

Annual Report 2020

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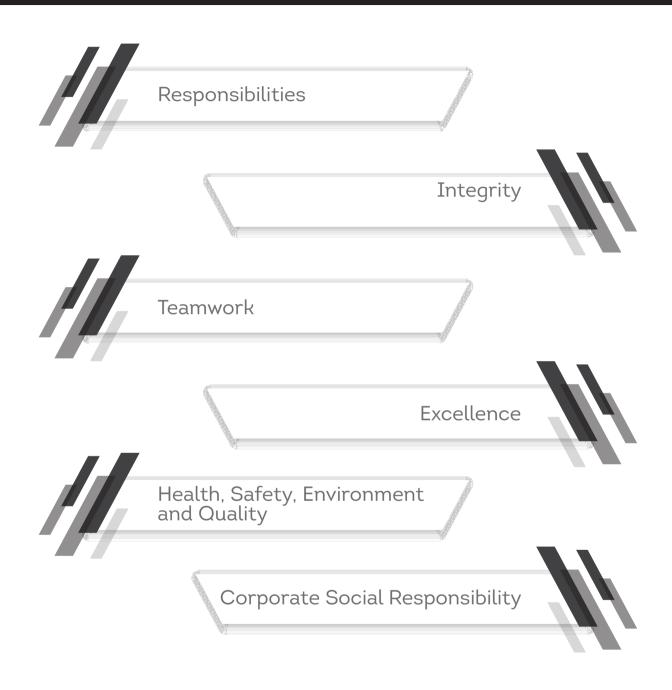
VISION

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

Pakistan Refinery Limited recognizes six areas of responsibility:

a. To Shareholders

To provide an acceptable return by protecting shareholder's investments.

b. To Customers

To establish a professional relationship with its customers by developing and providing them with products which offer value in terms of price, quality, safety and environmental impacts.

c. To Employees

To respect human rights of its employees by:

- 1) Providing them with a safe working environment;
- 2) Ensuring competitive terms and conditions of service;
- 3) Promoting their development;
- 4) Encouraging their involvement in planning and its direction of work; and
- 5) Recognizing the fact that commercial success depends on full commitment of all employees.

d. To those with whom it does business

Seek mutually beneficial relationships with contractors, suppliers and joint ventures in order to promote these principles effectively.

e. To Society

- 1) PRL has a commitment, not to indulge in any practices which are unethical from social point of view (i.e. indulging in antisocial and unfair trade practices such as adulteration, hoarding and black marketing).
- 2) It also believes in contributing to community development activities.

f. To Government

- 1) To abide by laws of the land.
- 2) To avoid corrupting the environment we operate in.
- 3) To discourage tendency of concentration of economic power and monopoly.

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 276 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.

HEALTH, SAFETY, ENVIRONMENT & QUALITY

PRL being in the refining business is committed to protection of the environment, prevention of pollution and health and safety of its employees, customers, contractors and communities by minimising pollutants and hazards and reducing risks where it operates and maintaining quality in all its business activities so as to exceed customer expectations.

- PRL is also committed to comply with applicable laws and requirements and work with Government and other stakeholders in their development and implementation.
- PRL conducts periodic audits and risk assessments of its activities, processes and products for setting and reviewing its objectives and targets to provide assurance to improve HSEQ management system and loss control.
- PRL shall continually improve the effectiveness of HSEQ management system through consultation and participation of its employees and workers.

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. near 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

Mr. 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 and a Director on the Board of K-Electric Limited.

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 organisation that represents professional bodies of 122 countries and more than 2.5 million accountants. He was elected as Chairman of 26th session of Inter-Group Governmental of Experts Accounting and Financial 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 organised 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. 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 exper- ience 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 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 28 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 is also a Director on the Board of Pakistan Petroleum Limited.

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. 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. He is also a Director on the Board of Pak Arab Refinery Limited.

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

Babar Hamid Chaudhary

Director

Mr. Chaudhary is currently serving as General Manager - Procurement and Services in Pakistan State Oil Company Limited (PSO). He is associated with PSO for over 25 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 his MBA in 2002.

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 the fields services in 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 board of SNGPL where he is the Chairman of its Finance Committee. He is a member on the Board of Pakistan Engineering Company, and is the Chairman of its Audit Committee. He has previously served on the Board of directors of MCB-Arif Habib Investment Ltd and SSGC. He is also a member of the Lahore High Court Bar Association and the Supreme Court Bar Association. He 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. Zubair is a leader with a proven track record in the international and domestic corporate world spreading over 40 years as 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. He is also serving as a Director on the Board of Lotte Chemical Pakistan Limited.

Syed Jehangir Ali Shah

Mr. Shah is a seasoned veteran of the oil industry. He held the positing Acting Managing Director of PSO in 2011 and 2018 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. He is currently serving as Deputy Managing Director - Operations, PSO and is 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 Mohammad Ali

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 AzCorp Limited, 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.

Syed Muhammad Taha

Director

Mr. Taha has been appointed as the Managing Director & Chief Executive Officer of Pakistan State Oil Company Limited with effect from February 26, 2020. Having over two decades of experience in the industry, he is known and respected for his transformational skills in the energy sector.

With 19 years of executive level management experience under his belt, Mr. Taha has been a key member of the change management team with specific reference to K-Electric and PSO, where he was an integral part of the leadership team that turned around these struggling enterprises into highly profitable concerns.

Working as an Executive Director in Oasis Energy, he headed the Program Management Office of Port Harcourt Electricity Distribution Company, Nigeria, where he led a global team of subject matter experts to provide strategic and operational support to the leadership team of the distressed utility, while successfully spearheading and executing multidisciplinary and multimillion

dollar projects. Mr. Taha worked at K-Electric Limited as Chief Operating Officer - Distribution and a vital member of the Senior Leadership Team. While effectively managing revenues of USD 1.9 billion, he successfully improved the productivity & effectiveness of 8000+ employees and served 2.4 million customers in Karachi.

Mr. Taha has also worked for over 9 years at Pakistan State Oil Company Limited (PSO), the country's largest oil marketing company, where he held several senior positions and led various functions as Head of Corporate Affairs, Retail Fuel, Cards Business and Corporate Planning and worked directly under CEOs.

For around 6 years starting from 1993 to 1999, Mr. Taha worked for Shell Pakistan, Caltex Pakistan (A Chevron Company) and Pakistan Steel Mills at various key positions.

Mr. Taha holds an Engineering degree with an MBA in Finance from the Institute of Business Administration Karachi.

Tara Uzra Dawood

Director

Ms. Dawood is Chief Executive Officer of 786 Investments Ltd, an Asset Management Company initially launched on the instigation of Asian Development Bank. She is presently on the Board of Mutual Fund Association of Pakistan, Pakistan State Oil Company Ltd; she has also served as an Independent Director on the Board of LESCO.

She holds a Doctorate in Judicial Science from Harvard Law School and Bachelor of Arts Honors from Cornell University and Oxford University. Having specialisation in mergers, acquisitions and corporate law, she worked for law firms in New York, Toronto, Amsterdam, Brussels and California. She speaks globally at numerous international mutual fund and banking

conferences as an authority on shariah-compliant finance. Ms. Dawood has also served as a Visiting Lecturer on Islamic Law and Finance at the Faculty at Danube University Krems (Austria) as recommended by International Investment Funds Association and EBAMA.

Ms. Dawood is also President of Dawood Global Foundation, a Trust established to empower women and youth in the society, and hosts the National Ladies Fund awards for women of Pakistan. Her mission is to educate 1 million deserving girls around the world under the award-winning Educate a Girl project in Facebook's partnership with internet.org foundation and support of the World Bank.

BOARD COMPOSITION

Category	Number
Male	Ten
Female	One

Category	Names
Independent Directors	Syed Asad Ali Shah Mirza Mahmood Ahmad Mohammad Zubair Syed Muhammad Ali
Non-Executive Director	Aftab Husain
Non-Executive Directors (PSO Affiliated)	Abdul Jabbar Memon Babar Hamid Chaudhary Syed Jehangir Ali Shah Syed Muhammad Taha
Executive Director - MD / CEO	Zahid Mir
Female Director	Tara Uzra Dawood

CHANGES IN BOARD DIRECTORS DURING THE YEAR

Name of outgoing director with date of resignation	Name of incoming director with date of appointment
Yacoob Suttar	Tara Uzra Dawood
w.e.f December 02, 2019	w.e.f February 10, 2020
Imtiaz Jaleel	Syed Muhammad Taha
w.e.f April 13, 2020	w.e.f April 22, 2020

ATTENDANCE OF THE BOARD OF DIRECTORS' **MEETINGS HELD DURING THE YEAR**

Director	Total No. of Board Meetings*	No. of Meetings Attended
Syed Asad Ali Shah	6	6
Abdul Jabbar Memon	6	5
Aftab Husain	6	6
Babar Hamid Chaudhary	6	6
Imtiaz Jaleel	4	4
Mirza Mahmood Ahmad	6	5
Mohammad Zubair	6	6
Syed Jehangir Ali Shah	6	6
Syed Muhammad Ali	6	5
Syed Muhammad Taha	2	2
Tara Uzra Dawood	3	3
Yacoob Suttar	2	2

^{*} Held during the year when concerned Director was on Board.

BOARD COMMITTEES

Board Audit and Risk Committee (BARC)

Members:

- Mohammad Zubair Chairman Committee
- · Babar Hamid Chaudhary
- Sved Muhammad Ali
- Tara Uzra Dawood

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 BARC 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 BARC 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
- Zahid Mir Managing Director & CEO

Terms of Reference:

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:

- a. oversee projects execution process and governance for the project;
- b. review and advise on program priorities for implementation of the project; and
- c. monitor and steer the project development to be consistent with the operating financial objectives for the project.

Human Resource and Remuneration Committee (HR & RC)

Members:

- · Syed Asad Ali Shah Chairman Committee
- Mohammad Zubair
- Sved Muhammad Taha
- Tara Uzra Dawood
- Zahid Mir Managing Director & CEO

Terms of Reference:

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

- a. Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors);
- b. Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant.
- c. Recommendation to the Board the selection, evaluation, compensation (including retirement Benefits) and Succession Planning of the Managing Director & Chief Executive Officer;
- d. Recommendation for Human Resource Management policies to the Board;
- e. Recommendation to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Financial Officer, Company Secretary and Chief Internal Audit or as well as all General Managers and above; and
- f. Consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters relating to Refinery Leadership Team.

Board Share Transfer Committee

Members:

- · Babar Hamid Chaudhary 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:

- a. approve and register transfer / transmission of shares;
- b. sub-divide, consolidate and issue share certificates; and
- c. 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 THE BOARD SUB- COMMITTEES' **MEETINGS HELD DURING THE YEAR**

Director	Total No. of Committee Meetings*	No. of Meetings Attended
Board Audit and Risk Committee		
Mohammad Zubair	4	4
Imtiaz Jaleel	2	2
Syed Muhammad Ali	4	4
Yacoob Suttar	2	2
Tara Uzra Dawood	0	0
Board Project Steering Committee		
Syed Jehangir Ali Shah	2	2
Aftab Husain	2	2
Syed Asad Ali Shah	2	2
Syed Muhammad Ali	2	2
Board Human Resources and Remur	neration Committee	
Syed Asad Ali Shah	2	2
Aftab Husain	2	2
Mirza Mahmood Ahmad	1	1
Mohammad Zubair	2	2
Syed Jehangir Ali Shah	2	2
Syed Muhammad Taha	0	0
Tara Uzra Dawood	0	0

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

^{*} Held during the year when concerned Director was on Board.

REFINERY LEADERSHIP TEAM



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.

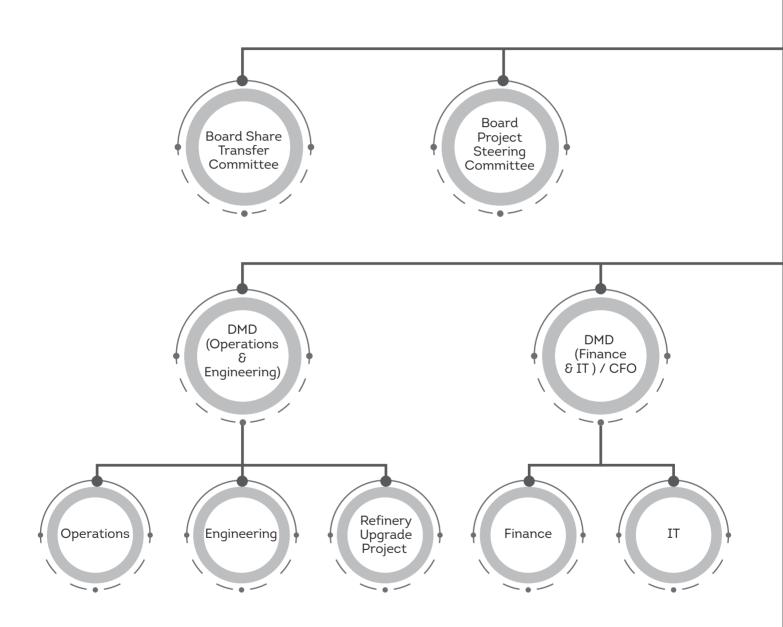
Technical & Project Steering Committee

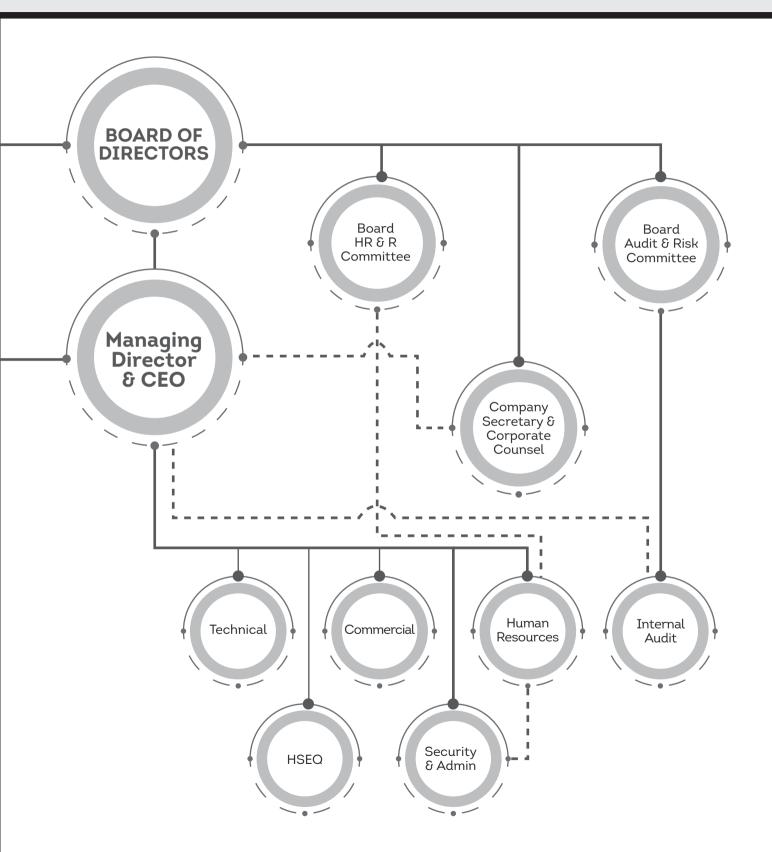
Technical & Project Steering Committee is responsible to facilitate and support the project team by ensuring adequate involvement in the project by various stakeholders. It also acts in an advisory capacity regarding major decisions at venture level and scope decisions and provision of assistance for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





CHAIRMAN'S REVIEW

I am pleased to present my report as Chairman of PRL Board for its 60th Annual Report for the year ended June 30, 2020.

The world encountered most unusual economic situation as a result of the Covid-19 pandemic which, like rest of the world, also profoundly affected our country. As a result of lockdown, the demand for petroleum products was substantially curtailed during last quarter that caused huge inventory losses to all refineries and oil marketing companies. Your Board continued to closely monitor this unusual situation, working with management, to ensure that PRL continues to function in the interest of the country. Unfortunately, as described in the Directors' Report, despite dedicated efforts of the Board and management, owing to external conditions that were beyond PRL's control, the financial results of the Company have been extremely adverse.

During the year, PSO affiliated director Mr. Yacoob Suttar and another director Mr. Imtiaz Jaleel resigned from the Board. I take this opportunity to place my appreciation on record for valuable contribution made by Mr. Suttar and Mr. Jaleel to the Board's work during their tenure. Ms. Tara Uzra Dawood, who also serves on PSO Board as an independent director and Syed Muhammad Taha, Managing Director of PSO were appointed by the Board to fill these casual vacancies. Through these appointments, the Board now includes a female director and a person who has vast experience of oil & gas and power sectors, thus further improving the composition of the Board besides compliance with Corporate Governance Regulations with respect to inclusion of a female director

During the year, the Board also engaged Pakistan Institute of Corporate Governance (PICG) to assist in the Board's performance-evaluation in line with the Corporate Governance Regulations. The evaluation has been completed and the report provided by PICG indicates significant improvement compared to last such evaluation carried out in the year 2016. The key highlights of the Board's performance evaluation report indicate that the Board and its Sub-Committees comprise of experienced professionals in diverse fields of expertise, there is constructive Boardroom dynamics and adequate time is spent on strategic planning.

To conclude, I would like to thank all the shareholders, employees and financial institutions for their trust and support. I would also thank our customers and business partners for their loyalty and close ties.

Syed Asad Ali Shah Chairman

Karachi: August 20, 2020

پاکستان ریفائنزی کمیٹٹر کی 60 ویں سالا ندر پورٹ برائے ختم شدہ سال 30 جون 2020 پر بحثیت چیر مین PRL بورڈ میراجائزہ پیش خدمت ہے۔

Covid-19 کی وجہ سے دنیا کو انتہائی غیر معمولی معاشی صورتحال سے دو چار ہونا پڑا جس نے باتی دنیا کی طرح ہمارے ملک کو بھی شدید متاثر کیا۔

لاک ڈاؤن کے نتیج میں آخری سے ماہی کے دوران پیٹرولیم مصنوعات کی طلب میں قابل ذکر کمی ہوئی جس کی وجہ سے تمام ریفائنزیوں اور آئل مارکیٹنگ کمپنیوں کو کثیر والم المورتحال کی نگرانی کی تا کہ ملکی مفاد میں کو کثیر سے اس غیر معمولی صورتحال کی نگرانی کی تا کہ ملکی مفاد میں کو کثیر والم المورتحال کی نگرانی کی تا کہ ملکی مفاد میں جا ہے کہ بورڈ اورانتظامیہ کی انتقاب کا وشوں کے باوجود بیرونی صورتحال کی وجہ سے جو کہ PRL کے کنٹرول سے باہرتھی ، کمپنی کے مالیاتی نتائج انتہائی ناموافق رہے۔

سال کے دوران PSO سے ملحقہ ڈائر کیٹر جناب یعقوب ستارصا حب اورا یک اور ڈائر کیٹر جناب امتیاز جلیل صاحب بورڈ سے مستعفی ہوگئے۔ میں اس موقع پر جناب ستارصا حب اور جناب جلیل صاحب کی بورڈ کے لئے قابل قدر معاونت پران کا مشکور ہوں۔ ان حضرات کے مستعفی ہونے کے نتیج میں پیدا ہونے والی وقتی آ سامیوں پر مس تاراعذرا داؤ دجو کہ PSO کے بورڈ میں بھی آ زاد ڈائر کیٹر ہیں، اور جناب سید محمد طہ جو PSO کے مینیجنگ ڈائر کیٹر ہیں، کی تقرریاں کی گئیں۔ ان تقرریوں سے، بورڈ میں ایک خاتون ڈائر کیٹر بھی شامل ہوگئی ہیں اور جناب طہ، جن کوئیل وگیس اور تو ان کی کے شعبہ میں وسیع تجربہ ہے، بورڈ کی تشکیل بندی میں بہتری کے ساتھ خاتون ڈائر کیٹر کے شامل ہونے سے ادارتی نظم وضبط کے ضابطوں کی پاسداری ہوئی ہے۔

سال کے دوران بورڈ نے ادارتی نظم وضبط کے ضابطوں کے حوالے سے بورڈ کی کارکردگی جانچنے کے لئے پاکستان انسٹیٹیوٹ آف کار پوریٹ گورنس (PICG) کی خدمات حاصل کیں۔ یہ جانچ مکمل ہوگئی ہے اور PICG کی حالیہ فراہم کردہ رپورٹ سے 2016 کی رپورٹ کے مقابلے میں قابل ذکر بہتری کی نشاندہی ہوتی ہے۔ بورڈ اوراس کی ذیلی کمیٹیاں متنوع شعبوں میں مہارت کی نشاندہی ہوتی ہے کہ بورڈ اوراس کی ذیلی کمیٹیاں متنوع شعبوں میں مہارت کے تیج مہکار پیشہ ورافراد پر شتمل ہیں، بورڈ روم انتہائی متحرک سے اور مناسب وقت کلیدی منصوبہ بندی کے لئے استعال ہوتا ہے۔

آخر میں، میں تمام حصص یافت گان، ملاز مین اور مالیاتی اداروں کے اعتماد اور تعاون پران کامشکور ہوں۔ میں تمام معزز کسٹمرز اور کاروباری شراکت داروں کی خیرخواہی اور قریبی تعلقات پران کا بھی مشکور ہوں۔

> مرا الما المرا سیداسدعلی شاه چیئر مین

كرا جي: 20 اگست 2020

DIRECTORS' REPORT

The Directors of your Company are pleased to present their Annual Report together with Audited Financial Statements for the year ended June 30, 2020.

