Annual Report 2019

Committed to a promising FUTURE

PRL

PAKISTAN REFINERY LIMITED

Cover Story

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

Contents


21

Vision

To be the Refinery of first choice for all Stakeholders.

Mission

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

Core Values

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

Responsibilities

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

Shareholders

To protect their investment and provide an attractive return.

Customers

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

Employees

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

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

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

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

Those with whom it does business

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

Society

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

Health, Safety, Environment and Quality

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

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

Health

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

Safety

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

Environment

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

Quality

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

Integrity

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

Teamwork

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

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

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

Excellence

Pakistan Refinery Limited is performance-driven with 281 employees committed to providing innovative and efficient solutions to achieve its goals. The Company serves diverse industries, providing quality distilled petroleum products that help move country’s commerce forward. Hence, cost efficiency, operational excellence and innovativeness are paramount objectives. Pakistan Refinery Limited strives for excellence through sincere leadership and dynamic support staff along with using the right management system and processes.

Corporate Social Responsibility

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

Company Information

Deputy Managing Director (Finance & IT) / CFO
Imran Ahmad Mirza

Company Secretary
Mustafa Saleemi

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Tax Advisors
KPMG - Taseer Hadi & Co.
Chartered Accountants

Legal Advisors
Orr Dignam & Co.

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

Bankers
Askari Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
Citi Bank N.A
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

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

Board of Directors

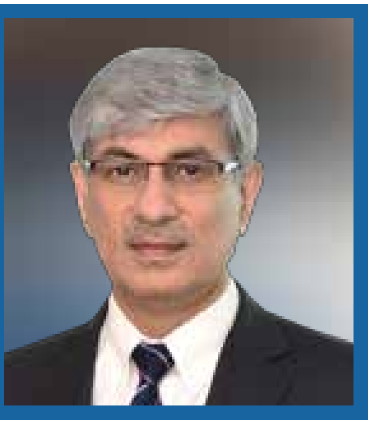
Syed Asad Ali Shah

Chairman

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

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

Mr. Shah is one of the leading professionals in the country, with more than 35 years' experience in audit, assurance, consulting and governance related advisory services. He is one of the leading trainers and a regular presenter at national and international seminars and conferences on the subjects of corporate governance, internal control, corporate fraud, auditing, accounting, taxation, internal auditing and other related professional subjects. He has been regularly writing articles in professional magazines and leading newspapers on aforementioned subjects, including corporate governance, anti-fraud / anti-corruption, macro economy, federal budget and other related matters. Mr. Shah has done extensive work on corporate governance. He was the chairman of the committee which developed rules on corporate governance of public sector companies, which are now part of the Company law. He also chaired Corporate Governance Group of South Asian Federation of Accountants which had developed "Best Practices for Corporate Governance" in SAFA region. He has done over 40 training courses for board of directors of banks, listed companies and public sector companies on Corporate Governance. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as an Associate Member of the Institute of Cost and Management Accountants of Pakistan.



Zahid Mir

Managing Director & CEO

Mr. Zahid Mir is working in Pakistan Refinery Limited, Karachi as Managing Director & CEO since August 1, 2019. He is a Petroleum Engineer, and an MBA. Mr. Mir has over 32 years of diverse technical and management experience working for both public and private sector companies in the oil and gas industry. He also has significant experience of both onshore and offshore operations having been involved, at a senior level, in all stages of upstream operations. He has a strong HSE background, extensive experience as an oil and gas commercial negotiator and business developer, with leadership experience in major oil companies of commercial and fiscal agreements, strategy, joint ventures and license management, new ventures, economic evaluations, mergers and acquisitions and dealing with the government regulators. Mr. Mir also has experience of managing field operations including production, project development, development planning, conceptual engineering and operational support. This experience has been gained through working with national and multi-national oil and gas producers both in Pakistan and United Kingdom.

Previously, he was Director on the Boards of Mari Petroleum Company Limited, Pakistan State Oil Company Limited and Petroleum Institute of Pakistan (PIP).

Abdul Jabbar Memon

Director

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

He was appointed as Director on Board of Pakistan Petroleum Limited in June 2019.

Aftab Husain

Director

Mr. Aftab Husain is a Chemical Engineer, and MPA from IBA, Karachi. He has a career in oil refining with over 40 years of diversified experience with PRL, having led all Operations, Technical and Commercial functions in the Refinery. He has been a member of the National Integrated Energy Plan in the Energy Expert Group of the Economic Advisory Committee and served as Refining Specialist. Mr. Husain has been associated with different committees and working groups on oil pricing mechanism, deregulation and refinery issues with the Ministry of Energy (Petroleum Division), Government of Pakistan.

Mr. Aftab Husain is a Certified Director from Pakistan Institute of Corporate Governance (PICG).

Mr. Husain has twice served as Chairman, Oil Companies Advisory Council (OCAC) in 2015 and 2017. He served as Trustee, Board of Trustees, Karachi Port Trust, from 2015 to 2018 and as a Director of Petroleum Institute of Pakistan (PIP). Mr. Husain has also served as Director on the Board of Pak Grease Manufacturing Company (Private) Limited.

Mr. Aftab Husain was a member of the Managing Committee of Overseas Investors' Chamber of Commerce and Industry (OICCI) from 2014-2016.

Babar Hamid Chaudhary

Director

Mr. Babar H. Chaudhary is currently serving as General Manager - Procurement and Services in Pakistan State Oil Company Limited (PSO). He is associated with PSO for over twenty four years and has been working as head of the department and General Manager for the last thirteen years. As General Manager he has served in various functions including Supply Chain, Marketing Planning, Corporate Planning, Human Resources, Internal Audit and New Business Development.

He has also served on various internal management committees of PSO including Management Committee, Compensation, Organization and Employee Development Committee and Internal Audit Committee. He has also led and participated as member in various Cross Functional teams formed with the objective of formulating business proposals and process improvements. Being head of Human Resource and Internal Audit departments he has worked in the capacity of Secretary to the respective committees of PSO Board of Management.

He is Chartered Accountant from the Institute of Chartered Accountants of Pakistan. He also completed MBA in 2002.

Imtiaz Jaleel

Director

Mr. Imtiaz Jaleel has over 23 years' rich financial management and corporate governance experience for delivering accelerated and competitive organizational growth. He is currently working as General Manager Finance for Pakistan State Oil Company Limited since December 2016. He is a member of Board of Trustees of its CSR Trust and various employee retirement funds, as well as member of Management Steering Committees on IT, Marketing, Supply Chain, Credit Review and Grievance Handling.

Prior to this, he has held diversified local and regional senior management positions at Unilever based in Pakistan and Switzerland. In 2014, he was selected by Unilever Americas Supply Chain Company Limited to lead its Regional Category Finance for North America, where he steered the transformation of multi-billion euro Foods business with his teams based in USA, Canada, Switzerland and Netherlands. During 2008-11, he got multiple secondments to the Unilever's hub in Singapore for roles in Treasury and Corporate Audit for Asia, Africa, Middle East & Turkey (ASIA AMET) Region.

He joined Unilever Pakistan in 2004 in the Financial Controller Function and progressed to drive Strategic Finance, Supply Chain Finance, Corporate Treasury, Investor Relations, Pension Funds, Internal Audit, Risk Management and Information Security for Unilever Pakistan Limited (UPL) and Unilever Pakistan Foods Limited (UPFL). He helped the business growth across all categories and also played an instrumental role in various acquisition, divestment and restructuring plans. During his stint in Pakistan he was nominated as director of Unilever subsidiaries, Trustee of Pension Funds and member of the Ethics Committee and Finance Leadership Team. He also worked as Secretary to the Board Audit Committees of UPL and UPFL.

He served as elected member of the ACCA Network Panel, Pakistan for the term 2009-11 and also represented Pakistan on the ACCA Global Audit & Assurance Forum, UK from 2014-16. He started his professional career with A. F. Ferguson & Co., Chartered Accountants (member firm of Price Waterhouse Coopers) in 1996 and worked in the Audit & Assurance Section for eight years. He is fellow member of the Institute of Chartered Accountants of Pakistan and Association of Chartered Certified Accountants, UK, besides holding a certification in Internal Audit from the Institute of Internal Auditors, USA.

Mirza Mahmood Ahmad

Director

Mr. Mirza Mahmood Ahmad is a highly reputed advocate and is a partner at the prestigious law firm Minto & Mirza Advocates & Solicitors. His professional career as a lawyer spans over 28 years in which he has provided invaluable services in the fields of corporate, constitutional, regulatory and banking laws. He has been involved with some of the most challenging litigation in these areas, having represented several companies and firms, before different regulatory authorities including the Securities and Exchange Commission of Pakistan, the Oil & Gas Regulatory Authority and the Karachi Stock Exchange. He is considered to be the leading lawyer in the oil & gas sectors.

Mr. Ahmad has several publications / consultancies and research papers to his name including "Harmonising the Code of Corporate Governance with other Laws / Regulations in Pakistan", a research study of SECP funded by the UNDP. Mr. Mahmood also serves on the boards of SNGPL and SSGC, where he is the Chairman of their respective Finance Committees. He is a member on the Board of Pakistan Engineering Company, and is the Chairman of its Audit Committee. Mr. Mahmood has previously served on the Board of directors of MCB-Arif Habib Investment Ltd. He is also a member of the Lahore High Court Bar Association and the Supreme Court Bar Association. Mr. Mahmood holds an LLM from the University of Cambridge. He also conducts Director Training Sessions conducted by the Institute of Chartered Accountants Pakistan.

Mohammad Zubair

Director

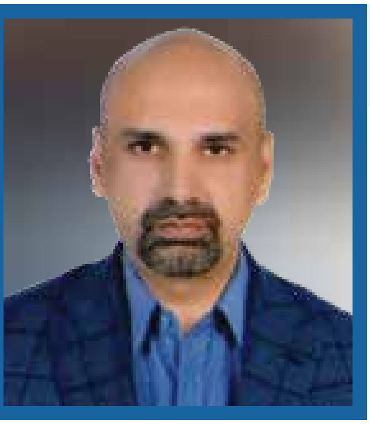
Mr. Mohammad Zubair is a leader with a proven track record in the international and domestic corporate world spreading over 40 years as Country Representative (CEO), CFO and CIA overseeing Country Management, Finance / Internal Audit, and Support Services in national and international Oil & Gas Industry. Had been associated with one of the largest Energy Companies in the World, CHEVRON (formerly known as Caltex in Pakistan) from 1977 till June 2015. In his career with Chevron, he has worked in Pakistan and several years overseas including Caltex Headquarters in Dallas – USA, Thailand & Singapore which provided an excellent opportunity to interact and work closely with highly diverse manpower and professionals around the Globe. Also performed several short-term assignments in countries like Egypt, Saudi Arabia, U.A.E, Bahrain, and Qatar. Mr. Zubair is a professional accountant along with a degree in Laws and graduated from Columbia University NY in Advanced Management / Senior Executive Education. Represented Chevron as a board member in various Chevron Companies and Joint Ventures for a number of years in Pakistan and Middle East Countries. Extensive experience in collaborating with the Executive Board, Chairman and other members of the senior management to drive corporate change initiatives in support of business strategies. Mr. Zubair joined Total Parco as VP Corporate Affairs and CFO in July 2015 after retirement from Chevron and remained with them until March 2018.

Syed Jehangir Ali Shah

Director

Mr. Jehangir Ali Shah is a seasoned veteran of the oil industry. He has been appointed as Acting Managing Director of PSO on September 6, 2018. This position was also held by him previously in 2011. He joined PSO in 1984 and had worked in various management positions however; his forte remained sales and marketing as he has led almost all marketing departments in PSO. Prior to his current elevation to the position of Acting Managing Director, he was serving as Deputy Managing Director – Operations, PSO and was responsible for managing critical supply chain function and extensive infrastructure network of the flagship oil entity of Pakistan.

Mr. Jehangir Ali Shah holds master’s degrees from the University of Jamshoro, Sindh as well as from the University of McGill, Canada.



Syed Mohammed Ali

Director

Mr. Ali has over 20 years of experience and expertise in Energy & Petrochemical Sectors; holding leading roles that oversaw development, construction, operations and management of mega-size projects. He is currently heading industrial portfolio of JS Group of companies where he looks after the group's oil and gas, power generation, energy storage handling / businesses and other industrial business.

Previously he served as CEO of Engro Vopak Terminal - Pakistan's largest bulk liquid chemical import terminal, CEO of Engro Elengy Terminal - Pakistan's first LNG terminal and CEO of Engro Powergen Qadirpur Limited - a 220 MW gas- fired IPP. He also ran Engro's New Ventures division where he developed and operated an 84MW gas-fired IPP in Nigeria, developed and installed a 50MW Wind IPP in Pakistan, and ran the feasibility for a 450MW LNG to power plant. Prior to his power generation work at Engro, he was the Manager of Strategic Planning, Contracts and Procurement at Engro Fertilizer where he was a key leadership team member that developed and brought into production a $1.1 billion grassroots ammonia / urea plant, which at the time was the world's largest single train project of its kind.

He is currently serving as board member of Hub Power Company Limited, Pakistan National Shipping Corporation, JS Petroleum (Private) Limited, Hawa Energy Limited, AzCorp Entertainment (Private) Limited, Jahangir Siddique & Company Ltd., Narowal Energy Limited (NEL), Punjab Thermal Power (Private) Limited, Nova Care (Private) Limited. Previously he has been a board member of the Laraib Energy (84MW Hydro power IPP), Engro Powergen (developer and majority shareholder of Sindh Engro Coal Mining Company a Thar coal mining company), Engro Powergen Thar Ltd (660MW coal IPP), GEL Nigeria (84MW Nigerian IPP) and Petroleum Institute of Pakistan. He holds a Bachelor's degree in Electrical Engineering from University of Engineering Technology Lahore and graduated from the Advanced Management Program from INSEAD in France.

Yacoob Suttar

Director

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

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

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

Composition of the Board

Category	Number
Male Female	11 None

Category	Names
Independent	Mirza Mahmood Ahmad Mohammad Zubair Syed Asad Ali Shah Syed Muhammad Ali
Executive Director - Managing Director & CEO	Zahid Mir
Non - Executive Director	Abdul Jabbar Memon Aftab Husain Babar Hamid Chaudhary Imtiaz Jaleel Syed Jehangir Ali Shah Yacoob Suttar

Attendance of Board Meetings

Director	Total No. of Board Meetings*	No. of Meetings Attended
Syed Asad Ali Shah	6	6
Abdul Jabbar Memon	7	6
Aftab Husain	2	2
Babar Hamid Chaudhary	3	3
Faisal Waheed	2	2
Farrokh K. Captain	1	1
Farroq Rahmatullah Khan	2	2
Haroon Rashid	2	1
Imtiaz Jaleel	2	1
Mirza Mahmood Ahmad	5	4
Mohammad Zubair	6	5
Muhammad Aliuddin Ansari	1	0
Sheikh Imranul Haque	2	1
Syed Jehangir Ali Shah	6	5
Syed Muhammad Ali	5	5
Yacoob Suttar	7	7

* Held during the period when concern Director was on board.

Changes in Board of Directors during the year

Outgoing director with date of resignation	Incoming director with date of appointment
Jawwad Ahmed Cheema w.e.f July 3, 2019	Haroon Rashid w.e.f July 3, 2019
Muhammad Aliuddin Ansari w.e.f August 27, 2018	Syed Asad Ali Shah w.e.f October 19, 2018
Farrokh K. Captain w.e.f October 16, 2018	Mohammad Zubair w.e.f October 19, 2018
Sheikh Imran ul Haque w.e.f October 19, 2018	Jehangir Ali Shah w.e.f October 19, 2018
Mumtaz Hasan Khan w.e.f November 5, 2018	Mirza Mahmood Ahmed w.e.f November 23, 2018
Faisal Waheed w.e.f November 7, 2018	Babar Hamid Chaudhary w.e.f January 30, 2019
Haroon Rashid w.e.f November 7, 2018	Aftab Husain w.e.f April 26, 2019
Farooq Rahmatullah Khan w.e.f November 16, 2018	Syed Muhammad Ali w.e.f November 23, 2018
Muhammad Najam Shamsuddin w.e.f November 16, 2018	Imtiaz Jaleel w.e.f April 26, 2019

Board Committees

Board Audit Committee (BAC)

Members:

Mohammad Zubair - Chairman Committee
Imtiaz Jaleel
Syed Muhammad Ali
Yacoob Suttar

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

The Committee held five meetings during the year and held separate meetings with the Chief Financial Officer, Chief Internal Auditor and members of Internal Audit Function and External Auditors represented by the engagement partner as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations). The Board has determined the Terms of Reference of BAC and has provided adequate resources and authority to enable it to carry out its responsibilities effectively.

Terms of reference:

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

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

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

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

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

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

e. Review of management letter issued by external auditors and management's response thereto.

f. Ensuring coordination between the internal and external auditors of the Company.

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

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

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

j. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.

k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body.

l. Determination of compliance with relevant statutory requirements.

m. Monitoring compliance with the Regulations and identification of significant violations thereof.

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

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

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

Board Project Steering Committee

Members:

Syed Jehangir Ali Shah – Chairman Committee
Aftab Husain
Syed Asad Ali Shah
Syed Muhammad Ali
Zahir Mir – Managing Director & CEO

The Board Project Steering Committee is responsible for monitoring and controlling the Refinery Upgrade Project. This Committee will assist the Board of Directors in Refinery Upgrade Project which includes the following:

- oversee projects execution process and governance for the project;

- review and advise on program priorities for implementation of the project; and

- monitor and steer the project development to be consistent with the operating financial objectives for the project.

Human Resource & Remuneration Committee

Members:

Syed Asad Ali Shah – Chairman Committee
Aftab Husain
Mohammad Zubair
Syed Jehangir Ali Shah
Zahid Mir – Managing Director & CEO

Terms of Reference:

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

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

- recommending Human Resource Management policies to the Board;

- recommending to the Board the Selection, Evaluation, Compensation (including Retirement Benefits) and Succession Planning of the Managing Director & Chief Executive Officer;

- recommending to the Board the Selection, Evaluation, Compensation (Including Retirement Benefits) of Chief Financial Officer, Company Secretary and Chief Internal Auditor; and

- consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters for Key Management Positions who report directly to Managing Director & Chief Executive Officer.

Board Share Transfer Committee

Members:

Yacoob Suttar - Chairman Committee
Zahid Mir - Managing Director & CEO

Terms of reference:

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

- approve and register transfer / transmission of shares;

- sub-divide, consolidate and issue share certificates; and

- issue share certificates in place of those which are damaged or in which the pages are completely exhausted, provided the original certificates are surrendered to the Company.

Attendance of Board Sub-Committees Meetings

Director	Total No. of Committe Meetings*	No. of Meetings Attended
Board Audit Committee		
Faisal Waheed	1	1
Yacoob Suttar	5	5
Muhammad Zubair	4	4
Syed Muhammad Ali	4	1
Board Human Resource and Remuneration Committee		
Syed Asad Ali Shah	6	6
Syed Jehangir Ali Shah	6	5
Abdul Jabbar Memon	6	1
Muhammad Zubair	6	5
Board Strategic Committee		
Syed Asad Ali Shah	2	2
Yacoob Suttar	2	2
Syed Jehangir Ali Shah	2	2
Mirza Mahmood Ahmed	2	2
Abdul Jabbar Memon	2	1
Muhammad Zubair	2	2
Syed Muhammad Ali	2	1
Board Project Steering Committee		
Syed Asad Ali Shah	1	1
Syed Jehangir Ali Shah	1	1
Syed Muhammad Ali	1	1
Aftab Husain	1	1
Mohammad Zubair	1	1
Abdul Jabbar Memon	1	1
Mirza Mahmood Ahmad	1	1
Babar Hamid Chaudhary	1	1
Imtiaz Jaleel	1	1

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

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

Refinery Leadership Team

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Deputy Managing Director
(Finance & IT) / CFO

Asad Hasan
Deputy Managing Director
(Operations & Engineering)

Muhammad Ali Mirza
Head - Project Process Engineering

Mohammad Khalid
Head - Project Engineering

Abdul Majid
General Manager Operations

Najam Mahmud
General Manager Human Resources

Shehrzad Aminullah
General Manager Commercial

Key Management Committees

HSEQ Committee

HSEQ Committee's primary role is to evaluate Health, Safety, Environment and Quality (HSEQ) performance and risk management in the areas of design, operation and maintenance, based on the inputs of the HSEQ sub-committees. The committee reviews the HSEQ Management System for its continuing suitability, adequacy, effectiveness and commitment to continual improvement. To assist HSEQ Committee, separate sub-committees have been formulated for evaluating HSEQ matters for operations, oil movement & marine, engineering and support functions.

