

ANNUAL REPORT 13



Progress REdeFINED

Pakistan Refinery Limited

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 environmentally friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.







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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 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.

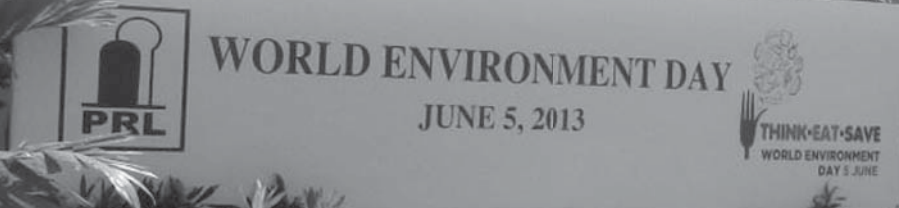
Environment

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.

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 team-player 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 275 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 donations programmes will vary depending upon the scope for useful private initiatives.



Company Information

Chief Financial Officer

Imran Ahmad Mirza

Company Secretary

Asim H. Akhund

Auditors

A. F. Ferguson & Co.

Legal Advisor

Orr Dignam & Co.

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.

8-F, Next to Hotel Faran, Nursery Block-6,
P.E.C.H.S. Shahra-e-Faisal, Karachi

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

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

Summit Bank Limited

Sindh 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

Farooq Rahmatullah

Chairman

Aftab Husain

Managing Director & CEO

Chang Sern Ee

Director

Khawaja Nimr Majid

Director

Muhammad Azam

Director

Muhammad Zubair

Director

Muqtadar A. Quraishi

Director

Naeem Yahya Mir

Director

Omar Yaqoob Sheikh

Director

Rafi Haroon Basheer

Director

Saleem Butt

Director

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, Chairman of LEADS Pakistan and member of National Commission of Government Reforms.

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.

Aftab Husain

Managing Director & CEO

Mr. Husain is a Chemical Engineer and MPA from IBA, Karachi. He has a career in oil refining with over 33 years of diversified experience with PRL having led all Operations, Technical and Commercial functions in the Refinery. He is considered a refining expert in the oil industry and has also served as the Refining Specialist for the National Integrated Energy Plan in the Energy Expert Group of the Economic Advisory Committee, Ministry of Finance. He has been associated with different committees and working groups on oil pricing mechanism, deregulation and refinery issues with the Ministry of Petroleum, Government of Pakistan. Currently he is the Co-Chairperson of Energy Sub-Committee of Overseas Investors' Chamber of Commerce and Industry and Director of Pakistan Institute of Petroleum and Pak Grease Manufacturing Company (Private) Limited. Mr. Husain was appointed to his current position on November 1, 2011.





Chang Sem 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, South Korea, Japan and China. His background is largely in the oil refining and petrochemicals 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.



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 Ansari Sugar (Private) Limited.



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).



Muhammad Zubair

Director

Mr. Muhammad Zubair is Director & Finance Head of Chevron Pakistan and previously held the position of Country Representative. He holds degrees in Professional Accounting, Commerce and Law 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) in 1977 and became the Head of 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 on an executive development assignment and 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 February 2011 where Chevron have joint ventures in Middle East which include Emirates Petroleum & Products Company (EPPCO) in UAE, Chevron Albakri Limited in Saudi Arabia and Qatex in Qatar. Effective July 1, 2010, he was designated as Country Representative for Chevron Pakistan followed by the current assignment from November 2012.



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 organisations 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.



Naeem Yahya Mir

Director

Mr. Naeem Yahya, holds a Master's degree from Heriot-Watt University in the United Kingdom as well as a Bachelor's in Chemical Engineering from Punjab University. A commercial marketing and refining expert, Mr. Naeem has over 21 years of experience in leading national and multinational oil companies with an emphasis in downstream operations including marketing, distribution, refining and shipping. Combining in-depth technical knowledge and an extensive experience of marketing POL products. Mr. Naeem has developed expertise in multiple disciplines including sales and marketing, supply chain management, quality control, product development, refinery upgrades and workforce development. A multicultural leader with a strong track record of driving revenue growth and profitability, he has successfully negotiated multiple global contracts with decision makers in more than 20 countries across the Middle East, Far East and Europe. Mr. Naeem is also a lifetime member of the Pakistan Engineering Council as well as a member of the International Fuel Quality Center, the American Institute of Chemical Engineers and the Canadian Society for Chemical Engineering.



Omar Yaqoob Sheikh Director

Mr. Omar Yaqoob Sheikh is Chairman and Managing Director of Shell Pakistan Limited and Country Chairperson for Shell in Pakistan since August 1, 2012. He has been with Shell since 1995 and has held several senior positions with Shell in Pakistan and Internationally. His most recent role was General Manager Lubricant for Pakistan. Prior to this, Mr. Sheikh was General Manager Global Business Improvement and his responsibilities covered the top 10 Shell Lubricant business across the world. During his career with Shell, he has held assignments in the areas of Sales and Marketing, Strategy & Portfolio and Planning across Europe, Africa, Latin America and North America.

Mr. Sheikh holds an MBA from INSEAD France and one from IBA Karachi. He is Director on the board of a number of companies and institutions covering education, health, environment and philanthropy.



Rafi Haroon Basheer Director

Mr. Rafi is a Chartered Accountant and career finance professional. He was most recently the Finance Director of Shell Pakistan Limited and from August this year has moved into a senior global finance role of Royal Dutch Shell plc.



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 board of TRG Pakistan Limited and Sigma Motors Limited.

Board Committees

Audit Committee

Members:

Saleem Butt
Rafi Haroon Basheer
Khawaja Nimr Majid

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 five meetings during the year and held separate meetings with the Chief Financial Officer, Chief Internal Auditor and members of Internal Audit Function and External Auditors represented by the Engagement Partner as required by the Code of Corporate Governance.

The Board has determined the Terms of Reference of the Audit Committee and has provided adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee also include the following:

- (a) determination of appropriate measures to safeguard PRL's assets;
- (b) review of quarterly, half-yearly and annual financial statements of PRL, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards;
 - compliance with listing regulations and other statutory and regulatory requirements; and
 - significant related party transactions.
- (c) review of preliminary announcements of results prior to publication;
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto;

- (f) ensuring coordination between the internal and external auditors of PRL;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within PRL;
- (h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- (i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- (j) review of PRL's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- (l) determination of compliance with relevant statutory requirements;
- (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resources and Remuneration Committee (HR&RC)

Members:

Muhammad Zubair
 Farooq Rahmatullah
 Naeem Yahya Mir
 Omar Yaqoob Sheikh

Terms of reference:

HR&RC comprises of four members, including its Chairman, from the non-executive Directors of the Board. The CEO may be inducted as member of the committee but not as the Chairman of committee. The Head of Human Resources - Pakistan Refinery Limited will act as the Secretary of the Committee.

HR&RC has been delegated the role of assisting the Board of Directors in following matters:

- recommending human resource management policies to the board;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director & Chief Executive Officer;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Managing Director & Chief Executive Officer, Deputy Managing Director (Operations & Supply), Chief Financial Officer, Company Secretary and Chief Internal Auditor;
- consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters for key management positions who report directly to Managing Director & Chief Executive Officer or Deputy Managing Director (Operations & Supply).

Board Technical Committee

Members:

Chang Sern Ee
Muqtadar A. Quraishi

Terms of reference:

The Board Technical 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.

Board Strategic Committee

Members:

Omar Yaqoob Sheikh
Muqtadar A. Quraishi
Saleem Butt
Khawaja Nimr Majid
Muhammad Azam
Naeem Yahya Mir

Terms of reference:

The Board Strategic Committee has been set up to assist management in defining and putting up to the Board of Directors a structured strategic plan that will ensure future sustainability of the business and deliver sustainable returns to the shareholders.

Share Transfer Committee

Members:

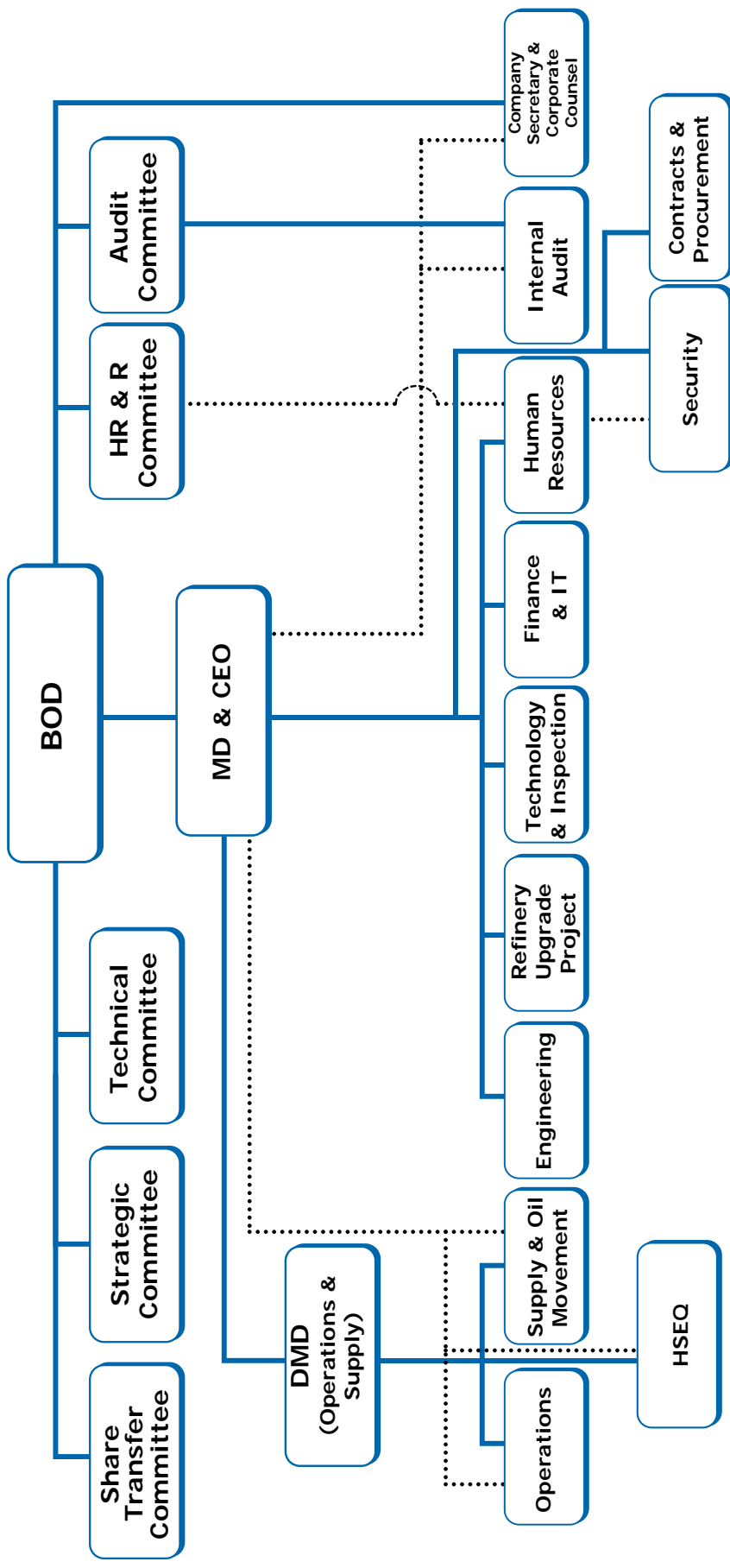
Muqtadar A. Quraishi
Saleem Butt
Aftab Husain

Terms of reference:

The Share Transfer Committee comprises of three Directors and is set up to approve registration of transfer of shares received by the Company. The Share Transfer Committee shall assist the Board of Directors in the following matters:

- approve and register transfer/transmission of shares;
- sub-divide, consolidate and issue there certificates; and
- issue share certificates in place of those which are damaged or in which the pages are completely exhausted, provided the original certificates are surrendered to the Company.

Organisational Chart



Refinery Leadership Team



Aftab Husain
Managing Director & CEO



Seema Adil
Deputy Managing Director
(Operations & Supply)



Imran Ahmad Mirza
Chief Financial Officer



Naman Shah
G.M. Technology & Inspection



Muhammad Azhar
G.M. Operations



Muhammad Ali Mirza
G.M. Project Advisory



Shehrzad Aminullah
Chief Internal Auditor



Mohammad Khalid
Senior Manager Engineering



Asad Hasan
Senior Manager Projects



Imran Latif Rawn
Head of Human Resources



Asim H. Akhund
Company Secretary

Management Committees

HSEQ Committee

HSEQ Committee's primary role is to evaluate health, safety, environment and quality performance and risk management in the areas of design, operation and maintenance, based on the inputs of the HSEQ sub-committees. The committee reviews the HSEQ Management System for its continuing suitability, adequacy, effectiveness and commitment to continual improvement. To assist HSEQ Committee separate sub-committees have been formulated for evaluating HSEQ matters for operations, engineering, supply, marine & shipping business and support functions.

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.

Inventory Management Committee

Inventory Management Committee is responsible for planning of inventory levels and crude procurement while considering current and future liquidity forecasts. The Committee also evaluates product yields and significant matters relating to suppliers, customers and other stakeholders.

Policies & Procedures Review Advisory Committee

This Committee is responsible for ensuring that Company's 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.

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.

Technical & Project Steering Committee

Technical & Project Steering Committee is responsible to facilitate and support the project team 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.

Tender Board

Tender Board 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.

Chairman's Review

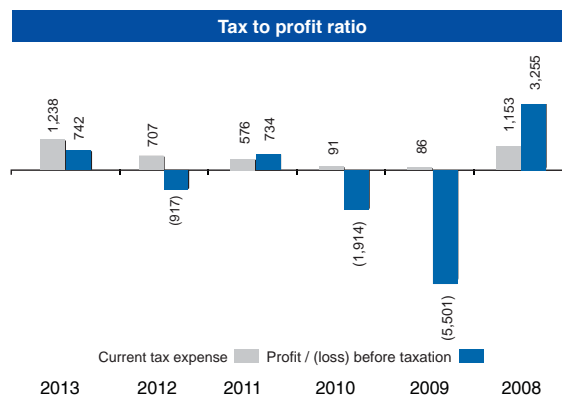
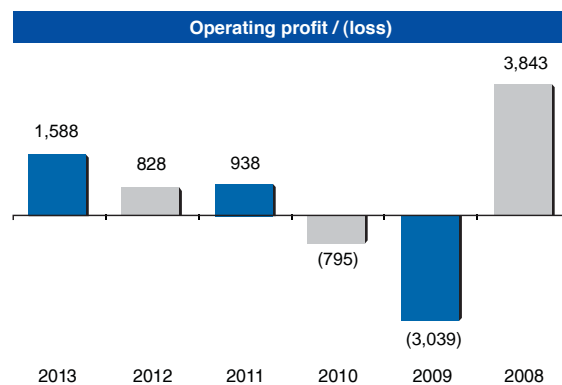
On behalf of the Board of Directors, I am pleased to present the 53rd Annual Report of Pakistan Refinery Limited for the year ended June 30, 2013.

