1,392,616
Buildings	1,431	-
Processing plant	84,554	54,119
Korangi tank farm	59,976	44,785
Keamari terminal	17,081	12,682
Pipelines	4,065	-
Power generation, transmission and distribution	-	5,036
Water treatment and cooling systems	20,710	13,982
Equipments	15,786	19,959
Fire fighting and telecommunication systems	13,039	19,199
	216,642	1,562,378

	2011	2010
	(Rupees in thousand)	
5. INVESTMENT IN ASSOCIATE		
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2010: 850,401) fully paid ordinary shares - note 5.1	70,576	66,663

5.1 The company holds 27.26% (2010: 27.26%) of the investee's share capital.

	2011	2010
Opening balance	66,663	57,280
Share of income for the year	8,587	14,595
Change in fair value of available for sale investments	6,381	1,166
Dividend received	(11,055)	(6,378)
	70,576	66,663

5.2 Summarised results of the company's associate (2011: unaudited) are as follows:

	2011	2010
Total assets	291,211	267,264
Total liabilities	30,672	22,719
Revenue	175,427	190,806
Profit after tax	31,501	53,539

6. LONG-TERM LOANS AND ADVANCES - secured and considered good

	2011	2010
To executives	3,301	4,993
To other employees	7,799	12,643
	11,100	17,636
Recoverable within one year – note 12		
Executives	(2,006)	(2,867)
Other employees	(4,081)	(6,027)
	(6,087)	(8,894)
	5,013	8,742

	2011	2010
	(Rupees in thousand)	
Reconciliation of carrying amount of loans to executives:		
Opening balance	4,993	7,029
Promotion to executive	856	383
Disbursements	595	4,455
Recoveries and amortisation	(3,143)	(6,874)
	3,301	4,993

The maximum amount due from executives at the end of any month during the year was Rs. 6.04 million (2010: Rs 9.43 million).

Loans and advances to all eligible employees are given in accordance with the company's policy for payment of house rent, to defray personal expenditure and for purchase of motor vehicles. These carry interest ranging from 1% to 6% per annum and are repayable over a period of three to five years.

	2011	2010
	(Rupees in thousand)	
7. DEFERRED TAXATION		
Debit balances arising in respect of carried forward tax losses	133,846	130,449
Credit balances arising in respect of:		
- accelerated tax depreciation	(122,185)	(99,100)
- investment in associate accounted for using equity method	(18,299)	(23,029)
	(140,484)	(122,129)
	(6,638)	8,320

7.1 Deferred tax debit balance of Rs. 1.35 billion (2010: Rs. 1.56 billion) in relation to tax loss and deductible temporary differences has not been recognised as recoverability of this is not expected.

