

# National Refinery Limited

## Annual Report 2001

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### Company Information

#### MANAGING DIRECTOR

M.M. Husain

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#### COMPANY SECRETARY

Asad A. Siddiqui

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#### AUDITORS

Ford, Rhodes, Robson, Morrow, Chartered Accountants

#### SOUCITORS

ORR Dignam & Co. and Qamar Abbas & Co.

#### BANKERS

ABN-AMRO Bank  
Allied Bank of Pakistan Limited  
American Express Bank Limited  
Bank Alfalah  
Citibank N.A.  
Deutsche Bank A.G.  
Habib Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank  
Union Bank Limited  
United Bank Limited

#### REGISTERED OFFICE

7-B, Korangi Industrial Zone, Karachi-74900, Pakistan

**SHARES DEPARTMENT**

7-B, Korangi Industrial Zone, Karachi-74900, Pakistan

**PHONES (PABX)**

5064135-37, 5064977-79, 5064981-86, 5064988

**FAX**

92-21-5054663

**TELEX**

29141- ENAR - PK

20789 - ENAR - PK

**CABLE**

Enarlube

**WEBSITE**

WWW.NRLPAK.COM

**Board of Directors**

**CHAIRMAN**

**ZAFAR IQBAL**

Chairman

Social Marketing Pakistan Ltd.

**MUHAMMAD IQBAL AWAN**

Financial Advisor

Ministry of Petroleum & N.R.

**M. MANSOOR ZUBAIR**

Joint Secretary

Ministry of Petroleum & N.R.

**TARIK KIVANC**

Executive Director

Islamic Development Bank, Jeddah

**SAQUIB H. SHIRAZI**

Chief Executive

Atlas Honda Ltd.

**TOWFIQ H. CHINOY**

Managing Director

International Industries Ltd.

**M. YOUNAS KHAN**

Chairman

Inter Asia Leasing Company

**ISTAQBAL MEHDI**

Chairman/Chief Executive  
National Investment Trust Ltd.

**SAYED MUZAFAR ALI SHAH**

Former V.C., Mehran University  
Ex-Chairman, SLIC

**SULTAN AHMED SHAMSI**

Chief Executive  
Imperial Glass & Tile Co.

**M.M. HUSAIN**

Chief Executive/MD  
National Refinery Ltd.

**NRL at a Glance**

**FIRST LUBE REFINERY**

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

**FUEL REFINERY**

**BEFORE REVAMP**

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

**AFTER REVAMP**

Design Capacity 2,170,800 Tons per year of Crude processing  
Date Commissioning of Revamp February 1990  
Project Cost of Revamp 125.0 Million Rupees

**B.T.X. UNIT**

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

**SECOND LUBE REFINERY**

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

**SHARE HOLDERS' EQUITY**

June 1966 20.0 Million Rupees  
June 2001 2,829.3 Million Rupees

**Financial Highlights**

*1991-92      1992-93      1993-94      1994-95      1995-96      1996-97      1997-98      1998-99      1999-2000      2000-01*

**RETURN ON INVESTMENT***Rs. Per Share of Rs. 10*

<b>EARNING</b>	3.41	4.36	5.30	(3.83)	4.19	6.84	7.38	9.65	10.61	<b>11.64</b>
BREAK-UP VALUE	13.32	13.68	14.48	10.65	14.84	19.18	24.06	29.71	35.82	<b>42.46</b>
DIVIDEND	3.30	4.00	4.50	0.00	0.00	2.50	2.50	4.00	4.50	<b>5.00</b>
MARKET VALUE OF SHARE	96.00	83.75	103.00	53.50	39.25	28.50	17.50	30.54	42.70	<b>39.00</b>

**FINANCIAL GLIMSES***Rs. In 000's*

ISSUED & PAID-UP CAPITAL	666,388	666,388	666,388	666,388	666,388	666,388	666,388	666,388	666,388	<b>666,388</b>
SHARE HOLDERS' EQUITY	887,567	911,777	964,792	709,735	988,780	1,278,009	1,603,234	1,979,987	2,386,819	<b>2,829,292</b>
CAPITAL EXPENDITURE	45,791	65,441	134,355	627,244	65,451	82,370	246,516	46,622	175,521	<b>509,624</b>
PROFIT BEFORE TAX	406,295	589,196	633,395	(123,285)	466,284	774,311	738,928	1,230,307	1,093,059	<b>1,116,122</b>
PROFIT AFTER TAX	227,295	290,765	352,889	(255,057)	279,045	455,826	491,822	643,308	706,707	<b>775,667</b>
TAXATION	179,000	298,431	280,506	131,772	187,239	318,485	247,106	586,999	386,352	<b>340,465</b>

**FINANCIAL RATIOS**

CURRENT RATIO	1: 0.98	1: 0.96	1: 0.95	1: 0.95	1: 1.00	1: 1.00	1: 1.02	1: 1.06	1: 1.08	<b>1: 1.18</b>
LONG TERM DEBT: EQUITY	40:60	33:67	34:66	47:53	53:47	32:68	18:82	11:89	04:96	<b>0.22:99.78</b>
TOTAL DEBT: EQUITY	84:16	86:14	85:15	90:10	90:10	90:10	89:11	85:15	84:16	<b>82:18</b>

**Pattern of Shareholdings**

<i>Number of shareholders</i>	<i>Shareholding</i>		<i>Total number of shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
1,264	1	100	58,414	0.09
1,223	101	500	385,704	0.56
641	501	1,000	526,060	0.79
889	1,001	5,000	2,087,659	3.13
127	5,001	10,000	923,642	1.39
20	10,001	15,000	241,099	0.36
22	15,001	20,000	383,852	0.58
6	20,001	25,000	139,610	0.21
2	25,001	30,000	58,100	0.09
6	30,001	35,000	193,918	0.29
2	35,001	40,000	80,000	0.12
2	40,001	45,000	90,000	0.14
5	45,001	50,000	243,165	0.36
4	55,001	60,000	239,600	0.36
3	60,001	65,000	185,504	0.28
2	65,001	70,000	140,000	0.21
1	70,001	75,000	75,000	0.11
2	75,001	80,000	154,162	0.23
1	80,001	85,000	83,000	0.12
1	85,001	90,000	89,700	0.13
4	95,001	100,000	400,000	0.60
1	100,001	105,000	100,400	0.15
2	110,001	115,000	228,648	0.34

1	125,001	130,000	129,500	0.19
1	130,001	135,000	131,400	0.20
1	155,001	160,000	160,000	0.24
1	160,001	165,000	163,667	0.25
1	270,001	275,000	274,500	0.41
1	310,001	315,000	312,717	0.47
1	335,001	340,000	339,320	0.51
1	425,001	430,000	425,150	0.64
1	655,001	660,000	658,040	0.99
1	695,001	700,000	696,600	1.05
1	700,001	705,000	701,000	1.05
1	795,001	800,000	800,000	1.20
1	1,300,001	1,305,000	1,300,182	1.95
1	1,640,001	1,645,000	1,644,000	2.47
1	2,810,001	2,815,000	2,810,960	4.22
1	2,835,001	2,840,000	2,837,947	4.26
1	5,475,001	5,480,000	5,480,000	8.22
1	19,905,001	19,910,000	19,909,198	29.88
1	9,995,001	10,000,000	10,000,000	15.01
1	10,755,001	10,760,000	10,757,382	16.14
-----				
4,270			66,638,800	100.00
=====				

**CATEGORIES OF SHAREHOLDERS****NUMBERS SHARES HELD PERCENTAGE**

Individuals	4,190	4,860,981	7.29	
Investment Companies	18	10,674,263	16.02	
Joint Stock Companies	22	211,270	0.32	
Financial Institutions *	11	35,020,000	52.55	
Modaraba Companies	5	116,750	0.18	
Insurance Companies	11	4,778,069	7.17	
Others	9	10,866,367	16.30	
-----				
1. PERAC	1	10,757,382	16.14	
2. Administrator Abandoned Properties	1	46,630	0.07	
3. Charitable Organizations	5	33,354	0.05	
4. Corporate Law Authority	1	1	0.00	
5. Employees old age benefits	1	29,000	0.04	
-----				
Non Residents	4	111,100	0.17	
=====				
<b>TOTAL</b>	<b>4,270</b>	<b>66,638,800</b>	<b>100.00</b>	
=====				

\* Including Islamic Development Bank Jeddah, Holding 15% Shares

**Notice of Meeting**

Notice is hereby given that the Thirty Eight (38th) Annual General Meeting of National Refinery Limited will be held on Wednesday 31st October 2001 at 10:30 A.M. at Hotel Regent Plaza, Karachi to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of 37th Annual General Meeting held on November 28, 2000.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2001 together with the Directors' Report and the Auditors' Report thereon.
3. To declare the final dividend.
4. To appoint Company's Auditors for the year 2001-02 and to fix their remuneration.

**By order of the Board**

**Asad A. Siddiqui**  
**Company Secretary**

Karachi: September 06, 2001

**NOTES:**

1. The Register of Members of the Company will remain closed and no transfer of shares will be accepted for registration from 23rd October 2001 to 1st November 2001 (both days inclusive). Transfers received in order at the Registered Office, National Refinery Limited, 7-B Korangi Industrial Zone, Korangi, Karachi-74900 by the close of business on 22nd October 2001 will be in time for the purpose of payment of the Final Dividend to the transferees.
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy.
3. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting and must be duly stamped, signed and witnessed.
4. CDC shareholders are requested to bring their National Identity Card, Account and Participant's ID Number, while attending the Meeting for identification.
5. Shareholders are requested to promptly notify the Company of any change in their address.

**Directors' Report**

The Directors of the Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for the year ended June 30, 2001.