Pakistan's economy witnessed a modest improvement in fiscal year 2012-13 with growth in real Gross Domestic Product (GDP) of 3.7% as compared to 3.0% in previous fiscal year. Although the economy underperformed when compared with the growth target of 4.2% for the year, this was expected given the energy shortages, security concerns and floods in two consecutive years. The food prices have remained relatively stable during the year, which helped in bringing down overall inflation to 11.1% which was better than projected inflation of 12% for the year. This allowed the State Bank of Pakistan (SBP) to reduce the policy rate by 200 bps during the year. According to Bureau of Statistics, Government of Pakistan, Country's year-on-year trade deficit decreased by 3.77% during the fiscal year 2012-13 to USD 20.4 billion from USD 21.2 billion last year whereas the balance of payments reduced to USD 2.18 billion as at June 30, 2013 from USD 4.66 billion as at June 30, 2012 mainly on the strength of increased remittances from overseas Pakistanis.

During the year, the oil sector continued to face challenges of **highly volatile Rupee / USD parity**, **minimum tax on turnover** and **liquidity constraints due to inter corporate circular debt**. The industry is making collective efforts for the resolution of above-mentioned issues that significantly affect the operating ability and future expansion plans of oil sector companies particularly refineries.

Despite the challenges mentioned above, the Company posted a profit after tax of Rs. 496.02 million during the year as compared with a loss after taxation

of Rs. 1,615.7 million last year. This was possible due to improved global refining margins, stringent inventory management and favourable impact of revised pricing mechanism introduced by the Government of Pakistan (GoP). However, at the same time Company's operating profit of Rs. 1.59 billion for the current year was adversely affected by Rupee/USD parity and minimum tax on turnover.



As mentioned above, the Company remained under the regime of minimum tax on turnover basis and ended up paying income tax of Rs. 742.2 million which translates into an effective tax rate of almost 60% of profit before tax. It is pertinent to mention here that due to the applicability of minimum tax on turnover, the Company is unable to avail advantage of brought forward losses of Rs. 4.7 billion and will continue to bear the burden of unjust minimum tax

on turnover. The Company continues to pursue the matter at highest levels of Federal Board of Revenue, both individually and jointly through platforms of Oil Companies Advisory Committee (OCAC) and Overseas Investors' Chamber of Commerce and Industry (OICCI) for the justified relief as is available to other sectors of the economy.

The second biggest factor that affected the profitability was highly volatile Rupee-USD parity and the Company suffered a combined exchange loss of Rs. 677.4 million during the year. Pak Rupee depreciated by 4.9% during the year to Rs. 98.8 / USD as at June 30, 2013 from Rs. 94.2 / USD as at June 30, 2012.

Despite all the challenges, the Company successfully launched its first ever Term Finance Certificates (TFCs) under the name "TARAQI" subsequent to year end. The name itself symbolizes that the Refinery is on track of sustainability and growth through complete dedication and absolute commitment. There will be two separate issues (i) Taraqqi TFC1 with an issue size of Rs. 3 billion (including a green shoe option of Rs. 500 million) for a tenor of 3 years offers fixed profit of 10.55% p.a.; and (ii) Taraqqi TFC2 with an issue size of Rs. 1 billion for a tenor of 5 years offers fixed profit rate of 10.75% p.a. Both TFCs have been rated 'A' (Single A) by The Pakistan Credit Rating Agency (PACRA) and carry comprehensive security structure. Once subscribed, the TFCs will be listed on Karachi Stock Exchange.

The Company continued its strides towards sustainability and entered into Licensing and Engineering Agreements for installation of Isomerisation Project which converts light Naphtha into Motor Gasoline which is a better margin product. The Front End Engineering Design (FEED) was awarded during the year and it has been completed in August 2013. The Company is also making efforts to achieve the financial close for the project following which the Engineering, Procurement and Construction (EPC) phase will start.

During the year, the GoP extended the deadline for setting up of above-mentioned projects from June

2014 to December 2015. The Company in order to meet the said directive is progressing fast for setting up projects for the production of environment friendly low sulphur Euro II specification High Speed Diesel (HSD). After thorough evaluation of various options, the Board has shortlisted Diesel Hydrotreating and Thermal Gas Oil Units along with ancillary equipment, as the technology of choice.

Safety, as always, has remained one of the key elements of the Refinery operations and the Company successfully achieved a milestone of 2.5 million man-hours without a Lost-Time-Injury incident. This shows the commitment of all the people associated with the Company to maintain highest standards of HSEQ. Safety is not only practiced by the Company's employees but also extended to contractors and their workers who contribute in the operations of the Refinery. The Company remained focused on strengthening internal controls, managing operating costs, maintaining product quality and ensuring overall operational excellence.

In the end, I would like to express my gratitude towards the Ministry of Petroleum and Natural Resources, Government of Pakistan and other regulatory authorities for their cooperation. I would also like to thank our valued customers, suppliers, contractors, shareholders, financial institutions, directors and dedicated staff for their continued support and commitment which is essential for the sustainability and Taraqqi of the Refinery.



Farooq Rahmatullah
Chairman

Karachi: September 4, 2013

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, 2013.

Financial Results

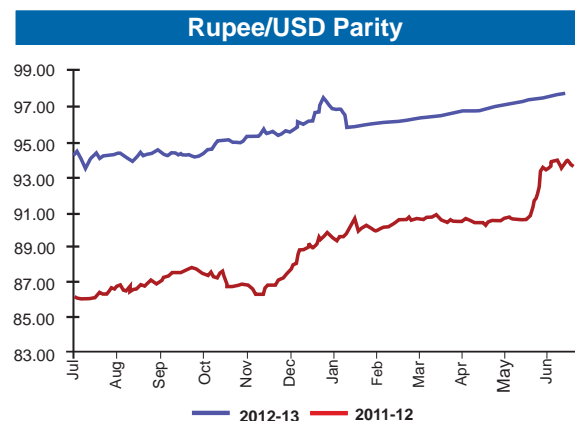
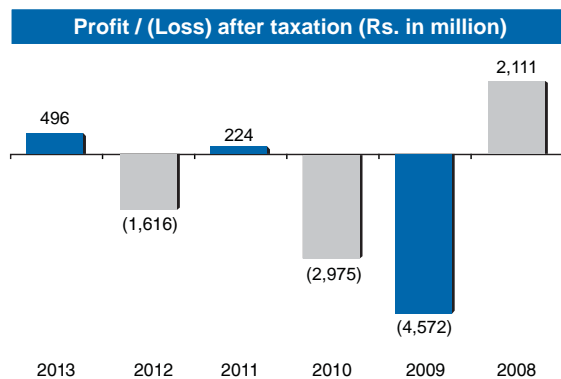
Appropriation recommended for the year

	2013	2012
	(Rupees in thousand)	
Profit / (Loss) after taxation	496,018	(1,615,717)
Accumulated loss as at July 01	(2,585,357)	(917,140)
Appropriations:		
2013: Nil	-	-
2012: Nil		
Transfer to special Reserve	396,018	-
Accumulated loss as at June 30	(2,485,357)	(2,585,357)
Earnings / (Loss) per share	Rs 14.17	Rs (46.16)

During the year, the Company earned a profit after taxation of Rs. 496.02 million as compared to a loss after taxation of Rs. 1,615.72 million. The main reasons for current year's profitability were improved global refining margins, stringent inventory management and favourable impact of revised pricing mechanism introduced by the Government of Pakistan (GoP). The Company's profitability of the current year was again adversely affected by the two factors which also affected previous year's performances. Highly volatile Rupee / USD parity and ever increasing impact of turnover tax restricted the Company's profit after tax to Rs. 496.02 million.

As mentioned above, the Company remained

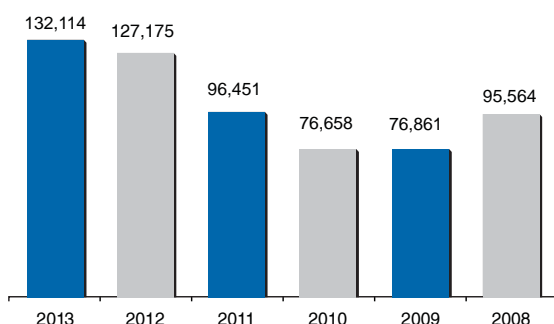
under the regime of minimum tax on turnover basis and ended up paying income tax of Rs. 742.22 million which translates into an effective tax rate of 60% on profit before tax. It is pertinent to mention here that due to the applicability of minimum tax on turnover, the Company is unable to avail advantage of brought forward losses of Rs. 4.70 billion as the law requires that the advantage of brought forward losses can only be availed once the normal tax payable after adjustment of brought forward losses exceed minimum tax on turnover. Since normal tax on the Company will remain below minimum tax on turnover due to adjustment of above-mentioned brought forward losses, it will continue to bear the burden of unjust minimum tax on turnover.



In addition, Rupee-USD parity also remained a major burden on the Company's profitability and the Company suffered a combined exchange loss of Rs. 677.42 million during the year. Pak Rupee depreciated by 4.9% during the year to Rs. 98.80 / USD as at June 30, 2013 from Rs. 94.20 / USD as at June 30, 2012.

Both the factors mentioned above are beyond the control of the Company due to current statutory and regulatory framework but the Company with its future plans of upgradation intends to mitigate these exposures.

Net turnover (Rs. in million)

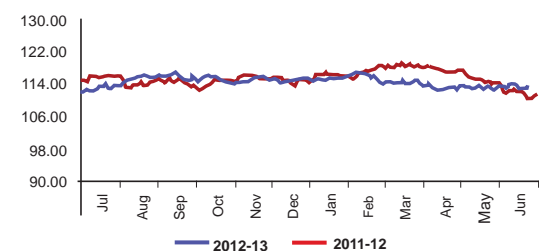


The Company witnessed a growth of 3.9% in sales which increased to Rs. 132.11 billion from Rs. 127.17 billion last year. Cost of sales also increased by 2.4% to Rs. 130.17 billion from Rs. 127.15 billion in 2012-13. The significant rise in sales and cost of sales was mainly due to the impact of increase in Rupee-dollar parity whereas on the other hand international POL prices showed a decreasing trend during the year. Average prices of Arab Light Crude and Murban Crude was as follows:

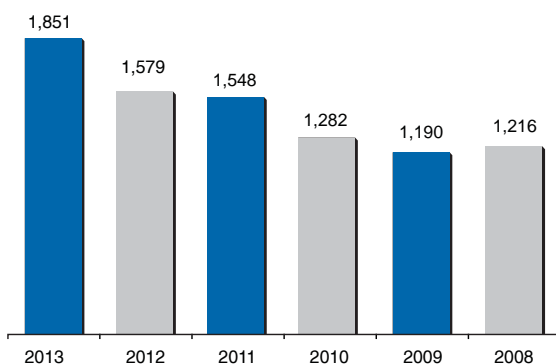
Crude type	Average prices per bbl – USD		
	2012-13	2011-12	% change
Arab Light Crude	107.80	111.22	(3.07)%
Murban Crude	109.45	113.30	(3.40)%

Crude type	Average prices per bbl – PKR		
	2012-13	2011-12	% change
Arab Light Crude	10,419	9,940	4.82%
Murban Crude	10,579	10,126	4.47%

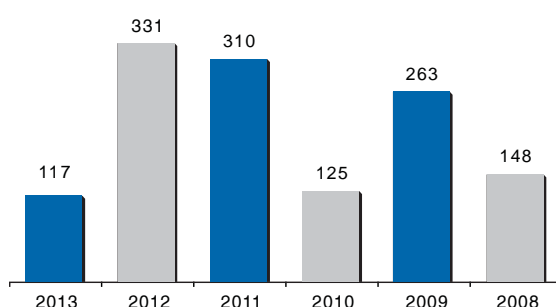
Arab Light Crude Price Trend (USD/bbl)



Operating costs (excluding exchange loss) (Rs. in million)



Other income (Rs. in million)

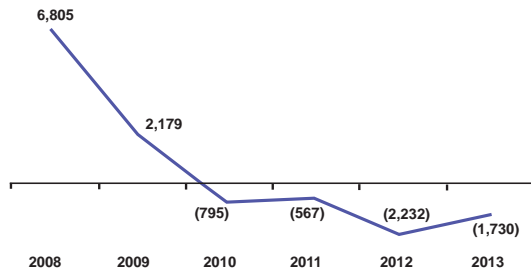


The external auditors of the Company have included a paragraph of emphasis in the audit report drawing attention to the conditions that affect the Company's ability to continue as a going concern.

As at June 30, 2013 the Company has accumulated losses of Rs. 2.49 billion and its current liabilities exceed its current assets by Rs. 3.74 billion. These conditions may cast a doubt on the Company's ability to continue as a going concern. Company believes that it will continue as a going concern and will be able to realise its assets and discharge its liabilities in the normal course of business based on following qualitative factors:

- Despite facing negative equity situation since June 2010 the Company has not only continued uninterrupted Refinery operations but has regularly incurred capital expenditure for maintenance and upgrade of existing facilities. Continued operations were possible due to the strong cash flow ability of the Company which provided assurance to all financial institutions that had provided running finances to the Company. These financial institutions continued to support the Company as all bank borrowings were repaid timely.

Net Equity (Rs. in million)



- The Company has secured supply chain i.e. it has the advantage of 'term contracts' with international crude suppliers like Abu Dhabi National Oil Company of UAE which ensures uninterrupted supply of crude oil for Refinery operations in addition to indigenous local crude and condensate which makes up around 20% of the Company's crude mix. On the other hand, the Company has long term sale contracts with all the major oil marketing companies of Pakistan i.e. Shell Pakistan Limited, Chevron Pakistan Limited and Pakistan State Oil Company Limited that assures timely off take of Refinery's products.
- The Company is progressing fast to set up an Isomerisation Unit which will convert Naphtha into Motor Gasoline as per the directives of the GoP. Motor Gasoline is a better margin product than Naphtha and is thereby expected to increase the future profitability of the Company.
- The Company has launched Taraqqi Term Finance Certificates (TFCs) subsequent to the year end having tenors of 3 and 5 years, mainly for meeting working capital requirements including CAPEX requirements. These TFCs were launched after obtaining credit rating of 'A' (Single A) from the Pakistan Credit Rating Agency (PACRA) and necessary regulatory approvals from Karachi Stock Exchange and Securities and Exchange Commission of Pakistan. It is expected that with the successful launch of TFCs, the Company will be able to address its working capital and CAPEX requirements.

Dividend

The Directors of the Company are pleased to recommend a final cash dividend of 28.5% or Rs. 2.85 per share which will be paid to the shareholders whose names appear on the

shareholders' register at the start of 'Closed Period' for the Annual General Meeting.

Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent its state of affairs, the result 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 judgement.
- International Financial Reporting Standards (previously referred to as 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.

Credit rating

During the year, credit rating of the Company was carried out by the Pakistan Credit Rating Agency (PACRA) which assigned a long term entity rating of A- (Single A minus) and a short term entity rating of A2 (Single A two). In addition, Company's Taraqqi Term Finance Certificates were also assigned a long term rating of A (Single A). These ratings depict high credit quality and a low expectation of credit risk i.e. strong capacity for timely payments of financial commitments.

