Defining Future

ANNUAL REPORT 2018

PAKISTAN REFINERY LIMITED

Cover Story

As the future looms, PRL is steadfast to build ahead, diverse ahead and engage ahead. We are and will always be building towards a prosperous future.

Content

Vision

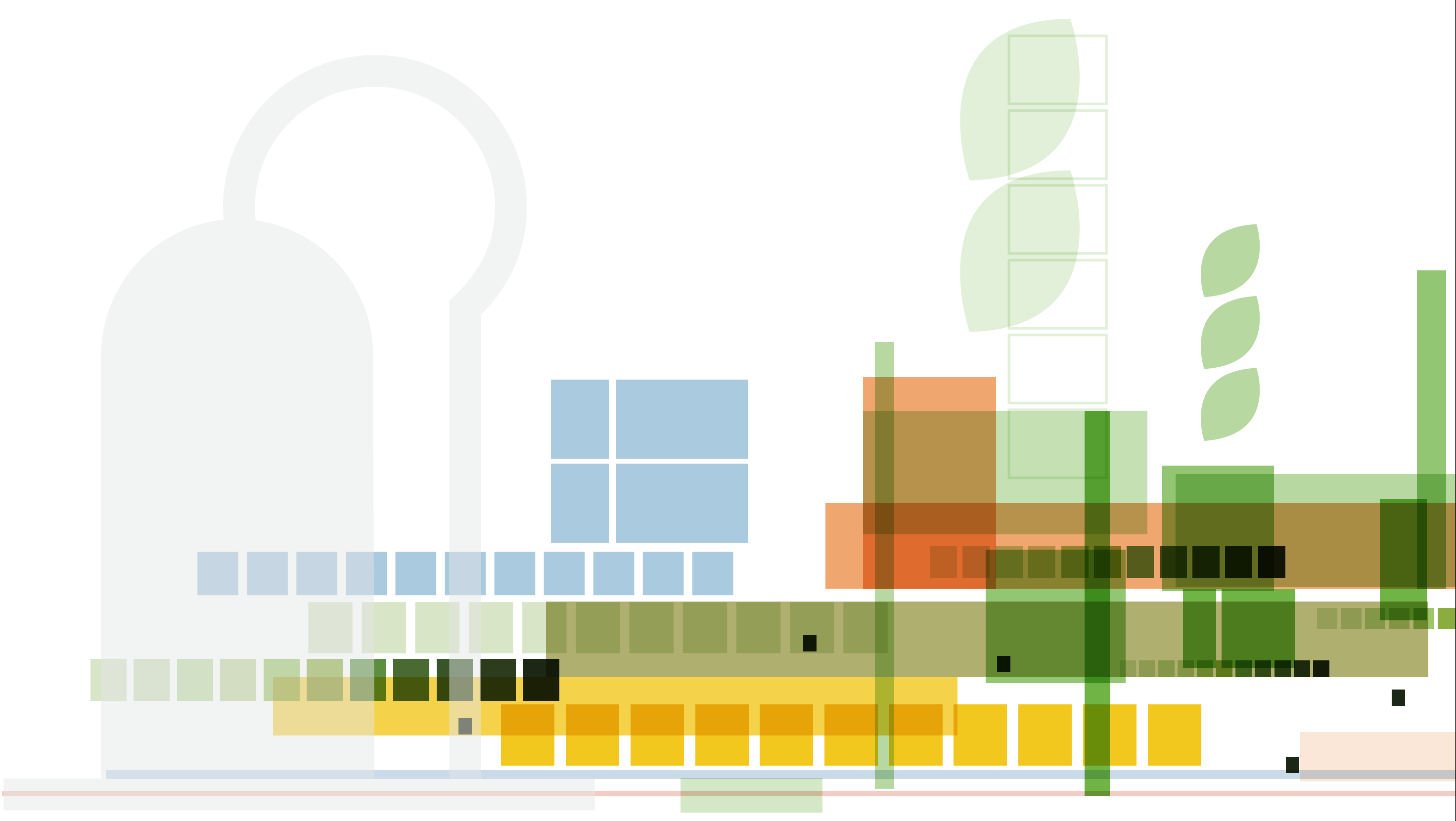
To be the Refinery of first choice for all stakeholders.

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.

Core Values

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



Responsibilities

Pakistan Refinery Limited recognises five areas of responsibility. It is the duty of management to continuously 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 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 other stakeholders 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 other stakeholders. Pakistan Refinery Limited shall continually improve the effectiveness of health, safety, environment and quality (HSEQ) 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

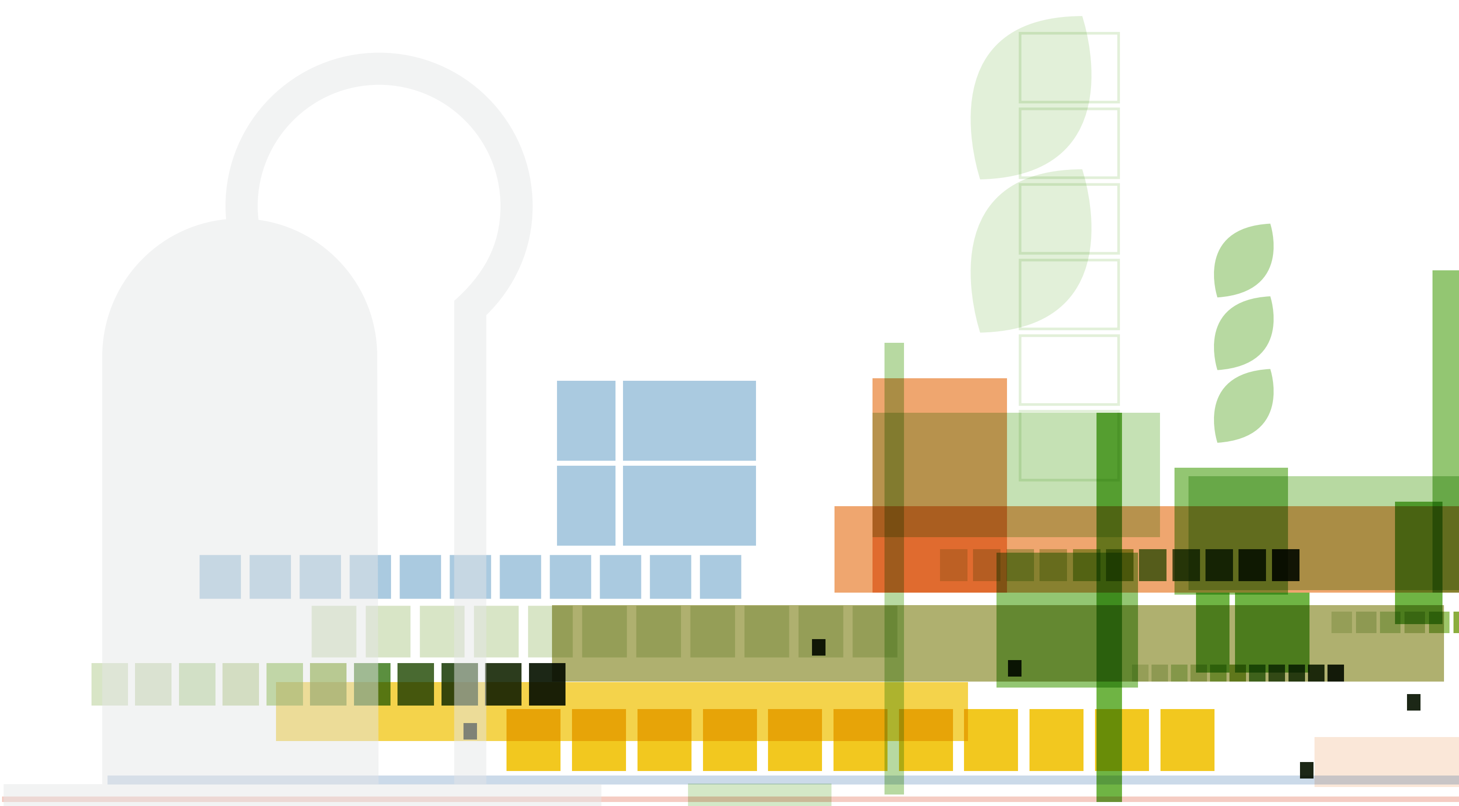
Pakistan Refinery Limited works on the principle that all hazards can be prevented through effective leadership and actively promoting a high standard of safety including process safety.

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 HSEQ 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 / her part for achievement of common goal, which is sustainable and smooth operations of the Refinery.

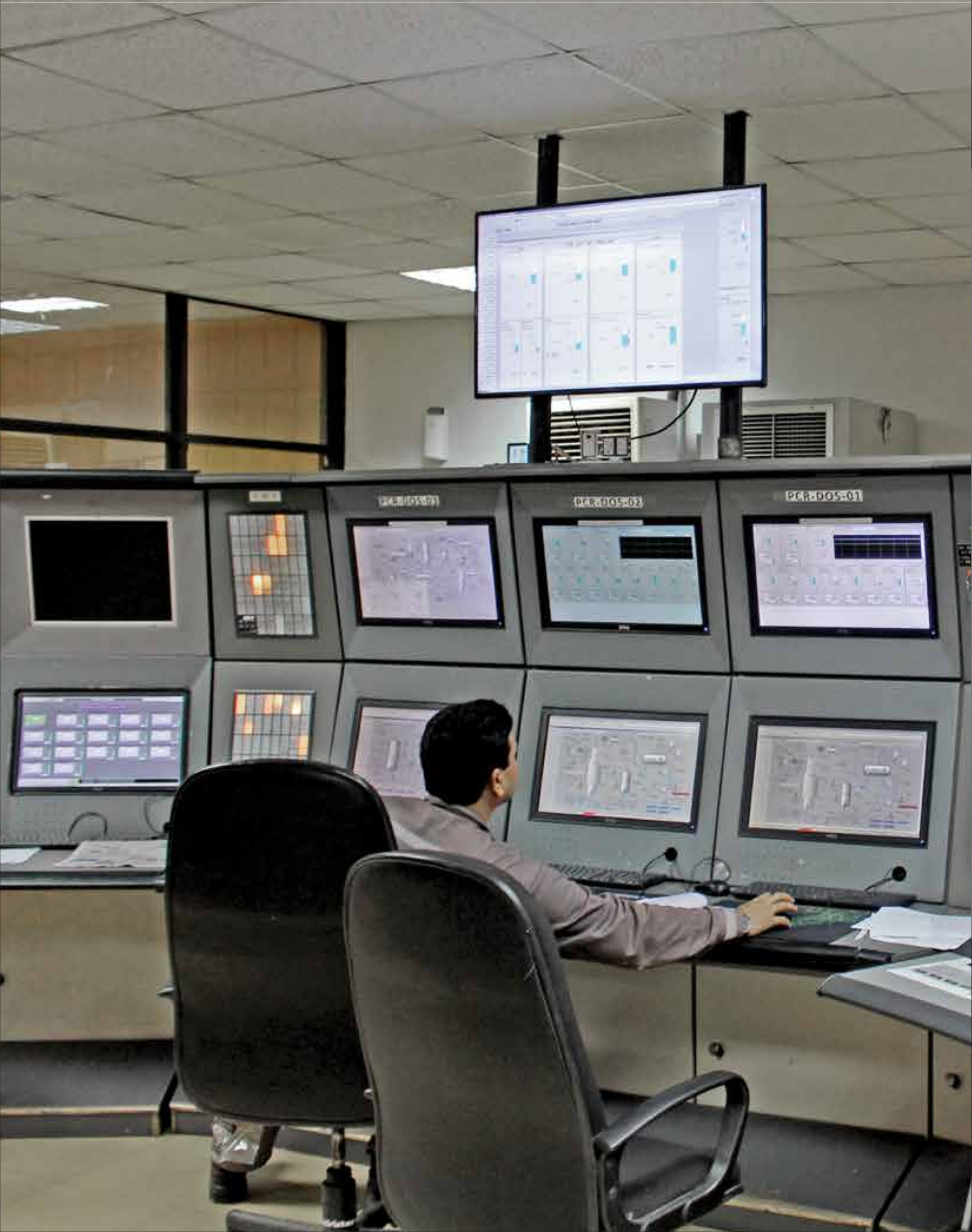
This does not mean that the individual is no longer important; however, it does mean that effective and efficient teamwork goes beyond individual accomplishments.

Excellence

Pakistan Refinery Limited is performance-driven with 288 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's 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 and processes.

Corporate Social Responsibility

Pakistan Refinery Limited assesses the implications and effects of its decisions and policies on the components of the society and ensures that their interest is not affected by its actions. Pakistan Refinery Limited takes a constructive interest in social matters, which may not be directly related to the business. Opportunities for involvement, for example through community, educational or donation programmes, will vary depending upon the scope for useful initiatives.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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 (Private) Limited.
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
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri 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

Syed Asad Ali Shah
Chairman

Syed Asad Ali Shah is a senior Chartered Accountant. He recently retired as a Partner in Deloitte Yousuf Adil, a member of Deloitte Touche Tohmatsu Limited, after completing two terms as its Managing Partner and CEO. He is currently engaged in his own professional practice, and amongst other projects, he is currently leading Sindh Capacity Development Project (SCDP) as Chairman of the Program Management Committee.

Mr. Shah was President of the Institute of Chartered Accountants of Pakistan during 2008-09, and a Board Member of the International Federation of Accountants (IFAC), the global accountancy profession organization that represents professional bodies of 122 countries and more than 2.5 million accountants. He was elected as Chairman of 26th Session of Inter Governmental Group of Experts on Accounting and Financial Reporting Standards, UNCTAD United Nations, Geneva (ISAR) in October 2009. He has represented ICAP and Pakistan in various global forums, including ISAR / UNCTAD United Nations, in the meetings of world standard setters. He has been frequently invited as speaker or chairman in national and international seminars, including seminars organized by World Bank, Asian Development Bank, OECD, IFAC and United Nations.

Mr. Shah is one of the leading professionals in the country, with more than 35 years' experience in audit, assurance, consulting and governance related advisory services. He is one of the leading trainers and a regular presenter at national and international seminars and conferences on the subjects of Corporate Governance, Internal Control, Corporate Fraud, Auditing, Accounting, Taxation, Internal Auditing and other related professional subjects. He has been regularly writing articles in professional magazines and leading newspapers on aforementioned subjects, including corporate governance, anti-fraud / anti-corruption, macro economy, federal budget and other related matters. Mr. Shah has done extensive work on Corporate Governance. He was the Chairman of the Committee which developed Rules on Corporate Governance of public sector companies, which are now part of the Company law. He also chaired Corporate Governance Group of South Asian Federation of Accountants which had developed "Best Practices for Corporate Governance in SAFA region". He has done over 40 training courses for boards of directors of banks, listed companies and public sector companies on Corporate Governance.

He is Fellow Member of the Institute of Chartered Accountants of Pakistan as well as an Associate Member of the Institute of Cost and Management Accountants of Pakistan.

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 the present Chairman of Oil Companies Advisory Council. He has been associated with different committees and working groups on oil pricing mechanism, deregulation and refinery issues with the Ministry of Energy, Government of Pakistan.

He had twice served as a member of the Managing Committee of Overseas Investors' Chamber of Commerce and Industry (OICCI) and was the Chairman of the Security, Law and Order Sub-Committee and the Co-Chairperson of Energy Sub-Committee of OICCI. He is also serving as director of Pakistan Institute of Petroleum and Pak Grease Manufacturing Company (Private) Limited and a member of Board of Trustees of Karachi Port Trust.

Abdul Jabbar Memon

Director

Mr. Memon holds a Masters Degree in Petroleum Geology from Sindh University, Jamshoro. He joined Ministry of Energy in 1992 and has over 25 years of diversified experience in down stream oil sector. His area of expertise is technical / operational issues of oil refineries including allocation / prices of local crude / condensate, installation of new oil refinery projects, etc, as well as policy matters related to down stream oil sector. Presently he holds the position of Director General (Oil) in the Petroleum Division of the Ministry of Energy.

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 (Private) Limited in 2011. In 2014, he joined Shell Pakistan Limited as the Country Finance Director.

Farooq Rahmatullah Khan

Director

Mr. Khan 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 Pak Arab Pipeline Company Limited. He retired from Shell Pakistan Limited 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 is currently serving as Chairman of the Board of Faysal Bank Limited and had also served as the Chairman of Pakistan Refinery Limited (PRL). 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.

Haroon Rashid
Director

Mr. Haroon Rashid is the Chief Executive & Managing Director of Shell Pakistan Limited (SPL). Mr. Haroon has been a Director on the Board of SPL since 2011. He is also the General Manager Lubricants for SPL. He has been with SPL since 1995 and has held several senior leadership roles in Downstream across Marketing, Consultancy and Aviation for Royal Dutch Shell before returning to Pakistan as the General Manager Supply & Distribution for the Middle East South Asia Region. Mr. Haroon is a graduate from INSEAD and The Lahore University of Management Sciences.

Mohammad Zubair
Director

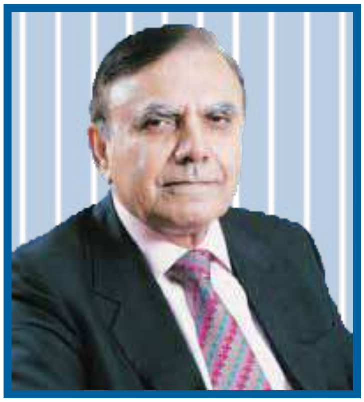
Mr. Mohammad Zubair is a leader with a proven track record in the international and domestic corporate world spreading over 40 years as Country Representative (CEO), CFO and CIA overseeing Country Management, Finance/Internal Audit, and Support Services in national and international Oil & Gas Industry. Had been associated with one of the largest Energy Companies in the World, CHEVRON (formerly known as Caltex in Pakistan) from 1977 till June 2015. In his career with Chevron, he has worked in Pakistan and several years overseas including Caltex Headquarters in Dallas – USA, Thailand & Singapore which provided an excellent opportunity to interact and work closely with highly diverse manpower and professionals around the Globe. Also performed several short-term assignments in countries like Egypt, Saudi Arabia, U.A.E, Bahrain, and Qatar. Mr. Zubair is a professional accountant beside a degree in Laws and studied senior executive education in Columbia University USA.

Represented Chevron as a board member in various Chevron Companies and Joint Ventures for a number of years in Pakistan, Egypt and Middle East Countries. Proven experience in collaborating with the Executive Board, Chairman and other members of the senior management to drive corporate change initiatives in support of business strategies.

Mr. Zubair joined Total Parco as VP Corporate Affairs and CFO in July 2015 after retirement from Chevron and remained with them till March 2018.

Muhammad Najam Shamsuddin
Director

Commencing his association with Chevron Pakistan Lubricants (Private) Limited as the Marketing Manager - Lubricants, Mr. Shamsuddin has consistently held in country and regional positions of increased significance in marketing and sales. Prior to moving in his current role, he was based in the US on a special assignment for the Africa, Middle East and Pakistan region. He was appointed as the Area Business Manager - Pakistan, in January 2014. Mr. Shamsuddin started his career in advertising, where he spent two and a half year before moving to the FMCG sector as the Assistant Brand Manager at British American Tobacco. He is a Masters in Business Administration from Institute of Business Administration, Karachi. He currently serves on the board of Pakistan Refinery Limited and Chairman of Chevron Pakistan Lubricants (Private) Limited.



Mumtaz Hasan Khan
Director

Mr. Mumtaz Hasan Khan, Chairman of Hascol Petroleum Limited has over 50 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 holding 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 bought crude and products from Middle Eastern sources and sold to major international trading companies like Shell and Elf. Under his leadership, Hascol Petroleum Limited has been granted an oil marketing license by the Government of Pakistan and now Hascol has established a retail network of around 350 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.

Syed Jehangir Ali Shah
Director

Managing Director and Member, Board of Management – Pakistan State Oil Company Limited (PSO), Mr. Jehangir Ali Shah is a seasoned veteran of the oil industry. Mr. Jehangir Ali Shah joined PSO in 1984 and had worked in various management positions however; his forte remained sales and marketing as he has led almost all marketing departments in PSO. He has also served in various senior positions such as Deputy Managing Director – Operations, PSO and was responsible for managing critical supply chain function and extensive infrastructure network of the flagship oil entity of Pakistan.

Mr. Shah holds Masters degrees from the University of Jamshoro as well as from the University of McGill, Canada.

Yacoob Suttar
Director

Mr. Yacoob Suttar is DMD Finance and CFO of Pakistan State Oil Company Limited (PSO). He is a Fellow Member of the Institute of Chartered Accountant of Pakistan (ICAP) and the Institute of Cost and Management Accountant of Pakistan with over 30 years of professional work experience.

He was the President of ICAP for the term 2014-15, the Vice President South in 2012-13 and the Council member of ICAP from 2009 to 2017. He was the Chairman of ICAP Professional Accountants In Business (PAIB) Committee for 5 years, while also serving on ICAP's Executive Committee, Examination Committee and Human Resource Committee. He was also member of PAIB Committee of International Federation of Accountants (IFAC) where he was Deputy Chairman for the year 2015 and 2016. He has recently been elected to the board of IFAC for the term 2018-20.

He commenced his career with A.F. Ferguson & Co. in 1981 where he completed his four year training. Later, he spent few years in Saudi Arabia working as Finance Controller of a large Saudi company. On his return to Pakistan, Mr. Suttar joined Engro Chemicals Pakistan Limited in 1988 and worked in various positions with them for over 17 years. Mr. Suttar moved to PSO as Executive Director (Finance & IT) in 2005. He was MD & CEO of APL, a sister concern of PSO from 2013 till February 2018. Currently he is DMD - Finance / CFO of PSO. In this role besides Finance, he is also Chairman of Procurement Committee, HSE Committee, Credit Review Board and CSR Trust in PSO.

Board Committees

Board Audit Committee (BAC)

Members:
Mohammad Zubair - Chairman Committee
Faisal Waheed
Muhammad Najam Shamsuddin
Yacoob Suttar

BAC comprises of four members, 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 Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations). The Board has determined the Terms of Reference of BAC and has provided adequate resources and authority to enable it to carry out its responsibilities effectively.

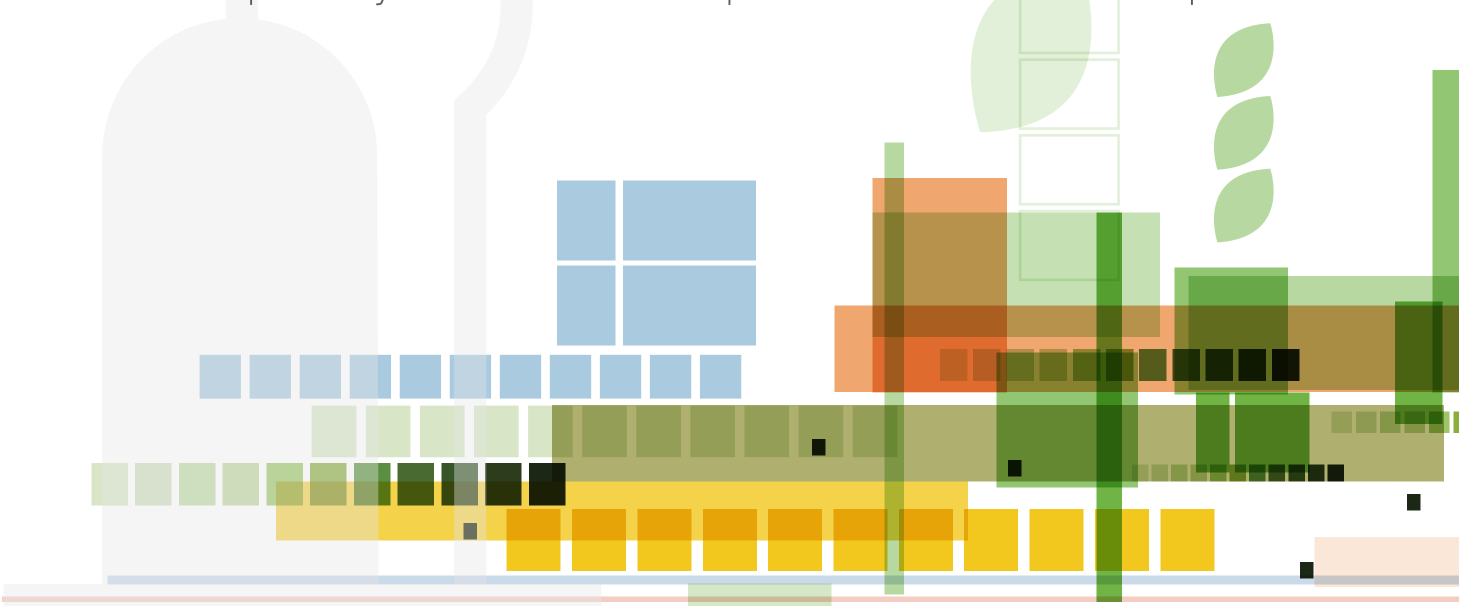
Terms of reference:
Following terms have been adopted from the Listed Companies (Code of Corporate Governance) Regulations, 2017:

a. Determination of appropriate measures to safeguard the Company's assets.

b. Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

   (i) major judgmental areas;
   (ii) significant adjustments resulting from the audit;
   (iii) going concern assumption;
   (iv) any changes in accounting policies and practices;
   (v) compliance with applicable accounting standards;
   (vi) compliance with these regulations and other statutory and regulatory requirements; and
   (vii) all related party transactions.

c. Review of preliminary announcements of results prior to external communication and 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 the Company.

g. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

h. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.

i. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.

j. Review of the Company'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 Chief Executive Officer 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 the Regulations and identification of significant violations thereof.

n. Review of arrangement for staff and management to report to BAC in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.

o. Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of BAC and where it acts otherwise it shall record the reasons thereof.

p. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Board Human Resource and Remuneration Committee (HR&RC)

Members:
Syed Asad Ali Shah - Chairman Committee
Abdul Jabbar Memon
Farooq Rahmatullah Khan
Haroon Rashid
Mumtaz Hasan Khan
Syed Jehangir Ali Shah
Aftab Husain - Managing Director and CEO

Terms of reference:
HR&RC comprises of seven members, with six members being non-executive Directors of the Company. The MD & CEO is also a member of the Committee. General Manager Human Resources is the Secretary of the Committee.

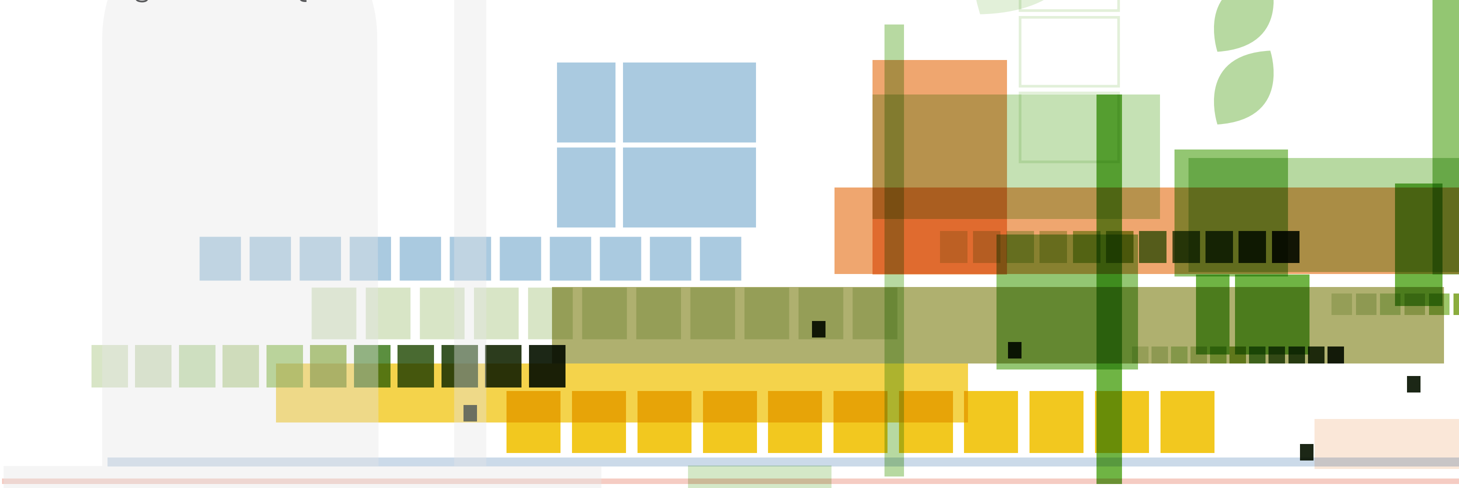
HR&RC has been delegated the role of assisting the Board of Directors in following matters:

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

Board Technical Committee

Members:
Syed Jehangir Ali Shah - Chairman Committee
Aftab Husain - Managing Director and CEO

Terms of reference:
The Board Technical Committee is responsible for removing barriers for realising the upgradation project for the Company, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Company's Technical and Project Steering Committee. This Committee also reviews and engages technical managers for HSEQ matters.