Inventory Management Committee

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

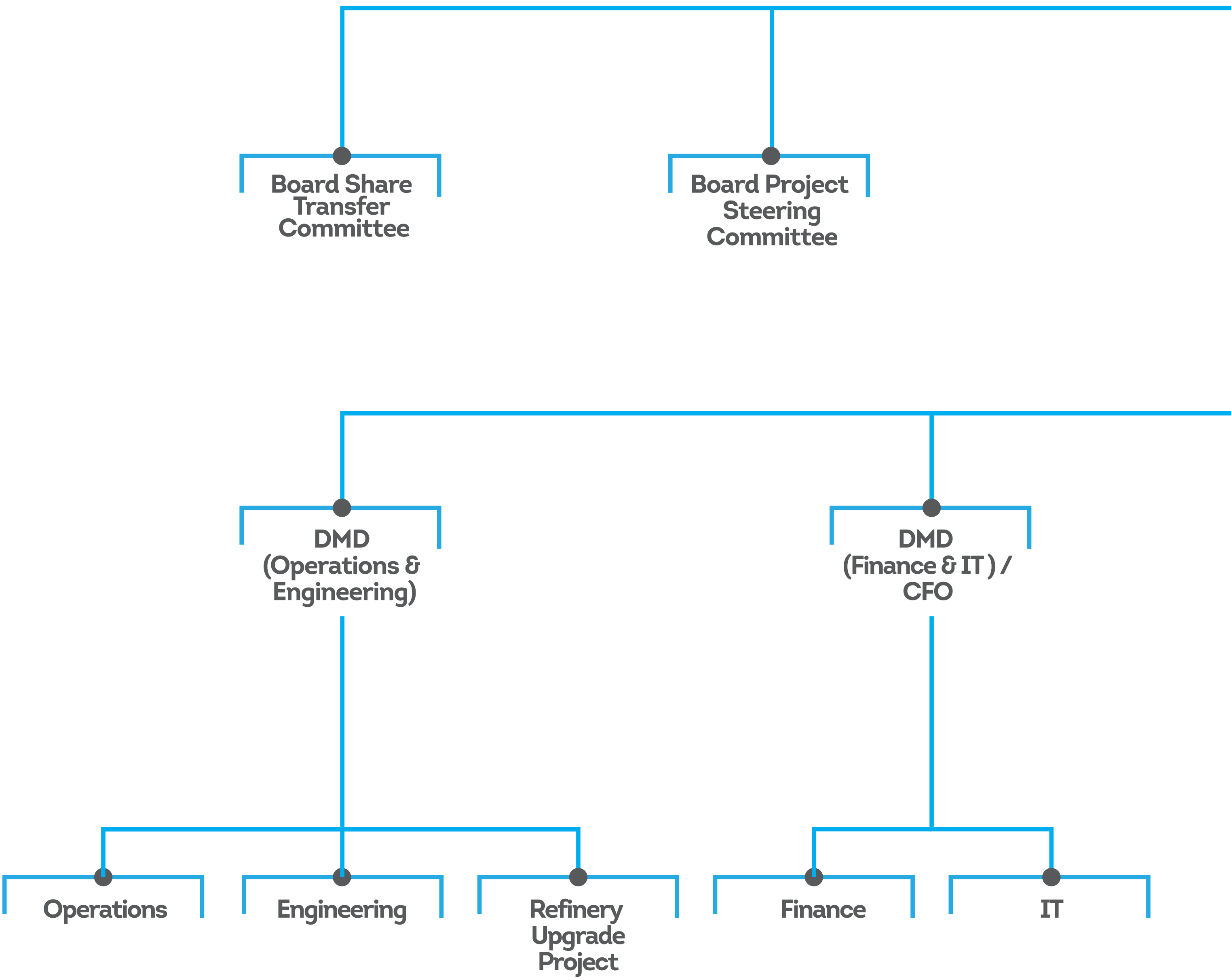
Technical & Project Steering Committee

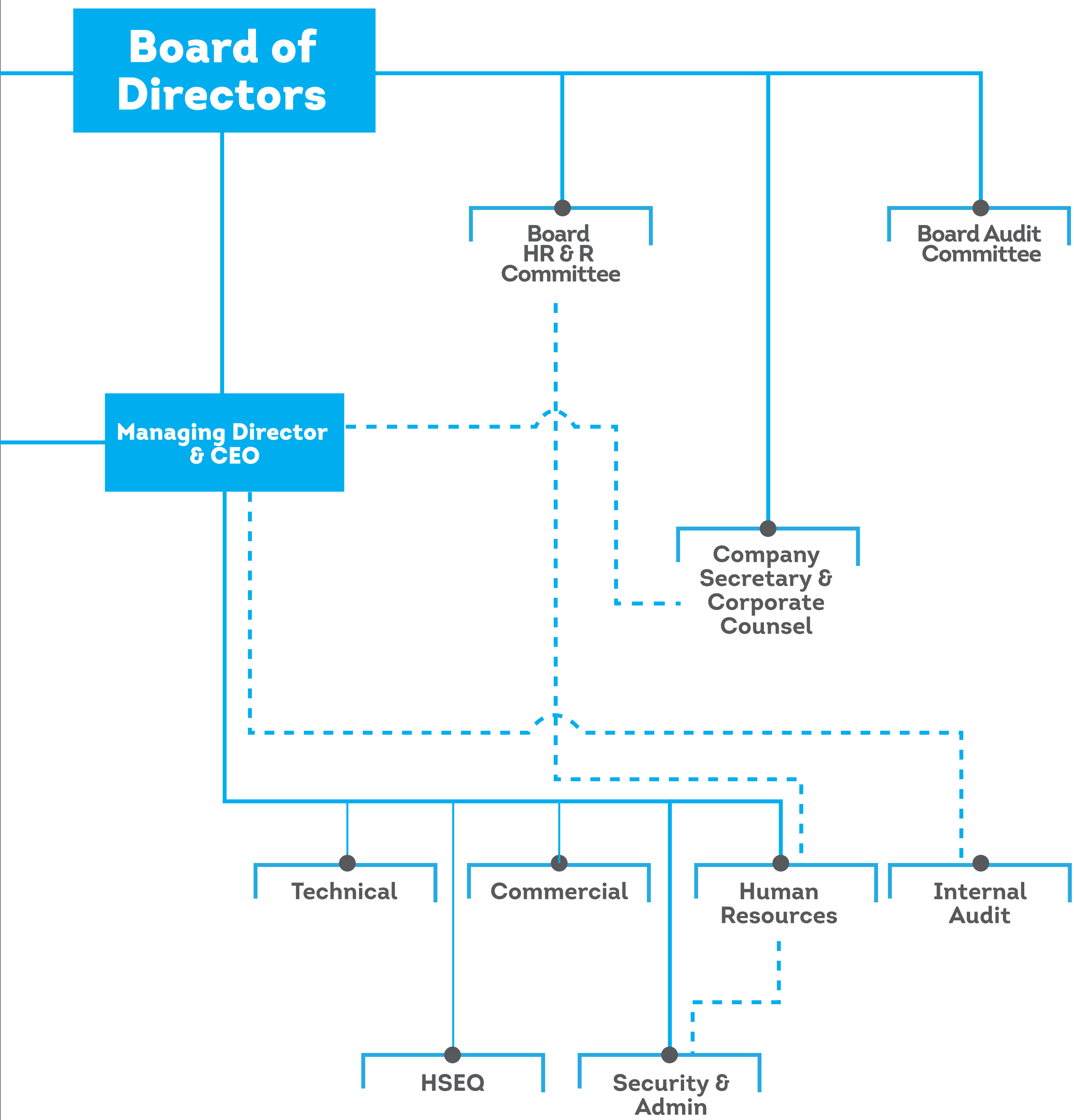
Technical & Project Steering Committee is responsible to facilitate and support the project team by ensuring adequate involvement in the project by various stakeholders. It also acts in an advisory capacity regarding major decisions at venture level and scope decisions and provision of assistance for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

Tender Board

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

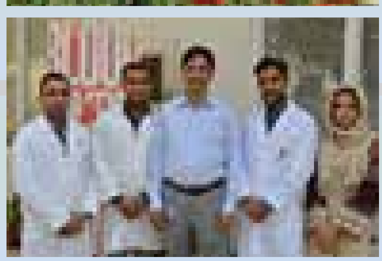
Organisational Chart




Board of Directors
Board HR & R Committee
Board Audit Committee
Managing Director & CEO
Company Secretary & Corporate Counsel
Technical
Commercial
Human Resources
Internal Audit
HSEQ
Security & Admin

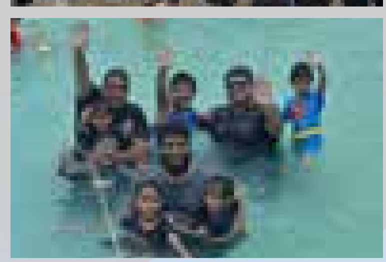
YEAR AT A GLANCE

- PRL became the first corporate and non-banking institution in Pakistan to install Thompson Reuters FXT terminal for executing foreign currency transactions
- Ensuing the rich cultural legacy Eid Milan Party was organised
- Celebrated Independence day with zeal and patriotism



- Won 68th Pakistan Flower Show for the third time
- 58th AGM of the Company was held
- Organised in-house Table Tennis competition
- Voluntary blood donation drive was arranged in collaboration with Indus Hospital Blood center
- PSO acquired 84 million shares from Shell, thereby increasing its shareholding to 52.68% and became the parent entity
- Christmas day was celebrated to uplift minority Christian Staff

- For the third time in a row, PRL won first prize of "Best Practices Award on Organisational Safety and Health 2018" organised by Employers Federation of Pakistan
- Held Safety Award Ceremony on attaining 2.5 million man-hours without Loss Time Injury (LTI)
- The Board made a strategic decision to undertake Refinery Upgrade Project, including installation of Diesel Hydro-Desulphurisation Unit (DHDS)



- Commemorated the World Environment Day by running a tree plantation drive
- Held inter department annual tape ball cricket tournament
- 4.5 Megawatt Gas Fired Power Plant became operational
- Successfully entered into an agreement with Saudi Arabian Oil Company (ARAMCO) for supply of 6,000 barrels per day of crude oil through the auspices of the governments of Pakistan and Saudi Arabia.
- The employees along with their families relished the Annual Picnic held at Pavilion End Club
- Revamped PRL sports club and gym

Chairman's Review

I am pleased to present my brief review, in consonance with the Directors' Report and other information presented in this Annual Report.

This year, Pakistan State Oil Company Limited (PSO) completed its transaction of acquiring 84 million shares from Shell Petroleum Company Limited, UK thereby increasing its shareholding in the Company to 52.68% resulting in the corporate structure of a parent and a subsidiary between PSO and the Company effective December 1, 2018. I, and the Board, are confident that this will greatly support the business plans of the Company specially for implementing the Refinery Upgrade Project.

The period under review was characterized by a slowdown in the country's economic growth which also impacted the oil refining sector. The adverse factors that impacted oil refining industry include decline in the pricing of Motor Gasoline (Petrol) in international markets, depressed refining margins and steep devaluation of Pak Rupee against USD - which is not a "pass through" item. Consequently, the Company incurred loss for the year amounting to Rs. 5.82 billion as compared to profit of Rs. 504 million last year. However, the Company was able to continue its operations by enforcing effective liquidity management and close monitoring of inventory.

Despite the aforementioned setbacks, in order to take the Company forward and revive its profitability, the Board of Directors approved the Refinery Upgrade Project. Through Refinery Upgrade Project, the Company will meet regulatory requirement of EURO II compliant HSD and will also ensure sustained profitability by shifting the product slate to a more profitable mix. The Project is also expected to benefit the country through import substitution, state of the art technology-transfer and significant job creation. Work on appointment of Project Management Consultant is underway. Process for prequalification of contractor for combined Front End Engineering Design (FEED) and Engineering, Procurement and Construction (EPC) contract is also underway. I am reasonably confident that the shareholders will begin to experience the benefit of this Project, once the implementation starts and upon its successful commissioning and operations.

There were changes in the Board during the year due to some resignations as detailed in Directors' Report and the Board filled the casual vacancies with well qualified individuals. The Board comprises adequate number of Independent and non-executive directors and has been meeting regularly to discharge its fiduciary responsibilities. The Board also finalized the appointment of Mr. Zahid Mir as new Managing Director & CEO, who has now assume his responsibilities subsequent to the year end. Mr. Mir possesses excellent skills to provide leadership to your Company. I am also thankful to Mr. Aftab Husain, the outgoing Managing Director who has now joined the Board after leading the Company.

In conclusion, despite the outlook of financial challenges and external obstacles, I am optimistic about the Company's future owing to support, coordination and commitment of all stakeholders, especially their overwhelming commitment to the Refinery Upgrade Project, the implementation of which is expected to revive the company's profitability. I would like to thank all board members, relevant officials of the Government of Pakistan, regulators, our shareholders and all employees for their contribution and continued support.

Syed Asad Ali Shah
Chairman

Karachi: September 11, 2019

چیئرمین کا جائزہ

میرا ایک مختصر جائزہ ہمراہ ڈائریکٹران کی رپورٹ اور سالانہ رپورٹ بمعہ دیگر تفصیلات کے پیشِ نظر ہے۔

اس سال پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (PSO) نے شیل پیٹرولیم کمپنی لمیٹڈ، یوکے سے کمپنی کے 84 ملین حصص خرید لئے۔ اس طرح کمپنی میں اس کی شیئر ہولڈنگ بڑھ کر 52.68 فیصد ہوگئی اور یکم دسمبر 2018 سے PSO اور کمپنی کے درمیان سرپرست اور ذیلی کمپنی کا ادارتی ڈھانچہ قائم ہوگیا۔ مجھے اور بورڈ کو اس بات پر اعتماد ہے کہ اس وجہ سے کمپنی کے کاروباری منصوبوں کو تقویت حاصل ہوگی خصوصاً ریفائنری اپ گریڈ پراجیکٹ کی تنصیب میں۔

جائزہ مدت کے دوران ملک کی معاشی نمو سست روی کا شکار رہی جس کے اثرات ریفائنری کے شعبے پر بھی پڑے۔ ناموافق عوامل جنہوں نے ریفائننگ کی صنعت پر منفی اثرات مرتب کئے ان میں عالمی مارکیٹوں میں موٹر گیسولین (پیٹرول) کی قیمتوں میں کمی، ریفائننگ کے شرح منافع پر دباؤ اور یو ایس ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں غیر معمولی اتار چڑھاؤ شامل ہیں جو کہ "pass through" ہونے والے جز نہیں ہیں ۔ ان وجوہات کی بنا پر کمپنی کو سال کے دوران 5,821 ملین روپے کا خسارہ ہوا جبکہ گزشتہ سال 504 ملین روپے کا منافع ہوا تھا۔ البتہ کمپنی نے اپنے آپریشنز کو مؤثر لکیویڈیٹی انتظام اور انونٹری کی کڑی نگرانی کے ذریعے جاری رکھا۔

سال کے دوران، مذکورہ بالا رکاوٹوں کے باوجود کمپنی کی ترقی کے لئے بورڈ آف ڈائریکٹرز نے ریفائنری اپ گریڈ پروجیکٹ کی منظوری دی ہے تاکہ کمپنی کو دوبارہ منافع بخش بنایا جاسکے۔ ریفائنری اپ گریڈ پروجیکٹ کے ذریعے کمپنی ضابطہ کی ضروریات کو پورا کرے گی یعنی EURO II معیار کے مطابق HSD پیدا کرے گی اور غیر منافع بخش مصنوعات میں تبدیلیاں لاکر انہیں مزید منافع بخش مصنوعات میں بدل دے گی۔ اس پروجیکٹ سے نہ صرف ملک کو درآمدی متبادل حاصل ہوگا، بلکہ جدید ٹیکنالوجی منتقل ہوگی اور ملازمتوں میں بھی قابل ذکر اضافہ ہوگا۔ پروجیکٹ مینجمنٹ کنسلٹنٹ کی تقرری کا عمل جاری ہے۔ فرنٹ اینڈ انجینئرنگ ڈیزائن (FEED) اور انجینئرنگ، پروکیورمنٹ اینڈ کنسٹرکشن (EPC) کے امیدوار انجینئرنگ کنٹریکٹرز کی پری کوالیفکیشن کا عمل بھی جاری ہے۔ مجھے مکمل اعتماد ہے کہ اس پروجیکٹ کی کامیاب تنصیب اور آپریشنز کے بعد شیئر ہولڈرز کو بہتر منفعت ملنا شروع ہوجائے گی۔

سال کے دوران چند بورڈ ممبران کے مستعفی ہونے سے پیدا ہونے والی آسامیوں کو بورڈ نے، جن کی تفصیلات ڈائریکٹران کی رپورٹ میں درج ہیں، لائق اور قابل افراد کی تقرری سے پر کیا۔ بورڈ، مناسب تعداد میں آزاد اور نان ایگزیکیٹو ڈائریکٹران پر مشتمل ہے جو کہ انضباطی ضروریات پر پورا اترتا ہے۔ بورڈ نے اس سال جناب زاہد میر کو نیا مینیجنگ ڈائریکٹر اور سی ای او منتخب کیا جو اب اپنی ذمہ داریاں سنبھال چکے ہیں اور اپنے بہترین تجربہ اور صلاحیتوں کو بروئے کار لاکر کمپنی کی قیادت کریں گے۔ میں جناب آفتاب حسین، سابق مینیجنگ ڈائریکٹر، کا بھی مشکور ہوں جو کہ کمپنی کی قیادت کرنے کے بعد اب بحیثیت ممبر کے بورڈ میں شامل ہوگئے ہیں۔

آخر میں میں مالیاتی چیلنجوں اور خارجی رکاوٹوں کے باوجود تمام متعلقین کے عزم اور خاص طور پر ریفائنری کے اپ گریڈ پروجیکٹ کی تنصیب جس سے کمپنی کا منافع بحال ہوگا، کمپنی کے مستقبل کے بارے میں پر امید ہوں۔ میں تمام بورڈ کے ممبران ، حکومتِ پاکستان کے متعلقہ عہدیداران ، نگرانوں ، متعلقین، ہمارے شیئر ہولڈرز اور تمام ملازمین کی شراکت اور مسلسل حمایت کا شکریہ ادا کرنا چاہتا ہوں۔

سید اسد علی شاہ
چیئرمین

کراچی: 11 ستمبر 2019

Directors' Report

The Directors are pleased to present the Annual Report together with Audited Financial Statements for the year ended June 30, 2019.

Financial Results

	2019	2018
	(Rupees in thousand)	
(Loss) / profit for the year	(5,821,123)	503,789
Other comprehensive income	5,267,809	457,484
Total comprehensive (loss) / income	(553,314)	961,273
(Loss) / earnings per share	Rs. (18.92)	Rs. 1.64
Appropriations:		
Transfer to Special Reserves	-	403,789

The outgoing financial year witnessed familiar and new challenges, with unprecedented decline in price of Motor Gasoline (Petrol) in international markets that stood out as the new adverse factor. Depressed refining margins and steep devaluation of Pak Rupee against USD adversely affected the results of refining sector that operate under a controlled and regulated environment. The Company incurred loss for the year amounting to Rs. 5.82 billion as compared to profit of Rs. 504 million last year. Despite the above negativities, the Company continued its operations by enforcing stringent liquidity management and close monitoring of inventory and processing levels, particularly during the period of hostile border situation through assured strategic fuel supplies.

Review of the Company's affairs

The highlights of Company's financial and operational performance during the year are described below:

- Pakistan State Oil Company Limited (PSO) acquired 84 million shares from Shell Petroleum Company Limited, UK thereby increasing its shareholding in the Company to 52.68%. Consequently, the relationship between PSO and the Company is now that of a parent and a subsidiary.

- As at June 30, 2019, the Company had accumulated loss of Rs. 10.67 billion against Rs. 4.82 billion last year and its current liabilities exceed its current assets by Rs. 10.89 billion (2018: Rs. 4.45 billion). The Company ended the year with net negative cash and cash equivalents amounting to Rs. 14.05 billion (2018: Rs. 3.41 billion).

- Unprecedented decline in the prices of Petrol, depressed refining margins and steep devaluation of Pak Rupee by nearly 35%, and non-compliance with the requirement to meet EURO II standard mentioned below, were the main adverse factors responsible for aforementioned losses.

- Under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy (MoE) on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce EURO II compliant High Speed Diesel (HSD) and in case of non-compliance, the ex-refinery price of HSD based on Import Parity Pricing (IPP) formula would be downward adjusted / reduced due to higher Sulphur content. The Company did not meet the said deadline of setting up DHDS unit and hence was subjected to downward adjustments of its HSD pricing causing loss of Rs. 1.15 billion (2018: Rs. 0.74 billion).

- During the year, the Company's land measuring 200 acres was revalued resulting in a net surplus of Rs. 5.29 billion (2018: Rs. 0.5 billion). The value was determined by an independent valuer on June 30, 2019.

- Short term borrowings of the Company including running finance increased from Rs. 4.62 billion in June 2018 to Rs. 14.70 as at June 30, 2019. This was due to increased working capital requirements and losses suffered by the Company during the year. Further, the State Bank of Pakistan (SBP) increased the policy rates on multiple occasions from 6.5% in July 2018 to 12.25% in June 2019. These two factors led to an increase in finance charges to Rs. 1.25 billion as compared to Rs. 0.51 billion last year.

- This year a decline in furnace oil demand led to build-up of furnace oil inventory which in turn put pressure on the Refinery operations. Therefore, in order to ensure continuous operations and to attract customers, the prices of furnace oil were reduced on multiple occasions which had a negative impact on Company's profitability.

- The Company has old outstanding receivables from Controller Military Accounts (CMA) amounting to Rs. 121.94 million. During the year, an observation was raised by CMA that these claims are now considered time barred. Therefore, on prudent basis, the Company has created a loss allowance against these receivables but is still pursuing recovery of these amounts.

- During the year, the Company has adopted new International Financial Reporting Standard (IFRS) 9 – "Financial Instruments". This IFRS relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from July 1, 2018 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard.

  Company has also adopted IFRS 15 – "Revenue from Contracts with Customers" during the year. According to IFRS 15, revenue is recognized, when control of goods or services has been transferred to the customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has evaluated the impact of the new revenue standard and has concluded that there is no significant adjustment that needs to be given effect in the financial statements.

In view of the loss of Rs. 5.82 billion incurred by the Company for the year ended June 30, 2019 together with its impact on the Company's statement of financial position, the external auditors of the Company have included a paragraph of material uncertainty relating to going concern in their audit report.

Principle Risks and Uncertainties

- The Refinery operates under policy framework of the Government of Pakistan (GoP). Further, the pricing of certain products is regulated / monitored by the MoE which are primarily on import parity pricing basis. Changes in international pricing of crude oil and refined petroleum products and local pricing mechanism by MoE may have significant impact on the results of the Company.

- Specifications of Refinery's products are defined by the Government and Refinery is required to strictly comply with such specifications. Any change in these specifications may require the Refinery to make changes in operational parameters which in turn may have an adverse impact on the results of the Company. As already explained in the preceding paragraphs, the Company has not installed DHDS and is subject to downward adjustments in pricing of HSD resulting in negative impact on the results of the Company.

- The Refinery is susceptible to foreign exchange risk on imported crude oil as well as certain local crude payments as per respective Crude Oil / Condensate Sale Agreements.

- As explained earlier, Company's dependence on bank borrowings exposes it to 'interest rate risk'. Thus, any increase in policy rates by SBP results in increase in finance cost and a negative impact on the results of the Company.

Future Prospects including Risk Mitigation Measures

The Company is cognisant of the above factors and their impact on its results and operations. However, based on Company's business plans and following factors the Company believes that the negativities will be overcome, 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:

- The Company believes that since extraordinary low petrol pricing, that was persistent during the year have started rising above the pricing of crude oil, thus, the refining margins are expected to improve in the future.

- The GoP has implemented the policy to curtail imports of furnace oil in the country in order to accommodate local production of furnace oil. This will ensure steady off-take of furnace oil being produced by local refineries.

- GoP is making efforts to stabilise macro-economy of the country and build foreign currency reserves by various efforts including assistance and support from friendly countries, Saudi crude oil deferred payment facility and finalization of International Monetary Fund Extended Fund Facility in July 2019. These steps are expected to release pressure on Pak Rupee and stabilise the value of Pak Rupee against USD in the next financial year besides achieving economic stability. Further, the Company together with its peer companies has made representations to the GoP, requesting changes in pricing mechanism so that the refineries are able to recover such exchange losses through its product pricing.

- The Company has sound cash flow cycle which provide assurance to all financial institutions in continuing their support to the Company. During the year, the Company was able to increase its running finance facilities from banks to Rs. 8.55 billion from Rs. 8.35 billion last year. In addition, the Company has availed discounting facilities from various banks amounting to Rs. 7 billion. These facilities depict the confidence of financial institutions on the repayment capacity of the Company and support the Company in its liquidity management.

- The Company has initiated the work on Refinery Upgrade Project including meeting regulatory requirements of installation of DHDS Unit to produce EURO II compliant HSD. This project has upgrade considerations also for changing the product slate to a more profitable mix; primarily to convert furnace oil into petrol and HSD. In addition, the project has been designed keeping future product specifications in consideration, therefore, the Refinery will be able to meet any future specifications by making minimal capital expenditure. As the detailed feasibility study with foreign consultant was already completed, during the year, the Board of Directors approved the Refinery Upgrade Project. Work on prequalification of Project Management Consultant and contractor for combined Front End Engineering Design (FEED) and Engineering, Procurement and Construction (EPC) contract is underway.

- The Company has a secured supply chain starting with 'term contracts' with international crude oil suppliers including Abu Dhabi National Oil Company of UAE. During the year, the Company also entered into an agreement with Saudi Arabian Oil Company (ARAMCO) for supply of crude oil thereby expanding its crude purchase options. These foreign crude procurement agreements, coupled with local crude and condensate arrangements, ensure uninterrupted supply of crude oil for Refinery operations. On the other end of supply chain, the Company has long term sale contracts with PSO (its parent company) and Shell Pakistan Limited that assure timely off-take of products.

Dividend

As the Company has incurred a loss after tax for year ended June 30, 2019, the Directors have decided not to make any dividend appropriation for the year.

Corporate and Financial Reporting Framework

- The financial statements of the Company have been prepared by the management and represent its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Act, 2017.
- The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes in accounting policies, wherever made, have been adequately disclosed in the financial statements. Accounting estimates are on the basis of prudent and reasonable judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and deviation, if any, has been adequately disclosed.
- The system of internal financial control is sound in design and has been effectively implemented and monitored regularly.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Repayment of Taraqqi Term Finance Certificates II (TFC II)

During the year in December 2018, the Company successfully repaid Taraqqi TFC II. These TFCs were issued in December 2013 for a period of 5 years. The Company timely paid all 20 quarterly profit payments during the tenor along with the final principal payment on the due date. TFC I which were issued for a period of 3 years were earlier repaid in December 2016.

