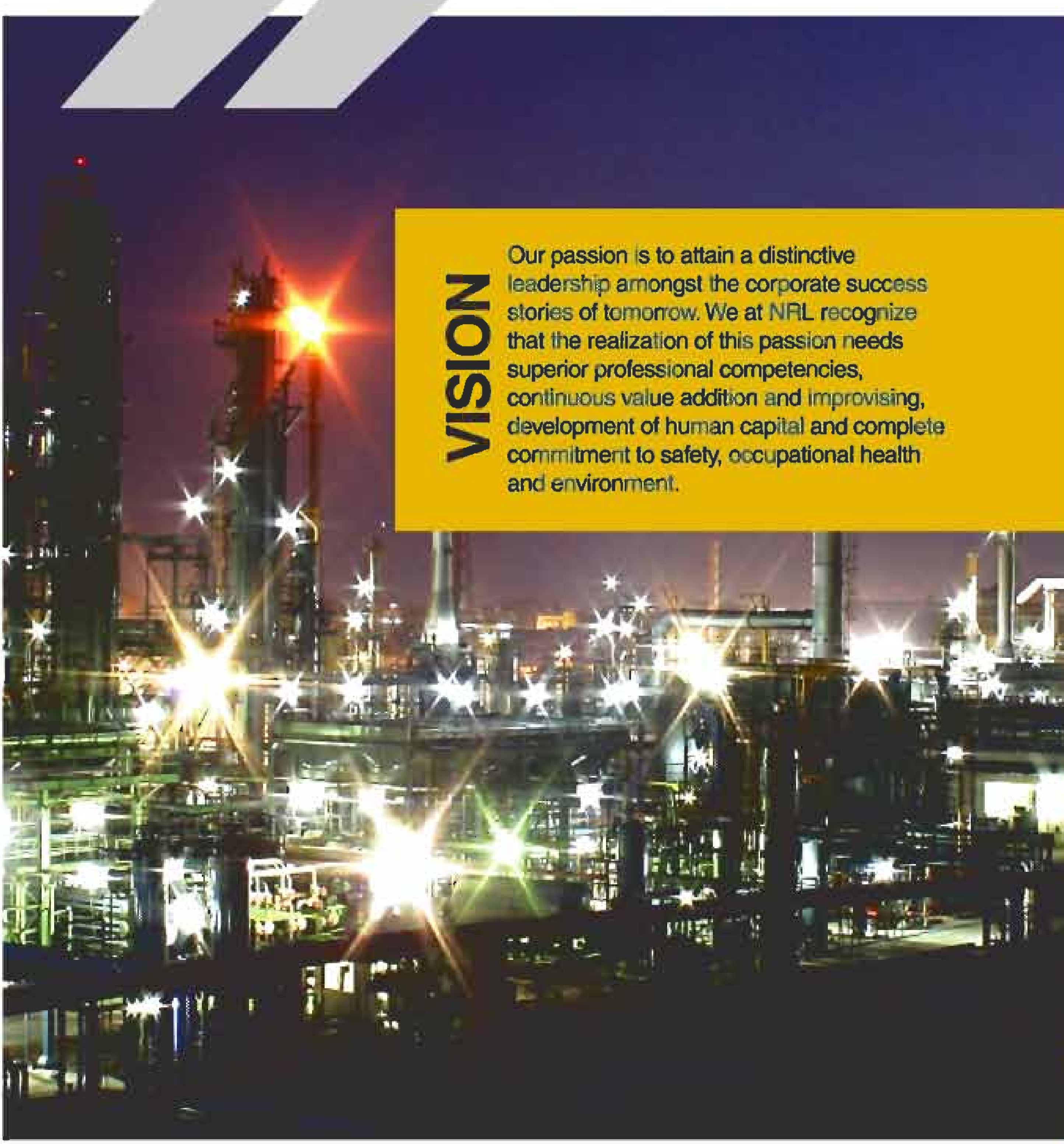
NATIONAL REFINERY LIMITED

ANNUAL REPORT 2009

Contents

VISION

Our passion is to attain a distinctive leadership amongst the corporate success stories of tomorrow. We at NRL recognize that the realization of this passion needs superior professional competencies, continuous value addition and improvising, development of human capital and complete commitment to safety, occupational health and environment.



Mission

To remain the premium and preferred supply source for various petroleum products and petrochemicals.

Offer products that are not only viable in terms of desirability and price but most important give true and lasting value to our customers.

Deliver strong returns on existing and projected investment of our stakeholders by use of specialized and high quality corporate capabilities.

Business development by adoption of emerging technologies, growth in professional competence, support to innovation. Enrichment of human resource and performance recognition.

Be a responsible corporate citizen by serving the community through a variety of socio-economic acts and maintaining a high level of safety, occupational health and environmental care.

Core Values

Our success will not be a matter of chance, but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

Integrity and Ethics
Integrity, honesty, high ethical, legal and safe standards are cornerstone of our business practices.