8. RETIREMENT BENEFITS

	PENSION FUNDS				GRATUITY FUNDS			
	Management		Non-Management		Management		Non-Management	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Rupees in thousand)							
8.1 Expense recognised during the year								
Current service cost	15,825	15,189	986	843	4,532	3,976	778	543
Interest cost	55,327	51,164	2,476	2,162	7,780	7,474	1,194	1,011
Expected return on plan assets	(58,894)	(53,938)	(2,459)	(1,777)	(6,840)	(7,961)	(5,223)	(4,957)
Amortisation of past service cost	145	145	543	543	-	-		
Net actuarial (gain) / loss recognised	-	-	(2)	(2)	122	-	(509)	(971)
	12,403	12,560	1,544	1,769	5,594	3,489	(3,760)	(4,374)
Amount not recognised as an asset	-	-	-	-	-	-	3,760	4,374
	12,403	12,560	1,544	1,769	5,594	3,489	-	-
8.2 Balance sheet reconciliation								
Liability / (Prepayment) as at July 1	973	1,934	35	2,438	130	(4,161)	-	-
Expense recognised during the year	12,403	12,560	1,544	1,769	5,594	3,489	-	-
Payments made by the Fund to the company	-	-	-	-	-	9,417	-	-
Payment made by the company on behalf of the Fund	-	-	-	-	-	(115)	-	-
Contributions	(6,108)	(13,521)	(550)	(4,172)	(1,994)	(8,500)	-	-
Liability as at June 30	7,268	973	1,029	35	3,730	130	-	-
8.3 Liability as at June 30								
Present value of obligations to members	543,872	427,973	23,809	19,110	76,211	61,659	11,844	9,236
Obligation to company	-	-	-	-	-	-	-	2,071
Fair value of plan assets	(472,454)	(457,122)	(18,868)	(18,698)	(51,245)	(53,898)	(40,771)	(40,613)
Funded status - Deficit / (Surplus)	71,418	(29,149)	4,941	412	24,966	7,761	(28,927)	(29,306)
Unrecognised net actuarial (loss) / gain	(63,137)	31,280	(2,139)	1,939	(21,236)	(7,631)	6,533	10,672
Unrecognised past service cost	(1,013)	(1,158)	(1,773)	(2,316)	-	-	-	-
Amount not recognised as an asset	-	-	-	-	-	-	22,394	18,634
Liability as at June 30	7,268	973	1,029	35	3,730	130	-	-
Actual return on plan assets	52,461	47,686	1,526	1,044	5,145	2,771	3,327	207
8.4 Movement in defined benefit obligation								
Beginning of the year	427,973	601,537	19,110	25,055	61,659	62,271	9,236	8,883
Current service cost	15,825	15,189	986	843	4,532	3,976	778	543
Interest cost	55,327	51,164	2,476	2,162	7,780	7,474	1,194	1,011
Actuarial losses / (gains)	87,984	(182,710)	3,143	(7,801)	12,032	2,584	1,734	436
Actual benefits paid by the Fund during the year	(43,237)	(57,207)	(1,906)	(1,149)	(9,792)	(14,531)	(1,098)	(1,637)
Payment made by the company on behalf of the Fund	-	-	-	-	-	(115)	-	-
End of the year	543,872	427,973	23,809	19,110	76,211	61,659	11,844	9,236
8.5 Movement in the fair value of plan assets								
Beginning of the year	457,122	453,122	18,698	14,631	53,898	66,575	40,613	42,043
Expected return on plan assets	58,894	53,938	2,459	1,777	6,840	7,961	5,223	4,957
Contributions	6,108	13,521	550	4,172	1,994	8,500	-	-
Payments made by the Fund to the company	-	-	-	-	-	(9,417)	(2,071)	-
Actual benefits paid by the Fund during the year	(43,237)	(57,207)	(1,906)	(1,149)	(9,792)	(14,531)	(1,098)	(1,637)
Asset loss	(6,433)	(6,252)	(933)	(733)	(1,695)	(5,190)	(1,896)	(4,750)
End of the year	472,454	457,122	18,868	18,698	51,245	53,898	40,771	40,613

	2011	2010
8.6 Principal actuarial assumptions used were as follows:		
Discount rate	14.50%	13%
Expected return on plan assets	14.50%	13%
Future salary increases	14.50%	13%
Future pension increases	4.50%	3%

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
8.7 Comparison for five years					
MANAGEMENT PENSION FUND					
Present value of defined benefit obligation	543,872	427,973	601,537	523,037	451,412
Fair value of plan assets	(472,454)	(457,122)	(453,122)	(477,166)	(456,440)
Deficit / (Surplus)	71,418	(29,149)	148,415	45,871	(5,028)
Experience loss / (gain) on obligation	87,984	(182,710)	48,019	39,972	1,750
Experience (loss) / gain on plan assets	(6,433)	(6,252)	(51,657)	22,498	(2,408)
NON-MANAGEMENT PENSION FUND					
Present value of defined benefit obligation	23,809	19,110	25,055	23,622	20,769
Fair value of plan assets	(18,868)	(18,698)	(14,631)	(7,326)	(7,740)
Deficit	4,941	412	10,424	16,296	13,029
Experience loss / (gain) on obligation	3,143	(7,801)	(1,377)	1,062	(5,951)
Experience (loss) on plan assets	(933)	(733)	(954)	(246)	(118)
MANAGEMENT GRATUITY FUND					
Present value of defined benefit obligation	76,211	61,659	62,271	53,564	48,544
Fair value of plan assets	(51,245)	(53,898)	(66,575)	(61,565)	(55,871)
Deficit / (Surplus)	24,966	7,761	(4,304)	(8,001)	(7,327)
Experience loss / (gain) on obligation	12,032	2,584	9,184	6,198	(240)
Experience (loss) / gain on plan assets	(1,695)	(5,190)	14,105	267	3,816
NON-MANAGEMENT GRATUITY FUND					
Present value of defined benefit obligation	11,844	9,236	8,883	7,654	6,120
Obligation to company	-	2,071	2,071	2,071	2,071
Fair value of plan assets	(40,771)	(40,613)	(42,043)	(34,425)	(31,325)
Surplus	(28,927)	(29,306)	(31,089)	(24,700)	(23,134)
Experience loss / (gain) on obligation	1,734	436	(265)	454	(3,454)
Experience (loss) / gain on plan assets	(1,896)	(4,750)	3,493	(29)	3,467