Credit Rating

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

Value of Investment in Post - Employment Benefit Funds

The value of investments of provident, gratuity and pension funds on the basis of unaudited accounts of the funds as at June 30, 2019 was as follows:

	(Rupees in thousand)
Provident Fund	371,734
Gratuity Fund – Management Staff	133,424
Gratuity Fund – Non-management Staff	87,258
Pension Fund – Management Staff	879,879
Pension Fund – Non-management Staff	98,587

Health, Safety, Environment & Quality (HSEQ)

The Company achieved 4.14 million man-hours without any Lost Time Injury (LTI) till June 30, 2019. This demonstrates the commitment to HSEQ management system. The improvement made in the field of Occupational Health, Safety and Environment (OHS&E) have also been appreciated at the Employees Federation of Pakistan – a constituent body of International Labour Organisation and a member of International Organisation Employer, Geneva, by awarding 1st position to the Company for third consecutive year in Oil, Gas and Energy sector in their 14th Annual OHS&E award ceremony held in April 2019.

Compliance with Regulatory Requirements

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

Compliance with Third Party Certification

The Company successfully acquired re-certification against the latest versions of ISO 9001-2015, 14001-2015 & OHSAS 18001-2007 followed by successful surveillance audit during the year from an internationally reputable certified independent company.

Environment Day Celebrations

World Environmental Day is celebrated every year on 5th June all over the world. The management demonstrated the commitment towards environment symbolically by planting a tree. The Chairman of the Board of Directors also graced the occasion as chief guest. The theme of this year's World Environment Day was "Beat the air pollution". The 2019 World Environment Day has been marked by campaigns to fight air pollution around the world. Plantation of trees is very important for reducing air pollution, decreasing ambient temperature and increasing probability of rain.

HSE Day Celebrations

By the grace of Almighty Allah, the Company has successfully completed 4.14 million man-hours without any LTI till June 30, 2019. During the period of mile stone achievement, major critical activities were carried out pertaining to the Regeneration Shutdown 2018, Tank Construction & Repairs, new 40 TPH Boiler # 4 and New Power House etc. under strict compliance to safety procedures.

On achieving first identified milestone of 2.5 million man-hours without any LTI, an award distribution ceremony was held on March 28, 2019 in the PRL Training Centre. All employees and relevant contractors were invited to be part of this auspicious function.

Trainings

To augment overall HSEQ management and standards, continuous efforts are being made under which the Company and contractors' staff go through well-structured training courses.

Mock Drills

During the year, a mock crisis drill was conducted under a scenario of bomb blast attack over a fuel bowser parked near Refinery.

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

Industrial Relations

The Company facilitates industrial peace through its successfully negotiated Collective Bargaining Agreement (CBA). The negotiations for the CBA Agreement for the period 2019 to 2021 are underway, which is another step in sustaining the relationship and an effective way to manage the harmony and industrial peace.

Corporate Social Responsibility (CSR)

CSR activities are embarked upon to honour the commitment of the Company towards society in general and to the people who live in close vicinity of the Refinery in particular. This year a monetary donation of Rs. 2 million each was made by the Company for excellent services provided to the residence of this area by following two organizations:

a. The Sindh Institute of Urology and Transplantation (SIUT) - Dialysis Centre at Mehrunnisa Medical Centre, Korangi.

b. The Indus Hospital, Korangi.

The Company earnestly hope that it's contribution will make a difference in the lives of many people who visit these hospitals.

Corporate Governance

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

Adequacy of Internal Financial Controls

The Board of Directors is responsible for the establishment of sound internal financial controls. Except for the powers specifically assigned to the Board by the Companies Act, 2017, the Board has allowed the Managing Director to exercise certain financial and administrative powers. In addition, through Internal Audit function the Board periodically gets an update on the adequacy of these financial controls. During the year, no significant or serious inadequacy in these controls was reported to the Board.

Contribution to the National Exchequer and Value Addition

The Company takes pride in being regarded as one of the major taxpayers of the country and timely discharges its liabilities in relation to direct and indirect taxes. During the year, the Company contributed Rs. 38 billion (2018: Rs. 37 billion) to the National Exchequer in the form of direct and indirect taxes. In addition, during the year through Naphtha exports the Company brought valuable foreign exchange of USD 59.0 million (2018: USD 50.9 million) in the country and contributed in reducing burden on the country's balance of payments.

Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years is given on page 48 of the report.

Appointment of Chairman and Changes on the Board of Directors

The Board elected Syed Asad Ali Shah as its Chairman effective October 19, 2018 in terms of Section 192 of the Companies Act, 2017. All the incoming directors, including the Chairman, upon occurance of respective casual vacancies joined the Board for its remainder term which expires on June 6, 2020.

The Board also appointed Mr. Zahid Mir as the new Managing Director & CEO of the Company with effect from August 1, 2019 for a period of three years in place of Mr. Aftab Husain.

The Board acknowledges the contribution of Messrs. Muhammad Aliuddin Ansari, Jawwad Ahmed Cheema, Farrokh K. Captain, Sheikh Imranul Haque, Mumtaz Hasan Khan, Faisal Waheed, Haroon Rashid, Farooq Rahmatullah Khan and Muhammad Najam Shamsuddin and thanks them for their valuable contribution during their tenure.

Details of Board composition and Board Sub-Committees is given on page 16 to page 21 of the report.

Directors' Remuneration

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

Principal activities of the Company

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

Shareholders' Agreement

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

Changes concerning nature of business of the Company and its investee Company

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

Subsequent events

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

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2019 is given on page 53 to 55 of the report.

External Auditors

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

Acknowledgement

The Board places on record its acknowledgement of the valuable support provided by our shareholders, financial institutions, strategic partners and the Government of Pakistan including Ministry of Energy and Ministry of Finance. The Board also duly acknowledges the dedicated efforts of the Company's employees in ensuring safe and uninterrupted refinery operations.

On behalf of Board of Directors.

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Karachi: September 11, 2019

اعتراف

بورڈ اس موقع پر شیئر ہولڈرز، مالیاتی اداروں، کلیدی شراکت داروں اور حکومت پاکستان بشمول وزارت توانائی اور وزارت خزانہ کے قابل قدر تعاون پر ان کا مشکور ہے۔ بورڈ ریفائنری کے محفوظ اور بلارکاوٹ آپریشنز کو یقینی بنانے کے لئے کمپنی کے ملازمین کی مخلصانہ جدوجہد کا بھی معترف ہے۔

منجانب بورڈ آف ڈائریکٹرز

سید اسد علی شاہ
چیئرمین

زاہد میر
مینیجنگ ڈائریکٹر اینڈ سی ای او

کراچی: 11 ستمبر 2019

ڈائریکٹران کی ریمیونریشن

کمپنی کے آرٹیکلز آف ایسوسی ایشن اور کمپنیز ایکٹ 2017 کے مطابق کمپنی کے پاس ڈائریکٹران کی ریمیونریشن کے لئے ایک باضابطہ اور شفاف طریقہ کار موجود ہے۔

کمپنی کی بنیادی سرگرمیاں

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

شیئر ہولڈرز کے درمیان معاہدہ

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

کمپنی اور اس کی ملحقہ کمپنی کے کاروبار کی نوعیت میں تبدیلیاں

کمپنی اور پاک گریز مینوفیکچرنگ کمپنی (پرائیویٹ) لمیٹڈ جس میں کمپنی کے 27.26 فیصد حصص ہیں، کی کاروباری نوعیت میں کوئی تبدیلی نہیں ہوئی ہے۔

بعد ازاں واقعات

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

شیئر ہولڈنگ کا خلاصہ

30 جون 2019 کو شیئر ہولڈنگ کا خلاصہ اس رپورٹ کے صفحہ نمبر 53 سے 55 پر درج ہیں۔

بیرونی آڈیٹرز

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

ادارتی نظم و ضبط

کمپنی ادارتی نظم و ضبط کے اعلیٰ معیار برقرار رکھنے کے لئے مستقل کوشاں ہے جس کے تحت کمپنی اپنے کاروبار کو کوڈ آف کارپوریٹ گورننس اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے قوانین کے مطابق انجام دیتی ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کا کردار اور ان کی ذمہ داریوں کا تعین کیا گیا ہے- مزید تفصیلات کے لئے برائے مہربانی "لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس ریگولیشنز) کی پاسداری سے متعلق بیانیہ" کا مطالعہ کریں-

اندرونی مالیاتی اختیارات کے نظام کی موزونیت

بورڈ آف ڈائریکٹرز مضبوط اندرونی مالیاتی اختیارات کے نظام کے قیام کے ذمہ دار ہیں- سوائے ان اختیارات کے جو خاص طور پر بورڈ کو کمپنیز ایکٹ 2017 کے تحت تفویض کئے گئے ہیں، بورڈ نے مینیجنگ ڈائریکٹر کو مخصوص مالیاتی اور انتظامی اختیارات استعمال کرنے کی اجازت دی ہے- اس کے علاوہ اندرونی آڈٹ فنکشن کے ذریعے بورڈ وقتاً فوقتاً ان مالیاتی اختیارات کی موزونیت کے متعلق اپ ڈیٹ لیتا ہے-رواں سال کے دوران ان اختیارات پر کوئی شدید یا قابل ذکر عدم موزونیت بورڈ کو پیش نہیں کی گئی-

قومی خزانے میں شرکت اور قدر میں اضافہ

کمپنی یہ بتاتے ہوئے فخر محسوس کرتی ہے کہ وہ ملک کی ایک بڑی ٹیکس دہندہ ہے اور بالواسطہ اور بلاواسطہ ٹیکسوں کے واجبات سے بروقت عہدہ برآں ہوجاتی ہے- سال کے دوران کمپنی نے 38 بلین روپے (2018 میں 37 بلین روپے) قومی خزانے میں بالواسطہ اور بلاواسطہ ٹیکسوں کی مد میں جمع کروائے- اس کے علاوہ سال کے دوران نیفتھا کی برآمدات کے ذریعے کمپنی ملک میں 59.0 ملین ڈالر کا قیمتی زرمبادلہ لائی اور ملک کے توازن ادائیگی کے بوجھ کو کم کرنے میں معاونت کی-

اہم کاروباری اور مالیاتی اعداد و شمار

گزشتہ چھ سال کے اہم کاروباری اور مالیاتی اعداد و شمار پر مشتمل ایک مختصر گوشوارہ اس رپورٹ کے صفحہ نمبر 48 پر درج ہیں-

چیئرمین کی تقرری اور بورڈ آف ڈائریکٹرز میں تبدیلی

کمپنیز ایکٹ 2017 کے سیکشن 192 کے تحت بورڈ نے 19 اکتوبر 2018 سے جناب سید اسد علی شاہ کو چیئرمین منتخب کیا- آسامیوں کو پر کرنے کے لئے تمام نئے آنے والے ڈائریکٹران بشمول چیئرمین، بورڈ کی بقایا مدت تک بورڈ سے وابستہ رہیں گے جس کا اختتام 6 جون 2020 کو ہوگا-

بورڈ نے جناب آفتاب حسین کی جگہ پر جناب زاہد میر کو تین سالہ مدت کے لئے کمپنی کا نیا مینیجنگ ڈائریکٹر اور سی ای او مقرر کیا ہے جس کا آغاز یکم اگست 2019 سے ہوگا-

بورڈ جناب محمد علی الدین انصاری، فرخ کے کیپٹن، جواد احمد چیمہ، ہارون رشید، فیصل وحید، شیخ عمران الحق، ممتاز حسن خان، فاروق رحمت اللہ خان اور محمد نجم شمس الدین کی خدمات کا اعتراف کرتا ہے اور دوران مدت ان کے قابل قدر تعاون پر ان کا مشکور ہے- بورڈ کی تشکیل اور ذیلی کمیٹیوں کی تفصیلات اس رپورٹ کے صفحہ نمبر 16 سے 21 پر درج ہیں-

سیفٹی ڈے کی تقریبات

اللہ رب العزت کی رحمت سے کمپنی نے 30 جون 2019 تک کامیابی کے ساتھ کسی حادثے کے بغیر 4.14 ملین گھنٹے مکمل کئے-اس سنگ میل کے حصول کی مدت کے دوران بڑی اہم سرگرمیاں جیسے کہ ری جنریشن شٹ ڈاؤن 2018، ٹینکوں کی تعمیر و مرمت، بوائلر نمبر 4 اور نئے پاور ہاؤس کی تعمیر وغیرہ سخت حفاظتی طریقہ کار کے تحت عمل میں لائی گئیں-

بغیر کسی حادثے کے 2.5 ملین گھنٹوں کے مکمل ہونے پر تقسیم اسناد کی تقریب 28 مارچ 2019 کو PRL ٹریننگ سینٹر میں منعقد ہوئی- تمام ملازمین اور متعلقہ ٹھیکیداروں نے اس فنکشن میں شرکت کی-

تربیت

HSEQ کے مجموعی نظم اور معیار کو برقرار رکھنے کے لئے مسلسل کوششیں کی جاتی ہیں جس کے تحت کمپنی اور ٹھیکیداروں کے ملازمین کو ترتیب شدہ تربیتی کورسز کروائے جاتے ہیں-

خطرات سے بچاؤ کی مشقیں

سال کے دوران خطرات سے بچاؤ کی ایک خاص مشق کی گئی جس میں ریفائنری کے قریب کھڑے ہوئے ایندھن کے باؤزر پر بم حملے کا منظرنامہ تھا- اس کے علاوہ ہفتہ وار آگ سے بچاؤ کی مشقیں اور خطرات سے بچاؤ کی ششماہی مشقیں ایمرجنسی رسپانس پلان (ERP) کے مطابق مختلف آگ لگنے کے واقعات کے تناظر کے تحت کی گئیں تاکہ ہنگامی آلات کی اثر پذیری اور جوابی عملے کی ہنگامی حالات کو قابو کرنے کی مہارت کو جانچا جاسکے-

انڈسٹریل ریلیشنز (IR)

کمپنی نے Collective Bargaining Agent (CBA) کے ساتھ کامیاب مذاکرات کرکے صنعتی امن کو یقینی بنایا- 2019 سے 2021 تک کی مدت کے لئے CBA معاہدہ پر گفت شنید جاری ہے، جو کہ پائیدار تعلقات کے قیام کے لئے ایک اور قدم ہے اور ہم آہنگی و صنعتی امن کے لئے موثر راستہ ہے-

ادارتی سماجی ذمہ داری (CSR)

کمپنی کے CSR اقدامات کا مقصد عمومی طور پر معاشرے اور خصوصی طور پر ریفائنری کے بالکل قرب و جوار میں رہنے والے لوگوں کے فائدہ کے لئے کمپنی کی کاوشوں کے عزم کا اعادہ کرنا ہے- اس سال کمپنی نے 2 ملین روپے کے عطیات دو اداروں کو غریب افراد کے لئے شاندار خدمات فراہم کرنے پر دیئے ہیں جن کے نام درج ذیل ہیں:

a- سندھ انسٹیٹیوٹ آف یورولوجی اور ٹرانسپلانٹیشن (SIUT)- ڈائلیسس سینٹر، مہرالنساء میڈیکل سینٹر، کورنگی
b- دی انڈس ہاسپٹل، کورنگی

کمپنی اس بات کی قوی امید رکھتی ہے کہ اس کی معاونت سے ان ہسپتالوں میں آنے والے افراد کی زندگی میں مثبت تبدیلی آئے گی-

پوسٹ ایمپلائمنٹ بینیفٹ فنڈز سے کی گئی سرمایہ کاری کی مالیت

پروویڈنٹ فنڈ، گریجویٹی اور پنشن فنڈز کے غیر آڈٹ شدہ مالیاتی گوشواروں برائے 30 جون 2019 کے مطابق سرمایہ کاری کی مالیت درج ذیل ہے:

	(روپے ہزاروں میں)
پروویڈنٹ فنڈ	371,374
گریجویٹی فنڈ – مینجمنٹ اسٹاف	133,424
گریجویٹی فنڈ – نان مینجمنٹ اسٹاف	87,258
پنشن فنڈ – مینجمنٹ اسٹاف	879,879
پنشن فنڈ – نان مینجمنٹ اسٹاف	98,587

صحت، تحفظ، ماحول اور معیار (HSEQ)

کمپنی نے 30 جون 2019 تک کامیابی کے ساتھ کسی حادثے کے بغیر 4.14 ملین گھنٹے مکمل کئے-اس سے کمپنی کے HSEQ انتظامی نظام کی مضبوطی کی عکاسی ہوتی ہے- پیشہ ورانہ صحت، تحفظ اور ماحول (OHS&E) کے شعبہ میں کمپنی کے اعلیٰ معیار اور بہتری کو ایمپلائز فیڈریشن آف پاکستان نے سراہا ہے جو کہ انٹرنیشنل لیبر آرگنائزیشن کی ملحقہ انجمن ہے اور انٹرنیشنل آرگنائزیشن ایمپلائز جینیوا کی رکن ہے - اس نے اپریل 2019 میں ہونے والی اپنی چودھویں سالانہ OHS&E ایوارڈ کی تقریب میں کمپنی کو مسلسل تیسرے سال تیل، گیس اور توانائی کے شعبہ میں پہلی پوزیشن سے نوازا ہے-

قانونی تقاضوں پر عملدرآمد

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

تیسرے فریق کی تصدیقی اسناد کی پاسداری

کمپنی نے کامیابی کے ساتھ 2015-14001، 2015-ISO 9001 اور 2007-OHSAS 18001 کے حالیہ معیار کی تصدیقات ایک عالمی مشہور زمانہ تصدیق شدہ آزاد کمپنی کے surveillance آڈٹ کے ذریعے دوبارہ حاصل کرلیں-

عالمی یوم ماحولیات کی تقریبات

عالمی یوم ماحولیات ہر سال 5 جون کو پوری دنیا میں منایا جاتا ہے- اس دن ایک پر وقار تقریب میں ایک علامتی درخت لگایا گیا- بورڈ کے چیئرمین نے بطور مہمان خصوصی اس تقریب میں شرکت کی- اس مرتبہ عالمی یوم ماحولیات کا موضوع "فضائی آلودگی ختم کرو" تھا- 2019 کا عالمی یوم ماحولیات دنیا بھر میں فضائی آلودگی سے مقابلہ کرنے کے لئے منایا گیا- شجر کاری فضائی آلودگی کم کرنے کے لئے بہت اہم ہے، اس سے اطراف کے درجہ حرارت کو کم کرنے اور بارش کے امکانات کو بڑھانے میں مدد ملتی ہے-

ادارتی اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کے مالیاتی گوشوارے انتظامیہ نے تیار کئے ہیں جس میں کمپنی کے معاملات، اس کے کاروباری نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو پیش کیا گیا ہے۔

- کمپنی نے کمپنیز ایکٹ 2017 کے تحت گوشواروں کی باقاعدہ کتابیں رکھی ہیں۔

- کمپنی نے اپنے مالیاتی گوشواروں کی تیاری میں متواتر اور مناسب اکاؤنٹنگ پالیسیوں پر عمل درآمد کیا ہے۔ اکاؤنٹنگ پالیسیوں میں تبدیلیاں، اگر کہیں کی گئی ہیں تو انہیں مناسب طریقے سے مالیاتی گوشواروں میں واضح کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے احتیاط سے اور موزوں اندازے کی بنیاد پر لگائے گئے ہیں۔

- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز جو کہ پاکستان میں لاگو ہیں، مالیاتی گوشواروں کی تیاری میں ان پر عمل درآمد کیا گیا ہے اور اگر کوئی انحراف ہے تو اسے باقائدہ واضح کیا گیا ہے۔

- کمپنی کا موثر اندرونی ضابطہ کا نظام موجود ہے اور اس پر مسلسل عمل درآمد اور نگرانی جاری رہتی ہے۔

- کمپنی کے کام جاری رکھنے کی صلاحیت میں کوئی قابل ذکر شبہات نہیں ہیں۔

ترقی ٹرم فنانس سرٹیفکیٹس (TFC II) کی ادائیگی

سال کے دوران دسمبر 2018 میں کمپنی نے کامیابی کے ساتھ ترقی TFC II کی ادائیگی کردی- یہTFC دسمبر 2013 میں پانچ سالہ مدت کے لئے جاری کئے گئے تھے- اس مدت کے دوران کمپنی نے منافع کی 20 سہ ماہی اقساط کے ساتھ اصل رقم بروقت ادا کی- TFC I جو کہ تین سالہ مدت کے لئے جاری کئے گئے تھے پہلے ہی دسمبر 2016 میں ادا کر دیئے گئے تھے-

کریڈٹ ریٹنگ

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

- حکومت پاکستان نے فرنس آئل کی مقامی پیداوار کی کھپت کے لئے ملک میں فرنس آئل کی درآمدات کم کرنے کی پالیسی کو نافذ کیا ہے۔ اس سے مقامی ریفائنریوں کے فرنس آئل کی طلب میں کمی کے رجحان پر قابو پایا جا سکے گا۔

- حکومتِ پاکستان ملک کی معیشت کو مستحکم کرنے اور زرمبادلہ کے ذخائر میں اضافہ کے لئے کوشاں ہے جس میں دوست ممالک کا تعاون اور عالمی مالیاتی اداروں بشمول انٹرنیشنل مانیٹری فنڈ (IMF) سے جولائی 2019 میں Extended Fund Facility کا معاہدہ اور سعودی خام تیل کی تاخیر سے ادائیگی کی سہولت شامل ہے۔ ان اقدامات سے توقع ہے کہ پاکستانی روپے پر دباؤ کم ہوجائے گا اور اگلے مالیاتی سال میں ڈالر کے مقابلے میں پاکستانی روپے کی قدر مستحکم رہے گی۔ مزید براں، کمپنی نے دیگر کمپنیوں کے ساتھ حکومت پاکستان سے اپنے رابطوں میں اس بات کا مطالبہ کیا ہے کہ ریفائنریوں کو زرمبادلہ پر ہونے والے نقصان کی تلافی پیٹرولیم مصنوعات کی قیمتوں کے ذریعہ کی جائے۔

- کمپنی کے سازگار Cash Flow Cycle کی موجودگی مالیاتی اداروں کو یقین دہانی کراتی ہے کہ وہ کمپنی کے لئے اپنا تعاون جاری رکھیں۔ سال کے دوران کمپنی نے 8.55 بلین روپے کی رواں سرمائے کی سہولت حاصل کی جو کہ گزشتہ سال 8.35 بلین روپے تھی۔ اس کے علاوہ کمپنی نے مختلف بینکوں سے 7 بلین روپے کی ڈسکاؤنٹنگ کی سہولیات حاصل کیں۔ ان سہولیات سے کمپنی کی ادائگیوں کی صلاحیت پر مالیاتی اداروں کے اعتماد کا اظہار ہوتا ہے۔

- کمپنی نے ریفائنری اپ گریڈ پروجیکٹ پر کام کا آغاز کردیا ہے تاکہ EURO II معیار کے HSD کی پیداوار کے لئے DHDS یونٹ کی تنصیب کی انضباطی ضرورت کو پورا کیا جاسکے۔ اس پروجیکٹ میں ایک اور اپ گریڈ زیر غور ہے جس کے تحت غیر منافع بخش مصنوعات کو منافع بخش مصنوعات میں تبدیل کیا جاسکتا ہے، خاص طور پر فرنس آئل کو پیٹرول اور HSD میں تبدیل کیا جائیگا۔ اس کے علاوہ، اس پروجیکٹ میں مستقبل کی متوقع تبدیلیوں کو بھی پورا کرنے کا سامان کیا جارہا ہے تاکہ ریفائنری ایسی کسی بھی تبدیلی کو کم سے کم مالی اخراجات سے پورا کر سکے۔ چونکہ غیر ملکی مشاورت کار کے ساتھ مفصل فزیبلٹی اسٹڈی پہلے ہی مکمل ہوچکی ہے اس لئے بورڈ آف ڈائریکٹرز نے سال کے دوران ریفائنری اپ گریڈ پروجیکٹ کی منظوری دے دی ہے۔ پروجیکٹ مینجمنٹ کنسلٹنٹس اور فرنٹ اینڈ انجینئرنگ ڈیزائن (FEED) اور انجینئرنگ، پروکیورمنٹ اینڈ کنسٹرکشن (EPC) کے مشترکہ کام کے لئے پری کوالیفیکیشن کا عمل جاری ہے۔