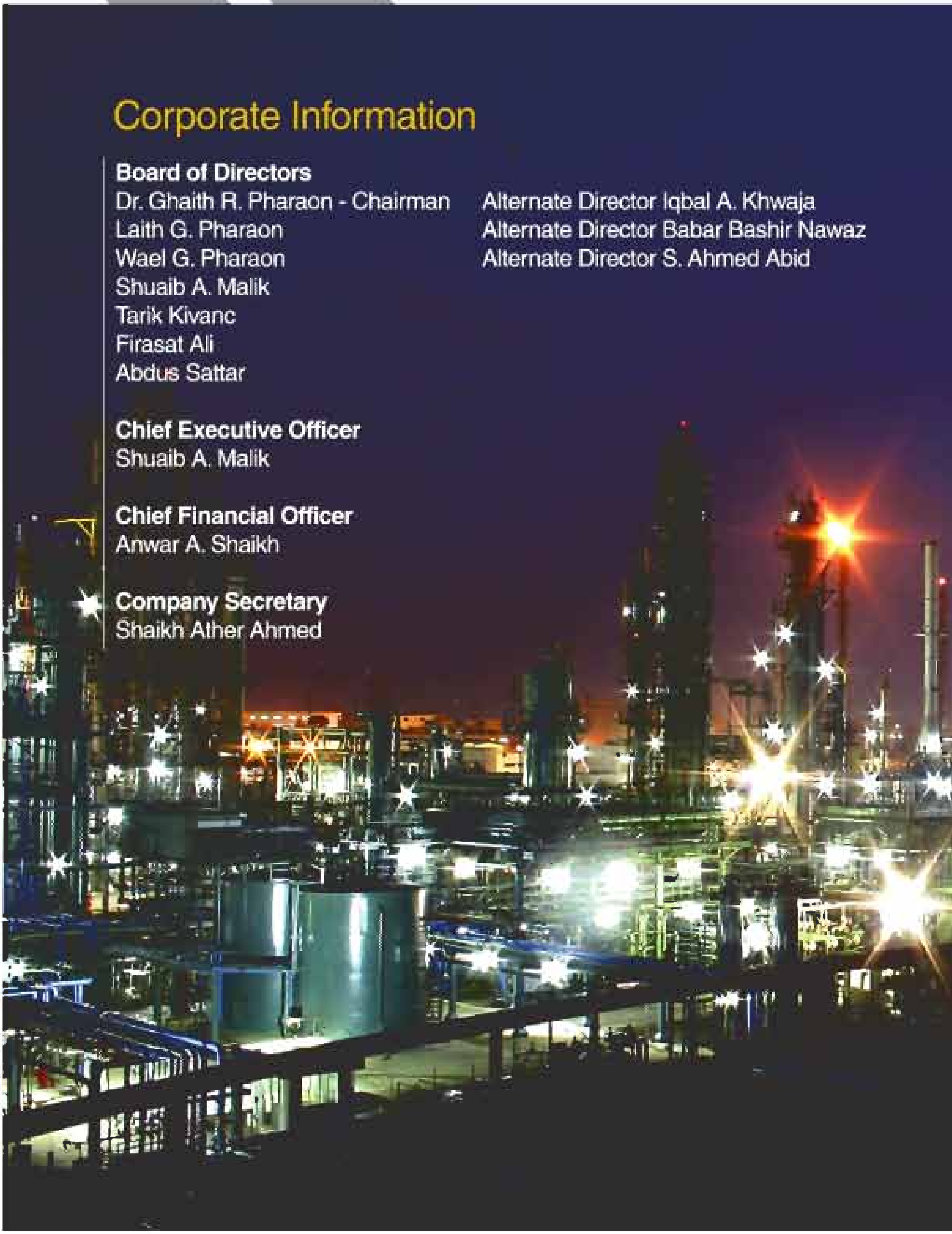
Quality
We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence.

Social Responsibility
We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our actions.

Learning and Innovation
We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.

Teamwork
We believe that competent and satisfied people are the company's heart, muscle and soul. We savour flashes of genius in organisation's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.

Empowerment
We flourish under an ecosystem, of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.



Corporate Information

Board of Directors

Dr. Ghaith R. Pharaon - Chairman
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Tarik Kivanc
Firasat Ali
Abdus Sattar

Alternate Director Iqbal A. Khwaja
Alternate Director Babar Bashir Nawaz
Alternate Director S. Ahmed Abid

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
S. Ahmed Abid	Member
Iqbal A. Khwaja	Member
Afzal Hussain Khan	Secretary

Auditors
A. F. Ferguson & Co.
Chartered Accountants.

Solicitors
Ali Sibtain Fazli & Associates

Primary Bankers
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
United Bank Limited
National Bank of Pakistan

Registered Office
7-B, Korangi Industrial Area,
P.O. Box 8228
Karachi 74900 - Pakistan.
UAN No. 111-675-675
Fax: 35054663
Website: www.nrlpak.com

Share Registrar
Noble Computer Services (Pvt.) Ltd.,
Mezzanine Floor, House of Habib
Building (Siddiqsons Towers),
3-Jinnah Co-operative Housing
Society, Main Shahrah-e-Faisal,
Karachi - 75350
Contact No. 34325482-87,
Fax: 34325442

NRL at a glance

First Lube Refinery

Design capacity	539,700 Tons per year of Crude processing
Design capacity	76,200 Tons of Lube Base Oils
Date Commissioned	June 1966
Project Cost	103.9 Million Rupees

Fuel Refinery

Before Re-Vamp

Design capacity	1,500,800 Tons per year of Crude processing
Date Commissioned	April 1977
Project Cost	607.5 Million Rupees

After Re-Vamp

Design capacity	2,170,800 Tons per year of Crude processing
Date Commissioned	February 1990
Project Cost of Revamping	125.0 Million Rupees

BTX Unit

Design capacity	25,000 Tons per year of BTX
Date Commissioned	April 1979
Project Cost	66.7 Million Rupees

Second Lube Refinery

Before Re-Vamp

Design capacity	100,000 Tons per year of Lube Base Oils
Date Commissioned	January 1985
Project Cost	2,082.4 Million Rupees

After Re-Vamp

Design capacity	115,000 Tons per year of Lube Base Oils
Date Commissioned	June 2008
Project Cost of Revamping	585.0 Million Rupees

Shareholders' Equity

June 1966	20.0 Million Rupees
June 2009	17, 352.74 Million Rupees

Objectives & Development Strategy

National Refinery Limited is a petroleum refining and petrochemical complex engaged in manufacturing and supplying a wide range of fuel products, lubes, BTX, asphalts and specialty products for domestic consumption and export.

NRL objectives and development strategy are aimed at achieving sustainable productivity and profitability and high standards of safety, occupational health and environmental care. This entails human resource re-engineering & development, enhancing value addition, implementing conservation measures and continuing growth through upgradation of existing as well as addition of new facilities. In the changing global environment, corporate objectives and development strategy have been defined to meet the challenges of 21st century.

Corporate Objectives

- Ensure that business policies and targets are in conformity with the national goals.
- Contribute in meeting the Country's demand of petroleum and petrochemical products.
- Customer's satisfaction by providing best value and quality product.
- Optimization of the value of barrel of crude oil and cost reduction through conservation measures.
- Achieving and maintaining a high standard of Occupational Health, Safety and Environment.
- Ensure reasonable return on the shareholders' existing and projected investment.
- Maintain modern management system conforming to international standards needed for an efficient organization.

Development Strategy

- Contribute in national efforts towards attaining sustainable self-efficiency in petroleum products.
- Human resource development by upgrading training facilities and exposure to modern technologies / management techniques.
- Balancing and modernization for energy conservation and enhanced yield of value added products as well as revamping for environment friendly products.
- Expansion of refining capacity by debottlenecking and adding new facilities.
- Acquire newer generation technologies for the efficient refinery operations as well as for attaining highest standards of Occupational Health, Safety and Environment.
- Acquiring self-sufficiency in re-engineering, design and fabrication of equipments.

