PAKISTAN REFINERY LIMITED

Annual Report

2014

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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Responsibilities

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

Shareholders

To protect their investment and provide an attractive return.

Customers

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

Employees

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

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

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

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

Those with whom it does business

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

Society

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

Health, Safety, Environment and Quality

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

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

Health

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

Safety

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

Environment

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

Quality

Pakistan Refinery Limited focuses on customer satisfaction by operating efficiently and by developing a culture which promotes innovation, error prevention and teamwork. Pakistan Refinery Limited conducts periodic audits and risk management of its activities, processes and products for setting and reviewing its objectives and targets to provide assurance to improve HSEQ system and loss control. Pakistan Refinery Limited encourages its contractors working on its behalf or on its premises to also apply health, safety, environment and quality standards.

Integrity

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

Teamwork

The success of smooth operations of Pakistan Refinery Limited begins and ends with teamwork. PRL strongly believes in teamwork as a driving force to the path of perfection and believes that a team-based culture is an essential ingredient in the work of a successful organisation. It is expected that each team-player will play his part for achievement of common goal which is sustainable and smooth operations of the Refinery. This does not mean that the individual is no longer important; however, it does mean that effective and efficient teamwork goes beyond individual accomplishments.

Excellence

Pakistan Refinery Limited is performance-driven with 273 employees committed to providing innovative and efficient solutions to achieve its goals. The Company serves diverse industries, providing quality distilled petroleum products that help move country commerce forward hence cost efficiency, operational excellence and innovativeness are paramount objectives. Pakistan Refinery Limited strives for excellence through sincere leadership and dynamic support staff along with using the right Management System Processes.

Corporate Social Responsibility

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

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

Company Information

Chief Financial Officer
Imran Ahmad Mirza

Company Secretary
Asim H. Akhund

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Pvt) Ltd.
8-F, Next to Hotel Faran, Nursery Block-6,
P.E.C.H.S. Shahra-e-Faisal, Karachi.

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

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

He has been Chairman of Pakistan Refinery Limited (PRL) since June 2005. He is also currently Chairman of the Board of Faysal Bank Limited. He also serves as Director on Hascol Petroleum Limited, 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 35 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 is currently Vice-Chairman of Oil Companies Advisory Council for 2014. 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. He is currently member of managing committee of OICCI and is currently Director of Pakistan Institute of Petroleum and Pak Grease Manufacturing Company (Private) Limited. Mr. Husain is serving as Managing Director and Chief Executive Officer of the Company since November 2011.

Amjad Parvez Janjua

Director

Mr. Amjad Parvez Janjua is presently the Managing Director of Pakistan State Oil Company Limited (PSO). He has been Managing Director of Asia Petroleum Limited, Executive Director and Senior General Manager of PSO. He has also served in the capacity of Senior Advisor to World Business Council for Sustainable Development, Geneva; and Member of the Advisory Committee of World Economic Forum Global Corporate Citizenship Initiative. He holds postgraduate qualification and advanced training from the University of Glasgow, University of Pennsylvania, Harvard and Oxford. His diversified work experience other than Pakistan includes World Bank, USA; Scottish Enterprise, UK and international advisory and consulting assignments.

Babar H. Chaudhary

Director

Mr. Chaudhary is General Manager Corporate Planning and Procurement Services for Pakistan State Oil Company Limited. He holds an MBA and is also a Chartered Accountant.

Faisal Waheed

Director

Mr. Faisal Waheed is a finance professional with an MBA in Finance from IBA, Karachi and ACMA from CIMA UK. He has worked in a variety of roles in FMCG and B2B businesses both locally and overseas. He began his career as a Management Trainee with Unilever Pakistan in 1999. Later he was seconded to a regional finance role in Unilever Europe based out of the UK, followed by a stint at Unilever Head Office, London in the Finance information management space. In 2010 he joined Engro where he progressed to the role of Chief Financial Officer of Engro EXIMP (Pvt.) Limited in 2011.

Farrokh K. Captain

Director

Mr. Farrokh K. Captain received both his Bachelors and Master degrees from the Massachusetts Institute of Technology where he was a member of the class of 1966. After completing his education, he joined Arthur D. Little in the USA, and then went on to establish their management consulting practice in Pakistan. Since 1978 he has lead a major US-Pakistan joint venture chemical manufacturing business in Pakistan, namely Captain-PQ Chemical Industries Limited.

Mr. Captain is immediate past President of the American Business Council. For the last 20 years he has devoted most of his time to the field of social work. He is a Trustee of the Layton Rehmatulla Benevolent Trust, and has served 9 years as the Founder Chairman of the Pakistan Human Development Fund. He is also Chairman of The I-Care Foundation and The MIT Enterprise Forum of Pakistan. He is President of the I-Care Fund America, The Doon School Society of Pakistan and a Board Member of The Acumen Fund, Injaaz Pakistan and others. He is currently serving his ninth three-year term as Director of Shell Pakistan Limited.

Mohammad Zubair

Director

Mr. Mohammad Zubair is Director Finance at Chevron Pakistan Limited. He holds degrees in Professional Accounting, Commerce and Laws from Pakistan and Canada. Other than several management and professional studies with American Management Association in the United States, he graduated in "Senior Executive Education" from Columbia University, New York, USA. Mr. Zubair joined Chevron (formerly known as Caltex) as a Management Trainee in Karachi in 1977. He was transferred to Internal Audits in 1979 and was promoted to the position of Manager Internal Audits in 1987. From April 1989 he was involved extensively in the international audits and 50% of his time was allocated to financial and management audits in Singapore, Thailand, Dubai, Bahrain and Egypt. In 1993, he was selected Chief Internal Auditor of newly formed Company Star Refinery - Thailand. He served Star Refinery from the grass-root level until the refinery came upstream in 1996 and was awarded Chairman's Award for his performance on this assignment. In August 1996, he was assigned to Caltex Headquarters in Dallas, USA. During the J-1 assignment of executive training and development, he worked with Comptroller Division, Planning, Tax and Treasury Operations. On his return from Dallas to Pakistan, he was appointed as Chief Financial Officer (CFO) and then appointed to the Board of Caltex Oil Pakistan in January 1998. In October 1998, he was appointed Director Fiscal and Business Support Services with oversight responsibility of business support services at Chevron Pakistan. In January 2005, he was appointed Group CFO of Pakistan and Middle East countries. Later, Egypt was also added to his area of responsibility. He served as a member on several boards until recently (Feb ’11) where Chevron have joint ventures in Middle East which include Emirates Petroleum & Products Company (EPPCO) in U.A.E., Chevron Albakri Limited in Saudi Arabia and Qatex in Qatar.

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).

Mumtaz Hasan Khan

Director

Mr. Mumtaz Hasan Khan, Chairman & CEO of Hascol Petroleum Limited has over 47 years experience in the oil industry. He started his working life in Burmah Shell Oil Storage and Distribution Company in May 1963 and worked there till January 1976, where his last assignment was International Sales Manager. From February 1976 to July 1980 he served as Managing Director, Pakistan Services Limited, which was the owning company of four Intercontinental Hotels in Pakistan. In August 1980 he moved to London to start his own oil trading business and established Hascombe Limited, which started trading in Crude Oil and Petroleum Products.

Hascombe brought crude and products from Middle Eastern sources and sold to major international trading companies like Shell and Elf. Under his leadership Hascol has been granted an oil marketing license by the Government of Pakistan in Pakistan, and now Hascol has established a retail network of 200 Petrol pumps and CNG stations from Karachi to Peshawar. Mr. Mumtaz Hasan Khan is also the Chairman of Sigma Motors (Sole distributor of Land Rover vehicles in Pakistan). He is also a Trustee of the Foundation of Museum of Modern Art (FOMMA). Mr. Mumtaz Hasan Khan was a member of the Expert Energy Group which prepared the Country's first Integrated Plan in 2009.

Omar Yaqoob Sheikh

Director

Mr. Omar Yaqoob Sheikh is the Chief Executive Officer of Shell Pakistan Limited and is the Country Chairperson for Shell companies in Pakistan since August 1, 2012. He joined Shell in 1995 and has held several senior leadership roles in Retail, Commercial and Strategy & Portfolio in Pakistan and internationally within the Group. He is a Director of Pakistan Refinery Limited and Pak Arab Pipeline Company Limited and also serves on the boards of other business, philanthropy, educational and health associations such as the Petroleum Institute of Pakistan (PIP), The Kidney Centre, The Layton Rahmatulla Benevolent Trust (LRBT), Pakistan Centre for Philanthropy (PCP) and Pakistan Human Development Fund (PHDF). Omar is a graduate of IBA Karachi and holds an MBA from INSEAD, France.

Saleem Butt

Director

Mr. Butt has a 25 years diverse experience in Finance, Corporate Affairs, Supply Chain, Sales, Management, Human Resources, Administration, IT and ERP Project Implementation. He started his career with a Chartered Accountant Firm that is now part of Price Waterhouse Coopers in Pakistan for six years. He spent 14 years with various Shell Group of Companies in Pakistan and abroad. He also worked with Emaar Pakistan Group, a subsidiary of Emaar Properties PJSC, UAE as Chief Operating Officer. His current employment is with Hascol Petroleum Limited as Executive Director & Chief Operating Officer. He is a Chartered Accountant and obtained a Bachelors of Commerce degree from the University of Karachi. In 1992, he was awarded an Associate Membership of the Institute of Chartered Accountants of Pakistan further obtaining a Fellow membership in 2004. He is also a non-executive Director on the Boards of TRG Pakistan Limited and Sigma Motors Limited.

Board Committees

Audit Committee

Members:
Mohammad Zubair
Babar H. Chaudhary
Faisal Waheed
Saleem Butt

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

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

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

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

(a) determination of appropriate measures to safeguard PRL's assets;

(b) review of quarterly, half-yearly and annual financial statements of PRL, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.

(c) review of preliminary announcements of results prior to publication;

(d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

(e) review of management letter issued by external auditors and management's response thereto;

(f) ensuring coordination between the internal and external auditors of PRL;

(g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within PRL;

(h) consideration of major findings of internal investigations of activities characterised 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:
Amjad Parvez Janjua
Farrokh K. Captain
Mumtaz Hasan Khan
Muhammad Azam
Mohammad Zubair

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

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

- recommending human resource management policies to the board;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director & Chief Executive Officer;

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

Board Technical Committee

Members:
Muhammad Azam
Saleem Butt
Aftab Husain

Terms of reference:
The Board Technical Committee 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:
Mumtaz Hasan Khan
Farrokh K.Captain
Muhammad Azam
Omar Yaqoob Sheikh
Aftab Husain

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.

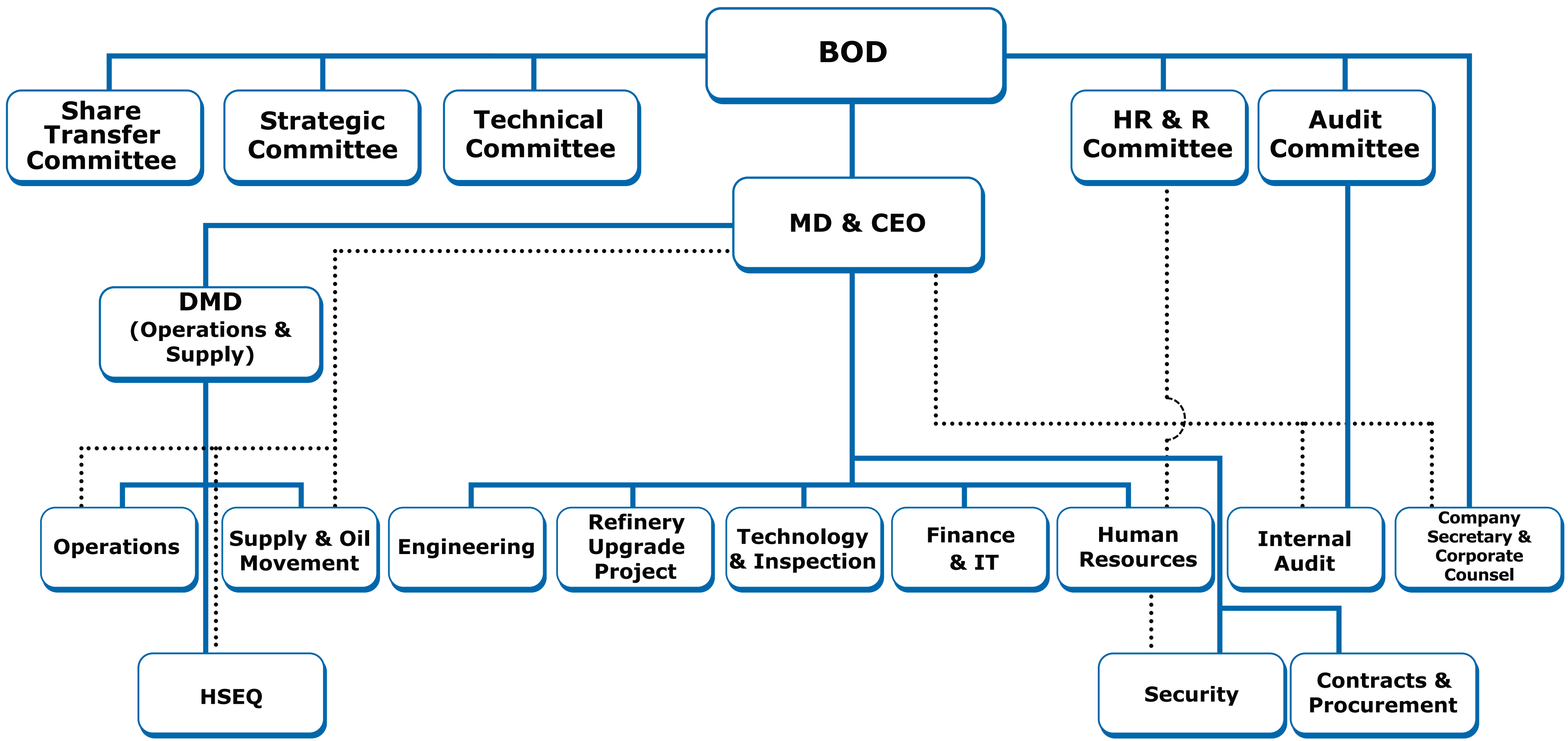
Board Share Transfer Committee

Members:
Mohammad Zubair
Saleem Butt
Aftab Husain

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

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

Organisational Chart



Refinery Leadership Team

Aftab Husain
Managing Director & CEO

Seema Adil
Deputy Managing Director (Operations & Supply)

Imran Ahmad Mirza
Chief Financial Officer

Naman Shah
General Manager Technology & Inspection

Muhammad Azhar
General Manager Operations

Muhammad Ali Mirza
General Manager Project Advisory

Najam Mahmud
General Manager Human Resources

Shehrzad Aminullah
Chief Internal Auditor

Mohammad Khalid
Senior Manager Engineering

Asad Hasan
Senior Manager Projects

Asim H. Akhund
Company Secretary

Management Committees

HSEQ Committee

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

Ethics Committee

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

Inventory Management Committee

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

Policies & Procedures Review Advisory Committee

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

Recruitment and Selection Committee

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

Technical & Project Steering Committee

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

Tender Board

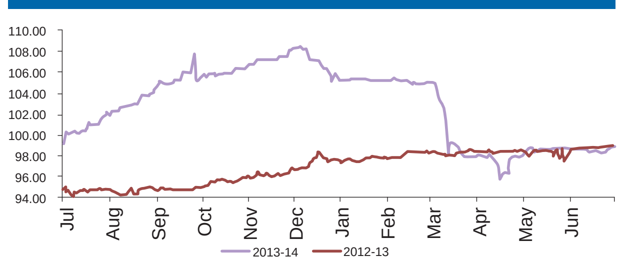
Tender Board is responsible for ensuring that all procurement activities are conducted in a transparent and objective manner and the same is duly monitored by the senior management.