Board Strategic Committee

Members:
Syed Jehangir Ali Shah - Chairman Committee
Abdul Jabbar Memon
Faisal Waheed
Farooq Rahmatullah Khan
Haroon Rashid
Mohammad Zubair
Muhammad Najam Shamsuddin
Mumtaz Hasan Khan
Syed Asad Ali Shah
Yacoob Suttar
Aftab Husain - Managing Director and CEO

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.

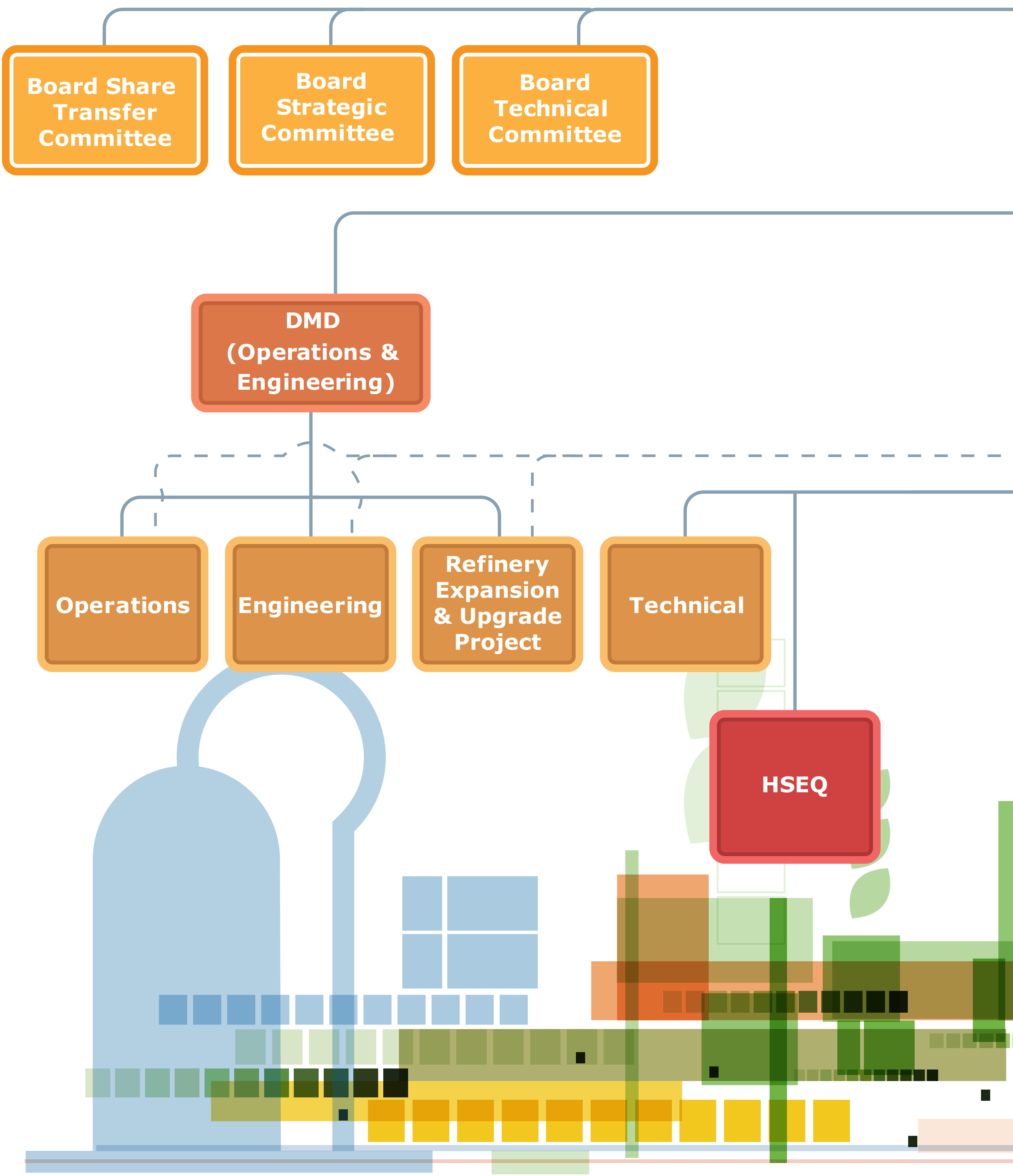
Board Share Transfer Committee

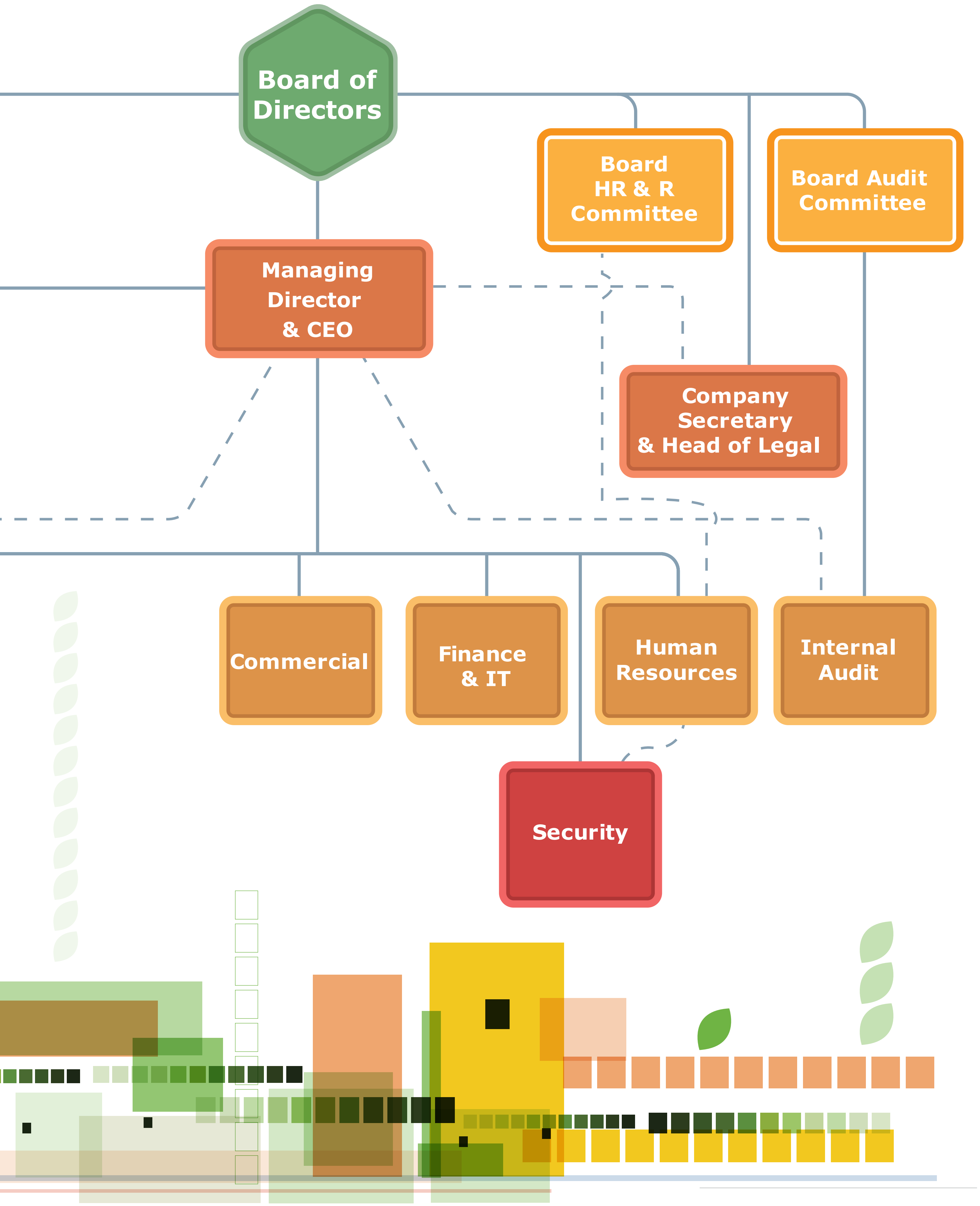
Members:
Yacoob Suttar - Chairman Committee
Aftab Husain - Managing Director and CEO

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

- approve and register transfer / transmission of shares;
- sub-divide, consolidate and issue share 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




Board of Directors
Board HR & R Committee
Board Audit Committee
Managing Director & CEO
Company Secretary & Head of Legal
Commercial
Finance & IT
Human Resources
Internal Audit
Security

Refinery Leadership Team

Aftab Husain
Managing Director & CEO

Asad Hasan
Deputy Managing Director
(Operations & Engineering)

Imran Ahmad Mirza
Chief Financial Officer

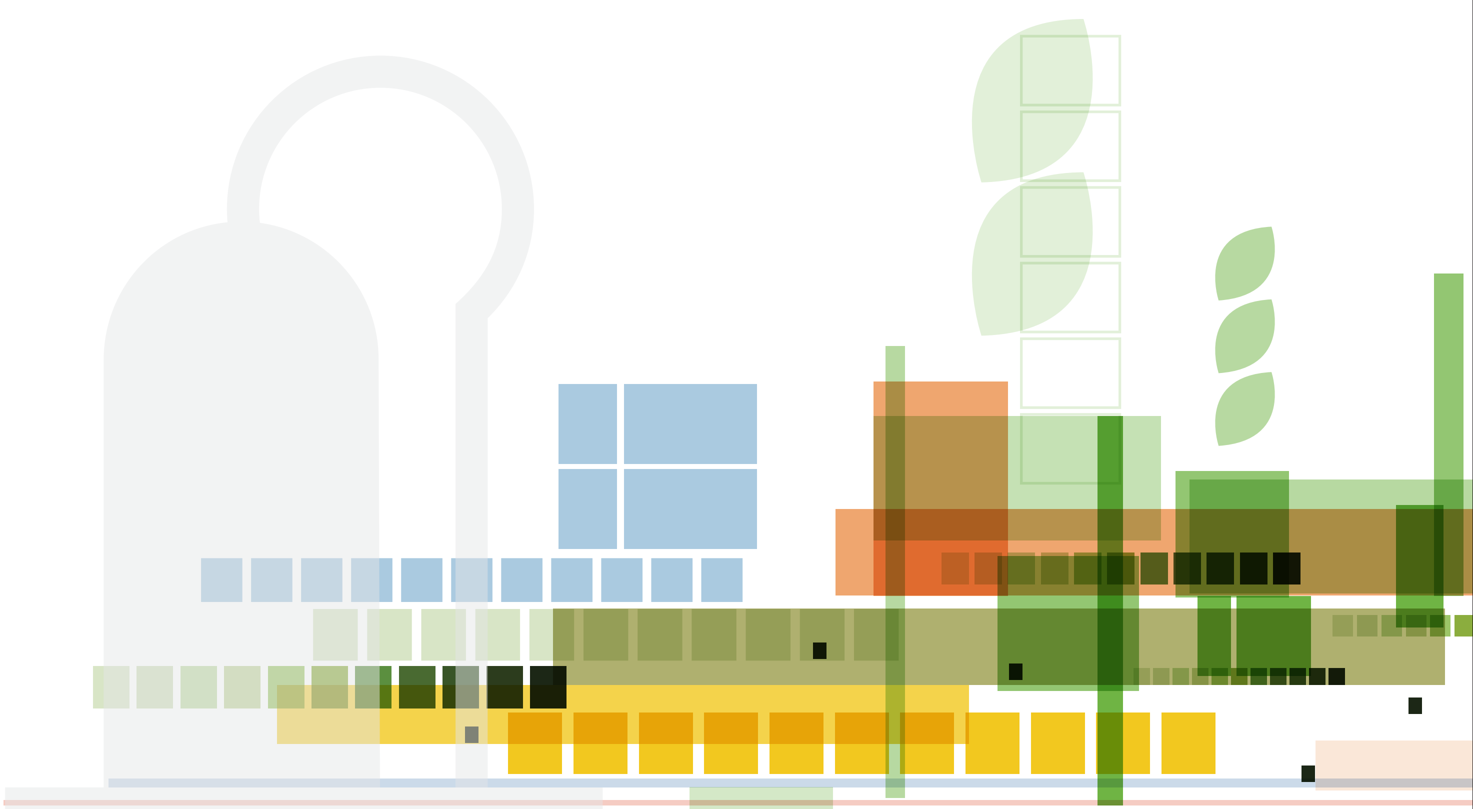
Mohammad Khalid
General Manager
Engineering

Muhammad Ali Mirza
Head-Project Process Engineering

Abdul Majid
General Manager
Operations

Najam Mahmud
General Manager
Human Resources

Shehrzad Aminullah
General Manager
Commercial



Key Management Committees

HSEQ Committee

HSEQ Committee's primary role is to evaluate Health, Safety, Environment and Quality (HSEQ) 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, oil movement & marine, engineering and support functions.

Inventory Management Committee

Inventory Management Committee is responsible for planning of operational and 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.

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

I am pleased to present the 58th Annual Report of Pakistan Refinery Limited for the year ended June 30, 2018. Since I was appointed on the board and elected as Chairman of the Company today, my review is largely based on the matters communicated to me by management and other board members.

I am pleased to highlight some significant aspects of the Company's operations during the year, and an update on the Board's work.

During the year, the Refinery posted a profit after tax of Rs. 504 million as compared to a profit after tax of Rs. 1,060 million last year and has overcome negative equity situation (excluding revaluation surplus on property, plant and equipment) which it faced since June 2010.

During the current year, the Oil and Gas Regulatory Authority (OGRA) finalised the recovery mechanism of regulatory / custom duty on "regulated products" on 'no loss no gain basis' as directed by Economic Coordination Committee (ECC) in May 2015. Considering this development and after taking independent legal opinion, the balance accumulated upto June 30, 2017 amounting to Rs. 950.7 million pertaining to "de-regulated products" has been recognised in the statement of profit or loss and other comprehensive income.

The Refinery, since March 2013 has been adversely affected to the tune of Rs. 4,869 million, including Rs. 603 million during the current year, due to the 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.

The Company continues to explore options (including possibilities for changing the product slate to a more profitable mix) to meet regulatory requirements of installation of Diesel Hydro Desulphurisation (DHDS) Unit to produce EURO II compliant HSD, for which a detailed feasibility has already been completed through renowned foreign consultant. Currently, the management and Board Strategic Committee is evaluating this feasibility study and exploring the opportunities to fund and move the project forward. Nevertheless, since the Refinery did not meet the deadline of June 30, 2017 to setup DHDS plant as per the policy framework of Government of Pakistan, it was subjected to additional adjustment on HSD price from July 2017. The Refinery lost Rs. 135 million on this account during the year.

Your Company remains committed to operational excellence with focus on safe and continuous operations, protecting environment and ensuring health and safety of its employees, customers and contractors, while maintaining the integrity of the Refinery equipment. During the year in June 2018, the Refinery successfully clocked 1.41 million man-hours without any Lost Time Injury.

Your Company has a good blend of board members who have been providing strategic guidance and oversight to the Company. During the year, the Board met five times. The Board also has established various sub-committees such as Audit Committee, Human Resource & Remuneration Committee and Strategic Committee which have been advising the Board on relevant matters affecting the Company. The details of the Board and Committee meetings are highlighted in the Directors' Report. I would like to commend the Board for ensuring the stability of the Company's financial position and smooth operations through an effective oversight, healthy engagement with Refinery Leadership Team and ensuring the highest levels of ethical, legal and risk management standards, in a very challenging environment for refining business in the country.

I believe, going forward, the Board needs to take some strategic decisions to take benefit of opportunities available in view of significant shortfall of refining capacity in the country on the upgrade project mentioned above, which as per initial indications, appear to be financially viable that could significantly improve Company's profitability besides generating significant foreign exchange savings for the country.

I would also like to thank our valued customers, suppliers, contractors, shareholders, term finance certificate holders, other stakeholders and committed employees for their dedication and hard work that resulted in smooth and safe operations of the refinery throughout the year.

Syed Asad Ali Shah
Chairman

Karachi: October 19, 2018

چیئرمین کا جائزہ

پاکستان ریفائنری لمیٹڈ کی 58 ویں سالانہ رپورٹ برائے سال ختم شدہ 30جون 2018 پیش خدمت ہے ۔ چونکہ میری تقرری بحیثیت بورڈ ممبر اور بورڈ چیئرمین آج کے دن ہوئی ہے اس لئے میرے تجزیہ کا انحصار بہت حد تک مینجمنٹ اور بورڈ ممبران کی فراہم کردہ معلومات پر ہے۔

اس سال کے دوران کمپنی کا بعد از ٹیکس منافع 504 ملین روپے رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 1,060 ملین روپے تھا اور اس حالیہ منافع کی بدولت جون 2010 سے ایکویٹی کی منفی صورتحال پر (پراپرٹی، پلانٹ اینڈ ایکوئپمنٹ کی تشخیصی مالیت پر فاضل اضافہ کے علاوہ) قابو پالیا گیا ہے ۔

مجھے خوشی ہے کہ آپ کے سامنے کمپنی کے کچھ خاص معاملات اور بورڈ کی کارکردگی سے متعلق چند گزارشات پیش کر رہا ہوں۔

امسال آئل اینڈ گیس ریگولیٹری اتھارٹی (OGRA) نے اقتصادی رابطہ کمیٹی (ECC) کی مئی 2015 میں جاری کردہ ہدایت کے مطابق "ریگولیٹڈ مصنوعات" پر ریگولیٹری/کسٹم ڈیوٹی کی ادائیگی کے نظام کو "بغیر خسارہ اور منافع" کی بنیاد پر حتمی شکل دی۔ اس پیش رفت کو مد نظر رکھتے ہوئے اور آزادانہ قانونی رائے لینے کے بعد "ڈی ریگولیٹڈ مصنوعات" کی مد میں 30 جون 2017 تک کے جمع شدہ کل 950.7 ملین روپے کو اس سال کے منافع یا خسارہ اور دیگر جامع آمدن کے کھاتے میں شامل کرلیا گیا۔

ریفائنری کو مارچ 2013 سے ہائی اسپیڈ ڈیزل (HSD) کی قیمت کے تعین کے نظام سے منفی نتائج کا سامنا ہے جس کی وجہ سے کمپنی کو اب تک کل 4,689 ملین روپے کا نقصان ہوچکا ہے جس میں موجودہ سال کے 603 ملین روپے شامل ہیں۔ اس نظام کے تحت ریفائنریز کے لئے ضروری ہے کہ وہ اصل درآمدی قیمت اور Import Parity Pricing Formula کے تحت notional ex-refinery قیمت کا فرق جمع کرائیں۔

ریفائنری کی مسلسل کاوشیں (بشمول مصنوعات کے Mix میں ممکنہ تبدیلی جس سے زیادہ منافع کمایا جاسکے) جاری ہیں تاکہ ضابطہ کی ضروریات کے تحت ڈیزل ہائیڈرو ڈی سلفرائزیشن (DHDS) یونٹ کی تنصیب کی جائے جس سے EURO II معیار کا HSD بنانا ممکن ہو گا اور اس مقصد کے حصول کے لئے ایک معروف غیر ملکی کنسلٹنٹ سے تفصیلی فزیبلٹی رپورٹ بنوائی گئی ہے۔ فی الوقت اس رپورٹ کی تکمیل کے بعد کمپنی کی انتظامیہ اور بورڈ اسٹریٹیجک کمیٹی اس فزیبلٹی رپورٹ کا تفصیلی جائزہ لے رہے ہیں تاکہ اس منصوبہ میں سرمایہ کاری کے لئے ممکنہ ذرائع تلاش کر کے پروجیکٹ کو تکمیل کے مراحل کی طرف لے جایا جاسکے۔ تاہم، چونکہ ریفائنری نے DHDS یونٹ کی تنصیب کا کام مقررہ وقت یعنی 30 جون 2017 تک مکمل نہیں کیا لہذا حکومت پاکستان کے فریم ورک کے مطابق اسے جولائی 2017 سے HSD کی قیمت پر اضافی کٹوتی کا سامنا کرنا پڑ رہا ہے۔ سال کے دوران اس مد میں ریفائنری کو 135 ملین روپے کا نقصان اٹھانا پڑا۔

آپ کی ریفائنری اپنی شاندار کاروباری روایات کو برقرار رکھتے ہوئے محفوظ اور مسلسل آپریشن، ماحولیاتی تحفظ اور اپنے ملازمین، صارفین اور ٹھیکیداروں کی صحت اور تحفظ کے ساتھ ریفائنری کے اثاثوں کی معیاری کارکردگی برقرار رکھنے کے لئے کوشاں ہے ۔ سال کے دوران جون 2018 تک کمپنی نے کسی حادثے کے بغیر 1.41 ملین گھنٹے کامیابی سے مکمل کئے۔

آپ کی کمپنی کو اچھے بورڈ ممبران کی خدمات حاصل ہیں جو کہ کمپنی کی کلیدی رہنمائی اور اس کے معاملات کی نگرانی میں کوشاں ہیں۔ اس سال بورڈ کے 5 اجلاس منعقد ہوئے۔ بورڈ نے مختلف کمیٹیاں تشکیل دی ہیں جیسے کہ آڈٹ کمیٹی، ہیومن ریسورس اور ریمونیریشن کمیٹی اور اسٹریٹیجک کمیٹی جو کہ بورڈ کو کمپنی کو درپیش معاملات پر اپنی رائے سے آگاہ کرتی رہتی ہیں۔ بورڈ اور اس کی مختلف کمیٹیوں کی تفصیلات ڈائریکٹرز رپورٹ میں درج ہیں۔ اس موقع پر میں بورڈ کے ممبران کو مبارکباد پیش کرتا ہوں کہ انہوں نے ریفائنری کو درپیش مشکل حالات میں کمپنی کے مالی حالات کو بہتر کرنے ، کمپنی کے آپریشنز کی فعال طریقہ سے سر انجام دہی کی نگرانی ، ریفائنری کی قائدانہ ٹیم کے ساتھ موثر روابط اور کمپنی کو درپیش اخلاقی ، قانونی اور دیگر خطرات سے نمٹنے کے لئے معیاری ضوابط وضع کئے۔

میری نظر میں عنقریب بورڈ کو کچھ ایسے اسٹریٹیجک اقدام اٹھانے ہوں گے جس کے تحت ملک میں ریفائنری استعداد کی موجودہ خلاء کو پر کرنے کے ساتھ ساتھ پروجیکٹ اپنے اس ابتدائی تجزیہ کی منفعت بخش صلاحیت سے نہ صرف کمپنی کی مالی معاونت کر سکے بلکہ ملک کے زرمبادلہ میں اضافہ کا باعث ہو۔

میں اس موقع پر قابل قدر صارفین، سپلائرز، ٹھیکیداروں، شیئر ہولڈرز، ٹرم فنانس سرٹیفکیٹ ہولڈرز، دیگر مستفیدان اور سال بھر ریفائنری کے بلارکاوٹ اور پر تحفظ آپریشنز پر مخلص ملازمین کی جدوجہد اور انتھک محنت پر ان سب کا شکریہ ادا کرتا ہوں۔

سید اسد علی شاہ
چیئرمین
کراچی: 19 اکتوبر 2018

Directors' Report

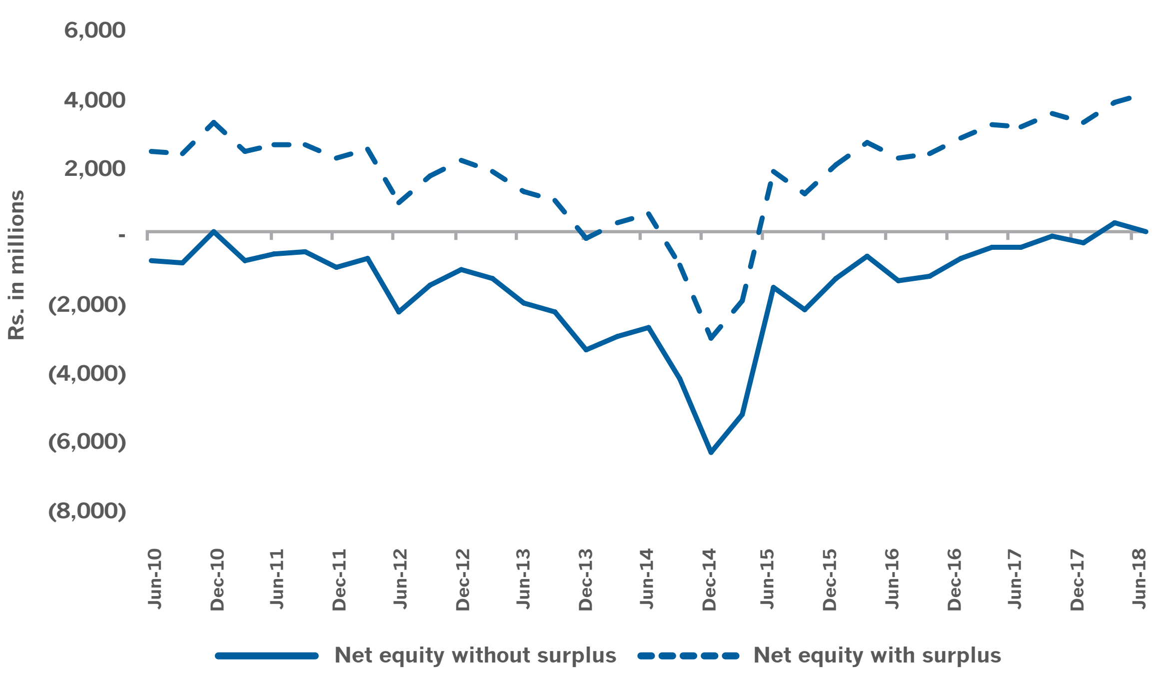
The Directors of your Company present their Annual Report together with Audited Financial Statements for the year ended June 30, 2018.

Financial Results

	2018	2017
	(Rupees in thousand)	
Profit after tax	**503,789**	1,060,278
Other comprehensive income / (loss)	**457,484**	(35,345)
Total comprehensive income	**961,273**	1,024,933
Earnings per share	**Rs.1.64**	Rs. 3.45
Appropriations:		
Transfer to Special Reserve	**403,789**	926,013

During the year, the Company posted a profit after tax of Rs. 504 million as compared to a profit after tax of Rs. 1,060 million last year and has overcome negative equity situation (excluding revaluation surplus on property, plant and equipment) which it faced since June 2010.

Net equity position



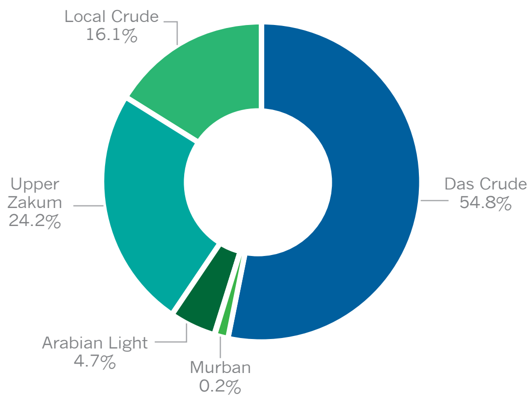
The highlights of Company's financial and operational performance during the year were as follows:

- Refining margins remained depressed during the year which put pressure on gross profitability. Analysis of average prices per metric ton of crude oil and major petroleum products is given below:

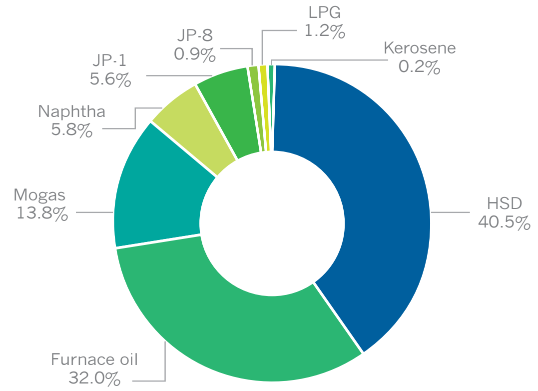
Crude	2017-18	2016-17	% increase
	Rupees per Metric Ton		
Arabian Light	50,036	37,057	35.02
DAS Crude	52,647	38,929	35.24
Upper Zakum	50,424	37,194	35.57
Local Crude	55,541	41,851	32.71

Products	2017-18	2016-17	% increase
	Rupees per Metric Ton		
High Speed Diesel	65,460	53,167	23.12
Motor Gasoline	66,549	54,553	21.98
Furnace Oil	44,215	34,444	28.36

Crude Mix **2017- 18**



Production Mix **2017-18**



- During the current year, the Oil and Gas Regulatory Authority (OGRA) finalised the recovery mechanism of regulatory / custom duty on "regulated products" on 'no loss no gain basis' as directed by the Economic Coordination Committee (ECC) in May 2015. Considering this development and after taking independent legal opinion, the balance accumulated up to June 30, 2017 amounting to Rs. 950.7 million pertaining to "de-regulated products" has been recognised in the current year's statement of profit or loss and other comprehensive income.