- کمپنی نے خام تیل کے عالمی سپلائرز کے ساتھ جس میں ابوظہبی نیشنل آئل کمپنی یو اے ای شامل ہے "طویل مدتی معاہدوں" کی بنیاد پر خام تیل کی محفوظ فراہمی کی صلاحیت حاصل کی ہوئی ہے۔ سال کے دوران کمپنی نے سعودی عربین آئل کمپنی (ARAMCO) کے ساتھ بھی خام تیل کی فراہمی کا معاہدہ کیا ہے جس سے خام تیل کو خریدنے کے مواقع بڑھ گئے ہیں۔ خام تیل کو خریدنے کے لئے ان غیر ملکی معاہدوں کے ساتھ مقامی خام تیل کی سہولیات سے ریفائنری آپریشنز کے لئے بلا رکاوٹ خام تیل کی فراہمی یقینی ہوجاتی ہے۔ جبکہ سپلائی چین سلسلہ کے دوسرے سرے پر کمپنی نے پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (اپنی سرپرست کمپنی) اور شیل پاکستان لمیٹڈ کے ساتھ طویل مدتی معاہدے کئے ہوئے ہیں جس سے بروقت مصنوعات کی ترسیل یقینی ہوتی ہے۔

منافع منقسمہ

کمپنی کو ختم شدہ سال 30 جون 2019 میں بعد از ٹیکس خسارہ ہوا ہے، لہٰذا ڈائریکٹران نے اس سال کوئی منافع منقسمہ مختص نہ کرنے کا فیصلہ کیا ہے۔

کمپنی نے دورانِ سال "IFRS - 15 "Revenue from contracts with customers بھی اختیار کرلیا ہے۔ IFRS - 15 کے مطابق آمدنی کی تسلیم سامان یا خدمات کے اختیار کو صارفین کی منتقلی پر اس رقم پر ہوتی ہے جو کمپنی کی توقع کے مطابق سامان یا خدمات کے تبادلے پر ہونی چاہیے۔ کمپنی نے نئے معیار آمدنی کے اثرات کا تجزیہ کیا ہے اور نتیجہ اخذ کیا کہ کسی ایسی قابل ذکر درستگی کی ضرورت نہیں ہے جس سے مالیاتی گوشواروں پر اثرات مرتب ہوں۔

سال 30 جون 2019 میں 5.82 بلین روپے کے مالیاتی خسارے کے ساتھ کمپنی کی مالیاتی پوزیشن پر اثرات کو مدنظر رکھتے ہوئے کمپنی کے بیرونی آڈیٹرز نے اپنی آڈٹ رپورٹ میں going concern سے متعلق توجہ دلاؤ پیراگراف شامل کیا ہے۔

اہم خطرات اور غیر یقینی معاملات

- ریفائنری حکومت پاکستان کے پالیسی فریم ورک کے تحت کام کرتی ہے۔ مزید یہ کہ مخصوص مصنوعات کی قیمتیں باضابطہ ہیں اور ان کی نگرانی وزارت توانائی (MoE) کرتی ہے جو کہ بنیادی طور پر درآمدی مساواتی قیمت (Import Parity Pricing) کی بنیاد پر ہوتی ہیں۔ خام تیل اور ریفائنڈ پیٹرولیم مصنوعات کی عالمی قیمتوں میں تبدیلی سے ریفائننگ کی شرح منافع پر قابل ذکر اثرات مرتب ہوتے ہیں۔

- ریفائنری کی مصنوعات کے معیار کا تعین حکومت کی طرف سے کیا جاتا ہے اور ریفائنریوں کے لئے ضروری ہے کہ ان مقرر کردہ معیار کے مطابق مصنوعات تیار کریں۔ ان معیارات میں کوئی بھی تبدیلی ریفائنری کے آپریشنز پر اثر انداز ہو سکتی ہے جو کہ ریفائنری کی مالی حالت پر منفی اثرات مرتب کر سکتی ہے۔ جیسا کہ اوپر بیان کیا جا چکا ہے کہ چونکہ کمپنی اب تک DHDS کی تنصیب نہیں کر سکی ہے اس لئے اس کو HSD کی قیمت میں کمی کا سامنا کرنا پڑتا ہے جو کہ اس کے مالی نتائج پر برا اثر ہے۔

- کمپنی کو روپے کی قدر میں اتار چڑھاؤ کے خطرے کا بھی سامنا کرنا پڑتا ہے جب خام تیل درآمد کیا جاتا ہے یا کچھ مواقع پر خام تیل یا condensate کے مروجہ معاہدوں کے تحت ملکی خام تیل یا condensate کی قیمت زرمبادلہ کی شکل میں ادا کی جاتی ہے۔

- جیسا کہ پہلے بیان کیا جا چکا ہے کہ بینکوں سے لئے گئے قرضہ جات کی وجہ سے کمپنی کو زائد شرح سود کا خطرہ ہے۔ اس وجہ سے اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں کوئی بھی اضافہ کمپنی کے مالیاتی اخراجات میں اضافہ کی صورت میں اس کے نتائج پر منفی طور پر اثرانداز ہوتا ہے۔

مستقبل کا جائزہ امکانی خطرات کے ازالہ کے ساتھ

کمپنی مندرجہ بالا عوامل اور مالیاتی نتائج اور آپریشنز پر ان کے اثرات سے بخوبی واقف ہے۔ تاہم کمپنی کے کاروباری منصوبے اور درج ذیل عوامل سے کمپنی کو یقین ہے کہ منفی عناصر پر قابو پالیا جائے گا، اس کی ایک فعال ادارے کی حیثیت برقرار رہے گی اور کمپنی اپنے اثاثوں کو بروئے کار لاتے ہوئے عمومی طریقہ کار کے مطابق اپنے واجبات کی ادائیگی کے قابل رہے گی:

- کمپنی کو یقین ہے کہ گزشتہ سال پیٹرول کی قیمتوں میں خام تیل کے مقابلہ میں جو کمی رہی وہ اب دور ہوگئی ہے اور پیٹرول کی قیمتیں بڑھنا شروع ہوگئی ہیں لہٰذا ریفائننگ کے شرح منافع میں مستقبل میں بہتری آنے کا امکان ہے۔

- پیٹرول کی قیمتوں میں غیر معمولی کمی، ریفائننگ کی شرح منافع پر منفی دباؤ، روپے کی قدر میں 35 فیصد تک کمی اور EURO-II کے معیار سے نامناسبت، جس کی تفصیل ذیل کے پیراگراف میں درج ہے، وہ منفی عوامل رہے جن کی وجہ سے کمپنی کو اوپر درج نقصان اٹھانا پڑا۔

- وزارت توانائی کے 27 مارچ 2013 کو جاری کردہ ریفائنری پروجیکٹس کو اپ گریڈ کرنے اور توسیع کرنے کے پالیسی فریم ورک کے تحت ریفائنریوں کے لئے لازمی تھا کہ وہ 30جون 2017 تک ڈیزل ہائیڈروسلفرائزیشن یونٹ (DHDS) کی تنصیب کریں تاکہ EURO-II کے معیار کے مطابق ہائی اسپیڈ ڈیزل (HSD) کی پیداوار کی جاسکے اور عمل درآمد نہ کرنے کی صورت میں Import Parity Pricing (IPP) کے فارمولے کے تحت سلفر کے زیادہ اجزاء کی بنیاد پر ریفائنری کی HSD کی قیمت میں کٹوتی کی جائیگی۔ کمپنی مقررہ تاریخ تک DHDS قائم نہ کرسکی لہٰذا HSD کی قیمتوں میں کٹوتی / کمی کی وجہ سے اسے 1.15 بلین روپے کا خسارہ ہوا (2018 میں خسارہ 0.74 بلین روپے)۔

- سال کے دوران کمپنی کی 200 ایکڑ زمین کی مالیت کی ازسرنو تشخیص کی گئی جس کے نتیجے میں زمین کی مالیت میں 5.29 بلین روپے کا اضافہ ہوا (2018 میں 0.5 بلین روپے)۔ اس مالیت کا تعین غیر جانبدار ویلیور نے 30 جون 2019 کو کیا تھا۔

- کمپنی کی جانب سے لئے گئے قلیل مدتی قرضے بشمول رواں سرمائی قرضے جون 2018 میں 4.62 بلین روپے تھے جو 30 جون 2019 کو بڑھ کر 14.70 بلین روپے ہوگئے۔ اس اضافہ کی بنیادی وجوہات رواں سرمائے کی بڑھتی ہوئی ضرورت اور سال کے دوران کمپنی کو ہونے والا خسارا تھا۔ سال کے دوران اسٹیٹ بینک آف پاکستان نے شرح سود میں کئی مرتبہ اضافہ کیا جو کہ جولائی 2018 میں 6.25 فیصد سے بڑھ کر جون 2019 میں 12.25 فیصد ہوگیا۔ ان دو عوامل کی وجہ سے مالیاتی اخراجات بڑھ کر 1.25 بلین روپے ہوگئے جو کہ گزشتہ سال 0.51 بلین روپے تھے۔

- اس سال فرنس آئل کی طلب میں کمی کی وجہ سے فرنس آئل کے ذخائر میں اضافہ ہوگیا جس کے نتیجے میں ریفائنری کے آپریشنز دباؤ کا شکار رہے۔ آپریشنز کو جاری رکھنے اور کسٹمرز کو مائل کرنے کے لئے فرنس آئل کی قیمتوں کو کئی مرتبہ کم کرنا پڑا جس کی وجہ سے کمپنی کے منافع پر منفی اثرات مرتب ہوئے۔

- کمپنی کی کنٹرولر ملٹری اکاؤنٹس (CMA) سے پرانی وصولیاں ہیں جن کا حجم 121.94 ملین روپے ہے۔ سال کے دوران CMA نے تحفظات کا اظہار کیا کہ یہ وصولیاں مقررہ معیاد سے تجاوز کرچکی ہیں اور ایسی وصولیوں کی ادائیگیوں کے لئے خصوصی بجٹ کی منظوری ضروری ہے۔ احتیاط کے پیش نظر کمپنی نے سال جون 2019 کے دوران ان قابل وصول رقومات کے مقابل خسارہ الاؤنس بک کیا ہے تاہم ان رقومات کی وصولی کے لئے کام بھی جاری ہے۔

- سال کے دوران کمپنی نے نئے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ "IFRS - 9 "Financial Instruments کو اختیار کیا۔ اس IFRS کا تعلق مالیاتی اثاثوں اور مالیاتی واجبات کو تسلیم کرنے، درجہ بندی اور پیمائش، مالیاتی معاہدوں کو غیر تسلیم کرنے، مالیاتی اثاثوں کی فرسودگی اور ہیج اکاؤنٹنگ سے ہے۔ کمپنی نے IFRS-9 کو یکم جولائی 2018 سے اختیار کیا جس کے نتیجے میں اکاؤنٹنگ پالیسیوں میں تبدیلیاں ہوئی ہیں۔ کمپنی نے IFRS 9 کو سابقہ سال میں "IAS - 8 "Accounting Policies, changes in accounting estimates and errors کے مطابق لاگو کردیا ہے تاہم اس بات کو منتخب کیا ہے کہ گزشتہ معلومات کا ازسرنو تخمینہ نہ لگایا جائے جس کی اجازت اس اسٹینڈرڈ کی عبوری شقوں میں دی گئی ہے۔

ڈائریکٹران کی رپورٹ

ڈائریکٹران کی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے برائے ختم شدہ سال 30 جون 2019 پیشِ خدمت ہے۔

مالیاتی نتائج

	2019	2018
	(روپے ہزاروں میں)	
بعد از ٹیکس (خسارہ)/منافع	**(5,821,123)**	503,789
دیگر جامع آمدن	**5,267,809**	457,484
کل جامع (خسارہ)/آمدن	**(553,314)**	961,273
(خسارہ)/آمدنی فی شیئر	**Rs. (18.92)**	Rs. 1.64
تخصیص:		
اسپیشل ریزرو میں منتقلی	-	403,789

رواں مالیاتی سال میں کئی جانے پہچانے اور کئی نئے چیلنجز کا سامنا کیا گیا جس میں عالمی مارکیٹوں میں موٹر گیسولین (پیٹرول) کی قیمتوں میں غیر معمولی کمی ایک ناموافق عنصر نمایاں رہا۔ ریفائننگ کی شرح منافع میں کمی اور ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں غیر معمولی کمی جیسے منفی عوامل نے ریفائننگ کے شعبہ کے مالیاتی نتائج پر برے اثرات مرتب ہوئے جہاں ایک باقاعدہ اور منضبط ماحول کے تحت کام ہوتا ہے۔ ان وجوہات کی بنا پر کمپنی کو 5.82 بلین روپے کا خسارہ ہوا جبکہ اس کے برعکس گزشتہ سال 504 ملین روپے کا منافع ہوا تھا۔ مندرجہ بالا منفی اثرات کے باجود کمپنی نے اپنے آپریشنز عمدہ مالیاتی انتظام، انونٹری اور اس کے استعمال کی حد کی باریک بین نگرانی کے نظام کی مدد سے سارا سال تسلسل سے جاری رکھے اور خاص طور سے اس مدت کے دوران جب سرحدوں پر خطرناک صورتحال میں ایندھن کی فراہمی ایک کلیدی ضرورت تھی۔

کمپنی کے معاملات اور ان کا جائزہ

کمپنی کی مالیاتی جھلکیاں اور سال کے دوران دیگر کاروباری کارکردگی کی تفصیلات درج ذیل ہیں:

- امسال پاکستان اسٹیٹ آئل کمپنی لمیٹڈ (PSO) نے شیل پیٹرولیم کمپنی لمیٹڈ، یو کے کے 84 ملین شیئرز خرید لئے جس سے کمپنی میں اس کی شیئر ہولڈنگ بڑھ کر 52.68 فیصد ہوگئی جس کے نتیجے میں PSO اور کمپنی کے درمیان تعلق سرپرست اور ذیلی کمپنی کا بن گیا ہے۔

- 30 جون 2019 کو کمپنی کا جمع شدہ خسارہ 10.67 بلین روپے تھا جو کہ گزشتہ سال 4.82 بلین روپے تھا اور اس کے رواں واجبات اس کے رواں اثاثوں سے 10.89 بلین روپے سے تجاوز کر گئے (2018 میں 4.45 بلین روپے)۔ کمپنی نے سال کا اختتام منفی cash and cash equivalants پر کیا جس کا حجم 14.05 بلین روپے تھا (2018 میں 3.41 بلین روپے)۔

Key operational and financial data

Six years summary

		2019	2018	2017	2016	2015	2014
Profit and loss							
Revenue from contracts with customers	Rs. /mn	115,741	92,229	69,998	64,733	91,175	142,144
Gross profit / (loss)	Rs. /mn	(3,174)	1,045	2,579	1,990	(677)	(708)
Operating profit / (loss)	Rs. /mn	(3,789)	1,422	2,034	1,390	(984)	(783)
Profit / (loss) before tax	Rs. /mn	(5,245)	829	1,441	487	(1,673)	(856)
Profit / (loss) after tax	Rs. /mn	(5,821)	504	1,060	283	(1,182)	(864)
Earnings before interest, taxes, depreciation and amortisation	Rs. /mn	(2,903)	2,230	2,891	2,217	(610)	(65)
Financial position							
Share Capital	Rs. /mn	2,940	2,940	2,940	2,940	350	350
Share deposit money	Rs. /mn	-	-	-	-	2,590	-
Reserves	Rs. /mn	569	1,123	161	(773)	(1,155)	219
Fixed assets and Intangible assets	Rs. /mn	18,975	13,447	12,253	12,109	12,118	7,407
Net current assets / (liabilities)	Rs. /mn	(10,895)	(4,452)	(7,364)	(8,046)	(8,769)	(6,900)
Long term / deferred liabilities	Rs. /mn	4,680	5,057	1,925	2,261	2,138	82
Investor Information							
Gross profit ratio	%	(2.74)	1.13	3.68	3.07	(0.74)	(0.50)
Net profit ratio	%	(5.03)	0.55	1.51	0.44	(1.30)	(0.61)
EBITDA margin	%	(2.51)	2.42	4.13	3.43	(0.67)	(0.05)
Cash flow from operations to sales	%	(5.80)	(0.49)	6.22	(1.66)	(0.06)	2.42
Inventory turnover	Days	25	29	32	31	30	26
Debtor turnover	Days	23	16	16	19	22	19
Operating cycle	Days	15	8	3	(18)	(20)	(2)
Debtor turnover	Times	14.97	21.95	21.26	18.37	15.90	17.69
Creditor turnover	Times	10.95	9.70	7.98	5.33	5.07	7.79
Inventory turnover	Times	13.77	12.73	11.30	11.83	12.09	13.83
Total assets turnover ratio	Times	2.70	3.02	2.70	2.61	2.96	4.93
Fixed assets turnover ratio	Times	6.10	6.86	5.71	5.35	7.52	19.19
Market value per share at the end of the year	Rs.	16.16	34.71	53.26	41.18	60.93	161.75
Market value per share - high during the year	Rs.	44.48	58.97	81.45	62.13	195.68	173.35
Market value per share - low during the year	Rs.	14.27	32.26	40.13	35.47	137.28	61.64
Breakup value per share	Rs.	11.94	13.82	10.55	7.37	50.99	16.25
Earnings / (loss) per share	Rs	(18.92)	1.64	3.45	0.93	(5.42)	(3.96)
Price earning ratio	Times	-*	21.16	15.44	44.28	-*	-*
Cash dividend per share	Rs.	-	-	-	0.31	-	-
Dividend yield	%	-	-	-	0.75	-	-
Dividend pay out	%	-	-	-	33.33	-	-
Dividend Cover (Restated)	Times	-	-	-	3.11	-	-
Interest cover ratio	Times	(2.63)	2.52	3.57	1.56	(1.27)	(0.47)
Current ratio	Ratio	0.69:1	0.79:1	0.65:1	0.60:1	0.67:1	0.76:1
Quick / acid test ratio	Ratio	0.41:1	0.40:1	0.30:1	0.30:1	0.34:1	0.39:1
Summary of cash flow statement							
Cash flows from operating activities	Rs. /mn	(8,889)	(456)	4,353	(1,072)	(56)	3,443
Cash flows from investing activities	Rs. /mn	(1,135)	(1,469)	(1,125)	(520)	(4,616)	(2,168)
Cash flows from financing activities	Rs. /mn	(629)	3,095	(5,020)	2,941	(1,789)	8,713
Net cash flows during the year	Rs. /mn	(10,654)	1,171	(1,792)	1,350	(6,461)	9,982

*** Not applicable due to loss.**

Horizontal analysis of profit and loss account

	2019	2018	2017	2016	2015	2014
Revenue from contracts with customers	**87.6**	69.8	53.0	49.0	69.0	107.6
Cost of sales	**(91.4)**	(70.1)	(51.8)	(48.2)	(70.6)	(109.7)
Gross profit / (loss)	**(162.9)**	53.6	132.3	102.1	(34.7)	(36.3)
Distribution cost	**(136.8)**	(110.0)	(104.5)	(93.2)	(116.4)	(108.0)
Administrative expenses	**(179.2)**	(143.5)	(128.8)	(104.8)	(97.2)	(81.6)
Loss allowance on trade receivables	**100.0**	-	-	-	-	-
Other operating expenses	**25.3**	(132.5)	(526.1)	(831.6)	(17.1)	(4.7)
Other income	**143.4**	585.3	262.1	340.9	99.2	186.7
Operating profit / (loss)	**(238.6)**	89.5	128.1	87.6	(62.0)	(49.3)
Finance costs	**(402.6)**	(165.0)	(168.5)	(253.6)	(197.2)	(24.3)
Share of (Loss) / income of associate	**(169.6)**	(19.4)	128.8	64.7	218.4	163.2
Profit / (Loss) before taxation	**423.8**	92.4	160.7	54.3	(186.6)	(95.5)
Taxation	**(77.7)**	(43.8)	(51.3)	(27.4)	66.3	(1.0)
Profit / (loss) after taxation	**1,173.6**	(101.6)	(213.8)	(57.1)	238.2	174.2

Vertical analysis of profit and loss account

(as a percentage of sales)

	2019	2018	2017	2016	2015	2014
Revenue from contracts with customers	**100.0**	100.0	100.0	100.0	100.0	100.0
Cost of sales	**(102.7)**	(98.9)	(96.3)	(96.9)	(100.7)	(100.5)
Gross profit / (loss)	**(2.7)**	1.1	3.7	3.1	(0.7)	(0.5)
Distribution cost	**(0.2)**	(0.2)	(0.3)	(0.3)	(0.2)	(0.1)
Administrative expenses	**(0.4)**	(0.4)	(0.5)	(0.4)	(0.3)	(0.2)
Loss allowance on trade receivables	**(0.1)**	-	-	-	-	-
Other operating expenses	**-**	(0.1)	(0.7)	(1.2)	(0.1)	-
Other income	**0.2**	1.2	0.7	1.0	0.2	0.2
Operating profit / (loss)	**(3.3)**	1.6	2.9	2.2	(1.1)	(0.6)
Finance costs	**(1.2)**	(0.6)	(0.9)	(1.4)	(0.8)	(0.1)
Share of (Loss) / income of associate	**-**	(0.1)	0.1	-	-	-
Profit / (Loss) before taxation	**(4.5)**	0.9	2.1	0.8	(1.9)	(0.7)
Taxation	**(0.5)**	(0.4)	(0.5)	(0.3)	0.6	0.0
Profit / (loss) after taxation	**(5.0)**	0.5	1.6	0.5	(1.3)	(0.7)

Horizontal analysis of balance sheet

	2019	2018	2017	2016	2015	2014
ASSETS						
Non-current assets						
Property, plant and equipment and intangibles	**371.2**	263.1	239.7	236.9	237.1	144.9
Investment in associate	**72.6**	83.6	98.3	100.0	107.0	105.0
Long-term deposits	**54.3**	54.3	48.4	50.4	48.3	100.3
Deferred taxation	**-**	-	-	55.5	100.0	-
Employee benefit prepayments	**65.3**	89.0	100.0	-	-	-
Total non-current assets	**363.5**	258.5	236.0	237.6	241.7	143.8
Current assets						
Inventories	**84.6**	70.1	58.2	48.7	51.3	88.9
Trade receivables	**122.1**	67.2	41.4	48.2	57.7	79.5
Trade deposits, loans, advances and short-term prepayments	**324.2**	101.7	86.1	250.1	88.1	81.1
Other receivables	**1,203.3**	1,352.0	2,195.4	208.4	5,445.1	133.1
Taxation - payments less provision	**44.3**	160.3	214.3	223.2	197.3	100.0
Cash and bank balances	**298.4**	676.0	837.0	689.6	3,307.7	2,688.8
Total current assets	**107.4**	76.5	61.1	55.5	81.5	96.1
Total assets	**156.4**	111.3	94.6	90.4	112.2	105.2
EQUITY AND LIABILITIES						
Equity						
Share capital	**840.0**	840.0	840.0	840.0	100.0	100.0
Subscription money against rights issue	**-**	-	-	-	100.0	-
Accumulated losses	**(389.5)**	(175.9)	(173.3)	(173.6)	(177.2)	(127.2)
Other reserve	**17.1**	(22.3)	24.7	36.6	42.9	101.8
Special reserve	**490.8**	490.8	354.9	121.0	100.0	100.0
Revaluation surplus on property, plant and equipment	**290.5**	125.0	109.4	109.4	103.1	103.1
Total equity	**288.9**	334.5	255.3	178.4	146.9	46.8
Liabilities						
Non-current liabilities						
Long-term borrowing	**215.0**	235.0	80.0	100.0	100.0	-
Retirement benefit obligations	**135.1**	126.2	110.4	88.9	51.0	21.7
Deferred taxation	**61.7**	63.8	86.7	-	-	108.2
Unearned income	**-**	-	33.3	100.0	-	-
Total non-current liabilities	**1,595.7**	1,724.0	656.4	771.0	729.1	28.1
Current liabilities						
Trade and other payables	**110.4**	92.6	82.5	65.0	97.8	109.0
Short-term borrowings	**189.0**	59.4	76.6	110.1	117.1	108.3
Unclaimed Dividend	**89.0**	89.4	89.7	86.7	87.5	198.4
Total current liabilities	**133.9**	82.6	80.7	78.6	103.6	108.8
Total liabilities	**150.3**	101.0	87.1	86.3	110.6	107.9
Total equity and liabilities	**156.4**	111.3	94.6	90.4	112.2	105.2

Note: 2013 has been used as base year.