Chairman’s Review

On behalf of the Board of Directors, I am pleased to present the 54th Annual Report of Pakistan Refinery Limited for the year ended June 30, 2014.

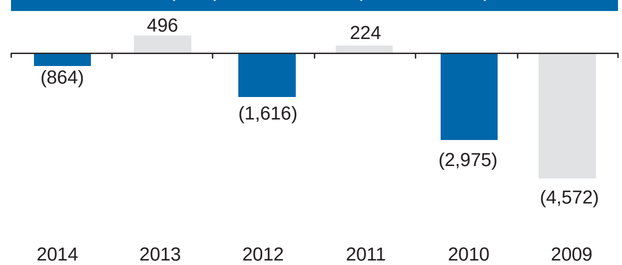
Despite energy crisis and other macro-economic challenges, the economic outlook of Pakistan improved in the last fiscal year with inflation remaining in single digit, foreign remittances rose, tax collection improved and government reduced its borrowing from the banks. The GDP growth accelerated to 4.14% in 2013-14 against the growth of 3.7% recorded last year. Major successes for the year also include achieving of SGP plus status with European Union, successful launching of Euro Bond and auction of long pending 3G/4G licenses. Foreign exchange reserves rose significantly which in turn resulted in strengthening of Pak Rupee which after touching all time low of Rs. 108.4 / USD in September 2013 rose sharply during third quarter due to factors mentioned above and closed at Rs. 98.75 / USD on June 30, 2014.

Rupees / USD Parity



The Company took significant strides towards the installation of Isomerisation Unit - a project that will double the production of Motor Gasoline which is a profitable product from existing 12,000 M.Tons per month to 24,000 M.Tons per month. The Board made the Final Investment Decision in September 2013 to invest up to USD 50 million on Isomerisation project. Subsequently, the Company has entered into various agreements for purchase of equipment as well as engineering and technical support in relation with the project. The site activities have been initiated and it is expected that the project will commence operations during first quarter of financial year 2015-16.

Profit / (loss) after taxation (Rs. in million)



During the year, global refining margins for hydro-skimming refineries remained depressed due to sharp increase in crude oil prices and weak demand for products. This therefore affected margins of oil refineries in Pakistan including the Company as it suffered a loss after taxation of Rs. 863.91 million as compared to profit after taxation of Rs. 496.02 million last year. In addition to depressed margins as discussed above, the Company was further burdened by the effect of change in pricing mechanism of High Speed Diesel (HSD) whereby the refineries are required to deposit the difference between actual import price and notional ex-refinery price computed in accordance with the Import Parity Pricing Formula. This adverse change alone accounted for increase in loss by Rs. 439 million during the year.

Another financial challenge that the Company may face again is the issue of minimum tax on turnover basis which the Company did not encounter in the current year only because it has a 'gross loss' situation. But this undue threat of minimum tax most likely will again pose a challenge in the coming years. Company had made various representations at various forums about the negative impact of minimum tax on the Company in particular but also on other oil sector companies which operate under a regulatory regime but so far without success. Despite the above challenges on profitability and liquidity, it is very encouraging that the Refinery continued its operations 365 days during the current year without any interruption. This reflects effective implementation of Refinery's maintenance strategy which ensures plant integrity and continuity of operations duly assisted with sustained liquidity and funds management throughout the year. The overall operating cost of the Refinery remained lowest as compared to its competitors.

The Company successfully launched its first ever retail Term Finance Certificates (TFCs) - Taraqqi TFC1 and Taraqqi TFC2 with maturity periods of 36 and 60 months respectively to meet its working capital and CAPEX requirements. The Initial Public Offer for Taraqqi TFC1 and Taraqqi TFC2 commenced on August 16, 2013 and concluded on November 15, 2013. Both the TFC issues are listed on Karachi Stock Exchange effective December 20, 2013. TFCs have been assigned credit rating of 'A' (Single A) by The Pakistan Credit Rating Agency (PACRA) which denotes low expectations of credit risk.

The Company has continued the process of strengthening internal controls and processes. The Company is committed to produce quality products, protect the environment and ensure health and safety of its employees, customers and contractors. Focus remained on controlling operating costs whilst maintaining operational excellence and integrity of refinery operations.

In the end, I would like to thank the Ministry of Petroleum and Natural Resources, Ministry of Finance and other regulatory authorities for their guidance, support and cooperation. In addition, I would also express my gratitude to our valued customers, suppliers, contractors, shareholders, financial institutions, fellow directors and committed employees for their dedication and hard work which resulted in uninterrupted and smooth operations of the refinery throughout the year.

Farooq Rahmatullah
Chairman

Karachi: September 10, 2014

Directors' Report

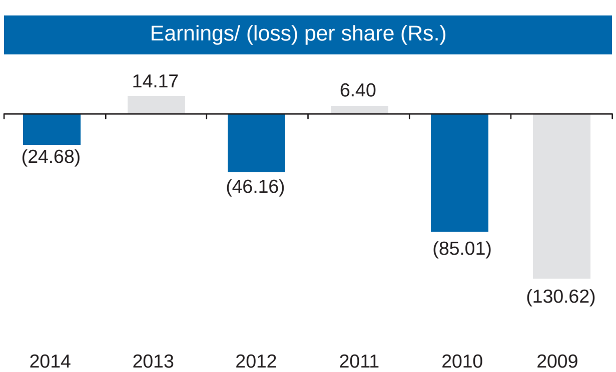
The Directors of your Company present their Annual Report together with Audited Financial Statements for the year ended June 30, 2014.

Financial Results

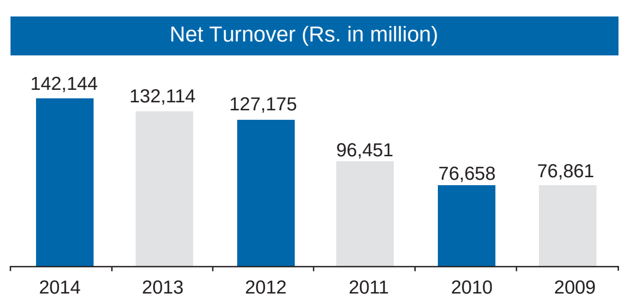
Appropriation recommended for the year

	2014	2013 (Restated)
	(Rupees in thousand)	
Profit / (loss) after taxation	(863,913)	496,018
Other comprehensive income / (loss)	217,543	(118,000)
Total recognised income / (loss)	(646,370)	378,018
Accumulated loss as at July 01	(2,738,342)	(2,720,342)
Appropriations:		
2014: Available for distribution subject to BOD approval	-	-
2013: Final cash dividend: Rs. 2.85 per share	(99,750)	-
Transfer to Special Reserve	-	(396,018)
Accumulated loss as at June 30	(3,484,462)	(2,738,342)
Earnings / (loss) per share	(Rs. 24.68)	Rs. 14.17

During the year, global refining margins for hydro-skimming refineries remained depressed due to sharp increase in crude oil prices and weak demand for products. As a result, the Company suffered a loss after taxation of Rs. 863.91 million during the year. Despite the loss, the Company continued operating throughout the year without any interruption by enforcing stringent liquidity management and close monitoring of inventory and processing levels.

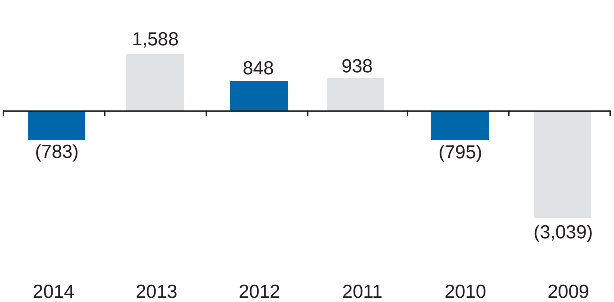


Sales revenue of the Company increased by 7.6% during the year to Rs. 142.14 billion from Rs. 132.11 billion last year. The increase in sales revenue was mainly due to increased sales of better margin products. However, the increase in sales was off-set by corresponding increase in cost of sales which increased by 9.7% to Rs. 142.85 billion in the current year from Rs. 130.17 billion last year. The refinery continues to focus on cost control and barring the abnormal increase in the cost of utilities (electricity, gas and water), which surged by 31.1% over last year, the remaining operating costs, without considering exchange losses, were reduced by 1.35% over last year.

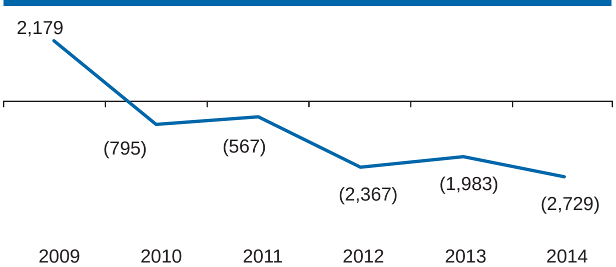


The external auditors of the Company have included a paragraph of emphasis in the audit report drawing attention to the conditions that may affect the Company's ability to continue as a going concern.

Operating profit / (loss)



Net Equity (Rs. in million)



As at June 30, 2014 the Company has accumulated losses of Rs. 3.48 billion [2013 (restated): Rs. 2.74 billion] and its current liabilities exceed its current assets by Rs. 6.90 billion (2013: Rs. 3.74 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. Company believes that it will continue as a going concern and will be able to realise its assets and discharge its liabilities in the normal course of business based on the following factors:

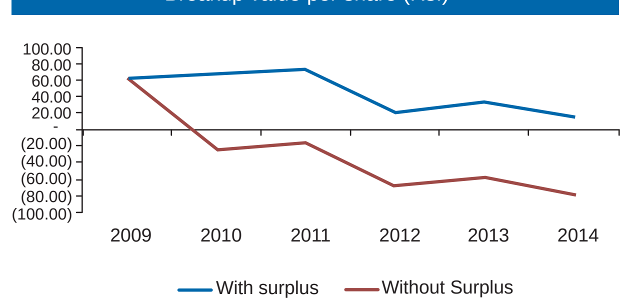
- The Company has plans to invest in projects, including Isomerisation Project, which will improve the profitability of the Company after commencement of operations. Work on Isomerisation Project has already commenced and it is expected that the project will be commissioned by first quarter of 2015 16. The Company subsequent to year-end has arranged a Syndicated Long Term Loan of Rs. 2 billion to finance the Isomerisation Project.

- Earlier during the year ended June 30, 2014 in order to fulfil working capital and CAPEX requirements, the Company successfully launched "Taraqqi" Term Finance Certificates - TFC1 and TFC2 with maturity periods of 3 and 5 years respectively. The outstanding amount as at June 30, 2014 was Rs. 2.07 billion and 0.36 billion against TFC1 and TFC2 respectively. The Company has completed three payments of mark-up on these TFCs that were due during the year.

- Despite facing negative equity situation since June 2010 the Company has not only continued uninterrupted Refinery operations but has regularly incurred capital expenditure for maintenance and upgrade of existing facilities. Continued operations were possible due to the strong cash flow generation ability of the Company which provided assurance to all financial institutions that had provided finances to the Company in continuing their support to the Company. In consideration of the above factors, during the year, the Company was able to increase its running finance facilities from banks to Rs. 8.10 billion from Rs. 7.70 billion last year.

- The Company has a secured supply chain starting with 'term contracts' with international crude suppliers like Abu Dhabi National Oil Company of UAE which ensures uninterrupted supply of crude oil for Refinery operations in addition to indigenous local crude and condensate which makes up around 20% of the Company's crude mix. On the other end of the supply chain, the Company has long term sale contracts with all the major oil marketing companies of Pakistan i.e. Shell Pakistan Limited, Chevron Pakistan Limited and Pakistan State Oil Company Limited that assures timely off take of Refinery's products.

Breakup value per share (Rs.)



Dividend

As the Company has incurred a loss during the current year, the Directors have decided not to make any appropriation for the year ended June 30, 2014.

Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent fairly its state of affairs, the 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 in accounting policies, wherever made, have been adequately disclosed in the financial statements. Accounting estimates are on the basis of prudent and reasonable judgement.

- International Financial Reporting Standards (previously referred to as International Accounting Standards), as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored regularly.

Credit rating

During the year, credit rating of the Company was reassessed by The Pakistan Credit Rating Agency (PACRA) which maintained Company's earlier credit rating i.e. long term entity rating of A- (Single A minus) and a short term entity rating of A2 (Single A two). These ratings depict high credit quality and a low expectation of credit risk i.e. strong capacity for timely payments of financial commitments.

Health, Safety, Environment & Quality (HSEQ)

After celebrating calendar year 2013 as "The Year of Behaviour and Cultural Change" the Company has taken the next step to bring about a "Behaviour and Cultural Change" this year by conducting a safety culture assessment through the Leadership Behaviour Assessment Tool (LBAT) survey through an independent party. In parallel, the behaviour based safety programme continued throughout the year focusing on leadership visibility and staff engagement and reward and recognition of staff for reporting best potential incident / observation.

This year Company has been awarded 1st position in 9th EFP - OSH&E award in category of oil, gas and energy sector organised by the Employers' Federation of Pakistan (EFP). The Company also secured 1st position in 11th Annual Environmental Excellence Award (AEEA) organised by National Forum for Environment and Health (NFEH). These awards demonstrate Company's commitment and passion to maintain and continually improve the HSEQ standards.

- Process Safety: Process safety remained one of the focus areas of the Company. Human and financial resources were allocated to bridge the gaps between actual and the required performance. Modified management of change procedure and introduction of incident reporting and investigation based on OSHA standards were introduced and implemented in true spirit.

- Shipping and Marine Business: The Company has remained committed to strengthen controls over maritime risks in line with international standards. The Company carried out a review of its shipping and marine business through an independent consultant during the year and findings of the review are currently being addressed. Continuous liaison with Karachi Port Trust is maintained both individually and through Oil Companies Advisory Committee for improvement of jetty standards. The Company only engages surveyors and contractors who have good HSE record and reputation in the industry for its marine related activities.

- Emissions, Effluent and Ambient Air Quality Test: The Company continues to test its emissions and effluents through laboratories approved by Pakistan Environment Protection Agency. The results are reported to Sindh Environment Protection Agency and Pakistan Environment Protection Agency under Self Monitoring and Reporting

Tool (SMART) programme. Ambient air quality is being monitored annually and all results are within permissible limits.

- Soil and Ground water monitoring: Soil and ground water testing is also being performed on regular basis to ensure continual improvements.
- Crisis management & Mock drills: To check the effectiveness of Company's Emergency Response Plan (ERP) system and equipment, desktop and mobilisation drills were held during the year focusing on emergency situation related to intra-city pipeline.
- World Environment Day Celebration: World Environmental Day was celebrated during the year to create awareness about the dangers of rising sea levels due to global warming and its subsequent threats to small islands. The effects of increased Green House Gases emission were shared with the employees including methods to reduce our carbon footprint.
- Contractor HSE Management: As part of overall HSE management culture, extensive and continuous efforts were made to enrich and raise the bar of HSE standard for the contractors. Monthly trainings of contractors' staff are being conducted to meet the Company's HSE standards.

