

ANNUAL REPORT



PAKISTAN REFINERY LIMITED

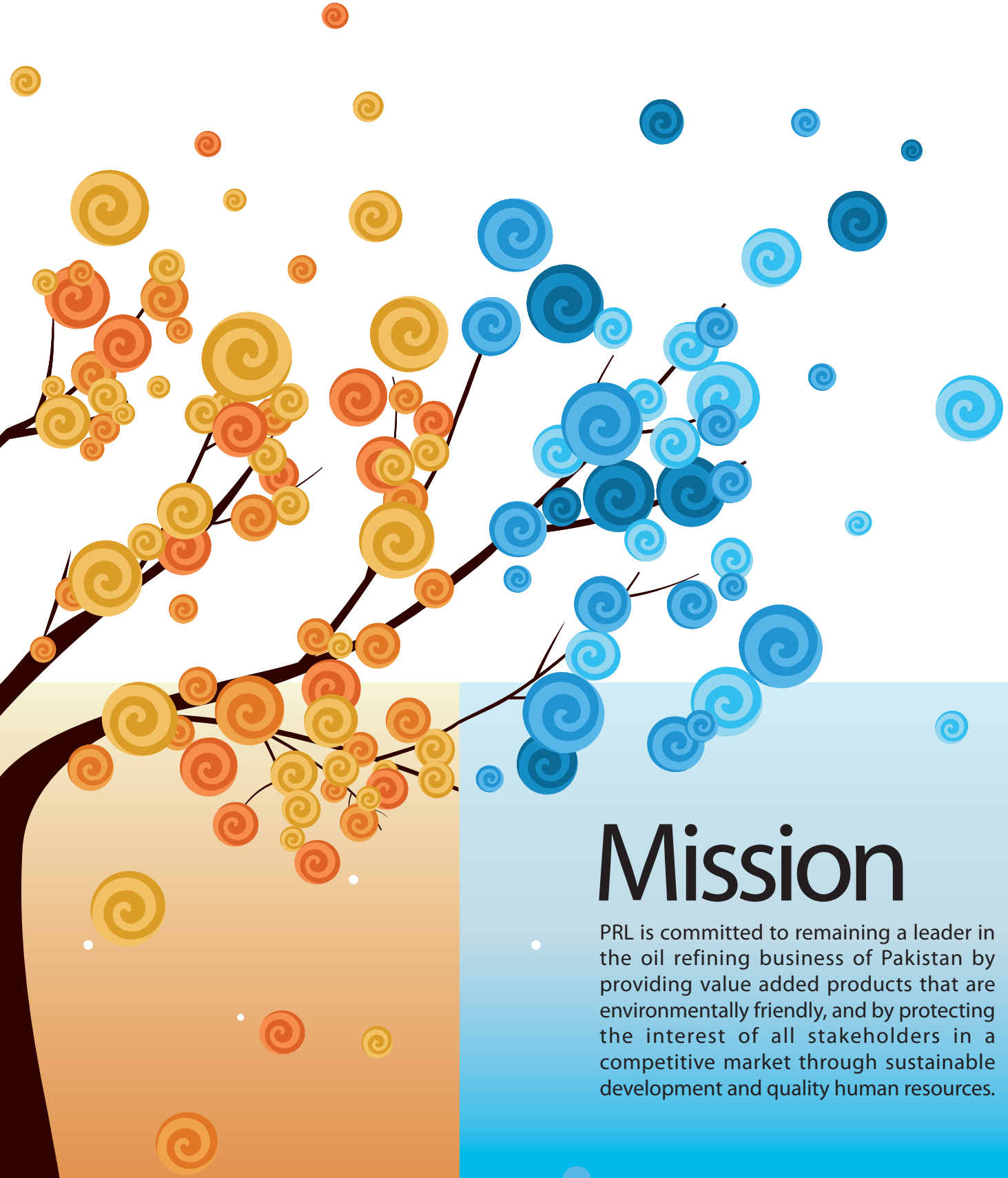


Seasons may come and go, we remain steadfast,
working for the betterment of all stakeholders.

Vision

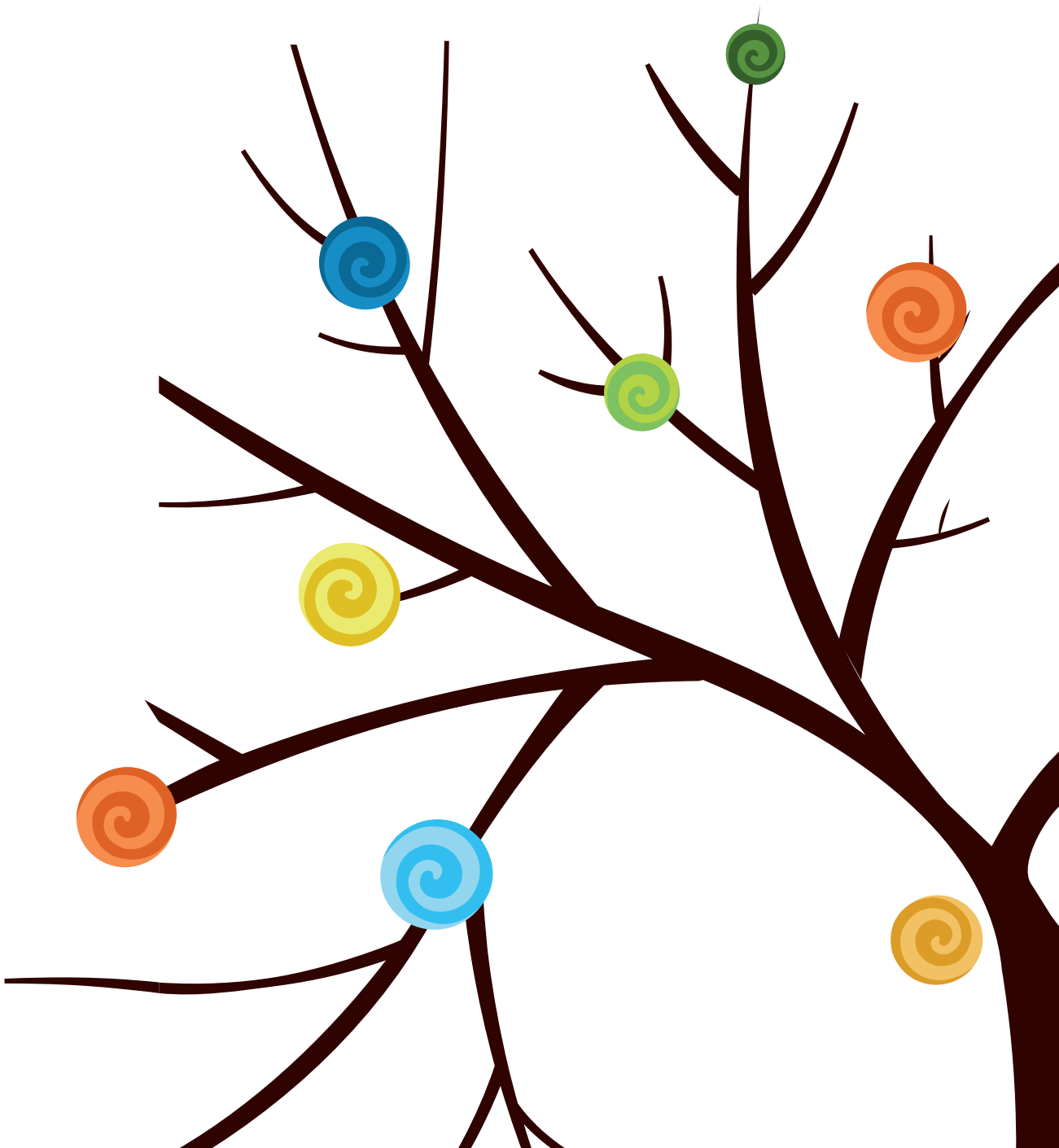
To be the Refinery of first choice
for all stakeholders.





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.

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.

Shareholders

To protect their investment and provide an attractive return.



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 284 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.





Global Compact Principles

PRL has adopted UN Global Compact Principles stated as follows:

Human rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: Make sure that they are not complicit in human rights abuses.

Labour standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: The elimination of all form of forced and compulsory labour;
- Principle 5: The effective abolition of child labour; and
- Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: Undertake initiatives to promote greater environmental responsibility; and
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

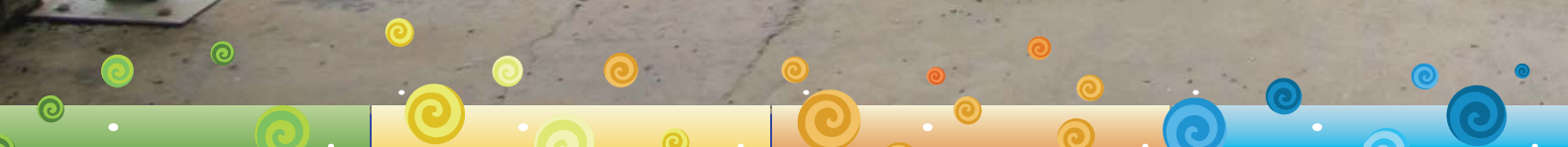
Anti-Corruption

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





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FIRE
ALARM



Company Information

Company Secretary & Chief Financial Officer

Imran Ahmad Mirza

Auditors

A. F. Ferguson & Co.

Legal Advisor

Orr Dignam & Co.

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.

State Life Building 1-A, 1st Floor

I.I. Chundrigar Road, Karachi-74000

Bankers

Askari Bank Limited

Bank Alfalah Limited

Bank Al-Habib Limited

Citi Bank N.A.

Faysal Bank Limited

Habib Metropolitan Bank Limited

Habib Bank Limited

HSBC Bank Middle East Limited

MCB Bank Limited

National Bank of Pakistan

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

Registered Office

P.O. Box 4612

Korangi Creek Road, Karachi-75190

Tel: (92-21) 35122131-40

Fax: (92-21) 35060145, 35091780

www.prl.com.pk

info@prl.com.pk



Board of Directors

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 and member of Pakistan Stone Development Company.



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 Sern Ee
Director

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



Khawaja Nimr Majid
 Director

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



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 Country Representative for Chevron Pakistan with overall responsibility of representing the company at all forums in the Country and executing strategies to achieve business plan targets. He holds degrees in Professional Accounting, Commerce and 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) as a Management Trainee in Karachi in 1977. He was transferred to Internal Audits in 1979 and was promoted to the position of Manager Internal Audits in 1987. From April 1989 he was involved extensively in the international audits and 50% of his time was allocated to financial and management audits in Singapore, Thailand, Dubai, Bahrain and Egypt.

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

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

In January 2005, he was appointed Group CFO of Pakistan and Middle East countries. Later, Egypt was also added to his area of responsibility. He served as a member on several boards until 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.



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 organisation 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 is currently the Managing Director at Pakistan State Oil. He 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 Companies in Pakistan since August 1, 2012. He has been with Shell since 1995 and has held several senior position in Shell Downstream headquarter in London. His most recent role was General Manager Lubricant for Pakistan. Prior to this, Mr. Omar was General Manager Global Business Improvement and his responsibilities covered the top Shell Lubricant business across the world. During his career span with Shell, his assignments have been in Sales and Marketing, Planning, Portfolio and Strategic Development across Europe, Africa, Latin America and North America.

Mr. Omar holds an MBA from INSEAD France and IBA Karachi. He is Director on the board of a number of Institutions covering education, health, environment and philanthropy. He has a personal passion to improve access to education in Pakistan.





Rafi Haroon Basheer
Director

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



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.

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 four 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 from the non-executive Directors of the Board. The head of Human Resources is 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 Deputy Managing Director, 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.

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:

Khawaja Nimr Majid
Muhammad Zubair
Muqtadar A. Quraishi
Naeem Yahya Mir
Omar Yaqoob Sheikh
Rafi Haroon Basheer
Saleem Butt

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.