Board of Directors

Dr. Ghaith R. Pharaon
Chairman

Laith G. Pharaon

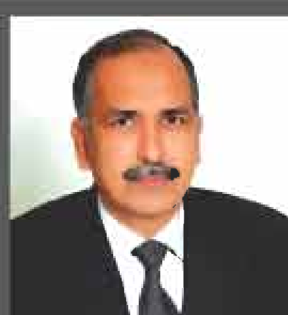
Wael G. Pharaon

Tarik Kivanc

Firasat Ali

Abdus Sattar

Babar Bashir Nawaz
Alternate for
Laith G. Pharaon



S. Ahmed Abid
Alternate for
Wael G. Pharaon

Iqbal A. Khwaja
Alternate for
Dr. Gaith R. Pharaon

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

Statement of Ethics & Business Practices

National Refinery Limited is engaged in the manufacturing of wide range of petroleum products with the objective to achieve sustainable productivity, profitability and high standards of safety, occupational health and environmental care. This entails human resource development, enhancing value addition, implementing conservation measures and growth by up-gradation and addition of newer generation technologies. The Company solemnly believes in the application of business ethics as have been embodied in this document.

- The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.

- The business principles are derived from the above stated corporate values and are applied to all facets of business through well-established procedures. These procedures define behavior expected from each employee in the discharge of his/her responsibility.

- NRL recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:

  - Safeguarding of shareholders' interest and a suitable return on equity.
  - Service customers by providing products, which offer value in terms of price, quality, safety and environmental impact.
  - Respect human rights, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
  - Seek mutually beneficial business relationship with contractors, suppliers and investment partners.

- The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer places on products and services produced by the Company.

- The Company requires honesty and fairness in all aspect of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form are undesirable.

- The Company requires all its employees to essentially avoid conflict of interest between private financial activities and their professional role in the conduct of Company business.

- The Company is fully committed to reliability and accuracy of financial statements and transparency of transactions in accordance with established procedures and practices.

- The Company does not support any political party or contributes funds to groups having political interests. The Company will however, promote its legitimate business interests through trade associations.

- The Company, consistent with its commitments to sustainable developments, has a systematic approach to the management of health, safety and environment.

- The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as education, sports, environment preservation, training programs, skills development and employment within the parameters of its commercial objectives.

- The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.

- In view of the critical importance of its business and impact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost.

On Behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

19th August 2009

Notice of Annual General Meeting

Notice is hereby given that the **Forty Sixth (46th) Annual General Meeting** of National Refinery Limited will be held on Monday, October 19, 2009 at 1600 hours at Hotel Sheraton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2009 together with the Directors' Report and the Auditors' Report thereon.

2. To consider and, if thought fit, to approve the payment of Final Cash Dividend at the rate of Rs. 12.50 per share i.e. 125% for the year ended June 30, 2009 as recommended by the Board of Directors.

3. To appoint Company's auditors for the year ending June 30, 2010 and to fix their remuneration.

4. To elect seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a term of three (3) years commencing from October 21, 2009. The names of the retiring directors are:

   1. Dr. Ghaith R. Pharaon
   2. Mr. Laith G. Pharaon
   3. Mr. Wael G. Pharaon
   4. Mr. Shuaib Anwer Malik
   5. Mr. Abdus Sattar
   6. Mr. Firasat Ali
   7. Mr. Tarik Kivanc

SPECIAL BUSINESS

To approve and adopt a new set of Articles of Association and for this purpose to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** the regulations contained in the printed document submitted to this meeting, and for the purposes of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles thereof."

Statements of material facts under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred above under agenda item 5 are annexed to this Notice of Meeting being sent to the members.

By Order of the Board

Shaikh Ather Ahmed
Company Secretary

Karachi:
Dated: September 28, 2009

NOTES:

1. The Register of Members of the Company will remain closed and no transfer of shares will be accepted for registration from Saturday, October 10, 2009 to Monday, October 19, 2009 (both days inclusive). Transfers received in order at the office of the Share Registrar:

   Noble Computer Services (Pvt.) Ltd.,
   Mezzanine Floor,
   House of Habib Building (Siddiqsons Tower),
   3-Jinnah Cooperative Housing Society,
   Main Shahrah-e-Faisal, Karachi-75350

   at the close of business on Friday, October 09, 2009 will be in time for the purpose of determination of entitlement to the transferees.

2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. No person shall act as proxy, who is not a member of the Company except corporate entity may appoint a person who is not a member. Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the Share Registrar not less than 48 hours before the meeting.

3. The proxy shall produce his/her original CNIC or passport at the time of the meeting.

4. Shareholders are requested to promptly notify the office of the Share Registrar of any change in their address.

5. Members who may be seeking exemption from the deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a declaration for non-deduction of zakat. Necessary advice in either case must be submitted within not more than 15 days from the date of dividend entitlement.

6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

   A. For attending the meeting:

   (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card, (CNIC) or original passport at the time of attending the Meeting.

   (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport, of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

7. Election

(i) The number of Directors to be elected at the Annual General Meeting has been fixed by the Board of Directors at seven (7) under section 178 of the Companies Ordinance, 1984.

(ii) All directors shall be eligible to offer themselves for re-election.

(iii) Nomination / Notice of intention to offer himself as a director shall be filed with the Registered Office, **7-B, Korangi Industrial Area, Karachi,** by a candidate not later than fourteen (14) days before the date of the meeting at which elections are to be held.

(iv) Form 28 (consent to Act as Director) prescribed under the Companies Ordinance 1984.

(v) A Declaration with Consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he is aware of duties and powers of Directors as mentioned in the Companies Ordinance 1984, the Memorandum and Articles of the Company and the Listing Regulations of the Karachi / Lahore / Islamabad Stock Exchanges and has read the relevant provisions contained therein; and

(vi) A Declaration in terms of clause (iii) and (iv) of the Code of Corporate Governance to the effect that he is not serving as a Director in more than 10 listed companies, and he/she is a registered National Tax Payer (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution; that he/she or their spouse are not engaged in the business of Stock Brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan).

8. Form of proxy is attached to the notice of meeting being sent to the members.

Statement of Material Facts
Statement under section 160(1)(b) of the Companies Ordinance 1984

The material facts concerning the special businesses to be transacted at the Annual General Meeting of the Company to be held on Monday, October 19, 2009.

