



National Refinery Limited

Unaudited Accounts  
for the Half Year ended  
December 31, 2012

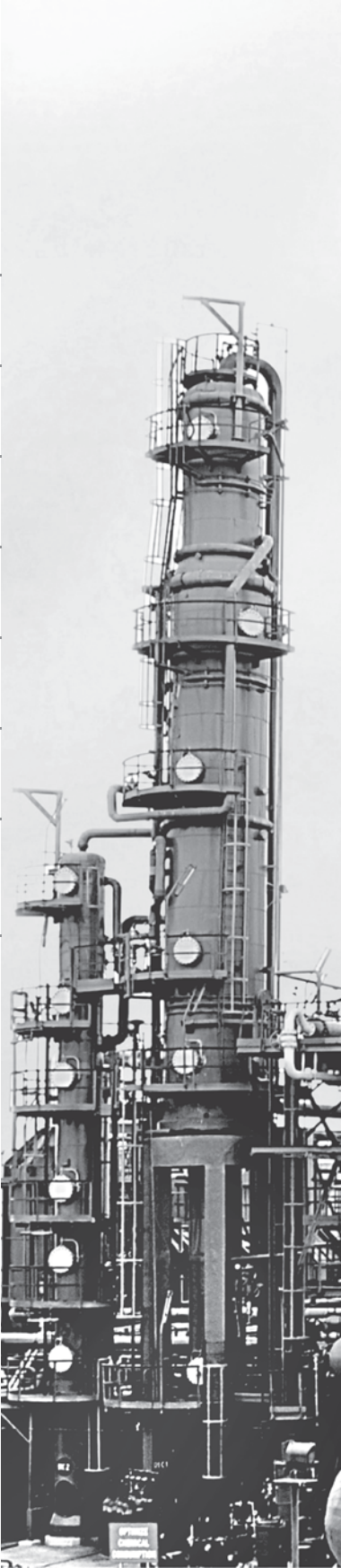


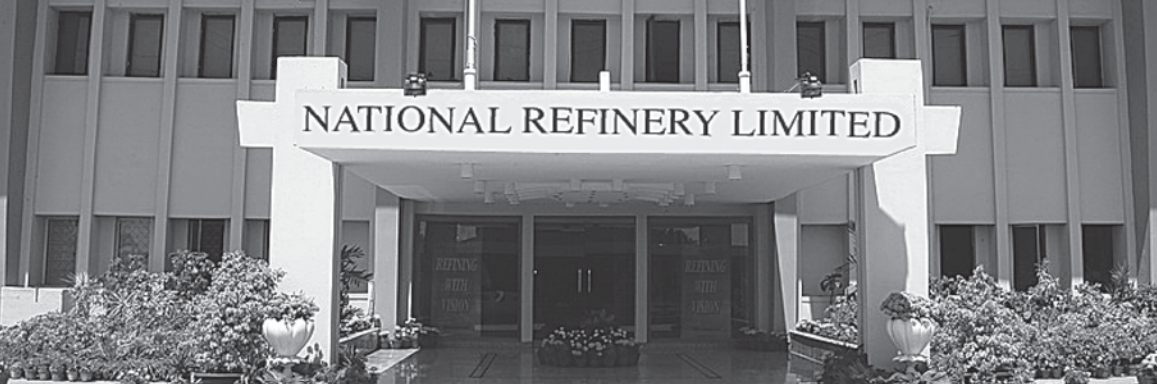
VISION | OF TODAY IS  
TOMORROW'S  
ACHIEVEMENT



# CONTENTS

|                                                                  |    |
|------------------------------------------------------------------|----|
| Corporate Information                                            | 02 |
| Director’s Review                                                | 03 |
| Auditor’s Report                                                 | 04 |
| Condensed Interim Balance Sheet                                  | 05 |
| Condensed Interim Profit & Loss Account                          | 06 |
| Condensed Interim Cash Flow Statement                            | 07 |
| Condensed Interim Statement of Changes in Equity                 | 08 |
| Selected Notes to the<br>Condensed Interim Financial Information | 09 |