- Catalyst of Isomerisation Unit which was impaired last year due to contamination was replaced. However, due to this, the Isomerisation Unit could not be operated at full capacity from July to November 2017. This resulted in short production of Motor Gasoline by 22,000 Metric Tons.

- Pak Rupee further weakened against USD in June 2018 and reached the peak of Rs. 121.8 per USD during the period. As a result, the Company suffered exchange loss of Rs. 1,284 million during the year as against exchange loss of Rs. 108 million last year. It is to be noted that during the year, Pak Rupee depreciated by 16% against USD starting from Rs. 104.9 per USD in July 2017 to Rs. 121.6 per USD as at June 30, 2018. Since, the Company cannot hedge its currency risk against procurement of crude oil as per the regulations of the State Bank of Pakistan, any significant change in Rupee-Dollar parity may have a significant impact on Company's results.

- During the year, a decline in Furnace Oil demand led to build-up of Furnace Oil inventory which in turn put pressure on the Refinery operations. Therefore, in order to ensure continuous operations and to attract customers, the prices of Furnace Oil were reduced during second and third quarter of current financial year which had a negative impact on Company's profitability.

- The Company is continuously burdened by the negative effects of pricing mechanism of High Speed Diesel (HSD) under which a difference between actual import price and notional ex-refinery price of HSD is paid by the Company. During the current year, the Company suffered Rs. 603 million on this account only. This adverse pricing mechanism has to-date wiped out Rs. 4,869 million since its introduction in March 2013.

  In addition, since the Refinery did not meet the deadline of June 30, 2017 to setup Diesel Hydro Desulphurisation (DHDS) plant as per the policy framework of the Government of Pakistan, it was subjected to additional adjustment on HSD price from July 2017. The Company lost Rs. 135 million on this account during the year.

- During the year, the Company obtained term finance facilities under mark-up arrangements from Askari Bank Limited and Bank Alfalah Limited amounting to Rs. 1 billion and Rs. 2.5 billion respectively at a mark-up of 3 month KIBOR + 0.5% per annum for a tenor of 3 years. The loans have principally been taken to restructure the statement of financial position and address the matter of excess current liabilities over current assets. This helped improve Company's current ratio from 0.65:1 in June 2017 to 0.79:1 in June 2018. The related interest rate risk exposure is explained in Note 37.2(iv) of the annexed financial statements.

First time adoption of the Companies Act, 2017 for preparation of Financial Statements

During the year, Companies Act, 2017 (the Act) was adopted for the first time for the preparation of financial statements. The Act brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes include recognition criteria of revaluation surplus on property, plant and equipment, changes in nomenclature of primary statements, etc. All such changes have been duly considered in the preparation of the financial statements.

Dividend

The directors have decided a 'NIL' dividend for the year ended June 30, 2018, considering the financial challenges faced by the Company.

Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent its state of affairs, the result of its operations, cash flows and changes in equity.

- The Company has maintained proper books of accounts as required under the Companies Act, 2017.

- 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, 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 financial control is sound in design and has been effectively implemented and monitored regularly.

- There are no significant doubts upon the Company's ability to continue as a going concern.

Credit Rating

During the year, The Pakistan Credit Rating Agency (PACRA) reassessed the credit rating of the Company and maintained the 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)

We are thankful to Allah for achieving 1.41 million man-hours without any Lost Time Injury (LTI) till June 30, 2018. Credit also goes to our management for demonstrating its commitment to HSEQ management system. The improvement made in the field of Operational Health, Safety and Environment (OHS&E) have also been appreciated at the Employees Federation of Pakistan – a constituent body of International Labour Organisation and a member of International Organisation Employer, Geneva, by awarding 1st position to the Company for second consecutive year in oil, gas and energy sector in their 12th and 13th annual OHS&E award ceremony held in July 2017 and May 2018 respectively.

Compliance with Regulatory Requirements

The Company remained fully compliant to environment management plan by maintaining results of all reportable parameters within Sindh Environment Quality Standards limits. All field related tests were conducted by Sindh Environmental Protection Agency approved third party laboratories.

Compliance with Third Party Certification

The Company successfully acquired re-certification against the latest version of ISO 9001-2015, 14001-2015 & OHSAS 18001-2007 from an internationally reputable certified independent company.

Environment Day Celebrations

Environment Day was celebrated with participation of PRL staff on June 5, 2018 under the global theme “Beat Plastic Pollution” which urges us to reduce use of plastic in all our day-to-day activities in order to reduce the heavy burden of plastic pollution on our environment.

Training

As part of overall HSEQ management culture, extensive and continuous efforts are being made to enrich and raise the HSEQ standard of the Company and contractors' staff through well-structured training courses.

Every year along with other refineries and oil marketing companies, PRL actively participates in the annual oil spill response exercise called “Barracuda”. This year also the Company took part in this exercise conducted in December 2017. The objective was to rehearse procedures and implementation of national marine disaster contingency plan under the guidance of the Naval Headquarters. Stakeholders across various sectors participated in the exercise along with respective oil spill equipment and response teams.

Mock Drills

Weekly fire drills and bi-annual mock drills were executed under different fire scenarios according to the Emergency Response Plan (ERP) to check the effectiveness of emergency equipment and expertise of emergency response staff in managing such emergency situations.

Refinery Management and Operations

Commissioning of 40 Tons per Hour (TPH) Steam Boiler

The Company is continuously working towards ensuring safe operations and 24/7 plant availability. Modification in crude oil towers, replacement of two major gas compressors and installation of Emergency Shutdown System on Platformer Unit are prominent examples of such improvements. As part of these initiatives, installation of new 40 TPH 20 kg/cm^{2}g water tube boiler equipped with economiser for efficient utilization of fuel was completed during the year. The new steam boiler is also equipped with Burner Management System (BMS) for safe, automated and reliable operations. This new boiler will not only augment the existing three boilers which are in service since 1962 but will also meet future operational requirements.

4.5 Megawatts (MW) Captive Power Plant

Work on a 4.5 MW Power Plant is near completion. The power plant consists of three gas engine generators that will run continuously in parallel, safely and will reliably supply continuous power to the Plant. The continuity of the electric supply will assure minimal flaring losses as well as reduction of stresses on electrical, mechanical, process, rotary and stationary equipment. This will reduce operational and maintenance costs as well as increases the Plant's safety and reliability. The Power Plant features a master controller designed to automatically control the gas engine generators as well as all the standby diesel engine generators. Provision has been made for interim low gas pressures and outages as well. Automatic synchronizing, seamless changeover from and to K-Electric and automatic load management are added features of the power plant. For increased efficiency, a Waste Heat Recovery Boiler is being installed. This will provide two tons/ hour of steam into the Refinery's main steam header. This steam will be produced by recovering heat from the engine exhaust gases. The overall efficiency including electricity and steam production will be around 60%, which will significantly lower our carbon foot print.

Crude Oil Sales Contract with Abu Dhabi National Oil Company

The first year of the two-year supply of crude contract with Abu Dhabi National Oil Company (ADNOC) saw an import of 27,574 barrels per day versus the contract range of 24,000 to 29,000 barrels per day. The agreement was signed for a two-year period from July 1, 2017 to June 30, 2019. Under this contract, the Refinery imports various crude grades from ADNOC and during the year, the Company received around 74% Das and 26% Upper Zakum crudes from ADNOC.

Engineering

Above Ground Bulk Oil Storage Tanks

Major maintenance activities of four 120 feet diameter storage tanks are in progress wherein these tanks will be retrofitted with Aluminium Geodesic Dome Roof – AGDR (replacing the existing conventional steel roofs). Last year one other tank was fitted with AGDR making it the first tank in Pakistan with such a dome roof.

This modification increases storage capacity of these tanks by 20%, with much increased service life and comparatively lower maintenance cost. The Company plans to gradually phase out all the steel roofs from its storage tanks.

Intracity Lines (ICPLs)

The Company has a well laid out arterial pipeline system that connects its Korangi Refinery to its Keamari Terminal, as well as to Jinnah International Airport, Karachi. The Refinery is also connected through pipeline with the up-country pipeline network operated by Pak Arab Pipeline Company Limited (PAPCO). During the year, 500-meter sections of each, 8", 10" and 12" ICPLs in Keamari area were successfully replaced and, where needed, rerouted. The replacement was carried out employing Horizontal Directional Drilling (HDD) technique. These new replaced lines were installed at depths up to 6 meters with minimal impact or disturbance to other infrastructures in the vicinity.

Refinery Upgrade Project

The Refinery is working towards meeting regulatory requirements of installation of Diesel Hydro Desulphurisation (DHDS) Unit to produce EURO II compliant Diesel. This project has upgrade considerations also for changing the product slate to a more profitable mix; primarily to convert Furnace Oil into Petrol and Diesel. Detailed feasibility study with foreign consultant was completed in this regard last year and currently the management is exploring opportunities to fund and move the project forward.

Human Resource

Training and Development

The Company is striving to improve all its functions, including emphasis on developing the talent and leadership skills in its human resource. Necessary trainings were organised with focus on technical skills and leadership development. The Company successfully achieved its annual training target of 20 training hours per employee during the year. The Company will remain focussed on coaching and mentoring programs for employees and specialized training for senior management to develop in-house mentors.

Industrial Relations

The Company enjoys cordial working relationship with Collective Bargaining Agreement (CBA). CBA Agreement for the period July 2017 to June 2019 was finalized during the year.

Performance Management and Employee Development System

As part of Company's efforts for upgrading and automating various HR functions, an IT based Performance Management and Employee Development System (PMS) was implemented during the year. PMS will centralise various phases of performance management i.e. objective setting, mid-year and final-year performance evaluation. This is a step towards paperless environment which will also enable employees to link their individual objectives to organizational objectives and track their progress. The system will improve transparency of performance evaluation process, increase the level of employee engagement and understanding of their contribution towards the organizational objectives. PMS will also enable managers and employees to work on employee development plans and training needs as identified at the time of appraisal. PMS will support in maintaining training records of all employees and making these accessible to them.

Corporate Social Responsibility (CSR)

Renovation of Government Primary School Bhittai Colony

CSR activities are embarked upon to honour the commitment of the Company towards society in general and to the people who live in the close vicinity of the Refinery in particular. This year after an extensive survey carried out by the Company, Government Primary School, Bhittai Colony # 2 was identified that qualifies it for Company's CSR program. Work on restoring school building and facilities is under way.

Educational Visits

The Company also supported the efforts of The Citizens Foundation and Aman Foundation in educating and broadening younger generation's understanding of industrial work through arranging visits to the Refinery. They were briefed about specialized jobs and were motivated to achieve educational excellence and become part of esteemed organizations of the country in future. At the end of both visits, the students left the Refinery premises with high hopes and enthusiasm to work hard and excel in their respective fields and serve the country.

Corporate Governance

The Company remains committed to the high standards of corporate governance, conducting its business in line with the best practices of the Code of Corporate Governance and the Listing Regulations of the Pakistan Stock Exchange Limited, which specify the roles and responsibilities of the Board of Directors and Company's management. For further details, please refer to the 'Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2017'.

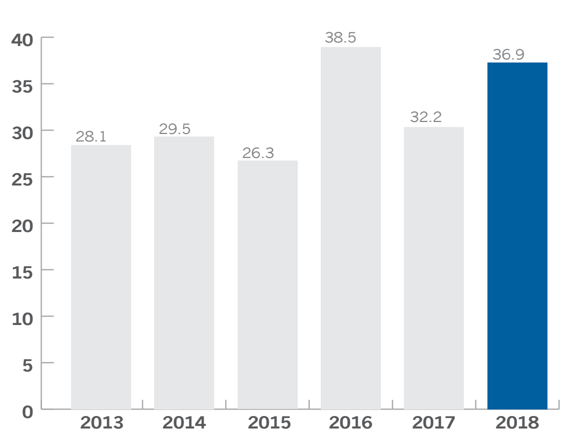
Key Operational and Financial Data

A statement summarizing key operational and financial data for the last six years is given on page 52 the report.

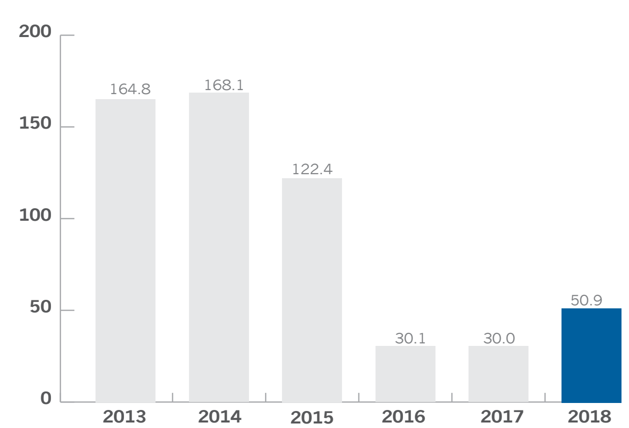
Contribution to the National Exchequer and Value Addition

The Company continues to enjoy the status of being one of the major taxpayers of the country. During the year, the Company contributed Rs. 36.9 billion (2017: Rs. 32.2 billion) to the National Exchequer in the form of direct and indirect taxes. In addition, the Company brought valuable foreign exchange of USD 50.9 million (2017: USD 30 million) through export of Naphtha, thereby making its contribution towards reducing burden on the country's balance of payments.

Contribution to National exchequer (Rs. in bn)



Exports (USD in mn)



Board Changes Subsequent to the Year-end

Appointment of Chairman and Changes on the Board of Directors

Subsequent to year-end, as reported on the Pakistan Stock Exchange Limited, the following were the changes on the Board due to casual vacancies:

Category	Outgoing Directors	Incoming Directors
Independent	Muhammad Aliuddin Ansari	Mohammad Zubair [1] Syed Asad Ali Shah [1]
Non - Executive	Farrokh K. Captain Jawwad Ahmed Cheema Sheikh Imran ul Haque	Haroon Rashid [2] Syed Jehangir Ali Shah [1]

[1] Appointed in the Board meeting held on October 19, 2018
[2] Appointed in the Board meeting held on July 3, 2018

The Board also elected Syed Asad Ali Shah as its Chairman effective October 19, 2018 in terms of Section 192 of the Companies Act, 2017. Including the Chairman, all the incoming directors joined the Board for its remainder term which expires on June 6, 2020.

The Board acknowledges the contributions of Messrs. Jawwad Ahmed Cheema, Muhammad Aliuddin Ansari, Sheikh Imran ul Haque and Farrokh K. Captain and appreciates them for their valuable stewardship.

Reconstituted Board and Board's Sub-Committees

Male	11
Female	none

Category	Names
Independent	Mohammad Zubair Syed Asad Ali Shah
Executive - Managing Director & CEO	Aftab Husain
Non - Executive	Abdul Jabbar Memon Faisal Waheed Farooq Rahmatullah Khan Haroon Rashid Muhammad Najam Shamsuddin Mumtaz Hasan Khan Syed Jehangir Ali Shah Yacoob Suttar

Board Audit Committee	
Mohammad Zubair	Chairman Committee
Faisal Waheed	Member
Muhammad Najam Shamsuddin	Member
Yacoob Suttar	Member

Board Human Resource & Remuneration Committee	
Syed Asad Ali Shah	Chairman Committee
Abdul Jabbar Memon	Member
Farooq Rahmatullah Khan	Member
Haroon Rashid	Member
Mumtaz Hasan Khan	Member
Syed Jehangir Ali Shah	Member
Aftab Husain	Managing Director & CEO

Board Technical Committee	
Syed Jehangir Ali Shah	Chairman Committee
Aftab Husain	Managing Director & CEO

Board Strategic Committee	
Syed Jehangir Ali Shah	Chairman Committee
Abdul Jabbar Memon	Member
Faisal Waheed	Member
Farooq Rahmatullah Khan	Member
Haroon Rashid	Member
Mohammad Zubair	Member
Muhammad Najam Shamsuddin	Member
Mumtaz Hasan Khan	Member
Syed Asad Ali Shah	Member
Yacoob Suttar	Member
Aftab Husain	Managing Director & CEO

Board Share Transfer Committee	
Yacoob Suttar	Chairman Committee
Aftab Husain	Managing Director & CEO

Attendance of the Board of Directors' Meetings held during the year

Name of Director	Total no. of Board Meetings	No. of Meetings attended
Muhammad Aliuddin Ansari	5	5
Abdul Jabbar Memon	5	4
Faisal Waheed	5	5
Farooq Rahmatullah Khan	5	5
Farrokh K. Captain	5	5
Jawwad Ahmed Cheema	5	3
Muhammad Najam Shamsuddin	5	1
Mumtaz Hasan Khan	5	3
Sheikh Imran ul Haque	5	4
Yacoob Suttar	5	3
Aftab Husain	5	5

Attendance of Board Committee Meetings held during the year

Name of Director	Total no. of Committee Meetings	No. of Meetings attended
Board Audit Committee		
Yacoob Suttar	5	5
Faisal Waheed	5	5
Muhammad Aliuddin Ansari	5	4
Muhammad Najam Shamsuddin	5	2
Board Human Resource and Remuneration Committee		
Farrokh K. Captain	4	4
Farooq Rahmatullah Khan	4	4
Jawwad Ahmed Cheema	4	3
Sheikh Imran ul Haque	4	4
Aftab Husain	4	4
Board Strategic Committee		
Sheikh Imran ul Haque	2	2
Abdul Jabbar Memon	2	1
Farooq Rahmatullah Khan	2	2
Farrokh K. Captain	2	2
Jawwad Ahmed Cheema	2	1
Mumtaz Hasan Khan	2	1
Yacoob Suttar	2	2
Aftab Husain	2	2

During the year, no meetings of the Board Technical Meeting and Board Share Transfer Committee were held.

Directors' Remuneration

The Company has a formal and transparent procedure for remuneration of directors in accordance with the Articles of Association of the Company and the Companies Act 2017.

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, 2018 was as follows:

	(Rupees in thousand)
Provident Fund	397,889
Gratuity Fund – Management Staff	130,559
Gratuity Fund – Non-management Staff	81,895
Pension Fund – Management Staff	994,202
Pension Fund – Non-management Staff	86,212

Principal Activities of the Company

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the production and sale of petroleum products.

The Refinery operates under policy framework of the Government of Pakistan. Further, the pricing of certain products is regulated / monitored by the Ministry of Energy (MoE) which are primarily on import parity pricing basis. Changes in international pricing, international refining margins or changes in local pricing mechanism by MoE may have significant impact on the financial statements. In addition, specifications of product are defined by the Government and the Refinery is required to strictly comply with those specifications.

Shareholders' Agreement

There exists a Shareholders' Agreement (Agreement) amongst the Class 'B' shareholders, which was signed on March 26, 1970. This Agreement is a standard shareholders' agreement and does not have any specific clauses on voting rights, board selection and block voting except for the first right of refusal clauses pertaining to transfer and sale of their shares.

Changes concerning Nature of Business of the Company and its Associate

There have been no change concerning nature of business of the Company and that of Pak Grease Manufacturing Company (Private) Limited – Company's associate where the Company holds 27.26% shares.

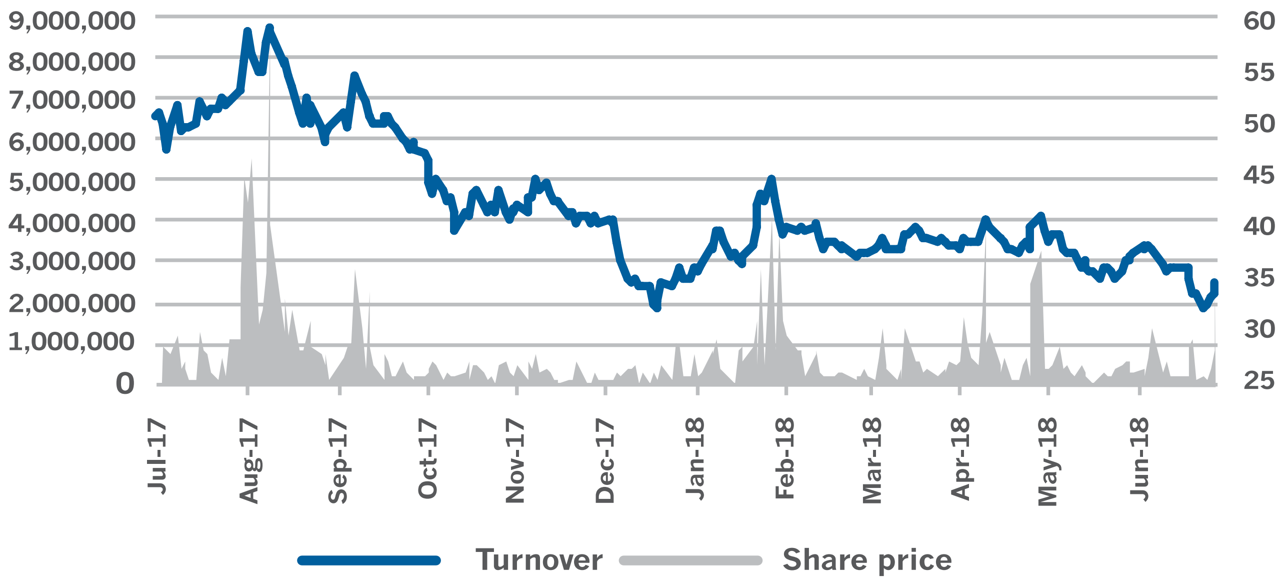
Subsequent events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2018 is given on page 57 to the report.

Share Price & Share Volume analysis



External Auditors

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

Acknowledgement

We place on record our gratitude to our shareholders, strategic partners, financial institutions and Government including the Ministry of Energy and the Ministry of Finance for their continuous guidance and support. The Board acknowledges the dedication, commitment and hard work of Company's human resource in ensuring uninterrupted and safe Refinery operations during the year.

On behalf of Board of Directors.

Syed Asad Ali Shah
Chairman

Karachi: October 19, 2018

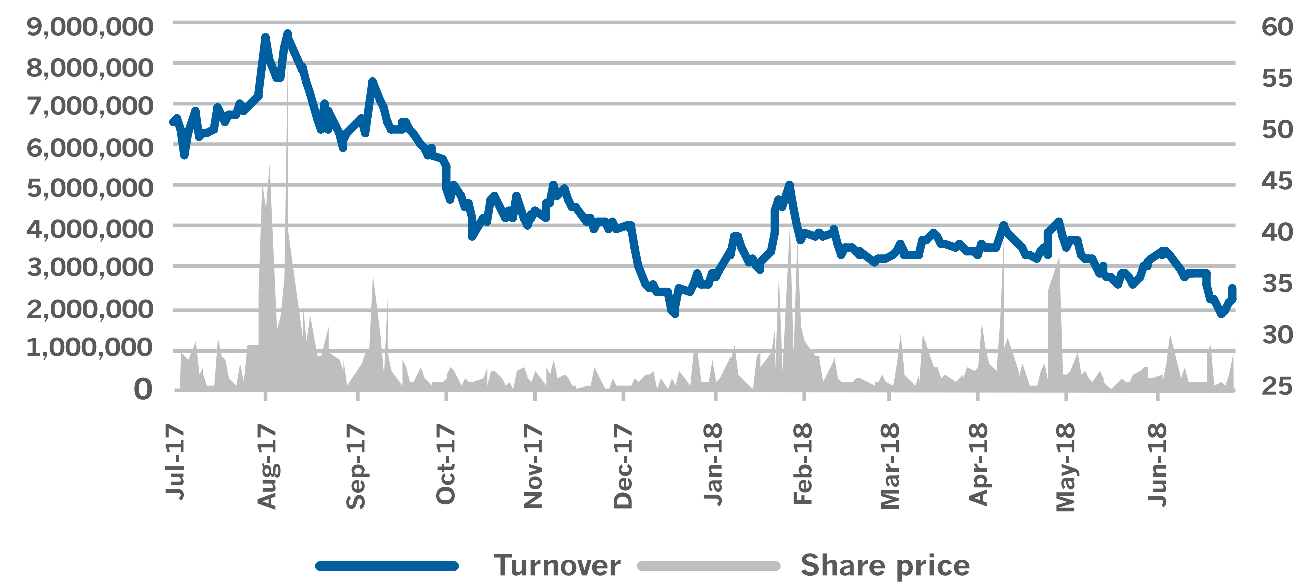
بعد ازاں واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کوئی اہم تبدیلیاں یا کمٹمنٹس رو نما نہیں ہوئے ہیں جو کہ کمپنی کی مالیاتی پوزیشن پر اثرانداز ہوتے ہوں ۔

شیئر ہولڈنگ کا خلاصہ

30 جون 2018 کو شیئر ہولڈنگ کا خلاصہ اس رپورٹ صفحہ نمبر 57 پر درج ہیں۔

Share Price & Share Volume analysis



بیرونی آڈیٹرز

بیرونی آڈیٹرز اے ایف فرگوسن اینڈ کو - چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام کے اختتام پر سبکدوش ہوجائیں گے اور اہل ہونے کے باعث خود کو دوبارہ تقرری کے لیے پیش کر رہے ہیں۔

اظہارِ تشکر

ہم اپنے شیئر ہولڈرز، کلیدی شراکت داروں، مالیاتی اداروں اور حکومت بشمول وزارت توانائی اور وزارت خزانہ کی مسلسل رہنمائی اور تعاون پر ان کے مشکور ہیں۔ سال کے دوران کمپنی کے بلا رکاوٹ اور باتحفظ کاروبار کی انجام دہی میں کمپنی کے انسانی وسائل کی انتھک محنت، جدوجہد اور کوششوں کا بورڈ اعتراف کرتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

سید اسد علی شاہ
چیئرمین
کراچی 19 اکتوبر 2018

ڈائریکٹران کا معاوضہ

ڈائریکٹران کے معاوضے سے متعلق کمپنی کے پاس Articles of Association اور کمپنیز ایکٹ 2017 کے تحت ایک باضابطہ اور شفاف طریقہ کار موجود ہے۔

پوسٹ ایمپلائمنٹ بینیفٹ فنڈز سے کی گئی سرمایہ کاری کی مالیت

پروویڈنٹ فنڈ، گریجویٹی اور پنشن فنڈز کے غیر آڈٹ شدہ مالیاتی گوشواروں برائے 30 جون 2018 کے مطابق سرمایہ کاری کی مالیت درج ذیل ہے:

	(روپے ہزاروں میں)
پروویڈنٹ فنڈ	397,889
گریجویٹی فنڈ ۔ مینجمنٹ اسٹاف	130,559
گریجویٹی فنڈ ۔ نان مینجمنٹ اسٹاف	81,895
پنشن فنڈ۔ مینجمنٹ اسٹاف	994,202
پنشن فنڈ۔ نان مینجمنٹ اسٹاف	86,212

کمپنی کی بنیادی سرگرمیاں

پاکستان ریفائنری لمیٹڈ کی تشکیل مئی 1960 میں پاکستان میں بحیثیت ایک پبلک لمیٹڈ کمپنی ہوئی اور یہ پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ کمپنی پیٹرولیم مصنوعات کی پیداوار اور فروخت میں مصروف عمل ہے۔

ریفائنری حکومت پاکستان کے پالیسی فریم ورک کے تحت کاروبار سر انجام دیتی ہے۔مزید یہ کہ کچھ مصنوعات کی قیمتوں کا تعین / نگرانی وزارت توانائی کرتی ہے جس کی بنیاد Import Parity Pricing ہے۔ عالمی قیمتوں میں تبدیلی، عالمی طور پر ریفائننگ مارجن اور مقامی قیمتوں کے تعین کے طریقہ کار میں تبدیلی سے مالیاتی گوشواروں پر قابل ذکر اثرات مرتب ہوسکتے ہیں۔ اس کے علاوہ مصنوعات کے معیار کا تعین حکومت کرتی ہے اور ریفائنری پر ان معیار کی سختی سے پابندی لازمی ہے۔

شئیر ہولڈرز کے درمیان معاہدہ

کلاس "B" شیئر ہولڈرز کے درمیان ایک معاہدہ ہے جس پر 26 مارچ 1970 کو دستخط ہوئے تھے۔ یہ ایک عام معاہدہ ہے جس میں ووٹ دینے کے حقوق، بورڈ کی تشکیل یا بلاک کی شکل میں ووٹ دینے سے متعلق کوئی خاص شقیں موجود نہیں ہیں سوائے شئیرز کی منتقلی اور فروخت کے پہلے امتیازی حق کے۔