Financial results

	2020 (Rupe	2019 es in ' 000)
Loss for the year	(7,590,726)	(5,821,123)
Other comprehensive income	1,781,089	5,267,809
Total comprehensive loss	(5,809,637)	(553,314)
		(Re-stated)
Loss per share	Rs. (17.74)	Rs. (13.68)
Appropriations	Nil	Nil

The second half of the financial year ended June 30, 2020 witnessed an abnormal scenario where the countries round the globe took difficult decisions to lock down all activities and control the spread of Covid-19. Among other economic challenges, this created an unprecedented global decline in the demand of petroleum products which in turn triggered freefall in their prices. This resulted in significant inventory losses for the oil sector including the Company. Moreover, the refining margins remained depressed during the year.

State of the Company's affairs & its review

To overcome above negativities, the Company altered its operational philosophy during the year without which the loss for the year would have been much higher. This altered approach is expected to have a positive impact on the future results. These measures include the following:

- Reduction in throughput to 60% capacity for better product mix in line with changed crude recipe i.e. production of Furnace Oil was reduced with corresponding increase in production of middle distillates i.e. High Speed Diesel (HSD) and Motor Spirit (MS/Petrol).
- Sustainable production of MS 92 RON as against previous MS 90 RON saved RON differential required to be deposited with the Government.
- Sustained production of Hi-Octane Petrol i.e. MS 95 and 97 RON, which is a premium product, resulted in additional revenue during the year.
- Changes in crude recipe and induction of new crudes from Middle East as well as other sources. Previously the Company only procured selected crude grades from Middle East. Through this change, the Company became the first Refinery in Pakistan to produce low sulphur Marine Residual Fuel (MRF) which is compliant with the regulations of International Maritime Organisation (IMO). These regulations became effective from January 1, 2020. Further, the Company was also able to produce EURO II compliant HSD subsequent to the year end without incurring any capital expenditure. The Company is exploring long term arrangements with relevant crude suppliers to produce these products on a sustainable basis.

Significant factors affecting the affairs of the Company other than those discussed in preceding paragraphs are given below:

- Pakistan State Oil Company Limited (PSO) acquired additional 10.5 million Class B shares from Shell Petroleum Company Limited, UK (Shell) and 2.625 million Class B shares from Chevron Global Energy Inc. (Chevron). In addition, PSO also subscribed additional 21 million Class B shares which were under injunction (refer to note 14.3 to the financial statements). Consequently, the holding of PSO increased from 52.68% to 60% as at June 30, 2020.
- The Board of Directors in its meeting dated February 10, 2020 announced a Right issue at par value of Rs. 10 per share in the ratio of 1 right share for every 1 share held. The total size of the issue was Rs. 3.15 billion. To facilitate completion of right issue process in the challenging situation of Covid-19, PSO provided an undertaking that it will subscribe such portion of Class A shares (i.e. 40% of the total rights issue) which remains unsubscribed. This was accepted by the Securities and Exchange Commission of Pakistan ("SECP"), resultantly waiving the requirement of underwriting for the said right issue. Consequently, PSO paid for 22.46 million unsubscribed Class A shares subsequent to the year end, thereby increasing the shareholding from 60% to 63.56%
- As at June 30, 2020, the Company had accumulated loss of Rs. 18.36 billion against Rs. 10.67 billion last year and its current liabilities exceed its current assets by Rs. 16.84 billion (2019: Rs. 10.89 billion). The Company ended the year with net negative cash and cash equivalents amounting to Rs. 10.19 billion (2019: Rs. 14.05 billion).
- The Economic Coordination Committee of the Government of Pakistan (ECC) has approved a revised pricing mechanism for petroleum products effective March 1, 2020 whereby the Company will be able to recover certain portion of exchange loss suffered on crude oil imports through pricing of MS and HSD. This will partly address the issue of exchange risk which the Company faces. The mechanism has been implemented from June 2020 and is expected to benefit the refineries onwards.
- Petroleum products' prices continued to decline during the year and after the onset of the impacts of Covid-19 plunged sharply before recovering to some extent towards the end of the year. This resulted in huge inventory losses suffered by the Company during the year.
- Under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce EURO II compliant 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 has not set up DHDS project to date to produce EURO II compliant HSD during the year, and therefore, was subjected to downward adjustment of its HSD pricing causing loss of Rs. 1.03 billion (2019: Rs. 1.15 billion).

- The Company adopted stringent controls over cash flow and liquidity management which remained under pressure due to losses suffered by the Company. The Company's running finance and short term loan facilities increased to Rs. 16.45 billion as compared to Rs. 15.55 billion in the comparative period. Further, during the year, the State Bank of Pakistan issued directives to defer principal payments of long term loans as an incentive to the industrial sector during the Covid-19 pandemic. The Company availed the facilities and deferred long term loans amounting to Rs. 4.1 billion by one year. In addition, the State Bank of Pakistan also introduced payroll refinance scheme at reduced mark-up rates to address economic hardships faced by the businesses. The Company availed this facility also and borrowed Rs. 132 million up to June 30, 2020 on reduced mark-up.
- During the year, IFRS 16 'Leases' became applicable on the Company. IFRS 16 replaced previous guidance on accounting for leases, including IAS 17 'Leases' and the related interpretations. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered into by the lessee. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Company has recognised right-of-use asset and corresponding lease liabilities amounting to Rs. 178.98 million (as disclosed in note 3.1 to the financial statements) in respect of lease of land rentals to Karachi Port Trust, which had previously been classified as operating leases under IAS 17 as at July 1, 2019.

In view of the loss of Rs. 7.59 billion incurred by the Company for the year ended June 30, 2020 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.

Principal 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 Ministry of Energy (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 a 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 to produce EURO II compliant HSD. Subsequent to the year end the Company produced EURO II complaint HSD through its altered operational philosophy but non-procurement of preferred crudes could result in production of non-compliant HSD, leading to downward adjustments in pricing of HSD and negatively impacting the results of the Company.
- The Company's dependence on bank borrowings exposes it to liquidity and interest rate risks. Therefore, any increase in policy rates by SBP results in increase in finance cost and a negative impact on the results of the Company. Further, withdrawal of any major financing facility increases the liquidity risk.

Future prospects and risk mitigation measures

As explained earlier, the Company has renewed its operational philosophy and is now exploring new avenues to make the Refinery sustainable through production of better margin products. In this regard, the Company is in contact with various crude suppliers to secure long term arrangements of suitable crudes that will not only allow production of premium products including production of EURO II compliant HSD as mentioned in preceding paragraphs but will also ensure sustainable profitability by making the production mix favourable.

Further, the Company has deferred long term loans as explained in note 17.2 to the financial statements that will further support the Company in liquidity management. In addition, proceeds from Right Issue, completed subsequent to the year end, will also reduce the dependence on short term borrowings and will also reduce finance charges in subsequent years.

The Company's sound cashflow cycle provides 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. 9.45 billion from Rs. 8.55 billion last year. In addition, the Company has invoice 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.

Dividend

As the Company has incurred a loss after tax for year ended June 30, 2020, 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 controls is sound in design and has been effectively implemented and monitored regularly.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Credit rating

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



Value of investments of post - employment benefit funds

The value of investments of provident, gratuity and pension funds on the basis of unaudited accounts as at June 30, 2020 was as follows:

(Rupees in '000)

Provident Fund	443,791
Gratuity Fund - Management Staff	166,645
Gratuity Fund - Non-management Staff	99,985
Pension Fund - Management Staff	1,196,805
Pension Fund - Non-management Staff	135,402

Health, Safety, Environment & Quality (HSEQ)

The Company works on the principle of Goal-Zero incidents and achieved 7.7 million man-hours till June 2020, without any 'Loss Time Injury (LTI)'. This year the Company successfully and safely executed the turnaround of 36 days duration with 1.0 million man-hours, via strict compliance to safety procedures and commitment through robust monitoring of work execution and continuously making improvement on a proactive basis.

Coronavirus pandemic (Covid-19)

Covid-19 pandemic is a global health crisis and the greatest challenge in recent times. The Company adopted the guidelines and SOPs given by global institutions and the Government of Pakistan to ensure safe operations. Following were the major initiatives taken in this regard;

- Business Continuity Plan (BCP) related to Covid-19 is in place.
- Implementation of Government of Sindh SOPs to operate.
- Implementation of OSHA Guidances on workplaces.
- Staff was reduced and encouraged to work from home.
- Telecom / virtual meetings within the Refinery and from outside Refinery are being encouraged.

Compliance with regulatory requirements

The Company remained fully compliant with the Environmental Management Plan (EMP) by maintaining the results of all reportable parameters within Sindh Environment Quality Standards limits. In June 2020, the Company received NOC from Sindh Environmental Protection Agency (SEPA), against submitted EMP, for its Keamari Terminal in compliance with a legal requirement.

Compliance with third-party certification

ISO 45001:2018 (Standard for Occupational Health and Safety) has replaced OHSAS 1800:2007 internationally. The Company is also migrating from existing OHSAS 18001 certification to the new certification after completion of next external ISO Audit, due in October 2020.

Refinery upgrade project

The Company has envisaged an elaborate upgrade project, which will not only meet but will exceed the current regulatory environmental requirements and produce EURO V compliant MS and HSD. The project at the same time aims to convert the refinery from a simple configuration to a complex one, significantly reducing Fuel Oil production, by converting it into MS and HSD.

Last year, the Company embarked on engaging a Project Management Consultant (PMC) and an EPC Contractor, having capability to execute both Front End Engineering Design (FEED) and Engineering, Procurement and Construction (EPC) for the project. However, driven by the pandemic and the global economic slowdown, the exercise was placed on hold. Recently, the Company has started to re-engage with some of these companies.

Commercial and supply chain

The Company imported 11,674 barrels of DAS Crude per day during 2019-20 versus the contract range of 24,000 to 28,000 barrels per day under Crude Supply Contract with Abu Dhabi National Oil Company (ADNOC) which expired on June 30, 2020. The Company is in negotiation for a new Contract with ADNOC starting from October 1, 2020 and is meanwhile managing procurement of DAS crude from ADNOC on a spot basis.

Besides, the Company has also a Crude Import Agreement of 6,000 barrels per day with ARAMCO since April 1, 2019 (initially for one year followed by an automatic renewal). In addition, the Refinery imported Champion/SLEB and Kuwait Super Light (KSL) crudes during the year. The Company is in the process of finalizing an agreement with Kuwait Petroleum Corporation (KPC) for procurement of KSL.

Operations

The Company remained committed to produce environmentally friendly fuels and introduced different low Sulphur crude oils, with the objective of producing EURO-II compliant HSD and very low sulfur (IMO Grade) Fuel Oil. The Company analysed various crude oils technically and economically and selected and processed crude oils with low Sulphur, high yields of middle distillates and MS with minimum operational changes towards downstream units. The blending strategies with cost effective solutions directed the Company towards delivery of MS 95 and MS 97.

During the turnaround in December 2019, almost all major equipment were overhauled. Moreover, reactor catalyst for Platformer, Hydrotreater and Isomerization units were changed. Platformer and Hydrotreater unit reactors old catalysts were replaced with high yield, stable and performance catalysts.

Human resources and industrial relations

The Company is focused on contributing towards overall business objectives. All functions in their own way are helping the Company in achieving its short and long term objectives.

The Company continues to enjoy a cordial working relationship with the Collective Bargaining Agent (CBA). Upon the expiry of agreement with CBA in June 2019, negotiations are currently underway for the new two-year agreement for the period from July 2019 to June 2021, 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 the close vicinity of the Refinery in particular. This year CSR spending consist of renovation of the Government Girls Elementary School, Bhittai Colony at a cost of Rs. 4.931 million. The Company looks forward to see its contribution making a difference in the lives of the girls who are dependent on these schools for their education.

Corporate governance

The Company continued its commitment to the highest standards of corporate governance and conducted its business in line with the best practices of the Code of Corporate Governance and the Listing Regulations of the Pakistan Stock Exchange Limited. 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. The Board has allowed the Managing Director to exercise certain financial and administrative powers other than those specifically assigned to the Board by the Companies Act, 2017. The Board periodically gets an update on adequacy of internal financial controls through Internal Audit function. During the year, no material inadequacy in these controls was reported to the Board.

Contribution to the national exchequer and value addition

The Company is 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. 42 billion (2019: Rs. 38 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 21.80 million (2019: USD 59.02 million) in the country.

Key operation and financial data

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

Changes in Board of Directors

During the year, following changes on the Board due to casual vacancies were reported on the Pakistan Stock Exchange Limited:

Name of outgoing director with date of resignation	Name of incoming director with date of appointment
Yacoob Suttar	Tara Uzra Dawood
w.e.f December 02, 2019	w.e.f February 10, 2020
Imtiaz Jaleel	Syed Muhammad Taha
w.e.f April 13, 2020	w.e.f April 22, 2020

The tenure of Board expired on June 7, 2020, however, due to the delay in Company's Right Issue process caused by Covid-19 pandemic, the Company decided to delay the election of Board of Directors enabling the Company to complete the Right Issue process including shares entitlement. As required by the Companies Act 2017, SECP was informed accordingly.

The Board acknowledged the contribution of the Messrs. Yacoob Suttar and Imtiaz Jaleel and thanked them for their valuable participation in Board's function during their tenure.

The details of Board composition and Board Sub-Committees is given on page 14 to 19 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 Limited. The Company is engaged in the production and sale of petroleum products.

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 Director's Report.

Pattern of Shareholding

The statement of Pattern of Shareholding as at June 30, 2020 is given on page 53 of the report.

External Auditors

The External Auditors M/s A.F. Fergusons & Co., Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting. The Board has proposed that in order to ensure consistency with the parent company, PSO and in line with good practices, same audit firm be appointed as proposed by PSO's Board.

Acknowledgement

While acknowledging the GoP including Ministry of Energy for its incessant support, the Board also acknowledges and values the support and trust of the shareholders, financial institutions, strategic partners, employees and other stakeholders throughout the year.

On behalf of Board of Directors

Syed Asad Ali Shah

Chairman

Karachi: August 20, 2020

Zahid Mir

Managing Director & CEO

اعتراف

بور ڈوزارت توانائی ، حکومت پاکتان کے مستقل تعاون کے اعتراف کے ساتھ اپنے تمام حصص یافتگان، مالیاتی اداروں، کلیدی شرا کند اروں ، ملاز مین اور دیگر تمام اسٹیک ہولڈرز کے تعاون اوراعتما د کاشکر گزار ہے۔

منجانب بورد آف د ائر یکٹرز

(20219)2° مینیجنگ ڈائر یکٹراینڈسی ای او

المالل المالم چیئر مدن

ڈائر یکٹران کی ریمیونریشن

کمپنی کے آرٹیکلز آف ایسوسی ایشن اور کمپنیز ایکٹ 2017 کے مطابق کمپنی کے پاس ڈائریکٹران کی ریمیونریشن کے لئے ایک باضابطه اور شفاف طریقه کارموجود ہے۔

سمپنی کی بنیادی سرگرمیاں

یا کستان ریفائنری لمیٹڈ کی تشکیل بحثیت پبک لمیٹڈ سمپنی مئی 1960 میں ہوئی اور یہ یا کستان اسٹاک ایسیجینج میں لسٹڈ ہے۔ سمپنی پیٹرولیم مصنوعات کی پیداواراورفروخت میں مصروف عمل ہے۔

سمپنی اوراس کی ملحقہ مپنی کے کاروبار کی نوعیت میں تبدیلیاں

کمپنی اور یاک گریز مینونینچرنگ کمپنی (یرائیویٹ) لمیٹر جس میں کمپنی کے 27.26 فیصد حصص ہیں، کی کاروباری نوعیت میں کوئی تبدیلی نہیں ہوئی ہے۔

بعدازال واقعات

مالیاتی سال کے اختیام اور اس رپورٹ کی تاریخ کے دوران کوئی اہم تبدیلیاں یا مشمنٹس رونمانہیں ہوئی ہیں جو کہ مپنی کی مالیاتی یوزیش پر اثرانداز ہوں۔

شيئر ہولڈنگ کا خلاصہ

30 جون 2020 يرشير مولدنگ كاخلاصهاس رپورٹ كے صفحه نمبر 53 يردرج ہے۔

بيروني آ ڈیٹرز

بیرونی آڈیٹرزاےابیف فرگون اینڈ کو، جارٹرڈ ا کاونٹنٹس آنے والےاجلاس عام کے اختیام پرسبکدوش ہوجا کیں گے۔بورڈ آف ڈاریکرٹرز نے فیصلہ کیا ہے کہ PSO، جو کہ Parent Company ہے، سے مثابقت رکھتے ہوئے اور گونسنس کے اعلی معیار کو برقر ار رکھتے ہوئے اسی آ ڈے فرم کا تقرر ہوگا جس کو PSO کا بورڈ متعین کرے گا۔

قومی خزانے میں معاونت اور قدر میں اضافیہ

کمپنی یہ بتاتے ہوئے فخر محسوں کرتی ہے کہ وہ ملک کی ایک بٹری ٹیکس دہندہ ہے اور بالواسطہ اور بلاواسطہ ٹیکسوں کے واجبات سے بروقت عہدہ برآں ہوتی ہے۔ سال کے دوران کمپنی نے 42 بلین روپے (2019 میں 38 بلین روپے) قومی خزانے میں بالواسطہ اور بلاواسطہ ٹیکسوں کی مد میں جمع کروائے۔ اس کے علاوہ سال کے دوران Naphtha کی برآ مدات کے ذریعے کمپنی ملک میں 21.80 ملین ڈالر (2019 میں 59.02 ملین ڈالر) کا قیمتی زرمبادلہ لائی اور ملک کے توازن ادائیگی کے بوجھ کو کم کرنے میں معاونت کی۔

اہم کاروباری اور مالیاتی اعدادوشار

گزشتہ چیرسال کے اہم کاروباری اور مالیاتی اعدادوشار پرمشتمل ایک مختصر گوشوارہ اس رپورٹ کے صفحہ نمبر 48 پر درج ہے-

سال کے دوران بورڈ میں تبدیلیاں

سال کے دوران بورڈ میں قتی آ سامیوں کی وجہ سے مندرجہ ذیل تبدیلیاں پاکتان اسٹاک ایمیجینج میں رپورٹ ہو کیں۔

سبکدوش ہونے والے ڈائر یکٹران بمع تاریخ استعفی	نے آنے والے ڈائر یکٹران بمع تاریخ تقرری
ليتقوب ستار	تاره عذراداؤد
w.e.f December 2, 2019	W.e.f. February 10, 2020
امتیاز جلیل	سیرمحرط
w.e.f April 13, 2020	w.e.f April 22, 2020

بورڈ کی مدت 07 جون2020 کواختنام پذیر ہوگئ تھی تاہم 19-Covid کی وباء کی وجہ سے کمپنی کے رائٹ اجراء کے مل میں تاخیر ہوئی اور کمپنی نے رائٹ اجراء کے مل بشمول تصص کے استحقاق کو کلمل کرنے تک بورڈ آف ڈائر یکٹرز کے انتخابات کومؤخر کردیا کمپنیز ایکٹ 2017 کے تقاضول کے تحت SECP کو مطلع مجھی کردیا گیا ہے۔

بورڈ جناب یعقوب ستارصاحب اور جناب امتیاز جلیل صاحب کی معاونت کا اعتر اف کرتا ہے اور اپنی مدت کے دوران بورڈ کے افعال میں ان کی قابل قدر شرکت پران کامشکور ہے۔

بورڈ کی شکیل اور ذیلی کمیٹیوں کی تفصیلات اس رپورٹ کے صفحہ نمبر 14 سے 19 پر درج ہیں _

کمپنی اور (Collective Bargaining Agent (CBA) کے درمیان مضبوط کاروباری روابط موجود ہیں - جون 2019 میں ختم ہونے والے معاہدہ کے بعد دوسالہ معاہدہ برائے مدت جولائی 2019 تا جون 2021 پر گفت وشنید جاری ہے، جو کہ شکم تعلقات اور شعتی امن وہم آ ہنگی کا مُوثر ذریعہ ہے۔

ادارتی ساجی ذمهداری (CSR)

CSR اقدامات کا مقصد کمپنی کی معاشرتی فرمہ داریوں کا اداکرنا ہے جو کہ عمومی طور پر معاشر نے کے لئے اور خصوصی طور پر ریفائنزی کے قرب جوار میں رہنے والے لوگوں کیلئے ہوتی ہیں -اس سال CSR اخراجات میں 4.928 ملین روپے کی لاگت سے گور نمنٹ گرلزا پلیمیئٹری اسکول، بھٹائی کالونی کی تزئین و آرائش کروائی گئی - کمپنی اپنی معاونت کے ذریعے ان لڑکیوں کی زندگی میں بہتری لا ناچا ہتی ہے جن کا تعلیمی انتھاران اسکولوں پر ہے -