## CORPORATE INFORMATION

### Board of Directors

Dr. Ghaith R. Pharaon – Chairman  
Alternate Director: Abdus Sattar

Laith G. Pharaon  
Alternate Director: Jamil A. Khan

Wael G. Pharaon  
Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik

Musa Bojang

Bahauddin Khan

Tariq Iqbal Khan

### Chief Executive Officer

Shuaib A. Malik

### Chief Financial Officer

Anwar A. Shaikh

### Company Secretary

Nouman Ahmed Usmani

### Audit Committee

Tariq Iqbal Khan

Chairman

Abdus Sattar

Member

Alternate to Dr. Ghaith R. Pharaon

Babar Bashir Nawaz

Member

Alternate to Wael G. Pharaon

Bahauddin Khan

Member

Shaikh Ather Ahmed

Secretary

### Human Resource and Remuneration Committee \*

Babar Bashir Nawaz

Member

Alternate to Wael G. Pharaon

Bahauddin Khan

Member

Musa Bojang

Member

Shuaib A. Malik

Member

Nouman Ahmed Usmani

Secretary

### Auditors

A. F. Ferguson & Co.  
Chartered Accountants

### Solicitors

Ali Sibtain Fazli & Associates

### Primary Bankers

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

### Registered Office

7-B, Korangi Industrial Area,  
P.O. Box 8228, Karachi-74900  
UAN No. 111-675-675  
Fax: +92-21 35054663,  
+92-21 35066705  
Website : [www.nrlpak.com](http://www.nrlpak.com)  
E-mail : [info@nrlpak.com](mailto:info@nrlpak.com)

### Share Registrar

THK Associates (Pvt.) Ltd.,  
Ground Floor, State Life Building-3,  
Dr. Ziauddin Ahmed Road,  
Karachi-75530  
P.O. 8533  
Contact No.+92(21) 111-000-322  
Fax: +92(21) 35655595  
Email: [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk)  
Website: [www.thk.com.pk](http://www.thk.com.pk)

\* Chairman of the Committee is to be appointed.

# DIRECTOR'S REVIEW



Assalam-u-Alaikum!

On behalf of the Board of Directors I am pleased to present a brief review of the un-audited financial statements of your Company for the half year ended December 31, 2012.

Your Company earned profit after tax of Rs.1,567 million during the period under review compared to Rs.1,585 million of the corresponding period last year. Earnings per share were Rs.19.59 as compared to Rs.19.82 in the corresponding period.

Fuel segment earned profit after tax of Rs.287 million compared to loss after tax of Rs.120 million of corresponding period. Average throughput remained 73% of designed capacity as compared to 81% due to planned maintenance for 24 days during December 2012. However, better results were achieved due to improved margins between product prices and crude oil cost, lesser exchange rate loss of Rs.491 million as compared to Rs.591 million and increased sale out of existing inventory.

Lube Segment earned profit after tax of Rs.1,280 million compared to Rs.1,705 million during corresponding period. Average Lube Segment throughput remained 98% due to planned maintenance of one of the lube refineries for 25 days. Lube base oil demand continues to remain weak internationally. This has adversely affected Lube Base Oil prices. The un-symmetric change in the cost of feed stock kept the margins low hence reducing the profitability of lube segment despite higher sales. Reduced sale of Asphalt also affected the profitability. Lack of infrastructure development work in the country and availability of low quality substitutes continue to affect sale of Asphalt. Company is making all out efforts to explore local and foreign markets to improve the sale.

Other income remained Rs.1,119 million as compared to Rs.1,224 million. Return on investments reduced to Rs.408 million as compared to Rs.740 million of same period last year due to decrease in surplus funds and reduction in interest rates. The situation is likely to improve as the production is already normalized after scheduled maintenance of fuel and lube refineries.

The Board of Directors would like to express their gratitude to the valued customers, employees and shareholders for their steady support.

On behalf of the Board

**Shuaib A. Malik**  
Deputy Chairman /  
Chief Executive Officer

Karachi:  
January 26, 2013

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF  
INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of National Refinery Limited as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

  
Chartered Accountants  
Karachi

Date: 28 January 2013

Name of the engagement partner: Farrukh Rehman

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State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazi-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