8.8 Plan assets comprise of the following:

	PENSION FUNDS				GRATUITY FUNDS			
	Management		Non-Management		Management		Non-Management	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Equity	-	40.7%	-	14.8%	1.1%	22.0%	12.8%	12.5%
Debt	99.9%	58.6%	80.0%	75.1%	73.1%	25.0%	80.2%	-
Others	0.1%	0.7%	20.0%	10.1%	25.8%	53.0%	7.0%	87.5%
	100%	100%	100%	100%	100%	100%	100%	100%

The average life expectancy of a pensioner retiring at age 60 on the balance sheet date is as follows:

	2011	2010
	Years	
Male	16.8	16.8
Female	21.2	21.2

The average life expectancy of a pensioner retiring at age 60, 20 years after the balance sheet date is as follows:

Male	17.8	17.8
Female	21.7	21.7

8.9 During the year, company recognised Rs.13.47 million (2010: Rs 12.36 million) as contribution for employees' provident fund.

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

	Management	Non Management
	(Rupees in thousand)	
Pension funds	7,833	477
Gratuity funds	10,083	-

8.11 Information in note 8 is based on actuarial advice.

	2011	2010
	(Rupees in thousand)	
9. STORES, SPARES AND CHEMICALS		
Stores	34,334	31,610
Spares	241,592	219,453
Chemicals	20,322	10,918
	296,248	261,981
Provision for slow moving stores, spares and chemicals	(42,360)	(35,628)
	253,888	226,353
10. STOCK-IN-TRADE		
Raw material		
Crude oil [including in transit Rs. 95.42 million (2010: Rs. 3.16 billion)]	6,648,647	5,303,279
Finished products	2,405,525	1,507,691
	9,054,172	6,810,970

10.1 As at June 30, 2011 stock of raw material and finished products have been written down by Rs. 33.67 million (2010: Rs. 43.92 million) and Rs. 23.04 million (2010: Rs. 79.56 million) respectively to arrive at net realisable value.

	2011	2010
	(Rupees in thousand)	
11. TRADE DEBTS - considered good		
Due from related parties - note 11.1	9,387,388	15,759,387
Others	592,320	361,432
	9,979,708	16,120,819

11.1 These represent receivables from Pakistan State Oil Company Limited, Shell Pakistan Limited, Chevron Pakistan Limited and Hascol Petroleum Limited and are in the normal course of business.

11.2 The age analysis of trade debts past due is as follows:

	2011	2010
	(Rupees in thousand)	
Up to 3 months	2,241,967	6,471,227
3 to 6 months	2,131,051	6,192,061
More than 6 months	1,863,600	134,852

	2011	2010
	(Rupees in thousand)	
12. LOANS AND ADVANCES - considered good		
Loans and advances recoverable within one year - note 6		
Executives	2,006	2,867
Other employees	4,081	6,027
	6,087	8,894
Advances for supplies and services	19,988	14,584
	26,075	23,478
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	703	630
Short-term prepayments	47,198	46,146
	47,901	46,776
14. OTHER RECEIVABLES		
Receivable from non-management staff gratuity fund - related party	-	2,071
Receivable from refineries - note 14.1 [including Rs. 1.12 billion (2010: Nil) from related party]	1,125,282	1,376,545
Insurance commission receivable	661	661
Workers' profits participation fund - note 14.2	10,573	6,262
Others	3,370	1,549
	1,139,886	1,387,088

14.1 This represents amount due from refineries in respect of sharing of crude oil, freight and other charges paid by the company on their behalf.

	2011	2010
	(Rupees in thousand)	
14.2 WORKERS' PROFITS PARTICIPATION FUND		
Receivable as at July 1	(6,262)	(6,262)
Allocation for the year - note 28	39,427	-
	33,165	(6,262)
Amount paid	(43,738)	-
Receivable as at June 30	(10,573)	(6,262)

	2011	2010
	(Rupees in thousand)	
15. TAX REFUNDS DUE FROM / (PAYABLE TO) GOVERNMENT - SALES TAX		
Refundable from Government	856,944	856,944
Payable to Government	(1,442,215)	(431,979)
	(585,271)	424,965

The Federal Government, through S.R.O. 1164(I)/2007 dated November 30, 2007 directed that sales tax shall be charged at the rate of zero percent on Petroleum Crude Oil. Sales tax refundable from Government represents the refunds due prior to November 30, 2007.