ادارتي نظم وضبط

کمپنی ادارتی نظم و ضبط کے اعلیٰ معیار برقر ارر کھنے کے لئے مستقل کوشاں ہے جس کے تحت کمپنی اپنے کاروبار کوڈ آف کار پوریٹ گورننس اور پاکستان اسٹاک ایجیجنج لمیٹڈ کے قوانین کے مطابق انجام دیتی ہے جس میں بورڈ آف ڈائر یکٹرز اورانظامیہ کا کر دار اوران کی ذمہ داریوں کا تعین کیا گیا ہے۔ مزید تصیلات کے لئے برائے مہر بانی لیٹٹر کمپنیز (کوڈ آف کار پوریٹ گورننس ریگولیشنز) کی پاسداری سے متعلق بیانیہ کا مطالعہ کریں۔

اندرونی مالیاتی اختیارات کے نظام کی موزونیت

بورڈ آف ڈائر کیٹرزمضبوط اندرونی مالیاتی اختیارات کے نظام کے قیام کے ذمہ دار ہیں۔ سوائے ان اختیارات کے جوخاص طور پر بورڈ کو کمپنیز ایکٹ 2017 کے تحت تفویض کئے گئے ہیں، بورڈ نے مینیجنگ ڈائر کیٹر کوخصوص مالیاتی اور انتظامی اختیارات استعمال کرنے کی اجازت دی ہے۔ اس کے علاوہ اندرونی آ ڈٹ فنکشن کے ذریعے بورڈ وقتاً فو قتاً ان مالیاتی اختیارات کی موزونیت کے متعلق اپ ڈیٹ لیتا ہے۔ رواں سال کے دوران ان اختیارات برکوئی شدیدیا قابل ذکر عدم موزونیت بورڈ کو پیش نہیں کی گئی۔

كمرشل اورسپلائی چین

ابوظہبی نیشنل آئل کمپنی (ADNOC) کے ساتھ ہونے والے یومیہ 24,000 سے 28,000 بیرل کے معاہدہ کے تحت میں کمپنی نے یومیہ ابوظہبی نیشنل آئل کمپنی اس وقت خام تیل کے ساتھ معاہدے کے 11,674 بیرل DAS خام تیل کے نئے معاہدے کے 11,674 بیرل DAS خام تیل کے نئے معاہدے کے کے کہ کہ کا آغاز کیم اکتوبر 2020 سے متوقع ہے اور اسی دوران ADNOC کے ذریعے ضرورت کی بنیاد یر DAS خام تیل خریدرہی ہے ۔

اس کے علاوہ کمپنی نے مکم اپریل 2019 ہے ARAMCO کے ساتھ 6,000 ہیرل یومیہ خام تیل درآ مدکرنے کا معاہدہ کیا ہوا ہے (ابتدائی طور پرایک سال کے علاوہ ریفائنزی نے گزشتہ مالیاتی سال کے دوران دوسر ہے خام تیل پرایک سال کے بعد خود بخو د تجدید ہوجائے گی) – اس کے علاوہ ریفائنزی نے گزشتہ مالیاتی سال کے دوران دوسر ہے خام تیل پرایک SLEB اور کویت پیٹرولیم کارپوریشن (KPC) کے ما بعین معاہدہ کوختی شکل دینے کاعمل بھی جاری ہے ۔

آ پریشنز

کمپنی نے پلانٹ فیڈ میں کم سلفر کے حامل مختلف خام تیل کو متعارف کراتے ہوئے ماحول دوست ایندھن کی پیداوار کے لئے اپنی کوششیں جاری رکھی ہیں۔ جس کا بنیا دی مقصد EURO-II معیار کے HSD اور انتہائی کم سلفر (IMO گریڈ) کے فیول آئل کی پیداوار ہے۔ کمپنی نے ابتدائی طور پر تکنیکی اور معاثی کیا ظ سے مختلف خام تیلوں کا تجزیہ کیا اور کم سلفر کے حامل خام تیل کو منتخب کیا اور پیدواری عمل میں استعمال کیا اور ڈاؤن اسٹریم یونٹوں میں کم سے کم تبدیلی کرکے MS کی پیداوار اور middle distillates کی پیداوار کو بڑھایا۔ مزید برآں ان حکمت عملیوں سے کم تبدیلی کر کے MS کی ترسیل کرنے کبھی قابل ہوگئ ۔

دسمبر 2019 کے دوران تقریباً تمام اہم مشینوں اور آلات کی اوور ہالنگ کی گئ - مزید برآں پلیٹ فارمر، ہائیڈروٹریٹر اور آئیسومرائزیشن کے رکی ایکٹرز کے پرانے کیٹیلسٹ کی جگہ اعلیٰ پیداوار اور رکی ایکٹرز کے پرانے کیٹیلسٹ کی جگہ اعلیٰ پیداوار اور پائیڈرو ٹریٹر پوٹس کے رکی ایکٹرز کے پرانے کیٹیلسٹ کی جگہ اعلیٰ پیداوار اور پائیدارکارکردگی کے حامل کیٹیلسٹ متعارف کرائے گئے۔

انساني وسائل صنعتى تعلقات

کمپنی کی توجہا پنے مجموعی کاروباری مقاصد کے حصول میں معاونت پر مرکوز ہے۔لہذا تمام شعبہ جات، کمپنی کے لیل اورطویل مدتی مقاصد کے حصول میں معاون ہیں۔

قانونی تقاضوں برعملدرآ مد

کمپنی نے مکمل طور پر ماحولیاتی انتظامی منصوبے (EMP)-Environmental Management Plan کی پاسداری کی ہے جس میں سندھ انوائر منیٹل کوالٹی اسٹینڈ رڈز (SEQS) کے مقرر کر دہ تمام احداف کے اندر رہتے ہونے نتائج حاصل کئے گئے۔ جون 2020 میں سندھ انوائر ومینٹل پر وٹیکشن ایجنسی (SEPA) نے کمپنی کے کیاڑی ٹرمینل سے متعلق مجوز ه EMP کی درخواست کو تمام قانونی تقاضوں کے پوراہونے پر NOC جاری گی۔

تيسر بے فريق كى تصديقى اسنادكى ياسدارى

عالمی سطح پر OHSAS 1800:2007 کی جگہ OHSAS 1800:2018 (معیار برائے پیشہ جاتی صحت و تحفظ) نے لے لی ہے۔ اکتوبر 2020 میں آنے والے ISO آڈٹ کی پنجمیل کے بعد کمپنی موجودہ OHSAS 18001سے منتقل ہوکر نئے معیار کی certification حاصل کرلے گی۔

ريفائنرى اپگريڈ پروجيك

کمپنی نے ایک مفصل آپ گریڈ پر وجیکٹ وضع کیا ہے جس سے وہ خصرف موجودہ مقررہ معیار بلکہ اس سے بڑھ کر معیاری ریفائنری مصنوعات کی پیداوار شامل ہوگی – اس کے ساتھ یہ پر وجیکٹ کی پیداوار شامل ہوگی – اس کے ساتھ یہ پر وجیکٹ ریفائنری کی سادہ حیثیت کو تبدیل کر کے ایک کمپلیس ریفائنری بنادے گا، جس سے فیول آئل کی پیداوار میں قابل ذکر کمی ہوگی اور اسے MS میں تبدیل کر کے ایک کمپلیکس ریفائنری بنادے گا، جس سے فیول آئل کی پیداوار میں قابل ذکر کمی ہوگی اور اسے MS

گزشتہ سال کمپنی نے ایک پروجیک مینجمنٹ کنسلٹنٹ (PMC) اور EPC کنٹر میکٹر کی خدمات حاصل کرنے پرکام شروع کیا جن کے پاس پروجیکٹ کے لئے فرنٹ اینڈ انجینئر نگ ڈیز ائن (FEED) اورانجینئر نگ، پروکیورمنٹ اینڈ کنسٹرکشن (EPC) کی مشتر کے صلاحیت ہو-تا ہم وہاء اور عالمی معاشی سست روی کی وجہ سے بیکام روک دیا گیا۔ حال ہی میں کمپنی نے ایسی کچھ کمپنیوں سے دوبارہ روابط شروع کردیتے ہیں۔

پوسٹ ایمیلائمنٹ بینیفٹ فنڈ ز کی سر مایہ کاری کی مالیت

یرویڈنٹ فنڈ ،گریجو بٹی اور پنشن فنڈ ز کے غیر آ ڈٹشدہ مالیاتی گوشواروں برائے 30 جون2020 کے مطابق سرماییکاری کی مالیت درج ذیل ہے: (روید 'ہزارول' میں)

ؠڔۅۅؠ <i>ؿڔٝنٹ فن</i> ڒ	443,791
گریجو بیٹی فنڈ - مینجمنه شاف	166,645
گريجو پڻي فنڌ - نان مينجمنٹ اساف	99,985
ىپىشن فن _ى ڙ - مىنىجىنىڭ اسلاف	1,196,805
ينبشن فندُّ - نان مينجمني اسٹا ف	135,402

صحت، تحفظ، ماحول اورمعيار (HSEQ)

کمپنی Goal-Zero incident کے اصول بر کام کرتی ہے اور جون 2020 تک اس نے کسی حادثے کے بغیر 7.7 ملین گھنٹے کلمل کئے۔ اس سال کمپنی نے کامیابی اور تحفظ کے ساتھ 1.0 ملین گھنٹوں کے ساتھ 36 دنوں کا Turnaround مکمل کیا جو کتی کے ساتھ حفاظتی طریقہ کاریم مل کام کی تکیل کے لئے باریک بنی سے نگرانی اور شلسل کے ساتھ کام کے طریقوں میں بہتری سے مکن ہوا۔

كوروناوائرس كى وباء (Covid-19)

کوروناوائرس کی وباصحت کا ایک عالمی بحران ہے اور حالیہ زمانے کا بہت بڑا چیلنج ہے۔ کمپنی نے محفوظ کاروباری کام کے لئے عالمی اداروں اور حکومت یا کشان کے رہنمااصولوں اور SOPs کواختیار کیا -اس سلسلے میں مندرجہ ذیل بڑے اقدامات کئے گئے:

- وماء سے متعلق برنس کنٹیونٹی ملان (BCP) کی موجودگی
- کاروبارکرنے کے لئے حکومت سندھ کی SOPs کا نفاذ
 - کام کی جگہوں پر OSHA کے رہنمااصولوں کا نفاذ
- عملہ کو کم کیا گیااور گھر سے کام کرنے کی حوصلہ افزائی کی گئی
- ٹیلی کام/ بصری میٹنگز کی ریفائنزی کے اندراور بیفائنزی کے باہر حوصلہ افزائی کی جارہی ہے



ادارتی اور مالیاتی ریورٹنگ فریم ورک

- کمپنی کے مالیاتی گوشوارےا نظامیہ نے تیار کئے ہیں جس میں کمپنی کے معاملات،اس کے کارباری نتائج، کیش فلوز اورا یکویٹی میں تبدیلیوں کو پیش کیا گیاہے۔
 - کمپنیزا یکٹ2017 کے تحت گوشواروں کی با قاعدہ کتابیں رکھی ہیں۔
- کمپنی نے اپنے مالیاتی گوشواروں کی تیاری میں متواتر اور مناسب ا کاؤنٹنگ یالیسیوں بڑمل درآ مدکیا ہے۔ ا کاؤنٹنگ یالیسیوں میں تبدیلیاں،اگرکہیں کی گئی ہیں تو انہیں مناسب طریقے سے مالیاتی گوشواروں میں واضح کیا گیا ہے۔ا کاؤنٹنگ کے تمسینے احتیاط سے اور موز وں اندازے کی بنیاد برلگائے گئے ہیں۔
- بین الاقوامی فنانشل رپوٹنگ اسٹینڈ رڈ زجو کہ پاکستان میں لا گو ہیں، مالیاتی گوشواروں کی تیاری میں ان برعمل درآ مدکیا گیا ہے اور اگرکوئی انحراف ہے تواسے با قاعدہ واضح کیا گیا ہے۔
 - سمینی کامؤثر اندرونی ضابطہ کانظام موجود ہےاوراس پرمسلسل عمل درآ مداورنگرانی جاری رہتی ہے۔
 - کمپنی کے کام جاری رکھنے کی صلاحیت میں کوئی قابل ذکر شبہات نہیں ہے۔

كريڈٹ ریٹنگ

رواں سال پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے نمپنی کی کریڈٹ ریٹنگ کا دوبارہ جائزہ لیا، جس میں نمپنی نے اپنی گزشتہ کریڈٹ ریٹنگ برقر اررکھی لیخی طویل مدتی اینٹٹی ریٹنگ'-A' (سنگل اے مائنس)اوقلیل مدتی اینٹٹی ریٹنگ'A2' (سنگل اےٹو)۔ 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 ادائیکیوں کی مضبوط صلاحیت رکھتی ہے۔

بینک کے قرضوں بر کمپنی کا انحصار ہونے کی وجہ سے اسے شرح سوداور قرضہ جات کی تنینخ کے خطرات لاحق رہتے ہیں۔ SBP کی جانب سے پالیسی زخوں میں اضافہ سے مالیاتی لاگت بڑھ جاتی ہے اور کمپنی کے نتائج برمنفی اثر ات مرتب ہوتے ہیں۔مزید برآ ں بینکنگ کی کسی بڑی قرضے کی سہولت کی واپسی سے قرضہ جاتی خطرہ بڑھ جاتا ہے۔

مستقبل کے امکانات اور خطرات کو کم کرنے کے اقدامات

جیسا کہاویر بیان کیا گیا ہے کہ کمپنی نے اپنی کاروباری فلفے کی تجدیدی ہےاور نئے مواقع کی تلاش جاری ہے کہ ریفائنری کومنافع بخش بنانے کے لئے بہتر شرح منافع کی حامل مصنوعات کی پیداواری صلاحیت حاصل کی جائے -اس سلسلے میں تمپینی مختلف سیلائرز سے موزوں خام تیل کی سپلائی کے اہتمام کے لئے رابطہ میں ہے جس سے نہ صرف اعلی معیاری مصنوعات بشمول EURO II معیار کے مطابق HSD کی پیداوار ہوگی جس کا تذکرہ گزشتہ پیرا گراف میں کیا گیا بلکہ ان منافع بخش مصنوعات کی زائد پیداوار کے ذریعے یائیدار منافع کویقینی بنایا جائے گا۔

مزید برآں، کمپنی نے طویل مدتی قرضوں کومؤخر کروالیا ہے جس کی وضاحت مالیاتی گوشواروں کے نوٹ 17.2 میں کی گئی ہے جس سے کمپنی کو سر مائے کی فراہمی کے انتظام میں مدد ملے گی-اس کے علاوہ سال کے اختتام کے بعد تنجیل شدہ رائٹ اجراء سے حاصل ہونے والی رقم سے لیل مدتی قرضوں پرانحصار کم ہوجائے گااور آنے والےسال میں مالیاتی اخراجات میں کمی آئے گی-

کمپنی کا سازگار Cash Flow Cycle مالیاتی اداروں کو یقین دہانی فراہم کرتا ہے کہ وہ کمپنی کے ساتھ اپنا تعاون جاری رکھیں۔سال کے دوران کمپنی کی جاری سرماییکاری سہولت 8.55 بلین رویے سے بڑھ کر 9.45 بلین رویے ہوگئی -اس کے علاوہ کمپنی کو مختلف بینکوں سے 7 بلین رویے کی invoice ڈسکاڈنٹنگ کی ہولیات بھی حاصل ہیں-ان ہولیات سے مالیاتی اداروں کا کمپنی کی ادائیگی کی صلاحیت پراعتماد ظاہر ہوتا ہےاور کمپنی کواس سلسلے میں ان کا تعاون حاصل ہے-

منافعمنقسمه

چونکہ کمپنی کوسال ختم شدہ 30 جون 2020 میں بعداز ٹیکس خسارہ ہوا ہے،لہذا ڈائر بکٹران نے اس سال کوئی منافع منقسمہ مختص نہ کرنے کا فیصلہ کیا ہے۔

- سال کے دوران IFRS 16' کیز ز'' کمپنی پر لا گوہوگیا۔ IFRS 16 نے اکاؤنٹنگ برائے لیز کی رہنمائی کے لئے بشمول سابقہ IAS 17 ''لیزز''اور ملحقة تشریحات کی جبالہ لے لی ہے۔ IFRS 16 نے بیلنس شیٹ میں لیز کنندہ کے ساتھ ہونے والی لیز کے لئے ا کا وُنٹنگ ماڈل متعارف کروایا ہے۔ ایک لیز کنندہ مٰدکورہ right-of-use asset ہے متعلق اپنے اختیارات اور لیز کے واجہات کو ریکارڈ کرے گا– IFRS16 اختیار کرنے پر کمپنی نے right-of-use asset اور اس کے متعلقہ واجبات برقم 178.985 ملین رویے کور یکارڈ کیا ہے (جسے مالیاتی گوشواروں کے نوٹ نمبر 3 میں بیان کیا گیا ہے) جو کہ کراجی پورٹ ٹرسٹ سے لیز کی گئی زمین کے کرائے کی بابت ہے جسے IAS-17 کے تحت کیم جولائی 2019 تک کوآپریٹینگ لیز کے تحت رکھا جاتا تھا-
- سال اختتام شدہ 30 جون2020 میں کمپنی کو 7.59 بلین رویے کے مالیاتی خسارے کے ساتھ کمپنی کی مالیاتی پوزیش پراٹرات کو مدنظرر کھتے ہوئے کمپنی کے بیرونی آڈیٹرز نے going concern سے متعلق غیریقینی صورت حال سے متعلق توجہ دلاؤ پیرا گراف ا بنی آ ڈٹ رپورٹ میں شامل کیا ہے۔

بنيادي خطرات اورغيريقيني حالات

- ریفائنری حکومت یا کتان کے طے کردہ یالیسی فریم ورک کے تحت کا م کرتی ہے۔ مزید برآں مخصوص مصنوعات کی قیمتوں کا تعین /ان کی نگرانی وزارت توانائی (MoE) کرتی ہے جس کی بنیاد درآ مدی مساواتی قیمت ہوتی ہے۔ خام تیل اورصاف شدہ پیٹرولیم مصنوعات کی عالمی قیت میں تبدیلیاں اور MoE کے مقامی قیت کے میکا نزم سے کمپنی کے نتائج پر قابل ذکراٹرات مرتب ہوسکتے ہیں-
- ریفائنری کی مصنوعات کی تصریحات حکومت وضع کرتی ہے اور ریفائنری کے لئے لازمی ہوتا ہے کہ وہ ان تصریحات کی پاسداری کرے۔ان تصریحات میں کسی بھی تنبدیلی کے لئے ریفائنزی کے لئے ضروری ہوتا ہے کہ وہ پیداواری صلاحیتوں میں تبدیلی کرے جس کے نتیجے میں کمپنی کے نتائج پر ناموافق اثرات مرتب ہوسکتے ہیں۔ جبیبا کہ سابقہ پیرا گراف میں بیان کیا گیاہے کہ کپنی نے EURO-II معیار کے HSD کی پیداوار کے لئے DHDS کی تنصیب نہیں کی ہے۔ سال کے اختیام کے بعد کمپنی نے ترمیم شدہ پیداواری فلنفے کے ذریعےEURO-II معیار کی HSD کی پیداوار کی لیکن ترجیجی خام تیل کی عدم دستیابی کی وجہ سے اس معیار کے HSD کی پیداوار نہ ہونے کا خطرہ ہے جس کی وجہ سے HSD کی قیمت میں بھی کمی ہوجائے گی اور کمپنی کے نتائج پر منفی اثرات مرتب ہونے کے امکانات ہیں -

- 30 جون 2020 کو کمپنی کا جمع شدہ خسارہ 18.36 بلین رویے ہو گیا جو کہ گزشتہ سال 10.67 بلین رویے تھا اوراس کے رواں واجبات اس کے رواں اثاثوں سے 16.84 بلین روپے (2019 میں 10.89 بلین روپے) بڑھ گئے۔ سال کے اختیام بر ممپنی کے پاس منفی cash and cash equivalents کا حجم 10.19 بلین رویے(2019 میں 14.05 بلین رویے) تھا-
- حکومت پاکستان کی اکنا مک کوآرڈ ینیشن کمیٹی (ECC) نے کم مارچ2020 سے نافذالعمل پیٹرولیم مصنوعات کی قیمتوں کے قین کا ترمیم شدہ نظام منظور کیا جس کے نتیج میں کمپنی خام تیل کی درآ مدات پر زرمبادلہ برہونے والے نقصان کے پچھ حصہ کو MS اور HSD کی قیمت کے تحت وصول کر سکے گی – اس سے کسی حد تک زرمبادلہ پر ہونے والے نقصان کے خطرہ کا ازالہ ہوجائے گا جس کا کمپنی کوسامناہے۔ بیزظام جون2020سے نافذ العمل ہے اور تو تع ہے کہ آنے والے وقت میں ریفائنریوں کواس سے فائدہ ہوگا۔ اس مدت کے دوران پیٹرولیم مصنوعات کی قیمتیں مسلسل تنزلی کا شکار رہیں اور Covid-19کے اثرات شروع ہونے کے بعد