Alteration in the Articles of Association of the Company:

The Board of Directors of the Company has recommended that the Company's articles of association be substituted for, and to the exclusion, of all the existing articles by a new set of articles of association. The new set of the articles of association updates the Company's existing Articles of Association by taking into account the several changes made in the Companies Ordinance, 1984 since the time that the articles were last amended. These alteration, inter alia, enable the Company to issue shares of different classes, including redeemable shares and securities, and with the approval of a special resolution to purchase its own shares and increase the share qualification for Directors. The other alterations made are to reflect the changes in procedure now incorporated into the Company Law, including submission of quarterly accounts and holding of quarterly Board Meetings, and to ensure acceptance of powers of attorney granted to deal with various litigations and other matters in court.

A copy of the new set of articles of association is attached.

The resolution required for the above purpose is set forth at item No.5 in the notice convening the Annual General Meeting and that resolution will be proposed and passed as a Special Resolution.

Chairman's Review

بسم الله الرحمن الرحيم

Dear Shareholders

Assalam-o-Alaikum

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, in the forty sixth Annual General Meeting of your Company and to present annual review of the results of your Company and audited financial statements for the financial year ended June 30, 2009.

I feel pleasure in informing you that even though there were various challenges besides uncertain market dynamics, your Company however succeeded in securing profit after tax of Rs.1,533 million despite net loss after tax of Rs.2,699 million in the Fuel Segment.

Although same level of product and yield mix were maintained as that of last year, profitability could not be maintained due to asymmetrical change in product prices to that of crude oil prices that crashed during the year. Exchange rate loss of Rs.2,385 million due to drastic fall of rupee value to that of US dollar was the main contributor. In addition to that the Government also revised the Pricing Formula in August 2008 by cutting down deemed duty on HSD from 10% to 7.5% and also revised Motor Gasoline pricing mechanism that further reduced the refiners' margin. Circular debts in the Oil and Power sector have not only slowed down the economy but have also severely affected the refining sector in Pakistan. Consequently, the overall bank balances and investments have reduced significantly. Management despite all these critical factors maintained the throughput at 89% as against 101% for the same period last year and made all out efforts to mitigate the effects of adverse economic environment.

Your refinery along with other refineries is negotiating with the government for review of the pricing formula. I am very much hopeful that keeping in view the prevailing economic challenges and the performance of refining sector for the year, government would not only re-visit and rationalize the amendments in the pricing formula but would also take measures to attract further investment in the refining sector of Pakistan in terms of new projects.

Acknowledgement

I appreciate the efforts of Board of Directors, management, staff and workers of your Company for their untiring efforts to effectively check the losses during such a volatile year and maintaining the overall profitability of your company. It is indeed a matter of great satisfaction and encouragement as it reflects the inherent resilience and strength of your company to face all odds. I also take this opportunity to express my gratitude to the government, crude oil suppliers, customers, banks, financial institutions and contractors for their cooperation and partnership that they extended to your Company.

I am confident that the management of your Company and all stakeholders will continue to strive for the achievement of even better results for the times to come.

Dr. Ghaith R. Pharaon
Chairman

August 19, 2009

Directors' Report

بسم الله الرحمن الرحيم

Assalam-o-Alaikum!

On behalf of the Board of Directors, I am pleased to present the 46th Annual Report of National Refinery Limited together with the audited financial statements and auditors' report thereon for the year ended June 30, 2009.

OVERVIEW

The year was full of challenges for the refining sector in Pakistan. Declining crude prices and changes in pricing structure of high speed diesel and motor gasoline adversely affected the Gross Refining Margins of fuel segment. This was further compounded by foreign exchange losses of Rs. 2,385 million. A continuous monitoring of refiners margin was done to ensure that the refinery is operated at its optimum throughput in order to curtail losses of fuel segment in periods of negative margin. However, due to adverse margins the profitability of fuel segment ended at after tax loss of Rs.2,699 million compared to profit after tax of Rs.3,064 million in the last year.

In lube segment the demand remained depressed due to slower economic activity in the country and abroad. Declining price trend kept the customers away from routine buying. However, your company succeeded in attaining lube base oil sale volume of 173,876 M. Tons as compared to 204,551 M. Tons last year.

Financial Results

The company has earned a net profit after tax of Rs 1,533 million in the current year as compared to Rs 6,005 million in the last year. The loss in fuel segment of Rs 2,699 million has been transferred to Special Reserve as per the Pricing Formula discussed in note 17.2. An amount of Rs. 4,232 million is available for appropriation.

	2008-09	2007-08
	(Rupees in million)	
Appropriations		
Profit available for appropriation after transfer to Special Reserve under the Pricing Formula as per note 17.2	4,232	3,056
Transfer to General Reserves	3,200	1,457
Final Dividend @ 125% (2008: 200%)	1,000	1,599

Dividend

The Board of Directors has recommend final cash dividend @ 125% (Rs 12.5 per share) for the year ended June 30, 2009. The dividend recommended is subject to the approval by the shareholders in Annual General Meeting.

Credit Rating

Pakistan Credit Rating Agency (PACRA) for 5th successive year has reaffirmed the credit rating of the Company; long-term rating "AAA" and short-term rating "A1+".

Key Operating & Financial Data

Key operating and financial data of last six years (2003 - 2009) is shown on page 30.

Contribution To National Exchequer

During the financial year, the company contributed Rs.31.6 billion to the National exchequer in the shape of direct and indirect taxes and earned valuable foreign exchange of US $ 175 million through the export of Naphtha and Lube Base Oil.

Occupational Health, Safety and Environment

Your company puts the highest emphasis on protection of the environment and the health and safety of employees, visitors, customers, stakeholders, and community in which it operates.

Self in-house HSE training programs were conducted for executive, non-executive staff including contractors' staff during the year. NRL also has comprehensive Permit to Work System for safe execution of all types of jobs.

In order to strictly practice the principles of Energy Conservation & Environment protection NRL has acquired certification in International Standard Organization i. e. ISO 9001 (Quality), ISO 14001 (Environment Management Systems) and OHSAS 18001 (Occupational Health & Safety Assessment Series).

By the Grace of Almighty Allah and concerted efforts of NRL staff, your company has achieved 12.88 million safe man-hours without LTI (Loss Time Injury) from July 2002 to 30th June 2009.

