



PAKISTAN REFINERY LIMITED
Annual Report 2015

A photograph of an industrial facility, specifically an isomerisation plant. The image shows a tall, cylindrical distillation column with several circular platforms and red metal walkways. To the right, there is a complex network of pipes, valves, and structural steel beams. The sky is a pale blue with some light clouds.

Isomerisation Plant

**HEADING
IN THE
RIGHT
DIRECTION**

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.



PAKISTAN REFINERY LIMITED COMMISSIONS ITS NEW MODULAR ISOMERISATION PLANT

– a first of its kind project undertaken in Pakistan.

This plant will convert low value Naphtha into premium product Petrol hence doubling its Petrol production from existing 140,000 MT/Annum to 280,000 MT/Annum, resulting in import substitution and substantial foreign exchange saving.

The new ISOMERISATION plant with a price tag of USD 50 million has been built in record time ahead of its schedule. The project execution strategy adopted a modular approach, which comprised of importing 24 fully fabricated modules from UAE. These modules were then transported from the Port to PRL premises at Korangi after overcoming significant inland logistical challenges and were directly placed onto the foundations.

By the Grace of Allah, this entire project from groundbreaking to commissioning has been completed without any lost time incident.



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Core Values

Responsibilities

Health, Safety, Environment and Quality

Integrity

Teamwork

Excellence

Corporate Social Responsibility

Responsibilities

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

Shareholders

To protect their investment and provide an attractive return.

Customers

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

Employees

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

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

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

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

Those with whom it does business

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

Society

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

Health, Safety, Environment and Quality

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

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

Health

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

Safety

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

Environment

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

Quality

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

Integrity

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

Teamwork

The success of smooth operations of Pakistan Refinery Limited begins and ends with teamwork. PRL strongly believes in teamwork as a driving force to the path of perfection and believes that a team-based culture is an essential ingredient in the work of a successful organisation.

It is expected that each team-player will play his part for achievement of common goal which is sustainable and smooth operations of the Refinery.

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

Excellence

Pakistan Refinery Limited is performance-driven with 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 commerce forward hence cost efficiency, operational excellence and innovativeness are paramount objectives. Pakistan Refinery Limited strives for excellence through sincere leadership and dynamic support staff along with using the right Management System Processes.

Corporate Social Responsibility

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

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

Company Information

Chief Financial Officer

Imran Ahmad Mirza

Acting Company Secretary

Shehrzad Aminullah

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Orr Dignam & Co.

Registrar & Share Registration Office

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

Bankers

Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citi Bank N.A.
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Registered Office

P.O. Box 4612
Korangi Creek Road, Karachi-75190
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk

Board of Directors



Farooq Rahmatullah
Chairman

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

He has been Chairman of Pakistan Refinery Limited (PRL) since June 2005. He is also currently Chairman of the Board of Faysal Bank Limited. He also serves as Director on Hascol Petroleum Limited, founding member of Pakistan Human Development Fund, Director on the Board of Society for Sustainable Development, member of Resource Development Committee of Aga Khan University Hospital and member of Pakistan Stone Development Company.

Board of Directors



Aftab Husain

Managing Director & CEO

Mr. Husain is a Chemical Engineer and MPA from IBA, Karachi. He has a career in oil refining with over 35 years of diversified experience with PRL having led all Operations, Technical and Commercial functions in the Refinery. He is considered a refining expert in the oil industry and has also served as the Refining Specialist for the National Integrated Energy Plan in the Energy Expert Group of the Economic Advisory Committee, Ministry of Finance. He is currently 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 Petroleum, Government of Pakistan.

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

Board of Directors



Abdul Jabbar Memon

Director

Mr. Abdul Jabbar Memon holds a Masters Degree in Petroleum Geology from Sindh University, Jamshoro. He joined Ministry of Petroleum and Natural Resources in 1992 and has over 23 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), Ministry of Petroleum and Natural Resources, Islamabad.



Babar H. Chaudhary

Director

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

Board of Directors



Faisal Waheed

Director

Mr. Faisal Waheed is a finance professional with an MBA in Finance from IBA, Karachi and ACMA from CIMA UK. He has worked in a variety of roles in FMCG and B2B businesses both locally and overseas. He began his career as a Management Trainee with Unilever Pakistan in 1999. Later he was seconded to a regional finance role in Unilever Europe based out of the UK, followed by a stint at Unilever Head Office, London in the Finance information management space. In 2010 he joined Engro where he progressed to the role of Chief Financial Officer of Engro EXIMP (Pvt.) Limited in 2011. In 2014, he joined Shell Pakistan Limited as the Country Finance Director.



Farrokh K. Captain

Director

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

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

Board of Directors



Mumtaz Hasan Khan

Director

Mr. Mumtaz Hasan Khan, Chairman & CEO of Hascol Petroleum Limited has over 48 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 brought crude and products from Middle Eastern sources and sold to major international trading companies like Shell and Elf. Under his leadership, Hascol Pakistan has been granted an oil marketing license by the Government of Pakistan and now Hascol has established a retail network of 200 Petrol pumps and CNG stations from Karachi to Peshawar. Mr. Mumtaz Hasan Khan is also the Chairman of Sigma Motors (Sole distributor of Land Rover vehicles in Pakistan). He is also a Trustee of the Foundation of Museum of Modern Art (FOMMA). Mr. Mumtaz Hasan Khan was a member of the Expert Energy Group which prepared the Country's first Integrated Plan in 2009.



Omar Yaqoob Sheikh

Director

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

Board of Directors



Saleem Butt

Director

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



Sheikh Imran ul Haque

Director

Sheikh Imran ul Haque is a magna cum laude Mechanical Engineer graduate with Master of Science in Industrial Engineering (major in Engineering Administration) both from Syracuse University, New York.

Imran began his career in 1979 with Niagara Mohawk and worked with Bechtel in the USA in 1981 before joining Exxon Chemical Pakistan Limited in 1987 after a business development stint in the construction sector of Iraq and Pakistan. He has held a variety of leadership roles within Engro including Senior Vice President, General Manager New Venture Division, Market Development Manager, Information Technology Manager and Mechanical Manager of the then 800ktpa urea fertilizer plant. Imran was the Chief Executive Officer of Engro Vopak Terminal Limited (EVTL), Elengy Terminal Pakistan Limited (ETPL), where he spearheaded and built the first 4.5mtpa LNG import infrastructure for Pakistan in 10 months.

He has served on the Boards of Inbox Technologies, Avanceon, Engro Energy, Pakistan Steel Mill, EETL, EVTL and ETPL. He is currently Chairman of Petroleum Institute of Pakistan

Board Committees

Audit Committee

Members:

Babar H. Chaudhary
Faisal Waheed
Saleem Butt

Terms of reference:

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

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

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

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

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

Human Resources and Remuneration Committee (HR&RC)

Members:

Farooq Rahmatullah
 Farrokh K. Captain
 Sheikh Imran ul Haque
 Mumtaz Hasan Khan

Terms of reference:

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

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

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

Board Technical Committee

Members:

Saleem Butt
Abdul Jabbar Memon
Aftab Husain

Terms of reference:

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

Board Strategic Committee

Members:

Mumtaz Hasan Khan
Farrokh K. Captain
Omar Yaqoob Sheikh
Sheikh Imran ul Haque
Abdul Jabbar Memon
Aftab Husain

Terms of reference:

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

Board Share Transfer Committee

Members:

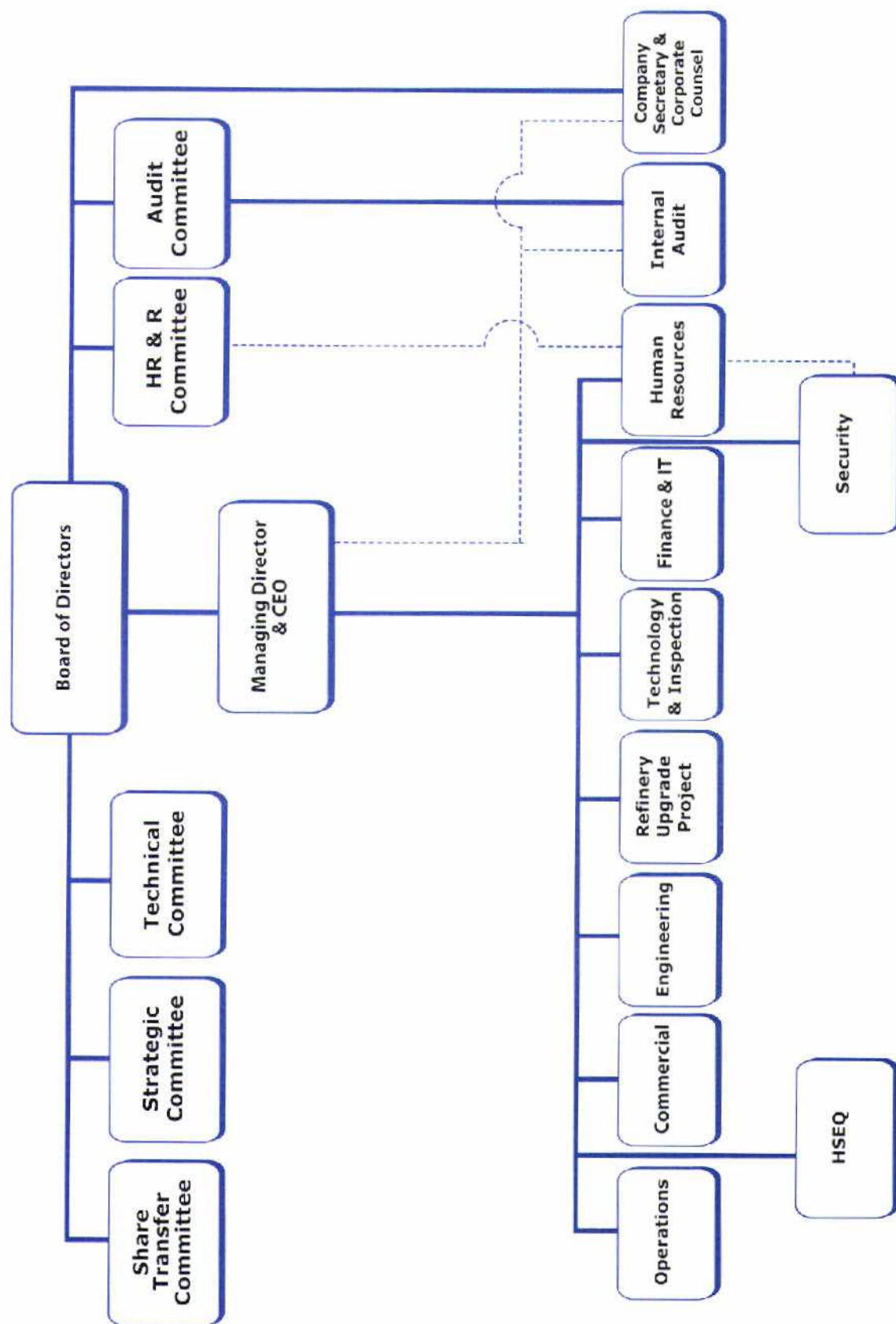
Saleem Butt
Aftab Husain

Terms of reference:

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

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

Organisational Chart



Refinery Leadership Team

Aftab Husain

Managing Director & CEO

Imran Ahmad Mirza

Chief Financial Officer

Naman Shah

General Manager Technology & Inspection

Muhammad Azhar

General Manager Operations

Muhammad Ali Mirza

General Manager Project Advisory

Najam Mahmud

General Manager Human Resources

Mohammad Khalid

General Manager Engineering

Shehrzad Aminullah

General Manager Commercial &
Acting Company Secretary

Asad Hasan

General Manager Projects

Management Committees

HSEQ Committee

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

Ethics Committee

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

Inventory Management Committee

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

Policies & Procedures Review Advisory Committee

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

Recruitment and Selection Committee

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

Technical & Project Steering Committee

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

Tender Board

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

Construction continues over next 2
months with foundations developed



Isomerisation Plant Tied In with the existing
Refinery during Turnaround
November-December 2014



x months with arrival of remaining modules,
construction activities in full swing

The Journey
began with the
Approval of
Board of Directors
September
16, 2013

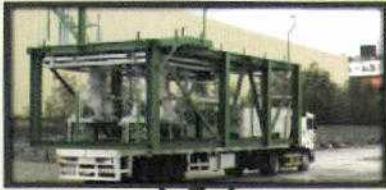
PRL Board of Directors visited project site to
commemorate construction activities
April 15, 2014



Construction Kick Off takes place with MD
Mr. Attab Hussain carrying out the F
August 22, 2014



First Module arrived at the Project Site
November 30, 2014



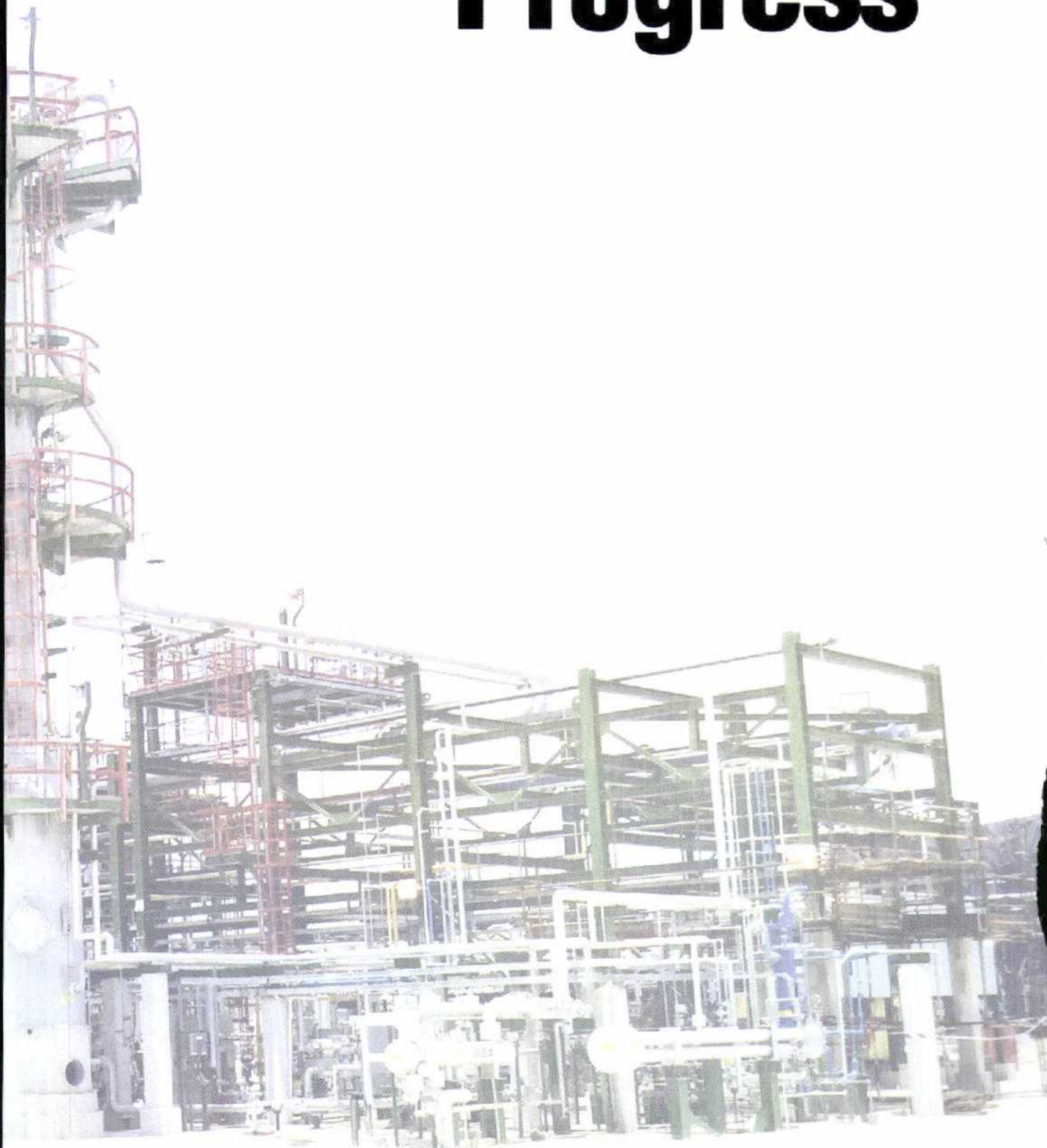
The Journey continued over next stages
off module equipment and