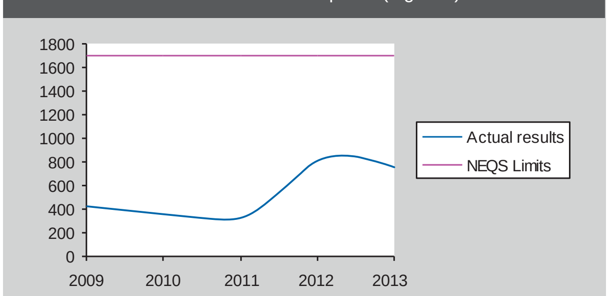
Refinery Management and Operations

The Refinery had smooth and efficient operations throughout the year. Efforts were directed to maximise middle distillate yields and all key performance indicators were maintained within the targets. Highest standards of process safety and products quality were maintained while minimising operating cost. It is to be noted that the Company continues to be least operating cost Refinery in the country.

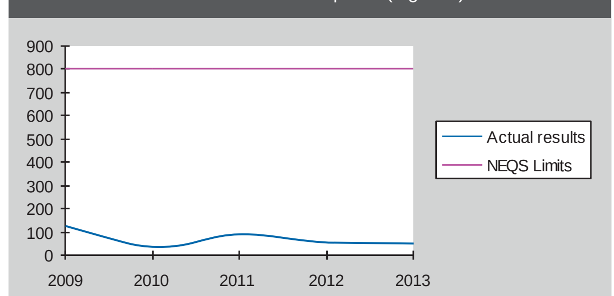
Crude Oil Sales Contract with Abu Dhabi National Oil Company

In order to ensure smooth supply line of crude oil and for sustainable refinery operations, the annual term "Crude Oil Sales Contract' with Abu Dhabi National Oil Company (ADNOC) has been increased from 17,500 barrels per day to 23,500 barrels per day effective July 2014. This contract will provide the Company with an option to import and process various crude grades from ADNOC.

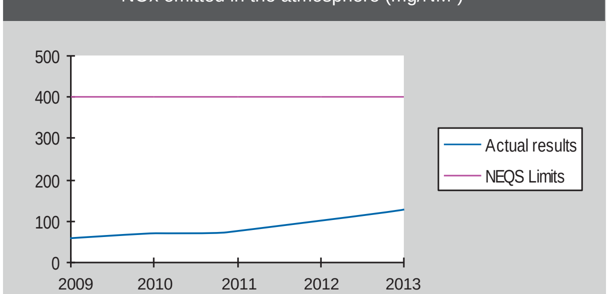
SOx emitted in the atmosphere (mg/NM^3)



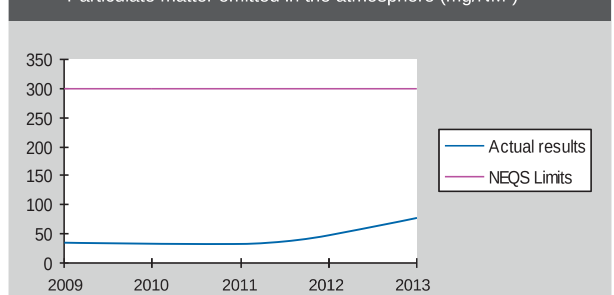
CO emitted in the atmosphere (mg/NM^3)



NOx emitted in the atmosphere (mg/NM^3)



Particulate matter emitted in the atmosphere (mg/NM^3)



Refurbishment of storage tanks

Since storage tanks play a vital role in the continuity of refinery operations, it is necessary that their condition is inspected regularly and any wear and tear is addressed properly. However, once a tank completes its useful life, it is essential to conduct a major refurbishment / overhaul to enable their continuous use. To ensure safety and integrity of storage tanks, first five year plan was developed for phase-wise refurbishment of 23 storage tanks during 2012-17. As at June 30, 2014, the Company has successfully commissioned 13 tanks from the total 23 tanks and it is expected that remaining tanks will be commissioned by June 30, 2015. Consequently, this plan will be completed within three years instead of five years. To ensure the integrity of remaining storage tanks, a second five year plan is developed for phase-wise refurbishment of additional 27 crude and product storage tanks. Implementation of this second five year plan will start from July 2015.

In addition, all crude and products storage tanks have been equipped with level alarm switches to avoid any overflow and thereby avoid any operational and environmental issues.

Planned turnaround - 2nd quarter 2014-15

The Company has planned a major turnaround in 2nd quarter 2014-15 where several major activities will be carried out. Besides usual turnaround activities this turnaround will also include regeneration of Platformer and Hydrotreater Catalysts, inspection of reactors by Pakistan Atomic Energy Commission, modification of Naphtha stripper for Isomerisation unit, replacement of Platformer unit and splitter overhead compressors, revamp of Refinery flare system and tie-in connections between existing refinery and new Isomerisation unit. After completion of above modifications the Refinery will achieve energy savings and improve yield of middle distillates. Following important projects will also be installed in the forthcoming turnaround:

- ### Energy conservation - Installation of soot blowers in crude furnaces

The refining business is cyclical in nature and depends on the expansion and contraction of economy on which the industry has no direct control. However, refiners can attenuate the economic impacts by efficiently managing internal operations and in particular, operating expenses.

Utility costs account for significant refinery expenses and can be reduced through management and energy conservation efforts and related projects. PRL has taken initiative to install soot blowers on its crude furnaces which will maintain their heat duty close to their designed value for a longer period of time and will yield additional savings.

- ### HSD yield optimisation - Revamp of crude column internal packing

Refinery's crude tower was packed with conventional trays since inception. The Refinery is undertaking above project to revamp these older version packing with upgraded technology so that the Refinery is able to increase the production of better margin products by minimising overlapping. This modification will increase the production of middle distillates and thereby improve the profitability of the Company and add to the sustainable operations of the Company.

Refinery Upgradation:

- ### Isomerisation Project

During the year, the Board made the Final Investment Decision (FID) to invest up to USD 50 million for installation of Isomerisation Unit a project that will convert light Naphtha into Motor Gasoline a more profitable product. This will contribute positively to the profitability of the Company on one hand and will reduce the burden of import of Motor Gasoline on the economy on the other.

Progress on this project continued during the year and Front End Engineering Design

(FEED) was completed in August 2013. After FEED completion, the Company awarded the engineering and procurement contract to a foreign contractor for supply of 'Modular Penex Equipment Technology'. This contract is expected to facilitate early completion of Isomerisation Project which in turn will benefit the Company by improving the profitability. The project site activities have been initiated and the Company will start receiving initial components of the Modular Equipment from August 2014. It is expected that the project will be commissioned by 1st quarter of 2015-16.

• Conversion & DHDS Project

The Company continued its efforts for the project to make refinery sustainable and also to produce environment friendly EURO II compliant High Speed Diesel in line with the Government's directives. The Company hasalready shortlisted Diesel Hydrotreating and Thermal Gas Oil technology for this purpose at an estimated total project cost of USD 400 million. This unit will be able to maximise Refinery profitability by minimising fuel oil production and maximising the production of middle distillates whilst maintaining Euro II specifications. During the year, the Company appointed a consortium of BMA Capital Management Limited, MCB Bank Limited and Faysal Bank Limited as its investment advisors. The management has held various deliberations with investment advisors for evaluating different financing options.

Liquidity management

The Company has continued effective monitoring of its working capital deployment since operational losses continue to pose a challenge. To address the growing working capital and CAPEX requirements, the Company not only enhanced its running finance facilities to Rs. 8.1 billion from Rs. 7.7 billion in the comparative period, but also launched “Taraqqi” Term Finance Certificates - TFC-1 and TFC-2. The outstanding amount against TFC1 and TFC2 as at June 30, 2014 was Rs. 2.07 billion and Rs. 0.36 billion respectively. In addition, alternate cost effective options for financing were also utilised to cater financing needs of the Company. The Company intends to continue keeping a close watch on the working capital requirements and available financing to ensure uninterrupted and safe refinery operations.

Human Resources

The Company retained its focus on attracting, retaining, developing and rewarding high potential individuals by providing them opportunities to develop themselves in an effective and efficient manner. Active work on Succession Planning of key positions is underway enabling the organisation to progress towards long term sustainability.

The Company places special emphasis on fostering a learning culture by empowering its employees to contribute towards a learning organisation. Various employee engagement activities are carried throughout the year along with interactive communication meetings, Refinery Leadership Team meetings, Departmental meetings and HSEQ Management Reviews.

Employee development has been the focal point of the Training & Development function. Employees are provided opportunities to develop and increase productivity, covering all aspects of business operations by imparting technical, managerial and HSEQ related in-house and external trainings. The Company has also established an alliance with the Institute of Business Administration - Centre for Executive Education (IBA - CEE) for various training programmes offered by them, which will further enhance the leadership and management skills of the employees.

The mission of the Company includes “protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources”. In order to fulfil this mission, high potential fresh graduates from various recognised universities of the country were inducted for the Trainee Programe 2014. Internship opportunities are also provided to students from leading universities.

Industrial Relations were managed with harmony and industrial peace through favourable relationship with the Collective Bargaining Agent and successful bilateral negotiations.

Corporate Governance

The Company has been and shall remain committed to the highest standards of corporate governance. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of the Karachi and Lahore Stock Exchanges. For further details, please refer to the “Statement of Compliance with the Code of Corporate Governance” given on page 37 to 39 of the report.

Key Operation and Financial Data

A statement summarising key operating and financial data for the last six years is given on page 27 of the report.

Contribution to the National Exchequer and value addition

The Company is one of the major taxpayers of the country and contributed an amount of Rs. 29.44 billion (June 2013: Rs. 28.5 billion) to the National Exchequer on account of direct and indirect taxes. The Company also brought valuable Foreign Exchange of USD 168.09 million (June 2013: Rs. 164.8 million) into the economy through the exports of Naphtha thereby contributing towards reducing burden on the Country's balance of payments.

Trading in Company shares

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

Chairman's review endorsement

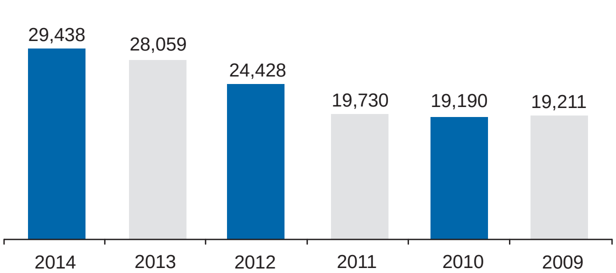
The Director's duly endorse the contents of Chairman's Review.

Election of Directors

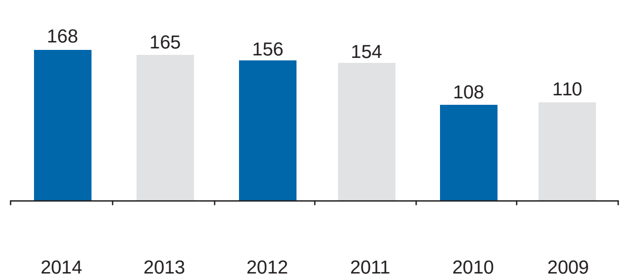
During the year, the term of office of the Board expired and elections were held on June 2, 2014. Following persons were elected as directors of the Company for a term of three years commencing June 7, 2014.

Amjad Parvez Janjua
Babar H. Chaudhary
Faisal Waheed
Farrokh K. Captain
Farooq Rahmatullah
Mohammad Zubair
Muhammad Azam
Mumtaz Hasan Khan
Omar Yaqoob Sheikh
Saleem Butt

Contribution to national exchequer



Exports (USD in million)



Board of Directors and Board meetings held during the year

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

Name of Director	Total No. of Board Meetings*	No. of meetings attended
Farooq Rahmatullah	7	7
Aftab Husain	7	7
Amjad Parvez Janjua	3	2
Babar H. Chaudhary	2	2
Chang Sern Ee	5	4
Faisal Waheed	3	2
Farrokh K. Captain	2	2
Khawaja Nimr Majeed	5	2
Mohammad Zubair	7	6
Muhammad Azam	7	6
Mumtaz Hasan Khan	2	2
Muqtadar A. Quraishi	4	1
Naeem Yahya Mir	4	0
Omar Yaqoob Sheikh	7	7
Rafi Haroon Basheer	4	3
Saleem Butt	7	7

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

The Board places on record its appreciation for the valuable services rendered by outgoing directors Mr. Chang Sern Ee, Khawaja Nimr Majeed Esq, Mr. Muqtadar A. Quraishi, Mr. Naeem Yahya Mir and Mr. Rafi Haroon Basheer.

Board Committee meetings held during the year

Attendance of directors in Board Sub-Committee meetings is given below:

Name of Director	Total No. of Board Meetings*	No. of meetings attended
Board Audit Committee Meeting		
Mohammad Zubair	0	0
Babar H. Chaudhary	0	0
Faisal Waheed	1	1
Khawaja Nimr Majeed	5	4
Rafi Haroon Basheer	4	2
Saleem Butt	5	5
Board Human Resource and Remuneration Committee		
Amjad Parvez Janjua	1	1
Farooq Rahmatullah	1	1
Farrokh K. Captain	1	1
Mohammad Zubair	2	2
Muhammad Azam	1	1
Mumtaz Hasan Khan	1	0
Naeem Yahya Mir	1	0
Omar Yaqoob Sheikh	1	0

Name of Director	Total No. of Board Meetings*	No. of meetings attended
Board Technical Committee		
Chang Sern Ee	1	1
Aftab Husain	0	0
Muhammad Azam	0	0
Muqtadar A. Quraishi	1	0
Saleem Butt	0	0
Board Strategic Committee		
Mumtaz Hasan Khan	0	0
Aftab Husain	0	0
Farrokh K. Captain	0	0
Khawaja Nimr Majeed	1	1
Muhammad Azam	1	1
Muqtadar A. Quraishi	1	0
Naeem Yahya Mir	1	0
Omar Yaqoob Sheikh	1	1
Saleem Butt	1	1

During the year, no meeting of Board Share Transfer Committee was held. All the proceedings of the Committee were carried out through circulation.

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

Value of Investment in Post - Employment Benefit Funds

The value of investments of provident, gratuity and pension funds on the basis of unaudited accounts as at June 30, 2014 was as follows:

	(Rupees in '000)
Provident Fund	310,157
Gratuity fund - management staff	89,205
Gratuity fund - non-management staff	58,882
Pension fund - management staff	652,072
Pension fund - non-management staff	29,639

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2014 is given on page 33 of 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

We would like to take this opportunity to thank our strategic partners for their support and commitment towards sustainable operations during these trying times. The Board also places on record their gratitude to shareholders and financial institutions for their continuous support to the Company. The Board also appreciate Company's dedicated human resource whose commitment and hard work has ensured uninterrupted and continuous operations during the year. We equally acknowledge Ministry of Petroleum and Natural Resources, Ministry of Finance, Government of Pakistan and other regulatory authorities for their guidance and support.