Refinery Leadership Team

Sitting
(Right to Left)

Aftab Husain

Seema Adil

Naman Shah

Managing Director & Chief Executive Officer

Deputy Managing Director (Operations & Supply)

General Manager Technology & Inspection



Standing:
(Right to Left)

Imran Ahmad Mirza

Company Secretary & Chief Financial Officer

Muhammad Azhar

General Manager Operations

Mohammad Khalid

Senior Manager Maintenance

Shehrzad Aminullah

Chief Internal Auditor

Asad Hasan

Senior Manager Projects

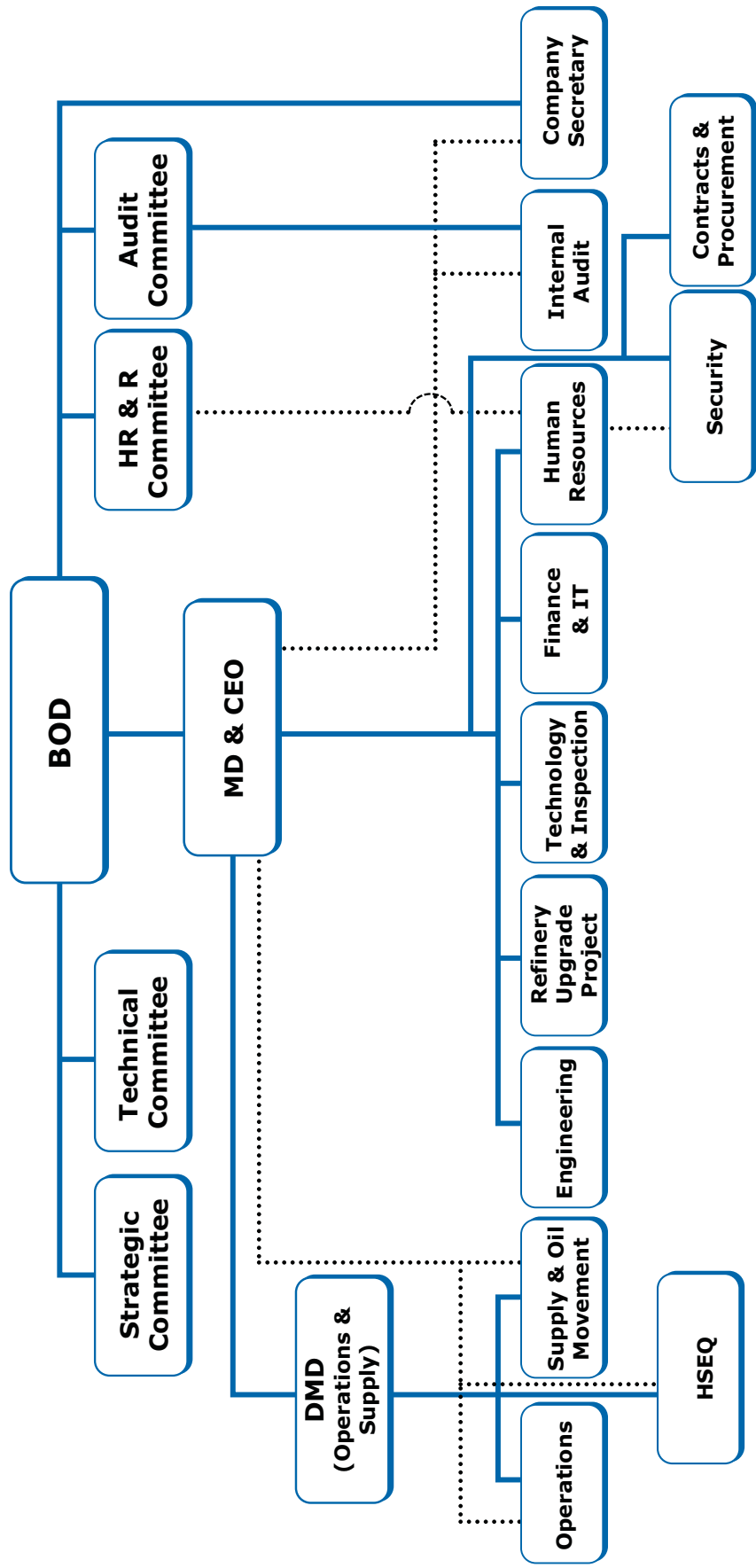
Muhammad Ali Mirza

General Manager Supply & Oil Movement

Imran Latif Rawn

Head of Human Resources

Organisational Chart



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

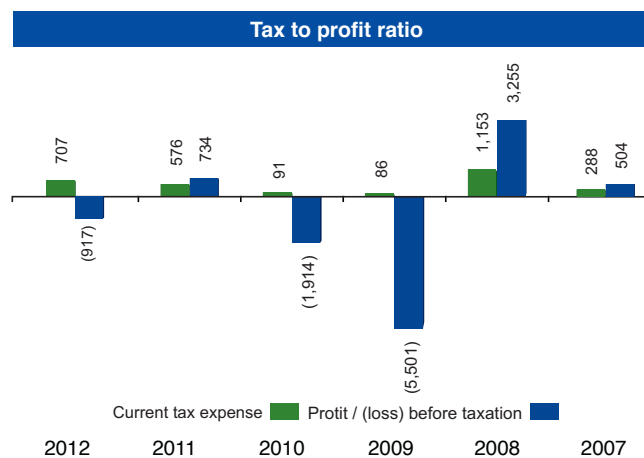
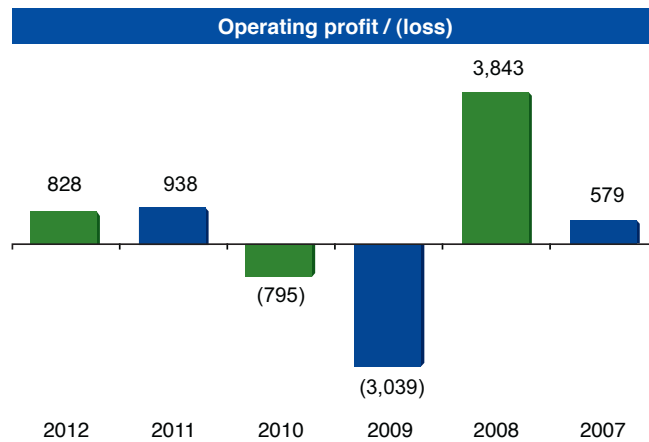


On behalf of the Board of Directors, I am pleased to present the 52nd Annual Report of Pakistan Refinery Limited for the year ended June 30, 2012.

During the current year, the oil sector continued to face challenges on the issues of significant Rupee devaluation, margins and inter-corporate circular debt. Further high incidence of corporate tax has also been a major factor which required continuous interaction with relevant stakeholders. The Company considers the imposition of minimum tax despite a loss situation a hardship and views this as a great impediment in its future investment plans of upgradation. The Company is contributing positively through various industry forums in the resolution of these issues which have very significant long term effects on Pakistan economy in general and oil sector in particular.

In the face of aforesaid challenges on operational front, the Company posted an operating profit of Rs. 848 million as compared to Rs. 938 million last year. However, owing to significant Rupee depreciation, increased finance cost and continuing burden of turnover tax, the Company incurred a loss after taxation of Rs. 1.62 billion as compared to a profit after taxation of Rs. 224 million last year.

Despite these adverse operating conditions, I am pleased to inform you that subsequent to the year end, the Company has entered into license and engineering agreements to carry out Front End Engineering Design (FEED) for setting up of an Isomerisation Unit. This investment decision is in continuity of your Company's vision and in line with our commitment to the Government of Pakistan (GoP) directives to increase the production of Motor



Gasoline. With this unit, Refinery will produce a better margin product and thereby increase its profitability. Further, the Company is determined to pursue other refinery upgradation projects through alternative cost effective means i.e. purchasing and installing pre-owned units for compliance with GoP's directives to produce EURO II specs High Speed Diesel (HSD) and to improve profitability.

In addition the process of strengthening internal controls and processes in all departments continue to be one of the key areas of focus of the Company's management. Your Company is committed to produce quality products, protect the environment, ensuring health and safety of its employees, customers and contractors. As was the case in previous years, this year also management remained focused on operating cost management and operational excellence to ensure sustainability of the Refinery.

I would like to thank our valued customers, suppliers, financial institutions, shareholders, directors and the dedicated staff for their continued support and commitment in the operations of the Company in these testing times.

Farooq Rahmatullah
Chairman
Karachi: September 18, 2012

Directors' Report

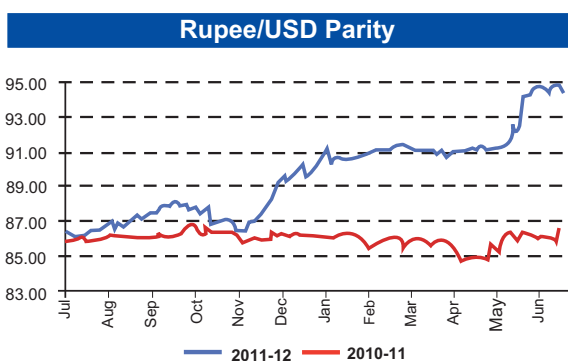
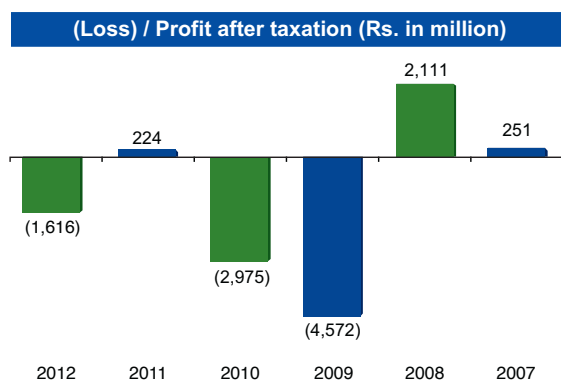
The Directors of your Company are pleased to present their Annual Report together with Audited Financial Statements for the year ended June 30, 2012.

Financial Results

	2012	2011
	(Rupees in thousand)	
(Loss) / Profit after taxation	(1,615,717)	223,956
Accumulated loss as at July 01	(917,140)	(1,141,096)
Appropriations:		
2012: Nil (2011: Cash dividend of 15% or Rs 1.50 per share)	-	(52,500)
Accumulated loss as at June 30	(2,585,357)	(917,140)
(Loss) / Earnings per share	Rs (46.16)	Rs 6.40

During the year, the Company incurred loss after taxation of Rs 1.62 billion mainly due to uncontrollable Rupee depreciation, increased finance cost, depressed refining margins and continuing burden of turnover tax.

The Company suffered an exchange loss of Rs 1.35 billion due to significant depreciation of 9.47% in Pak Rupee against USD i.e. from Rs 86.05 / USD as at June 30, 2011 to Rs 94.20 / USD as at June 30, 2012.

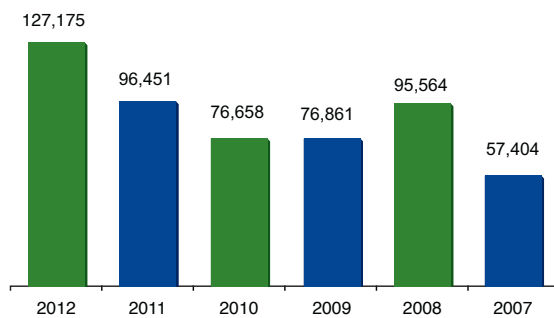


The Company remained under regime of minimum tax on turnover basis and ended up paying income tax of Rs. 717 million despite taxable loss situation. The Government of Pakistan (GoP) has reduced the rate of minimum tax on turnover from 1% to 0.5% through Finance Act 2012, however, the benefit is not available to refineries and the minimum tax rate for refineries remained fixed at 0.5%. It is pertinent to mention here that since the turnover of the refineries is very high but margins are very thin, therefore, the minimum tax at 0.5% of turnover far exceeds normal rate of tax of 35% on taxable profits which is unjustifiable. The Company has made several representations, both individually and collectively with other stakeholders of the industry, to Federal Board of Revenue (FBR) to give the justified relief to refineries as is available to certain other sectors of the economy.

Average rates for Arab Light Crude and Murban Crude were USD 109.55/bbl and USD 108.75/bbl in the current year as against USD 93.29/bbl and USD 95.02/bbl last year.

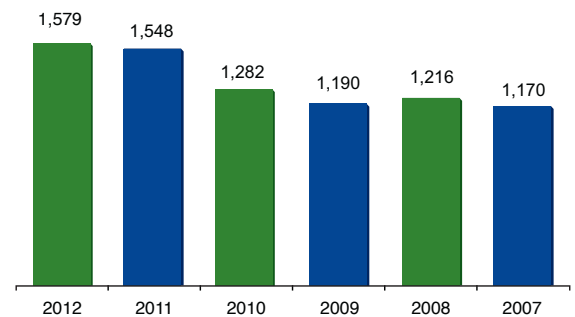
The Company continued stringent controls over operating costs which increased by just 1.08% to Rs. 1,579 billion as compared to Rs. 1,548 billion last year. Other income increased by 7% to Rs. 330 million from Rs. 310 million last year.

Net turnover (Rs. in millions)

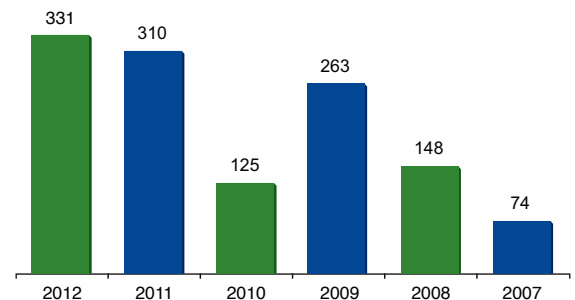


Apart from above, the Company witnessed a substantial growth in revenue during the year and crossed Rs 100 billion level for the first time in Company's history. Sales revenues increased by 32% to Rs 127.2 billion from Rs 96.5 billion last year. Cost of sales also increased by 35% to Rs 126.3 billion from Rs 94.0 billion last year. The significant rise in sales and crude cost was mainly due to substantial increase in international POL prices and exchange rate as mentioned above.

Operating costs (Rs. in million)

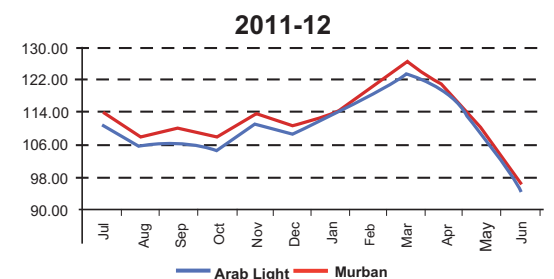


Other income (Rs. in million)

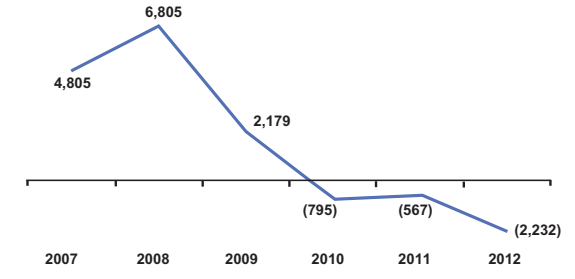


The auditors have included a paragraph of emphasis in the audit report drawing attention to the conditions that affect the Company's ability to continue as a going concern.