Vertical analysis of balance sheet

(as a precentage of total assets)

	2019	2018	2017	2016	2015	2014
ASSETS						
Non-current assets						
Property, plant and equipment and intangible assets	44.3	44.1	47.3	48.9	39.4	25.7
Investment accounted for using the equity method	0.1	0.2	0.3	0.3	0.3	0.3
Long-term deposits and loans	-	0.1	0.1	0.1	0.1	0.2
Deferred taxation	0.1	-	-	1.0	1.5	-
Retirement benefit prepayments	-	0.1	0.1	-	-	-
Total non-current assets	**44.5**	**44.5**	**47.8**	**50.4**	**41.3**	**26.2**
Current assets						
Inventories	22.0	25.7	25.1	21.9	18.6	34.4
Trade receivables	30.8	23.8	17.2	21.0	20.3	29.8
Trade deposits, loans, advances and short-term prepayments	0.4	0.2	0.2	0.6	0.2	0.2
Other receivables	1.3	2.0	3.9	0.4	8.1	0.2
Taxation - payments less provisions	0.4	2.0	3.1	3.4	2.4	1.3
Cash and bank balances	0.6	1.9	2.7	2.4	9.2	7.9
Total current assets	55.5	55.5	52.2	49.6	58.7	73.8
Total assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Equity						
Share capital	6.9	9.6	11.3	11.9	1.1	1.2
Subscription money against rights issue	-	-	-	-	8.4	-
Special reserve	4.5	6.4	5.4	1.9	1.3	1.4
Accumulated losses	(24.9)	(15.8)	(18.3)	(19.2)	(15.8)	(12.1)
Revaluation surplus on property, plant and equipment	21.7	13.1	13.5	14.1	10.7	11.4
Other reserves	-	(0.01)	0.01	0.01	0.01	0.03
Total equity	**8.2**	**13.3**	**12.0**	**8.7**	**5.8**	**2.0**
Liabilities						
Non-current liabilities						
Long-term borrowing	10.0	15.4	6.2	8.1	6.5	-
Retirement benefit obligations	0.9	1.1	1.2	1.0	0.5	0.2
Deferred tax liabilities	-	0.0	0.1	-	-	0.1
Unearned Income	-	-	-	0.1	-	-
Total non-current liabilities	**10.9**	**16.6**	**7.4**	**9.1**	**7.0**	**0.3**
Current liabilities						
Trade and other payables	46.6	54.9	57.5	47.5	57.6	68.4
Short-term borrowings	34.3	15.1	23.0	34.6	29.6	29.2
Unclaimed Dividend	0.1	0.1	0.1	0.1	0.1	0.2
Total current liabilities	**80.9**	**70.1**	**80.6**	**82.1**	**87.2**	**97.7**
Total liabilities	**91.8**	**86.7**	**88.0**	**91.3**	**94.2**	**98.0**
Total equity and liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Statement of value addition and its distribution

For the year ended June 30, 2019

	2019 Rs. in thousand	%	2018 Rs. in thousand	%
Wealth Generated				
Total gross revenue and other income	153,356,815		129,879,414	
Brought in materials and services	(117,896,793)		(90,013,254)	
	35,460,022	100%	**39,866,160**	100%
Wealth distribution to stakeholders				
To employees				
Salaries, wages and other costs including retirement benefits	1,052,291	2.97%	976,673	2.45%
To Government				
Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	37,985,333	107.12%	36,997,395	92.80%
To society				
Donation to an educational institute	4,673	0.01%	5,102	0.01%
To shareholders				
Dividends and bonus	-	0.00%	-	0.00%
To providers of finance				
Financial charges for borrowed funds	1,251,340	3.53%	512,150	1.28%
To Company				
Depreciation, amortisation and retained profit	(4,833,625)	-12.12%	1,374,840	3.45%
	35,460,012	**100.00%**	**39,866,160**	**100.00%**

Pattern of Shareholding

As at June 30, 2019

Shareholder's category	Number of Sharehoders	Number of shares
Associated companies, undertaking and related parties		
Pakistan State Oil Company Limited	**1**	**154,875,000**
Modarabas and Mutual funds		
CDC - Trustee First Habib Stock Fund	1	6,000
CDC - Trustee National Investment (Unit) Trust	1	5,605,544
CDC - Trustee NIT Income Fund - MT	1	8,500
CDC - Trustee NIT - Equity Market Opportunity Fund	1	322,931
MC FSL Trustee JS - Income Fund	1	3,000
First Equity Modarabas	1	20,000
	6	**5,965,975**
Directors and their spouse		
Mohammad Zubair	1	2,500
Mirza Mahmood Ahmad	1	3,000
Syed Asad Ali Shah	1	5,000
Muhammad Ali	1	5,000
Aftab Husain	1	5,000
	5	**20,500**
Public Sector Companies and Corporations	**6**	**162,470,934**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful and Pension Funds		
Banks	5	110,580
Insurance companies	1	4,445,934
Pension funds	3	146,444
	9	**4,702,958**
Shareholders holding ten percent or more voting rights in the Company		
Hascol Petroleum Limited	1	43,249,500
Pakistan State Oil Company Limited	2	154,875,000
	3	**198,124,500**
General Public:		
a. local	8,104	63,620,908
b. Foreign	0	0
	8,104	**63,620,908**
Others		
a. local	118	8,374,974
b. Foreign	2	13,125,000
	120	**21,499,974**

Pattern of Shareholding

As at June 30, 2019

Number of Shareholders	No. of Sharesholdings		Total Shares
	From	To	
877	1	100	27,843
1,539	101	500	643,536
1,466	501	1,000	1,388,507
2,664	1,001	5,000	7,399,789
753	5,001	10,000	5,925,868
258	10,001	15,000	3,243,878
178	15,001	20,000	3,300,131
98	20,001	25,000	2,289,777
80	25,001	30,000	2,269,643
42	30,001	35,000	1,395,803
30	35,001	40,000	1,154,543
26	40,001	45,000	1,132,803
31	45,001	50,000	1,522,935
18	50,001	55,000	945,239
16	55,001	60,000	928,699
16	60,001	65,000	1,016,601
8	65,001	70,000	549,676
11	70,001	75,000	798,997
13	75,001	80,000	1,022,046
4	80,001	85,000	334,000
4	85,001	90,000	356,050
4	90,001	95,000	375,000
22	95,001	100,000	2,199,000
3	100,001	105,000	307,506
4	105,001	110,000	436,032
1	110,001	115,000	111,000
6	120,000	125,000	731,500
4	125,001	130,000	510,607
1	130,001	135,000	131,509
3	135,001	140,000	419,000
2	140,001	145,000	288,000
3	145,001	150,000	444,601
2	150,001	155,000	304,000
1	155,001	160,000	156,500
1	165,001	170,000	166,040
1	175,000	180,000	175,000
1	180,001	185,000	182,664
1	185,001	190,000	187,119
8	195,001	200,000	1,599,216

Pattern of Shareholding

As at June 30, 2019

Number of Shareholders	No. of Sharesholdings From	To	Total Shares
1	200,001	205,000	200,700
3	210,000	215,000	639,816
2	220,001	225,000	449,000
1	230,001	235,000	233,100
1	250,001	255,000	254,254
1	255,001	260,000	257,500
1	265,001	270,000	266,000
2	270,001	275,000	546,302
2	280,001	285,000	561,000
1	290,001	295,000	293,000
4	300,000	305,000	1,205,000
2	315,000	320,000	632,372
1	320,001	325,000	322,931
1	325,001	330,000	326,500
1	355,001	360,000	356,000
1	380,000	385,000	380,000
1	405,001	410,000	409,500
1	420,000	425,000	420,000
1	450,000	455,000	450,000
1	485,001	490,000	489,000
1	505,001	510,000	505,928
1	565,001	570,000	565,816
1	630,001	635,000	634,500
2	720,001	725,000	1,449,500
1	745,001	750,000	749,245
1	800,000	805,000	800,000
1	905,001	910,000	908,500
1	2,175,001	2,180,000	2,179,500
1	2,625,000	2,630,000	2,625,000
1	3,130,001	3,135,000	3,133,500
1	3,150,000	3,155,000	3,150,000
1	3,555,001	3,560,000	3,559,900
1	4,445,001	4,450,000	4,445,934
1	5,605,001	5,610,000	5,605,544
1	10,500,000	10,505,000	10,500,000
1	43,245,001	43,250,000	43,249,500
1	154,870,001	154,875,000	154,875,000
8,247			**294,000,000**

Notice of Annual General Meeting

Notice is hereby given that the Fifty-Ninth (59th) Annual General Meeting of Pakistan Refinery Limited will be held on Tuesday, October 22, 2019 at 1000 hours at Marriott Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and approve the Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Reports of the Board and the Auditors thereon.

2. To appoint Company's auditors for the year ending June 30, 2020 and to fix their remuneration.

ANY OTHER BUSINESS

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

By Order of the Board

Mustafa Saleemi
Company Secretary

Karachi: September 30, 2019

Notes:

1. The Annual Report containing the Annual Audited Financial Statements for the year ended June 30, 2019 is available on the Company's website.

2. The individual Members who have not yet submitted a copy of their valid Computerized National Identity Card (CNIC) to the Company are once again requested to send a copy of their valid CNIC at the earliest directly to the Company's Share Registrar at FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi ("Share Registrar Office"). The Corporate Entities are requested to provide their National Tax Number (NTN) and Folio Number. In case of non-receipt of the copy of a valid CNIC / NTN (as the case may be), the Company would be unable to comply with the requirements of the Companies Act, 2017 and SROs issued thereunder.

3. The Share Transfer Books of the Company will be closed from Wednesday, October 16, 2019 to Tuesday, October 22, 2019 (both days inclusive). Transfers received at the Share Registrar Office by the close of business on Tuesday, October 15, 2019 will be treated in time for the purposes of proceedings of the Meeting.

4. A member entitled to attend and vote at the Meeting may appoint another member as his/her Proxy to attend, speak and vote at the Meeting on his/her behalf. Instrument appointing Proxy must be submitted at the Share Registrar Office not less than 48 hours before the time of the Meeting.

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

6. CDC Account Holders will further have to follow the undermentioned guidelines issued by the Securities and Exchange Commission of Pakistan:

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

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

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

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

9. For information purposes only, the Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend when paid by the Companies. Now these rates as per the Finance Act, 2018 are as under:

   (a) For Filers of Income Tax Return 15%
   (b) For Non-Filers of Income Tax Return 20%

10. Unclaimed Dividend / Shares: Pursuant to Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it become due and payable shall vest with the Federal Government after compliance of procedures prescribed under the Companies Act, 2017.

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

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

    ____
    Signature of Member

12. SECP through its SRO 470(1)/2016, dated May 31, 2016, has allowed companies to circulate the annual Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report etc ("Annual Report") to its members through CD/DVD/USB at their registered addresses. In view of the above, the Company has sent its Annual Report to its shareholders in the form of DVD. Any member requiring printed copy of Annual Report may send a request using a Standard Request Form placed on Company website.

Statement of Compliance in accordance with Listed Companies (Code of Corporate Governance) Regulations, 2017

For the year ended June 30, 2019

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

1. The total number of Directors are eleven as per the following:

Male	11
Female	None

The Company plans to arrange election of a female Director in the next elections of the Board of Directors in 2020.

2. The composition of Board is as follows:

Category	Names
Independent	Syed Asad Ali Shah Mirza Mahmood Ahmad Mohammad Zubair Syed Muhammad Ali
Executive Director (Managing Director & CEO)	Zahid Mir
Other Non - Executive Directors	Abdul Jabbar Memon Aftab Hussain Babar Hamid Chaudhary Imtiaz Jaleel Syed Jehangir Ali Shah Yacoob Suttar

The Board also elected Syed Asad Ali Shah as its Chairman effective October 19, 2018 in terms of Section 192 of the Companies Act, 2017 for the remaining term of the resigning Chairman. For changes and composition of the Board of Directors please refer to pages 16 and 17 of this report.

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies, where applicable).

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

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

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

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

8. The Company has a formal and transparent procedures for remuneration of Directors in accordance with its Articles, the Act and these Regulations.

9. The Roles and Responsibilities of the Chief Executive Officer have been reviewed and approved by the Board. Role and responsibilities of the Chairman are consistent with Section 192 of the Companies Act, 2017 which have been further been approved in the Board of Directors’ meeting held on October 19, 2018.

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

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

12. CFO and CEO duly endorsed the financial statements before approval of the Board.

13. The Board has formed committees comprising of members given on pages 18 to 21 of this report.

14. The Terms of Reference (ToR) of the aforesaid committees have been formed, documented and advised to the committee members for compliance.

15. The frequency of meetings of the committees are given on pages 18 to 21 of this report.

16. The Board has set up an effective internal audit department, which functions under the oversight of the Board Audit Committee.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Karachi: September 11, 2019

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 Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Refinery Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: September 27, 2019

Financial Statements

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Refinery Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw attention to note 3.1.2 to the financial statements. As stated in the note, as at June 30, 2019 the Company has accumulated loss of Rs. 10.67 billion. Further, current liabilities of the Company exceed its current assets by Rs. 10.89 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 opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

S. No.	Key Audit Matter	How the matter was addressed in our audit
(i)	**Inventories (Refer note 8 to the financial statements)** Inventories include crude oil and condensate, semi-finished and finished products amounting to Rs. 5.46 billion and Rs. 3.61 billion respectively. For determination of volume of crude oil and condensate, semi-finished and finished products as at June 30, 2019, the Company conducts 100% stock count. The Company also involves an external expert for the purpose of inventory count. The inventory quantities are determined by obtaining dips and measuring the temperature and density of the inventories. The volume of the stock-in-trade is also determined by using the aforementioned parameters and applying the dynamics of respective tanks, which were determined at the time of commissioning of tanks, to calibrate the quantity. This calibrated quantity is used for valuation of inventories. The Company also involves an external surveyor in the inventory count process. Due to the significance of the inventory balances and related estimations involved, this is considered a key audit matter.	Our audit procedures amongst others include the following; – attended the physical count of the inventories and observed the said parameters. A member of the Company and an external surveyor were also present; – checked the background and experience of the surveyor to ensure his competence and capability; – obtained samples of inventories from the storage tanks to determine the nature / characteristics of the inventories. Such samples were then sent to the Company's laboratory to determine the nature of the stock after our internal coding of the samples; and – obtained and reviewed the inventories count report of the external surveyor for 100% inventories and re-performed the working for determination of volume.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi: September 27, 2019

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,975,232	13,444,154
Intangible assets	6	108	2,444
Investment accounted for using the equity method	7	62,036	71,428
Long-term deposits and loans	8	29,352	29,347
Employee benefit prepayments	19	17,622	24,026
		19,084,350	13,571,399
Current assets			
Inventories	9	9,447,424	7,830,028
Trade receivables	10	13,195,089	7,265,482
Trade deposits, loans, advances and short-term prepayments	11	181,427	56,907
Other receivables	12	553,503	621,879
Taxation - payments less provision		164,940	597,080
Cash and bank balances	13	253,889	575,214
		23,796,272	16,946,590
		42,880,622	30,517,989
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,940,000	2,940,000
Accumulated loss		(10,666,517)	(4,816,826)
Special reservez	15	1,943,476	1,943,476
Revaluation surplus on property, plant and equipment	5.1.3	9,290,728	3,997,928
Other reserves	16	1,554	(2,023)
		3,509,241	4,062,555
Liabilities			
Non-current liabilities			
Long-term borrowings	17	4,300,000	4,700,000
Deferred tax liabilities	18	13,304	13,759
Employee benefit obligations	19	367,090	342,985
		4,680,394	5,056,744
Current liabilities			
Trade and other payables	20	19,967,440	16,757,444
Short-term borrowings	21	14,701,779	4,619,390
Unclaimed dividend		21,768	21,856
		34,690,987	21,398,690
		39,371,381	26,455,434
CONTINGENCIES AND COMMITMENTS	22		
		42,880,622	30,517,989

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

Syed Asad Ali Shah	Zahid Mir	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Revenue from contracts with customers	23	115,740,971	92,229,260
Cost of sales	24	(118,915,466)	(91,184,232)
Gross (loss) / profit		(3,174,495)	1,045,028
Distribution costs	25	(250,171)	(201,163)
Administrative expenses	26	(485,457)	(388,701)
Loss allowance on trade receivables	10.2	(121,939)	-
Other operating expenses	27	(23,763)	(124,355)
Other income	28	267,304	1,090,813
Operating (loss) / profit		(3,788,521)	1,421,622
Finance cost	29	(1,442,624)	(591,228)
Share of net loss of associate accounted for using the equity method		(13,963)	(1,598)
(Loss) / profit before income tax		(5,245,108)	828,796
Income tax expense	30	(576,015)	(325,007)
(Loss) / profit for the year		(5,821,123)	503,789
Other comprehensive income / (loss)			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available for sale investments of associate		-	(5,458)
Deferred tax relating to fair value change of available for sale investments of associate		-	1,188
		-	(4,270)
Items that will not be reclassified to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income of associate		4,571	-
Deferred tax relating to fair value change of financial assets at fair value through other comprehensive income of associate		(994)	-
Remeasurements of employee retirement benefits		(28,568)	(38,246)
Revaluation surplus on property, plant and equipment		5,292,800	500,000
		5,267,809	461,754
Other comprehensive income for the year - net of tax		5,267,809	457,484
Total comprehensive (loss) / income for the year		(553,314)	961,273
(Loss) / earnings per share - basic and diluted	31	Rs. (18.92)	Rs. 1.64

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

Syed Asad Ali Shah	Zahid Mir	Imran Ahmad Mirza
Chairman	Managing Director & CEO	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	SHARE CAPITAL	CAPITAL RESERVE			REVENUE RESERVE			TOTAL
		Special reserve - note 15	Revaluation surplus on property, plant and equipment	Exchange equalisation reserve - note 16	Accumulated Loss	Fair value reserve - note 16	General reserve - note 16	
	(Rupees in thousand)							
Balance as at July 1, 2017 (Restated)	2,940,000	1,405,313	3,497,928	897	(4,744,206)	300	1,050	3,101,282
Profit for the year ended June 30, 2018	-	-	-	-	503,789	-	-	503,789
Other comprehensive income / (loss) for the year ended June 30, 2018	-	-	500,000	-	(38,246)	(4,270)	-	457,484
	-	-	500,000	-	465,543	(4,270)	-	961,273
Impact of other comprehensive loss due to actuarial loss on employee retirement benefits transfered to special reserve - note 15	-	134,374	-	-	(134,374)	-	-	-
Profit for the year transferred to special reserve	-	403,789	-	-	(403,789)	-	-	-
Balance as at June 30, 2018	2,940,000	1,943,476	3,997,928	897	(4,816,826)	(3,970)	1,050	4,062,555
Loss for the year ended June 30, 2019	-	-	-	-	(5,821,123)	-	-	(5,821,123)
Other comprehensive income / (loss) for the year ended June 30, 2019	-	-	5,292,800	-	(28,568)	3,577	-	5,267,809
	-	-	5,292,800	-	(5,849,691)	3,577	-	(553,314)
Balance as at June 30, 2019	2,940,000	1,943,476	9,290,728	897	(10,666,517)	(393)	1,050	3,509,241

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

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	37	(7,567,582)	298,539
Mark-up paid		(1,081,543)	(541,917)
Income tax paid		(145,324)	(127,649)
Contribution to retirement benefit plans		(94,237)	(81,486)
Increase in long-term deposits and loans		(5)	(3,177)
Net cash used in operating activities		(8,888,691)	(455,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,188,095)	(1,503,747)
Proceeds from disposal of property, plant and equipment		97	1,682
Return received on bank deposits		52,568	27,814
Dividend received		-	5,528
Net cash used in investing activities		(1,135,430)	(1,468,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(88)	(63)
Proceeds from long-term borrowings		-	3,500,000
Long-term borrowings repaid		(400,000)	(400,000)
Redemptions against term finance certificates		(229,390)	(5,000)
Net cash (used in) / generated from financing activities		(629,478)	3,094,937
Net (decrease) / increase in cash and cash equivalents		(10,653,599)	1,170,524
Cash and cash equivalents at the beginning of the year		(3,414,786)	(4,610,214)
Exchange gain on cash and cash equivalents		20,495	24,904
Cash and cash equivalents at the end of the year	38	(14,047,890)	(3,414,786)

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

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. THE COMPANY AND ITS OPERATIONS

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

During the year, Pakistan State Oil Company Limited (PSO) acquired 84 million class-B shares of Shell Petroleum Company Limited, United Kingdom in the Company - 28.57% of the total paid-up capital. Effective December 1, 2018, the total shareholding of PSO increased to 52.68% holding 154.88 million class-B shares in the Company making it the parent company.

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

- Refinery complex and registered office of the Company is at Korangi Creek Road, Karachi; and

- Storage tanks are at Keamari, Karachi.

1.3 During the year, Board of Directors of the Company approved the implementation of the Refinery Upgrade Project (the project) that also includes the installation of Diesel Hydro-desulphurisation unit (DHDS) to produce EURO II compliant diesel. The Company is in the process of prequalification of engineering contractors for appointment as Project Management Consultant. Through a separate pre-qualification process, engineering contractor will be pre-qualified for award of combined Front End Engineering Design (FEED) and Engineering, Procurement and Construction contract for the project. The final investment decision in respect of the approval by Board of Directors will be taken after the satisfactory conclusion of FEED and arrangement of financing for the project.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS

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

(a) Incurred gross loss due to exceptionally low refinery margins.

(b) Due to devaluation of Pak Rupee, the Company suffered net exchange loss amounting to Rs. 3.11 billion - Refer notes 24, 28 & 29.

(c) Short-term borrowings have been obtained primarily due to increase in working capital requirements - Refer note 21.

(d) The adoption of new accounting standards for financial instruments (IFRS 9) and revenue from contracts with customers (IFRS 15) - Refer note 4.

(e) Recognised loss allowance on trade receivables - Refer note 10.2.

(f) PSO acquired further 84 million class-B shares in the Company, increasing the total shareholding of PSO to 52.68% in the Company - Refer note 14.3.

(g) Due to increase in borrowing and interest rates, Company suffered finance cost amounting to Rs. 1.25 billion - Refer note 29.

