



PAKISTAN REFINERY LIMITED

**GROWING  
STRONGER**



ANNUAL  
REPORT **2016**

The background features a pattern of blue squares and diamonds of various sizes, some solid and some outlined, arranged in a grid-like fashion. Two large, light blue diamond shapes are overlaid on the background, one in the upper left and one in the lower right, containing the Vision and Mission statements respectively.

# Vision

To be the Refinery of first choice for all stakeholders.

# Mission

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmentally friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.



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# Core Values

Health,  
Safety,  
Environment  
and Quality

Integrity

Excellence

Teamwork

Responsibilities

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.

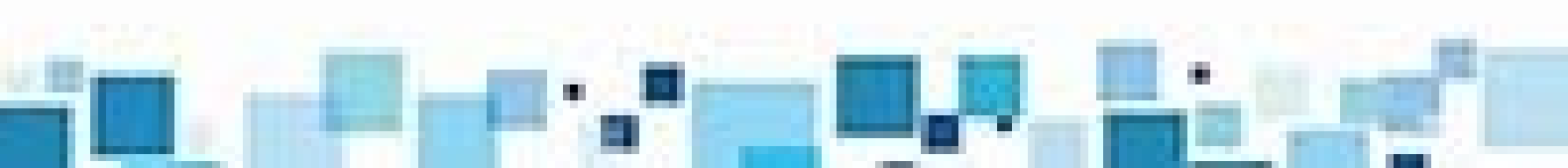
## Excellence

Pakistan Refinery Limited is performance-driven with 291 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 donation programmes will vary depending upon the scope for useful private initiatives.



# Company Information

## Chief Financial Officer

Imran Ahmad Mirza

## Company Secretary

Shehrzad Aminullah

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants

## Legal Advisor

Orr Dignam & Co.

## Registrar & Share Registration Office

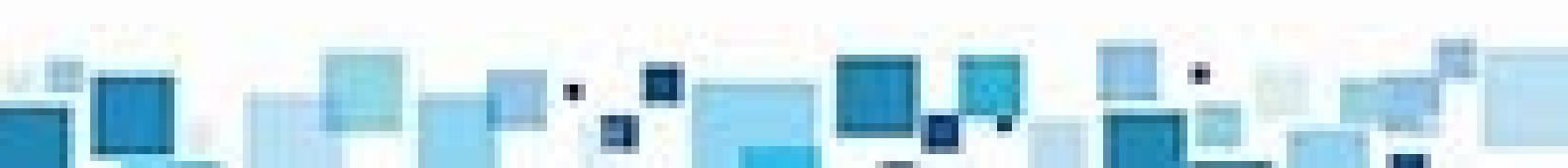
FAMCO Associates (Pvt) Ltd.  
8-F, Next to Hotel Faran, Nursery Block-6,  
P.E.C.H.S. Shahra-e-Faisal, Karachi.

## 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](http://www.prl.com.pk)  
[info@prl.com.pk](mailto:info@prl.com.pk)



# Board of Directors

**Farooq Rahmatullah Khan**  
Chairman

**Aftab Husain**  
Managing Director & CEO

**Abdul Jabbar Memon**  
Director

**Babar H. Chaudhary**  
Director

**Faisal Waheed**  
Director

**Farrokh K. Captain**  
Director

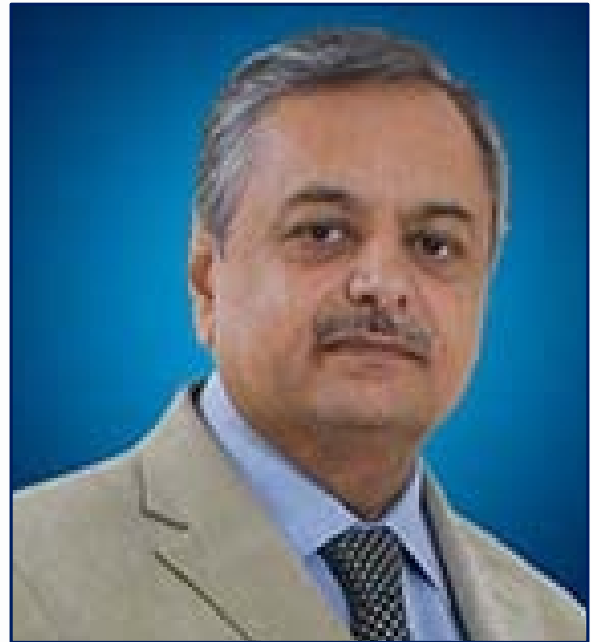
**Jawwad Cheema**  
Director

**Muhammad Najam Shamsuddin**  
Director

**Mumtaz Hasan Khan**  
Director

**Saleem Butt**  
Director

**Sheikh Imran ul Haque**  
Director



**Farooq Rahmatullah Khan**  
Chairman

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

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





## Aftab Husain

### Managing Director & CEO

Mr. Husain is a Chemical Engineer and MPA from IBA, Karachi. He has a career in oil refining with over 35 years of diversified experience with PRL having led all Operations, Technical and Commercial functions in the Refinery. He is considered a refining expert in the oil industry and has also served as the Refining Specialist for the National Integrated Energy Plan in the Energy Expert Group of the Economic Advisory Committee, Ministry of Finance. He has served as 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 is a member of the Managing 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 also serving as director of Pakistan Institute of Petroleum and Pak Grease Manufacturing Company (Private) Limited and a member of Board of Trustees of Karachi Port Trust. He was also the Co-Chairperson of Energy Sub-Committee of OICCI.



## Abdul Jabbar Memon

### Director

Mr. 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 24 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.

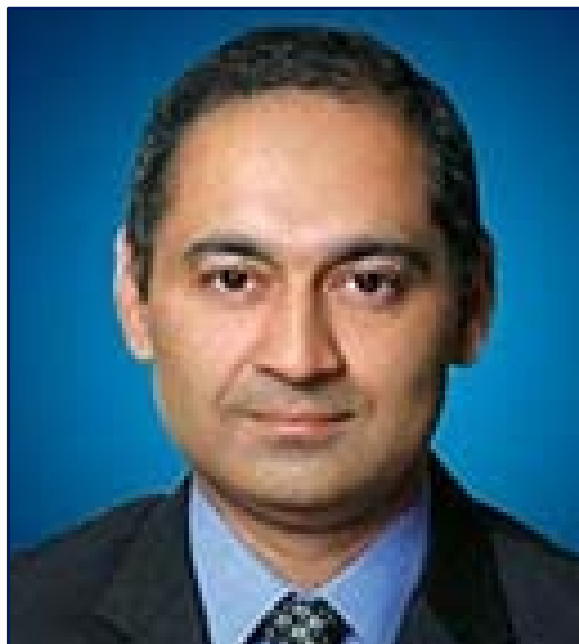


## Babar H. Chaudhary

Director

Mr. Babar H. Chaudhary is serving as General Manager - New Business Development in Pakistan State Oil Company Limited (PSO). He completed his Chartered Accountancy from the Institute of Chartered Accountants of Pakistan in the year 1993 and joined PSO in the year 1995 in the Finance Department. He completed his MBA in 2002.

After serving five years in treasury function he was transferred to Supply Chain. He has been associated with PSO for over twenty years and has been working as General Manager for the last ten years. He has served in this capacity in various functions including Supply Chain, Marketing Planning, Human Resources and Internal Audit. He is also serving on various internal management committees of PSO including Management Committee, Compensation, Organization and Employee Development Committee and Internal Audit Committee. He has also led various internal Cross Functional teams focused on process improvements and business decision making. By virtue of his functional assignments he has served in the capacity of Secretary to the Human Resource Committee and Board Audit Committee of PSO Board of Management.



## 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.



## Jawwad Cheema

### Director

Mr. Cheema is the CEO and Managing Director of Shell Pakistan Limited. He is also the Vice President for Shell Business Operations and custodian of Shell Group's strategy for off-shored business operations that is delivered through a network of seven business service centers across the world. He joined Shell in 1997 in Pakistan and worked in the Retail Business for almost eight years in various specialisations before moving to global roles outside Pakistan.

He has held several senior leadership roles within the Shell Group and prior to this, he was the Consultancy Manager in the Downstream Strategy and Consultancy team, Customer Experience Manager, managing Global Operational Excellence for Retail and Retail General Manager in Indonesia, managing Retail's entry into this new market.

He holds a post-graduate degree in Political Science and an MBA from the UK in 1997.



## Muhammad Najam Shamsuddin

### Director

Commencing his association with Chevron Pakistan Lubricants (Pvt.) Limited as the Marketing Manager - Lubricants, Mr. Shamsuddin has consistently held in country and regional positions of increased significance in marketing and sales. Prior to moving in his current role, he was based in the US on a special assignment for the Africa, Middle East and Pakistan region. He was appointed as the Area Business Manager - Pakistan, in January 2014.

Mr. Shamsuddin started his career in advertising, where he spent two and a half year before moving to the FMCG sector as the Assistant Brand Manager at British American Tobacco. He is a Masters in Business Administration from Institute of Business Administration, Karachi. He currently serves on the board of Pakistan Refinery Limited and Chairman of Chevron Pakistan Lubricants (Pvt.) Limited.

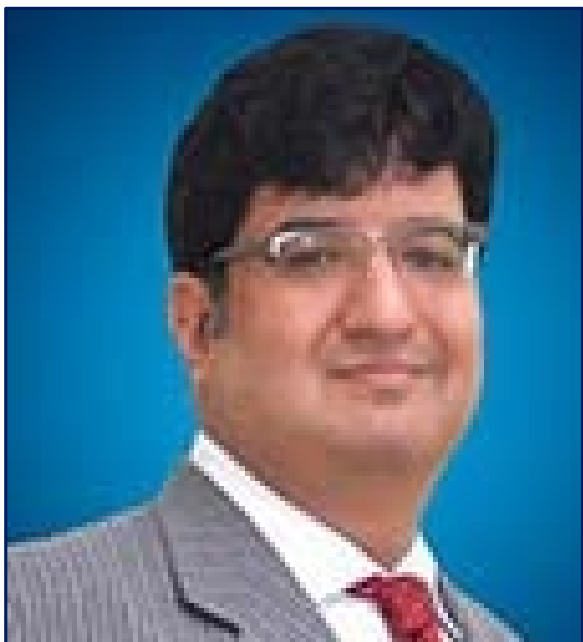


## Mumtaz Hasan Khan

### 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 bought crude and products from Middle Eastern sources and sold to major international trading companies like Shell and Elf. Under his leadership, Hascol Petroleum Limited has been granted an oil marketing license by the Government of Pakistan and now Hascol has established a retail network of around 350 Petrol pumps and CNG stations from Karachi to Peshawar. Mr. Mumtaz Hasan Khan is also the Chairman of Sigma Motors (Sole distributor of Land Rover vehicles in Pakistan). He is also a Trustee of the Foundation of Museum of Modern Art (FOMMA). Mr. Mumtaz Hasan Khan was a member of the Expert Energy Group which prepared the Country's first Integrated Plan in 2009.



## 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 serving as Director in Hascol Petroleum Limited and Sigma Motors Limited.



## Sheikh Imran ul Haque

### Director

Mr. 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.

He 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. He 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

Muhammad Najam Shamsuddin

Saleem Butt

### Terms of reference:

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

The Committee held 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:

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

### Terms of reference:

HR&RC comprises of four members, including its Chairman, from the non-executive Directors of the Company. The CEO may be inducted as member of the Committee but not as the Chairman of Committee. The General Manager 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:

Abdul Jabbar Memon  
Aftab Husain  
Saleem Butt

### 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:

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

### 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

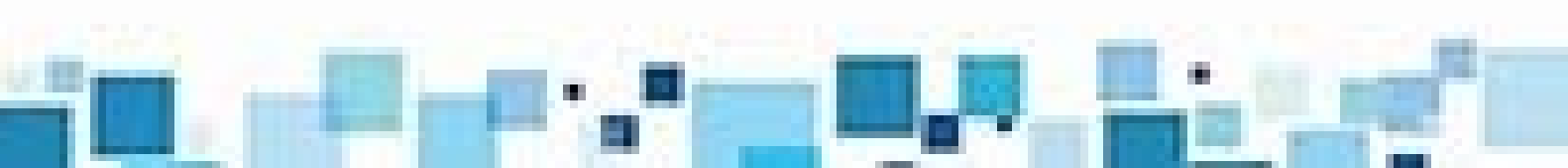
### Members:

Aftab Husain  
Saleem Butt

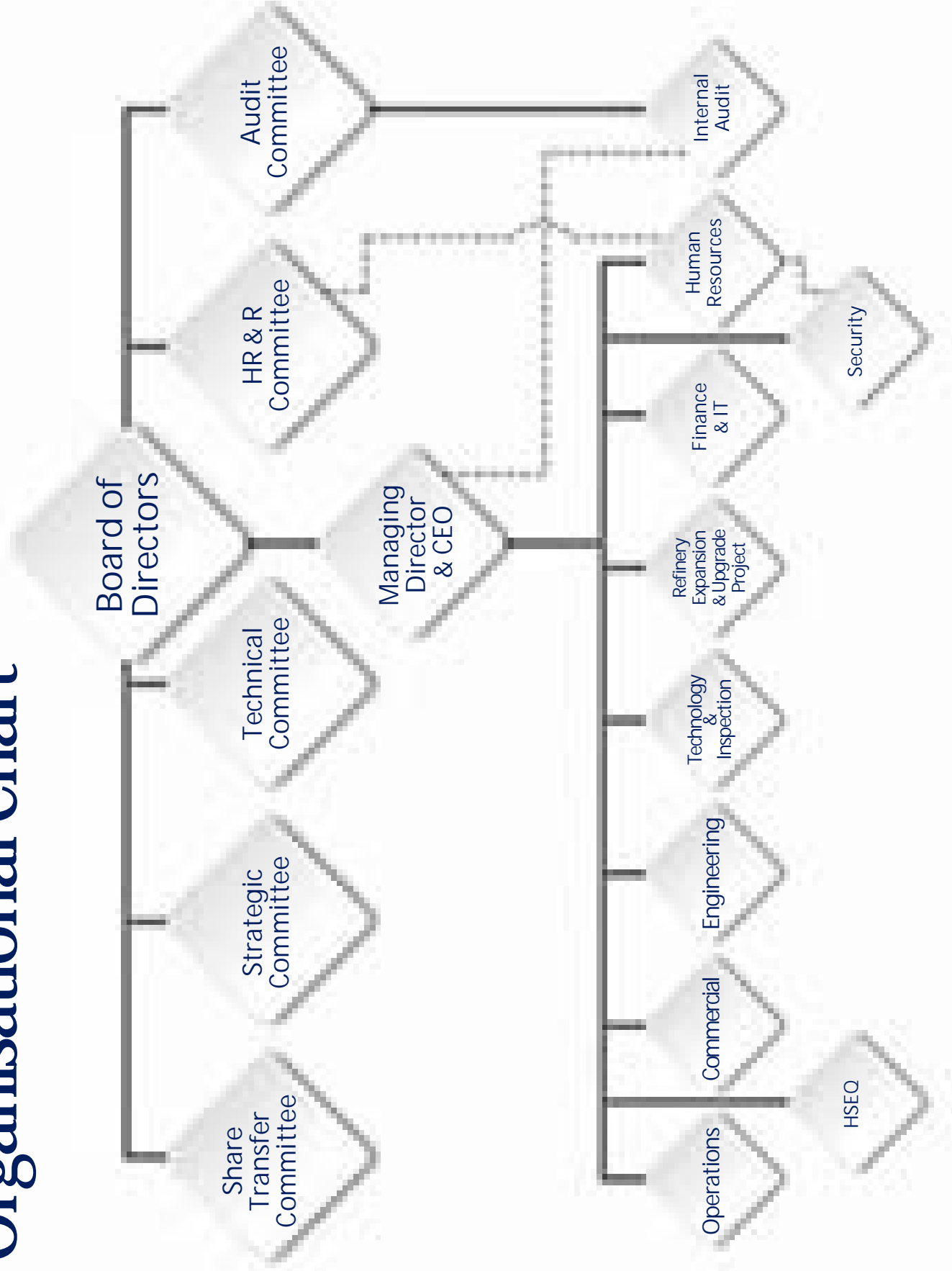
### Terms of reference:

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



# Organisational Chart



# Refinery Leadership Team

**Aftab Husain**

Managing Director & CEO

**Imran Ahmad Mirza**

Chief Financial Officer

**Muhammad 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 &  
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, oil movement & marine, engineering and support functions.

## Inventory Management Committee

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

## Technical & Project Steering Committee

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

## Tender Board

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

# Chairman's Review

On behalf of the Board of Directors, I am pleased to present the 56th Annual Report of Pakistan Refinery Limited for the year ended June 30, 2016.

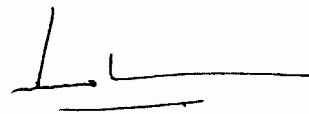
During the year ended June 30, 2016 your refinery reported a Profit after taxation of Rs. 283.39 million as compared to a loss after taxation of Rs. 1.18 billion last year, a swing of Rs. 1.46 billion. This was due to healthy Gross Refinery Margins and the doubling of production of motor gasoline given the full year operation of the new Isomerization Unit.

Besides, the Company continued to be burdened by the effect of the pricing mechanism of High Speed Diesel (HSD) whereby the refineries are required to deposit the difference between actual import price and notional ex-refinery price computed in accordance with the Import Parity Pricing Formula. This accounted for Rs. 1,359 million during the year and has eroded Profits by Rs. 3,193 million since its imposition in March 2013.

The Refinery remains committed to operational excellence and its Health, Safety, Environment and Quality (HSEQ) Policy. The Company successfully completed 7.5 million man-hours on June 30, 2016 without any Lost Time Injury (LTI). Focus remained on safe and continuous operations, protecting environment and ensuring health and safety of its employees, customers and contractors, while maintaining the integrity of the refinery equipment.

The Company is working with international consultants in evaluating different technological variants for upgradation of the Refinery including installation of the Diesel Hydro Desulphurisation Unit (DHDS) for which different financial options are being evaluated. Through DHDS, the Refinery will become compliant with the Government of Pakistan's requirement to produce EURO II compliant diesel.

I would like to acknowledge the efforts of our valued customers, suppliers, contractors, shareholders, financial institutions, other stakeholders, directors and committed employees for their dedication and hard work which resulted in smooth and safe operations of the refinery throughout the year.



**Farooq Rahmatullah Khan**  
Chairman

Karachi: August 22, 2016



# چیرمین کا جائزہ

بورڈ آف ڈائریکٹرز کے ایما پر پاکستان ریفرنسری لمیٹڈ کی 56 ویں سالانہ رپورٹ برائے سال ختم شدہ 30 جون 2016 پیش خدمت ہے۔

30 جون 2016 کو ختم ہونے والے سال کے دوران آپ کی کمپنی نے بعد از ٹیکس 283.39 ملین روپے منافع کمایا جبکہ گزشتہ سال 1.18 ارب روپے نقصان بعد از ٹیکس تھا، اس طرح 1.46 ارب روپے کا اضافی منافع ہوا جس کی وجہ بہتر گراس ریفرنسری مارجنز اور ہمارے نئے آسومرائزیشن یونٹ کی پورے سال کی فعال کارکردگی ہے جس کی وجہ سے موٹرگیسولین کی پیداوار دگنی ہو گئی۔

امسال کمپنی پر ہائی اسپیڈ ڈیزل کی قیمتوں کے نظام کا منفی دباؤ برقرار رہا۔ اس نظام کے تحت ریفرنسریز کو اصل امپورٹ قیمت اور Notional Ex-Refinery قیمتوں کا فرق جمع کرانا ہوتا ہے۔ اس مد میں کمپنی کو اس مالی سال میں 1.359 ارب روپے کا خسارہ برداشت کرنا پڑا ہے اور مارچ 2013 میں اس نظام کے نفاذ سے لیکر اب تک منافع میں 3.193 ارب روپے کی کمی کا سامنا رہا ہے۔

ریفرنسری اپنے آپریشنل امتیاز کو برقرار رکھنے کے لئے پرعزم ہے اور پالیسی برائے اپنی صحت، حفاظت، ماحول اور میعار (HSEQ) پر کاربند ہے۔ کمپنی نے 30 جون 2016 تک کسی حادثے کے بغیر 75 لاکھ گھنٹوں کی تکمیل کی ہے۔ ریفرنسری کی سب سے بڑی ترجیح باحفاظت اور مسلسل آپریشن، ماحول کا تحفظ اور اپنے ملازمین، صارفین اور کنٹریکٹرز کی صحت اور حفاظت، اور ریفرنسری کے اثاثوں کو بہتر طریقے سے محفوظ رکھنا ہے۔

ریفرنسری کو اپ گریڈ کرنے اور ڈیزل ہائیڈروڈی سلفیورائزیشن یونٹ (DHDS) کی تنصیب کے لئے بین الاقوامی کنسلٹنٹس کے ساتھ مختلف ٹیکنالوجیز کے جائزے پر کام ہو رہا ہے اور اس سلسلے میں مختلف مالی معاملات پر بھی غور کیا جا رہا ہے۔ DHDS کے ذریعے ریفرنسری حکومت پاکستان کی EURO II کمپلائنس ڈیزل کی پیداوار کی مطلوبہ شرائط پر عمل درآمد کے قابل بن جائے گی۔

میں ہمارے قابل قدر صارفین، سپلائرز، کنٹریکٹرز، شیئر ہولڈرز، مالیاتی اداروں، دیگر اسٹیک ہولڈرز، ڈائریکٹرز اور پرعزم ملازمین کا شکریہ گزار ہوں کہ ان کی انتھک محنت اور لگن کی بدولت پورے سال کے دوران کمپنی کے آپریشنز بہترین اور باحفاظت طریقوں پر جاری رہے۔

فاروق رحمت اللہ خان

چیرمین

کراچی: 22 اگست 2016

# Directors' Report

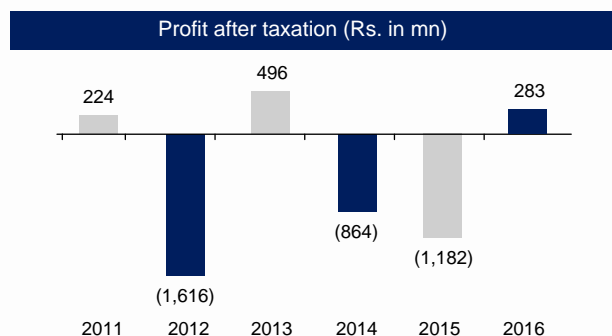
The Directors of your Company present their Annual Report together with Audited Financial Statements for the year ended June 30, 2016.

## Financial Results

Appropriation recommended for the year

|  | 2016                 | 2015        |
|--|----------------------|-------------|
|  | (Rupees in thousand) |             |
| Profit / (loss) after taxation                           | 283,391              | (1,181,662) |
| Other comprehensive income / (loss)                      | (100,109)            | (82,159)    |
| Total recognised income / (loss)                         | 183,282              | (1,263,821) |
| Accumulated loss as at July 01                           | (4,853,066)          | (3,484,462) |
| Issuance costs of Rights Issue                           | -                    | (104,783)   |
| Appropriations:  |                      |             |
| 2016: Available for distribution subject to BOD approval | -                    | -           |
| 2015: Rs. Nil  |                      | -           |
| Transfer to Special Reserves                             | (83,282)             | -           |
| Accumulated loss as at June 30                           | (4,753,066)          | (4,853,066) |
| Earnings / (Loss) per share                              | Rs. 0.93             | (Rs. 5.42)  |

The Company has started reaping the benefits of Isomerisation Unit which was fully operational during the year and posted a Profit after taxation of Rs. 283.39 million as compared to a Loss after taxation of Rs. 1.18 billion last year.