On behalf of Board of Directors

Farooq Rahmatullah
Chairman

Karachi: September 10, 2014

Key Operational and Financial Data

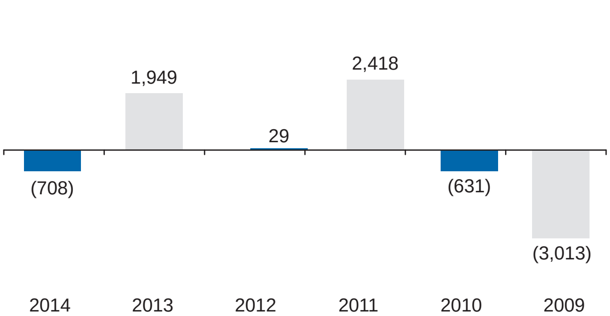
Six Year Summary

		2014	(Restated) 2013	2012	2011	2010	(Restated) 2009
Profit and loss							
Revenue (net)	Rs/mn	142,144.5	132,114.4	127,174.8	96,450.6	76,658.3	76,861.1
Gross profit / (loss)	Rs/mn	(707.9)	1,948.9	29.4	2,417.7	(630.9)	(3,013.1)
Operating profit / (loss)	Rs/mn	(783.0)	1,587.7	13.5	937.5	(794.8)	(3,038.6)
Profit / (loss) before tax	Rs/mn	(856.5)	1,237.6	(896.5)	734.1	(1,914.4)	(5,501.4)
Profit / (loss) after tax	Rs/mn	(863.9)	496.0	(1,615.7)	223.9	(2,975.2)	(4,571.7)
Earnings before interest, taxes, depreciation and amortisation	Rs/mn	(65.4)	1,771.0	(306.1)	1,074.0	(1,337.9)	(4,762.5)
Balance Sheet							
Share Capital	Rs/mn	350.0	350.0	350.0	350.0	350.0	350.0
Reserves	Rs/mn	(3,475.2)	(2,729.3)	(2,717.1)	(917.0)	(1,145.1)	1,829.3
Fixed assets	Rs/mn	7,407.3	5,111.4	4,541.2	4,359.1	5,598.9	2,342.8
Net current assets / liabilities	Rs/mn	(6,900.1)	(3,742.8)	(3,692.3)	(1,852.9)	(3,346.3)	(1,229.2)
Long term / deferred liabilities	Rs/mn	82.4	293.3	171.0	18.7	1.1	4.4
Surplus on revaluation of fixed assets	Rs/mn	3,297.9	3,197.9	3,143.9	3,143.9	3,143.9	-
Investor Information							
Gross profit ratio	%	(0.50)	1.48	0.02	2.51	(0.82)	(3.92)
Net profit ratio	%	(0.61)	0.38	(1.27)	0.23	(3.88)	(5.95)
EBITDA margin	%	(0.05)	1.34	(0.24)	1.11	(1.75)	(6.20)
Cash flow from operations to sales	%	2.42	(5.21)	1.41	1.70	(3.69)	(1.82)
Inventory turnover	Days	26.38	26.37	24.23	30.79	35.84	39.91
Debtor turnover	Days	24.90	43.54	44.05	49.39	72.73	56.74
Operating cycle	Days	4.27	(0.40)	(7.61)	(8.89)	(17.32)	0.39
Debtor turnover	Times	14.66	8.38	8.29	7.39	5.02	6.43
Creditor turnover	Times	7.79	5.21	4.82	4.10	2.90	3.79
Inventory turnover	Times	13.83	13.84	15.06	11.85	10.18	9.14
Total assets turnover ratio	Times	4.93	4.82	3.72	3.86	2.48	2.36
Fixed assets turnover ratio	Times	19.19	25.85	28.00	22.13	13.69	80.48
Market value per share at the end of the year	Rs.	161.75	81.41	57.45	80.45	78.57	89.80
Market value per share - high during the year	Rs.	173.35	97.63	81.64	118.87	149.79	149.87
Market value per share - low during the year	Rs.	61.64	56.25	52.21	50.02	74.01	48.61
Breakup value per share without Surplus on Revaluation of fixed assets	Rs.	(77.98)	(56.66)	(67.63)	(16.20)	(22.72)	62.27
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	Rs.	16.25	34.71	22.19	73.63	67.11	62.27
Earnings / (loss) per share	Rs.	(24.68)	14.17	(46.16)	6.40	(85.01)	(130.62)
Price earning ratio	Times	(6.55)	5.74	(1.24)	12.58	(0.92)	(0.69)
Cash dividend per share	Rs.	-	-	-	1.50	-	-
Dividend yield	%	-	-	-	1.86	-	-
Dividend pay out	%	-	-	-	23.45	-	-
Dividend Cover	Times	(8.64)	4.96	-	2.24	-	-
Interest cover ratio	Times	(0.47)	4.87	(1.24)	5.19	-	-
Current ratio	Ratio	0.76:1	0.86:1	0.89:1	0.92:1	0.88:1	0.96:1
Quick ratio / acid test ratio	Ratio	0.39:1	0.42:1	0.63:1	0.45:1	0.57:1	0.6:1
Cash to current liabilities	Ratio	0.081:1	-0.297:1	-0.004:1	-0.08:1	-0.11:1	-0.01:1
Summary of cash flow statement							
Cash flows from operating activities	Rs/mn	3,443.5	(6,886.3)	1,787.4	1,638.0	(2,830.9)	(1,397.2)
Cash flows from investing activities	Rs/mn	(2,168.4)	(662.0)	(184.6)	(173.8)	(130.1)	(1,291.0)
Cash flows from financing activities	Rs/mn	8,713.2	(0.0)	(51.2)	(2,992.1)	(1,118.8)	3,952.0
Net cash flows during the year	Rs/mn	9,981.57	(7,547.3)	1,551.6	(1,527.9)	(4,079.8)	1,263.7

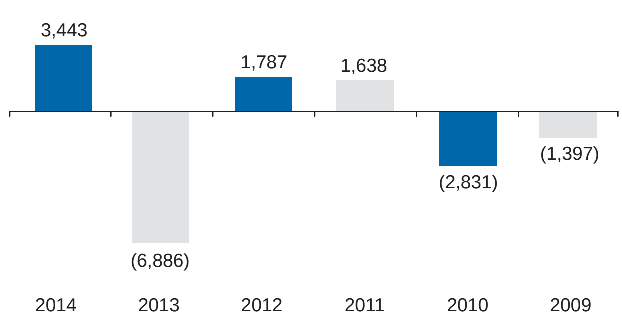
Key Operational and Financial Data

Six Year Summary

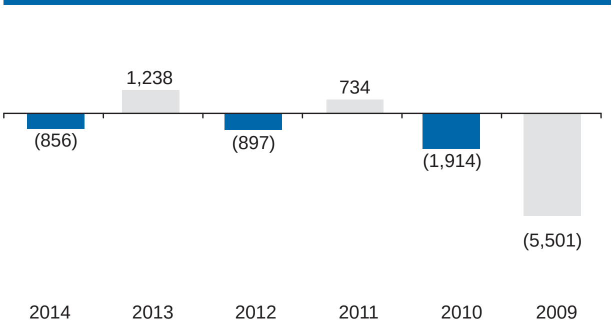
Gross profit / (loss) (Rs. in million)



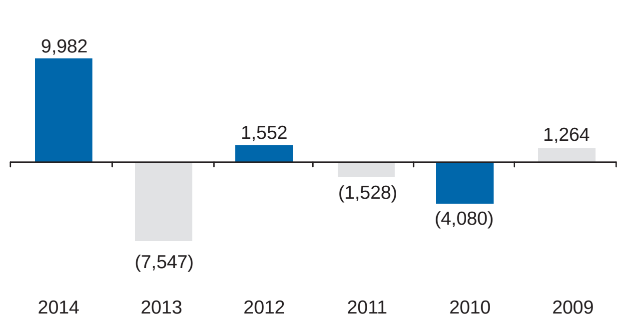
Cash Flow from operating activities (Rs. in million)



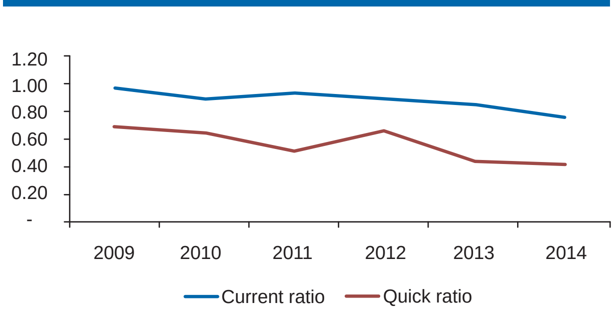
Profit/ (Loss) before tax (Rs. in million)



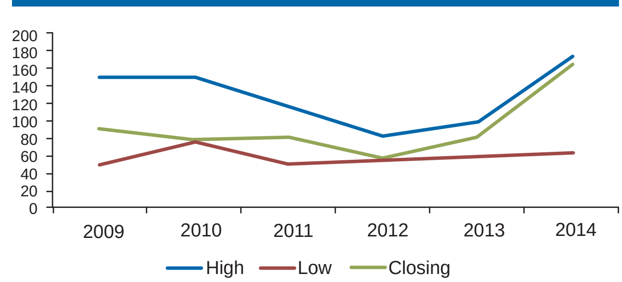
Net Cash flows during the year (Rs. in million)



Liquidity ratios



Market value per share (Rs.)



Horizontal Analysis of Balance Sheet

	2014	2013	2012	2011	2010	2009	2008
ASSETS							
Non-current assets							
Fixed assets	748.3	516.4	458.8	440.4	565.6	236.7	100.0
Investment in associate	154.1	146.7	133.6	121.2	114.5	98.4	100.0
Long-term loans and advances	19.6	19.4	44.5	36.9	64.3	121.2	100.0
Long-term deposits	367.9	366.8	107.5	98.5	97.6	100.0	100.0
Deferred taxation	-	-	-	-	100.0	100.0	-
Retirement benefit obligations - prepayments	-	-	-	-	-	43.7	100.0
Total non-current assets	695.8	483.8	427.6	409.9	524.9	314.5	100.0
Current assets							
Stores, spares and chemicals	111.2	82.4	76.4	108.8	97.0	102.7	100.0
Stock-in-trade	106.3	120.6	86.0	99.5	74.8	91.9	100.0
Trade debts	90.7	114.1	218.8	105.4	170.3	152.5	100.0
Loans and advances	168.9	254.8	175.0	138.7	124.9	76.5	100.0
Accrued mark-up	-	-	-	1,914.9	-	28,000	100.0
Trade deposits and short-term prepayments	27.9	16.5	106.4	98.1	95.8	17.5	100.0
Other receivables	6.2	4.7	43.6	116.0	141.1	200.4	100.0
Taxation - payments less provision	100.0	-	100.0	100.0	100.0	-	-
Tax refunds due from Government - Sales tax	-	-	-	-	225.9	106.4	100.0
Investments	-	-	-	-	-	-	100.0
Cash and bank balances	86.5	3.2	11.6	0.3	0.4	147.8	100.0
Total current assets	93.8	97.7	130.3	90.5	110.9	128.5	100.0
Total assets	121.3	115.3	143.9	105.1	129.8	137.0	100.0
EQUITY AND LIABILITIES							
Share capital	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Reserves	(4,976.7)	(3,908.5)	(3,891.1)	(1,313.2)	(1,639.9)	21.4	100.0
Special reserve	6.2	6.2	-	-	-	28.4	100.0
Total equity	(40.1)	(29.1)	(34.8)	(8.3)	(11.7)	32.0	100.0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100.0	100.0	100.0	100.0	100.0	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	833.9	3,839.3	2,130.9	169.9	16.1	61.8	100.0
Deferred taxation	58.3	53.9	50.5	16.6	-	-	100.0
Total non-current liabilities	174.8	622.5	363.0	39.6	2.4	9.3	100.
Current liabilities							
Trade and other payables	120.4	106.4	202.0	126.2	159.0	159.6	100.0
Term finance certificates	100.0	-	-	-	-	-	-
Short-term borrowings / running finance	100.0	100.0	100.0	100.0	100.0	100.0	-
Accrued interest / mark-up	146.0	50.5	25.7	29.3	63.4	-	100.0
Taxation - provision less payments	-	1.0	-	-	-	96.1	100.0
Payable to government - Sales Tax	100.0	100.0	100.0	100.0	-	-	-
Total current liabilities	166.6	153.1	196.6	132.3	168.5	179.6	100.0
Total liabilities	166.6	154.4	197.1	132.0	168.0	179.1	100.0
Total equity and liabilities	121.3	115.3	143.9	105.1	129.8	137.0	100.0

Vertical Analysis of Balance Sheet

(as a precentage of total assets)

	2014	2013	2012	2011	2010	2009	2008
	(In percentages)						
ASSETS							
Non-current assets							
Fixed assets	25.7	18.6	13.3	17.5	18.1	7.2	4.2
Investment in associate	0.3	0.3	0.2	0.3	0.2	0.2	0.2
Long-term loans and advances	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Long-term deposits	0.2	0.2	0.0	0.1	0.0	0.0	0.1
Deferred taxation	-	-	-	-	0.0	3.0	-
Retirement benefit obligations - prepayments	-	-	-	-	-	0.0	0.0
Total non-current assets	26.2	19.2	13.6	17.8	18.5	10.5	4.6
Current assets							
Stores, spares and chemicals	0.9	0.7	0.5	1.0	0.7	0.7	1.0
Stock-in-trade	33.5	40.0	22.9	36.2	22.1	25.7	38.3
Trade debts	29.8	39.4	60.5	40.0	52.2	44.3	39.8
Loans and advances	0.1	0.2	0.1	0.1	0.1	0.0	0.1
Accrued mark-up	-	-	-	0.0	-	0.0	0.0
Trade deposits and short-term prepayments	0.0	0.0	0.2	0.2	0.2	0.0	0.2
Other receivables	0.2	0.2	1.3	4.6	4.5	6.0	4.1
Taxation - payments less provision	1.3	-	0.1	0.1	0.4	-	-
Tax refunds due from Government - Sales tax	-	-	-	-	1.4	0.6	0.8
Investments	-	-	-	-	-	-	0.0
Cash and bank balances	7.9	0.3	0.9	0.0	0.0	12.0	11.1
Total current assets	73.8	80.8	86.4	82.2	81.5	89.5	95.4
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EQUITY AND LIABILITIES							
Share capital	1.2	1.3	1.0	1.4	1.1	1.1	1.5
Reserves	(12.1)	(10.0)	(7.9)	(3.7)	(3.7)	0.0	0.3
Special reserve	1.4	1.4	-	-	-	5.6	26.9
Total equity	(9.5)	(7.2)	(6.9)	(2.3)	(2.6)	6.7	28.6
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	11.4	11.7	9.2	12.6	10.2	-	-
LIABILITIES							
Non-current liabilities							
Retirement benefit obligations	0.20	0.99	0.44	0.05	0.00	0.01	0.03
Deferred taxation	0.1	0.1	0.1	0.0	-	-	0.2
Total non-current liabilities	0.3	1.1	0.5	0.1	0.0	0.0	0.2
Current liabilities							
Trade and other payables	66.4	61.7	93.9	80.3	81.9	77.9	66.9
Term finance certificates	8.4	-	-	-	-	-	-
Short-term borrowings / running finance	20.8	28.4	1.3	6.8	10.3	12.6	-
Accrued interest / mark-up	0.4	0.1	0.1	0.1	0.2	-	0.3
Taxation - provision less payments	-	0.0	-	-	-	2.8	3.9
Payable to government - Sales Tax	1.7	4.2	1.9	2.3	-	-	-
Total current liabilities	97.7	94.5	97.2	89.6	92.4	93.3	71.2
Total liabilities	98.0	95.6	97.7	89.7	92.4	93.3	71.4
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis of Profit and Loss Account