Journey of **Progress**

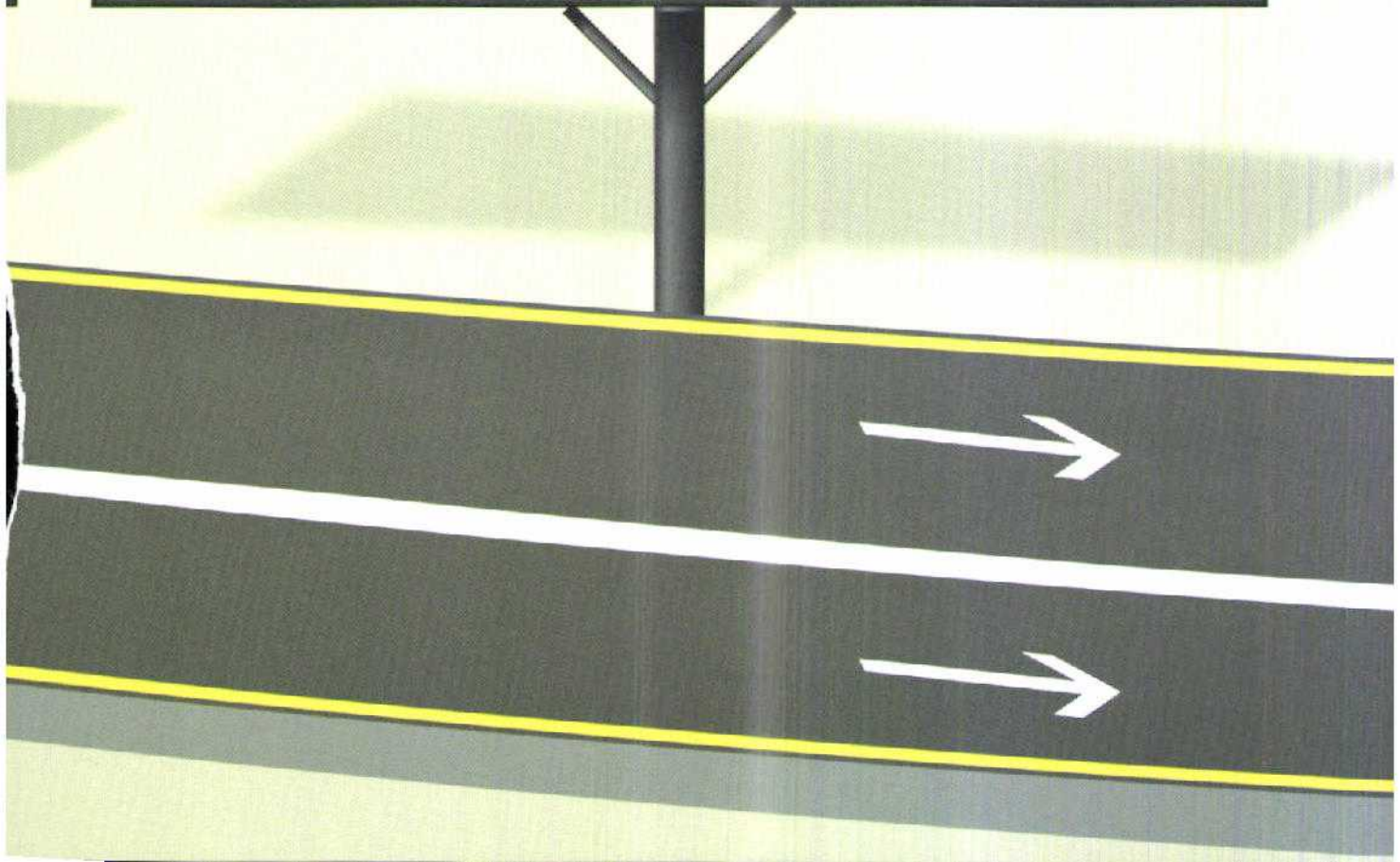
From Concept to Completion



Journey of **Progress**



**On successful commissioning, Isomerisation Plant was
formally inaugurated by MD & CEO Mr Aftab Husain
June 26, 2015**



**Isomerisation Project completed mechanically and
testing of all equipment, pipelines and valves
June 26, 2015**





World Environment Day
World Environment Day was celebrated at PRL Tank Farm area, where saplings were planted by MD & CEO.



Staff Communication Meeting
Communication meetings are held regularly to keep the employees updated of all operational and financial happenings in the company.

PRL CHRONICLES
Integrity Teamwork Excellence
March 2015

Editorial Note
Dear Reader:
It gives my team and me, immense pleasure in finding the first issue of PRL Chronicles, the company newsletter, in circulation. The newsletter is a testament to the efforts of the entire team, who have worked hard to bring this publication to life. It is a pleasure to see the newsletter in circulation, as it is a testament to the efforts of the entire team, who have worked hard to bring this publication to life.

From the Desk of MD & CEO, Pakistan Refinery Limited
The first issue of PRL Chronicles is in your hand. I must congratulate the Editorial Team who celebrated this overdue job and made it a reality in the shortest span of time. Excellent job done.

You are aware that clarity and ease of communication, both internal and external is essential to all our activities. Effective communication is not always easy, but certainly always necessary. Keeping an open channel of communication while keeping one another informed of changes in policies, procedures and goals, is essential. It is essential to keep the stakeholders in order. It also involves communicating that news to the stakeholders in order to make sure they are aware of what is going on and what we have to offer. Our communication needs to be clear, concise and to the point. It is essential to make sure that the message is clear and that the audience is aware of what is going on and what we have to offer.

Re-appointment of Mr. Aftab Husain
The Board of Directors of Pakistan Refinery Limited (PRL) in its 55th Meeting on 18th June 2014, re-appointed Mr. Aftab Husain as Managing Director & Chief Executive Officer of PRL for a period of three years effective 1st July 2014.

Former Managing Directors

Mr. Aftab Husain 1981-1983	Mr. Aftab Husain 1983-1985	Mr. Aftab Husain 1985-1987	Mr. Aftab Husain 1987-1989
Mr. Aftab Husain 1989-1991	Mr. Aftab Husain 1991-1993	Mr. Aftab Husain 1993-1995	Mr. Aftab Husain 1995-1997

Under R.J. Austin was MD from 1964 - 1968 & R.J. Clay from 1972 - 1973.

Company Newsletter titled "PRL Chronicles" was revived during the year.

Life at



Garden Competition
PRL secured 2nd position in the Garden Competition 2015.



Long Service Award

A Ceremony was held to honour employees having completed 10, 15, 20, 25, 30 and 35 years service with the Company.



Safety Day

A Ceremony was held to commemorate the achievement of 2.5 million man hours without Lost Time Injury.



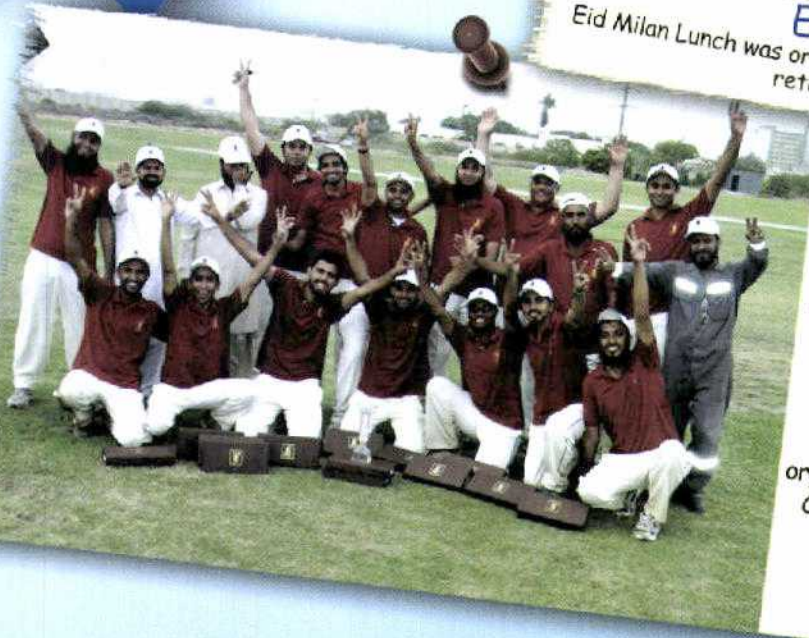
Table Tennis Tournament

A Doubles Tournament was organised by PRL Sports Club in which 20 teams participated.



Eid Milan Lunch

Eid Milan Lunch was organised at PRL's Garden, where all current and retired employees were invited.



Tape Ball Cricket Tournament

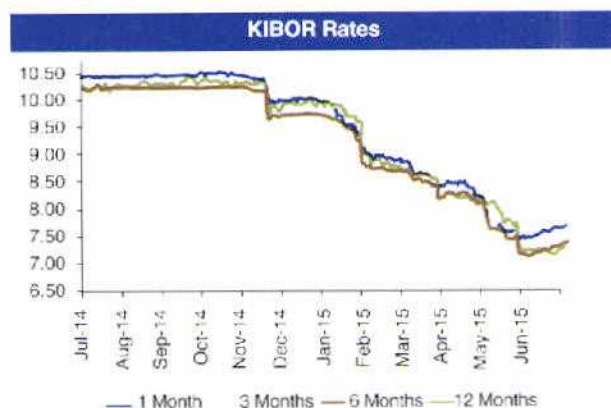
Interdepartmental Tape Ball Cricket Tournament was organised by PRL Sports Club at PRL Cricket Ground.

PRL

Chairman's Review

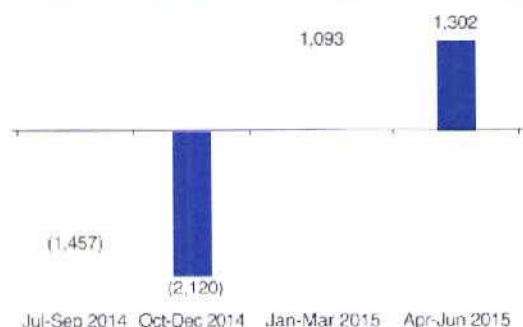
On behalf of the Board of Directors, I am pleased to present the 55th Annual Report of Pakistan Refinery Limited for the year ended June 30, 2015.

The political stability and improved law and order situation led to economic stability during the fiscal year 2014-15. Inflation rate reduced considerably during the year while the State Bank of Pakistan reduced the policy rate to 7 percent which is the lowest in the last 42 years. These factors are expected to gear up economic activities in the country particularly in the private sector by stimulating credit off take.



The year has also been very challenging and eventful for the Company. In the first half of the current financial year (Jul-Dec 2014), the Company suffered a loss after taxation of Rs. 3.58 billion but in the second half (Jan-Jun 2015) the Company made a profit of Rs. 2.40 billion thus eventually ending the year with a loss after taxation of Rs. 1.18 billion.

Quarterly profitability 2014-15 (Rs. in mn)



It is worth mentioning that the Company remained exposed to the effects of change in pricing mechanism of High Speed Diesel (HSD) whereby the refineries are required to deposit the difference between actual import price and notional ex-refinery price computed in accordance with the Import Parity Pricing Formula. This adverse change alone, that was imposed in 2013 accounted for Rs. 1.18 billion during the year.

It gives me great pleasure to announce that the Company successfully commissioned Isomerisation Unit - the first of its kind in Pakistan ahead of schedule in June 2015. A unique 'Modular' approach was undertaken for the Project which helped save crucial construction time. The project doubled Refinery's Motor Gasoline production by converting Light Naphtha which was previously being exported and will add to the profitability of the Company.

Since the Refinery was operating with negative equity for last 5 years and was on course of major expenditure for the projects, the Board of Directors announced a Right Issue at par in the ratio of 8 right shares for every 1 ordinary share to the shareholders. Total size of the issue was Rs. 2.80 billion. All regulatory approvals were obtained and the subscription period started on May 6, 2015 and completed on June 16, 2015. The amount raised through the above Right Issue will greatly help the Company in meeting its financial requirements.

In addition, the Company successfully completed maintenance Turnaround which was perhaps the most comprehensive in the history of the Refinery.

An average of 2,304 additional workforce was present in the Refinery round the clock during the 36 days period. This Turnaround entailed replacement / revamp of critical refinery equipment and machinery, replacement of catalysts and integration of existing plant with new Isomerisation Unit. These initiatives will have a positive effect on Refinery product yields and as a result, on the profitability of the Company.

The Company remains committed to operational excellence and its policy of Health Safety, Environment and Quality (HSEQ). The Company successfully achieved 5 million man-hours till July 2015 without Lost-Time-Injury (LTI). Focus remained on safe and efficient operations, including protection of environment, ensuring health and safety of its employees, customers and contractors and controlling operating costs whilst maintaining operational excellence and integrity of refinery operations.

I would like to acknowledge the efforts of our valued customers, suppliers, contractors, shareholders, financial institutions, directors and committed employees which resulted in achieving significant milestones during the year. I have firm belief that through hard work of employees and close coordination of other stakeholders, the Refinery will continue its path toward sustainable and profitable operations in future.



Farooq Rahmatullah
Chairman

Karachi: September 14, 2015

Directors' Report

The Directors of your Company present their Annual Report together with Audited Financial Statements for the year ended June 30, 2015.

Financial Results

Appropriation recommended for the year

	2015	2014
	(Rupees in thousand)	
Profit / (loss) after taxation	(1,181,662)	(863,913)
Other comprehensive income / (loss)	(82,159)	217,543
Total recognised income / (loss)	(1,263,821)	(646,370)
(Accumulated loss) as at July 01	(3,484,462)	(2,738,342)
Appropriations:		
2015: Nil (2014: Rs. 2.85 per share)	-	(99,750)
Issuance costs of Rights Issue	(104,783)	-
Accumulated loss as at June 30	(4,853,066)	(3,484,462)
Earnings / (Loss) per share	(Rs. 5.42)	(Restated) (Rs. 3.96)

During the year, the oil sector continued to face difficulties due to sharp decrease in international oil prices coupled with weak demand for products. The sharp decline in crude and product prices resulted in significant inventory losses to oil companies including refineries. As a result of aforementioned difficult economic scenario, the Company suffered a loss after taxation of Rs. 1.182 billion during the year.



The external auditors of the Company have included a paragraph of emphasis in the audit report drawing attention to the conditions that

may affect the Company's ability to continue as a going concern.

As at June 30, 2015 the Company had accumulated losses of Rs. 4.85 billion (2014: Rs. 3.48 billion) resulting in net negative equity of Rs. 1.51 billion (June 30, 2014: Rs. 2.73 billion) and its current liabilities exceed its current assets by Rs. 8.77 billion (2014: Rs. 6.90 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. However, the Company believes that it will continue as a going concern and will



be able to realise its assets and discharge its liabilities in the normal course of business based on the following factors:



- To address negative equity situation, the Board of Directors announced a Right Issue during the year equal to 8 right shares for every ordinary share held. Total amount expected from the issue was Rs. 2.8 billion out of which the Company has already raised Rs. 2.59 billion as at June 30, 2015.
- In addition, the Company successfully commissioned Isomerisation Project during the year. The Project will convert Light Naphtha into Motor Gasoline and will add to the profitability of the Company in future years.
- The Company has maintained its running finance facilities from various banks amounting to Rs. 8.1 billion and has also obtained Syndicated Long Term Project Financing amounting to Rs. 2 billion during the year. This shows confidence of financial institutions on the Company.
- The Company has secured supply chain starting with 'term contracts' with international crude suppliers like Abu Dhabi National Oil Company of United Arab Emirates which ensures uninterrupted supply of crude oil for Refinery operations in addition to indigenous local crude and condensate which makes up around 20% of the Company's crude mix. On the other end of the supply chain, the Company has long term sale contracts with all the major oil marketing companies of Pakistan i.e. Shell Pakistan Limited, Total Parco Marketing

Limited (formerly Chevron Pakistan Limited) and Pakistan State Oil Company Limited that assures timely off take of Refinery's products.

Based on the above factors and projected profitability and cash flows, the Company believes that it will be able to realise its assets and discharge its liabilities in the normal course of business and therefore, the financial statements have been prepared on 'Going Concern' basis.