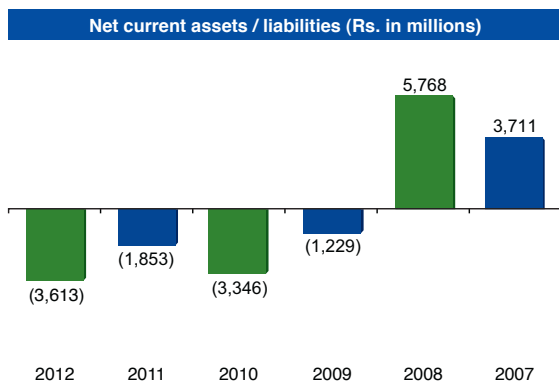
Crude Prices Trend (USD/bbl)



Net Equity (Rs. in million)



As at June 30, 2012 the Company has accumulated losses of Rs. 2.585 billion and its current liabilities exceed its current assets by Rs. 3.613 billion. These conditions indicate the existence of material uncertainty that may cast a doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Company believes that it will continue as a going concern as the current situation is expected to reverse in foreseeable future due to improvements in international refining margins, favourable impact of revision in pricing mechanism and planned installation of Isomerisation Unit as per the directives of the Government of Pakistan which will add to the profitability. In addition, the Company is still committed to its upgradation project to produce High Speed Diesel (HSD) of Euro II specifications and as already announced earlier, management is now actively evaluating pre-owned refinery units to achieve the required compliance. It is the Company's plan that with the upgradation of refinery, it will be able to produce those products which yield better margins and hence making the future refinery operations sustainable.



Dividend

Owing to losses in the current year, the Directors decided not to make any appropriation for the year.

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, 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.

Corporate Governance

The Company has been and shall remain committed to the conduct of its business in line with the Code of Corporate Governance and the listing regulations of the Stock Exchanges, which specify the role and responsibilities of the Board of Directors and management. During the year, the Securities and Exchange Commission of Pakistan issued a Revised Code of Corporate Governance (the "Revised Code") effective April 1, 2012 with an objective to improve and raise standards of corporate governance in the country while considering global developments in corporate governance. The Revised Code incorporates certain additional requirements in relation to proceedings of the Board of Directors that are to be complied with immediately. The

Company has complied with the relevant requirements subsequent to year-end. For further details, please refer to the 'Statement of Compliance with the Code of Corporate Governance on page 43 to 45 of this annual report.

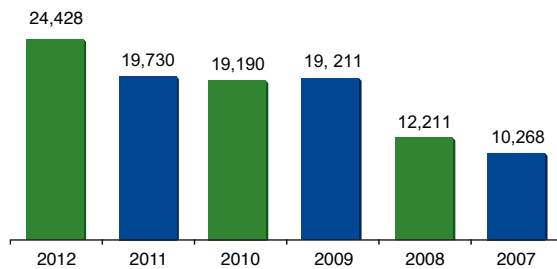
Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years is given on page 32 of the report.

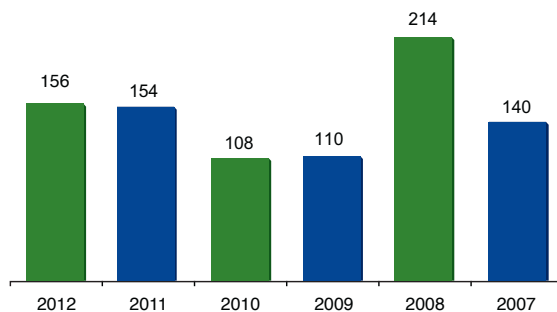
Contribution to the National Exchequer and value addition

During the current year, your Company contributed an amount of Rs. 24.428 billion to the National Exchequer on account of direct and indirect taxes and brought valuable Foreign Exchange of USD 156.12 million into the economy, through the exports of Naphtha product. The export proceeds have helped in reducing burden on the country's balance of payments.

Contribution to national exchequer (Rs. in million)



Exports (USD in million)



Revised pricing mechanism

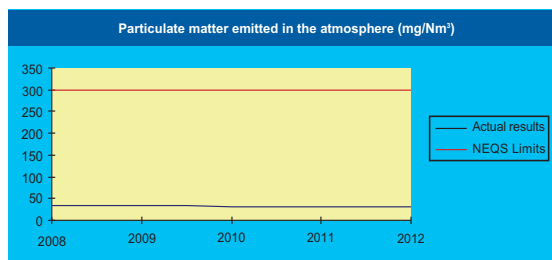
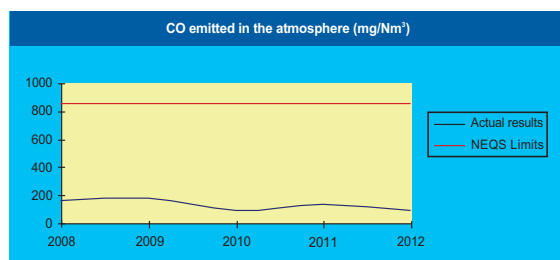
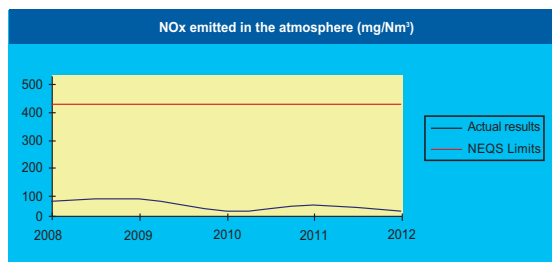
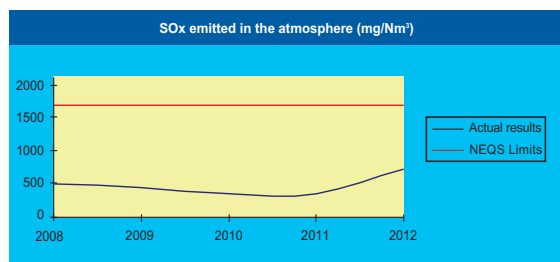
Effective June 2012, the Ministry of Petroleum & Natural Resources has re-introduced fortnightly pricing mechanism whereby the prices will be announced every fortnight. This decision is in addition to earlier decisions whereby refineries are allowed to fix and announce ex-refinery prices of certain products based on given parameters. Fortnightly pricing of petroleum products is expected to have a positive impact on the financial performance of refineries as their exposure to exchange and price volatility will reduce from a month long period to a fortnight.

Health, Safety, Environment & Quality (HSEQ)

The Company achieved a three year re-certification in November 2011 on the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards respectively.

The Company was the recipient of the 9th Annual Environment Excellence Award jointly organized by United Nations Environment Programme and National Forum for Environment & Health.

- Process Safety Review:** The Company has taken various initiatives to keep the operations safe and sound. The 2nd Process Safety Review was conducted in January 2012 through an independent consultant. The identified gaps are currently being addressed on priority basis keeping into consideration the safety and integrity of refinery operations.
- Shipping and Marine Business:** The Company has remained committed to make significant improvements in the management of maritime risks in line with international standards. The Company only employs STASCO approved double hull vessels and maintain continuous liaison with KPT through OCAC for improvement of jetty standards.
- Emissions, Effluent and Ambient Air Quality Test:** The Company continues to report its emission and effluent test results with 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 annual basis to monitor and ensure continual improvements.
- **Crisis Management & Mock Drills:** This year unannounced mock drills were conducted at White Oil Manifold at Keamari Terminal and at local crude decantation point at Korangi to check the effectiveness of 'Emergency Response'.
- **Fire Gap Analysis:** Fire gap analysis was conducted through an independent consultant to be aware of the fire fighting infrastructure requirement as per international standards and best practices to combat fire incidents. The identified gaps will be addressed to ensure safe operations.
- **Environment Day Celebration:** World Environmental Day was celebrated in June 2012 at Keamari Terminal to raise awareness of the need to take positive environmental action amongst employees and to share our role in global environment.
- **Contractor HSE Management:** There have been extensive and continuous efforts to enrich and raise the bar of HSE standard for the contractors. During the year, the HSE requirements for the contractors were revised. Regular trainings of contractors' staff are being conducted to meet the Company's HSE standards.

Refinery Management and Operations

Stock Management & Oil Movement

During the year, HSEQ field office in Oil Movement area was made operational in order to enhance presence of HSE monitoring during the major repair projects of storage tanks. A total of five storage tanks were commissioned during the year after major repairs which sufficiently minimized the tank integrity operational risk.

Stock management process was further improved for reduction of the discrepancies in local crude receipts.

Operations

The Company had smooth and efficient operations during the year. Utmost efforts were made to maximize the middle distillate yield while maintaining key performance indicators within the targets. There was no unplanned shutdown during the year.

All efforts were made to maintain highest standards of process safety and products quality while minimizing operating costs.

● Installation of LPG Secondary Treatment Units

A revamp study of LPG treatment facility was earlier carried out by Company's consultant with an objective to improve the LPG quality. To achieve this objective, LPG caustic settler and sand filter equipment was installed and successfully commissioned in December 2011.

● Replacement of Critical Refinery Equipment

During the year, the Company placed order of Rs. 305 million for replacement of sour gas reciprocating main duty compressor for Crude Unit after detailed technical and commercial evaluation carried out by a multidisciplinary team including an independent technical consultant. This compressor was in service since 1962 and is part of crude unit and is used for recovery of LPG and refinery gases. This compressor addresses environmental issues by recovery of refinery gases and also reduces additional fuel requirements from other sources.

Further, the Company has also placed an order for replacement of Platformer Unit recycle gas compressor for Rs. 188 million after detailed technical and commercial evaluation also carried out by a multi disciplinary team including an independent technical consultant. This critical compressor, which is in service since 1962, provides hydrogen rich recycle gas to Platformer reactors at desired molar ratios contributing in Platformer and Hydrotreater Units.

Operating Costs and Controls

Considering the difficult economic scenarios, management made concerted efforts towards controlling operating costs and a number of initiatives were taken in this regard. Control systems were strengthened and improved to contain possible losses and promote good governance. It is to your Refinery's credit that it operated with lowest operating cost as compared to other refineries of the country.

Refinery Upgradation

● Isomerisation Project

In May, 2011, GoP deregulated several products and at the same time specified the requirement of installation of ISOM plants by June, 2014 by refineries to convert light naphtha into gasoline to meet the growing demand of motor gasoline in the country.

In response to regulatory requirement and associated economic benefits, your refinery has also started the work on ISOM project. In this respect technical reviews were carried out, Licensors proposals were sought and evaluated for the Isomerisation technology. Subsequent to June 30, 2012 the Licensor for the Isomerisation unit has been finalized and development of Basic Engineering Package has been initiated with the Licensor in September 2012. The next step will be to engage the Engineering Contractor for the development of Front End Engineering Design (FEED) following which the EPC phase will start.

● Conversion & HDS Project

In response to above referred GoP regulations which also cover Euro II compliance for HSD reducing the sulphur contents to 500ppm by June 2014, the Company has again initiated the process of screening and developing alternatives related to conversion and hydrodesulphurization.

Conversion project is associated with 'bottom of the barrel' processing to make the refinery economically viable. At present the current yields prevents the Refinery to run on profitable basis. A major portion of the Refinery's current product slate amounts to Fuel Oil production which in turn has a selling price lower than that of crude oil adding to loss in revenue. The Company intends to improve the bottom of barrel processing of the Refinery by following main objectives:

- Minimize fuel oil production.
- Maximize middle distillate production.
- Meet upcoming Diesel Sulphur specifications.

Corporate Social Responsibility (CSR)

Social Citizenship - A Corporate Commitment

Your Company being a responsible corporate citizen is committed to process high-quality petroleum products, which are both technically sound and environment friendly. CSR strategy demonstrates good faith, social responsibility and commitment because such initiatives affect the community, stakeholders and environment.

The Company continues to contribute to philanthropic activities as part of its CSR initiative. During the year, the Company contributed to a number of charitable institutions such as Layton Rahmatullah Benevolent Trust and Indus Hospital with an intention to facilitate the destitute patients and The Citizen's Foundation for educating the under-privileged children.

Human Resources

The Company has continued its focus on attracting, retaining, developing and rewarding high potential individuals by providing them opportunities to develop and grow in the most effective and efficient manner, thus enabling the organization to progress towards sustainability.

Special emphasis was placed on nurturing a winning culture where employees feel empowered and contribute towards a learning organization. Employee engagement activities were carried out and interactive communication meetings remain a regular feature throughout the year in addition to refinery leadership team meetings, departmental meetings and HSEQ management reviews.

The training and development section kept its focus on providing the employees with opportunities to develop and increase productivity by covering all aspects of business operations by imparting technical, managerial and HSEQ related training.

The Company also provided internship opportunities to students from leading universities to help them connect theoretical concepts with practical application. Industrial visits and study tours were also arranged for students in order to facilitate them for their research projects.

Director's Training Program

During the year, Mr. Farooq Rahmatullah attended "Corporate Governance Leadership Skills" training program conducted by Pakistan Institute of Corporate Governance.

Nomination on Board of Directors of Associated Undertaking

The Company holds 27.26% shares in Pak Grease Manufacturing Company (Private) Limited (PGMC) and has nominated 2 directors on the Board of PGMC. The said nominations are approved by the Board of Directors of the Company. During the year, the Board approved nomination of Mr. Aftab Husain in place of Mr. Ijaz Ali Khan on the board of PGMC representing PRL's interest.

Chairman's Review Endorsement

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

Trading in Company Shares

Directors, CEO, DMD, CFO, Chief Internal Auditor, Company Secretary and their spouse(s) and minor children have not traded in the shares of the Company during the year under consideration.

Value of Investment in Post - Employment Funds

The value of investments of provident, gratuity and pension funds on the basis of unaudited accounts as at June 30, 2012 was as follows:

(Rupees in '000)

Provident fund	250,826
Gratuity fund - management staff	63,952
Gratuity fund - non-management staff	47,119
Pension fund - management staff	508,072
Pension fund - non-management staff	16,953

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	6	6
Aftab Husain	3	3
Chang Sern Ee	6	6
Ijaz Ali Khan	3	3
Khawaja Nimr Majid	6	4
Jehangir Ali Shah	3	2
Muhammad Azam	5	5
Muhammad Zubair	6	5
Muqtadar A. Quraishi	6	5
Naeem Yahya Mir	3	2
Rafi Haroon Basheer	6	5
Sabar Hussain	1	1
Saleem Butt	6	4
Sarim Sheikh**	6	4

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

**Mr. Sarim Sheikh resigned from the Board of Directors subsequent to year end and is replaced by Mr. Omar Yaqoob Sheikh.