*(Rupees in '000)*

The profit of the company for the year ended June 30, 2001 after taking into account the Sales Tax, etc., aggregating to Rs. 549,409 million (note 25.1) and the amount of Rs. 2,912,492 million, under import parity pricing formula and after providing for administrative, selling and financial charges amount to:	--	1,197,819
Less: Provision for		
- Workers' Profit Participation Fund	59,891	--
- Workers' Welfare Fund	21,806	81,697
	-----	-----

	--	1,116,122
Less: Taxation		
- For the year	369,847	--
- For prior years		
- Deferred Tax	(29,392)	340,455
	-----	-----
Profit after taxation	--	775,667
Amount of un-appropriated profit brought forward from previous year	--	172
	-----	-----
Profit available for appropriation	--	775,839
<b>APPROPRIATIONS</b>		
- Interim Dividend @ 10%	66,639	--
- The Directors proposed that this should be utilized in providing for final dividend at the rate of 40% equivalent to Rs. 4/= per share of Rs. 10 each	266,555	--
- Transfer to General Reserve	442,000	775,194
	-----	-----
Un appropriated profit carried forward to next year	--	645
	=====	=====

The amount of receivable from the Government under the formula shall be determined after the audited accounts are submitted to the Government and the approval is received in due course of time.

#### **DIVIDEND**

The Company has already paid an interim dividend of 10% in March 2001 and Directors are now recommending final dividend at the rate of 40% (Rs. 4/= per share of Rs. 10 each) making a total dividend of 50% for the year ended June 2001.

### **Directors' Report**

#### **BOARD OF DIRECTORS**

Sayed Muzafar Ali Shah, Former V.C., Mehran University & Ex-Chairman, SLIC, was appointed in place of Ms. Aalia K. Dossa of National Investment Trust Limited, who submitted her resignation on dune 08, 2001, Mr. Tarik Kivanc of Islamic Development Bank was re-elected and Mr. Sultan Ahmed Shamsi was elected in place of Mr. Ahmed Dawood as Directors in the last Annual General Meeting held on November 28, 2000 for a period of 3 years.

Messers. Zafar Iqbal, Chairman, Social Marketing Pakistan Limited is Chairman on NRL Board and M.M. Husain is Managing Director of National Refinery Limited, Muhammad Mansoor Zubair, Joint Secretary, Ministry of Petroleum & Natural Resources, Muhammad Iqbal Awan, Financial Advisor, Ministry of Petroleum & Natural Resources, Towfiq H. Chinoy, Managing Director, International Industries Ltd., Saquib H. Shirazi, Chief Executive, Atlas Honda Ltd., Istaqbal Mehdi, Chief Executive, National Investment Trust Ltd., M. Younas Khan, Chairman, Inter Asia Leasing Company, Sayed Muzafar All Shah, Former V.O., Mehran University & Ex-Chairman, SLIC, Tarik Kivanc, Executive Director of Islamic Development Bank, Jaddah and Sultan Ahmed Shamsi, Chief Executive Imperial Glass & Tile Company are Directors on NRL Board.

#### **PATTERN OF SHAREHOLDING**

Pattern of shareholding is shown on page 6

#### **AUDITORS**

M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

#### **CHAIRMAN S REVIEW**

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

**On behalf of the Board**

**ZAFAR IQBAL**  
**Chairman**

#### **Chairman's Review**

##### **Dear Shareholders**

On behalf of the Board of Directors and myself I welcome you to the 38th Annual General Meeting of the Company and present a review of the operations and Financial results of your Company for the year ended June 30, 2001.

I am pleased to report that your Company has performed well over the past years despite the fact that there was a severe competition and low margins on sale of Products.

Fuel Refinery operated under the Import Parity Formula, therefore, a minimum of 10% and maximum of 40% return, net of tax, on the paid-up capital was allowed. Due to shrinkage in margin of Fuel products in the International market the margin on sale of Fuel products was not adequate to absorb the entire operating cost and financial charges. Consequently the Fuel Refinery Profit was restricted to Rs. 22.91 million being minimum, net of tax, return of 10% on paid-up capital.

Although upward revision in Ex-Refinery Prices was allowed by the Government during the year to cover the differential in petroleum product prices, yet revision in ex-refinery prices was not corresponding to the change in product entitled prices which resulted in price differential claims from the Government amounting to Rs. 1,847 million beside unclaimed input of sales tax amounting to Rs. 530 million on account of sales of JP-I, being exempt from sales tax.

The present Government is gradually deregulating the petroleum sector. The price of Furnace Oil was deregulated last year. The Government has now authorized the petroleum industry to fix the prices of other Fuel products as well on fortnightly basis with effect from July 1, 2001. This decision of the Government shall improve the liquidity position of the Refinery. The company has been pursuing with the Government to review the Import Parity Formula to make it more realistic. Recently the Government has allowed ocean losses and



actual premium on Fuel product which would reduce the shortfall in the make-up-margin of the Fuel Refinery.

The Company's emphasis remained on its drive to generate profit from production and marketing of Lube Base Oil which is not subject to price control by the government and operates in an open Market environment. Resultantly the highest ever after tax profit of Rs. 752.76 million has been earned during the year from Lube Refinery. The supply of 190,416 tons of Lube Base Oil to the market in a year from NRL is a record and a major factor in earning the record profit of the year. NRL has grown and developed the high quality Lube Base Oil and today enjoys the special position of being the sole producer as well as exporter of high quality Oils.

#### **CRUDE OIL:**

The supply of Arabian Light was arranged by the Government from Saudi Aramco and shared with Pakistan Refinery Ltd (PRL) and Pak Arab Refinery (PARCO). On the other hand PRL imported Iranian Light from Iran & shared with NRL. The crude oil throughput for the year was 2.625 million tons (including 0.325 million tons received from indigenous sources and Dhodak Naphtha 0.014 million tons reprocessed during the year) as against 2.856 million tons of the previous year. Keeping in view the low margin on Fuel products the throughput was kept at lower than designed capacity, and was enough to produce the required feedstock for the Lube Section.

#### **PRODUCTION:**

The aggregate production of finished products was 2.504 million tons. The product mix was maintained according to the market demand maximizing production of deficit items as required by the Government. The production of Lube Base Oils was slightly lower at 176,422 tons compared to 176,596 tons last year due to frequent power shutdown by Karachi Electric Supply Corporation (KESC).

#### **SALES:**

Sales value for the year was Rs. 34.331 billion including the record sale of Lube base Oil Rs. 4.489 billion compared to Rs. 25.683 billion including Lube Base Oil sale of Rs. 3.416 billion for the year 1999-2000. The Export sales for the year consisting of Naphtha and Lube Base Oils amounted to Rs. 3.208 billion compared to last year's sale of Naphtha amounting to Rs. 1.428 billion.

#### **MANUFACTURING, SELLING, ADMIN. & FINANCIAL EXPENSES:**

The total manufacturing expenses for the year were Rs. 1,653 million (excluding depreciation) compared to Rs. 1,590 million (excluding depreciation) last year. There was an increase of only 4% despite the impact of inflation and devaluation of Pak Rupee.

The Selling and Administration Expense were Rs. 235 million (excluding depreciation) this year against Rs. 224 million (excluding depreciation) last year.

Despite long outstanding receivable of Rs. 4.4 billion from PSO and Rs. 3.4 billion from the Government on account of pricing Formula. The financial expenses were Rs. 68 million compared to Rs. 114 million of last year.

#### **PROJECTS:**

The Company is undertaking increase in the production capacity of Lube Refinery through Revamping. After successful completion and commissioning of the Lube expansion project at a total cost of around 962 million including foreign exchange component of Rs. 430 million, the production of Lube Base Oil would be increased by 14,800 tons. This project besides being economically viable would result in reducing the cost of production. The project also entails substantial foreign exchange saving. The payback period of the project is around 4 years. The PC-I of the project has formally been submitted to the Government for approval.

NRL was facing production losses due to frequent power failure by KESC. To decrease the dependency on KESC, a standby 4.0 MW Diesel Generator unit and 7.5 MW Steam Power Generator have been commissioned. Moreover a contract was signed with Annoud Power Generation Company (APGL) to provide balance electricity requirement of the company in replacement of KESC supply. APGL has recently started producing the electricity and presently supplying 4.0 MW electricity to NRL. The un-interrupted supply from self power generation and APGL would reduce the production losses.

Water sources are being developed to recover subsoil water. In this respect Reverse Osmosis plant of 200,000 gallons per day capacity will be installed.

At present NRL has only one tank of 11,000 tons capacity which is catering current Naphtha exports of 110,000 tons per annum. Therefore, the construction of two Naphtha

tanks at Keamari Terminal has been started for additional tankage of 20,000 tons which would facilitate the export of bigger parcel at better price. This project is estimated to be completed by December 2001.

#### **TRAINING AND DEVELOPMENT:**

The training and development of Human Resources of the Company continues in the priority areas. Executives availed training in Japan. They were also nominated to various Technical / Management courses. Special

emphasis was laid on in house training programs for the Management, staff and workers.

#### **QUALITY AND STANDARDS:**

Quality standards are enforced at each stage of production for Lube Base Oil products, Fuel products, Asphalt and Specialty products. NRL Laboratory has achieved ISO 9002 certificate on Quality. The use of NRL's Lube Base Oil by all the major National and International companies to produce finished Lubricants and the export of NRL's Lube Base Oils testifies to the high quality of NRL's products.

#### **STAFF:**

I wish to share with you my deep appreciation for achieving the top 25 Companies award of the Karachi Stock Exchange and appreciate the untiring efforts and dedication of all the executives, staff and workers during the year in keeping the Refinery operating which has enabled the company to achieve a record profit.

I would also like to pay tribute to the members of the Board for their keen participation and guidance in the affairs of the company. I am also thankful to all financial institution, bankers, leasing companies, World Bank and suppliers who extended their support and co-operation to the management in carrying out the operation of the company.

I conclude with a word about you, our esteemed shareholders. It is heartening to know that we continue to receive your support and confidence and trust that this will continue in the future as well.

**ZAFAR IQBAL**  
Chairman

#### **Highlights**

- \*Record sales of Lube Base Oil
- \* Highest ever Profit after tax
- \* Highest ever dividend declared
- \* Ranked among Top 25 Companies of Karachi Stock Exchange

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **NATIONAL REFINERY LIMITED** as at June 30, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal

control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity, with the Companies Ordinance, 1984, except for the charge for sales tax, etc., aggregating to Rs.549.409 million, included in the accounts in note 25.1 under sales tax, which should be shown under "Other charges" as required by the Fourth Schedule to the Companies Ordinance, 1984, resulting in reduction of gross profit and other charges for the year by the above-referred amount, without any impact on the profit before taxation, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, except for the matter stated in b (i) above, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended;

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance; and

(e) without qualifying our opinion, we draw attention to the contents of notes 6.5, 9.1 and 23.7 relating to loans and advance, trade debts and contingencies, respectively.