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

(i) Recognised revaluation surplus on property, plant and equipment amounting to Rs. 5.29 billion - Refer note 5.1.3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented.

3.1 Basis of preparation

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

3.1.2 During the year, company has incurred gross loss amounting to Rs. 3.17 billion and loss after tax for the year amounting to Rs. 5.82 billion against corresponding year's gross profit of Rs. 1.05 billion and profit after tax of Rs. 0.50 billion. As at June 30, 2019, the Company has accumulated loss of Rs. 10.67 billion (2018: Rs. 4.82 billion). The current liabilities of the Company exceed its current assets by Rs. 10.89 billion (2018: Rs. 4.45 billion). The Company ended the year with net negative cash and cash equivalents amounting to Rs. 14.05 billion (2018: Rs. 3.41 billion).

In addition to above, under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy (previously Ministry of Petroleum & Natural Resources) on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce Euro II compliant High Speed Diesel (HSD) and in case of non-compliance, the ex-refinery price of HSD based on Import Parity Pricing (IPP) formula would be downward adjusted / reduced due to higher Sulphur content. The Company did not meet the aforementioned deadline of setting up DHDS unit and hence was subjected to downward adjustments of its HSD pricing causing loss Rs. 1.15 billion (2018: Rs. 0.74 billion) which is part of aforementioned loss for the year.

Further, the Company operates under Import Parity Pricing regime and is significantly dependent on the margin between the crude oil and refined products prices in the international market. In the current year such margins were significantly lower compared to the last year.

The reasons for the negative margins included the unprecedented trend of price of motor gasoline (petrol) that traded in the international market below the crude oil prices. In addition, the decline in demand of furnace oil in the country led to inventory build-up and pressurised refinery operations. Therefore, in order to ensure continuous operations and to attract customers the prices of furnace oil were reduced which had a negative impact on company's profitability.

The above conditions may cast a significant doubt on the Company's ability to continue as a going concern and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

The Company believes that since extraordinary low petrol pricing have started rising above crude oil pricing, consequently refining margins will improve. Further, furnace oil imports will be reduced as per the policy of the government to accommodate local production of furnace oil. Expected macro-economic stability due to Government of Pakistan's efforts to build foreign currency reserves will stabilise Rupee-USD parity thus abnormal exchange losses are not expected. Moreover, with the support of its parent company to uplift refined products and the availability of funded and unfunded credit facilities, the Company will be able to support its liquidity management. During the year the Board of Directors have also approved the Refinery Upgrade Project, the final investment decision will be taken by the Board of Directors after satisfactory conclusion of the FEED and project's financial close. Based on the above factors and their expected positive impact on the Company's projections together with the support of its parent and continuous availability of financing facilities, the Company believes that it will meet the obligations and continue to operate for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis and therefore, do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Company was unable to continue as a going concern.

3.2 Critical accounting estimates, judgements and policies

The preparation of financial statements in conformity with approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Income Tax

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

ii. Other areas of significant judgement

Significant estimates relating to property, plant and equipment, deferred taxation and employee benefit obligations are disclosed in notes 5, 18 and 19 respectively. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on annual basis or when the indicators exist, considering the associated economic benefits derived / to be derived by the Company.

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

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

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

3.3 Changes in accounting standards, interpretations and pronouncements

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

IFRS 9 'Financial instruments' (effective for reporting periods ending on or after June 30, 2019) - IFRS 9 replaces the guidance in IAS 39 'Financial instruments: recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

IFRS 15 'Revenue from contracts with customers' (effective for reporting periods beginning on or after July 1, 2018) - IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', and the related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue when the control of goods or services have been transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact of changes laid down by these standards have been disclosed in note 4.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2018 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

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

The management has assessed that this standard does not have any impact on the financial statements of the Company.

3.4 Overall valuation policy

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

3.5 Property, plant and equipment

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 impairment loss, if any, capital work-in-progress including major spare parts and stand-by equipment 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.

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

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

Assets' residual values and useful lives are reviewed and adjusted, if expectations significantly differ from previous estimates, at each statement of financial position date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

Gains and losses on disposal of property, plant and equipment are included in profit or loss currently.

3.6 Intangible assets

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

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

3.7 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset and when the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in statement of profit or loss.

At the end of each reporting period, the Company also assesses whether there is an indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset and reverses the impairment loss recognized in previous period such that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in statement of profit or loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs and accordingly recognizes impairment loss or reverses the impairment loss recognized in prior periods.

Recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost of disposal and its value in use.

Value in use is estimated as the present value of estimated future cash flows from the continuing use of an asset / cash generating unit and from its disposal at the end of its useful life. A pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.8 Investment in associate

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

3.9 Income tax

3.9.1 Current

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

3.9.2 Deferred

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

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

3.10 Inventories

Crude oil and finished products are valued at lower of cost and net realisable value. Cost is determined using "first-in, first-out" method except crude oil in transit where cost comprises invoice value plus other charges incurred thereon. Cost in relation to finished products represents cost of crude oil and appropriate manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and costs necessarily to be incurred to make the sale.

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

3.11 Cash and cash equivalents

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

3.12 Borrowings

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.13 Borrowing costs

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

3.14 Provisions

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

3.15 Employee retirement benefits

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

3.15.1 Defined benefit plans

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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

The Company operates recognised gratuity and pension funds for all its eligible employees. The latest actuarial valuations were carried out as at June 30, 2019 using the Projected Unit Credit Method.

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

Past service costs are recognised immediately in profit or loss.

3.15.2 Defined contribution plan

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.16 Functional currency and foreign currency translation

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

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

3.17 Financial instruments - Initial recognition and subsequent measurement

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Policy effective from July 1, 2018

3.17.1 Financial assets

Initial Recognition

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

a) Amortised cost - A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL;

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Fair value through other comprehensive income (FVTOCI) - A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated as a FVTPL;

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

c) Fair value through profit or loss (FVTPL) - Financial assets, that are not measured at amortised cost or at fair value through other comprehensive income on initial recognition, are classified as fair value through profit or loss (FVTPL).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at FVTOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss). Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss and other comprehensive income.

Impairment of financial asset

The Company recognises lifetime expected credit losses for trade receivables that do not constitute a financing transaction. Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive). Life time ECLs are the ECLs that results from all possible defaults events over the expected life of a financial instrument. For all other financial assets, expected credit losses are measured at an amount equal to 12 months' ECLs i.e. ECLs that result from default event that are possible within 12 months after the reporting date.

3.17.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

3.17.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17.4 Transaction costs

When a financial asset or financial liability is not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the initial fair value. For financial assets, such costs are added to the amount originally recognised. For financial liabilities, such costs are deducted from the amount originally recognised. This applies to all financial instruments not carried at FVTPL, including instruments carried at FVTOCI. For debt instruments, the transaction costs are recognised as part of interest income using the effective interest method.

For financial instruments that are measured at FVTPL, transaction costs are not added to or deducted from the initial fair value, but they are immediately recognised in profit or loss on initial recognition.

Transaction costs expected to be incurred on a financial instrument's transfer or disposal are not included in the financial instrument's measurement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Financial instruments - policy upto June 30, 2018

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

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

3.18 Revenue recognition

3.18.1 Revenue from contracts with customers

Revenue from contracts with customers is recognised at the transaction price which the Company expects to be entitled to, after deducting sales taxes, excise duties and similar levies. Revenue from sale of goods is recognised when control of goods has been transferred to the customers. Accordingly:

- 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.
- export sales are recognised, on CIF basis, at the time when the products are shipped to customers.
- handling income is recognised at the time when services are rendered.

3.19 Government grants

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

3.20 Segment reporting

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

3.21 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, 2019

4. CHANGES IN ACCOUNTING POLICIES

The Company has applied the following standards for the first time for its annual reporting period commencing July 1, 2018.

4.1 IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from July 1, 2018 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard. The reclassifications and the adjustments arising from the new impairment rules are, therefore, not reflected in the statement of financial position as at June 30, 2018 and furthermore have not been recognised in the opening statement of financial position as on July 1, 2018 as the effects were not material.

Furthermore, on July 1, 2018, the management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification as at that date are as follows:

Particulars	AS AT JULY 1, 2018				
	Classification & measurement category		Carrying amount		
	Original (under IAS 39)	New (under IFRS 9)	Original (under IAS 39)	New (under IFRS 9)	Difference
Non-current financial assets			Rupees in thousand		
Long-term deposits and loans	Loans and Receivables	Amortised Cost	29,347	29,347	-
Current financial assets					
Trade receivables	Loans and Receivables	Amortised Cost	7,265,482	7,265,482	-
Trade deposits, loans, advances and short-term prepayments	Loans and Receivables	Amortised Cost	22,564	22,564	-
Other receivables	Loans and Receivables	Amortised Cost	616,621	616,621	
Cash and bank balances	Loans and Receivables	Amortised Cost	575,214	575,214	-
Non-current financial liabilities					
Long-term borrowings	Amortized Cost	Amortised Cost	4,700,000	4,700,000	-
Current financial liabilities					
Trade and other payables	Amortized Cost	Amortised Cost	13,325,856	13,325,856	-
Short-term borrowings	Amortized Cost	Amortised Cost	4,619,390	4,619,390	-
Unclaimed dividend	Amortized Cost	Amortised Cost	21,856	21,856	-

No material differences were noted in prior year figures as a result of applying the new expected credit loss model on adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4.2 IFRS 15 - Revenue From Contracts With Customers

The company has adopted IFRS 15 - Revenue from Contracts with Customers from July 1, 2018. IFRS 15 replaced IAS 18 - Revenue, IAS 11 - Construction Contracts and the related interpretations. According to IFRS 15, revenue is recognized, when control of goods or services has been transferred to the customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five step model that will apply to revenue earned from a contract with a customer. IFRS 15 allows for two methods of adoption:

- retrospectively to each prior period presented with or without practical expedients, or

- retrospectively with cumulative effect of adoption as an adjustment to opening retained earnings in the period of adoption.

The Company has evaluated the impact of the new revenue standard and has concluded that there is no significant adjustment that needs to be given effect in the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	(Rupees in thousand)	
Operating assets - note 5.1	**17,396,645**	12,281,380
Major spare parts and stand-by equipments - note 5.2	**81,451**	92,997
Capital work-in-progress (CWIP) - notes 5.3 and 5.4	**1,497,136**	1,069,777
	18,975,232	13,444,154

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5.1 Operating assets

	Freehold land (notes 5.1.1, 5.1.2 and 5.1.3)	Buildings	Processing plant	Korangi tank farm	Keamari terminal	Pipelines	Steam generation plant	Power generation, transmission and distribution	Water treatment and cooling system	Equipment including furniture	Fire fighting and telecom-munication systems	Vehicles and other automo-tive equip-ment	Total
	(Rupees in thousand)												
Net carrying value basis													
Year ended June 30, 2019													
Opening net book value (NBV)	**4,000,000**	**21,106**	**5,416,447**	**845,963**	**517,542**	**178,654**	**518,525**	**562,774**	**15,529**	**89,192**	**110,061**	**5,587**	**12,281,380**
Revaluation - note 5.1.1	**5,292,800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,292,800**
Additions (at cost)	**-**	**3,217**	**401,737**	**30,297**	**245,680**	**3,123**	**-**	**17,129**	**2,849**	**15,565**	**89,402**	**165**	**809,164**
Disposals (at NBV)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	*** -**	**-**	**-**	**-**
Transfers - note 5.1.4	**-**	**-**	**(142,566)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(142,566)**
Reversal of impairment - note 5.1.4 & 28	**-**	**-**	**52,566**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,566**
Depreciation charge	**-**	**(5,180)**	**(506,387)**	**(128,674)**	**(94,558)**	**(19,005)**	**(32,481)**	**(56,821)**	**(5,070)**	**(30,149)**	**(16,725)**	**(1,649)**	**(896,699)**
Closing net book value	**9,292,800**	**19,143**	**5,221,797**	**747,586**	**668,664**	**162,772**	**486,044**	**523,082**	**13,308**	**74,608**	**182,738**	**4,103**	**17,396,645**
Gross carrying value basis													
At June 30, 2019													
Cost or revaluation	**9,292,800**	**136,406**	**8,268,542**	**1,542,215**	**1,104,153**	**350,582**	**573,795**	**729,176**	**102,266**	**535,732**	**288,992**	**60,689**	**22,985,348**
Accumulated depreciation	**-**	**(117,263)**	**(3,046,745)**	**(794,629)**	**(435,489)**	**(187,810)**	**(87,751)**	**(206,094)**	**(88,958)**	**(461,124)**	**(106,254)**	**(56,586)**	**(5,588,703)**
Net book value	**9,292,800**	**19,143**	**5,221,797**	**747,586**	**668,664**	**162,772**	**486,044**	**523,082**	**13,308**	**74,608**	**182,738**	**4,103**	**17,396,645**
Net carrying value basis													
Year ended June 30, 2018													
Opening net book value (NBV)	3,500,000	26,025	5,569,541	845,108	357,625	59,596	11,033	220,525	18,114	105,159	76,529	-	10,789,255
Revaluation	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000
Additions (at cost)	-	1,642	355,239	124,131	228,872	136,564	512,472	369,484	2,087	13,862	46,722	6,541	1,797,616
Disposals (at NBV)	-	-	-	* -	* -	-	-	-	* -	(55)	-	-	(55)
Depreciation charge	-	(6,561)	(508,333)	(123,276)	(68,955)	(17,506)	(4,980)	(27,235)	(4,672)	(29,774)	(13,190)	(954)	(805,436)
Closing net book value	4,000,000	21,106	5,416,447	845,963	517,542	178,654	518,525	562,774	15,529	89,192	110,061	5,587	12,281,380
Gross carrying value basis													
At June 30, 2018													
Cost or revaluation	4,000,000	133,190	8,318,965	1,511,918	858,473	347,459	573,795	712,047	99,417	521,865	199,590	60,524	17,337,243
Accumulated depreciation	-	(112,084)	(2,628,456)	(665,955)	(340,931)	(168,805)	(55,270)	(149,273)	(83,888)	(432,673)	(89,529)	(54,937)	(4,781,801)
Accumulated impairment	-	-	(274,062)	-	-	-	-	-	-	-	-	-	(274,062)
Net book value	4,000,000	21,106	5,416,447	845,963	517,542	178,654	518,525	562,774	15,529	89,192	110,061	5,587	12,281,380
Depreciation rate % per annum	-	5 to 20	5 to 50	5 to 20	5 to 20	10	10 to 33	5 to 33	10 to 20	10 to 33	5 to 33	25	

* *Assets disposed off having nil net book value.*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

Location	Usage of immoveable property	Total area (in acres)
Naclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi	Refining complex	200 *

** This includes 1 acre of land leased to the President of Pakistan.*

5.1.3 During the year, land measuring 200 acres located at Naclass No. 24, Deh Dih, Tappo Landhi, Taluka Karachi, District Karachi, where the Refinery is situated, was revalued resulting in a net surplus of Rs. 5.29 billion (2018: Rs. 0.5 billion). The value has been determined by an independent valuer M/s. Iqbal A. Nanjee and Co. (Private) Limited ("the valuer") on June 30, 2019. The valuer has used the valuation rates released by the Federal Board of Revenue (FBR) on February 1, 2019 through notification S.R.O 120(1)/2019 as market value for the land. The same does not directly state the area of Deh Dih, however, as per clause VI of the notification, the adjacent area of the same falls under Category II of the valuation chart. Given the rate assessed by the Government would be as per the notification, the valuer has considered the same in its valuation (level 2). Further, the valuer assessed the value based on that it would still remain for purposes of a petroleum refinery unit. During the year ended June 30, 2018, the valuation was based on present market value keeping in view that the land is freehold and to be used for oil refinery by the Company (level 2). The forced sales value has been determined by the independent valuer at Rs. 6.97 billion (2018: Rs. 3 billion).

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 (2018: Rs. 2.07 million).

5.1.4 During the year, metal worth Rs. 142.57 million was recovered from impaired catalyst of Isomerisation Unit. This catalyst was deactivated with total impairment charged to profit or loss amounting to Rs. 274.06 million during the year ended June 30, 2017. This coupled with actual cost of recovery and increase in market value of metal led to the reversal of impairment loss of Rs. 52.56 million which is included in other income - note 28. The recovered metal has been used for manufacture of fresh batch of catalyst of Isomerisation and Platformer Units.

5.1.5 During the year, the Company has capitalised borrowing costs amounting to Rs. 45.96 million (June 30, 2018: Rs. 91.47 million) on its operating assets. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 10.42% per annum (2018: general borrowings of 6.94% per annum).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5.2 Major spare parts and stand-by equipments

	2019	2018
	(Rupees in thousand)	
Gross carrying value		
Balance at beginning of the year	111,819	255,959
Additions during the year	11,333	5,753
Items written off during the year - note 5.2.1	-	(2,365)
Transfers made during the year	(22,327)	(147,528)
Balance at end of the year	100,825	111,819
Provision for impairment - note 5.2.2	(19,374)	(18,822)
Net carrying value	81,451	92,997

5.2.1 During the year, major spare items costing Nil (2018: Rs. 2.37 million) having carrying value of Nil (2018: Rs. 1.58 million) were written off.

5.2.2 During the year, net charge of Rs. 0.55 million (2018: net reversal of Rs. 1.43 million) was recorded.

5.3 Movement in capital work-in-progress

	2019	2018
	(Rupees in thousand)	
Balance at beginning of the year	1,069,777	1,221,871
Additions during the year	1,236,523	1,645,522
Transfers made during the year	(809,164)	(1,797,616)
Balance at end of the year	1,497,136	1,069,777

5.4 Capital work-in-progress

Buildings	2,775	6,183
Processing plant	581,007	356,976
Steam generation plant	-	9,849
Korangi tank farm	72,396	87,234
Keamari terminal	467,703	291,161
Pipelines	129,158	93,265
Power generation, transmission and distribution	68,083	19,917
Water treatment and cooling system	22,169	22,978
Equipment including furniture	19,924	4,779
Fire fighting and telecommunication systems	43,667	104,409
Advances to contractors / suppliers	90,254	73,026
	1,497,136	1,069,777

5.4.1 During the year, the Company has capitalised borrowing costs amounting to Rs. 12.39 million (2018: Rs. 12.30 million). Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 10.42% per annum (2018: 6.94% per annum).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
6. INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Net carrying value basis		
Opening net book value	2,444	6,080
Amortisation charge	(2,336)	(3,636)
Closing net book value	108	2,444
Gross carrying value basis		
Cost as at the beginning of the year	22,664	22,664
Accumulated amortisation	(22,556)	(20,220)
Net book value	108	2,444

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

7. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2019	2018
Pak Grease Manufacturing Company (Private) Limited - 850,401 (2018: 850,401) fully paid ordinary shares - note 7.1	62,036	71,428

7.1 The Company holds 27.26% (2018: 27.26%) share in the associate. The above amount represents proportionate carrying value of the associate's net assets - refer note 7.2. The associate has share capital consisting solely of ordinary shares, which are held directly by the Company.

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

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

	2019	2018
	(Rupees in thousand)	
Opening balance	71,428	84,012
Share of loss for the year	(13,963)	(1,598)
Change in fair value of available for sale investments	-	(5,458)
Change in fair value of financial assets at fair value through other comprehensive income	4,571	-
Dividend received	-	(5,528)
	62,036	71,428

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

7.2 Summarised financial information of Company's associate:

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

	2019	2018
	(Rupees in thousand)	
Revenue from contracts with customers	124,324	144,531
Loss from continuing operations	(51,221)	(5,862)
Other comprehensive income / (loss)	16,768	(20,025)
Total comprehensive loss	(34,453)	(25,887)
Non-current assets	33,357	197,235
Current assets	213,808	80,303
Non-current liabilities	(3,612)	(2,201)
Current liabilities	(15,983)	(13,313)
Net assets	227,570	262,024
Carrying value	62,036	71,428

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

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

	2019	2018
	(Rupees in thousand)	
Deposits - note 8.1	21,758	21,198
Loan to employees - note 8.2	17,668	17,676
Recoverable within one year – note 11	(10,074)	(9,527)
	7,594	8,149
	29,352	29,347

8.1 This includes Rs. 12.57 million (2018: Rs. 11.38 million) given to Karachi Port Trust (KPT) as interest-free security deposits. KPT ceased to remain a related party of the Company with effect from December 17, 2018.

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

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

8.4 Employees whose outstanding balance is above Rs. 1 million at the end of June 30, 2019 were Mr. Muhammad Ali Maqsood and Mr. Muhammad Tahir Shah amounting to Rs. 1.18 million and Rs. 1.04 million respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
9. INVENTORIES		
Stores, spares and chemicals - note 9.1	**375,125**	352,359
Raw material		
Crude oil [including in transit Rs. 0.01 billion (2018: Rs. 0.16 billion)]	**5,458,539**	5,548,558
Finished products - note 9.2	**3,613,760**	1,929,111
	9,447,424	7,830,028

9.1 Stores, spares and chemicals

	2019	2018
Stores	**193,824**	166,897
Spares	**122,538**	119,481
Chemicals	**83,662**	95,648
	400,024	382,026
Provision for slow moving stores, spares and chemicals	**(24,899)**	(29,667)
	375,125	352,359

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

	2019	2018
	(Rupees in thousand)	
Related parties		
- Pakistan State Oil Company Limited	**8,462**	7,905
- Shell Pakistan Limited *	**67,273**	19,302
	75,735	27,207

** During the year, with effect from November 7, 2018, Shell Pakistan Limited (SPL) ceased to remain a related party of the Company.*

9.3 As at June 30, 2019 stock of crude oil has been written down by Nil (2018: Rs. 59.1 million) and finished products by Rs. 88.68 million (2018: Nil) to arrive at their net realisable values.

	2019	2018
	(Rupees in thousand)	
10. TRADE RECEIVABLES		
Considered good		
Due from related parties – note 10.1	**8,984,377**	6,475,833
Others	**4,210,712**	789,649
	13,195,089	7,265,482
Considered doubtful - others - note 10.2	**134,892**	12,953
	13,329,981	7,278,435
Less: Loss allowance on doubtful receivables	**(134,892)**	(12,953)
	13,195,089	7,265,482

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

10.1 These represent receivables from Pakistan State Oil Company Limited, which are in the normal course of business. The balance as at June 30, 2018 includes receivables from Hascol Petroleum Limited (Hascol), PSO and Shell Pakistan Limited (SPL). Hascol and SPL ceased to be related parties of the Company with effect from November 16, 2018 and November 7, 2018 respectively.

10.2 The Company conducted a meeting with Controller Military Accounts (CMA) to discuss the recoverability of the amount not paid by CMA during the years ended June 2002 and June 2006, which amounted to approximately Rs. 47 million and Rs. 74 million respectively. The amount was reconciled with CMA by the Company during the year ended June 2012. As per CMA, since the claim was raised after more than 3 years, therefore, is considered to be time barred.

In this respect, the Company has prudently created an additional loss allowance amounting to Rs 121.94 million during the year ended June 2019.

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

	2019	2018
	(Rupees in thousand)	
Up to 3 months	6,143,747	46,187
3 to 6 months	4,016	1,681
More than 6 months	5,862	131,792

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

	2019	2018
	(Rupees in thousand)	
Up to 3 months	4,871,483	97
3 to 6 months	-	-
More than 6 months	5,259	4,726

10.5 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 8.98 billion (2018: Rs. 6.48 billion).

11. TRADE DEPOSITS, LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS

	2019	2018
	(Rupees in thousand)	
Trade deposits - note 11.2 [including Rs. 1.17 million (2018: Rs. 1.17 million) paid to related parties]	11,518	13,037
Loans to employees recoverable within one year – note 8	10,074	9,527
Advances for supplies and services - note 11.3	149,811	20,567
Short-term prepayments [including Rs. 0.14 million (2018: Rs. 1.13 million) paid to related parties] - note 11.1	10,024	13,776
	181,427	56,907

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

11.2 Deposits and short-term prepayments include payments to KPT amounting to Rs. 1.17 million (2018: Rs. 1.17 million), which ceased to remain a related party of the Company with effect from December 17, 2018.