Revised policy framework

Ministry of Petroleum and Natural Resources (MoPNR) issued a revised Policy Framework (Framework) on March 27, 2013 whereby the

deadline to produce EURO II specifications low sulphur High Speed Diesel (HSD) was extended from existing June 2014 to December 2015. This change has allowed the refineries to adopt the option for meeting EURO II quality via a combination of upgradation and treating facilities. The Framework also gives incentive to refineries for installation of above projects in the form of increase in regulatory duty included in HSD ex-refinery pricing from existing 7.5% to 9% subject to completion of refinery upgradation projects. The Framework also requires that any profit in excess of 50% of the paid-up capital (as per current pricing formula paid up capital as at July 1, 2002) to be transferred to "Special Reserve Account" and these funds to be deposited in an "Escrow Account" which shall be available for utilisation exclusively for upgradation of the Refinery. Further, Special Reserve will not be available for set off of losses till the completion of upgradation project. The revised directive is applicable from the year ended June 30, 2013.

Pricing mechanism

In September 2012 Ministry of Petroleum and Natural Resources (MoPNR) replaced fortnightly pricing mechanism which was made effective since June 2012 to weekly pricing mechanism. This change considerably reduced the Refinery's exposure to volatility of exchange rate and oil price fluctuations. However, the decision was reversed in November 2012 and a monthly pricing mechanism was implemented thereby exposing the Company to above-mentioned factors and the exposure increases with the increase in interval between price changes. This factor is not only negative for the Refinery but also for the consumers who are deprived of the benefit of price fluctuations.

Further during the year, pricing of HSD was also deregulated as part of Government's envisaged complete deregulation. This was in addition to deregulation of Motor Spirit (MS), High Octane Blending Component (HOBC), Light Diesel Oil (LDO) and Aviation Fuels (JP1, JP4 & JP8) in June 2011. Deregulation of Refinery's products is expected to have a positive impact on the financial performance of the Company.

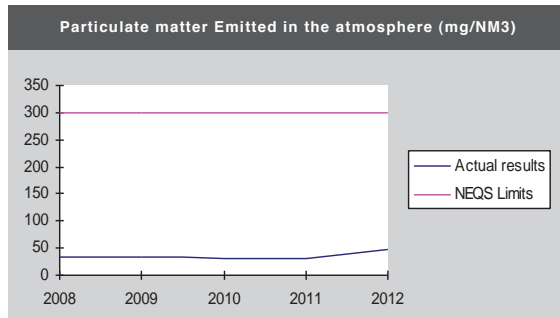
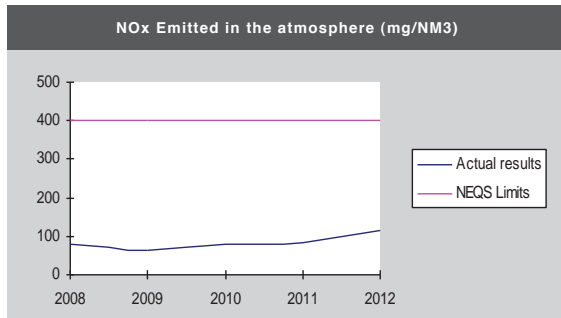
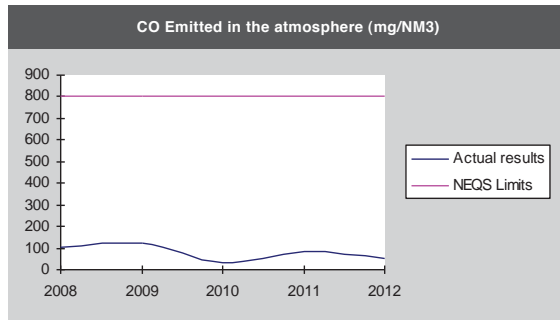
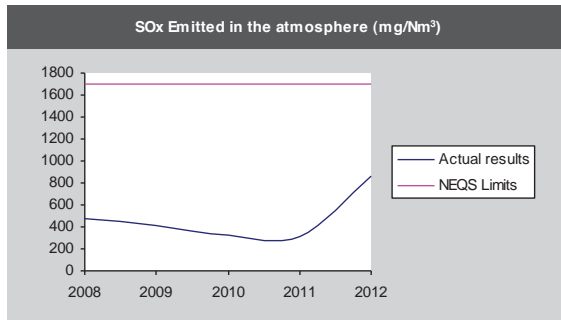
Health, Safety, Environment & Quality (HSEQ)

The Company has declared the calendar year 2013 as "**The Year for Behaviour and Cultural Change**". In this regard, a Behaviour Based Safety Programme has been initiated during the

year focussing on leadership visibility and engagement on HSE matters and reward and recognition to staff for reporting potential incident / unsafe acts and conditions.

In addition, the Company has achieved 2.5 million man-hours without Lost Time Injury (LTI) which shows the commitment of all the people associated with the Company to maintain the highest standards of HSEQ. The Company was also the recipient of the 8th EFP - OSH&E award organized by the Employers Federation of Pakistan.

- **Process Safety Review:** During the year, extensive focussed trainings were organised as an initiative to ensure the safety of operations. A Process Safety Review was repeated by an independent consultant. The gaps identified are being addressed on priority basis while keeping safety and integrity of Refinery operations in consideration.
- **Shipping and Marine Business:** The Company has remained committed to strengthen controls over maritime risks in line with international standards. The training of water front staff and self-assessment by foreign advisor was conducted during the year to meet above requirements. The Company only employs double hull vessels approved by one of the oil majors for marine operations relating to crude oil imports and Naphtha exports. Continuous liaison with Karachi Port Trust is maintained both individually and through Oil Companies Advisory Committee for improvement of jetty standards.
- **Emissions, Effluent and Ambient Air Quality Test:** The Company continues to test its emissions and effluents through laboratories approved by Pakistan Environment Protection Agency. The results are reported to Sindh Environment Protection Agency and Pakistan Environment Protection Agency 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 regular basis to monitor and ensure continual improvements.
- **Crisis Management & Mock Drills:** To check the effectiveness of Company's Emergency Response Plan (ERP) system



and equipment, surprise mock drills were conducted during the year mainly focusing on emergency situation relating to release of Hydrogen Sulphide (H₂S) and LPG gases in the plant area.

- **Environment Day Celebration:** World Environmental Day was celebrated during the year with the theme “Think, Eat, Save”. The ideas was to raise awareness amongst employees against food waste, food loss and to encourage them to reduce their food print i.e. the environmental impact caused by the food we consume.
- **Contractor HSE Management:** As part of overall HSE management culture, extensive and continuous efforts were made to enrich and raise the bar of HSE standard for the contractors. Monthly trainings of contractors’ staff are being conducted to meet the Company’s HSE standards.

Refinery Management and Operations

The operations of the Company remained smooth and efficient during the year. Efforts were continued to operate the Refinery at optimum levels so as to maximize the yields of better margin products while keeping in view the integrity and HSE in considerations. All products supplied to customers were within the specifications and key performance indicators remained within the targets.

● Stock Management & Oil Movement

During the year, major repair activity on storage tanks continued with a view to eliminate safety hazards and ensure integrity of storage operations. Further, stock management process was improved for analysis and reduction of operational losses.

● Contract of Affreightment with Pakistan National Shipping Corporation

The Company successfully signed a three year Contract of Affreightment with Pakistan National Shipping Corporation (PNSC) in May 2013 for supply of tankers for imports of crude oil for the Company. The revised contract incorporates several terms that are beneficial for the Company, both financial and HSE related matters. Several key performance indicators have been added in the contract to ensure safe vessel operations including usage of only certified vessels, incident reporting including oil spillage, fatalities, injuries and other emergencies and ensuring compliance with International Safety Guide for Oil Tankers and Terminals. Substantial savings in freight rate premium is contributing to the bottom line of the Company.

- **Crude Supply Agreement with Abu Dhabi National Oil Company**

In order to ensure supply of crude oil for continuous Refinery operations, the annual crude oil term contract with Abu Dhabi National Oil Company (ADNOC) was increased from 16,500 barrels per day to 22,000 barrels per day including special arrangement of spot cargo purchases at OSP / Agreement price from ADNOC.

- **Turnaround including Platformer Catalyst Regeneration**

The Catalyst of Catalytic Reformer Unit was regenerated during planned turnaround activities of 10 days. This Unit converts Naphtha with low octane into high octane liquid products which are used for manufacture of Motor Gasoline (Petrol). Regeneration is required on periodic basis as the life of the catalyst is exhausted with the passage of time due to coke formation. The process is repeated every 2 to 3 years so as to ensure efficient operations of the Unit

Other planned turnaround activities included overhaul, repair works and maintenance of critical plant piping, heat exchangers, air coolers, crude towers, rotating equipment, instrumentation and electrical equipment. This activity is required to be carried out periodically to rectify wear and tear and environmental degradation of critical equipment which ensure uninterrupted Refinery operations.

Refinery Upgradation

- **Isomerisation Project**

Progress on Isomerisation Project continued during the year and the Company successfully entered into Licencing and Engineering Agreements for the development of Basic Design Package. The Package was completed in November 2012 and Front End Engineering Design (FEED) was awarded thereafter. The FEED at cost estimate of $\pm 10\%$ has been completed subsequent to year end and it is expected that Final Investment Decision will be taken once the Company achieves the financial close for the project. It is expected that

Engineering, Procurement and Construction (EPC) phase will start in second quarter of the next financial year.

This project will convert Naphtha into high demand Motor Gasoline as per the directives of the GoP. Motor Gasoline is a better margin product than Naphtha and is thereby expected to increase the future profitability of the Company.

- **Conversion & HDS Project**

During the year, GoP extended the deadline for installation of projects for production of environment friendly low sulphur Euro II specification High Speed Diesel (HSD) to December 2015. After thorough analysis and evaluating various options available to the Company including procurement of pre-owned units, the Board has shortlisted setting up of Diesel Hydrotreating and Thermal Gas Oil Units along with ancillary equipment. This Unit is selected as it will be able to maximize Refinery profitability by minimizing fuel oil production and maximizing the production of middle distillates whilst maintaining Euro II specifications. The Company is currently evaluating various financing options for the project.

- **Liquidity Management**

Company has running finance facilities to the tune of Rs. 7.7 billion from various commercial banks of Pakistan. The Company faced significant challenges in its working capital management due to circular debt issue faced by the oil sector and operational losses in previous years. Strict management of working capital is a continuous feature to reduce the burden of finance costs. Alternate cost effective options for financing were explored and consequently the option of raising public debt through TFCs was finalised as the most suitable mode to cater financing needs of the Company. As a result of close monitoring of liquidity position, the finance cost (excluding exchange loss) decreased by 15.6% to Rs. 344.89 million as compared to Rs. 408.74 million last year.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility initiatives demonstrate good faith, social responsibility and commitment that affect the community at large. The Company understands its responsibility towards its stakeholders - internal and external

and is mindful of the need for organizations to conduct themselves ethically and fulfil obligations towards the society.

The Company continues to contribute to philanthropic activities as part of its Corporate Social Responsibility strategy. During the year, the Company contributed to a nearby community hospital with the intention to facilitate destitute patients. The donation given will contribute to the improvement of healthcare and medical facilities of the community.

Human Resources

With the Company's focus on attracting, retaining, developing and rewarding high potential individuals, employees were provided opportunities to develop in an effective and efficient manner which in turn enabled the Company to progress towards long term sustainability.

The Company takes pride in maintaining a positive organizational culture that focuses on empowering its employees to positively contribute towards a learning organization. To achieve such affect various employee engagement activities were carried out during the year along with interactive communication meetings, Refinery Leadership Team meetings, departmental meetings and HSEQ management reviews.

Employee development has been the focal point of the training and development function. The training and development wing provided employees with numerous opportunities to develop and increase productivity, covering all aspects of business operations by imparting technical, managerial and HSEQ related in-house and external trainings. However, foreign trainings have been restricted due to cost optimization.

In order to fulfil its mission to protect the interest of all stakeholders in a competitive market through sustainable development and quality human resources, the Company commenced its Trainee Engineer Program 2012 hiring high potential fresh graduates across the organization from various leading universities of the country. In addition, the Company also provided internship opportunities to students from leading universities to aid their understanding of theoretical concepts with practical application of the same. Industrial visits and study tours were also arranged for students in order to facilitate them for their research projects.

The Company takes pride in managing harmony and industrial peace through its industrial relations function. The Company positively managed its relationship with the Collective Bargaining Agent during the past year after conducting successful bilateral negotiations, which resulted in the signing of an agreement for the period July 2011 to June 2013.

Corporate Governance

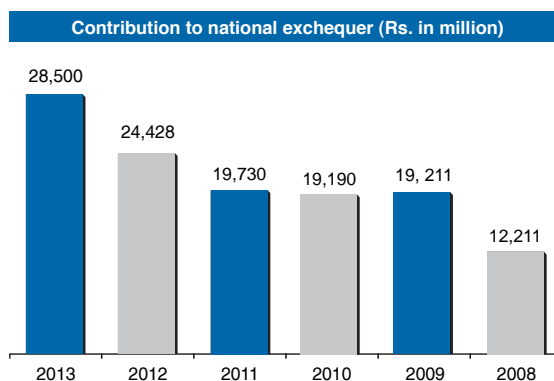
The Company has been and shall remain committed to the highest standards of corporate governance. There has been no departure from the best practices of corporate governance, as detailed in the Listing Regulations of the Karachi and Lahore Stock Exchanges.

Key Operation and Financial Data

A statement summarizing key operating and financial data for the last six years is annexed to the report.

Contribution to the National Exchequer and Value Addition

The Company is one of the major taxpayers of the country and contributed an amount of Rs. 28.5 billion (June 2012: Rs. 24.4 billion) to the National Exchequer on account of direct and indirect taxes. The Company also brought valuable Foreign Exchange of USD 164.8 million (June 2012: Rs. 156.1 million) into the economy through the exports of Naphtha product and thereby contributing towards reducing burden on the Country's balance of payments.



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
Farooq Rahmatullah	7	7
Aftab Husain	7	7
Chang Sern Ee	7	4
Khawaja Nimr Majid	7	3
Muhammad Azam	7	3
Muhammad Zubair	7	6
Muqtadar A. Quraishi	7	6
Naeem Yahya Mir	7	6
Omar Yaqoob Sheikh	7	6
Rafi Haroon Basheer	7	5
Saleem Butt	7	4
Sarim Sheikh	0	0

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

The Board places on record its appreciation for the valuable services rendered by Mr. Sarim Sheikh who resigned from the Board during the year and welcomes Mr. Omar Yaqoob Sheikh in his place on the Board.

Director's Training Program

During the year Mr. Aftab Husain, Mr. Muqtadar A. Quraishi, Mr. Muhammad Zubair and Mr. Nimr Majid attended "Corporate Governance Leadership Skills" training program conducted by Pakistan Institute of Corporate Governance.

Board Committee Meetings held during the year

Attendance of directors in Board Committee meetings is given below:

Name of Director	Total No. of Board Meetings*	No. of Meetings Attended
Board Audit Committee Meeting		
Saleem Butt	5	4
Khawaja Nimr Majid	5	3
Rafi Haroon Basheer	5	5
Board Human Resource and Remuneration Committee		
Muhammad Zubair	3	2
Farooq Rahmatullah	3	3
Naeem Yahya Mir	3	3
Omar Yaqoob Sheikh	3	2
Board Technical Review Committee		
Chang Sern Ee	4	4
Muqtadar A. Quraishi	4	4

Name of Director	Total No. of Board Meetings*	No. of Meetings Attended
Board Strategic Committee		
Omar Yaqoob Sheikh	3	3
Khawaja Nimr Majid	3	1
Mohammad Zubair	2	2
Muqtadar A. Quraishi	3	3
Naeem Yahya Mir	3	3
Saleem Butt	3	2
Rafi Haroon Basheer	2	0

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

Chairman's Review Endorsement

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

Trading in Company Shares

Directors, CEO, DMD, CFO, Chief Internal Auditor, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year under consideration. There has been no trading in Company's shares by any other employee whose basic salary exceeds the threshold of Rs. 1.2 million in a year which is the threshold set by the Directors for disclosure in annual report.