مزید تیزی سے گرکئیں - جس کی وجہ سے سال کے دوران مینی کو بڑے بیانے پر Inventory Losses ہوئے -

- وزارت توانائی کے 27 مارچ 2013 کو جاری کردہ یالیسی فریم ورک کے مطابق تمام ریفائنری پر جیکٹس کوای گریڈاور توسیع کرنا ضروری تھاجس کے تحت ریفائنریوں کے لئے لازمی تھا کہوہ 30 جون 2017 تک ڈیزل ہائیڈروڈی سلفرائزیشن یونٹ (DHDS) کی تنصیب کرس تا کہ EURO-II کے معیار کے مطابق ہائی اسپیڈڈیزل (HSD) کی پیداوار کی جاسکے اور عمل نہ کرنے پرامپورٹ پیرٹی برائسنگ (IPP) کے فارمولے کے تحت سلفر کے زیادہ اجزاء کی بنیاد برریفائنزی کی HSD کی قیمت کوکم/ درست کیا جائے گا-کمپنی اب تک DHDS یونٹ قائم نہ کرسکی ہے لہذا HSD کی قیمتوں میں کمی کی وجہ سے کمپنی کوسال کے دوران 1.03 بلین رویے (2019 میں 1.15 بلین رویے) کا خسارہ ہوا۔
- کمپنی نے مالیاتی کارکردگی کوفعال رکھنے کے انتظام کے لئے سخت اقدامات کئے ہیں کیونکہ کمپنی نقصانات کی وجہ سے دہاؤ میں ہے۔ کمپنی کی جاری سر ماہدکاری اور قلیل مدتی قرضہ کی سہولیات بڑھ کر 16.45 بلین رویے ہوگئیں جو کہ گزشتہ سال15.5 بلین رویے تھیں۔ مزید برآں سال کے دوران اسٹیٹ بینک آف یا کتان نےCovid-19 کی وباء کے دوران صنعتی شعبے کو سہولت فراہم کرنے کے لئے طویل مدتی قرضوں کی اصل قم کی ادائیگی کومؤ خرکرنے کی ہدایات جاری کیں۔ کمپنی نے ان سہولیات سے استفادہ کیا اور 4.1 بلین رویے کے طویل مدتی قرضوں کوایک سال کے لئے مؤخر کرالیا – اس کے علاوہ اسٹیٹ بینک آف نے اس سہولت سے بھی استفادہ کیا اور کم شرح سودیر 30 جون 2020 تک 132 ملین رویے کا قرضہ حاصل کرلیا۔

- ہائی اوکٹین پٹیرول یعنی MS 97 اور 97 MS جو کہاعلی درجہ کی مصنوعات ہیں ، کی مستقل بنیا دوں پرییداوار کے نتیجے میں سال کے دوران اضافی آیدنی حاصل ہوئی۔
- خام تیل کے مکس میں تنبد ملی واقع ہوئی اورمشرق وسطیٰ کے ساتھ دیگر ذرائع سے نئے خام تیل کومتعارف کرایا گیا- ماضی میں کمپنی صرف منتف شدہ خام تیل کے گریڈمشرق وسطنی سے خریدتی تھی۔اس تبدیلی سے کمپنی کم سلفری حامل میرین ریزیڈول فیول (MRF) کو یا کستان میں پیدا کرنے والی پہلی ریفائنری بن گئ جو کہ انٹریشنل میری ٹائم آ رگنا ئزیشن (IMO) کے ضابطوں کے مطابق ہے۔ یہ ضا لطے کیم جنوری2020 سے مؤثر ہو چکے ہیں- مزید برآ ک کمپنی نے سال ختم ہونے کے بعد کسی سر مایہ کاری کے بغیر EURO II معیار کے مطابق HSD بھی تیار کیا - نمپنی ان مصنوعات کی مستقل بنیادیر پیداوار کے لئے خام تیل کے متعلقہ سپلائرز کے ساتھ طویل مدتی معاہدات کا جائزہ لے رہی ہے۔

کمپنی کےمعاملات براثر انداز ہونے والےمندرجہ بالا پیرا گرف میں بیان کر دہ عناصر کےعلاوہ دیگر قابل ذکرعوامل درج ذیل ہیں:

- پاکستان اسٹیٹ آئل کمپنی لمیٹٹر (PSO) نے شیل پیٹر ولیم کمپنی لمیٹٹر ، بو کے (شیل) کے 10.5 ملین کلاس B شیئر ز اور شیورون گلوبل انر جی انکار پوریٹڈ (شیورون) کے 2.625 ملین کلاس B شیئر ز حاصل کر لئے۔ اس کے علاوہ PSO نے مزید 21 ملین کلاس B شیئر حاصل کئے جس پرکورٹ کا Injunction order تھا (بحوالہ مالیاتی گوشواروں کا نوٹ 14.3) - جس کے منتجے میں PSO کی شیئر ہولڈنگ 30 جون2020 کو 52.68 فیصدسے بڑھ کر 60 فیصد ہوگئ
- بوردٌ آف ڈائر کیٹرز نے اپنے اجلاس مورخہ 10 فروری 2020 میں ایک رائٹ اجراء کا اعلان کیا جس کی قیمت-/10 رویے فی شیئر تھی اور جوایک شیئر پرایک رائٹ شیئر کے تناسب سے تھا- اجراء کا کل حجم 3.15 بلین رویے تھا- Covid-19 سے پیدا شدہ مشکل صورتحال میں رائٹ حصص اجراء کی تنجیل میں سہولت کے لئے PSO نے ذمہ داری لی کہ کلاس A شیئر ز کے رائٹ (یعنی کل رائٹ اجراء کا 40 فیصد) میں سے unsubcribe رائٹ ثبیئر زکو PSO خرید لے گی-سیکیوریٹیز اینڈ ایمپینج نمیش آف یا کستان (SECP) نے اس پیشکش کوقبول کیا،جس کے نتیجے میں مذکورہ رائٹ اجراء کے لئے underwriting کی ضرورت ختم ہوگئی۔ نتیجاً سال کے اختیام کے بعد PSO نے 22.46 ملین un subcribed کلاس A شیئر زکی ادا کیکی کر دی اوراس طرح اس کی شیئر ہولڈنگ 60 فيصد سے بڑھ کر 63.56 فيصد ہوگئے-

ڈائز یکٹران کی رپورٹ

آپ کی کمپنی کے ڈائز یکٹران کی سالا نہ رپورٹ کے ساتھ آ ڈٹ شدہ مالیاتی گوشوارے برائے سال 30 جون 2020 پیش خدمت ہیں۔

مالياتی نتائج

2019	2020
زاروں میں)	(روپے ټ
(5,821,123)	(7,590,726)
5,267,809	1,781,089
(553,314)	(5,809,637)
(Re-stated)	
Rs. (13.68)	Rs.(17.74)
	-

مالیاتی سال30 جون2020 کی دوسری ششاہی میں خلاف معمول صورت حال کی وجہ سے میں دنیا کے تمام ملکوں نے تمام سرگرمیوں پر یابندی سمیت Covid-19 کوقا بوکرنے کے لئے مشکل فیصلے کئے – معاشی چیلنجز کی وجہ سے پیڑ ولیم مصنوعات کی عالمی طلب میں شدید کی پیدا ہوئی جس کے نتیجے میں ان کی قیتنیں تیزی سے گر گئیں۔ جس کی وجہ سے تیل کے شعبے بشمول کمپنی کوکثیر Inventory Losses کا سامنا کرنا پڑا مزید برآں ریفائنگ مار جنز بھی سال کے دوران دباؤ کا شکاررہے۔

کمپنی کےمعاملات اوران کا جائزہ

مندرجہ بالاتمام منفی اثرات پر قابویا نے کے لئے سال کے دوران کمپنی نے اپنے کاروباری فلسفے اور منصوبہ بندی کوتبدیل کیا جس کے بغیرسال کا خساره مزید برط ه جاتا - نئی منصوبه بندی کے تحت، جس سے مستقبل کے نتائج پر بھی مثبت اثر ات متوقع ہیں، مندرجہ ذیل اقدامات شامل ہیں:

- خام تیل کے تبدیل شدہ کمس اور مصنوعات کے بہتر مرکب کے لئے پیداواری گنجائش کو 60 فیصد تک کم کیا گیا جس سے فرنس آئل کی پیداوار کم کر کے middle distillates یعنی ہائی اسپیڈ ڈیزل (HSD) اور موٹر اسپرٹ (MS / پیٹرول) کی پیداوار میں اضافہ کیا گیا-
 - MS 92 RON کے بچائے MS 92 RON کی تواتر کے ساتھ پیداوار سے RON کا فرق سرکاری خزانے میں جمع ہونے سے محفوظ ريا–

KEY OPERATIONAL AND FINANCIAL DATA

SIX YEARS SUMMARY

		2020	2019	2018	2017	2016	2015
Profit and loss							
Revenue from contracts with customers Gross profit / (loss) Operating profit / (loss) Profit / (loss) before tax Forfit / (loss) after tax Earnings / (loss) before interest, taxes, depreciation	Rs. /mn Rs. /mn Rs. /mn Rs. /mn Rs. /mn	90,524 (4,368) (4,913) (6,905) (7,591)	115,741 (3,174) (3,789) (5,245) (5,821)	92,229 1,045 1,422 829 504	69,998 2,579 2,034 1,441 1,060	64,733 1,990 1,390 487 283	91,175 (677) (984) (1,673) (1,182)
and amortisation	Rs. /mn	(3,938)	(2,903)	2,230	2,891	2,217	(610)
Financial position							
Share Capital Subscription money againts right issue Reserves Fixed assets and Intangible assets Net current assets / (liabilities) Long term / deferred liabilities	Rs. /mn Rs. /mn Rs. /mn Rs. /mn Rs. /mn	3,150 1,943 (5,268) 21,371 (16,840) 4,828	2,940 - 569 18,975 (10,895) 4,680	2,940 - 1,123 13,447 (4,452) 5,057	2,940 - 161 12,253 (7,364) 1,925	2,940 (773) 12,109 (8,046) 2,261	350 2,590 (1,155) 12,118 (8,769) 2,138
Investor Information							
Gross profit ratio Net profit ratio EBITDA margin Cash flow from operations to sales	% % % %	(4.83) (8.39) (4.35) 2.51	(2.74) (5.03) (2.51) (5.80)	1.13 0.55 2.42 (0.49)	3.68 1.51 4.13 6.22	3.07 0.44 3.43 (1.66)	(0.74) (1.30) (0.67) (0.06)
Inventory turnover Debtor turnover Operating cycle Debtor turnover Creditor turnover Inventory turnover Total assets turnover ratio Fixed assets turnover ratio	Days Days Days Times Times Times Times Times Times	34 23 13 15.62 8.20 10.90 2.55 4.24	25 23 15 14.97 10.95 13.77 2.70 6.10	29 16 8 21.95 9.70 12.73 3.02 6.86	32 16 3 21.26 7.98 11.30 2.70 5.71	31 19 (18) 18.37 5.33 11.83 2.61 5.35	30 22 (20) 15.90 5.07 12.09 2.96 7.52
Market value per share at the end of the year Market value per share - high during the year Market value per share - low during the year Breakup value per share Earnings / (loss) per share (Restated) Price earning ratio Cash dividend per share Dividend yield Dividend pay out Dividend Cover (Restated)	Rs. Rs. Rs. Rs Times Rs. % Times	11.41 28.13 9.50 - (17.74) * - -	16.16 44.48 14.27 11.94 (13.68) *	34.71 58.97 32.26 13.82 1.64 21.16	53.26 81.45 40.13 10.55 3.45 15.44	41.18 62.13 35.47 7.37 0.93 44.28 0.31 0.75 33.33 3.11	60.93 195.68 137.28 50.99 (5.42) *
Interest cover ratio	Times	(2.46)	(2.63)	2.52	3.57	1.56	(1.27)
Current ratio Quick ratio / acid test ratio	Ratio Ratio	0.45:1 0.19:1	0.69:1 0.41:1	0.79:1 0.40:1	0.65:1 0.30:1	0.60:1 0.30:1	0.67:1 0.34:1
Summary of cash flow statement							
Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities Net cash flows during the year	Rs. /mn Rs. /mn Rs. /mn Rs. /mn	3,306 (1,283) 1,832 3,855	(8,889) (1,135) (629) (10,654)	(456) (1,469) 3,095 1,171	4,353 (1,125) (5,020) (1,792)	(1,072) (520) 2,941 1,350	(56) (4,616) (1,789) (6,461)

^{*} Not applicable due to loss.

HORIZONTAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2020	2019	2018	2017	2016	2015
Revenue from contracts with customers	63.7	81.4	64.9	49.2	45.5	64.1
Cost of sales	(66.4)	(83.2)	(63.8)	(47.2)	(43.9)	(64.3)
Gross profit / (loss)	(617.0)	(448.4)	147.6	364.4	281.1	(95.6)
Distribution cost	(104.3)	(126.6)	(101.8)	(96.8)	(86.3)	(107.7)
Administrative expenses	(208.1)	(219.7)	(175.9)	(157.9)	(128.5)	(119.1)
Loss allowance on trade receivables	-	(100.0)	-	-	-	-
Other operating expenses	(971.3)	(536.3)	(2,806.5)	(11,146.2)	(17,616.3)	(362.1)
Other income	47.1	76.8	313.5	140.4	182.6	53.2
Operating profit / (loss)	(627.5)	(483.9)	181.6	259.8	177.5	(125.7)
Finance costs	(2,294.6)	(1,659.3)	(680.0)	(694.4)	(1,045.3)	(812.8)
Share of income of associate	24.2	(103.9)	(11.9)	78.9	39.6	133.8
Profit / (loss) before taxation	(806.2)	(612.4)	96.8	168.2	56.8	(195.3)
Taxation	(9,240.2)	(7,763.0)	(4,380.1)	(5,129.4)	(2,739.0)	6,621.6
Profit / (loss) after taxation	(878.6)	(673.8)	58.3	122.7	32.8	(136.8)

Note: 2014 has been used as base year

VERTICAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (AS A PERCENTAGE OF SALES)

	2020	2019	2018	2017	2016	2015
Revenue from contracts with customers	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(104.8)	(102.7)	(98.9)	(96.3)	(96.9)	(100.7)
Gross profit / (loss)	(4.8)	(2.7)	1.1	3.7	3.1	(0.7)
Distribution cost	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)
Administrative expenses	(0.5)	(0.4)	(0.4)	(0.5)	(0.4)	(0.3)
Loss allowance on trade receivables	-	(0.1)	-	-	-	-
Other operating expenses	(0.1)	-	(0.1)	(0.7)	(1.2)	(0.1)
Other income	0.2	0.2	1.2	0.7	1.0	0.2
Operating profit / (loss)	(5.4)	(3.3)	1.6	2.9	2.2	(1.1)
Finance costs	(2.2)	(1.2)	(0.6)	(0.9)	(1.4)	(0.8)
Share of income of associate	-	-	(0.1)	0.1	-	-
Profit / (loss) before taxation	(7.6)	(4.5)	0.9	2.1	0.8	(1.9)
Taxation	(0.8)	(0.5)	(0.4)	(0.5)	(0.3)	0.6
Profit / (loss) after taxation	(8.4)	(5.0)	0.5	1.6	0.5	(1.3)

HORIZONTAL ANALYSIS OF BALANCE SHEET

	2020	2019	2018	2017	2016	2015
ASSETS						
Non-current assets						
Property, plant and equipment and intangibles	286.3 100.0	256.2	181.5	165.4	163.5	163.6
Right-of-use asset Investment in associate Long-term deposits Deferred taxation	72.7 47.9	69.1 54.1	79.6 54.1	93.6 48.3	95.2 50.2 55.5	101.9 48.1 100.0
Employee benefit prepayments	112.1	65.3	89.0	100.0	-	-
Total non-current assets	284.6	252.7	179.7	164.1	165.2	168.1
Current assets						
Inventories Trade receivables Trade deposits, loans, advances and short-term prepayments Other receivables Taxation - payments less provision Cash and bank balances	80.2 42.7 108.8 10.7 22.2 95.7	95.1 153.7 400.0 904.1 44.3 11.1	78.8 84.6 125.5 1,015.8 160.3 25.1	65.4 52.1 106.2 1,649.5 214.3 31.1	54.7 60.7 308.5 156.5 223.2 25.6	57.7 72.6 108.7 4,091.1 197.3 123.0
Total current assets	65.6	111.8	79.6	63.6	57.8	84.8
Total assets	122.9	148.7	105.8	89.9	85.9	106.6
EQUITY AND LIABILITIES						
EQUITY						
Share capital Subscription money against rights issue Accumulated losses Other reserve Special reserve Revaluation surplus on property, plant and equipment	900.0 75.0 527.0 21.0 490.8 338.1	840.0 - 306.1 16.8 490.8 281.7	840.0 - 138.2 (21.9) 490.8 121.2	840.0 - 136.2 24.3 354.9 106.1	840.0 - 136.4 36.0 121.0 106.1	100.0 100.0 139.3 42.1 100.0 100.0
Total equity	(30.7)	617.0	714.3	545.3	381.1	313.8
LIABILITIES						
Non-current liabilities						
Long-term borrowing	210.8	215.0	235.0	80.0	100.0	100.0
Long-term lease liability Employee benefit obligations Deferred tax liabilities Unearned income	100.0 763.0 42.5	621.9 57.0	581.1 59.0	508.1 80.2 33.3	409.2	234.6
Total non-current liabilities	5,862.1	5,683.1	6,140.0	2,337.7	2,746.0	2,596.6
Current liabilities						
Trade and other payables Borrowings Unearned revenue Current portion of long-term lease liability Unclaimed dividend	91.5 149.5 100.0 100.0 41.0	101.3 174.5 - - 44.9	85.0 54.8 - - 45.1	75.7 70.7 - - 45.2	59.7 101.6 - - 43.7	89.8 108.1 - - 44.1
Total current liabilities	109.3	123.1	75.9	74.1	72.2	95.2
Total liabilities	126.0	139.3	93.6	80.7	80.0	102.5
Total equity and liabilities	122.9	148.7	105.8	89.9	85.9	106.6

Note: 2014 has been used as base year.