	2014	2013	2012	2011	2010	2009	2008
Sales	148.7	138.2	133.1	100.9	80.2	80.4	100.0
Cost of sales	(157.3)	(143.4)	(140.0)	(103.6)	(85.1)	(88.0)	(100.0)
Gross (loss) / profit	(14.8)	40.8	0.6	50.6	(13.2)	(63.1)	100.0
Distribution cost	(152.7)	(141.3)	(123.8)	(127.2)	(97.7)	(93.4)	(100.0)
Administrative expenses	(31.6)	(38.8)	(33.1)	(25.4)	(23.3)	(23.6)	(100.0)
Other operating expenses	(1.8)	(37.2)	(0.2)	(574.3)	(0.2)	(1.2)	(100.0)
Other income	235.1	125.9	253.9	209.4	84.7	177.8	100.0
Operating (loss) / profit	(20.4)	41.3	0.4	24.4	(20.7)	(79.1)	100.0
Finance costs	(14.2)	(58.4)	(150.1)	(34.6)	(184.9)	(403.9)	(100.0)
Share of income of associate	54.4	33.3	43.4	34.7	59.0	59.3	100.0
(Loss) / profit before taxation	(26.3)	38.0	(27.5)	22.6	(58.8)	(169.0)	100.0
Taxation	(0.6)	(64.8)	(62.9)	(44.6)	(92.7)	81.3	(100.0)
(Loss) / profit after taxation	(40.9)	23.5	(76.5)	10.6	(141.0)	(216.6)	100.0

Vertical Analysis of Profit and Loss Account

(as a percentage of sales)

	2014	2013	2012	2011	2010	2009	2008
Sales	100.00	100.00	100.0	100.0	100.0	100.0	100.0
Cost of sales	(100.5)	(98.5)	(100.0)	(97.5)	(100.8)	(103.9)	(95.0)
Gross (loss) / profit	(0.5)	1.5	0.0	2.5	(0.8)	(3.9)	5.0
Distribution cost	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Administrative expenses	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)
Other operating expenses	(0.003)	(0.071)	(0.000)	(1.502)	(0.001)	(0.004)	(0.264)
Other income	0.2	0.1	0.3	0.3	0.2	0.3	0.2
Operating (loss) / profit	(0.6)	1.2	0.0	1.0	(1.0)	(4.0)	4.0
Finance costs	(0.1)	(0.3)	(0.7)	(0.2)	(1.5)	(3.2)	(0.6)
Share of income of associate	0.01	0.01	0.01	0.01	0.02	0.02	0.03
(Loss) / profit before taxation	(0.6)	0.9	(0.7)	0.8	(2.5)	(7.2)	3.4
Taxation	(0.005)	(0.6)	(0.6)	(0.5)	(1.4)	1.2	(1.2)
(Loss) / profit after taxation	(0.6)	0.4	(1.3)	0.2	(3.9)	(5.9)	2.2

Statement of Value Addition and its Distribution

For the year ended June 30, 2014

	2014 Rupees in thousand	%	2013 Rupees in thousand	%
Wealth Generated				
Total gross revenue and other income	171,820,926		159,432,360	
Brought in materials and services	(141,770,398)		(129,691,754)	
	30,050,528	100%	29,740,606	100%
Wealth distribution to stakeholders				
To employees Salaries, wages and other costs including retirement benefits	667,321	2%	641,174	2%
To Government Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	29,438,426	98%	28,059,604	94%
To society Donation towards earthquake victims, IDPs and health	1,690	0%	1,010	0%
To shareholders Dividends and bonus	99,750	0%	-	0%
To providers of finance Finance charges for borrowed funds	591,561	2%	341,542	1%
To Company Depreciation, amortisation and retained profit / (loss)	(748,220)	-2%	697,276	2%
	30,050,528	100%	29,740,606	100%

Pattern of Shareholding

as at June 30, 2014

Number of Shareholders	Shareholders From	Shareholders To	Number of Shares helds
1251	1	100	29,744
754	101	500	231,614
364	501	1000	287,999
507	1001	5000	1,161,328
81	5001	10000	565,722
17	10001	15000	207,084
10	15001	20000	186,381
6	20001	25000	132,740
8	25001	30000	224,553
4	30001	35000	133,240
2	35001	40000	73,832
1	40001	45000	43,664
3	45001	50000	147,659
4	50001	55000	216,018
1	60001	65000	63,241
2	70001	75000	140,000
2	75001	80000	158,046
1	80001	85000	82,000
1	90001	95000	90,000
2	100001	105000	204,158
1	110001	115000	112,308
2	145001	150000	294,601
1	165001	170000	168,000
1	235001	240000	236,500
1	255001	260000	257,500
2	345001	350000	696,000
1	575001	580000	575,646
1	890001	895000	891,000
1	1430001	1435000	1,431,500
1	1500001	1505000	1,500,000
1	1595001	1600000	1,596,616
1	1860001	1865000	1,861,306
1	4200001	4205000	4,200,000
1	6300001	6305000	6,300,000
1	10500001	10505000	10,500,000
3038			35,000,000

Pattern of Shareholding

as at June 30, 2014

Shareholder's Category	No. of Shareholders	No. of Shares	Percentage Issued Capital
Directors, Cheif Executive Officer, and their spouse and minor children	5	11,465	0.03
Associated Companies, Undertakings and related parties	3	21,000,000	60.00
Banks, Development Financial Institutions, Non banking Financial Institutions	9	3,569,044	10.20
Insurance Companies	2	575,766	1.65
Modarabas and Mutal Funds	3	1,681,775	4.81
General Public :			
a. Local	2,966	5,706,015	16.30
b. Foreign	-	-	-
Others (to be Specified)	50	2,455,935	7.02
Total	3,038	35,000,000	100.00

Associated Companies, Undertaking and Related Parties (name wise details)		
Chevron Global Energy Inc.	1	4,200,000
Shell Petroleum Co. Limited, London.	1	10,500,000
Pakistan State Oil Company Limited.	1	6,300,000
	3	21,000,000
Mutual Funds (name wise details)		
CDC - Trustee National Investment (Unit) Trust	1	1,596,616
CDC - Trustee Nit-equity Market Opportunity Fund	1	48,659
	2	1,645,275
Directors and their spouse and minor children (name wise detail)		
Farrokh K. Captain	1	2,500
Farrokh K. Captain	1	465
Saleem Butt	1	2,500
Farooq Rahmatullah Khan	1	3,500
Mumtaz Hasan Khan	1	2,500
	5	11,465
Executives	-	-
Public Sector Companies and Corporations	4	925,767
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	13	3,759,388
Shareholder Holding five percent or more voting rights in the Listed Company (name wise details)		
National Bank of Pakistan	1	1,861,306
Chevron Global Energy Inc.	1	4,200,000
Shell Petroleum Co. Limited, London.	1	10,500,000
Pakistan State Oil Company Limited.	1	6,300,000

Notice Of Annual General Meeting

Notice is hereby given that the Fifty-Fourth Annual General Meeting of the shareholders of Pakistan Refinery Limited ("Company") will be held at Marriott Hotel, Karachi, on October 21, 2014 at 11:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.

2. To appoint Auditors for the ensuing year and fix their remuneration. The present Auditors, Messrs. A.F. Fergusons & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

B. ANY OTHER BUSINESS

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

By Order of the Board

Asim H. Akhund
Company Secretary

Karachi: September 10, 2014

Notes:

1. The Individual Members who have not yet submitted photocopy of their valid Computerised National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012.

2. Share Transfer Books will be closed from October 14, 2014 to October 21, 2014 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of the Business on October 13, 2014 will be treated in time for the purposes of proceedings of the AGM.

3. All Members / Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.

4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (P.O. Box # 4612, Korangi Creek Road, Karachi 75190 Pakistan) at least 48 hours before the time of the meeting.

5. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

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

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of listing regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. Pursuant to the election of the Board, which was held on June 02, 2014, the Board includes:

Category	Names
Managing Director & CEO (Executive Director)	Aftab Husain
Non-Executive Directors	Farooq Rahmatullah Amjad Pervaz Janjua Babar H. Chaudhary Faisal Waheed Farrokh K. Captain Mohammad Zubair Muhammad Azam Mumtaz Hasan Khan Omar Yaqoob Sheikh Saleem Butt

   The Board voluntarily complied with Clause i(b) of the Code during its entire term ended June 07, 2014 with respect to representation of an independent director. Subsequent to the election of the new Board, the Board is contemplating on this matter for its resolution.

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. Three casual vacancies occurred during the year, out of which two were filled within the stipulated timeframe under the Code. However, the third casual vacancy which occurred on February 19, 2014, which was to be filled by May 20, 2014, was relaxed by the Securities & Exchange Commission of Pakistan as the election of the Board of Directors was due in the end of May 2014.

5. The Board has developed a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company.

6. The Board has developed a vision/mission statement and overall corporate strategy. The Board approved significant policies as required by the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged “Corporate Governance Leadership Skills” training program for Messrs. Omar Yaqoob Sheikh and Muhammad Azam in February 2014 during the year, however, these have been rescheduled for a later date.

10. The Board had approved appointment of the Deputy Managing Director (Operations and Supply), Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee. It comprises of four 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 five 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, except those disclosed herein.

Farooq Rahmatullah
Chairman

Karachi: September 10, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Refinery Limited for the year ended June 30, 2014 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of listing regulations of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we highlight a non-compliance with the requirement of the Code in respect of appointment of independent director as mentioned in paragraph 1 of the Statement of Compliance.

A. F. Ferguson & Co.

Chartered Accountants

Karachi: September 11, 2014

Financial Statements

for the year ended June 30, 2014

Auditors' Report To The Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 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, 2014 the company has accumulated loss of Rs 3.48 billion resulting in net negative equity of Rs 2.73 billion. Further, current liabilities of the company exceed its current assets by Rs 6.90 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 11, 2014

Name of the engagement partner: Mohammad Zulfikar Akhtar

BALANCE SHEET
as at June 30, 2014

	Note	2014	(Restated) 2013	(Restated) July 1, 2012
			(Rupees in thousand)	
ASSETS				
Non-current assets				
Fixed assets	4	7,407,267	5,111,367	4,541,211
Intangible assets	5	-	-	-
Investment in associate	6	89,757	85,455	77,834
Long-term loans and advances	7	2,666	2,630	6,046
Long-term deposits		51,543	51,396	15,062
		7,551,233	5,250,848	4,640,153
Current assets				
Stores, spares and chemicals	8	259,626	192,374	178,238
Stock-in-trade	9	9,673,473	10,978,536	7,828,060
Trade debts	10	8,587,612	10,803,826	20,714,181
Loans and advances	11	31,742	47,884	32,897
Trade deposits and short-term prepayments	12	13,620	8,070	51,963
Other receivables	13	61,222	45,998	428,554
Taxation - payments less provision		372,499	-	30,491
Cash and bank balances	14	2,287,864	85,089	306,661
		21,287,658	22,161,777	29,571,045
		28,838,891	27,412,625	34,211,198
EQUITY				
Share capital	15	350,000	350,000	350,000
Reserves	16	397,965	397,965	1,947
Accumulated loss		(3,484,462)	(2,738,342)	(2,720,342)
Fair value reserve		7,306	7,145	1,265
		(2,729,191)	(1,983,232)	(2,367,130)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,297,928	3,197,928	3,143,928
LIABILITIES				
Non-current liabilities				
Deferred taxation	17	23,334	21,571	20,205
Retirement benefit obligations	18	59,023	271,743	150,824
		82,357	293,314	171,029
Current liabilities				
Trade and other payables	19	19,156,371	16,925,840	32,129,273
Term finance certificates	20	2,428,590	-	-
Short-term borrowings	21	5,996,984	1,825,990	-
Running finance under mark-up arrangements	22	-	5,952,805	453,019
Accrued mark-up	23	113,267	39,136	19,922
Taxation - provision less payments		-	9,054	-
Payable to government - sales tax	24	492,585	1,151,790	661,157
		28,187,797	25,904,615	33,263,371
		28,270,154	26,197,929	33,434,400
Contingencies and commitments	25			
		28,838,891	27,412,625	34,211,198

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

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2014

	Note	2014	(Restated) 2013
		(Rupees in thousand)	
Net sales	26	142,144,452	132,114,396
Cost of sales	27	(142,852,397)	(130,165,452)
Gross (loss) / profit		(707,945)	1,948,944
Distribution cost	28	(197,593)	(182,889)
Administrative expenses	29	(220,922)	(270,895)
Other operating expenses	30	(4,431)	(93,869)
Other income	31	347,902	186,372
Operating (loss) / profit		(782,989)	1,587,663
Finance cost - net	32	(86,942)	(358,301)
Share of income of associate		13,438	8,232
(Loss) / Profit before taxation		(856,493)	1,237,594
Taxation	33	(7,420)	(741,576)
(Loss) / Profit after taxation		(863,913)	496,018
Other comprehensive income			
Items that will not be reclassified to Profit or Loss			
Remeasurements of staff retirement benefits		217,543	(118,000)
Items that may be subsequently reclassified to Profit or Loss			
Change in fair value of available for sale investments of associate		218	7,893
Deferred tax relating to fair value change of available for sale investments of associate		(57)	(2,013)
		161	5,880
Total comprehensive (loss) / income		(646,209)	383,898
(Loss) / Earnings per share	34	(Rs 24.68)	Rs 14.17

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

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

CASH FLOW STATEMENT
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	41	4,423,687	(5,771,673)
Mark-up paid		(523,221)	(322,328)
Income tax paid		(387,267)	(702,678)
Contribution to defined benefit retirement plans		(69,539)	(56,738)
(Increase) / Decrease in long-term loans and advances		(36)	3,416
Increase in long-term deposits		(147)	(36,334)
Net cash generated from / (used in) operating activities		3,443,477	(6,886,335)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,329,100)	(719,008)
Proceeds from sale of property, plant and equipment		557	2,321
Return received on deposits		150,834	46,224
Dividend received		9,354	8,504
Net cash used in investing activities		(2,168,355)	(661,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(75,688)	(13)
Proceeds from foreign currency loans		25,252,660	-
Repayments of foreign currency loans		(18,815,356)	-
Net proceeds from issuance of term finance certificates		2,351,537	-
Net cash generated from / (used in) financing activities		8,713,153	(13)
Net increase / (decrease) in cash and cash equivalents		9,988,275	(7,548,307)
Cash and cash equivalents at the beginning of the year		(7,693,706)	(146,358)
Exchange (losses) / gains on cash and cash equivalents		(6,705)	959
Cash and cash equivalents at the end of the year	42	2,287,864	(7,693,706)

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

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2014

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL	REVENUE		SPECIAL RESERVE note 16.1	FAIR VALUE RESERVE	
		Exchange equalisation reserve	General reserve	Accumulated loss			
	(Rupees in thousand)						
Balance as at July 1, 2012 as previously reported	350,000	897	1,050	(2,585,357)	-	1,265	(2,232,145)
Effect of change in accounting policy with respect to accounting for recognition of remeasurements on defined benefit plan - note 3	-	-	-	(134,985)	-	-	(134,985)
Balance as at July 1, 2012 as restated	350,000	897	1,050	(2,720,342)	-	1,265	(2,367,130)
Profit for the year ended June 30, 2013	-	-	-	496,018	-	-	496,018
Other comprehensive income for the year ended June 30, 2013	-	-	-	(118,000)	-	5,880	(112,120)
Total recognised income for the year ended June 30, 2013	-	-	-	378,018	-	5,880	383,898
Transfer to special reserve	-	-	-	(396,018)	396,018	-	-
Balance as at June 30, 2013 as restated	350,000	897	1,050	(2,738,342)	396,018	7,145	(1,983,232)
Final dividend for the Year ended June 30, 2013 @ Rs. 2.85 per share	-	-	-	(99,750)	-	-	(99,750)
Loss for the year ended June 30, 2014	-	-	-	(863,913)	-	-	(863,913)
Other comprehensive income for the year ended June 30, 2014	-	-	-	217,543	-	161	217,704
Total recognised loss for the year ended June 30, 2014	-	-	-	(646,370)	-	161	(646,209)
Balance as at June 30, 2014	350,000	897	1,050	(3,484,462)	396,018	7,306	(2,729,191)

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

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 3.