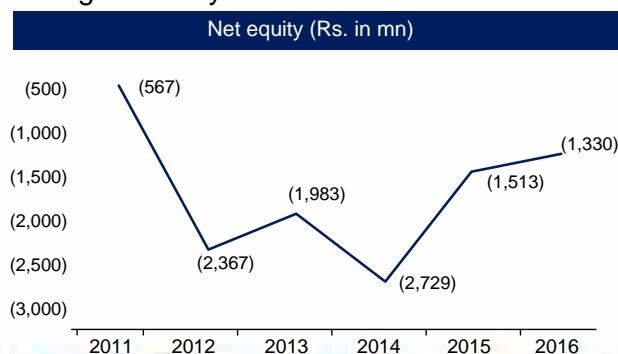


The Company is burdened by negative effects of pricing mechanism of High Speed Diesel (HSD) whereby the refineries are required to

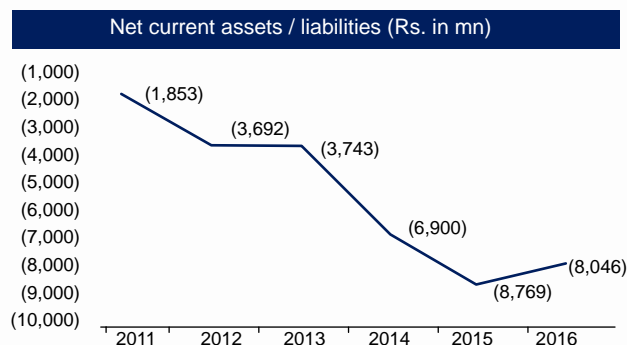
pay the difference between actual import price and a notional ex-refinery price. The Company has suffered Rs. 1,359 million on account of this adverse pricing mechanism during the year. It

is to be noted that this pricing mechanism which was introduced by the Government in March 2013 has so far eroded Rs. 3,193 million from the profitability of the Company.

Despite the challenges on profitability, it is very encouraging that the Refinery continued its operations 366 days during the current year without any interruption. This reflects effective implementation of Refinery's maintenance strategy which ensures plant integrity and continuity of operations duly assisted with sustained liquidity and funds management throughout the year.



The 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, 2016, the Company had accumulated losses of Rs. 4.75 billion (2015: Rs. 4.85 billion) resulting in a net negative equity of Rs. 1.33 billion (2015: Rs. 1.51 billion) and its current liabilities exceed its current assets by Rs. 8.05 billion (2015: Rs. 8.77 billion). These conditions may cast a doubt on Company's ability to continue as a going concern. However, based on factors enumerated below, 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:

- To address negative equity situation, the Company issued right shares during the year amounting to Rs. 2.8 billion (Refer note 16 to the financial statements).
- The Isomerisation Plant remained fully operational during the year and resulted in additional production of 123,385 M. Tons of Motor Gasoline by converting Light Naphtha. This has added to the profitability of the Company and will continue to do so in the future.
- The Company enhanced its running finance facilities to Rs. 8.75 billion from Rs. 8.1 billion during the year by induction of two new banks. New credit facilities by financial institutions is a testimony of Company's credit worthiness.

- Through 'term contracts' with international crude suppliers like Abu Dhabi National Oil Company of United Arab Emirates, the Company has secured its supply chain by ensuring uninterrupted supply of crude oil for Refinery operations. In addition, safe and secure access to indigenous local crude and condensate which makes up around 20% of the Company's crude mix, further complements refinery operations. 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

The Directors of the Company are pleased to recommend a final cash dividend of 3.1% or Rs. 0.31 per share which will be paid to the shareholders whose names appear on the shareholders' register at the start of 'Book Closure' for the Annual General Meeting.

## Rights Issue

During the year the Company issued right shares amounting to Rs. 2.59 billion out of the total issue of Rs. 2.8 billion. For details relating to the realisation of remaining right issue of Rs. 210 million, please refer to Note 16.3 to the financial statements for the year ended June 30, 2016.

## Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes in accounting policies, wherever made, have been adequately disclosed in the financial statements. Accounting estimates are on the basis of prudent and reasonable judgement.
- International Financial Reporting Standards (previously referred to as International Accounting Standards), as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored regularly.

## Credit Rating

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

## Health, Safety, Environment & Quality (HSEQ)

The Refinery accomplished 7.5 Million man-hours without any LTI on 30th June 2016. This milestone covered a major Turnaround in 2014, ISOM project related critical activities including its commissioning and repair and refurbishment of new tanks which were carried out in a safe manner.

Pakistan Refinery Limited won the 12th Annual Environment Excellence Award 2015 organized by National Forum for Environment and Health (NFEH) on August 27, 2015. The Company also secured 2nd position in 11th EFP - OSH&E award in the category of oil, gas and energy sector organized by the Employers' Federation of Pakistan (EFP) on April 28, 2016.

### *Compliance to regulatory requirement*

All monthly results of effluent and emission tests conducted by Sindh Environmental Protection Agency (SEPA) nominated independent laboratories met the National Environmental Quality Standard (NEQS) limits and are continuously reported through the Self-Monitoring and Reporting Tool (SMART) program to Pakistan Environmental Protection Agency (PEPA).

### *Compliance to third party certification*

The Company successfully acquired revalidation of ISO 9001, 14001 and OHSAS 18001 certification without any Non-Conformity Report (NCR) for another one year after Bureau Veritas conducted the Recertification Audit in December 2015.

## *World Environment Day*

The Refinery also demonstrated its commitment to work for improvement of the environment by organizing a tree plantation ceremony on the occasion of "World Environmental Day" celebrated on 5th June, 2016. Tree plantation was also extended along the approach road and around the cricket ground in the Refinery.

## *Training*

Capacity building of staff is continuously developed by periodically conducting courses on Defensive Driving, H2S Awareness and Emergency Preparedness in compliance to National Fire Protection Agency (NFPA) 1001 and HSEQ requirements for contractors' staff.

## *Mock Drills*

Mock fire drills were performed on a regular basis to train the Refinery's staff and test the effectiveness of operability, maintainability and adequacy of the firefighting system both at Korangi and Keamari installations.

## *Refinery Management and Operations*

The Refinery operations remained smooth throughout the year despite the fact that excessive power outages were encountered.

Commencement of ISOM unit resulted in Motor Gasoline (Petrol) production of 256,194 Metric Tons as compared to 123,032 Metric Tons during last year. The additional production of MS is contributing to the profitability of the Company and also bridges the gap between the Country's fuel demand and production.

## *SAP Oil Movement Solution Software*

SAP Oil Movement Solution software has been implemented to facilitate the real time inventory management of crude oil, finished products and blending chemicals. This system will improve the Refinery Operation in terms of Crude and Products supply planning.

## *Intelligent Pigging of Intra City Pipelines*

PRL believes in proactive approach towards safety and protection of environment. In this regard, Intra city pipelines have been checked for their integrity using Intelligent Pigging (IP) technology. Routine pipelines repair work remains on schedule to reduce the risk of any unforeseen situation as well as any adverse environmental impact.

Based on 'IP Inspection Report', extensive repairs were carried out in the first phase on the 8" White Oil and 10" Fuel Oil lines to cater for the 80% and above metal wall thickness loss. The second phase of this work will be undertaken in 2016-17 to cover between 50% and 80% metal loss.

## *Crude Oil Sales Contract with Abu Dhabi National Oil Company*

Last year, the Company had signed a crude supply contract with the Abu Dhabi National Oil Company (ADNOC) for two years beginning July 2015 to ensure smooth supply of crude for refinery operations by increasing the quantity to 29,000 barrels per day from 23,500 barrels per day. In the first year beginning July 2015, the Company imported various crude grades averaging 29,044 barrels per day from ADNOC and processed them into different petroleum products. During the year under review, total crude imports from ADNOC consist of around 76% Das and 24% Upper Zakum.



## Engineering

### *Emergency Shutdown System for PTU*

During the year, Emergency Shutdown System (ESD) was installed on the Platformer Unit (PTU). This project comprised of Process Interlocks and Operational Securities to ensure plant integrity and avoid personal injury to personnel at the Plant. Stub in connections were provided during the 2014 Turnaround and in the year under review, valves were procured and installed for the loops identified.

ESD minimizes the consequences of emergency situations related to uncontrolled escape of hydrocarbons, which may otherwise be hazardous. The objective of this shutdown system is to protect human life and plant equipment and avoid environmental pollution.

### *Installation & Commissioning of 1000 KVA Generator Set*

A new Generator set was procured and installed during the year and commissioned in July 2016 to replace the 30 years old generator at the Plant. This Generator set caters for the critical load of the Plant in the event of a power failure.

### *Fire Water Pump Replacement at Korangi*

The old fire water pump having a capacity to pump 1750 Gallons per Minute (GPM) was replaced with a new 2500 GPM pump engine set in the refinery, which is compliant with the requirement of NFPA 20 and thus addresses the Fire Gap study observation of installation of a high capacity pump to improve fire coverage.

### *Radar Tank Gauging System for Storage Tanks*

As part of a program to gradually phase out old conventional (Mechanical) gauging system, this year Radar Tank Gauging system was installed in tanks and to date Radar Tank Gauging System has been installed in 33 out of the planned 50 tanks. The system provides a high accuracy level of measurement, transmitting temperature, density and water level to the Control Room. The system provides long-term reliability and stability as per the industry standards for Weight and Measure with applicable standards of OIML R85, API, ASTM and ISO.

## Refinery Expansion and Upgradation

The Company is working with international consultants in evaluating different technological variants for upgradation of the Refinery including installation of the Diesel Hydro Desulphurisation Unit (DHDS) for which different financial options are being evaluated. Through DHDS, the Refinery will become compliant with the Government of Pakistan's requirement to produce EURO II compliant diesel.

## Human Resources

The objective of the Human Resources (HR) Department is to add value by ensuring that HR practices produce positive outcomes for key stakeholders - employees, line managers and customers. The focus has been on building a performance culture with skilled, capable and motivated people, strengthening leadership capability, investing in its people, focusing on high potential people, succession planning, delivering best HR practices and improving organizational effectiveness by maximizing productivity through right tools and results and standardizing structures and processes across the Company.



The Company facilitates a desirable learning environment for its employees and other service providers through quality management, as the focus is to provide efficient and professional service to management and staff. During the year, the Company achieved its training and development targets of over Twenty (20) Training Hours per Employee. The Company is also working on plans to promote and inculcate its core values so that these get deeply ingrained in the organization.

The Refinery kept up with its tradition of ensuring a peaceful and harmonious Industrial Relations environment by successfully concluding a Two Year Collective Bargaining Agent (CBA) Agreement for the period 2015-2017.

## 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 Pakistan Stock Exchange. For further details, please refer to the 'Statement of Compliance with the Code of Corporate Governance'.

## Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years is given on page 39 to the report.

## Contribution to the National Exchequer and Value Addition

The Company is one of the major taxpayers of the country and contributed an amount of Rs. 38.52 billion (June 2015: Rs. 26.31 billion) to the National Exchequer on account of direct and indirect taxes. The Company also brought

valuable foreign exchange of USD 30.11 million (June 2015: USD 122.47 million) into the economy through the exports of Naphtha thereby contributing towards reducing burden on the Country's balance of payments. Naphtha exports were lower as compared to last year since the Company is now converting majority of Naphtha into Motor Gasoline, which is a value added product and has ultimately resulted in import substitution of around Rs. 1.7 billion.

## Trading in Company Shares

Directors, Chief Executive Officer, Chief Financial Officer, 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, except for M/s. Fossil Energy Private Limited, where one of the directors of Pakistan Refinery Limited, Mr. Saleem Butt and his spouse have majority shareholding, sold 3,100,000 shares of Pakistan Refinery Limited electronically at an average rate of Rs. 43.80 per share on March 10, 2016. 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.

## 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, five 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 Khan   | 5                            | 5                        |
| Aftab Husain              | 5                            | 5                        |
| Abdul Jabbar Memon        | 5                            | 5                        |
| Babar H. Chaudhary        | 5                            | 5                        |
| Faisal Waheed             | 5                            | 4                        |
| Farrokh K. Captain        | 5                            | 5                        |
| Jawwad Cheema**           | 0                            | 0                        |
| Muhammad Najam Shamsuddin | 4                            | 2                        |
| Mumtaz Hasan Khan         | 5                            | 3                        |
| Omar Yaqoob Sheikh        | 5                            | 4                        |
| Saleem Butt               | 5                            | 1                        |
| Sheikh Imran ul Haque     | 5                            | 3                        |

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

\*\* Mr. Jawwad Cheema was appointed as Director after year ended June 30, 2016 effective from August 22, 2016 in place of Mr. Omar Yaqoob Sheikh.

The Board places on record its appreciation for the valuable services rendered by outgoing directors Mr. Muhammad Zubair, Mr. Shahid Islam and Mr. Omar Yaqoob Sheikh.

## Board Committee meetings held during the year

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

| Name of Director | Total No. of<br>Committee meetings* | No. of meetings<br>attended |
|------------------|-------------------------------------|-----------------------------|
|------------------|-------------------------------------|-----------------------------|

### Board Audit Committee Meeting\*\*

|                           |   |   |
|---------------------------|---|---|
| Babar H. Chaudhary        | 7 | 6 |
| Faisal Waheed             | 7 | 7 |
| Muhammad Najam Shamsuddin | 2 | 0 |
| Saleem Butt               | 7 | 0 |

### Board Human Resource and Remuneration Committee

|                         |   |   |
|-------------------------|---|---|
| Farrokh K. Captain      | 2 | 2 |
| Farooq Rahmatullah Khan | 2 | 2 |
| Mumtaz Hasan Khan       | 2 | 2 |
| Sheikh Imran ul Haque   | 1 | 1 |
| Aftab Husain            | 2 | 2 |

### Board Strategic Committee\*\*

|                       |   |   |
|-----------------------|---|---|
| Sheikh Imran ul Haque | 3 | 2 |
| Abdul Jabbar Memon    | 3 | 3 |
| Farrokh K. Captain    | 3 | 3 |
| Mumtaz Hasan Khan     | 3 | 3 |
| Omar Yaqoob Sheikh    | 3 | 2 |
| Aftab Husain          | 3 | 3 |

During the year, no meeting of the Board Technical Committee or Board Share Transfer Committee was held.

\* 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.

## 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, 2016 was as follows:

(Rupees in thousand)

|                                      |         |
|--------------------------------------|---------|
| Provident Fund                       | 417,263 |
| Gratuity fund - management staff     | 118,696 |
| Gratuity fund - non-management staff | 75,794  |
| Pension fund - management staff      | 949,593 |
| Pension fund - non-management staff  | 56,191  |

## Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2016 is annexed on page 44 of the report.


## External Auditors

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

## Acknowledgement

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

On behalf of Board of Directors



**Farooq Rahmatullah Khan**  
Chairman

Karachi: August 22, 2016

# پوسٹ ایمپلائمنٹ بینفٹ فنڈز میں سرمایہ کاری کی مالیت

30 جون 2016 کو غیر آڈٹ شدہ گوشواروں کی بنیاد پر پروویڈنٹ، گریجویٹ اور پنشن فنڈز میں سرمایہ کاری کی مالیت درج ذیل ہے:

(روپے ہزار میں)

417,263

118,696

75,794

949,593

56,191

پروویڈنٹ فنڈ

گریجویٹ فنڈ - مینجمنٹ اسٹاف

گریجویٹ فنڈ - نان - مینجمنٹ اسٹاف

پنشن فنڈ - مینجمنٹ اسٹاف

پنشن فنڈ - نان - مینجمنٹ اسٹاف

## شیئر ہولڈنگ کا خلاصہ

30 جون 2016 پر شیئر ہولڈنگ کا خلاصہ سالانہ رپورٹ کے صفحہ نمبر 44 پر درج ہے۔

## بیرونی آڈیٹرز

میسرز اے۔ ایف۔ فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس آئینڈ سالانہ اجلاس عام کے اختتام پر سبکدوش ہو رہے ہیں اور اہل ہونے پر خود کو دوبارہ تقرری کے لیے پیش کر رہے ہیں۔

## اظہار تشکر

ہم اپنے اسٹریٹیجک شراکتداروں کا شکریہ ادا کرنا چاہتے ہیں کہ انہوں نے رواں سال ریفرنسری کے پائیدار آپریشنز کے لیے مکمل تعاون اور لگن کا مظاہرہ کیا۔ بورڈ کمپنی کے شیئر ہولڈرز اور مالیاتی اداروں کا بھی شکر گزار ہے کہ انہوں نے کمپنی کے ساتھ مستقل تعاون کیا۔ علاوہ ازیں، بورڈ کمپنی کے پُر عزم انسانی وسائل کی بھی تعریف کرتا ہے کہ ان کی لگن اور سخت محنت کی بدولت رواں سال کے دوران کسی خلل کے بغیر محفوظ آپریشن جاری رہے۔ ہم حکومت پاکستان کی وزارت پٹرولیم و قدرتی وسائل، وزارت خزانہ اور دیگر حکومتی اداروں کی رہنمائی اور تعاون پر ان کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

فاروق رحمت اللہ خان

چیئرمین

کراچی: 22 اگست 2016

# رواں سال بورڈ کمیٹی کے منعقدہ اجلاس

بورڈ کمیٹی اجلاسوں میں ڈائریکٹرز کی حاضری درج ذیل ہے:

| ڈائریکٹر کا نام    | کمیٹی کے اجلاسوں کی کل تعداد* | اجلاسوں میں شرکت کی تعداد |
|--------------------|-------------------------------|---------------------------|
| بورڈ آڈٹ کمیٹی**   |                               |                           |
| بابرا بیج۔ چوہدری  | 7                             | 6                         |
| فیصل وحید          | 7                             | 7                         |
| محمد نجم شمس الدین | 2                             | 0                         |
| سلیم بٹ            | 7                             | 0                         |

## بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی

|                     |   |   |
|---------------------|---|---|
| فرخ کے۔ کیپٹن       | 2 | 2 |
| فاروق رحمت اللہ خان | 2 | 2 |
| ممتاز حسن خان       | 2 | 2 |
| شیخ عمران الحق      | 1 | 1 |
| آفتاب حسین          | 2 | 2 |

## بورڈ اسٹریٹجک کمیٹی\*\*

|                |   |   |
|----------------|---|---|
| شیخ عمران الحق | 3 | 2 |
| عبدالجبار میمن | 3 | 3 |
| فرخ کے۔ کیپٹن  | 3 | 3 |
| ممتاز حسن خان  | 3 | 3 |
| عمر یعقوب شیخ  | 3 | 2 |
| آفتاب حسین     | 3 | 3 |

رواں سال بورڈ ٹیکنیکل کمیٹی اور بورڈ شیئر ٹرانسفر کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

\* اس عرصے کے دوران منعقد ہوا جب متعلقہ ڈائریکٹر کمیٹی کے رکن تھے۔

\*\* رواں سال ہونے والے بورڈ آڈٹ کمیٹی اور بورڈ اسٹریٹجک کمیٹی کے تین مشترکہ اجلاس بھی شامل ہیں۔



## کمپنی کے شیئرز میں کاروبار

زیر غور سال کے دوران کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، چیف انٹرنل آڈیٹر، کمپنی سیکریٹری اور ان کی ازواج اور ان کے کم عمر بچوں نے کمپنی کے شیئرز میں کاروبار نہیں کیا، ماسوائے میسرز فوسل انرجی پرائیویٹ لمیٹڈ کے جہاں پاکستان ریفرنری لمیٹڈ کے ڈائریکٹرز میں سے جناب سلیم بٹ اور ان کی زوجہ کے پاس اکثریتی شیئر ہولڈنگ ہے۔ میسرز فوسل انرجی پرائیویٹ لمیٹڈ نے پاکستان ریفرنری لمیٹڈ کے 3,100,000 شیئرز 10 مارچ 2016 کو 43.80 روپے فی شیئر کے شرح قیمت سے الیکٹرانک طریقہ سے فروخت کر دیئے۔ اس کے علاوہ کمپنی کے شیئرز میں کسی بھی ایسے ملازم نے کاروبار نہیں کیا جس کی بنیادی تنخواہ سال میں 12 لاکھ روپے سے زائد ہو، یہ حد سالانہ رپورٹس میں واضح کرنے کے لئے ڈائریکٹرز کی جانب سے قائم کی گئی ہے۔

## چیئر مین کے جائزے کی توثیق

ڈائریکٹرز "چیئر مین کے جائزے" (Chairman's Review) میں موجود تفصیلات کی باقاعدہ طور پر توثیق کرتے ہیں۔

## رواں سال بورڈ آف ڈائریکٹرز اور بورڈ کے منعقدہ اجلاس

رواں سال، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے اور ان میں ہر ڈائریکٹر کی حاضری درج ذیل ہے:

| ڈائریکٹر کا نام     | بورڈ کے اجلاسوں کی کل تعداد* | اجلاسوں میں شرکت کی تعداد |
|---------------------|------------------------------|---------------------------|
| فاروق رحمت اللہ خان | 5                            | 5                         |
| آفتاب حسین          | 5                            | 5                         |
| عبدالجبار مبین      | 5                            | 5                         |
| بابرا بیج۔ چوہدری   | 5                            | 5                         |
| فیصل وحید           | 5                            | 4                         |
| فرخ کے۔ کیپٹن       | 5                            | 5                         |
| جواہر چیمہ**        | 0                            | 0                         |
| محمد نجم شمس الدین  | 4                            | 2                         |
| ممتاز حسن خان       | 5                            | 3                         |
| عمر یعقوب شیخ       | 5                            | 4                         |
| سلیم بٹ             | 5                            | 1                         |
| شیخ عمران الحق      | 5                            | 3                         |

\* اس وقت منعقد ہوا جب متعلقہ ڈائریکٹر بورڈ میں شامل تھے۔

\*\* محترم جواہر چیمہ کو محترم عمر یعقوب شیخ کی جگہ 30 جون 2016 کے بعد 22 اگست 2016 کو ڈائریکٹر نامزد کیا گیا۔

بورڈ آف ڈائریکٹرز مستعفی ہونے والے ڈائریکٹرز محترم محمد زبیر، محترم شاہد اسلام اور محترم عمر یعقوب شیخ کی خدمات کو خراج تحسین پیش کرتے ہیں۔

## انسانی وسائل

انسانی وسائل کے محکمے کا بنیادی مقصد انسانی وسائل کے تجربات کو بروئے کار لاتے ہوئے اسٹیک ہولڈرز (ملازمین، مینیجرز اور صارفین) کے لئے مثبت فوائد پیدا کرنا اور ان کی قدروں کو بڑھانا ہے۔ ترجیح اس بات کو دی جاتی ہے کہ مہارتوں اور صلاحیتوں کے حامل افراد کے لئے کارکردگی دکھانے کا ماحول پیدا ہونے کے ساتھ ساتھ ان کی قائدانہ صلاحیتوں کو بھی بہتر بنایا جائے۔ مزید برآں درست آلات و نتائج، معیاری ڈھانچے اور بہترین انتظام کے ذریعے ملازمین پر سرمایہ کاری، جانشینی کی منصوبہ بندی اور پوری کمپنی میں بہترین اور تجربہ کار انسانی وسائل کی نشاندہی کی جائے اور زیادہ سے زیادہ پیداوار کو یقینی بنایا جائے۔

کمپنی معیاری انتظام کے ذریعے اپنے ملازمین اور سروس فراہم کرنے والے دیگر افراد کے لئے ان کی ضرورت کے مطابق تربیت کی سہولت فراہم کرتی ہے تاکہ انتظامیہ اور ملازمین کو پیشہ ورانہ اور ماہرانہ خدمات کی فراہمی جاری رہے۔ رواں سال کمپنی نے اپنے تربیت اور ترقی کے ہدف کی کامیاب تکمیل سے ہر ملازم کے لئے 20 سے زائد تربیتی گھنٹے فراہم کئے۔ کمپنی ایسے منصوبوں پر بھی کام کر رہی ہے جن سے اس کی اقدار کو ذہن نشین اور ترویج دی جاسکے تاکہ یہ اقدار پوری کمپنی میں فروغ پائیں۔

ریفرنسری نے 2015-2017 کے لئے دو سالہ (CBA) Collective Bargaining Agent کا معاہدہ کیا اور پرامن اور صحت مند صنعتی تعلقات کے ماحول کو فروغ دینے کی اپنی روایت کو برقرار رکھا۔

## کارپوریٹ گورننس

کمپنی کارپوریٹ گورننس کے اعلیٰ ترین اقدار پر کاربند ہے اور رہے گی۔ کمپنی نے کارپوریٹ گورننس کے بہترین طریقہ کار، جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں مذکور ہیں، پر عمل درآمد کیا ہوا ہے، مزید تفصیلات کے لئے ”اسٹیٹمنٹ آف کمپلائنس“ وٹھ دی کوڈ آف کارپوریٹ گورننس“ ملاحظہ کیجئے۔

## اہم آپریشنل اور مالیاتی اعداد و شمار

گزشتہ 6 سالوں کی اہم آپریشنل اور مالیاتی اعداد و شمار اس سالانہ رپورٹ کے صفحہ نمبر 39 پر درج ہیں۔