Karachi  
September 7, 2001

**Chartered Accountants.**

**Balance Sheet as at June 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Operating fixed assets at cost less accumulated de	3	1,358,271	1,004,698
Capital work-in-progress	4	121,638	509,225
		-----	-----
		1,479,909	1,513,923
Long term investments	5	9	9
Long term loans, advance and deposits	6	144,141	145,280
<b>CURRENT ASSETS</b>			
Stores, spares and chemicals	7	425,946	494,658
Stock-in-trade	8	3,051,980	2,686,016
Trade debts	9	5,395,064	4,903,691
Loans and advances	10	686,058	39,234
Deposits and prepayments	11	65,047	80,375
Other receivables	12	4,676,433	4,599,173
Cash and bank balances	13	88,291	142,580
		-----	-----
		14,388,819	12,945,727
		-----	-----
<b>TOTAL ASSETS</b>		16,012,878	14,604,939
		=====	=====
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share Capital			
Authorised			
100,000,000 Ordinary shares of Rs. 10 each		1,000,000	1,000,000
		=====	=====
Issued, subscribed and paid-up	14	666,388	666,388
Reserves	15	2,162,904	1,720,431
		-----	-----
		2,829,292	2,386,819
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	16	6,264	96,956
Obligations under finance leases	17	1,596	4,313
Deferred liabilities	18	94,300	119,474
<b>CURRENT LIABILITIES</b>			
Current maturities of long term loans and obligations under finance leases	19	106,115	93,743
Short term running finances	20	1,375,720	630,584
Creditors, accrued and other liabilities	21	11,321,842	11,011,125
Provision for taxation - net		--	19,030
Dividends	22	277,749	242,895
		-----	-----
		13,081,426	11,997,377
		-----	-----
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		16,012,878	14,604,939
		=====	=====

The annexed notes form an integral part of these accounts.

**ZAFAR IQBAL**  
Chairman

**M.M. HUSAIN**  
Chief Executive

**MUHAMMAD IQBAL AWAN**  
Director

**Profit and Loss Account**  
**for the year ended June 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>GROSS SALES</b>	24	36,124,192	28,980,298
<b>REFUNDS UNDER THE IMPORT PARITY FORMULA</b>		2,912,492	3,945,364
		-----	-----
Duties, taxes and levies	25	39,036,684 4,705,763	32,925,662 3,297,253
		-----	-----
<b>NET SALES</b>		34,330,921	29,628,409
Cost of sales	26	33,057,819	28,375,324
		-----	-----
<b>GROSS PROFIT</b>		1,273,102	1,253,085
<b>OTHER INCOME</b>	27	238,751	256,246
		-----	-----
		1,511,853	1,509,331
		-----	-----
Administrative, selling and general expenses	28	246,100	232,492
Other charges	29	81,697	70,236
		-----	-----
		327,797	302,728
		-----	-----
<b>OPERATING PROFIT</b>		1,184,056	1,206,603
Financial charges	30	67,934	113,544
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		1,116,122	1,093,059
Taxation	31	340,455	386,352
		-----	-----
<b>NET PROFIT FOR THE YEAR</b>		775,667	706,707
Unappropriated profit brought forward		172	340
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		775,839	707,047
		-----	-----
<b>APPROPRIATIONS</b>			
Interim dividend @ Re.1 (2000: Re.1) per Ordinary share of Rs.10 each		66,639	66,639
Proposed final dividend @ Rs.4 (2000: Rs.3.5) per Ordinary share of Rs. 10 each		266,555	233,236
Transfer to General reserve		442,000	407,000
		-----	-----
		775,194	706,875
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		645	172
		=====	=====

<b>BASIC EARNINGS PER SHARE</b>	32	11.64	10.61
		=====	=====

The annexed notes form an integral part of these accounts.

<b>ZAFAR IQBAL</b>	<b>M.M. HUSAIN</b>	<b>MUHAMMAD IQBAL AWAN</b>
<b>Chairman</b>	<b>Chief Executive</b>	<b>Director</b>

**Statement of Changes in Financial Position (Cash Flow)  
for the year ended June 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		864,348	1,042,920
Financial charges paid		(183,644)	(164,183)
Income tax paid		(1,029,854)	(761,499)
Gratuity paid		(716)	(687)
Return / Interest received on bank deposits and secured loans to employees		52,623	89,737
		-----	-----
Net cash (used in) / from operating activities		(297,243)	206,288
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(124,861)	(74,135)
Proceeds on disposal of fixed assets		917	209
Long term loans, advance and deposits		1,139	2,120
		-----	-----
Net cash used in investing activities		(122,805)	(71,806)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(298,340)	(330,165)
Lease finances		(2,343)	1,481
Long term loans		(78,694)	(204,781)
		-----	-----
Net cash used in financing activities		(379,377)	(533,465)
		-----	-----
Net decrease in cash and cash equivalents		(799,425)	(398,983)
Cash and cash equivalents at the beginning of the year		(488,004)	(89,021)
		-----	-----
Cash and cash equivalents at the end of the year	35	(1,287,429)	(488,004)
		=====	=====

<b>ZAFAR IQBAL</b>	<b>M.M. HUSAIN</b>	<b>MUHAMMAD IQBAL AWAN</b>
<b>Chairman</b>	<b>Chief Executive</b>	<b>Director</b>

**Statement of Changes in Equity  
for the year ended June 30, 2001**

*Share Capital*

*Capital Reserves*

*Revenue Reserves*

	<i>Issued, subscribed and paid-up</i>	<i>Capital compensation reserves</i>	<i>Exchange equalisation reserve</i>	<i>General reserve</i>	<i>Unappropriated profit</i>	<i>Total</i>
<i>(Rupees in '000)</i>						
Balance as at June 30, 1999	666,388	10,142	4,117	1,299,000	340	1,979,987
Net profit for the year	--	--	--	--	706,707	706,707
Interim dividend @ 10%	--	--	--	--	(66,639)	(66,639)
Final dividend @ 35%	--	--	--	--	(233,236)	(233,236)
Transfer to general reserve	--	--	--	407,000	(407,000)	--
<b>Balance as at June 30, 2000</b>	<b>666,388</b>	<b>10,142</b>	<b>4,117</b>	<b>1,706,000</b>	<b>172</b>	<b>2,386,819</b>
Net profit for the year	--	--	--	--	775,667	775,667
Interim dividend @ 10%	--	--	--	--	(66,639)	(66,639)
Final dividend @ 40%	--	--	--	--	(266,555)	(266,555)
Transfer to general reserve	--	--	--	442,000	(442,000)	--
<b>Balance as at June 30, 2001</b>	<b>666,388</b>	<b>10,142</b>	<b>4,117</b>	<b>2,148,000</b>	<b>645</b>	<b>2,829,292</b>

**ZAFAR IQBAL**  
Chairman

**M.M. HUSAIN**  
Chief Executive

**MUHAMMAD IQBAL AWAN**  
Director

## Notes to the Accounts for the year ended June 30, 2001

### 1. THE COMPANY AND ITS OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company. The shares of the company are listed on the Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the production and sale of petroleum products.

The refinery complex of the company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that certain exchange differences and borrowing costs referred to in notes 2.3, 2.8 and 2.11 have been incorporated in the cost of relevant assets.

#### 2.2 Consolidated financial statements

The company has not prepared the consolidated financial statements comprising the financial statements of the company and its wholly owned subsidiary, National Oil Marketing (Private) Limited, as at June 30, 2001 in view of the current dormant status of the wholly owned subsidiary coupled with the company's plan to subsequently restructure the operations thereof in the near future.

#### 2.3 Tangible fixed assets

##### (a) Owned

These are stated at cost less accumulated depreciation. Exchange gains and losses in



respect of long term foreign currency loans acquired and utilised for the acquisition of assets are included in the cost of the respective assets.

Depreciation is charged to income applying the straight line method whereby the cost of the asset is written off over its estimated useful life. The rates used are stated in note 3 to the accounts. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in income currently.

#### **(b) Leased**

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under finance leases less financial charges allocated to future periods are shown as a liability. The financial charge to-date is calculated at the interest rates implicit in the leases and is charged to profit and loss account.

Depreciation is charged at the same rates as charged on company's owned assets or over the lease period as appropriate.

#### **2.4 Capital work-in-progress**

Capital work-in-progress is stated at cost. It consists of expenditure incurred in respect of fixed **assets in the course of their construction and installation.**

#### **2.5 Long term investments**

Investments in quoted shares are stated at lower of cost and market value, determined on an individual portfolio basis.

Investments in unquoted shares are valued at cost. However, where in the opinion of the management there is a decline which is other than temporary, the carrying amount of the investment is reduced to recognize the decline.

#### **2.6 Stores, spares and chemicals**

Stores, spares and chemicals, excluding drum sheets, empty drums and items in transit are valued at moving average cost. Drum sheets and empty drums are valued at cost using first-in-first out (FIFO) basis whereas items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date

#### **2.7 Stock-in-trade**

Stock of crude oil is valued at cost determined on first-in-first out basis. Crude oil in transit is valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date. Stock of semi-finished and finished products are valued at lower of cost and net realisable value. Cost in relation to semi-finished and finished products represents cost of crude oil and an appropriate allocation of manufacturing overheads. Cost in respect of semi-finished items is adjusted to appropriate stage of processing.

Net realisable value represents import parity prices as published in the Platt's Pilgrim.

#### **2.8 Foreign currency translation**

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date. Exchange differences on loans obtained for acquisition of fixed assets are capitalised. All other exchange differences are routed through the profit and loss account.

### **2.9 Taxation**

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

The Company accounts for deferred taxation on all timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

### **2.10 Revenue recognition**

Local sales are recorded on the basis of products delivered to the tanks of marketing companies and customers.

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

Return / Interest on bank deposits and advances to employees are recognized on accrual basis.

Interest income resulting from overdue balances, if any, included in trade debts and markup on long term loan to PERAG are accounted for on a receipt basis.

Scrap sales is recognised on receipt basis.

### **2.11 Borrowing costs**

Borrowing costs incurred in respect of loans obtained for specific projects are capitalised during their construction and are written off after their completion. Any income earned on unutilised loans is netted off against capitalised borrowing costs.