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 2.2 of these financial statements.

As at June 30, 2014 the Company has accumulated losses of Rs. 3.48 billion (2013 (restated): Rs. 2.74 billion) and its current liabilities exceed its current assets by Rs. 6.90 billion (2013: Rs. 3.74 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. However, the Company has plans to invest in projects, including isomerisation project (the Project), which will improve the profitability of the Company after commencement of operations. Work on the Isomerisation project has already commenced and it is expected that the project will be commissioned by first quarter of 2015-16. The Company, subsequent to the year-end, has entered into an agreement to obtain Syndicated Long Term Loan of Rs. 2.0 billion to finance the Project. Earlier during the year ended June 30, 2014 in order to fulfill working capital and CAPEX requirements, the Company launched Taraqqi Term Finance Certificates – TFC1 and TFC2 with maturity periods of 3 and 5 years respectively. The outstanding amount as at June 30, 2014 was Rs. 2.07 billion and Rs. 0.36 billion against TFC1 and TFC2 respectively. Due to ‘put option’ on these certificates, these have been classified as part of ‘current liabilities’.

In addition, the Company has increased its running finance facility to Rs. 8.10 billion (2013: Rs. 7.7 billion) during the year. Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, these financial statements have been prepared on a going concern basis.

2.2 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 or when the indicators exist, 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.

2.3 Changes in accounting standards, interpretations and pronouncements

(a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are relevant

Amendment to IAS 19 - 'Employee benefits' has been adopted by the Company for the first time for the financial year beginning on July 1, 2013. Changes on the Company's accounting policies resulting from this have been as follows: to immediately recognise all past service costs; and to replace 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). Impacts on the financial statements due to these changes have been disclosed in note 3 of these financial statements.

(b) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are not relevant

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are amendments to existing approved accounting standards and new interpretations that are not yet effective and are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

2.4 Overall valuation policy

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

2.5 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.

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

Depreciation is charged to income by applying the straight-line method whereby the carrying amount less residual value, if not insignificant, of an asset is depreciated over its estimated remaining 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 recognised as surplus on revaluation of fixed assets. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

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

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

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

2.6 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 carrying amount less residual value, if not insignificant, of an asset is amortised over its estimated remaining 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.

2.7 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.

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

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

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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. Management exercises judgement when determining which assets are qualifying assets, taking into account the nature of the asset.

2.16 Provisions

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

2.17 Retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

2.17.1 Defined contribution plan

The Company operates a recognized provident fund for all its eligible employees. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the basic salary. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17.2 Defined benefit plans

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

The Company operates recognised Gratuity and Pension Funds for all its eligible employees. The latest actuarial valuations were carried out as at June 30, 2014 using the Projected Unit Credit Method.

The amount arising as a result of remeasurements is recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Past service costs are recognised immediately in income.

2.18 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. Foreign exchange differences arising from trading transactions are included in the results of operating activities whereas exchange differences on financing activities are included in finance cost.

2.19 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.

2.20 Revenue recognition

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

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

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

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

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

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

2.21 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.

2.22 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. CHANGES IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur, which are not later reclassified to profit and loss account.

This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effects of this change in accounting policy are summarised as follows:

	June 30, 2013	July 1, 2012
	(Rupees in thousand)	
Balance Sheet		
Increase in retirement benefit obligations	252,985	134,985
Increase in accumulated loss	252,985	134,985
Statement of Changes in Equity		
Increase in accumulated loss		
Cumulative effect from prior years		134,985
Impact for the year ended June 30, 2013	118,000	
Other Comprehensive Income		
Items that will not be reclassified to Profit and Loss Account		
Increase in remeasurement losses	118,000	

The effect of change in accounting policy on Profit and Loss Account due to adoption of IAS 19 (Revised) is not considered material and therefore not incorporated in these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

4. FIXED ASSETS

	2014	2013
	(Rupees in thousand)	
Property, plant and equipment		
Operating assets - note 4.1	4,825,632	4,195,311
Major spare parts and stand-by equipments - note 4.2	80,102	70,760
Capital work-in-progress - note 4.3	2,501,533	845,296
	7,407,267	5,111,367

4.1 Operating assets

	TANGIBLE												
	Freehold land (note 4.1.1 and note 4.1.2)	Buildings	Processing plant	Korangi tank farm	Keamari terminal	Pipelines	Steam generation plant	Power generation, transmission and distribution	Water treatment and cooling system	Equipment including furniture	Fire fighting and telecommunication systems	Vehicles and other automotive equipments	TOTAL
	(Rupees in thousand)												
Net carrying value basis													
Year ended June 30, 2014													
Opening net book value (NBV)	3,200,000	48,423	371,550	196,756	131,582	37,305	18,144	35,844	19,041	77,845	50,512	8,309	4,195,311
Additions (at cost)	-	3,232	44,021	300,601	355,017	27,384	-	439	-	13,202	2,425	-	746,321
Revaluation	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000
Disposals (at NBV)	-	-	(1,086)	-	-	-	-	(275)	-	(1,937)	-	-	(3,298)
Depreciation charge	-	(9,650)	(81,599)	(39,075)	(18,613)	(10,655)	(5,423)	(9,146)	(3,327)	(24,260)	(7,787)	(3,167)	(212,702)
Closing net book value	3,300,000	42,005	332,886	458,282	467,986	54,034	12,721	26,862	15,714	64,850	45,150	5,142	4,825,632
Gross carrying value basis													
At June 30, 2014													
Cost or revaluation	3,300,000	123,524	1,180,164	732,291	589,906	171,088	51,474	93,036	83,892	338,118	86,394	54,179	6,804,066
Accumulated depreciation	-	(81,519)	(847,278)	(274,009)	(121,920)	(117,054)	(38,753)	(66,174)	(68,178)	(273,268)	(41,244)	(49,037)	(1,978,434)
Net book value	3,300,000	42,005	332,886	458,282	467,986	54,034	12,721	26,862	15,714	64,850	45,150	5,142	4,825,632
Net carrying value basis													
Year ended June 30, 2013													
Opening net book value (NBV)	3,146,000	58,121	401,692	210,144	106,076	46,134	23,732	37,712	25,139	102,817	55,973	8,786	4,222,326
Additions (at cost)	-	-	47,730	18,954	39,002	-	-	7,135	1,005	2,284	1,937	2,741	120,788
Revaluation	54,000	-	-	-	-	-	-	-	-	-	-	-	54,000
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(1,681)	-	-	(1,681)
Depreciation charge	-	(9,698)	(77,872)	(32,342)	(13,496)	(8,829)	(5,588)	(9,003)	(7,103)	(25,575)	(7,398)	(3,218)	(200,122)
Closing net book value	3,200,000	48,423	371,550	196,756	131,582	37,305	18,144	35,844	19,041	77,845	50,512	8,309	4,195,311
Gross carrying value basis													
At June 30, 2013													
Cost or revaluation	3,200,000	120,292	1,149,643	431,690	234,889	143,704	51,474	94,334	83,892	365,845	83,969	54,179	6,013,911
Accumulated depreciation	-	(71,869)	(778,093)	(234,934)	(103,307)	(106,399)	(33,330)	(58,490)	(64,851)	(288,000)	(33,457)	(45,870)	(1,818,600)
Net book value	3,200,000	48,423	371,550	196,756	131,582	37,305	18,144	35,844	19,041	77,845	50,512	8,309	4,195,311
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, 2014 the land measuring 200 acres located at Naclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi, where the Refinery is situated, was revalued resulting in a net surplus of Rs. 100 million. The revaluation was carried out by an independent valuer on February 21, 2014 on the basis of present market value keeping in view that the land is freehold and to be used for oil refinery by the Company.

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

4.1.3 During the year, the Company has capitalised borrowing costs amounting to Rs. 14.63 million (June 30, 2013: Rs. Nil) on its operating assets. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 10.70% per annum.

4.1.4 Details of disposals of operating assets are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Net book value exceeding Rs 50,000 each:						
Equipment including furniture- Combined nitrogen generator	684	347	337			
Equipment including furniture - FTIR Spectrometer	1,657	1,036	621			
Equipment including furniture - Gas chromatrograph	1,597	1,171	426	24	Tender	Rashid Ghulam Nabi, Karachi
Items sold with the same tender having individual book values less than Rs 50,000						
Equipment including furniture	753	726	27			
	4,691	3,280	1,411			
Equipment including furniture - UPS	741	562	179			
Power generation transmission and distribution - UPS	1,737	1,462	275	255	Tender	Abdul Hamid, Karchi
Items sold with the same tender having individual book values less than Rs 50,000						
Equipment including furniture	3,156	3,101	55			
	5,634	5,125	509			
Processing plant-Accessories for DCS	3,250	2,248	1,002			
Equipment including furniture - Hart Communicator and CCTV	543	276	267			
Items sold with the same tender having individual book values less than Rs 50,000				130	Tender	R.K.F Traders, Karachi
Prosessing plant	10,250	10,166	84			
Equipment including furniture	30,043	30,042	1			
	44,086	42,732	1,354			
Items having net book value not exceeding Rs 50,000 each:						
Equipment including furniture	1,755	1,731	24	148		
	56,166	52,868	3,298	557		

	2014	2013
	(Rupees in thousand)	
4.2 Major spare parts and standby equipments		
Gross carrying value		
Balance at beginning of the year	87,743	95,564
Additions during the year	10,484	2,557
Transfers made during the year	(1,099)	(10,378)
Balance at end of the year	97,128	87,743
Provision for impairment - note - 4.2.1	(17,026)	(16,983)
Net carrying value	80,102	70,760

4.2.1 During the year net charge of Rs. 42 thousand (2013: Rs. 1,049 thousand) was booked.

	2014	2013
4.3 Capital work-in-progress		
Buildings	8,179	4,026
Processing plant - note 4.3.1	2,215,906	269,906
Korangi tank farm	138,917	118,959
Keamari terminal	15,922	184,897
Pipelines	7,291	29,541
Fire fighting and telecommunication systems	1,623	-
Water treatment and cooling systems	2,476	-
Equipments	9,307	7,588
Advances to contractors / suppliers	101,912	230,379
	2,501,533	845,296

4.3.1 This includes Rs. 1.22 billion (June 30, 2013: Rs. 172.5 million) in respect of Isomerisation Project and Rs. 647.3 million (June 30, 2013: Rs. 20.2 million) in respect of two gas compressors.

4.3.2 During the year, the Company has capitalised borrowing costs amounting to Rs. 68.22 million (June 30, 2013: Rs. Nil) on capital work-in-progress. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 10.70% per annum.

	2014	2013
	(Rupees in thousand)	

5. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2014	2013
Net carrying value basis		
Opening net book value (NBV)	-	-
Disposals during the year (NBV)	-	-
Amortisation charge	-	-
Closing net book value	-	-
Gross carrying value basis		
Cost as at the beginning of the year	33,834	33,834
Disposal during the year	(22,056)	-
Cost as at June 30	11,778	33,834
Accumulated amortisation	(11,778)	(33,834)
Net book value	-	-

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

6. INVESTMENT IN ASSOCIATE

	2014	2013
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2013: 850,401) fully paid ordinary shares - note 6.1	89,757	85,455

6.1 The company holds 27.26% (2013: 27.26%) share in the investee.

	2014	2013
Opening balance	85,455	77,834
Share of income for the year	13,438	8,232
Change in fair value of available for sale investments	218	7,893
Dividend received	(9,354)	(8,504)
	89,757	85,455

6.2 Summarised results of the Company's associate (2014: unaudited) are as follows:

	2014	2013
Total assets	363,647	351,445
Total liabilities	34,385	33,803
Revenue	271,246	300,180
Profit after tax	49,516	29,979

	2014	2013
	(Rupees in thousand)	
7. LONG-TERM LOANS AND ADVANCES – secured and considered good		
To executives	842	1,786
To other employees	5,805	5,486
	6,647	7,272
Recoverable within one year – note 11		
Executives	(832)	(1,082)
Other employees	(3,149)	(3,560)
	(3,981)	(4,642)
	2,666	2,630
Reconciliation of carrying amount of loans to executives:		
Opening balance	1,786	3,906
Disbursements	-	1,350
Recoveries and amortisation	(944)	(3,470)
	842	1,786

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

	2014	2013
	(Rupees in thousand)	
8. STORES, SPARES AND CHEMICALS		
Stores	179,494	148,381
Spares	51,471	40,881
Chemicals	53,886	28,772
	284,851	218,034
Provision for slow moving stores, spares and chemicals	(25,225)	(25,660)
	259,626	192,374

8.1 During the year net reversal of provision amounting to Rs. 435 thousand (2013: Net charge of Rs. 72 thousand) has been recognised.

	2014	2013
	(Rupees in thousand)	
9. STOCK-IN-TRADE		
Raw material		
Crude oil [including in transit Rs. 230.38 million (2013: Rs. 218.39 million)]	7,639,274	8,724,427
Finished products	2,034,199	2,254,109
	9,673,473	10,978,536

9.1 As at June 30, 2014 stock of crude oil has been written down by Rs. 363.04 million (2013: Nil) and finished products by Rs. 20.63 million (2013:Nil) to arrive at their net realisable values.

9.2 Includes stocks held with the following third parties for onward sales to customers:

	2014	2013
Related parties		
- Pakistan State Oil Company Limited	13,701	19,757
- Chevron Pakistan Limited	84,608	70,315
	98,309	90,072

10. TRADE DEBTS – considered good

	2014	2013
Due from related parties – note 10.1	6,910,900	9,723,422
Others	1,676,712	1,080,404
	8,587,612	10,803,826

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.

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

	2014	2013
Up to 3 months	122,373	285,869
3 to 6 months	15	71
More than 6 months	138,287	138,739

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

	2014	2013
Up to 3 months	32	276,834
3 to 6 months	15	-
More than 6 months	3,563	3,673

	2014	2013
	(Rupees in thousand)	
11. LOANS AND ADVANCES – considered good		
Loans and advances recoverable within one year – note 7		
Executives	832	1,082
Other employees	3,149	3,560
	3,981	4,642
Advances for supplies and services	27,761	43,242
	31,742	47,884
12. TRADE DEPOSITS AND SHORT–TERM PREPAYMENTS		
Trade deposits	6,213	746
Short-term prepayments	7,407	7,324
	13,620	8,070
13. OTHER RECEIVABLES		
Receivable from refineries - note 13.1	52,323	5,466
Workers' profits participation fund - note 13.2	-	33,534
Others	8,899	6,998
	61,222	45,998

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.