Dividend

As the Company has incurred a loss during the current year, the Directors have decided not to make any appropriation for the year ended June 30, 2015.

Rights Issue

During the year, the Board of Directors announced a Right Issue at par to existing shareholders in the ratio of 8 right shares for every ordinary share held. Total amount expected from the issue was Rs. 2.8 billion out of which the Company has already raised Rs. 2.59 billion as at June 30, 2015 against which, shares have been issued subsequent to year end. For details relating to the realisation of remaining Right Issue amounting to Rs. 210 million, please refer to Note 17 to the financial statements for the year ended June 30, 2015.

Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

- The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes in accounting policies, wherever made, have been adequately disclosed in the financial statements. Accounting estimates are on the basis of prudent and reasonable judgement.
- International Financial Reporting Standards (previously referred to as International Accounting Standards), as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored regularly.

Refinery Management and Operations

The Refinery operations remained smooth and efficient throughout the year including a planned maintenance Turnaround during 2nd quarter of 2014-15. All key performance indicators were maintained within the targets. Highest standards of process safety and products quality were maintained while focus remained on minimizing operating cost. It is to be noted that the Company continues to be least operating cost Refinery in the country.

Pricing mechanism

During the year the Government of Pakistan through a notification imposed Regulatory Duty (later converted into Custom Duty from July 2015) on crude oil, High Speed Diesel (HSD) and Motor Gasoline (Petrol) at the rate of 2%, 2.5% and 2% respectively. This resulted in additional cost to the refineries, since on overall basis the refineries were at a loss. The refineries made several representations to the Ministry of Petroleum and Natural Resources (the Ministry) through the Oil Companies Advisory Council (OCAC). As a result the Government issued a clarification in July 2015, whereby the product

prices of regulated products (HSD and Petrol) will be adjusted by the Oil and Gas Regulatory Authority such that there is no loss / gain to the refineries on account of payment of Regulatory / Customs Duty on imported crude oil used in the production of regulated products. The mechanism for recovery / payment is currently under development by the OCAC.

Refinery Upgradation

● *Isomerisation Project*

The Isomerisation project was successfully commissioned during the year. This plant will double the Refinery's Motor Gasoline (Petrol) production from the previous 12,000 M.Tons per month to 24,000 M.Tons per month. This will not only have a positive impact on Refinery's profitability but at the same time will reduce Petrol imports with consequential savings in foreign exchange. It is also noteworthy to mention that all project phases were executed safely and without any Lost Time Injury and ahead of schedule.

The Refinery adopted a 'Modular' approach, whereby majority of project equipment was imported in the form of 24 fully fabricated modules. After overcoming significant inland logistical challenges, these modules were transported from the port to Refinery premises and were then directly placed on their foundations. By adopting prudent project management strategies, the project was executed on a fast track basis; enabling PRL to be the first refinery in Pakistan to commission the Isomerisation Unit.

● *Conversion & DHDS Project*

In pursuance of the directives of the Government of Pakistan to produce EURO II compliant High Speed Diesel (Diesel) the Company is continuing its efforts to install the Diesel Hydro Desulphurisation Unit which will enable the Company to produce Euro II specification diesel. The Company is evaluating different options to meet the above requirement including 'Modular' technology.

In the second phase, the Company is also looking forward to a conversion technology to minimise fuel oil production and converting the same into high margin middle distillates. These two units at an estimated total project cost of USD 400 million will not only maintain EURO II specifications for diesel but will also add towards sustainability of refinery operations. The Company is working closely with investment advisors and is evaluating various financing options for the project.

Crude Oil Sales Contract with Abu Dhabi National Oil Company

In order to ensure smooth supply line of crude oil and for sustainable refinery operations, the 'Crude Oil Sales Contract' with Abu Dhabi National Oil Company (ADNOC) has been increased from 23,500 barrels per day to 29,000 barrels per day. This contract is for a period of two years starting from July 2015. This contract will provide the Company with an option to import and process various crude grades from ADNOC.

Refurbishment of storage tanks

Storage, refining and distribution of petroleum products require different type of storage tanks, pipelines, operational and safety equipment.



To attain improved storage capacity for accomplishment of first row business visions and desired benefits it is necessary to preserve condition of storage tanks according to the new innovations and standards, for which it is essential to inspect them regularly to avoid any potential inefficiencies and losses. This activity also assures asset integrity and safety.

To accomplish this objective, the Company has developed plans covering overhauling of storage tanks.

● *First Five Year Plan*

Execution of first five year plan which included overhauling / major repairs of 23 storage tanks is currently under way and the Company has successfully commissioned 20 storage tanks. Work on remaining 3 storage tanks is in progress and is expected to be completed by April 2016. This plan cleared the back log and brought the refurbishment activity on track.

● *Second Five Year Plan*

Second five year plan has also been developed for refurbishment of further 27 storage tanks including 11 crude and 16 product storage tanks. Implementation of second five year plan has also been started in the year 2015-16.

● *Crude Storage Tank with Aluminium Geodesic Dome Roof*

For the first time in Pakistan, the Company is converting mild steel fixed roof storage tanks with Aluminium Geodesic Dome Roof which will increase storage capacity by 20 percent and reduce construction time and maintenance activities.

Planned Maintenance Turnaround 2014-15



The Company has safely and successfully completed planned maintenance turnaround in 2nd quarter of 2014-15. This turnaround was perhaps one of the most comprehensive in the history of the Company. An average of 2,304 additional workforce (peaking at 3,060) worked in the Refinery during the 36 day period. A total of 1.7 million man-hours were completed during the period without any Loss Time Injury.

Turnaround involves thorough planning and execution and depicts highest values of teamwork. The employees work round the clock to make sure that the planned activities are performed to the best standards without any compromise on safety. Apart from usual maintenance activities this turnaround also included following major projects:

- *Integration of existing plant with new Isomerisation Unit*



All the existing Refinery's units were 'tied-in' with the new Isomerisation Unit. Usually this activity is performed at the time of commissioning of the project and includes shutdown of existing plant. However, the timelines of turnaround were planned such that these tie-in activities could also be completed simultaneously and no additional shutdown is required at the time of commissioning of Isomerisation unit.

- *HSD yield optimization - Revamp of Crude Column Internal Packing*

Refinery's crude tower was packed with conventional trays since inception. The Refinery undertook the above project during the Turnaround to revamp these older version



packing with upgraded technology to increase the production of better margin products by minimizing overlapping. This modification increased the production of middle distillates and thereby will improve the profitability of the Company.



● *Furnaces*

○ *Complete re-tubing and repairs of High Temperature Furnaces*

Re-tubing of furnaces of crude unit and hydrotreater unit was carried out along repairs of refractory and skin plates to extend useful lives of furnaces and increase their efficiency.



○ *Energy conservation - Installation of Soot Blowers at Furnaces*

Utility costs account for a significant part of the refinery expenses and can be reduced through management, energy conservation efforts and related projects. PRL installed 'Soot Blowers' on its crude furnaces, which will help maintain their designed heat duty and will result in fuel savings.

● *Air Coolers*



During the Turnaround, re-tubing of twelve Air Coolers was carried out. Maintenance strategy was rethought and changed to accomplish the job of this magnitude (undertaken for the first time in the history of the Company) in a limited time. A 500 ton capacity crane was employed for this purpose.

● *Upgradation of Distributed Control System*

Several upgrades were installed on Distributed Control System (DCS) to align different versions earlier installed in the Refinery. In addition, patches were installed on existing system in order to upgrade the same with new Isomerisation Unit DCS. This was the requirement for seamless connectivity between the two systems and was completed in Turnaround to avoid additional shutdown during commissioning of Isomerisation Unit.

- *Motor Operated Valves at Distillation Columns and Control Station*



Motor Operated Valves (MOV) were installed for emergency shutdown on distillation columns which can be operated remotely from Control Room through MOV control station. MOVs are enclosed in specially designed fire resistant jacket and connected with fire resistant power / control cables thereby improving HSE.

Replacement of Compressors



The Company successfully replaced sour gas reciprocating main duty compressor for Crude Unit during the year in place of old compressor which was in service since 1985. The compressor is part of crude unit and is used for recovery of LPG and refinery gases. This compressor addresses environmental issues by recovery of refinery gases and also reduces additional fuel requirements from other sources.

The Company also replaced Platformer Unit recycle gas compressor during the year in place of earlier compressor which was in service since 1962. The critical compressor has 800 CFM capacity, 6 stages, dry gas seals and online condition monitoring system. This compressor known as the 'Heart of the Refinery' is equipped with state of the art Bently Nevada Equipment Protection System. This compressor provides hydrogen rich recycle gas to Platformer reactors at desired molar ratios contributing in Platformer Unit.



Health, Safety, Environment & Quality (HSEQ)

The Company has successfully accomplished 5 million man hours without any Lost Time Injury during July 2015. This number includes critical activities carried out during the year including commissioning of Isomerisation Project and maintenance turnaround during 2nd quarter of 2014-15. A safety award ceremony was held in recognition of employees' efforts in achieving this milestone where apart from safety awards 'Best Potential Incident' reporting award was also given to individuals to motivate and develop the reporting culture among employees.

The Company demonstrated its commitment to work for the improvement of the environment of our planet which holds seven billion dreams of world population by organizing a tree plantation ceremony in the plant area on the occasion of "World Environmental Day" in June 2015.

The Company successfully acquired revalidation of ISO 9001, 14001 & OHSAS 18001 certifications without any Non-Conformity for another year after recertification audit was conducted by external consultant in October 2014.

The Company was awarded 1st position in 10th Employers Federation of Pakistan (EFP) - Organisational Safety Health and Environment Award in the category of oil, gas and energy sector. The Company also secured 1st position in 12th Annual Environmental Excellence Award 2014 organized by National Forum for Environment and Health.

Emissions, Effluent and Ambient Air Quality Test:

All results of test conducted by Sindh Environment Protection Agency met the National Environmental Quality Standard limits and were continuously reported through Self-Monitoring and Reporting Tool (SMART) program to Pakistan Environment Protection Agency. Ambient air quality is monitored voluntarily on an annual basis and all results are within permissible limits.

Soil and Ground Water Monitoring:

Oil storage tank sludge treatment is carried out in an environmentally friendly manner using land farming methods. Land farming sites are declared completely biodegraded on Total Petroleum Hydrocarbon (TPH) test results basis. Soil and ground water testing is also performed on a regular basis to monitor against any contamination.

Crisis Management and Mock Drills:

In addition to weekly fire drills, bi-annual mock drills are executed with different fire scenarios according to the Emergency Response Plan (ERP) to check effectiveness of emergency equipment and expertise in emergency mitigation by designated emergency responders.

Contractor HSE Management:

As part of overall HSE management culture, extensive and continuous efforts were made to enrich and raise the bar of HSE Standards for contractors. Monthly trainings of contractors' staff are being conducted to meet the Company's HSE standards.

Credit rating

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

Human Resources

The Company maintained its focus on attracting, retaining, developing and rewarding high potential individuals by providing them opportunities to develop themselves in an effective and efficient manner. Review of organizational structure was also carried out at senior level which provided growth opportunities for executives while simplifying the hierarchy to make the structure more efficient and lean. The company also made a special effort to provide maximum opportunities to existing staff by use of job rotation and cross functional moves.

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

Employees are provided opportunities to develop and increase productivity, covering all aspects of business operations by imparting technical, managerial and HSEQ related in-house and external trainings. The Company benefitted from the strategic alliance with the Institute of Business Administration - Centre for Executive Education (IBA - CEE) as many of its managers attended various programs focussing on leadership and management skills.

The HR philosophy of the Company includes "protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources". In order to fulfil this, high potential fresh graduates from various recognized universities of the country were inducted for various departments. Internship opportunities were also provided to students from leading universities.

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

Corporate Governance

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

Contribution to the National Exchequer and value addition

The Company is one of the major taxpayers of the country and contributed an amount of Rs. 26.31 billion (June 2014: Rs. 29.44 billion) to the National Exchequer on account of direct and indirect taxes. The Company also brought valuable Foreign Exchange of USD 122.47 million (June 2014: Rs. 168.09 million) into the economy through the exports of Naphtha thereby

contributing towards reducing burden on the Country's balance of payments.

Key Operation and Financial Data

A statement summarizing key operating and financial data for the last six years is given on page 40 of the report.

Trading in Company shares

M/s Fossil Energy (Private) Limited where one of the directors of PRL, Mr. Saleem Butt and his spouse have majority shareholding, purchased 4,414,100 Letters of Rights from the Stock Exchange at an average rate of Rs. 36.2 per letter on May 18, 2015. This information was duly disclosed to the Stock Exchanges. Apart from this transaction, Directors, CEO, DMD, CFO, Chief Internal Auditor, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year under consideration. There has been no trading in Company's shares by any other employee whose basic salary exceeds the threshold of Rs. 1.2 million in a year which is the threshold set by the Directors for disclosure in annual reports.

Directors' Training Program

The Board arranged "Corporate Governance Leadership Skills" training program by Pakistan Institute of Corporate Governance for Mr. Faisal Waheed and scheduled the same for Mr. Muhammad Azam during the year 2014-15. However, Mr. Abdul Jabbar Memon was notified on the Board of the Company in place of Mr. Muhammad Azam and therefore Mr. Muhammad Azam could not attend the above training program.

Chairman's review endorsement

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

Board of Directors and Board meetings held during the year

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

Name of Director	Total No. of Board Meetings*	No. of meetings attended
Farooq Rahmatullah	6	6
Aftab Husain	6	6
Abdul Jabbar Memon	1	1
Amjad Parvez Janjua	3	3
Babar H. Chaudhary**	6	6
Faisal Waheed	6	4
Farrokh K. Captain	6	4
Mohammad Zubair	6	6
Muhammad Azam	5	3
Mumtaz Hasan Khan	6	4
Omar Yaqoob Sheikh	6	4
Saleem Butt	6	4
Shahid Islam	3	1
Sheikh Imran ul Haque***	0	0

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

** During the year, a meeting of the Board of Directors was adjourned, Mr. Babar H. Chaudhary attending the original meeting but did not attend the adjourned meeting.

*** Sheikh Imran ul Haque was appointed as Director after year ended June 30, 2015 effective from September 14, 2015 in place of Mr. Shahid Islam.

The Board places on record its appreciation for the valuable services rendered by outgoing directors Mr. Amjad Parvez Janjua and Mr. Muhammad Azam and welcomes Mr. Abdul Jabbar Memon and Mr. Shahid Islam on Board.

Board Committee meetings held during the year

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

Name of Director	Total No. of Board Meetings*	No. of meetings attended
------------------	------------------------------	--------------------------

Board Audit Committee Meeting**

Mohammad Zubair	7	7
Saleem Butt	7	4
Babar H. Chaudhary	7	5
Faisal Waheed	7	7

Mr. Omar Yaqoob Sheikh and Mr. Farrokh K. Captain attended an Audit Committee Meeting by invitation through telecon.

Board Human Resource and Remuneration Committee

Amjad Parvez Janjua	1	1
Farooq Rahmatullah	2	2
Mumtaz Hasan Khan	3	2
Mohammad Zubair	3	3
Farrokh K. Captain	3	1
Muhammad Azam	1	1

Board Strategic Committee**

Mumtaz Hasan Khan	5	5
Farrokh K. Captain	5	5
Omar Yaqoob Sheikh	5	4
Muhammad Azam	5	4
Aftab Husain	5	5

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

** Includes three joint meetings of Board Audit Committee and Board Strategic Committee held during the year.

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

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, 2015 was as follows:

(Rupees in '000)

Provident Fund	352,466
Gratuity fund - management staff	103,744
Gratuity fund - non-management staff	66,446
Pension fund - management staff	812,049
Pension fund - non-management staff	40,310

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2015 is given on page 46 of the report.

External Auditors

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

Acknowledgement

We take this opportunity to recognise the effort of Company's valued employees for achieving significant milestones during the year including commissioning of Isomerisation Unit, and successful completion of major Turnaround. We also appreciate the support by Company's shareholders who displayed full confidence on the Company during the Rights Issue. We also thank regulatory authorities particularly the Ministry of Petroleum and Natural Resources, Ministry of Finance, Oil and Gas Regulatory Authority and our strategic partners including financial institutions for their continuous guidance and support.