کمپنی اور اس کی ملحقہ کمپنی کی کاروباری نوعیت میں تبدیلیاں

کمپنی اور اس کی ملحقہ کمپنی پاک گریس مینوفیکچرنگ (پرائیویٹ) لمیٹڈ کی کاروباری نوعیت میں کوئی تبدیلی نہیں ہوئی ہے۔ ملحقہ کمپنی میں کمپنی کی 27.26 فیصد شیئرز کی حصص داری ہے۔

سال کے دوران بورڈ آف ڈائریکٹرز کے اجلاس

ڈائریکٹر	بورڈ کے کل اجلاس	حاضر اجلاسوں کی تعداد
محمد علی الدین انصاری	5	5
عبد الجبار میمن	5	4
فیصل وحید	5	5
فاروق رحمت اللہ خان	5	5
فرخ کے کیپٹن	5	5
جواد احمد چیمہ	5	3
محمد نجم شمس الدین	5	1
ممتاز حسن خان	5	3
شیخ عمران الحق	5	4
یعقوب ستار	5	3
آفتاب حسین	5	5

بورڈ کی کمیٹیاں

متعلقہ بورڈ کی کمیٹیوں کے اجلاس میں ڈائریکٹران کی حاضری درج ذیل رہی:

ڈائریکٹر	کمیٹی کے کل اجلاس	حاضر اجلاسوں کی تعداد
بورڈ آڈٹ کمیٹی		
یعقوب ستار	5	5
فیصل وحید	5	5
محمد علی الدین انصاری	5	4
محمد نجم شمس الدین	5	2
بورڈ ہیومن ریسورس اینڈ ریمیو نریشن کمیٹی		
فرخ کے کیپٹن	4	4
فاروق رحمت اللہ خان	4	4
جواد احمد چیمہ	4	3
شیخ عمران الحق	4	4
آفتاب حسین	4	4
بورڈ اسٹریٹجک کمیٹی		
شیخ عمران الحق	2	2
عبد الجبار میمن	2	1
فاروق رحمت اللہ خان	2	2
فرخ کے کیپٹن	2	2
جواد احمد چیمہ	2	1
ممتاز حسن خان	2	1
یعقوب ستار	2	2
آفتاب حسین	2	2

سال کے دوران بورڈ ٹیکنیکل کمیٹی اور بورڈ شیئر ٹرانسفر کمیٹی کا کوئی اجلاس نہیں ہوا۔

بورڈ ٹیکنیکل کمیٹی	
سید جہانگیر علی شاہ آفتاب حسین	چیئر مین کمیٹی مینیجنگ ڈائریکٹر

بورڈ اسٹریٹیجک کمیٹی	
سید جہانگیر علی شاہ	چیئر مین کمیٹی
عبدالجبار میمن	ممبر
فیصل وحید	ممبر
فاروق رحمت اللہ خان	ممبر
ہارون رشید	ممبر
محمد زبیر	ممبر
محمد نجم شمس الدین	ممبر
ممتاز حسن خان	ممبر
سید اسد علی شاہ	ممبر
یعقوب ستار	ممبر
آفتاب حسین	مینیجنگ ڈائریکٹر

بورڈ شیئر ٹرانسفر کمیٹی	
یعقوب ستار آفتاب حسین	چیئر مین کمیٹی مینیجنگ ڈائریکٹر

تبدیل شدہ بورڈ اور اس کی ذیلی کمیٹیاں

مرد	11
خاتون	کوئی نہیں

درجہ	نام
آزاد	محمد زبیر سید اسد علی شاہ
ایگزیکٹو - مینیجنگ ڈائریکٹر	آفتاب حسین
نان ایگزیکٹو	عبدالجبار میمن فیصل وحید فاروق رحمت اللہ خان ہارون رشید محمد نجم شمس الدین ممتاز حسن خان سید جہانگیر علی شاہ یعقوب ستار

بورڈ آڈٹ کمیٹی	
محمد زبیر	چیئرمین کمیٹی
فیصل وحید	ممبر
محمد نجم شمس الدین	ممبر
یعقوب ستار	ممبر

بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی	
سید اسد علی شاہ	چیئرمین کمیٹی
عبدالجبار میمن	ممبر
فاروق رحمت اللہ خان	ممبر
ہارون رشید	ممبر
ممتاز حسن خان	ممبر
سید جہانگیر علی شاہ	ممبر
آفتاب حسین	مینیجنگ ڈائریکٹر

30 جون 2018 کے بعد بورڈ میں تبدیلیاں

30 جون 2018 کے بعد جیسا کے پاکستان اسٹاک ایکسچینج لمیٹڈ کو مطلع کیا گیا ہے، بورڈ میں ہونے والی آسامیوں کو پر کرنے کے لیے مندرجہ ذیل نامذدگیاں کی گئی ہیں۔

درجہ	جانے والے ڈائریکٹران کا نام	آنے والے ڈائریکٹران کا نام
آزاد	محمد علی الدین انصاری	محمد زبیر[1] سید اسد علی شاہ[1]
نان ایگزیکٹو	فرخ کے کیپٹن جواد احمد چیمہ شیخ عمران الحق	ہارون رشید[2] سید جہانگیر علی شاہ[1]

[1] 19 اکتوبر 2018 کو ہونے والی بورڈ میٹنگ میں منتخب ہوئے۔
[2] 3 جولائی 2018 کو ہونے والی بورڈ میٹنگ میں منتخب ہوئے۔

بورڈ نے کمپنیز ایکٹ 2017 کے سیکشن 192 کے تحت سید اسد علی شاہ کو 19 اکتوبر 2018 سے اپنا چیئرمین بھی منتخب کیا۔ بشمول چئرمین، نئے منتخب شدہ تمام ڈاریکٹران کا تعین بورڈ کی باقی مدت کے لیے کیا گیا ہے جو کہ 6 جون 2020 کو مکمل ہو گی۔

بورڈ جناب جواد احمد چیمہ صاحب، جناب محمد علی الدین انصاری صاحب، جناب فرخ کے کیپٹن صاحب اور جناب شیخ عمران الحق صاحب کی خدمات کو سراہتے ہوئے ان کی گراں قدر مدبرانہ قیادت پر ان کا شکر گزار ہے۔

تعلیمی دورے

کمپنی نے سٹیزن فاؤنڈیشن اور امن فاؤنڈیشن کے تعاون سے نئی نوجوان نسل کو تعلیم دینے اور صنعتی کام سے متعلق ان کی سمجھ بوجھ میں اضافے کے لئے ریفائنری میں دورے کا اہتمام کیا۔انہیں خصوصی مہارت کے کاموں سے متعلق مختصراً بتایا گیا اور انہیں ترغیب دی گئی کہ وہ شاندار تعلیمی کارکردگی دکھائیں اور مستقبل میں ملک کے معزز اداروں کا حصہ بن جائیں۔ دونوں دوروں کے اختتام پر طلباء نے بلند امیدوں اور کام کے لئے اپنے جوش اور اپنی متعلقہ شعبوں میں ترقی اور ملک کی خدمت کرنے کا عزم کیا۔

ادارتی نظم و ضبط

کمپنی ادارتی نظم وضبط کے اعلی معیار برقرار رکھنے کے لئے مستقل کوشاں ہے، جس کے تحت اپنے کاروبار کو ادارتی نظم و ضبط کے ضابطے کے بہترین طور طریقوں اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی لسٹنگ ریگولیشنز کے مطابق انجام دیا جاتا ہے بشمول بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کے کردار اور ذمہ داریوں کا تعین۔ مزید تفصیلات کے لئے برائے مہربانی ”اسٹیٹمنٹ آف کمپلائنس تحت لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017“کا مطالعہ کریں۔

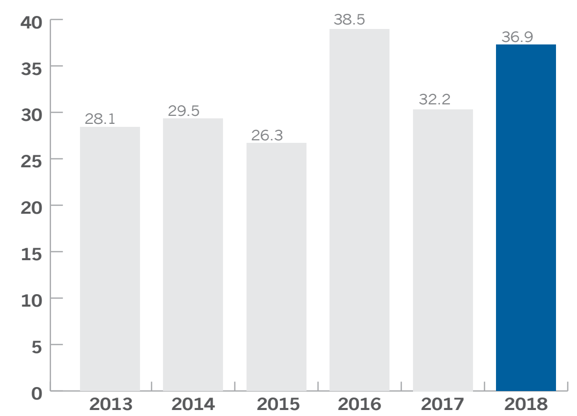
اہم مالیاتی اور کاروباری اعداد وشمار

گزشتہ چھ سالوں کے مختصراً اہم مالیاتی اور کاروباری اعداد شمار اس رپورٹ کے صفحہ نمبر 52 پر درج ہیں۔

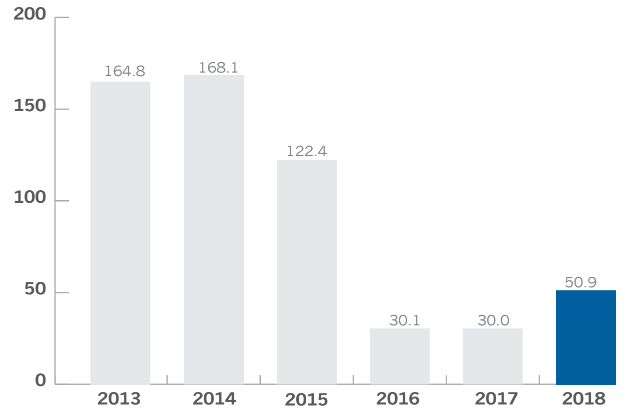
قومی خزانے میں شرکت اور قدر میں اضافہ

کمپنی تسلسل کے ساتھ ملک کے بڑے ٹیکس دہندگان میں شامل ہے۔ سال کے دوران کمپنی نے 36.9 ارب روپے (2017 میں 32.2 ارب روپے) بالواسطہ اور بلاواسطہ ٹیکسوں کی مد میں قومی خزانے میں جمع کرائے ۔ اس کے علاوہ Naphtha کی برآمدات کے ذریعے کمپنی ملک میں 50.9 ملین امریکی ڈالر زرمبادلہ لائی(2017 میں 30 ملین امریکی ڈالر)، جس سے ملک کے توازن ادائیگی کا بوجھ کم کرنے میں معاونت ہوئی۔

Contribution to National exchequer (Rs. in bn)



Exports (USD in mn)



ریفائنری اپ گریڈیشن پراجیکٹ

ریفائنری ڈیزل پیداوار کے مطلوبہ EURO-II معیار کو حاصل کرنے کے لئے (Diesel Hydro Desulphurisation (DHDS یونٹ کی تنصیب پر کام کر رہی ہے۔ اس پروجیکٹ کے تحت کمپنی کی مصنوعات، خاص طور پر فرنس آئل کو پیٹرول اور ڈیزل میں تبدیل کرنے کا عمل بھی شامل ہے جو کہ کمپنی کے لئے منافع بخش مصنوعات ہیں۔ اس سلسلے میں غیر ملکی کنسلٹنٹ نے تفصیلی فزیبلٹی اسٹڈی گزشتہ سال مکمل کرلی ہے اور اس وقت انتظامیہ اس میں سرمایہ کاری کے لئے نئے مواقع تلاش کررہی ہے اور پروجیکٹ کو آگے بڑھانے کے لئے کوششیں کررہی ہے۔

انسانی وسائل

تربیت و ترقی

کمپنی اپنے تمام معاملات میں بہتری کے لئے پرعزم ہے جس میں اس کے انسانی وسائل کی قائدانہ صلاحیتوں اور پیشہ وارانہ مہارت میں اضافہ سرفہرست ہے۔ تکنیکی مہارتوں اور قائدانہ صلاحیتوں کی ترقی کے لئے ضروری تربیت کا اہتمام کیا جاتا ہے ۔ کمپنی نے کامیابی سے اپنا تربیتی ہدف یعنی ہر ملازم کے لئے سال میں 20 تربیتی گھنٹوں کا ہدف حاصل کرلیا ہے۔ کمپنی کی توجہ اپنے ملازمین کی تدریس، رہنمائی اور senior انتظامیہ کے لئے خصوصی تربیتی پروگراموں پر مرکوز ہے جس سے کمپنی کے اندر ہی قائدانہ صلاحیتیں ترویج پاسکیں۔

صنعتی تعلقات

کلیکٹو بارگیننگ ایجنٹ (Collective Bargaining Agent) کے ساتھ کمپنی کے تعلقات خوشگوار ہیں۔ کلیکٹو بارگیننگ ایجنٹ کے ساتھ معاہدہ یکم جولائی 2017 سے جون 2019 تک کی مدت کے لئے طے پاچکا ہے۔

انتظامی کارکردگی اور ملازمین کی ترقی کا نظام

کمپنی اپنے ایچ آر کے افعال کو بہتر اور خودکار بنانے کے لئے کوشاں ہے، اس ضمن میں آئی ٹی کی بنیاد پر انتظامی کارکردگی اور ملازمین کی ترقی کا نظام (PMS) سال کے دوران نافذ کیا گیا۔ PMS سے انتظامی کارکردگی کے تمام مراحل جیسے مقاصد کا تعین، سال کے درمیانی اور آخری حصے میں کارکردگی کی تشخیص وغیرہ ایک مربوط انداز سے انجام پزیر ہوں گے ۔ یہ کاغذ کے بغیر ایک ایسا ماحول ہے جس میں ملازمین اپنے انفرادی مقاصد کو ادارے کے مقاصد سے منسلک کرنے اور اپنے کام کی سمت تعین کرنے کے قابل ہوجائیں گے۔اس نظام سے کارکردگی کی تشخیص کے عمل میں شفافیت اور ادارے کے مقاصد حاصل کرنے سے متعلق ملازمین کی براہ راست معاونت اور آگاہی شامل ہوگی۔ PMS کی اعانت سے مینجرز اور ملازمین مل کر کارکردگی کی جانچ کے وقت نشاندہی کردہ ملازمین کی ترقی اور تربیتی ضروریات کو پورا کرنے کے قابل ہوجائیں گے۔ PMS تمام ملازمین کا تربیتی ریکارڈ رکھنے میں معاون ہوگا اور اسے ان کے لئے قابل رسائی بنائے گا۔

کارپوریٹ سوشل ریسپانسبلٹی (CSR)

گورنمنٹ اسکول بھٹائی کالونی کی بحالی و مرمت

کمپنی کی CSR سرگرمیاں معاشرے کے لئے عمومی طور پر اور ریفائنری کے قریب آبادی کی فلاح و بہبود کے لئے خصوصی طور پر مرکوز رہی ہیں۔ اس سال کمپنی نے وسیع پیمانے پر سروے کرنے کے بعد گورنمنٹ پرائمری اسکول بھٹائی کالونی نمبر 2 کو منتخب کیا جو کہ کمپنی کے CSR پروگرام پر پورا اترتا ہے۔ اسکول کی عمارت اور اس میں سہولیات کی بحالی کا کام جاری ہے۔

4.5 میگاواٹ کا کیپٹو پاور پلانٹ

4.5 میگا واٹ کا پلانٹ تکمیل کے قریب ہے۔ پاور پلانٹ تین گیس انجن جنریٹرز پر مشتمل ہے جو کہ تسلسل کے ساتھ متوازی، باحفاظت اور قابل بھروسہ انداز میں پلانٹ کو بجلی فراہم کرے گا۔ بجلی کی فراہمی میں تسلسل سے فلیئر خسارہ میں کمی کے ساتھ ساتھ الیکٹریکل، مکینیکل، پروسیس، گردشی اور ساکن آلات پر دباؤ میں کمی آئیگی۔اس کی وجہ سے پیداواری اور دیکھ بھال و مرمت کے اخراجات کم ہونگے اور پلانٹ کا تحفظ اور اعتماد بڑھ جائے گا۔ پاور پلانٹ میں ایک ماسٹر کنٹرولر لگا ہوا ہے جو کہ گیس انجن جنریٹر کو خودکار طریقے سے کنٹرول کرنے کے ساتھ ساتھ ہنگامی ڈیزل جنریٹرز کو بھی کنٹرول کرے گا۔ گیس کے دباؤ میں جزوی کمی اور تعطل کے سدباب کا بھی انتظام کیا گیا ہے۔ خودکار ہمہ وقت K-Electric سے چینج اوور اور آٹومیٹک لوڈ مینجمنٹ اس پاور پلانٹ کی اضافی خصوصیات ہیں۔ کارکردگی میں اضافے کے لئے ویسٹ ہیٹ ریکوری بوائلر بھی تنصیب کیا گیا ہے۔ اس سے دو ٹن فی گھنٹہ کے حساب سے بھاپ ریفائنری کے مرکزی اسٹیم ہیڈر میں داخل ہوگی۔ انجن کے Exhaust سے باہر نکلنے والی گیسوں کی گرمی سے بھاپ پیدا ہوگی۔ بجلی اور بھاپ پیدا کرنے کے ساتھ ساتھ پلانٹ کی مجموعی کارکردگی تقریباً 60 فیصد ہوگی، جس سے کاربن کے اخراج میں قابل ذکر کمی ہوگی۔

ابو ظہبی نیشنل آئل کمپنی کے ساتھ خام تیل کی فروخت کا معاہدہ

ابو ظہبی نیشنل آئل کمپنی (ADNOC) کے ساتھ خام تیل کے دو سالہ معاہدہ کے پہلے سال 25,574 بیرل یومیہ کے حساب سے خام تیل کی درآمدات ہوئیں جبکہ معاہدہ کے تحت اس کی حد 24,000 سے 29,000 بیرل یومیہ ہے، اس معاہدے کا آغاز یکم جولائی 2017 سے ہوا اور اختتام 30 جون 2019 کو ہوگا۔ اس معاہدہ کے تحت ریفائنری خام تیل کے مختلف گریڈ ADNOC سے درآمد کرتی ہے اور سال کے دوران کمپنی نے تقریباً 74 فیصد Das اور 26 فیصد UPPER ZAKUM کروڈ ADNOC سے درآمد کیا۔

انجینئرنگ

زمین کے اوپر تیل ذخیرہ کرنے کے بڑے ٹینک

120 فٹ ڈایا میٹر کے حامل چار ٹینکوں کی صفائی و مرمت کی سرگرمیاں جاری ہیں جن میں ان ٹینکوں پر (Aluminium Geodesic Dome Roof AGDR) کو نصب کیا جائے گا (موجودہ روایتی لوہے کی چھتوں کے متبادل کے طور پر)۔ گزشتہ سال ایک ٹینک پر AGDR کی تنصیب کی گئی جو کہ پاکستان میں ایسی چھت کا سب سے پہلا ٹینک ہے۔

یہ تبدیلی ٹینک کی ذخیرہ کرنے کی گنجائش میں 20 فیصد اضافہ کے ساتھ ساتھ اس کی میعاد زندگی میں اضافہ اور دیکھ بھال و مرمت کی لاگت میں نسبتاً کمی کرتی ہے۔ کمپنی کا منصوبہ ہے کہ تمام ذخیرہ ٹینکوں کی لوہے کی چھتوں کو بتدریج تبدیل کردیا جائے۔

اندرون شہر لائنیں (ICPLs)

کمپنی نے ایک جامع پائپ لائنوں کا نظام بچھایا ہوا ہے جو کہ کورنگی ریفائنری کو کیماڑی ٹرمینل کے علاوہ جناح انٹرنیشنل ایئرپورٹ کراچی اور پاک عرب پائپ لائن کمپنی لمیٹڈ (PAPCO) کے اندرون ملک جانے والے پائپ لائن کے نیٹ ورک سے منسلک کرتا ہے۔ سال کے دوران اندرون شہر کیماڑی کے علاقے میں 8 انچ، 10 انچ اور 12 انچ لائنوں کے 500 میٹر حصوں کو کامیابی سے تبدیل کیا گیا اور جہاں ضرورت پڑی ان کا راستہ بھی تبدیل کیا گیا۔ یہ تبدیلی (Horizontal Directional Drilling (HDD کی تکنیک کو بروئے کار لاتے ہوئے انجام دی گئی۔ نئی تبدیل شدہ لائنیں 6 میٹر گہرائی میں نصب کی گئی ہیں تاکہ قرب و جوار کے تعمیری ڈھانچے پر کم سے کم خلل اور اثرات مرتب ہوں۔

قانونی تقاضوں پر عمل درآمد

سندھ ماحولیاتی معیار کے وضع کردہ دائرہ حدود میں رہتے ہوئے کمپنی نے ماحولیاتی انتظامی منصوبہ کی مکمل پاسداری کی ہے۔ کمپنی کے تمام ٹیسٹ سندھ کے ادارہ برائے ماحولیاتی تحفظ کی منظور شدہ لیبارٹریوں سے کروائے جاتے ہیں۔

تیسرے فریق کی تصدیقی اسناد کی پاسداری

کمپنی نے کامیابی سے 14001-2015 ،ISO 9001-2015 اور OHSAS 18001-2007 کے حالیہ معیار کی دوبارہ تصدیقی اسناد ایک غیر جانبدار تصدیقی کمپنی سے حاصل کرلی ہیں۔

عالمی یوم ماحولیات کی تقریبات

کمپنی کے عملہ کی شمولیت کے ساتھ 5 جون 2018 کو عالمی عزم ''پلاسٹک کی آلودگی کو شکست دیں'' کے موضوع پر یوم ماحولیات منایا گیا، جس میں روزمرہ زندگی کی سرگرمیوں میں پلاسٹک کے استعمال کو کم کرنے پر زور دیا گیا تاکہ اس سے پیدا ہونے والی ماحولیاتی آلودگی کے بوجھ کو کم کیا جاسکے۔

تربیت

HSEQ کی انتظامی روایت کے تحت جامع اور مسلسل کوششوں سے کمپنی کے HSEQ معیارات کو بہتر اور فعال بنایا جارہا ہے اس کاوش کے تحت کمپنی اور ٹھیکیداری ملازمین کو بہترین ترتیب شدہ تربیتی کورس کروائے جارہے ہیں۔

تیل سے پیدا ہونے والی آلودگی سے بچاؤ کے لئے ہر سال کمپنی دیگر ریفائنریوں اور آئل مارکیٹنگ کمپنیوں کے ساتھ مل کر ''باراکوڈا'' نامی سالانہ مشق میں حصہ لیتی ہے۔ اس سال بھی کمپنی نے اس مشق میں دسمبر 2017 میں حصہ لیا۔ اس کا مقصد نیول ہیڈکوارٹر کے رہنما اصولوں میں دیئے گئے طریقہ کار کی مشق کرنا اور قومی سطح پر ناگہانی سمندری آفات سے نمٹنے کے منصوبوں کو نافذ کرنا ہے۔ کئی سیکٹرز سے وابسطہ کمپنیاں اپنے آئل سپل ایکوئپمنٹ اور ریسپانس ٹیموں کے ہمراہ اس مشق میں حصہ لیتی ہیں۔

آگ سے بچاؤ کی فرضی مشقیں

ہفتہ وار آگ سے بچاؤ کی مشقیں اور ششماہی موک ڈرلز (فرضی مشقیں) مختلف منظرناموں میں ایمرجنسی ریسپانس پلان (ERP) کے تحت منعقد کی جاتی ہیں تاکہ ہنگامی حالات میں ہنگامی آلات کی اثرپذیری اور جوابی عملے کی ہنگامی مہارت کو جانچا جاسکے۔

ریفائنری کا انتظام اور آپریشنز

40ٹن فی گھنٹے کے اسٹیم بوائلر کی تکمیل

کمپنی تسلسل کے ساتھ ریفائنری آپریشنز کی پر حفاظت انجام دہی کو یقینی بنانے میں کوشاں ہے تاکہ پلانٹ کی ہمہ وقت یعنی 24/7 کی بنیاد پر دستیابی کو یقینی بنایا جاسکے۔ کروڈ آئل ٹاور کو بہتر بنانے، گیس کے دو بڑے کمپریسرز کی تبدیلی اور پلیٹفارمر یونٹ پر ایمرجنسی شٹ ڈاؤن سسٹم کی تنصیب بہتری کے ان اقدمات کی نمایاں مثالیں ہیں۔ ان اقدامات کے تسلسل میں TPH 20 kg/cm^{2}g 40 واٹر ٹیوب بوائلر جو کہ ایندھن کے بہتر استعمال کے ایکنامائزر سے لیس ہے کی تنصیب سال کے دوران تکمیل کو پہنچی۔ نیا اسٹیم بوائلر برنر مینجمنٹ سسٹم (BMS) سے لیس ہے جس سے باحفاظت، خودکار اور قابل بھروسہ انداز میں کام انجام دیئے جاتے ہیں۔ نیا بوائلر نہ صرف تین موجودہ بوائلرز جو 1962 سے استعمال میں ہیں ان میں اضافہ کرے گا بلکہ مستقبل کی پیداواری ضروریات بھی پوری کرے گا۔

منافع منقسمہ

ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے کمپنی کے مالی معاملات کو مد نظر رکھتے ہوئے 'NIL' ڈیویڈنڈ تجویز کیا ہے۔

ادارتی اور مالیاتی رپورٹنگ کا طریقہ کار

- کمپنی کے مالیاتی گوشوارے انتظامیہ نے تیار کئے ہیں جس میں کمپنی کے معاملات، اس کے کاروباری نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو پیش کیا گیا ہے۔
- کمپنی نے کمپنیز ایکٹ 2017 کے تحت گوشواروں کی باقاعدہ کتابیں رکھی ہیں۔
- کمپنی نے اپنے مالیاتی گوشواروں کی تیاری میں متواتر اور مناسب اکاؤنٹنگ پالیسیوں پر عمل درآمد کیا ہے۔ اکاؤنٹنگ پالیسیوں میں تبدیلیاں، اگر کہیں کی گئی ہیں تو انہیں مناسب طریقے سے مالیاتی گوشواروں میں واضح کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے احتیاط سے اور موزوں اندازے کی بنیاد پر لگائے گئے ہیں۔
- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز جو کہ پاکستان میں لاگو ہیں، مالیاتی گوشواروں کی تیاری میں ان پر عمل درآمد کیا گیا ہے اور اگر کوئی انحراف ہے تو اسے باقائدہ واضح کیا گیا ہے۔
- کمپنی کا موثر اندرونی ضابطہ کا نظام موجود ہے اور اس پر مسلسل عمل درآمد اور نگرانی جاری رہتی ہے۔
- کمپنی کے کام جاری رکھنے کی صلاحیت میں کوئی قابل ذکر شبہات نہیں ہیں۔

کریڈٹ ریٹنگ

رواں سال پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی کریڈٹ ریٹنگ کا دہ بارہ جائزہ لیا، جس میں کمپنی نے اپنی گزشتہ کریڈٹ ریٹنگ برقرار رکھی یعنی طویل مدتی اینٹٹی ریٹنگ '-A' (سنگل اے مائنس) اور قلیل مدتی اینٹٹی ریٹنگ 'A2' (سنگل اے ٹو)۔ یہ درجہ بندی کمپنی کی کریڈٹ میں اعلیٰ کوالٹی اور کریڈٹ سے متعلق بہت کم خطرات کو واضح کرتی ہیں یعنی کمپنی مالیاتی وعدوں کے مطابق وقت پر ادائیگیوں کی مضبوط صلاحیت رکھتی ہے۔

صحت، تحفظ، ماحول اور معیار (HSEQ)

ہم اللہ رب العزت کے شکر گزار ہیں کہ ہم نے 30 جون 2018 تک کسی حادثے کے بغیر 1.41 ملین گھنٹے مکمل کئے۔ اس کا سہرا ہماری انتظامیہ کو بھی جاتا ہے جو HSEQ کے انتظامی نظام کے نفاذ کے لئے ہر دم کوشاں رہی۔ کاروباری عمل کے دوران صحت، تحفظ اور ماحول (OHS&E) کے میدان میں بہتری کا اعتراف ایمپلائز فیڈریشن آف پاکستان نے کیا ہے جو کہ انٹرنیشنل لیبر آرگنائزیشن سے ملحقہ ایک انجمن ہے اور انٹرنیشنل آرگنائزیشن ایمپلائز، جنیوا کی ایک ممبر ہے ۔ کمپنی کو مسلسل دوسرے سال تیل، گیس اور توانائی کے شعبہ میں بالترتیب جولائی 2017 اور مئی 2018 میں منعقدہ OHS&E کی 12 ویں اور 13 ویں سالانہ تقریب اسناد میں پہلی پوزیشن کا اعزاز ملا ہے۔

- آئسومرائزیشن یونٹ کا کیٹیلسٹ جو پچھلے سال آلودگی کی وجہ سے خراب ہوگیا تھا اسے موجودہ سال تبدیل کرلیا گیا۔ تاہم اس کی وجہ سے آئسومرائزیشن یونٹ جولائی سے نومبر 2017 تک اپنی مکمل گنجائش کے مطابق پیداوار نہ دے سکا۔ جس کے نتیجے میں موٹر گیسولین کی پیداوار 22,000 میٹرک ٹن کم رہی۔