## قومی خزانے میں شرکت اور اس کی قدر میں اضافہ

کمپنی ملک کے بڑے ٹیکس ادا کرنے والے اداروں میں سے ایک ہے اور قومی خزانے میں بلواسطہ اور بلاواسطہ ٹیکسز کی مد میں 38.52 ارب روپے (جون 2015: 26.31 ارب روپے) ادا کئے گئے۔ مزید برآں کمپنی نے 30.11 ملین امریکی ڈالرز (جون 2015: 122.47 ملین امریکی ڈالرز) کا غیر ملکی زرمبادلہ Naphtha کی برآمدات سے حاصل کیا جس سے ملکی ادائیگیوں کے بیلنس کو کم کرنے میں بھی مدد ملی۔ Naphtha کی برآمد گزشتہ سال سے مقابلے میں کم رہی کیونکہ کمپنی رواں مالی سال سے Naphtha کی زیادہ تر مقدار کو پیٹرول میں تبدیل کر رہی ہے جو کہ Naphtha کے مقابلے میں زیادہ قیمتی ہے اور اس سے ملکی درآمد میں 1.7 ارب روپے کی کمی ہوئی ہے۔

## PTU کے لئے ہنگامی شٹ ڈاؤن سسٹم

رواں سال پلیٹ فارم یونٹ (PTU) پر ہنگامی شٹ ڈاؤن سسٹم (ESD) نصب کیا گیا۔ یہ پروجیکٹ پروسیس انٹر لاکس اور انتظامی حفاظتوں پر مشتمل ہے تاکہ پلانٹ کی پائیداری کو یقینی بنایا جاسکے اور تمام افراد کو پلانٹ پر کسی نقصان سے بچایا جاسکے۔ 2014 میں ٹرن آراؤنڈ کے دوران کنکشنز میں اسٹب فراہم کئے گئے اور زیر جائزہ سال میں والوزرید کو ضرورت کی جگہوں پر نصب کئے گئے۔

ESD نے ہائیڈروکاربن کے ناقابل کنٹرول اخراج سے متعلق ہنگامی حالت کے امکان کو کم کیا ہے جو لاعلمی کی صورت میں خطرناک ہو سکتے ہیں۔ اس شٹ ڈاؤن سسٹم کی تنصیب کا مقصد انسانی زندگی اور پلانٹ کا تحفظ اور ماحولیاتی آلودگی سے بچنا ہے۔

## 1,000 KVA جنریٹر کی تنصیب اور فعالیت

رواں سال میں کمپنی نے 30 سال پرانے جنریٹر کو تبدیل کر کے اس کی جگہ 1,000 KVA کا ایک نیا جنریٹر نصب کر کے اسے فعال کیا۔ بجلی کی اچانک بندش کی صورت میں یہ جنریٹر پلانٹ کی اہم ضروریات کو بخوبی پورا کرے گا۔

## کورنگی میں فائر واٹر پمپ کی تبدیلی

ریفائنری میں 1,750 گیلن فی منٹ پمپ کرنے کی صلاحیت والے پرانے فائر واٹر پمپ کی جگہ نیا 2,500 گیلن فی منٹ پمپ کرنے کی صلاحیت والا فائر واٹر پمپ نصب کیا گیا جو NFPA 20 کے قواعد کے مطابق ہے۔ اس طرح فائر گیپ اسٹڈی کے مشاہدات پر عملدرآمد کیا جو کہ آگ پر قابو پانے کی صلاحیت کی بہتری سے متعلق تھے۔

## اسٹوریج ٹینکس کے لئے ریڈار ٹینک گیجنگ (Radar Gauging) سسٹم

رواں سال میں پرانے روایتی (مکینیکل) گیجنگ سسٹم کو جدید اور بہتر کرنے کے پروگرام کے تحت ٹینکس میں ریڈار ٹینک گیجنگ سسٹم نصب کیا گیا۔ اب تک طے شدہ 50 میں سے 33 ٹینکس پر یہ سسٹم نصب کیا جا چکا ہے۔ اس نظام سے ٹینک کی سطح، درجہ حرارت، کثافت اور پانی کی سطح کی صحیح پیمائش کنٹرول روم سے دیکھی جاسکتی ہے۔ یہ نظام OIML R85, API, ASTM اور ISO کے صنعتی معیار کے حساب سے وزن اور پیمائش کے قابل بھروسہ اعداد و شمار فراہم کرتا ہے۔

## ریفائنری کی توسیع اور اپ گریڈیشن

ریفائنری کو اپ گریڈ کرنے اور ڈیزل ہائیڈروڈی سلفیورائزیشن یونٹ (DHDS) کی تنصیب کے لئے بین الاقوامی کنسلٹنٹس کے ساتھ مختلف ٹیکنالوجیز کے جائزے پر کام ہو رہا ہے اور اس سلسلے میں مختلف مالی معاملات پر بھی غور کیا جا رہا ہے۔ DHDS سے ریفائنری EURO II معیار کے ڈیزل کی پیداوار کرنے والی ریفائنری بن جائے گی۔

## موک ڈرل (فرضی مشق)

ریفائزری ملازمین کی تربیت، اور فائر فائٹنگ نظام (آگ پر قابو پانے کے نظام) پر عمل درآمد کی موثریت کو جانچنے کے مقصد سے کیا ڈری اور کورنگی تنصیبات پر فرضی مشقوں کا اہتمام کیا گیا۔

## ریفائزری کی انتظامیہ اور آپریشنز

سال بھر متواتر بجلی کی لوڈ شیڈنگ کے باوجود ریفائزری نے اپنے آپریشنز بہتر انداز میں جاری رکھے۔ آئسو مرانزیشن یونٹ کے فعال ہونے سے موٹر گیسولین (پیٹرول) کی پیداوار 256,194 میٹرک ٹن رہی جو کہ گزشتہ سال 123,032 میٹرک ٹن تھی۔ پیٹرول کی اضافی پیداوار کمپنی کے منافع کی صلاحیت میں اضافے کے ساتھ ملک میں پیٹرول کی طلب اور پیداوار کے فرق کو بھی کم کرنے میں معاون ثابت ہو رہی ہے۔

## SAP آئل مومنٹ سلیوشن سافٹ ویئر

SAP آئل مومنٹ سلیوشن سافٹ ویئر پر عمل درآمد سے خام تیل، تیار شدہ مصنوعات اور بلینڈنگ کیمیکلز کی بروقت انویسٹری کے نظام کو آسان بنانے میں مدد ملی ہے۔ اس سافٹ ویئر سے خام تیل اور دیگر مصنوعات کی خریداری کی منصوبہ بندی سے متعلق کمپنی کے آپریشنز میں بہتری آئے گی۔

## اندرون شہر پائپ لائن کی (IP) Intelligent Pigging

پاکستان ریفائزری لمیٹڈ ماحول کے تحفظ اور حفاظت کو یقینی بنانے کے لئے ایک موثر حکمت عملی پر یقین رکھتی ہے۔ اس سلسلے میں IP ٹیکنالوجی کے استعمال سے اندرون شہر پائپ لائنز کی جانچ کی گئی۔ پائپ لائنوں کی مرمت کا عمومی شیڈول کسی بھی ان دیکھے حالات اور ماحول پر بڑے اثرات ڈالنے کے خطرے کو کم کرنے کے لئے جاری رہتا ہے۔

’IP انسپیکشن رپورٹ‘ کی بنیاد پر ہنگامی مرمت کے کام انجام دیئے گئے، جس کے پہلے مرحلے میں ’8 قطر کی وائٹ آئل اور ’10 قطر کی فیول آئل لائنوں پر 80 فیصد یا اس سے زائد موٹائی میں ہونے والی کمی کو ٹھیک کیا گیا۔ اس کے دوسرے مرحلے میں سال 2016-17 میں ان لائنوں پر 50 فیصد سے 80 فیصد موٹائی میں ہونے والی کمی کو ٹھیک کیا جائے گا۔

## ابوظہبی نیشنل آئل کمپنی کے ساتھ خام تیل کی فراہمی کا معاہدہ

گزشتہ سال کمپنی نے ابوظہبی نیشنل آئل کمپنی (ADNOC) کے ساتھ خام تیل کی فراہمی کا معاہدہ کیا، یہ دو سالہ معاہدہ جولائی 2015 میں شروع ہونے سے ریفائزری کو روزانہ 29,000 بیرل خام تیل کی فراہمی یقینی ہوئی جو پہلے 23,500 بیرل روزانہ تھی۔ پہلے سال میں کمپنی نے 29,044 بیرل روزانہ کی شرح سے مختلف قسم کے خام تیل ADNOC سے درآمد کئے اور ان کی مختلف پیٹرولیم مصنوعات میں پروسیسنگ کی۔ زیر جائزہ سال کے دوران ADNOC سے درآمد کئے گئے مجموعی خام تیل کی مقدار تقریباً 76 فیصد Das اور 24 فیصد Upper Zakum پر مشتمل ہے۔

## صحت، حفاظت، ماحول اور معیار (HSEQ)

پاکستان ریفرنسری نے 30 جون 2016 تک بغیر کسی حادثہ کے 75 لاکھ گھنٹوں کی تکمیل کی۔ اس سنگ میل میں 2014 میں ہونے والے اہم ٹرن آراؤنڈ اور آئسو مرائزیشن پروجیکٹ سے متعلق اہم سرگرمیوں بشمول اس کی تنصیب اور نئے ٹینکس کی تنصیب، مرمت اور بحالی کا کام بھی شامل ہے جو کہ محفوظ طریقے سے انجام دیئے گئے۔

پاکستان ریفرنسری لمیٹڈ نے بارہواں سالانہ ماحولیاتی امتیازی ایوارڈ برائے 2015 جیتا جس کا اہتمام قومی فورم برائے ماحول اور صحت (NFE) کی جانب سے 27 اگست 2015 کو کیا گیا تھا۔ کمپنی نے گیارہویں EFP-OSH&E ایوارڈ کے تیل، گیس اور توانائی کے شعبے میں دوسری پوزیشن حاصل کی جس کا اہتمام ایمپلائر فیڈریشن آف پاکستان (EFP) نے 28 اپریل 2016 کو کیا تھا۔

### قانونی ضروریات پر عمل درآمد

سندھ ماحولیاتی پروٹیکشن ایجنسی (SEPA) کی منتخب کردہ خود مختار لیبارٹریز کی جانب سے ریفرنسری سے اخراج اور بہاؤ کے تمام ماہانہ ٹیسٹ کے نتائج قومی ماحولیاتی معیار (NEQS) کی حدود میں ہیں اور خود کار نگرانی اور رپورٹنگ ٹول (SMART) پروگرام سے ہونے والی رپورٹنگ پاکستان ماحولیاتی پروٹیکشن ایجنسی (PEPA) کو متواتر بھیجی جاتی ہے۔

### تیسرے فریق کی سند سے متعلق عمل درآمد

Bureau Veritas کی جانب سے دسمبر 2015 میں کی جانے والی دوبارہ تصدیقی آڈٹ کے بعد مسلسل دوسرے سال بھی کمپنی نے کسی نان کنفرمیٹری رپورٹ (NCR) کے بغیر ISO 9001, 14001 اور OHSAS 18001 کی اہلیت حاصل کر لی ہے۔

### عالمی دن برائے ماحولیات

ریفرنسری میں عالمی دن برائے ماحولیات کے موقع پر ایک خصوصی تقریب کا اہتمام کیا گیا اور اس دن ریفرنسری سے منسلک سڑک اور کرکٹ کے میدان میں مزید درخت کاشت کرتے ہوئے اپنی ماحول دوستی کا ثبوت دیا گیا۔

### ٹریننگ

کمپنی اپنے ملازمین کی صلاحیتوں میں نکھار لانے کے لئے بحفاظت ڈرائیونگ، H<sub>2</sub>S سے متعلق آگہی اور ہنگامی حالات سے نبرد آزما ہونے کے لئے قومی فائر پروٹیکشن ایجنسی (NFPA) 1001 اور HSEQ کے مطلوبہ معیار کے مطابق کنٹریکٹرز کے ملازمین کے لئے لگاہے لگاہے کورسز کا انعقاد کرتی ہے۔

## ڈیویڈنڈ (منافع منقسمہ)

کمپنی کے ڈائریکٹرز نے حتمی نقد منافع منقسمہ بحساب 3.1 فیصد یا 0.31 روپے فی شیئر تجویز کیا ہے۔ یہ ان شیئر ہولڈرز کو ادا کیا جائے گا جن کے نام سالانہ اجلاس عام کے لئے "Book Closure" سے پہلے شیئر ہولڈرز کے رجسٹر میں درج ہوں گے۔

## رائٹس اشو (حقوق کا اجراء)

امسال کمپنی نے 2.8 ارب روپے کے مجموعی اجراء میں سے 2.59 ارب روپے کے شیئرز جاری کئے۔ 210 ملین روپے کے بقیہ رائٹس کے اجراء کی تفصیلات کے لئے 30 جون 2016 کو ختم شدہ سال کے مالیاتی گوشوارے کا نوٹ 16.3 ملاحظہ کریں۔

## کارپوریٹ اور مالیاتی رپورٹنگ کا طریقہ کار

- کمپنی کے مالیاتی گوشوارے انتظامیہ نے تیار کئے ہیں جس میں ان کے معاملات کی حالت، اس کے آپریشنز کے نتائج، کیش فلو ز اور ایکویٹی کی تبدیلیوں کو پیش کیا گیا ہے۔
- کمپنی نے کمپنیز آرڈیننس 1984 کے تحت گوشوارے کی باقاعدہ کتابیں رکھی ہیں۔
- کمپنی نے اپنے مالیاتی گوشواروں کی تیاری میں متواتر اور مناسب اکاؤنٹنگ پالیسیوں پر عمل درآمد کیا ہے۔ اکاؤنٹنگ پالیسیوں میں تبدیلیاں، اگر کہیں کی گئی ہیں تو انہیں مناسب طریقے سے مالیاتی گوشواروں میں واضح کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے احتیاط سے اور موزوں اندازے کی بنیاد پر لگائے گئے ہیں۔
- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز (جنہیں ماضی میں بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز کہا جاتا تھا) جو کہ پاکستان میں لاگو ہیں، مالیاتی گوشواروں کی تیاری میں ان پر عمل درآمد کیا گیا ہے اور انحراف اگر کوئی ہے تو اسے باقاعدہ واضح کیا گیا ہے۔
- کمپنی کا موثر اندرونی ضابطہ کا نظام موجود ہے اور اس پر مسلسل عمل درآمد اور نگرانی جاری رہتی ہے

## کریڈٹ ریٹنگ

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

منافع پر چیلنجز کے باوجود یہ بات بہت اطمینان بخش ہے کہ ریفا نری نے اپنے آپریشنز امسال کسی بھی رکاوٹ کے بغیر 366 دن جاری رکھے۔ آپریشنز کا یہ تسلسل ریفا نری کی دیکھ بھال کی منصوبہ بندی پر مکمل عمل درآمد، پلانٹ کی سالمیت، مستحکم لیکوئڈٹی اور فنڈز کے اہتمام کا عکاس ہے۔

کمپنی کے بیرونی آڈیٹرز نے اپنی رپورٹ میں ایک توجہ دلاؤ پیرا گراف شامل کیا ہے، جو کہ کمپنی کے ”Going Concern“ ہونے پر ممکنہ اثرات پر توجہ دینے پر زور دیتا ہے۔

30 جون 2016 تک کمپنی نے 4.75 ارب روپے کے مجموعی نقصانات کئے ہیں (2015 میں 4.85 ارب روپے) جس کے نتیجے میں منفی ایکوئٹی 1.33 ارب روپے رہی (2015 میں 1.51 ارب روپے)، اور اس کی رواں ادائیگیاں کمپنی کے رواں اثاثوں سے 8.5 ارب روپے (2015 میں 8.77 ارب روپے) زائد ہیں۔ یہ حالات کمپنی کی ”Going Concern“ ہونے کے متعلق شکوک پیدا کر سکتے ہیں۔ تاہم درج ذیل عوامل کے پیش نظر کمپنی کو یقین ہے کہ وہ اپنا کام جاری رکھے گی اور کاروبار کے عمومی حالات میں اپنے اثاثوں کو استعمال کرے گی اور اپنے واجبات کو ادا کرے گی:

- منفی ایکوئٹی کی حالت کو بہتر کرنے کے لئے اس سال کمپنی نے 2.8 ارب روپے کے رائٹ شیئرز (مالیاتی گوشوارے کا نوٹ 16 ملاحظہ کریں) کا اجراء کیا۔
- آئسو مرانزیشن پلانٹ پورا سال فعال رہا جس کے نتیجے میں لائٹ Naphtha کو تبدیل کر کے 123,385 میٹرک ٹن اضافی موٹر کیسولین (پٹرول) کی پیداوار ہوئی جس سے کمپنی کے منافع کی شرح میں اضافہ ہوا اور یہ مستقبل میں بھی جاری رہے گا۔
- کمپنی نے اپنی رنگ فنانس کی سہولیات میں اضافہ کرتے ہوئے اسے 8.1 ارب روپے سے 8.75 ارب روپے کر دیا جس کے لئے اس سال 2 نئے بینک بھی شامل کئے۔ مالیاتی اداروں سے مختلف مالی سہولیات میں فراہمی کا تسلسل ان اداروں کا کمپنی پر اعتماد کا ثبوت ہے۔
- عالمی خام تیل کے سپلائرز مثلاً متحدہ عرب امارات کی ابوظہبی نیشنل آئل کمپنی کے ساتھ ”ٹرم کنٹریکٹس“ کی بدولت کمپنی نے اپنی خام تیل کی فراہمی کے سلسلے کو محفوظ کیا ہے تاکہ ریفا نری آپریشنز کو خام تیل کی رسد جاری رہے۔ اس کے ساتھ مقامی خام تیل کی باضانت فراہمی جو کہ کمپنی کی 20% خام تیل کی ضروریات کے برابر ہے، ریفا نری کے مستقل آپریشنز کو تقویت پہنچاتی ہے۔ دوسری جانب کمپنی نے پاکستان کی تمام بڑی آئل مارکیٹنگ کمپنیوں (OMC) سے طویل مدت فروخت کے معاہدے کر رکھے ہیں، ان میں شیل پاکستان لمیٹڈ، ٹوٹل پارکو مارکیٹنگ لمیٹڈ (سابقہ شیوران پاکستان لمیٹڈ) اور پاکستان اسٹیٹ آئل کمپنی لمیٹڈ شامل ہیں جس سے ریفا نری کی مصنوعات کے بروقت فروخت کی یقین دہانی ہوتی ہے۔

درج بالا عوامل، متوقع منافع اور کیش فلوز کے پیش نظر کمپنی کو یقین ہے کہ وہ کاروبار کے عمومی حالات میں اپنے اثاثوں کو استعمال کرے گی اور اپنے واجبات کو ادا کرے گی۔ اسی لئے مالیاتی گوشوارے ”Going Concern“ کی بنیاد پر تیار کئے گئے ہیں۔



# ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز اپنی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے برائے سال ختم شدہ 30 جون 2016 پیش کر رہے ہیں۔

## مالی نتائج (فنانشل رزلٹس)

سال کے لئے مجوزہ تخصیص (اپروپریٹیشن)

| 2016            | 2015        |
|-----------------|-------------|
| (روپے ہزار میں) |             |
| 283,391         | (1,181,662) |
| (100,109)       | (82,159)    |
| 183,282         | (1,263,821) |
| (4,853,066)     | (3,484,462) |
| -               | (104,783)   |
| -               | -           |
| (83,282)        | -           |
| (4,753,066)     | (4,853,066) |
| Rs. 0.93        | (Rs. 5.42)  |

منافع / (نقصان) بعد از ٹیکس  
دیگر مجموعی آمدنی / (نقصان)  
کل تسلیم شدہ آمدنی / (نقصان)  
جولائی 1 تک مجموعی نقصان  
رائٹس اشوکے اجراء کے خرچے  
تخصیص:

Board of Directors: 2016 کی منظوری سے مشروط تقسیم کے لئے موجود

2015: روپے، کوئی نہیں

اسپیشل ریزرو میں منتقلی

30 جون تک مجموعی نقصان

منافع / (نقصان) فی شیئر

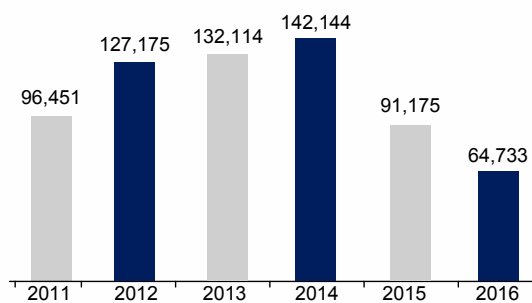
کمپنی نے آئسومرائزیشن یونٹ کے فوائد حاصل کرنا شروع کر دیئے ہیں جو کہ سال بھر فعال رہا اور کمپنی نے بعد از ٹیکس 283.39 ملین روپے منافع کیا جو گزشتہ سال کے اسی عرصہ کے دوران 1.18 ارب روپے نقصان بعد از ٹیکس تھا۔

کمپنی پر ہائی اسپیڈ ڈیزل کی قیمتوں کے نظام کا منفی دباؤ برقرار ہے۔ اس نظام کے تحت ریفائنریز کو اصل امپورٹ قیمت اور Notional Ex-Refinery قیمتوں کا فرق جمع کرانا ہوتا ہے۔ اس منفی نظام کے باعث کمپنی کو اس سال میں 1.359 ارب روپے کا نقصان ہوا۔ اس بات کا خیال رہے کہ اس نظام کی وجہ سے جو کہ حکومت نے مارچ 2013 میں متعارف کیا تھا اب تک کمپنی کے منافع سے کل 3.193 ارب روپے کی کمی واقع ہو چکی ہے۔

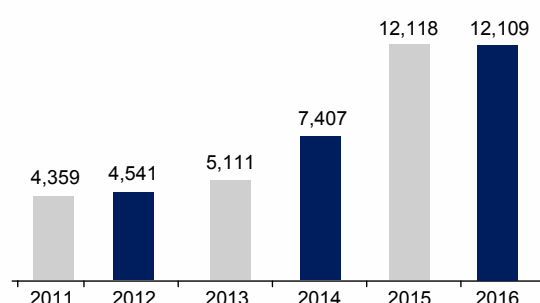
# Key Operational and Financial Data

## Six Years Summary

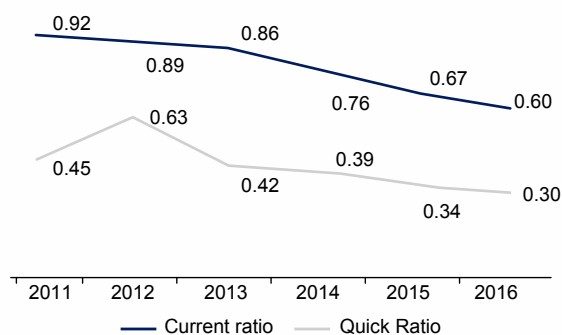
Revenue (Rs. in mn)



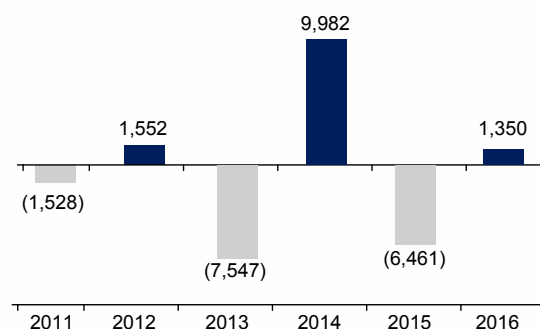
Fixed and intangible assets (Rs. in mn)



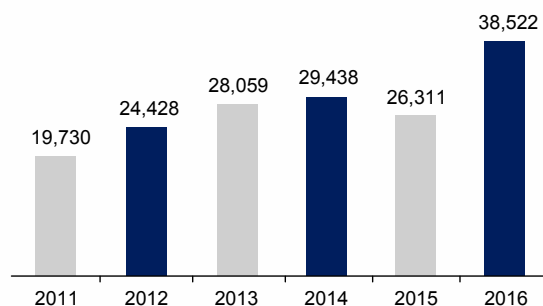
Liquidity Ratios



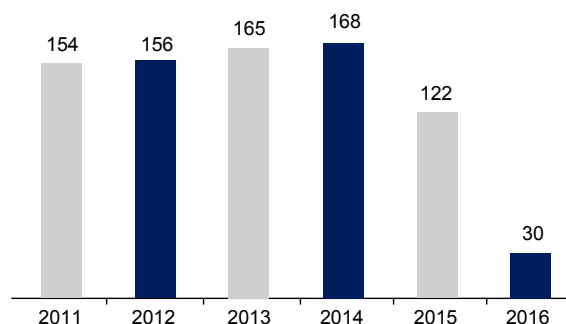
Net Cash Flows (Rs. in mn)