On behalf of Board of Directors



Farooq Rahmatullah
Chairman

Karachi: September 14, 2015

Key Operational and Financial Data

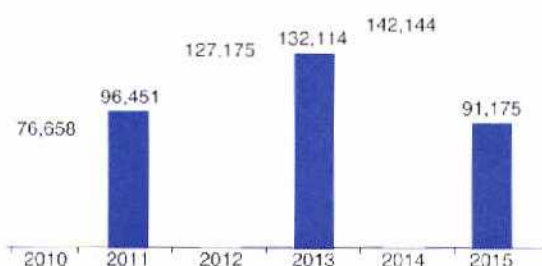
Six Year Summary

		2015	2014	(Restated) 2013	(Restated) 2012	2011	2010
Profit and loss							
Revenue (net)	Rs/mn	91,174.7	142,144.5	132,114.4	127,174.8	96,450.6	76,658.3
Gross profit / (loss)	Rs/mn	(677.0)	(707.9)	1,948.9	29.4	2,417.7	(630.9)
Operating profit / (loss)	Rs/mn	(984.3)	(783.0)	1,587.7	13.5	937.5	(794.8)
Profit / (loss) before tax	Rs/mn	(1,673.0)	(856.5)	1,237.6	(896.5)	734.1	(1,914.4)
Profit / (loss) after tax	Rs/mn	(1,181.7)	(863.9)	496.0	(1,615.7)	223.9	(2,975.2)
Earnings before interest, taxes, depreciation and amortisation	Rs/mn	(609.5)	(65.4)	1,771.0	(306.1)	1,074.0	(1,337.9)
Balance Sheet							
Share Capital	Rs/mn	350.0	350.0	350.0	350.0	350.0	350.0
Share deposit money	Rs/mn	2,589.9	-	-	-	-	-
Reserves	Rs/mn	(4,849.2)	(3,475.2)	(2,729.3)	(2,717.1)	(917.0)	(1,145.1)
Fixed assets	Rs/mn	12,118.2	7,407.3	5,111.4	4,541.2	4,359.1	5,598.9
Net current assets / liabilities	Rs/mn	(8,768.9)	(6,900.1)	(3,742.8)	(3,692.3)	(1,852.9)	(3,346.3)
Long term / deferred liabilities	Rs/mn	2,138.5	82.4	293.3	171.0	18.7	1.1
Surplus on revaluation of fixed assets	Rs/mn	3,297.9	3,297.9	3,197.9	3,143.9	3,143.9	3,143.9
Investor Information							
Gross profit ratio	%	(0.74)	(0.50)	1.48	0.02	2.51	(0.82)
Net profit ratio	%	(1.30)	(0.61)	0.38	(1.27)	0.23	(3.88)
EBITDA margin	%	(0.67)	(0.05)	1.34	(0.24)	1.11	(1.75)
Cash flow from operations to sales	%	(0.06)	2.42	(5.21)	1.41	1.70	(3.69)
Inventory turnover	Days	30.18	26.38	26.37	24.23	30.79	35.84
Debtor turnover	Days	29.66	24.90	43.54	44.05	49.39	72.73
Operating cycle	Days	(12.34)	4.27	(0.40)	(7.61)	(8.89)	(17.32)
Debtor turnover	Times	12.31	14.66	8.38	8.29	7.39	5.02
Creditor turnover	Times	5.07	7.79	5.21	4.82	4.10	2.90
Inventory turnover	Times	12.09	13.83	13.84	15.06	11.85	10.18
Total assets turnover ratio	Times	2.96	4.93	4.82	3.72	3.86	2.48
Fixed assets turnover ratio	Times	7.52	19.19	25.85	28.00	22.13	13.69
Market value per share at the end of the year	Rs.	60.93	161.75	81.41	57.45	80.45	78.57
Market value per share - high during the year	Rs.	195.68	173.35	97.63	81.64	118.87	149.79
Market value per share - low during the year	Rs.	137.28	61.64	56.25	52.21	50.02	74.01
Breakup value per share without Surplus on Revaluation of Fixed Assets	Rs.	(43.23)	(77.98)	(56.66)	(67.63)	(16.20)	(22.72)
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	Rs.	50.99	16.25	34.71	22.19	73.63	67.11
Earnings / (loss) per share (Restated)	Rs	(5.42)	(3.96)	2.27	(7.40)	1.03	(13.63)
Price earning ratio (Restated)	Times	(11.25)	(40.85)	35.81	(7.76)	78.40	(5.76)
Cash dividend per share	Rs.	-	-	-	-	1.50	-
Dividend yield	%	-	-	-	-	1.86	-
Dividend pay out	%	-	-	-	-	146.19	-
Dividend Cover	Times	(11.82)	(8.64)	4.96	-	2.24	-
Interest cover ratio	Times	(1.27)	(0.47)	4.87	(1.24)	5.19	-
Current ratio	Ratio	0.67:1	0.76:1	0.86:1	0.89:1	0.92:1	0.88:1
Quick ratio / acid test ratio	Ratio	0.34:1	0.39:1	0.42:1	0.63:1	0.45:1	0.57:1
Cash to current liabilities	Ratio	0.105:1	0.081:1	-0.297:1	-0.004:1	-0.08:1	-0.11:1
Summary of cash flow statement							
Cash flows from operating activities	Rs/mn	(56.4)	3,443.5	(6,886.3)	1,787.4	1,638.0	(2,830.9)
Cash flows from investing activities	Rs/mn	(4,615.7)	(2,168.4)	(662.0)	(184.6)	(173.8)	(130.1)
Cash flows from financing activities	Rs/mn	(1,788.9)	8,713.2	(0.0)	(51.2)	(2,992.1)	(1,118.8)
Net cash flows during the year	Rs/mn	(6,461.0)	9,981.57	(7,547.3)	1,551.6	(1,527.9)	(4,079.8)

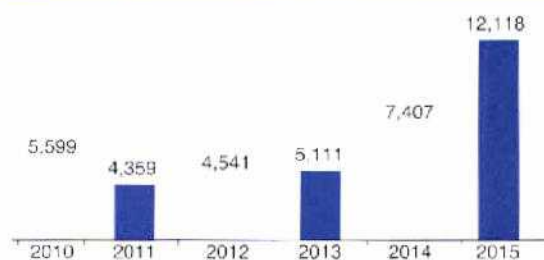
Key Operational and Financial Data

Six Year Summary

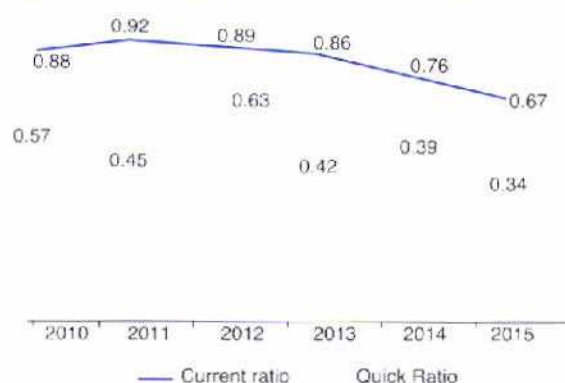
Revenue (Rs. in mn)



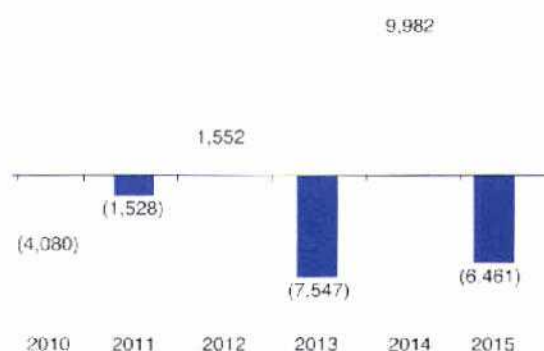
Fixed assets (Rs. in mn)



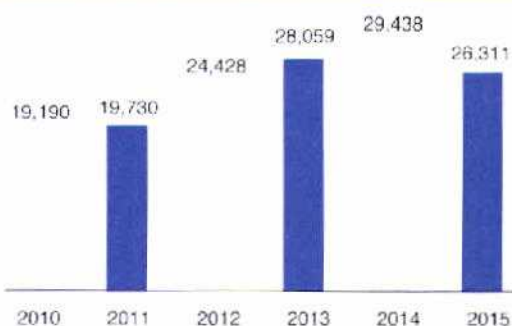
Liquidity Ratios



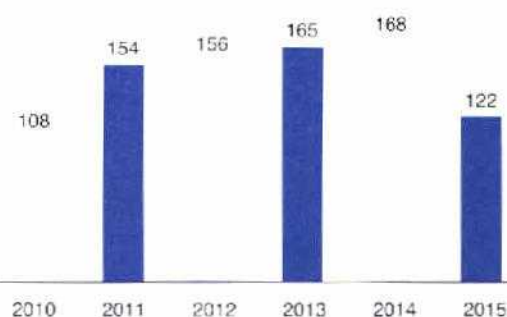
Net Cash Flows (Rs. in mn)



Contribution to National Exchequer (Rs. in mn)



Exports (USD in mn)



Horizontal Analysis of Balance Sheet

	2015	2014	2013	2012	2011	2010	2009
ASSETS							
Non-current assets							
Fixed assets	517.3	316.2	218.2	193.8	186.1	239.0	100.0
Investment in associate	159.7	156.7	149.2	135.9	123.2	116.4	100.0
Long-term loans and advances	27.3	16.2	16.0	36.7	30.4	53.1	100.0
Long-term deposits	154.1	367.9	366.8	107.5	98.5	97.6	100.0
Deferred taxation	46.7	-	-	-	-	0.9	100.0
Retirement benefit obligations - prepayments	-	-	-	-	-	-	100.0
Total non-current assets	371.9	221.3	153.9	136.0	130.3	166.9	100.0
Current assets							
Stores, spares and chemicals	87.8	108.3	80.2	74.3	105.9	94.4	100.0
Stock-in-trade	65.9	115.6	131.2	93.6	108.2	81.4	100.0
Trade debts	43.2	59.5	74.9	143.5	69.2	111.7	100.0
Loans and advances	96.0	220.7	332.9	228.7	181.3	163.2	100.0
Accrued mark-up	-	-	-	-	6.8	-	100.0
Trade deposits and short-term prepayments	415.4	159.4	94.5	608.3	560.8	547.6	100.0
Other receivables	127.2	3.1	2.3	21.8	57.9	70.4	100.0
Taxation - payments less provision	100.0	100.0	-	100.0	100.0	100.0	-
Tax refunds due from Government - Sales tax	-	-	-	-	-	212.2	100.0
Investments	-	-	-	-	-	-	-
Cash and bank balances	72.0	58.5	2.2	7.8	0.2	0.2	100.0
Total current assets	62.0	73.0	76.0	101.4	70.4	86.3	100.0
Total assets	94.4	88.6	84.2	105.0	76.7	94.8	100.0
EQUITY AND LIABILITIES							
Share capital	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share deposit money	100.0	-	-	-	-	-	-
Reserves	(32,499.0)	(23,290.7)	(18,291.3)	(18,210.1)	(6,145.8)	(7,674.5)	100.0
Special reserve	21.8	21.8	21.8	-	-	-	100.0
Total equity	(59.4)	(125.2)	(91.0)	(108.6)	(26.0)	(36.5)	100.0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	100.0	100.0	100.0	100.0	100.0	100.0	-
LIABILITIES							
Non-current liabilities							
Long term loan	100.0	-	-	-	-	-	-
Retirement benefit obligations	3,167.0	1,350.0	6,215.5	3,449.8	275.1	26.0	100.0
Deferred taxation	-	100.0	100.0	100.0	100.0	-	-
Total non-current liabilities	48,912.7	1,883.7	6,708.9	3,911.9	426.9	26.0	100.0
Current liabilities							
Trade and other payables	67.0	75.5	66.7	126.6	79.1	99.7	100.0
Term finance certificates	100.0	100.0	-	-	-	-	-
Short-term borrowings / running finance	170.1	146.1	189.5	11.0	41.5	77.2	100.0
Accrued interest / mark-up	100.0	100.0	100.0	100.0	100.0	100.0	-
Taxation - provision less payments	-	-	1.0	-	-	-	100.0
Payable to government - Sales Tax	100.0	100.0	100.0	100.0	100.0	-	-
Total current liabilities	88.3	92.8	85.3	109.5	73.7	93.8	100.0
Total liabilities	95.3	93.0	86.2	110.0	73.7	93.8	100.0
Total equity and liabilities	94.4	88.6	84.2	105.0	76.7	94.8	100.0

Vertical Analysis of Balance Sheet

(as a percentage of total assets)

	2015	2014	2013	2012	2011	2010
	(In percentages)					
ASSETS						
Non-current assets						
Fixed assets	39.4	25.7	18.6	13.3	17.5	18.1
Investment in associate	0.3	0.3	0.3	0.2	0.3	0.2
Long-term loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Long-term deposits	0.1	0.2	0.2	0.0	0.1	0.0
Deferred taxation	1.5	-	-	-	-	0.0
Retirement benefit obligations - prepayments	-	-	-	-	-	-
Total non-current assets	41.3	26.2	19.2	13.6	17.8	18.5
Current assets						
Stores, spares and chemicals	0.7	0.9	0.7	0.5	1.0	0.7
Stock-in-trade	17.9	33.5	40.0	22.9	36.2	22.1
Trade debts	20.3	29.8	39.4	60.5	40.0	52.2
Loans and advances	0.0	0.1	0.2	0.1	0.1	0.1
Accrued mark-up	-	-	-	-	0.0	-
Trade deposits and short-term prepayments	0.1	0.0	0.0	0.2	0.2	0.2
Other receivables	8.1	0.2	0.2	1.3	4.6	4.5
Taxation - payments less provision	2.4	1.3	-	0.1	0.1	0.4
Tax refunds due from Government - Sales tax	-	-	-	-	-	1.4
Investments	-	-	-	-	-	-
Cash and bank balances	9.2	7.9	0.3	0.9	0.0	0.0
Total current assets	58.7	73.8	80.8	86.4	82.2	81.5
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
EQUITY AND LIABILITIES						
Share capital	1.1	1.2	1.3	1.0	1.4	1.1
Reserves	(15.8)	(12.1)	(10.0)	(7.9)	(3.7)	(3.7)
Subscription money	8.4	-	-	-	-	-
Special reserve	1.3	1.4	1.4	-	-	-
Total equity	(4.9)	(9.5)	(7.2)	(6.9)	(2.3)	(2.6)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	10.7	11.4	11.7	9.2	12.6	10.2
LIABILITIES						
Non-current liabilities						
Retirement benefit obligations	0.45	0.20	0.99	0.44	0.05	0.00
Deferred taxation	-	0.1	0.1	0.1	0.0	-
Long term liability	6.5	-	-	-	-	-
Total non-current liabilities	7.0	0.3	1.1	0.5	0.1	0.0
Current liabilities						
Trade and other payables	55.3	66.4	61.7	93.9	80.3	81.9
Term finance certificates	6.9	8.4	-	-	-	-
Short-term borrowings / running finance	22.7	20.8	28.4	1.3	6.8	10.3
Accrued interest / mark-up	0.7	0.4	0.1	0.1	0.1	0.2
Taxation - provision less payments	-	-	0.0	-	-	-
Payable to government - Sales Tax	1.6	1.7	4.2	1.9	2.3	-
Total current liabilities	87.2	97.7	94.5	97.2	89.6	92.4
Total liabilities	94.2	98.0	95.6	97.7	89.7	92.4
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis of Profit and Loss Account