	2011	2010
	(Rupees in thousand)	
16. CASH AND BANK BALANCES		
With banks on		
- current accounts	3,688	4,844
- savings accounts [including foreign currency account Rs. 0.33 million (2010: Rs. 1.83 million)]	3,047	4,137
Cash and cheques in hand	429	609
	7,164	9,590

The effective rates of mark-up on savings accounts and term deposits placed during the year ranged from 5% to 12.6% p.a. (2010: 5% to 13% p.a.).

17. SHARE CAPITAL

		2011	2010
Authorised			
40,000,000	'A' ordinary shares of Rs. 10 each	400,000	400,000
60,000,000	'B' ordinary shares of Rs. 10 each	600,000	600,000
		1,000,000	1,000,000
Issued, subscribed and paid-up Ordinary shares of Rs. 10 each			
2,400,000	'A' ordinary shares fully paid in cash	24,000	24,000
3,600,000	'B' ordinary shares fully paid in cash	36,000	36,000
6,000,000		60,000	60,000
11,600,000	'A' ordinary shares issued as fully paid bonus shares	116,000	116,000
17,400,000	'B' ordinary shares issued as fully paid bonus shares	174,000	174,000
29,000,000		290,000	290,000
35,000,000		350,000	350,000

17.1 As at June 30, 2011 associated undertakings held 21,202,506 (2010: 21,012,250) ordinary shares of Rs. 10 each.

	2011	2010
	(Rupees in thousand)	
18. RESERVES		
Capital reserve - Exchange equalisation reserve	897	897
Revenue reserve - General reserve	1,050	1,050
Special reserve - note 18.1	-	-
	1,947	1,947

18.1 Under directive from the Ministry of Petroleum & Natural Resources' (the Ministry), any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the company, to operate on a self financing basis.

The Ministry through its notification dated October 14, 2010 has directed refineries not to adjust the losses against Special Reserve. However, company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan.

	2011	2010
	(Rupees in thousand)	
19. SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance as at July 1	3,143,928	-
Surplus arising on revaluation - note 4.1.2	-	3,143,928
Balance as at June 30	3,143,928	3,143,928
20. TRADE AND OTHER PAYABLES		
Creditors - note 20.1	19,281,325	19,419,624
Accrued liabilities	296,802	318,127
Advances from customers - note 20.1	27,917	48,378
Payable to the Government - notes 20.2 and 20.3	405,727	5,432,554
Retention money	14,305	3,743
Workers' welfare fund	14,982	32,225
Unclaimed dividend	23,145	23,212
Tax deducted at source	1,133	7,410
Payable to management staff provident fund	2,559	1,558
Others	2,185	2,086
	20,070,080	25,288,917
20.1 Related party balances		
Creditors } note 20.1.1	2,894,555	15,258
Advances from customers } note 20.1.1	9,456	2,396

20.1.1 These include payables to / advances from Pakistan State Oil Company Limited, Shell Pakistan Limited, Chevron Pakistan Limited, Total Parco Pakistan Limited and Pak Arab Refinery Limited.

20.2 This includes Rs. 227.47 million (2010: Rs. 1.74 billion) payable in respect of local crude supplies exceeding the maximum slab rates for calculation of discount to Government of Pakistan as provided in the respective Crude Oil Sale and Purchase Agreements (COSAs). The amount is subject to adjustment upon finalisation of respective Supplemental Agreements and COSAs.

20.3 The balance is net of Rs. 257.76 million (2010: Rs. 257.76 million) receivable from the Government of Pakistan in respect of price differential claims. Such claims resulted from restricting the ex-refinery prices charged by the company to the oil marketing companies on instructions from the Ministry of Petroleum & Natural Resources. Further, the balance is net of Rs. 46.37 million in respect of petroleum levy paid in advance to the Government.

	2011	2010
	(Rupees in thousand)	
21. SHORT-TERM BORROWING - Secured		
Running finance under mark-up arrangements - note 21.1	951,128	179,674
Short term loan - note 21.2	754,000	-
Foreign currency loan	-	2,992,036
	1,705,128	3,171,710

21.1 Running finance under mark-up arrangements

Running finance facilities available as at June 30, 2011 under mark-up arrangements from various banks amounted to Rs. 6.26 billion (2010: Rs. 7.35 billion).