VERTICAL ANALYSIS OF BALANCE SHEET (AS A PRECENTAGE OF TOTAL ASSETS)

	0000	2012	0010			
ASSETS	2020	2019	2018	2017	2016	2015
Non-current assets						
Property, plant and equipment and intangibles	59.8 0.5	44.3	44.1	47.3	48.9	39.4
Right-of-use asset Investment accounted for using the equity method	0.5	0.1	0.2	0.3	0.3 0.1	0.3
Long-term deposits and loans Deferred taxation	0.1 0.1	0.1	0.1	0.1	1.0	0.1 1.5
Employee benefit prepayments Total non-current assets	60.7	44.5	0.1 44.5	0.1 47.8	50.4	41.3
	00.7	44.5	44.5	47.0	30.4	41.3
Current assets						
Inventories Trade receivables	22.5 10.3	22.0 30.8	25.7 23.8	25.1 17.2	21.9 21.0	18.6 20.3
Trade deposits, loans, advances and short-term pre - payments Other receivables	0.1	0.4 1.3	0.2 2.0	0.2 3.9	0.6 0.4	0.2 8.1
Taxation - payments less provisions Cash and bank balances	0.2 6.2	0.4 0.6	2.0 1.9	3.1 2.7	3.4 2.4	2.4 9.2
Total current assets	39.3	55.5	55.5	52.2	49.6	58.7
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
EQUITY AND LIABILITIES						
EQUITY						
Share capital Subscription money against rights issue	8.9 5.5	6.9	9.6	11.3	11.9	1.1 8.4
Special reserve	5.5	4.5	6.4	5.4	1.9	1.3
Accumulated losses Revaluation surplus on property, plant and equipment	(51.8) 31.4	(24.9) 21.7	(15.8) 13.1	(18.3) 13.5	(19.2) 14.1	(15.8) 10.7
Other reserves	-		(0.01)	0.01	0.01	0.01
Total equity	(0.5)	8.2	13.3	12.0	8.7	5.8
LIABILITIES						
Non-current liabilities						
Long-term borrowing	11.9	10.0	15.4	6.2	8.1	6.5
Long-term lease liability Employee benefit obligations	0.4 1.3	0.9	- 1.1	- 1.2	- 1.0	0.5
Deferred tax liabilities Unearned income	-	-	-	0.1	-	-
onearned income	-		-	-	0.1	-
Total non-current liabilities	13.6	10.9	16.6	7.4	9.1	7.0
Current liabilities						
Trade and other payables	50.9	46.6	54.9	57.5	47.5	57.6
Short-term borrowings Unearned revenue	35.5 0.4	34.3	15.1 -	23.0	34.6	29.6
Current portion of long-term lease liability Unclaimed dividend	0.01 0.1	0.1	0.1	0.1	0.1	0.1
Total current liabilities	86.9	80.9	70.1	80.6	82.1	87.2
Total liabilities	100.5	91.8	86.7	88.0	91.3	94.2
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 2020

	2020 Rs. in thousand	%	2019 Rs. in thousand	%
Wealth generated				
Total gross revenue and other income	132,042,410		153,356,815	
Brought in materials and services	(93,607,960)		(117,896,793)	
	38,434,450	100%	35,460,022	100%
Wealth distribution to stakeholders				
To employees Salaries, wages and other costs including retirement benefits	1,049,625	2.73%	1,052,291	2.97%
To Government Income tax, sales tax, excise duty, development surcharge, WPPF, WWF	41,908,278	109.04%	37,985,333	107.12%
To society Donation to an educational institute	4,928	0.01%	4,673	0.01%
To providers of finance Financial charges for borrowed funds	1,918,944	4.99%	1,251,340	3.53%
To Company Depreciation, amortisation and retained profit	(6,447,325)	-16.77%	(4,833,615)	-12.12%
	38,434,450	100.00%	35,460,022	100.00%

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

Associated companies, undertakings and related parties Pakistan State Oil Company Limited 1 189,000,000 Mutual funds CDC - Trustee First Capital Mutual Fund CDC - Trustee National Investment (Unit) Trust CDC - Trustee Nit-equity Market Opportunity Fund 1 322,5 Total Directors and their spouse Aftab Husain Babar Hameed Chaudahry 1 5,00 1 5,00 1 5,00
Mutual funds CDC - Trustee First Capital Mutual Fund CDC - Trustee National Investment (Unit) Trust CDC - Trustee Nit-equity Market Opportunity Fund Total Directors and their spouse Aftab Husain Aftab Husain
CDC - Trustee First Capital Mutual Fund CDC - Trustee National Investment (Unit) Trust CDC - Trustee National Investment (Unit) Trust CDC - Trustee Nit-equity Market Opportunity Fund 1 322.9 Total Directors and their spouse Aftab Husain 1 5,0
CDC - Trustee National Investment (Unit) Trust CDC - Trustee Nit-equity Market Opportunity Fund 1 322,5 Total 3 5,953,4 Directors and their spouse Aftab Husain 1 5,605,5 Total 1 322,5 Total 2 5,005,5 Total 3 5,953,4
CDC - Trustee Nit-equity Market Opportunity Fund 1 322.5 Total 3 5,953.4 Directors and their spouse Aftab Husain 1 5,0
Total 3 5,953,4 Directors and their spouse Aftab Husain 1 5,0
Directors and their spouse Aftab Husain 1 5,0
Aftab Husain 1 5,0

Babar Hameed Chaudahry 1 2,50
Mirza Mahmood Ahmad 1 3,0
Mohammad Zubair 1 2,50
Muhammad Ali 1 5,0
Syed Asad Ali Shah 1 5,0
Tara Uzra Dawood 1 2,50
Total 7 25,5
Executives
Asad Hasan 1 9
Public sector companies and corporations 4 202,524,4
Banks, development finance, institutions, non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds 9 277,01
Shareholders holding five percent or more voting rights in the Listed Company
Pakistan State Oil Company Limited 1 189,000,0
Hascol Petroleum Limited 1 43,249,5
Total 2 232,249,5

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

No. of Shareholders	From	Shareholding To	Total Shares
872	1	100	27,752
1,603	101	500	674,687
1,549	501	1,000	1,473,818
3,048	1,001	5,000	8,539,427
911	5,001	10,000	7,262,629
319	10,001	15,000	4,086,382
204	15,001	20,000	3,783,532
144	20,001	25,000	3,365,165
74	25,001	30,000	2,102,619
47	30,001	35,000	1,551,884
43	35,001	40,000	1,646,269
31	40,001	45,000	1,332,410
47	45,001	50,000	2,311,278
21	50,001	55,000	1,110,739
15	55,001	60,000	884,499
26	60,001	65,000	1,642,301
9	65,001	70,000	613,676
12	70,001	75,000	874,497
8	75,001	80,000	632,055
4	80,001	85,000	332,000
7	85,001	90,000	620,050
5	90,001	95,000	468,000
24	95,001	100,000	2,398,500
5	100,001	105,000	514,000
8	105,001	110,000	867,532
4	110,001	115,000	457,500
3	115,001	120,000	359,500
3	120,001	125,000	369,000
2	125,001	130,000	254,677
3	135,001	140,000	419,000
2	140,001	145,000	289,000
4	145,001	150,000	593,601
2 2	150,001	155,000 165,000	302,400 325,500
1	160,001 165,001	170,000	166,000
3	165,001	175,000	520,500
2	175,001	180,000	355,500
۷.	1/0,001	100,000	333,300

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

No. of Shareholders	From	Shareholding To	Total Shares
2	180,001	185,000	363,564
2	185,001	190,000	377,119
4	195,001	200,000	799,716
2	200,001	205,000	402,700
1	210,001	215,000	214,816
2	215,001	220,000	439,500
3	220,001	225,000	671,500
1	240,001	245,000	241,500
1	245,001	250,000	250,000
1	250,001	255,000	254,254
3	255,001	260,000	775,000
1	270,001	275,000	274,802
2	280,001	285,000	564,500
3	295,001	300,000	897,000
2	315,001	320,000	637,372
1	320,001	325,000	322,931
1	365,001	370,000	370,000
1	405,001	410,000	409,500
1	445,001	450,000	450,000
1	500,001	505,000	502,000
1	505,001	510,000	509,928
1	510,001	515,000	515,000
1	545,001	550,000	549,245
1	565,001	570,000	565,816
1	630,001	635,000	634,500
1	720,001	725,000	724,500
2	770,001	775,000	1,550,000
1	795,001	800,000	800,000
1	950,001	955,000	954,500
1	3,145,001	3,150,000	3,150,000
1	4,445,001	4,450,000	4,445,814
1	5,605,001	5,610,000	5,605,544
1 1	14,170,001	14,175,000 43,250,000	14,175,000
1	43,245,001 83,995,001	84,000,000	43,249,500
1	90,820,001	90,825,000	84,000,000 90,825,000
1	70,020,001	70,023,000	90,025,000
9,119			315,000,000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixtieth (60th) Annual General Meeting of Pakistan Refinery Limited will be held on Wednesday, October 7, 2020 at 1000 hours through video-link facility 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, 2020 together with the Reports of the Board and the Auditors thereon.
- 2. To appoint Company's auditors for the year ending June 30, 2021 and to fix their remuneration.
- 3. To elect Ten (10) Directors of the Company as fixed by the Board of Directors in their meeting held on July 16, 2020 in accordance with the provisions of the Companies Act 2017 for a period of three years commencing October 8, 2020.

The retiring Directors are:

- 1. Syed Asad Ali Shah
- 2. Mr. Abdul Jabbar Memon
- 3. Mr. Aftab Husain
- 4. Mr. Babar Hamid Chaudhary
- 5. Mr. Mirza Mahmood Ahmad
- 6. Mr. Mohammad Zubair
- 7. Syed Jehangir Ali Shah
- 8. Syed Muhammad Ali
- 9. Syed Muhammad Taha
- 10. Ms. Tara Uzra Dawood

ANY OTHER BUSINESS

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

By Order of the Board

Mustafa Saleemi

Company Secretary

Karachi: September 15, 2020

NOTES:

- In accordance with the provisions of the Companies Act, 2017, the Annual Report containing the Annual Audited Financial Statements for the year ended June 30, 2020 is available on the Company's website.
- Due to the Covid-19 situation, the Securities and Exchange Commission of Pakistan ("SECP"), in terms of its Circular No.5 and Circular No. 25 of 2020, has advised companies to modify their usual planning for general meetings for the safety and wellbeing of shareholders and the public at large with minimal physical interaction. Hence, the proceedings of the meeting will be carried out through video-link facility. In order to attend the Meeting through such facility, the members are requested to get themselves registered as provided in Note 3 hereof.
- The members are requested to get themselves registered for video-link facility not later than 72 hours before the meeting by providing the following information to the contact details stated at bottom of this Note 3; in case of the information sent through courier, the same should be received at Company's office by October 1, 2020:

Full Name	CNIC No.	Folio/CDS No.	Email Address	Cell No.

The video-link for the meeting will be sent to the members on their provided email addresses enabling them to attend the meeting on the given date and time. The login facility will remain open from 9:30 am till the end of meeting. In case of any suggestions or comments for the agenda items, the members may send the same at the email address mentioned below:

Pakistan Refinery Limited

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

Telephone: +92 21 35092632 (Direct) / +9235122131-40 (Ext: 265)

WhatsApp: +92 301 8245944

Email: corporatelegal@prl.com.pk

- The Share Transfer Books of the Company will be closed from Thursday, October 1, 2020 to Wednesday, October 7, 2020 (both days inclusive). Transfers should be received at the Share Registrar Office by close of business on Wednesday September 30, 2020. The members whose names are appearing in the Register of members at the end of September 30, 2020 are entitled to attend, participate and vote at the Meeting.
- 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 office of Share Registrar of the Company, FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi ("Share Registrar Office"). Corporate members are requested to provide their National Tax Number (NTN) and folio number. In case of non-receipt of the copy of a valid CNIC or 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.

- 6. 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 through video-link. The instrument appointing proxy, as per the format available at Company's website, must be submitted at the Share Registrar Office not less than 48 hours before the time of the Meeting.
- 7. The members are requested to notify the Company if there is any change in their addresses immediately; in case of physical shares, to the Company/Share Registrar and for CDC shares, to respective Central Depository System (CDS) Participants.
- 8. The members are also required to attach the copy of their CNIC and, where applicable, copy of CNIC of member(s) of whom he/she/they hold proxy(ies), while sending the information with reference to Note 3 hereof. Without copy of CNIC, such member(s) shall not be registered for the video-link facility.
- 9. Transmission of Annual Financial Statements through email: In pursuance of the directions given by SECP, those members 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 a copy of his/her valid 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 note.
- 10. For Election of Directors, any person who seeks to contest the Election shall, whether he/she is a retiring director or otherwise, send his/her nomination for Election, duly signed by the member or members making the nomination or by their duly authorised representative, to the Company at its registered office, Pakistan Refinery Limited, P.O. Box # 4612, Korangi Creek Road, Karachi 75190, Pakistan, which should be received not less than fourteen (14) clear days before the date of the Meeting in terms of Section 159(3) of the Companies Act, 2017.
- 11. Every nomination of a candidate for Election must be accompanied with the following documents:
 - (a) Consent of the candidate to act as director in Form 28, duly completed and signed by the candidate, as required by the Companies Act, 2017;
 - (b) Declaration of the candidate of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies Act, 2017 to act as director of the listed companies;
 - (c) Confirmation of the candidate that he/she is not serving as director in more than seven listed companies simultaneously, provided that his/her limit shall not include the directorship in the listed subsidiary; and
 - (d) A detailed profile of the candidate along with copy of valid CNIC, contact details and office address.
 - (e) In case of an independent director, a declaration as per the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Potential candidates may contact the Company Secretary, at mustafa.saleemi@prl.com.pk for any queries or assistance on the above.

- 12. SECP has allowed companies to circulate the 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 members 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's website.
- 13. Voting through Postal Ballot members may exercise their right to vote as per provisions of the Companies (Postal Ballot) Regulations, 2018, subject to the requirements of Section 143 and 144 of the Companies Act, 2017. Further details in this regard will be communicated to the shareholders within legal time frame as stipulated under these said Regulations, if required.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR THE YEAR ENDED JUNE 30, 2020

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") in the following manner:

1. The total number of Directors including Executive Director are eleven (11) as per the following:

Male	Ten
Female	One

2. The composition of Board is as follows:

Category	Names
Independent Directors	Syed Asad Ali Shah Mirza Mahmood Ahmad Mohammad Zubair Syed Muhammad Ali
Non-Executive Directors	Aftab Husain
Non-Executive Directors (PSO Affiliated)	Abdul Jabbar Memon Babar Hamid Chaudhary Syed Jehangir Ali Shah Syed Muhammad Taha
Executive Director - MD / CEO	Zahid Mir
Female Director	Tara Uzra Dawood

- 3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
- 4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act 2017 ("Act") and the Regulations;

- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
- 9. The Directors were apprised of their duties and responsibilities from time to time. The Directors either have already attended the Directors' training as required in previous years or meet the exemption criteria as contained in the Regulations;
- 10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- 11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board;
- 12. The Board has formed statutory committees comprising members whose names are given below:

a) Audit and Risk Committee

- Mohammad Zubair Chairman
- · Babar Hamid Chaudhary
- Syed Muhammad Ali
- Tara Uzra Dawood

b) Human Resources and Remuneration Committee

- Syed Asad Ali Shah Chairman
- Mohammad Zubair
- Sved Muhammad Taha
- Tara Uzra Dawood
- Zahid Mir (Managing Director & CEO)
- 13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
- 14. The frequency of meetings of the committee were as per following:
 - a) Audit and Risk Committee: Quarterly
 - b) Human Resources and Remuneration Committee: Yearly
- 15. The Board has set up an effective internal audit function experienced for the purpose and are conversant with the policies and procedures of the Company;

- 16. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP and that they and the partners of the Firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
- 17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
- 18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
- 19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 (non-mandatory requirements) are below:

S. No	Requirement	Explanation	Reg. No
1	The Board is responsible for the governance of risk and for determining the Company's level of risk tolerance by establishing risk management policies.	The Company has a framework of periodic risk assessment, which is in the process of being formalised.	10(1)&(2)
2	The Chairman of the Board shall, at the beginning of term of each Director, issue letter to Directors setting out their role, obligations, powers and responsibilities in accordance with the Act.	The Chairman discussed the Board's role under the Regulations, during the two meetings in which casual vacancies were filled. The new term of the Board is scheduled to start from October 8, 2020 after the elections for which roles, obligations, powers and responsibilites of the new Board members will be disseminated.	10(5)
3	The Board may constitute a separate committee, designed as the nomination committee, of such number and class of Directors, as it may deem appropriate in its circumstances.	The responsibilities as prescribed for the Nomination Committee are being taken care at Board level.	29

4	The Board may constitute the Risk Management Committee, of such number and class of Directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	The Board has tasked the Audit Committee to oversee Risk Management related matters of the Company and has redesignated it as Audit and Risk Committee.	30
5	The Company may post on its website key elements of its significant policies including but not limited to the following: i. Communication and disclosure policy; ii. Code of conduct for members of Board of Directors, senior management and other employees; iii. Risk management policy; iv. Internal control policy; v. Whistle blowing policy; vi. Corporate social responsibility /sustainability/environmental, social and governance related policy.	As the Regulation provides concession with respect to disclosure of significant policies on the website, only key elements of relevant policies are available on the Company's website.	35(1)

On behalf of the Board

Syed Asad Ali Shah Chairman

Zahid Mir Managing Director & CEO

September 7, 2020

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

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Refinery Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

A.F.Ferguson & CO.

Chartered Accountants

Karachi: September 7, 2020

FINANCIAL STATEMENTS

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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, 2020, 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, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw attention to note 2.1.2 to the financial statements. As stated in the note, as at June 30, 2020 the Company has accumulated loss of Rs. 18.36 billion. Further, current liabilities of the Company exceed its current assets by Rs. 16.84 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)

Revenue from contracts with customers (Refer note 25 to the financial statements)

The Company recognises revenue at the transaction price which the Company expects to be entitled to, after deducting sales tax, excise duties and similar levies.

The Company carries out sale of regulated products on prices notified by Oil and Gas Regulatory Authority (OGRA) which are subject to policy clarification from the Federal Government. Whereas sale of certain de-regulated products is carried out on prices set under notifications of the Ministry of Energy (MoE). Further, the Company is subject to deductions from revenue as price differential on sale of High Speed Diesel (HSD) and Motor Gasoline (MS) calculated in accordance with applicable regulations.

Due to the regulatory nature of pricing and significance of the amount of revenue recognized to the loss we considered revenue a higher risk area and have therefore identified it as a key audit matter.

Our audit procedures amongst others include the following;

- obtained understanding of the revenue process, evaluated and validated key management controls over revenue;
- performed verification of the revenue transactions with the underlying support including sales invoices, challans, joint dip certificates and customer acknowledgement.
- agreed and verified the ex-refinery rates per liter of certain regulated / de-regulated products from the notification from OGRA and actual import cost less ocean losses of Pakistan State Oil (PSO). In case PSO's import cost is not available, recalculated the price as per Import Parity Price (IPP) formula:
- recalculated price differentials on HSD and MS and compared with amounts in the financial statements; and
- checked that the presentation and disclosures related to revenue are in accordance with applicable accounting and reporting standards.

(ii) Inventory (Refer note 9 to the financial statements)

Inventories include crude oil and finished products amounting to Rs. 6.05 billion and Rs. 1.48 billion respectively. Crude oil and finished products are valued at lower of cost and net realisable value. The inventory quantities are determined through a complex process involving various estimates

Due to the significance of the inventory balances to the statement of financial position and related estimations involved in determining inventory quantities, 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 relevant parameters. A member of the Company and an external surveyor were also present:
- checked the background and experience of the surveyor to ensure 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 controls that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 7, 2020

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30,2020

	Note	2020 (Rupees in	2019 thousand)
Non-current assets Property, plant and equipment Right-of-use asset Intangible assets Investment accounted for using the equity method Long-term deposits and loans Employee benefit prepayments Current assets Inventories Trade receivables Trade deposits, loans, advances and short-term prepayments Other receivables Taxation - payments less provision Cash and bank balances	4 5 6 7 8 20 9 10 11 12	21,208,088 163,075 - 65,294 25,946 30,257 21,492,660 7,964,392 3,667,153 49,340 6,556 82,540 2,189,707 13,959,688 35,452,348	18,975,232
EQUITY AND LIABILITIES			
EQUITY Share capital Subscription money against rights issue Accumulated loss Special reserve Revaluation surplus on property, plant and equipment Other reserves	14 14.4 15 4.1.3 16	3,150,000 1,943,175 (18,362,739) 1,943,476 11,149,288 1,947 (174,853)	2,940,000 - (10,666,517) 1,943,476 9,290,728 1,554 3,509,241
LIABILITIES Non-current liabilities Long-term borrowings Long term lease liability Deferred tax liabilities Employee benefit obligations Current liabilities Trade and other payables Short-term borrowings Unearned revenue Current portion of long-term lease liability Unclaimed dividend	17 18 19 20 21 22 23 18	4,215,146 152,448 9,922 450,323 4,827,839 18,036,132 12,599,469 140,525 3,370 19,866 30,799,362	4,300,000 - 13,304 367,090 4,680,394 19,967,440 14,701,779 - 21,768 34,690,987
Contingencies and commitments	24	35,627,201	39,371,381
		35,452,348	42,880,622

The annexed notes 1 to 41 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in t	2019 thousand)
Revenue from contracts with customers	25	90,524,260	115,740,971
Cost of sales	26	(94,892,607)	(118,915,466)
Gross loss		(4,368,347)	(3,174,495)
Distribution costs	27	(206,096)	(250,171)
Administrative expenses	28	(459,767)	(485,457)
Loss allowance on trade receivables		-	(121,939)
Other operating expenses	29	(43,038)	(23,763)
Other income	30	163,901	267,304
Operating loss		(4,913,347)	(3,788,521)
Finance cost	31	(1,995,012)	(1,442,624)
Share of net gain / (loss) of associate accounted for using the equity method		3,258	(13,963)
Loss before income tax		(6,905,101)	(5,245,108)
Income tax expense	32	(685,625)	(576,015)
Loss for the year		(7,590,726)	(5,821,123)
Other comprehensive income / (loss)			
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 Deferred tax relating to fair value change of financial assets at fair		-	4,571
value through other comprehensive income of associate		_	(994)
Remeasurements of employee retirement benefits		(77,471)	(28,568)
Revaluation surplus on property, plant and equipment		1,858,560	5,292,800
rievaluation surplus on property, plant and equipment		1,781,089	5,267,809
Other comprehensive income for the year - net of tax		1,781,089	5,267,809
Total comprehensive loss for the year		(5,809,637)	(553,314)
Loss per share - basic and diluted	33	(Rs. 17.74)	(Rs. 13.68)

The annexed notes 1 to 41 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 CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	SHARE	SUBSCRIPTION MONEY AGAINST		CAPITAL RESERVES	(0)		REVENUE RESERVE	ш	TOTAL
		RIGHTS ISSUE - NOTE 14.4	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, 2018	2,940,000		1,943,476	3,997,928	768	(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 (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
Loss for the year ended June 30, 2020						(7,590,726)			(7,590,726)
Effect of change in accounting policy due to adoption of IFRS 9 by associate	,					(393)	393	,	,
Other comprehensive income / (loss) for the year ended June 30, 2020				1,858,560	1	(77,471)			1,781,089
Transaction with owners									
Subscription money against rights issue		2,153,175		1			1		2,153,175
Issue of right shares - note 14.3	210,000	(210,000)							•
	210,000	1,943,175	,			,			2,153,175
Issuance cost against rights issue	•	1	,		,	(27,632)	,		(27,632)
	210,000	1,943,175	,	1,858,560		(7,696,222)	393		(3,684,094)
Balance as at June 30, 2020	3,150,000	1,943,175	1,943,476	11,149,288	897	(18,362,739)		1,050	(174,853)

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

Imran Ahmad Mirza Chief Financial Officer

Syed Asad Ali Shah Chairman

Zahid Mir Managing Director & CEO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in t	housand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	39	5,912,318	(7,567,582)
Mark-up paid		(1,881,412)	(1,081,543)
Income tax paid		(606,607)	(145,324)
Contribution to retirement benefit plans		(121,921)	(94,237)
Decrease /(increase) in long-term deposits and loans		3,406	(5)
Net cash generated from / (used in) operating activities		3,305,784	(8,888,691)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,331,932)	(1,188,095)
Proceeds from disposal of property, plant and equipment		82	97
Return received on bank deposits	L	48,575	52,568
Net cash used in investing activities		(1,283,275)	(1,135,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received net of issuance cost		1,915,543	-
Issue of right shares - note 14.3		210,000	-
Long-term borrowings repaid		(400,000)	(400,000)
Proceeds from salary refinancing		131,595	-
Lease rentals paid		(23,168)	-
Dividend paid		(1,902)	(88)
Redemptions against term finance certificates		-	(229,390)
Net cash generated from / (used in) from financing activities		1,832,068	(629,478)
Net increase / (decrease) in cash and cash equivalents		3,854,577	(10,653,599)
Cash and cash equivalents at the beginning of the year		(14,047,890)	(3,414,786)
Exchange gain on cash and cash equivalents		-	20,495
Cash and cash equivalents at the end of the year	40	(10,193,313)	(14,047,890)

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

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

FOR THE YEAR ENDED JUNE 30, 2020

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.