11.3 This includes amount paid to Collector of Customs as advance against goods declaration, amounting to Rs. 125 million.

12. OTHER RECEIVABLES

	2019	2018
	(Rupees in thousand)	
Receivable from refineries - note 12.1	551,203	612,614
Workers' Profits Participation Fund - note 12.2	-	5,258
Others - note 12.3	2,300	4,007
	553,503	621,879

12.1 This includes amount due from Pak Arab Refinery Limited in respect of sharing of crude oil, freight and other charges and National Refinery Limited in respect of pipeline charges.

12.2 Workers' Profits Participation Fund

	2019	2018
	(Rupees in thousand)	
Balance at the beginning of year	5,258	27,225
Allocation for the year - note 27	-	(44,742)
	5,258	(17,517)
Amount paid - net	(5,258)	22,775
Balance at the end of year	-	5,258

12.3 This represents amount receivable from parent company in respect of audit fee for special purpose audit.

13. CASH AND BANK BALANCES

	2019	2018
	(Rupees in thousand)	
With banks on		
- current accounts - note 13.1 [including foreign currency account Nil (2018: Rs. 138.69 million)]	75	259,107
- mark-up bearing savings accounts - notes 13.2 & 13.3	252,935	315,535
Cash in hand	879	572
	253,889	575,214

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

13.2 The rates of mark-up on savings accounts during the year ranged from 6.50% to 10.25% per annum (2018: 4.5% to 5% per annum).

13.3 This includes local currency account maintained with Faysal Bank Limited (FBL) of Nil (2018: Rs. 1.90 million). FBL ceased to remain a related party of the Company with effect from November 16, 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

14. SHARE CAPITAL

Authorised 2019	Authorised 2018		2019 (Rupees in thousand)	2018 (Rupees in thousand)
400,000,000	400,000,000	'A' ordinary shares of Rs. 10 each	4,000,000	4,000,000
600,000,000	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 2019	2018		2019 (Rupees in thousand)	2018 (Rupees in thousand)
114,400,000	114,400,000	'A' ordinary shares fully paid in cash	1,144,000	1,144,000
150,600,000	150,600,000	'B' ordinary shares fully paid in cash	1,506,000	1,506,000
265,000,000	265,000,000		2,650,000	2,650,000
11,600,000	11,600,000	'A' ordinary shares issued as fully paid bonus shares	116,000	116,000
17,400,000	17,400,000	'B' ordinary shares issued as fully paid bonus shares	174,000	174,000
29,000,000	29,000,000		290,000	290,000
294,000,000	294,000,000		2,940,000	2,940,000

14.1 As at June 30, 2019 related parties held 20,500 'A' ordinary shares and 154,875,000 'B' ordinary shares (2018: 43,249,500 'A' ordinary shares and 168,000,000 'B' ordinary shares) of Rs. 10 each. Hascol and SPL ceased to remain related parties of the Company with effect from November 16, 2018 and November 7, 2018 respectively.

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

14.3 During the year ended June 30, 2016, Pakistan State Oil Company Limited (PSO) had filed a suit in the High Court of Sindh (Suit no. 931 of 2015) claiming the following reliefs:

- Direct Chevron Global Energy Inc (Chevron) and Shell Petroleum Company Limited (Shell) to offer all their right shares as per the Shareholders' Agreement to PSO.

- Direct Chevron and Shell to maintain status quo on the ordinary and right shares of Chevron and right shares of Shell being offered to Chevron and restrain Chevron from creating any third party interests in the rights shares offered by Shell to Chevron.

As per the court order received on October 12, 2018, PSO and Shell entered into a compromise arrangement wherein Shell consented to sell its right shares to PSO. The case consequently is disposed off against Shell, however, the case against Chevron is pending adjudication.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

15. SPECIAL RESERVE

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

On March 27, 2013, the Government of Pakistan issued a policy framework for up-gradation and expansion of refinery projects, amended through a letter dated April 25, 2016, which interalia states that:

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

- the refineries are required to install Diesel Hydro Desulphurisation (DHDS) plant by June 30, 2017. If any refinery fails to install DHDS by June 30, 2017 then the ex-refinery price of High Speed Diesel (HSD) based on Import Parity Price (IPP) formula will be adjusted / reduced due to higher sulphur content.

Based on the above the Company has transferred Rs. Nil for the year ended June 30, 2019 (2018: Rs. 403.79 million) to special reserve.

16. OTHER RESERVES

	2019	2018
	(Rupees in thousand)	
Capital reserve - Exchange equalisation reserve	**897**	897
Revenue reserves - General reserve	**1,050**	1,050
- Fair value reserve	**(393)**	(3,970)
	1,554	(2,023)

17. LONG-TERM BORROWINGS

	2019	2018
Diminishing Musharika / long-term loans		
- notes 17.2 and 17.3	**4,700,000**	5,100,000
Less: Current portion of Diminishing Musharika	**(400,000)**	(400,000)
	4,300,000	4,700,000

17.1 Following are the changes in the long-term borrowings (i.e for which cash flows have been classified as financing activities in the statement of cash flows):

	2019	2018
	(Rupees in thousand)	
Balance as at July 01 - note 17.2	*** 5,100,000**	2,000,000
Loans obtained during the year - note 17.3	**-**	3,500,000
Diminishing Musharika repaid	**(400,000)**	(400,000)
	4,700,000	5,100,000

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

17.2 During the year ended June 30, 2015, the Company obtained a syndicated long term loan under mark-up arrangement through NIB Bank Limited (now MCB Islamic Bank Limited) amounting to Rs. 2 billion at a mark-up of 6 month KIBOR + 1.75% per annum for a tenor of 7 years (including 2 years grace period). The loan is repayable in 10 semi-annual installments beginning from July 2017 and is secured by way of hypothecation of present and future raw materials and finished products, trade receivables and property, plant and equipment (excluding land). During the year ended June 30, 2018, the Company renegotiated the terms and reduced the mark-up to 6 months KIBOR + 1% per annum, which was further re-negotiated and converted from conventional loan into Diminishing Musharika at a mark-up of 6 month KIBOR + 0.75% per annum for the remaining tenure of 4 years with all other terms and conditions remaining constant.

17.3 During the year ended June 30, 2018, the Company obtained term finance facilities under mark-up arrangements through Askari Bank Limited and Bank Alfalah Limited amounting to Rs. 1 billion and Rs. 2.5 billion respectively at a mark-up of 3 month KIBOR + 0.5% per annum for a tenor of 3 years (including 2.5 years grace period). The loan is repayable by way of bullet payment after expiry of 3 years whereas markup is to be paid on a quarterly basis starting from September 2018. These loans are secured by way of hypothecation of property, plant and equipment (excluding land and building).

18. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Investment in associate accounted for under equity method	Unabsorbed depreciation	Total
	(Rupees in thousand)			
July 01, 2018	**(815,003)**	**(13,759)**	**815,003**	**(13,759)**
(Charge) / credit to profit or loss for the year	**(94,872)**	**1,449**	**94,872**	**1,449**
Charge to other comprehensive income for the year	**-**	**(994)**	**-**	**(994)**
June 30, 2019	**(909,875)**	**(13,304)**	**909,875**	**(13,304)**
July 01, 2017	(797,962)	(18,709)	797,962	(18,709)
Credit / (charge) to profit or loss for the year	(17,041)	3,762	17,041	3,762
Charge to other comprehensive income for the year	-	1,188	-	1,188
June 30, 2018	(815,003)	(13,759)	815,003	(13,759)

18.1 Deferred tax debit balances of Rs. 1.81 billion (2018: Rs. 0.54 billion) in respect of unabsorbed depreciation, tax losses and deductible temporary differences have not been recognised as their recoverability will be dependent on improved profitability of the Company.

18.2 The Government was previously reducing tax rate gradually by 1% over the past 6 years. However, under the Finance Act,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2019, the Government has discontinued this reducing trend and kept the rate at 29%. Therefore, deferred tax assets and liabilities have been recognised accordingly using the expected applicable rate.

19. EMPLOYEE BENEFIT OBLIGATIONS / (PREPAYMENTS)

19.1.1 The Company operates recognised funded gratuity and pension schemes (the Schemes) for its eligible management and non-management employees. Actuarial valuation of these Schemes is carried out every year and the latest actuarial valuation was carried out as at June 30, 2019.

19.1.2 Assets of these schemes are held in separate trusts (the Funds), which are governed by local regulations which mainly include Trust Act, 1882; the Companies Act, 2017; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Funds, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

19.1.3 The latest actuarial valuation of the Schemes as at June 30, 2019 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
19.1.4 Statement of financial position reconciliation								
Present value of defined benefit obligation at June 30 - note 19.1.5	**1,132,758**	1,236,899	**191,865**	173,373	**154,357**	143,686	**69,636**	57,869
Fair value of plan assets at June 30 - note 19.1.6	**(879,879)**	(994,202)	**(98,587)**	(86,212)	**(133,424)**	(130,559)	**(87,258)**	(81,895)
Deficit / (Surplus)	**252,879**	242,697	**93,278**	87,161	**20,933**	13,127	**(17,622)**	(24,026)
19.1.5 Movement in the present value of defined benefit obligation								
Opening balance	**1,236,899**	1,234,935	**173,373**	161,569	**143,686**	150,225	**57,869**	54,974
Benefits paid by the plan	**(82,586)**	(135,366)	**(3,408)**	(3,070)	**(3,465)**	(29,520)	**(543)**	-
Benefits payable to outgoing members	**-**	-	**-**	-	**(8,252)**	(1,095)	**(1,477)**	(2,883)
Current service cost	**42,249**	42,501	**7,347**	7,334	**10,535**	10,099	**2,802**	2,763
Interest cost	**121,658**	109,954	**17,478**	15,000	**14,179**	12,837	**5,827**	5,051
Remeasurement on obligation	**(185,462)**	(15,125)	**(2,925)**	(7,460)	**(2,326)**	1,140	**5,158**	(2,036)
Closing balance	**1,132,758**	1,236,899	**191,865**	173,373	**154,357**	143,686	**69,636**	57,869
19.1.6 Movement in the fair value of plan assets								
Opening balance	**994,202**	1,031,937	**86,212**	71,740	**130,559**	143,131	**81,895**	81,964
Contributions paid into the plan	**65,946**	57,096	**16,747**	14,558	**11,295**	9,832	**249**	-
Benefits paid by the plan	**(82,586)**	(135,366)	**(3,408)**	(3,070)	**(3,465)**	(29,520)	**(543)**	-
Benefits payable to outgoing members	**-**	-	**-**	-	**(8,252)**	(1,095)	**(1,477)**	(2,883)
Interest income	**96,345**	90,168	**8,507**	6,453	**12,927**	12,210	**8,118**	7,440
Remeasurement of plan assets	**(194,028)**	(49,633)	**(9,471)**	(3,469)	**(9,640)**	(3,999)	**(984)**	(4,626)
Closing balance	**879,879**	994,202	**98,587**	86,212	**133,424**	130,559	**87,258**	81,895

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Pension Schemes				Gratuity Schemes			
	Management		Non-Management		Management		Non-Management	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Rupees in thousand)							
19.1.7 Expense recognised in statement of profit or loss and other comprehensive income								
Current service cost	**42,249**	42,501	**7,347**	7,334	**10,535**	10,099	**2,802**	2,763
Net interest cost / (income)	**25,313**	19,786	**8,971**	8,547	**1,252**	627	**(2,291)**	(2,389)
Expense recognised in statement of profit or loss and other comprehensive income	**67,562**	62,287	**16,318**	15,881	**11,787**	10,726	**511**	374
19.1.8 Remeasurement recognised in Other Comprehensive Income								
Remeasurement of present value of defined benefit obligation	**(185,462)**	(15,125)	**(2,925)**	(7,460)	**(2,326)**	1,140	**5,158**	(2,036)
Remeasurement of fair value of plan assets	**194,028**	49,633	**9,471**	3,469	**9,640**	3,999	**984**	4,626
Remeasurements	**8,566**	34,508	**6,546**	(3,991)	**7,314**	5,139	**6,142**	2,590
19.1.9 Net recognised liability / (asset)								
Net liability at the beginning of the year	**242,697**	202,998	**87,161**	89,829	**13,127**	7,094	**(24,026)**	(26,990)
Expense recognised in statement of profit or loss and other comprehensive income	**67,562**	62,287	**16,318**	15,881	**11,787**	10,726	**511**	374
Contribution made to the fund during the year	**(65,946)**	(57,096)	**(16,747)**	(14,558)	**(11,295)**	(9,832)	**(249)**	-
Remeasurements recognised in other comprehensive income	**8,566**	34,508	**6,546**	(3,991)	**7,314**	5,139	**6,142**	2,590
Recognised liability / (asset) as at June 30	**252,879**	242,697	**93,278**	87,161	**20,933**	13,127	**(17,622)**	(24,026)

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

	Pension Schemes				Gratuity Schemes			
	Management		Non-Management		Management		Non-Management	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Equity securities	**14.21%**	0.00%	**0.00%**	0.00%	**14.66%**	12.55%	**0.00%**	0.00%
Debt securities	**83.37%**	88.55%	**74.21%**	96.25%	**82.86%**	84.54%	**98.70%**	98.21%
Others	**2.42%**	11.45%	**25.79%**	3.75%	**2.48%**	2.91%	**1.30%**	1.79%
19.1.11 Actuarial assumptions								
Discount rate at June 30	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%
Future salary increases								
- First year following the valuation	**14.50%**	10.00%	**16.00%**	0.00%	**14.50%**	10.00%	**16.00%**	0.00%
- Second year following the valuation	**14.50%**	10.00%	**5.50%**	10.00%	**14.50%**	10.00%	**5.50%**	10.00%
- Third year following the valuation	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%
- Long term increase	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%	**14.50%**	10.00%
Expected retirement age	**60 years**	60 years	**60 years**	60 years	**60 years**	60 years	**60 years**	60 years
Pension increase rate								
- First year following the valuation	**5.00%**	3.00%	**5.00%**	3.00%				
- Long term pension increase rate	**4.50%**	3.00%	**4.50%**	3.00%				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 2019 consists of government securities and corporate bonds.

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

The Company's contributions to gratuity and pension benefit funds in 2020 is expected to amount to Rs. 115.41 million.

19.2 Sensitivity analysis for actuarial assumptions

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate at June 30	0.5%	(71,290)	77,858
Future salary increases	0.5%	43,079	(40,333)
Future pension increases	0.5%	33,350	(30,834)

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

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, 2019

	2019	2018	2017	2016	2015
	(Rupees in thousand)				
19.3 Historical information					
Management Pension Fund					
Present value of defined benefit obligation	**1,132,758**	1,236,899	1,234,935	1,109,017	892,717
Fair value of plan assets	**(879,879)**	(994,202)	(1,031,937)	(949,593)	(812,049)
Deficit in the plan	**252,879**	242,697	202,998	159,424	80,668
Experience adjustments					
(Gain) / loss on obligation	**(185,462)**	(15,125)	36,168	138,568	169,305
(Loss) / gain on plan assets	**(194,028)**	(49,633)	(10,878)	60,935	87,858
Non-Management Pension Fund					
Present value of defined benefit obligation	**191,865**	173,373	161,569	127,105	90,487
Fair value of plan assets	**(98,587)**	(86,212)	(71,740)	(56,191)	(40,310)
Deficit in the plan	**93,278**	87,161	89,829	70,914	50,177
Experience adjustments					
(Gain) / loss on obligation	**(2,925)**	(7,460)	18,255	24,288	3,504
(Loss) / gain on plan assets	**(9,471)**	(3,469)	(1,461)	3,536	1,369
Management Gratuity Fund					
Present value of defined benefit obligation	**154,357**	143,686	150,225	129,853	111,362
Fair value of plan assets	**(133,424)**	(130,559)	(143,131)	(118,696)	(103,744)
Deficit in the plan	**20,933**	13,127	7,094	11,157	7,618
Experience Adjustments					
(Gain) / loss on obligation	**(2,326)**	1,140	4,636	3,940	1,818
(Loss) / gain on plan assets	**(9,640)**	(3,999)	7,941	482	1,498
Non-Management Gratuity Fund					
Present value of defined benefit obligation	**69,636**	57,869	54,974	40,764	30,138
Fair value of plan assets	**(87,258)**	(81,895)	(81,964)	(75,794)	(66,446)
Surplus in the plan	**(17,622)**	(24,026)	(26,990)	(35,030)	(36,308)
Experience adjustments					
Loss / (gain) on obligation	**5,158**	(2,036)	8,259	5,654	(2,194)
(Loss) / gain on plan assets	**(984)**	(4,626)	110	2,297	1,742

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

	No. of years
Management Pension fund	9.74
Non-management Pension fund	10.86
Management Gratuity fund	7.76
Non-management Gratuity fund	8.19

19.5 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2019.

	2019	2018
	(Rupees in thousand)	
20. TRADE AND OTHER PAYABLES		
Creditors – note 20.1	**11,053,722**	9,634,499
Accrued liabilities - notes 20.2 and 20.3	**3,848,410**	3,522,101
Sales tax payable	**1,709,069**	991,824
Surplus price differential payable - note 23.3	**1,585,282**	1,707,255
Payable to the Government – note 20.4	**1,384,467**	671,499
Accrued mark-up - notes 20.6 and 20.7	**275,126**	105,329
Retention money	**46,992**	58,703
Advances from customers – note 20.1	**41,515**	32,471
Workers' Welfare Fund	**20,766**	20,766
Tax deducted at source	**2,091**	1,106
Payable to provident fund - note 20.5	**-**	5,224
Current portion of unearned income	**-**	6,667
	19,967,440	16,757,444

20.1 Related party balances

Creditors	} note 20.1.1	**629,600**	7,161
Advances from customers		**14,569**	18,000

20.1.1 The balance as at June 30, 2019 include amount payable to / advances from PSO and Pakistan Petroleum Limited (PPL). PPL became a related party on June 27, 2019. The balance as at June 30, 2018 includes amount payable to SPL, which ceased to remain a related party of the Company with effect from November 7, 2018.

20.2 This includes differential of regulatory / custom duty levied amounting to Rs. 1.73 billion (June 30, 2018: Rs. 1.48 billion) on import of crude oil consumed in the production and recovered on sale of regulated products based on SROs issued by Government of Pakistan and Ministry of Energy (MoE). During the year ended June 30, 2018, OGRA in compliance with the directives of MoE had finalised a recovery mechanism for regulated products through which refineries would operate on no gain / loss basis on this account. OGRA directed Oil Companies Advisory Committee (OCAC) to ensure the implementation of the said mechanism.

During the year, as per approved regulatory duty mechanism, Refinery Regulatory Duty (RRD) committee of OCAC determined RRD factors per litre applicable for 5 months from August 2018 to December 2018, which were adjusted in monthly ex-refinery prices.

However, after preliminary implimentation of the said mechanism, due to practical implications, a revised procedure was devised by OGRA, whereby recovery is made directly from refinery through payment to Inland Freight Equalisation Margin (IFEM) pool without any adjustment of RRD factors in ex-refinery prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

20.3 Included in accrued liabilities is an amount of Rs. 396.1 million (exchange gains of Rs. 618.95 million net of exchange losses of Rs 222.85 million) (2018: Rs. 396.1 million) in respect of foreign currency loans (FC loans) taken by the Company for retirement of LCs of crude oil based on discussions with Ministry of Finance (MoF). During the year ended June 30, 2016, MoF proposed a mechanism for calculation of such gains and losses on the FC loans by the oil importing companies and invited views / comments thereupon. The Company, alongwith other oil importing companies had discussions with MoF and State Bank of Pakistan (SBP) in this respect, outcome of which is still pending.

20.4 This includes Government of Pakistan's share in the value of local crude purchased and petroleum levy on sale of petroleum products. The balance is net of Rs. 259.13 million (2018: Rs. 259.13 million) receivable from the Government in respect of price differential claims which resulted from restricting the ex-refinery prices charged by the Company to the oil marketing companies on instructions from MoE. During the year ended June 30, 2018, the Company received a report from MoE through OCAC highlighting certain aspects of the above claims. The management is of the view that the report contains certain factual inaccuracies and is taking up the matter along with other refineries with the MoE.

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

20.6 This includes an amount of Nil (2018: Rs. 441 thousand) in respect of term finance certificates held by the retirement benefit funds of the Company.

20.7 This includes an amount of Rs. 22.89 million (2018: Rs. 10.50 million) in respect of accrued mark-up on running finance obtained from Faysal Bank Limited (FBL). FBL ceased to remain a related party of the Company with effect from November 16, 2018.

21. SHORT-TERM BORROWINGS

	2019	2018
	(Rupees in thousand)	
Term finance certificates - notes 21.1 and 21.2	-	229,390
Short-term borrowings - note 21.3	9,500,000	3,990,000
Running finance under mark-up arrangements - note 21.4	4,801,779	-
Current portion of long-term borrowings - note 17	400,000	400,000
	14,701,779	4,619,390

21.1 During the year, TFC2 was fully redeemed after expiry of tenor of 5 years.

21.2 Following are the changes in the term finance certificates:

	2019	2018
Balance as at July 1	229,390	234,390
Redemption	(229,390)	(5,000)
	-	229,390

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

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

21.3 This represents mark-up based short-term finance from commercial banks repayable in 1 to 62 (2018: 3 to 27) days from the date of statement of financial position at a mark-up ranging from 13.00% to 13.37% (2018: 7.02% to 7.13%) per annum. These are secured by way of first joint pari passu charge on inventory and trade receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

21.4 As at June 30, 2019 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.55 billion (2018: Rs. 8.35 billion). This includes facility of Rs. 1 billion (2018: Rs. 1 billion) from Faysal Bank Limited of which amount utilised as at June 30, 2019 amounts to Nil (2018: Nil). FBL ceased to remain a related party of the Company with effect from November 16, 2018.

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

The rates of mark-up range between three months KIBOR+0.50% to six month KIBOR+1.75% per annum as at June 30, 2019 (2018: three months KIBOR+0.55% to one month KIBOR+3% per annum). Purchase prices are payable on demand.