These arrangements are secured by way of hypothecation over stock of crude oil and finished products and trade debts of the company.

The rates of mark-up range between 14.25% to 16.50% per annum as at June 30, 2011 (2010: 13.05% to 16.06% per annum). The purchase prices are payable on demand.

21.2 This represents short-term loan from a commercial bank repayable in 30 days period at a mark-up rate of 14.09% per annum.

21.3 Unutilised credit facility

The facility for opening letters of credit and guarantees as at June 30, 2011 amounted to Rs. 27.39 billion (2010: Rs. 27.98 billion) of which the amount remaining unutilised at year end was Rs. 16.25 billion (2010: Rs. 20.61 billion).

22. This represents accrued mark-up on running finance and short term loan mentioned in note 21 of these financial statements.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

a) Claims against the company not acknowledged as debts, including late payment surcharges, amount to Rs. 1.92 billion (2010: Rs. 775.30 million).

b) Bank guarantees of Rs. 193 million (2010: Rs. 193 million) were issued in favour of third parties.

c) The company has raised claims aggregating Rs. 4.90 billion (2010: Rs. 3.38 billion) on certain Oil Marketing Companies (OMCs) under the respective sale and purchase of product agreements in respect of interest on late payments from them against receivables. These claims, however, have not been recognised in these financial statements as these have not been acknowledged by the OMCs.

23.2 Commitments

a) Commitments outstanding for capital expenditure as at June 30, 2011 amounted to Rs. 38.33 million (2010: Rs. 32.44 million).

b) Commitments for rentals under ijarah arrangements amounted to Rs. 28.19 million (2010: Rs. 33.59 million) payable as follows:

	2011	2010
	(Rupees in thousand)	
Not later than 1 year	10,000	10,434
Later than 1 year but not later than 5 years	18,186	23,151
	28,186	33,585

24. SALES

	2011	2010
Local sales - note 24.1 and 24.2	102,409,036	85,765,375
Exports	13,180,084	9,003,663
Gross sales	115,589,120	94,769,038
Less:		
- Sales tax	(14,880,076)	(11,830,031)
- Excise duty and development levy / surcharge	(4,258,499)	(6,280,735)
	96,450,545	76,658,272

24.1 The company sells its manufactured products to local Oil Marketing Companies (OMCs). Out of these, three of the company's customers contributed towards 74.72% (2010: 81.71%) of the gross revenues during the year amounting to Rs. 86.37 billion (2010: Rs. 77.44 billion) and each customer individually exceeds 10% of the gross revenues.

24.2 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government, which adjustment, if any, shall be accounted for when it arises. Sales of certain de-regulated products (MS, HOBC, LDO and Aviation Fuels) are based on prices set under notification No. PL-3(434)/2011 Vol-XII dated May 31, 2011 from the Ministry of Petroleum and Natural Resources (MoP&NR).

25. COST OF SALES

	2011	2010
	(Rupees in thousand)	
Crude oil consumed - note 25.1	93,724,259	75,216,281
Salaries and wages	327,556	294,955
Retirement benefits	21,472	19,889
Fuel, power and water	316,183	248,907
Depreciation	126,850	120,132
Stores, spares and chemicals	147,304	100,867
Repairs and maintenance	159,012	63,252
Rent, rates and taxes	19,433	51,582
Insurance	29,266	29,200
Security expenses	18,087	14,647
Staff transport	16,145	14,615
Consultancy	4,477	10,092
Amortisation of intangible	-	6,739
Subscriptions	8,463	6,679
Rentals under ijarah arrangements	5,658	5,290
Travelling and entertainment	4,231	3,851
Other expenses	2,329	1,990
	94,930,725	76,208,968
Opening stock of finished products	1,507,691	2,587,867
Closing stock of finished products	(2,405,525)	(1,507,691)
	94,032,891	77,289,144

25.1 Cost of crude oil consumed in respect of non-finalised Crude Oil Sale and Purchase Agreements (COSAs) has been recorded in line with notifications of the Ministry of Petroleum & Natural Resources.