Contribution to National Exchequer (Rs. in mn)



Exports (USD in mn)



# Key Operational and Financial Data

## Six Years Summary

|  |         | 2016        | 2015        | 2014        | 2013        | 2012        | 2011      |
|--|---------|-------------|-------------|-------------|-------------|-------------|-----------|
| Profit and loss  |         |             |             |             |             |             |           |
| Revenue (net)  | Rs. /mn | 64,732.9    | 91,174.7    | 142,144.5   | 132,114.4   | 127,174.8   | 96,450.6  |
| Gross profit / (loss)  | Rs. /mn | 1,989.7     | (677.0)     | (707.9)     | 1,948.9     | 29.4        | 2,417.7   |
| Operating profit / (loss)  | Rs. /mn | 1,390.1     | (984.3)     | (783.0)     | 1,587.7     | 13.5        | 937.5     |
| Profit / (loss) before tax   | Rs. /mn | 486.6       | (1,673.0)   | (856.5)     | 1,237.6     | (896.5)     | 734.1     |
| Profit / (loss) after tax  | Rs. /mn | 283.4       | (1,181.7)   | (863.9)     | 496.0       | (1,615.7)   | 223.9     |
| Earnings before interest, taxes, depreciation and amortisation                         | Rs. /mn | 2,217.4     | (609.5)     | (65.4)      | 1,771.0     | (306.1)     | 1,074.0   |
| Balance Sheet  |         |             |             |             |             |             |           |
| Share Capital  | Rs. /mn | 2,940.0     | 350.0       | 350.0       | 350.0       | 350.0       | 350.0     |
| Share deposit money  | Rs. /mn | -           | 2,590.0     | -           | -           | -           | -         |
| Reserves   | Rs. /mn | (4,270,439) | (4,453,151) | (3,079,191) | (2,333,232) | (2,717,130) | (917,011) |
| Fixed assets and Intangible assets   | Rs. /mn | 12,109.5    | 12,118.2    | 7,407.3     | 5,111.4     | 4,541.2     | 4,359.1   |
| Net current assets / liabilities   | Rs. /mn | (8,046.4)   | (8,768.9)   | (6,900.1)   | (3,742.8)   | (3,692.3)   | (1,852.9) |
| Long term / deferred liabilities   | Rs. /mn | 2,261.5     | 2,138.5     | 82.4        | 293.3       | 171.0       | 18.7      |
| Surplus on revaluation of fixed assets   | Rs. /mn | 3,497.9     | 3,297.9     | 3,297.9     | 3,197.9     | 3,143.9     | 3,143.9   |
| Investor Information   |         |             |             |             |             |             |           |
| Gross profit ratio   | %       | 3.07        | (0.74)      | (0.50)      | 1.48        | 0.02        | 2.51      |
| Net profit ratio   | %       | 0.44        | (1.30)      | (0.61)      | 0.38        | (1.27)      | 0.23      |
| EBITDA margin  | %       | 3.43        | (0.67)      | (0.05)      | 1.34        | (0.24)      | 1.11      |
| Cash flow from operations to sales   | %       | (1.66)      | (0.06)      | 2.42        | (5.21)      | 1.41        | 1.70      |
| Inventory turnover   | Days    | 30.93       | 30.18       | 26.38       | 26.37       | 24.23       | 30.79     |
| Debtor turnover  | Days    | 32.35       | 29.66       | 24.90       | 43.54       | 44.05       | 49.39     |
| Operating cycle  | Days    | (5.38)      | (12.14)     | 4.27        | (0.40)      | (7.61)      | (8.89)    |
| Debtor turnover  | Times   | 11.32       | 12.31       | 14.66       | 8.38        | 8.29        | 7.39      |
| Creditor turnover  | Times   | 5.33        | 5.07        | 7.79        | 5.21        | 4.82        | 4.10      |
| Inventory turnover   | Times   | 11.83       | 12.09       | 13.83       | 13.84       | 15.06       | 11.85     |
| Total assets turnover ratio  | Times   | 2.61        | 2.96        | 4.93        | 4.82        | 3.72        | 3.86      |
| Fixed assets turnover ratio  | Times   | 5.35        | 7.52        | 19.19       | 25.85       | 28.00       | 22.13     |
| Market value per share at the end of the year  | Rs.     | 41.18       | 60.93       | 161.75      | 81.41       | 57.45       | 80.45     |
| Market value per share - high during the year  | Rs.     | 62.13       | 195.68      | 173.35      | 97.63       | 81.64       | 118.87    |
| Market value per share - low during the year   | Rs.     | 35.47       | 137.28      | 61.64       | 56.25       | 52.21       | 50.02     |
| Breakup value per share without Surplus on Revaluation of Fixed Assets                 | Rs.     | (4.53)      | (43.23)     | (77.98)     | (56.66)     | (67.63)     | (16.20)   |
| Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets | Rs.     | 7.37        | 50.99       | 16.25       | 34.71       | 22.19       | 73.63     |
| Earnings / (loss) per share (Restated)   | Rs.     | 0.93        | (5.42)      | (3.96)      | 2.27        | (7.40)      | 1.03      |
| Price earning ratio (Restated)   | Times   | 44.28       | *           | *           | 35.81       | *           | 78.40     |
| Cash dividend per share  | Rs.     | 0.31        | -           | -           | 2.85        | -           | 1.50      |
| Dividend yield   | %       | 0.75        | -           | -           | -           | -           | 1.86      |
| Dividend pay out   | %       | 33.33       | -           | -           | 125.38      | -           | 146.19    |
| Dividend Cover (Restated)  | Times   | 3.11        | -           | -           | 4.97        | -           | 4.26      |
| Interest cover ratio   | Times   | 1.56        | (1.27)      | (0.47)      | 4.87        | (1.24)      | 5.19      |
| Current ratio  | Ratio   | 0.60:1      | 0.67:1      | 0.76:1      | 0.86:1      | 0.89:1      | 0.92:1    |
| Quick ratio / acid test ratio  | Ratio   | 0.30:1      | 0.34:1      | 0.39:1      | 0.42:1      | 0.63:1      | 0.45:1    |
| Cash to current liabilities  | Ratio   | 0.029:1     | 0.105:1     | 0.081:1     | -0.297:1    | -0.004:1    | -0.08:1   |
| Summary of cash flow statement   |         |             |             |             |             |             |           |
| Cash flows from operating activities   | Rs. /mn | (1,071.6)   | (56.4)      | 3,443.5     | (6,886.3)   | 1,787.4     | 1,638.0   |
| Cash flows from investing activities   | Rs. /mn | (519.7)     | (4,615.7)   | (2,168.4)   | (662.0)     | (184.6)     | (173.8)   |
| Cash flows from financing activities   | Rs. /mn | 2,941.2     | (1,788.9)   | 8,713.2     | (0.0)       | (51.2)      | (2,992.1) |
| Net cash flows during the year   | Rs. /mn | 1,350.0     | (6,461.0)   | 9,981.57    | (7,547.3)   | 1,551.6     | (1,527.9) |

\*Not applicable due to loss

# Horizontal Analysis of Profit and Loss Account

|                                 | 2016        | 2015      | 2014      | 2013       | 2012    | 2011        | 2010    |
|---------------------------------|-------------|-----------|-----------|------------|---------|-------------|---------|
| Sales                           | 84.4        | 118.9     | 185.4     | 172.3      | 165.9   | 125.8       | 100.0   |
| Cost of sales                   | (81.2)      | (118.8)   | (184.8)   | (168.4)    | (164.5) | (121.7)     | (100.0) |
| Gross profit / (loss)           | 315.4       | (107.3)   | (112.2)   | 308.9      | 4.7     | 383.2       | 100.0   |
| Distribution cost               | (134.9)     | (168.4)   | (156.3)   | (144.7)    | (126.7) | (130.2)     | (100.0) |
| Administrative expenses         | (174.9)     | (162.1)   | (136.1)   | (166.8)    | (142.2) | (109.1)     | (100.0) |
| Other operating expenses        | (185,851.9) | (3,820.5) | (1,055.0) | (22,349.8) | (147.6) | (344,824.3) | (100.0) |
| Other income                    | 507.1       | 147.6     | 277.6     | 148.7      | 299.8   | 247.3       | 100.0   |
| Operating profit / (loss)       | 174.9       | (123.8)   | (98.5)    | 199.8      | 1.7     | 118.0       | 100.0   |
| Finance costs                   | (80.1)      | (62.3)    | (7.7)     | (31.6)     | (81.2)  | (18.7)      | (100.0) |
| Share of income of associate    | 36.5        | 123.2     | 92.1      | 56.4       | 73.5    | 58.8        | 100.0   |
| Profit / (loss) before taxation | 25.4        | (87.4)    | (44.7)    | 64.6       | (46.8)  | 38.3        | 100.0   |
| Taxation                        | (19.2)      | 46.3      | (0.7)     | (69.9)     | (67.8)  | (48.1)      | (100.0) |
| Profit / (loss) after taxation  | 9.5         | (39.7)    | (29.0)    | 16.7       | (54.3)  | 7.5         | 100.0   |

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

|                                 | 2016             | 2015    | 2014    | 2013    | 2012     | 2011    | 2010    |
|---------------------------------|------------------|---------|---------|---------|----------|---------|---------|
|                                 | (In percentages) |         |         |         |          |         |         |
| Sales                           | 100.0            | 100.0   | 100.0   | 100.0   | 100.0    | 100.0   | 100.0   |
| Cost of sales                   | (96.9)           | (100.7) | (100.5) | (98.5)  | (100.0)  | (97.5)  | (100.8) |
| Gross profit / (loss)           | 3.1              | (0.7)   | (0.5)   | 1.5     | 0.02     | 2.5     | (0.8)   |
| Distribution cost               | (0.3)            | (0.2)   | (0.1)   | (0.1)   | (0.1)    | (0.2)   | (0.2)   |
| Administrative expenses         | (0.4)            | (0.3)   | (0.2)   | (0.2)   | (0.2)    | (0.2)   | (0.2)   |
| Other operating expenses        | (1.206)          | (0.018) | (0.003) | (0.071) | (0.0005) | (1.502) | (0.001) |
| Other income                    | 1.0              | 0.2     | 0.2     | 0.1     | 0.3      | 0.3     | 0.2     |
| Operating profit / (loss)       | 2.1              | (1.1)   | (0.6)   | 1.2     | 0.0      | 1.0     | (1.0)   |
| Finance costs                   | (1.4)            | (0.8)   | (0.1)   | (0.3)   | (0.7)    | (0.2)   | (1.5)   |
| Share of income of associate    | 0.01             | 0.02    | 0.01    | 0.01    | 0.01     | 0.01    | 0.02    |
| Profit / (loss) before taxation | 0.8              | (1.8)   | (0.6)   | 0.9     | (0.7)    | 0.8     | (2.5)   |
| Taxation                        | (0.314)          | 0.539   | (0.005) | (0.6)   | (0.6)    | (0.5)   | (1.4)   |
| Profit / (loss) after taxation  | 0.4              | (1.3)   | (0.6)   | 0.4     | (1.3)    | 0.2     | (3.9)   |

# Horizontal Analysis of Balance Sheet

|   | 2016             | 2015             | 2014           | 2013            | 2012            | 2011           | 2010         |
|---|------------------|------------------|----------------|-----------------|-----------------|----------------|--------------|
| <b>ASSETS</b>                                 |                  |                  |                |                 |                 |                |              |
| <b>Non-current assets</b>                     |                  |                  |                |                 |                 |                |              |
| Fixed assets and Intangible assets            | 216.3            | 216.4            | 132.3          | 91.3            | 81.1            | 77.9           | 100.0        |
| Investment in associate                       | 128.2            | 137.2            | 134.6          | 128.2           | 116.8           | 105.9          | 100.0        |
| Long-term loans and advances                  | 64.0             | 51.4             | 30.5           | 30.1            | 69.2            | 57.3           | 100.0        |
| Long-term deposits                            | 158.0            | 157.9            | 377.0          | 375.9           | 110.2           | 100.9          | 100.0        |
| Deferred taxation                             | 3,044.5          | 5,485.2          | -              | -               | -               | -              | 100.0        |
| <b>Total non-current assets</b>               | <b>219.0</b>     | <b>222.8</b>     | <b>132.6</b>   | <b>92.2</b>     | <b>81.5</b>     | <b>78.1</b>    | <b>100.0</b> |
| <b>Current assets</b>                         |                  |                  |                |                 |                 |                |              |
| Stores, spares and chemicals                  | 153.3            | 93.0             | 114.7          | 85.0            | 78.7            | 112.2          | 100.0        |
| Stock-in-trade                                | 74.7             | 81.0             | 142.0          | 161.2           | 114.9           | 132.9          | 100.0        |
| Trade debts                                   | 32.3             | 38.7             | 53.3           | 67.0            | 128.5           | 61.9           | 100.0        |
| Loans and advances                            | 265.3            | 58.8             | 135.2          | 204.0           | 140.1           | 111.1          | 100.0        |
| Accrued mark-up                               | -                | -                | -              | -               | -               | 100.0          | -            |
| Trade deposits and short-term prepayments     | 166.0            | 75.9             | 29.1           | 17.3            | 111.1           | 102.4          | 100.0        |
| Other receivables                             | 6.9              | 180.6            | 4.4            | 3.3             | 30.9            | 82.2           | 100.0        |
| Taxation - payments less provision            | 733.3            | 648.1            | 328.5          | -               | 26.9            | 18.2           | 100.0        |
| Tax refunds due from Government - Sales tax   | -                | -                | -              | -               | -               | -              | 100.0        |
| Cash and bank balances                        | 6,118.8          | 29,348.6         | 23,856.8       | 887.3           | 3,197.7         | 74.7           | 100.0        |
| <b>Total current assets</b>                   | <b>48.9</b>      | <b>71.8</b>      | <b>84.6</b>    | <b>88.1</b>     | <b>117.5</b>    | <b>81.6</b>    | <b>100.0</b> |
| <b>Total assets</b>                           | <b>80.3</b>      | <b>99.7</b>      | <b>93.5</b>    | <b>88.8</b>     | <b>110.9</b>    | <b>80.9</b>    | <b>100.0</b> |
| <b>EQUITY AND LIABILITIES</b>                 |                  |                  |                |                 |                 |                |              |
| Share capital                                 | 840.0            | 100.0            | 100.0          | 100.0           | 100.0           | 100.0          | 100.0        |
| Subscription money against rights issue       | -                | 100.0            | -              | -               | -               | -              | -            |
| Accumulated losses                            | (416.5)          | (425.3)          | (305.4)        | (240.0)         | (238.4)         | (80.4)         | (100.0)      |
| Fair value reserve                            | (23.1)           | (32.7)           | (122.5)        | (119.8)         | (21.2)          | 30.5           | 100.0        |
| Exchange equalisation reserve                 | 100.0            | 100.0            | 100.0          | 100.0           | 100.0           | 100.0          | 100.0        |
| General reserve                               | 100.0            | 100.0            | 100.0          | 100.0           | 100.0           | 100.0          | 100.0        |
| Special reserve                               | 100.0            | 100.0            | 100.0          | 100.0           | -               | -              | -            |
| <b>Total equity</b>                           | <b>167.3</b>     | <b>190.3</b>     | <b>343.2</b>   | <b>249.4</b>    | <b>297.7</b>    | <b>71.3</b>    | <b>100.0</b> |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b> | <b>111.3</b>     | <b>104.9</b>     | <b>104.9</b>   | <b>101.7</b>    | <b>-</b>        | <b>100.0</b>   | <b>100.0</b> |
| <b>LIABILITIES</b>                            |                  |                  |                |                 |                 |                |              |
| <b>Non-current liabilities</b>                |                  |                  |                |                 |                 |                |              |
| Long term loan                                | 100.0            | 100.0            | -              | -               | -               | -              | -            |
| Retirement benefit obligations                | 21,221.0         | 12,167.2         | 5,186.6        | 23,879.0        | 13,253.4        | 1,056.9        | 100.0        |
| Deferred taxation                             | -                | -                | 100.0          | 100.0           | 100.0           | 100.0          | -            |
| Unearned income                               | 100.0            | -                | -              | -               | -               | -              | -            |
| <b>Total non-current liabilities</b>          | <b>198,725.4</b> | <b>187,914.1</b> | <b>7,237.0</b> | <b>25,774.5</b> | <b>15,028.9</b> | <b>1,640.2</b> | <b>100.0</b> |
| <b>Current liabilities</b>                    |                  |                  |                |                 |                 |                |              |
| Trade and other payables                      | 44.5             | 67.3             | 75.8           | 66.9            | 127.0           | 79.4           | 100.0        |
| Term finance certificates                     | 100.0            | 100.0            | 100.0          | -               | -               | -              | -            |
| Short-term borrowings / running finance       | 28.6             | 78.3             | 189.1          | 245.3           | 14.3            | 53.8           | 100.0        |
| Accrued interest / mark-up                    | -                | -                | -              | -               | -               | -              | -            |
| Taxation - provision less payments            | -                | -                | -              | 100.0           | -               | -              | -            |
| Payable to Government - Sales tax             | 100.0            | 100.0            | 100.0          | 100.0           | 100.0           | 100.0          | -            |
| <b>Total current liabilities</b>              | <b>71.4</b>      | <b>94.1</b>      | <b>98.9</b>    | <b>90.9</b>     | <b>116.7</b>    | <b>78.5</b>    | <b>100.0</b> |
| <b>Total liabilities</b>                      | <b>79.3</b>      | <b>101.6</b>     | <b>99.2</b>    | <b>91.9</b>     | <b>117.3</b>    | <b>78.6</b>    | <b>100.0</b> |
| <b>Total equity and liabilities</b>           | <b>80.3</b>      | <b>99.7</b>      | <b>93.5</b>    | <b>88.8</b>     | <b>110.9</b>    | <b>80.9</b>    | <b>100.0</b> |

# Vertical Analysis of Balance Sheet

(As a percentage of total assets)

|   | 2016             | 2015   | 2014   | 2013   | 2012  | 2011    | 2010    |
|---|------------------|--------|--------|--------|-------|---------|---------|
|   | (In percentages) |        |        |        |       |         |         |
| ASSETS                                      |                  |        |        |        |       |         |         |
| Non-current assets                          |                  |        |        |        |       |         |         |
| Fixed assets and Intangible assets          | 48.9             | 39.4   | 25.7   | 18.6   | 13.3  | 17.5    | 18.1    |
| Investment in associate                     | 0.3              | 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     | 0.0     |
| Long-term deposits                          | 0.1              | 0.1    | 0.2    | 0.2    | 0.0   | 0.1     | 0.0     |
| Deferred taxation                           | 1.0              | 1.5    | -      | -      | -     | -       | 0.0     |
| Total non-current assets                    | 50.4             | 41.3   | 26.2   | 19.2   | 13.6  | 17.8    | 18.5    |
| Current assets                              |                  |        |        |        |       |         |         |
| Stores, spares and chemicals                | 1.4              | 0.7    | 0.9    | 0.7    | 0.5   | 1.0     | 0.7     |
| Stock-in-trade                              | 20.5             | 17.9   | 33.5   | 40.0   | 22.9  | 36.2    | 22.1    |
| Trade debts                                 | 21.0             | 20.3   | 29.8   | 39.4   | 60.5  | 40.0    | 52.2    |
| Loans and advances                          | 0.3              | 0.0    | 0.1    | 0.2    | 0.1   | 0.1     | 0.1     |
| Accrued mark-up                             | -                | -      | -      | -      | -     | 0.004   | -       |
| Trade deposits and short-term prepayments   | 0.3              | 0.1    | 0.0    | 0.0    | 0.2   | 0.2     | 0.2     |
| Other receivables                           | 0.4              | 8.1    | 0.2    | 0.2    | 1.3   | 4.6     | 4.5     |
| Taxation - payments less provision          | 3.4              | 2.4    | 1.3    | -      | 0.1   | 0.1     | 0.4     |
| Tax refunds due from Government - Sales tax | -                | -      | -      | -      | -     | -       | 1.4     |
| Cash and bank balances                      | 2.4              | 9.2    | 7.9    | 0.3    | 0.9   | 0.0     | 0.0     |
| Total current assets                        | 49.7             | 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   | 100.0   |
| EQUITY AND LIABILITIES                      |                  |        |        |        |       |         |         |
| Share capital                               | 11.9             | 1.1    | 1.2    | 1.3    | 1.0   | 1.4     | 1.1     |
| Subscription money against rights issue     | -                | 8.4    | -      | -      | -     | -       | -       |
| Accumulated losses                          | (19.2)           | (15.8) | (12.1) | (10.0) | (8.0) | (3.7)   | (3.7)   |
| Fair value reserve                          | 0.006            | 0.006  | 0.025  | 0.026  | 0.004 | (0.007) | (0.019) |
| Exchange equalisation reserve               | 0.004            | 0.003  | 0.003  | 0.003  | 0.003 | 0.004   | 0.003   |
| General reserve                             | 0.004            | 0.003  | 0.004  | 0.004  | 0.003 | 0.004   | 0.003   |
| Special reserve                             | 1.9              | 1.3    | 1.4    | 1.4    | -     | -       | -       |
| Total equity                                | (5.4)            | (4.9)  | (9.5)  | (7.2)  | (6.9) | (2.3)   | (2.6)   |
| SURPLUS ON REVALUATION OF<br>FIXED ASSETS   |                  |        |        |        |       |         |         |
|   | 14.1             | 10.7   | 11.4   | 11.7   | 9.2   | 12.6    | 10.2    |
| LIABILITIES                                 |                  |        |        |        |       |         |         |
| Non-current liabilities                     |                  |        |        |        |       |         |         |
| Long term loan                              | 8.1              | 6.5    | -      | -      | -     | -       | -       |
| Retirement benefit obligations              | 1.0              | 0.5    | 0.2    | 1.0    | 0.4   | 0.05    | -       |
| Deferred taxation                           | -                | -      | 0.1    | 0.1    | 0.1   | 0.03    | -       |
| Unearned income                             | 0.1              | -      | -      | -      | -     | -       | -       |
| Total non-current liabilities               | 9.1              | 7.0    | 0.3    | 1.1    | 0.5   | 0.1     | -       |
| Current liabilities                         |                  |        |        |        |       |         |         |
| Trade and other payables                    | 45.4             | 55.3   | 66.4   | 61.7   | 93.9  | 80.3    | 81.9    |
| Term finance certificates                   | 30.9             | 21.5   | 8.4    | -      | -     | -       | -       |
| Short-term borrowings / running finance     | 3.7              | 8.1    | 20.8   | 28.4   | 1.3   | 6.8     | 10.3    |
| Accrued interest / mark-up                  | 0.2              | 0.7    | 0.4    | 0.1    | 0.1   | 0.1     | 0.2     |
| Payable to Government - Sales Tax           | 2.0              | 1.6    | 1.7    | 4.2    | 1.9   | 2.3     | -       |
| Total current liabilities                   | 82.1             | 87.2   | 97.7   | 94.5   | 97.2  | 89.6    | 92.4    |
| Total liabilities                           | 91.3             | 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   | 100.0   |