### **2.12 Staff retirement benefits**

The company participates in the funded pension scheme, established for the management staff of companies, administered by the company. This scheme is managed by the company through a fund established out of contributions from the participating companies and are based on actuarial valuation. The projected unit credit actuarial cost method has been adopted for valuation of the schemes. The latest valuation in this regard was carried out as on January 01, 2000. The company's share in the fair value of assets and liabilities of the scheme for the past services of employees at the valuation date was Rs. 527.746 million and Rs. 546.651 million, respectively.

The future contribution rate is 20 percent per annum of basic salary. Significant assumptions used for valuation of the scheme are:

- Discount rate 10 percent per annum.
- Expected rate of increase in salaries level 11 percent per annum.
- Expected rate of interest on investment 12 percent per annum.

In addition to the above, the company operates:

(a) an unfunded gratuity scheme covering all workers and clerical staff whose period of service with the company is five years or more. Based on graduated rates fixed under the scheme and calculated with reference to the last drawn salary and length of service of the employee, amounts are provided annually by way of a charge to profit and loss account to cover obligations under the scheme.

(b) an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary. Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

**2.13 Research and development costs**

Contributions made to the Research and Development Fund are charged against current income together with other related expenses incurred by the company.

**2.14 Import parity entitled prices**

Effective July 01, 1992 the Government introduced an Import Parity Formula under which product prices had been fixed at CIF level, restricting the profitability of the Fuel Refinery in the range of 10% to 40% (including "other income") on the paid-up capital with no such restriction in respect of the Lube Refinery. Effective July 1, 1994, the company has retained the non-refining income in addition to the above restricted return on capital, in accordance with the 1994 petroleum policy.

**3. OPERATING FIXED ASSETS***(Rupees in '000)*

	<i>COST</i>			<i>As at June 30, 2001</i>	<i>Rate %</i>	<i>ACCUMULATED DEPRECIATION</i>			<i>WRITTEN DOWN VALUE</i>	
	<i>As at July 01, 2000</i>	<i>Additions/ Transfers*</i>	<i>(Disposals)</i>			<i>As at July 01, 2000</i>	<i>For the Year</i>	<i>(on Disposals)/ Transfers*</i>	<i>AS at June 30, 2001</i>	<i>As at June 30, 2001</i>
<b>OWNED</b>										
Leasehold land (note 3.1)	59,216	--	--	59,216	1	5,613	594	--	6,207	53,009
Building on leasehold land	62,004	3,778	--	65,782	5	41,317	2,382	--	43,699	22,083
Oil Terminal	114,421	2,326	--	116,747	6	97,593	1,555	--	99,148	17,599
Processing plant and storage tanks	3,593,089	8,557	--	3,601,646	5 to 7	3,068,558	50,372	--	3,118,930	482,716
Power Generation Plants	223,653	477,157	--	700,810	7	46,968	49,057	--	96,025	604,785
Pipelines	111,693	--	--	111,693	8	106,262	677	--	106,939	4,754
Water power and other utilities	714,762	1,874	--	716,636	6	560,652	38,589	--	599,241	117,395
Vehicles	22,837	5,299	(2,674)	25,462	20	19,957	2,528	(2,527)	19,958	5,504
Furniture and fixtures	10,373	488	--	10,861	7.5	7,143	505	--	7,648	3,213
Computers and related accessories (note 3.2)	--	4,927 15,627 *	--	20,554	33.33	--	4,896	9,821 *	14,717	5,837
Office and other equipment	127,825	8,042 (15,627) *	(150)	120,090	5 to 15	87,612	5,595	(119) (9,821) *	83,267	36,823
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	5,039,873	512,448	(2,824)	5,549,497		4,041,675	156,750	(2,646)	4,195,779	1,353,718
	-----	-----	-----	-----		-----	-----	-----	-----	-----
<b>LEASED</b>										
Vehicles	9,734	--	--	9,734	20	3,234	1,947	--	5,181	4,553
	9,734	--	--	9,734		3,234	1,947	--	5,181	4,553
	-----	-----	-----	-----		-----	-----	-----	-----	-----
June 30, 2001	5,049,607	512,448	(2,824)	5,559,231		4,044,909	158,697	(2,646)	4,200,960	1,358,271

June 30, 2000	4,874,086	176,067	(546)	5,049,607	3,923,772	121,548	(411)	4,044,909	1,004,698
---------------	-----------	---------	-------	-----------	-----------	---------	-------	-----------	-----------

3.1 Leasehold land includes a piece of land measuring 13,200 square yards, sub-leased to Anoud Power Generation Limited (APGL) for the purposes of setting up a power plant to provide power to the refinery.

3.2 With effect from the current year, the company changed the rate of depreciation for computers and related accessories from 15% per annum to 33.33% per annum, after reconsidering their useful lives and reclassification, as shown above.

Had the company not made this change, depreciation charge for the year would have been lower by Rs.1.584 million whereas net profit for the year would have been higher by the same amount.

	<i>Note</i>	<i>2001</i>	<i>2000</i>
<i>(Rupees in '000)</i>			
<b>3.3 Depreciation for the year has been allocated as follows:</b>			
Cost of Sales	26	147,161	112,929
Administrative, selling and general expenses	28	11,536	8,619
		-----	-----
		158,697	121,548
		=====	=====

3.4 During the year, the following amounts have been transferred from Capital Work-in-progress to fixed assets:

	<i>2001</i>	<i>2000</i>
<i>(Rupees in '000)</i>		
Building on leasehold land	2,120	1,224
Oil terminal	2,326	12,071
Processing plant and storage tanks	2,766	136,825
Power generation plants	477,157	--
Pipelines	--	698
Water power and other utilities	716	5,454
Office and other equipment	4,317	2,286
	-----	-----
	489,402	158,558
	=====	=====

3.5 The following fixed assets were disposed of during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
<i>(Rupees in '000)</i>						
Vehicle	734	587	147	380	Company policy	Mr. Altaf Hussain (Ex-Employee)
Vehicles with Written Down Value of below Rs.5,000	1,940	1,940	--	506	Company policy/	Various Negotiation
	-----	-----	-----	-----		
	2,674	2,527	147	886		

Equipment	11	5	6	6 Company policy	Mr. Altaf Hussain (Ex-Employee)
Equipment with Written Down Value of below Rs.5,000	139	114	25	25 Company policy	Various
	-----	-----	-----	-----	
	2,824	2,646	178	917	
	=====	=====	=====	=====	

*Additions/  
(Transfers)  
(Rupees in '000)*

**2001**                      **2000**

#### 4. CAPITAL WORK-IN-PROGRESS

##### Power Generation Plant (7.5 M.W.)

Fees and technical studies	--	(54,964)	54,964
Material, equipment & cost of related services	--	1,189	352,084
		(353,273)	
Borrowing costs	--	(68,274)	68,274
Other expenditure	--	(646)	646
	-----	-----	-----
	--	1,189	475,968
		(477,157)	

##### Processing Plant and Storage Tanks

Fees and technical studies	175	6	169
Material, equipment and cost of related services	89,084	73,342	15,742
Advances to contractors	4,363	4,363	--
	-----	-----	-----
	93,622	77,711	15,911
Other Projects	28,016	22,915	17,346
Building on leasehold land	--	(2,120)	--
Oil terminal	--	(2,326)	--
Processing plant and storage tanks	--	(2,766)	--
Water power and other utilities	--	(716)	--
Office and other equipment	--	(4,317)	--
	-----	-----	-----
	28,016	22,915	17,346
		(12,245)	
	-----	-----	-----
	121,638	(387,587)	509,225
	=====	=====	=====

*Note*                      **2001**                      **2000**

*(Rupees in '000)*

#### 5. LONG TERM INVESTMENTS

##### Wholly owned subsidiary

National Oil Marketing (Private) Limited			
100 (2000: 100) Ordinary shares of Rs.10 each	2.2	1	1
[Break-up value, Rs. Nil (2000: Rs. Nil) per Ordinary share on the basis of audited financial statements			

for the year ended June 30, 2001]

**Listed**

Pakistan PVC Limited	8	8
3,125 Ordinary shares of Rs.10 each		
[Market value Rs.8,125 (2000: Rs.8,125)]		

**Unlisted**

Anoud Power Generation Limited	10,800	10,800
1,080,000 Ordinary shares of Rs.10 each.		
[Chief Executive: Tasveer A. Jumani.		
Break-up value of each Ordinary share of Rs.10: Rs.10		
(2000: Rs.10) per Ordinary share based on the latest audited		
accounts available for the year ended June 30, 2000]		

Fuel Pipelines Limited	50	50
5,000 Ordinary shares of Rs.10 each. [Equity held 10%		
(2000: 10%), Chief Executive: Syed Amjad Hussain		
Break-up value of each Ordinary share of Rs.10: Rs.4.87		
(2000: Rs.4.89) per Ordinary share based on the latest audited		
accounts available for the year ended June 30, 2000]		

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**Provision for diminution in value of investments in unlisted securities**

(10,850) (10,850)

-----

-----

-----

-----

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**6. LONG TERM LOANS, ADVANCE AND DEPOSITS****Considered good****Loans****Secured**

Executives	19,246	24,650
Employees	3,146	2,188
	-----	-----
6.1	22,392	26,838

Less: Recoverable within one year shown under current assets

Executives	5,873	7,240
Employees	1,062	497
	-----	-----

10 6,935 7,737

-----

-----

**Unsecured**

Executives	9,565	12,968
Employees	1,060	917
	-----	-----

6.2 10,625 13,885

Less: Recoverable within one year shown under current assets

Executives	1,459	3,019
Employees	537	345
	-----	-----

10 1,996 3,364

		8,629	10,521
State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC)	6.3 & 6.5	60,000	60,000
		84,086	89,622
<b>Advance Unsecured</b>			
State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC) Deposits	6.4 & 6.5	50,000	50,000
		10,055	5,658
		144,141	145,280
Loans & advance outstanding for periods exceeding three years		124,158	126,560
Others		9,928	13,062
		134,086	139,622

6.1 The secured loans to executives and employees are for the purchase of motor cars and house building. These are granted in accordance with the terms of their employment and are recoverable in monthly installments over a period ranging between 7 and 10 (2000: 7 and 10) years. Motor car loans carry interest ranging between 3% and 7% (2000: 3% and 7%) per annum and are secured against respective vehicles purchased by them as opposed to house building loans which are interest free and secured against title documents of the property purchased by the employees.