The Board places on record its appreciation for the valuable services rendered by the outgoing directors Mr. Sabar Hussain and Mr. Jehangir Ali Shah. The Board also welcomes Mr. Muhammad Azam and Mr. Naeem Yahya Mir on Board.

Mr. Ijaz Ali Khan completed his term as Managing Director and Chief Executive Officer on October 31, 2011. Mr. Aftab Husain was appointed as Managing Director and Chief Executive Officer from November 01, 2011 for a period of three years. The Board places its appreciation for the valuable services rendered by Mr. Ijaz Ali Khan during his tenure as Managing Director and Chief Executive Officer of the Company.

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	4	4
Khawaja Nimr Majid	4	1
Rafi Haroon Basheer	4	4
Board Human Resource and Remuneration Committee		
Muhammad Zubair	4	3
Farooq Rahmatullah	4	4
Jehangir Ali Shah	2	2
Naeem Yahya Mir	1	1
Sarim Sheikh	4	4

Name of Director	Total No. of Board Meetings*	No. of Meetings Attended
Board Technical Committee		
Chang Sern Ee	5	5
Muqtadar A. Quraishi	5	4
Board Strategic Committee		
Khawaja Nimr Majid	1	1
Muhammad Zubair	1	1
Muqtadar A. Quraishi	1	1
Naeem Yahya Mir	0	0
Rafi Haroon Basheer	1	1
Saleem Butt	1	1
Sarim Sheikh	1	1

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

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2012 is given on page 39 to the report.

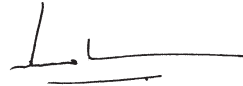
External Auditors

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

Taking this opportunity, we acknowledge and are thankful for the continued support of our shareholders, customers, suppliers and employees. We are equally grateful of the continuous guidance and support of Ministry of Petroleum and Natural Resources, Government of Pakistan and other regulatory authorities.

On behalf of the Board of Directors



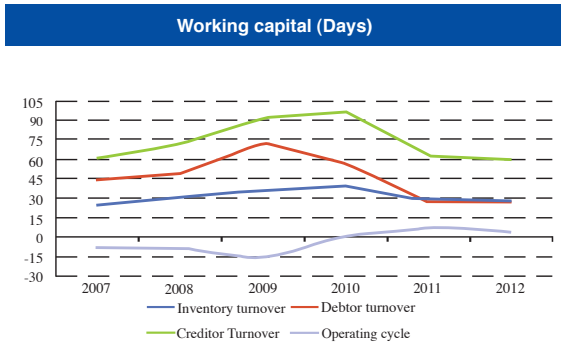
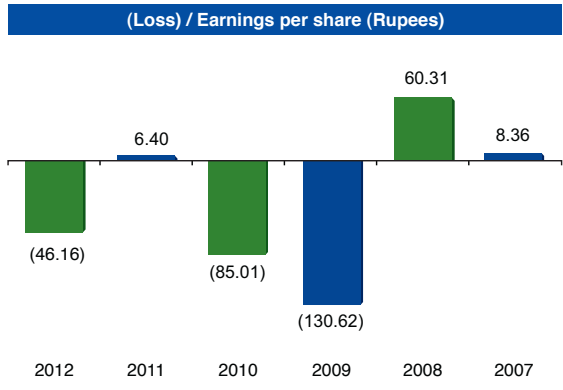
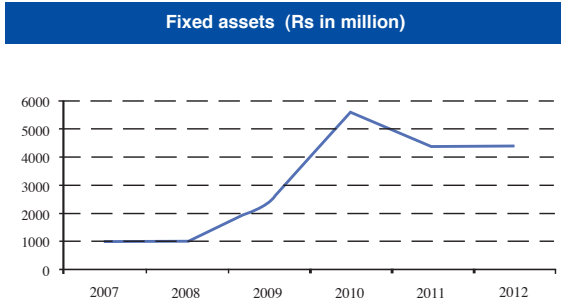
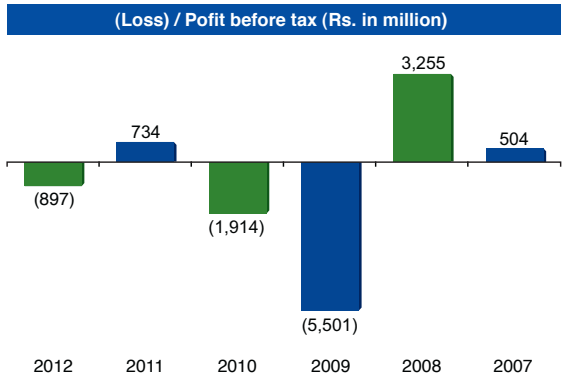
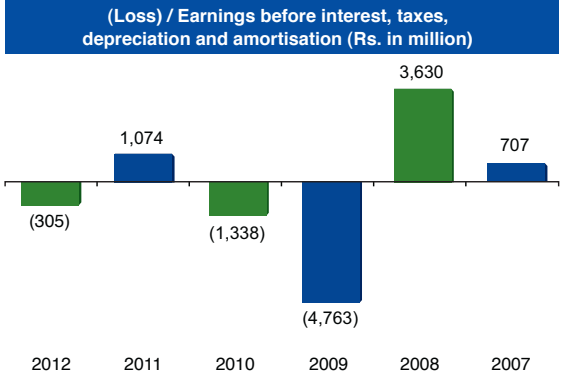
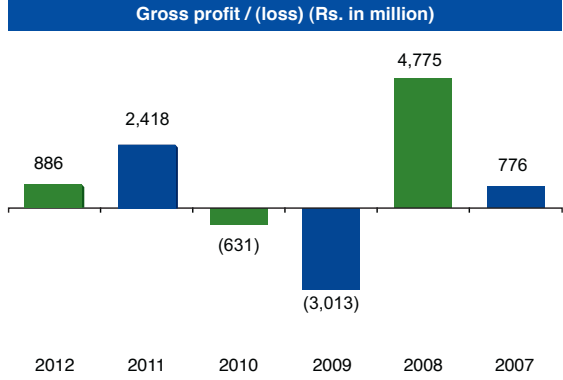
Farooq Rahmatullah
Chairman

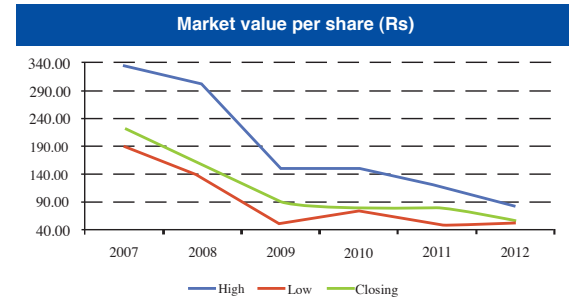
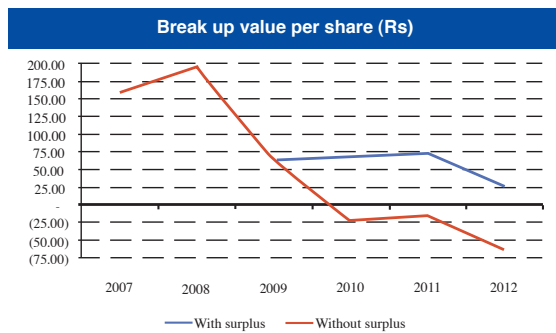
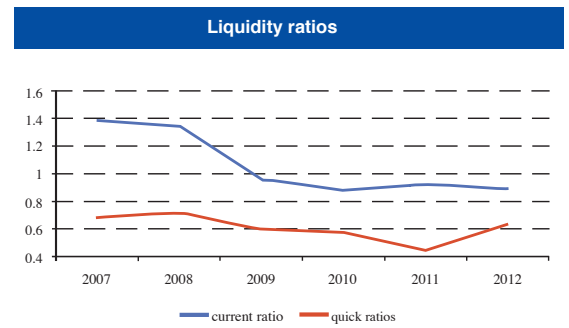
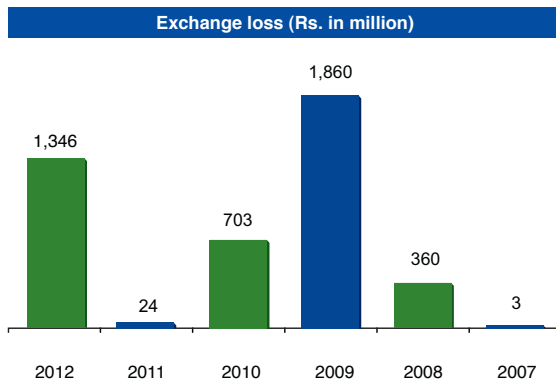
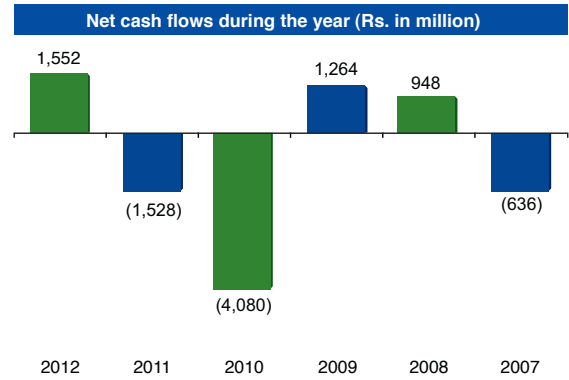
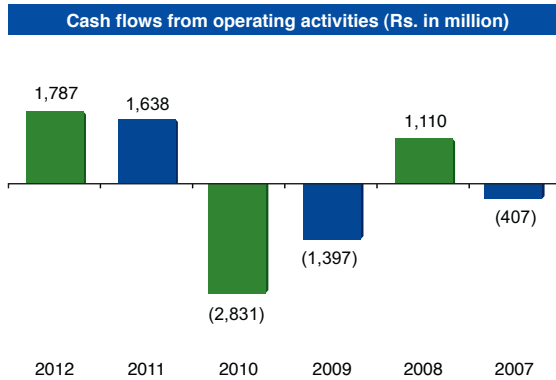
Karachi: September 18, 2012

Key Operational and Financial Data

Six Years Summary

		2012	2011	2010	2009	Restated 2008	Restated 2007
Profit and loss							
Revenue (net)	Rs/mn	127,174.8	96,450.6	76,658.3	76,861.1	95,564.0	57,404.1
Gross profit / (loss)	Rs/mn	885.7	2,417.7	(630.9)	(3,013.1)	4,774.9	776.0
Operating profit / (loss)	Rs/mn	847.6	937.5	(794.8)	(3,038.6)	3,843.2	579.0
(Loss) / Profit before tax	Rs/mn	(896.5)	734.1	(1,914.4)	(5,501.4)	3,254.6	504.3
(Loss) / Profit after tax	Rs/mn	(1,615.7)	223.9	(2,975.2)	(4,571.7)	2,110.7	250.8
Earnings before interest, taxes, depreciation and amortisation	Rs/mn	(305.1)	1,074.0	(1,337.9)	(4,762.5)	3,630.5	706.7
Balance Sheet							
Share Capital	Rs/mn	350.0	350.0	350.0	350.0	350.0	300.0
Reserves	Rs/mn	(2,582.1)	(917.0)	(1,145.1)	1,829.3	6,455.9	4,505.1
Fixed assets	Rs/mn	4,461.6	4,359.1	5,598.9	2,342.8	989.9	952.1
Net current assets / liabilities	Rs/mn	(3,612.7)	(1,852.9)	(3,346.3)	(1,229.2)	5,767.8	3,711.0
Long term / deferred liabilities	Rs/mn	36.0	18.7	1.1	4.4	47.1	4.4
Surplus on revaluation of fixed assets	Rs/mn	3,143.9	3,143.9	3,143.9	-	-	-
Investor Information							
Gross profit ratio	%	0.70	2.51	(0.82)	(3.92)	5.00	1.35
Net profit ratio	%	(1.27)	0.23	(3.88)	(5.95)	2.21	0.44
EBITDA margin	%	(0.24)	1.11	(1.75)	(6.20)	3.80	1.23
Cash flow from operations to sales	%	1.41	1.70	(3.69)	(1.82)	1.16	(0.71)
Inventory turnover	Days	24.40	30.79	35.84	39.91	28.43	28.85
Debtor turnover	Days	44.05	49.39	72.73	56.74	27.22	26.91
Operating cycle	Days	(7.44)	(8.89)	(17.32)	0.39	7.26	3.94
Debtor turnover	Times	8.29	7.39	5.02	6.43	13.41	13.56
Creditor turnover	Times	4.82	4.10	2.90	3.79	7.54	7.04
Inventory turnover	Times	14.96	11.85	10.18	9.14	12.84	12.65
Total assets turnover ratio	Times	3.72	3.86	2.48	2.36	4.02	3.91
Fixed assets turnover ratio	Times	28.50	22.13	13.69	80.48	123.09	71.23
Market value per share at the end of the year	Rs	57.45	80.45	78.57	89.80	151.38	221.95
Market value per share - high during the year	Rs	81.64	118.87	149.79	149.87	301.00	334.50
Market value per share - low during the year	Rs	52.21	50.02	74.01	48.61	133.85	190.00
Breakup value per share without surplus on revaluation of fixed assets	Rs	(63.78)	(16.20)	(22.72)	62.27	194.45	160.17
Breakup value per share including the effect of surplus on revaluation of fixed assets	Rs	26.05	73.63	67.11	62.27	194.45	160.17
(Loss) / Earning per share	Rs	(46.16)	6.40	(85.01)	(130.62)	60.31	8.36
Price earning ratio	Times	(1.24)	12.58	(0.92)	(0.69)	2.51	26.55
Cash dividend per share	Rs	-	1.50	-	-	1.43	3.33
Stock dividend per share	%	-	-	-	-	16.67	-
Bonus shares issued	Rs/mn	-	-	-	-	50.00	50.00
Dividend yield	%	-	1.86	-	-	0.94	1.50
Dividend pay out	%	-	23.45	-	-	2.37	39.83
Dividend Cover	Times	-	2.24	-	-	21.11	2.51
Interest cover ratio	Times	(1.23)	5.19	-	-	16.37	7.69
Current ratio	Ratio	0.89:1	0.92:1	0.88:1	0.96:1	1.34:1	1.38:1
Quick ratio / acid test ratio	Ratio	0.63:1	0.45:1	0.57:1	0.60:1	0.72:1	0.68:1
Cash to current liabilities	Ratio	-0.004:1	-0.08:1	-0.11:1	-0.01:1	0.16:1	0.17:1
Summary of cash flow statement							
Cash flows from operating activities	Rs/mn	1,787.4	1,638.0	(2,830.9)	(1,397.2)	1,110.1	(406.5)
Cash flows from investing activities	Rs/mn	(184.6)	(173.8)	(130.1)	(1,291.0)	(61.7)	(229.1)
Cash flows from financing activities	Rs/mn	(51.2)	(2,992.1)	(1,118.8)	3,952.0	(100.6)	(0.1)
Net cash flows during the year	Rs/mn	1,551.6	(1,527.9)	(4,079.8)	1,263.7	947.8	(635.7)