The Company is a subsidiary of Pakistan State Oil Company Limited (PSO).

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

- **2.1.1** 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.

2.1.2 During the year, the company incurred loss after tax of Rs. 7.59 billion against corresponding year's loss after tax of Rs. 5.82 billion. As at June 30, 2020, the Company has accumulated loss of Rs. 18.36 billion (2019: Rs. 10.67 billion) and the current liabilities exceed its current assets by Rs. 16.84 billion (2019: Rs. 10.89 billion). The Company ended the year with net negative cash and cash equivalents amounting to Rs. 10.19 billion (2019: Rs. 14.05 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. As at June 30, 2020 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. 1.03 billion (2019: Rs. 1.15 billion) which is part of aforementioned loss for the year.

The above mentioned conditions may cast 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.

To address the negative equity and liquidity issues the Board of Directors in their meeting dated February 10, 2020, decided to make a right issue of 1 ordinary share for every 1 share held amounting to Rs. 3.15 billion. The Right Issue has been fully subscribed subsequent to the year end.

FOR THE YEAR ENDED JUNE 30, 2020

In addition, as already announced in Pakistan Stock Exchange, the Company in light of new operational strategy has undertaken various non-capex options which assist the Refinery to comply with the regulatory requirements but will also have a positive impact on the Company's profitability. These measures include:

- Sustained production of MS 92 RON and the ability to produce MS 95/97 RON has been achieved. This has already
 resulted in saving of RON differential price adjustment on MS which is paid to the Government, hence generating
 additional revenues.
- 2) Changes in crude recipe and operational philosophy has enable the Refinery to produce EURO II compliant High Speed Diesel (HSD). This will make the Refinery compliant with the regulatory requirements and will also save price differential which the Company is required to pay to the Government due to production of HSD with higher Sulphur contents. It is to be noted that the Company has suffered cumulative Rs. 7.18 billion on account of HSD price differential since March 2013. The Refinery produced EURO II compliant HSD subsequent to year end with the revised crude recipe and is currently exploring long term arrangements with relevant crude suppliers to continue producing EURO II compliant HSD on a sustainable basis.
- 3) The changes in crude recipe and operational philosophy made the Company the first refinery in Pakistan to produce IMO-2020 grade Marine Residual Fuel (MRF). MRF is a premium product and will add to the margins of the Company. The Company has already started production of MRF since June 2020, however, its sustained production is also tied with long term crude arrangements as explained above.

In addition, the Economic Coordination Committee of the Government of Pakistan (ECC) has approved a revised pricing mechanism effective March 1, 2020 whereby the Company will be able to recover a certain portion of exchange loss suffered on crude oil imports through pricing of MS and HSD. This will partly address the issue of exchange risk which the Company faces. The mechanism has been implemented from June 2020. 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 efforts.

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 considered unable to continue as a going concern.

- 2.1.3 The events surrounding the Covid-19 pandemic (the virus) continue to evolve and impact local and global markets. The spread of the virus has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines and shutdowns. Consequently, economic conditions, including oil prices, have been increasingly volatile. The Company continued its operation despite lockdown of economic activities due to spread of Covid-19. The extent of the impact of the virus and the drop in the oil price on the operational and financial performance of the Company include the following:
 - decline in revenue and increase in inventory losses
 - delay in finalization of issue of right shares
 - relaxation in repayment terms in respect of long-term finance facilities was obtained as disclosed in note 17.2 & 17.3, and
 - long term loan was obtained under the refinance scheme for payment of wages and salaries as disclosed in note 17.4.



FOR THE YEAR ENDED JUNE 30, 2020

2.2 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 4, 19 and 20 respectively. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on annual basis or when the indicators exist, considering the associated economic benefits derived / to be derived by the Company.

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

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

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

2.3 Changes in accounting standards, interpretations and pronouncements

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

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 recognised. The only exceptions are short term and low value leases. The impact of changes laid down by this standard has been disclosed in note 3.

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

The new standard, certain amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2019 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

There are certain amendments and interpretation that are mandatory for accounting period beginning on or after July 1, 2020 but are considered not relevant for Company's financial statements and hence have not been detailed here.

FOR THE YEAR ENDED JUNE 30, 2020

2.4 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.

2.5 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.

Increase 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. Decrease that reverses previous increase 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 statement of 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 statement of 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 statement of profit or loss currently.

2.6 Intangible assets

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

Amortisation is charged to statement of 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.



FOR THE YEAR ENDED JUNE 30, 2020

2.7 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.

2.8 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.

2.9 Income tax

2.9.1 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.

2.9.2 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.

2.10 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.

FOR THE YEAR ENDED JUNE 30, 2020

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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Employee retirement benefits

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

2.15.1 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.



FOR THE YEAR ENDED JUNE 30, 2020

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 the statement of profit or loss.

2.15.2 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.

2.16 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.

2.17 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.

2.17.1 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;
- 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;

FOR THE YEAR ENDED JUNE 30, 2020

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).

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 the statement of 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.

2.17.2 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.

2.17.3 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.

2.17.4 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.



FOR THE YEAR ENDED JUNE 30, 2020

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

2.18 Revenue recognition

2.18.1 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.

2.19 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.

2.20 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.

2.21 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.

3. CHANGES IN ACCOUNTING POLICIES

The Company has applied the following standard for the first time for its annual reporting period commencing July 1, 2019.

3.1 Impact of transition to IFRS 16 - Leases

The Company has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On initial application, the Company has elected to record right-of-use assets, in respect of land rentals and municipal charges paid to Karachi Port Trust (KPT), based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before July 01, 2019. Right-of-use asset and lease liability of Rs. 178.99 million respectively were recorded as of July 01, 2019, with no net impact on unappropriated profit. When measuring lease liability, the Company discounted lease payments using applicable weighted borrowing rate of 13.71% at July 01, 2019.

The following summary reconciles the Company's operating lease commitments previously considered as land rentals at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

FOR THE YEAR ENDED JUNE 30, 2020

(Rupees in thousand)

Operating lease commitment as at July 01, 2019

Discounted using the lessee's incremental borrowing rate at the date of initial application

(160,057)

339,042

Lease liability recognised as at July 01, 2019

178,985

Of which are:

Current lease liabilities
Non-current lease liabilities

1,805 177,180

June 30, July 01, 2020 2019 (Rupees in thousand)

The recognised right-of-use assets relate to the following types of assets:

Property 163,075 178,985

The change in accounting policy affected the following items in the statement of financial position on July 1, 2019:

Right-of-use asset - increased by
Lease liabilities - increased by
178,985
178,985

The change in accounting policy affected the following items in the profit and loss account for the year ended June 30, 2020:

Markup expense - increased by 21,363

Depreciation - increased by 15,910

Other expenses which includes rent expense decreased by 23,168

3.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease i.e. it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From July 1, 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

FOR THE YEAR ENDED JUNE 30, 2020

Lease payments include fixed payments, variable payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, exercise price of a purchase option, payments of penalties for terminating the lease, less any lease incentives receivable. The purchase, extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future payments arising from a change in fixed payments or an index or rate, Company's estimate of the amount expected to be payable under a residual value guarantee or its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset is reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any payments made at or before the commencement date and any incentive received, plus any initial direct costs and estimate of costs to dismantle, remove or restore the underlying asset (if any) or to restore the site on which it is located. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company does not recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less, leases of low-value assets and recognises associated payments in the period in which these are incurred.

2020 2019 (Rupees in thousand)

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 4.1 Major spare parts and stand-by equipment - note 4.2 Capital work-in-progress - notes 4.3 and 4.4

20,588,451	17,396,645
93,727	81,451
525,910	1,497,136
21.208.088	18.975.232

FOR THE YEAR ENDED JUNE 30, 2020

4.1 Operating assets													
	Freehold land (notes 4.1.1, 4.1.2 and 4.1.3)	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 automotive equipment	Total
						(Rup	(Rupees in thousand)	and) ———					
Net carrying value basis Year ended June 30, 2020													
Opening net book value (NBV)	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
Revaluation - note 4.1.3	1,858,560	•											1,858,560
Additions (at cost)		2,775	1,433,066	492,108	2,499	699'96	5,224	121,354	3,240	11,336	71,690	51,250	2,291,211
Disposals (at NBV)	•				٠		٠			(82)			(82)
Depreciation charge	•	(4,599)	(532,718)	(137,194)	(98,337)	(28,088)	(32,062)	(60,688)	(4,670)	(25,690)	(26,643)	(7,194)	(957,883)
Closing net book value	11,151,360	17,319	6,122,145	1,102,500	572,826	231,353	459,206	583,748	11,878	60,172	227,785	48,159	20,588,451
Gross carrying value basis	ω												
At June 30, 2020													
Cost or revaluation	11,151,360	139,181	9,701,607	2,034,323	1,106,652	447,251	579,019	850,529	105,505	546,892	360,682	111,939	27,134,940
Accumulated depreciation		(121,862)	(3,579,462)	(931,823)	(533,826)	(215,898)	(119,813)	(266,781)	(93,627)	(486,720)	(132,897)	(63,780)	(6,546,489)
Net book value	11,151,360	17,319	6,122,145	1,102,500	572,826	231,353	459,206	583,748	11,878	60,172	227,785	48,159	20,588,451
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	

FOR THE YEAR ENDED JUNE 30, 2020

	Freehold land (notes 4.1.1, 4.1.2 and 4.1.3)	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-systems munication	Vehicles and other automotive equip-	Total
						(Ru	(Rupees in thousand)	sand) ———					
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 4.1.3	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)	1				,		,		*1			,	ı
Transfers	1		(142,566)		,		,					,	(142,566)
Reversal of impairment		,	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	689,09	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

^{*}Assets disposed off having nil net book value.

FOR THE YEAR ENDED JUNE 30, 2020

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

4.1.2 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	Refining complex	200*
Karachi		

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

4.1.3 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. 1.86 billion (2019: Rs. 5.29 billion). The value has been determined by an independent valuer M/s. Iqbal A. Nanjee and Co. (Private) Limited ("the valuer") on June 30, 2020. The valuer has used the valuation rates released by the Federal Board of Revenue on July 23, 2019 through notification S.R.O 837(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. The forced sales value has been determined by the independent valuer at Rs. 8.36 billion (2019: Rs. 6.97 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 (2019: Rs. 2.07 million).

4.1.4 During the year, the Company has capitalised borrowing costs amounting to Rs. 78.88 million (June 30, 2019: Rs. 12.39 million) on its operating assets. Borrowing costs were capitalised at the current year's weighted average rate of its general borrowings of 13.25% per annum (2019: 10.42% per annum).

2020 2019 (Rupees in thousand)

4.2 Major spare parts and stand-by equipment

Gross carrying value
Balance at beginning of the year
Additions during the year
Transfers made during the year
Balance at end of the year
Provision for impairment - note 4.2.1
Net carrying value

100,825	111,819
44,954	11,333
(33,003)	(22,327)
112,776	100,825
(19,049)	(19,374)
93,727	81,451

FOR THE YEAR ENDED JUNE 30, 2020

4.2.1 During the year, net reversal of Rs. 0.33 million (2019: net charge of Rs. 0.55 million) was recorded.

2020		2019
(Runees	in	thousand)

4.3 Movement in capital work-in-progress

Balance at beginning of the year	1,497,136	1,069,777
Additions during the year	1,319,985	1,236,523
Transfers made during the year	(2,291,211)	(809,164)
Balance at end of the year	525,910	1,497,136

4.4 Capital work-in-progress

Buildings	-	2,775
Processing plant	105,094	581,007
Korangi tank farm	2,503	72,396
Keamari terminal	291,787	467,703
Pipelines	19,499	129,158
Power generation, transmission and distribution	61,385	68,083
Water treatment and cooling system	5,331	22,169
Equipment including furniture	19,823	19,924
Fire fighting and telecommunication systems	-	43,667
Vehicles and other automotive equipments	1,827	-
Advances to contractors / suppliers	18,661	90,254
	525,910	1,497,136

4.4.1 During the year, the Company has charged borrowing costs amounting to Rs. 67.27 million (2019: Rs. 45.96 million) on its qualifying assets at the current year's weighted average rate of its general borrowings of 13.25% per annum (2019: 10.42% per annum).

2020 2019 (Rupees in thousand)

5. RIGHT-OF-USE ASSET

Balancing at the beginning / initial recognition	178,985	-
Depreciation for the year - note 5.1	(15,910)	-
Net Book value as at June 30, 2020	163,075	-

5.1 Depreciation has been charged to cost of sales.

FOR THE YEAR ENDED JUNE 30, 2020

2020 2019 (Rupees in thousand)

6. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Net carrying value basis

Opening net book value	108	2,444
Amortisation charge	(108)	(2,336)
Closing net book value	-	108
Gross carrying value basis		
Cost as at the beginning of the year	22,664	22,664
Accumulated amortisation	(22,664)	(22,556)
Net book value	-	108

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

7. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

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

65,294 62,036

7.1 The Company holds 27.26% (2019: 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.

	(Rupees in	thousand)
Opening balance	62,036	71,428
Share of profit / (loss) for the year	3,258	(13,963)
Change in fair value of financial assets at fair value		
through other comprehensive income	-	4,571
	65,294	62,036

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

2020

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	
	(Rupees ir	(Rupees in thousand)	
Revenue from contracts with customers	108,976	124,324	
Profit / (loss) from continuing operations	6,242	(51,221)	
Other comprehensive income	-	16,768	
Total comprehensive income / (loss)	6,242	(34,453)	
Non-current assets	53,506	33,357	
Current assets	212,675	213,808	
Non-current liabilities	(16,548)	(3,612)	
Current liabilities	(10,111)	(15,983)	
Net assets	239,522	227,570	
Carrying value	65,294	62,036	
	·		

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

Deposits - note 8.1
Loans to employees - note 8.2
Recoverable within one year - note 11

21,758
17,668
(10,074)
7,594
29,352

- 8.1 This includes Rs. 7.13 million (2019: Rs. 7.13 million) given to K-Electric Limited as interest-free security deposits, K-Electric became a related party of the Company with effect from January 27, 2020.
- 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. Loans given to employees in excess of Rs. 1 million are as follows:

Employees	Amount in Rupees
Muhammad Tariq Khan	1,120,690
Hamid Farhan Siddiqui	1,137,554
Fazeel Ahmed	1,200,000
Assad Iqbal	1,040,187

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.

FOR THE YEAR ENDED JUNE 30, 2020

(Rupee	s in the	ousand	l)

2019

2020

9. INVENTORIES

9.1

Stores, spares and chemicals - note 9.1	437,635	375,125
Raw material		
Crude oil [including in transit Rs. 2.96 billion		
(2019: Rs. 0.01 billion)]	6,050,842	5,458,539
Finished products - note 9.2	1,475,915	3,613,760
	7,964,392	9,447,424
Stores, spares and chemicals		
Stores	248,694	193,824
Spares	139,094	122,538
Chemicals	72,775	83,662

Provision for slow moving stores, spares and chemicals

240,094	193,024
139,094	122,538
72,775	83,662
460,563	400,024
(22,928)	(24,899)
437.635	375.125

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

2020		2019
(Rupees	in	thousand)

- Pakistan State Oil Company Limited	5,900	8,462
- Shell Pakistan Limited	7,966	67,273
- Others	1,224	-
	15.090	75.735

9.3 As at June 30, 2020 stock of finished products has been written down by Rs. 48.18 million (2019: 88.68 million) to arrive at their net realisable values.

2020 2019 (Rupees in thousand)

10. TRADE RECEIVABLES

Considered good		
Due from related party – note 10.1	2,655,562	8,984,377
Others	1,011,591	4,210,712
	3,667,153	13,195,089
Considered doubtful - others	134,892	134,892
	3,802,045	13,329,981
Less: Loss allowance on doubtful receivables	(134,892)	(134,892)
	3,667,153	13,195,089

10.1 This includes receivable from Pakistan State Oil Company Limited, which is in the normal course of business.



FOR THE YEAR ENDED JUNE 30, 2020

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

2020		2019
(Rupees	in	thousand)

Up to 3 months	75,757	6,143,747
3 to 6 months	90	4,016
More than 6 months	8,799	5,862

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

2020 2019 (Rupees in thousand)

Up to 3 months	46	4,871,483
3 to 6 months	90	-
More than 6 months	5,753	5,259

The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 7.10 billion (2019: Rs. 8.98 billion).

2020 2019 (Rupees in thousand)

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

Trade deposits	12,146	11,518
Loans to employees recoverable within one year - note 8	8,785	10,074
Advances for supplies and services	13,706	149,811
Short-term prepayments note - 11.1	14,703	10,024
	49,340	181,427

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

12. OTHER RECEIVABLES

Receivable from refineries - note 12.1	6,556	551,203
Others	-	2,300
	6,556	553,503

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

FOR THE YEAR ENDED JUNE 30, 2020

2020 2019 (Rupees in thousand)

13. CASH AND BANK BALANCES

With banks on

- current accounts note 13.1
- mark-up bearing savings accounts note 13.2
- rights issue subscription account note 14.4

Cash in hand

1,655	75
244,596	252,935
1,943,175	-
281	879
2,189,707	253,889

- 13.1 These bank balances are maintained under current accounts and do not carry any interest.
- 13.2 The rates of mark-up on savings accounts during the year ranged from 4.04% to 11.75% per annum (2019: 6.5% to 10.25% per annum).

14 SHARE CAPITAL

			2020	2019
Authorised			(Rupees in	thousand)
600,000,000 (2019	es of Rs. 10 each		4,000,000 6,000,000 10,000,000	4,000,000 6,000,000 10,000,000
Issued, subscribed Ordinary shares				
2020	2019			
114,400,000 171,600,000	114,400,000 150,600,000	'A' ordinary shares fully paid in cash 'B' ordinary shares fully paid in cash	1,144,000 1,716,000	1,144,000 1,506,000
286,000,000	265,000,000	oraniary charge rank pane in each	2,860,000	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
315,000,000	294,000,000	-	3,150,000	2,940,000

FOR THE YEAR ENDED JUNE 30, 2020

14.1 Movement in issued, subscribed and paid-up capital

2020	2019		2020	2019
			(Rupees in	thousand)
		Opening shares outstanding		
126,000,000	126,000,000	'A' ordinary shares	1,260,000	1,260,000
168,000,000	168,000,000	'B' ordinary shares	1,680,000	1,680,000
294,000,000	294,000,000		2,940,000	2,940,000
		Rights shares issued		
-	-	'A' ordinary shares	-	-
21,000,000	-	'B' ordinary shares	210,000	-
21,000,000	-	-	210,000	-
315,000,000	294,000,000		3,150,000	2,940,000

- **14.2** As at June 30, 2020 related parties held 28,000 'A' ordinary shares and 189,000,000 'B' ordinary shares (2019: 20,500 'A' ordinary shares and 154,875,000 'B' ordinary shares) of Rs. 10 each.
- As per the orders of the High Court of Sindh dated October 12, 2018 and March 4, 2020 in respect of Suit No. 931 of 2015, PSO entered into compromise arrangements with Shell and Chevron, wherein both the parties consented to sell their shares to PSO. Resultantly, PSO acquired 10,500,000 Class B shares from Shell and 2,625,000 Class B shares alongwith 21,000,000 Class B right shares which arose during the year ended June 30, 2015 from Chevron during the year. Consequently, the holding of PSO increased from 52.68% to 60%.
- 14.4 The Board of Directors in its meeting held on Febuary 10, 2020 had approved the rights issue at par value of Rs. 10 per share in ratio of 1 right share for every 1 ordinary share held. The total size of the issue is 3.15 billion.

