



National Refinery Limited

Vision of today is
Tomorrow's Achievement

Unaudited Accounts
for the First Quarter ended
September 30, 2011

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Corporate Information

Board of Directors

Dr. Ghaith R. Pharaon - Chairman
Alternate Director: Iqbal A. Khwaja
Laith G. Pharaon
Alternate Director: Babar Bashir Nawaz
Wael G. Pharaon
Alternate Director: Jamil A. Khan
Shuaib A. Malik
Dr. Mohamed Djarraya
Bahauddin Khan
Abdus Sattar

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Shaikh Ather Ahmed

Audit Committee

Abdus Sattar	Chairman
Babar Bashir Nawaz	Member
Jamil A. Khan	Member
Iqbal A. Khwaja	Member
Nouman Ahmed Usmani	Secretary

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Primary Bankers

Habib Metropolitan Bank Limited
National Bank of Pakistan
Bank Al-Habib Limited
Faysal Bank Limited
United Bank Limited
Habib Bank Limited

Registered Office

7-B, Korangi Industrial Area,
P.O. Box 8228, Karachi-74900
UAN No. 111-675-675
Fax: +9221 35054663, +9221 35066705
Website: www.nrlpak.com
E-mail: info@nrlpak.com

Share Registrar

Noble Computer Services (Pvt.) Ltd.,
First Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah Cooperative
Housing Society, Main Shahrah -e- Faisal,
Karachi-75350,
Contact No. 34325482-87,
Fax: 34325442
Website: www.noble-computers.com

Directors' Review



Assalam-u-Alaikum!

The Board of Directors is pleased to present a brief overview of the un-audited interim financial information of your Company for the quarter ended September 30, 2011.

Your company earned profit after tax of Rs. 828 million during the period under review as compared to Rs. 1,349 million in the corresponding period. Earning per share was Rs. 10.36 compared to Rs. 16.87 in the corresponding period.

Fuel Segment incurred loss after tax of Rs. 297 million compared to profit after tax of Rs. 237 million in the corresponding period. Product selling prices and crude oil prices remained volatile resulting in shrinkage of gross refining margins. Inventories increased significantly due to depressed market demand; consequently, refinery was operated at 80% of the designed capacity compared to 98% during the corresponding period. Rupee value reduced against US dollars, resulting in exchange loss of Rs. 193 million as compared to Rs. 64 million for corresponding period.

Demand of Lube Base Oil remained depressed and company could sell 32,770 M.Tons compared to 46,011 M.Tons during corresponding period. In the aftermath of floods during 2010 it was expected that development work in the Country would raise the demand for Asphalt, but, due to paucity of development funds, Government could not start the same, hence, sales reduced to 20,291 M.Tons compared to 26,695 M.Tons during corresponding period. Reduction in demand of Lube Base Oil and Asphalt increased the inventory levels, resultantly lube refinery operated at 100% of designed capacity compared to 118% for corresponding period.

The overdue receivable was restricted at a constant figure of Rs. 9,393 million. Immediate attention of the Government is however been awaited to resolve the issue of circular debt.

The Board would like to thank all stakeholders for their continued support and confidence in National Refinery Limited.

On behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

Karachi:
October 20, 2011

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2011

	Note	Unaudited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,177,182	3,234,755
Intangible assets		26	35
Long term investment	4	-	-
Long term loans and deposits		91,098	93,030
		<u>3,268,306</u>	<u>3,327,820</u>
CURRENT ASSETS			
Stores, spares and chemicals		835,269	887,292
Stock-in-trade		26,370,127	19,346,929
Trade debts		15,478,680	14,100,493
Loans and advances		125,032	23,962
Deposits and prepayments		179,768	18,446
Accrued interest		23,184	56,995
Other receivables		1,427,313	932,485
Investments		4,631,684	8,941,634
Cash and bank balances		7,008,936	9,058,203
		<u>56,079,993</u>	<u>53,366,439</u>
TOTAL ASSETS		<u>59,348,299</u>	<u>56,694,259</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
100,000,000 Ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid up		799,666	799,666
Reserves	5	<u>22,636,653</u>	<u>23,807,509</u>
		<u>23,436,319</u>	<u>24,607,175</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefits obligations		201,207	179,857
Deferred taxation		39,103	48,909
CURRENT LIABILITIES			
Trade and other payables	6	<u>33,335,831</u>	<u>29,400,170</u>
Provisions		430,885	428,676
Taxation		<u>1,904,954</u>	<u>2,029,472</u>
		<u>35,671,670</u>	<u>31,858,318</u>
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u>59,348,299</u>	<u>56,694,259</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Note	September 30, 2011 (Rupees in thousand)	September 30, 2010
Gross sales	8	43,794,874	41,268,208
Trade discounts, taxes, duties and levies	9	<u>(6,187,211)</u>	<u>(7,878,567)</u>
Net sales		37,607,663	33,389,641
Cost of sales		<u>(36,092,594)</u>	<u>(31,076,603)</u>
Gross profit		1,515,069	2,313,038
Distribution and marketing expenses		<u>(262,816)</u>	<u>(239,820)</u>
Administrative expenses		<u>(110,358)</u>	<u>(91,598)</u>
Other operating income		477,751	416,965
Other operating expenses		<u>(99,160)</u>	<u>(167,792)</u>
Operating profit		1,520,486	2,230,793
Finance cost		<u>(195,938)</u>	<u>(64,037)</u>
Profit before taxation		1,324,548	2,166,756
Taxation	10	<u>(496,240)</u>	<u>(817,380)</u>
Profit after taxation		<u>828,308</u>	<u>1,349,376</u>
			(Rupees)
Earnings per share		<u>10.36</u>	<u>16.87</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Note	September 30, 2011	September 30, 2010
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	(6,168,351)	5,429,902
Income tax paid		(630,564)	(455,770)
Decrease / (increase) in long term loans and deposits		1,932	(1,496)
Payment made to pension fund		(6,193)	-
Post retirement medical benefits paid		(3,885)	(3,433)
Net cash (used in) / from operating activities		<u>(6,807,061)</u>	<u>4,969,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,120)	(72,432)
Proceeds from disposal of property, plant and equipment		480	4,131
Return on treasury bills received		269,720	37,710
Interest received on banks accounts		188,874	269,579
Net cash from investing activities		<u>446,954</u>	<u>238,988</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(342)	(216)
Net (decrease) / increase in cash and cash equivalents		(6,360,449)	5,207,975
Cash and cash equivalents at the beginning of the period		17,888,486	17,571,298
Exchange gain on foreign currency bank account		-	34
Cash and cash equivalents at the end of the period	12	<u>11,528,037</u>	<u>22,779,307</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Share Capital	Capital Reserves		Revenue Reserves		Special Reserve Note 5.1	Total
	Issued, subscribed and paid-up	Capital compensation reserves	Exchange equalisation reserve	General reserve	Unappropriated profit		
	(Rupees in thousand)						
Balance as at July 01, 2010	799,666	10,142	4,117	11,588,000	4,024,986	3,211,062	19,637,973
Transfer to general reserve - 2010	-	-	-	2,400,000	(2,400,000)	-	-
Profit for the three months ended September 30, 2010	-	-	-	-	1,349,376	-	1,349,376
Balance as at September 30, 2010	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>13,988,000</u>	<u>2,974,362</u>	<u>3,211,062</u>	<u>20,987,349</u>
Final dividend for the year ended June 30, 2010 - Rs. 20 per share	-	-	-	-	(1,599,331)	-	(1,599,331)
Profit for the nine months ended June 30, 2011	-	-	-	-	5,219,157	-	5,219,157
Profit after tax from fuel refinery operations transferred to special reserve	-	-	-	-	(658,006)	658,006	-
Balance as at July 01, 2011	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>13,988,000</u>	<u>5,936,182</u>	<u>3,869,068</u>	<u>24,607,175</u>
Final dividend for the year ended June 30, 2011 - Rs. 25 per share	-	-	-	-	(1,999,164)	-	(1,999,164)
Transfer to general reserve - 2011	-	-	-	3,900,000	(3,900,000)	-	-
Profit for three months ended September 30, 2011	-	-	-	-	828,308	-	828,308
Balance as at September 30, 2011	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>17,888,000</u>	<u>865,326</u>	<u>3,869,068</u>	<u>23,436,319</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive


Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

1. LEGAL STATUS AND OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company and its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The registered office of the Company is situated at 7-B, Korangi Industrial Area, Karachi, Pakistan.