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, 2013 was as follows:

	(Rupees in '000)
Provident Fund	285,740
Gratuity fund - management staff	74,717
Gratuity fund - non-management staff	21,656
Pension fund - management staff	574,568
Pension fund - non-management staff	50,713

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2013 is annexed to the report.

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.

Acknowledgement

The Directors would like to thank valued shareholders, customers, suppliers, contractors and financial institutions for their continuous support to the Company. The Board also express their gratitude to Company's dedicated human resource whose commitment and hard work has ensured safe and profitable Refinery operations during the year. We equally acknowledge continuous guidance and support of Ministry of Petroleum and Natural Resources, Government of Pakistan and other regulatory authorities.

On behalf of Board of Directors



Farooq Rahmatullah

Chairman

Karachi: September 4, 2013

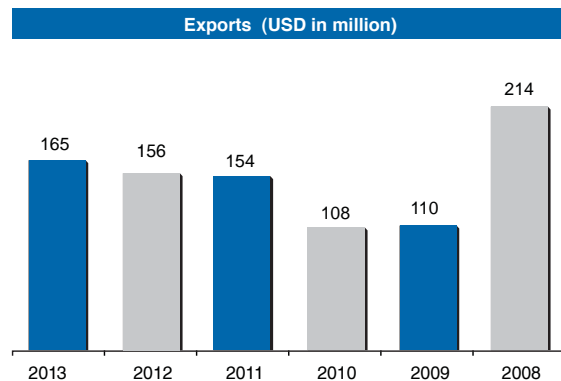
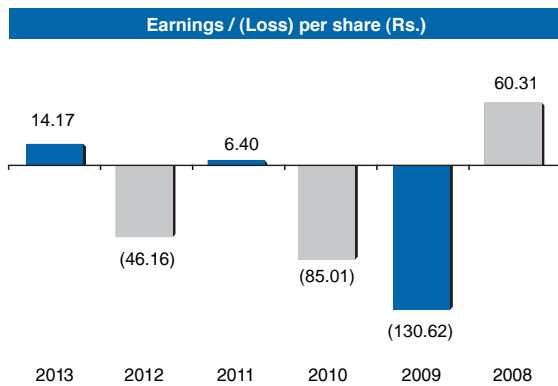
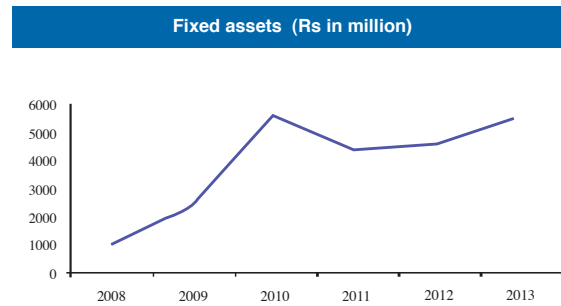
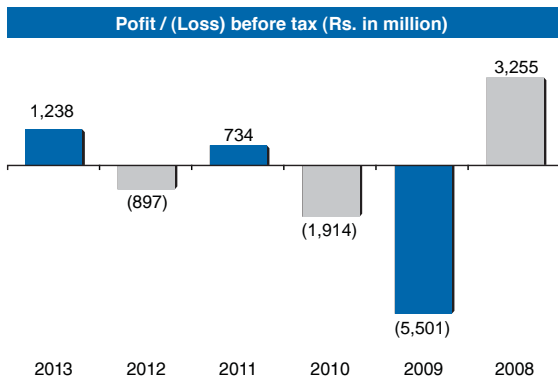
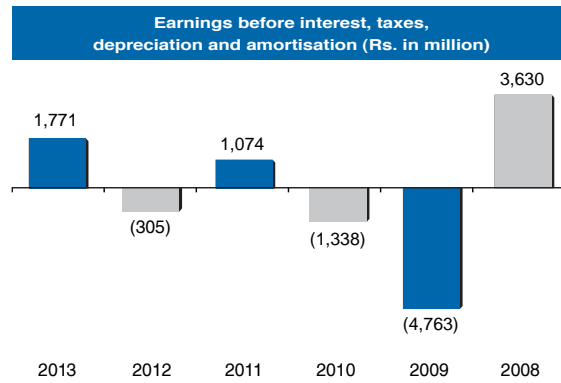
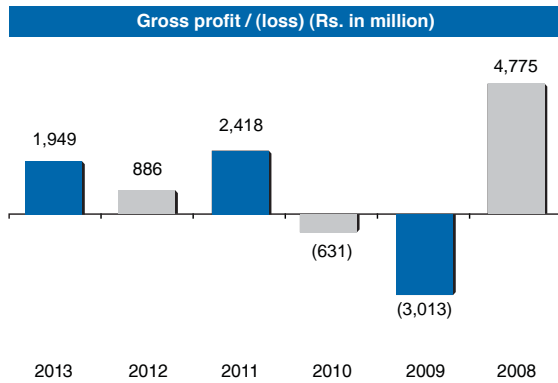
Key Operational and Financial Data

Six Years Summary

		2013	Restated 2012	2011	2010	2009	Restated 2008
Profit and loss							
Revenue (net)	Rs/mn	132,114.4	127,174.8	96,450.6	76,658.3	76,861.1	95,564.0
Gross profit / (loss)	Rs/mn	1,948.9	29.4	2,417.7	(630.9)	(3,013.1)	4,774.9
Operating profit / (loss)	Rs/mn	1,587.7	13.5	937.5	(794.8)	(3,038.6)	3,843.2
Profit / (loss) before tax	Rs/mn	1,237.6	(896.5)	734.1	(1,914.4)	(5,501.4)	3,254.6
Profit / (loss) after tax	Rs/mn	496.0	(1,615.7)	223.9	(2,975.2)	(4,571.7)	2,110.7
Earnings before interest, taxes, depreciation and amortisation	Rs/mn	1,771.0	(306.1)	1,074.0	(1,337.9)	(4,762.5)	3,630.5
Balance Sheet							
Share Capital	Rs/mn	350.0	350.0	350.0	350.0	350.0	350.0
Reserves	Rs/mn	(2,476.3)	(2,582.1)	(917.0)	(1,145.1)	1,829.3	6,455.9
Fixed assets	Rs/mn	5,111.4	4,541.2	4,359.1	5,598.9	2,342.8	989.9
Net current assets / liabilities	Rs/mn	(3,742.8)	(3,692.3)	(1,852.9)	(3,346.3)	(1,229.2)	5,767.8
Long term / deferred liabilities	Rs/mn	40.3	36.0	18.7	1.1	4.4	47.1
Surplus on revaluation of fixed assets	Rs/mn	3,197.9	3,143.9	3,143.9	3,143.9	-	-
Investor Information							
Gross profit ratio	%	1.48	0.02	2.51	(0.82)	(3.92)	5.00
Net profit ratio	%	0.38	(1.27)	0.23	(3.88)	(5.95)	2.21
EBITDA margin	%	1.34	(0.24)	1.11	(1.75)	(6.20)	3.80
Cash flow from operations to sales	%	(5.21)	1.41	1.70	(3.69)	(1.82)	1.16
Inventory turnover	Days	26.37	24.23	30.79	35.84	39.91	28.43
Debtor turnover	Days	43.54	44.05	49.39	72.73	56.74	27.22
Operating cycle	Days	(0.40)	(7.61)	(8.89)	(17.32)	0.39	7.26
Debtor turnover	Times	8.38	8.29	7.39	5.02	6.43	13.41
Creditor turnover	Times	5.21	4.82	4.10	2.90	3.79	7.54
Inventory turnover	Times	13.84	15.06	11.85	10.18	9.14	12.84
Total assets turnover ratio	Times	4.82	3.72	3.86	2.48	2.36	4.02
Fixed assets turnover ratio	Times	25.85	28.00	22.13	13.69	80.48	123.09
Market value per share at the end of the year	Rs.	81.41	57.45	80.45	78.57	89.80	151.38
Market value per share - high during the year	Rs.	97.63	81.64	118.87	149.79	149.87	301.00
Market value per share - low during the year	Rs.	56.25	52.21	50.02	74.01	48.61	133.85
Breakup value per share without surplus on revaluation of fixed assets	Rs.	(49.44)	(63.78)	(16.20)	(22.72)	62.27	194.45
Breakup value per share including the effect of surplus on revaluation of fixed assets	Rs.	41.93	26.05	73.63	67.11	62.27	194.45
Earnings / (loss) per share	Rs	14.17	(46.16)	6.40	(85.01)	(130.62)	60.31
Price earning ratio	Times	5.74	(1.24)	12.58	(0.92)	(0.69)	2.51
Cash dividend per share	Rs.	-	-	1.50	-	-	1.43
Stock dividend per share	%	-	-	-	-	-	16.67
Bonus shares issued	Rs/mn	-	-	-	-	-	50.00
Dividend yield	%	-	-	1.86	-	-	0.94
Dividend pay out	%	-	-	23.45	-	-	2.37
Dividend Cover	Times	4.96	-	2.24	-	-	21.11
Interest cover ratio	Times	4.87	(1.24)	5.19	-	-	16.37
Current ratio	Ratio	0.86:1	0.89:1	0.92:1	0.88:1	0.96:1	1.34:1
Quick ratio / acid test ratio	Ratio	0.42:1	0.63:1	0.45:1	0.57:1	0.6:1	0.72:1
Cash to current liabilities	Ratio	-0.297:1	-0.004:1	-0.08:1	-0.11:1	-0.01:1	0.16:1
Summary of cash flow statement							
Cash flows from operating activities	Rs/mn	(6,886.4)	1,787.4	1,638.0	(2,830.9)	(1,397.2)	1,110.1
Cash flows from investing activities	Rs/mn	(660.9)	(184.6)	(173.8)	(130.1)	(1,291.0)	(61.7)
Cash flows from financing activities	Rs/mn	-	(51.2)	(2,992.1)	(1,118.8)	3,952.0	(100.6)
Net cash flows during the year	Rs/mn	(7,547.3)	1,551.6	(1,527.9)	(4,079.8)	1,263.7	947.8

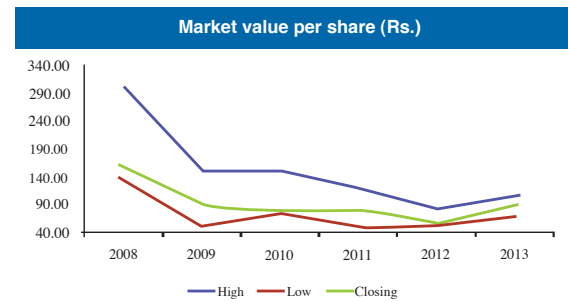
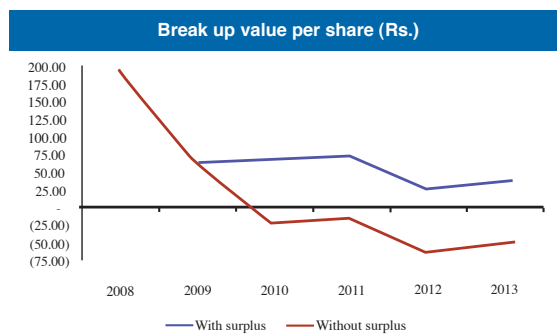
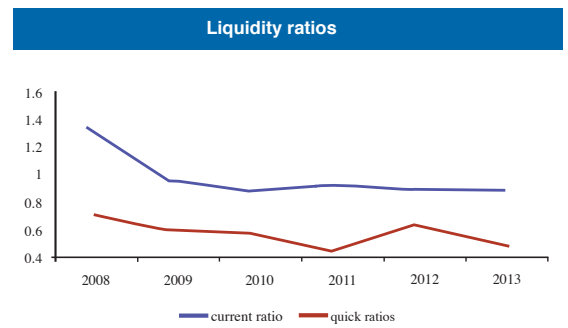
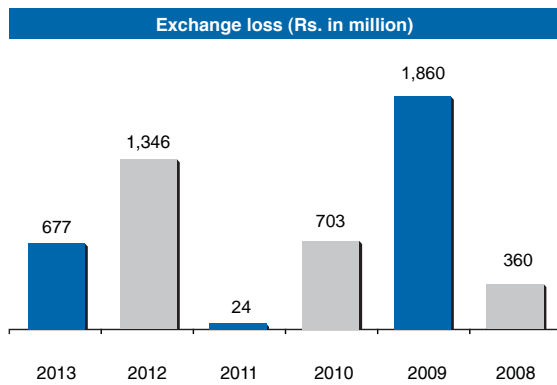
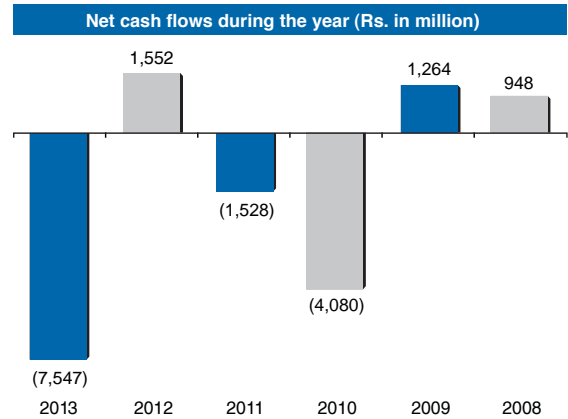
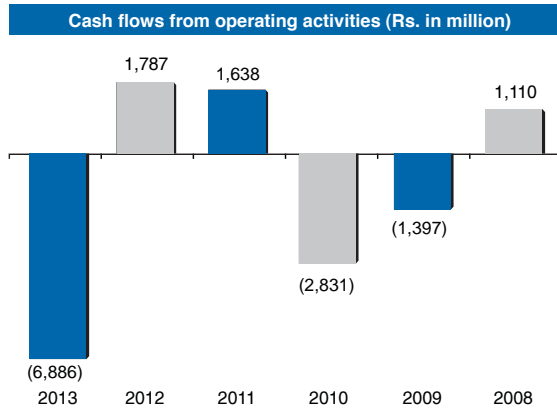
Key Operational and Financial Data