## Pattern of Shareholding

As at June 30, 2016

| Number of Shareholders | Shareholdings |         | Number of Shares Held |
|------------------------|---------------|---------|-----------------------|
|                        | From          | To      |                       |
| 906                    | 1             | 100     | 30,519                |
| 1,707                  | 101           | 500     | 714,216               |
| 1,614                  | 501           | 1,000   | 1,536,116             |
| 2,984                  | 1,001         | 5,000   | 8,261,446             |
| 759                    | 5,001         | 10,000  | 6,007,134             |
| 246                    | 10,001        | 15,000  | 3,234,582             |
| 185                    | 15,001        | 20,000  | 3,430,118             |
| 102                    | 20,001        | 25,000  | 2,394,996             |
| 67                     | 25,001        | 30,000  | 1,869,773             |
| 54                     | 30,001        | 35,000  | 1,780,949             |
| 36                     | 35,001        | 40,000  | 1,390,308             |
| 25                     | 40,001        | 45,000  | 1,086,575             |
| 31                     | 45,001        | 50,000  | 1,532,077             |
| 21                     | 50,001        | 55,000  | 1,106,299             |
| 16                     | 55,001        | 60,000  | 942,761               |
| 16                     | 60,001        | 65,000  | 1,021,939             |
| 5                      | 65,001        | 70,000  | 341,676               |
| 8                      | 70,001        | 75,000  | 581,757               |
| 7                      | 75,001        | 80,000  | 548,555               |
| 2                      | 80,001        | 85,000  | 166,000               |
| 5                      | 85,001        | 90,000  | 445,550               |
| 7                      | 90,001        | 95,000  | 646,000               |
| 21                     | 95,001        | 100,000 | 2,089,500             |
| 1                      | 100,001       | 105,000 | 101,000               |
| 11                     | 105,001       | 110,000 | 1,193,498             |
| 4                      | 115,001       | 120,000 | 475,500               |
| 4                      | 120,001       | 125,000 | 496,500               |
| 2                      | 125,001       | 130,000 | 252,108               |
| 3                      | 130,001       | 135,000 | 401,307               |
| 5                      | 135,001       | 140,000 | 694,856               |
| 2                      | 140,001       | 145,000 | 284,900               |
| 8                      | 145,001       | 150,000 | 1,193,601             |
| 1                      | 150,001       | 155,000 | 153,000               |
| 2                      | 170,001       | 175,000 | 346,000               |
| 2                      | 175,001       | 180,000 | 356,000               |
| 2                      | 180,001       | 185,000 | 366,664               |
| 3                      | 185,001       | 190,000 | 562,843               |
| 3                      | 195,001       | 200,000 | 600,000               |
| 1                      | 200,001       | 205,000 | 200,700               |
| 1                      | 215,001       | 220,000 | 216,500               |



## Pattern of Shareholding

As at June 30, 2016

| Number of Shareholders | Shareholdings |            | Number of Shares Held |
|------------------------|---------------|------------|-----------------------|
|                        | From          | To         |                       |
| 2                      | 220,001       | 225,000    | 450,000               |
| 1                      | 225,001       | 230,000    | 229,000               |
| 1                      | 230,001       | 235,000    | 233,100               |
| 1                      | 240,001       | 245,000    | 241,000               |
| 3                      | 245,001       | 250,000    | 749,000               |
| 1                      | 250,001       | 255,000    | 254,254               |
| 3                      | 270,001       | 275,000    | 824,802               |
| 1                      | 280,001       | 285,000    | 282,500               |
| 1                      | 285,001       | 290,000    | 288,000               |
| 1                      | 295,001       | 300,000    | 300,000               |
| 1                      | 300,001       | 305,000    | 301,000               |
| 1                      | 310,001       | 315,000    | 315,000               |
| 1                      | 315,001       | 320,000    | 317,372               |
| 1                      | 355,001       | 360,000    | 356,000               |
| 1                      | 365,001       | 370,000    | 369,000               |
| 1                      | 370,001       | 375,000    | 375,000               |
| 1                      | 375,001       | 380,000    | 376,000               |
| 1                      | 380,001       | 385,000    | 382,931               |
| 1                      | 385,001       | 390,000    | 387,316               |
| 2                      | 445,001       | 450,000    | 900,000               |
| 1                      | 495,001       | 500,000    | 500,000               |
| 1                      | 505,001       | 510,000    | 505,928               |
| 1                      | 565,001       | 570,000    | 565,816               |
| 1                      | 670,001       | 675,000    | 675,000               |
| 1                      | 680,001       | 685,000    | 683,000               |
| 1                      | 775,001       | 780,000    | 780,000               |
| 1                      | 830,001       | 835,000    | 834,900               |
| 1                      | 1,225,001     | 1,230,000  | 1,228,500             |
| 1                      | 1,310,001     | 1,315,000  | 1,314,400             |
| 1                      | 1,315,001     | 1,320,000  | 1,316,000             |
| 1                      | 2,620,001     | 2,625,000  | 2,625,000             |
| 1                      | 3,145,001     | 3,150,000  | 3,150,000             |
| 1                      | 5,180,001     | 5,185,000  | 5,180,814             |
| 1                      | 9,030,001     | 9,035,000  | 9,031,044             |
| 1                      | 14,170,001    | 14,175,000 | 14,175,000            |
| 1                      | 43,245,001    | 43,250,000 | 43,249,500            |
| 1                      | 56,695,001    | 56,700,000 | 56,700,000            |
| 1                      | 94,495,001    | 94,500,000 | 94,500,000            |
| 8,923                  |               |            | 294,000,000           |

## Pattern of Shareholding

### As at June 30, 2016

| Shareholder's Category  | No. of Shareholders | No. of Shares      | Percentage Issued Capital |
|---|---------------------|--------------------|---------------------------|
| Directors, Chief Executive Officer, and their spouse and minor children       | 4                   | 83,185             | 0.03                      |
| Associated Companies, Undertakings and Related Parties                        | 5                   | 212,563,900        | 72.30                     |
| Banks, Development Financial Institutions, Non-Banking Financial Institutions | 6                   | 130,580            | 0.04                      |
| Insurance Companies   | 2                   | 5,180,934          | 1.76                      |
| Modarabas and Mutual Funds  | 11                  | 10,130,975         | 3.45                      |
| General Public :  |                     |                    |                           |
| a. Local  | 8,797               | 57,001,191         | 19.39                     |
| b. Foreign  |                     |                    |                           |
| Others  | 98                  | 8,909,235          | 3.03                      |
| <b>Total</b>  | <b>8,923</b>        | <b>294,000,000</b> | <b>100.00</b>             |

| Shareholder's Category   | No. of Shareholders | No. of Shares      |
|--|---------------------|--------------------|
| <b>Associated Companies, Undertaking and Related Parties</b>   |                     |                    |
| Hascol Petroleum Limited   | 1                   | 43,249,500         |
| Pakistan State Oil Company Limited   | 1                   | 70,875,000         |
| Chevron Global Energy Inc.   | 1                   | 2,625,000          |
| Shell Petroleum Company Limited  | 1                   | 94,500,000         |
| Fossil Energy (Private) Limited  | 1                   | 1,314,400          |
| <b>Total</b>   | <b>5</b>            | <b>212,563,900</b> |
| <b>Mutual Funds</b>  |                     |                    |
| First Dawood Mutual Fund   | 1                   | 10,000             |
| Equity Market Opportunity Fund   | 1                   | 382,931            |
| Faysal Asset Allocation Fund   | 1                   | 250,000            |
| Faysal Balanced Growth Fund  | 1                   | 10,000             |
| National Investment (Unit) Trust   | 1                   | 9,031,044          |
| Dawood Islamic Fund  | 1                   | 10,000             |
| <b>Total</b>   | <b>6</b>            | <b>9,693,975</b>   |
| <b>Directors and their spouse</b>  |                     |                    |
| Farooq Rahmatullah Khan  | 1                   | 31,500             |
| Farrokh K. Captain   | 1                   | 26,685             |
| Mumtaz Hasan Khan  | 1                   | 22,500             |
| Saleem Butt  | 1                   | 2,500              |
| <b>Total</b>   | <b>4</b>            | <b>83,185</b>      |
| <b>Public Sector Companies and Corporations</b>  | <b>3</b>            | <b>8,330,934</b>   |
| <b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b> | <b>14</b>           | <b>714,024</b>     |
| <b>Shareholder Holding five percent or more voting Rights in the Company</b>   |                     |                    |
| Hascol Petroleum Limited   | 1                   | 43,249,500         |
| Shell Petroleum Company Limited  | 1                   | 94,500,000         |
| Pakistan State Oil Company Limited   | 1                   | 70,875,000         |
| <b>Total</b>   | <b>3</b>            | <b>208,624,500</b> |

# Statement of Value Addition and its Distribution

## For the year ended June 30, 2016

|  | 2016<br>(Rupees in thousand) | %      | 2015<br>(Rupees in thousand) | %      |
|--|------------------------------|--------|------------------------------|--------|
| Wealth Generated   |                              |        |                              |        |
| Total gross revenue and other income                                 | 105,717,229                  |        | 117,959,719                  |        |
| Brought in materials and services                                    | (62,140,576)                 |        | (90,881,204)                 |        |
|  | <u>43,576,653</u>            | 100%   | <u>27,078,515</u>            | 100%   |
| Wealth distribution to stakeholders                                  |                              |        |                              |        |
| To employees   |                              |        |                              |        |
| Salaries, wages and other costs including retirement benefits        | 815,476                      | 1.87%  | 740,811                      | 2.74%  |
| To Government  |                              |        |                              |        |
| Income tax, sales tax, excise duty, development surcharge, WPPF, WWF | 38,522,159                   | 88.40% | 26,311,206                   | 97.17% |
| To society   |                              |        |                              |        |
| Donation   | 2,285                        | 0.01%  | 598                          | 0.00%  |
| To shareholders  |                              |        |                              |        |
| Dividends and bonus  | -                            | 0.00%  | -                            | 0.00%  |
| To providers of finance  |                              |        |                              |        |
| Finance charges for borrowed funds                                   | 872,031                      | 2.00%  | 754,366                      | 2.79%  |
| To Company   |                              |        |                              |        |
| Depreciation, amortisation and retained profit / (loss)              | 3,364,701                    | 7.72%  | (728,466)                    | -2.69% |
|  | <u>43,576,653</u>            | 100%   | <u>27,078,515</u>            | 100%   |

# Notice of Annual General Meeting

Notice is hereby given that the Fifty-Sixth Annual General Meeting of the shareholders of Pakistan Refinery Limited ("Company") will be held at Marriott Hotel, Karachi, on October 24, 2016 at 10:30 a.m. to transact the following business:

## A. ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2016 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.
3. To approve and declare final cash dividend of 3.1% or Rs. 0.31 per share on the ordinary shares of the Company for the year ended June 30, 2016 as recommended by the Board of Directors.

## B. SPECIAL BUSINESS

4. To consider, and if thought fit, pass Special Resolutions, given below, to amend the Articles of Association of the Company to set out the members' right to exercise their votes by electronic means as prescribed by the Companies (E-Voting) Regulations, 2016 as amended or revised from time to time:

- "RESOLVED that pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 and any other law(s), a new Article 34-A be added immediately after Article 34;

34-A. In addition to the voting options available to the members under Article 34, the Company shall also provide the option of e-voting to the members i.e members to vote through electronic means in accordance with the procedure prescribed under the laws for the time being in force."

- "FURTHER RESOLVED that the Articles 37, 40 and 42(5) of the Articles of the Company be altered to read as under;

37. On a show of hands every member present in person or by proxy shall have one vote and upon a poll every member present in person or by proxy or through electronic means every member or his proxy shall have one vote for every share held by him. Provided always that in the case of election or removal of directors, voting shall be held in accordance with the provision of the Ordinance.

40. On a poll or through electronic means, votes may be given either personally or by proxy."

42(5). An instrument appointing a proxy may be in the following form, or in any other form which the Directors shall approve:

## “PAKISTAN REFINERY LIMITED”

### Option 1

#### Appointing other person as Proxy

I / We \_\_\_\_\_ S/o / D/o / W/o \_\_\_\_\_,  
CNIC \_\_\_\_\_ being a member of Pakistan Refinery Limited and holder of \_\_\_\_\_  
(number of shares) Class \_\_\_\_\_ Ordinary Shares as per Registered Folio No. \_\_\_\_\_  
hereby appoint Mr. / Ms. \_\_\_\_\_ S/o / D/o / W/o \_\_\_\_\_ CNIC \_\_\_\_\_  
as my / our proxy to vote for me / us and on my / our behalf at the (annual, extraordinary general meeting,  
as the case may be) of the Company to be held on \_\_\_\_\_ and at any adjournment thereof.

Signed under my / our hands on this \_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature of member

(Signature should agree with the specimen signature registered with the Company)

Signed in the presence of:

\_\_\_\_\_  
Signature of Witness 1

\_\_\_\_\_  
Signature of Witness 2

### Option 2

#### E-voting as per The Companies (E-voting) Regulations, 2016

I / We, \_\_\_\_\_ S/o / D/o / W/o \_\_\_\_\_,  
CNIC \_\_\_\_\_, being a member of Pakistan Refinery Limited, holder of \_\_\_\_\_ Class \_\_\_\_\_  
Ordinary Share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for e-voting through intermediary  
and hereby consent the appointment of execution officer \_\_\_\_\_ as proxy and will exercise  
e-voting as per the Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolutions. My  
secured email address is \_\_\_\_\_, please send login details, password and  
electronic signature through email.

\_\_\_\_\_  
Signature of member

(Signature should agree with the specimen signature registered with the Company)

Signed in the presence of:

\_\_\_\_\_  
Signature of Witness 1

\_\_\_\_\_  
Signature of Witness 2

- “FURTHER RESOLVED that the Company Secretary be and is hereby authorized to do all acts, deeds and things, take all steps and actions necessary, ancillary and incidental for altering the Articles of Association of the Company including filing of all requisite documents/ statutory forms as may be required to filed with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution.”
5. To consider dissemination of Annual Audited accounts through CD/DVD/USB to the shareholders instead of transmitting the same in the form of hard copies. However, for convenience of the shareholders Standard Request Form will be uploaded on the Company's website for those who opt to receive hard copies (in book form) of the Annual Audited accounts at their registered addresses.
- “RESOLVED THAT dissemination of information regarding Annual Audited accounts to the shareholders in soft form i.e. CD/DVD/USB as notified by Securities and Exchange Commission of Pakistan vide its SRO No. 470(I)/2016 dated May 31, 2016 be and is hereby approved.”

#### C. ANY OTHER BUSINESS

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

By Order of the Board

Shehrzad Aminullah  
Company Secretary

Karachi: September 30, 2016

## Notes

1. Share Transfer Books will be closed from October 18, 2016 to October 24, 2016 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S. Shahra-e-Faisal, Karachi by the close of the Business on October 17, 2016 will be treated in time for the purposes of proceedings of the AGM.
2. 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.
3. A form of Proxy is enclosed with the Notice of the Meeting being sent to the members.
4. Members are advised that as per the orders of the SECP inter alia vide SRO No. 831(1)/2012 dated July 5, 2012 and SRO No. 19(1)/2014 dated January 10, 2014, CNIC number of the concerned member is mandatorily required to be mentioned on Dividend Warrants, Members Register and other Statutory Returns. Members are therefore requested to submit a copy of their CNIC (if not already provided) to our Share Registrars at the earliest. In case of non-receipt of the copies of valid CNICs of the Members, the Company may be constrained, under section 251(2)(a) of the Companies Ordinance 1984, to withhold dispatch of Dividend Warrants to such Members.
5. 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.
6. Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001:
  - (a) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rate of deduction of income tax from dividend payments has been revised as follows:
    - i. Rate of tax deduction for filers of income tax return - 12.5%
    - ii. Rate of tax deduction for non-filers of income tax return - 20%

Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.
  - (b) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrars by the first day of Book Closure.
  - (c) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-holder(s) based on their shareholding proportions.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them (if not already provided) to our Share Registrars, in writing as follows:

| Company Name | Folio / CDS Account # | Total Shares | Principal Shareholder |   | Joint Shareholder |   |
|--------------|-----------------------|--------------|-----------------------|---|-------------------|---|
|              |                       |              | Name and CNIC #       | Shareholding Proportion (No. of Shares) | Name and CNIC #   | Shareholding Proportion (No. of Shares) |
|              |                       |              |                       |   |                   |   |



The required information must reach our Share Registrars within 10 days of this notice; otherwise it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

- (d) The Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or FAMCO Associates (Private) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.
- 7. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No.18 of 2012 dated June 05, 2012, it is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desired, direct the Company to pay dividend through his / her bank account.

Further, transferee of shares may exercise the option for dividend mandate by using the revised "Form of Transfer Deed". The revised Form of Transfer Deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of the bank account which he / she desires to be used for credit of cash dividend.

Shareholders who hold shares in physical form may submit the required Dividend Mandate Form to our Share Registrars, while those shareholders who hold shares in Central Depository Company may submit the Dividend Mandate Form to their Participant/Investor Account Services.

- 8. The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website <http://www.prl.com.pk>.
- 9. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S. Shahra-e-Faisal, Karachi.

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

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

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the 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 UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984  
PERTAINING TO SPECIAL BUSINESS

This statement sets out the material facts concerning special business to be conducted at the Annual General Meeting:

A. Item No. 4 of the Agenda - Amendment in Articles of Association re E-Voting

The amendments to the Articles of Association of the Company are being carried out in order to give effect to the requirements of newly announced Companies (E-Voting) Regulations, 2016 by the Securities and Exchange Commission of Pakistan. The details of amendments proposed in the Articles of Association is part of the resolution mentioned in the notice to the Annual General Meeting.

B. Item No. 5 of the Agenda - Dissemination of information regarding annual audited accounts to the shareholders through CD/DVD/USB

In order to implement SECP directives with respect to transmission / circulation of information such as annual audited accounts through CD/DVD/USB instead of hard copies, resolution is part of the notice for concurrence of shareholders to adopt the newly introduced mode of transmission.

# Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 5.19 of the Pakistan Stock Exchange Regulations 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:

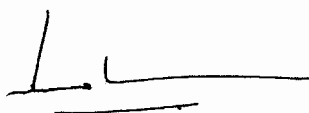
| Category  | Names   |
|---|---|
| Managing Director & CEO<br>(Executive Director) | Aftab Husain  |
| Non-Executive Directors                         | Farooq Rahmatullah Khan<br>Abdul Jabbar Memon<br>Babar H. Chaudhry<br>Faisal Waheed<br>Farrokh K. Captain<br>Muhammad Najam Shamsuddin<br>Mumtaz Hasan Khan<br>Omar Yaqoob Sheikh<br>Saleem Butt<br>Sheikh Imran ul Haque |

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, two casual vacancies occurred in the Board of Directors and one of them was filled up by the Directors within 90 days thereof.
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. During the year, none of the Directors attended Directors' Training Program.
10. The Board had approved appointment of the Chief Financial Officer (CFO), Head of Internal Audit (HIA) and Company Secretary and also approved remuneration and terms and conditions of employment of CFO and HIA. However, subsequent to the year ended June 30, 2016, the Board has approved the remuneration and terms and conditions of employment of Company Secretary.
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 as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises four members, all of whom are non-executive directors including its Chairman.
18. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors upon recommendation of the Audit Committee along with pricing methods for transactions carried out on terms equivalent to those in the arm's length transactions.
19. The Board has set up an effective internal audit function.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
24. There is a requirement that Chairman, Audit Committee shall be present at the Annual General Meeting for any feedback required by the shareholders. The Chairman, Audit Committee was not present at the Annual General Meeting, since there was no permanent Chairman, Audit Committee appointed at that time.
25. As stated above, we confirm that all other material principles enshrined in the Code have been complied with, except those disclosed herein.



**Farooq Rahmatullah Khan**  
Chairman

Karachi: August 22, 2016

# 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, 2016 to comply with the Code contained in Regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations 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, 2016.

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)  | 4              | One of the casual vacancy in the Board of Directors was not filled within the time frame under the Code |
| (iii) | 9              | Directors attending Directors' Training Program   |
| (iv)  | 10             | Approval of the remuneration and terms and conditions of employment of the Company Secretary            |
| (v)   | 15             | Appointment of independent director in the Audit Committee  |
| (vi)  | 24             | Chairman Audit Committee did not attend the preceding Annual General Meeting                            |

A. F. Ferguson & Co.  
Chartered Accountants

Karachi: September 23, 2016



# Financial Statements

For the year ended June 30, 2016

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# Auditors' Report To The Members

We have audited the annexed balance sheet of Pakistan Refinery Limited as at June 30, 2016 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, 2016 and of the profit, 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).

We draw attention to note 2.1.2 to the financial statements. As stated in the note, as at June 30, 2016 the company has accumulated loss of Rs. 4.75 billion resulting in net negative equity of Rs. 1.33 billion. Further, current liabilities of the company exceed its current assets by Rs. 8.05 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. Our report is not qualified in respect of this matter.

**A.F. Ferguson & Co.**

Chartered Accountants

Karachi: September 23, 2016

Name of the engagement partner: Mohammad Zulfikar Akhtar

# Balance Sheet

As at June 30, 2016

|  | Note | 2016                 | 2015        |
|--|------|----------------------|-------------|
|  |      | (Rupees in thousand) |             |
| ASSETS                                     |      |                      |             |
| Non-current assets                         |      |                      |             |
| Fixed assets                               | 3    | 12,100,255           | 12,118,199  |
| Intangible assets                          | 4    | 9,214                | -           |
| Investment in associate                    | 5    | 85,432               | 91,470      |
| Long-term loans and advances               | 6    | 5,598                | 4,496       |
| Long-term deposits                         | 7    | 21,607               | 21,592      |
| Deferred taxation                          | 8    | 253,299              | 456,366     |
|  |      | 12,475,405           | 12,692,123  |
| Current assets                             |      |                      |             |
| Stores, spares and chemicals               | 9    | 347,029              | 210,495     |
| Stock-in-trade                             | 10   | 5,089,534            | 5,516,120   |
| Trade debts                                | 11   | 5,211,050            | 6,230,785   |
| Loans and advances                         | 12   | 62,291               | 13,807      |
| Trade deposits and short-term prepayments  | 13   | 77,646               | 35,487      |
| Other receivables                          | 14   | 95,842               | 2,504,624   |
| Taxation - payments less provision         |      | 831,593              | 735,006     |
| Cash and bank balances                     | 15   | 586,791              | 2,814,526   |
|  |      | 12,301,776           | 18,060,850  |
|  |      | 24,777,181           | 30,752,973  |
| EQUITY                                     |      |                      |             |
| Share capital                              | 16   | 2,940,000            | 350,000     |
| Subscription money against rights issue    |      | -                    | 2,589,958   |
| Reserves                                   | 17   | 481,247              | 397,965     |
| Accumulated loss                           |      | (4,753,066)          | (4,853,066) |
| Fair value reserve                         |      | 1,380                | 1,950       |
|  |      | (1,330,439)          | (1,513,193) |
| SURPLUS ON REVALUATION OF<br>FIXED ASSETS  |      |                      |             |
|  |      | 3,497,928            | 3,297,928   |
| LIABILITIES                                |      |                      |             |
| Non-current liabilities                    |      |                      |             |
| Long term borrowing                        | 18   | 2,000,000            | 2,000,000   |
| Retirement benefit obligations             | 19   | 241,495              | 138,463     |
| Unearned income                            | 20   | 20,000               | -           |
|  |      | 2,261,495            | 2,138,463   |
| Current liabilities                        |      |                      |             |
| Trade and other payables                   | 21   | 11,254,006           | 17,007,133  |
| Term finance certificates                  | 22   | 1,967,020            | 2,122,620   |
| Short-term borrowings                      | 23   | 5,688,057            | 4,500,000   |
| Running finance under mark-up arrangements | 24   | 905,685              | 2,483,816   |
| Accrued mark-up                            | 25   | 39,299               | 209,762     |
| Payable to government - sales tax          | 26   | 494,130              | 506,444     |
|  |      | 20,348,197           | 26,829,775  |
|  |      | 22,609,692           | 28,968,238  |
| Contingencies and commitments              | 27   | 24,777,181           | 30,752,973  |

The annexed notes 1 to 46 form an integral part of these financial statements.



Farooq Rahmatullah Khan  
Chairman



Aftab Husain  
Chief Executive

# Profit and Loss Account

For the year ended June 30, 2016

|   | Note | 2016                 | 2015         |
|---|------|----------------------|--------------|
|   |      | (Rupees in thousand) |              |
| Net sales   | 28   | 64,732,948           | 91,174,700   |
| Cost of sales   | 29   | (62,743,236)         | (91,851,724) |
| Gross profit / (loss)   |      | 1,989,712            | (677,024)    |
| Distribution cost   | 30   | (170,473)            | (212,897)    |
| Administrative expenses   | 31   | (283,936)            | (263,213)    |
| Other operating expenses  | 32   | (780,578)            | (16,046)     |
| Other income  | 33   | 635,351              | 184,917      |
| Operating profit / (loss)   |      | 1,390,076            | (984,263)    |
| Finance cost - net  | 34   | (908,780)            | (706,697)    |
| Share of income of associate  |      | 5,327                | 17,978       |
| Profit / (loss) before taxation   |      | 486,623              | (1,672,982)  |
| Taxation  | 35   | (203,232)            | 491,320      |
| Profit / (loss) after taxation  |      | 283,391              | (1,181,662)  |
| Other comprehensive income  |      |                      |              |
| Items that will not be reclassified to profit or loss:                                    |      |                      |              |
| Remeasurements of staff retirement benefits   |      | (100,109)            | (82,159)     |
| Items that may be subsequently reclassified to profit or loss                             |      |                      |              |
| Change in fair value of available for sale investments of associate                       |      | (735)                | (6,911)      |
| Deferred tax relating to fair value change of available for sale investments of associate |      | 165                  | 1,555        |
|   |      | (570)                | (5,356)      |
| Total comprehensive income / (loss)   |      | 182,712              | (1,269,177)  |
| Earnings / (loss) per share   | 36   | Rs. 0.93             | (Rs. 5.42)   |

The annexed notes 1 to 46 form an integral part of these financial statements.