The Company is engaged in the manufacturing, production and sale of large range of petroleum products. The refinery complex of the Company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

2.2 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2011.

September 30, 2011	September 30, 2010
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(Rupees in thousand)

3. PROPERTY, PLANT AND EQUIPMENT

Additions made during the period:

Building on leasehold land	901	-
Oil terminal	-	217
Processing plant and storage tanks	65,413	-
Furniture and fixtures	564	33
Computer and other related accessories	1,039	167
Office and other equipment	<u>4,884</u>	<u>6,662</u>
	<u>72,801</u>	<u>7,079</u>

Written down value of assets disposed off during the period:

Vehicles	272	1,096
Office and other equipment	<u>6</u>	<u>-</u>
	<u>278</u>	<u>1,096</u>

4. LONG TERM INVESTMENT

September 30, 2011	June 30, 2010
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(Rupees in thousand)

Investment in related party (unlisted)		
- Available for sale		
Anoud Power Generation Limited	10,800	10,800
[1,080,000 (June 30, 2011: 1,080,000)		
ordinary shares of Rs. 10 each,		
Equity held 9.09 % (June 30, 2011: 9.09%)		
Provision for impairment	<u>(10,800)</u>	<u>(10,800)</u>
	<u>-</u>	<u>-</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	September 30, 2011	June 30, 2010
	(Rupees in thousand)	
5. RESERVES		
Capital reserves	14,259	14,259
Revenue reserves		
General reserve	17,888,000	13,988,000
Unappropriated profit	865,326	5,936,182
	18,753,326	19,924,182
Special reserve - note 5.1	3,869,068	3,869,068
	22,636,653	23,807,509

- 5.1 As per the Import Parity Pricing formula, effective July 1, 2002, certain refineries including the Company have been directed to transfer to a 'Special Reserve' from their net profit after tax for the year from fuel refinery operations, an amount in excess of 50% of paid-up share capital, as on July 01, 2002 attributable to fuel segment, to offset against any future losses or to make investment for expansion or up-gradation and is therefore not available for distribution.

However, Ministry of Petroleum and Natural Resources through its circular dated October 14, 2010 directed the refineries not to adjust the operational losses against the special reserve.

Adjustment in special reserve is made on annual basis.

6. TRADE AND OTHER PAYABLES

Creditors		
Government of Pakistan	2,238,715	2,282,216
Other trade creditors		
Related parties	62,485	2,878
Other trade creditors	25,269,639	23,426,827
	27,570,839	25,711,921
Mark-up accrued on unsecured custom duty overdue	310,264	310,264
Accrued liabilities	612,894	656,946
Sales tax payable	1,695,234	1,940,962
Excise duty and petroleum levy	430,711	163,924
Other liabilities	662,730	561,816
Dividend payable	2,053,159	54,337
	33,335,831	29,400,170

7. CONTINGENCIES AND COMMITMENTS

The status of the contingencies and commitments which were reported in notes 21 and 34 to the financial statements for the year ended June 30, 2011 has not been materially changed.

	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
8. GROSS SALES		
Local	36,635,468	35,584,139
Export	7,159,406	5,684,069
	43,794,874	41,268,208