Horizontal Analysis of Balance Sheet

	2012	2011	2010	2009	2008	2007	2006
ASSETS							
Non-current assets							
Fixed assets	546.3	533.7	685.5	286.9	121.2	116.6	100.0
Investment in associate	153.8	139.5	131.7	113.2	115.1	106.9	100.0
Long-term loans and advances	53.8	44.6	77.8	146.6	121.0	97.4	100.0
Long-term deposits	521.7	478.0	473.6	485.3	485.3	100.0	100.0
Deferred taxation	-	-	198.3	23,318.6	-	919.7	100.0
Retirement benefit obligations - prepayments	-	-	-	13.0	29.8	124.8	100.0
Total non-current assets	497.0	484.8	620.8	372.0	118.3	119.7	100.0
Current assets							
Stores, spares and chemicals	91.2	89.8	80.0	84.8	82.5	81.1	100.0
Stock-in-trade	203.7	235.6	177.2	217.7	236.8	132.9	100.0
Trade debts	563.7	271.6	438.7	392.7	257.6	130.3	100.0
Loans and advances	127.3	100.9	90.8	55.6	72.7	86.8	100.0
Accrued mark-up	-	70.8	-	1,035.4	3.7	607.9	100.0
Trade deposits and short-term prepayments	92.7	85.5	83.5	15.2	87.2	87.6	100.0
Other receivables	12,133.5	32,273.1	39,272.0	55,764.6	27,833.4	449.9	100.0
Taxation - payments less provision	26.9	18.2	100.0	-	-	-	-
Tax refunds due from government - sales tax	-	-	51.0	24.0	22.6	177.1	100.0
Investments	-	-	-	-	16.6	9,175.5	100.0
Cash and bank balances	13.0	0.3	0.4	165.5	112.0	71.9	100.0
Total current assets	267.4	185.2	227.0	263.0	204.6	122.7	100.0
Total assets	285.0	208.1	257.1	271.3	198.0	122.4	100.0
EQUITY AND LIABILITIES							
Share capital	140.0	140.0	140.0	140.0	140.0	120.0	100.0
Reserves	(3,352.1)	(1,190.5)	(1,486.6)	19.4	90.7	168.4	100.0
Special reserve	-	-	-	42.9	151.2	103.6	100.0
Total equity	(49.0)	(12.5)	(17.5)	47.9	149.5	105.6	100.0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100.0	100.0	100.0	-	-	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	281.4	213.7	20.2	77.7	125.8	77.7	100.0
Deferred taxation	50.5	16.6	-	-	100.0	-	-
Total non-current liabilities	640.4	331.6	20.2	77.7	837.2	77.7	100.0
Current liabilities							
Trade and other payables	454.8	284.1	358.0	359.3	225.2	135.0	100.0
Short-term borrowings / running finance	1,557.8	5,863.6	10,906.8	14,119.4	-	-	100.0
Accrued mark-up	226.9	258.6	559.5	-	883.1	22.6	100.0
Taxation - provision less payments	-	-	-	260.4	271.0	100.7	100.0
Payable to government - sales tax	113.0	100.0	-	-	-	-	-
Total current liabilities	446.7	300.6	382.8	408.0	227.2	132.8	100.0
Total liabilities	446.8	300.6	382.6	407.7	227.6	132.7	100.0
Total equity and liabilities	285.0	208.1	257.1	271.3	198.0	122.4	100.0

Horizontal Analysis of Profit and Loss Account

	2012	2011	2010	2009	2008	2007	2006
Sales	208.6	158.2	125.7	126.1	156.8	94.2	100.0
Cost of sales	(215.7)	(160.6)	(132.0)	(136.4)	(155.0)	(96.7)	(100.0)
Gross profit / (loss)	36.9	100.7	(26.3)	(125.5)	198.8	32.3	100.0
Distribution cost	(189.0)	(194.2)	(149.1)	(142.6)	(152.7)	(105.5)	(100.0)
Administrative expenses	(171.6)	(146.2)	(134.0)	(135.9)	(576.0)	(111.4)	(100.0)
Other operating expenses	(0.3)	(781.8)	(0.2)	(1.7)	(136.1)	(25.0)	(100.0)
Other income	443.3	415.4	168.0	352.8	198.4	98.9	100.0
Operating profit / (loss)	40.7	45.0	(38.1)	(145.7)	184.3	27.8	100.0
Finance costs	(4,280.3)	(517.1)	(2,766.6)	(6,042.7)	(1,495.9)	(199.3)	(100.0)
Share of income of associate	54.8	43.9	74.6	75.0	126.3	35.5	100.0
(Loss) / Profit before taxation	(43.4)	35.6	(92.8)	(266.6)	157.7	24.4	100.0
Taxation	(100.1)	(71.0)	(147.7)	129.4	(159.2)	(35.3)	(100.0)
(Loss) / Profit after taxation	(120.1)	16.7	(221.2)	(339.9)	156.9	18.6	100.0

Vertical Analysis of Profit and Loss Account (as a percentage of sales)

	2012	2011	2010	2009	2008	2007	2006
	(In percentages)						
Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(99.3)	(97.5)	(100.8)	(103.9)	(95.0)	(98.6)	(96.1)
Gross profit / (loss)	0.7	2.5	(0.8)	(3.9)	5.0	1.4	3.9
Distribution cost	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)
Administrative expenses	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)	(0.2)	(0.2)
Other operating expenses	(0.0005)	(1.502)	(0.001)	(0.004)	(0.264)	(0.081)	(0.3)
Other income	0.3	0.3	0.2	0.3	0.2	0.1	0.1
Operating profit / (loss)	0.7	1.0	(1.0)	(4.0)	4.0	1.0	3.4
Finance costs	(1.4)	(0.2)	(1.5)	(3.2)	(0.6)	(0.1)	(0.1)
Share of income of associate	0.01	0.01	0.02	0.02	0.03	0.01	0.03
(Loss) / Profit before taxation	(0.7)	0.8	(2.5)	(7.2)	3.4	0.9	3.4
Taxation	(0.6)	(0.5)	(1.4)	1.2	(1.2)	(0.4)	(1.2)
(Loss) / Profit after taxation	(1.3)	0.2	(3.9)	(5.9)	2.2	0.4	2.2

Statement of Value Addition and its Distribution

For the year ended June 30, 2012

	2012 Rupees in thousand	%	2011 Rupees in thousand	%
Wealth Generated				
Total gross revenue and other income	151,246,180		115,907,597	
Brought in materials and services	(127,252,627)		(93,733,318)	
	23,993,553	100.00%	22,174,279	100.00%
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	581,197	2.42%	509,603	2.30%
To Government				
Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	24,428,350	101.81%	19,732,628	88.99%
To society				
Donation towards earthquake victims, IDPs and health	620	0.00%	1,237	0.01%
To shareholders				
Dividends and bonus	52,500	0.22%	-	0.00%
To providers of finance				
Finance charges for borrowed funds	403,873	1.68%	151,727	0.68%
To Company				
Depreciation, amortisation and retained profit / (loss)	(1,472,987)	(6.14%)	1,779,084	8.02%
	23,993,553	100.00%	22,174,279	100.00%



Pattern of Shareholding

as at June 30, 2012

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
1,325	1	-	100	40,000
1,019	101	-	500	309,496
496	501	-	1,000	391,428
694	1,001	-	5,000	1,558,920
115	5,001	-	10,000	814,919
27	10,001	-	15,000	337,775
16	15,001	-	20,000	287,919
10	20,001	-	25,000	231,285
9	25,001	-	30,000	249,052
2	30,001	-	35,000	70,000
1	35,001	-	40,000	37,332
2	40,001	-	45,000	86,481
2	45,001	-	50,000	98,659
3	50,001	-	55,000	159,175
1	55,001	-	60,000	56,820
1	60,001	-	65,000	64,572
1	65,001	-	70,000	70,000
2	75,001	-	80,000	158,046
1	80,001	-	85,000	85,000
1	85,001	-	90,000	90,000
1	100,001	-	105,000	104,158
2	105,001	-	110,000	215,264
1	145,001	-	150,000	148,632
1	150,001	-	155,000	151,988
1	230,001	-	235,000	231,311
1	240,001	-	245,000	245,000
1	285,001	-	290,000	289,100
1	345,001	-	350,000	350,000
1	390,001	-	395,000	391,700
1	575,001	-	580,000	575,646
1	745,001	-	750,000	750,000
1	1,595,001	-	1,600,000	1,596,616
1	3,750,001	-	3,755,000	3,753,706
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
3,745				35,000,000

Pattern of Shareholding

as at June 30, 2012

Shareholder's Category	No. of Shareholders	No. of Shares	Percentage Issued Capital
Associated companies and related parties	4	21,231,311	60.66
Mutual Funds	3	1,655,562	4.73
Directors and their spouse(s) and minor children	3	8,500	0.03
Executives	4	1,750	0.01
Public sector companies and corporations	3	925,766	2.65
Bank, DFIs, NBFIs, Modarba, Insurance and Pension funds	15	1,376,137	3.93
Shareholders holding 5% or more voting rights	2	3,905,694	11.16
Joint Stock Companies and Body Corporates	51	360,144	1.02
NIT and ICP	2	56,907	0.16
Individuals	3,644	5,419,506	15.48
Others	14	58,723	0.17
Total	3,745	35,000,000	100.00
Associated companies, undertaking and related parties			
Shell Petroleum Co. Limited, London	1	10,500,000	30.00
Pakistan State Oil Company Limited	1	6,300,000	18.00
Chevron Texaco Global Energy Inc.	1	4,200,000	12.00
Faysal Bank Limited	1	231,311	0.66
Mutual funds			
National Bank of Pakistan-Trustee Department NIUT Fund	1	1,596,616	4.56
CDC - Trustee KSE Meezan Index Fund	1	10,287	0.03
CDC - Trustee NIT-Equity Market Opportunity Fund	1	48,659	0.14
Directors and their spouse(s) and minor children			
Mr. Farooq Rahmatullah	1	3,500	0.01
Mr. Saleem Butt	1	2,500	0.01
Khawaja Nimr Majid, Esq.	1	2,500	0.01
Executives			
	4	1,750	0.01
Public sector companies and corporations			
	3	925,766	2.65
Bank, DFIs, NBFIs, Modarba, Insurance and Pension funds			
	15	1,376,137	3.93
Shareholders holding 5% or more voting rights			
National Bank of Pakistan	2	3,905,694	11.16
Joint Stock Companies and Body Corporates			
	51	360,144	1.02
NIT / ICP			
IDBP (ICP UNIT)	1	2,959	0.01
National Investment Trust	1	53,948	0.15
Individuals (other than Directors their spouse(s) and children and executives)			
	3,644	5,419,506	15.48
Others	14	58,723	0.17
Total	3,745	35,000,000	100.00

Notice of Annual General Meeting

Notice is hereby given that the Fifty Second Annual General Meeting of the Company will be held on Tuesday October 23, 2012 at 10:00 am at Marriott Hotel, Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting of the Company held on October 26, 2011.
2. To review and approve the Audited Financial Statements for the year ended June 30, 2012 together with the Directors' Report and Auditors' Report thereon.
3. To appoint Auditors for the next accounting period i.e. year ending June 30, 2013 and to fix their remuneration.

The Share Transfer Books of the Company will remain closed from October 17, 2012 to October 23, 2012 (both days inclusive) when no transfer of shares will be accepted for registration.

By Order of the Board

Karachi: October 1, 2012

Imran Ahmad Mirza
Company Secretary &
Chief Financial Officer



Notes:

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

CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For attending the Meeting:

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

B. For appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his / her original CNIC or original Passport at the time of attending the meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

C. Computerized National Identity Card (CNIC):

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

2. The minutes of the Annual General Meeting held on October 26, 2011 are available at the Registered Office of the Company.

Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2012

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 Sarim Sheikh*

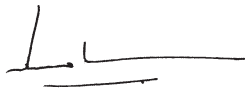
* Mr. Sarim Sheikh resigned from PRL Board of Directors subsequent to year end.

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 vacancies occurring on the Board on August 5, 2011 and January 23, 2012 were filled up on September 16, 2011 and February 15, 2012 respectively. Securities & Exchange Commission of Pakistan allowed the Company extension in time limit for filling the first vacancy based on exceptional circumstances.