Farooq Rahmatullah Khan  
Chairman



Aftab Husain  
Chief Executive

# Cash Flow Statement

For the year ended June 30, 2016

|  | Note | 2016         | 2015         |
|--|------|--------------|--------------|
| (Rupees in thousand)                                     |      |              |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |      |              |              |
| Cash generated from operations                           | 43   | 107,352      | 1,375,963    |
| Mark-up paid   |      | (1,062,021)  | (1,060,621)  |
| Income tax paid  |      | (96,587)     | (349,333)    |
| Contribution to defined benefit retirement plans         |      | (59,183)     | (50,521)     |
| Proceeds from agreement signing fee                      |      | 40,000       | -            |
| (Increase) in long-term loans and advances               |      | (1,102)      | (1,830)      |
| (Increase) / decrease in long-term deposits              |      | (15)         | 29,951       |
| Net cash (used in) operating activities                  |      | (1,071,556)  | (56,391)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |      |              |              |
| Purchase of property, plant and equipment                |      | (640,117)    | (4,662,685)  |
| Purchase of intangible assets                            |      | (10,507)     | -            |
| Proceeds from sale of property, plant and equipment      |      | 107          | 147          |
| Return received on deposits                              |      | 120,151      | 37,452       |
| Dividend received  |      | 10,630       | 9,354        |
| Net cash (used in) investing activities                  |      | (519,736)    | (4,615,732)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |      |              |              |
| Dividend paid  |      | (184)        | (27,121)     |
| Proceeds from rights issue - net of issuance costs       |      | 42           | 2,485,175    |
| Proceeds from long term loan                             |      | -            | 2,000,000    |
| Proceeds from foreign currency loans                     |      | 16,032,496   | 8,661,011    |
| Repayments of foreign currency loans                     |      | (12,935,507) | (14,602,011) |
| Redemptions against term finance certificates            |      | (155,600)    | (305,970)    |
| Net cash generated from / (used in) financing activities |      | 2,941,247    | (1,788,916)  |
| Net increase / (decrease) in cash and cash equivalents   |      | 1,349,955    | (6,461,039)  |
| Cash and cash equivalents at the beginning of the year   |      | (4,169,290)  | 2,287,864    |
| Exchange gains on cash and cash equivalents              |      | 441          | 3,885        |
| Cash and cash equivalents at the end of the year         | 44   | (2,818,894)  | (4,169,290)  |

The annexed notes 1 to 46 form an integral part of these financial statements.



Farooq Rahmatullah Khan  
Chairman



Aftab Husain  
Chief Executive

# Statement of Changes in Equity

For the year ended June 30, 2016

|  | SHARE<br>CAPITAL | SUBSCRIPT-<br>ION MONEY<br>AGAINST<br>RIGHTS<br>ISSUE | CAPITAL<br>Exchange<br>equalisation<br>reserve | REVENUE<br>General<br>reserve | RESERVES<br>Accumulated<br>loss | SPECIAL<br>RESERVE<br>(note 17.1) | FAIR VALUE<br>RESERVE | TOTAL              |
|--|------------------|---|--|-------------------------------|---------------------------------|-----------------------------------|-----------------------|--------------------|
| (Rupees in thousand)   |                  |   |  |                               |                                 |                                   |                       |                    |
| Balance as at July 1, 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<br>for the year ended June 30, 2015 | -                | -   | -  | -                             | (82,159)                        | -                                 | (5,356)               | (87,515)           |
| Total recognised loss for the<br>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)        |
| Subscription money against rights issue                      | -                | 42  | -  | -                             | -                               | -                                 | -                     | 42                 |
| Issuance of right shares                                     | 2,590,000        | (2,590,000)   | -  | -                             | -                               | -                                 | -                     | -                  |
| Profit for the year ended June 30, 2016                      | -                | -   | -  | -                             | 283,391                         | -                                 | -                     | 283,391            |
| Other comprehensive loss<br>for the year ended June 30, 2016 | -                | -   | -  | -                             | (100,109)                       | -                                 | (570)                 | (100,679)          |
| Total recognised profit for the<br>year ended June 30, 2016  | -                | -   | -  | -                             | 183,282                         | -                                 | (570)                 | 182,712            |
| Profit for the year transferred<br>to special reserve        | -                | -   | -  | -                             | (83,282)                        | 83,282                            | -                     | -                  |
| Balance as at June 30, 2016                                  | <u>2,940,000</u> | <u>-</u>  | <u>897</u>                                     | <u>1,050</u>                  | <u>(4,753,066)</u>              | <u>479,300</u>                    | <u>1,380</u>          | <u>(1,330,439)</u> |

The annexed notes 1 to 46 form an integral part of these financial statements.



Farooq Rahmatullah Khan  
Chairman



Aftab Husain  
Chief Executive

# Notes to and forming part of the Financial Statements

## For the year ended June 30, 2016

### 1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is listed on Pakistan Stock Exchange. The 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, 2016, the Company has accumulated losses of Rs. 4.75 billion (June 30, 2015: Rs. 4.85 billion) resulting in net negative equity of Rs. 1.33 billion (June 30, 2015: Rs. 1.51 billion) and its current liabilities exceed its current assets by Rs. 8.05 billion (June 30, 2015: Rs. 8.77 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. To address this negative equity situation, the Company issued right shares of Rs. 2.59 billion during the year (out of total issue of Rs. 2.80 billion - please refer note 16.3 to the financial statements). In addition, Isomerisation Project commissioned in June 2015 also started adding additional revenue by converting Light Naphtha into Motor Gasoline and coupled with other operational measures, the Company earned profit after tax of Rs. 283.39 million during the year.

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

#### 2.2 Critical accounting estimates, judgements and policies

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

Significant estimates relating to property, plant and equipment, deferred taxation and post employment benefits are disclosed in notes 3, 8 and 19 respectively. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on annual basis or when the indicators exist, considering the associated economic benefits derived / to be derived by the Company.

Estimates and 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.



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to 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. Accordingly, the Company has included additional disclosures in this regard in note 5 to the financial statements.
- 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. Accordingly, the Company has included additional disclosure in this regard in note 3 to the financial statements. Notwithstanding the above, the change had no impact on measurement of Company's assets and liabilities.

- (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, 2015 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

- IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The change will impact the disclosures of the Company's financial statements.

## 2.4 Overall valuation policy

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

## 2.5 Fixed assets

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

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

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

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

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

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## 2.6 Intangible assets

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

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

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

## 2.7 Investment in associate

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

## 2.8 Taxation

### 2.8.1 Current

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

### 2.8.2 Deferred

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

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.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## 2.11 Trade and other debts

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

## 2.12 Cash and cash equivalents

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

## 2.13 Trade and other payables

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

## 2.14 Borrowings

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

## 2.15 Borrowing costs

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

## 2.16 Provisions

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

## 2.17 Retirement benefits

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

### 2.17.1 Defined contribution plan

The Company operates a 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.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

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, 2016 using the Projected Unit Credit Method.

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

Past service costs are recognised immediately in income.

## 2.18 Foreign currency translation

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

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

## 2.19 Financial instruments

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

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

## 2.20 Revenue recognition

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

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

## 2.21 Government Grants

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

## 2.22 Dividend

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

# Notes to and forming part of the Financial Statements

## For the year ended June 30, 2016

2016

2015

(Rupees in thousand)

### 3. FIXED ASSETS

Property, plant and equipment:

Operating assets - note 3.1

Major spare parts and stand-by equipments - note 3.2

Capital work-in-progress - note 3.3

11,352,104 11,227,518

170,629 499,190

577,522 391,491

12,100,255 12,118,199

#### 3.1 Operating assets

|  | Freehold land<br>(note 3.1.1<br>and note 3.1.2) | Buildings     | Processing<br>plant | Korangi<br>tank farm | Keamari<br>terminal | Pipelines     | Steam<br>generation<br>plant | Power<br>generation,<br>transmission<br>and<br>distribution | Water<br>treatment<br>and<br>cooling<br>system | Equipment<br>including<br>furniture | Fire<br>fighting<br>and<br>telecommu-<br>-nication<br>systems | Vehicles<br>and<br>other<br>automotive<br>equipment | TOTAL             |
|--|---|---------------|---------------------|----------------------|---------------------|---------------|------------------------------|---|--|-------------------------------------|---|---|-------------------|
|  | (Rupees in thousand)                            |               |                     |                      |                     |               |                              |   |  |                                     |   |   |                   |
| Net carrying value basis<br>Year ended June 30, 2016 |   |               |                     |                      |                     |               |                              |   |  |                                     |   |   |                   |
| Opening net book value (NBV)                         | 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        |
| Additions (at cost)                                  | -   | 4,671         | 607,928             | 33,576               | -                   | 14,984        | -                            | 32,804  | 5,616  | 55,291                              | 28,598  | -   | 783,468           |
| Revaluation  | 200,000   | -             | -                   | -                    | -                   | -             | -                            | -   | -  | -                                   | -   | -   | 200,000           |
| Disposals (at NBV)                                   | -   | -             | -                   | -                    | -                   | -             | -                            | -   | -  | .*                                  | -   | -   | -                 |
| Depreciation charge                                  | -   | (7,859)       | (603,340)           | (104,323)            | (52,442)            | (12,420)      | (4,030)                      | (22,697)  | (4,314)  | (33,621)                            | (12,665)  | (1,171)   | (858,882)         |
| Closing net book value                               | <u>3,500,000</u>                                | <u>30,554</u> | <u>6,224,881</u>    | <u>738,193</u>       | <u>376,570</u>      | <u>55,066</u> | <u>7,919</u>                 | <u>203,511</u>  | <u>18,322</u>                                  | <u>111,766</u>                      | <u>84,151</u>   | <u>1,171</u>  | <u>11,352,104</u> |
| Gross carrying value basis<br>At June 30, 2016       |   |               |                     |                      |                     |               |                              |   |  |                                     |   |   |                   |
| Cost or revaluation                                  | 3,500,000                                       | 128,721       | 7,809,913           | 1,191,340            | 602,705             | 196,565       | 56,064                       | 302,650   | 94,204   | 431,418                             | 146,311   | 54,179  | 14,514,070        |
| Accumulated depreciation                             | -   | (98,167)      | (1,585,032)         | (453,147)            | (226,135)           | (141,499)     | (48,145)                     | (99,139)  | (75,882)                                       | (319,652)                           | (62,160)  | (53,008)  | (3,161,966)       |
| Net book value                                       | <u>3,500,000</u>                                | <u>30,554</u> | <u>6,224,881</u>    | <u>738,193</u>       | <u>376,570</u>      | <u>55,066</u> | <u>7,919</u>                 | <u>203,511</u>  | <u>18,322</u>                                  | <u>111,766</u>                      | <u>84,151</u>   | <u>1,171</u>  | <u>11,352,104</u> |
| Net carrying value basis<br>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   | 64,850                              | 45,150  | 5,142   | 4,825,632         |
| Additions (at cost)                                  | -   | 526           | 6,021,821           | 425,473              | 12,799              | 10,493        | 4,590                        | 176,810   | 4,696  | 51,367                              | 31,319  | -   | 6,739,894         |
| Disposals (at NBV)                                   | -   | -             | -                   | -                    | -                   | -             | -                            | -   | -  | (21)                                | -   | -   | (21)              |
| Depreciation charge                                  | -   | (8,789)       | (134,414)           | (74,815)             | (51,773)            | (12,025)      | (5,362)                      | (10,268)  | (3,390)  | (26,100)                            | (8,251)   | (2,800)   | (337,987)         |
| Closing net book value                               | <u>3,300,000</u>                                | <u>33,742</u> | <u>6,220,293</u>    | <u>808,940</u>       | <u>429,012</u>      | <u>52,502</u> | <u>11,949</u>                | <u>193,404</u>  | <u>17,020</u>                                  | <u>90,096</u>                       | <u>68,218</u>   | <u>2,342</u>  | <u>11,227,518</u> |
| Gross carrying value basis<br>At June 30, 2015       |   |               |                     |                      |                     |               |                              |   |  |                                     |   |   |                   |
| Cost or revaluation                                  | 3,300,000                                       | 124,050       | 7,201,985           | 1,157,764            | 602,705             | 181,581       | 56,064                       | 269,846   | 88,588   | 381,568                             | 117,713   | 54,179  | 13,536,043        |
| Accumulated depreciation                             | -   | (90,308)      | (981,692)           | (348,824)            | (173,693)           | (129,079)     | (44,115)                     | (76,442)  | (71,568)                                       | (291,472)                           | (49,495)  | (51,837)  | (2,308,525)       |
| Net book value                                       | <u>3,300,000</u>                                | <u>33,742</u> | <u>6,220,293</u>    | <u>808,940</u>       | <u>429,012</u>      | <u>52,502</u> | <u>11,949</u>                | <u>193,404</u>  | <u>17,020</u>                                  | <u>90,096</u>                       | <u>68,218</u>   | <u>2,342</u>  | <u>11,227,518</u> |
| Depreciation rate<br>% 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  |                   |

\* Assets disposed off having nil net book value.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

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, 2016, 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. 200 million. The revaluation was carried out by an independent valuer on June 30, 2016 on the basis of present market value keeping in view that the land is freehold and to be used for oil refinery by the Company (level 2).

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (level 3).

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

3.1.3 During the year, the Company has capitalised borrowing costs amounting to Rs. 2.18 million (June 30, 2015: Rs. 439.67 million). Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 9.35% per annum (June 30, 2015: general borrowings and specific borrowings of 10.04% and 10.52% per annum).

3.1.4 Details of disposals of operating assets are as follows:

| Description  | Cost                     | Accumulated depreciation | Book value | Sale proceeds |
|--|--------------------------|--------------------------|------------|---------------|
|  | ← (Rupees in thousand) → |                          |            |               |
| Items having net book value not exceeding Rs. 50,000 each: |                          |                          |            |               |
| Equipment including furniture                              | 5,441                    | 5,441                    | -          | 107           |

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

3.2 Major spare parts and stand-by equipment

Gross carrying value

|   |           |          |
|---|-----------|----------|
| Balance at beginning of the year        | 517,263   | 97,128   |
| Additions during the year               | 87,202    | 471,769  |
| Transfers made during the year          | (415,721) | (51,634) |
| Balance at end of the year              | 188,744   | 517,263  |
| Provision for impairment - note - 3.2.1 | (18,115)  | (18,073) |
| Net carrying value                      | 170,629   | 499,190  |

3.2.1 During the year net charge of Rs. 42 thousand (2015: Rs. 1,047 thousand) was recorded.



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|   | 2016                 | 2015           |
|---|----------------------|----------------|
|   | (Rupees in thousand) |                |
| 3.3 Capital work-in-progress                    |                      |                |
| Processing plant                                | 89,998               | 236,512        |
| Korangi tank farm                               | 174,116              | 99,645         |
| Keamari terminal                                | 96,405               | 732            |
| Pipelines                                       | 21,182               | 3,248          |
| Equipment including furniture                   | 876                  | -              |
| Power generation, transmission and distribution | 491                  | -              |
| Advances to contractors / suppliers             | 194,454              | 51,354         |
|   | <u>577,522</u>       | <u>391,491</u> |

3.3.1 During the year, the Company has capitalised borrowing costs amounting to Rs. 17.35 million (June 30, 2015: Rs. 3.83 million). Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 9.35% per annum (June 30, 2015: 10.04% per annum).

|  | 2016                 | 2015            |
|--|----------------------|-----------------|
|  | (Rupees in thousand) |                 |
| 4. INTANGIBLE ASSETS - COMPUTER SOFTWARE |                      |                 |
| Net carrying value basis                 |                      |                 |
| Opening net book value (NBV)             | -                    | -               |
| Additions (at cost)                      | 10,507               | -               |
| Amortisation charge                      | (1,293)              | -               |
| Closing net book value                   | <u>9,214</u>         | <u>-</u>        |
| Gross carrying value basis               |                      |                 |
| Cost as at the beginning of the year     | 11,778               | 11,778          |
| Additions during the year                | 10,507               | -               |
| Cost as at June 30                       | <u>22,285</u>        | <u>11,778</u>   |
| Accumulated amortisation                 | <u>(13,071)</u>      | <u>(11,778)</u> |
| Net book value                           | <u>9,214</u>         | <u>-</u>        |

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

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

## 5. INVESTMENT IN ASSOCIATE

Pak Grease Manufacturing Company (Private)  
Limited - 850,401 (2015: 850,401) fully paid  
ordinary shares - note 5.1

|        |        |
|--------|--------|
| 85,432 | 91,470 |
|--------|--------|

- 5.1 The Company holds 27.26% (2015: 27.26%) share in the associate. The above amount represents proportionate carrying value of the associate's net assets - refer note 5.2. The associate has share capital consisting solely of ordinary shares, which are held directly by the Company.

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

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

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

|  |          |         |
|--|----------|---------|
| Opening balance  | 91,470   | 89,757  |
| Share of income for the year                           | 5,327    | 17,978  |
| Change in fair value of available for sale investments | (735)    | (6,911) |
| Dividend received                                      | (10,630) | (9,354) |
|  | 85,432   | 91,470  |

## 5.2 Summarised financial information of Company's associate:

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

| Unaudited            |      |
|----------------------|------|
| 2016                 | 2015 |
| (Rupees in thousand) |      |

|   |         |          |
|---|---------|----------|
| Revenue                                   | 123,996 | 195,537  |
| Profit or loss from continuing operations | 19,538  | 65,951   |
| Other comprehensive income                | (2,699) | (24,042) |
| Total comprehensive income                | 16,839  | 41,909   |
| Non-current assets                        | 201,709 | 149,868  |
| Current assets                            | 139,129 | 217,936  |
| Non-current liabilities                   | 1,057   | 1,029    |
| Current liabilities                       | 26,384  | 31,228   |
| Net assets                                | 313,397 | 335,547  |
| Carrying value                            | 85,432  | 91,470   |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|  | 2016                 | 2015           |
|--|----------------------|----------------|
|  | (Rupees in thousand) |                |
| <b>6. LONG-TERM LOANS AND ADVANCES</b>   |                      |                |
| – secured and considered good  |                      |                |
| To executives - notes 6.1 & 6.2  | 799                  | 10             |
| To other employees - note 6.2  | 11,136               | 8,882          |
|  | <u>11,935</u>        | <u>8,892</u>   |
| Recoverable within one year – note 12  |                      |                |
| - Executives   | (531)                | (10)           |
| - Other employees  | (5,806)              | (4,386)        |
|  | <u>(6,337)</u>       | <u>(4,396)</u> |
|  | <u>5,598</u>         | <u>4,496</u>   |
| <b>6.1 Reconciliation of carrying amount of loans to executives:</b>   |                      |                |
| Opening balance  | 10                   | 842            |
| Disbursements  | 1,266                | -              |
| Recoveries   | (477)                | (832)          |
|  | <u>799</u>           | <u>10</u>      |
| <b>6.2</b> Loans and advances to all eligible employees are given in accordance with the Company's policy for payment of house rent and to defray personal expenditure. These do not carry any interest (2015: 1% to 6% per annum on car loans only) and are repayable over a period of two to three years (2015: two to six years). |                      |                |
| <b>7. LONG TERM DEPOSITS</b>   |                      |                |
| This includes Rs. 11.04 million (June 30, 2015: Rs. 11.04 million) given to Karachi Port Trust - a related party, as interest-free security deposits.  |                      |                |

|   | 2016                 | 2015             |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b>8. DEFERRED TAXATION</b>   |                      |                  |
| Debit balances arising in respect of :  |                      |                  |
| - unabsorbed depreciation   | 856,599              | 706,291          |
| - unused investment tax credit  | 272,327              | 476,753          |
|   | <u>1,128,926</u>     | <u>1,183,044</u> |
| Credit balances arising in respect of :   |                      |                  |
| - accelerated tax depreciation  | (856,599)            | (706,291)        |
| - investment in associate accounted for using equity method   | (19,028)             | (20,387)         |
|   | <u>253,299</u>       | <u>456,366</u>   |
| <b>8.1</b> Deferred tax debit balances of Rs. 2.97 billion (2015: Rs. 3.38 billion) in respect of unabsorbed depreciation, tax losses, minimum tax and deductible temporary differences have not been recognised as their recoverability is not expected. |                      |                  |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|   | 2016                 | 2015     |
|---|----------------------|----------|
|   | (Rupees in thousand) |          |
| 9. STORES, SPARES AND CHEMICALS                           |                      |          |
| Stores  | 154,035              | 147,491  |
| Spares  | 92,507               | 53,843   |
| Chemicals   | 122,426              | 31,778   |
|   | 368,968              | 233,112  |
| Provision for slow moving stores,<br>spares and chemicals | (21,939)             | (22,617) |
|   | 347,029              | 210,495  |

During the year net reversal of provision amounting to Rs. 678 thousand (2015: Rs. 2,608 thousand) has been recorded.

|   | 2016                 | 2015      |
|---|----------------------|-----------|
|   | (Rupees in thousand) |           |
| 10. STOCK-IN-TRADE  |                      |           |
| Raw material  |                      |           |
| Crude oil [including in transit Rs. 959.41 million<br>(2015: Rs. 73 million)] | 4,155,155            | 3,714,124 |
| Finished products - note 10.2   | 934,379              | 1,801,996 |
|   | 5,089,534            | 5,516,120 |

10.1 As at June 30, 2016 stock of crude oil has been written down by Rs. 31.54 million (2015: Rs. 15.42 million) and finished products by Rs. 83.76 million (2015: Rs. 133.81 million) to arrive at their net realisable values.

|  | 2016                 | 2015   |
|--|----------------------|--------|
|  | (Rupees in thousand) |        |
| 10.2 Includes stocks held with the following third parties<br>for onward sales to customers: |                      |        |
| Related parties  |                      |        |
| - Pakistan State Oil Company Limited   | 15,506               | 15,133 |
| - Total Parco Marketing Limited<br>(formerly Chevron Pakistan Limited)                       | -                    | 831    |
| - Shell Pakistan Limited   | 15,707               | 23,026 |
|  | 31,213               | 38,990 |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

## 11. TRADE DEBTS – considered good

Due from related parties – note 11.1  
Others

|                  |                  |
|------------------|------------------|
| 4,772,507        | 6,043,923        |
| 438,543          | 186,862          |
| <u>5,211,050</u> | <u>6,230,785</u> |

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

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

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

Up to 3 months

6,596 1,086,012

3 to 6 months

268 876

More than 6 months

140,773 138,838

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

Up to 3 months

250 1,085,383

3 to 6 months

268 284

More than 6 months

4,857 3,946

## 12. LOANS AND ADVANCES – considered good

Loans and advances recoverable within one year – note 6

- Executives

531 10

- Other employees

5,806 4,386

6,337 4,396

Advances for supplies and services

55,954 9,411

62,291 13,807

12.1 Loans and advances do not carry any interest.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|   | 2016                 | 2015             |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b>13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>  |                      |                  |
| Trade deposits - note 13.1  | 7,559                | 27,217           |
| Short-term prepayments [including Rs. 1.02 million (2015: Rs. 0.82 million) paid to related parties]                  | 70,087               | 8,270            |
|   | <u>77,646</u>        | <u>35,487</u>    |
| <b>13.1 Trade deposits do not carry any interest.</b>   |                      |                  |
| <b>14. OTHER RECEIVABLES</b>  |                      |                  |
| Receivable from refineries - note 14.1  | 58,860               | 2,503,331        |
| Workers' Profits Participation Fund - note 14.2   | 33,865               | -                |
| Others  | 3,117                | 1,293            |
|   | <u>95,842</u>        | <u>2,504,624</u> |
| <b>14.1 This represents amount due from refineries in respect of sharing of crude oil, freight and other charges.</b> |                      |                  |

|   | 2016                 | 2015             |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b>14.2 WORKERS' PROFITS PARTICIPATION FUND</b>   |                      |                  |
| Balance at the beginning of year  | -                    | -                |
| Allocation for the year - note 32   | (26,135)             | -                |
|   | <u>(26,135)</u>      | <u>-</u>         |
| Amount paid   | 60,000               | -                |
| Balance at the end of year  | <u>33,865</u>        | <u>-</u>         |
| <b>15. CASH AND BANK BALANCES</b>   |                      |                  |
| With banks on   |                      |                  |
| - current accounts - note 15.1  | 12,948               | 2,348,631        |
| - mark-up bearing savings accounts - notes 15.2 & 15.3 [including foreign currency account Rs. 230.4 million (2015: Rs. 2.11 million)]  | 572,668              | 464,851          |
| Cash in hand  | 1,175                | 1,044            |
|   | <u>586,791</u>       | <u>2,814,526</u> |
| <b>15.1 These bank balances are maintained under current accounts and do not carry any interest.</b>  |                      |                  |
| <b>15.2 The rates of mark-up on savings accounts during the year ranged from 3.85% to 5.75% per annum (2015: mark-up on savings accounts ranged from 4.5% to 8.65% per annum).</b>                                |                      |                  |
| <b>15.3 This includes local and foreign currency balances maintained with Faysal Bank Limited - a related party of Rs. 3.22 million and Rs. 230.40 million (2015: Rs. Nil and Rs. 2.11 million) respectively.</b> |                      |                  |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

2016

2015

(Rupees in thousand)

## 16. SHARE CAPITAL

Authorised

400,000,000 (June 30, 2015: 400,000,000)

'A' ordinary shares of Rs. 10 each

4,000,000

4,000,000

600,000,000 (June 30, 2015: 600,000,000)

'B' ordinary shares of Rs. 10 each

6,000,000

6,000,000

10,000,000

10,000,000

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

| 2016        | 2015       |
|-------------|------------|
| 114,400,000 | 2,400,000  |
| 150,600,000 | 3,600,000  |
| 265,000,000 | 6,000,000  |
| 11,600,000  | 11,600,000 |
| 17,400,000  | 17,400,000 |
| 29,000,000  | 29,000,000 |
| 294,000,000 | 35,000,000 |

'A' ordinary shares  
fully paid in cash

1,144,000

24,000

'B' ordinary shares  
fully paid in cash

1,506,000

36,000

2,650,000

60,000

'A' ordinary shares  
issued as fully paid  
bonus shares

116,000

116,000

'B' ordinary shares  
issued as fully paid  
bonus shares

174,000

174,000

290,000

290,000

2,940,000

350,000

### 16.1 Movement in issued, subscribed and paid-up capital

| 2016        | 2015       |
|-------------|------------|
| 14,000,000  | 14,000,000 |
| 21,000,000  | 21,000,000 |
| 35,000,000  | 35,000,000 |
| 112,000,000 | -          |
| 147,000,000 | -          |
| 259,000,000 | -          |
| 294,000,000 | 35,000,000 |

Opening shares  
outstanding

- 'A' ordinary shares

140,000

140,000

- 'B' ordinary shares

210,000

210,000

350,000

350,000

Right shares issued

- 'A' ordinary shares

1,120,000

-

- 'B' ordinary shares

1,470,000

-

2,590,000

-

2,940,000

350,000

16.2 As at June 30, 2016 associated undertakings held 43,249,500 'A' ordinary shares and 168,000,000 'B' ordinary shares (2015: 4,805,500 'A' ordinary shares and 21,000,000 'B' ordinary shares) of Rs. 10 each.