- جون 2018 میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں مزید کمی ہوئی اور اس مدت کے دوران 121.8 روپے فی امریکی ڈالر کی سطح تک پہنچ گئی۔ جس کے نتیجے میں سال کے دوران کمپنی کو زرمبادلہ کے تبادلہ پر 1,284 ملین روپے کا خسارہ ہوا جو کہ گزشتہ سال 108 ملین روپے تھا۔ یہ بات قابل ذکر ہے کہ اس سال امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کل 16 فیصد کمی ہوئی جو کہ جولائی 2017 میں 104.9 روپے فی امریکی ڈالر اور 30 جون 2018 کو 121.6 روپے فی امریکی ڈالر تھی۔ اسٹیٹ بینک آف پاکستان کے ضابطوں کے تحت کمپنی خام تیل کی خریداری پر کرنسی کی قدر میں کمی کے خطرے کی تلافی نہیں کرسکتی، لہذا روپے۔ ڈالر کی مساواتی قدر میں کوئی بڑی تبدیلی کمپنی کے نتائج پر بہت زیادہ اثرانداز ہوسکتی ہے۔

- امسال فرنس آئل کی ملکی طلب میں کمی کی وجہ سے کمپنی کے فرنس آئل کے ذخائر میں اضافہ ہوا جس کے نتیجے میں ریفائنری کے آپریشنز پر دباؤ بڑھ گیا۔ لہذا کاروبار کے تسلسل کو یقینی بنانے اور صارفین کو مائل کرنے کے لئے سال کی دوسری اور تیسری سہ ماہی میں فرنس آئل کی قیمتوں کو کم کرنا پڑا جس سے کمپنی کی منافع پر منفی اثرات مرتب ہوئے۔

- کمپنی پر ہائی اسپیڈ ڈیزل کی قیمت کے نظام کے منفی اثرات کا بوجھ مسلسل جاری ہے جس کے تحت اصل درآمدی قیمت اور notional ex-refinery قیمت کا فرق کمپنی کو ادا کرنا پڑتا ہے۔ سال کے دوران کمپنی کو اس مد میں 603 ملین روپے کا نقصان ہوا۔ مارچ 2013 میں اس ناموافق نظام کے متعارف ہونے سے لے کر اب تک کمپنی کو 4,869 ملین روپے کا نقصان برداشت کرنا پڑا ہے۔

اس کے علاوہ ، چونکہ کمپنی حکومت پاکستان کے پالیسی فریم ورک کے تحت ڈیزل ہائیڈرو ڈی سلفرائزیشن (DHDS) پلانٹ 30 جون 2017 کی مقررہ تاریخ تک نہیں لگا پائی ہے ، لہذا اسے جولائی 2017 سے HSD کی قیمت پر اضافی کٹوتی کا سامنا ہے۔ جس کی وجہ سے سال کے دوران اس مد میں کمپنی کو 135 ملین روپے کا نقصان ہوا۔

- سال کے دوران کمپنی نے عسکری بینک لمیٹڈ اور بینک الفلاح لمیٹڈ سے بالترتیب 1 ارب روپے اور 2.5 ارب روپے تین سالہ مدت کے قرضے کی سہولیات حاصل کیں جن پر مارک اپ 3 month KIBOR + 0.5 فیصد سالانہ ہے۔ قرضے لینے کا مقصد مالیاتی پوزیشن کی ازسرنو ڈھانچہ بندی اور رواں اثاثوں سے رواں واجبات کے مابین بڑھتے ہوئے فرق کو حل کرنا ہے۔ اس منصوبہ بندی سے کمپنی کا کرنٹ ریشو جو کہ جون 2017 میں 0.65:1 تھا، بڑھ کر جون 2018 میں 079:1 ہوگیا۔ متعلقہ شرح سود کے خطرات کی وضاحت مالیاتی گوشوارے کے نوٹ نمبر (iv) 37.2 میں کی گئی ہے۔

مالیاتی گوشواروں کی تیاری میں پہلی مرتبہ کمپنیز ایکٹ 2017 کا اطلاق

کمپنیز ایکٹ 2017 (ایکٹ) کو اس سال کے مالیاتی گوشواروں کی تیاری میں پہلی مرتبہ اختیار کیا گیا۔ ایکٹ کے تحت کمپنی کے سالانہ اور عبوری مالیاتی گوشواروں کی تیاری اور اجراء میں کچھ مخصوص تبدیلیاں لائی گئی ہیں۔ ان تبدیلیوں میں پراپرٹی، پلانٹ اینڈ ایکوئپمنٹ کی تشخیصی مالیت پر فاضل اضافہ ، بنیادی گوشواروں کے ناموں میں تبدیلی وغیرہ شامل ہیں۔ ان تمام تبدیلیوں کو مالیاتی گوشواروں کی تیاری میں ملحوظ خاطر رکھا گیا ہے۔

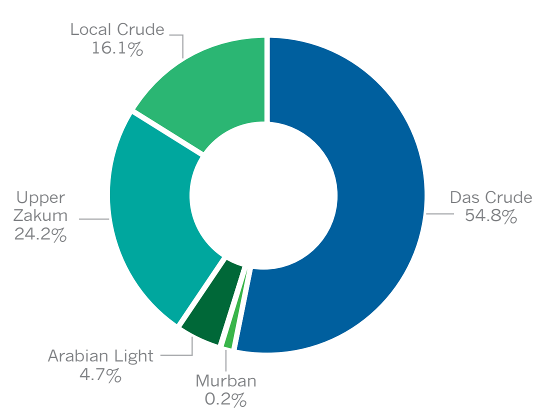
سال کے دوران کمپنی کی مالیاتی اور کاروباری جھلکیاں درج ذیل رہیں:

- دوران سال ریفائنری مارجنز دباؤ کا شکار رہے جس کی وجہ سے منافع پر منفی اثر پڑا۔ خام تیل اور اہم پیٹرولیم مصنوعات کی اوسطاً فی میٹرک ٹن قیمتیں درج ذیل رہیں:

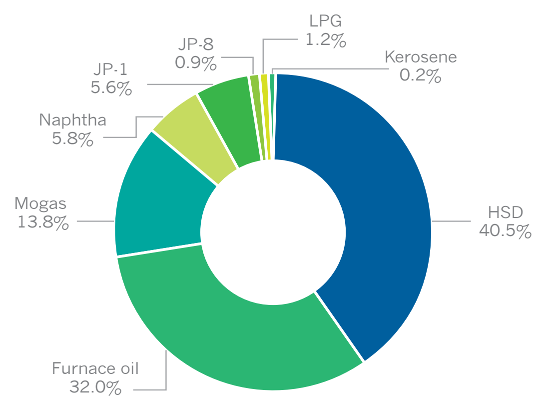
اضافہ فیصد	2016-17	2017-18	خام تیل
	Rupees per Metric Ton		
35.02	37,057	50,036	عربین لائٹ
35.24	38,929	52,647	داس کروڈ
35.57	37,194	50,424	اپر زقوم
32.71	41,851	55,541	لوکل کروڈ

اضافہ فیصد	2016-17	2017-18	مصنوعات
	Rupees per Metric Ton		
23.12	53,167	65,460	ہائی اسپیڈ ڈیزل
21.98	54,553	66,549	موٹر گیسولین
28.36	34,444	44,215	فرنس آئل

Crude Mix 2017- 18



Production Mix 2017-18



- امسال آئل اینڈ گیس ریگولیٹری اتھارٹی (OGRA) نے اقتصادی رابطہ کمیٹی (ECC) کی مئی 2015 میں جاری کردہ ہدایت کے مطابق "ریگولیٹڈ مصنوعات" پر ریگولیٹری/کسٹم ڈیوٹی کی ادائیگی کے نظام کو "بغیر خسارہ اور منافع" کی بنیاد پر حتمی شکل دی۔ اس پیش رفت کو مد نظر رکھتے ہوئے اور آزادانہ قانونی رائے لینے کے بعد "ڈی ریگولیٹڈ مصنوعات" کی مد میں 30 جون 2017 تک کے جمع شدہ کل 950.7 ملین روپے کو اس سال کے منافع یا خسارہ اور دیگر جامع آمدن کے کھاتے میں شامل کرلیا گیا۔

ڈائریکٹران کی رپورٹ

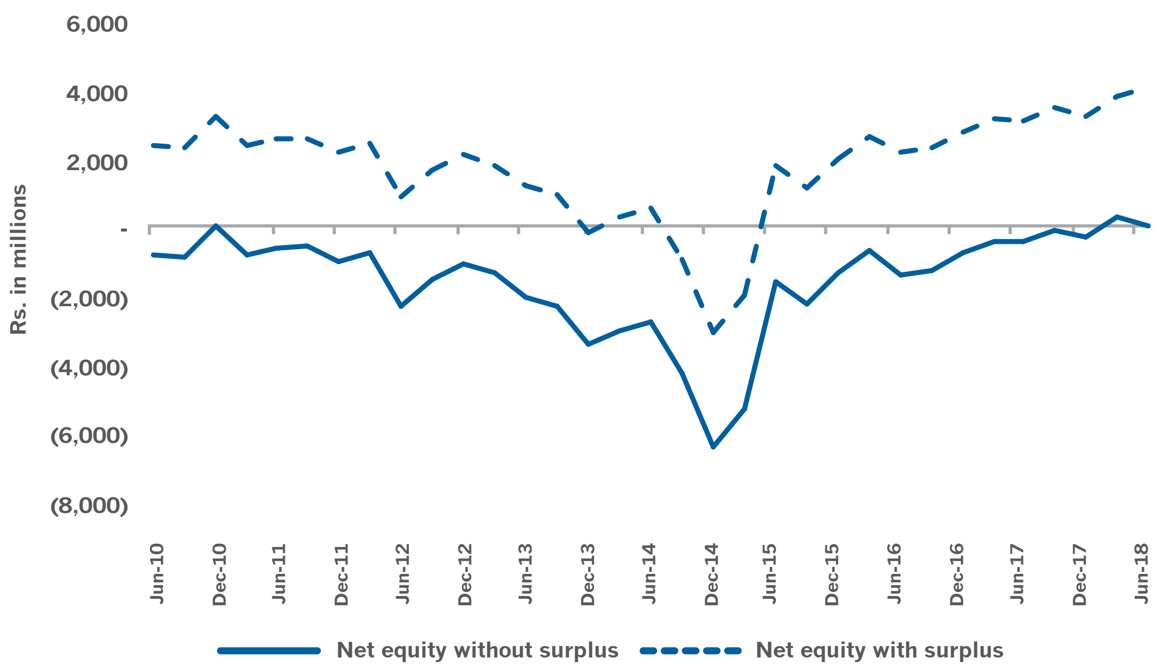
آپ کی کمپنی کے ڈائریکٹران اپنی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے برائے سال ختم شدہ 30 جون 2018 پیش کررہے ہیں۔

مالیاتی نتائج

	2018	2017
	(روپے ہزاروں میں)	
منافع بعد از ٹیکس	**503,789**	1,060,278
دیگر جامع آمدن/(خسارہ)	**457,484**	(35,345)
کل جامع آمدن	**961,273**	1,024,933
فی حصص آمدنی	**Rs.1.64**	Rs. 3.45
تخصیص:		
اسپیشل ریزرو میں منتقلی	**403,789**	926,013

اس سال کے دوران کمپنی کا بعد از ٹیکس منافع 504 ملین روپے رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 1,060 ملین روپے تھا۔ اس حالیہ منافع کی بدولت جون 2010 سے ایکویٹی کی منفی صورتحال پر (پراپرٹی، پلانٹ اینڈ ایکوئپمنٹ کی تشخیصی مالیت پر فاضل اضافہ کے علاوہ) قابو پالیا گیا ہے۔

Net equity position



Key operational and financial data

Six years summary

		2018	2017	2016	2015	2014	2013
Profit and loss							
Revenue	Rs. /mn	**92,229**	69,998	64,733	91,175	142,144	132,114
Gross profit / (loss)	Rs. /mn	**1,045**	2,579	1,990	(677)	(708)	1,949
Operating profit / (loss)	Rs. /mn	**1,422**	2,034	1,390	(984)	(783)	1,588
Profit / (loss) before tax	Rs. /mn	**829**	1,441	487	(1,673)	(856)	1,238
Profit / (loss) after tax	Rs. /mn	**504**	1,060	283	(1,182)	(864)	496
Earnings before interest, taxes, depreciation and amortisation	Rs. /mn	**2,230**	2,891	2,217	(610)	(65)	1,771
Balance Sheet							
Share Capital	Rs. /mn	**2,940**	2,940	2,940	350	350	350
Share deposit money	Rs. /mn	**-**	-	-	2,590	-	-
Reserves	Rs. /mn	**1,123**	161	(773)	(1,155)	219	865
Fixed assets and Intangible assets	Rs. /mn	**13,447**	12,253	12,109	12,118	7,407	5,111
Net current assets / liabilities	Rs. /mn	**(4,452)**	(7,364)	(8,046)	(8,769)	(6,900)	(3,743)
Long term / deferred liabilities	Rs. /mn	**5,057**	1,925	2,261	2,138	82	293
Investor Information							
Gross profit ratio	%	**1.13**	3.68	3.07	(0.74)	(0.50)	1.48
Net profit ratio	%	**0.55**	1.51	0.44	(1.30)	(0.61)	0.38
EBITDA margin	%	**2.42**	4.13	3.43	(0.67)	(0.05)	1.34
Cash flow from operations to sales	%	**(0.49)**	6.22	(1.66)	(0.06)	2.42	(5.21)
Inventory turnover	Days	**29**	32	31	30	26	26
Debtor turnover	Days	**23**	25	32	30	25	44
Operating cycle	Days	**14**	12	(5)	(12)	4	(0)
Debtor turnover	Times	**15.72**	14.46	11.32	12.31	14.66	8.38
Creditor turnover	Times	**9.70**	7.98	5.33	5.07	7.79	5.21
Inventory turnover	Times	**12.73**	11.30	11.83	12.09	13.83	13.84
Total assets turnover ratio	Times	**3.02**	2.70	2.61	2.96	4.93	4.82
Fixed assets turnover ratio	Times	**6.86**	5.71	5.35	7.52	19.19	25.85
Market value per share at the end of the year	Rs.	**34.71**	53.26	41.18	60.93	161.75	81.41
Market value per share - high during the year	Rs.	**58.97**	81.45	62.13	195.68	173.35	97.63
Market value per share - low during the year	Rs.	**32.26**	40.13	35.47	137.28	61.64	56.25
Breakup value per share	Rs.	**13.82**	10.55	7.37	50.99	16.25	34.71
Earnings / (loss) per share	Rs	**1.64**	3.45	0.93	(5.42)	(3.96)	2.27
Price earning ratio	Times	**21.16**	15.44	44.28	*	*	35.81
Cash dividend per share	Rs.	**-**	-	0.31	-	-	2.85
Dividend yield	%	**-**	-	0.75	-	-	-
Dividend pay out	%	**-**	-	33.33	-	-	125.38
Dividend Cover (Restated)	Times	**-**	-	3.11	-	-	4.97
Interest cover ratio	Times	**2.52**	3.57	1.56	(1.27)	(0.47)	4.87
Current ratio	Ratio	**0.79:1**	0.65:1	0.60:1	0.67:1	0.76:1	0.86:1
Quick ratio / acid test ratio	Ratio	**0.40:1**	0.30:1	0.30:1	0.34:1	0.39:1	0.42:1
Cash to current liabilities	Ratio	**0.027:1**	0.034:1	0.029:1	0.105:1	0.081:1	-0.297:1
Summary of cash flow statement							
Cash flows from operating activities	Rs. /mn	**(456)**	4,353	(1,072)	(56)	3,443	(6,886)
Cash flows from investing activities	Rs. /mn	**(1,469)**	(1,125)	(520)	(4,616)	(2,168)	(662)
Cash flows from financing activities	Rs. /mn	**3,095**	(5,020)	2,941	(1,789)	8,713	(0)
Net cash flows during the year	Rs. /mn	**1,171**	(1,792)	1,350	(6,461)	9,982	(7,547)

*** Not applicable due to loss.**

Horizontal analysis of profit and loss account

	2018	2017	2016	2015	2014	2013	2012
Sales	**72.5**	55.0	50.9	71.7	111.8	103.9	100.0
Cost of sales	**(71.7)**	(53.0)	(49.3)	(72.2)	(112.4)	(102.4)	(100.0)
Gross profit / (loss)	**3,549.8**	8,761.8	6,758.8	(2,299.8)	(2,404.8)	6,620.3	100.0
Distribution cost	**(125.6)**	(119.4)	(106.4)	(132.9)	(123.4)	(114.2)	(100.0)
Administrative expenses	**(168.4)**	(151.1)	(123.0)	(114.0)	(95.7)	(117.3)	(100.0)
Other operating expenses	**(20,056.8)**	(79,659.4)	(125,899.7)	(2,588.1)	(714.7)	(15,140.2)	(100.0)
Other income	**290.3**	130.0	169.1	49.2	92.6	49.6	100.0
Operating profit / (loss)	**10,544.6**	15,086.8	10,310.6	(7,300.6)	(5,807.7)	11,776.2	100.0
Finance costs	**(64.2)**	(65.6)	(98.7)	(76.8)	(9.4)	(38.9)	(100.0)
Share of income of associate	**(14.9)**	98.8	49.6	167.5	125.2	76.7	100.0
Profit / (Loss) before taxation	**92.4**	160.7	54.3	(186.6)	(95.5)	138.0	(100.0)
Taxation	**(45.2)**	(52.9)	(28.3)	68.3	(1.0)	(103.1)	(100.0)
Profit / (loss) after taxation	**31.2**	65.6	17.5	(73.1)	(53.5)	30.7	(100.0)

Vertical analysis of profit and loss account

(as a percentage of sales)

	2018	2017	2016	2015	2014	2013	2012
Sales	**100.00**	100.00	100.00	100.00	100.00	100.00	100.0
Cost of sales	**(98.9)**	(96.3)	(96.9)	(100.7)	(100.5)	(98.5)	(99.90)
Gross profit / (loss)	**1.1**	3.7	3.1	(0.7)	(0.5)	1.5	0.1
Distribution cost	**(0.2)**	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)
Administrative expenses	**(0.4)**	(0.5)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)
Other operating expenses	**(0.1)**	(0.7)	(1.2)	(0.1)	(0.0)	(0.1)	(0.0)
Other income	**1.2**	0.7	1.0	0.2	0.2	0.1	0.3
Operating profit / (loss)	**1.6**	2.9	2.2	(1.1)	(0.6)	1.2	0.1
Finance costs	**(0.6)**	(0.9)	(1.4)	(0.8)	(0.1)	(0.3)	(0.7)
Share of income of associate	**(0.1)**	0.1	0.0	0.0	0.0	0.0	0.0
Profit / (loss) before taxation	**0.9**	2.1	0.8	(1.9)	(0.7)	0.9	(0.6)
Taxation	**(0.4)**	(0.5)	(0.3)	0.6	0.0	(0.6)	(0.6)
Profit / (loss) after taxation	**0.5**	1.6	0.5	(1.3)	(0.7)	0.3	(1.2)

Horizontal analysis of balance sheet

	2018	2017	2016	2015	2014	2013	2012
ASSETS							
Non-current assets							
Fixed assets and Intangible assets	**296.1**	269.8	266.7	266.8	163.1	112.6	100.0
Investment accounted for using the equity method	**91.8**	107.9	109.8	117.5	115.3	109.8	100.0
Long-term deposits	**139.0**	124.0	128.9	123.6	256.8	256.0	100.0
Deferred taxation	**-**	-	100.0	100.0	-	-	-
Retirement benefit obligations - prepayments	**100.0**	100.0	-	-	-	-	-
Total non-current assets	**292.5**	267.0	268.9	273.5	162.7	113.2	100.0
Current assets							
Inventories	**97.8**	81.1	67.9	71.5	124.1	139.5	100.0
Trade receivables	**35.1**	21.6	25.2	30.1	41.5	52.2	100.0
Trade deposits, loans, advances and short-term prepayments	**67.1**	56.8	164.9	58.1	53.5	65.9	100.0
Other receivables	**145.1**	235.6	22.4	584.4	14.3	10.7	100.0
Taxation - payments less provision	**1,958.2**	2,617.8	2,727.3	2,410.6	1,221.7	-	100.0
Cash and bank balances	**187.6**	232.2	191.3	917.8	746.1	27.7	100.0
Total current assets	**57.3**	45.8	41.6	61.1	72.0	74.9	100.0
Total assets	**89.2**	75.8	72.4	89.9	84.3	80.1	100.0
EQUITY AND LIABILITIES							
EQUITY							
Share capital	**840.0**	840.0	840.0	100.0	100.0	100.0	100.0
Subscription money against rights issue	**-**	-	-	100.0	-	-	-
Accumulated loss	**(177.1)**	(174.4)	(174.7)	(178.4)	(128.1)	(100.7)	(100.0)
Other reserve	**(63.0)**	70.0	103.6	121.3	288.1	283.1	100.0
Special reserve	**100.0**	100.0	100.0	100.0	100.0	100.0	-
Revaluation surplus on property, plant and equipment	**127.2**	111.3	111.3	104.9	104.9	101.7	100.0
Total equity	**523.0**	399.2	279.0	229.8	73.2	156.4	100.0
LIABILITIES							
Non-current liabilities							
Long-term borrowing	**100.0**	100.0	100.0	100.0	-	-	-
Retirement benefit obligations	**2,851.8**	2,493.7	2,007.9	1,151.3	490.8	2,259.4	100.0
Deferred taxation	**207.3**	281.8	-	-	351.5	325.0	100.0
Unearned income	**-**	100.0	100.0	-	-	-	-
Total non-current liabilities	**27,092.1**	10,315.0	12,116.2	11,457.1	441.2	1,571.5	100.0
Current liabilities							
Trade and other payables	**81.1**	72.2	57.0	85.7	95.4	87.6	100.0
Borrowings	**270.9**	349.3	502.1	534.1	494.1	456.2	100.0
Unclaimed Dividend	**94.4**	94.7	91.6	92.4	209.6	105.6	100.0
Total current liabilities	**95.6**	93.4	90.9	119.9	125.9	115.7	100.0
Total liabilities	**118.1**	101.9	100.9	129.3	126.2	116.9	100.0
Total equity and liabilities	**122.2**	103.8	99.2	123.1	115.5	109.7	100.0

Vertical analysis of balance sheet

(as a precentage of total assets)

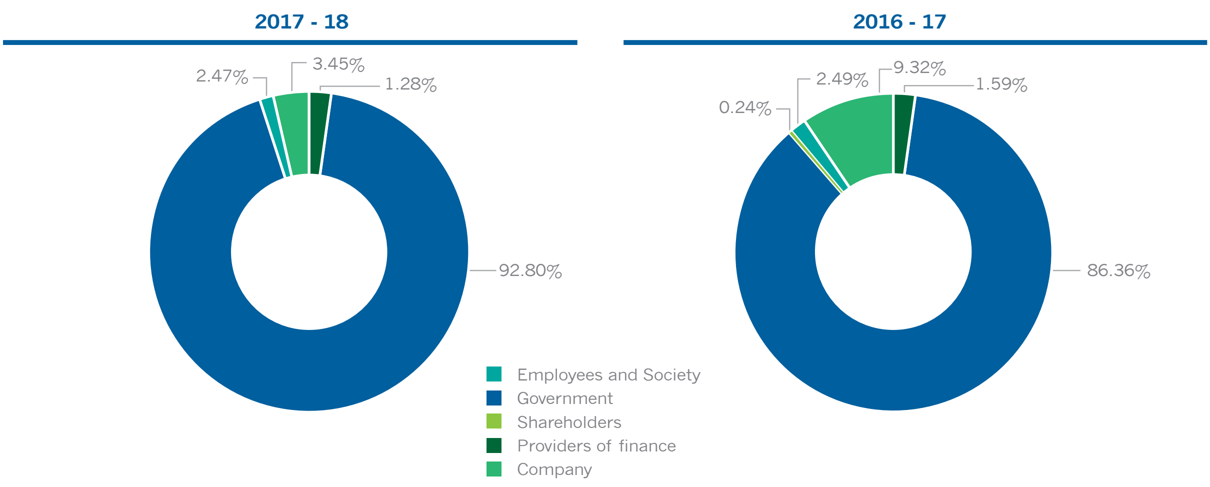
	2018	2017	2016	2015	2014	2013	2012
ASSETS							
Non-current assets							
Fixed assets and Intangible assets	44.1	47.3	48.9	39.4	25.7	18.7	13.3
Investment accounted for using the equity method	0.2	0.3	0.3	0.3	0.3	0.3	0.2
Long-term deposits and loans	0.1	0.1	0.1	0.1	0.2	0.2	0.1
Deferred taxation	-	-	1.0	1.5	-	-	-
Retirement benefit obligations - prepayments	0.1	0.1	-	-	-	-	-
Total non-current assets	**44.5**	**47.8**	**50.4**	**41.3**	**26.2**	**19.2**	**13.6**
Current assets							
Inventories	25.7	25.1	21.9	18.6	34.4	40.8	23.4
Trade receivables	23.8	17.2	21.0	20.3	29.8	39.4	60.5
Trade deposits, loans, advances and short-term prepayments	0.2	0.2	0.6	0.2	0.2	0.2	0.2
Other receivables	2.0	3.9	0.4	8.1	0.2	0.2	1.3
Taxation - payments less provisions	2.0	3.1	3.4	2.4	1.3	-	0.1
Cash and bank balances	1.9	2.7	2.4	9.2	7.9	0.3	0.9
Total current assets	**55.5**	**52.2**	**49.6**	**58.7**	**73.8**	**80.8**	**86.4**
Total assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
EQUITY AND LIABILITIES							
EQUITY							
Share capital	9.6	11.3	11.9	1.1	1.2	1.3	1.0
Subscription money against rights issue	-	-	-	8.4	-	-	-
Special reserve	6.4	5.4	1.9	1.3	1.4	1.4	-
Accumulated loss	(15.8)	(18.3)	(19.2)	(15.8)	(12.1)	(10.0)	(8.0)
Revaluation surplus on property, plant and equipment	13.1	13.5	14.1	10.7	11.4	11.7	9.2
Other reserves	(0.01)	0.01	0.01	0.01	0.03	0.03	0.01
Total equity	**13.3**	**12.0**	**8.7**	**5.8**	**2.0**	**4.4**	**2.3**
LIABILITIES							
Non-current liabilities							
Long-term borrowing	15.4	6.2	8.1	6.5	-	-	-
Employee benefit obligations	1.1	1.2	1.0	0.5	0.2	1.0	0.4
Deferred tax liabilities	-	0.1	-	-	0.1	0.1	0.1
Unearned Income	-	-	0.1	-	-	-	-
Total non-current liabilities	**16.6**	**7.4**	**9.1**	**7.0**	**0.3**	**1.1**	**0.5**
Current liabilities							
Trade and other payables	54.9	57.5	47.5	57.6	68.4	66.0	95.8
Borrowings	15.1	23.0	34.6	29.6	29.2	28.4	1.3
Unclaimed Dividend	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Total current liabilities	**70.1**	**80.6**	**82.1**	**87.2**	**97.7**	**94.5**	**97.2**
Total liabilities	**86.7**	**88.0**	**91.3**	**94.2**	**98.0**	**95.6**	**97.7**
Total equity and liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Statement of value addition and its distribution

For the year ended June 30, 2018

	2018		2017	
	Rs. in thousand	%	Rs. in thousand	%
Wealth Generated				
Total gross revenue and other income	129,879,414		103,409,061	
Brought in materials and services	(90,013,254)		(66,169,694)	
	39,866,160	**100%**	**37,239,367**	**100%**
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	976,673	2.45%	923,305	2.48%
To Government				
Income tax, sales tax, excise duty, development levy, WPPF, WWF	36,997,395	92.80%	32,160,093	86.36%
To society				
Donation to an educational institute	5,102	0.01%	4,964	0.01%
To shareholders				
Dividends and bonus	-	-	90,423	0.24%
To providers of finance				
Financial charges for borrowed funds	512,150	1.29%	591,471	1.60%
To Company				
Depreciation, amortisation and retained profit	1,374,840	3.45%	3,469,111	9.31%
	39,866,160	**100.00%**	**37,239,367**	**100.00%**

Wealth distribution to stakeholders



Pattern of Shareholding

As at June 30, 2018

Shareholders Category	Number of shareholders	Number of shares	% of shareholding
Directors, Chief Executive Officer, and their spouse and minor children	5	83,185	0.03%
Associated companies, undertakings and related parties	5	211,249,500	71.85%
NIT and ICP	2	6,053,475	2.06%
Banks, Development Financial Institutions, Non Banking Financial Institutions	9	819,580	0.28%
Insurance Companies	3	6,710,434	2.28%
Modarabas and Mutual Funds	7	727,500	0.25%
General Public :			
a. Local b. Foreign	7,912	59,207,608	20.14%
Others	128	9,148,718	3.11%
Total	**8,071**	**294,000,000**	**100.00%**