# CONDENSED INTERIM BALANCE SHEET

As At December 31, 2012

|                                                                 | Note | Unaudited<br>December 31,<br>2012<br>(Rupees in thousand) | Audited<br>June 30,<br>2012 |
|-----------------------------------------------------------------|------|-----------------------------------------------------------|-----------------------------|
| <b>ASSETS</b>                                                   |      |                                                           |                             |
| <b>NON-CURRENT ASSETS</b>                                       |      |                                                           |                             |
| Fixed assets                                                    | 4    | 4,186,189                                                 | 3,533,613                   |
| Long term investment                                            | 5    | -                                                         | -                           |
| Long term loans                                                 |      | 59,725                                                    | 65,413                      |
| Long term deposits                                              |      | <u>30,539</u>                                             | <u>30,189</u>               |
|                                                                 |      | 4,276,453                                                 | 3,629,215                   |
| <b>CURRENT ASSETS</b>                                           |      |                                                           |                             |
| Stores, spares and chemicals                                    |      | 1,131,181                                                 | 1,148,686                   |
| Stock-in-trade                                                  | 6    | 26,256,263                                                | 25,359,710                  |
| Trade debts                                                     |      | 6,147,167                                                 | 13,262,184                  |
| Loans and advances                                              |      | 37,635                                                    | 40,127                      |
| Deposits and prepayments                                        |      | 133,313                                                   | 6,666                       |
| Interest accrued                                                |      | 31,830                                                    | 110,686                     |
| Other receivables                                               |      | 278,191                                                   | 248,126                     |
| Financial asset - held to maturity investments - treasury bills |      | 598,605                                                   | 3,230,473                   |
| Cash and bank balances                                          |      | <u>4,059,979</u>                                          | <u>10,078,554</u>           |
|                                                                 |      | 38,674,164                                                | 53,485,212                  |
| <b>TOTAL ASSETS</b>                                             |      | <u><u>42,950,617</u></u>                                  | <u><u>57,114,427</u></u>    |
| <b>EQUITY AND LIABILITIES</b>                                   |      |                                                           |                             |
| <b>SHARE CAPITAL AND RESERVES</b>                               |      |                                                           |                             |
| Share capital                                                   |      |                                                           |                             |
| Issued, subscribed and paid up                                  |      | 799,666                                                   | 799,666                     |
| Reserves                                                        | 7    | <u>24,794,157</u>                                         | <u>24,426,729</u>           |
|                                                                 |      | 25,593,823                                                | 25,226,395                  |
| <b>LIABILITIES</b>                                              |      |                                                           |                             |
| <b>NON-CURRENT LIABILITIES</b>                                  |      |                                                           |                             |
| Retirement benefit obligations                                  |      | 292,910                                                   | 223,437                     |
| Deferred taxation                                               |      | <u>148,533</u>                                            | <u>172,647</u>              |
|                                                                 |      | 441,443                                                   | 396,084                     |
| <b>CURRENT LIABILITIES</b>                                      |      |                                                           |                             |
| Trade and other payables                                        | 8    | 14,704,981                                                | 29,748,891                  |
| Provisions                                                      |      | 403,324                                                   | 398,905                     |
| Taxation - provisions less payments                             |      | <u>1,807,046</u>                                          | <u>1,344,152</u>            |
|                                                                 |      | 16,915,351                                                | 31,491,948                  |
| <b>TOTAL LIABILITIES</b>                                        |      | 17,356,794                                                | 31,888,032                  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                            |      |                                                           |                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                             | 9    | <u><u>42,950,617</u></u>                                  | <u><u>57,114,427</u></u>    |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For The Half Year Ended December 31, 2012 (Unaudited)

|                                              | Note | Quarter ended        |                      | Half year ended      |                      |
|----------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                              |      | December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 |
|                                              |      | (Rupees in thousand) |                      |                      |                      |
| Gross sales                                  | 10   | 49,463,604           | 52,890,032           | 102,882,146          | 96,684,906           |
| Trade discounts, taxes,<br>duties and levies | 11   | (8,203,143)          | (8,831,829)          | (17,586,001)         | (15,019,040)         |
| Net sales                                    |      | 41,260,461           | 44,058,203           | 85,296,145           | 81,665,866           |
| Cost of sales                                |      | (40,013,372)         | (42,639,647)         | (82,449,186)         | (78,732,241)         |
| Gross profit                                 |      | 1,247,089            | 1,418,556            | 2,846,959            | 2,933,625            |
| Distribution and marketing<br>expenses       |      | (236,052)            | (310,795)            | (514,566)            | (573,611)            |
| Administrative expenses                      |      | (128,533)            | (110,573)            | (245,502)            | (220,931)            |
| Other operating income                       | 12   | 806,149              | 746,788              | 1,119,150            | 1,224,539            |
| Other operating expenses                     |      | (94,925)             | (94,799)             | (190,848)            | (193,959)            |
| Operating profit                             |      | 1,593,728            | 1,649,177            | 3,015,193            | 3,169,663            |
| Finance cost                                 | 13   | (350,739)            | (400,151)            | (499,248)            | (596,089)            |
| Profit before taxation                       |      | 1,242,989            | 1,249,026            | 2,515,945            | 2,573,574            |
| Taxation                                     | 14   | (478,455)            | (492,734)            | (949,019)            | (988,974)            |
| Profit after taxation                        |      | 764,534              | 756,292              | 1,566,926            | 1,584,600            |
| Other comprehensive income                   |      | -                    | -                    | -                    | -                    |
| Total comprehensive income                   |      | 764,534              | 756,292              | 1,566,926            | 1,584,600            |
| Earnings per share - basic<br>and diluted    |      | Rs. 9.56             | Rs. 9.46             | Rs. 19.59            | Rs. 19.82            |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT

For The Half Year Ended December 31, 2012 (Unaudited)

|                                                            | Note | December 31,<br>2012<br>(Rupees in thousand) | December 31,<br>2011 |
|------------------------------------------------------------|------|----------------------------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |                                              |                      |
| Cash (used in) / generated from operations                 | 15   | (6,643,694)                                  | 152,513              |
| Income tax paid                                            |      | (510,239)                                    | (888,846)            |
| Decrease in long term loans and deposits                   |      | 5,338                                        | 69                   |
| Payment made to pension fund                               |      | -                                            | (6,193)              |
| Post retirement medical benefits paid                      |      | -                                            | (8,393)              |
| Net cash used in operating activities                      |      | (7,148,595)                                  | (750,850)            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |                                              |                      |
| Purchase of property, plant and equipment                  |      | (794,901)                                    | (52,648)             |
| Purchase of intangible asset                               |      | (2,196)                                      | (489)                |
| Proceeds from disposal of property,<br>plant and equipment |      | 318                                          | 487                  |
| Return on treasury bills received                          |      | 144,560                                      | 452,833              |
| Interest received on balances with banks                   |      | 361,789                                      | 381,509              |
| Net cash (used in) / from investing activities             |      | (290,430)                                    | 781,692              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |      |                                              |                      |
| Dividend paid                                              |      | (1,192,541)                                  | (1,984,898)          |
| Net decrease in cash and cash equivalents                  |      | (8,631,566)                                  | (1,954,056)          |
| Cash and cash equivalents at beginning of the period       |      | 13,278,525                                   | 17,888,486           |
| Cash and cash equivalents at end of the period             | 16   | <u>4,646,959</u>                             | <u>15,934,430</u>    |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Half Year Ended December 31, 2012 (Unaudited)

|                                                                                   | Share Capital<br>Issued,<br>subscribed<br>and paid-up | Capital Reserves<br>Capital<br>compensation<br>reserve | Exchange<br>equalisation<br>reserve | Revenue Reserves<br>General<br>reserve | Unappropriated<br>profit | Special<br>reserve<br>(note 7.1) | Total       |
|-----------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|-------------------------------------|----------------------------------------|--------------------------|----------------------------------|-------------|
|                                                                                   | (Rupees in thousand)                                  |                                                        |                                     |                                        |                          |                                  |             |
| Balance as at July 1, 2011                                                        | 799,666                                               | 10,142                                                 | 4,117                               | 13,988,000                             | 5,936,182                | 3,869,068                        | 24,607,175  |
| Final dividend for the year ended<br>June 30, 2011 - Rs. 25 per share             | -                                                     | -                                                      | -                                   | -                                      | (1,999,164)              | -                                | (1,999,164) |
| Transfer to general reserve                                                       | -                                                     | -                                                      | -                                   | 3,900,000                              | (3,900,000)              | -                                | -           |
| Total comprehensive income for the<br>half year ended December 31, 2011           | -                                                     | -                                                      | -                                   | -                                      | 1,584,600                | -                                | 1,584,600   |
| Balance as at December 31, 2011                                                   | 799,666                                               | 10,142                                                 | 4,117                               | 17,888,000                             | 1,621,618                | 3,869,068                        | 24,192,611  |
| Total comprehensive income for the<br>half year ended June 30, 2012               | -                                                     | -                                                      | -                                   | -                                      | 1,033,784                | -                                | 1,033,784   |
| Loss after tax from fuel refinery<br>operations transferred to<br>special reserve | -                                                     | -                                                      | -                                   | -                                      | 117,324                  | (117,324)                        | -           |
| Balance as at July 1, 2012                                                        | 799,666                                               | 10,142                                                 | 4,117                               | 17,888,000                             | 2,772,726                | 3,751,744                        | 25,226,395  |
| Final dividend for the year ended<br>June 30, 2012 - Rs. 15 per share             | -                                                     | -                                                      | -                                   | -                                      | (1,199,498)              | -                                | (1,199,498) |
| Transfer to general reserve                                                       | -                                                     | -                                                      | -                                   | 1,573,000                              | (1,573,000)              | -                                | -           |
| Total comprehensive income for the<br>half year ended December 31, 2012           | -                                                     | -                                                      | -                                   | -                                      | 1,566,926                | -                                | 1,566,926   |
| Balance as at December 31, 2012                                                   | 799,666                                               | 10,142                                                 | 4,117                               | 19,461,000                             | 1,567,154                | 3,751,744                        | 25,593,823  |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## For The Half Year Ended December 31, 2012 (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 Plot No. 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 of the Company for the half year ended December 31, 2012 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 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 This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2012.
- 2.3 The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Company for the year ended June 30, 2012.