	2011	2010
	(Rupees in thousand)	

26. DISTRIBUTION COST

	2011	2010
Salaries and wages	28,833	26,627
Retirement benefits	3,763	3,275
Rent, rates and taxes	72,637	36,491
Depreciation	22,157	22,223
Insurance	8,557	9,781
Transportation and handling charges	6,401	9,243
Fuel, power and water	7,644	6,490
Repairs and maintenance	8,777	4,777
Security expenses	1,786	3,210
Staff transport	1,711	1,404
Subscriptions	480	1,092
Rentals under ijarah arrangements	667	946
Travelling and entertainment	514	522
Other expenses	658	313
	164,585	126,394

27. ADMINISTRATIVE EXPENSES

	2011	2010
Salaries and wages	85,769	82,329
Retirement benefits	7,779	7,017
Depreciation	13,505	12,901
Insurance	5,251	6,445
Staff transport	5,866	5,496
Rentals under ijarah arrangements	4,384	5,279
Communication	4,265	4,397
Legal and professional charges	5,667	4,489
Travelling and entertainment	3,757	3,734
Auditors' remuneration - note 27.1	3,207	2,757
Security expenses	2,425	2,715
Printing and stationery	2,653	2,575
Fuel, power and water	1,989	1,540
Subscriptions	777	1,581
Repairs and maintenance	3,446	584
Publicity	2,547	507
Directors' fee	590	488
Computer related and software maintenance expenses	9,694	8,226
Cleaning and janitorial services	7,549	5,917
Training expenses	3,939	2,123
Other expenses	2,094	1,273
	177,153	162,373

	2011	2010
	(Rupees in thousand)	
27.1 Auditors' remuneration		
Audit fee	1,350	1,100
Taxation services	717	605
Fee for limited review of half yearly financial information and other certifications	720	745
Out of pocket expenses	420	307
	3,207	2,757

28. OTHER OPERATING EXPENSES

	2011	2010
Capital work-in-progress written off - note 28.1	1,392,616	-
Donations - note 28.2	1,237	420
Workers' Profits Participation Fund - note 14.2	39,427	-
Workers' Welfare Fund	14,982	-
	1,448,262	420

28.1 The company has been pursuing refinery upgradation project and was carrying Rs. 1.39 billion as capital work-in-progress as at June 30, 2010. As there is no material progress on the financing arrangements and considering other options available for completion of the upgradation project, this cost has been written off.

28.2 Donations to donees include the following where the company's directors are interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2011	2010
			(Rupees in thousand)	
- Farooq Rahmatullah - Zaiviji Ismail bin Abdullah	Board Members	Pakistan Human Development Fund, Prime Minister Secretariat, Block - D, Level 2, Islamabad, Pakistan.	375	-

29. OTHER INCOME

	2011	2010
Income from financial assets		
Profit on term deposits	92,055	67,762
Profit on PLS savings accounts	38,180	33,469
Others		
Rent of equipment and handling charges [including Rs. 36.38 million (2010: Rs 1.24 million) from related parties]	52,765	8,662
Insurance commission	2,964	3,443
Interest on late payments from related party	6,056	3,143
Sale of scrap	13	1,577
Gain on disposal of property, plant and equipment	1,120	865
Liabilities no longer required written back	108,997	-
Others	7,740	6,382
	309,890	125,303

	2011	2010
	(Rupees in thousand)	

30. FINANCE COST

	2011	2010
Mark-up on running finance under mark-up arrangements	72,679	192,948
Mark-up on short term loan	11,162	-
Interest on foreign currency loan	67,886	88,802
Interest on amounts withheld against purchases of crude oil	34,258	147,469
Exchange loss - net	23,770	703,089
Bank charges	2,254	1,964
	212,009	1,134,272

31. TAXATION

	2011	2010
Current - for the year	575,754	91,294
- for prior years	(78,313)	-
Deferred	12,725	969,488
	510,166	1,060,782

31.1 Relationship between tax expense and accounting profit / (loss)

	2011	2010
Accounting profit / (loss)	734,122	(1,914,433)
Tax at the applicable tax rate of 35%	256,943	(670,052)
Effect of non recognition of deferred tax on tax loss and deductible temporary differences - note 7.1	(168,256)	1,562,679
Expenses not deductible for tax purposes	433	147
Effect of applicability of final tax	119,758	168,008
Effect of applicability of minimum tax	352,855	-
Effect of surcharge on tax payable	26,746	-
Reversal of prior years' tax provisions	(78,313)	-
	510,166	1,060,782

32. EARNINGS / (LOSS) PER SHARE

	2011	2010
Profit / (Loss) after taxation attributable to ordinary shareholders	223,956	(2,975,215)
Number of ordinary shares outstanding at the end of the year (in thousand)	35,000	35,000
Basic earnings / (loss) per share	Rs 6.40	(Rs 85.01)

There were no dilutive potential ordinary shares in issue as at June 30, 2011 and 2010.