Shareholders Category	Number of shareholders	Number of shares
Associated Companies, Undertaking and Related Parties		
Chevron Global Energy Inc	1	2,625,000
Hascol Petroleum Limited	1	43,249,500
Pakistan State Oil Company Limited	2	70,875,000
The Shell Petroleum Company Limited	1	94,500,000
Total	**5**	**211,249,500**
Mutual Funds		
CDC - Trustee Unit Trust Of Pakistan	1	76,000
CDC - Trustee AKD Opportunity Fund	1	200,500
CDC - Trustee MCB Dcf Income Fund	1	109,000
CDC - Trustee NIT-Equity Market Opportunity Fund	1	322,931
CDC - Trustee First Habib Stock Fund	1	6,000
CDC - Trustee National Investment (Unit) Trust	1	5,730,544
CDC - Trustee Pakistan Income Fund - MT	1	306,000
CDC - Trustee UBL Income Opportunity Fund - MT	1	10,000
Total	**8**	**6,760,975**
Directors and their spouse		
Farrokh K. Captain	2	26,685
Farooq Rahmatullah Khan	1	31,500
Mumtaz Hasan Khan	1	22,500
Muhammad Aliuddin Ansari	1	2,500
Total	**5**	**83,185**
Public Sector Companies and Corporations	**3**	**7,595,934**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	**13**	**7,550,014**
Shareholders holding five percent of more voting rights in the Company		
The Shell Petroleum Company Limited	1	94,500,000
Pakistan State Oil Company Limited	2	70,875,000
Hascol Petroleum Limited	1	43,249,500
Total	**4**	**208,624,500**

Pattern of Shareholding

As at June 30, 2018

Number of Shareholders	Shareholdings FROM	Shareholdings TO	Number of Shares held
902	1	100	28,962
1,627	101	500	683,084
1,495	501	1,000	1,416,881
2,515	1,001	5,000	6,970,466
692	5,001	10,000	5,445,100
215	10,001	15,000	2,751,170
171	15,001	20,000	3,153,661
68	20,001	25,000	1,593,634
66	25,001	30,000	1,855,592
41	30,001	35,000	1,341,161
24	35,001	40,000	920,036
21	40,001	45,000	910,903
29	45,001	50,000	1,424,897
20	50,001	55,000	1,049,896
14	55,001	60,000	821,262
15	60,001	65,000	957,339
5	65,001	70,000	346,676
11	70,001	75,000	796,997
9	75,001	80,000	708,046
5	80,001	85,000	418,500
7	85,001	90,000	619,050
3	90,001	95,000	275,000
23	100,000	105,000	2,304,006
9	105,001	110,000	972,498
1	110,001	115,000	113,000
2	120,000	125,000	245,000
2	125,001	130,000	253,107
3	130,001	135,000	398,509
4	135,001	140,000	555,000
3	140,001	145,000	428,500
3	145,001	150,000	444,601
1	150,001	155,000	153,000
3	155,001	160,000	472,490
1	165,000	170,000	165,000
1	170,001	175,000	174,000
2	175,001	180,000	352,000
2	180,001	185,000	366,664
1	185,001	190,000	187,119
1	190,001	195,000	192,000

Pattern of Shareholding

As at June 30, 2018

Number of Shareholders	Shareholdings FROM	Shareholdings TO	Number of Shares held
6	195,001	200,000	1,199,216
2	200,001	205,000	401,200
1	205,001	210,000	209,000
1	210,001	215,000	214,816
1	220,001	225,000	221,500
2	230,001	235,000	465,100
2	245,000	250,000	494,000
1	250,001	255,000	254,254
1	255,001	260,000	257,500
1	270,001	275,000	274,802
1	280,001	285,000	280,500
1	285,001	290,000	288,000
5	300,000	305,000	1,500,000
1	305,001	310,000	306,000
2	315,000	320,000	632,372
2	320,001	325,000	643,431
1	355,001	360,000	356,000
1	405,001	410,000	409,500
1	450,000	455,000	450,000
1	465,001	470,000	465,500
1	505,001	510,000	505,928
1	565,001	570,000	565,816
1	595,000	600,000	595,000
1	630,001	635,000	634,500
2	720,001	725,000	1,449,500
1	760,001	765,000	764,000
1	1,345,001	1,350,000	1,349,000
1	2,260,001	2,265,000	2,264,500
1	2,625,000	2,630,000	2,625,000
1	2,775,001	2,780,000	2,779,500
1	3,150,000	3,155,000	3,150,000
1	3,365,001	3,370,000	3,369,000
1	3,555,001	3,560,000	3,559,900
1	4,445,001	4,450,000	4,445,814
1	5,730,001	5,735,000	5,730,544
1	14,175,000	14,180,000	14,175,000
1	43,245,001	43,250,000	43,249,500
1	56,700,000	56,705,000	56,700,000
1	94,500,000	94,505,000	94,500,000
8,071			**294,000,000**

Notice of Annual General Meeting

Notice is hereby given that the Fifty-Eighth (58th) Annual General Meeting of Pakistan Refinery Limited (the Company) will be held on Monday, November 26, 2018 at 1000 hours at Marriott Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and approve the Audited Financial Statements of the Company for the year ended June 30, 2018 together with the reports of the Board and the Auditors thereon.

2. To appoint Company's external auditors for the year ending June 30, 2019 and to fix their remuneration. The present auditors Messrs A. F. Ferguson & Co., Chartered Accountants, being eligible offer themselves for the appointment.

ANY OTHER BUSINESS

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

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By Order of the Board

Asim H. Akhund
Company Secretary

Karachi: October 19, 2018

Notes:

1. The Share Transfer Books of the Company will be closed from November 20, 2018 to November 26, 2018 (both days inclusive). Transfers received at the office of the share registrar of the Company at FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi at the close of business on November 19, 2018 (Monday) will be treated in time for the purposes of proceedings of the AGM.

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote at the meeting on his/her behalf. Instrument appointing proxy must be deposited at the office of the share registrar of the Company at FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi not less than 48 hours before the time of the meeting.

3. The shareholders are requested to notify the Company if there is any change in their addresses.

4. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued 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 Computerized 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 as per the above requirement; ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form; iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form; iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting; v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

5. The shareholders holding physical shares are also required to bring their original CNIC and/or copy of CNIC of shareholder(s) of whom he/she/they hold proxy(ies). Without CNIC, such shareholder(s) shall not be allowed to attend and/or sign the Register of Shareholders / Members at the AGM.

6. Transmission of annual financial statements through email: In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. http://www.prl.com.pk and send the said form duly filled in and signed along with copy of his / her CNIC / passport to the Company's Share Registrar. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

Annual Financial Statements of the Company for the year ended June 30, 2018 can be downloaded from the Company's website http://www.prl.com.pk.

7. Consent for Video Conference facility: In accordance with Section 132(2) of the Companies Act, 2017, the members can also avail video conference facility at Lahore and Islamabad. In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access such facility.

   I/We, ________________________________ of ______________, being a member of Pakistan Refinery Limited, holder of ______________________ ordinary share (s) as per Registered Folio/CDC Account No. ______________________________ hereby opt for video conference facility at ____.

   Signature of member

8. SECP through its SRO 470(1)/2016, dated May 31, 2016, has allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and Directors' report etc ("annual financial statements") to its members through CD/DVD/USB at their registered addresses. In view of the above, the Company has sent its Annual Report 2018 to its shareholders in the form of DVD. Any member requiring printed copy of Annual Report 2018 may send a request using a Standard Request Form placed on Company's website.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

For the year ended June 30, 2018

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017, ("Regulations") in the following manner:

1. The total number of directors are 11 as per the following:

Male	11
Female	none

2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors.

Category	Names
Independent	**Syed Asad Ali Shah** (Appointed w.e.f October 19, 2018) * **Mohammad Zubair** (Appointed w.e.f October 19, 2018) **Muhammad Aliuddin Ansari** (Resigned w.e.f August 27, 2018)
Executive - Managing Director & CEO	**Aftab Husain**
Non-Executive	**Abdul Jabbar Memon** **Faisal Waheed** **Farooq Rahmatullah Khan** **Farrokh K. Captain** (Resigned w.e.f October 17, 2018) **Haroon Rashid** (Appointed w.e.f July 3, 2018) **Jawwad Ahmed Cheema** (Resigned w.e.f July 3, 2018) **Syed Jehangir Ali Shah** (Appointed w.e.f October 19, 2018) **Muhammad Najam Shamsuddin** **Mumtaz Hasan Khan** **Sheikh Imran ul Haque** (Resigned w.e.f October 19, 2018) **Yacoob Suttar**

* *The Board also elected Syed Asad Ali Shah as its Chairman effective October 19, 2018 in terms of Section 192 of the Companies Act, 2017 for the remaining term of the resigning Chairman.*

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal and transparent procedures for remuneration of directors in accordance with the Articles of Association of the Company, the Act and these Regulations.

9. The Directors were apprised of their duties and responsibilities from time to time. At present the required number of directors either have already attended the directors' training as required in previous years or meet the exemption criteria as contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The Board had the following committees as at June 30, 2018:

Board Audit Committee		Number of Meetings
Yacoob Suttar	Chairman	5
Faisal Waheed	Member	
Muhammad Aliuddin Ansari	Member	
Muhammad Najam Shamsuddin	Member	

Board HR and Remuneration Committee		Number of Meetings
Farrokh K. Captain	Chairman	3
Farooq Rahmatullah Khan	Member	
Jawwad Ahmed Cheema	Member	
Sheikh Imran ul Haque	Member	
Aftab Husain	Member	

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee members for compliance.

14. The frequency of meetings of the committee were as per following:
    a) Audit Committee: Quarterly
    b) Human Resource and Remuneration Committee: Yearly (or as and when required)

15. The board has set up an effective internal audit function.

16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all the other material principles of the Regulations have been complied with.

Syed Asad Ali Shah
Chairman

Karachi: October 19, 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PAKISTAN REFINERY LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Refinery Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

A.F. Fergusons & Co.
Chartered Accountants

Karachi
Dated: 2 November 2018

FINANCIAL STATEMENTS

Independent Auditor's Report to the members of Pakistan Refinery Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Refinery Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	**Companies Act, 2017 (Refer note 3.1.2 to the financial statements)** The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these annexed financial statements. The Act has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes include recognition of surplus on revaluation of property, plant and equipment in equity and additional disclosures. Particularly, change in the requirement relating to surplus on revaluation of property, plant and equipment is accounted for as change in accounting policy that also required inclusion of an additional statement of financial position at the beginning of the earliest period presented as disclosed in note 4 to the financial statements. In view of the various additional disclosures and change in accounting policy relating to surplus on revaluation of property, plant and equipment in the annexed financial statements due to first time application of the provisions of the Companies Act, 2017, for preparation of financial statements, we considered this as a key audit matter.	We reviewed and understood the requirements of the Companies Act, 2017 for the preparation of financial statements. Our audit procedures included the following: • considered the management's process to identify the additional disclosures required in the Company's annexed financial statements; • obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; • engaged an auditor's expert to test the reasonableness of the assumptions used by the management's land valuer; • ensured appropriate accounting is carried out with respect to the surplus on revaluation of property, plant and equipment as per IAS 16 'Property, Plant and Equipment'; and • ensured the presentation and disclosure requirements of accounting and reporting framework relating to change in accounting policy for surplus on revaluation of property, plant and equipment and other additional disclosures.

S. No.	Key Audit Matter	How the matter was addressed in our audit
2.	**Inventories** **(Refer note 9 to the financial statements)** Inventories include crude oil and condensate, and finished products amounting to Rs. 5,549 million and Rs. 1,929 million respectively. For determination of volume of crude oil and condensate, semi-finished and finished products as at June 30, 2018, the Company conducts 100% inventory count. The Company also involves an external expert for the purpose of inventory count. The inventory quantities are determined by obtaining dips and measuring the temperature and density of the inventories. The volume of the inventories is also determined by using the aforementioned parameters and applying the dynamics of respective tanks, which were determined at the time of commissioning of tanks and/or recalibration, to calibrate the quantity. This calibrated quantity is used for valuation of inventories. Due to the significance of the stock balances and related complexities involved in respect of measurement, this is considered a key audit matter.	Our audit procedures included the following: • attended the physical count of the inventories and observed the said parameters. A representative of the Company and an external surveyor were also present; • checked the background and experience of the surveyor to ensure his competence and capability; • obtained samples of inventories from the storage tanks to determine the nature / characteristics of the inventories. Such samples were then sent to the Company's laboratory to determine the nature of the stock after our internal coding of the samples; and • obtained and reviewed the inventories count report of the external surveyor for 100% inventories and re-performed the working for determination of volume.

S. No.	Key Audit Matter	How the matter was addressed in our audit
3.	**Regulatory / Custom Duty (Refer notes 21.2 and 29.2 to the financial statements)** During the year, the Oil and Gas Regulatory Authority (OGRA) in compliance with the directives of the Ministry of Energy (MoE) has approved a recovery mechanism for regulated products through which refineries will operate on no gain / loss basis on this account. OGRA has directed Oil Companies Advisory Committee (OCAC) to ensure implementation of this mechanism. The Company has worked out the impact of the above mechanism and adjusted the regulatory / custom duty on regulated products in the trade payables and in case of regulatory / custom duty on deregulated products in the sales and cost of sales respectively. The Company after obtaining legal opinion, reversed differential regulatory / custom duty on deregulated products accumulated upto June 30, 2017. Due to the significance of the amount and being a significant event impacting the financial statements for the year, this is considered a key audit matter.	Our audit procedures included the following: • read and assessed the recovery mechanism issued by the OGRA and its impact on the Company's financial statements; • obtained various correspondence with respect to the recovery mechanism by the Company with the MoE; • read and assessed the legal opinion obtained by the management; • recalculated related working for determination of differential regulatory / custom duty on deregulated products accumulated upto June 30, 2017; and • assessed the adequacy of the disclosures made in the financial statements.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

A.F. Fergusons & Co.
Chartered Accountants

Karachi
Dated: 2 November 2018

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	(Re-stated) 2017	(Re-stated) July 1, 2016
			(Rupees in thousand)	
ASSETS				
Non-current assets				
Property, plant and equipment	5	**13,444,154**	12,246,829	12,100,255
Intangible assets	6	**2,444**	6,080	9,214
Investment accounted for using the equity method	7	**71,428**	84,012	85,432
Long-term deposits and loans	8	**29,347**	26,170	27,205
Deferred tax asset		**-**	-	253,299
Employee benefit prepayments	19	**24,026**	26,990	-
		13,571,399	12,390,081	12,475,405
Current assets				
Inventories	9	**7,830,028**	6,496,069	5,436,563
Trade receivables	10	**7,265,482**	4,470,649	5,211,050
Trade deposits, loans, advances and short-term prepayments	11	**56,907**	48,169	139,937
Other receivables	12	**621,879**	1,009,852	95,842
Taxation - payments less provision		**597,080**	798,200	831,593
Cash and bank balances	13	**575,214**	712,186	586,791
		16,946,590	13,535,125	12,301,776
		30,517,989	25,925,206	24,777,181
EQUITY AND LIABILITIES				
Equity				
Share capital	14	**2,940,000**	2,940,000	2,940,000
Accumulated loss		**(4,816,826)**	(4,744,206)	(4,753,066)
Special reserve	15	**1,943,476**	1,405,313	479,300
Revaluation surplus on property, plant and equipment		**3,997,928**	3,497,928	3,497,928
Other reserves	16	**(2,023)**	2,247	3,327
		4,062,555	3,101,282	2,167,489
Liabilities				
Non-current liabilities				
Long-term borrowings	17	**4,700,000**	1,600,000	2,000,000
Deferred tax liabilities	18	**13,759**	18,709	-
Employee benefit obligations	19	**342,985**	299,921	241,495
Unearned income	20	**-**	6,667	20,000
		5,056,744	1,925,297	2,261,495
Current liabilities				
Trade and other payables	21	**16,757,444**	14,919,918	11,766,233
Borrowings	22	**4,619,390**	5,956,790	8,560,762
Unclaimed dividend		**21,856**	21,919	21,202
		21,398,690	20,898,627	20,348,197
		26,455,434	22,823,924	22,609,692
CONTINGENCIES AND COMMITMENTS	23			
		30,517,989	25,925,206	24,777,181

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

Syed Asad Ali Shah	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Revenue	24	92,229,260	69,997,823
Cost of sales	25	(91,184,232)	(67,418,422)
Gross profit		1,045,028	2,579,401
Distribution costs	26	(201,163)	(191,188)
Administrative expenses	27	(388,701)	(348,828)
Other operating expenses	28	(124,355)	(493,888)
Other income	29	1,090,813	488,511
Operating profit		1,421,622	2,034,008
Finance cost	30	(591,228)	(603,728)
Share of net (loss) / income of associate accounted for using the equity method		(1,598)	10,602
Profit before income tax		828,796	1,440,882
Income tax expense	31	(325,007)	(380,604)
Profit for the year		503,789	1,060,278
Other comprehensive income / (loss)			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available for sale investments in associate		(5,458)	(1,392)
Deferred tax relating to fair value change of available for sale investments of associate		1,188	312
		(4,270)	(1,080)
Items that will not be reclassified to profit or loss:			
Remeasurements of employee retirement benefits		(38,246)	(34,265)
Revaluation surplus on property, plant and equipment		500,000	-
		461,754	(34,265)
Other comprehensive income / (loss) for the year - net of tax		457,484	(35,345)
Total comprehensive income for the year		961,273	1,024,933
Earnings per share - basic and diluted	32	Rs. 1.64	Rs. 3.45

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

Syed Asad Ali Shah	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	SHARE CAPITAL	CAPITAL RESERVE			REVENUE RESERVE			TOTAL
		Special reserve - note 15	Revaluation surplus on property, plant and equipment	Exchange equalisation reserve - note 16	Accumu-lated loss	Fair value reserve - note 16	General reserve - note 16	
	(Rupees in thousand)							
Balance as at July 1, 2016 as previously reported	2,940,000	479,300	-	897	(4,753,066)	1,380	1,050	(1,330,439)
Impact of re-statement - note 4	-	-	3,497,928	-	-	-	-	3,497,928
Balance as at July 1, 2016 - restated	2,940,000	479,300	3,497,928	897	(4,753,066)	1,380	1,050	2,167,489
Profit for the year ended June 30, 2017	-	-	-	-	1,060,278	-	-	1,060,278
Other comprehensive loss for the year ended June 30, 2017	-	-	-	-	(34,265)	(1,080)	-	(35,345)
	-	-	-	-	1,026,013	(1,080)	-	1,024,933
Final cash dividend for the year ended June 30, 2016 - Rs. 0.31 per share	-	-	-	-	(91,140)	-	-	(91,140)
Profit for the year transferred to special reserve	-	926,013	-	-	(926,013)	-	-	-
Balance as at June 30, 2017 - restated	2,940,000	1,405,313	3,497,928	897	(4,744,206)	300	1,050	3,101,282
Profit for the year ended June 30, 2018	-	-	-	-	503,789	-	-	503,789
Other comprehensive income / (loss) for the year ended June 30, 2018	-	-	500,000	-	(38,246)	(4,270)	-	457,484
	-	-	500,000	-	465,543	(4,270)	-	961,273
Impact of other comprehensive loss due to actuarial loss on employee retirement benefits transfered to special reserve - note 15.1	-	134,374	-	-	(134,374)	-	-	-
Profit for the year transferred to special reserve	-	403,789	-	-	(403,789)	-	-	-
Balance as at June 30, 2018	**2,940,000**	**1,943,476**	**3,997,928**	**897**	**(4,816,826)**	**(3,970)**	**1,050**	**4,062,555**

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

Syed Asad Ali Shah	Aftab Husain	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	298,539	5,064,468
Mark-up paid		(541,917)	(553,680)
Income tax paid		(127,649)	(74,891)
Contribution to retirement benefit plans		(81,486)	(83,452)
(Increase) / decrease in long-term deposits and loans		(3,177)	1,035
Net cash (used in) / generated from operating activities		(455,690)	4,353,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,503,747)	(1,222,258)
Purchase of intangible assets		-	(379)
Proceeds from disposal of property, plant and equipment		1,682	91
Return received on bank deposits		27,814	87,321
Dividend received		5,528	10,630
Net cash used in investing activities		(1,468,723)	(1,124,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(63)	(90,423)
Proceeds from long term borrowings		3,500,000	-
Proceeds from foreign currency loans		-	10,993,774
Repayments of foreign currency loans		-	(14,191,146)
Long-term borrowings repaid		(400,000)	-
Redemptions against term finance certificates		(5,000)	(1,732,630)
Net cash generated from / (used in) financing activities		3,094,937	(5,020,425)
Net increase / (decrease) in cash and cash equivalents		1,170,524	(1,791,540)
Cash and cash equivalents at the beginning of the year		(4,610,214)	(2,818,894)
Exchange gain on cash and cash equivalents		24,904	220
Cash and cash equivalents at the end of the year	39	(3,414,786)	(4,610,214)

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

Syed Asad Ali Shah
Chairman

Aftab Husain
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is listed on Pakistan Stock Exchange. The Company is engaged in the production and sale of petroleum products.

The geographical locations and addresses of the Company's business units, including plant are as under:

- Refinery complex and registered office of the Company is at Korangi Creek Road, Karachi; and
- Storage tanks are also at Keamari, Karachi.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING YEAR

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

(a) Obtained long term borrowings amounting to Rs. 3.5 billion. Refer note 17.

(b) Finalisation of recovery mechanism for recovery of regulatory / custom duty by Oil and Gas Regulatory Authority (OGRA). Refer notes 21.2 and 29.2.

(c) Catalyst of Isomerisation Unit which was impaired last year due to contamination was replaced during the year. However, due to this, the Isomerisation Unit could not be operated at full capacity from July to November 2017. This resulted in short production of Motor Gasoline by approximately 22,000 metric tons.

(d) Incurred net exchange loss amounting to Rs. 1.32 billion during the year on payments of liabilities denominated in foreign currencies.

(e) During the year, a decline in Furnace Oil demand led to build-up of Furnace Oil inventory which in turn put pressure on the refinery operations. Therefore, in order to ensure continuous operations and to attract customers, the prices of Furnace Oil were reduced during second and third quarter of current financial year which had a negative impact on Company's profitability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

3.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.1.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation surplus on property, plant and equipment as more fully explained in note 4, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicate disclosures with the IFRS disclosure requirements; and

- incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act along with the impact on the recognition and measurement of the revaluation surplus on property, plant and equipment in equity.

3.2 Critical accounting estimates, judgments and policies

The preparation of financial statements in conformity with approved accounting and reporting 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Income Tax

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.

ii. Other areas of significant judgment

Significant estimates relating to property, plant and equipment, deferred taxation and employee benefit obligations are disclosed in notes 5, 18 and 19 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 judgments 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 judgment has been used in applying the accounting policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.3 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

IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided.

The change has been disclosed in notes 17.1 and 22.2 of these financial statements.

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

There are other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard is effective for periods beginning from or after July 01, 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - This standard is effective for periods beginning from or after July 01, 2018. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 'Leases' - This standard is effective for periods beginning from or after January 01, 2019. IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management has assessed the impact of changes laid down by these standards on its financial statements and considers them insignificant.

3.4 Overall valuation policy

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.5 Property, plant and equipment

These are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and impairment loss, if any, except land which is carried at revalued amount less accumulated depreciation and impairment loss, if any, and capital work-in-progress including major spare parts and stand-by equipment which are 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.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating assets category as and when assets 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 statement of financial position date.

Increases in the carrying amount arising on revaluation of land is recognised in other comprehensive income and accumulated in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. 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.

Maintenance and normal repairs are charged to profit or loss 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 profit or loss currently.

3.6 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and the resulting impairment is charged to statement of profit or loss and other comprehensive income.

3.7 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 profit or loss 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.8 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 other comprehensive income are respectively recognised in the statement of profit or loss 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.

3.9 Income tax

3.9.1 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.

3.9.2 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.

Investment tax credits are considered not substantially different from other tax credits. Accordingly in such situations tax credits are deducted from current tax amount to the extent of tax credit availed while recognising deferred tax credit for the unused investment tax credit.

3.10 Inventories

Crude oil and finished products are 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.

Stores, spares and chemicals 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.

3.11 Trade and other receivables

Trade and other receivables 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.

3.12 Cash and cash equivalents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.13 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.

3.14 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.

3.15 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 judgment when determining which assets are qualifying assets, taking into account the nature of the asset.

3.16 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.

3.17 Employee retirement benefits

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

3.17.1 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 statement of financial position 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 an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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, 2018 using the Projected Unit Credit Method.

The amount arising as a result of remeasurements is recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Past service costs are recognised immediately in profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3.17.2 Defined contribution plan

The Company operates a recognised 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.

3.18 Functional currency and foreign currency translation

These financial statements are presented in Pak Rupees (Rupees) which is also the functional currency of the Company and figures are rounded off to the nearest thousand of Rupees.

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 statement of financial position date. Foreign currency gains and losses are recognised in the statement of profit or loss and other comprehensive income. 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.

3.19 Financial instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.20 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.

3.21 Government grants

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment.

3.23 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.

4. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 (repealed ordinance) relating to the revaluation surplus on property, plant and equipment has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed ordinance specified the accounting treatment and presentation of the surplus on revaluation of property, plant and equipment, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of property, plant and equipment would now be presented under equity.

Following the application of IAS 16, the Company's policy for revaluation surplus on property, plant and equipment stands amended as follows:

- Increases in the carrying amount arising on revaluation of land is recognised in other comprehensive income and accumulated in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. 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.

The 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at July 1, 2016		
	As previously reported	**As re-stated**	**Re-statement**	As previously reported	As re-stated	Re-statement
	(Rupees in thousand)					
Effect on statement of financial position						
Revaluation surplus on property, plant and equipment	3,497,928	-	(3,497,928)	3,497,928	-	(3,497,928)
Equity	-	3,497,928	3,497,928	-	3,497,928	3,497,928
Effect on statement of changes in equity						
Revaluation surplus on property, plant and equipment	-	3,497,928	3,497,928	-	3,497,928	3,497,928

There was no impact on other comprehensive income and cashflows for the year ended June 30, 2017 as a result of the retrospective application of change in accounting Policy.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	(Rupees in thousand)	
Operating assets - note 5.1	**12,281,380**	10,789,255
Major spare parts and stand-by equipment - note 5.2	**92,997**	235,703
Capital work-in-progress - notes 5.3 and 5.4	**1,069,777**	1,221,871
	13,444,154	12,246,829

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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5.1 Operating assets

	Freehold land (note 5.1.1 and note 5.1.2)	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 telecom-munication systems	Vehicles and other automo-tive equip-ment	Total
	(Rupees in thousand)												
Net carrying value basis													
Year ended June 30, 2018													
Opening net book value (NBV)	3,500,000	26,025	5,569,541	845,108	357,625	59,596	11,033	220,525	18,114	105,159	76,529	-	10,789,255
Revaluation - note 5.1.2	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000
Additions (at cost)	-	1,642	355,239	124,131	228,872	136,564	512,472	369,484	2,087	13,862	46,722	6,541	1,797,616
Disposals (at NBV)	-	-	*-	*-	*-	*-	-	*-	*-	(55)	*-	-	(55)
Depreciation charge	-	(6,561)	(508,333)	(123,276)	(68,955)	(17,506)	(4,980)	(27,235)	(4,672)	(29,774)	(13,190)	(954)	(805,436)
Closing net book value	4,000,000	21,106	5,416,447	845,963	517,542	178,654	518,525	562,774	15,529	89,192	110,061	5,587	12,281,380
Gross carrying value basis													
At June 30, 2018													
Cost or revaluation	4,000,000	133,190	8,318,965	1,511,918	858,473	347,459	573,795	712,047	99,417	521,865	199,590	60,524	17,337,243
Accumulated depreciation	-	(112,084)	(2,628,456)	(665,955)	(340,931)	(168,805)	(55,270)	(149,273)	(83,888)	(432,673)	(89,529)	(54,937)	(4,781,801)
Accumulated impairment	-	-	(274,062)	-	-	-	-	-	-	-	-	-	(274,062)
Net book value	4,000,000	21,106	5,416,447	845,963	517,542	178,654	518,525	562,774	15,529	89,192	110,061	5,587	12,281,380
Year ended June 30, 2017													
Opening net book value (NBV)	3,500,000	30,554	6,224,881	738,193	376,570	55,066	7,919	203,511	18,322	111,766	84,151	1,171	11,352,104
Additions (at cost)	-	3,104	219,645	214,332	33,981	14,806	5,275	41,726	4,031	25,580	6,219	-	568,699
Disposals (at NBV)	-	-	-	*-	*-	-	-	-	*-	(34)	-	-	(34)
Reclassification (at NBV)	-	(3)	(1,670)	(1,736)	158	(309)	(51)	754	(106)	3,361	474	(872)	-
Impairment charge	-	-	(274,062)	-	-	-	-	-	-	-	-	-	(274,062)
Depreciation charge	-	(7,630)	(599,253)	(105,681)	(53,084)	(9,967)	(2,110)	(25,466)	(4,133)	(35,514)	(14,315)	(299)	(857,452)
Closing net book value	3,500,000	26,025	5,569,541	845,108	357,625	59,596	11,033	220,525	18,114	105,159	76,529	-	10,789,255
Gross carrying value basis													
At June 30, 2017													
Cost or revaluation	3,500,000	131,548	7,963,978	1,387,911	629,606	211,372	61,323	345,130	97,855	519,030	153,004	53,983	15,054,740
Accumulated depreciation	-	(105,523)	(2,120,375)	(542,803)	(271,981)	(151,776)	(50,290)	(124,605)	(79,741)	(413,871)	(76,475)	(53,983)	(3,991,423)
Accumulated impairment	-	-	(274,062)	-	-	-	-	-	-	-	-	-	(274,062)
Net book value	3,500,000	26,025	5,569,541	845,108	357,625	59,596	11,033	220,525	18,114	105,159	76,529	-	10,789,255
Depreciation rate % per annum	-	5 to 20	5 to 50	5 to 20	5 to 20	10	10 to 33	5 to 33	10 to 20	10 to 33	5 to 33	25	

*Assets disposed off having nil net book value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5.1.1 The land is freehold to be used for oil refinery by the Company.