21.5 Facilities for letters of credit / guarantees and invoice discounting as at June 30, 2019 accumulated to Rs. 42.74 billion (2018: Rs. 38.46 billion) and Rs. 7 billion (2018: Rs. 7 billion) respectively of which the unutilised amount as at June 30, 2019 was Rs. 28.1 billion (2018: Rs. 27.03 billion) and Nil (Rs. 5 billion) respectively. This includes facility for opening letters of credit amounting to Rs. 900 million (2018: Rs. 900 million) from Faysal Bank Limited - which ceased to be a related party of the Company with effect from November 16, 2018.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 5.54 billion (2018: Rs. 5.24 billion). These include Rs. 4.40 billion (2018: Rs. 4.20 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.36 billion (2018: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

Contingent liabilities other than late payment surcharge involving legal proceedings are disclosed in note 22.1.

b) Bank guarantees of Rs. 124 million (2018: Rs. 53 million) were issued in favour of third parties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

22.1 Description of legal proceedings

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Supreme Court of Pakistan	This case, initially, was filed by late Mr. M. Ramzan Katiar, an Octroi contractor for the payment of Octroi dues on import and use of crude oil within the Octroi limits of Cantonment Board Korangi Creek. Presently the legal heirs of the said contractor are pursuing the case. The case was decided in favor of the Company by the single bench of High Court, however later reversed by the division bench of High Court in HCA 231/1999. The Company then filed this appeal in the Supreme Court of Pakistan which is sub-judice at present. The exposure in this respect is around Rs. 20 million, however it will be calculated under the preliminary decree.	Company and legal representatives of late Mr. M. Ramzan Katiar	2012
High Court of Sindh	Barret Hodgson, the plaintiffs, filed a suit no. 694/ 2008 to restrain the Company from interfering or disrupting the plaintiffs construction of a university and demanded damages amounting to Rs. 166.69 million through suit no. 1308/2009. The Company, as plaintiff in suit no. 1063/2008 has prayed to the Honourable High Court of Sindh (HCS) to restrain Barret Hodgson from constructing a school in close proximity of the refinery - a Key Point 1-A installation. Suit 694/2008 and 1063/2008 have been disposed off in the year 2015 in favor of Barrett Hodgson. Both orders were then challenged through Appeals HCA 07/2015 and HCA 08/2015. Both appeals are pending after being remanded back by Supreme Court to HCS in January 2018.	Company and Barret Hodgson	2015
High Court of Sindh	Pakistan National Shipping Corporation (PNSC) had invoked arbitration clause against the Company for the recovery of USD 0.15 million being claimed as demurrage against nine vessels under Contract of Affreightment for the year 1974. The arbitration award was passed against the Company. The Company challenged the same arguing the maintainability of PNSC's arbitration based on 'time-barred' claim. The appeal was allowed and the matter was remanded back to single bench of High Court. The case is still sub-judice.	Company and Pakistan National Shipping Corporation	1985
High Court of Sindh	Cantonment Board Korangi Creek filed this civil suit for the recovery of composition fee amounting to Rs. 24.28 million on the construction made by M/s Burshane LPG Ltd (Burshane) on the Company's land. The Company's stance is that the liability to pay any composition fee is of the occupier i.e M/s Burshane, as the construction is made by M/s Burshane and not the Company. The Suit is pending at initial stage.	Company and Cantonment Board Korangi Creek	2016

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Federal Board of Revenue (FBR)	Based on department's audit of Company's sales tax returns for the year 2005-06, certain input tax adjustments were disallowed. The Company paid Rs. 15.18 million (including default surcharge and penalty of Rs. 6.41 million) under protest and proceeded to file an appeal in Appellate Tribunal Inland Revenue (ATIR) against order no 01/2010 dated January 15, 2011. The case has been remanded back to Commissioner Inland Revenue by the ATIR.	Company and Federal Board of Revenue	2010
FBR	The deemed assessment of the return of the Company for tax years 2017 and 2018 were amended by the Additional Commissioner Inland Revenue (ACIR) vide order dated March 30, 2019 under section 122(5A) of the Income Tax Ordinance, 2001 ('the Ordinance'). The main issue involved was the tax demand raised by the ACIR on undistributed profits u/s 5A of the Ordinance, 2001 amounting to Rs. 108.07 million and 62.16 million for tax year 2017 and 2018 respectively. Constitutional Petition No. D-5897 of 2017 has been filed on this issue before the Honourable High Court of Sindh and the Honourable High Court of Sindh vide order dated September 05, 2017 has directed to restrain from taking any coercive actions against the taxpayer. Since the issue in hand is subjudice and pending for adjudication before the Honorable Sindh High Court and directions not to take any coercive action are in field, therefore, coercive proceedings were not taken for recovery of above amount of tax charged under section 5A of the Ordinance. The Company has also filed an appeal before the Commissioner Inland Revenue (Appeals) CIR(A) against the said order, which is pending adjudication.	Company, ACIR and CIR(A)	2019

22.2 Commitments

a) As at June 30, 2019 commitments outstanding for capital expenditure amounted to Rs. 0.52 billion (2018: Rs. 0.87 billion).

b) Commitments for rentals under ijarah arrangements amounted to Rs. 29.85 million (2018: Rs. 16.57 million) payable as follows:

	2019	2018
	(Rupees in thousand)	
Not later than 1 year	**10,383**	8,156
later than 1 year but not later than 5 year	**19,468**	8,418
	29,851	16,574

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018
Local sales - notes 23.1 & 23.2	**145,236,819**	123,685,459
Exports	**7,959,750**	5,139,518
Gross sales	**153,196,569**	128,824,977
Less:		
- Sales tax	**(20,146,498)**	(23,375,042)
- Excise duty and petroleum levy	**(12,429,696)**	(9,625,837)
- Surplus price differential - note 23.3	**(1,481,327)**	(1,123,451)
- Custom Duty - notes 23.4 and 20.2	**(3,398,077)**	(2,471,387)
	115,740,971	92,229,260

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

23.1 The Company sells its products to Oil Marketing Companies (OMCs). Out of these, three (2018: three) of the Company's customers contributed towards 84.35% (2018: 83.06%) of the gross revenues during the year amounting to Rs. 128.76 billion (2018: Rs. 107.01 billion) and each customer individually exceeds 10% of the gross revenues.

23.2 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 (Motor Spirit, High Octane Blending Component, High Speed Diesel, Light Diesel Oil and Aviation Fuels) are based on prices set under notifications of the MoE.

23.3 This includes price differential amounting to Rs. 1.15 billion (2018: Rs. 0.74 billion) on sale of High Speed Diesel (HSD) as per the import parity pricing formula determined in the Economic Coordination Committee's decision dated February 26, 2013 and price differential amounting to Rs. 0.33 billion (2018: Rs. 0.39 billion) on sale of 90 RON Motor Gasoline, calculated as per the mechanism notified by MoE dated September 5, 2016.

23.4 This represents custom duty recovered on sale of products subject to custom duty.

24. COST OF SALES

	2019	2018
	(Rupees in thousand)	
Crude oil and condensate consumed - note 24.1	114,393,373	87,980,958
Salaries and wages	636,806	571,579
Retirement benefits	98,395	92,291
Fuel, power and water	555,156	445,846
Depreciation	760,525	707,590
Stores, spares and chemicals	816,827	582,719
Store items written off - note 24.2	-	8,232
Repairs and maintenance	199,954	135,365
Exchange loss - note 24.3	2,962,170	1,242,039
Rent, rates and taxes	21,244	39,894
Insurance	57,326	63,451
Security expenses	34,328	32,844
Staff transport	19,951	18,847
Consultancy	16,434	30,726
Amortisation of intangible assets	2,336	3,636
Subscriptions	11,510	10,932
Rentals under ijarah arrangements	5,327	6,104
Travelling and entertainment	5,638	4,139
Other expenses	2,815	1,605
	6,206,742	3,997,839
	120,600,115	91,978,797
Opening inventory of finished products	1,929,111	1,134,546
Closing inventory of finished products	(3,613,760)	(1,929,111)
	118,915,466	91,184,232

24.1 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 Ministry of Energy (MoE).

24.2 During the year, store items costing Nil (2018: Rs. 9.56 million) having carrying value of Nil (2018: Rs. 8.23 million) were written off.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

25. DISTRIBUTION COSTS

	2019	2018
	(Rupees in thousand)	
Salaries and wages	64,046	59,417
Retirement benefits	8,051	7,448
Rent, rates and taxes	48,445	33,551
Depreciation	88,743	66,992
Insurance	8,360	8,721
Transportation and handling charges	5,622	4,890
Fuel, power and water	6,809	3,982
Repairs and maintenance	11,182	6,641
Security expenses	3,139	4,041
Staff transport	1,369	1,463
Subscriptions	2,515	2,135
Other expenses	1,890	1,882
	250,171	201,163

26. ADMINISTRATIVE EXPENSES

	2019	2018
Salaries and wages	189,100	192,260
Retirement benefits	18,300	17,160
Depreciation	47,431	30,854
Insurance	53,267	25,726
Staff transport	6,239	5,789
Rentals under ijarah arrangements	3,788	2,883
Communication	5,760	4,772
Legal and professional charges	12,989	22,500
Travelling and entertainment	3,116	2,641
Auditors' remuneration - note 12.3 & 26.1	5,006	3,950
Security expenses	8,837	7,504
Printing and stationery	4,266	4,069
Subscriptions - note 26.2	36,029	3,021
Repairs and maintenance	2,474	3,556
Directors' remuneration - note 32	11,896	5,550
Computer related and software maintenance expenses	27,834	24,482
Cleaning and janitorial services	18,784	17,583
Advertising and publicity	2,829	3,512
Training expenses	6,986	7,109
Stamp duty charges - note 26.3	17,946	3,090
Other expenses	2,580	690
	485,457	388,701

26.1 Auditors' remuneration

	2019	2018
Audit fee	1,900	1,740
Fee for:		
- limited review of half yearly financial information and other certifications	1,042	964
- audit of retirement benefit funds	1,300	622
Out of pocket expenses	764	624
	5,006	3,950

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

26.2 As per Pakistan Oil Rules 2016 (the rules) promulgated by OGRA, refineries are required to obtain new license for their business operations and are required to pay an annual fees calculated on their respective throughput. The Rules were under dispute since their promulgation in 2016, which was resolved via out of court settlement. After the said settlement, each refinery was required to pay annual fee due since 2016, hence an amount of Rs. 30 million was paid to OGRA as annual fee of four years i.e. from 2016 to 2019.

26.3 This includes stamp duty paid against issuance of 173.48 million physical shares at 0.5% per share and stamp duty on issue of 106.52 million CDC shares at 0.15% per share. These shares were issued against Company's right issue in the year ended June 30, 2017.

27. OTHER OPERATING EXPENSES

	2019	2018
	(Rupees in thousand)	
Research cost on Refinery Upgradation - note 27.1	17,830	51,638
Donations - note 27.2	4,673	5,102
Penalty - note 27.3	1,260	530
Major stores and spares written off - note 5.2.1	-	1,577
Workers' Profits Participation Fund	-	44,742
Workers' Welfare Fund	-	20,766
	23,763	124,355

27.1 This represents cost in relation to prequalification study carried by the Company in respect of Refinery Upgrade Project including the installation of Diesel Hydrodesulphurisation Unit (DHDS).

27.2 This includes donations made to Sindh Institute of Urology and Transplantation and The Indus Hospital amounting to Rs. 2 million each. None of the donations were made to parties where directors or their spouses are interested.

27.3 This represents penalty imposed by Sindh Revenue Board under the Sindh Workers Welfare Fund Act, 2014, amounting to Rs. 0.36 million against non-payment of stamp duty on issue of 173,477,552 shares in the year ended June 30, 2017, through Order dated November 28, 2018, short payment of stamp duty on purchase orders amounting to Rs. 0.4 million and also includes a penalty imposed by OGRA amounting to Rs. 0.5 million against delay in obtaining license of LPG production and storage of LPG.

28. OTHER INCOME

	2019	2018
	(Rupees in thousand)	
Income from financial assets		
Profit on savings accounts	52,568	27,814
Interest on late payments	2,267	-
Others		
Recovery of metals - note 28.1	61,909	-
Reversal of impairment loss - note 5.1.4	52,566	-
Exchange gain - note 28.2	40,532	34,778
Rent of equipment [including Rs. 1.28 million (2018: Rs. 1.89 million) from related parties]	20,925	17,520
Liabilities no longer considered payable written back	19,077	-
Sale of scrap	8,568	11,722
Agreement signing fee	6,667	13,333
Gain (net) on disposal of operating assets	97	1,627
Others	2,128	804
Insurance commission	-	1,090
Insurance claim	-	31,412
Reversal of differential regulatory / custom duty on de-regulated products	-	950,713
	267,304	1,090,813

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

28.1 This represents recovery of metals (Platinum and Rhenium) from old batch of catalyst of Platformer Unit. This catalyst was replaced and subsequently written off at book value of Rs. Nil. These metals have been utilised for manufacture of fresh batch of catalysts of Isomerisation and Platformer Units.

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

29. FINANCE COST

	2019	2018
	(Rupees in thousand)	
Mark-up on running finance under mark-up arrangements - note 21.4	260,867	55,544
Mark-up on short-term borrowings - note 21.3	536,019	318,535
Mark-up on term finance certificates - note 21.2	9,238	11,811
Mark-up on Diminishing Musharika / long-term loans - note 17.2 & 17.3	445,216	126,261
Exchange loss (net) - note 29.1	187,651	76,601
Bank charges	3,633	2,476
	1,442,624	591,228

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

30. INCOME TAX EXPENSE

	2019	2018
	(Rupees in thousand)	
Current for the year	597,362	328,769
Prior year	(19,898)	-
Deferred	(1,449)	(3,762)
	576,015	325,007

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

	2018	2017	2016
	(Rupees in thousand)		
Tax asssessed as per most recent	330,144	79,134	Nil
Provision in accounts for income tax	328,769	108,284	Nil

30.1.1 For tax year 2016, no tax was considered payable by the Company under the provisions of the Income Tax Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

30.2 Relationship between tax expense and accounting profit

	2019	2018
	(Rupees in thousand)	
(Loss) / profit before income tax	(5,245,108)	828,796
Tax at the applicable tax rate of 29% (2018 : 30%)	(1,521,081)	248,639
Effect of:		
- non-recognition of deferred tax on tax loss and deductible temporary differences - note 18.1	1,412,965	(237,959)
- expenses not deductible for tax purposes	1,721	1,690
- final tax	186,427	40,241
- tax credit	(40,041)	(173,810)
- minimum tax	555,922	448,515
- reversal of tax charge for prior year	(19,898)	-
- effect of change in tax rate	-	(2,309)
	576,015	325,007

31. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

	2019	2018
(Loss) / profit for the year attributable to ordinary shareholders (Rupees in thousand)	(5,821,123)	503,789
Weighted average number of ordinary shares outstanding during the year (in thousand)	307,741	307,741
Basic and diluted (loss) / earnings per share	Rs. (18.92)	Rs. 1.64

There were no dilutive potential ordinary shares in issue as at June 30, 2019 and 2018.

32. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2019			2018		
	Non - Executive Directors	Chief Executive	Executives	Non - Executive Directors	Chief Executive	Executives
	(Rupees in thousand)					
Fees	9,300	-	-	5,550	-	-
Managerial remuneration	-	22,185	191,784	-	20,353	159,721
Honorarium - note 32.2	2,596	-	-	-	-	-
Bonus	-	2,440	32,235	-	2,646	34,681
Retirement benefits	-	-	56,168	-	-	51,250
Housing	-	-	74,556	-	-	68,029
Utilities	-	-	16,569	-	-	15,118
Leave passage	-	-	29,333	-	-	30,341
Club expenses	-	-	809	-	233	916
Others	-	-	25,333	-	96	33,636
	-	-	146,600	-	329	148,040
	11,896	24,625	426,787	5,550	23,328	393,692
Number of persons	9	1	70	10	1	62

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

32.1 As at June 30, 2019, Chairman, Chief Executive and certain executives are provided with free use of company maintained cars and household equipment. In addition, certain executives are provided furnished accommodation within refinery premises according to their respective terms of employment.

The monetary value of the Company provided cars to the executives amounted to Rs. 9.72 million.

32.2 This represents benefits provided to the Chairman of the Board of Directors, as approved by the Board of Directors of the Company during the year.

33. TRANSACTIONS WITH RELATED PARTIES

	Relationship	Nature of transactions	2019	2018
			(Rupees in thousand)	
(a)	Parent company	Sale of goods - net	38,348,928	-
		Services rendered	441	-
		Reimbursement of expenses	2,300	-
(b)	Associated companies	Sale of goods - net	37,154,830	78,624,782
		Services rendered	341	1,886
		Purchase of goods	152,229	4,263
		Services received	684,824	72,750
		Mark-up paid	25,214	39,266
		Dividend received	-	5,528
		Bank charges	16	189
(c)	Key management personnel compensation (excluding non-executive directors)	Salaries and other short-term employee benefits	100,492	137,534
		Post-employment benefits	7,331	11,398
(d)	Non-executive Directors	Remuneration	11,896	5,550
(e)	Staff retirement benefit funds	Payments to staff retirement benefit funds	170,804	154,645
		Mark-up paid on TFC	3,358	8,062

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

Status of outstanding balances in respect of related parties as at June 30, 2019 is included in trade deposits and short term prepayments, trade receivables, trade and other payables and inventories. Transactions, status and information relating to staff retirement funds are disclosed in note 19. These are settled in ordinary course of business.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

S. No.	Company Name	Basis of relationship	Aggregate % of shareholding
1.	Pakistan State Oil Limited	Parent Company	52.68%
2.	Hascol Petroleum Limited	By virtue of common directorship	14.71%
3.	Shell Pakistan Limited	By virtue of common directorship	N/A
4.	Pak Grease Manufacturing Company (Private) Limited	By virtue of shareholding by the Company. Refer note - 7.1	N/A
5.	Faysal Bank Limited	By virtue of common directorship	N/A
6.	Karachi Port Trust	By virtue of common directorship	N/A
7.	Pakistan National Shipping Corporation	By virtue of common directorship	N/A
8.	Sui Southern Gas Company Limited	By virtue of common directorship	N/A
9.	Pakistan Petroleum Limited	By virtue of common directorship	N/A

33.2 The following companies have ceased to remain related parties of the Company;

S. No.	Company Name	With Effect From
1.	Hascol Petroleum Limited	November 16, 2018
2.	Shell Pakistan Limited	November 7, 2018
3.	Faysal Bank Limited	November 7, 2018
4.	Karachi Port Trust	December 17, 2018

34. NUMBER OF EMPLOYEES	**2019**	2018
Number of employees including contractual employees at the end of year	*** 281**	279
**This includes 45 (2018: 46) number of factory employees*		
Average number of employees including contractual employees during the year	*** 280**	283
**This includes 46 (2018: 47) number of factory employees*		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

35. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,627,543 metric tons (2018: 1,693,256 metric tons). The Company operated the plant considering the level which gives optimal yield of products.

36. FINANCIAL INSTRUMENTS

36.1 Financial assets and liabilities

	Interest / Mark-up bearing			Non-interest / mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
				(Rupees in thousand)			
FINANCIAL ASSETS							
Trade deposits and loans	-	-	-	21,592	29,352	50,944	50,944
Trade receivables	-	-	-	13,195,089	-	13,195,089	13,195,089
Other receivables	-	-	-	553,503	-	553,503	553,503
Cash and bank balances	252,935		252,935	954	-	954	253,889
2019	**252,935**	**-**	**252,935**	**13,771,138**	**29,352**	**13,800,490**	**14,053,425**
2018	315,535	-	315,535	8,164,346	29,347	8,193,693	8,509,228
FINANCIAL LIABILITIES							
Borrowings	14,701,779	4,300,000	19,001,779	-	-	-	19,001,779
Trade and other payables	-	-	-	15,226,341	-	15,226,341	15,226,341
Unclaimed dividend	-	-	-	21,768	-	21,768	21,768
2019	**14,701,779**	**4,300,000**	**19,001,779**	**15,248,109**	**-**	**15,248,109**	**34,249,888**
2018	4,619,390	4,700,000	9,319,390	13,347,712	-	13,347,712	22,667,102

36.2 Financial risk management objectives and policies

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. However, as also mentioned in note - 14, 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 borrowings, short-term borrowings and running finance arrangements 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, 2019

(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 maximum exposure to credit risk is equal to the carrying amount of financial assets amounting to Rs. 14.05 billion (2018: Rs. 8.51 billion).

The carrying amounts of financial assets which are neither past due nor impaired are as under:

	2019	2018
	(Rupees in thousand)	
Trade deposits and loans	50,944	51,911
Trade receivables	7,041,464	7,085,822
Other receivables	553,503	616,621
Cash and bank balances	253,889	575,214
	7,899,800	8,329,568

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.

(ii) Liquidity risk

Liquidity is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies availability of funding through an adequate amount of commited credit facilities and maintaining adequate cash. Management believes that it will be able to fulfil its financial obligations.

(iii) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2019, financial assets include Rs. 0.44 billion (2018: Rs 0.69 billion) and financial liabilities include Rs. 8.81 billion (2018: Rs. 8.60 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, 2019, if the Pakistan Rupee had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, profit for the year would have been lower / higher by approximately Rs. 462.4 million (2018: Rs. 395.33 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 value of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow interest rate risk on its running finance arrangements, short-term finance and long-term borrowing which is repriced at a maximum period of 180 days (2018: 180 days).

As at June 30, 2019, if average KIBOR interest rate on long-term borrowing, short-term borrowings, running finance arrangements and cash at bank in savings accounts, had been 100 basis points higher / lower with all other variables held constant, profit for the year would have been higher / lower by approximately Rs. 135.47 million (2018: Rs. 83.74 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

(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.

37. CASH GENERATED FROM OPERATIONS

	2019	2018
	(Rupees in thousand)	
(Loss) / profit before income tax	(5,245,108)	828,796
Adjustments for non-cash charges and other items		
Depreciation	896,699	805,436
Amortisation of intangible assets	2,336	3,636
Reversal of impairment loss	52,566	-
Share of income of associate	13,963	1,598
Gain on disposal of operating assets - net	(97)	(1,627)
Profit on deposits	(52,568)	(27,814)
Stores and spares written off	-	8,232
Major spares written off	-	1,577
Mark-up expense	1,251,340	512,151
Exchange gain on cash and cash equivalents	(20,495)	(24,904)
(Reversal) / provision for slow moving stores and spares - net	(4,216)	3,813
Provision for employee benefit obligations	96,178	89,268
Agreement signing fee	(6,667)	(13,333)
	2,229,039	1,358,033
Working capital changes - note 37.1	(4,551,513)	(1,888,290)
Cash (used in) / generated from operations	(7,567,582)	298,539

37.1 Working capital changes

	2019	2018
(Increase) / Decrease in current assets		
Inventories	(1,612,628)	(1,346,650)
Trade receivables	(5,929,607)	(2,794,833)
Trade deposits, loans, advances and short-term prepayments	(124,520)	(8,738)
Other receivables	68,376	387,973
	(7,598,379)	(3,762,248)
Increase in current liabilities		
Trade and other payables	3,046,866	1,873,958
	(4,551,513)	(1,888,290)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

38. CASH AND CASH EQUIVALENTS

	2019	2018
	(Rupees in thousand)	
Cash and bank balances - note 13	253,889	575,214
Short-term borrowings - note 21.3	(9,500,000)	(3,990,000)
Running finance under mark-up arrangements - note 21.4	(4,801,779)	-
	(14,047,890)	(3,414,786)

39. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 11, 2019 by the Board of Directors of the Company.

Syed Asad Ali Shah
Chairman

Zahid Mir
Managing Director & CEO

Imran Ahmad Mirza
Chief Financial Officer

Form of Proxy

Fifty-Ninth (59th) Annual General Meeting 2019

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-Ninth Annual General Meeting of the Company to be held on October 22, 2019 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ________________ 2019.

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 Share Registrar Office not later than 48 hours before the time of holding the meeting.

FAMCO Associates (Private) Limited

8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S,
Shahra-e-Faisal, Karachi
Tel: (92-21) 34380101-5, Fax (92-21) 34380106
Website:www.famco.com.pk

مختارنامہ (پراکسی فارم)

انسٹھواں (59) سالانہ اجلاسِ عام

میں مسمّی / مسماۃ ________________ ساکن ________________ بحیثیت رکن پاکستان ریفائنری لمیٹڈ،

مسمّی/ مسماۃ ________________ کوبطورِ مختار (پراکسی) مقرر کرتا ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے انسٹھواں (59) سالانہ اجلاسِ عام جو بتاریخ 22 اکتوبر 2019 بروز منگل منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

شیئر ہولڈر نمبر ________________ دستخط شیئر ہولڈر ________________

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

متعین شدہ مالیت کا ریونیو ٹکٹ

آج بروز ________________ بتاریخ ________________ 2019 کو دستخط کئے گئے۔ دستخط مختار نمائندہ ________________

گواہان:

ا۔ دستخط: ________________ ۲۔ دستخط: ________________

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

FAMCO Associates (Private) Limited

8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S,
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