	2014	2013
13.2 WORKERS' PROFITS PARTICIPATION FUND		
Balance at the beginning of year	33,534	-
Allocation for the year - note 30	-	(66,466)
	33,534	(66,466)
Amount (received) / paid	(33,534)	100,000
Balance at the end of year	-	33,534

		2014	2013
		(Rupees in thousand)	

14. CASH AND BANK BALANCES

	2014	2013
With banks on		
- current accounts	60,786	4,316
- savings accounts [including foreign currency account Rs. 195.08 million (2013: Rs. 42.25 million)]	2,226,463	80,115
Cash and cheques in hand	615	658
	2,287,864	85,089

14.1 The effective rates of mark-up on savings accounts and term deposits placed during the year ranged from 6% to 9.25% per annum (2013: 6% to 9.3% per annum).

15. SHARE CAPITAL

Authorised

		2014	2013
40,000,000	'A' ordinary shares of Rs. 10 each	400,000	400,000
60,000,000	'B' ordinary shares of Rs. 10 each	600,000	600,000
		1,000,000	1,000,000

Issued, subscribed and paid-up Ordinary shares of Rs. 10 each

		2014	2013
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, 2014 associated undertakings held 21,000,000 (2013: 21,000,000) 'B' ordinary shares of Rs. 10 each.

	2014	2013
	(Rupees in thousand)	
16. RESERVES		
Capital reserve - Exchange equalisation reserve	897	897
Revenue reserve - General reserve	1,050	1,050
Special reserve - note 16.1	396,018	396,018
	397,965	397,965

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 was 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.

On March 27, 2013 Government of Pakistan issued a policy framework for up-gradation and expansion of refinery projects which interalia states that:

- till completion of the projects, refineries will not be allowed to offset losses, if any, for year ending June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula; and

- the amount of profits above 50% will be accumulated in the Special Reserve account as per the pricing formula (including unutilised balance), which shall along with amounts presently available with refineries be deposited on half yearly basis (with final adjustment on annual basis) in an ESCROW Account to be operated jointly with Finance Division and shall be available for utilisation exclusively for up-gradation of refineries.

Based on the above the Company has not transferred loss amounting to Rs. 863.91 million for the year ended June 30, 2014 on its operations to special reserve and is in discussions with Ministry of Petroleum about the opening of ESCROW Account.

	2014	2013
	(Rupees in thousand)	
17. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation	169,517	123,278
- investment in associate accounted for using equity method	23,334	21,571
	192,851	144,849
Debit balances arising in respect of unabsorbed depreciation	(169,517)	(123,278)
	23,334	21,571

17.1 Deferred tax debit balances of Rs. 3.64 billion (2013: Rs. 3.47 billion) in respect of unabsorbed depreciation, tax losses, tax credits and deductible temporary differences have not been recognised as their recoverability is not expected.

18. RETIREMENT BENEFITS

18.1.1 The Company operates recognised funded gratuity and pension schemes (the Schemes) for its eligible management and non-management employees. Actuarial valuation of these Schemes is carried out every year and the latest actuarial valuation was carried out as at June 30, 2014.

18.1.2 Assets of these scheme are held in separate trusts (the Funds), which are governed by local regulations which mainly include Trust Act, 1882; the Companies Ordinance, 1984; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Funds, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

18.1.3 The latest actuarial valuation of the Schemes as at June 30, 2014 was carried out using the Projected Unit Credit Method, details of which as per the actuarial valuation are as follows:

		Pension Schemes				Gratuity Schemes			
		Management		Non-Management		Management		Non-Management	
			(Restated)		(Restated)		(Restated)		(Restated)
		2014	2013	2014	2013	2014	2013	2014	2013
		(Rupees in thousand)							
18.1.4	Balance sheet reconciliation								
	Present value of defined benefit obligation at June 30 - note 18.1.5	655,637	774,621	77,253	59,357	97,049	108,706	28,758	19,808
	Fair value of plan assets at June 30 - note 18.1.6	(652,072)	(574,568)	(29,639)	(21,656)	(89,205)	(74,717)	(58,882)	(50,713)
	Amount not recognised as an asset	-	-	-	-	-	-	30,124	30,905
	Deficit	3,565	200,053	47,614	37,701	7,844	33,989	-	-
18.1.5	Movement in the present value of defined benefit obligation								
	Opening balance	774,621	621,250	59,357	35,491	108,706	89,821	19,808	12,836
	Benefits paid by the plan	(42,776)	(45,339)	(1,367)	(1,867)	(9,406)	(9,608)	-	(455)
	Current service cost	33,356	26,478	3,294	2,834	7,812	6,095	1,450	1,003
	Interest cost	84,572	87,360	6,635	4,920	11,936	13,668	2,243	1,761
	Remeasurement on obligation	(194,136)	84,872	9,334	17,979	(21,999)	8,730	5,257	4,663
	Closing balance	655,637	774,621	77,253	59,357	97,049	108,706	28,758	19,808
18.1.6	Movement in the fair value of plan assets								
	Opening balance	574,568	512,983	21,656	17,604	74,717	65,151	50,713	46,721
	Contributions paid into the plan	51,608	41,321	6,702	3,466	11,229	11,951	-	-
	Benefits paid by the plan	(42,776)	(45,339)	(1,367)	(1,867)	(9,406)	(9,608)	-	(455)
	Interest income	63,685	70,134	2,699	2,635	8,387	8,929	5,565	6,268
	Remeasurement of plan assets	4,987	(4,531)	(51)	(182)	4,278	(1,706)	2,604	(1,821)
	Closing balance	652,072	574,568	29,639	21,656	89,205	74,717	58,882	50,713
18.1.7	Expense recognised in profit and loss account								
	Current service cost	33,356	26,478	3,294	2,834	7,812	6,095	1,450	1,003
	Net interest cost / (income)	20,887	17,226	3,936	2,285	3,549	4,739	(3,322)	(4,507)
	Interest on the effect of asset ceiling	-	-	-	-	-	-	3,400	3,504
	Expense recognised in profit and loss account	54,243	43,704	7,230	5,119	11,361	10,834	1,528	-

		Pension Schemes				Gratuity Schemes			
		Management		Non-Management		Management		Non-Management	
			(Restated)		(Restated)		(Restated)		(Restated)
		2014	2013	2014	2013	2014	2013	2014	2013
		(Rupees in thousand)							
18.1.8	Remeasurement recognised in Other Comprehensive Income								
	Remeasurement of present value of defined benefit obligation	(194,136)	84,872	9,334	17,979	(21,999)	8,730	5,257	4,663
	Remeasurement of fair value of plan assets	(4,987)	4,531	51	182	(4,278)	1,706	(2,604)	1,821
	Change in effect of asset ceiling - excluding interest amount	-	-	-	-	-	-	(4,181)	(6,484)
	Remeasurements	(199,123)	89,403	9,385	18,161	(26,277)	10,436	(1,528)	-
18.1.9	Net recognised liability								
	Net liability at the beginning of the year	200,053	108,267	37,701	17,887	33,989	24,670	-	-
	Expense recognised in profit and loss account	54,243	43,704	7,230	5,119	11,361	10,834	1,528	-
	Contribution made to the fund during the year	(51,608)	(41,321)	(6,702)	(3,466)	(11,229)	(11,951)	-	-
	Remeasurements recognised in other comprehensive income	(199,123)	89,403	9,385	18,161	(26,277)	10,436	(1,528)	-
	Recognised liability as at June 30	3,565	200,053	47,614	37,701	7,844	33,989	-	-

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

		Pension Schemes				Gratuity Schemes			
		Management		Non-Management		Management		Non-Management	
		2014	2013	2014	2013	2014	2013	2014	2013
	Equity securities	0.00%	0.00%	0.00%	0.00%	0.11%	0.10%	0.05%	9.90%
	Debt securities	97.80%	97.90%	68.27%	75.70%	67.64%	84.90%	75.51%	74.70%
	Others	2.20%	2.10%	31.73%	24.30%	32.25%	15.00%	24.44%	15.40%
18.1.11	Actuarial assumptions								
	Discount rate at June 30	13.25%	11.00%	13.25%	11.00%	13.25%	11.00%	13.25%	11.00%
	Future salary increases								
	- First year following the valuation	14.00%	17.00%	6.00%	14.00%	14.00%	17.00%	6.00%	14.00%
	- Second year following the valuation	13.25%	15.00%	13.25%	13.00%	13.25%	15.00%	13.25%	13.00%
	- Third year following the valuation	13.25%	13.00%	13.25%	12.00%	13.25%	13.00%	13.25%	12.00%
	- Long term increase	13.25%	11.00%	13.25%	11.00%	13.25%	11.00%	13.25%	11.00%
	Expected retirement age	60 years	60 years	60 years	60 years	60 years	60 years	60 years	60 years
	Pension increase rate								
	- First year following the valuation	5.00%	3.00%	5.00%	3.00%				
	- Long term pension increase rate	3.00%	3.00%	3.00%	3.00%				

18.1.12 Mortality was assumed to be SLIC (2001-05) table.

The Company ensures that the investment positions are managed under Liability Driven Investment Approach that has been developed to achieve long term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the objective is to match assets to the retirement benefit obligations by investing in long-term securities with maturities that match the benefit payments as they fall due. The retirement benefit funds have appointed a third party advisor who monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risk from previous periods. The Company does not use derivatives to manage its risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of government securities and corporate bonds.

The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at balance sheet date.

The Company's contributions to gratuity and pension benefit funds in 2015 is expected to amount to Rs. 47.80 million.

18.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benifit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousand)	
Discount rate at June 30	0.5%	(820)	900
Future salary increases	0.5%	882	(836)
Future pension increases	0.5%	750	(717)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity and pension benefit liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

		2014	2013	2012	2011	2010
		(Rupees in thousand)				
18.3	Historical information					
	Management Pension Fund					
	Present value of defined benefit obligation	655,637	774,621	621,250	543,872	427,973
	Fair value of plan assets	(652,072)	(574,568)	(512,983)	(472,454)	(457,122)
	Deficit / (surplus) in the plan	3,565	200,053	108,267	71,418	(29,149)
	Experience adjustments					
	(Gain) / loss on obligation	(194,136)	84,872	12,770	87,984	(182,710)
	Gain / (loss) on plan assets	4,987	(4,531)	(23,932)	(6,433)	(6,252)
	Non Management Pension Fund					
	Present value of defined benefit obligation	77,253	59,357	35,491	23,809	19,110
	Fair value of plan assets	(29,639)	(21,656)	(17,604)	(18,868)	(18,698)
	Deficit in the plan	47,614	37,701	17,887	4,941	412
	Experience adjustments					
	Loss / (gain) on obligation	9,334	17,979	(1,852)	3,143	(7,801)
	Loss on plan assets	(51)	(182)	(684)	(933)	(733)
	Management Gratuity Fund					
	Present value of defined benefit obligation	97,049	108,706	89,821	76,211	61,659
	Fair value of plan assets	(89,205)	(74,717)	(65,151)	(51,245)	(53,898)
	Deficit in the plan	7,844	33,989	24,670	24,966	7,761
	Experience Adjustments					
	(Gain) / loss on obligation	(21,999)	8,730	1,845	12,032	2,584
	Gain / (loss) on plan assets	4,278	(1,706)	(429)	(1,695)	(5,190)
	Non-Management Gratuity Fund					
	Present value of defined benefit obligation	28,758	19,808	12,836	11,844	9,236
	Obligation to Company	-	-	-	-	2,071
	Fair value of plan assets	(58,882)	(50,713)	(46,721)	(40,771)	(40,613)
	Surplus in the plan	(30,124)	(30,905)	(33,885)	(28,927)	(29,306)
	Experience adjustments					
	Loss / (gain) on obligation	5,257	4,663	(1,637)	1,734	436
	Gain / (loss) on plan assets	2,604	(1,821)	169	(1,896)	(4,750)

18.4 The weighted average duration of the plans are as follows:

	No. of years
Management Pension fund	9.6
Non-management Pension fund	13.5
Management Gratuity fund	7.5
Non-management Gratuity fund	10.0

18.5 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2014.

		2014	2013
		(Rupees in thousand)	
19.	**TRADE AND OTHER PAYABLES**		
	Creditors – note 19.1	16,880,897	13,865,206
	Accrued liabilities	488,979	404,439
	Advances from customers – note 19.1	64,258	34,459
	Payable to the Government – note 19.2	1,217,660	2,337,449
	Surplus price differential payable	403,317	215,381
	Retention money	10,566	8,851
	Workers' welfare fund	-	32,452
	Unclaimed dividend – note 19.3	48,507	24,445
	Tax deducted at source	41,947	592
	Payable to provident fund	240	676
	Others	-	1,890
		19,156,371	16,925,840
19.1	**Related party balances**		
	Creditors – note 19.1.1	25,968	1,898,226
	Advances from customers – note 19.1.1	29,050	21,915

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

19.2 This relates to Government of Pakistan's (Government) share in the value of local crude purchased and petroleum levy on sale of petroleum products. The balance is net of (i) Rs. 257.56 million (2013: Rs. 257.76 million) receivable from the Government in respect of price differential claims which 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; and (ii) claims regarding exchange losses on foreign currency loan arrangements - refer note 32.1.

19.3 This includes payable to Shell Petroleum Company Limited, UK - an associated company amounting to Rs. 26.93 million in respect of final cash dividend for the year ended June 30, 2013.

		2014	2013
		(Rupees in thousand)	
20.	**TERM FINANCE CERTIFICATES**		
	PRL Taraqqi TFC1 - 'TFC1'	2,065,800	-
	PRL Taraqqi TFC2 - 'TFC2'	362,790	-
		2,428,590	-

20.1 During the year, Company has issued TFC1 and TFC2 to general public and raised money thereagainst amounting to Rs. 2.24 billion and Rs. 0.54 billion respectively. The profit is payable quarterly at the fixed rate of 10.55% and 10.75% on TFC1 and TFC 2 respectively from the date of investment by the certificate holder. TFC 1 and TFC 2 are issued for a tenor of 3 years and 5 years respectively and are structured to redeem 100% of the principal amount in the 36th and 60th month respectively from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charges. Both issues are listed on Karachi Stock Exchange.

These certificates are secured by way of hypothecation of stocks and book debts and hypothecation of fixed assets located in Karachi (excluding any immovable properties).

Pak Oman Investment Company Limited has been appointed as Trustee in respect of these certificates.

	2014	2013
	(Rupees in thousand)	
21. SHORT-TERM BORROWINGS - Secured		
Short-term finance	-	1,825,990
Foreign currency loan - note 21.1	5,996,984	-
	5,996,984	1,825,990

21.1 This represent short term foreign currency loan from Bank Alfalah Limited at a mark-up rate of three months LIBOR+5% per annum repayable by July 18, 2014.

22. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

As at June 30, 2014 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.1 billion (2013: Rs. 7.7 billion).

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

The rates of mark-up range between 10.92% to 13.33% per annum as at June 30, 2014 (2013: 10.54% to 12.88% per annum). Purchase prices are payable on demand.

22.1 Unutilised credit facilities

Facilities for opening letters of credit and guarantees as at June 30, 2014 accumulated to Rs. 38.80 billion (2013: Rs. 36.70 billion) of which the amount remaining unutilised at year end was Rs. 19.58 billion (2013: Rs. 30.43 billion).