Environment Excellence Awards

Your company is committed toward adherence to Health, Safety, Environment and Quality Management System and has enabled it to achieve excellence awards. The company has won the Environment Excellence Award for the sixth time consecutively. NRL is one of the major players in the Petroleum refining sector of the country to become an environmental friendly energy enterprise.

Employees & Management Relations

The cordial relationship between the management and union persisted unabatedly. The productivity achieved reflects the concerted and sincere collective endeavors. The company has plans to further promote the sports activities that would go a long way in maintaining good health of the employees, boosting up their moral and inculcating sense of belonging.

Human Resource Development

Your Company considers its employees as human capital and focuses special attention on their training and development. Various staff members were nominated for local and overseas courses and workshops in different technical and non-technical disciplines. In addition to hands on executive training plans, the company also has apprenticeship program where theoretical and practical training is imparted prior to offering regular employment to successful candidates.

Corporate Social Responsibility

The company realizes its social responsibility towards the national economy apart from its customers, employees and shareholders. As a responsible corporate citizen, the company contributed to different social segments of the economy in various ways for improving quality of the life in the country. Company is ambitious to be recognized as social partner and not only as commercial entity.

Trading in the Company Shares

Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year. Only one share has been transferred in the name of Mr. Shuaib A. Malik (Deputy Chairman / Chief Executive Officer) which was previously held by the company in the name of Mr. Ahmer Qureshi (Ex. Company Secretary).

Corporate Governance

The Board of Directors has, throughout the year, complied with the 'Code of Corporate Governance' contained in the listing requirements of the stock exchanges and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Audit Committee

The Directors have established a Board of Audit Committee comprising of a chairman and members who are non-executive directors. The details of the attendance of the directors of the Audit Committee Meetings for the year ended June 30, 2009 are as follows:

Name of Directors	Total Number of Audit Committee Meetings*	Meeting Attended
Mr. Abdus Sattar	4	4
Mr. Babar Bashir Nawaz	4	4
Mr. S. Ahmed Abid	4	4
Mr. Bilal A. Khan	1	1
Mr. Iqbal A. Khwaja	0	0

* Held during the period concerned members were on the Committee.

Statement by Board of Directors in Compliance with Code of Corporate Governance

a) The Financial Statements prepared by the management of the Company present fairly its state of affairs, the result of its operation, cash flows and change in equity.

b) Proper books of accounts have been maintained in the manner required under the Companies Ordinance 1984.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as notified in Pakistan, have been followed in the preparation of financial statements.

e) The financial statements prepared by the management conforms to the approved accounting standards as applicable in Pakistan.

f) The system of internal control is sound in design and has been effectively implemented and monitored.

g) The Board of Directors considered that the Company is a going concern.

h) There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.

i) All major Government levies in the normal course of business, payable as at June 30, 2009 have been cleared subsequent to the year-end.

j) The values of investment of various funds, based on their respective accounts are as under:

(Rs. In million) - Un - audited

Pension Fund	2,394
Gratuity Fund	63
Officers Provident Fund	433
Workers Provident Fund	157
Post Retirement Medical Fund	512

k) Significant deviations, plans, decisions and business expansion have been outlined in the report.

l) No trade in the share of the Company were carried out by the Board of Directors, CEO, CFO, Company Secretary, Executive and their spouses and minor Children except that already mentioned.

Directors and Board Meetings held during the year

During the financial year 2008-09 five meetings of the Board of Directors were held. The attendance of the Directors was as under:

Name of Directors		Total Number of Meetings *	Meeting Attended
Dr. Ghaith R. Pharaon - Chairman Alternate Director	 Mr. Bilal A. Khan / Mr. Shuaib A. Malik / Mr. Iqbal A. Khwaja	5	5
Mr. Laith G. Pharaon Alternate Director	 Mr. Babar Bashir Nawaz	5	5
Mr. Wael G. Pharaon Alternate Director	 Mr. S. Ahmed Abid	5	5
Mr. Shuaib A. Malik		5	5
Mr. Abdus Sattar		5	5
Mr. Tarik Kivanc		5	5
Mr. Firasat Ali		5	4

* Held during the period concerned directors were on Board.

Ongoing and Future Projects

- **High Speed Diesel (HSD) Desulfurization Project:**

To produce clean High Speed Diesel of Euro-II standard, the Engineering Design & Specification (EDS) package was completed in September 2008. Project Management Consultant has been appointed to assist in the completion of the project. The process for selection of suitable Engineering, Procurement, Construction and Commissioning (EPCC), contractor is in process. The Government has advised time line for clean diesel production by July 2012. Negotiations with the Government are in process for necessary incentives to cover the cost of the project which is highly capital intensive.

- **Product metering system:**

Product Metering System at refinery and port oil terminal for transfer of HSD to Oil Marketing Companies (OMC's) is in final stage. This will bring more efficiency and accuracy in product handling. Commissioning target of flow meters is September 2009.

- **Radar gauging system:**

Radar gauging system is required for storage tanks to measure products accurately. In Phase I, Radar gauges on 41 tanks have been installed and in Phase II additional 64 gauges will be installed by December 2009. It will cover all 105 products storage tanks required for custody transfer of finished products.

- **Storage Tanks:**

In order to meet the rapidly changing market demands and to increase the operational flexibility and storage capacities of crude oil and various products, the work on construction of additional nine storage tanks are at advance stage. The designing, engineering and procurement of materials have already been completed. The construction contractors are mobilized at site. The project is expected to be completed by December 2009.

- **New Water Reservoir:**

To cater for acute shortage of water during summer season, the company has initiated the construction of new water reservoir having capacity of three million gallons. The designing and engineering work has been completed. The construction contractor has mobilized at site and work is in progress. The project is expected to be completed by December 2009.

- **De-bottlenecking study for increase in capacity and yields of distillates from vacuum tower:**

It is planned to replace the existing oil fired cylindrical vacuum heater installed at Vacuum Section of Two Stage Distillation unit at Lube Refinery. The capacity of new heater is envisaged for enhanced throughput, which will be based on maximum potential of vacuum column and associated equipments. The project shall be undertaken after the feasibility study of the project has been approved by the Board.

Pattern of Shareholding

Pattern of shareholdings is shown on page 83.

Auditors

The Auditors retire and offer themselves for reappointment. The Audit Committee recommends the reappointment of Messrs A. F. Ferguson & Co., Chartered Accountants as auditors for the financial year ending June 30, 2010.