The maximum aggregate amount due from executives in respect of secured loans at the end of any month during the year was Rs.23.366 (2000: Rs.26.772) million.

6.2 The unsecured loans to executives and employees are personal loans and are for the purchase of furniture and motor cycles. These are granted in accordance with the terms of their employment and are recoverable in monthly installments over a period ranging between 2 and 12 (2000: 2 and 12) years and are interest free.

The maximum aggregate amount due from executives in respect of unsecured loans at the end of any month during the year was Rs.11.891 (2000: Rs.14.103) million.

6.3 The company has extended a sum of Rs.60.00 million as a loan to the State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC) for the purposes of setting up the Iran-Pak Refinery Project, under the directives of the Government of Pakistan. Although the loan carries markup @ 14% (2000: 14%) per annum, the company has decided not to accrue the same with effect from July 1, 1998 in view of uncertainty regarding the realization thereof due to the poor financial position of PERAC. The company has the option to convert the loan into equity in the above-referred project.

6.4 This represents an interest free advance given to PERAC for acquiring shares in the National Crescent Petroleum Limited. The shares have not yet been allotted to the company.

6.5 The company is confident that as a result of its efforts which it is currently making, it will succeed in recovering these amounts (notes 6.3 & 6.4). Hence, it does not consider it appropriate to provide against these balances.

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	
<b>7. STORES, SPARES AND CHEMICALS</b>		
In hand		
Stores	233,471	216,900
Spares	528,393	495,583
Chemicals	132,399	127,220
In transit	27,157	26,854
	-----	-----
	921,420	866,557
Provision for slow moving stores, spares and chemicals	(495,474)	(371,899)
	-----	-----
	425,946	494,658
	=====	=====

7.1 Due to the nature of the inventory of the company, stores and spares held for capital expenditure purposes cannot be separately identified.

## **8. STOCK-IN-TRADE**

### **Crude oil**

in tanks	1,130,653	846,720
in transit	493,663	406,067
	-----	-----
	1,624,316	1,252,787
Semi finished products	531,325	373,880
Finished products	896,339	1,059,349
	-----	-----
	3,051,980	2,686,016
	=====	=====

## **9. TRADE DEBTS**

### **Unsecured**

Considered good	9.1	5,395,064	4,903,691
Considered doubtful		22,735	22,735
		-----	-----
		5,417,799	4,926,426
Provision against debts considered doubtful		(22,735)	(22,735)
		-----	-----
		5,395,064	4,903,691
		=====	=====

9.1 Included herein is a sum of Rs.4,414 (2000: Rs. 4,414) million due from the Pakistan State Oil Company Limited (PSO) at the end of the year. The same was due from the Karachi Electric Supply Corporation (KESC) until February 10, 2001 pursuant to the mandate given by the Federal Government for a period of twenty four months. After the expiry of the said period, the company is making necessary efforts to recover the same from PSO and, hence, pending the outcome of these efforts, no provision has been made thereagainst.

## **10. LOANS AND ADVANCES**

### **Considered good**

#### **Loans**

#### **Current portions of long term loans**

#### **Secured**

Executives	5,873	7,240
Employees	1,062	497



	6	6,935	7,737
<b>Unsecured</b>			
Executives		1,459	3,019
Employees		537	345
	6	1,996	3,364
<b>Short term loans to employees</b>		2,241	2,228
<b>Advances</b>			
Executives		1,142	515
Employees		54	5
Suppliers		32,713	25,385
Income tax - net	10.1	640,977	--
		674,886	25,905
		686,058	39,234

10.1 This represents excess of advances paid in respect of income tax for the assessment years 2000-2001 and 2001-2002 over provisions.

10.2 The maximum aggregate amount due from executives in respect of advances at the end of any month during the year was Rs.1.142 (2000: Rs.0.602) million.

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>11. DEPOSITS AND PREPAYMENTS</b>			
<b>Deposits</b>			
Development surcharge		1,838	6,026
Excise duty		25,769	31,005
Margin against letters of credit and guarantee		782	2,400
Lease deposits		883	883
Others		718	1,905
		29,990	42,219
<b>Prepayments</b>			
Rent		80	--
Insurance		27,746	29,758
Miscellaneous		7,231	8,398
		35,057	38,156
		65,047	80,375

## 12. OTHER RECEIVABLES

### Considered good

#### Due from

National Oil Marketing (Private) Limited - a wholly owned subsidiary		1,577	1,456
Government of Pakistan	12.1	4,254,323	4,000,304
Pakistan State Oil Company Limited (PSO)		641	10,452

Pakistan Refinery Limited (PRL)	12.2	31,165	45,659
Pak Arab Refinery Limited (PARCO)	12.3	54,612	--
Interest accrued on unsecured long term loan to PERAC	6.3	7,531	7,531
Return on bank deposits		3,402	951
Claims receivable	12.4	2,950	2,073
Sales tax - net		314,553	528,021
Income tax refundable		2,726	2,726
Miscellaneous		2,953	--
		-----	-----
		4,676,433	4,599,173
		=====	=====

### 12.1 This represents the net balance of:

(a) refund of Rs.3,747.745 (2000: Rs.3,945.364) million, including Rs.835.253 million in respect of the year ended June 30, 2000, due from the Government of Pakistan under the Import Parity Formula, discussed in note 2.14 to these accounts.

(b) development surcharge of Rs. Nil (2000: Rs.78.328) million due from the Government of Pakistan on furnace oil used as feedstock in the lube refinery in respect of the period commencing 1995-96 to 1998-99.

(c) sales tax (input) of Rs. 529.966 million (2000: Rs. Nil) due from the Government of Pakistan on crude oil purchased for the production of "JP-I" which is exempt under the Sales Tax Act, 1990.

(d) Rs.23.388 (2000: Rs.23.388) million due to the Government of Pakistan in respect of net debt servicing costs whereby excess of interest earned on funds, previously set aside for the purposes of repayment of short term loan obtained by the company from the Islamic Development Bank in the past, over interest paid thereon and resulting exchange rate fluctuations is payable to the Government and, hence, the balance of Rs.23.388 million, as referred to above, is due in this regard.

12.2 This represents the excess of (a) amount due from PRL on account of custom duties and other related charges paid by the company on behalf of PRL over (b) amount due thereto in respect of purchase of crude oil.

12.3 This represents amount due from PARCO on account of import of crude oil, custom duties and other related charges paid by the company on behalf of PARCO under an agreement signed during the year.

12.4 Included herein are claims in respect of insurance and sales tax amounting to Rs.0.175 (2000: Rs.0.262) million and Rs.2.737 (2000: Rs.1.811) million, respectively.

**2001**                  **2000**  
**(Rupees in '000)**

### 13. CASH AND BANK BALANCES

<b>In hand</b>	582	568
<b>At banks in</b>		
current accounts	46,746	105,236
saving accounts	28,387	27,136
foreign currency deposit account	12,576	9,640
	-----	-----
	87,709	142,012
	-----	-----

88,291	142,580
=====	=====

**14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

<i>2001</i>	<i>2000</i>			
59,450,417	59,450,417	Ordinary shares of Rs.10 each full paid in cash	594,504	594,504
6,469,963	6,469,963	Ordinary shares of Rs.10 each full for consideration other than cash	64,700	64,700
718,420	718,420	Ordinary shares issued as fully pa bonus shares	7,184	7,184
66,638,800	66,638,800		666,388	666,388
=====	=====		=====	=====

<i>Note</i>	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	

**15. RESERVES****Capital reserves**

Capital compensation reserves	15.1	10,142	10,142
Exchange equalisation reserve		4,117	4,117
		14,259	14,259

**Revenue reserves**

General reserve	15.2	2,148,000	1,706,000
Unappropriated profit carried forward		645	172
		2,148,645	1,706,172
		2,162,904	1,720,431
		=====	=====

**15.1 Capital compensation reserves**

(a) For premature termination of crude oil sales, bareboat charter-party and technical assistance agreements		17,396	17,396
(b) For design defects and terminated service agreements		613	613
(c) For termination of bareboat charter-party and affreightment agreements		395	395
		18,404	18,404
Less: Capitalised by issue of bonus shares of Rs. 7.184 (2000: Rs.7.184) million, including tax thereon		8,262	8,262
		10,142	10,142

**15.2 General reserve**

Balance at the beginning of the year		1,706,000	1,299,000
Appropriation during the year		442,000	407,000
		-----	-----
		2,148,000	1,706,000
		=====	=====

**16. LONG TERM LOANS****Unsecured**

State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC)	16.1	109,683	188,377
Less: Current maturities shown under current liabilities	19	103,419	91,421
		-----	-----
		6,264	96,956
		=====	=====

16.1 The balance outstanding at the end of the current year in respect of unsecured loans from PERAC is repayable thereto in Pak Rupees, equivalent to approximately U.S. Dollars 1.703 (2000: U.S. Dollars 3.602) million. These loans, originally consisting of two separate loans of U.S. Dollars 19.625 million and U.S. Dollars 1.087 million, aggregating to U.S. Dollars 20.712 million, were arranged by PERAC from the International Bank for Reconstruction and Development (IBRD) for the purposes of improving the efficiency and operations of the company and, hence, PERAC relents the above referred U.S. Dollars Rs.20.712 million equivalent to the company under two separate subsidiary loan agreements.

These loans carry interest at the rate of one half of one percent and three fourth of one percent per annum, respectively, above the rate of qualified borrowings for the last semester ending prior to the commencement of such interest period. Accordingly, the effective rate of interest for the year worked out @ 5.06% (2000: 5.40%) per annum.

The repayments in respect of the loan of U.S. Dollar 19.625 million are to be made in two equal half yearly installments of U.S. Dollar 0.925 million. equivalent whereas repayments in respect of U.S. Dollar 1.087 million are to be made in four equal half yearly installments of U.S. Dollar 0.036 million equivalent.