5. The Board has developed a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures subsequent to year ended June 30, 2012.
6. The Board has developed a vision/mission statement and overall corporate strategy. The Board approved significant policies as required by the Code, subsequent to year end June 30, 2012. 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 its Chairman during the year.
10. The Board, subsequent to the year ended June 30, 2012, has ratified the appointment of Deputy Managing Director (Operations and Supply), Company Secretary & Chief Financial Officer 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. The Board has set up the threshold for other employees for the purpose of disclosing trades in the shares of the Company subsequent to the year ended June 30, 2012.
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.

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 18, 2012



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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, 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, 2012.

As mentioned in the Statement, following (reference to the Statement included thereagainst) have been complied with subsequent to the year end i.e. June 30, 2012:

- i) Placement of the code of conduct along with supporting policies and procedures on the Company's website (point reference 5 of the Statement);
- ii) Approval of significant policies by the Board of Directors and maintenance of record of particulars and date of approval thereof (point reference 6 of the Statement);
- iii) Ratification of the appointment, remuneration and terms and conditions of employment of the Company Secretary & Chief Financial Officer and the Head of Internal Audit (point reference 10 of the Statement); and
- iv) Setting of the threshold for other employees for the purposes of disclosing trades in the shares of the listed company (point reference 13 of the Statement).

A.F Ferguson & Co.

Chartered Accountants

Karachi

Dated: September 18, 2012



Financial Statements

for the year ended June 30, 2012

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Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2012 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;
 - (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, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements. As stated in the note, as at June 30, 2012 the company has accumulated loss of Rs 2.59 billion resulting in net negative equity of Rs 2.23 billion. Further, current liabilities of the company exceed its current assets by Rs 3.61 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 18, 2012

Name of the engagement partner: Mohammad Zulfikar Akhtar



BALANCE SHEET

as at June 30, 2012

	Note	2012	2011
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets	4	4,461,581	4,359,064
Intangible assets	5	-	-
Investment in associate	6	77,834	70,576
Long-term loans and advances	7	6,046	5,013
Long-term deposits		15,062	13,800
		<u>4,560,523</u>	<u>4,448,453</u>
Current assets			
Stores, spares and chemicals	8	257,868	253,888
Stock-in-trade	9	7,828,060	9,054,172
Trade debts	10	20,714,181	9,979,708
Loans and advances	11	32,897	26,075
Accrued mark-up		-	900
Trade deposits and short-term prepayments	12	51,963	47,901
Other receivables	13	428,554	1,139,886
Taxation - payments less provision		30,491	20,620
Cash and bank balances	14	306,661	7,164
		<u>29,650,675</u>	<u>20,530,314</u>
		<u>34,211,198</u>	<u>24,978,767</u>
EQUITY			
Share capital	15	350,000	350,000
Reserves	16	1,947	1,947
Accumulated loss		(2,585,357)	(917,140)
Fair value reserve		1,265	(1,818)
		<u>(2,232,145)</u>	<u>(567,011)</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
		3,143,928	3,143,928
LIABILITIES			
Non-current liabilities			
Deferred taxation	17	20,205	6,638
Retirement benefit obligations	18	15,839	12,027
		<u>36,044</u>	<u>18,665</u>
Current liabilities			
Trade and other payables	19	32,129,273	20,070,080
Short-term borrowings		-	754,000
Running finance under mark-up arrangements	20	453,019	951,128
Accrued mark-up	21	19,922	22,706
Payable to government - sales tax	22	661,157	585,271
		<u>33,263,371</u>	<u>22,383,185</u>
		<u>33,299,415</u>	<u>22,401,850</u>
Contingencies and commitments	23		
		<u>34,211,198</u>	<u>24,978,767</u>

The annexed notes 1 to 39 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, 2012

	Note	2012	2011
		(Rupees in thousand)	
Net sales	24	127,174,808	96,450,545
Cost of sales	25	(126,289,125)	(94,032,891)
Gross profit		885,683	2,417,654
Distribution cost	26	(160,161)	(164,585)
Administrative expenses	27	(207,945)	(177,153)
Other operating expenses	28	(620)	(1,448,262)
Other operating income	29	330,687	309,890
Operating profit		847,644	937,544
Finance cost	30	(1,754,884)	(212,009)
Share of income of associate		10,731	8,587
(Loss) / Profit before taxation		(896,509)	734,122
Taxation	31	(719,208)	(510,166)
(Loss) / Profit after taxation		(1,615,717)	223,956
Other comprehensive income			
Change in fair value of available for sale investments of associate		4,181	6,381
Deferred tax relating to fair value change of available for sale investments of associate		(1,098)	(2,233)
		3,083	4,148
Total comprehensive (loss) / income		(1,612,634)	228,104
(Loss) / Earnings per share	32	(Rs 46.16)	Rs 6.40

The annexed notes 1 to 39 form an integral part of these financial statements.



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

CASH FLOW STATEMENT

for the year ended June 30, 2012

	Note	2012	2011
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	2,958,833	2,225,896
Mark-up paid		(406,657)	(178,159)
Income tax paid		(716,610)	(404,650)
Contribution to defined benefit retirement plans		(45,884)	(8,652)
(Increase) / Decrease in long-term loans and advances		(1,033)	3,729
Increase in long-term deposits		(1,262)	(127)
Net cash generated from operating activities		1,787,387	1,638,037
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(297,870)	(315,664)
Proceeds from sale of property, plant and equipment		5,410	1,460
Return received on deposits		100,212	129,335
Dividend received		7,654	11,055
Net cash used in investing activities		(184,594)	(173,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of short-term borrowings		-	(2,992,036)
Dividend paid		(51,187)	(67)
Net cash used in financing activities		(51,187)	(2,992,103)
Net increase / (decrease) in cash and cash equivalents		1,551,606	(1,527,880)
Cash and cash equivalents at the beginning of the year		(1,697,964)	(170,084)
Cash and cash equivalents at the end of the year	38	(146,358)	(1,697,964)

The annexed notes 1 to 39 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, 2012

	SHARE CAPITAL	RESERVES			SPECIAL RESERVE note 16.1	FAIR VALUE RESERVE	TOTAL
		CAPITAL Exchange equalisation reserve	General reserve	REVENUE Accumulated loss			
← (Rupees in thousand) →							
Balance as at July 1, 2010	350,000	897	1,050	(1,141,096)	-	(5,966)	(795,115)
Profit for the year 2011	-	-	-	223,956	-	-	223,956
Other comprehensive income	-	-	-	-	-	4,148	4,148
Total recognised income for the year 2011	-	-	-	223,956	-	4,148	228,104
Balance as at June 30, 2011	350,000	897	1,050	(917,140)	-	(1,818)	(567,011)
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)

The annexed notes 1 to 39 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, 2012

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, 2012 the Company has accumulated loss of Rs 2.59 billion (2011: Rs 917 million) resulting in net negative equity of Rs 2.23 billion and its current liabilities exceed its current assets by Rs 3.61 billion (2011: Rs 1.85 billion). These conditions indicate the existence of material uncertainty that may cast a doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Based on estimated future cashflows and profitability, management believes that current loss situation and liquidity issues will be overcome in future. The changes in pricing mechanism made effective from June 01, 2011 are expected to have a favourable impact on Company's profitability. In addition, changes in the pricing mechanism of certain products as announced by the Government of Pakistan recently are expected to have additional positive impact on the future profitability of the Company. Accordingly, these financial statements are prepared on a going concern basis.

Changes in accounting policies and disclosures

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

There are no new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2011 that would have a material effect on the Company's financial statements and are, therefore, not detailed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

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

Following amendment to existing standards and interpretation have been published that are 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 other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The Company is yet to assess the full impact of the amendment.

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.

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

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

2.2 Overall valuation policy

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

2.3 Fixed assets

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

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

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

Surplus arising on revaluation of land is disclosed as surplus on revaluation 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

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

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

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

2.4 Intangible assets

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

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

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

2.5 Investment in associate

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

2.6 Taxation

2.6.1 Current

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

2.6.2 Deferred

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

2.7 Stores, spares and chemicals

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

2.8 Stock-in-trade

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

2.9 Trade and other debts

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

2.10 Cash and cash equivalents

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

2.11 Trade and other payables

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

2.12 Borrowings

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

2.13 Borrowing costs

Borrowing costs are recognised as expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.14 Provisions

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

2.15 Retirement benefits

The Company operates recognised Provident, Gratuity and Pension Funds for all its eligible employees. The Provident Fund is a defined contribution plan. All others are defined benefit plans. Actuarial valuations of defined benefit plans are carried out on periodical basis using the projected unit credit method. The latest valuations were carried out as at June 30, 2012. Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of respective fund's assets are amortised over the average remaining working life of the employees. The unrecognised past service cost is recognised over its vesting period.

2.16 Foreign currency translation

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

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

2.17 Financial instruments

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

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

2.18 Revenue recognition

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

- (a) Local sales are recognised on the basis of products pumped in oil marketing companies' tanks. Sale of products loaded through gantry is recognised when the products are loaded into tank lorries.
- (b) Export sales are recognised on the basis of products shipped to customers.
- (c) Dividend is recognised when the right of receipt is established.
- (d) Income on bank deposits is recognised on accrual basis.
- (e) Handling income including income from gantry operations, pipeline charges, scrap sales, insurance commission and rental incomes are recognised on accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

2.19 Government grants

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

2.20 Dividend

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

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

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

Significant estimates relating to 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

Property, plant and equipment

Operating assets - note 4.1

Capital work-in-progress - note 4.2

	2012	2011
	(Rupees in thousand)	
Operating assets - note 4.1	4,222,326	4,142,422
Capital work-in-progress - note 4.2	239,255	216,642
	<u>4,461,581</u>	<u>4,359,064</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

4.1 Operating assets

TANGIBLE

	Freehold land (note 4.1.1 and 4.1.2)	Buildings	Processing plant	Korangi tank farm	Keamari terminal	Pipelines	Steam generation plant	Power generation, transmission and distribution	Water treatment and cooling system	Equipment including furniture	Fire fighting and telecommu- nication systems	Vehicles and other automotive equipments	TOTAL
← (Rupees in thousand) →													
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>
Net carrying value basis													
Year ended June 30, 2011													
Opening net book value (NBV)	3,146,000	63,957	265,162	152,887	83,777	64,142	18,529	41,230	31,793	126,658	36,523	5,832	4,036,490
Additions (at cost)	-	2,215	145,008	39,320	32,287	3,487	15,347	1,250	6,594	7,166	10,159	5,951	268,784
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(340)	-	-	(340)
Depreciation charge	-	(9,077)	(56,577)	(22,399)	(7,461)	(10,922)	(4,530)	(6,944)	(6,793)	(30,741)	(3,669)	(3,399)	(162,512)
Closing net book value	<u>3,146,000</u>	<u>57,095</u>	<u>353,593</u>	<u>169,808</u>	<u>108,603</u>	<u>56,707</u>	<u>29,346</u>	<u>35,536</u>	<u>31,594</u>	<u>102,743</u>	<u>43,013</u>	<u>8,384</u>	<u>4,142,422</u>
Gross carrying value basis													
At June 30, 2011													
Cost or revaluation	3,146,000	110,390	975,603	345,119	188,215	145,160	72,771	77,745	82,382	365,357	64,361	53,172	5,626,275
Accumulated depreciation	-	(53,295)	(622,010)	(175,311)	(79,612)	(88,453)	(43,425)	(42,209)	(50,788)	(262,614)	(21,348)	(44,788)	(1,483,853)
Net book value	<u>3,146,000</u>	<u>57,095</u>	<u>353,593</u>	<u>169,808</u>	<u>108,603</u>	<u>56,707</u>	<u>29,346</u>	<u>35,536</u>	<u>31,594</u>	<u>102,743</u>	<u>43,013</u>	<u>8,384</u>	<u>4,142,422</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, 2010 the freehold land where the refinery is situated was revalued. The revaluation was carried out by an independent valuer on the basis of market rates for similar sized land in near vicinity, keeping in view the condition mentioned in note 4.1.1.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

4.1.3 Details of disposals of operating assets are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
← (Rupees in thousand) →						
Net book value exceeding Rs 50,000 each:						
Equipment and furniture	220	(160)	60	60	Company policy	Mr. Khalid Junejo Ex - executive
Items having net book value not exceeding Rs 50,000 each:						
- Plant and machinery	25,866	(25,859)	7	1,597		
- Equipment including furniture	4,956	(4,900)	56	435		
- Fire fighting equipment and telecommunication	258	(258)	-	82		
- Vehicles and automotive equipment	3,605	(3,605)	-	3,236		
	34,685	(34,622)	63	5,350		
	34,905	(34,782)	123	5,410		

4.2 Capital work-in-progress

	2012	2011
	(Rupees in thousand)	
Buildings	2,732	1,431
Processing plant	40,500	84,554
Korangi tank farm	112,476	59,976
Keamari terminal	71,748	17,081
Pipelines	9,759	4,065
Water treatment and cooling systems	837	20,710
Equipments	1,203	15,786
Fire fighting and telecommunication systems	-	13,039
	239,255	216,642

5. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Net carrying value basis

Opening net book value (NBV)	-	-
Amortisation charge	-	-
Closing net book value	-	-

Gross carrying value basis

Cost	33,834	33,834
Accumulated amortisation	(33,834)	(33,834)
Net book value	-	-

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
6. INVESTMENT IN ASSOCIATE		
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2011: 850,401) fully paid ordinary shares - note 6.1	<u>77,834</u>	<u>70,576</u>
6.1 The Company holds 27.26% (2011: 27.26%) of the investee's share capital.		
Opening balance	70,576	66,663
Share of income for the year	10,731	8,587
Change in fair value of available for sale investments	4,181	6,381
Dividend received	<u>(7,654)</u>	<u>(11,055)</u>
	<u>77,834</u>	<u>70,576</u>
6.2 Summarised results of the Company's associate are as follows:		
Total assets	315,906	291,211
Total liabilities	26,483	30,672
Revenue	242,571	175,427
Profit after tax	39,364	31,501
7. LONG-TERM LOANS AND ADVANCES - secured and considered good		
To executives	3,906	3,301
To other employees	<u>8,060</u>	<u>7,799</u>
	11,966	11,100
Recoverable within one year - note 11		
Executives	<u>(1,902)</u>	<u>(2,006)</u>
Other employees	<u>(4,018)</u>	<u>(4,081)</u>
	<u>(5,920)</u>	<u>(6,087)</u>
	<u>6,046</u>	<u>5,013</u>
Reconciliation of carrying amount of loans to executives:		
Opening balance	3,301	4,993
Promotion to executive	-	856
Disbursements	2,810	595
Recoveries and amortisation	<u>(2,205)</u>	<u>(3,143)</u>
	<u>3,906</u>	<u>3,301</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

The maximum amount due from executives at the end of any month during the year was Rs 5.07 million (2011: Rs 6.04 million).