Six Years Summary



Key Operational and Financial Data

Six Years Summary



Horizontal Analysis of Balance Sheet

	2013	2012	2011	2010	2009	2008	2007
ASSETS							
Non-current assets							
Fixed assets	536.8	477.0	457.8	588.0	246.1	104.0	100.0
Investment in associate	158.0	143.9	130.5	123.3	105.9	107.7	100.0
Long-term loans and advances	24.0	55.2	45.8	79.9	150.5	124.2	100.0
Long-term deposits	1,780.3	521.7	478.0	473.6	485.3	485.3	100.0
Deferred taxation	-	-	-	21.6	2,535.4	-	100.0
Retirement benefit obligations - prepayments	-	-	-	-	10.5	23.9	100.0
Total non-current assets	478.0	422.4	405.0	518.6	310.7	98.8	100.0
Current assets							
Stores, spares and chemicals	83.9	77.7	110.7	98.7	104.5	101.8	100.0
Stock-in-trade	214.9	153.3	177.3	133.3	163.8	178.2	100.0
Trade debts	225.6	432.5	208.4	336.6	301.3	197.6	100.0
Loans and advances	213.4	146.6	116.2	104.6	64.1	83.8	100.0
Accrued mark-up	-	-	11.6	-	170.3	0.6	100.0
Trade deposits and short-term prepayments	16.4	105.9	97.6	95.3	17.4	99.5	100.0
Other receivables	289.5	2,696.8	7,173.2	8,728.8	12,394.5	6,186.4	100.0
Taxation - payments less provision	-	100.0	100.0	100.0	-	-	-
Tax refunds due from Government - Sales tax	-	-	-	28.8	13.6	12.7	100.0
Investments	-	-	-	-	-	0.2	100.0
Cash and bank balances	5.0	18.1	0.4	0.6	230.2	155.8	100.0
Total current assets	163.0	217.5	151.0	185.0	214.4	166.8	100.0
Total assets	186.5	232.8	170.0	210.0	221.6	161.7	100.0
EQUITY AND LIABILITIES							
Share capital	116.7	116.7	116.7	116.7	116.7	116.7	100.0
Reserves	(1,908.5)	(1,990.1)	(706.7)	(882.5)	11.5	53.8	100.0
Special reserve	9.4	-	-	-	42.9	151.2	100.0
Total equity	(36.0)	(46.5)	(11.8)	(16.5)	45.4	141.6	100.0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100.0	100.0	100.0	100.0	-	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	429.0	362.2	275.0	26.0	100.0	161.9	100.0
Deferred taxation	100.0	100.0	100.0	-	-	100.0	-
Total non-current liabilities	922.2	824.2	426.8	26.0	100.0	1,077.5	100.0
Current liabilities							
Trade and other payables	177.5	336.9	210.4	265.2	266.1	166.8	100.0
Short-term borrowings / running finance	100.0	100.0	100.0	100.0	100.0	-	-
Accrued interest / mark-up	1,967.6	1,001.6	1,141.6	2,470.5	-	3,899.3	100.0
Taxation - provision less payments	2.6	-	-	-	258.5	269.1	100.0
Payable to government - Sales tax	100.0	100.0	100.0	-	-	-	-
Total current liabilities	262.0	336.4	226.4	288.3	307.3	171.1	100.0
Total liabilities	262.3	336.6	226.5	288.2	307.2	171.5	100.0
Total equity and liabilities	186.5	232.8	170.0	210.0	221.6	161.7	100.0

Vertical Analysis of Balance Sheet

(as a percentage of total assets)

	2013	2012	2011	2010	2009	2008	2007
(In percentages)							
ASSETS							
Non-current assets							
Fixed assets	18.6	13.3	17.5	18.1	7.2	4.2	6.5
Investment in associate	0.3	0.2	0.3	0.2	0.2	0.2	0.4
Long-term loans and advances	-	-	-	-	0.1	0.1	0.1
Long-term deposits	0.2	-	0.1	-	-	0.1	-
Deferred taxation	-	-	-	-	3.0	-	0.3
Retirement benefit obligations - prepayments	-	-	-	-	-	-	0.3
Total non-current assets	19.2	13.6	17.8	18.5	10.5	4.6	7.5
Current assets							
Stores, spares and chemicals	0.7	0.5	1.0	0.7	0.7	1.0	1.6
Stock-in-trade	40.0	22.9	36.2	22.1	25.7	38.3	34.8
Trade debts	39.4	60.5	40.0	52.2	44.3	39.8	32.6
Loans and advances	0.2	0.1	0.1	0.1	-	0.1	0.2
Accrued mark-up	-	-	-	-	-	-	0.1
Trade deposits and short-term prepayments	-	0.2	0.2	0.2	-	0.2	0.3
Other receivables	0.2	1.3	4.6	4.5	6.0	4.1	0.1
Taxation - payments less provision	-	0.1	0.1	0.4	-	-	-
Tax refunds due from Government - Sales tax	-	-	-	1.4	0.6	0.8	10.0
Investments	-	-	-	-	-	-	1.4
Cash and bank balances	0.3	0.9	-	-	12.0	11.1	11.6
Total current assets	80.8	86.4	82.2	81.5	89.5	95.4	92.5
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EQUITY AND LIABILITIES							
Share capital	1.3	1.0	1.4	1.1	1.1	1.5	2.0
Reserves	(9.0)	(7.5)	(3.7)	(3.7)	-	0.3	0.9
Special reserve	1.4	-	-	-	5.6	26.9	29.8
Total equity	(6.3)	(6.5)	(2.3)	(2.6)	6.7	28.6	32.7
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	11.7	9.2	12.6	10.2	-	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	0.07	0.05	0.05	-	0.01	0.03	0.03
Deferred taxation	0.1	0.1	-	-	-	0.2	-
Total non-current liabilities	0.1	0.1	0.1	-	-	0.2	-
Current liabilities							
Trade and other payables	61.7	93.9	80.3	81.9	77.9	66.9	64.9
Short-term borrowings / running finance	28.4	1.3	6.8	10.3	12.6	-	-
Accrued interest / mark-up	0.1	0.1	0.1	0.2	-	0.3	-
Taxation - provision less payments	-	-	-	-	2.8	3.9	2.4
Payable to government - Sales tax	4.2	1.9	2.3	-	-	-	-
Total current liabilities	94.5	97.2	89.6	92.4	93.3	71.2	67.3
Total liabilities	94.6	97.3	89.7	92.4	93.3	71.4	67.3
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

	2013	2012	2011	2010	2009	2008	2007
Sales	230.1	221.5	168.0	133.5	133.9	166.5	100.0
Cost of sales	(229.9)	(224.5)	(166.1)	(136.5)	(141.1)	(160.3)	(100.0)
Gross (loss) / profit	251.2	3.8	311.6	(81.3)	(388.3)	615.4	100.0
Distribution cost	(204.5)	(179.1)	(184.0)	(141.3)	(135.1)	(144.7)	(100.0)
Administrative expenses	(200.7)	(171.1)	(131.2)	(120.3)	(122.0)	(517.2)	(100.0)
Other operating expenses	(203.0)	(1.3)	(3,131.2)	(0.9)	(6.8)	(545.2)	(100.0)
Other income	252.7	509.5	420.2	169.9	356.9	200.7	100.0
Operating (loss) / profit	274.2	2.3	161.9	(137.3)	(524.8)	663.7	100.0
Finance costs	(438.5)	(1,126.7)	(259.4)	(1,388.0)	(3,031.7)	(750.5)	(100.0)
Share of income of associate	118.5	154.4	123.6	210.0	211.1	355.8	100.0
(Loss) / profit before taxation	245.4	(177.8)	145.6	(379.6)	(1,091.0)	645.4	100.0
Taxation	(292.6)	(283.8)	(201.3)	(418.5)	366.8	(451.3)	(100.0)
(Loss) / profit after taxation	197.8	(644.2)	89.3	(1,186.2)	(1,822.7)	841.6	100.0

Vertical Analysis of Profit and Loss Account

(as a percentage of sales)

	2013	2012	2011	2010	2009	2008	2007
	(In percentages)						
Sales	100.00	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(98.5)	(100.0)	(97.5)	(100.8)	(103.9)	(95.0)	(98.6)
Gross (loss) / profit	1.5	-	2.5	(0.8)	(3.9)	5.0	1.4
Distribution cost	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)
Administrative expenses	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)	(0.2)
Other operating expenses	(0.071)	(0.001)	(1.502)	(0.001)	(0.004)	(0.264)	(0.081)
Other income	0.1	0.3	0.3	0.2	0.3	0.2	0.1
Operating (loss) / profit	1.2	-	1.0	(1.0)	(4.0)	4.0	1.0
Finance costs	(0.3)	(0.7)	(0.2)	(1.5)	(3.2)	(0.6)	(0.1)
Share of income of associate	0.01	0.01	0.01	0.02	0.02	0.03	0.01
(Loss) / profit before taxation	0.9	(0.7)	0.8	(2.5)	(7.2)	3.4	0.9
Taxation	(0.6)	(0.6)	(0.5)	(1.4)	1.2	(1.2)	(0.4)
(Loss) / profit after taxation	0.4	(1.3)	0.2	(3.9)	(5.9)	2.2	0.4

Statement of Value Addition and its Distribution

For the year ended June 30, 2013

	2013 Rupees in thousand	%	2012 Rupees in thousand	%
Wealth Generated				
Total gross revenue and other income	159,432,360		151,246,180	
Brought in materials and services	(129,691,754)		(127,252,627)	
	29,740,606	100%	23,993,553	100%
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	641,174	2%	581,197	2%
To Government				
Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	28,059,604	94%	24,428,350	102%
To society				
Donation towards earthquake victims, IDPs and health	1,010	0%	620	0%
To shareholders				
Dividends and bonus	-	0%	52,500	0%
To providers of finance				
Finance charges for borrowed funds	341,542	1%	403,873	2%
To Company				
Depreciation, amortisation and retained profit / (loss)	697,276	2%	(1,472,987)	(6%)
	29,740,606	100%	23,993,553	100%

Pattern of Shareholding

as at June 30, 2013

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
1,280	1	100	35,654
960	101	500	312,254
494	501	1,000	408,251
665	1,001	5,000	1,522,911
111	5,001	10,000	770,783
19	10,001	15,000	224,864
15	15,001	20,000	274,634
9	20,001	25,000	200,015
7	25,001	30,000	194,717
4	30,001	35,000	137,000
4	35,001	40,000	148,332
1	40,001	45,000	44,000
3	45,001	50,000	148,659
1	50,001	55,000	52,729
1	55,001	60,000	60,000
1	60,001	65,000	61,320
1	65,001	70,000	70,000
1	70,001	75,000	70,500
4	75,001	80,000	314,546
2	95,001	100,000	200,000
1	100,001	105,000	104,158
2	105,001	110,000	219,264
1	110,001	115,000	114,000
2	145,001	150,000	294,601
1	160,001	165,000	160,940
1	215,001	220,000	220,000
1	235,001	240,000	236,500
1	255,001	260,000	257,500
1	285,001	290,000	289,100
1	345,001	350,000	350,000
1	375,001	380,000	375,700
1	575,001	580,000	575,646
1	590,001	595,000	593,500
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
3,603			35,000,000

Pattern of Shareholding

as at June 30, 2013

Shareholder's Category	No. of Shareholders	No. of Shares	Percentage Issued Capital
Associated Companies and related parties	3	21,000,000	60.00
Mutual Funds	3	1,678,775	4.80
Directors and their spouse(s) and minor children	3	8,500	0.03
Executives	2	700	-
Public Sector Companies and Corporations	3	925,766	2.65
Bank, DFIs, NBFIs, Modaraba, Insurance and Pension funds	12	1,140,344	3.26
Shareholders holding 5% or more voting rights	2	3,362,203	9.61
Joint Stock Companies and Body Corporates	36	454,371	1.29
Individuals	3,518	5,947,709	16.99
Others	21	481,632	1.38
Total	3,603	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 Global Energy Inc.	1	4,200,000	12.00
Mutual funds			
National Bank of Pakistan-Trustee Department NIUT Fund	1	1,596,616	4.56
National Investment Trust Limited	1	33,500	0.10
CDC - Trustee NIT-Equity Market Opportunity Fund	1	48,659	0.14
Directors and their spouse(s) and minor children			
Farooq Rahmatullah	1	3,500	0.01
Saleem Butt	1	2,500	0.01
Khawaja Nimr Majid	1	2,500	0.01
Executives			
	2	700	-
Public Sector Companies and Corporations			
	3	925,766	2.65
Bank, DFIs, NBFIs, Modaraba, Insurance and Pension funds			
	12	1,140,344	3.26
Shareholders holding 5% or more voting rights			
National Bank of Pakistan	2	3,362,203	9.61
Joint Stock Companies and Body Corporates			
	36	454,371	1.29
Individuals (other than Directors their spouse(s) and children and executives)	3,518	5,947,709	16.99
Others	21	481,632	1.38
Total	3,603	35,000,000	100.00

Notice of Annual General Meeting

Notice is hereby given that the Fifty-Third Annual General Meeting of the shareholders of Pakistan Refinery Limited (“Company”) will be held at Marriott Hotel, Karachi, on Monday October 14, 2013 at 11:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors’ and Auditors’ reports thereon.
2. To approve, as recommended by the Board of Directors, dividend @ 28.5% (Rs. 2.85 per share) in the form of cash dividend.
3. To appoint Auditors for the ensuing year and fix their remuneration. The present Auditors, Messrs. A.F. Fergusons & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

B. ANY OTHER BUSINESS

4. To consider any other business with the permission of the Chair.

By Order of the Board

Asim H. Akhund
Company Secretary

Karachi: September 23, 2013

Notes:

1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Famco Associates (Private) Limited, State Life Building, 1-A, 1st Floor, I.I. Chundrigar Road, Karachi-74000. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.
2. Share Transfer Books will be closed from October 8, 2013 to October 14, 2013 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar M/s Famco Associates (Private) Limited, State Life Building, 1-A, 1st Floor, I.I. Chundrigar Road, Karachi-74000, by the close of the Business on October 7, 2013 will be treated in time for the purpose of payment of Final Dividend to the transferees.
3. All Members / Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.
4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (P.O. Box # 4612, Korangi Creek Road, Karachi-75190 Pakistan) at least 48 hours before the time of the meeting.
5. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s Famco Associates (Private) Limited, State Life Building, 1-A, 1st Floor, I.I. Chundrigar Road, Karachi-74000.

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 / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- 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 meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Khawaja Nimr Majid
Managing Director & CEO (Executive Director)	Aftab Husain
Non-Executive Directors	Chang Sern Ee Farooq Rahmatullah Muhammad Zubair Muhammad Azam Muqtadar A. Quraishi Naeem Yahya Mir Rafi Haroon Basheer Saleem Butt Omar Yaqoob Sheikh*

*Mr. Omar Yaqoob Sheikh joined the Board of Directors in place of Mr. Sarim Sheikh’s resignation in September 2012.

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurring on the Board on September 5, 2012 was filled up on September 18, 2012.
5. The Board has developed a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company.

6. The Board has developed a vision / mission statement and overall corporate strategy. The Board approved significant policies as required by the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. 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.
9. The Board arranged "Corporate Governance Leadership Skills" training program for Messrs. Khawaja Nimr Majid, Muhammad Zubair and Muqtadar A. Quraishi during the year.
10. The Board had approved appointment of the Deputy Managing Director (Operations and Supply), Chief Financial Officer & Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance. All the requirement of the Code of the Corporate Governance with respect to Audit Committee were complied with except that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting of the Company.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, all of whom are non-executive directors including its Chairman.
18. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors upon recommendation of the Audit Committee along with pricing methods for transactions carried out on terms equivalent to those in the arm's length transactions.

19. The Board has set up an effective internal audit function.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.
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. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. As stated above, we confirm that all other material principles enshrined in the Code have been complied with.