### 3. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 3.1 The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.
- However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.
- 3.2 Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2012.
- 3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2012.

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Half Year Ended December 31, 2012 (Unaudited)

December 31, 2012      December 31, 2011  
(Rupees in thousand)

### 4. FIXED ASSETS

Additions made to property, plant and equipment during the period:

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Building on leasehold land              | 5,164          | 1,080          |
| Oil terminal                            | 4,081          | 37,497         |
| Processing plant and storage tanks      | 48,397         | 70,113         |
| Pipelines                               | 3,193          | 14,566         |
| Water power and other utilities         | 21,756         | 3,535          |
| Furniture and fixtures                  | 168            | 655            |
| Computers and other related accessories | 2,288          | 3,596          |
| Office and other equipments             | 27,708         | 17,237         |
|                                         | <u>112,755</u> | <u>148,279</u> |

#### 4.1 Capital work-in-progress

|                                               | Refineries<br>upgradation<br>projects | Other<br>Projects | Advances to<br>Contractors /<br>suppliers | Total            |
|-----------------------------------------------|---------------------------------------|-------------------|-------------------------------------------|------------------|
|                                               | (Rupees in thousand)                  |                   |                                           |                  |
| Opening Balance as at<br>July 1, 2012         | 451,158                               | 103,016           | 38,378                                    | 592,552          |
| Additions                                     | 540,512                               | 153,155           | 115,645                                   | 809,312          |
| Transfers                                     | -                                     | (94,234)          | (32,931)                                  | (127,165)        |
| Closing Balance as as at<br>December 31, 2012 | <u>991,670</u>                        | <u>161,937</u>    | <u>121,092</u>                            | <u>1,274,699</u> |
| Opening Balance as at<br>July 1, 2011         | -                                     | 197,964           | 33,312                                    | 231,276          |
| Additions                                     | 451,158                               | 99,873            | 36,091                                    | 587,122          |
| Transfers                                     | -                                     | (194,821)         | (31,025)                                  | (225,846)        |
| Closing Balance as as at<br>June 30, 2012     | <u>451,158</u>                        | <u>103,016</u>    | <u>38,378</u>                             | <u>592,552</u>   |

December 31, 2012      June 30, 2012  
(Rupees in thousand)

### 5. LONG TERM INVESTMENT

Available for sale

Anoud Power Generation Limited

1,080,000 (June 30, 2012: 1,080,000) Ordinary  
shares of Rs.10 each, Equity held 9.09%  
as at December 31, 2012 and June 30, 2012

10,800      10,800

Less: Provision for impairment

(10,800)      (10,800)

-      -

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Half Year Ended December 31, 2012 (Unaudited)

### 6. STOCK-IN-TRADE

As at December 31, 2012 stock of raw material has been written down by Rs.318.94 million (June 30, 2012: Nil) and finished goods by Rs.105.51 million (June 30, 2012 : Rs.870.96 million) to arrive at its net realisable value.

| December 31,<br>2012 | June 30,<br>2012 |
|----------------------|------------------|
| (Rupees in thousand) |                  |

### 7. RESERVES

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Capital reserves           | 14,259            | 14,259            |
| Revenue reserves           |                   |                   |
| - General reserve          | 19,461,000        | 17,888,000        |
| - Unappropriated profit    | 1,567,154         | 2,772,726         |
|                            | 21,028,154        | 20,660,726        |
| Special reserve - note 7.1 | 3,751,744         | 3,751,744         |
|                            | <u>24,794,157</u> | <u>24,426,729</u> |

- 7.1 As per the Import Parity Pricing formula, effective from July 1, 2002 certain refineries including the Company have been directed to transfer from their net profit after tax for the year from fuel refinery operations, an amount in excess of 50% of the paid-up share capital, as on July 1, 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.