Acknowledgement

The Board places on record its appreciation and gratitude for the company's management and its staff for their untiring efforts. The Board also acknowledges the efforts and contributions of customers and other stakeholders for their patronage and business.

On behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

Damascus
August 19, 2009

Stakeholders information

		2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
		(Rupees in million)					
Profit and Loss Account							
Net turnover		**109,578**	129,386	91,327	80,894	60,819	40,400
Gross profit		**5,273**	10,681	6,264	4,999	3,936	2,957
Operating profit		**5,208**	10,163	6,101	5,272	3,308	2,590
Profit before tax		**2,813**	8,831	6,095	5,262	3,295	2,765
Profit after tax		**1,533**	6,005	4,203	3,410	2,121	1,850
Balance Sheet							
Share Capital		**800**	800	666	666	666	666
Reserves		**16,553**	16,619	12,080	8,710	6,034	4,913
Shareholder equity		**17,353**	17,419	12,746	9,376	6,700	5,579
Property, plant and equipment		**2,096**	2,032	2,106	1,535	1,511	1,281
Current Assets		**39,156**	43,747	30,055	22,294	15,849	14,914
Current Liabilities		**24,856**	28,873	19,658	15,370	11,732	11,121
Net current assets / liabilities		**14,299**	14,874	10,397	6,924	4,117	3,793
Long term / Deferred liabilities		**136**	312	237	175	-	163

Investor information							
Gross profit ratio		**4.81**	8.26	6.86	6.18	6.47	7.32
Net profit ratio		**1.40**	4.64	4.60	4.22	3.49	4.58
Return on equity in	%	**8.83**	34.47	32.98	36.37	31.66	33.16
Return on capital employed in	%	**191.71**	750.63	631.08	512.01	318.47	277.62
Earning per shares (EPS)	Rupees	**19.17**	75.10	63.07	51.17	31.82	27.75
Market value per share at year end	(Rupees. 10 / share)	**220.02**	297.47	344.00	256.00	316.30	185.00
Inventory turnover ratio / No. of days in inventory		**8.17**	11.32	12.01	15.68	16.62	11.63
Debtor turnover ratio / No. of days in receivables		**41.09**	22.68	22.61	15.57	12.02	36.97
Fixed assets turnover ratio		**52.28**	63.30	43.00	52.32	39.70	31.54
Quick /Acid test ratio		**1.08**	1.05	1.13	1.02	1.07	1.01
Price earning ratio		**11.48**	3.96	5.45	5.00	9.94	6.67
Cash Dividend per share	(Rupees 10 / share)	**12.50**	20.00	20.00	16.00	12.50	12.50
Dividend yield ratio in	%	**5.68**	6.72	25.81	6.25	3.95	6.76
Bonus shares issued in	%	**-**	-	20.00	-	-	-

Statement of Value Added

	2009	2008
	(Rupees in thousand)	
Gross sales revenue	**140,233,271**	146,233,271
Less: Bought in material and services	**107,426,675**	120,690,803
	32,806,596	25,542,468
Add: Income from investment	**957,457**	945,030
Other Income	**407,691**	459,372
	1,365,148	1,404,402
Total Value Added	**34,171,744**	26,946,870
Applied as follows		
Employees remuneration as:		
Salaries, wages and benefits	**1,119,523**	1,129,778
Government as:		
Company taxation	**1,280,428**	2,825,860
Levies	**29,795,205**	16,085,860
Worker's fund	**208,945**	654,521
	31,284,578	19,566,241
Shareholders as:		
Dividend	**999,583**	1,599,331
Retained in business :		
Depreciation	**228,331**	239,204
Amortization	**6,284**	6215
Net earnings	**533,445**	4,406,101
	768,060	4,651,520
	34,171,744	26,946,870

Vertical Balance Sheet as at June, 30

	2009		2008		2007		2006		2005		2004	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in thousand)											
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	7.13	3,019,311	5.58	2,601,276	7.18	2,343,352	9.18	2,286,751	11.52	2,121,582	9.30	1,569,851
Intangible assets	0.01	5,938	0.03	11,911	0.06	18,126	0.04	10,628	0.12	21,255	0.08	13,176
Deferred taxation	0.20	84,498	0.35	164,407	0.49	161,118	1.08	268,990	2.04	375,683	1.91	321,685
Long term loans and deposits	0.19	79,147	0.17	79,923	0.20	64,390	0.25	61,934	0.35	64,406	0.38	64,386
	7.53	3,188,894	6.13	2,857,517	7.93	2,586,986	10.55	2,628,303	14.03	2,582,926	11.66	1,969,098
CURRENT ASSETS												
Stores, spares and chemicals	2.21	936,594	1.67	779,076	2.46	802,794	2.88	716,709	3.91	719,385	4.17	703,998
Stock-in-trade	28.93	12,251,181	28.51	13,288,291	23.55	7,687,420	25.98	6,475,195	17.41	3,205,874	21.56	3,639,869
Trade debts	35.05	14,841,288	21.83	10,173,051	18.78	6,130,324	21.44	5,342,764	8.98	1,654,027	14.25	2,406,093
Loans and advances	0.06	25,219	0.11	51,028	0.06	19,825	0.07	18,242	0.12	22,087	0.18	30,047
Deposits and prepayments	0.13	53,749	0.21	95,899	0.13	43,120	0.04	9,428	1.17	214,687	2.12	357,962
Accrued interest	0.22	91,500	0.07	30,780	0.14	45,246	0.16	38,764	0.13	23,402	0.05	8,574
Other receivables	5.63	2,382,583	4.68	2,183,257	5.58	1,821,036	3.61	899,201	10.95	2,016,999	33.34	5,628,706
Investments	0.47	197,622	7.76	3,615,359	2.95	962,092	-	-	-	-	-	-
Tax refunds due from Government												
- Sales tax	1.36	575,902	0.88	408,221	3.22	1,050,564	4.14	1,032,875	0.70	128,537	2.51	424,319
Cash and bank balances	18.42	7,800,079	28.16	13,122,136	35.21	11,492,152	31.14	7,761,060	42.60	7,844,153	10.16	1,714,841
	92.47	39,155,717	93.87	43,747,098	92.07	30,054,573	89.45	22,294,238	85.97	15,829,151	88.34	14,914,409
TOTAL ASSETS	100.00	42,344,611	100.00	46,604,615	100.00	32,641,559	100.00	24,922,541	100.00	18,412,077	100.00	16,883,507
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
Issued, subscribed and paid up	1.89	799,666	1.72	799,666	2.04	666,388	2.67	666,388	3.62	666,388	3.95	666,388
Reserves	39.09	16,553,075	35.66	16,619,379	37.01	12,080,001	34.95	8,710,332	32.77	6,033,538	29.10	4,912,614
	40.98	17,352,741	37.38	17,419,045	39.05	12,746,389	37.62	9,376,720	36.39	6,699,926	33.04	5,579,002
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	0.32	135,547	0.67	312,277	0.73	236,940	0.70	175,355	0.60	112,434	1.08	182,891
CURRENT LIABILITIES												
Trade and other payables	54.39	23,032,238	57.21	26,662,420	54.13	17,669,110	52.13	12,992,504	52.54	9,673,347	53.47	9,027,983
Short term running finance	-	-	-	-	-	-	-	-	-	-	1.54	259,676
Provisions	0.71	301,485	0.64	298,569	0.92	299,148	1.29	320,588	3.97	730,502	8.14	1,373,559
Taxation	3.60	1,522,600	4.10	1,912,304	5.18	1,689,972	8.26	2,057,374	6.50	1,195,868	2.73	460,396
	58.70	24,856,323	61.95	28,873,293	60.22	19,658,230	61.67	15,370,466	63.00	11,599,717	65.87	11,121,614
	59.02	24,991,870	62.62	29,185,570	60.95	19,895,170	62.38	15,545,821	63.67	11,712,151	66.96	11,304,505
TOTAL EQUITY AND LIABILITIES	100.00	42,344,611	100.00	46,604,615	100.00	32,641,559	100.00	24,922,541	100.00	18,412,077	100.00	16,883,507