Farooq Rahmatullah

Chairman

Karachi: September 4, 2013

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Statement) prepared by the Board of Directors of Pakistan Refinery Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Further, Listing Regulations of the Karachi 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

The Statement (point reference 16) mentions that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 4, 2013

Financial Statements

for the year ended June 30, 2013

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Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of 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 except for the changes as stated in note 2.2 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements. As stated in the note, as at June 30, 2013 the company has accumulated loss of Rs 2.49 billion resulting in net negative equity of Rs 1.73 billion. Further, current liabilities of the company exceed its current assets by Rs 3.74 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 4, 2013

Name of the engagement partner: Mohammad Zulfikar Akhtar

BALANCE SHEET

as at June 30, 2013

		(Restated)	
	Note	2013	2012
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets	4	5,111,367	4,541,211
Intangible assets	5	-	-
Investment in associate	6	85,455	77,834
Long-term loans and advances	7	2,630	6,046
Long-term deposits		51,396	15,062
		<u>5,250,848</u>	<u>4,640,153</u>
Current assets			
Stores, spares and chemicals	8	192,374	178,238
Stock-in-trade	9	10,978,536	7,828,060
Trade debts	10	10,803,826	20,714,181
Loans and advances	11	47,884	32,897
Trade deposits and short-term prepayments	12	8,070	51,963
Other receivables	13	45,998	428,554
Taxation - payments less provision		-	30,491
Cash and bank balances	14	85,089	306,661
		<u>22,161,777</u>	<u>29,571,045</u>
		<u>27,412,625</u>	<u>34,211,198</u>
EQUITY			
Share capital	15	350,000	350,000
Reserves	16	397,965	1,947
Accumulated loss		(2,485,357)	(2,585,357)
Fair value reserve		7,145	1,265
		<u>(1,730,247)</u>	<u>(2,232,145)</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
		3,197,928	3,143,928
LIABILITIES			
Non-current liabilities			
Deferred taxation	17	21,571	20,205
Retirement benefit obligations	18	18,758	15,839
		<u>40,329</u>	<u>36,044</u>
Current liabilities			
Trade and other payables	19	16,925,840	32,129,273
Short-term borrowings	20	1,825,990	-
Running finance under mark-up arrangements	21	5,952,805	453,019
Accrued mark-up	22	39,136	19,922
Taxation - provision less payments		9,054	-
Payable to government - sales tax	23	1,151,790	661,157
		<u>25,904,615</u>	<u>33,263,371</u>
		<u>25,944,944</u>	<u>33,299,415</u>
Contingencies and commitments	24		
		<u>27,412,625</u>	<u>34,211,198</u>

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



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2013

	Note	(Restated)	
		2013	2012
(Rupees in thousand)			
Net sales	25	132,114,396	127,174,808
Cost of sales	26	(130,165,452)	(127,145,369)
Gross profit		1,948,944	29,439
Distribution cost	27	(182,889)	(160,161)
Administrative expenses	28	(270,895)	(230,885)
Other operating expenses	29	(93,869)	(620)
Other income	30	186,372	375,709
Operating profit		1,587,663	13,482
Finance cost	31	(358,301)	(920,722)
Share of income of associate		8,232	10,731
Profit / (Loss) before taxation		1,237,594	(896,509)
Taxation	32	(741,576)	(719,208)
Profit / (Loss) after taxation		496,018	(1,615,717)
Other comprehensive income			
Change in fair value of available for sale investments of associate		7,893	4,181
Deferred tax relating to fair value change of available for sale investments of associate		(2,013)	(1,098)
		5,880	3,083
Total comprehensive income / (loss)		501,898	(1,612,634)
Earnings / (Loss) per share	33	Rs 14.17	(Rs 46.16)

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



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

CASH FLOW STATEMENT

for the year ended June 30, 2013

	Note	(Restated)	
		2013	2012
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	40	(5,770,714)	2,970,306
Mark-up paid		(322,328)	(406,657)
Income tax paid		(702,678)	(716,610)
Contribution to defined benefit retirement plans		(56,738)	(45,884)
Decrease / (Increase) in long-term loans and advances		3,416	(1,033)
Increase in long-term deposits		(36,334)	(1,262)
Net cash (used in) / generated from operating activities		(6,885,376)	1,798,860
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(719,008)	(309,343)
Proceeds from sale of property, plant and equipment		2,321	5,410
Return received on deposits		46,224	100,212
Dividend received		8,504	7,654
Net cash used in investing activities		(661,959)	(196,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(13)	(51,187)
Net (decrease) / increase in cash and cash equivalents		(7,547,348)	1,551,606
Cash and cash equivalents at the beginning of the year		(146,358)	(1,697,964)
Cash and cash equivalents at the end of the year	41	(7,693,706)	(146,358)

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



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2013

	SHARE CAPITAL	RESERVES				FAIR VALUE RESERVE	TOTAL
		CAPITAL Exchange equalisation reserve	General reserve	REVENUE Accumulated loss	SPECIAL RESERVE note 16.1		
← (Rupees in thousand) →							
Balance as at July 1, 2011	350,000	897	1,050	(917,140)	-	(1,818)	(567,011)
Final dividend for the year ended June 30, 2011 @ Rs 1.5 per share	-	-	-	(52,500)	-	-	(52,500)
Loss for the year 2012	-	-	-	(1,615,717)	-	-	(1,615,717)
Other comprehensive income	-	-	-	-	-	3,083	3,083
Total recognised loss for the year 2012	-	-	-	(1,615,717)	-	3,083	(1,612,634)
Balance as at June 30, 2012	350,000	897	1,050	(2,585,357)	-	1,265	(2,232,145)
Profit for the year 2013	-	-	-	496,018	-	-	496,018
Other comprehensive income	-	-	-	-	-	5,880	5,880
Total recognised income for the year 2013	-	-	-	496,018	-	5,880	501,898
Transfer to special reserve	-	-	-	(396,018)	396,018	-	-
Balance as at June 30, 2013	350,000	897	1,050	(2,485,357)	396,018	7,145	(1,730,247)

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



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

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 disclosed in note 3 of these financial statements.

As at June 30, 2013 the Company has accumulated losses of Rs 2.49 billion (2012: Rs 2.59 billion) and its current liabilities exceed its current assets by Rs 3.74 billion (2012: Rs 3.61 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. Despite these adverse conditions during the year ended June 30, 2013, the Company earned a profit after taxation of Rs 496.02 million. Changes in pricing mechanism introduced by GoP in 2011 and 2012 are expected to continue to have favourable impact on Company's profitability. In addition, the Company also has plans to set up an Isomerisation Unit to convert Naphtha into Motor Gasoline as per the directives of the Government of Pakistan. Motor Gasoline is a better margin product than Naphtha and is thereby expected to increase the future profitability of the Company. Furthermore, the Company has launched two Term Finance Certificate issues (TFC1 and TFC2) of Rs 4 billion (including a green shoe option of Rs 500 million) subsequent to the year end to meet the working capital and capital expenditure requirements. TFC1 is for 3 years and TFC2 is for 5 years and both issues will be listed on Karachi Stock Exchange. Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, these financial statements are prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

During the year the Securities and Exchange Commission of Pakistan has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984, which now specifically classifies major spare parts and stand-by equipment into property, plant and equipment. Accordingly Rs 70.76 million (2012: Rs 79.63 million) has been reclassified from stores, spares and chemicals to fixed assets.

Moreover, with effect from July 1, 2012, the Company has revised its accounting policy to classify exchange gain / loss on exports and procurement of crude oil and condensate as part of cost of sales or other income / other operating expenses. The management believes that the new policy

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

provides reliable and more relevant information to the users of the financial statements as exchange differences are classified to their relevant function. Accordingly, exchange loss of Rs 732.93 million (2012: Rs 879.18 million) and exchange gain of Rs 68.92 million (2012: Rs 45.02 million) have been reclassified from finance cost to cost of sales and other income.

The above changes are considered to be changes in accounting policies and have been applied retrospectively to all prior periods presented. As there are no material effects on the information in the balance sheet at the beginning of the earliest period presented, the Company has not presented that balance sheet.

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

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

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

Following amendment to existing standards and interpretation has been published that is mandatory for accounting periods beginning on the date mentioned below:

IAS 19 (amendment) - 'Employee Benefits', is effective for accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in the other comprehensive income as they occur, immediately recognises all past service cost and replaces interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. The application of these amendments would result in the recognition of cumulative unrecognised actuarial gains / losses as at July 1, 2013 as disclosed in note 18 in other comprehensive income in the financial statements for the year ending June 30, 2014.

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

2.5 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.

2.6 Overall valuation policy

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

2.7 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 accumulated impairment loss, if any.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

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

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 of fixed assets. 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.

2.8 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the Company and 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.

2.9 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2.10 Taxation

2.10.1 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.

2.10.2 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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 current, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

2.15 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.

2.16 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.

2.17 Borrowing costs

Borrowing costs are recognised as 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

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.

2.18 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.

2.19 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, 2013. 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.

2.20 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. Foreign currency gains and losses are recognised in the profit and loss account.

2.21 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.

2.22 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

(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.

2.23 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.

2.24 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 property, plant and equipment, deferred taxation and post employment benefits are disclosed in notes 4, 17 and 18 respectively. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on annual basis considering the associated economic benefits derived / to be derived by the Company.

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.

4. FIXED ASSETS

	2013	(Restated) 2012
Property, plant and equipment		
Operating assets - note 4.1	4,195,311	4,222,326
Major spare parts and stand-by equipments - note 4.2	70,760	79,630
Capital work-in-progress - note 4.3	845,296	239,255
	<u>5,111,367</u>	<u>4,541,211</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

4.1 Operating assets

TANGIBLE

	Freehold land (note 4.1.1 and note 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 telecommu- nication systems	Vehicles and other automotive equipments	TOTAL
(Rupees in thousand)													
Net carrying value basis													
Year ended June 30, 2013													
Opening net book value (NBV)	3,146,000	58,121	401,692	210,144	106,076	46,134	23,732	37,712	25,139	102,817	55,973	8,786	4,222,326
Additions (at cost)	-	-	47,730	18,954	39,002	-	-	7,135	1,005	2,284	1,937	2,741	120,788
Revaluation	54,000	-	-	-	-	-	-	-	-	-	-	-	54,000
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(1,681)	-	-	(1,681)
Depreciation charge	-	(9,698)	(77,872)	(32,342)	(13,496)	(8,829)	(5,588)	(9,003)	(7,103)	(25,575)	(7,398)	(3,218)	(200,122)
Closing net book value	<u>3,200,000</u>	<u>48,423</u>	<u>371,550</u>	<u>196,756</u>	<u>131,582</u>	<u>37,305</u>	<u>18,144</u>	<u>35,844</u>	<u>19,041</u>	<u>77,845</u>	<u>50,512</u>	<u>8,309</u>	<u>4,195,311</u>
Gross carrying value basis													
At June 30, 2013													
Cost or revaluation	3,200,000	120,292	1,149,643	431,690	234,889	143,704	51,474	94,334	83,892	365,845	83,969	54,179	6,013,911
Accumulated depreciation	-	(71,869)	(778,093)	(234,934)	(103,307)	(106,399)	(33,330)	(58,490)	(64,851)	(288,000)	(33,457)	(45,870)	(1,818,600)
Net book value	<u>3,200,000</u>	<u>48,423</u>	<u>371,550</u>	<u>196,756</u>	<u>131,582</u>	<u>37,305</u>	<u>18,144</u>	<u>35,844</u>	<u>19,041</u>	<u>77,845</u>	<u>50,512</u>	<u>8,309</u>	<u>4,195,311</u>
Net carrying value basis													
Year ended June 30, 2012													
Opening net book value (NBV)	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
Additions (at cost)	-	9,902	126,885	68,947	8,489	510	-	9,454	1,030	27,980	17,929	4,131	275,257
Disposals (at NBV)	-	-	(7)	-	-	-	-	-	-	(116)	-	-	(123)
Depreciation charge	-	(8,876)	(78,779)	(28,611)	(11,016)	(11,083)	(5,614)	(7,278)	(7,485)	(27,790)	(4,969)	(3,729)	(195,230)
Closing net book value	<u>3,146,000</u>	<u>58,121</u>	<u>401,692</u>	<u>210,144</u>	<u>106,076</u>	<u>46,134</u>	<u>23,732</u>	<u>37,712</u>	<u>25,139</u>	<u>102,817</u>	<u>55,973</u>	<u>8,786</u>	<u>4,222,326</u>
Gross carrying value basis													
At June 30, 2012													
Cost or revaluation	3,146,000	120,292	1,101,925	412,833	195,889	143,704	51,482	87,199	83,412	388,161	82,032	53,698	5,866,627
Accumulated depreciation	-	(62,171)	(700,233)	(202,689)	(89,813)	(97,570)	(27,750)	(49,487)	(58,273)	(285,344)	(26,059)	(44,912)	(1,644,301)
Net book value	<u>3,146,000</u>	<u>58,121</u>	<u>401,692</u>	<u>210,144</u>	<u>106,076</u>	<u>46,134</u>	<u>23,732</u>	<u>37,712</u>	<u>25,139</u>	<u>102,817</u>	<u>55,973</u>	<u>8,786</u>	<u>4,222,326</u>
Depreciation rate													
% per annum	-	5 to 20	5 to 33	10 to 20	5 to 10	10	10 to 33	10 to 33	10	10 to 33	5 to 33	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, 2013 the land measuring 200 acres located at Naiclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi, where the Refinery is situated, was revalued resulting in a net surplus of Rs 54 million. The revaluation was carried out by an independent valuer on July 10, 2012 on the basis of present market value keeping in view that the land is freehold and to be used for oil refinery by the Company.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

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 including furniture	835	517	318	18	Tender	Jungraiz Khan, Karachi
Equipment including furniture	270	149	121	3	Tender	Fawad M Khan, Karachi
Plant and machinery	957	869	88	3	Tender	Fawad M Khan, Karachi
Items having net book value not exceeding Rs 50,000 each:						
fi Plant and machinery	644	644	-	10		
fi Equipment including furniture	22,480	21,326	1,154	180		
fi Fire fighting equipment and telecommunication	58	58	-	7		
fi Vehicles and automotive equipment	2,260	2,260	-	2,100		
	25,442	24,288	1,154	2,297		
	<u>27,504</u>	<u>25,823</u>	<u>1,681</u>	<u>2,321</u>		

(Restated)

2013

2012

(Rupees in thousand)

4.2 Major spare parts and standby equipments

Gross carrying value		
Balance at beginning of the year	95,564	84,091
Additions during the year	2,557	30,785
Transfers made during the year	(10,378)	(19,312)
Balance at end of the year	87,743	95,564
Provision for impairment - note - 4.2.1	(16,983)	(15,934)
Net carrying value	<u>70,760</u>	<u>79,630</u>

4.2.1 During the year net charge of Rs 1.05 million (2012: Rs 0.35 million) was booked.

4.3 Capital work-in-progress

Buildings	4,026	2,732
Processing plant - note 4.3.1	477,241	40,500
Korangi tank farm	142,003	112,476
Keamari terminal	184,897	71,748
Pipelines	29,541	9,759
Water treatment and cooling systems	-	837
Equipments	7,588	1,203
	<u>845,296</u>	<u>239,255</u>

4.3.1 This includes Rs 172.51 million (June 30, 2012: Rs Nil) in respect of Isomerisation Project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
5. INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Net carrying value basis		
Opening net book value (NBV)	-	-
Amortisation charge	-	-
Closing net book value	<u>-</u>	<u>-</u>
Gross carrying value basis		
Cost	33,834	33,834
Accumulated amortisation	(33,834)	(33,834)
Net book value	<u>-</u>	<u>-</u>
Amortisation is charged at the rate of 33.33% per annum.		
6. INVESTMENT IN ASSOCIATE		
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2012: 850,401) fully paid ordinary shares - note 6.1	<u>85,455</u>	<u>77,834</u>
6.1 The company holds 27.26% (2012: 27.26%) of the investee's share capital.		
Opening balance	77,834	70,576
Share of income for the year	8,232	10,731
Change in fair value of available for sale investments	7,893	4,181
Dividend received	(8,504)	(7,654)
	<u>85,455</u>	<u>77,834</u>
6.2 Summarised results of the Company's associate (2013: unaudited) are as follows:		
Total assets	350,612	315,906
Total liabilities	33,227	26,483
Revenue	300,180	242,571
Profit after tax	30,197	39,364
7. LONG-TERM LOANS AND ADVANCES – secured and considered good		
To executives	1,786	3,906
To other employees	5,486	8,060
	<u>7,272</u>	<u>11,966</u>
Recoverable within one year fi note 11		
Executives	(1,082)	(1,902)
Other employees	(3,560)	(4,018)
	<u>(4,642)</u>	<u>(5,920)</u>
	<u>2,630</u>	<u>6,046</u>
Reconciliation of carrying amount of loans to executives:		
Opening balance	3,906	3,301
Disbursements	1,350	2,810
Recoveries and amortisation	(3,470)	(2,205)
	<u>1,786</u>	<u>3,906</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

7.1 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 7% per annum and are repayable over a period of three to five years.