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts of remuneration including benefits to Directors, Chief Executive and Executives of the company are as follows:

	2011			2010		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	590	-	-	488	-	-
Managerial remuneration	-	9,158	79,458	-	8,016	69,132
Leave encashment	-	-	493	-	-	1,495
Bonus	-	2,926	25,068	-	1,924	20,093
Ex-gratia allowance	-	-	1,974	-	-	2,469
Honorarium	650	-	-	600	-	-
Retirement benefits	-	-	25,588	-	-	22,386
Housing	-	-	33,964	-	-	27,995
Utilities	-	-	7,548	-	-	6,221
Leave passage	-	-	9,697	-	-	14,296
Club expenses	-	90	824	-	83	994
Others	36	277	20,469	36	341	15,097
	36	367	72,502	36	424	64,603
	1,276	12,451	205,083	1,124	10,364	180,178
Number of persons	*15	1	67	*12	1	58

*As at June 30, 2011 and 2010 the total number of Directors were 10.

A Director, the Chief Executive and certain executives are provided with free use of company maintained cars and household equipments.

34. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2011	2010
		(Rupees in thousand)	
(a) Associated companies	Dividend received	11,055	6,378
	Sale of goods	70,045,529	61,011,282
	Services rendered	29,015	1,987
	Purchase of goods	20,557,859	5,684,872
	Purchase of services	1,883	343
	Bank charges	12	-
(b) Entity where a director of the company is a key management personnel	Sale of goods	5,849,619	1,852,902
	Services rendered	7,369	-
	Interest received	6,056	3,143
(c) Key management employees' compensation	Salaries and other short-term employee benefits	62,852	61,017
	Post-employment benefits	7,196	6,606

Sale of certain products is transacted at prices fixed by the Oil & Gas Regulatory Authority. Other transactions with related parties are carried out on commercially negotiated terms.

Status of outstanding balances in respect of related parties as at June 30, 2011 is included in trade debts, other receivables and trade and other payables.

35. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,599,202 metric tons (2010: 1,596,637 metric tons) mainly due to periodic maintanence shutdown and also due to liquidity constraints faced by the company during the year.

36. FINANCIAL INSTRUMENTS

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	Total	Maturity up to one year	Maturity after one year	Total	
		(Rupees in thousand)						
FINANCIAL ASSETS								
Loans and receivables								
Loans and advances		4,008	3,615	7,623	2,080	1,397	3,477	11,100
Trade deposits		-	-	-	703	13,800	14,503	14,503
Trade debts		-	-	-	9,979,708	-	9,979,708	9,979,708
Accrued mark-up		-	-	-	900	-	900	900
Other receivables		-	-	-	1,129,313	-	1,129,313	1,129,313
Cash and bank balances		3,047	-	3,047	4,117	-	4,117	7,164
	2011	**7,055**	**3,615**	**10,670**	**11,116,821**	**15,197**	**11,132,018**	**11,142,688**
	2010	**11,097**	**7,011**	**18,108**	**17,509,659**	**15,407**	**17,525,066**	**17,543,174**
FINANCIAL LIABILITIES								
At amortised cost								
Trade and other payables		289,692	-	289,692	19,764,273	-	19,764,273	20,053,965
Accrued mark-up		-	-	-	22,706	-	22,706	22,706
Short-term borrowing		1,705,128	-	1,705,128	-	-	-	1,705,128
	2011	**1,994,820**	**-**	**1,994,820**	**19,786,979**	**-**	**19,786,979**	**21,781,799**
	2010	**6,369,218**	**-**	**6,369,218**	**22,100,912**	**-**	**22,100,912**	**28,470,130**

36.2 Financial risk management objectives and policies

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. However, as also mentioned in note - 18.1, the company operates under tariff protection formula whereby profits after tax in excess of 50% of the paid-up capital as of July 1, 2002 are diverted to special reserve.

Company does not have any financing through long-term borrowings. It has availed short-term borrowing for working capital purposes only.

(i) 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. 11.14 billion (2010: Rs. 17.53 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 credit risk as it operates in an essential products industry and its customers are organisations with good credit history.