	2014	2013
	(Rupees in thousand)	
23. ACCRUED MARK-UP		
Running finance under mark-up arrangements	7,889	39,136
Mark-up on term finance certificates	17,695	-
Mark-up on foreign currency loan	87,683	-
	113,267	39,136
24. PAYABLE TO GOVERNMENT - SALES TAX		
Payable to Government	747,164	1,446,411
Refundable from Government - note 24.1	(254,579)	(294,621)
	492,585	1,151,790

24.1 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.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 4.33 billion (June 30, 2013: Rs. 3.82 billion). These include Rs. 3.71 billion (June 30, 2013: Rs. 3.50 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 6.89 billion (June 30, 2013: Rs. 6.86 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

b) Bank guarantees of Rs. 193 million (2013: Rs. 193 million) were issued in favour of third parties.

25.2 Commitments

a) As at June 30, 2014 commitments outstanding for capital expenditure amounted to Rs. 2.71 billion (2013: Rs. 1.11 billion).

b) Commitments for rentals under ijarah arrangements amounted to Rs. 39.02 million (2013: Rs. 44.23 million) payable as follows:

	2014	2013
	(Rupees in thousand)	
Not later than 1 year	12,341	13,363
Later than 1 year but not later than 5 years	26,680	30,863
	39,021	44,226

	2014	2013
	(Rupees in thousand)	
26. NET SALES		
Local sales - note 26.1 and note 26.2	154,388,339	143,395,591
Exports	17,150,088	15,911,089
Gross sales	171,538,427	159,306,680
Less:		
- Sales tax	(22,432,587)	(19,830,111)
- Excise duty and development levy	(6,522,433)	(7,146,792)
- Surplus price differential	(438,955)	(215,381)
	142,144,452	132,114,396

26.1 The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, four (2013: four) of the Company's customers contributed towards 84.20% (2013: 81.93%) of the gross revenues during the year amounting to Rs. 144.44 billion (2013: Rs. 130.51 billion) and each customer individually exceeds 10% of the gross revenues.

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

	2014	2013
	(Rupees in thousand)	
27. COST OF SALES		
Crude oil and condensate consumed - note 27.1	140,778,814	126,115,782
Salaries and wages	407,347	402,194
Retirement benefits	73,311	55,834
Fuel, power and water	529,802	404,251
Depreciation	156,476	153,383
Stores, spares and chemicals	141,594	163,610
Repairs and maintenance	112,801	104,336
Exchange loss	313,067	732,931
Rent, rates and taxes	16,541	25,539
Insurance	35,041	33,289
Security expenses	19,273	16,870
Staff transport	18,001	18,545
Consultancy	7,351	1,509
Subscriptions	7,602	7,430
Rentals under ijarah arrangements	5,949	5,196
Travelling and entertainment	4,802	3,162
Other expenses	4,715	1,540
	1,853,673	2,129,619
	142,632,487	128,245,401
Opening stock of finished products	2,254,109	4,174,160
Closing stock of finished products	(2,034,199)	(2,254,109)
	142,852,397	130,165,452

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

	2014	2013
	(Rupees in thousand)	
28. DISTRIBUTION COST		
Salaries and wages	28,524	24,727
Retirement benefits	3,861	3,789
Rent, rates and taxes	81,162	81,931
Depreciation	38,572	30,129
Insurance	8,864	9,936
Transportation and handling charges	6,359	6,331
Fuel, power and water	11,534	9,267
Repairs and maintenance	11,942	10,950
Security expenses	1,903	1,666
Staff transport	1,602	1,675
Subscriptions	2,220	1,518
Rentals under ijarah arrangements	603	603
Travelling and entertainment	301	289
Other expenses	146	78
	197,593	182,889
29. ADMINISTRATIVE EXPENSES		
Salaries and wages	101,255	100,134
Retirement benefits	14,325	16,222
Depreciation	17,654	16,610
Insurance	6,694	5,864
Staff transport	8,329	6,975
Rentals under ijarah arrangements	4,212	5,281
Communication	4,567	3,738
Legal and professional charges	12,077	9,191
Consultancy	-	56,736
Travelling and entertainment	5,435	6,958
Auditors' remuneration - note 29.1	3,888	3,974
Security expenses	5,887	2,538
Printing and stationery	2,737	3,079
Fuel, power and water	319	121
Subscriptions	1,964	1,613
Repairs and maintenance	1,671	2,814
Publicity	808	1,426
Directors' fee	3,116	2,646
Computer related and software maintenance expenses	12,963	10,484
Cleaning and janitorial services	9,379	8,246
Training expenses	2,388	4,803
Other expenses	1,254	1,442
	220,922	270,895

	2014	2013
	(Rupees in thousand)	
29.1 Auditors' remuneration		
Audit fee	1,450	1,450
Fee for:		
- limited review of half yearly financial information and other certifications	650	690
- audit of retirement benefit funds	310	200
- reports in respect of prospectus and TFC issue	575	350
- review of application system	170	680
Out of pocket expenses	733	604
	3,888	3,974

30. OTHER OPERATING EXPENSES

	2014	2013
Donations - note 30.1	1,690	1,010
Fixed assets written off	-	1,136
Loss on disposal of property, plant and equipment	2,741	-
Workers' Profits Participation Fund	-	66,466
Workers' Welfare Fund	-	25,257
	4,431	93,869

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

31. OTHER INCOME

	2014	2013
Income from financial assets		
Profit on term deposits	62,180	4,266
Profit on savings accounts	88,654	41,958
Others		
Rent of equipment and handling charges [including Rs. 41.00 million (2013: Rs 31.73 million) from related parties]	55,996	51,813
Exchange gain	78,839	68,924
Insurance commission	4,379	1,109
Interest on late payments from related party	3,787	486
Sale of scrap	38,179	13,729
Gain on disposal of property, plant and equipment	-	1,776
Liabilities no longer required written back	9,606	-
Others	6,282	2,311
	347,902	186,372

	2014	2013
	(Rupees in thousand)	
32. FINANCE COST - NET		
Mark-up on running finance under mark-up arrangements	15,364	81,846
Mark-up on short term loans	125,431	259,696
Interest on term finance certificates	131,521	-
Mark-up on foreign currency loans	242,193	-
TFCs issuance cost	77,053	-
Exchange (gain) / loss net - note 32.1	(506,343)	13,413
Bank charges	1,723	3,346
	86,942	358,301

32.1 This includes foreign exchange gain amounting to Rs. 530.34 million (2013: Rs Nil) on foreign currency loan arrangements which were obtained on the direction and facilitation of Ministry of Finance (MoF) to retire certain letters of credit for crude oil imports.

	2014	2013
	(Rupees in thousand)	
33. TAXATION		
Current - for the year	98,247	742,223
- for prior years	(92,533)	-
Deferred	1,706	(647)
	7,420	741,576
33.1 Relationship between tax expense and accounting (loss) / profit		
Accounting (loss) / Profit	(856,493)	1,237,594
Tax at the applicable tax rate of 34% (2013 : 35%)	(291,208)	433,158
Effect of:		
- non-recognition of deferred tax on tax loss and deductible temporary differences - note 17.1	254,435	(369,563)
- expenses not deductible for tax purposes	575	354
- applicability of final tax	209,929	95,503
- tax credits	(74,632)	-
- prior year tax	(92,533)	-
- applicability of minimum tax	-	582,700
- change in tax rate	854	(576)
	7,420	741,576

33.2 While finalising the income tax assessments for Tax Years 2005 to 2008, the Income Tax Department amended the cost of sales apportionment and thereby increasing tax liability by Rs. 972 million which was fully provided for in relevant accounting years. The Company preferred appeals before Commissioner Inland Revenue (Appeals) (CIRA) which decided the matter in Company's favour for Tax Year 2005 against which the department filed an appeal before Appellate Tribunal Inland Revenue (ATIR), whereas appeals for Tax Years 2006, 2007 and 2008 were decided in favour of the Department by CIRA against which the Company filed appeals before ATIR. During the year, all four appeals were decided in favour of the department by ATIR. The Company has now filed appeals with the Sindh High Court against the said decisions of ATIR which are pending adjudication.

34. (LOSS) / EARNINGS PER SHARE

	2014	2013
	(Rupees in thousand)	
(Loss) / Profit after taxation attributable to ordinary shareholders	(863,913)	496,018
Weighted average number of ordinary shares outstanding during the year (in thousand)	35,000	35,000
Basic (loss) / earnings per share	(Rs 24.68)	Rs 14.17

There were no dilutive potential ordinary shares in issue as at June 30, 2014 and 2013.

35. 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:

	2014			2013		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	1,880	-	-	1,410	-	-
Managerial remuneration	-	12,529	150,440	-	10,304	115,893
Bonus	-	1,378	31,759	-	2,720	35,535
Honorarium	1,200	-	-	1,200	-	-
Retirement benefits	-	-	44,315	-	-	35,567
Housing	-	-	53,329	-	-	42,283
Utilities	-	-	11,851	-	-	9,396
Leave passage	-	-	19,607	-	-	11,236
Club expenses	-	-	791	-	-	835
Others	36	92	44,333	36	37	33,189
	36	92	129,911	36	37	96,939
	3,116	13,999	356,425	2,646	13,061	283,934
Number of persons	15*	1	114	10	1	99

* As at June 30, 2014, total number of Directors were 10.

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

		2014	2013
		(Rupees in thousand)	

36. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2014	2013
(a) Associated companies	Sale of goods - net	118,699,445	106,484,553
	Services rendered	41,676	31,727
	Purchase of goods	8,067,023	24,036,393
	Mark-up paid	5,505	2,468
	Interest received	3,912	486
	Dividend declared	59,874	-
	Dividend received	9,354	8,504
	Bank charges	146	340
(b) Key management personnel compensation	Salaries and other short-term employee benefits	87,778	74,083
	Post-employment benefits	9,447	8,226

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, 2014 is included in trade debts, other receivables, trade and other payables and accrued mark-up. Transactions, status and information relating to staff retirement funds are disclosed in note 18 and note 37.

37. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund as at June 30, 2014 and June 30, 2013:

	2014	2013
	(Rupees in thousand)	
Size of the fund - Total assets	318,998	295,222
Fair value of investments	310,156	285,740
Percentage of investments made	97%	97%

37.1 The cost of above investments amounted to Rs. 286.62 million (2013: Rs. 269.92 million).

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

	2014	2013	2014	2013
	(Percentage)		(Rupees in thousand)	
Government securities	52%	55%	159,604	158,310
Debt securities	27%	29%	84,695	82,023
Equity securities	15%	8%	47,111	23,585
Bank deposits	6%	8%	18,746	21,822

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

37.4 During the year, Company recognised Rs.17.14 million (2013: Rs 16.19 million) as contribution for employees' provident fund.

	2014	2013
38. NUMBER OF EMPLOYEES		
Number of employees including contractual employees at the end of year	273	275
Average number of employees including contractual employees during the year	271	280

39. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,651,055 metric tons (2013: 1,581,848 metric tons). The Company operated the plant considering the level which gives optimal yield of products.

40. FINANCIAL INSTRUMENTS

40.1 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		941	10	951	3,041	2,655	5,696	6,647
Trade deposits		-	-	-	6,213	51,543	57,756	57,756
Trade debts		-	-	-	8,587,612	-	8,587,612	8,587,612
Other receivables		-	-	-	61,222	-	61,222	61,222
Cash and bank balances		2,226,463	-	2,226,463	61,401	-	61,401	2,287,864
	2014	2,227,404	10	2,227,414	8,719,489	54,198	8,773,687	11,001,101
	2013	82,320	1,069	83,389	10,824,447	52,957	10,877,404	10,960,793
FINANCIAL LIABILITIES								
Trade and other payables		-	-	-	18,083,619	-	18,083,619	18,083,619
Accrued mark-up		-	-	-	113,267	-	113,267	113,267
Term Finance Certificates		2,428,590	-	2,428,590	-	-	-	2,428,590
Short term loan		5,996,984	-	5,996,984	-	-	-	5,996,984
	2014	8,425,574	-	8,425,574	18,196,886	-	18,196,886	26,622,460
	2013	7,792,348	-	7,792,348	15,905,706	-	15,905,706	23,698,054

40.2 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. Further, it has issued Term Finance Certificates to meet its working capital and capital expenditure requirements.

(i) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets that are subject to credit risk amounted to Rs. 11 billion (2013: Rs 10.96 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:

	2014	2013
	(Rupees in thousand)	
Loans to employees	6,647	7,272
Deposits	57,756	52,142
Trade debts	8,326,937	10,382,828
Other receivables	61,222	12,464
Cash and bank balances	2,287,864	85,089
	10,740,426	10,539,795

(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. 1.59 billion (2013: Rs 0.87 billion) and financial liabilities include Rs. 20 billion (2013: Rs. 9.45 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, 2014, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss (2013: profit) after taxation for the year would have been higher / lower by Rs. 921.11 million (2013: lower / higher by Rs. 428.62 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and receivables.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow interest rate risk on its running finance arrangements which is repriced at a maximum period of 90 days and on its foreign currency loans which are repriced at a maximum period of 60 days.

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 (2013: profit) after taxation for the year would have been higher / lower by Rs. 68.26 million (2013: lower / higher by Rs. 38.45 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.

	2014	2013
	(Rupees in thousand)	

41. CASH GENERATED FROM / (USED IN) OPERATIONS

	2014	2013
(Loss) / Profit before taxation	(856,493)	1,237,594
Adjustments for non-cash charges and other items		
Depreciation and amortisation	212,702	200,122
Share of income of associate	(13,438)	(8,232)
Loss / (Gain) on disposal of property, plant and equipment	2,741	(1,776)
Fixed assets written off	-	1,136
Profit on deposits	(150,834)	(46,224)
Mark-up expense	514,509	341,542
TFCs issuance cost	77,053	-
Exchange gain on foreign currency loans	(530,335)	-
Exchange losses / (gains) on cash and cash equivalents	6,705	(959)
(Reversal of) / Provision for slow moving stores and spares	(392)	1,121
Provision for defined benefit retirement plans	74,362	59,657
	193,073	546,387
Working capital changes - note 41.1	5,087,107	(7,555,654)
Cash generated from / (used in) operations	4,423,687	(5,771,673)

41.1 Working capital changes

	2014	2013
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(66,817)	(14,208)
Stock-in-trade	1,305,063	(3,150,476)
Trade debts	2,216,214	9,910,355
Loans and advances	16,142	(14,987)
Trade deposits and short-term prepayments	(5,550)	43,893
Other receivables	(15,224)	382,556
	3,449,828	7,157,133
Increase / (Decrease) in current liabilities		
Trade and other payables	2,296,484	(15,203,420)
Payable to government - sales tax	(659,205)	490,633
	5,087,107	(7,555,654)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended June 30, 2014

	2014	2013
	(Rupees in thousand)	
42. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 14	2,287,864	85,089
Short term finance	-	(1,825,990)
Running finance under mark-up arrangements - note 22	-	(5,952,805)
	2,287,864	(7,693,706)

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 10, 2014 by the Board of Directors of the Company.

Farooq Rahmatullah
Chairman

Aftab Husain
Chief Executive

Form of Proxy

54th Annual General Meeting 2014

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 Fourth Annual General Meeting of the Company to be held on October 21, 2014 and at any adjournment thereof.

As witness my / our hand / seal this ____________ day of ______________ 2014.

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	
Title of Bank Account Detail	
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
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