The 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. However, the Company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan.

Adjustment in special reserve is made on annual basis.

The company has incurred capital expenditure of Rs.492.97 million (June 30, 2012 : Rs.154.36 million) on up gradation and expansion of fuel refinery operations.

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Half Year Ended December 31, 2012 (Unaudited)

December 31,  
2012  
June 30,  
2012  
(Rupees in thousand)

### 8. TRADE AND OTHER PAYABLES

#### Creditors

|                        |           |           |
|------------------------|-----------|-----------|
| Government of Pakistan | 1,238,920 | 1,107,730 |
|------------------------|-----------|-----------|

#### Other trade creditors

|                                          |                   |                   |
|------------------------------------------|-------------------|-------------------|
| Attock Petroleum Limited - related party | 46,598            | -                 |
| Other trade creditors                    | 10,625,236        | 25,927,544        |
|                                          | <u>11,910,754</u> | <u>27,035,274</u> |

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Accrued liabilities                 | 688,901           | 626,493           |
| Advance from customers              | 409,808           | 470,284           |
| Unclaimed dividend                  | 67,293            | 60,336            |
| Sales tax payable                   | 944,066           | 675,351           |
| Excise duty and petroleum levy      | 323,432           | 690,160           |
| Workers' profits participation fund | 135,317           | 14,091            |
| Workers' welfare fund               | 161,633           | 122,750           |
| Other liabilities                   | 63,777            | 54,152            |
|                                     | <u>14,704,981</u> | <u>29,748,891</u> |

### 9. CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

There has been no significant change in contingencies since the issuance of last annual financial statements for the year ended June 30, 2012 except as follows:

- The Company has raised claims to certain Oil Marketing Companies (OMCs) in respect of interest on late payments against receivables aggregating to Rs. 5.20 billion (June 30, 2012: Rs.4.98 billion). However, these have not been recognised in the financial information as these have not been acknowledged by the OMCs;
- Claims not acknowledged by the company as debt amounted to Rs.4.11 billion (June 30, 2012: Rs.4.35 billion). These include claims accumulating to Rs.3.57 billion (June 30, 2012: Rs.3.57 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs.361.18 million (June 30, 2012: Rs.354.29 million) relating to freight claims; and
- Outstanding counter guarantees at the end of the period amounted to Rs.296.81 million (June 30, 2012: Rs.295.60 million).

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For The Half Year Ended December 31, 2012 (Unaudited)

#### 9.2 Commitments

- Commitments for capital expenditure as at December 31, 2012 amounted to Rs.677.51 million (June 30, 2012: Rs.940.30 million); and
- Outstanding letters of credit at the end of the period amounted to Rs.11.71 billion (June 30, 2012: Rs.18.06 billion).

| Quarter ended        |                      | Half year ended      |                      |
|----------------------|----------------------|----------------------|----------------------|
| December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 |
| (Rupees in thousand) |                      |                      |                      |

#### 10. GROSS SALES

|        |                   |                   |                    |                   |
|--------|-------------------|-------------------|--------------------|-------------------|
| Local  | 43,622,987        | 47,533,831        | 92,753,165         | 84,169,299        |
| Export | 5,840,617         | 5,356,201         | 10,128,981         | 12,515,607        |
|        | <u>49,463,604</u> | <u>52,890,032</u> | <u>102,882,146</u> | <u>96,684,906</u> |

#### 11. TRADE DISCOUNTS, TAXES, DUTIES AND LEVIES

|                 |                  |                  |                   |                   |
|-----------------|------------------|------------------|-------------------|-------------------|
| Trade discounts | 285,944          | 270,687          | 550,613           | 571,394           |
| Sales tax       | 6,017,026        | 6,556,455        | 12,793,700        | 11,505,779        |
| Excise duty     | 86               | 403,717          | 223               | 633,291           |
| Petroleum levy  | 1,900,087        | 1,600,970        | 4,241,465         | 2,308,576         |
|                 | <u>8,203,143</u> | <u>8,831,829</u> | <u>17,586,001</u> | <u>15,019,040</u> |

#### 12. OTHER OPERATING INCOME

This includes write back of old outstanding liabilities considered no longer payable consequent to settlement of old yield differentials with suppliers during the period amounting to Rs.600.16 million (December 31, 2011: Rs.387.28 million).