Loans and advances to all eligible employees are given in accordance with the Company's policy for payment of house rent, to defray personal expenditure and for purchase of motor vehicles. These carry interest ranging from 1% to 7% per annum and are repayable over a period of three to five years.

	2012	2011
	(Rupees in thousand)	
8. STORES, SPARES AND CHEMICALS		
Stores	41,074	34,334
Spares	244,561	241,592
Chemicals	13,755	20,322
	299,390	296,248
Provision for slow moving stores, spares and chemicals	(41,522)	(42,360)
	257,868	253,888
9. STOCK-IN-TRADE		
Raw material		
Crude oil [including in transit Rs 125.83 million (2011: Rs 95.42 million)]	3,653,900	6,648,647
Finished products	4,174,160	2,405,525
	7,828,060	9,054,172

9.1 As at June 30, 2012 stock of finished products have been written down by Rs 332.46 million (June 30, 2011: stock of finished goods and of raw material written down by Rs 23.04 million and Rs 33.67 million respectively) to the net realisable value.

	2012	2011
	(Rupees in thousand)	
10. TRADE DEBTS - considered good		
Due from related parties - note 10.1	20,276,316	9,387,388
Others	437,865	592,320
	20,714,181	9,979,708

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, 2012

2012	2011
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(Rupees in thousand)

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

Up to 3 months	} note 10.2.1	1,367,830	2,241,967
3 to 6 months		5,067,386	2,131,051
More than 6 months		8,331,130	1,863,600

10.2.1 Subsequent to the balance sheet date, out of the total past due amount of Rs 14.77 billion, Rs 14.63 billion has been realised.

2012	2011
------	------

(Rupees in thousand)

11. LOANS AND ADVANCES - considered good

Loans and advances recoverable within one year – note 7		
Executives	1,902	2,006
Other employees	4,018	4,081
	<u>5,920</u>	<u>6,087</u>
Advances for supplies and services	26,977	19,988
	<u>32,897</u>	<u>26,075</u>

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits	663	703
Short-term prepayments	51,300	47,198
	<u>51,963</u>	<u>47,901</u>

13. OTHER RECEIVABLES

Receivable from refineries - note 13.1	424,651	1,125,282
Insurance commission receivable	-	661
Workers' profits participation fund - note 13.2	-	10,573
Others	3,903	3,370
	<u>428,554</u>	<u>1,139,886</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. It includes Rs 0.42 billion (2011: Rs 1.12 billion) receivable from a related party.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
13.2 WORKERS' PROFITS PARTICIPATION FUND		
Receivable as at July 1	10,573	6,262
Allocation for the year - note 28	-	(39,427)
	10,573	(33,165)
Amount (received) / paid	(10,573)	43,738
Receivable as at June 30	-	10,573
14. CASH AND BANK BALANCES		
With banks on		
- current accounts	294,888	3,688
- savings accounts [including foreign currency account Rs 5.45 million (2011: Rs 0.33 million)]	11,201	3,047
Cash and cheques in hand	572	429
	306,661	7,164

14.1 The effective rates of mark-up on savings accounts and term deposits placed during the year ranged from 6% to 11.55% p.a. (2011: 5% to 12.6% p.a.).

	2012	2011
	(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
	1,000,000	1,000,000
Issued, subscribed and paid-up Ordinary shares of Rs10 each		
2,400,000 'A' ordinary shares fully paid in cash	24,000	24,000
3,600,000 'B' ordinary shares fully paid in cash	36,000	36,000
6,000,000	60,000	60,000
11,600,000 'A' ordinary shares issued as fully paid bonus shares	116,000	116,000
17,400,000 'B' ordinary shares issued as fully paid bonus shares	174,000	174,000
29,000,000	290,000	290,000
35,000,000	350,000	350,000

15.1 As at June 30, 2012 associated undertakings held 21,231,311 (2011: 21,202,506) ordinary shares of Rs 10 each.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(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	-	-
	1,947	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.

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

	2012	2011
	(Rupees in thousand)	
17. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation	138,275	122,185
- investment in associate accounted for using equity method	20,205	18,299
	158,480	140,484
Debit balances arising in respect of carried forward tax losses	(138,275)	(133,846)
	20,205	6,638

- 17.1** Deferred tax debit balance of Rs 2.42 billion (2011: Rs 1.35 billion) in relation to tax loss 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, 2012

18. RETIREMENT BENEFITS

	PENSION FUNDS				GRATUITY FUNDS			
	Management		Non-Management		Management		Non-Management	
	2012	2011	2012	2011	2012	2011	2012	2011
	← (Rupees in thousand) →							
18.1 Expense recognised during the year								
Current service cost	22,387	15,825	1,183	986	5,439	4,532	972	778
Interest cost	79,000	55,327	3,429	2,476	10,963	7,780	1,776	1,194
Expected return on plan assets	(69,103)	(58,894)	(2,771)	(2,459)	(7,680)	(6,840)	(5,900)	(5,223)
Amortisation of past service cost	145	145	4,614	543	-	-	-	-
Net actuarial (gain) / loss recognised	729	-	-	(2)	1,361	122	(175)	(509)
	33,158	12,403	6,455	1,544	10,083	5,594	(3,327)	(3,760)
Amount not recognised as an asset	-	-	-	-	-	-	3,327	3,760
	33,158	12,403	6,455	1,544	10,083	5,594	-	-
18.2 Balance sheet reconciliation								
Liability as at July 1	7,268	973	1,029	35	3,730	130	-	-
Expense recognised during the year	33,158	12,403	6,455	1,544	10,083	5,594	-	-
Contributions	(32,137)	(6,108)	(2,455)	(550)	(11,292)	(1,994)	-	-
Liability as at June 30	8,289	7,268	5,029	1,029	2,521	3,730	-	-
18.3 Liability as at June 30								
Present value of obligations to members	621,250	543,872	35,491	23,809	89,821	76,211	12,836	11,844
Fair value of plan assets	(512,983)	(472,454)	(17,604)	(18,868)	(65,151)	(51,245)	(46,721)	(40,771)
Funded status - Deficit / (Surplus)	108,267	71,418	17,887	4,941	24,670	24,966	(33,885)	(28,927)
Unrecognised net actuarial (loss) / gain	(99,110)	(63,137)	(971)	(2,139)	(22,149)	(21,236)	8,164	6,533
Unrecognised past service cost	(868)	(1,013)	(11,887)	(1,773)	-	-	-	-
Amount not recognised as an asset	-	-	-	-	-	-	25,721	22,394
Liability as at June 30	8,289	7,268	5,029	1,029	2,521	3,730	-	-
Actual return on plan assets	45,171	52,461	2,087	1,526	7,251	5,145	6,069	3,327
18.4 Movement in defined benefit obligation								
Beginning of the year	543,872	427,973	23,809	19,110	76,211	61,659	11,844	9,236
Current service cost	22,387	15,825	1,183	986	5,439	4,532	972	778
Past service cost	-	-	14,728	-	-	-	-	-
Interest cost	79,000	55,327	3,429	2,476	10,963	7,780	1,776	1,194
Actuarial losses / (gains)	12,770	87,984	(1,852)	3,143	1,845	12,032	(1,637)	1,734
Actual benefits paid by the Fund during the year	(36,779)	(43,237)	(5,806)	(1,906)	(4,637)	(9,792)	(119)	(1,098)
End of the year	621,250	543,872	35,491	23,809	89,821	76,211	12,836	11,844
18.5 Movement in the fair value of plan assets								
Beginning of the year	472,454	457,122	18,868	18,698	51,245	53,898	40,771	40,613
Expected return on plan assets	69,103	58,894	2,771	2,459	7,680	6,840	5,900	5,223
Contributions	32,137	6,108	2,455	550	11,292	1,994	-	-
Payments made by the Fund to the Company	-	-	-	-	-	-	-	(2,071)
Actual benefits paid by the Fund during the year	(36,779)	(43,237)	(5,806)	(1,906)	(4,637)	(9,792)	(119)	(1,098)
Asset (loss) / gain	(23,932)	(6,433)	(684)	(933)	(429)	(1,695)	169	(1,896)
End of the year	512,983	472,454	17,604	18,868	65,151	51,245	46,721	40,771

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
18.6 Principal actuarial assumptions used were as follows:		
Discount rate	13.5%	14.5%
Expected return on plan assets	13.5%	14.5%
Future salary increases	13.5%	14.5%
Future pension increases	3.5%	4.5%

18.7 Comparison for five years

2012	2011	2010	2009	2008
(Rupees in thousand)				

MANAGEMENT PENSION FUND

Present value of defined benefit obligation	621,250	543,872	427,973	601,537	523,037
Fair value of plan assets	(512,983)	(472,454)	(457,122)	(453,122)	(477,166)
Deficit / (Surplus)	108,267	71,418	(29,149)	148,415	45,871
Experience loss / (gain) on obligation	12,770	87,984	(182,710)	48,019	39,972
Experience (loss) / gain on plan assets	(23,932)	(6,433)	(6,252)	(51,657)	22,498

NON-MANAGEMENT PENSION FUND

Present value of defined benefit obligation	35,491	23,809	19,110	25,055	23,622
Fair value of plan assets	(17,604)	(18,868)	(18,698)	(14,631)	(7,326)
Deficit	17,887	4,941	412	10,424	16,296
Experience loss / (gain) on obligation	(1,852)	3,143	(7,801)	(1,377)	1,062
Experience (loss) on plan assets	(684)	(933)	(733)	(954)	(246)

MANAGEMENT GRATUITY FUND

Present value of defined benefit obligation	89,821	76,211	61,659	62,271	53,564
Fair value of plan assets	(65,151)	(51,245)	(53,898)	(66,575)	(61,565)
Deficit / (Surplus)	24,670	24,966	7,761	(4,304)	(8,001)
Experience loss / (gain) on obligation	1,845	12,032	2,584	9,184	6,198
Experience (loss) / gain on plan assets	(429)	(1,695)	(5,190)	14,105	267

NON-MANAGEMENT GRATUITY FUND

Present value of defined benefit obligation	12,836	11,844	9,236	8,883	7,654
Obligation to Company	-	-	2,071	2,071	2,071
Fair value of plan assets	(46,721)	(40,771)	(40,613)	(42,043)	(34,425)
Surplus	(33,885)	(28,927)	(29,306)	(31,089)	(24,700)
Experience loss / (gain) on obligation	(1,637)	1,734	436	(265)	454
Experience (loss) / gain on plan assets	169	(1,896)	(4,750)	3,493	(29)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

18.8 Plan assets comprise of the following:

	PENSION FUNDS				GRATUITY FUNDS			
	Management		Non-Management		Management		Non-Management	
	2012	2011	2012	2011	2012	2011	2012	2011
Equity	-	-	-	-	0.2%	1.1%	14.4%	12.8%
Debt	98.4%	99.9%	86.5%	80.0%	90.9%	73.1%	81.2%	80.2%
Others	1.6%	0.1%	13.5%	20.0%	8.9%	25.8%	4.4%	7.0%
	<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:

	2012	2011
	← 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 During the year, Company recognised Rs 14.43 million (2011: Rs 13.47 million) as contribution for employees' provident fund.

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

	Management	Non-Management
	(Rupees in thousand)	
Pension funds	43,704	5,119
Gratuity funds	10,834	-

18.11 Information in note 18 is based on actuarial advice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
19. TRADE AND OTHER PAYABLES		
Creditors – note 19.1	28,215,798	19,281,325
Accrued liabilities	388,413	296,802
Advances from customers – note 19.1	29,413	27,917
Payable to the Government – note 19.2	3,455,183	405,727
Retention money	7,266	14,305
Workers' welfare fund	7,195	14,982
Unclaimed dividend	24,458	23,145
Tax deducted at source	267	1,133
Payable to management staff provident fund	-	2,559
Others	1,280	2,185
	<u>32,129,273</u>	<u>20,070,080</u>

19.1 Related party balances

Creditors	}	note 19.1.1	1,780,385	2,894,555
Advances from customers			8,857	9,456

19.1.1 These include payables to / advances from Pakistan State Oil Company Limited, Shell Pakistan Limited, Chevron Pakistan Limited, Total Parco 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 (2011: 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. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

As at June 30, 2012 available running finance facilities under mark-up arrangements from various banks amounted to Rs 7.7 billion (2011: Rs 6.26 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 12.64% to 15.04% per annum as at June 30, 2012 (2011: 14.25% to 16.5% per annum). Purchase prices are payable on demand.

20.1 Unutilised credit facility

The facility for opening letters of credit and guarantees as at June 30, 2012 amounted to Rs 33.85 billion (2011: Rs 27.39 billion) of which the amount remaining unutilised at year end was Rs 20.72 billion (2011: Rs 16.25 billion).