	2015	2014	2013	2012	2011	2010	2009
Sales	118.6	184.9	171.9	165.5	125.5	99.7	100.0
Cost of sales	(115.0)	(178.8)	(163.0)	(159.2)	(117.7)	(96.8)	(100.0)
Gross (loss) / profit	22.5	23.5	(64.7)	(1.0)	(80.2)	20.9	100.0
Distribution cost	(176.2)	(163.5)	(151.3)	(132.5)	(136.2)	(104.6)	(100.0)
Administrative expenses	(159.8)	(134.2)	(164.5)	(140.2)	(107.6)	(98.6)	(100.0)
Other operating expenses	(513.1)	(141.7)	(3,001.9)	(19.8)	(46,314.7)	(13.4)	(100.0)
Other income	70.3	132.2	70.8	142.8	117.8	47.6	100.0
Operating (loss) / profit	32.4	25.8	(52.2)	(0.4)	(30.9)	26.2	100.0
Finance costs	(28.5)	(3.5)	(14.5)	(37.2)	(8.6)	(45.8)	(100.0)
Share of income of associate	122.5	91.6	56.1	73.1	58.5	99.5	100.0
(Loss) / profit before taxation	30.4	15.6	(22.5)	16.3	(13.3)	34.8	100.0
Taxation	(52.8)	0.8	79.8	77.4	54.9	114.1	(100.0)
(Loss) / profit after taxation	25.8	18.9	(10.8)	35.3	(4.9)	65.1	100.0

Vertical Analysis of Profit and Loss Account

(as a percentage of sales)

	2015	2014	2013	2012	2011	2010
Sales	100.00	100.00	100.00	100.0	100.0	100.0
Cost of sales	(100.7)	(100.5)	(98.5)	(100.0)	(97.5)	(100.8)
Gross (loss) / profit	(0.7)	(0.5)	1.5	0.0	2.5	(0.8)
Distribution cost	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Administrative expenses	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Other operating expenses	(0.018)	(0.003)	(0.071)	(0.000)	(1.502)	(0.001)
Other income	0.2	0.2	0.1	0.3	0.3	0.2
Operating (loss) / profit	(1.1)	(0.6)	1.2	0.0	1.0	(1.0)
Finance costs	(0.8)	(0.1)	(0.3)	(0.7)	(0.2)	(1.5)
Share of income of associate	0.02	0.01	0.01	0.01	0.01	0.02
(Loss) / profit before taxation	(1.8)	(0.6)	0.9	(0.7)	0.8	(2.5)
Taxation	0.539	(0.005)	(0.6)	(0.6)	(0.5)	(1.4)
(Loss) / profit after taxation	(1.3)	(0.6)	0.4	(1.3)	0.2	(3.9)

Statement of Value Addition and its Distribution

For the year ended June 30, 2015

	2015 Rupees In thousand	%	2014 Rupees In thousand	%
Wealth Generated				
Total gross revenue and other income	117,959,719		171,820,926	
Brought in materials and services	(90,881,204)		(141,770,398)	
	<u>27,078,515</u>	100%	<u>30,050,528</u>	100%
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	740,811	2.74%	667,321	2.2%
To Government				
Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	26,311,206	97.17%	29,438,426	97.96%
To society				
Donation towards earthquake victims, IDPs and health	598	0.00%	1,690	0.01%
To shareholders				
Dividends and bonus	-	0.00%	99,750	0.33%
To providers of finance				
Finance charges for borrowed funds	754,366	2.79%	591,561	1.99%
To Company				
Depreciation, amortisation and retained profit / (loss)	(728,466)	-2.69%	(748,220)	-2.49%
	<u>27,078,515</u>	100.0%	<u>30,050,528</u>	100.0%

Pattern of Shareholding

as at June 30, 2015

Number of Shareholders	Shareholders		Number of Shares held
	From	To	
1,132	1	100	41,321
1,157	101	500	390,145
648	501	1,000	549,173
843	1,001	5,000	1,959,238
149	5,001	10,000	1,097,727
35	10,001	15,000	449,697
15	15,001	20,000	273,253
11	20,001	25,000	251,059
7	25,001	30,000	198,378
5	30,001	35,000	163,340
4	35,001	40,000	145,732
2	40,001	45,000	86,664
1	45,001	50,000	48,659
2	50,001	55,000	109,956
1	60,001	65,000	63,241
1	70,001	75,000	73,100
2	75,001	80,000	158,046
1	110,001	115,000	113,008
1	140,001	145,000	141,900
2	145,001	150,000	294,601
1	200,001	205,000	201,500
1	350,001	355,000	350,000
1	575,001	580,000	575,646
1	1,455,001	1,460,000	1,459,116
1	1,575,001	1,580,000	1,575,000
1	2,625,001	2,630,000	2,625,000
1	4,805,001	4,810,000	4,805,500
1	6,300,001	6,305,000	6,300,000
1	10,500,001	10,505,000	10,500,000
4,028			35,000,000

Pattern of Shareholding

as at June 30, 2015

Shareholder's Category	No. of Shareholders	No. of Shares	Percentage Issued Capital
Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	5	11,465	0.03%
Associated Companies, Undertakings and related Parties (to be confirm by Company)	5	25,805,000	73.73%
NIT and ICP			
Banks, Development Financial Institutions, Non Banking Financial Institutions	6	76,680	0.22%
Insurance Companies	2	575,766	1.65%
Modarabas and Mutual Funds	3	1,509,275	4.31%
General Public :			
a. local	3,968	6,384,803	18.24%
b .Foreign			
Others	39	637,011	1.82%
Total (excluding : share holders holding 10%)	4,028	35,000,000	100%

Associated Companies, Undertaking and Related Parties (name wise details)

PAKISTAN STATE OIL COMPANY LIMITED	1	1,575,000
CHEVRON GLOBAL ENERGY INC.	1	2,625,000
SHELL PETROLEUM CORPORATION	1	10,500,000
PAKISTAN STATE OIL COMPANY LTD.	1	6,300,000
HASCOL PETROLEUM LIMITED	1	4,805,000
Total	5	25,805,000

Mutual Funds (name wise details)

CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	48,659
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,459,116
Total	2	1,507,775

Directors and their spouse

FARROKH K. CAPTAIN /	1	2,500
FARROKH K. CAPTAIN	1	465
SALEEM BUTT	1	2,500
FAROOQ RAHMATULLAH KHAN	1	3,500
MUMTAZ HASAN KHAN	1	2,500
Total	5	11,465

Executives

- -

Public Sector Companies and Corporations

3 925,766

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds

9 223,124

Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)

HASCOL PETROLEUM LIMITED	1	4,805,500
CHEVRON GLOBAL ENERGY INC.	1	2,625,000
SHELL PETROLEUM CORPORATION	1	10,500,000
PAKISTAN STATE OIL COMPANY LTD.	1	6,300,000
Total	4	24,230,500

Notice Of Annual General Meeting

Notice is hereby given that the Fifty-Fifth Annual General Meeting of the shareholders of Pakistan Refinery Limited ("Company") will be held at Marriott Hotel, Karachi, on October 26, 2015 at 11:30 a.m. to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors for the ensuing year and fix their remuneration. The present Auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

B. ANY OTHER BUSINESS

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

By Order of the Board

Shehrzad Aminullah
Acting Company Secretary

Karachi: September 28, 2015

Notes

1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012.
2. Share Transfer Books will be closed from October 20, 2015 to October 26, 2015 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi by the close of the Business on October 19, 2015 will be treated in time for the purposes of proceedings of the AGM.
3. All Members / Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.
4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (P.O. Box # 4612, Korangi Creek Road, Karachi 75190 Pakistan) at least 48 hours before the time of the meeting.
5. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

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

A. For Attending the Meeting:

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

B. For Appointing Proxies:

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

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2015

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

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

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

Category	Names
Managing Director & CEO (Executive Director)	Aftab Husain
Non-Executive Directors	Farooq Rahmatullah Abdul Jabbar Memon Babar H. Chaudhary Faisal Waheed Farrokh K. Captain Mohammad Zubair Shahid Islam Mumtaz Hasan Khan Omar Yaqoob Sheikh Saleem Butt

The Board is contemplating on compliance with clause i(b) of the Code with respect to representation of an independent director.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred during the year; both were filled within the stipulated time frame under the Code.

5. The Board has developed a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company.
6. The Board has developed a vision / mission statement and overall corporate strategy. The Board approved significant policies as required by the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged "Corporate Governance Leadership Skills" training program by PICG for Mr. Faisal Waheed and scheduled the same for Mr. Muhammad Azam during the year 2014-2015. However, Mr. Abdul Jabbar Memon was notified in place of Mr. Muhammad Azam and therefore Mr. Muhammad Azam could not attend.
10. The Board had approved appointment of the Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment. However, subsequent to year ended June 30, 2015, the Board has ratified the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors, however, none of them is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises five members, all of whom are non-executive directors including its Chairman.
18. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors upon recommendation of the Audit Committee along with pricing methods for transactions carried out on terms equivalent to those in the arm's length transactions.
19. The Board has set up an effective internal audit function.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. As stated above, we confirm that all other material principles enshrined in the Code have been complied with, except those disclosed herein.



Chairman
Karachi: September 14, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Refinery Limited for the year ended June 30, 2015 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Regulations and Regulation No. 35 of listing regulations of the Lahore Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

S. No.	Note Reference	Description
(i)	1	Appointment of independent director.
(ii)	10	Ratification of the appointment, remuneration and terms and conditions of employment of the Head of Internal Audit.
(iii)	15	Appointment of independent director in the Audit Committee.

A.F. Ferguson & Co.
Chartered Accountants

Karachi: September 15, 2015



Financial Statements

for the year ended June 30, 2015

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Auditors' Report To The Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2.1.2 to the financial statements. As stated in the note, as at June 30, 2015 the company has accumulated loss of Rs 4.85 billion resulting in net negative equity of Rs 1.51 billion. Further, current liabilities of the company exceed its current assets by Rs 8.77 billion. These conditions, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

A.F. Ferguson & Co.

Chartered Accountants

Karachi: September 15, 2015

Name of the engagement partner: Mohammad Zulfikar Akhtar

Balance Sheet

as at June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
Non-current asset			
Fixed assets	3	12,118,199	7,407,267
Intangible assets	4	-	-
Investment in associate	5	91,470	89,757
Long-term loans and advances	6	4,496	2,666
Long-term deposits	7	21,592	51,543
Deferred taxation	8	456,366	-
		12,692,123	7,551,233
Current assets			
Stores, spares and chemicals	9	210,495	259,626
Stock-in-trade	10	5,516,120	9,673,473
Trade debts	11	6,230,785	8,587,612
Loans and advances	12	13,807	31,742
Trade deposits and short-term prepayments	13	35,487	13,620
Other receivables	14	2,504,624	61,222
Taxation - payments less provision		735,006	372,499
Cash and bank balances	15	2,814,526	2,287,864
		18,060,850	21,287,658
		30,752,973	28,838,891
EQUITY			
Share capital	16	350,000	350,000
Subscription money against rights issue	17	2,589,958	-
Reserves	18	397,965	397,965
Accumulated loss		(4,853,066)	(3,484,462)
Fair value reserve		1,950	7,306
		(1,513,193)	(2,729,191)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,297,928	3,297,928
LIABILITIES			
Non-current liabilities			
Long term borrowing	19	2,000,000	-
Deferred taxation	8	-	23,334
Retirement benefit obligations	20	138,463	59,023
		2,138,463	82,357
Current liabilities			
Trade and other payables	21	17,007,133	19,156,371
Term finance certificates	22	2,122,620	2,428,590
Short-term borrowings	23	4,500,000	5,996,984
Running finance under mark-up arrangements	24	2,483,816	-
Accrued mark-up	25	209,762	113,267
Payable to government - sales tax	26	506,444	492,585
		26,829,775	28,187,797
		28,968,238	28,270,154
Contingencies and commitments	27		
		30,752,973	28,838,891

The annexed notes 1 to 45 form an integral part of these financial statements.


Farooq Rahmatullah
Chairman


Aftab Husain
Chief Executive

Profit and Loss Account

For the year ended June 30, 2015

	Note	2015 (Rupees in thousand)	2014
Net sales	28	91,174,700	142,144,452
Cost of sales	29	(91,851,724)	(142,852,397)
Gross loss		(677,024)	(707,945)
Distribution cost	30	(212,897)	(197,593)
Administrative expenses	31	(263,213)	(220,922)
Other operating expenses	32	(16,046)	(4,431)
Other income	33	184,917	347,902
Operating loss		(984,263)	(782,989)
Finance cost - net	34	(706,697)	(86,942)
Share of income of associate		17,978	13,438
Loss before taxation		(1,672,982)	(856,493)
Taxation	35	491,320	(7,420)
Loss after taxation		(1,181,662)	(863,913)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of staff retirement benefits		(82,159)	217,543
Items that may be subsequently reclassified to profit or loss			
Change in fair value of available for sale investments of associate		(6,911)	218
Deferred tax relating to fair value change of available for sale investments of associate		1,555	(57)
		(5,356)	161
Total comprehensive loss		(1,269,177)	(646,209)
			(Re-stated)
Loss per share	36	(Rs. 5.42)	(Rs. 3.96)

The annexed notes 1 to 45 form an integral part of these financial statements.


Farooq Rahmatullah
Chairman


Aftab Husain
Chief Executive

Cash Flow Statement

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	43	1,375,963	4,423,687
Mark-up paid		(1,060,621)	(523,221)
Income tax paid		(349,333)	(387,267)
Contribution to defined benefit retirement plans		(50,521)	(69,539)
Increase in long-term loans and advances		(1,830)	(36)
Decrease / (increase) in long-term deposits		29,951	(147)
Net cash (used in) / generated from operating activities		(56,391)	3,443,477
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,662,685)	(2,329,100)
Proceeds from sale of property, plant and equipment		147	557
Return received on deposits		37,452	150,834
Dividend received		9,354	9,354
Net cash used in investing activities		(4,615,732)	(2,168,355)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(27,121)	(75,688)
Proceeds from rights issue - net of issuance costs		2,485,175	-
Proceeds from long term loan		2,000,000	-
Proceeds from foreign currency loans		8,661,011	25,252,660
Repayments of foreign currency loans		(14,602,011)	(18,815,356)
(Redemptions against) / Net proceeds from issuance of term finance certificates		(305,970)	2,351,537
Net cash (used in) / generated from financing activities		(1,788,916)	8,713,153
Net (decrease) / increase in cash and cash equivalents		(6,461,039)	9,988,275
Cash and cash equivalents at the beginning of the year		2,287,864	(7,693,706)
Exchange gains / (losses) on cash and cash equivalents		3,885	(6,705)
Cash and cash equivalents at the end of the year	44	(4,169,290)	2,287,864

The annexed notes 1 to 45 form an integral part of these financial statements.



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

Statement of Changes In Equity

For the year ended June 30, 2015

	SHARE CAPITAL	SUBSCRIPT- ION MONEY AGAINST RIGHTS ISSUE	CAPITAL Exchange equalisation reserve	RESERVES		SPECIAL RESERVE note 18.1	FAIR VALUE RESERVE	TOTAL
				General reserve	Accumulated loss			
	(Rupees in thousand)							
Balance as at July 1, 2013 as restated	350,000	-	897	1,050	(2,738,342)	396,018	7,145	(1,983,232)
Final dividend for the year ended June 30, 2013 @ Rs. 2.85 per share	-	-	-	-	(99,750)	-	-	(99,750)
Loss for the year ended June 30, 2014	-	-	-	-	(863,913)	-	-	(863,913)
Other comprehensive income for the year ended June 30, 2014	-	-	-	-	217,543	-	161	217,704
Total recognised loss for the year ended June 30, 2014	-	-	-	-	(646,370)	-	161	(646,209)
Balance as at June 30, 2014	350,000	-	897	1,050	(3,484,462)	396,018	7,306	(2,729,191)
Subscription money against rights issue	-	2,589,958	-	-	-	-	-	2,589,958
Issuance costs for rights issue	-	-	-	-	(104,783)	-	-	(104,783)
Loss for the year ended June 30, 2015	-	-	-	-	(1,181,662)	-	-	(1,181,662)
Other comprehensive loss for the year ended June 30, 2015	-	-	-	-	(82,159)	-	(5,356)	(87,515)
Total recognised loss for the year ended June 30, 2015	-	-	-	-	(1,263,821)	-	(5,356)	(1,269,177)
Balance as at June 30, 2015	350,000	2,589,958	897	1,050	(4,853,066)	396,018	1,950	(1,513,193)

The annexed notes 1 to 45 form an integral part of these financial statements.


Farooq Rahmatullah
Chairman


Aftab Husain
Chief Executive

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

- 2.1.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as have been notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ from the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives have been followed.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.2 of these financial statements.