Horizontal Balance Sheet as at June, 30

	2009 %	2009 Amount	2008 %	2008 Amount	2007 %	2007 Amount	2006 %	2006 Amount	2005 %	2005 Amount	2004 %	2004 Amount
						(Rupees in thousand)						
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	192.33	3,019,311	165.70	2,601,276	149.27	2,343,352	145.67	2,286,751	135.15	2,121,582	100.00	1,569,851
Intangible assets	45.05	5,938	90.40	11,911	137.57	18,126	80.66	10,628	161.32	21,255	100.00	13,176
Deferred taxation	26.27	84,498	51.11	164,407	50.09	161,118	83.62	268,990	116.79	375,683	100.00	321,685
Long term loans and deposits	122.93	79,147	124.13	79,923	100.01	64,390	96.19	61,934	100.03	64,406	100.00	64,386
	161.95	3,188,894	145.12	2,857,517	131.38	2,586,986	133.48	2,628,303	131.17	2,582,926	100.00	1,969,098
CURRENT ASSETS												
Stores, spares and chemicals	133.04	936,594	110.66	779,076	114.03	802,794	101.81	716,709	102.19	719,385	100.00	703,998
Stock-in-trade	336.58	12,251,161	365.08	13,288,291	211.20	7,687,420	177.90	6,475,195	88.08	3,205,874	100.00	3,639,869
Trade debts	616.82	14,841,288	422.80	10,173,051	254.78	6,130,324	222.05	5,342,764	68.74	1,654,027	100.00	2,406,093
Loans and advances	83.93	25,219	169.83	51,028	65.98	19,825	60.71	18,242	73.51	22,087	100.00	30,047
Deposits and prepayments	15.02	53,749	26.79	95,899	12.05	43,120	2.63	9,428	59.97	214,687	100.00	357,962
Accrued interest	1,067.18	91,500	358.99	30,780	527.71	45,246	452.11	38,764	272.94	23,402	100.00	8,574
Other receivables	42.33	2,382,583	38.79	2,183,257	32.35	1,821,036	15.98	899,201	35.83	2,016,999	100.00	5,628,706
Investments	-	197,622	-	3,615,359	-	962,092	-	-	-	-	-	-
Tax refunds due from Government												
- Sales tax	135.72	575,902	96.21	408,221	247.59	1,050,564	243.42	1,032,875	30.29	128,537	100.00	424,319
Cash and bank balances	454.86	7,600,079	765.21	13,122,136	670.16	11,492,152	452.58	7,761,060	457.43	7,844,153	100.00	1,714,841
	262.54	39,155,717	293.32	43,747,098	201.51	30,054,573	149.48	22,294,238	106.13	15,829,151	100.00	14,914,409
TOTAL ASSETS	250.80	42,344,611	276.04	46,604,615	193.33	32,641,559	147.61	24,922,541	109.05	18,412,077	100.00	16,883,507
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
* Issued, subscribed and paid up	120.00	799,666	120.00	799,666	100.00	666,388	100.00	666,388	100.00	666,388	100.00	666,388
Reserves	336.95	16,553,075	338.30	16,619,379	245.90	12,080,001	177.31	8,710,332	122.82	6,033,538	100.00	4,912,614
	311.04	17,352,741	312.23	17,419,045	228.47	12,746,389	168.07	9,376,720	120.09	6,699,926	100.00	5,579,002
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	74.11	135,547	170.74	312,277	129.55	236,940	95.88	175,355	61.48	112,434	100.00	182,891
CURRENT LIABILITIES												
Trade and other payables	255.12	23,032,238	295.33	26,662,420	195.71	17,669,110	143.91	12,992,504	107.15	9,673,347	100.00	9,027,983
Short term running finance	-	-	-	-	-	-	-	-	-	-	100.00	259,676
Provisions	21.95	301,485	21.74	298,569	21.78	299,148	23.34	320,588	53.18	730,502	100.00	1,373,559
Taxation	330.72	1,522,600	415.36	1,912,304	367.07	1,689,972	446.87	2,057,374	259.75	1,195,868	100.00	460,396
	223.50	24,856,323	259.61	28,873,293	176.76	19,658,230	138.20	15,370,466	104.30	11,599,717	100.00	11,121,614
TOTAL EQUITY AND LIABILITIES	250.80	42,344,611	276.04	46,604,615	193.33	32,641,559	147.61	24,922,541	109.05	18,412,077	100.00	16,883,507