To facilitate completion of rights issue process PSO provided an undertaking that it will subscribe such portion of Class A shares (i.e. 40% of the total Rights Issue) which remains unsubscribed. This was accepted by Securities and Exchange Commission of Pakistan (SECP), resultantly waiving the requirement of underwriting for the said rights issue.

Subsequent to the year end, PSO subscribed additional 22,459,028 Class A shares of the Company, thereby increasing its shareholding from 60% to 63.56%.

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 GoP 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.

FOR THE YEAR ENDED JUNE 30, 2020

2020		2019
(Rupees	in	thousand)

16. OTHER RESERVES

17.

 Capital reserve - Exchange equalisation reserve
 897
 897

 Revenue reserves: - General reserve
 1,050
 1,050

 - Fair value reserve
 - (393)

 1,947
 1,554

LONG-TERM BORROWINGS

 Diminishing Musharika - note 17.2
 800,000
 1,200,000

Long-term loan - note 17.3 Salary refinancing - note 17.4

Less: Current portion of

- Diminishing Musharika note 17.2
- Salary refinancing note 17.4

800,000	1,200,000
3,500,000	3,500,000
131,595	-
4,431,595	4,700,000
(200,000)	(400,000)
(16,449)	-
4,215,146	4,300,000

2019

2020

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):

	(Rupees in thousand)	
Balance as at July 01	4,700,000	5,100,000
Diminishing Musharika repaid	(400,000)	(400,000)
Salary financing obtained	131,595	-
	4,431,595	4,700,000

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 ten or of 7 years (including 2 years grace period). The loan was repayable in 10 semi-annual installments beginning from July 2017 and was 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.

During the year, SBP circular letter no 13 of 2020 dated March 26, 2020 was issued to support businesses during Covid-19 pandemic, thereby the repayment of loan is deferred by one year, without any change in markup rates. The Company availed the opportunity of deferment of principal loans repayment under this circular by one year.

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 ten or 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). During the year, taking advantage of SBP circular referred in note 17.2, these loans are deferred by one year and are now repayable by way of bullet payment on June 28, 2022, and June 30, 2022, respectively.

FOR THE YEAR ENDED JUNE 30, 2020

17.4 This represents salary financing obtained under SBP payroll refinance facility as a part of measures for countering economic hardships faced by the businesses during Covid-19 pandemic. The Company will pay a quarterly mark up at a discounted rate of 3% per annum, with eight equal quarterly instalments starting from April 2021.

2020 2019 (Rupees in thousand)

18. LEASE LIABILITY

Lease liability under IFRS 16 Non Current portion Current portion

155,818	-
152,448	-
3,370	-

Finance cost on lease liabilities for the year ended June 30, 2020 was Rs. 21.36 million (2019: Nil). Total cash outflow for leases was Rs. 23.17 million.

19. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Investment in associate accounted for under equity method	Right of use asset net of lease liability	Unabsorbed depreciation	Total
		(Rupe	ees in thousand)		
July 01, 2019	(909,875)	(13,304)	-	909,875	(13,304)
(Charge) / credit to profit or loss for the year	(236,199)	(709)	4,091	236,199	3,382
Charge to other comprehensive income for the year		-	-	-	-
June 30, 2020	(1,146,074)	(14,013)	4,091	1,146,074	(9,922)
July 01, 2018	(815,003)	(13,759)	-	815,003	(13,759)
Credit / (charge) 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)

^{19.1} Deferred tax debit balances of Rs. 0.97 billion (2019: Rs. 1.81 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.

FOR THE YEAR ENDED JUNE 30, 2020

20. EMPLOYEE BENEFIT OBLIGATIONS / (PREPAYMENTS)

- **20.1.1** The Company operates recognised funded gratuity and pension schemes (the Schemes) for its eligible management and non-management employees. Actuarial valuation of these Schemes is carried out every year and the latest actuarial valuation was carried out as at June 30, 2020.
- 20.1.2 Assets of these schemes are held in separate trusts (the Funds), which are governed by local regulations which mainly include Trust Act, 1882; the Companies 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.
- **20.1.3** The latest actuarial valuation of the Schemes as at June 30, 2020 was carried out using the Projected Unit Credit Method, details of which as per the actuarial valuation are as follows:

		Pension Schemes				Gratuity Sc	hemes		
		Manag	jement	Non-Man	agement	Manag	gement	Non-Man	agement
		2020	2019	2020	2019 — Rupees in	2020 thousands —	2019	2020	2019
20.1.4	Statement of financial position reconciliation								
	Present value of defined benefit obligation at June 30 - note 20.1.5	1,543,285	1,132,758	226,204	191,865	179,686	154,357	69,728	69,636
	Fair value of plan assets at June 30 - note 20.1.6	(1,196,805)	(879,879)	(135,402)	(98,587)	(166,645)	(133,424)	(99,985)	(87,258)
	Deficit / (Surplus)	346,480	252,879	90,802	93,278	13,041	20,933	(30,257)	(17,622)
20.1.5	Movement in the present value of defined benefit obligation								
	Opening balance	1,132,758	1,236,899	191,865	173,373	154,357	143,686	69,636	57,869
	Benefits paid by the plan	(60,641)	(82,586)	(6,433)	(3,408)	(5,832)	(3,465)	(3,859)	(543)
	Benefits payable to outgoing members	-	-	-	-	-	(8,252)	-	(1,477)
	Current service cost	40,451	42,249	7,880	7,347	11,218	10,535	3,154	2,802
	Interest cost	162,344	121,658	27,694	17,478	22,544	14,179	9,962	5,827
	Remeasurement on obligation	268,373	(185,462)	5,198	(2,925)	(2,601)	(2,326)	(9,165)	5,158
	Closing balance	1,543,285	1,132,758	226,204	191,865	179,686	154,357	69,728	69,636
20.1.6	Movement in the fair value of plan assets								
	Opening balance	879,879	994,202	98,587	86,212	133,424	130,559	87,258	81,895
	Contributions paid into the plan	83,855	65,946	23,246	16,747	14,054	11,295	766	249
	Benefits paid by the plan	(60,641)	(82,586)	(6,433)	(3,408)	(5,832)	(3,465)	(3,859)	(543)
	Benefits payable to outgoing members	-	-	-	-	-	(8,252)	-	(1,477)
	Interest income	124,353	96,345	13,788	8,507	19,708	12,927	12,350	8,118
	Remeasurement of plan assets	169,359	(194,028)	6,214	(9,471)	5,291	(9,640)	3,470	(984)
	Closing balance	1,196,805	879,879	135,402	98,587	166,645	133,424	99,985	87,258

FOR THE YEAR ENDED JUNE 30, 2020

		Pension Schemes				Gratuity Sc	hemes		
		Manag	ement	nt Non-Management Management Non-Ma		Non-Man	agement		
		2020	2019	2020	2019 – Rupees in	2020 thousands —	2019	2020	2019
20.1.7	Expense recognised in statement of profit or loss and other comprehensive income								
	Current service cost Net interest cost / (income) Expense recognised in statement of profit or loss and other	40,451 37,991	42,249 25,313	7,880 13,906	7,347 8,971	11,218 2,836	10,535 1,252	3,154 (2,388)	2,802 (2,291)
	comprehensive income	78,442	67,562	21,786	16,318	14,054	11,787	766	511
20.1.8	Remeasurement recognised in Other Comprehensive Income								
	Remeasurement of present value of defined benefit obligation Remeasurement of fair value	268,373	(185,462)	5,198	(2,925)	(2,601)	(2,326)	(9,165)	5,158
	of plan assets	(169,359)	194,028	(6,214)	9,471	(5,291)	9,640	(3,470)	984
	Remeasurements	99,014	8,566	(1,016)	6,546	(7,892)	7,314	(12,635)	6,142
20.1.9	Net recognised liability / (asset)								
	Net liability at the beginning of the year Expense recognised in statement of profit or loss and other	252,879	242,697	93,278	87,161	20,933	13,127	(17,622)	(24,026)
	comprehensive income	78,442	67,562	21,786	16,318	14,054	11,787	766	511
	Contribution made to the fund during the year	(83,855)	(65,946)	(23,246)	(16,747)	(14,054)	(11,295)	(766)	(249)
	Remeasurements recognised in other comprehensive income Recognised liability / (asset)	99,014	8,566	(1,016)	6,546	(7,892)	7,314	(12,635)	6,142
	as at June 30	346,480	252,879	90,802	93,278	13,041	20,933	(30,257)	(17,622)

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

			Pension Schemes				Gratuity S	chemes	
		Manag	gement	Non-Mar	nagement	Manag	gement	Non-Mar	nagement
		2020	2019	2020	2019	2020	2019	2020	2019
	Equity securities	11.18%	14.21%	9.24%	0.00%	11.18%	14.66%	0.00%	0.00%
	Debt securities	85.92%	83.37%	79.77%	74.21%	82.46%	82.86%	98.06%	98.70%
	Others	2.90%	2.42%	10.99%	25.79%	6.36%	2.48%	1.94%	1.30%
20.1.11	Actuarial assumptions								
	Discount rate at June 30	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%
	Future salary increases								
	- First year following the valuation	9.25%	14.50%	10.00%	16.00%	9.25%	14.50%	10.00%	16.00%
	- Second year following the valuation	9.25%	14.50%	5.00%	5.50%	9.25%	14.50%	5.00%	5.50%
	- Third year following the valuation	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%
	- Long term increase	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%	9.25%	14.50%
	Expected retirement age	60 years	60 years	60 years	60 years	60 years	60 years	60 years	60 years
	Pension increase rate								
	 First year following the valuation 	5.00%	5.00%	5.00%	5.00%				
	- Long term pension increase rate	3.00%	4.50%	3.00%	4.50%				

FOR THE YEAR ENDED JUNE 30, 2020

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

The Company ensures that the investment positions are managed under 'Liability Driven Investment Approach' that has been developed to achieve long term investments that are in line with the obligations under the retirement benefit scheme. Within this framework, the objective is to match assets to the retirement benefit obligations by investing in long-term securities with maturities that match the benefit payments as they fall due. The retirement benefit funds have appointed a third party advisor who monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risk from previous periods. The Company does not use derivatives to manage its risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets for the year ended June 30, 2020 consists of government securities.

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 funds for the year ending June 30, 2021 is expected to amount to Rs. 117.07 million.

20.2 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 (Rupees in	Decrease in assumption thousand)	
Discount rate at June 30	0.5%	(106,942)	117,443	
Future salary increases	0.5%	60,492	(57,239)	
Future pension increases	0.5%	59,269	(55,041)	

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.

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019 2018 2017 (Rupees in thousand)			2016
20.3	Historical information					
	Management Pension Fund Present value of defined benefit obligation Fair value of plan assets Deficit in the plan	1,543,285 (1,196,805) 346,480	1,132,758 (879,879) 252,879	1,236,899 (994,202) 242,697	1,234,935 (1,031,937) 202,998	1,109,017 (949,593) 159,424
	Experience adjustments (Gain) / loss on obligation (Loss) / gain on plan assets	268,373 169,359	(185,462) (194,028)	(15,125) (49,633)	36,168 (10,878)	138,568 60,935
	Non-Management Pension Fund Present value of defined benefit obligation Fair value of plan assets Deficit in the plan	226,204 (135,402) 90,802	191,865 (98,587) 93,278	173,373 (86,212) 87,161	161,569 (71,740) 89,829	127,105 (56,191) 70,914
	Experience adjustments (Gain) / loss on obligation (Loss) / gain on plan assets	5,198 6,214	(2,925) (9,471)	(7,460) (3,469)	18,255 (1,461)	24,288 3,536
	Management Gratuity Fund Present value of defined benefit obligation Fair value of plan assets Deficit in the plan	179,686 (166,645) 13,041	154,357 (133,424) 20,933	143,686 (130,559) 13,127	150,225 (143,131) 7,094	129,853 (118,696) 11,157
	Experience Adjustments (Gain) / loss on obligation (Loss) / gain on plan assets	(2,601) 5,291	(2,326) (9,640)	1,140 (3,999)	4,636 7,941	3,940 482
	Non-Management Gratuity Fund Present value of defined benefit obligation Fair value of plan assets Surplus in the plan	69,728 (99,985) (30,257)	69,636 (87,258) (17,622)	57,869 (81,895) (24,026)	54,974 (81,964) (26,990)	40,764 (75,794) (35,030)
	Experience adjustments Loss / (gain) on obligation (Loss) / gain on plan assets	(9,165) 3,470	5,158 (984)	(2,036) (4,626)	8,259 110	5,654 2,297

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

	No. of years
Management Pension fund	11.46
Non-management Pension fund	12.03
Management Gratuity fund	7.75
Non-management Gratuity fund	8.28

^{20.5} Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2020.

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.

FOR THE YEAR ENDED JUNE 30, 2020

2020 2019 (Rupees in thousand)

21. TRADE AND OTHER PAYABLES

Creditors – note 21.1	10,234,066	11,053,722
Accrued liabilities - notes 21.2 and 21.3	3,351,705	3,848,410
Surplus price differential payable - note 25.3	1,553,896	1,585,282
Payable to the Government – note 21.4	1,456,967	1,384,467
Sales tax payable	766,813	1,709,069
Accrued mark-up	312,478	275,126
Advances from customers – note 21.1	229,127	41,515
Retention money	99,644	46,992
Workers' Welfare Fund	29,897	20,766
Tax deducted at source	1,539	2,091
	18,036,132	19,967,440

21.1 Related party balances

Creditors) 04.4.4	1,344,471	629,600
Advances from customers	note 21.1.1	42,512	14,569

- **21.1.1** The balance as at June 30, 2020 include amount payable to / advances from PSO, K-Electric Limited, Pak-Arab Refinery Limited and Pakistan Petroleum Limited.
- 21.2 This includes differential of regulatory / custom duty levied amounting to Rs. 1.24 billion (June 30, 2019: Rs. 1.73 billion) on import of crude oil consumed in the production and recovered on sale of regulated products based on SROs issued by GoP and 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 ended June 30, 2019, 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 implementation 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.

- 21.3 Included in accrued liabilities is an amount of Rs. 396.1 million (exchange gains of Rs. 618.95 million net of exchange losses of Rs 222.85 million) (2019: 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 SBP in this respect, outcome of which is still pending.
- This includes GoP'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 (2019: 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.



FOR THE YEAR ENDED JUNE 30, 2020

2020 2019 (Rupees in thousand)

22. SHORT-TERM BORROWINGS

Short-term borrowings - note 22.1	6,500,000	9,500,000
Running finance under mark-up arrangements - note 22.2	5,883,020	4,801,779
Current portion of long-term borrowings - note 17	216,449	400,000
	12,599,469	14,701,779

- This represents mark-up based short-term finance from commercial banks repayable in 13 to 34 (2019: 1 to 62) days from the date of statement of financial position at a mark-up ranging from 7.94% to 9.43% (2019: 13.00% to 13.37%) per annum. These are secured by way of first joint pari passu charge on inventory and trade receivables.
- 22.2 As at June 30, 2020 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 9.45 billion (2019: Rs. 8.55 billion).

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 one month KIBOR+3% per annum as at June 30, 2020 (2019: three months KIBOR+0.50% to six months KIBOR+3% per annum). Purchase prices are payable on demand.

Facilities for letters of credit / guarantees and invoice discounting as at June 30, 2020 accumulated to Rs. 31.64 billion (2019: Rs. 42.74 billion) and Rs. 7 billion (2019: Rs. 7 billion) respectively of which the unutilised amount as at June 30, 2020 was Rs. 26.23 billion (2019: Rs. 28.1 billion) and Rs. 3 billion (2019: Nil) respectively.

23. UNEARNED REVENUE

This represents additional revenue earned on sale of petroleum products during June 27 to 30, 2020 consequent to increase in ex-refinery prices by the GoP effective June 27, 2020. The Ministry of Energy Petroleum Division Government of Pakistan (MEPD) through its letter dated July 28, 2020 interalia advised OGRA to adjust such additional revenue against loss of revenue suffered by refineries due to reduced ex-refinery prices for July 2020 under instructions of GoP.

24. CONTINGENCIES AND COMMITMENTS

Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 5.69 billion (2019: Rs. 5.54 billion). These include Rs. 5.38 billion (2019: Rs. 4.40 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.40 billion (2019: 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 24.1.

b) Bank guarantees of Rs. 124.63 million (2019: Rs. 124.63 million) were issued in favour of Sui Southern Gas Company Limited (SSGC)*

*During the year, with effect from October 28, 2019 (SSGC) ceased to be a related party of the Company.

FOR THE YEAR ENDED JUNE 30, 2020

24.1 **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.	Company and legal representatives of late Mr. M. Ramzan Katiar	2012
	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.		
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.	Company and Barret Hodgson	2015
	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.		
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 subjudice.	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

FOR THE YEAR ENDED JUNE 30, 2020

of Sindh

High Court Cantonment Board Korangi Creek filed this civil suit demanding property tax and charges from the Company amounting to Rs. 59.5 million on the additional constructed area excluding the original construction back in 1969. The Company's stance is that it has been paying the property tax for the entire constructed area from time to time, hence the demand is unlawful. Initially the Sindh High Court ordered for depositing the entire disputed amount, however after few hearings, the court granted interim injunction orders in favour of the Company.

Company and Cantonment Board Korangi Creek

2019

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.

The Company and 2010 Federal Board of Revenue

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.

2019 The Company, ACIR and CIR(A)

Constitutional Petition No. D-5897 of 2017 has been filed on this issue before 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 sub-judice 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 had filed an appeal before the Commissioner Inland Revenue (Appeals) CIR(A) against the said order. The CIR(A) vide its order dated April 03, 2020 decided the issue of section 5A in favour of the department. Furthermore it remanded back the issue of tax credit under section 65 of the ordinance, apportionment of expenses and allowed the claim of remeasurement of staff provision in favour of the Company. Subsequently both the Company and the Department have filed an appeal before the ATIR in persuance to their respective unfavourable decisions of CIR(A).

FOR THE YEAR ENDED JUNE 30, 2020

24.2 **Commitments**

- As at June 30, 2020 commitments outstanding for capital expenditure amounted to Rs. 0.13 billion (2019: Rs. 0.52 billion).
- Commitments for rentals under ijarah arrangements amounted to Nil (2019: Rs. 29.85 million) payable as follows: b)

2020 2019 (Rupees in thousand)

Not later than 1 year Later than 1 year but not later than 5 year

-	10,383
-	19,468
-	29,851

During the year the Company terminated the Ijarah arrangements and purchased the underlying assets at termination value amounting to Rs. 39.09 million.

> 2020 2019 (Rupees in thousand)

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sales - notes 25.1 & 25.2	128,440,772	145,236,819
Exports	3,435,164	7,959,750
Gross sales	131,875,936	153,196,569
Less:		
- Sales tax	(18,677,087)	(20,146,498)
- Excise duty and petroleum levy	(18,153,165)	(12,429,696)
- Surplus price differential - note 25.3 and 25.4	(1,332,664)	(1,481,327)
- Custom duty - note 21.2 and 25.5	(3,048,235)	(3,398,077)
- Unearned revenue - note 23	(140,525)	
	90,524,260	115,740,971

- 25.1 The Company sells its products to Oil Marketing Companies (OMCs). Out of these, two (2019: three) of the Company's customers contributed towards 84.38% (2019: 84.35%) of the gross revenues during the year amounting to Rs. 111.35 billion (2019: Rs. 128.76 billion) and each customer individually exceeds 10% of the gross revenues.
- 25.2 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.
- 25.3 This includes price differential amounting to Rs. 1.03 billion (2019: Rs. 1.15 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. 0.30 billion (2019: Rs. 0.33 billion) on sale of 90 RON Motor Gasoline, calculated as per the mechanism notified by MoE dated September 5, 2016.
- 25.4 During the year, in April 2020, the company sold HSD at a price lower than the PSO's benchmark price, such determination of price is permitted by ECC as interalia stated in ECC decision No. ECC-51/05/2013 dated February 26, 2013 together read with earlier ECC decision No. ECC - 113/12/2012 dated September 4, 2012. Consequently, the price differential in April 2020 on HSD is less than the price differential had the Company sold HSD at PSO's benchmark price. OGRA has asked the Company to submit working of price differential for April 2020 on the basis of PSO's benchmark price. The Company has obtained independent legal opinion also, which opined that the Company has correctly determined the price of HSD in April 2020 and the resultant price differential in pursuance of aforementioned ECC decisions. The matter is currently in discussion with OGRA.
- 25.5 This represents custom duty recovered on sale of products subject to custom duty.