- 2.1.2** As at June 30, 2015, the Company has accumulated losses of Rs. 4.85 billion (June 30, 2014: Rs. 3.48 billion) resulting in net negative equity of Rs. 1.51 billion (June 30, 2014: Rs. 2.73 billion) and its current liabilities exceed its current assets by Rs. 8.77 billion (June 30, 2014: Rs. 6.90 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. Earlier during the year to address the negative equity situation, the Board of Directors had approved a 'Rights issue' in the ratio of 8 right shares for every share held and the Company raised Rs. 2.59 billion as at June 30, 2015 which is disclosed as 'Subscription money against rights issue' in these financial statements (refer note 17 to these financial statements). Further, the Company successfully completed the Isomerisation Project (the Project) in June 2015. The Project will convert light Naphtha into Motor Gasoline and will improve the profitability of the Company. Current liabilities include an amount of Rs. 2.12 billion (June 30, 2014: Rs. 2.43 billion) outstanding against PRL's 'Taraqqi' Term Finance Certificates TFC1 and TFC2, which carry maturity of 3 and 5 years respectively, due to 'put option' in these instruments.

Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity situation will be overcome in future. Accordingly, these financial statements has been prepared on a going concern basis.

2.2 Critical accounting estimates, judgements and policies

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

Significant estimates relating to property, plant and equipment, deferred taxation and post employment benefits are disclosed in notes 3, 8 and 20 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.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

No critical judgement has been used in applying the accounting policies.

2.3 Changes in accounting standards, interpretations and pronouncements

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

IFRIC 21, "Levies" a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies therefore the impact on the Company is not material.

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

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2014 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

- IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC 12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard presently does not impact financial statements of the Company.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2.4 Overall valuation policy

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

2.5 Fixed assets

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

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

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

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

Surplus arising on revaluation of land is recognised as surplus on revaluation of fixed assets. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

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

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

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

2.6 Intangible assets

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

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

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

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2.7 Investment in associate

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

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

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

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.

2.9 Stores, spares and chemicals

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

2.10 Stock-in-trade

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

2.11 Trade and other debts

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

2.12 Cash and cash equivalents

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

2.13 Trade and other payables

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

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2.14 Borrowings

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

2.15 Borrowing costs

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

2.16 Provisions

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

2.17 Retirement benefits

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

2.17.1 Defined contribution plan

The Company operates a 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.

2.17.2 Defined benefit plans

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

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

The Company operates recognised gratuity and pension funds for all its eligible employees. The latest actuarial valuations were carried out as at June 30, 2015 using the Projected Unit Credit Method.

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

Past service costs are recognised immediately in income.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2.18 Foreign currency translation

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

Transactions in foreign currencies are converted into Rupees at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at rates prevailing at the balance sheet date. Foreign currency gains and losses are recognised in the profit and loss account. Foreign exchange differences arising from trading transactions are included in the results of operating activities whereas exchange differences on financing activities are included in finance cost.

2.19 Financial instruments

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

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

2.20 Revenue recognition

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

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

2.21 Government Grants

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

2.22 Dividend

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

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2015

2014

(Rupees in thousand)

3. FIXED ASSETS

Property, plant and equipment

Operating assets - note 3.1

11,227,518 4,825,632

Major spare parts and stand-by equipments - note 3.2

499,190 80,102

Capital work-in-progress - note 3.3

391,491 2,501,533

12,118,199 7,407,267

3.1 Operating assets

	Freehold land (note 3.1.1 and note 3.1.2)	Buildings	Processing plant	Korangi tank farm	Keamari terminal	Pipelines	Steam generation plant	Power generation transmission and distribution	Water treatment and cooling system	Equipment including furniture	Fire fighting and telecommunication systems	Vehicles and other automotive equipments	TOTAL
(Rupees in thousand)													
Net carrying value basis													
Year ended June 30, 2015													
Opening net book value (NBV)	3,300,000	42,005	332,886	458,282	467,986	54,034	12,721	26,862	15,714	94,850	45,150	5,142	4,825,632
Additions (at cost) - note 3.1.3	-	526	6,021,821	425,473	2,799	10,463	4,593	176,810	4,936	51,387	31,319	-	9,739,894
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(21)	-	-	(21)
Depreciation charge	-	(8,785)	(134,414)	(74,815)	(51,773)	(12,025)	(5,362)	(10,268)	(3,399)	(26,100)	(8,251)	(2,800)	(337,987)
Closing net book value	3,300,000	33,742	6,220,293	808,940	429,012	52,502	11,949	193,404	17,020	90,096	68,218	2,342	11,227,518
Gross carrying value basis													
At June 30, 2015													
Cost or revaluation	3,300,000	124,050	7,201,985	1,157,794	802,705	181,581	56,094	269,846	88,598	381,568	117,713	54,179	13,536,043
Accumulated depreciation	-	(90,308)	(981,692)	(348,854)	(173,693)	(129,079)	(44,145)	(76,442)	(71,568)	(291,472)	(49,495)	(51,837)	(2,309,525)
Net book value	3,300,000	33,742	6,220,293	808,940	429,012	52,502	11,949	193,404	17,020	90,096	68,218	2,342	11,227,518
Net carrying value basis													
Year ended June 30, 2014													
Opening net book value (NBV)	3,300,000	48,423	371,550	195,756	131,582	37,365	18,144	35,844	19,041	77,845	50,512	8,309	4,195,211
Additions (at cost)	-	3,232	44,021	300,601	355,017	27,384	-	439	-	13,202	2,425	-	746,321
Revaluation	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000
Disposals (at NBV)	-	-	(1,086)	-	-	-	-	(275)	-	(1,937)	-	-	(3,288)
Depreciation charge	-	(9,650)	(81,599)	(39,075)	(118,613)	(10,655)	(5,423)	(9,145)	(3,327)	(24,250)	(7,787)	(3,167)	(212,702)
Closing net book value	3,300,000	42,005	332,886	458,282	467,986	54,034	12,721	26,862	15,714	94,850	45,150	5,142	4,825,632
Gross carrying value basis													
At June 30, 2014													
Cost or revaluation	3,300,000	123,524	1,160,164	752,291	589,006	171,088	51,474	93,035	83,892	338,118	86,394	54,179	6,604,066
Accumulated depreciation	-	(81,519)	(847,278)	(274,009)	(121,320)	(117,054)	(38,753)	(66,174)	(68,178)	(273,258)	(41,244)	(49,037)	(1,878,434)
Net book value	3,300,000	42,005	332,886	458,282	467,986	54,034	12,721	26,862	15,714	94,850	45,150	5,142	4,825,632
Depreciation rate													
% per annum	-	5 to 20	5 to 33	10 to 20	5 to 10	10	10 to 33	10 to 33	10	10 to 33	5 to 33	25	

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

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

3.1.2 During the year ended June 30, 2014 the land measuring 200 acres located at Naiclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi, where the Refinery is situated, was revalued resulting in a net surplus of Rs. 100 million. The revaluation was carried out by an independent valuer on February 21, 2014 on the basis of present market value keeping in view that the land is freehold and to be used for oil refinery by the Company.

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

3.1.3 This includes Rs. 4.78 billion (June 30, 2014: Rs. Nil) transferred to operating assets during the year with respect to the Isomerisation Project.

3.1.4 During the year, the Company has capitalised borrowing costs amounting to Rs. 439.67 million (June 30, 2014: Rs. 14.63 million) on its operating assets. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings and specific borrowing of 10.04% and 10.52% per annum, respectively (June 30, 2014: general borrowings 10.70% per annum).

3.1.5 Details of disposals of operating assets are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds
	<div>← (Rupees in thousand) →</div>			
Items having net book value not exceeding Rs. 50,000 each:				
Equipment including furniture	7,917	7,896	21	147

	2015	2014
	(Rupees in thousand)	
3.2 Major spare parts and stand-by equipments		
Gross carrying value		
Balance at beginning of the year	97,128	87,743
Additions during the year	471,769	10,484
Transfers made during the year	(51,634)	(1,099)
Balance at end of the year	517,263	97,128
Provision for impairment - note - 3.2.1	(18,073)	(17,026)
Net carrying value	499,190	80,102

3.2.1 During the year net charge of Rs.1,047 thousand (2014: Rs. 42 thousand) was recorded.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
3.3 Capital work-in-progress		
Buildings	-	8,179
Processing plant	236,512	2,215,906
Korangi tank farm	99,645	138,917
Keamari terminal	732	15,922
Pipelines	3,248	7,291
Fire fighting and telecommunication systems	-	1,623
Water treatment and cooling system	-	2,476
Equipment including furniture	-	9,307
Advances to contractors / suppliers	51,354	101,912
	391,491	2,501,533

3.3.1 During the year, the Company has capitalised borrowing costs amounting to Rs. 3.83 million (June 30, 2014: Rs. 68.22 million) on capital work-in-progress. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 10.04% per annum (June 30, 2014: 10.70% per annum).

	2015	2014
	(Rupees in thousand)	
4. INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Net carrying value basis		
Opening net book value (NBV)	-	-
Disposals during the year (NBV)	-	-
Amortisation charge	-	-
Closing net book value	-	-
Gross carrying value basis		
Cost as at the beginning of the year	11,778	33,834
Disposal during the year	-	(22,056)
Cost as at June 30	11,778	11,778
Accumulated amortisation	(11,778)	(11,778)
Net book value	-	-

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

5. INVESTMENT IN ASSOCIATE

Pak Grease Manufacturing Company (Private) Limited - 850,401 (2014: 850,401) fully paid ordinary shares - note 5.1	91,470	89,757
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5.1 The Company holds 27.26% (2014: 27.26%) share in the investee.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
Opening balance	89,757	85,455
Share of income for the year	17,978	13,438
Change in fair value of available for sale investments	(6,911)	218
Dividend received	(9,354)	(9,354)
	<u>91,470</u>	<u>89,757</u>
5.2 Summarised audited results of the Company's associate:		
Total assets	367,804	362,886
Total liabilities	32,257	34,940
Revenue	195,537	272,898
Profit after tax	65,950	48,212
6. LONG-TERM LOANS AND ADVANCES – secured and considered good		
To executives - note 6.1	10	842
To other employees	8,882	5,805
	<u>8,892</u>	<u>6,647</u>
Recoverable within one year – note 12		
- Executives	(10)	(832)
- Other employees	(4,386)	(3,149)
	<u>(4,396)</u>	<u>(3,981)</u>
	<u>4,496</u>	<u>2,666</u>
6.1 Reconciliation of carrying amount of loans to executives:		
Opening balance	842	1,786
Recoveries and amortisation	(832)	(944)
	<u>10</u>	<u>842</u>
6.2 Loans and advances to all eligible employees are given in accordance with the Company's policy for payment of house rent, to defray personal expenditure and for purchase of motor vehicles. These carry interest ranging from 1% to 6% per annum (2014: 1% to 7% per annum) and are repayable over a period of two to six years (2014: three to six years).		

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

7. LONG TERM DEPOSITS

This includes Rs. 10.88 million (June 30, 2014: Rs. 10.88 million) paid to Karachi Port Trust - a related party, as security deposit for the lease of plot situated at Oil Installation Area, Keamari, Karachi.

8. DEFERRED TAXATION

- unabsorbed depreciation
- unused investment tax credit - note 8.1

2015	2014
(Rupees in thousand)	
706,291	169,517
476,753	-
1,183,044	169,517
Credit balances arising in respect of:	
- accelerated tax depreciation	(706,291) (169,517)
- investment in associate accounted for using equity method	(20,387) (23,334)
456,366	(23,334)

- 8.1 During the year, the Company has completed the Isomerisation Project and has recorded a deferred tax asset on the investment tax credit under section 65B of the Income Tax Ordinance, 2001.
- 8.2 Deferred tax debit balances of Rs. 3.38 billion (2014: Rs. 3.64 billion) in respect of unabsorbed depreciation, tax losses, and deductible temporary differences have not been recognised as their recoverability is not expected.

9. STORES, SPARES AND CHEMICALS

	2015	2014
(Rupees in thousand)		
Stores	147,491	179,494
Spares	53,843	51,471
Chemicals	31,778	53,886
	233,112	284,851
Provision for slow moving stores spares and chemicals	(22,617)	(25,225)
	210,495	259,626

During the year net reversal of provision amounting to Rs. 2,608 thousand (2014: Rs. 435 thousand) has been recorded.

10. STOCK-IN-TRADE

	2015	2014
(Rupees in thousand)		
Raw material		
Crude oil [including in transit Rs. 73 million (2014: Rs. 230.38 million)]	3,714,124	7,639,274
Finished products - note 10.2	1,801,996	2,034,199
	5,516,120	9,673,473

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

10.1 As at June 30, 2015 stock of crude oil has been written down by Rs. 15.42 million (2014: Rs. 363.04 million) and finished products by Rs. 133.81 million (2014: Rs. 20.63 million) to arrive at their net realisable values.

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

	2015	2014
	(Rupees in thousand)	
Related parties		
- Pakistan State Oil Company Limited	15,133	13,701
- Chevron Pakistan Limited	831	84,608
- Shell Pakistan Limited	23,026	-
	<u>38,990</u>	<u>98,309</u>
11. TRADE DEBTS – considered good		
Due from related parties – note 11.1	6,043,923	6,910,900
Others	186,862	1,676,712
	<u>6,230,785</u>	<u>8,587,612</u>

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

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

	2015	2014
	(Rupees in thousand)	
Up to 3 months	1,086,012	122,373
3 to 6 months	876	15
More than 6 months	138,838	138,287

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

	2015	2014
	(Rupees in thousand)	
Up to 3 months	1,085,383	32
3 to 6 months	284	15
More than 6 months	3,946	3,563

12. LOANS AND ADVANCES – considered good

Loans and advances recoverable within one year – note 6

- Executives	10	832
- Other employees	4,386	3,149
	<u>4,396</u>	<u>3,981</u>
Advances for supplies and services	9,411	27,761
	<u>13,807</u>	<u>31,742</u>

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	27,217	6,213
Short-term prepayments	8,270	7,407
	<u>35,487</u>	<u>13,620</u>
14. OTHER RECEIVABLES		
Receivable from refineries - note 14.1	2,503,331	52,323
Others	1,293	8,899
	<u>2,504,624</u>	<u>61,222</u>

14.1 This represents amount due from refineries in respect of sharing of crude oil, freight and other charges.

	2015	2014
	(Rupees in thousand)	
15. CASH AND BANK BALANCES		
With banks on		
- current accounts - note 15.1	2,348,631	60,786
- savings accounts - notes 15.1 & 15.2 [including foreign currency account Rs. 2.11 million (2014: Rs. 195.08 million)]	464,851	2,226,463
Cash in hand	1,044	615
	<u>2,814,526</u>	<u>2,287,864</u>

15.1 This includes subscription money against rights issue amounting to Rs. 2.34 billion and Rs. 0.25 billion in current accounts and savings account respectively.

15.2 The effective rates of mark-up on savings accounts during the year ranged from 4.5% to 8.65% per annum (2014: mark-up on savings accounts and term deposits ranged from 6% to 9.25% per annum).

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

		2015	2014
		(Rupees in thousand)	
16. SHARE CAPITAL			
Authorised			
400,000,000 (June 30, 2014: 40,000,000)			
'A' ordinary shares of Rs. 10 each		4,000,000	400,000
600,000,000 (June 30, 2014: 60,000,000)			
'B' ordinary shares of Rs. 10 each		6,000,000	600,000
		10,000,000	1,000,000
Issued, subscribed and paid-up Ordinary shares of Rs. 10 each			
2,400,000	'A' ordinary shares fully paid in cash	24,000	24,000
3,600,000	'B' ordinary shares fully paid in cash	36,000	36,000
6,000,000		60,000	60,000
11,600,000	'A' ordinary shares issued as fully paid bonus shares	116,000	116,000
17,400,000	'B' ordinary shares issued as fully paid bonus shares	174,000	174,000
29,000,000		290,000	290,000
35,000,000		350,000	350,000

16.1 As at June 30, 2015 associated undertakings held 4,805,500 'A' ordinary shares and 21,000,000 'B' ordinary shares (2014: 1,431,500 'A' ordinary shares and 21,000,000 'B' ordinary shares) of Rs. 10 each.

16.2 The Company in its Extra Ordinary General Meeting held on April 17, 2015 increased its authorised share capital to Rs. 10 billion.