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

- 16.3 During the year, the Company issued right shares amounting to Rs. 2.59 billion out of the total size of issue of Rs. 2.8 billion. The amount of Rs. 210 million has not been issued due to the restraining order obtained under Suit No. 931 of 2015 by one of the Class B shareholder 'Pakistan State Oil Company Limited' against another Class B shareholder 'Chevron Global Energy Inc. (Chevron)'. The order in the suit interalia directs all the defendants to maintain status quo in respect of the letters of rights issued to and shares held by Chevron; and restrains Chevron from creating any third party interest in respect of shares offered to it under the letters of rights issued to another class B shareholder namely Shell Petroleum Company Limited.

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

## 17. RESERVES

|   |                |                |
|---|----------------|----------------|
| Capital reserve - Exchange equalisation reserve | 897            | 897            |
| Revenue reserve - General reserve               | 1,050          | 1,050          |
| Special reserve - notes 17.1                    | 479,300        | 396,018        |
|   | <u>481,247</u> | <u>397,965</u> |

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

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

- till completion of the projects, refineries will not be allowed to offset losses, if any, for year ending June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula;
- 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. However, during the year on January 28, 2016, the Government has withdrawn the condition of depositing the amount in ESCROW Account; and
- under the afore-mentioned policy framework, the refineries were also required to install Diesel Hydrodesulphurisation (DHDS) project by December 31, 2015. However, during the year on January 28, 2016, the Government extended the deadline for setting up DHDS upto June 30, 2017. Accordingly, 7.5% deemed duty on High Speed Diesel (HSD) will not be enhanced to 9% with effect from January 1, 2016.

Based on the above the Company has transferred profit amounting to Rs. 83.28 million for the year ended June 30, 2016 (June 30, 2015: Rs. Nil) on its operations to special reserve.

## 18. LONG-TERM BORROWING

During the year ended June 30, 2015, the Company obtained a syndicated long term loan under mark-up arrangement through NIB Bank Limited amounting to Rs. 2 billion at a mark-up of 6 month KIBOR + 1.75% per annum for a tenor of 7 years (including 2 years grace period). The loan is repayable in 10 semi-annual installments beginning from July 2017 and is secured by way of hypothecation of present and future stocks-in-trade, trade debts and fixed assets (excluding land).

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## 19. RETIREMENT BENEFITS

19.1.1 The Company operates recognised funded gratuity and pension schemes (the Schemes) for its eligible management and non-management employees. Actuarial valuation of the Schemes is carried out every year and the latest actuarial valuation was carried out as at June 30, 2016.

19.1.2 Assets of the 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.

19.1.3 The latest actuarial valuation of the Schemes as at June 30, 2016 was carried out using the Projected Unit Credit Method, details of which as per the actuarial valuation are as follows:

| Pension Schemes          |      |                |      | Gratuity Schemes |      |                |      |
|--------------------------|------|----------------|------|------------------|------|----------------|------|
| Management               |      | Non-Management |      | Management       |      | Non-Management |      |
| 2016                     | 2015 | 2016           | 2015 | 2016             | 2015 | 2016           | 2015 |
| ← (Rupees in thousand) → |      |                |      |                  |      |                |      |

### 19.1.4 Balance sheet reconciliation

|  |           |           |          |          |           |           |          |          |
|--|-----------|-----------|----------|----------|-----------|-----------|----------|----------|
| Present value of defined benefit obligation at June 30 - note 19.1.5 | 1,109,017 | 892,717   | 127,105  | 90,487   | 129,853   | 111,362   | 40,764   | 30,138   |
| Fair value of plan assets at June 30 - note 19.1.6                   | (949,593) | (812,049) | (56,191) | (40,310) | (118,696) | (103,744) | (75,794) | (66,446) |
| Amount not recognised as an asset                                    | -         | -         | -        | -        | -         | -         | 35,030   | 36,308   |
| Deficit  | 159,424   | 80,668    | 70,914   | 50,177   | 11,157    | 7,618     | -        | -        |

### 19.1.5 Movement in the present value of defined benefit obligation

|                             |           |          |         |         |         |         |        |         |
|-----------------------------|-----------|----------|---------|---------|---------|---------|--------|---------|
| Opening balance             | 892,717   | 655,637  | 90,487  | 77,253  | 111,362 | 97,049  | 30,138 | 28,758  |
| Benefits paid by the plan   | (48,386)  | (45,734) | (1,548) | (4,369) | (5,474) | (7,376) | -      | (1,946) |
| Current service cost        | 32,347    | 27,735   | 4,200   | 3,868   | 8,335   | 7,107   | 1,734  | 1,743   |
| Interest cost               | 93,771    | 85,774   | 9,678   | 10,231  | 11,690  | 12,764  | 3,238  | 3,777   |
| Remeasurement on obligation | 138,568   | 169,305  | 24,288  | 3,504   | 3,940   | 1,818   | 5,654  | (2,194) |
| Closing balance             | 1,109,017 | 892,717  | 127,105 | 90,487  | 129,853 | 111,362 | 40,764 | 30,138  |

### 19.1.6 Movement in the fair value of plan assets

|                                  |          |          |         |         |         |         |        |         |
|----------------------------------|----------|----------|---------|---------|---------|---------|--------|---------|
| Opening balance                  | 812,049  | 652,072  | 40,310  | 29,639  | 103,744 | 89,205  | 66,446 | 58,882  |
| Contributions paid into the plan | 40,537   | 32,523   | 9,631   | 9,368   | 9,015   | 8,630   | -      | -       |
| Benefits paid by the plan        | (48,386) | (45,734) | (1,548) | (4,369) | (5,474) | (7,376) | -      | (1,946) |
| Interest income                  | 84,458   | 85,330   | 4,262   | 4,303   | 10,929  | 11,787  | 7,051  | 7,768   |
| Remeasurement of plan assets     | 60,935   | 87,858   | 3,536   | 1,369   | 482     | 1,498   | 2,297  | 1,742   |
| Closing balance                  | 949,593  | 812,049  | 56,191  | 40,310  | 118,696 | 103,744 | 75,794 | 66,446  |

# Notes to and forming part of the Financial Statements

## For the year ended June 30, 2016

|         |   | Pension Schemes      |          |                |          | Gratuity Schemes |          |                |          |
|---------|---|----------------------|----------|----------------|----------|------------------|----------|----------------|----------|
|         |   | Management           |          | Non-Management |          | Management       |          | Non-Management |          |
|         |   | 2016                 | 2015     | 2016           | 2015     | 2016             | 2015     | 2016           | 2015     |
|         |   | (Rupees in thousand) |          |                |          |                  |          |                |          |
| 19.1.7  | Expense recognised in profit and loss account                 |                      |          |                |          |                  |          |                |          |
|         | Current service cost  | 32,347               | 27,735   | 4,200          | 3,868    | 8,335            | 7,107    | 1,734          | 1,743    |
|         | Net interest cost / (income)                                  | 9,313                | 444      | 5,416          | 5,928    | 761              | 977      | (3,813)        | (3,991)  |
|         | Interest on the effect of asset ceiling                       | -                    | -        | -              | -        | -                | -        | 3,813          | 3,991    |
|         | Expense recognised in profit and loss account                 | 41,660               | 28,179   | 9,616          | 9,796    | 9,096            | 8,084    | 1,734          | 1,743    |
| 19.1.8  | Remeasurement recognised in Other Comprehensive Income        |                      |          |                |          |                  |          |                |          |
|         | Remeasurement of present value of defined benefit obligation  | 138,568              | 169,305  | 24,288         | 3,504    | 3,940            | 1,818    | 5,654          | (2,194)  |
|         | Remeasurement of fair value of plan assets                    | (60,935)             | (87,858) | (3,536)        | (1,369)  | (482)            | (1,498)  | (2,297)        | (1,742)  |
|         | Change in effect of asset ceiling - excluding interest amount | -                    | -        | -              | -        | -                | -        | (5,091)        | 2,193    |
|         | Remeasurements  | 77,633               | 81,447   | 20,752         | 2,135    | 3,458            | 320      | (1,734)        | (1,743)  |
| 19.1.9  | Net recognised liability                                      |                      |          |                |          |                  |          |                |          |
|         | Net liability at the beginning of the year                    | 80,668               | 3,565    | 50,177         | 47,614   | 7,618            | 7,844    | -              | -        |
|         | Expense recognised in profit and loss account                 | 41,660               | 28,179   | 9,616          | 9,796    | 9,096            | 8,084    | 1,734          | 1,743    |
|         | Contribution made to the fund during the year                 | (40,537)             | (32,523) | (9,631)        | (9,368)  | (9,015)          | (8,630)  | -              | -        |
|         | Remeasurements recognised in other comprehensive income       | 77,633               | 81,447   | 20,752         | 2,135    | 3,458            | 320      | (1,734)        | (1,743)  |
|         | Recognised liability as at June 30                            | 159,424              | 80,668   | 70,914         | 50,177   | 11,157           | 7,618    | -              | -        |
| 19.1.10 | Major categories / composition of plan assets are as follows: |                      |          |                |          |                  |          |                |          |
|         |   | Pension Schemes      |          |                |          | Gratuity Schemes |          |                |          |
|         |   | Management           |          | Non-Management |          | Management       |          | Non-Management |          |
|         |   | 2016                 | 2015     | 2016           | 2015     | 2016             | 2015     | 2016           | 2015     |
|         | Equity securities   | 0.00%                | 0.00%    | 0.00%          | 0.00%    | 6.64%            | 0.00%    | 0.06%          | 0.11%    |
|         | Debt securities   | 94.69%               | 91.32%   | 84.37%         | 42.50%   | 64.53%           | 88.53%   | 48.16%         | 81.88%   |
|         | Others  | 5.31%                | 8.68%    | 15.63%         | 57.50%   | 28.83%           | 11.47%   | 51.78%         | 18.01%   |
| 19.1.11 | Actuarial assumptions   |                      |          |                |          |                  |          |                |          |
|         | Discount rate at June 30                                      | 9.00%                | 10.50%   | 9.00%          | 10.50%   | 9.00%            | 10.50%   | 9.00%          | 10.50%   |
|         | Future salary increases                                       |                      |          |                |          |                  |          |                |          |
|         | - First year following the valuation                          | 9.00%                | 10.50%   | 9.00%          | 10.50%   | 9.00%            | 10.50%   | 9.00%          | 10.50%   |
|         | - Second year following the valuation                         | 9.00%                | 10.50%   | 9.00%          | 10.50%   | 9.00%            | 10.50%   | 9.00%          | 10.50%   |
|         | - Third year following the valuation                          | 9.00%                | 10.50%   | 9.00%          | 10.50%   | 9.00%            | 10.50%   | 9.00%          | 10.50%   |
|         | - Long term increase  | 9.00%                | 10.50%   | 9.00%          | 10.50%   | 9.00%            | 10.50%   | 9.00%          | 10.50%   |
|         | 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%                | 3.00%    | 3.00%          | 3.00%    |                  |          |                |          |
|         | - 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, 2016

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

The Company ensures that the investment positions are managed under 'Liability Driven Investment Approach' that has been developed to achieve long term investments that are in line with the obligations under the retirement benefit scheme. Within this framework, the objective is to match assets to the retirement benefit obligations by investing in long-term securities with maturities that match the benefit payments as they fall due. The retirement benefit funds have appointed a third party advisor who monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risk from previous periods. The Company does not use derivatives to manage its risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2016 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 2017 is expected to amount to Rs. 80.62 million.

## 19.2 Sensitivity analysis for actuarial assumptions

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

|                          | Change in assumption | Impact on defined benefit obligation |                        |
|--------------------------|----------------------|--------------------------------------|------------------------|
|                          |                      | Increase in assumption               | Decrease in assumption |
|                          |                      | (Rupees in thousand)                 |                        |
| Discount rate at June 30 | 0.5%                 | (1,330,867)                          | 1,490,487              |
| Future salary increases  | 0.5%                 | 1,447,145                            | (1,368,689)            |
| Future pension increases | 0.5%                 | 1,278,419                            | (1,196,921)            |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity and pension benefit liability recognised within the 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, 2016

|   | 2016                 | 2015            | 2014            | 2013            | 2012            |
|---|----------------------|-----------------|-----------------|-----------------|-----------------|
|   | (Rupees in thousand) |                 |                 |                 |                 |
| 19.3 Historical information                 |                      |                 |                 |                 |                 |
| Management Pension Fund                     |                      |                 |                 |                 |                 |
| Present value of defined benefit obligation | 1,109,017            | 892,717         | 655,637         | 774,621         | 621,250         |
| Fair value of plan assets                   | (949,593)            | (812,049)       | (652,072)       | (574,568)       | (512,983)       |
| Deficit in the plan                         | <u>159,424</u>       | <u>80,668</u>   | <u>3,565</u>    | <u>200,053</u>  | <u>108,267</u>  |
| Experience adjustments                      |                      |                 |                 |                 |                 |
| Loss / (gain) on obligation                 | 138,568              | 169,305         | (194,136)       | 84,872          | 12,770          |
| Gain / (loss) on plan assets                | 60,935               | 87,858          | 4,987           | (4,531)         | (23,932)        |
| Non-Management Pension Fund                 |                      |                 |                 |                 |                 |
| Present value of defined benefit obligation | 127,105              | 90,487          | 77,253          | 59,357          | 35,491          |
| Fair value of plan assets                   | (56,191)             | (40,310)        | (29,639)        | (21,656)        | (17,604)        |
| Deficit in the plan                         | <u>70,914</u>        | <u>50,177</u>   | <u>47,614</u>   | <u>37,701</u>   | <u>17,887</u>   |
| Experience adjustments                      |                      |                 |                 |                 |                 |
| Loss / (gain) on obligation                 | 24,288               | 3,504           | 9,334           | 17,979          | (1,852)         |
| Gain / (loss) on plan assets                | 3,536                | 1,369           | (51)            | (182)           | (684)           |
| Management Gratuity Fund                    |                      |                 |                 |                 |                 |
| Present value of defined benefit obligation | 129,853              | 111,362         | 97,049          | 108,706         | 89,821          |
| Fair value of plan assets                   | (118,696)            | (103,744)       | (89,205)        | (74,717)        | (65,151)        |
| Deficit in the plan                         | <u>11,157</u>        | <u>7,618</u>    | <u>7,844</u>    | <u>33,989</u>   | <u>24,670</u>   |
| Experience Adjustments                      |                      |                 |                 |                 |                 |
| Loss / (gain) on obligation                 | 3,940                | 1,818           | (21,999)        | 8,730           | 1,845           |
| Gain / (loss) on plan assets                | 482                  | 1,498           | 4,278           | (1,706)         | (429)           |
| Non-Management Gratuity Fund                |                      |                 |                 |                 |                 |
| Present value of defined benefit obligation | 40,764               | 30,138          | 28,758          | 19,808          | 12,836          |
| Fair value of plan assets                   | (75,794)             | (66,446)        | (58,882)        | (50,713)        | (46,721)        |
| Surplus in the plan                         | <u>(35,030)</u>      | <u>(36,308)</u> | <u>(30,124)</u> | <u>(30,905)</u> | <u>(33,885)</u> |
| Experience adjustments                      |                      |                 |                 |                 |                 |
| (Gain) / loss on obligation                 | 5,654                | (2,194)         | 5,257           | 4,663           | (1,637)         |
| Gain / (loss) on plan assets                | 2,297                | 1,742           | 2,604           | (1,821)         | 169             |

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

|                              | No. of years |
|------------------------------|--------------|
| Management Pension fund      | 11.47        |
| Non-management Pension fund  | 18.12        |
| Management Gratuity fund     | 7.28         |
| Non-management Gratuity fund | 10.23        |

19.5 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2016.

# Notes to and forming part of the Financial Statements

## For the year ended June 30, 2016

### 20. UNEARNED INCOME

During the year, the Company renewed agreements for continued supply of Liquefied Petroleum Gas (LPG) with certain Oil Marketing Companies. The Company has received Rs. 40 million as agreement signing fee including Rs. 15 million from Pakistan State Oil Company Limited - a related party, in consideration of signing of these supply agreements which is being amortised over the three years period of the agreement.

### 21. TRADE AND OTHER PAYABLES

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

|   |                   |                   |
|---|-------------------|-------------------|
| Creditors – note 21.1                   | 7,185,764         | 14,041,514        |
| Accrued liabilities - notes 21.2 & 21.3 | 2,465,051         | 1,389,743         |
| Advances from customers – note 21.1     | 38,421            | 54,259            |
| Payable to the Government – note 21.4   | 666,979           | 610,427           |
| Surplus price differential payable      | 829,845           | 796,295           |
| Retention money                         | 18,605            | 63,944            |
| Workers' Welfare Fund                   | 9,950             | -                 |
| Unclaimed dividend                      | 21,202            | 21,386            |
| Tax deducted at source                  | 4,856             | 29,565            |
| Unearned income - note 20               | 13,333            | -                 |
|   | <u>11,254,006</u> | <u>17,007,133</u> |
| 21.1 Related party balances             |                   |                   |
| Creditors                               | 6,583             | 84,309            |
| Advances from customers                 | 13,885            | 38,447            |

note 21.1.1

21.1.1 These include amount payable to / advances from Pakistan State Oil Company Limited, Shell Pakistan Limited and Karachi Port Trust as at June 30, 2016.

21.2 This includes differential of regulatory duty levied amounting to Rs. 857.91 million (June 30, 2015: 11.05 million) on import of crude oil consumed in the production and sale of 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 for regulated products through which refineries are expected to operate on no gain / loss basis on this account.

21.3 Included in accrued liabilities is an amount of Rs. 405.42 million (exchange gains of Rs. 618.95 million net of exchange losses of Rs. 213.53 million) in respect of foreign currency loans taken by the Company for retirement of LCs of crude oil based on discussions with MoF (FC loans). During the year, MoF proposed a mechanism for calculation of such gains and losses on the FC loans by the oil importing companies and invited views / comments thereupon. The Company, alongwith other oil importing companies is currently in discussions with MoF and State Bank of Pakistan (SBP) in this respect for finalisation of the mechanism.

21.4 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 (2015: Rs. 257.56 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 MoPNR.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|                                      | 2016                 | 2015             |
|--------------------------------------|----------------------|------------------|
|                                      | (Rupees in thousand) |                  |
| <b>22. TERM FINANCE CERTIFICATES</b> |                      |                  |
| PRL Taraqqi TFC1 - 'TFC1'            | 1,722,130            | 1,831,230        |
| PRL Taraqqi TFC2 - 'TFC2'            | 244,890              | 291,390          |
|                                      | <u>1,967,020</u>     | <u>2,122,620</u> |

- 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 mark-up 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 Pakistan 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.

|  | 2016                 | 2015             |
|--|----------------------|------------------|
|  | (Rupees in thousand) |                  |
| <b>23. SHORT-TERM BORROWINGS - Secured</b> |                      |                  |
| Short-term finance - note 23.1             | 2,500,000            | 4,500,000        |
| Foreign currency loan - note 23.2          | 3,188,057            | -                |
|  | <u>5,688,057</u>     | <u>4,500,000</u> |

- 23.1 This represents mark-up based short term finance from commercial banks repayable in 18 to 22 (2015: 3 to 14) days from the date of balance sheet at a mark-up ranging from 6.74% to 6.89% (2015: 7.44% to 7.81%) per annum.

- 23.2 This represents mark-up based short term foreign currency loan from United Bank Limited at a mark-up rate of three months LIBOR+2.5% per annum repayable by September 2, 2016.

## 24. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

As at June 30, 2016 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.75 billion (2015: Rs. 8.1 billion). This includes facility of Rs. 1 billion (2015: Rs. 1 billion) from Faysal Bank Limited - a related party of which amount utilised as at June 30, 2016 amounts to Rs. Nil (2015: Rs. 589.98 million).

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 6.85% to 9.25% per annum as at June 30, 2016 (2015: 7.43% to 9.81% 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, 2016 accumulated to Rs. 29.90 billion (2015: Rs. 31.56 billion) of which the amount remaining unutilised at year end was Rs. 20.70 billion (2015: Rs. 20.15 billion). This includes facility for opening letters of credit amounting to Rs. 600 million (2015: Rs. 600 million) from Faysal Bank Limited - a related party.



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|  | 2016                 | 2015           |
|--|----------------------|----------------|
|  | (Rupees in thousand) |                |
| 25. ACCRUED MARK-UP                              |                      |                |
| Mark-up on long term loan                        | -                    | 105,239        |
| Mark-up on term finance certificates - note 25.1 | 14,782               | 15,726         |
| Mark-up on short term loan                       | 2,881                | 13,591         |
| Running finance under mark-up arrangements       | 13,748               | 75,206         |
| Mark-up on foreign currency loan                 | 7,888                | -              |
|  | <u>39,299</u>        | <u>209,762</u> |

25.1 This includes an amount of Rs. 2.01 million (2015: Rs. 2.47 million) in respect of term finance certificates held by the retirement benefit funds of the Company.

|  | 2016                 | 2015           |
|--|----------------------|----------------|
|  | (Rupees in thousand) |                |
| 26. PAYABLE TO GOVERNMENT - SALES TAX  |                      |                |
| Payable to Government                  | 566,791              | 579,105        |
| Refundable from Government - note 26.1 | (72,661)             | (72,661)       |
|  | <u>494,130</u>       | <u>506,444</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. 4.74 billion (June 30, 2015: Rs. 4.59 billion). These include Rs. 4.11 billion (June 30, 2015: Rs. 3.97 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.36 billion (June 30, 2015: Rs. 6.98 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

b) Bank guarantees of Rs. 54 million (2015: Rs. 213 million) were issued in favour of third parties.