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
9. TRADE DISCOUNT, TAXES, DUTIES AND LEVIES		
Trade discounts	300,707	165,919
Sales tax	4,949,324	5,071,477
Excise duty	229,574	279,500
Petroleum levy	707,606	2,361,671
	<u>6,187,211</u>	<u>7,878,567</u>
10. TAXATION		
Current	506,046	830,146
Deferred	(9,806)	(12,766)
	<u>496,240</u>	<u>817,380</u>
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,324,548	2,166,756
Adjustment for non cash charges and other items:		
Depreciation and amortization	69,424	65,962
Provision for gratuity	2,657	2,484
Provision for post retirement medical benefits	7,426	8,350
Provision for pension	21,345	20,143
Provision for slow moving and obsolete stores, spares and chemicals	13,273	11,664
Return / interest on bank deposits	(155,063)	(265,891)
Loss on re-measurement of fair value of open ended mutual fund units	-	12,099
Return on treasury bills	(270,952)	(105,353)
Profit on disposal of property, plant and equipment	(202)	(3,035)
Exchange gain on foreign currency bank accounts	-	(34)
(Increase) / Decrease in working capital - note 11.1	<u>(7,180,807)</u>	3,516,757
	<u>(6,168,351)</u>	<u>5,429,902</u>
11.1 (Increase) / Decrease in working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	38,750	(181,953)
Stock-in-trade	(7,023,198)	(3,537,047)
Trade debts	(1,378,187)	1,481,726
Loans and advances	(101,070)	(57,534)
Deposits and short term prepayments	(161,322)	(49,154)
Other receivables	(494,828)	666,249
Increase in current liabilities		
Trade and other payables	1,936,839	5,194,470
Provisions	2,209	-
	<u>(7,180,807)</u>	<u>3,516,757</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	September 30, 2011	September 30, 2010
(Rupees in thousand)		
12. CASH AND CASH EQUIVALENTS		
In hand	500	500
With banks on		
Current accounts	166,349	135,804
Savings accounts	1,957,163	7,631,623
Deposit accounts		
- local currency	4,884,924	10,239,595
- foreign currency (2010: US\$ 61 thousand)	-	5,208
	7,008,436	18,012,230
Short term investment in treasury bills	4,519,101	4,766,577
	11,528,037	22,779,307

13. SEGMENT INFORMATION

The financial information regarding business segments is as follows:

	FUEL		LUBE		TOTAL	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
(Rupees in thousand)						
Segment Revenue						
Sales to external customer						
- local, net of discount, taxes, duties and levies	22,063,804	20,058,942	8,384,453	7,646,630	30,448,257	27,705,572
- export	6,670,636	4,800,618	488,770	883,451	7,159,406	5,684,069
	28,734,440	24,859,560	8,873,223	8,530,081	37,607,663	33,389,641
Inter segment sales	9,062,434	7,147,732	-	-	9,062,434	7,147,732
Elimination of inter segment sales	-	-	-	-	(9,062,434)	(7,147,732)
Net sales	37,796,874	32,007,292	8,873,223	8,530,081	37,607,663	33,389,641
Segment results after tax	(297,493)	236,926	1,125,801	1,112,450	828,308	1,349,376

	FUEL		LUBE		TOTAL	
	September 30, 2011	June 30, 2011	September 30, 2011	June 30, 2011	September 30, 2011	June 30, 2011
(Rupees in thousand)						
Segment Assets	38,334,796	33,787,945	19,540,708	21,346,617	57,875,504	55,134,562
Unallocated Assets	-	-	-	-	1,472,795	1,559,697
Total Assets	38,334,796	33,787,945	19,540,708	21,346,617	59,348,299	56,694,259
Segment Liabilities	30,583,792	27,904,406	3,384,131	2,104,296	33,967,923	30,008,702
Unallocated Liabilities	-	-	-	-	1,944,057	2,078,382
Total Liabilities	30,583,792	27,904,406	3,384,131	2,104,296	35,911,980	32,087,084

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

14. TRANSACTIONS WITH RELATED PARTIES

14.1 The following transactions were carried out with related parties during the period:

Nature of relationship	Nature of transactions	Transactions during the quarter	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
Associated companies			
	Sale of petroleum products	20,661,758	10,911,430
	Rental income	1,018	939
	Hospitality charges	2,700	2,530
	Handling income	33,744	28,016
	Trade discounts and commission on sales	488,596	339,183
	Reimbursement of expenses	223	209
	Purchase of petroleum products	4,163	4,737
	Sale of stores	-	1,727
	Payment made to Prime Minister Flood Relief Fund through The Attock Oil Company Limited	-	5,000
Post employment staff benefit plans	Contributions	41,177	39,452
Others			
	Purchase of electricity	300,887	218,742
	Rental income	141	128
Key management employees compensation			
	Salaries and other employees benefits	9,773	5,769
	Post retirement benefits	1,180	689
	Director's Fees	961	1,920

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

15. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison, the effects of which is not material.

16. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 20, 2011 by the Board of Directors of the Company.



Chief Executive



Director



National Refinery Limited

7-B, Korangi Industrial Area,
Karachi-74900, Pakistan.
UAN: 111-675-675
Fax: 92-21-35054663
www.nrlpak.com
E-mail: info@nrlpak.com