17. SUBSCRIPTION MONEY AGAINST RIGHTS ISSUE

This represents subscription money received against rights issue amounting to Rs. 2.59 billion. The Board of Directors in its meeting held on March 9, 2015 had approved the rights issue at the rate of Rs. 10 per share at a ratio of 8 rights shares for every 1 ordinary share held. Total size of the issue was Rs. 2.8 billion. Shares amounting to Rs 2.59 billion were issued subsequent to June 30, 2015, however, restraining order has been 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 inter alia 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.

		2015	2014
		(Rupees in thousand)	
18. RESERVES			
Capital reserve - Exchange equalisation reserve		897	897
Revenue reserve - General reserve		1,050	1,050
Special reserve - notes 18.1		396,018	396,018
		397,965	397,965

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

- 18.1** Under directive from the Ministry of Petroleum & Natural Resources (the Ministry), any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty was built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

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

- till completion of the projects, refineries will not be allowed to offset losses, if any, for year ending June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula;
- the amount of profits above 50% will be accumulated in the Special Reserve account as per the pricing formula (including unutilised balance), which shall along with amounts presently available with refineries be deposited on half yearly basis (with final adjustment on annual basis) in an ESCROW Account to be operated jointly with Finance Division and shall be available for utilisation exclusively for up-gradation of refineries; and
- with effect from January 1, 2016, subject to completion of Diesel Hydro Desulphurisation (DHDS) project, the 7.5% deemed duty on High Speed Diesel (HSD) will be enhanced to 9.0% which may remain applicable till the envisaged complete deregulation. Further, penalty clauses will apply in Import Price Parity (IPP) of HSD from January 1, 2016 if the project is not completed by the said date.

Based on the above the Company has not transferred loss after taxation amounting to Rs. 1,181.66 million for the year ended June 30, 2015 (June 30, 2014: Rs. 863.91 million) to Special Reserve.

19. LONG-TERM BORROWING

During the year ended June 30, 2015, the Company obtained a syndicated long term loan through NIB Bank Limited amounting to Rs. 2 billion at a rate 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 March 2017 and is secured by way of hypothecation of present and future stocks-in-trade, trade debts and fixed assets (excluding land).

20. RETIREMENT BENEFITS

- 20.1.1** 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, 2015.
- 20.1.2** 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 Ordinance, 1984; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Funds, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.
- 20.1.3** The latest actuarial valuation of the Schemes as at June 30, 2015 was carried out using the Projected Unit Credit Method, details of which as per the actuarial valuation are as follows:

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	Pension Schemes				Gratuity Schemes			
	Management		Non-Management		Management		Non-Management	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in thousand)								
20.1.4 Balance sheet reconciliation								
Present value of defined benefit obligation at June 30 - note 20.1.5	892,717	655,637	90,487	77,253	111,362	97,049	30,138	28,758
Fair value of plan assets at June 30								
- note 20.1.6	(812,049)	(652,072)	(40,310)	(29,639)	(103,744)	(89,205)	(66,446)	(58,882)
Amount not recognised as an asset	-	-	-	-	-	-	36,308	30,124
Deficit	80,668	3,565	50,177	47,614	7,618	7,844	-	-
20.1.5 Movement in the present value of defined benefit obligation								
Opening balance	655,637	774,621	77,253	59,357	97,049	108,706	28,758	19,808
Benefits paid by the plan	(45,734)	(42,776)	(4,369)	(1,367)	(7,376)	(9,406)	(1,946)	-
Current service cost	27,735	33,356	3,868	3,294	7,107	7,812	1,743	1,450
Interest cost	85,774	84,572	10,231	6,635	12,764	11,936	3,777	2,243
Remeasurement on obligation	169,305	(194,136)	3,504	9,334	1,818	(21,999)	(2,194)	5,257
Closing balance	892,717	655,637	90,487	77,253	111,362	97,049	30,138	28,758
20.1.6 Movement in the fair value of plan assets								
Opening balance	652,072	574,568	29,639	21,656	89,205	74,717	58,882	50,713
Contributions paid into the plan	32,523	51,608	9,368	6,702	8,630	11,229	-	-
Benefits paid by the plan	(45,734)	(42,776)	(4,369)	(1,367)	(7,376)	(9,406)	(1,946)	-
Interest income	85,330	63,685	4,303	2,699	11,787	8,387	7,768	5,565
Remeasurement of plan assets	87,858	4,987	1,369	(51)	1,498	4,278	1,742	2,604
Closing balance	812,049	652,072	40,310	29,639	103,744	89,205	66,446	58,882
20.1.7 Expense recognised in profit and loss account								
Current service cost	27,735	33,356	3,868	3,294	7,107	7,812	1,743	1,450
Net interest cost / (income)	444	20,887	5,928	3,936	977	3,549	(3,991)	(3,322)
Interest on the effect of asset ceiling	-	-	-	-	-	-	3,991	3,400
Expense recognised in profit and loss account	28,179	54,243	9,796	7,230	8,084	11,361	1,743	1,528

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

		Pension Schemes				Gratuity Schemes			
		Management		Non-Management		Management		Non-Management	
		2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in thousand)									
20.1.8 Remeasurement recognised in Other Comprehensive Income									
Remeasurement of present value of defined benefit obligation		169,305	(194,136)	3,504	9,334	1,818	(21,999)	(2,194)	5,257
Remeasurement of fair value of plan assets		(87,858)	(4,987)	(1,369)	51	(1,498)	(4,278)	(1,742)	(2,604)
Change in effect of asset ceiling - excluding interest amount		-	-	-	-	-	-	2,193	(4,181)
Remeasurements		<u>81,447</u>	<u>(199,123)</u>	<u>2,135</u>	<u>9,385</u>	<u>320</u>	<u>(26,277)</u>	<u>(1,743)</u>	<u>(1,528)</u>
20.1.9 Net recognised liability									
Net liability at the beginning of the year		3,565	200,053	47,614	37,701	7,844	33,989	-	-
Expense recognised in profit and loss account		28,179	54,243	9,796	7,230	8,084	11,361	1,743	1,528
Contribution made to the fund during the year		(32,523)	(51,608)	(9,368)	(6,702)	(8,630)	(11,229)	-	-
Remeasurements recognised in other comprehensive income		81,447	(199,123)	2,135	9,385	320	(26,277)	(1,743)	(1,528)
Recognised liability as at June 30		<u>80,668</u>	<u>3,565</u>	<u>50,177</u>	<u>47,614</u>	<u>7,618</u>	<u>7,844</u>	<u>-</u>	<u>-</u>

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

		Pension Schemes				Gratuity Schemes			
		Management		Non-Management		Management		Non-Management	
		2015	2014	2015	2014	2015	2014	2015	2014
Equity securities		0.00%	0.00%	0.00%	0.00%	0.00%	0.11%	0.11%	0.05%
Debt securities		91.32%	97.80%	42.50%	68.27%	88.53%	67.64%	81.88%	75.51%
Others		8.68%	2.20%	57.50%	31.73%	11.47%	32.25%	18.01%	24.44%
20.1.11 Actuarial assumptions									
Discount rate at June 30		10.50%	13.25%	10.50%	13.25%	10.50%	13.25%	10.50%	13.25%
Future salary increases									
- First year following the valuation		10.50%	14.00%	10.50%	6.00%	10.50%	14.00%	10.50%	6.00%
- Second year following the valuation		10.50%	13.25%	10.50%	13.25%	10.50%	13.25%	10.50%	13.25%
- Third year following the valuation		10.50%	13.25%	10.50%	13.25%	10.50%	13.25%	10.50%	13.25%
- Long term increase		10.50%	13.25%	10.50%	13.25%	10.50%	13.25%	10.50%	13.25%
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%				

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

20.1.12 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 2015 consists of government securities and corporate bonds.

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

The Company's contributions to gratuity and pension benefit funds in 2016 is expected to amount to Rs. 62.15 million.

20.2 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%	(1,068)	1,187
Future salary increases	0.5%	1,151	(1,100)
Future pension increases	0.5%	1,013	(955)

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

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

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2015 2014 2013 2012 2011
 (Rupees in thousand)

20.3 Historical information

Management Pension Fund

Present value of defined benefit obligation	892,717	655,637	774,621	621,250	543,872
Fair value of plan assets	(812,049)	(652,072)	(574,568)	(512,983)	(472,454)
Deficit in the plan	<u>80,668</u>	<u>3,565</u>	<u>200,053</u>	<u>108,267</u>	<u>71,418</u>

Experience adjustments

Loss / (gain) on obligation	169,305	(194,136)	84,872	12,770	87,984
Gain / (loss) on plan assets	87,858	4,987	(4,531)	(23,932)	(6,433)

Non Management Pension Fund

Present value of defined benefit obligation	90,487	77,253	59,357	35,491	23,809
Fair value of plan assets	(40,310)	(29,639)	(21,656)	(17,604)	(18,868)
Deficit in the plan	<u>50,177</u>	<u>47,614</u>	<u>37,701</u>	<u>17,887</u>	<u>4,941</u>

Experience adjustments

Loss / (gain) on obligation	3,504	9,334	17,979	(1,852)	3,143
Gain / (loss) on plan assets	1,369	(51)	(182)	(684)	(933)

Management Gratuity Fund

Present value of defined benefit obligation	111,362	97,049	108,706	89,821	76,211
Fair value of plan assets	(103,744)	(89,205)	(74,717)	(65,151)	(51,245)
Deficit in the plan	<u>7,618</u>	<u>7,844</u>	<u>33,989</u>	<u>24,670</u>	<u>24,966</u>

Experience Adjustments

Loss / (gain) on obligation	1,818	(21,999)	8,730	1,845	12,032
Gain / (loss) on plan assets	1,498	4,278	(1,706)	(429)	(1,695)

Non-Management Gratuity Fund

Present value of defined benefit obligation	30,138	28,758	19,808	12,836	11,844
Fair value of plan assets	(66,446)	(58,882)	(50,713)	(46,721)	(40,771)
Surplus in the plan	<u>(36,308)</u>	<u>(30,124)</u>	<u>(30,905)</u>	<u>(33,885)</u>	<u>(28,927)</u>

Experience adjustments

(Gain) / loss on obligation	(2,194)	5,257	4,663	(1,637)	1,734
Gain / (loss) on plan assets	1,742	2,604	(1,821)	169	(1,896)

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

	No. of years
Management Pension fund	10.65
Non-management Pension fund	18.12
Management Gratuity fund	7.31
Non-management Gratuity fund	10.85

20.5 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2015.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

		2015	2014
		(Rupees in thousand)	
21. TRADE AND OTHER PAYABLES			
Creditors – note 21.1		14,041,514	16,880,897
Accrued liabilities		1,378,694	488,979
Advances from customers – note 21.1		54,259	64,258
Payable to the Government – notes 21.2 & 21.3		610,427	1,217,660
Surplus price differential payable		796,295	403,317
Regulatory duty payable - note 21.4		11,049	-
Retention money		63,944	10,566
Unclaimed dividend		21,386	48,507
Tax deducted at source		29,565	41,947
Payable to provident fund		-	240
		17,007,133	19,156,371
21.1 Related party balances			
Creditors	} note 21.1.1	84,309	25,968
Advances from customers		38,447	29,050
21.1.1	These include amount payable to / advances from Pakistan State Oil Company Limited, Shell Pakistan Limited, Chevron Pakistan Limited, Hascol Petroleum Limited, Government Holdings (Private) Limited and Karachi Port Trust.		
21.2	This includes Government of Pakistan's (Government) share in the value of local crude purchased and petroleum levy on sale of petroleum products. The balance is net of Rs. 257.56 million (2014: Rs. 257.76 million) receivable from the Government in respect of price differential claims which resulted from restricting the ex-refinery prices charged by the Company to the Oil Marketing Companies on instructions from the Ministry of Petroleum & Natural Resources (MoPNR).		
21.3	The amount also includes claims regarding exchange losses on foreign currency loan arrangements amounting to Rs. 100.95 million (June 30, 2014: Rs. 90.02 million) which were obtained on the direction and facilitation of Ministry of Finance to retire certain letters of credits for crude oil imports.		
21.4	This represents differential of regulatory duty levied on import of crude oil consumed in the production of regulated products and sale of regulated products based on SROs issued by Government of Pakistan and MoPNR. The Oil and Gas Regulatory Authority (OGRA) has been advised by MoPNR to establish a recovery mechanism through which refineries are expected to operate on no gain / loss basis on this account.		

		2015	2014
		(Rupees in thousand)	
22. TERM FINANCE CERTIFICATES			
PRL Taraqqi TFC1 - 'TFC1'		1,831,230	2,065,800
PRL Taraqqi TFC2 - 'TFC2'		291,390	362,790
		2,122,620	2,428,590

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

- 22.1** During the year ended June 30, 2014, the Company issued TFC1 and TFC2 to general public and raised money thereagainst amounting to Rs. 2.24 billion and Rs. 0.54 billion respectively. The profit is payable quarterly at the fixed rate of 10.55% and 10.75% on TFC1 and TFC2 respectively from the date of investment by the certificate holder. TFC1 and TFC2 are issued for a tenor of 3 years and 5 years respectively and are structured to redeem 100% of the principal amount in the 36th and 60th month respectively from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charges. Both issues are listed on Karachi Stock Exchange.

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

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

	2015	2014
	(Rupees in thousand)	
23. SHORT-TERM BORROWINGS - Secured		
Short-term finance - note 23.1	4,500,000	-
Foreign currency loan	-	5,996,984
	<u>4,500,000</u>	<u>5,996,984</u>

- 23.1** This represents short term finance from commercial banks repayable in 3 to 14 days from the date of balance sheet at a mark-up ranging from 7.44% to 7.81% per annum.

24. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

As at June 30, 2015 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.1 billion (2014: Rs. 8.1 billion). This includes facility of Rs. 1 billion from Faysal Bank Limited (2014: Rs. 1 billion) of which amount utilised as at June 30, 2015 amounts to Rs. 589.98 million (2014: Rs. Nil).

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

The rates of mark-up range between 7.43% to 9.81% per annum as at June 30, 2015 (2014: 10.92% to 13.33% per annum). Purchase prices are payable on demand.

24.1 Unutilised credit facilities

Facilities for opening letters of credit and guarantees as at June 30, 2015 accumulated to Rs. 31.56 billion (2014: Rs. 38.80 billion) of which the amount remaining unutilised at year end was Rs. 20.15 billion (2014: Rs. 19.58 billion). This includes facility for opening letters of credit amounting to Rs. 600 million (2014: Rs. 5.60 billion) from Faysal Bank Limited.

	2015	2014
	(Rupees in thousand)	
25. ACCRUED MARK-UP		
Mark-up on long term loan	105,239	-
Mark-up on term finance certificates - note 25.1	15,726	17,695
Mark-up on short term loan	13,591	-
Running finance under mark-up arrangements	75,206	7,889
Mark-up on foreign currency loan	-	87,683
	<u>209,762</u>	<u>113,267</u>

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

- 25.1 This includes an amount of Rs. 2.47 million (2014: Rs. 0.44 million) in respect of term finance certificates held by the retirement benefit funds of the Company.

	2015	2014
	(Rupees in thousand)	
26. PAYABLE TO GOVERNMENT - SALES TAX		
Payable to Government	579,105	747,164
Refundable from Government - note 26.1	(72,661)	(254,579)
	<u>506,444</u>	<u>492,585</u>

- 26.1 The Federal Government, through S.R.O. 1164(I)/2007 dated November 30, 2007 directed that sales tax shall be charged at the rate of zero percent on Petroleum Crude Oil. Sales tax refundable from Government represents the refunds due prior to November 30, 2007.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

- a) Claims against the Company not acknowledged as debt amount to Rs. 4.59 billion (June 30, 2014: Rs. 4.33 billion). These include Rs. 3.97 billion (June 30, 2014: Rs. 3.71 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 6.98 billion (June 30, 2014: Rs. 6.89 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.
- b) Bank guarantees of Rs. 213 million (2014: Rs. 193 million) were issued in favour of third parties.