### 27.2 Commitments

a) As at June 30, 2016 commitments outstanding for capital expenditure amounted to Rs. 0.41 billion (2015: Rs. 0.27 billion).

b) Commitments for rentals under ijarah arrangements amounted to Rs. 32.57 million (2015: Rs. 31.65 million) payable as follows:

|  | 2016                 | 2015          |
|--|----------------------|---------------|
|  | (Rupees in thousand) |               |
| Not later than 1 year                        | 12,521               | 11,711        |
| Later than 1 year but not later than 5 years | 20,048               | 19,943        |
|  | <u>32,569</u>        | <u>31,654</u> |



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|                                    | 2016                 | 2015              |
|------------------------------------|----------------------|-------------------|
|                                    | (Rupees in thousand) |                   |
| <b>28. NET SALES</b>               |                      |                   |
| Local sales - notes 28.1 & 28.2    | 101,977,293          | 106,784,660       |
| Exports                            | 3,110,804            | 11,026,144        |
| Gross sales                        | 105,088,097          | 117,810,804       |
| Less:                              |                      |                   |
| - Sales tax                        | (27,054,967)         | (18,186,006)      |
| - Excise duty and development levy | (9,864,869)          | (7,172,130)       |
| - Surplus price differential       | (1,359,128)          | (1,179,891)       |
| - Regulatory Duty - note 28.3      | (2,076,185)          | (98,077)          |
|                                    | <u>64,732,948</u>    | <u>91,174,700</u> |

28.1 The Company sells its manufactured products to Oil Marketing Companies (OMCs). Out of these, four (2015: four) of the Company's customers contributed towards 94.99% (2015: 89.29%) of the gross revenues during the year amounting to Rs. 99.83 billion (2015: Rs. 105.19 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 MoPNR.

28.3 This represents regulatory duty recovered on sale of products subject to regulatory duty.

|   | 2016                 | 2015              |
|---|----------------------|-------------------|
|   | (Rupees in thousand) |                   |
| <b>29. COST OF SALES</b>                      |                      |                   |
| Crude oil and condensate consumed - note 29.1 | 59,137,434           | 88,845,172        |
| Salaries and wages                            | 532,616              | 493,093           |
| Retirement benefits                           | 65,878               | 53,263            |
| Fuel, power and water                         | 467,660              | 605,925           |
| Depreciation                                  | 765,556              | 236,510           |
| Stores, spares and chemicals                  | 302,618              | 212,788           |
| Repairs and maintenance                       | 175,299              | 292,869           |
| Exchange loss - note 29.2                     | 280,762              | 754,766           |
| Rent, rates and taxes                         | 33,748               | 25,537            |
| Insurance                                     | 21,689               | 27,399            |
| Security expenses                             | 30,327               | 25,437            |
| Staff transport                               | 14,984               | 16,667            |
| Consultancy                                   | 16,364               | 6,544             |
| Amortisation of intangible                    | 1,293                | -                 |
| Subscriptions                                 | 8,988                | 7,153             |
| Rentals under ijarah arrangements             | 6,504                | 6,239             |
| Travelling and entertainment                  | 6,730                | 7,164             |
| Other expenses                                | 7,169                | 2,995             |
|   | <u>2,738,185</u>     | <u>2,774,349</u>  |
|   | 61,875,619           | 91,619,521        |
| Opening stock of finished products            | 1,801,996            | 2,034,199         |
| Closing stock of finished products            | (934,379)            | (1,801,996)       |
|   | <u>62,743,236</u>    | <u>91,851,724</u> |

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 MoPNR.

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

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

2016

2015

(Rupees in thousand)

## 30. DISTRIBUTION COST

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Salaries and wages                  | 51,090         | 31,235         |
| Retirement benefits                 | 5,566          | 4,251          |
| Rent, rates and taxes               | 25,658         | 64,573         |
| Depreciation                        | 63,996         | 73,423         |
| Insurance                           | 6,563          | 14,256         |
| Transportation and handling charges | 3,170          | 8,467          |
| Fuel, power and water               | 3,550          | 5,699          |
| Repairs and maintenance             | 4,053          | 4,117          |
| Security expenses                   | 1,735          | 2,663          |
| Staff transport                     | 1,341          | 1,257          |
| Subscriptions                       | 1,903          | 2,071          |
| Other expenses                      | 1,848          | 885            |
|                                     | <u>170,473</u> | <u>212,897</u> |

## 31. ADMINISTRATIVE EXPENSES

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Salaries and wages                 | 114,080        | 113,555        |
| Retirement benefits                | 12,664         | 9,773          |
| Depreciation                       | 29,330         | 28,054         |
| Insurance                          | 10,729         | 6,980          |
| Staff transport                    | 5,641          | 6,866          |
| Rentals under ijarah arrangements  | 4,156          | 4,210          |
| Communication                      | 3,939          | 4,636          |
| Legal and professional charges     | 23,033         | 12,695         |
| Travelling and entertainment       | 4,951          | 7,171          |
| Auditors' remuneration - note 31.1 | 4,622          | 4,121          |
| Security expenses                  | 7,468          | 6,232          |
| Printing and stationery            | 4,499          | 4,199          |
| Subscriptions                      | 3,417          | 6,402          |
| Repairs and maintenance            | 8,042          | 4,772          |
| Directors' fee                     | 3,961          | 5,466          |
| Computer related and software      |                |                |
| maintenance expenses               | 17,049         | 16,485         |
| Cleaning and janitorial services   | 14,200         | 13,151         |
| Advertising and publicity          | 3,314          | 761            |
| Training expenses                  | 2,663          | 4,120          |
| Other expenses                     | 6,178          | 3,564          |
|                                    | <u>283,936</u> | <u>263,213</u> |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

## 31.1 Auditors' remuneration

|  |              |              |
|--|--------------|--------------|
| Audit fee  | 1,600        | 1,600        |
| Fee for:   |              |              |
| - limited review of half yearly financial information and other certifications | 1,646        | 1,106        |
| - audit of retirement benefit funds  | 235          | 470          |
| - review of application system   | 300          | 337          |
| Out of pocket expenses   | 841          | 608          |
|  | <u>4,622</u> | <u>4,121</u> |

## 32. OTHER OPERATING EXPENSES

|   |                |               |
|---|----------------|---------------|
| Donations - note 32.1   | 2,285          | 598           |
| Capital work-in-progress written off                                      | 18,661         | 15,448        |
| Workers' Profits Participation Fund                                       | 26,135         | -             |
| Workers' Welfare Fund   | 9,950          | -             |
| Research cost on refinery upgradation - note 32.2                         | 125,288        | -             |
| Charge in respect of exchange gains on foreign currency loans - note 32.3 | 597,259        | -             |
| Penalty - note 32.4   | 1,000          | -             |
|   | <u>780,578</u> | <u>16,046</u> |

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

32.2 Research cost represents feasibility study carried by the Company in relation to installation of Diesel Hydrodesulphurisation Unit (DHDS).

32.3 During the year, the Company received a letter from the MoF proposing a mechanism and inviting views / comments thereupon, for calculation of gains and losses on foreign currency loans (FC Loans) taken by the Company for retirement of LCs of crude oil based on the understanding with the MoF; which mechanism is not consistent with the earlier understandings given by the MoF. The company has accordingly recorded a liability in this respect – note 21.3.

32.4 The penalty has been imposed by OGRA under Pakistan Petroleum (Refining, Blending & Marketing) Rules, 1971.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

|   | 2016                 | 2015           |
|---|----------------------|----------------|
|   | (Rupees in thousand) |                |
| <b>33. OTHER INCOME</b>   |                      |                |
| Income from financial assets  |                      |                |
| Profit on mark-up based term deposits   | 77,407               | -              |
| Profit on savings accounts  | 42,744               | 36,992         |
| Others  |                      |                |
| Rent of equipment and handling charges<br>[including Rs. 63.87 million (2015: Rs. 54.53 million)<br>from related parties] | 90,780               | 65,054         |
| Exchange gain - note 33.1   | 11,545               | 53,980         |
| Insurance commission  | 3,204                | 4,555          |
| Insurance claim   | 16,222               | -              |
| Interest on late payments from related party  | 2,096                | 5,220          |
| Sale of scrap   | 9,063                | 14,645         |
| Gain on disposal of property, plant and equipment   | 107                  | 126            |
| Liabilities no longer required written back - note 33.2   | 373,079              | -              |
| Agreement signing fee   | 6,667                | -              |
| Others - note 33.3  | 2,437                | 4,345          |
|   | <b>635,351</b>       | <b>184,917</b> |

33.1 This represents exchange gain on foreign currency receivables and payables incurred due to fluctuation in the value of foreign currency in terms of local currency.

33.2 This includes reversal of Rs. 365.41 million representing accrued amount in respect of local crude consequent to finalisation of these amounts by the Company during the year after their settlement, which are no more considered payable.

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

|  | 2016                 | 2015           |
|--|----------------------|----------------|
|  | (Rupees in thousand) |                |
| <b>34. FINANCE COST - NET</b>                            |                      |                |
| Mark-up on running finance under<br>mark-up arrangements | 75,164               | 145,604        |
| Mark-up on short-term loans                              | 80,363               | 203,958        |
| Mark-up on term finance certificates                     | 201,662              | 139,686        |
| Mark-up on foreign currency loans                        | 341,068              | 265,118        |
| Mark-up on long term loans                               | 173,777              | -              |
| Exchange loss / (gain) net - note 34.1                   | 33,311               | (49,636)       |
| Bank charges   | 3,435                | 1,967          |
|  | <b>908,780</b>       | <b>706,697</b> |

34.1 This represents exchange loss / (gain) incurred due to fluctuation in the value of foreign currency in terms of local currency and includes foreign exchange gain amounting to Rs. Nil (2015: Rs. 66.91 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.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

| 2016                 | 2015 |
|----------------------|------|
| (Rupees in thousand) |      |

## 35. TAXATION

|                        |                |                  |
|------------------------|----------------|------------------|
| Current - for the year | -              | -                |
| - for prior year       | -              | (13,174)         |
| Deferred               | 203,232        | (478,146)        |
|                        | <u>203,232</u> | <u>(491,320)</u> |

### 35.1 Relationship between tax income and accounting profit / (loss)

|   |                |                  |
|---|----------------|------------------|
| Accounting profit / (loss)  | 486,623        | (1,672,982)      |
| Tax at the applicable tax rate of 32% (2015 : 33%)  | 155,719        | (552,084)        |
| Effect of:  |                |                  |
| - non-recognition of deferred tax on tax loss and deductible temporary differences - note 8.1 | (273,198)      | 396,587          |
| - expenses not deductible for tax purposes  | 120,999        | 197              |
| - final tax   | (4,714)        | 281,405          |
| - tax credit  | 204,426        | (602,182)        |
| - charge for prior year   | -              | (13,174)         |
| - change in tax rate  | -              | (2,069)          |
|   | <u>203,232</u> | <u>(491,320)</u> |

## 36. EARNINGS / (LOSS) PER SHARE

|  |                 |                   |
|--|-----------------|-------------------|
| Profit / (loss) after taxation attributable to ordinary shareholders                             | 283,391         | (1,181,662)       |
| Weighted average number of ordinary shares outstanding during the year (in thousand) - note 36.1 | 305,221         | 218,207           |
| Basic earnings / (loss) per share  | <u>Rs. 0.93</u> | <u>(Rs. 5.42)</u> |

36.1 The weighted average number of shares as at June 30, 2015 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, 2016 and 2015.

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## 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:

|                         | 2016                 |                 |            | 2015      |                 |            |
|-------------------------|----------------------|-----------------|------------|-----------|-----------------|------------|
|                         | Directors            | Chief Executive | Executives | Directors | Chief Executive | Executives |
|                         | (Rupees in thousand) |                 |            |           |                 |            |
| Fees                    | 2,725                | -               | -          | 4,230     | -               | -          |
| Managerial remuneration | -                    | 15,885          | 193,713    | -         | 14,033          | 174,110    |
| Honorarium              | 1,200                | -               | -          | 1,200     | -               | -          |
| Bonus                   | -                    | 5,507           | 57,984     | -         | 2,526           | 45,903     |
| Retirement benefits     | -                    | -               | 60,197     | -         | -               | 45,633     |
| Housing                 | -                    | -               | 73,811     | -         | -               | 63,725     |
| Utilities               | -                    | -               | 16,403     | -         | -               | 14,161     |
| Leave passage           | -                    | -               | 25,172     | -         | -               | 22,962     |
| Club expenses           | -                    | -               | 876        | -         | -               | 904        |
| Others                  | 36                   | 15              | 51,122     | 36        | 127             | 54,626     |
|                         | 36                   | 15              | 167,384    | 36        | 127             | 156,378    |
|                         | 3,961                | 21,407          | 479,278    | 5,466     | 16,686          | 422,024    |
| Number of persons       | 10                   | 1               | 150        | 12        | 1               | 136        |

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

## 38. TRANSACTIONS WITH RELATED PARTY

| Relationship                             | Nature of transaction                           | 2016                 | 2015       |
|--|---|----------------------|------------|
|  |   | (Rupees in thousand) |            |
| (a) Associated companies                 | Sale of goods - net                             | 53,489,876           | 80,473,048 |
|  | Services rendered                               | 63,867               | 54,535     |
|  | Purchase of goods                               | 33,355               | 1,654,007  |
|  | Services received                               | 62,622               | 9,239      |
|  | Agreement signing fee                           | 2,500                | -          |
|  | Mark-up paid                                    | 25,846               | 32,841     |
|  | Proceeds from rights issue                      | -                    | 1,898,584  |
|  | Interest received                               | 2,097                | 5,220      |
|  | Dividend paid                                   | -                    | 26,933     |
|  | Dividend received                               | 10,630               | 9,354      |
|  | Bank charges                                    | 170                  | 133        |
| (b) Key management personal compensation | Salaries and other short-term employee benefits | 111,239              | 99,668     |
|  | Post-employment benefits                        | 16,232               | 9,989      |
| (c) Staff retirement benefit funds       | Payments to staff retirement benefit funds      | 111,928              | 89,732     |
|  | Mark-up paid on TFC                             | 6,074                | 6,030      |
| (d) Directors                            | Proceeds from rights issue                      | -                    | 717        |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

Sale of certain products is transacted at prices fixed by the OGRA. 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, 2016 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 19 and note 39.

## 39. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund as at June 30, 2016 and June 30, 2015:

|                                 | 2016                 | 2015    |
|---------------------------------|----------------------|---------|
|                                 | (Rupees in thousand) |         |
| Size of the fund - total assets | 434,583              | 355,187 |
| Fair value of investments       | 417,263              | 352,466 |
| Percentage of investments made  | 96%                  | 99%     |

39.1 The cost of above investments amounted to Rs. 345.88 million (2015: Rs. 288.83 million).

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

|                       | 2016         | 2015 | 2016                 | 2015    |
|-----------------------|--------------|------|----------------------|---------|
|                       | (Percentage) |      | (Rupees in thousand) |         |
| Government securities | 61%          | 74%  | 254,693              | 260,613 |
| Debt securities       | 4%           | 5%   | 18,070               | 17,603  |
| Equity securities     | 17%          | 15%  | 72,340               | 53,455  |
| Bank deposits         | 17%          | 6%   | 72,160               | 20,795  |

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. 22 million (2015: Rs.19.49 million) as contribution for employees' provident fund.

|   | 2016 | 2015 |
|---|------|------|
| 40. NUMBER OF EMPLOYEES   |      |      |
| Number of employees including contractual employees at the end of year      | 291  | 288  |
| Average number of employees including contractual employees during the year | 293  | 288  |

# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## 41. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,693,020 metric tons (2015: 1,508,766 metric tons). The Company operated the plant considering the level which gives optimal yield of products.

## 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 advances                         | -                          | -                       | -          | 6,337                          | 5,598                   | 11,935     | 11,935     |
| Trade deposits                             | -                          | -                       | -          | 7,559                          | 21,607                  | 29,166     | 29,166     |
| Trade debts                                | -                          | -                       | -          | 5,211,050                      | -                       | 5,211,050  | 5,211,050  |
| Other receivables                          | -                          | -                       | -          | 61,977                         | -                       | 61,977     | 61,977     |
| Cash and bank                              |                            |                         |            |                                |                         |            |            |
| balances                                   | 572,668                    | -                       | 572,668    | 14,123                         | -                       | 14,123     | 586,791    |
| 2016                                       | 572,668                    | -                       | 572,668    | 5,301,046                      | 27,205                  | 5,328,251  | 5,900,919  |
| 2015                                       | 464,861                    | -                       | 464,861    | 11,116,687                     | 26,088                  | 11,142,775 | 11,607,636 |
| FINANCIAL LIABILITIES                      |                            |                         |            |                                |                         |            |            |
| Long term borrowing                        | -                          | 2,000,000               | 2,000,000  | -                              | -                       | -          | 2,000,000  |
| Trade and other payables                   | -                          | -                       | -          | 9,690,622                      | -                       | 9,690,622  | 9,690,622  |
| Accrued mark-up                            | -                          | -                       | -          | 39,299                         | -                       | 39,299     | 39,299     |
| Running finance under mark-up arrangements | 905,685                    | -                       | 905,685    | -                              | -                       | -          | 905,685    |
| Term Finance Certificates                  | 1,967,020                  | -                       | 1,967,020  | -                              | -                       | -          | 1,967,020  |
| Short-term loan                            | 5,688,057                  | -                       | 5,688,057  | -                              | -                       | -          | 5,688,057  |
| 2016                                       | 8,560,762                  | 2,000,000               | 10,560,762 | 9,729,921                      | -                       | 9,729,921  | 20,290,683 |
| 2015                                       | 9,106,436                  | 2,000,000               | 11,106,436 | 15,690,222                     | -                       | 15,690,222 | 26,796,658 |

### 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 - 17.1, 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.

The Company has long term borrowing, short-term borrowing, running finance and Term Finance Certificates issued to meet its working capital and capital expenditure requirements.



# Notes to and forming part of the Financial Statements

For the year ended June 30, 2016

## (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. 5.90 billion (2015: Rs. 11.61 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:

|                        | 2016                 | 2015              |
|------------------------|----------------------|-------------------|
|                        | (Rupees in thousand) |                   |
| Loans to employees     | 11,935               | 8,892             |
| Deposits               | 29,166               | 48,809            |
| Trade debts            | 5,063,413            | 5,005,059         |
| Other receivables      | 61,977               | 2,504,624         |
| Cash and bank balances | 586,791              | 2,814,526         |
|                        | <u>5,753,282</u>     | <u>10,381,910</u> |

## (ii) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances and the availability of financing through banking arrangements.

## (iii) Foreign exchange risk

Foreign exchange risk arises mainly when receivables and payables exist due to transactions in foreign currencies primarily with respect to the US Dollar. Financial assets include Rs. 0.29 billion (2015: Rs. 2.38 billion) and financial liabilities include Rs. 8.98 billion (2015: Rs. 10.09 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, 2016, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs. 434.57 million (2015: Rs. 623.28 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.

As at June 30, 2016, if average LIBOR and KIBOR interest rate on long term borrowing, short term borrowings, running finance arrangements and cash at bank in savings accounts, had been 100 basis points higher / lower with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 80.21 million (2015: Rs. 85.19 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, 2016

2016

2015

(Rupees in thousand)

## 43. CASH GENERATED FROM OPERATIONS

|  |             |             |
|--|-------------|-------------|
| Profit / (loss) before taxation                            | 486,623     | (1,672,982) |
| Adjustments for non-cash charges and other items :         |             |             |
| Depreciation   | 858,882     | 337,987     |
| Amortisation on intangible                                 | 1,293       | -           |
| Share of income of associate                               | (5,327)     | (17,978)    |
| Gain on disposal of<br>property, plant and equipment       | (107)       | (126)       |
| Capital work-in-progress written off                       | 18,661      | 15,448      |
| Profit on deposits   | (120,151)   | (37,452)    |
| Mark-up expense  | 872,034     | 754,366     |
| Exchange gains on foreign currency loans                   | -           | (66,914)    |
| Exchange gains on<br>cash and cash equivalents             | (441)       | (3,885)     |
| Reversal of provision for slow moving<br>stores and spares | (636)       | (1,561)     |
| Provision for defined benefit retirement plans             | 62,106      | 47,802      |
| Agreement signing fee                                      | (6,667)     | -           |
|  | 1,679,647   | 1,027,687   |
| Working capital changes - note 43.1                        | (2,058,918) | 2,021,258   |
| Cash generated from operations                             | 107,352     | 1,375,963   |

### 43.1 Working capital changes

|  |             |             |
|--|-------------|-------------|
| (Increase) / Decrease in current assets      |             |             |
| Stores, spares and chemicals                 | (135,856)   | 51,739      |
| Stock-in-trade                               | 426,586     | 4,157,353   |
| Trade debts                                  | 1,019,735   | 2,356,827   |
| Loans and advances                           | (48,484)    | 17,935      |
| Trade deposits and short-term prepayments    | (42,159)    | (21,867)    |
| Other receivables                            | 2,408,782   | (2,443,402) |
|  | 3,628,604   | 4,118,585   |
| Increase / (Decrease) in current liabilities |             |             |
| Trade and other payables                     | (5,675,208) | (2,111,186) |
| Payable to government - sales tax            | (12,314)    | 13,859      |
|  | (2,058,918) | 2,021,258   |

## 44. CASH AND CASH EQUIVALENTS

|   |             |             |
|---|-------------|-------------|
| Cash and bank balances - note 15                        | 586,791     | 2,814,526   |
| Short-term finance                                      | (2,500,000) | (4,500,000) |
| Running finance under mark-up<br>arrangements - note 24 | (905,685)   | (2,483,816) |
|   | (2,818,894) | (4,169,290) |

# Notes to and forming part of the Financial Statements

## For the year ended June 30, 2016

### 45. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 22, 2016 has proposed a final cash dividend of Rs. 0.31 per share in respect of the year June 30, 2016. The financial statements for the year ended June 30, 2016 do not include the effect of proposed dividend amounting to Rs. 91.14 million which will be accounted for in the financial statements for the year June 30, 2017 after approval by the members in Annual General Meeting.

### 46. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 22, 2016 by the Board of Directors of the Company.



Farooq Rahmatullah Khan  
Chairman



Aftab Husain  
Chief Executive

## Form of Proxy

### 56th Annual General Meeting 2016

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 Sixth Annual General Meeting of the Company to be held on October 24, 2016 and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

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](mailto:info@prl.com.pk)

Website: [www.prl.com.pk](http://www.prl.com.pk)

مختار نامہ (پراکسی فارم)  
چھپتواں (56) سالانہ اجلاس عام  
پاکستان ریفرنسری لمیٹڈ

میں مسماۃ / مسماۃ \_\_\_\_\_ ساکن \_\_\_\_\_ بحیثیت رکن پاکستان ریفرنسری لمیٹڈ،

مسماۃ / مسماۃ \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے چھپتواں (56) سالانہ  
اجلاس عام جو بتاریخ 24 اکتوبر 2016 بروز پیر منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

شیئر ہولڈر نمبر \_\_\_\_\_ دستخط شیئر ہولڈر \_\_\_\_\_  
(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو، ہو ہونا ضروری ہے)

متعین شدہ مالیت کارپوریٹ

آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2016 کو دستخط کئے گئے۔ دستخط مختار نمائندہ \_\_\_\_\_

گواہان:

۱۔ دستخط: \_\_\_\_\_ ۲۔ دستخط: \_\_\_\_\_

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

## **The Secretary**

Pakistan Refinery Limited

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

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Email: [info@prl.com.pk](mailto:info@prl.com.pk)

Website: [www.prl.com.pk](http://www.prl.com.pk)

## Dividend Mandate

Members of Pakistan Refinery Limited

Subject: Dividend Mandate Form

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

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

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

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

YES

NO

If yes then please provide the following information:

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

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

\_\_\_\_\_  
Signature of the member / shareholder



## **The Secretary**

Pakistan Refinery Limited

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## **PAKISTAN REFINERY LIMITED**

**P.O. Box 4612, Korangi Creek Road, Karachi-75191, Pakistan.  
Tel: (92-21) 35122131-40, Fax: (92-21) 35060145, 35091780  
E-mail: [info@prl.com.pk](mailto:info@prl.com.pk), Website: [www.prl.com.pk](http://www.prl.com.pk)**