5.1.2 During the year, the land measuring 199 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. 500 million. The value was determined by an independent valuer M/s. Iqbal A. Nanjee and Co. (Private) Limited on June 30, 2018 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 (level 2). The forced sales value was determined by the independent valuer at Rs. 3 billion.

The last valuation of land was carried out on June 30, 2016.

The different levels for determination of fair value hierarchy have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and

- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (level 3).

Had there been no revaluation, the net book value of land would have been Rs. 2.07 million (2017: Rs. 2.07 million).

5.1.3 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of immoveable property	Total area (in acres)
Naclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi	Refining complex	199

5.1.4 During the year, the Company has capitalised borrowing costs amounting to Rs. 91.47 million (June 30, 2017: Rs. 28.74 million) on its operating assets. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 6.94% per annum (June 30, 2017: general borrowings of 7.75% per annum).

5.1.5 During the year, useful life of gas compressors has been increased to 20 years in order to better reflect the pattern in which the economic benefits of the gas compressors are consumed by the Company. The gas compressors were initially capitalised at 5 years. Had this change in accounting estimates not been made, the depreciation for the year would have been higher by Rs. 106.76 million, profit before income tax for the year and net book value of the processing plant would have been lower by the same amount.

5.2 Major spare parts and stand-by equipment	**2018**	2017
	(Rupees in thousand)	
Gross carrying value		
Balance at beginning of the year	**255,959**	188,744
Additions during the year	**5,753**	148,936
Items written off during the year - note 5.2.1	**(2,365)**	-
Transfers made during the year	**(147,528)**	(81,721)
Balance at end of the year	**111,819**	255,959
Provision for impairment - note 5.2.2	**(18,822)**	(20,256)
Net carrying value	**92,997**	235,703

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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5.2.1 During the year, major spare items costing Rs. 2.37 million having carrying value of Rs. 1.58 million were written off.

5.2.2 During the year net reversal of Rs. 1.43 million (2017: net charge of Rs. 2.14 million) was recorded.

5.3 Movement in capital work-in-progress

	2018	2017
	(Rupees in thousand)	
Balance at beginning of the year	**1,221,871**	577,522
Additions during the year	**1,645,522**	1,213,048
Transfers made during the year	**(1,797,616)**	(568,699)
Balance at end of the year	**1,069,777**	1,221,871

5.4 Capital work-in-progress

Buildings	**6,183**	-
Processing plant	**356,976**	165,107
Steam generation plant	**9,849**	114,781
Korangi tank farm	**87,234**	37,115
Keamari terminal	**291,161**	204,298
Pipelines	**93,265**	139,519
Power generation, transmission and distribution	**19,917**	214,104
Water treatment and cooling system	**22,978**	2,088
Equipment including furniture	**4,779**	-
Fire fighting and telecommunication systems	**104,409**	19,626
Advances to contractors / suppliers	**73,026**	325,233
	1,069,777	1,221,871

5.4.1 During the year, the Company has capitalised borrowing costs amounting to Rs. 12.30 million (June 30, 2017: Rs. 29.27 million). Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 6.94% per annum (June 30, 2017: 7.75% per annum).

6. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2018	2017
	(Rupees in thousand)	
Net carrying value basis		
Opening net book value (NBV)	**6,080**	9,214
Additions (at cost)	**-**	379
Amortisation charge	**(3,636)**	(3,513)
Closing net book value	**2,444**	6,080
Gross carrying value basis		
Cost as at the beginning of the year	**22,664**	22,285
Additions during the year	**-**	379
Cost as at June 30	**22,664**	22,664
Accumulated amortisation	**(20,220)**	(16,584)
Net book value	**2,444**	6,080

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

7. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2018	2017
	(Rupees in thousand)	
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2017: 850,401) fully paid ordinary shares - note 7.1	**71,428**	84,012

7.1 The Company holds 27.26% (2017: 27.26%) share in the associate. The above amount represents proportionate carrying value of the associate's net assets - refer note 7.2. The associate has share capital consisting solely of ordinary shares, which are held directly by the Company.

The registered office of the associate is at 6, Oil Installation Area, Keamari, Karachi, Pakistan. The country of incorporation or registration is also its principal place of business.

The principal activity of the associate is manufacture and sale of petroleum grease products.

	2018	2017
	(Rupees in thousand)	
Opening balance	**84,012**	85,432
Share of (loss) / income for the year	**(1,598)**	10,602
Change in fair value of available for sale investment	**(5,458)**	(1,392)
Dividend received	**(5,528)**	(10,630)
	71,428	84,012

7.2 Summarised financial information of Company's associate:

Set out below is the summarised financial information for Pak Grease Manufacturing Company (Private) Limited which is accounted for using the equity method.

	Unaudited 2018	2017
	(Rupees in thousand)	
Revenue	**144,531**	138,843
(Loss) / profit from continuing operations	**(5,862)**	38,883
Other comprehensive loss	**(20,025)**	(5,107)
Total comprehensive (loss) / income	**(25,887)**	33,776
Non-current assets	**197,235**	251,757
Current assets	**80,303**	82,471
Non-current liabilities	**(2,201)**	(1,269)
Current liabilities	**(13,313)**	(24,773)
Net assets	**262,024**	308,186
Carrying value	**71,428**	84,012

7.3 The investment in the associated company has been made in accordance with the requirements of the Companies Act, 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

8. LONG-TERM DEPOSITS AND LOANS – secured and considered good

	2018	2017
	(Rupees in thousand)	
Deposits - note 8.1	**21,198**	21,198
Loans to employees - note 8.2	**17,676**	11,525
Recoverable within one year – note 11	**(9,527)**	(6,553)
	8,149	4,972
	29,347	26,170

8.1 This includes Rs. 11.38 million (2017: Rs. 11.38 million) given to Karachi Port Trust - an associated undertaking, as interest-free security deposits.

8.2 Loans to all eligible employees are given in accordance with the Company's policy for payment of house rent and to defray personal expenditure. These do not carry any interest and are repayable over a period of two to three years. These loans and advances are secured against the retirement fund balances of employees.

8.3 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements.

8.4 Employees whose outstanding balance is above Rs. 1 million at the end of June 30, 2018 were Mr. Mohammad Afzal and Mr. Yousuf Ali amounting to Rs. 1.28 million and Rs. 1.11 million respectively.

9. INVENTORIES

	2018	2017
	(Rupees in thousand)	
Stores, spares and chemicals - note 9.1	**352,359**	367,937
Raw material		
Crude oil [including in transit Rs. 0.16 billion (2017: Rs. 2.76 billion)]	**5,548,558**	4,993,586
Finished products - note 9.2	**1,929,111**	1,134,546
	7,830,028	6,496,069

9.1 Stores, spares and chemicals

	2018	2017
Stores	**166,897**	163,838
Spares	**119,481**	98,932
Chemicals	**95,648**	130,375
	382,026	393,145
Provision for slow moving stores, spares and chemicals	**(29,667)**	(25,208)
	352,359	367,937

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		2018	2017
		(Rupees in thousand)	
9.2	Includes finished products held with the following third parties for onward sales to customers:		
	Related parties		
	- Pakistan State Oil Company Limited	7,905	7,208
	- Shell Pakistan Limited	19,302	40,565
	Others		
	- Total Parco Marketing Limited	-	669
		27,207	48,442

9.3 As at June 30, 2018 stock of crude oil has been written down by Rs. 59.1 million (2017: Nil) and finished products by Nil (2017: Rs. 18.12 million) to arrive at their net realisable values.

10. TRADE RECEIVABLES

	2018	2017
	(Rupees in thousand)	
Considered good		
Due from related parties – note 10.1	6,475,833	3,506,249
Others	789,649	964,400
	7,265,482	4,470,649
Considered doubtful - others	12,953	12,953
	7,278,435	4,483,602
Less: Provision for doubtful debts	(12,953)	(12,953)
	7,265,482	4,470,649

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

10.2 The age analysis of trade receivables past due but not impaired is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	46,187	411,402
3 to 6 months	1,681	76
More than 6 months	131,792	128,451

10.3 The age analysis of trade receivables past due but not impaired from related parties is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	97	18
3 to 6 months	-	76
More than 6 months	4,726	5,451

10.4 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 6.48 billion (2017: Rs. 6.87 billion).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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11. TRADE DEPOSITS, LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS

	2018	2017
	(Rupees in thousand)	
Trade deposits - note 11.1 [including Rs. 1.17 million (2017: Rs. 1.17 million) paid to related parties]	**13,037**	7,631
Loans to employees recoverable within one year – note 8	**9,527**	6,553
Advances for supplies and services	**20,567**	23,366
Short-term prepayments [including Rs. 1.13 million (2017: Rs. 3.25 million) paid to related parties]	**13,776**	10,619
	56,907	48,169

11.1 Trade deposits, loans and advances do not carry any interest.

12. OTHER RECEIVABLES

	2018	2017
Receivable from refinery - note 12.1	**612,614**	979,881
Workers' Profits Participation Fund - note 12.2	**5,258**	27,225
Others	**4,007**	2,746
	621,879	1,009,852

12.1 This represents amount due from a refinery in respect of sharing of crude oil, freight and other charges.

12.2 Workers' Profits Participation Fund

	2018	2017
	(Rupees in thousand)	
Balance at the beginning of year	**27,225**	33,865
Allocation for the year - note 28	**(44,742)**	(77,775)
	(17,517)	(43,910)
Amount paid - net	**22,775**	71,135
Balance at the end of year	**5,258**	27,225

13. CASH AND BANK BALANCES

	2018	2017
With banks on		
- current accounts - note 13.1 [including foreign currency account Rs. 138.69 million (2017: Nil)]	**259,107**	11,572
- mark-up bearing savings accounts - notes 13.2 & 13.3 [including foreign currency account Nil (2017: Rs. 230.73 million)]	**315,535**	699,544
Cash in hand	**572**	1,070
	575,214	712,186

13.1 These bank balances are maintained under current accounts and do not carry any interest.

13.2 The rates of mark-up on savings accounts during the year ranged from 4.5% to 5% per annum (2017: 3.75% to 5.75% per annum).

13.3 This includes local and foreign currency balances maintained with Faysal Bank Limited - a related party of Rs. 1.90 million and Rs. Nil (2017: Nil and Rs. 230.73 million) respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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14. SHARE CAPITAL

	2018	2017
	(Rupees in thousand)	
Authorised		
400,000,000 (2017: 400,000,000) 'A' ordinary shares of Rs. 10 each	**4,000,000**	4,000,000
600,000,000 (2017: 600,000,000) 'B' ordinary shares of Rs. 10 each	**6,000,000**	6,000,000
	10,000,000	10,000,000

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

2018	2017		2018	2017
114,400,000	114,400,000	'A' ordinary shares fully paid in cash	**1,144,000**	1,144,000
150,600,000	150,600,000	'B' ordinary shares fully paid in cash	**1,506,000**	1,506,000
265,000,000	265,000,000		**2,650,000**	2,650,000
11,600,000	11,600,000	'A' ordinary shares issued as fully paid bonus shares	**116,000**	116,000
17,400,000	17,400,000	'B' ordinary shares issued as fully paid bonus shares	**174,000**	174,000
29,000,000	29,000,000		**290,000**	290,000
294,000,000	294,000,000		**2,940,000**	2,940,000

14.1 As at June 30, 2018 associated undertakings held 43,249,500 'A' ordinary shares and 168,000,000 'B' ordinary shares (2017: 43,249,500 'A' ordinary shares and 168,000,000 'B' ordinary shares) of Rs. 10 each.

14.2 During the year ended June 30, 2016, the Company issued 259 million right shares out of the total size of issue of 280 million rights shares at the rate of Rs. 10 each. 21 million right shares have not been issued due to the restraining order obtained under Suit No. 931 of 2015 by one of the Class B shareholder 'Pakistan State Oil Company Limited' against another Class B shareholder 'Chevron Global Energy Inc. (Chevron)'. The order in the suit interalia directs all the defendants to maintain status quo in respect of the letters of rights issued to and shares held by Chevron; and restrains Chevron from creating any third party interest in respect of shares offered to it under the letters of rights issued to another class B shareholder namely Shell Petroleum Company Limited.

14.3 There is a shareholder agreement signed between 'B' class shareholders which includes clauses related to right of first refusal related to disposal of shares by any shareholder being a party to the agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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15. SPECIAL RESERVE

Under directive from the Ministry of Energy (MoE), 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, the Government of Pakistan issued a policy framework for up-gradation and expansion of refinery projects, amended through a letter dated April 25, 2016, which interalia states that:

- till completion of the projects, refineries will not be allowed to offset losses, if any, for the year ended 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 refineries are required to install Diesel Hydro Desulphurisation (DHDS) plant by June 30, 2017. If any refinery fails to install DHDS by June 30, 2017 then the ex-refinery price of High Speed Diesel (HSD) based on Import Parity Price (IPP) formula will be adjusted / reduced due to higher sulphur content.

Based on the above the Company has transferred profit amounting to Rs. 403.79 million for the year ended June 30, 2018 (June 30, 2017: Rs. 960.28 million) to special reserve.

15.1 During the years ended June 30, 2016 and 2017, the amounts transferred to special reserve included the impact of other comprehensive loss due to actuarial loss on employee retirement benefits, the impact of which has now been adjusted in the balance of special reserve. There is no impact on total equity of such adjustment. During the year the amounts are transferred based on profit for the year without incorporating such impact.

16. OTHER RESERVES

	2018	2017
	(Rupees in thousand)	
Capital reserve - Exchange equalisation reserve	**897**	897
Revenue reserves		
- General reserve	**1,050**	1,050
- Fair value reserve	**(3,970)**	300
	(2,023)	2,247

17. LONG-TERM BORROWINGS

	2018	2017
Diminishing Musharika / long-term loans		
- notes 17.2 and 17.3	**5,100,000**	2,000,000
Less: Current portion of long-term borrowings	**(400,000)**	(400,000)
	4,700,000	1,600,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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17.1 Following are the changes in the long-term borrowings (i.e for which cash flows have been classified as financing activities in the statement of cash flows):

	2018	2017
	(Rupees in thousand)	
Balance as at July 01 - note 17.2	* 2,000,000	2,000,000
Loans obtained during the year - note 17.3	3,500,000	-
Long-term loan repaid	(400,000)	-
	* 5,100,000	* 2,000,000

*This includes Rs. 400 million pertaining to current portion of long-term borrowing.

17.2 During the year ended June 30, 2015, the Company obtained a syndicated long term loan under mark-up arrangement through NIB Bank Limited (now MCB Islamic Bank Limited) amounting to Rs. 2 billion at a mark-up of 6 month KIBOR + 1.75% per annum for a tenor of 7 years (including 2 years grace period). The loan is repayable in 10 semi-annual installments beginning from July 2017 and is secured by way of hypothecation of present and future raw materials and finished products, trade receivables and property, plant and equipment (excluding land). During the year, the Company renegotiated the terms and reduced the mark-up to 6 months KIBOR + 1% per annum, which was further re-negotiated and converted from conventional loan into Diminishing Musharika at a mark-up of 6 month KIBOR + 0.75% per annum for the remaining tenure of 4 years with all other terms and conditions remaining constant.

17.3 During the year, the Company obtained term finance facilities under mark-up arrangements through Askari Bank Limited and Bank Alfalah Limited amounting to Rs. 1 billion and Rs. 2.5 billion respectively at a mark-up of 3 month KIBOR + 0.5% per annum for a tenor of 3 years (including 2.5 years grace period). The loan is repayable by way of bullet payment after expiry of 3 years whereas markup is to be paid on a quarterly basis starting from September 2018. These loans are secured by way of hypothecation of property, plant and equipment (excluding land and building).

18. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Investment in associate accounted for under equity method	Unused investment tax credit	Unabsorbed depreciation	Total
	(Rupees in thousand)				
July 01, 2017	**(797,962)**	**(18,709)**	**-**	**797,962**	**(18,709)**
(Charge) / credit to profit or loss for the year	**(17,041)**	**3,762**	**-**	**17,041**	**3,762**
Charge to other comprehensive income for the year	**-**	**1,188**	**-**	**-**	**1,188**
June 30, 2018	**(815,003)**	**(13,759)**	**-**	**815,003**	**(13,759)**
July 01, 2016	(856,599)	(19,028)	272,327	856,599	253,299
Credit / (charge) to profit or loss for the year	58,637	7	(272,327)	(58,637)	(272,320)
Charge to other comprehensive income for the year	-	312	-	-	312
June 30, 2017	(797,962)	(18,709)	-	797,962	(18,709)

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18.1 Deferred tax debit balances of Rs. 535.90 million (2017: Rs. 1.05 billion) in respect of unabsorbed depreciation, tax losses and deductible temporary differences have not been recognised as their recoverability will be dependent on improved profitability of the Company.

18.2 Under the Finance Act, 2018, a change in corporate tax rate from 30% to 29% was enacted for the tax year 2019. The said tax rate will gradually decrease by 1% over a period of 4 years. Therefore, deferred tax assets and liabilities have been recognised accordingly using the expected applicable rate.

19. EMPLOYEE BENEFIT OBLIGATIONS / (PREPAYMENTS)

19.1.1 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, 2018.

19.1.2 Assets of these schemes are held in separate trusts (the Funds), which are governed by local regulations which mainly include Trust Act, 1882; the Companies Act, 2017; 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.

19.1.3 The latest actuarial valuation of the Schemes as at June 30, 2018 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Rupees in thousand)							
19.1.4 Statement of financial position reconciliation								
Present value of defined benefit obligation at June 30 - note 19.1.5	**1,236,899**	1,234,935	**173,373**	161,569	**143,686**	150,225	**57,869**	54,974
Fair value of plan assets at June 30 - note 19.1.6	**(994,202)**	(1,031,937)	**(86,212)**	(71,740)	**(130,559)**	(143,131)	**(81,895)**	(81,964)
Deficit / (Surplus)	**242,697**	202,998	**87,161**	89,829	**13,127**	7,094	**(24,026)**	(26,990)
19.1.5 Movement in the present value of defined benefit obligation								
Opening balance	**1,234,935**	1,109,017	**161,569**	127,105	**150,225**	129,853	**54,974**	40,764
Benefits paid by the plan	**(135,366)**	(50,671)	**(3,070)**	(1,496)	**(29,520)**	(5,110)	**-**	-
Benefits payable to outgoing member	**-**	-	**-**	-	**(1,095)**	(330)	**(2,883)**	-
Current service cost	**42,501**	40,163	**7,334**	6,032	**10,099**	9,411	**2,763**	2,202
Interest cost	**109,954**	100,258	**15,000**	11,673	**12,837**	11,765	**5,051**	3,749
Remeasurement on obligation	**(15,125)**	36,168	**(7,460)**	18,255	**1,140**	4,636	**(2,036)**	8,259
Closing balance	**1,236,899**	1,234,935	**173,373**	161,569	**143,686**	150,225	**57,869**	54,974

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.1.6 Movement in the fair value of plan assets

	Pension Schemes				Gratuity Schemes			
	Management		Non-Management		Management		Non-Management	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Rupees in thousand)							
Opening balance	**1,031,937**	949,593	**71,740**	56,191	**143,131**	118,696	**81,964**	75,794
Contributions paid into the plan	**57,096**	58,914	**14,558**	13,407	**9,832**	11,131	**-**	-
Benefits paid by the plan	**(135,366)**	(50,671)	**(3,070)**	(1,496)	**(29,520)**	(5,110)	**-**	-
Benefits payable to outgoing members	**-**	-	**-**	-	**(1,095)**	(330)	**(2,883)**	-
Interest income	**90,168**	84,979	**6,453**	5,099	**12,210**	10,803	**7,440**	6,060
Remeasurement of plan assets	**(49,633)**	(10,878)	**(3,469)**	(1,461)	**(3,999)**	7,941	**(4,626)**	110
Closing balance	**994,202**	1,031,937	**86,212**	71,740	**130,559**	143,131	**81,895**	81,964

19.1.7 Expense recognised in statement of profit or loss and other comprehensive income

Current service cost	**42,501**	40,163	**7,334**	6,032	**10,099**	9,411	**2,763**	2,202
Net interest cost / (income)	**19,786**	15,279	**8,547**	6,574	**627**	962	**(2,389)**	(2,311)
Interest on the effect of asset ceiling	**-**	-	**-**	-	**-**	-	**-**	2,311
Expense recognised in statement of profit or loss and other comprehensive income	**62,287**	55,442	**15,881**	12,606	**10,726**	10,373	**374**	2,202

19.1.8 Remeasurement recognised in Other Comprehensive Income

Remeasurement of present value of defined benefit obligation	**(15,125)**	36,168	**(7,460)**	18,255	**1,140**	4,636	**(2,036)**	8,259
Remeasurement of fair value of plan assets	**49,633**	10,878	**3,469**	1,461	**3,999**	(7,941)	**4,626**	(110)
Change in effect of asset ceiling - excluding interest amount	**-**	-	**-**	-	**-**	-	**-**	(37,341)
Remeasurements	**34,508**	47,046	**(3,991)**	19,716	**5,139**	(3,305)	**2,590**	(29,192)

19.1.9 Net recognised liability

Net liability at the beginning of the year	**202,998**	159,424	**89,829**	70,914	**7,094**	11,157	**(26,990)**	-
Expense recognised in statement of profit or loss and other comprehensive income	**62,287**	55,442	**15,881**	12,606	**10,726**	10,373	**374**	2,202
Contribution made to the fund during the year	**(57,096)**	(58,914)	**(14,558)**	(13,407)	**(9,832)**	(11,131)	**-**	-
Remeasurements recognised in other comprehensive income	**34,508**	47,046	**(3,991)**	19,716	**5,139**	(3,305)	**2,590**	(29,192)
Recognised liability as at June 30	**242,697**	202,998	**87,161**	89,829	**13,127**	7,094	**(24,026)**	(26,990)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.1.10 Major categories / composition of plan assets are as follows:

	Pension Schemes				Gratuity Schemes			
	Management		Non-Management		Management		Non-Management	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Equity securities	**0.00%**	0.00%	**0.00%**	0.00%	**12.55%**	9.03%	**0.00%**	0.00%
Debt securities	**88.55%**	93.23%	**96.25%**	82.71%	**84.54%**	88.00%	**98.21%**	95.41%
Others	**11.45%**	6.77%	**3.75%**	17.29%	**2.91%**	2.97%	**1.79%**	4.59%

19.1.11 Actuarial assumptions

Discount rate at June 30	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%
Future salary increases								
- First year following the valuation	**10.00%**	9.25%	**0.00%**	23.00%	**10.00%**	9.25%	**0.00%**	23.00%
- Second year following the valuation	**10.00%**	9.25%	**10.00%**	6.00%	**10.00%**	9.25%	**10.00%**	6.00%
- Third year following the valuation	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%
- Long term increase	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%	**10.00%**	9.25%
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	**3.00%**	5.00%	**3.00%**	5.00%				
- Long term pension increase rate	**3.00%**	3.00%	**3.00%**	3.00%				

19.1.12 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 scheme. 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 2018 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 statement of financial position date.

The Company's contributions to gratuity and pension benefit funds in 2019 is expected to amount to Rs. 96.18 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.2 Sensitivity analysis for actuarial assumptions

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

	Change in assumption	Impact on defined benefit obligation Increase in assumption	 Decrease in assumption
		(Rupees in thousand)	
Discount rate at June 30	0.5%	**(85,115)**	93,435
Future salary increases	0.5%	**47,052**	(44,409)
Future pension increases	0.5%	**45,453**	(42,305)

The above sensitivity analysis 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 statement of financial position.

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

	2018	2017	2016	2015	2014
			(Rupees in thousand)		
19.3 Historical information					
Management Pension Fund					
Present value of defined benefit obligation	**1,236,899**	1,234,935	1,109,017	892,717	655,637
Fair value of plan assets	**(994,202)**	(1,031,937)	(949,593)	(812,049)	(652,072)
Deficit in the plan	**242,697**	202,998	159,424	80,668	3,565
Experience adjustments					
(Gain) / loss on obligation	**(15,125)**	36,168	138,568	169,305	(194,136)
(Loss) / gain on plan assets	**(49,633)**	(10,878)	60,935	87,858	4,987
Non-Management Pension Fund					
Present value of defined benefit obligation	**173,373**	161,569	127,105	90,487	77,253
Fair value of plan assets	**(86,212)**	(71,740)	(56,191)	(40,310)	(29,639)
Deficit in the plan	**87,161**	89,829	70,914	50,177	47,614
Experience adjustments					
(Gain) / loss on obligation	**(7,460)**	18,255	24,288	3,504	9,334
(Loss) / gain on plan assets	**(3,469)**	(1,461)	3,536	1,369	(51)
Management Gratuity Fund					
Present value of defined benefit obligation	**143,686**	150,225	129,853	111,362	97,049
Fair value of plan assets	**(130,559)**	(143,131)	(118,696)	(103,744)	(89,205)
Deficit in the plan	**13,127**	7,094	11,157	7,618	7,844

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	2018	2017	2016	2015	2014
			(Rupees in thousand)		
Experience Adjustments					
Loss / (gain) on obligation	**1,140**	4,636	3,940	1,818	(21,999)
(Loss) / gain on plan assets	**(3,999)**	7,941	482	1,498	4,278
Non-Management Gratuity Fund					
Present value of defined benefit obligation	**57,869**	54,974	40,764	30,138	28,758
Fair value of plan assets	**(81,895)**	(81,964)	(75,794)	(66,446)	(58,882)
Surplus in the plan	**(24,026)**	(26,990)	(35,030)	(36,308)	(30,124)
Experience adjustments					
(Gain) / loss on obligation	**(2,036)**	8,259	5,654	(2,194)	5,257
(Loss) / gain on plan assets	**(4,626)**	110	2,297	1,742	2,604

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

	No. of years
Management Pension fund	11.25
Non-management Pension fund	12.74
Management Gratuity fund	8.07
Non-management Gratuity fund	9.10

19.5 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2018.

20. UNEARNED INCOME

This represents agreement signing fee received during the year ended June 30, 2016 in consideration of signing of supply agreements for continued supply of Liquified Petroleum Gas (LPG) to certain Oil Marketing Companies which is being amortised over three years period of the agreement.

21. TRADE AND OTHER PAYABLES

	2018	2017
	(Rupees in thousand)	
Creditors – note 21.1	**9,634,499**	8,452,000
Accrued liabilities - notes 21.2, 21.3 and 29.2	**3,522,101**	3,641,023
Advances from customers – note 21.1	**32,471**	45,834
Payable to the Government – note 21.4	**671,499**	519,446
Surplus price differential payable	**1,707,255**	1,129,315
Retention money	**58,703**	38,515
Workers' Welfare Fund	**20,766**	45,997
Tax deducted at source	**1,106**	840
Sales tax payable	**991,824**	898,520
Payable to provident fund - note 21.5	**5,224**	-
Accrued mark-up - notes 21.6 and 21.7	**105,329**	135,095
Current portion of unearned income - note 20	**6,667**	13,333
	16,757,444	14,919,918

21.1 Related party balances

		2018	2017
Creditors	} note 21.1.1	**7,161**	1,456
Advances from customers		**18,000**	14,606

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21.1.1 These include amount payable to / advances from Pakistan State Oil Company Limited and Shell Pakistan Limited as at June 30, 2018.