#### 13. FINANCE COST

This includes net exchange loss of Rs.491.44 million (December 31, 2011: Rs.590.71 million) on foreign currency transactions relating to purchase and sale of crude oil / products.

| December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 |
|----------------------|----------------------|----------------------|----------------------|
| (Rupees in thousand) |                      |                      |                      |

#### 14. TAXATION

|          |                |                |                |                |
|----------|----------------|----------------|----------------|----------------|
| Current  | 496,328        | 436,743        | 973,133        | 942,789        |
| Deferred | (17,873)       | 55,991         | (24,114)       | 46,185         |
|          | <u>478,455</u> | <u>492,734</u> | <u>949,019</u> | <u>988,974</u> |

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Half Year Ended December 31, 2012 (Unaudited)

|                                                                       | December 31,<br>2012<br>(Rupees in thousand) | December 31,<br>2011<br>(Rupees in thousand) |
|-----------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>15. CASH GENERATED FROM OPERATIONS</b>                             |                                              |                                              |
| Profit before taxation                                                | 2,515,945                                    | 2,573,574                                    |
| Adjustment for non cash charges and other items:                      |                                              |                                              |
| Depreciation and amortisation                                         | 144,498                                      | 140,487                                      |
| Provision for gratuity                                                | 7,153                                        | 5,313                                        |
| Provision for post retirement medical benefits                        | 15,094                                       | 14,852                                       |
| Provision for pension                                                 | 47,226                                       | 42,690                                       |
| Provision for slow moving and obsolete stores<br>spares and chemicals | (18,007)                                     | 16,450                                       |
| Return / Interest on bank deposits                                    | (282,933)                                    | (386,392)                                    |
| Return on treasury bills                                              | (125,683)                                    | (354,548)                                    |
| Gain on disposal of property, plant and equipment                     | (295)                                        | (203)                                        |
| (Increase) in working capital - note 15.1                             | (8,946,692)                                  | (1,899,710)                                  |
|                                                                       | <u>(6,643,694)</u>                           | <u>152,513</u>                               |
| <b>15.1 (Increase) / Decrease in working capital</b>                  |                                              |                                              |
| Decrease / (Increase) in current assets                               |                                              |                                              |
| Stores, spares and chemicals                                          | 35,512                                       | (90,422)                                     |
| Stock-in-trade                                                        | (896,553)                                    | (3,841,219)                                  |
| Trade debts                                                           | 7,115,017                                    | (1,196,285)                                  |
| Loans and advances                                                    | 2,492                                        | (12,697)                                     |
| Deposits and prepayments                                              | (126,647)                                    | (123,510)                                    |
| Other receivables                                                     | (30,065)                                     | 45,405                                       |
|                                                                       | <u>6,099,756</u>                             | <u>(5,218,728)</u>                           |
| (Decrease) / Increase in current liabilities                          |                                              |                                              |
| Trade and other payables                                              | (15,050,867)                                 | 3,313,605                                    |
| Provisions                                                            | 4,419                                        | 5,413                                        |
|                                                                       | <u>(8,946,692)</u>                           | <u>(1,899,710)</u>                           |

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For The Half Year Ended December 31, 2012 (Unaudited)

|                                         | December 31,<br>2012 | December 31,<br>2011 |
|-----------------------------------------|----------------------|----------------------|
|                                         | (Rupees in thousand) |                      |
| <b>16. CASH AND CASH EQUIVALENTS</b>    |                      |                      |
| In hand                                 | 500                  | 500                  |
| With banks on:                          |                      |                      |
| - current accounts                      | 133,463              | 170,590              |
| - savings accounts                      | 2,635,364            | 4,947,428            |
| - deposit accounts                      | 1,290,652            | 9,915,302            |
|                                         | 4,059,479            | 15,033,320           |
| Short term investment in treasury bills | 586,980              | 900,610              |
|                                         | <u>4,646,959</u>     | <u>15,934,430</u>    |