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

	2011	2010
	(Rupees in thousand)	
Loans to employees	11,100	17,636
Deposits	14,503	14,303
Trade debts	3,743,090	3,322,679
Accrued mark-up	900	-
Other receivables	1,129,313	1,380,826
Cash and bank balances	7,164	9,590
	4,906,070	4,745,034

(ii) Liquidity risk

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

(iii) Foreign exchange risk

Foreign exchange risk arises mainly when receivables and payables exist due to transactions in foreign currencies primarily with respect to the US Dollar. Amounts exposed to such risk included in creditors are Rs. 10.20 billion (2010: Rs. 8.49 billion). The company manages its currency risk by close monitoring of currency markets. As per State Bank's regulations, the company can not hedge its currency risk exposure against procurement of crude oil.

At June 30, 2011, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs. 454.26 million (2010: Rs. 373.05 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and short-term borrowing.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to cash flow interest rate risk on its short-term borrowing which is repriced at a maximum period of 182 days. Hence the management believes that the company is not materially exposed to interest rate changes.

During the year, if average LIBOR interest rate on short-term borrowing had been 100 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs. 17.80 million (2010: Rs. 40.18 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowing.

(v) 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.

	2011	2010
	(Rupees in thousand)	
37. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	734,122	(1,914,433)
Adjustments for non-cash charges and other items		
Depreciation and amortisation	162,512	161,995
Share of income of associate	(8,587)	(14,595)
Gain on disposal of property, plant and equipment	(1,120)	(865)
Profit on deposits	(130,235)	(101,231)
Mark-up expense	185,985	429,219
Capital work-in-progress written off	1,392,616	-
Provision for slow moving stores and spares	6,732	1,398
Exchange loss on foreign currency loan	-	4,883
Provision for defined benefit retirement plans	19,541	17,818
	1,627,444	498,622
Working capital changes - note 37.1	(135,670)	(68,998)
Cash generated from / (used in) operations	2,225,896	(1,484,809)

37.1 Working capital changes

	2011	2010
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(34,267)	12,043
Stock-in-trade	(2,243,202)	1,556,312
Trade debts	6,141,111	(1,689,756)
Loans and advances	(2,597)	(9,095)
Trade deposits and short-term prepayments	(1,125)	(38,234)
Other receivables	247,202	582,516
Tax refunds due from government - sales tax	-	(224,717)
	4,107,122	189,069
(Decrease) / Increase in current liabilities		
Trade and other payables	(5,253,028)	(258,067)
Payable to government - sales tax	1,010,236	-
	(135,670)	(68,998)

	2011	2010
	(Rupees in thousand)	
38. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 16	7,164	9,590
Short term loan - note 21.2	(754,000)	-
Running finance under mark-up arrangements - note 21	(951,128)	(179,674)
	(1,697,964)	(170,084)

39. CORRESPONDING FIGURES

Certain corresponding figures have been rearranged wherever necessary for the purpose of comparison and better presentation. However, no material reclassifications or rearrangements have been made in these financial statements.

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 16, 2011 has proposed a final cash dividend of Rs. 1.5 per share (2010: Nil) in respect of the year ended June 30, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of proposed dividend amounting to Rs. 52.5 million which will be accounted for in the financial statements for the year ending June 30, 2012 after approval by the members in the Annual General Meeting.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 16, 2011 by the Board of Directors of the company.

Farooq Rahmatullah
Chairman

Ijaz Ali Khan
Chief Executive

Form of Proxy

51st Annual General Meeting 2011

I / We ______________________________

of ______________________________ being a Member(s)

of Pakistan Refinery Limited holding ______________________________

ordinary shares hereby appoint ______________________________

of ______________________________ or failing him / her

of ______________________________

____

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Fifty First Annual General Meeting of the Company to be held on October 26, 2011 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ______________ 2011.

Signed by the ______________________________

In the presence of 1. ______________________________

2. ______________________________

____

____

Shareholder No.

Signature on Revenue stamp of appropriate value (to the extent applicable)

This signature should agree with the specimen registered with the Company.

IMPORTANT

Instruments of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at Korangi Creek Road, Karachi or Share Registrar's office not later than 48 hours before the time of holding the meeting.

The Secretary
Pakistan Refinery Limited
P.O. Box 4612, Korangi Creek Road, Karachi-75190, Pakistan.
Tel: (92-21) 35122131-40, Fax (92-21) 35060145, 35091780
Email: info@prl.com.pk
website: www.prl.com.pk

PRL

PAKISTAN REFINERY LIMITED

P.O. Box 4612, Korangi Creek Road
Karachi-75190, Pakistan.
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
Email: info@prl.com.pk
Website: www.prl.com.pk