FOR THE YEAR ENDED JUNE 30, 2020

2020 2019 (Rupees in thousand)

26. COST OF SALES

Crude oil and condensate consumed - note 26.3	88,255,093	114,393,373
Stores, spares and chemicals - note 26.3	1,402,035	816,827
Depreciation	840,504	760,525
Salaries and wages	611,355	636,806
Fuel, power and water	708,829	555,156
Repairs and maintenance note - 26.3	556,993	199,954
Retirement benefits	116,190	98,395
Insurance	86,208	57,326
Exchange loss - note 26.2	64,169	2,962,170
Security expenses	32,430	34,328
Staff transport	23,385	19,951
Subscriptions	16,318	11,510
Consultancy	17,235	16,434
Rent, rates and taxes	10,007	21,244
Travelling and entertainment	4,424	5,638
Transportation and handling charges	3,915	-
Rentals under ijarah arrangements	3,760	5,327
Other expenses	1,804	2,815
Amortisation of intangible assets	108	2,336
	4,499,669	6,206,742
	92,754,762	120,600,115
Opening inventory of finished products	3,613,760	1,929,111
Closing inventory of finished products	(1,475,915)	(3,613,760)
	94,892,607	118,915,466

- 26.1 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).
- 26.2 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.
- 26.3 This includes cost pertaining to planned turn-around activities as detailed in note 37 amounting to Rs. 452.74 million.

FOR THE YEAR ENDED JUNE 30, 2020

2020		2019
(Rupees	in	thousand)

27. DISTRIBUTION COSTS

Depreciation	70,101	88,743
Salaries and wages	70,290	64,046
Fuel, power and water	5,216	6,809
Repairs and maintenance	10,050	11,182
Retirement benefits	8,524	8,051
Insurance	11,626	8,360
Security expenses	5,925	3,139
Staff transport	1,476	1,369
Subscriptions	1,458	2,515
Rent, rates and taxes	15,689	48,445
Transportation and handling charges	4,661	5,622
Other expenses	1,080	1,890
	206,096	250,171

28. **ADMINISTRATIVE EXPENSES**

Depreciation	63,188	47,431
Salaries and wages	180,421	189,100
Repairs and maintenance	2,830	2,474
Retirement benefits	20,925	18,300
Insurance	32,158	53,267
Security expenses	7,716	8,837
Staff transport	8,192	6,239
Subscriptions	13,330	36,029
Travelling and entertainment	3,629	3,116
Rentals under ijarah arrangements	4,348	3,788
Communication	5,407	5,760
Legal and professional charges	22,141	12,989
Auditors' remuneration - note 28.1	6,571	5,006
Printing and stationery	4,344	4,266
Directors' remuneration - note 34	16,660	11,896
Computer related and software		
maintenance expenses	32,949	27,834
Cleaning and janitorial services	19,840	18,784
Advertising and publicity	1,361	2,829
Training expenses	4,894	6,986
Stamp duty charges	6,333	17,946
Other expenses	2,530	2,580
	459,767	485,457

FOR THE YEAR ENDED JUNE 30, 2020

2020		2019
(Rupees	in	thousand)

28.1 Auditors' remuneration

Audit fee	1,900	1,900
Fee for:		
- limited review of half yearly financial information	540	540
- other certifications	2,386	502
- audit of retirement benefit funds	1,000	1,300
Out of pocket expenses	745	764
	6,571	5,006

29. OTHER OPERATING EXPENSES

Research cost on Refinery Upgradation - note 29.1	28,958	17,830
Donations - note 29.2	4,928	4,673
Workers' Welfare Fund	9,131	-
Penalty	21	1,260
	43,038	23,763

- 29.1 This represents cost in relation to financial advisory services for Refinery Upgradate Project, including the installation of Diesel Hydrodesulphurisation Unit (DHDS).
- 29.2 The entire donation amounting to Rs. 4.93 million was paid for renovation of Government Girls Elementary School at Bhittai Colony. None of the donations were made to parties where directors or their spouses are interested.

2020 2019 (Rupees in thousand)

30. OTHER INCOME

Income from financial assets

Profit on savings accounts	48,575	52,568
Interest on late payments	6,453	2,267
Others		
Insurance claim- note 30.1	75,783	-
Sale of scrap	19,185	8,568
Rent of equipment [including Rs. 0.47 million (2019: Rs. 1.28 million)		
from related parties]	10,809	20,925
Others	2,411	2,128
Exchange gain	685	40,532
Recovery of metals	-	61,909
Reversal of impairment loss	-	52,566
Liabilities no longer considered payable written back	-	19,077
Agreement signing fee	-	6,667
Gain (net) on disposal of operating assets	-	97
	163,901	267,304

This represents insurance claim from insurance companies in relation to ocean loss on crude oil imports as per the contract.

These claims pertain to prior years and are settled in the current year.

FOR THE YEAR ENDED JUNE 30, 2020

31.	FINANCE COST	2020 (Rupees in	2019 thousand)
31.	THANGE COST		
	Mark-up on running finance under mark-up arrangements - note 22.2 Mark-up on short-term borrowings - note 22.1	448,488 869,663	260,867 536,019
	Mark-up on term finance certificates Mark-up on Diminishing Musharika / long-term loans - note 17.2 & 17.3 Markup on salary refinancing - note 17.4	579,250 180	9,238 445,216 -
	Exchange loss (net) Bank charges Amortisation of lease liability	73,893 2,175 21,363	187,651 3,633
	7 thorason of loads hashing	1,995,012	1,442,624
32.	INCOME TAX EXPENSE	200 007	507.000
	Current for the year	689,007	597,362
	Prior year	(0.000)	(19,898)
	Deferred	(3,382) 685,625	(1,449) 576,015
32.1	Relationship between tax expense and accounting profit Loss before income tax	(6,905,101)	(5,245,108)
	Tax at the applicable tax rate of 29% (2019 : 29%) Effect of:	(2,002,479)	(1,521,081)
	- non-recognition of deferred tax on tax loss		
	and deductible temporary differences - note 19.1	1,916,972	1,412,965
	- expenses not deductible for tax purposes	1,435	1,721
	- final tax - tax credit	116,192	186,427
	- minimum tax	- 653,505	(40,041) 555,922
	- reversal of tax charge for prior year	-	(19,898)
	Total at tax analysis prof year	685,625	576,015
33.	LOSS PER SHARE - BASIC AND DILUTED		
		(7.500.700)	(F 004 400)
	Loss for the year attributable to ordinary shareholders Weighted average number of ordinary shares	(7,590,726)	(5,821,123)
	outstanding during the year (in thousand)	427,856	425,496
	Basic and diluted loss per share	(Rs. 17.74)	(Rs. 13.68)

There were no dilutive potential ordinary shares in issue as at June 30, 2020 and 2019.



FOR THE YEAR ENDED JUNE 30, 2020

34. 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:

		2020			2019	
	Non - Executive Directors	Chief Executive	Executives	Non - Executive Directors	Chief Executive	Executives
			(Rupees in	thousand)		
Fees	12,125	-	-	9,300	-	-
Managerial remuneration	-	31,697	215,082	-	22,185	191,784
Honorarium - note 34.2	3,600	-	-	2,596	-	-
Bonus	-	-	-	-	2,440	32,235
Retirement benefits	-	-	62,235	-	-	56,168
Housing	-	-	82,609	-	-	74,556
Utilities	-	-	18,358	-	-	16,569
Leave passage	-	2,995	23,636	-	-	29,333
Club expenses	-	40	720	-	174	809
Others	935	10	34,136	-	-	25,333
	935	3,045	159,459	-	174	146,600
	16,660	34,742	436,776	11,896	24,799	426,787
Number of persons	10	2*	73	9	1	70

^{*}During the year, with effect from August 01, 2019, Mr. Zahid Mir replaced Mr. Aftab Husain as the Chief Executive Officer of the Company.

As at June 30, 2020, Chairman, Chief Executive and certain executives are provided with free use of company maintained cars. 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. 51.25 million (2019: Rs. 9.72 million)

34.2 These include benefits provided to the Chairman of the Board of Directors, as approved by the Board of Directors of the Company during the year.

FOR THE YEAR ENDED JUNE 30, 2020

35. TRANSACTIONS WITH RELATED PARTIES

Rela	ationship	Nature of transaction	2020 (Rupees in	2019 thousand)
(a)	Parent company	Sale of goods - net Subscription money received	62,060,755	38,348,928
		against rights issue	2,100,000	-
		Services rendered	467	441
		Reimbursement of expenses	-	2,300
(b)	Associated companies	Purchase of goods	2,857,282	152,229
		Services received	1,498,008	684,824
		Sale of goods - net	-	37,154,830
		Services rendered	-	341
		Mark-up paid	-	25,214
		Bank charges	-	16
(c)	Key management personnel	Salaries and other short-term		
. ,	compensation (excluding non-executive	employee benefits	143,089	100,492
	directors)	Post-employment benefits	9,588	7,331
(d)	Non-executive Directors	Remuneration	16,660	11,896
,		Subscription money received	·	,
		against rights issue	280	-
(e)	Staff retirement benefit funds	Payments to staff retirement		
. /		benefit funds	217,262	170,804
		Mark-up paid on TFC	-	3,358
		• •		

Sale of certain products is transacted at prices fixed by the OGRA.

Status of outstanding balances in respect of related parties as at June 30, 2020 is included in trade deposits and short term prepayments, trade receivables, other receivables, trade and other payables and inventories. Transactions, status and information relating to staff retirement funds are disclosed in note 20. These are settled in ordinary course of business.

FOR THE YEAR ENDED JUNE 30, 2020

35.1 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 note - 14.4	Parent Company	60.00%
2.	Pak Grease Manufacturing Company (Private) Limited note - 7.1	By virtue of shareholding by the Company.	N/A
3.	K- Electric limited	By virtue of common directorship	N/A
4.	Pakistan National Shipping Corporation	By virtue of common directorship	N/A
5.	*Sui Southern Gas Company Limited	By virtue of common directorship	N/A
6.	Pakistan Petroleum Limited	By virtue of common directorship	N/A
7.	Pak-Arab Refinery Limited	By virtue of common directorship	N/A

^{*}During the year, with effect from October 28, 2019 Sui Southern Gas Company Limited (SSGC) ceased to be a related party of the Company.

35.2 The following companies became related parties of the Company during the year:

	S. No.	Company Name	With Effect Fr	om
	1. 2.	K Electric Limited Pak-Arab Refinery Limited	January 27, 20 June 01, 2020	
36.		R OF EMPLOYEES of employees including contractual	2020	2019
	employe	number of employees including contractual	276	281
	employe	es during the year	279	280

37. CAPACITY AND ACTUAL PERFORMANCE

Against the designed nominal annual capacity of 2,133,705 metric tons, the actual throughput during the year was 1,264,830 metric tons (2019: 1,627,543 metric tons). The Company operated the plant considering the level which gives optimal yield of products. In addition, the refinery was shut down for 44 days during the year for planned turn-around activities.

FOR THE YEAR ENDED JUNE 30, 2020

38. **FINANCIAL INSTRUMENTS**

38.1 Financial assets and liabilities

	Interes	st / Mark-up b	earing	Non-inte	erest / mark-u _l	p bearing	Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	•
			(Ru	pees in thousa	ınd)		
FINANCIAL ASSETS							
Trade deposits and loans	-	-	-	20,931	25,946	46,877	46,877
Trade receivables	-	-	-	3,667,153	-	3,667,153	3,667,153
Other receivables	-	-	-	6,556	-	6,556	6,556
Cash and bank balances	244,596	-	244,596	1,945,111	-	1,945,111	2,189,707
2020	244,596	-	244,596	5,639,751	25,946	5,665,697	5,910,293
2019	252,935	-	252,935	13,771,138	29,352	13,800,490	14,053,425
FINANCIAL LIABILITIES							
Borrowings	12,599,469	4,215,146	16,814,615	-	-	-	16,814,615
Trade and other payables	-	-	-	13,999,432	-	13,999,432	13,999,432
Unclaimed dividend	-	-	-	19,866	-	19,866	19,866
Lease Liability	3,370	152,448	155,818	-	-	-	155,818
2020	12,602,839	4,367,594	16,970,433	14,019,298	-	14,019,298	30,989,731
2019	14,701,779	4,300,000	19,001,779	15,248,109	-	15,248,109	34,249,888

38.2 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 - 15, the Company operates under tariff protection formula whereby profits after tax in excess of 50% of the paid-up capital as of July 1, 2002 are diverted to special reserve.

The Company has long-term borrowings, short-term borrowings and running finance arrangements issued to meet its working capital and capital expenditure requirements.

FOR THE YEAR ENDED JUNE 30, 2020

(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. 5.91 billion (2019: Rs. 14.05 billion).

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

	2020	2019
	(Rupees in	thousand)
Trade deposits and loans	46,877	50,944
Trade receivables	3,582,507	7,041,464
Other receivables	6,556	553,503
Cash and bank balances	2,189,707	253,889
	5,825,647	7,899,800

The Company monitors its exposure to credit risk on an ongoing basis at various levels. The Company believes that it is not exposed to any major credit risk as it operates in an essential products industry and its customers are organisations with good credit history. The credit quality of the bank balances can be assessed with reference to recent external credit ratings as follows:

		Rat	ing
	Rating agency	Short term	Long term
Askari Bank Limited	PACRA	AA+	A1+
Bank Al Falah Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Citi Bank N.A	FITCH	F1	A+
Faysal Bank Limited	PACRA	AA	A1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	AA-	A1+
MCB Bank Limited	PACRA	AAA	A1+
MCB Islamic Bank Limited	PACRA	Α	A1
Meezan Bank Limited	JCR-VIS	AA+	A-1+
National Bank of Pakistan	PACRA	AAA	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCR-VIS	AAA	A-1+

(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 committed credit facilities and maintaining adequate cash. Management believes that it will be able to fulfil its financial obligations.

FOR THE YEAR ENDED JUNE 30, 2020

(iii) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2020, financial assets include Rs. 0.48 billion (2019: Rs 0.44 billion) and financial liabilities include Rs. 5.3 billion (2019: Rs. 8.81 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, 2020, 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 240.80 million (2019: Rs. 414 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 (2019: 180 days).

As at June 30, 2020, 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. 167.22 million (2019: Rs. 135.47 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowings.

(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.

2020 2019 (Rupees in thousand)

39. CASH GENERATED FROM OPERATIONS

Loss before income tax	(6,905,101)	(5,245,108)
Adjustments for non-cash charges and other items		
Mark-up expense	1,918,764	1,251,340
Depreciation	973,790	896,699
Provision for employee benefit obligations	115,048	96,178
Amortisation of intangible assets	108	2,336
Reversal for slow moving stores and spares - net	(2,296)	(4,216)
Share of income / (loss) of associate	(3,258)	13,963
Profit on deposits	(48,575)	(52,568)
Reversal of impairment loss	-	52,566
Gain on disposal of operating assets - net	-	(97)
Exchange loss on cash and cash equivalents	-	(20,495)
Agreement signing fee	-	(6,667)
	2,953,581	2,229,039
Working capital changes - note 39.1	9,863,838	(4,551,513)
Cash generated from / (used in) operations	5,912,318	(7,567,582)

FOR THE YEAR ENDED JUNE 30, 2020

2020		2019
(Rupees	in	thousand)

39.1 Working capital changes

Increase / (decrease) in current assets Inventories		
Inventories	1,485,003	(1,612,628)
Trade receivables	9,527,936	(5,929,607)
Trade deposits, loans, advances and short-term prepayments	132,087	(124,520)
Other receivables	546,947	68,376
	11,691,973	(7,598,379)
(Decrease) / increase in current liabilities Trade and other payables	(1,828,135)	3,046,866
	9,863,838	(4,551,513)

40. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 13	2,189,707	253,889
Short-term borrowings - note 22.1	(6,500,000)	(9,500,000)
Running finance under mark-up		
arrangements - note 22.2	(5,883,020)	(4,801,779)
	(10,193,313)	(14,047,890)

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 20, 2020 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 Sixtieth (60th) Annual General Meeting 2020

Option 1: (appointing other person as Proxy)

	S/o, D/o, W/o
	being a member of Pakistan Refinery Limited and holder of
	ary Shares as per Registered Folio Nohereby appoint
	S/o, D/o, W/o
	as my/our proxy to vote for me/us on my/our behalf at the company to be held on October 7, 2020 and at any adjournment thereof.
Signed under my / our hand	on this ———— day of, 2020
Signature of member (Signature should agree wit	the specimen signature registered with the Company)
Signed in the presence of:	
Signature of Witness 1	Signature of Witness 2
Option 2: (E - voting as per t	ne Companies (E - voting) Regulations, 2016)
I/We	S/o, D/o, W/o
CNIC — Or e-voting through interm as p 2016 and hereby demand for	being a member of Pakistan Refinery Limited and holder of dinary Shares as per Registered Folio No hereby opt for diary and hereby consent the appointment of execution officer toxy and will exercise e-voting as per the Companies (E-voting) Regulations, poll for resolutions. My secured email address is ssword and electronic signature through email.
Signature of member (Signature should agree wit	the specimen signature registered with the Company)
Signed in the presence of:	
 Signature of Witness 1	 Signature of Witness 2

IMPORTANT

Instruments of proxy will not be considered as vaild 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

پراکسی فارم ساتھواں (60واں) سالانہ اجلاس عام 2020

) اور څخص کومختار (پراکسی) چینا)	پش1(کسی	! 7
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میں/ہم	ولد، بنت، زوجه
CNIC	بحثیت رکن/ارکان پاکتان ریفائنزی لمیٹڈاورر جسٹر ڈ فولیونمبر
	عمومی حصص کے حامل ہیں ، بذریعہ م ذامحتر م/محترمہولد،
بنت، زوجه	CNICکومیری/ ہماری جانب سے بحثیت
مخار(پراکسی)سالانه/غیرمعمولی اجلاس	ں عام منعقدہ اکتوبر7،2020 میں ووٹ دینے کا اختیار ہوگا اور اجلاس ملتوی ہونے کی صورت میں بھی یہی میرے مختار
(پراکسی) ہو نگھے-	
د شخطویں روز	2020 کو کئے گئے۔
ممبر کے دستخط	
(دستخط کمپنی کے ریکار ڈیٹس موجو دنمونہ د	د شخط سے مماثل ہونے حیا ہئیں)
دستخط رو بروگوا _م ان:	
گواه 1:	
آ پشن 2 (دی کمپینز(ای ووٹنگ	ر گولیشنز 2016 کے تحت ای ووٹنگ)
میں/ ہم	ولد، بنت، زوجه
'	بحثیت رکن یا کشان ریفائنری لم پیٹراور رجیٹر ڈ فولیونمبر
	عومی حصص کے حامل ہیں ، بذریعہا نٹرمیڈ بری ای ووٹنگ کواختیار کرتے ہیں اور دی کمپینیز
اور	موی منطق کے حال ہیں،بدر لیدائٹر میڈیری آئی ووٹنگ لوا خسیار کرنے ہیں اور دی ہینز
	موی مسل کے حال ہیں ،بدر بعد انٹر میڈیری آی ووٹنگ کو احسیار کرنے ہیں اور دی پییز ت ای ووٹنگ کا حق استعال کریں گے اور قر اردادوں میں ووٹنگ کا مطالبہ کرتے ہیں- ہماری محفوظ ترین ای میل
(ای ووٹنگ)ریگولیشنز 2016 کے تحہ	
(ای ووٹنگ)ریگولیشنز 2016 کے تحہ	ے ای دوئنگ کاحق استعال کریں گے اور قرار دادوں میں دوئنگ کا مطالبہ کرتے ہیں۔ ہماری محفوظ ترین ای میل
(ای ووٹنگ)ریگولیشنز 2016 کے تحہ	ت ای دوئنگ کاحق استعال کریں گے اور قرار دادوں میں دوئنگ کا مطالبہ کرتے ہیں۔ ہماری محفوظ ترین ای ممیل ہے، برائے مہر پانی لاگ ان کی تفصیلات، پاسورڈ اورالیکٹرا نک سکنچر بذریعیای میل بھیج دیں۔
(ای دوٹنگ)ریگولیشنز 2016 کے تحد ایڈرلیس ایڈرلیس ممبر کے دستخط ممبر کے دستخط (دستخط کمپنی کے ریکارڈ میں موجود نموند د	ت ای دوئنگ کاحق استعال کریں گے اور قرار دادوں میں دوئنگ کا مطالبہ کرتے ہیں۔ ہماری محفوظ ترین ای ممیل ہے، برائے مہر پانی لاگ ان کی تفصیلات، پاسورڈ اورالیکٹرا نک سکنچر بذریعیای میل بھیج دیں۔
(ای دوٹنگ)ریگولیشنز 2016 کے تحد ایڈرلیس ممبر کے دشخط	ت ای دوئنگ کاحق استعال کریں گے اور قرار دادوں میں دوئنگ کا مطالبہ کرتے ہیں۔ ہماری محفوظ ترین ای ممیل ہے، برائے مہر پانی لاگ ان کی تفصیلات، پاسورڈ اورالیکٹرا نک سکنچر بذریعیای میل بھیج دیں۔

FAMCO Associates (Private) Limited

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