7.2 The maximum amount due from executives at the end of any month during the year was Rs 4.27 million (2012: Rs 5.07 million).

	(Restated)	
	2013	2012
	(Rupees in thousand)	
8. STORES, SPARES AND CHEMICALS		
Stores	40,881	41,074
Spares	148,381	148,997
Chemicals	28,772	13,755
	218,034	203,826
Provision for slow moving stores, spares and chemicals	(25,660)	(25,588)
	192,374	178,238

	2013	2012
	(Rupees in thousand)	
9. STOCK-IN-TRADE		
Raw material		
Crude oil [including in transit Rs 218.39 million (2012: Rs 125.83 million)]	8,724,427	3,653,900
Finished products fi note 9.2	2,254,109	4,174,160
	10,978,536	7,828,060
9.1 As at June 30, 2012 stock of finished products was written down by Rs 332.46 million to the net realisable value.		
9.2 Includes stocks held with the following third parties:		
Related parties		
- Pakistan State Oil Company Limited	19,757	30,283
- Chevron Pakistan Limited	70,315	83,382
- Shell Pakistan Limited	-	108,355
	90,072	222,020
10. TRADE DEBTS – considered good		
Due from related parties fi note 10.1	9,723,422	20,276,316
Others	1,080,404	437,865
	10,803,826	20,714,181

10.1 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2013

2012

(Rupees in thousand)

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

Up to 3 months	285,869	1,367,830
3 to 6 months	71	5,067,386
More than 6 months	135,058	8,331,130

10.3 The age analysis of trade debts past due from related parties is as follows:

Up to 3 months	276,834	1,218,803
3 to 6 months	-	5,067,386
More than 6 months	142	8,196,088

11. LOANS AND ADVANCES – considered good

Loans and advances recoverable within one year fi note 7

Executives	1,082	1,902
Other employees	3,560	4,018
	<u>4,642</u>	<u>5,920</u>

Advances for supplies and services

	<u>43,242</u>	<u>26,977</u>
	<u><u>47,884</u></u>	<u><u>32,897</u></u>

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits	746	663
Short-term prepayments	7,324	51,300
	<u>8,070</u>	<u>51,963</u>

13. OTHER RECEIVABLES

Receivable from refineries - note 13.1	5,466	424,651
Workers' profits participation fund - note 13.2	33,534	-
Others	6,998	3,903
	<u>45,998</u>	<u>428,554</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
13.2 WORKERS' PROFITS PARTICIPATION FUND		
Balance at the beginning of year	-	10,573
Allocation for the year - note 29	(66,466)	-
	<u>(66,466)</u>	<u>10,573</u>
Amount paid / (received)	100,000	(10,573)
Balance at the end of year	<u>33,534</u>	<u>-</u>
14. CASH AND BANK BALANCES		
With banks on		
- current accounts	4,316	294,888
- savings accounts [including foreign currency account Rs 42.25 million (2012: Rs 5.45 million)]	80,115	11,201
Cash and cheques in hand	658	572
	<u>85,089</u>	<u>306,661</u>

14.1 The effective rates of mark-up on savings accounts and term deposits placed during the year ranged from 6% to 9.3% per annum (2012: 6% to 11.55% per annum).

	2013	2012
	(Rupees in thousand)	
15. SHARE CAPITAL		
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
	<u>1,000,000</u>	<u>1,000,000</u>
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
<u>3,600,000</u> 'B' ordinary shares fully paid in cash	<u>36,000</u>	<u>36,000</u>
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
	<u>290,000</u>	<u>290,000</u>
29,000,000	350,000	350,000
<u>35,000,000</u>	<u>350,000</u>	<u>350,000</u>

15.1 As at June 30, 2013 associated undertakings held 21,000,000 (2012: 21,231,311) ordinary shares of Rs 10 each.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
16. RESERVES		
Capital reserve - Exchange equalisation reserve	897	897
Revenue reserve - General reserve	1,050	1,050
Special reserve - note 16.1	396,018	-
	397,965	1,947

16.1 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.

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

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

Based on above the Company has transferred profit after taxation for the year ended June 30, 2013 to special reserve and is in discussions with Ministry of Petroleum about the opening of ESCROW Account.

	2013	2012
	(Rupees in thousand)	
17. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation	123,278	138,275
- investment in associate accounted for using equity method	21,571	20,205
	144,849	158,480
Debit balances arising in respect of carried forward tax losses	(123,278)	(138,275)
	21,571	20,205

17.1 Deferred tax debit balance of Rs 1.96 billion (2012: Rs 2.42 billion) in relation to tax losses and deductible temporary differences has not been recognised as its recoverability is not expected.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

18. RETIREMENT BENEFITS

	PENSION FUNDS				GRATUITY FUNDS			
	Management 2013	2012	Non-Management 2013	2012	Management 2013	2012	Non-Management 2013	2012
	← (Rupees in thousand) →							
18.1 Expense recognised during the year								
Current service cost	26,333	22,387	1,581	1,183	6,095	5,439	1,003	972
Interest cost	84,278	79,000	4,920	3,429	12,351	10,963	1,761	1,776
Expected return on plan assets	(70,134)	(69,103)	(2,635)	(2,771)	(8,929)	(7,680)	(6,268)	(5,900)
Amortisation of past service cost	145	145	1,253	4,614	-	-	-	-
Net actuarial loss / (gain) recognised	3,082	729	-	-	1,317	1,361	(269)	(175)
	43,704	33,158	5,119	6,455	10,834	10,083	(3,773)	(3,327)
Amount not recognised as an asset	-	-	-	-	-	-	3,773	3,327
	43,704	33,158	5,119	6,455	10,834	10,083	-	-
18.2 Balance sheet reconciliation								
Liability as at July 1	8,289	7,268	5,029	1,029	2,521	3,730	-	-
Expense recognised during the year	43,704	33,158	5,119	6,455	10,834	10,083	-	-
Contributions	(41,321)	(32,137)	(3,466)	(2,455)	(11,951)	(11,292)	-	-
Liability as at June 30	10,672	8,289	6,682	5,029	1,404	2,521	-	-
18.3 Liability as at June 30								
Present value of obligations to members	774,621	621,250	59,357	35,491	108,706	89,821	19,808	12,836
Fair value of plan assets	(574,568)	(512,983)	(21,656)	(17,604)	(74,717)	(65,151)	(50,713)	(46,721)
Funded status - Deficit / (Surplus)	200,053	108,267	37,701	17,887	33,989	24,670	(30,905)	(33,885)
Unrecognised net actuarial (loss) / gain	(188,658)	(99,110)	(10,634)	(971)	(32,585)	(22,149)	1,411	8,164
Unrecognised past service cost	(723)	(868)	(20,385)	(11,887)	-	-	-	-
Amount not recognised as an asset	-	-	-	-	-	-	29,494	25,721
Liability as at June 30	10,672	8,289	6,682	5,029	1,404	2,521	-	-
Actual return on plan assets	65,603	45,171	2,453	2,087	7,223	7,251	4,447	6,069
18.4 Movement in defined benefit obligation								
Beginning of the year	621,250	543,872	35,491	23,809	89,821	76,211	12,836	11,844
Current service cost	26,333	22,387	1,581	1,183	6,095	5,439	1,003	972
Past service cost	-	-	-	14,728	-	-	-	-
Interest cost	84,278	79,000	4,920	3,429	12,351	10,963	1,761	1,776
Actuarial losses / (gains)	88,099	12,770	19,232	(1,852)	10,047	1,845	4,663	(1,637)
Actual benefits paid by the Fund during the year	(45,339)	(36,779)	(1,867)	(5,806)	(9,608)	(4,637)	(455)	(119)
End of the year	774,621	621,250	59,357	35,491	108,706	89,821	19,808	12,836
18.5 Movement in the fair value of plan assets								
Beginning of the year	512,983	472,454	17,604	18,868	65,151	51,245	46,721	40,771
Expected return on plan assets	70,134	69,103	2,635	2,771	8,929	7,680	6,268	5,900
Contributions	41,321	32,137	3,466	2,455	11,951	11,292	-	-
Actual benefits paid by the Fund during the year	(45,339)	(36,779)	(1,867)	(5,806)	(9,608)	(4,637)	(455)	(119)
Asset (loss) / gain	(4,531)	(23,932)	(182)	(684)	(1,706)	(429)	(1,821)	169
End of the year	574,568	512,983	21,656	17,604	74,717	65,151	50,713	46,721

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2013

2012

18.6 Principal actuarial assumptions used were as follows:

Discount rate	11.0%	13.5%
Expected return on plan assets	11.0%	13.5%
Future salary increases	11.0%	13.5%
Future pension increases	3.0%	3.5%

2013	2012	2011	2010	2009
(Rupees in thousand)				

18.7 Comparison for five years

MANAGEMENT PENSION FUND

Present value of defined benefit obligation	774,621	621,250	543,872	427,973	601,537
Fair value of plan assets	(574,568)	(512,983)	(472,454)	(457,122)	(453,122)
Deficit / (Surplus)	200,053	108,267	71,418	(29,149)	148,415
Experience loss / (gain) on obligation	88,099	12,770	87,984	(182,710)	48,019
Experience (loss) on plan assets	(4,531)	(23,932)	(6,433)	(6,252)	(51,657)

NON-MANAGEMENT PENSION FUND

Present value of defined benefit obligation	59,357	35,491	23,809	19,110	25,055
Fair value of plan assets	(21,656)	(17,604)	(18,868)	(18,698)	(14,631)
Deficit	37,701	17,887	4,941	412	10,424
Experience loss / (gain) on obligation	19,232	(1,852)	3,143	(7,801)	(1,377)
Experience (loss) on plan assets	(182)	(684)	(933)	(733)	(954)

MANAGEMENT GRATUITY FUND

Present value of defined benefit obligation	108,706	89,821	76,211	61,659	62,271
Fair value of plan assets	(74,717)	(65,151)	(51,245)	(53,898)	(66,575)
Deficit / (Surplus)	33,989	24,670	24,966	7,761	(4,304)
Experience loss / (gain) on obligation	10,047	1,845	12,032	2,584	9,184
Experience (loss) / gain on plan assets	(1,706)	(429)	(1,695)	(5,190)	14,105

NON-MANAGEMENT GRATUITY FUND

Present value of defined benefit obligation	19,808	12,836	11,844	9,236	8,883
Obligation to Company	-	-	-	2,071	2,071
Fair value of plan assets	(50,713)	(46,721)	(40,771)	(40,613)	(42,043)
Surplus	(30,905)	(33,885)	(28,927)	(29,306)	(31,089)
Experience loss / (gain) on obligation	4,663	(1,637)	1,734	436	(265)
Experience (loss) / gain on plan assets	(1,821)	169	(1,896)	(4,750)	3,493

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

18.8 Plan assets comprise of the following:

	PENSION FUNDS				GRATUITY FUNDS			
	Management		Non-Management		Management		Non-Management	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity	-	-	-	-	0.1%	0.2%	9.9%	14.4%
Debt	97.9%	98.4%	75.7%	86.5%	84.9%	90.9%	74.7%	81.2%
Others	2.1%	1.6%	24.3%	13.5%	15.0%	8.9%	15.4%	4.4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

	2013	2012
	← 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

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

	Management	Non-Management
	(Rupees in thousand)	
Pension funds	54,243	7,230
Gratuity funds	11,361	-

18.10 Information in note 18 is based on actuarial advice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2013

2012

(Rupees in thousand)

19. TRADE AND OTHER PAYABLES

Creditors fi note 19.1	13,865,206	28,215,798
Accrued liabilities	404,439	388,413
Advances from customers fi note 19.1	34,459	29,413
Payable to the Government fi note 19.2	2,337,449	3,455,183
Surplus price differential payable	215,381	-
Retention money	8,851	7,266
Workers' welfare fund	32,452	7,195
Unclaimed dividend	24,445	24,458
Tax deducted at source	592	267
Payable to management staff provident fund	676	-
Others	1,890	1,280
	<u>16,925,840</u>	<u>32,129,273</u>

19.1 Related party balances

Creditors	} note 19.1.1	1,898,226	1,780,385
Advances from customers		21,915	8,857

19.1.1 These include payables to / advances from Pakistan State Oil Company Limited, Shell Pakistan Limited, Chevron Pakistan Limited, Hascol Petroleum Limited and Pak Arab Refinery Limited.

19.2 This relates to Government of Pakistan's (Government) share in the value of local crude purchased and petroleum levy on sale of petroleum products. The balance is net of Rs 257.76 million (2012: Rs 257.76 million) receivable from the Government 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.

20. SHORT-TERM BORROWINGS - Secured

This represents short-term loans from commercial banks repayable in 21 days from the date of balance sheet at a mark up rate of 10.06% to 10.33% per annum. Out of this Rs 500 million is a loan from related party repayable in 4 days from the date of balance sheet at a mark up rate of 10.33% per annum.

21. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

As at June 30, 2013 available running finance facilities under mark-up arrangements from various banks amounted to Rs 7.7 billion (2012: Rs 7.7 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 10.54% to 12.88% per annum as at June 30, 2013 (2012: 12.64% to 15.04% per annum). Purchase prices are payable on demand.

21.1 Unutilised credit facility

The facility for opening letters of credit and guarantees as at June 30, 2013 amounted to Rs 36.70 billion (2012: Rs 33.85 billion) of which the amount remaining unutilised at year end was Rs 30.43 billion (2012: Rs 20.72 billion).