**17. OBLIGATIONS UNDER FINANCE LEASES**

The company has entered into finance lease agreements with the leasing companies in respect of vehicles. The rates of interest used as the discounting factor ranges between 14.95% and 18.06% (2000: 14.95% and 18.06%) per annum. There are no financial restrictions in the lease agreements.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

Note	2001		2000	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments

(Rupees in '000)

Year ending				
June 30, 2001	--	--	3,284	2,343
June 30, 2002	3,229	2,696	3,229	2,696
June 30, 2003	1,407	1,252	1,407	1,252

June 30, 2004	358	344	358	344
	-----	-----	-----	-----
Total minimum lease payments	4,994	4,292	8,278	6,635
Less: Financial charges allocated to future periods	702	--	1,643	--
	-----	-----	-----	-----
Present value of minimum lease payments	4,292	4,292	6,635	6,635
Less: Current maturity shown under current liabilities 19	2,696	--	2,322	--
	-----	-----	-----	-----
	1,596	4,292	4,313	6,635
	=====	=====	=====	=====

*Note*                      *2001*                      *2000*  
*(Rupees in '000)*

### 18. DEFERRED LIABILITIES

Gratuity		62,086	59,233
Compensated absences		25,010	23,645
Deferred taxation	18.1	7,204	36,596
		-----	-----
		94,300	119,474
		=====	=====

#### 18.1 Deferred taxation

Deferred tax credits arising from timing differences relating to fixed assets		258,544	209,651
Deferred tax debits arising from various provisions		(251,340)	(173,055)
		-----	-----
		7,204	36,596
		=====	=====

### 19. CURRENT MATURITIES OF LONG TERM LOANS AND OBLICATIONS UNDER FINANCE LEASES

Long term loans - unsecured	16	103,419	91,421
Obligations under finance leases	17	2,696	2,322
		-----	-----
		106,115	93,743
		=====	=====

### 20. SHORT TERM RUNNING FINANCES

<b>Under mark-up arrangements - secured</b>		1,375,720	630,584
		=====	=====

The facilities for short term running finances available from various banks amounted to Rs.1,700.00 2000: Rs.1,536.00) million.

The rates of markup ranges from 13% to 14% (2000: 11% to 13.75%) per annum, payable quarterly.

The facilities are secured against pari passu charge on stock of crude oil, hypothecation of stock of crude oil and petroleum products, first and second charge on stock-in-trade, additional charge on current assets and mortgage charge over land, building and machinery of the company.

The purchase prices are repayable on various dates, latest by December 31, 2001.

## 21 .CREDITORS, ACCRUED AND OTHER LIABILITIES

<b>Creditors</b>		10,186,004	9,737,915
<b>Accrued liabilities</b>			
Mark-up on:			
secured short term running finances		8,227	21
unsecured customs duty		310,264	432,059
		-----	-----
		318,491	432,080
Interest on:			
unsecured long term loans		501	396
secured short term loans		--	1,016
		-----	-----
		501	1,412
Accrued expenses		539,214	520,450
		-----	-----
		858,206	953,942
<b>Other liabilities</b>			
Retention money		16,449	14,455
Deposits from contractors		27,174	34,615
Advances from customers		172,231	184,904
Workers' Profits Participation Fund	21.1	9,891	8,165
Workers' Welfare Fund		44,183	22,377
Customs duty		--	21,890
Income tax deducted at source		5,356	5,403
Miscellaneous		2,348	27,459
		-----	-----
		277,632	319,268
		-----	-----
		11,321,842	11,011,125
		=====	=====

### 21.1 Workers Profits Participation Fund

Balance at the beginning of the year		8,165	16,443
Allocation for the year	29	59,891	58,165
		-----	-----
		68,056	74,608
Interest on funds utilised in the company's busines	30	763	1,973
		-----	-----
		68,819	76,581
Less: Amount paid to the Trustees of the Fund		58,928	68,416
		-----	-----
Balance at the end of the year		9,891	8,165
		=====	=====

## 22. DIVIDENDS

Unclaimed		11,194	9,659
Proposed		266,555	233,236
		-----	-----
		277,749	242,895
		=====	=====

## 23. CONTINGENCIES AND COMMITMENTS

## Contingencies

23.1 The ANZ Grindlays Bank has confirmed a loan given to the company amounting to U.S. Dollars 30.00 million, equivalent to approximately Rs.1,569 million, which has not been recorded by the company in its books as the same was not received by the company and the proceeds thereof were credited to the account of the Federal Government. The Federal Government vide their letter number F-3(25) EF (B-III)/97-113, dated February 7, 2000 has acknowledged deposit of the above-referred loan in the Federal Government Account and has assumed responsibility for the repayment of principal and interest thereon through the State Bank of Pakistan. However, as per the instructions of the Federal Government, contained in the abovementioned letter, the loan in question is shown as a contingency in these accounts.

The aforementioned loan carries interest @ 5.68% (LIBOR + 1.50%) [2000: 8.19% (LIBOR + 1.25%)] per annum and is guaranteed by the State Bank of Pakistan through the Pakistan Trade Maintenance Agreement. This was originally payable on September 30, 1998, however, the same has been rescheduled and will be repaid in 3 years with 60% of principal amount to be paid in year 2 and 40% in year 3. Interest on the same is payable on a quarterly basis. The accumulated amount of the principal and interest at the end of the current year is U.S. Dollars 32.370 (2000: U.S. Dollars 32.370) million, equivalent to approximately Rs. 2,084.628 (2000: Rs.1,692.937) million.

23.2 During the current year, the Collectorate of Sales Tax and Excise (East) vide two separate notices dated November 15, 2000 and June 9, 2001 demanded a sum of Rs.434.497 million and Rs.52.553 million on account of central excise duty and sales tax respectively, together with additional sales tax and penalties thereon. These demands were made by the above-referred authority on account of shortage of a product "Naphtha" during the year 1993-94 and 1995-96. The Collectorate maintained that the company had cleared the short quantity without payment of excise duty and sales tax thereon as against the submission of the company that the shortage in the quantity of "Naphtha" was due to evaporation and manufacturing temperature. The company has, therefore, rejected the above-referred view of the Collectorate and has filed appeals with the Customs, Excise and Sales Tax Appellate Tribunal against the above-referred demands.

The company is confident that the demands raised by the Collectorate would be set aside and decision will be rendered in its favour. Accordingly, pending a final decision in this regard, no provision has been made for the above-referred demands, aggregating to Rs.487.050 million, in the accounts of the current year.

23.3 A contractor has filed a claim of Rs.9.572 (2000: Rs.9.572) million against the company for (a) alleged delay in the completion of certain storage tanks, causing the contractor a loss on that account and (b) in respect of extra work performed by the contractor. Although the matter is currently under arbitration, the company is, none-the-less, confident that the case will be decided against the contractor and, hence, pending a final decision by the arbitrator, no provision has been made by the company against the above referred claim.

23.4 A customer of the company invoked arbitration proceedings against the company on account of a dispute resulting from the alleged contamination of certain cargo sold by the company. The customer and the company have appointed their respective arbitrators with no statement of claim filed to date by the customer. Accordingly, the amount of claim cannot be determined at present.

23.5 Outstanding counter guarantees at the end of the year amounted to Rs. 94.374 (2000: Rs. 51.821) million.

23.6 Claims not acknowledged as debt amounted to Rs.89.749 (2000: Rs. 92.378) million at the end of the year.

23.7 The company is confident that no liability will arise due to the above contingencies, hence, no

provision in respect thereof has been made.

### Commitments

23.8 Contracts signed in respect of capital expenditure but not executed until the end of the year, amounted to Rs.59.380 (2000: Rs.3.308) million.

23.9 Outstanding letters of credit at the end of the year amounted to Rs. 63.480 (2000: Rs. 76.223) million.

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>24. GROSS SALES</b>			
Local		32,887,097	27,530,316
Export		3,237,095	1,449,982
		-----	-----
		36,124,192	28,980,298
		=====	=====
<b>25. DUTIES, TAXES AND LEVIES</b>			
Development surcharge		198,780	229,346
Sales tax	25.1	4,477,428	3,046,199
Custom duty, wharfage and other levies		29,555	21,708
		-----	-----
		4,705,763	3,297,253
		=====	=====

25.1 Included herein is a sum of Rs.549.409 million. out of the total amount of Rs.621.135 million. demanded during the year by the Collectorate of Sales Tax and Excise (East) Karachi for sales tax, additional sales tax and penalties (without breaking-down the same) in respect of the year 1995-96, by serving a notice of recovery to the company under Section 48 of the Sales Tax Act, 1990 claiming that the company had failed to pay output tax on the total cost of drums, including the cost of metal sheets, supplied to a fabricator during the above-referred year. A sum of Rs.71.726 million was charged in the past upon the receipt of a show cause notice. The company while rejecting the claim of the sales tax authorities has obtained a stay order from the Honourable High Court of Sindh against the above-referred amounts and is currently contesting the same before the above-referred authority. As the charge relates to sales tax etc., the company considers it appropriate to include the same under the above heading.

### 26. COST OF SALES

Opening stock of semi-finished and finished products		1,433,229	627,311
Crude oil and drums consumed	26.1	31,252,519	27,478,540
Stores, spares and chemicals consumed		195,199	214,483
Provision for slow moving stores, spares and chemicals		123,575	68,023
Salaries, wages and staff benefits	26.2	438,139	388,247
Fuel and power		613,269	577,987
Rent, rates and taxes		19,575	21,941
Insurance		31,996	33,056
Repairs and maintenance		164,942	222,559
Depreciation	3.3	147,161	112,929
Staff transport		30,094	28,762
Research and development outlay		12,000	11,000
Consultancy		360	636
Miscellaneous		23,425	23,079
		-----	-----



	33,052,254	29,181,242
	-----	-----
Closing Stock of semi-finished and finished products	34,485,483 (1,427,664)	29,808,553 (1,433,229)
	-----	-----
	33,057,819	28,375,324
	=====	=====

**26.1 Crude Oil and Drums Consumed****Crude oil**

- Opening stock	846,720	875,964
- Purchases	31,408,161	27,282,024
- Closing Stock	(1,130,653)	(846,720)
	-----	-----
Drums consumed	31,124,228 128,291	27,311,268 167,272
	-----	-----
	31,252,519	27,478,540
	=====	=====

26.2 Included herein is a sum of Rs.38.416 (2000: Rs.32.049) million in respect of staff retirement benefits.

26.3 Segment information has been provided in note 38 to the accounts.

**27. OTHER INCOME**

## Return / Interest on:

bank deposits	55,945	89,592
secured loans to employees	80	145
Liabilities written back	152,700	82,954
Development surcharge written back	--	78,328
Gain on sale of fixed assets	739	74
Proceed from sale of scrap and empties	15,692	--
Lube based oil pipeline charges	741	549
Ground rent	435	469
Tender fees	671	614
Store handling charges	10,179	40
Training and seminar	65	3,110
Miscellaneous	1,504	371
	-----	-----
	238,751	256,246
	=====	=====