27.2 Commitments

- a) As at June 30, 2015 commitments outstanding for capital expenditure amounted to Rs. 0.27 billion (2014: Rs. 2.71 billion).
- b) Commitments for rentals under ijarah arrangements amounted to Rs. 31.65 million (2014: Rs. 39.02 million) payable as follows:

	2015	2014
	(Rupees in thousand)	
Not later than 1 year	11,711	12,341
Later than 1 year but not later than 5 years	19,943	26,680
	<u>31,654</u>	<u>39,021</u>

28. NET SALES

Local sales - note 28.1 and note 28.2	106,784,660	154,388,339
Exports	11,026,144	17,150,088
Gross sales	<u>117,810,804</u>	<u>171,538,427</u>
Less:		
- Sales tax	(18,186,006)	(22,432,587)
- Excise duty and development levy	(7,172,130)	(6,522,433)
- Surplus price differential	(1,179,891)	(438,955)
- Regulatory Duty - note 28.3	(98,077)	-
	<u>91,174,700</u>	<u>142,144,452</u>

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

- 28.1** The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, four (2014: four) of the Company's customers contributed towards 89.29% (2014: 84.20%) of the gross revenues during the year amounting to Rs. 105.19 billion (2014: Rs. 144.44 billion) and each customer individually exceeds 10% of the gross revenues.
- 28.2** Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (MS, HOBC, HSD, LDO and Aviation Fuels) are based on prices set under notifications of the Ministry of Petroleum and Natural Resources.
- 28.3** This represents the regulatory duty recovered on sale of regulated products based on SROs issued by Government of Pakistan and MoPNR.

	2015	2014
	(Rupees in thousand)	
29. COST OF SALES		
Crude oil and condensate consumed - note 29.1	88,845,172	140,778,814
Salaries and wages	493,093	407,347
Retirement benefits	53,263	73,311
Fuel, power and water	605,925	529,802
Depreciation	236,510	156,476
Stores, spares and chemicals	212,788	141,594
Repairs and maintenance	292,869	112,801
Exchange loss	754,766	313,067
Rent, rates and taxes	25,537	16,541
Insurance	27,399	35,041
Security expenses	25,437	19,273
Staff transport	16,667	18,001
Consultancy	6,544	7,351
Subscriptions	7,153	7,602
Rentals under ijarah arrangements	6,239	5,949
Travelling and entertainment	7,164	4,802
Other expenses	2,995	4,715
	2,774,349	1,853,673
	91,619,521	142,632,487
Opening stock of finished products	2,034,199	2,254,109
Closing stock of finished products	(1,801,996)	(2,034,199)
	91,851,724	142,852,397

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

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

	2015	2014
	(Rupees in thousand)	
30. DISTRIBUTION COST		
Salaries and wages	31,235	28,524
Retirement benefits	4,251	3,861
Rent, rates and taxes	64,573	81,162
Depreciation	73,423	38,572
Insurance	14,256	8,864
Transportation and handling charges	8,467	6,359
Fuel, power and water	5,699	11,534
Repairs and maintenance	4,117	11,942
Security expenses	2,663	1,903
Staff transport	1,257	1,602
Subscriptions	2,071	2,220
Other expenses	885	1,050
	<u>212,897</u>	<u>197,593</u>
31. ADMINISTRATIVE EXPENSES		
Salaries and wages	113,555	101,255
Retirement benefits	9,773	14,325
Depreciation	28,054	17,654
Insurance	6,980	6,694
Staff transport	6,866	8,329
Rentals under ijarah arrangements	4,210	4,212
Communication	4,636	4,567
Legal and professional charges	12,695	12,077
Travelling and entertainment	7,171	5,435
Auditors' remuneration - note 31.1	4,121	3,888
Security expenses	6,232	5,887
Printing and stationery	4,199	2,737
Subscriptions	6,402	1,964
Repairs and maintenance	4,772	1,671
Directors' fee	5,466	3,116
Computer related and software maintenance expenses	16,485	12,963
Cleaning and janitorial services	13,151	9,379
Training expenses	4,120	2,388
Other expenses	4,325	2,381
	<u>263,213</u>	<u>220,922</u>

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
31.1 Auditors' remuneration		
Audit fee	1,600	1,450
Fee for:		
- limited review of half yearly financial information and other certifications	1,106	650
- audit of retirement benefit funds	470	310
- reports in respect of prospectus and TFC issue	-	575
- review of application system	337	170
Out of pocket expenses	608	733
	<u>4,121</u>	<u>3,888</u>
32. OTHER OPERATING EXPENSES		
Donations - note 32.1	598	1,690
Capital work-in-progress written off	15,448	-
Loss on disposal of property, plant and equipment	-	2,741
	<u>16,046</u>	<u>4,431</u>
32.1 None of the donations were made to parties where directors are interested.		
33. OTHER INCOME		
Income from financial assets		
Profit on term deposits	-	62,180
Profit on savings accounts	36,992	88,654
Others		
Rent of equipment and handling charges [including Rs. 54.53 million (2014: Rs. 41 million) from related parties]	65,054	55,996
Exchange gain	53,980	78,839
Insurance commission	4,555	4,379
Interest on late payments from related party	5,220	3,787
Sale of scrap	14,645	38,179
Gain on disposal of property, plant and equipment	126	-
Liabilities no longer required written back	-	9,606
Others	4,345	6,282
	<u>184,917</u>	<u>347,902</u>

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
34. FINANCE COST - NET		
Mark-up on running finance under mark-up arrangements	145,604	15,364
Mark-up on short term loans	203,958	125,431
Interest on term finance certificates	139,686	131,521
Mark-up on foreign currency loans	265,118	242,193
TFCs issuance cost	-	77,053
Exchange gain net - note 34.1	(49,636)	(506,343)
Bank charges	1,967	1,723
	706,697	86,942

- 34.1** This includes foreign exchange gain amounting to Rs. 66.91 million (2014: Rs. 530.34 million) on foreign currency loan arrangements which were obtained on the direction and facilitation of Ministry of Finance (MoF) to retire certain letters of credit for crude oil imports.

	2015	2014
	(Rupees in thousand)	
35. TAXATION		
Current - for the year	-	98,247
- for prior year	(13,174)	(92,533)
Deferred	(478,146)	1,706
	(491,320)	7,420
35.1 Relationship between tax income and accounting loss		
Accounting loss	(1,672,982)	(856,493)
Tax at the applicable tax rate of 33% (2014 : 34%)	(552,084)	(291,208)
Effect of:		
- non-recognition of deferred tax on tax loss and deductible temporary differences - note 8.1	396,587	254,435
- expenses not deductible for tax purposes	197	575
- applicability of final tax	281,405	209,929
- tax credit	(602,182)	(74,632)
- charge for prior year	(13,174)	(92,533)
- change in tax rate	(2,069)	854
	(491,320)	7,420

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

2015

2014

(Rupees in thousand)

36. LOSS PER SHARE

Loss after taxation attributable to ordinary shareholders	(1,181,662)	(863,913)
Weighted average number of ordinary shares outstanding during the year (in thousand) - note 36.1	218,207	218,207
		(Re-stated)
Basic loss per share	(Rs. 5.42)	(Rs. 3.96)

36.1 The weighted average number of shares as at June 30, 2014 have been increased to reflect the bonus element in the rights issue.

There were no dilutive potential ordinary shares in issue as at June 30, 2015 and 2014.

37. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2015			2014		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	4,230	-	-	1,880	-	-
Managerial remuneration	-	14,033	174,110	-	12,529	150,440
Honorarium	1,200	-	-	1,200	-	-
Bonus	-	2,526	45,903	-	1,378	31,759
Retirement benefits	-	-	45,633	-	-	65,246
Housing	-	-	63,725	-	-	53,329
Utilities	-	-	14,161	-	-	11,851
Leave passage	-	-	22,962	-	-	19,607
Club expenses	-	-	904	-	-	791
Others	36	127	54,626	36	92	44,333
	36	127	156,378	36	92	129,911
	5,466	16,686	422,024	3,116	13,999	377,356
Number of persons	12 *	1	136	15	1	114

* As at June 30, 2015, total number of Directors were 10.

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

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

38. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2015	2014
		(Rupees in thousand)	
(a) Associated companies	Sale of goods - net	80,473,048	118,699,445
	Services rendered	54,535	41,676
	Purchase of goods	1,654,007	8,067,023
	Services received	9,239	-
	Mark-up paid	32,841	5,505
	Proceeds from rights issue	1,898,584	-
	Interest received	5,220	3,912
	Dividend paid	26,933	59,874
	Dividend received	9,354	9,354
	Bank charges	133	146
(b) Key management personnel compensation	Salaries and other short-term employee benefits	99,668	87,778
	Post-employment benefits	9,989	13,909
(c) Staff retirement benefit funds	Payments to staff retirement benefit funds	89,732	109,942
	Net proceeds from TFC issue	-	75,000
	Markup paid on TFC	6,030	7,750
(d) Directors	Proceeds from rights issue	717	-

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

Status of outstanding balances in respect of related parties as at June 30, 2015 is included in long-term deposits, trade debts, stock in trade, trade and other payables, running finance under mark-up arrangements and accrued mark-up. Transactions, status and information relating to staff retirement funds are disclosed in note 20 and note 39.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

39. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund as at June 30, 2015 and June 30, 2014:

	2015	2014
	(Rupees in thousand)	
Size of the fund - Total assets	355,187	318,998
Fair value of investments	352,466	310,156
Percentage of investments made	99%	97%

39.1 The cost of above investments amounted to Rs. 288.83 million (2014: Rs. 286.62 million).

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

	2015	2014	2015	2014
	(Percentage)		(Rupees in thousand)	
Government securities	74%	52%	260,613	159,604
Debt securities	5%	27%	17,603	84,695
Equity securities	15%	15%	53,455	47,111
Bank deposits	6%	6%	20,795	18,746

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

39.4 During the year, the Company recognised Rs.19.49 million (2014: Rs 17.14 million) as contribution for employees' provident fund.

	2015	2014
40. NUMBER OF EMPLOYEES		
Number of employees including contractual employees at the end of year	288	273
Average number of employees including contractual employees during the year	288	271

41. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,508,766 metric tons (2014: 1,651,055 metric tons). The Company operated the plant considering the level which gives optimal yield of products. In addition the refinery was shut down for 36 days during the year due to planned maintenance activities.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

42. FINANCIAL INSTRUMENTS

42.1 Financial assets and liabilities

	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	← (Rupees in thousand) →						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances	10	-	10	4,386	4,496	8,882	8,892
Trade deposits	-	-	-	27,217	21,592	48,809	48,809
Trade debts	-	-	-	6,230,785	-	6,230,785	6,230,785
Other receivables	-	-	-	2,504,624	-	2,504,624	2,504,624
Cash and bank balances	464,851	-	464,851	2,349,675	-	2,349,675	2,814,526
2015	464,861	-	464,861	11,116,687	26,088	11,142,775	11,607,636
2014	2,227,404	10	2,227,414	8,719,489	54,198	8,773,687	11,001,101

FINANCIAL LIABILITIES

Long term borrowing	-	2,000,000	2,000,000	-	-	-	2,000,000
Trade and other payables	-	-	-	15,480,460	-	15,480,460	15,480,460
Accrued mark-up	-	-	-	209,762	-	209,762	209,762
Running finance under mark-up arrangements "	2,483,816	-	2,483,816	-	-	-	2,483,816
Term Finance							
Certificates	2,122,620	-	2,122,620	-	-	-	2,122,620
Short term loan	4,500,000	-	4,500,000	-	-	-	4,500,000
2015	9,106,436	2,000,000	11,106,436	15,690,222	-	15,690,222	26,796,658
2014	8,425,574	-	8,425,574	18,196,886	-	18,196,886	26,622,460

42.2 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 - 18.1, the Company operates under tariff protection formula whereby profits after tax in excess of 50% of the paid-up capital as of July 1, 2002 are diverted to special reserve.

During the year, the Company has obtained long term loan to finance the Isomerisation project. The Company also has short-term borrowing for working capital purposes. Further, it also has short-term borrowing and Term Finance Certificates issued to meet its working capital and capital expenditure requirements.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

(i) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets that are subject to credit risk amounted to Rs. 11.61 billion (2014: Rs. 11 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:

	2015	2014
	(Rupees in thousand)	
Loans to employees	8,892	6,647
Deposits	48,809	57,756
Trade debts	5,005,059	8,326,937
Other receivables	2,504,624	61,222
Cash and bank balances	2,814,526	2,287,864
	10,381,910	10,740,426

(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. 2.38 billion (2014: Rs. 1.59 billion) and financial liabilities include Rs. 10.09 billion (2014: Rs. 20 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, 2015, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss after taxation for the year would have been higher / lower by Rs. 623.28 million (2014: Rs. 921.11 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency creditors and receivables.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow interest rate risk on its running finance arrangements, short-term finance and long term borrowing which is repriced at a maximum period of 90 days.

During the year, if average LIBOR and KIBOR interest rate on long term borrowing, short term borrowings and running finance arrangements had been 100 basis points higher / lower with all other variables held constant, loss after taxation for the year would have been higher / lower by Rs. 89.61 million (2014: Rs. 68.26 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.

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

43. CASH GENERATED FROM OPERATIONS

	2015	2014
	(Rupees in thousand)	
Loss before taxation	(1,672,982)	(856,493)
Adjustments for non-cash charges and other items		
Depreciation	337,987	212,702
Share of income of associate	(17,978)	(13,438)
(Gain) / loss on disposal of property, plant and equipment	(126)	2,741
Capital work-in-progress written off	15,448	-
Profit on deposits	(37,452)	(150,834)
Mark-up expense	754,366	514,509
TFCs issuance cost	-	77,053
Exchange gains on foreign currency loans	(66,914)	(530,335)
Exchange (gains) / losses on cash and cash equivalents	(3,885)	6,705
Reversal of slow moving stores and spares	(1,561)	(392)
Provision for defined benefit retirement plans	47,802	74,362
	1,027,687	193,073
Working capital changes - note 43.1	2,021,258	5,087,107
Cash generated from operations	1,375,963	4,423,687

43.1 Working capital changes

	2015	2014
	(Rupees in thousand)	
(Increase) / Decrease in current assets		
Stores, spares and chemicals	51,739	(66,817)
Stock-in-trade	4,157,353	1,305,063
Trade debts	2,356,827	2,216,214
Loans and advances	17,935	16,142
Trade deposits and short-term prepayments	(21,867)	(5,550)
Other receivables	(2,443,402)	(15,224)
	4,118,585	3,449,828
Increase / (Decrease) in current liabilities		
Trade and other payables	(2,111,186)	2,296,484
Payable to government - sales tax	13,859	(659,205)
	2,021,258	5,087,107

Notes to and forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	(Rupees in thousand)	
44. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 15	2,814,526	2,287,864
Short term finance	(4,500,000)	-
Running finance under mark-up arrangements - note 24	(2,483,816)	-
	<u>(4,169,290)</u>	<u>2,287,864</u>

45. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 14, 2015 by the Board of Directors of the Company.



Farooq Rahmatullah
Chairman



Aftab Husain
Chief Executive

Form of Proxy

55th Annual General Meeting 2015

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 Fifth Annual General Meeting of the Company to be held on October 26, 2015 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2015.

Signed by the _____

In the presence of 1. _____

2. _____

Shareholder No

Signature on Revenue
stamp of appropriate value
(to the extent applicable)

This signature should agree
with the specimen registered
with the Company.

IMPORTANT

Instruments of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at Korangi Creek Road, Karachi or Share Registrar's office not later than 48 hours before the time of holding the meeting.

The Secretary

Pakistan Refinery Limited

P.O. Box 4612, Korangi Creek Road, Karachi-75190, Pakistan.

Tel: (92-21) 35122131-40, Fax (92-21) 35060145, 35091780

Email: info@prl.com.pk

Website: www.prl.com.pk

Dividend Mandate

Members of Pakistan Refinery Limited

Subject: Dividend Mandate Form

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

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

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

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

YES

NO

If yes then please provide the following information:

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

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

Signature of the member / shareholder

The Secretary

Pakistan Refinery Limited

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



Existing Refinery

This is an aerial photograph of an industrial complex. The image shows two primary buildings. The upper building is a large, dark, rectangular structure with a complex internal layout, identified as the 'Existing Refinery'. The lower building is a large, light-colored rectangular structure with a dark border, identified as the 'Isomerisation Plant'. To the left of the refinery, there are several large, circular storage tanks. The surrounding area includes roads, parking lots, and some vegetation. The image is presented in a vertical orientation with a black border on the left side.

Isomerisation Plant



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