22. ACCRUED MARK-UP

This represents accrued mark-up on running finance facilities mentioned in note 21 of these financial statements. Out of this Rs 3.87 million is payable to a related party. (2012: Rs 0.04 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
23. PAYABLE TO GOVERNMENT - SALES TAX		
Payable to Government	1,446,411	1,057,337
Refundable from Government - note 23.1	(294,621)	(396,180)
	1,151,790	661,157

23.1 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.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

- a) Claims against the Company not acknowledged as debt amount to Rs 3.82 billion (June 30, 2012: Rs 3.02 billion). These include Rs 3.50 billion (June 30, 2012: Rs 2.71 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs 6.86 billion (June 30, 2012: Rs 6.43 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.
- b) Bank guarantees of Rs 193 million (2012: Rs 193 million) were issued in favour of third parties.

24.2 Commitments

- a) As at June 30, 2013 commitments outstanding for capital expenditure amounted to Rs 1.11 billion (2012: Rs 0.50 billion).
- b) Commitments for rentals under ijarah arrangements amounted to Rs 44.23 million (2012: Rs 37.82 million) payable as follows:

	2013	2012
	(Rupees in thousand)	
Not later than 1 year	13,363	12,181
Later than 1 year but not later than 5 years	30,863	25,640
	44,226	37,821

25. NET SALES

Local sales - note 25.1 and note 25.2	143,395,591	137,033,670
Exports	15,911,089	13,871,092
Gross sales	159,306,680	150,904,762
Less:		
- Sales tax	(19,830,111)	(18,901,274)
- Excise duty and development levy	(7,146,792)	(4,775,532)
- Discount allowed	-	(53,148)
- Surplus price differential	(215,381)	-
	132,114,396	127,174,808

25.1 The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, four (2012: three) of the Company's customers contributed towards 81.93% (2012: 72.18%) of the gross revenues during the year amounting to Rs 130.51 billion (2012: Rs 108.92 billion) and each customer individually exceeds 10% of the gross revenues.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

- 25.2 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (MS, HOBC, HSD, LDO and Aviation Fuels) are based on prices set under notifications of the Ministry of Petroleum and Natural Resources.

	(Restated)	
	2013	2012
	(Rupees in thousand)	
26. COST OF SALES		
Crude oil and condensate consumed - note 26.1	126,115,782	126,846,994
Salaries and wages	402,194	360,883
Retirement benefits	55,834	43,349
Fuel, power and water	404,251	330,214
Depreciation	153,383	151,001
Stores, spares and chemicals	163,610	102,503
Repairs and maintenance	104,336	78,298
Exchange loss	732,931	879,184
Rent, rates and taxes	25,539	24,320
Insurance	33,289	29,516
Security expenses	16,870	18,210
Staff transport	18,545	18,374
Consultancy	1,509	9,650
Subscriptions	7,430	6,628
Rentals under ijarah arrangements	5,196	5,035
Travelling and entertainment	3,162	6,805
Other expenses	1,540	3,040
	<u>2,129,619</u>	<u>2,067,010</u>
	128,245,401	128,914,004
Opening stock of finished products	4,174,160	2,405,525
Closing stock of finished products	<u>(2,254,109)</u>	<u>(4,174,160)</u>
	<u>130,165,452</u>	<u>127,145,369</u>

- 26.1 Cost of crude oil and condensate consumed in respect of non-finalised Crude Oil Sale Agreements and Condensate Sale Agreements have been recorded in line with notifications of the Ministry of Petroleum & Natural Resources.

	2013	2012
	(Rupees in thousand)	
27. DISTRIBUTION COST		
Salaries and wages	24,727	23,008
Retirement benefits	3,789	3,621
Rent, rates and taxes	81,931	68,720
Depreciation	30,129	28,005
Insurance	9,936	9,627
Transportation and handling charges	6,331	7,478
Fuel, power and water	9,267	7,952
Repairs and maintenance	10,950	6,708
Security expenses	1,666	1,328
Staff transport	1,675	1,548
Subscriptions	1,518	804
Rentals under ijarah arrangements	603	737
Travelling and entertainment	289	506
Other expenses	78	119
	<u>182,889</u>	<u>160,161</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2013

2012

(Rupees in thousand)

28. ADMINISTRATIVE EXPENSES

Salaries and wages	100,134	93,190
Retirement benefits	16,222	17,154
Depreciation	16,610	16,224
Insurance	5,864	5,857
Staff transport	6,975	7,729
Rentals under ijarah arrangements	5,281	5,369
Communication	3,738	4,458
Legal and professional charges	9,191	10,195
Consultancy	56,736	22,940
Travelling and entertainment	6,958	5,395
Auditors' remuneration - note 28.1	3,974	2,367
Security expenses	2,538	1,588
Printing and stationery	3,079	3,022
Fuel, power and water	121	1,162
Subscriptions	1,613	1,087
Repairs and maintenance	2,814	4,836
Publicity	1,426	1,134
Directors' fee	2,646	2,451
Computer related and software maintenance expenses	10,484	11,713
Cleaning and janitorial services	8,246	7,247
Training expenses	4,803	2,561
Other expenses	1,442	3,206
	<u>270,895</u>	<u>230,885</u>

28.1 Auditors' remuneration

Audit fee	1,450	1,350
Fee for		
- limited review of half yearly financial information and other certifications	690	690
- audit of retirement benefit funds	200	-
- certification in respect of prospectus	350	-
- review of application system	680	-
Out of pocket expenses	604	327
	<u>3,974</u>	<u>2,367</u>

29. OTHER OPERATING EXPENSES

Donations - note 29.1	1,010	620
Fixed assets written off	1,136	-
Workers' Profits Participation Fund	66,466	-
Workers' Welfare Fund	25,257	-
	<u>93,869</u>	<u>620</u>

29.1 None of the donations were made to parties where directors are interested.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

(Restated)

	2013	2012
	(Rupees in thousand)	
30. OTHER INCOME		
Income from financial assets		
Profit on term deposits	4,266	66,841
Profit on PLS savings accounts	41,958	32,471
Others		
Rent of equipment and handling charges [including Rs 31.73 million (2012: Rs 27.48 million) from related parties]	51,813	47,347
Exchange gain	68,924	45,022
Insurance commission	1,109	3,364
Interest on late payments from related party	486	-
Sale of scrap	13,729	32,269
Gain on disposal of property, plant and equipment	1,776	5,287
Liabilities no longer required written back	-	126,821
Others	2,311	16,287
	186,372	375,709
31. FINANCE COST		
Mark-up on running finance under mark-up arrangements	81,846	287,689
Mark-up on short term loan	259,696	31,182
Interest on foreign currency loan	-	85,002
Interest on amounts withheld against purchases of crude oil	-	3,020
Exchange loss	13,413	511,980
Bank charges	3,346	1,849
	358,301	920,722
32. TAXATION		
Current - for the year	742,223	706,739
Deferred	(647)	12,469
	741,576	719,208
32.1 Relationship between tax expense and accounting profit / (loss)		
Accounting profit / (loss)	1,237,594	(896,509)
Tax at the applicable tax rate of 35%	433,158	(313,778)
Effect of non recognition of deferred tax on tax loss and deductible temporary differences - note 17.1	(369,563)	288,849
Expenses not deductible for tax purposes	354	217
Effect of applicability of final tax	95,503	176,739
Effect of applicability of minimum tax	582,700	567,181
Effect of change in tax rate	(576)	-
	741,576	719,208
33. EARNINGS / (LOSS) PER SHARE		
Profit / (Loss) after taxation attributable to ordinary shareholders	496,018	(1,615,717)
Weighted average number of ordinary shares outstanding during the year (in thousand)	35,000	35,000
Basic earnings / (loss) per share	Rs 14.17	(Rs 46.16)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

34. 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:

	2013			2012		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	1,410	-	-	1,215	-	-
Managerial remuneration	-	10,304	115,893	-	10,212	99,013
Leave encashment	-	-	-	-	1,285	1,004
Bonus	-	2,720	35,535	-	953	28,853
Ex-gratia allowance	-	-	-	-	-	-
Honorarium	1,200	-	-	1,200	-	-
Retirement benefits	-	-	35,567	-	-	31,893
Housing	-	-	42,283	-	-	38,596
Utilities	-	-	9,396	-	-	8,577
Leave passage	-	-	11,236	-	-	13,174
Club expenses	-	-	835	-	15	791
Others	36	37	33,189	36	49	29,693
	36	37	96,939	36	64	90,831
	2,646	13,061	283,934	2,451	12,514	251,594
Number of persons	10	1	99	*12	2	92

*As at June 30, 2012, total number of Directors were 10.

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

2013 **2012**

(Rupees in thousand)

35. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2013	2012
(a) Associated companies	Sale of goods - Net	106,484,553	102,519,346
	Discount allowed	-	53,148
	Services rendered	31,727	27,484
	Purchase of goods	24,036,393	29,314,682
	Mark-up paid	2,468	1,740
	Interest received	486	4
	Dividend paid	-	31,804
	Dividend received	8,504	7,654
	Bank charges	340	111
(b) Key management personnel compensation	Salaries and other short-term employee benefits	74,083	68,597
	Post-employment benefits	8,226	7,464

Sale of certain products is transacted at prices fixed by the Oil & 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, 2013 is included in trade debts, other receivables, trade and other payables and accrued markup. Transactions, status and information relating to staff retirement funds are disclosed in note 18 and note 36 to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

36. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund as at June 30, 2013 and June 30, 2012:

	2013	2012
	(Rupees in thousand)	
Size of the fund - Total assets	295,222	257,398
Fair value of investments	285,740	246,020
Percentage of investments made	97%	96%

36.1 The cost of above investments amounted to Rs 269.92 million (2012: Rs 237.54 million).

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

	2013	2012	2013	2012
	(Percentage)		(Rupees in thousand)	
Government securities	55%	64%	158,310	157,675
Debt securities	29%	25%	82,023	60,916
Equity securities	8%	9%	23,585	22,254
Bank deposits	8%	2%	21,822	5,175

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

36.4 During the year, Company recognised Rs16.19 million (2012: Rs 14.43 million) as contribution for employees,, provident fund.

	2013	2012
Number of employees including contractual employees at the end of year	275	284
Average number of employees including contractual employees during the year	280	278

38. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,581,848 metric tons (2012: 1,651,088 metric tons) due to planned catalyst regeneration shutdown. The Company operated the plant at the level which gives the optimal yield of products.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

39. FINANCIAL INSTRUMENTS

39.1 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	2,205	1,069	3,274	2,437	1,561	3,998	7,272
Trade deposits	-	-	-	746	51,396	52,142	52,142
Trade debts	-	-	-	10,803,826	-	10,803,826	10,803,826
Other receivables	-	-	-	12,464	-	12,464	12,464
Cash and bank balances	80,115	-	80,115	4,974	-	4,974	85,089
2013	82,320	1,069	83,389	10,824,447	52,957	10,877,404	10,960,793
2012	14,827	3,167	17,994	21,441,152	17,941	21,459,093	21,477,087

FINANCIAL LIABILITIES

Trade and other payables	13,553	-	13,553	16,844,784	-	16,844,784	16,858,337
Accrued mark-up	-	-	-	39,136	-	39,136	39,136
Running finance under mark-up arrangements	5,952,805	-	5,952,805	-	-	-	5,952,805
Short term loan	1,825,990	-	1,825,990	-	-	-	1,825,990
2013	7,792,348	-	7,792,348	16,883,920	-	16,883,920	24,676,268
2012	2,543,135	-	2,543,135	30,022,204	-	30,022,204	32,565,339

39.2 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-16.1, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

(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 10.96 billion (2012: Rs 21.48 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:

	2013	2012
	(Rupees in thousand)	
Loans to employees	7,272	11,966
Deposits	52,142	15,725
Trade debts	10,382,828	5,947,835
Other receivables	12,464	428,554
Cash and bank balances	85,089	306,661
	<u>10,539,795</u>	<u>6,710,741</u>

(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. Financial assets include Rs 873.06 million (2012: Rs 428.13 million) and financial liabilities include Rs 9.45 billion (2012: Rs 8.60 billion) which are subject to foreign currency risk. The Company manages its currency risk by close monitoring of currency markets. As per State Bank's regulations, the Company cannot hedge its currency risk exposure against procurement of crude oil.

At June 30, 2013, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, profit / loss after taxation for the year would have been higher / lower by Rs 428.62 million (2012: Rs 408.75 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and receivables.

(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 running finance arrangements 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 and KIBOR interest rate on short term borrowing and running finance arrangements had been 100 basis points higher / lower with all other variables held constant, profit / loss after taxation for the year would have been higher / lower by Rs 38.45 million (2012: Rs 30.06 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowing.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

(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.

40. CASH (USED IN) / GENERATED FROM OPERATIONS

	2013	2012
	(Rupees in thousand)	
Profit / (Loss) before taxation	1,237,594	(896,509)
Adjustments for non-cash charges and other items		
Depreciation and amortisation	200,122	195,230
Share of income of associate	(8,232)	(10,731)
Gain on disposal of property, plant and equipment	(1,776)	(5,287)
Fixed assets written off	1,136	-
Profit on deposits	(46,224)	(99,312)
Mark-up expense	341,542	406,893
Provision for slow moving stores and spares	1,121	(838)
Provision for defined benefit retirement plans	59,657	49,696
	547,346	535,651
Working capital changes - note 40.1	(7,555,654)	3,331,164
Cash (used in) / generated from operations	<u>(5,770,714)</u>	<u>2,970,306</u>

(Restated)

40.1 Working capital changes

	2013	2012
	(Rupees in thousand)	
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(14,208)	8,331
Stock-in-trade	(3,150,476)	1,226,112
Trade debts	9,910,355	(10,734,473)
Loans and advances	(14,987)	(6,822)
Trade deposits and short-term prepayments	43,893	(4,062)
Other receivables	382,556	711,332
	7,157,133	(8,799,582)
Increase / (Decrease) in current liabilities		
Trade and other payables	(15,203,420)	12,054,860
Payable to government - sales tax	490,633	75,886
	<u>(7,555,654)</u>	<u>3,331,164</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2013

2013

2012

(Rupees in thousand)

41. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 14	85,089	306,661
Short term borrowings	(1,825,990)	-
Running finance under mark-up arrangements - note 21	(5,952,805)	(453,019)
	<u>(7,693,706)</u>	<u>(146,358)</u>

42. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 4, 2013 has proposed a final cash dividend of Rs 2.85 per share in respect of the year ended June 30, 2013. The financial statements for the year ended June 30, 2013 do not include the effect of proposed dividend amounting to Rs 99.75 million which will be accounted for in the financial statements for the year ending June 30, 2014 after approval by the members in Annual General Meeting.

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 4, 2013 by the Board of Directors of the Company.



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

Form of Proxy

53rd Annual General Meeting 2013

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 Third Annual General Meeting of the Company to be held on October 14, 2013 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2013.

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

Dividend Mandate

Members of Pakistan Refinery Limited

Subject: Dividend Mandate Form

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

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide circular number SMD/CIW/Misc/19/2009 dated June 5, 2012 we request Mr / Ms/ M/s _____ S/o / D/o W/o _____ (where applicable) being the registered shareholder of Pakistan Refinery Limited holding _____ shares having folio number _____ to _____ hereby give the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any declared by the Company in future.

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

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

YES

NO

If yes then please provide the following information:

Transfer Detail	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell Number of Transferee	
Landline Number of Transferee, if any	

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

Signature of the member / shareholder

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

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