## 17. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions are:

| Nature of relationship                | Nature of transactions                  | Quarter ended        |                      | Half year ended      |                      |
|---------------------------------------|-----------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       |                                         | December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 |
| ← (Rupees in thousand) →              |                                         |                      |                      |                      |                      |
| Associated Companies                  | Sale of petroleum products              | 27,441,709           | 23,950,801           | 50,486,344           | 44,612,559           |
|                                       | Rental income                           | 1,093                | 1,000                | 2,173                | 2,018                |
|                                       | Hospitality charges                     | 10,851               | 2,683                | 19,209               | 5,383                |
|                                       | Handling income                         | 30,643               | 28,263               | 58,526               | 62,007               |
|                                       | Trade discounts and commission on sales | 458,053              | 518,328              | 937,606              | 1,006,924            |
|                                       | Reimbursement of expenses               | 447                  | 875                  | 781                  | 1,098                |
|                                       | Purchase of petroleum products          | 2,980                | 3,415                | 5,419                | 7,578                |
|                                       | Dividend paid                           | 611,744              | 1,019,574            | 611,744              | 1,019,574            |
| Post employment staff benefit plans   | Contributions                           | 45,239               | 41,101               | 90,337               | 82,278               |
| Key management personnel compensation |                                         |                      |                      |                      |                      |
|                                       | Salaries and other employee benefits    | 14,072               | 12,911               | 24,910               | 22,684               |
|                                       | Post employment benefits                | 1,089                | 1,047                | 2,186                | 2,227                |
|                                       | Directors' fees                         | 810                  | 606                  | 1,850                | 1,567                |
|                                       |                                         | 15,971               | 14,564               | 28,946               | 26,478               |

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## For The Half Year Ended December 31, 2012 (Unaudited)

### 18. SEGMENT INFORMATION

The financial information regarding business segments is as follows:

|                                                      | FUEL                 |                      | LUBE                 |                      | TOTAL                |                      |
|------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                      | December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 | December 31,<br>2012 | December 31,<br>2011 |
|                                                      | (Rupees in thousand) |                      |                      |                      |                      |                      |
| Segment Revenue                                      |                      |                      |                      |                      |                      |                      |
| Sales to external customer                           |                      |                      |                      |                      |                      |                      |
| - local (net of discounts, taxes, duties and levies) | 53,963,892           | 49,612,273           | 21,203,272           | 19,537,986           | 75,167,164           | 69,150,259           |
| - export                                             | 9,140,523            | 11,200,331           | 988,458              | 1,315,276            | 10,128,981           | 12,515,607           |
|                                                      | 63,104,415           | 60,812,604           | 22,191,730           | 20,853,262           | 85,296,145           | 81,665,866           |
| Inter segment transfers                              | 19,177,045           | 19,396,618           | -                    | -                    | 19,177,045           | 19,396,618           |
| Elimination of inter-segment transfers               | -                    | -                    | -                    | -                    | (19,177,045)         | (19,396,618)         |
| Net sales                                            | 82,281,460           | 80,209,222           | 22,191,730           | 20,853,262           | 85,296,145           | 81,665,866           |
| Segment results after tax                            | 287,128              | (120,419)            | 1,279,798            | 1,705,019            | 1,566,926            | 1,584,600            |

|                                        | FUEL                 |                  | LUBE                 |                  | TOTAL                |                  |
|----------------------------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|
|                                        | December 31,<br>2012 | June 30,<br>2012 | December 31,<br>2012 | June 30,<br>2012 | December 31,<br>2012 | June 30,<br>2012 |
|                                        | (Rupees in thousand) |                  |                      |                  |                      |                  |
| Segment assets                         | 24,969,299           | 34,430,593       | 16,596,879           | 21,234,622       | 41,566,178           | 55,665,215       |
| Unallocated assets                     | -                    | -                | -                    | -                | 1,384,439            | 1,449,212        |
| Total assets as per balance sheet      | 24,969,299           | 34,430,593       | 16,596,879           | 21,234,622       | 42,950,617           | 57,114,427       |
| Segment liabilities                    | 13,402,176           | 28,673,583       | 1,999,038            | 1,697,650        | 15,401,214           | 30,371,233       |
| Unallocated liabilities                | -                    | -                | -                    | -                | 1,955,580            | 1,516,799        |
| Total liabilities as per balance sheet | 13,402,176           | 28,673,583       | 1,999,038            | 1,697,650        | 17,356,794           | 31,888,032       |

### 19. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on January 26, 2013.

  
Chief Executive

  
Director





## National Refinery Limited

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