**28. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES**

Salaries and staff benefits	28.1	147,154	140,082
Rent, rates and taxes		1,228	1,764
Selling expenses		3,430	5,082
Depreciation	3.3	11,536	8,619
Legal and professional charges		3,818	4,118
Auditors' remuneration	28.2	683	652
Printing and stationery		4,728	4,674
Staff transport		19,653	16,427
Repairs and maintenance		19,149	16,568
Telephone		6,405	6,678
Electricity and water charges		6,072	5,086
Postage, telegrams and periodicals		1,684	1,182

Subscriptions	4,058	1,389
Sanitation and gardening	3,801	3,458
Donations.	--	25
Miscellaneous	12,701	16,688
	-----	-----
	246,100	232,492
	=====	=====

28.1 Included herein is a sum of Rs.16.054 (2000: Rs. 12.251) million in respect of staff retirement benefits.

### 28.2 Auditors remuneration

Audit fee	200	150
Special reports and certifications, audit of Workers' Profit Participation Fund, sundry accounting and advisory services	443	467
Out-of-pocket expenses	40	35
	-----	-----
	683	652
	=====	=====

### 29. OTHER CHARGES

Workers' Welfare Fund		21,806	12,071
Workers' Profit Participation Fund	21.1	59,891	58,165
		-----	-----
		81,697	70,236
		=====	=====

### 30. FINANCIAL CHARGES

#### Mark-up on:

secured long term loans	--	11,482
secured short term running finances	31,084	8,409
unsecured custom duty	--	63,142
	-----	-----
	31,084	83,033

#### Interest on:

unsecured long term loans		31,588	23,382
secured short term loans		--	384
Workers' Profit Participation Fund	21.1	763	1,973
		-----	-----
		32,351	25,739
Finance charges in respect of finance leases		941	1,081
Guarantee commission and service charges		1,737	2,912
Bank charges		1,821	779
		-----	-----
		67,934	113,544
		=====	=====

### 31. TAXATION

Current		369,847	376,552
Prior		--	24,526
Deferred		(29,392)	(14,726)
		-----	-----
		340,455	386,352
		=====	=====

The income tax assessments of the company have been finalized upto and including the assessment year 1999-2000, corresponding to the income year ended dune 30, 1999. However, as a result of various appeals filed by the company against the assessment orders finalized by the department in respect of prior years, the Income Tax Appellate Tribunal decided the same in favour of the company. The Income Tax Department preferred to file appeals thereagainst in the High Oourt of Sindh, which have been dismissed except for appeals in respect of the assessment years 1996-97 and 1997-98 which are currently pending for heading.

The assessment in respect of assessment year 1999-2000 has been revised by the 0ommissioner of Income Tax (Appeals), (GIT 'A') allowing certain add backs made by the Deputy Commissioner of Income Tax (DCIT) while finalizing the assessment of above year. As a result, a sum of Rs.143.145 million has been determined as refundable to the company. However, the Income Tax department has filed an appeal with the Income Tax Appellate Tribunal against the relief's allowed by the (GIT 'A') while revising the above-referred assessment. Accordingly, pending a final decision in this regard, the above-referred refund of Rs.143.145 million has not been accounted for by the company in the accounts of the current year.

### 32. BASIC EARNINGS PER SHARE

Basic earnings per share has been computed by dividing the net profit for the year after taxation with the number of Ordinary shares issued by the company.

### 33. UNAVAILED CREDIT FACILITIES

Short term running finances	324,280	905,416
Letters of credit	1,576,520	1,570,566
Letters of guarantee	94,374	23,179
	=====	=====

### 34. CASH GENERATED FROIV1 OPERATIONS

Profit before taxation	1,116,122	1,093,059
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	158,697	121,548
Financial charges	67,934	113,544
Gratuity	3,569	8,945
Compensated absences	1,365	3,910
Return / Interest on bank deposits and secured loans to employees	(56,025)	(89,737)
Gain on sale of fixed assets	(739)	(74)
Liabilities written back	(152,700)	(82,954)
Provision for slow moving stores, spares and chemicals	123,575	68,023
	-----	-----
<b>Profit before working capital changes</b>	1,261,798	1,236,264
<b>Working capital changes</b>		
<b>(Increase) / Decrease in current assets</b>		
Store, spares and chemicals	(54,863)	(16,455)
Stock-in-trade	(365,964)	(974,042)
Trade debts	(491,373)	476,732
Loans and advances	(5,847)	(13,921)
Deposits and short term prepayments	15,328	(20,180)
Other receivables	(73,858)	(823,917)
<b>Increase in current liabilities</b>		
Creditors, accrued and other liabilities	579,127	1,178,439
	-----	-----
<b>Cash generated from operations</b>	864,348	1,042,920

**35. CASH AND CASH EQUIVALENTS**

Cash and bank balances	88,291	142,580
Short term running finances	(1,375,720)	(630,584)
	(1,287,429)	(488,004)

**36. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES**

	<i>Chief Executive</i>	<i>Executives</i>	<i>TOTAL</i>	
			<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>			
Managerial remuneration	1,736	218,943	220,679	226,793
Company's contribution to provident and pension funds	--	25,640	25,640	15,716
	1,736	244,583	246,319	242,509
Other perquisites & benefits				
Rent and housing	501	50,064	50,565	53,206
Conveyance	124	49,237	49,361	43,262
Leave benefits	194	13,321	13,515	22,211
	819	112,622	113,441	118,679
June 30, 2001	2,555	357,205	359,760	361,188
June 30, 2000	1,413	359,775	--	--

***Number of persons***

June 30, 2001	1	591	592	--
June 30, 2000	1	612	--	613

36.1 The Chief Executive and some of the executives of the company are also provided with free use of company's cars and residential equipment in accordance with their terms of service.

36.2 Fees paid to non-executive directors was Rs.0.023 (2000: Rs.0.028) million.

**37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****37.1 Financial assets and liabilities**

<i>Interest/Markup bearing</i>		<i>Non/Interest/Markup bearing</i>			<i>Total</i>	
<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
						<i>2001</i>
						<i>2000</i>

**FINANCIAL ASSETS**

Long term investments	--	--	--	--	9	9	9	9
Long term loans & advances	--	60,000	60,000	--	50,000	50,000	110,000	110,000
Deposits	--	--	--	29,990	10,055	40,045	40,045	47,877
Trade debts	4,828,824	--	4,828,824	566,240	--	566,240	5,395,064	4,903,691
Other receivables	--	--	--	4,356,417	--	4,356,417	4,356,417	4,066,615
Cash and bank balances	40,963	--	40,963	47,328	--	47,328	88,291	142,580
June 30, 2001	4,869,787	60,000	4,929,787	4,999,975	60,064	5,060,039	9,989,826	9,270,772
June 30, 2000	4,500,602	60,000	4,560,602	4,654,503	55,667	4,710,170	9,270,772	--

**FINANCIAL LIABILITIES**

Long term loans	103,419	6,264	109,683	--	--	--	109,683	188,377
Obligations under finance leases	2,696	1,596	4,292	--	--	--	4,292	6,635
Short term running finances	1,375,720	--	1,375,720	--	--	--	1,375,720	630,584
Creditors, accrued and other liabilities	--	--	--	10,779,917	--	10,779,917	10,779,917	10,336,327
Dividends	--	--	--	277,749	--	277,749	277,749	242,895
June 30, 2001	1,481,835	7,860	1,489,695	11,057,666	--	11,057,666	12,547,361	11,404,818
June 30, 2000	724,327	101,269	825,596	10,579,222	--	10,579,222	11,404,818	--

**37.2 Credit risk exposure**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 9,989.826 (2000: Rs.9,270.772) million, the financial assets which are subject to credit risk amounted to Rs.9,901.535 (2000: Rs.9,128.192) million. The company believes that it is not exposed to major concentration of credit risk. Further, it manages credit risk in trade receivables by executing formal agreements with the debtors.

**37.3 Interest / markup rate risk exposure**

The company is exposed to interest / markup rate risk on some of the financial obligations. Significant financial assets / liabilities which are exposed to various rates of interest are mentioned in the respective notes to the accounts.

**37.4 Foreign exchange risk management**

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk.

**37.5 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.

**38. SEGMENT INFORMATION**

The company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The fuel segment is a diverse supplier of fuel products and offers gasoline, diesel oils, kerosene and furnace oil. The lube segment provides different types of lube base oils, asphalt and wax free oil for different sectors of the economy. The company accounts for intersegment sales and transfers on the basis of cost.

The following tables present revenue and profit information regarding business segments for the year ended June 30, 2001 and June 30, 2000 and certain asset and liability information regarding business segments at June 30, 2001 and June 30, 2000.