21. ACCRUED MARK-UP

This represents accrued mark-up on running finance facilities mentioned in note 20 of these financial statements. Out of this Rs 36 thousand is payable to a related party.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
22. PAYABLE TO / (REFUNDS DUE FROM) GOVERNMENT - SALES TAX		
Payable to Government	1,057,337	1,442,215
Refundable from Government - note 22.1	(396,180)	(856,944)
	661,157	585,271
	661,157	585,271

22.1 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.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

- a) Claims against the Company not acknowledged as debt amount to Rs 3.02 billion (2011: Rs 1.92 billion) as at June 30, 2012. These include Rs 2.71 billion (2011: Rs 1.70 billion) on account of late payment surcharge on purchase of crude oil.
- b) Bank guarantees of Rs 193 million (2011: Rs 193 million) were issued in favour of third parties.
- c) The Company has raised claims aggregating Rs 6.43 billion (2011: Rs 4.9 billion) on certain Oil Marketing Companies (OMCs) under the respective sale and purchase of product agreements in respect of interest on late payments from them against trade receivables. These claims, however, have not been recognised in these financial statements as these have not been acknowledged by the OMCs.

23.2 Commitments

- a) As at June 30, 2012 commitments outstanding for capital expenditure amounted to Rs 501.12 million (2011: Rs 38.33 million).
- b) Commitments for rentals under ijarah arrangements amounted to Rs 37.82 million (2011: Rs 28.19 million) payable as follows:

	2012	2011
	(Rupees in thousand)	
Not later than 1 year	12,181	10,000
Later than 1 year but not later than 5 years	25,640	18,186
	37,821	28,186
	37,821	28,186

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
24. NET SALES		
Local sales - note 24.1 and note 24.2	137,033,670	102,409,036
Exports	13,871,092	13,180,084
Gross sales	<u>150,904,762</u>	<u>115,589,120</u>
Less:		
- Sales tax	(18,901,274)	(14,880,076)
- Excise duty and development levy	(4,775,532)	(4,258,499)
- Discount allowed	(53,148)	-
	<u>127,174,808</u>	<u>96,450,545</u>

24.1 The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, three of the Company's customers contributed towards 72.18% (2011: 74.72%) of the gross revenues during the year amounting to Rs 108.92 billion (2011: Rs 86.37 billion) and each customer individually exceeds 10% of the gross revenues.

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

	2012	2011
	(Rupees in thousand)	
25. COST OF SALES		
Crude oil and condensate consumed - note 25.1	126,846,994	93,724,259
Salaries and wages	360,883	327,556
Retirement benefits	43,349	21,472
Fuel, power and water	330,214	316,183
Depreciation	151,001	126,850
Stores, spares and chemicals	102,503	147,304
Repairs and maintenance	78,298	159,012
Rent, rates and taxes	24,320	19,433
Insurance	29,516	29,266
Security expenses	18,210	18,087
Staff transport	18,374	16,145
Consultancy	32,590	4,477
Subscriptions	6,628	8,463
Rentals under ijarah arrangements	5,035	5,658
Travelling and entertainment	6,805	4,231
Other expenses	3,040	2,329
	<u>1,210,766</u>	<u>1,206,466</u>
	128,057,760	94,930,725
Opening stock of finished products	2,405,525	1,507,691
Closing stock of finished products	(4,174,160)	(2,405,525)
	<u>126,289,125</u>	<u>94,032,891</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
26. DISTRIBUTION COST		
Salaries and wages	23,008	28,833
Retirement benefits	3,621	3,763
Rent, rates and taxes	68,720	72,637
Depreciation	28,005	22,157
Insurance	9,627	8,557
Transportation and handling charges	7,478	6,401
Fuel, power and water	7,952	7,644
Repairs and maintenance	6,708	8,777
Security expenses	1,328	1,786
Staff transport	1,548	1,711
Subscriptions	804	480
Rentals under ijarah arrangements	737	667
Travelling and entertainment	506	514
Other expenses	119	658
	160,161	164,585
27. ADMINISTRATIVE EXPENSES		
Salaries and wages	93,190	85,119
Retirement benefits	17,154	7,779
Depreciation	16,224	13,505
Insurance	5,857	5,251
Staff transport	7,729	5,866
Rentals under ijarah arrangements	5,369	4,384
Communication	4,458	4,265
Legal and professional charges	10,195	5,667
Travelling and entertainment	5,395	3,721
Auditors' remuneration - note 27.1	2,367	3,207
Security expenses	1,588	2,425
Printing and stationery	3,022	2,653
Fuel, power and water	1,162	1,989
Subscriptions	1,087	777
Repairs and maintenance	4,836	3,446
Publicity	1,134	2,547
Directors' fee, honorarium and other expenses - note 33	2,451	1,276
Computer related and software maintenance expenses	11,713	9,694
Cleaning and janitorial services	7,247	7,549
Training expenses	2,561	3,939
Other expenses	3,206	2,094
	207,945	177,153

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
27.1 Auditors' remuneration		
Audit fee	1,350	1,350
Fee for limited review of half yearly financial information and other certifications	690	720
Taxation services	-	717
Out of pocket expenses	327	420
	<u>2,367</u>	<u>3,207</u>
28. OTHER OPERATING EXPENSES		
Capital work-in-progress written off	-	1,392,616
Donations - note 28.1	620	1,237
Workers' Profits Participation Fund	-	39,427
Workers' Welfare Fund	-	14,982
	<u>620</u>	<u>1,448,262</u>
28.1 Donations include the following where Company's director is interested:		
	100	-
	<u>100</u>	<u>-</u>
29. OTHER OPERATING INCOME		
Income from financial assets		
Profit on term deposits	66,841	92,055
Profit on PLS savings accounts	32,471	38,180
Others		
Rent of equipment and handling charges [including Rs 27.48 million (2011: Rs 36.38 million) from related parties]	47,347	52,765
Insurance commission	3,364	2,964
Interest on late payments from related party	-	6,056
Sale of scrap	32,269	13
Gain on disposal of property, plant and equipment	5,287	1,120
Liabilities no longer required written back	126,821	108,997
Others	16,287	7,740
	<u>330,687</u>	<u>309,890</u>
30. FINANCE COST		
Mark-up on running finance under mark-up arrangements	287,689	72,679
Mark-up on short term loan	31,182	11,162
Interest on foreign currency loan	85,002	67,886
Interest on amounts withheld against purchases of crude oil	3,020	34,258
Exchange loss - net	1,346,142	23,770
Bank charges	1,849	2,254
	<u>1,754,884</u>	<u>212,009</u>
31. TAXATION		
Current - for the year	706,739	575,754
- for prior years	-	(78,313)
Deferred	12,469	12,725
	<u>719,208</u>	<u>510,166</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
31.1 Relationship between tax expense and accounting (loss) / profit		
Accounting (loss) / profit	(896,509)	734,122
Tax at the applicable tax rate of 35%	(313,778)	256,943
Effect of non recognition of deferred tax on tax loss and deductible temporary differences - note 17.1	288,849	(168,256)
Expenses not deductible for tax purposes	217	433
Effect of applicability of final tax	176,739	119,758
Effect of applicability of minimum tax	567,181	352,855
Effect of surcharge on tax payable	-	26,746
Reversal of prior years' tax provisions	-	(78,313)
	<u>719,208</u>	<u>510,166</u>
32. (LOSS) / EARNINGS PER SHARE		
(Loss) / Profit after taxation attributable to ordinary shareholders	<u>(1,615,717)</u>	<u>223,956</u>
Weighted average number of ordinary shares outstanding during the year (in thousand)	35,000	35,000
Basic (loss) / earnings per share	<u>(Rs 46.16)</u>	<u>Rs 6.40</u>

There were no dilutive potential ordinary shares in issue as at June 30, 2012 and 2011.

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2012			2011		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	1,215	-	-	590	-	-
Managerial remuneration	-	10,212	99,013	-	9,158	79,458
Leave encashment	-	1,285	1,004	-	-	493
Bonus	-	953	28,853	-	2,926	25,068
Ex-gratia allowance	-	-	-	-	-	1,974
Honorarium	1,200	-	-	650	-	-
Retirement benefits	-	-	31,893	-	-	25,588
Housing	-	-	38,596	-	-	33,964
Utilities	-	-	8,577	-	-	7,548
Leave passage	-	-	13,174	-	-	9,697
Club expenses	-	15	791	-	90	824
Others	36	49	29,693	36	277	20,469
	<u>36</u>	<u>64</u>	<u>90,831</u>	<u>36</u>	<u>367</u>	<u>72,502</u>
	<u>2,451</u>	<u>12,514</u>	<u>251,594</u>	<u>1,276</u>	<u>12,451</u>	<u>205,083</u>
Number of persons	*12	**2	92	*15	1	67

* As at June 30, 2012 and 2011, total number of Directors were 10.

** During the year Mr. Aftab Husain replaced Mr. Ijaz Ali Khan as chief executive officer of the Company.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

2012

2011

(Rupees in thousand)

34. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2012	2011
(a) Associated companies	Sales of goods - Net	102,519,346	70,045,529
	Discount allowed	53,148	-
	Services rendered	27,484	29,015
	Purchase of goods	29,314,682	20,557,859
	Purchase of services	-	1,883
	Mark-up received	4	-
	Mark-up paid	1,740	-
	Dividend paid	31,804	-
	Dividend received	7,654	11,055
	Bank charges	111	12
(b) Entity where a director of the Company is a key management personnel	Sales of goods - Net	-	5,849,619
	Services rendered	-	7,369
	Interest received	-	6,056
(c) Key management personnel compensation	Salaries and other short term employee benefits	56,083	62,852
	Post-employment benefits	7,464	7,196

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

Status of outstanding balances in respect of related parties as at June 30, 2012 is included in trade debts, other receivables, trade and other payables and accrued mark-up. Transaction and status with staff retirement funds are disclosed in note 18 to the financial statements.

35. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,651,088 metric tons (2011: 1,599,202 metric tons) due to unfavourable net refining margins and liquidity constraints.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

36. FINANCIAL INSTRUMENTS

36.1 Financial assets and liabilities

	Interest / Mark-up bearing			Non-interest / Mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	

(Rupees in thousand)

FINANCIAL ASSETS

Loans and receivables							
Loans and advances	3,626	3,167	6,793	2,294	2,879	5,173	11,966
Trade deposits	-	-	-	663	15,062	15,725	15,725
Trade debts	-	-	-	20,714,181	-	20,714,181	20,714,181
Other receivables	-	-	-	428,554	-	428,554	428,554
Cash and bank balances	11,201	-	11,201	295,460	-	295,460	306,661
2012	14,827	3,167	17,994	21,441,152	17,941	21,459,093	21,477,087
2011	7,055	3,615	10,670	11,116,821	15,197	11,132,018	11,142,688

FINANCIAL LIABILITIES

Trade and other payables	2,090,116	-	2,090,116	30,002,282	-	30,002,282	32,092,398
Accrued mark-up	-	-	-	19,922	-	19,922	19,922
Running finance under mark-up arrangements	453,019	-	453,019	-	-	-	453,019
2012	2,543,135	-	2,543,135	30,022,204	-	30,022,204	32,565,339
2011	1,994,820	-	1,994,820	19,786,979	-	19,786,979	21,781,799

36.2 Financial risk management objectives and policies

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders. However, as also mentioned in note - 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, 2012

(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 21.48 billion (2011: Rs 11.14 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:

	2012	2011
	(Rupees in thousand)	
Loans to employees	11,966	11,100
Deposits	15,725	14,503
Trade debts	5,947,835	3,743,090
Accrued mark-up	-	900
Other receivables	428,554	1,129,313
Cash and bank balances	306,661	7,164
	<u>6,710,741</u>	<u>4,906,070</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 428.13 million (2011: Rs 0.53 million) and financial liabilities include Rs 8.60 billion (2011: Rs 19.64 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 can not hedge its currency risk exposure against procurement of crude oil.

At June 30, 2012, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss after taxation for the year would have been higher / lower by Rs 408.75 million (2011: Rs 454.26 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

(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, loss after taxation for the year would have been higher / lower by Rs 30.06 million (2011: Rs 17.80 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowing.

(v) Fair values of financial assets and liabilities

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

	2012	2011
	(Rupees in thousand)	
37. CASH GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(896,509)	734,122
Adjustments for non-cash charges and other items		
Depreciation and amortisation	195,230	162,512
Share of income of associate	(10,731)	(8,587)
Gain on disposal of property, plant and equipment	(5,287)	(1,120)
Profit on deposits	(99,312)	(130,235)
Mark-up expense	406,893	185,985
Capital work-in-progress written off	-	1,392,616
Provision for slow moving stores and spares	(838)	6,732
Provision for defined benefit retirement plans	49,696	19,541
	535,651	1,627,444
Working capital changes - note 37.1	3,319,691	(135,670)
	2,958,833	2,225,896
37.1 Working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(3,142)	(34,267)
Stock-in-trade	1,226,112	(2,243,202)
Trade debts	(10,734,473)	6,141,111
Loans and advances	(6,822)	(2,597)
Trade deposits and short-term prepayments	(4,062)	(1,125)
Other receivables	711,332	247,202
	(8,811,055)	4,107,122
Increase / (Decrease) in current liabilities		
Trade and other payables	12,054,860	(5,253,028)
Payable to government - sales tax	75,886	1,010,236
	3,319,691	(135,670)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
38. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 14	306,661	7,164
Short term loan	-	(754,000)
Running finance under mark-up arrangements - note 20	(453,019)	(951,128)
	<u>(146,358)</u>	<u>(1,697,964)</u>
39. DATE OF AUTHORISATION		

These financial statements were authorised for issue on September 18, 2012 by the Board of Directors of the Company.



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

Form of Proxy

52nd Annual General Meeting 2012

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 Second Annual General Meeting of the Company to be held on October 23, 2012 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2012.

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

Email: info@prl.com.pk

website: www.prl.com.pk



PAKISTAN REFINERY LIMITED

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