21.2 This includes differential of regulatory / custom duty levied amounting to Rs. 1.48 billion (June 30, 2017: Rs. 0.86 billion) on import of crude oil consumed in the production and recovered on sale of regulated products based on SROs issued by Government of Pakistan and Ministry of Energy (MoE). During the year, OGRA in compliance with the directives of MoE has finalised a recovery mechanism for regulated products through which refineries will operate on no gain / loss basis on this account. OGRA has directed Oil Companies Advisory Committee (OCAC) to ensure the implementation of the said mechanism.

21.3 Included in accrued liabilities is an amount of Rs. 396.1 million (exchange gains of Rs. 618.95 million net of exchange losses of Rs. 222.85 million) (2017: Rs. 396.1 million) in respect of foreign currency loans (FC loans) taken by the Company for retirement of LCs of crude oil based on discussions with Ministry of Finance (MoF).

During the year ended June 30, 2016, MoF proposed a mechanism for calculation of such gains and losses on the FC loans by the oil importing companies and invited views / comments thereupon. The Company, alongwith other oil importing companies had discussions with MoF and State Bank of Pakistan (SBP) in this respect, outcome of which is still pending.

21.4 This includes Government of Pakistan's share in the value of local crude purchased and petroleum levy on sale of petroleum products. The balance is net of Rs. 259.13 million (2017: Rs. 259.09 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 MoE. During the year, the Company has received a report from MoE through OCAC highlighting certain aspects of the above claims. The management is of the view that the report contains certain factual inaccuracies and is taking up the matter along with other refineries with the MoE.

21.5 All investments in collective investment schemes, listed equity and listed debt securities out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

21.6 This includes an amount of Rs. 441 thousand (2017: Rs. 441 thousand) in respect of term finance certificates held by the retirement benefit funds of the Company.

21.7 This includes an amount of Rs. 10.50 million (2017: Rs. 10.67 million) in respect of accrued mark-up on running finance obtained from Faysal Bank Limited - a related party.

22. BORROWINGS

	2018	2017
	(Rupees in thousand)	
Term finance certificates - notes 22.1, 22.2 and 22.3	**229,390**	234,390
Short-term borrowings - note 22.4	**3,990,000**	4,963,636
Running finance under mark-up arrangements - note 22.5	**-**	358,764
Current portion of long-term borrowings - note 17	**400,000**	400,000
	4,619,390	5,956,790

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

22.1 Term finance certificates

During the year ended June 30, 2014, the Company issued TFC2 to general public and raised money thereagainst amounting to Rs. 0.54 billion. The profit is payable quarterly at the fixed mark-up rate of 10.75% from the date of investment by the certificate holder. The certificates are issued for a tenor of 5 years and are structured to redeem 100% of the principal amount in the 60th month 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. The issue of these certificates is listed on Pakistan Stock Exchange.

22.2 Following are the changes in the term finance certificates (i.e for which cash flows have been classified as financing activities in the statement of cash flows):

	2018	2017
	(Rupees in thousand)	
Balance as at July 01	234,390	1,967,020
Redemption	(5,000)	(1,732,630)
	229,390	234,390

These certificates are secured by way of hypothecation of raw materials and finished products, trade receivables and property, plant and equipment located in Karachi (excluding any immovable properties).

Pak Oman Investment Company Limited is the trustee in respect of these certificates.

22.3 As at June 30, 2018, staff retirement funds of the Company held 7,500 (2017: 7,500) term finance certificates of Rs. 10,000 each.

22.4 Short-term borrowings

This represents mark-up based short term finance from commercial banks repayable in 3 to 27 (2017: 34 to 59) days from the date of statement of financial position at a mark-up ranging from 7.02% to 7.13% (2017: 6.49% to 6.63%) per annum. These are secured by way of first joint pari passu charge on raw materials, finished products and trade receivables.

22.5 Running finance under mark-up arrangements

As at June 30, 2018 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.35 billion (2017: Rs. 8.85 billion). This includes facility of Rs. 1 billion (2017: Rs. 1 billion) from Faysal Bank Limited - a related party of which amount utilised as at June 30, 2018 amounts to Nil (2017: Rs. 348.76 million).

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

The rates of mark-up range between three months KIBOR+0.55% to one month KIBOR+3% per annum as at June 30, 2018 (2017: three months KIBOR+0.55% to one month KIBOR+3% per annum). Purchase prices are payable on demand.

22.6 Unutilised credit facilities

Facilities for letters of credit / guarantees and invoice discounting as at June 30, 2018 accumulated to Rs. 38.46 billion (2017: Rs. 34.74 billion) and Rs. 7 billion (2017: Rs. 7.06 billion) respectively of which the amount remaining unutilised at year end was Rs. 27.03 billion (2017: Rs. 26.46 billion) and Rs. 5 billion (Rs. 2 billion) respectively. This includes facility for opening letters of credit amounting to Rs. 900 million (2017: Rs. 900 million) from Faysal Bank Limited – a related party.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

23. CONTINGENCIES AND COMMITMENTS

Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 5.24 billion (June 30, 2017: Rs. 4.82 billion). These include Rs. 4.20 billion (June 30, 2017: Rs. 4.13 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.36 billion (June 30, 2017: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

Contingent liabilities other than late payment surcharge involving legal proceedings are disclosed in note 23.1.

b) Bank guarantees of Rs. 53 million (2017: Rs. 53 million) were issued in favour of third parties.

23.1 Description of legal proceedings

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Supreme Court of Pakistan	This case, initially, was filed by late Mr. M. Ramzan Katiar, an Octroi contractor for the payment of Octroi dues on import and use of crude oil within the Octroi limits of Cantonment Board Korangi Creek. Presently the legal heirs of the said contractor are pursuing the case. The case was decided in favor of the Company by the single bench of High Court, however later reversed by the division bench of High Court in HCA 231/1999. The Company then filed this appeal in the Supreme Court of Pakistan which is sub-judice at present. The exposure in this respect is around Rs. 20 million, however it will be calculated under the preliminary decree.	Company and legal representatives of late Mr. M. Ramzan Katiar	2012
High Court of Sindh	Barret Hodgson, the plaintiffs, filed a suit no. 694/ 2008 to restrain the Company from interfering or disrupting the plaintiffs construction of a university and demanded damages amounting to Rs. 166.69 million through suit no. 1308/2009 . The Company, as plaintiff in suit no. 1063/2008 has prayed to the Honourable High Court of Sindh (HCS) to restrain Barret Hodgson from constructing a school in close proximity of the refinery - a Key Point 1-A installation. Suit 694/2008 and 1063/2008 have been disposed off in the year 2015 in favor of Barrett Hodgson. Both orders were then challenged through Appeals HCA 07/2015 and HCA 08/2015. Both appeals are pending after being remanded back by Supreme Court to HCS in January 2018.	Company and Barret Hodgson	2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
High Court of Sindh	Pakistan National Shipping Corporation (PNSC) had invoked arbitration clause against the Company for the recovery of USD 153,438 being claimed as demurrage against nine vessels under Contract of Affreightment for the year 1974. The arbitration award was passed against the Company. The Company challenged the same arguing the maintainability of PNSC's arbitration based on 'time-barred' claim. The appeal was allowed and the matter was remanded back to single bench of High Court. The case is still sub-judice.	Company and Pakistan National Shipping Corporation	1985
High Court of Sindh	Cantonment Board Korangi Creek filed this civil suit for the recovery of composition fee amounting to Rs. 24.28 million on the construction made by M/s Burshane LPG Ltd (Burshane) on the Company's land. The Company's stance is that the liability to pay any composition fee is of the occupier i.e M/s Burshane, as the construction is made by M/s Burshane and not the Company. The Suit is pending at initial stage.	Company and Cantonment Board Korangi Creek	2016
Federal Board of Revenue	Based on department's audit of Company's sales tax returns for the year 2005-06, certain input tax adjustments were disallowed. The Company paid Rs. 15.18 million (including default surcharge and penalty of Rs. 6.41 million) under protest and proceeded to file an appeal in Appellate Tribunal Inland Revenue (ATIR) against order no 01/2010 dated January 15, 2011. The case has been remanded back to Commissioner Inland Revenue by the ATIR.	The Company and Federal Board of Revenue	2010

23.2 Commitments

a) As at June 30, 2018 commitments outstanding for capital expenditure amounted to Rs. 0.87 billion (2017: Rs. 1.07 billion).

b) Commitments for rentals under ijarah arrangements amounted to Rs. 16.57 million (2017: Rs. 26.51 million) payable as follows:

	2018	2017
	(Rupees in thousand)	
Not later than 1 year	**8,156**	10,715
Later than 1 year but not later than 5 years	**8,418**	15,793
	16,574	26,508

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

24. REVENUE

	2018	2017
	(Rupees in thousand)	
Local sales - notes 24.1 & 24.2	**123,685,459**	99,395,050
Exports	**5,139,518**	3,541,061
Gross sales	**128,824,977**	102,936,111
Less:		
- Sales tax	**(23,375,042)**	(19,642,660)
- Excise duty and development levy	**(9,625,837)**	(8,911,353)
- Surplus price differential - note 24.3	**(1,123,451)**	(1,263,666)
- Regulatory / Custom Duty - notes 24.4 and 21.2	**(2,471,387)**	(3,120,609)
	92,229,260	69,997,823

24.1 The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, three (2017: three) of the Company's customers contributed towards 83.06% (2017: 86.02%) of the gross revenues during the year amounting to Rs. 107.01 billion (2017: Rs. 88.47 billion) and each customer individually exceeds 10% of the gross revenues.

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

24.3 This includes price differential amounting to Rs. 0.74 billion (2017: Rs. 1.07 billion) on sale of High Speed Diesel (HSD) as per the import parity pricing formula determined in the Economic Coordination Committee's decision dated February 26, 2013. Further, this amount also includes price differential amounting to Rs. 0.39 billion (2017: Rs. 0.19 billion) on sale of 90 RON Motor Gasoline, calculated as per the mechanism notified by MoE dated September 5, 2016.

24.4 This represents regulatory / custom duty recovered on sale of products subject to regulatory duty.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

25. COST OF SALES

	2018	2017
	(Rupees in thousand)	
Crude oil and condensate consumed - note 25.1	**87,980,958**	64,871,398
Salaries and wages	**571,579**	571,652
Retirement benefits	**92,291**	83,514
Fuel, power and water	**445,846**	459,493
Depreciation	**707,590**	770,120
Stores, spares and chemicals	**582,719**	388,806
Stores spares written off - note 25.2	**8,232**	-
Repairs and maintenance	**135,365**	175,022
Exchange loss - note 25.3	**1,242,039**	111,982
Rent, rates and taxes	**39,894**	37,320
Insurance	**63,451**	55,300
Security expenses	**32,844**	32,893
Staff transport	**18,847**	16,723
Consultancy	**30,726**	16,685
Amortisation of intangible assets	**3,636**	3,513
Subscriptions	**10,932**	11,138
Rentals under ijarah arrangements	**6,104**	7,410
Travelling and entertainment	**4,139**	4,231
Other expenses	**1,605**	1,389
	3,997,839	2,747,191
	91,978,797	67,618,589
Opening inventory of finished products	**1,134,546**	934,379
Closing inventory of finished products	**(1,929,111)**	(1,134,546)
	91,184,232	67,418,422

25.1 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 MoE.

25.2 During the year, store items costing Rs. 9.56 million having carrying value of Rs. 8.23 million were written off.

25.3 This represents exchange loss incurred due to fluctuation in the value of foreign currency in terms of local currency on purchase of crude and condensate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2018	2017
	(Rupees in thousand)	

26. DISTRIBUTION COSTS

	2018	2017
Salaries and wages	**59,417**	56,212
Retirement benefits	**7,448**	6,585
Rent, rates and taxes	**33,551**	28,489
Depreciation	**66,992**	58,841
Insurance	**8,721**	16,884
Transportation and handling charges	**4,890**	4,371
Fuel, power and water	**3,982**	5,590
Repairs and maintenance	**6,641**	5,499
Security expenses	**4,041**	3,259
Staff transport	**1,463**	1,310
Subscriptions	**2,135**	1,962
Other expenses	**1,882**	2,186
	201,163	191,188

27. ADMINISTRATIVE EXPENSES

	2018	2017
Salaries and wages	**192,260**	152,902
Retirement benefits	**17,160**	15,872
Depreciation	**30,854**	28,491
Insurance	**25,726**	12,551
Staff transport	**5,789**	6,758
Rentals under ijarah arrangements	**2,883**	3,355
Communication	**4,772**	5,726
Legal and professional charges	**22,500**	14,114
Travelling and entertainment	**2,641**	4,479
Auditors' remuneration - note 27.1	**3,950**	4,316
Security expenses	**7,504**	8,745
Printing and stationery	**4,069**	4,946
Subscriptions	**3,021**	4,341
Repairs and maintenance	**3,556**	11,166
Directors' fee	**5,550**	5,383
Computer related and software maintenance expenses	**24,482**	19,775
Cleaning and janitorial services	**17,583**	17,546
Advertising and publicity	**3,512**	2,723
Training expenses	**7,109**	7,547
Stamp duty charges	**3,090**	13,734
Other expenses	**690**	4,358
	388,701	348,828

27.1 Auditors' remuneration

	2018	2017
Audit fee	**1,740**	1,740
Fee for:		
- limited review of half yearly financial information and other certifications	**964**	1,097
- audit of retirement benefit funds	**622**	950
Out of pocket expenses	**624**	529
	3,950	4,316

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

28. OTHER OPERATING EXPENSES

	2018	2017
	(Rupees in thousand)	
Donations - note 28.1	**5,102**	4,964
Major stores and spares written off - note 5.2.1	**1,577**	-
Impairment loss	**-**	274,062
Provision for doubtful debts	**-**	12,953
Workers' Profits Participation Fund	**44,742**	77,775
Workers' Welfare Fund	**20,766**	36,047
Research cost on refinery upgradation - note 28.2	**51,638**	87,287
Penalty - note 28.3	**530**	800
	124,355	493,888

28.1 During the year, donations were made to Government Urdu Primary High School for renovation. None of the donations were made to parties where directors or their spouses are interested.

28.2 This includes feasibility study carried by the Company in respect of Refinery up-gradation project including the installation of Diesel Hydrodesulphurisation Unit (DHDS).

28.3 During the year, the penalty has been imposed by Sindh Revenue Board under the Sindh Workers Welfare Fund Act, 2014.

29. OTHER INCOME

	2018	2017
	(Rupees in thousand)	
Income from financial assets		
Profit on mark-up based term deposits	**-**	13,218
Profit on savings accounts	**27,814**	74,103
Others		
Rent of equipment and handling charges [including Rs. 1.89 million (2017: Rs. 1.83 million) from related parties]	**17,520**	12,685
Exchange gain - note 29.1	**34,778**	12,311
Insurance commission	**1,090**	2,601
Insurance claim	**31,412**	6,727
Interest on late payments from related party	**-**	2,130
Sale of scrap	**11,722**	3
Gain (net) on disposal of operating assets	**1,627**	57
Liabilities no longer required written back	**-**	350,847
Reversal of differential regulatory / custom duty on de-regulated products - note 29.2	**950,713**	-
Agreement signing fee	**13,333**	13,333
Others - note 29.3	**804**	496
	1,090,813	488,511

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

29.1 This represents exchange gain on foreign currency trade receivables and revaluation of USD bank account due to fluctuation in the value of foreign currency against local currency.

29.2 During the current year, OGRA vide its letter no. OGRA-10-12(53)/2017 dated November 16, 2017, finalised the recovery mechanism of regulatory / custom duty on regulated products on 'no loss no gain basis' as directed by Economic Coordination Committee (ECC) in May 2015. Considering this development and after taking independent legal opinion, the Company has started including the impact of allocated / apportioned regulatory / custom duty on deregulated products. Consequently, the balance accumulated upto June 30, 2017 on this account has also been recognised in the statement of profit or loss and other comprehensive income.

29.3 Others include deductions from suppliers due to non-fulfilment of terms of contracts.

30. FINANCE COST

	2018	2017
	(Rupees in thousand)	
Mark-up on running finance under mark-up arrangements	**55,544**	53,069
Mark-up on short term loans	**318,535**	136,049
Mark-up on term finance certificates	**11,811**	62,114
Mark-up on foreign currency loans	**-**	183,385
Mark-up on Diminishing Musharika / long term borrowing	**126,261**	156,854
Exchange loss net - note 30.1	**76,601**	8,492
Bank charges	**2,476**	3,765
	591,228	603,728

30.1 This represents exchange loss incurred due to fluctuation in the value of foreign currency against local currency.

31. INCOME TAX EXPENSE

	2018	2017
	(Rupees in thousand)	
Current for the year	**328,769**	108,284
Deferred	**(3,762)**	272,320
	325,007	380,604

31.1 In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
		(Rupees in thousand)	
Tax assessed as per most recent tax assessment - notes 31.1.1 and 31.1.2	79,134	Nil	Nil
Provision in accounts for income tax	108,284	Nil	Nil

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

31.1.1 The tax assessed amount is based on tax return filed by the Company in the respective year which is deemed assessed.

31.1.2 For tax years 2015 and 2016, no tax was considered payable by the Company under the provisions of the Income Tax Ordinance, 2001.

	2018	2017
	(Rupees in thousand)	
31.2 Relationship between tax expense and accounting profit		
Profit before income tax	**828,796**	1,440,882
Tax at the applicable tax rate of 30% (2017 : 31%)	**248,639**	446,673
Effect of:		
- non-recognition of deferred tax on tax loss and deductible temporary differences - note 18.1	**(237,959)**	(421,957)
- expenses not deductible for tax purposes	**1,690**	1,787
- final tax	**40,241**	10,669
- tax credit	**(173,810)**	(55,792)
- minimum tax	**448,515**	348,496
- effect of change in tax rate	**(2,309)**	-
- super tax	**-**	50,728
	325,007	380,604

32. EARNINGS PER SHARE - BASIC AND DILUTED

	2018	2017
Profit for the year attributable to ordinary shareholders	**503,789**	1,060,278
Weighted average number of ordinary shares outstanding during the year (in thousand)	**307,741**	307,741
Basic and diluted earnings per share	**Rs. 1.64**	Rs. 3.45

There were no dilutive potential ordinary shares in issue as at June 30, 2018 and 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2018			2017		
	Non - Executive Directors	Chief Executive	Executives	Non - Executive Directors	Chief Executive	* Executives
	(Rupees in thousand)					
Fees	5,550	-	-	4,250	-	-
Managerial remuneration	-	20,353	159,721	-	18,173	140,122
Honorarium	-	-	-	1,100	-	-
Bonus	-	2,646	34,681	-	3,053	38,656
Retirement benefits	-	-	51,250	-	-	46,721
Housing	-	-	68,029	-	-	55,374
Utilities	-	-	15,118	-	-	12,305
Leave passage	-	-	30,341	-	-	20,672
Club expenses	-	233	916	-	182	996
Others	-	96	33,636	33	274	36,282
	-	329	148,040	33	456	125,629
	5,550	23,328	393,692	5,383	21,682	351,128
Number of persons	10	1	62	** 12	1	54

* Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

** As at June 30, 2017, total number of Directors were 10.

As at June 30, 2018, Chief Executive and certain executives are provided with free use of company maintained cars and household equipment. In addition, certain executives are provided furnished accommodation within refinery premises according to their respective terms of employment.

The monetary value of the Company provided cars to the executives amounted to Rs. 9.54 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

34. TRANSACTIONS WITH RELATED PARTIES

	Relationship	Nature of transaction	2018	2017
			(Rupees in thousand)	
(a)	Associated companies	Sale of goods - net	**78,624,782**	63,080,720
		Services rendered	**1,886**	1,832
		Purchase of goods	**4,263**	17,986
		Services received	**72,750**	70,549
		Mark-up paid	**39,266**	16,092
		Interest received	**-**	2,130
		Dividend paid	**-**	65,487
		Dividend received	**5,528**	10,630
		Bank charges	**189**	175
(b)	Key management personnel compensation (excluding non-executive directors)	Salaries and other short-term employee benefits	**137,534**	120,619
		Post-employment benefits	**11,398**	15,515
(c)	Non-executive Directors	Fee including honorarium	**5,550**	5,383
		Dividend paid	**-**	26
(d)	Staff retirement benefit funds	Payments to staff retirement benefit funds	**154,645**	142,991
		Markup paid on TFC	**8,062**	10,073

Sale of certain products is transacted at prices fixed by the Oil & Gas Regulatory Authority.

Status of outstanding balances in respect of related parties as at June 30, 2018 is included in long-term deposits, trade deposits and short term prepayments, trade receivables, inventories, trade and other payables, term finance certificates, running finance under mark-up arrangements and accrued mark-up. Transactions, status and information relating to staff retirement funds are disclosed in note 19. These are settled in ordinary course of business.

34.1 Following are the related parties including associated companies with whom the company had entered into transactions or have arrangement / agreement in place:

S. No.	Company Name	Basis of relationship	Aggregate % of shareholding
1.	Pakistan State Oil Company Limited	By virtue of shareholding in the Company	24.11%
2.	Hascol Petroleum Limited	By virtue of common directorship	14.71%
3.	Shell Pakistan Limited	By virtue of common directorship	N/A
4.	Pak Grease Manufacturing Company (Private) Limited	By virtue of shareholding by the Company. Refer note - 7.1	N/A
5.	Faysal Bank Limited	By virtue of common directorship	N/A
6.	Karachi Port Trust	By virtue of common directorship	N/A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

35. NUMBER OF EMPLOYEES

	2018	2017
Number of employees including contractual employees at the end of year	* 279	* 288

*This includes 46 (2017: 48) number of factory employees.

	2018	2017
Average number of employees including contractual employees during the year	* 283	* 288

*This includes 47 (2017: 48) number of factory employees.

36. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,693,256 metric tons (2017: 1,643,941 metric tons). The Company operated the plant considering the level which gives optimal yield of products.

37. FINANCIAL INSTRUMENTS

37.1 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							
Trade deposits and loans	-	-	-	22,564	29,347	51,911	51,911
Trade receivables	-	-	-	7,265,482	-	7,265,482	7,265,482
Other receivables	-	-	-	616,621	-	616,621	616,621
Cash and bank balances	315,535	-	315,535	259,679	-	259,679	575,214
2018	**315,535**	**-**	**315,535**	**8,164,346**	**29,347**	**8,193,693**	**8,509,228**
2017	699,544	-	699,544	5,480,102	26,170	5,506,272	6,205,816
FINANCIAL LIABILITIES							
Long-term borrowings	4,619,390	4,700,000	9,319,390	-	-	-	9,319,390
Trade and other payables	-	-	-	13,325,856	-	13,325,856	13,325,856
Unclaimed dividend	-	-	-	21,856	-	21,856	21,856
2018	**4,619,390**	**4,700,000**	**9,319,390**	**13,347,712**	**-**	**13,347,712**	**22,667,102**
2017	5,956,790	1,600,000	7,556,790	12,288,552	-	12,288,552	19,845,342

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

37.2 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 - 15, 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.

The Company has long-term borrowing, short-term borrowing, running finance and term finance certificates issued 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. 8.51 billion (2017: Rs. 6.2 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:

	2018	2017
	(Rupees in thousand)	
Trade deposits and loans	**51,911**	40,354
Trade receivables	**7,085,822**	3,930,720
Other receivables	**616,621**	982,627
Cash and bank balances	**575,214**	712,186
	8,329,568	5,665,887

(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. 0.69 billion (2017: Rs 1.54 billion) and financial liabilities include Rs. 8.60 billion (2017: Rs. 7.57 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, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, profit for the year would have been lower / higher by Rs. 395.33 million (2017: Rs. 301.28 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

(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, short-term finance and long term borrowing which is repriced at a maximum period of 180 days.

As at June 30, 2018, if average KIBOR interest rate on long term borrowing, short term borrowings, running finance arrangements and cash at bank in savings accounts, had been 100 basis points higher / lower with all other variables held constant, profit for the year would have been higher / lower by Rs. 83.74 million (2017: Rs. 66.23 million) 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.

38. CASH GENERATED FROM OPERATIONS

	2018	2017
	(Rupees in thousand)	
Profit before income tax	828,796	1,440,882
Adjustments for non-cash charges and other items		
Depreciation	805,436	857,452
Amortisation of intangible assets	3,636	3,513
Impairment loss	-	274,062
Share of income of associate	1,598	(10,602)
Gain on disposal of operating assets - net	(1,627)	(57)
Profit on deposits	(27,814)	(87,321)
Stores and spares written off	8,232	-
Major spares written off	1,577	-
Mark-up expense	512,151	591,471
Exchange gain on cash and cash equivalents	(24,904)	(220)
Provision for slow moving stores and spares - net	3,813	5,410
Provision for employee benefit obligations	89,268	80,623
Agreement signing fee	(13,333)	(13,333)
	1,358,033	1,700,998
Working capital changes - note 38.1	(1,888,290)	1,922,588
Cash generated from operations	298,539	5,064,468

38.1 Working capital changes

	2018	2017
(Increase) / decrease in current assets		
Inventories	(1,346,650)	(1,062,775)
Trade receivables	(2,794,833)	740,401
Trade deposits, loans, advances and short-term prepayments	(8,738)	91,768
Other receivables	387,973	(914,010)
	(3,762,248)	(1,144,616)
Increase in current liabilities		
Trade and other payables	1,873,958	3,067,204
	(1,888,290)	1,922,588

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

39. CASH AND CASH EQUIVALENTS

	2018	2017
	(Rupees in thousand)	
Cash and bank balances - note 13	**575,214**	712,186
Short-term borrowings - note 22.4	**(3,990,000)**	(4,963,636)
Running finance under mark-up arrangements - note 22.5	**-**	(358,764)
	(3,414,786)	(4,610,214)

40. CORRESPONDING FIGURES

Due to revision in Fourth Schedule to the Companies Act, 2017, following required changes have been made:

Payable to government - sales tax and accrued mark-up which were previously classified separately on the face of statement of financial position have now been classified under trade and other payables.

Term finance certificates, short-term borrowings, running finance under mark-up arrangements and current portion of long-term borrowing which were previously classified separately on the face of statement of financial position have now been classified under borrowings.

Long term loans and advances and long-term deposits which were previously classified separately on the face of statement of financial position have now been classified under long-term deposits and loans.

Loans and advances and trade deposits and short-term prepayments which were previously classified separately on the face of statement of financial position have now been classified under trade deposits, loans, advances and short-term prepayments.

Unclaimed dividend which was previously classified under trade and other payables has been separately disclosed as unclaimed dividend on the face of the statement of financial position.

Stores, spares and loose tools which were separately classified on the face of the statement of financial position have been presented under inventories.

Revaluation surplus on property, plant and equipment which was separately disclosed on the face of the statement of financial position has been presented under equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Further, following reclassifications has been made for the purpose of better presentation and comparison:

Statement of financial position

Exchange equalisation reserve, general reserve and fair value reserve which were previously classified separately on the face of statement of financial position have now been classified under other reserves.

Statement of profit or loss and other comprehensive income

Rent of equipment and handling charges amounting to Rs. 69.26 million which were classified under other income have now been classified under revenue.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 19, 2018 by the Board of Directors of the Company.

Syed Asad Ali Shah Chairman	Aftab Husain Managing Director & CEO	Imran Ahmad Mirza Chief Financial Officer

Form of Proxy

Fifty-Eighth (58th) Annual General Meeting 2018

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-Eighth Annual General Meeting of the Company to be held on November 26, 2018 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ______________ 2018.

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

مختارنامہ (پراکسی فارم)
اٹھاوَنواں (58) سالانہ اجلاسِ عام

میں مسمّی / مسمّاۃ ______________ ساکن ______________ بحیثیت رکن پاکستان ریفائنری لمیٹڈ،

مسمّی/ مسمّاۃ ______________ کوبطورِمختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے اٹھاوَنواں (58) سالانہ اجلاسِ عام جو بتاریخ 26 نومبر 2018 بروز پیر منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

شیئر ہولڈر نمبر ______________ دستخط شیئر ہولڈر ______________

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو ہونا ضروری ہے)

متعین شدہ مالیت کا ریونیو ٹکٹ

آج بروز ______________ بتاریخ ______________ 2018 کو دستخط کئے گئے۔ دستخط مختار نمائندہ ______________

گواہان:

ا۔ دستخط: ______________ ۲۔ دستخط: ______________

مختارنامہ (پراکسی فارم) اجلاس کے مقررہ وقت سے کم از کم 48 گھنٹے قبل مکمل کوائف اور دستخط کے ساتھ کمپنی کے رجسٹرڈ آفس کورنگی کریک روڈ کراچی یا شیئر رجسٹرار کے آفس میں جمع کرانا ضروری ہے۔

The Secretary
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PRL

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