	<i>Fuel</i>		<i>Lube</i>		<i>Total</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>					
<b>Segment Revenue</b>						
Sales to external customers	23,004,122	19,161,246	8,414,307	6,521,799	31,418,429	25,683,045
Inter segment sales	6,155,863	5,070,526	(6,155,863)	(5,070,526)	--	--
Refunds from Government	2,657,689	3,563,225	254,803	382,139	2,912,492	3,945,364
<b>Total Revenue</b>	<b>31,817,674</b>	<b>27,794,997</b>	<b>2,513,247</b>	<b>1,833,412</b>	<b>34,330,921</b>	<b>29,628,409</b>
<b>Segment result after tax</b>	<b>22,917</b>	<b>22,917</b>	<b>677,957</b>	<b>519,511</b>	<b>700,874</b>	<b>542,428</b>
<b>Unallocated Revenue</b>					<b>74,793</b>	<b>164,279</b>
<b>Net Profit</b>					<b>775,667</b>	<b>706,707</b>
<b>Segment Assets</b>	<b>11,612,464</b>	<b>11,419,164</b>	<b>3,196,767</b>	<b>1,974,277</b>	<b>14,809,231</b>	<b>13,393,441</b>
<b>Unallocated Assets</b>					<b>1,203,646</b>	<b>1,211,497</b>
<b>Investment in Subsidiary</b>					<b>1</b>	<b>1</b>
<b>Total Assets</b>	<b>11,612,464</b>	<b>11,419,164</b>	<b>3,196,767</b>	<b>1,974,277</b>	<b>16,012,878</b>	<b>14,604,939</b>
<b>Segment Liabilities</b>	<b>11,738,442</b>	<b>10,808,004</b>	<b>1,409,975</b>	<b>1,330,845</b>	<b>13,148,417</b>	<b>12,138,849</b>
<b>Unallocated Liabilities</b>					<b>35,169</b>	<b>79,271</b>
<b>Total Liabilities</b>	<b>11,738,442</b>	<b>10,808,004</b>	<b>1,409,975</b>	<b>1,330,845</b>	<b>13,183,586</b>	<b>12,218,120</b>
<b>Other Segment Information:</b>						
Capital expenditure	1,135	1,132	6,286	9,442	7,421	10,574
Unallocated Capital expenditure					505,027	165,493
					<b>512,448</b>	<b>176,067</b>
Depreciation	26,406	26,327	9,542	9,102	35,948	35,429
Unallocated depreciation					122,749	86,119
					<b>158,697</b>	<b>121,548</b>
Non-cash expenses other than depreciation	76,510	41,440	50,634	35,528	127,144	76,968

### 39. STATEMENT PURSUANT TO SECTION 237 (1) (e) OF THE COMPANIES ORDINANCE, 1984

The audited accounts of the company's wholly owned subsidiary, National Oil Marketing (Private) Limited, for the year ended June 30, 2001 are annexed to these accounts. The (accumulated loss) / unappropriated profit which has been carried forward in the accounts of the subsidiary company has not been dealt with in or for the purpose of the accounts of National Refinery Limited.

The other information required by Section 237 (1) (e) of the Companies Ordinance, 1984 is given hereunder:

	<b>2001</b>	<b>2000</b>
(a) Extent of the interest of National Refinery Limited (the holding company) in the equity of National Oil Marketing (Private) Limited (the subsidiary company) at the end of the financial year of the subsidiary;	100%	100%

*(Rupees in '000)*

(b) The net aggregate amount of the (losses) / profits of the subsidiary company so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company for the year ended June 30, 2001 are:

(i) for the financial year of the subsidiary;	(81)	(2,184)
(ii) for the previous years of the subsidiary since it became the holding company's subsidiary;	(1,667)	517

(c) The net aggregate amount of the (losses) / profits of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 2001 are:

(i) for the financial year of the subsidiary;	--	--
(ii) for the previous years of the subsidiary since it became the holding company's subsidiary.	--	--

#### 40. CAPACITY AND ACTUAL PERFORMANCE

	<i>Annual designed throughput capacity</i>	<i>Actual throughput for the year ended June 30, 2001                      2000</i>	
	<i>(In Metric Tons)</i>		
Fuel section-throughput of crude oil	2,710,500	2,624,807	2,855,733
	=====	=====	=====
Lube section-throughput of reduced crude oil	620,486	707,415	692,010
	=====	=====	=====

Pursuant to the Government's decision communicated to the company by the Oil Companies Advisory Committee (OCAC), the crude throughput of the company has been reduced with effect from October 1, 2000.

<b>41. NUMBER OF EMPLOYEES</b>	1,032	1,042
	=====	=====

#### 42. GENERAL

42.1 Figures have been rounded-off to the nearest thousand of rupees.

42.2 Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison.

**ZAFAR IQBAL**  
Chairman

**M.M. HUSAIN**  
Chief Executive

**MUHAMMAD IQBAL AWAN**  
Director

## **REPORT AND ACCOUNTS OF NATIONAL OIL MARKETING**

**(A wholly owned subsidiary company of National Refinery Limited)**

### **Directors' Report**

The Directors have pleasure in presenting their Report and the Audited Financial Statements for the year ended June 30, 2001.

	<i>Rupees</i>
Loss for the year ended June 30, 2001	80,683
Add: Accumulated loss carried forward	2,166,799
	-----
	2,247,482
	=====

### **Commercial Activities**

Government is in the process of deregularization of fuel products. In the changing scenario the Board is studying the economies of reactivating the commercial activities of the company.

### **Board of Directors**

Presently Mr. M.M. Husain is Chairman and Chief Executive and Messrs Shaikh Zahiruddin, Asad A. Siddiqui, Khawaja Shahid Waheed and Mohammad Wasi Khan are Directors on the Board.

### **Pattern of Shareholdings**

National Refinery Limited owns 100 shares of Rs. 10 each.

### **Auditors**

The auditors Messrs Ford, Rhodes, Robson, Morrow, Chartered Accountants, retires and being eligible, offers themselves for reappointment.

**On behalf of the Board**

**M.M. Husain**  
Chairman and Chief Executive

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **NATIONAL OIL MARKETING (PRIVATE) LIMITED** as at June 30, 2001 and the related profit and loss account 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 & present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account 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, 2001 and of the loss for the year then ended;

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

(e) without qualifying our opinion we draw attention to the contents of note 10 in the financial statements. The company incurred a net loss of Rs. 0.081 million during the year ended June 30, 2001 and, as of that date, the company's total liabilities exceeded its total assets by Rs. 1.746 million. Accordingly, the ability of the company to continue as a going concern depends upon its success in improving liquidity and achieving other plans as disclosed by the management of the company in the above referred note to these accounts.

Karachi:  
October 05, 2001

**FORD, RHODES, ROBSON, MORROW**  
**Chartered Accountants**

## **Balance Sheet as at June 30, 2001**

*Note*                      *2001*                      *2000*  
*(Rupees)*

### **ASSETS**

**CURRENT ASSETS**

Advance income tax - net		32,265	9,807
Accrued interest		--	53,155
Cash and bank balances	3	36,074	84,660
		-----	-----
		68,339	147,622
		=====	=====

**EQUITY AND LIABILITIES****Share Capital and Reserves****Share Capital**

Authorised			
10,000,000 (2000: 10,000,000) Ordinary			
shares of Rs. 10 each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up	4	1,000	1,000
Deficit	5	(1,747,482)	(1,666,799)
		-----	-----
		(1,746,482)	(1,665,799)

**CURRENT LIABILITIES**

Current account with National Refinery Limited			
the Parent company		1,576,747	1,456,050
Accrued and other liabilities	6	238,074	357,371
		-----	-----
		1,814,821	1,813,421
		-----	-----
		68,339	147,622
		=====	=====

The annexed notes form an integral part of these accounts.

**M.M. HUSAIN**  
Chief Executive

**ASAD A. SIDDIQUI**  
Director

**Profit and Loss Account**  
**for the year ended June 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees)</i>	
<b>OTHER INCOME</b>	7	113	151,228
Administrative expenses	8	21,384	171,586
		-----	-----
<b>LOSS BEFORE TAXATION</b>		(21,271)	(20,358)
<b>TAXATION</b>			
Current	9	--	--
Prior		(59,412)	(2,163,629)
		-----	-----

	(59,412)	(2,163,629)
<b>NET LOSS FOR THE YEAR</b>	(80,683)	(2,183,987)
(Accumulated losses) / unappropriated profit brought forward	(2,166,799)	17,188
<b>ACCUMULATED LOSSES CARRIED FORWARD</b>	(2,247,482)	(2,166,799)

The annexed notes form an integral part of these accounts.

**M.M. HUSAIN**  
Chief Executive

**ASAD A. SIDDIQUI**  
Director

## Notes to the Accounts for the year ended June 30, 2001

### 1. THE COMPANY AND ITS OPERATIONS

National Oil Marketing (Private) Limited was incorporated in Pakistan on April 18, 1998 as a private limited company to market the products of National Refinery Limited, the Parent company.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Taxation

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

#### 2.3 Revenue recognition

Commission on sale of products is recognised on despatch of goods to customers.

Return on bank deposits is recognised on an accrual basis.

	<i>2001</i>	<i>2000</i>	
	<i>(Rupees)</i>		
<b>3. CASH AND BANK BALANCES</b>			
<b>In hand</b>	203	203	
<b>At banks in</b>			
current account	3,598	4,582	!
deposit account	32,273	79,875	:
	-----	-----	i
	36,074	84,660	
	=====	=====	
<b>4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
100 (2000: 100) Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,000	1,000	
	=====	=====	

National Refinery Limited, the Parent company, held 100 Ordinary shares of Rs. 10 each of the company at the end of the year

### 5. RESERVE

**Revenue reserve**

General reserve	500,000	500,000
Accumulated losses	(2,247,482)	(2,166,799)
	-----	-----
	(1,747,482)	(1,666,799)
	=====	=====

**6. ACCRUED AND OTHER LIABILITY**

Accrued liabilities		
Accrued expenses	15,000	134,297
Other liability		
Advances from customers	223,074	223,074
	-----	-----
	238,074	357,371
	=====	=====

**7, OTHER INCOME**

Return on bank deposits	113	151,228
	=====	=====

**8. ADMINISTRATIVE EXPENSES**

Salaries	--	14,547
Legal and professional fees	6,384	125,938
Travelling expense	--	16,101
Audit Fee	15,000	15,000
	-----	-----
	21,384	171,586
	=====	=====

**9. TAXATION**

The income tax assessments of the company have been finalized upto and including the assessment year 2000-2001, corresponding to the year ended June 30, 2000. However, as a result of an appeal filed by the company against the assessment order finalized by the department in the past, the Commissioner of Income Tax (Appeals) (CIT'A) has decided the same in favour of the company. The income tax department has preferred to file appeal thereagainst in the Income-Tax Appellate Tribunal (ITAT) which is currently pending for hearing.

10. Although the commercial activities of the company were discontinued in December 1998, the Parent company, National Refinery Limited, is currently contemplating necessary plans to restructure the operations of the subsidiary in view of the deregularization of fuel products. Accordingly, the Board of Directors of the company is presently studying the economies of reactivating the commercial activities of the subsidiary with a view to (a) enable the subsidiary to undertake necessary marketing efforts to promote products of the Parent company and (b) assist the subsidiary to generate income from its own resources to meet expenditure in order to make the same into a profitable and viable entity.

**11. GENERAL**

11.1 Figures have been rounded-off to the nearest rupee.

11.2 Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison.

**M.M. HUSAIN**  
Chief Executive

**ASAD A. SIDDIQUI**  
Director