Base year taken as 2003-04

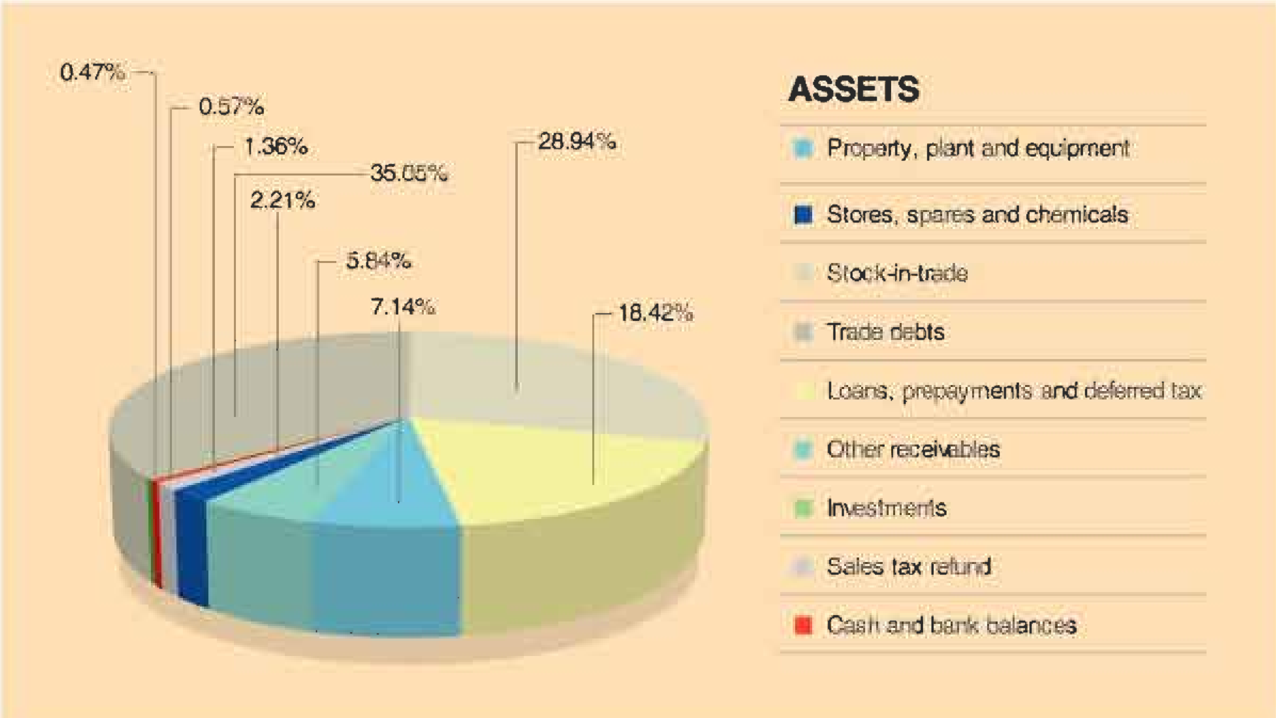
Vertical Profit and Loss Account

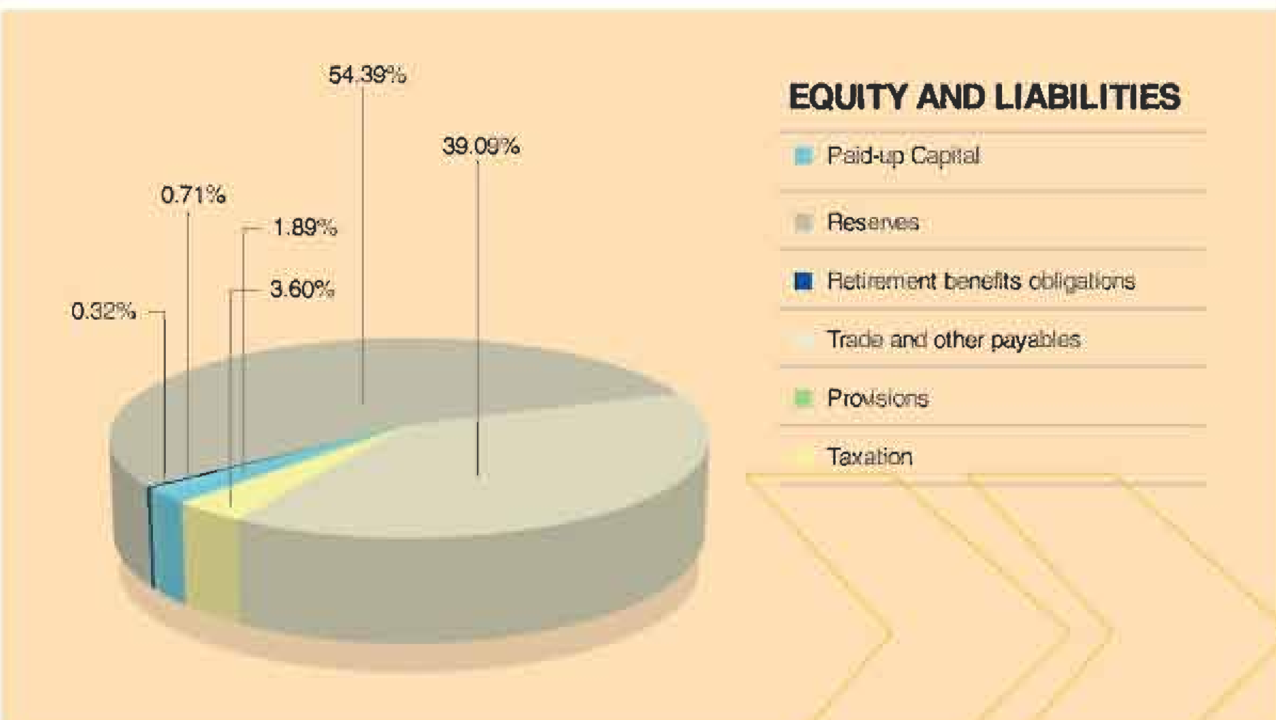
	2009		2008		2007		2006		2005		2004	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in thousand)											
Gross sales		140,112,250		146,233,271		109,145,970		96,634,962		71,123,677		46,265,658
Trade discounts, taxes, duties and levies		(30,533,886)		(16,847,455)		(17,819,432)		(15,740,923)		(10,304,536)		(5,865,798)
Net sales	100	109,578,364	100	129,385,816	100	91,326,538	100	80,894,039	100	60,819,141	100	40,399,860
Cost of products sold	(95.19)	(104,304,898)	(91.75)	(118,705,060)	(93.14)	(85,062,748)	(93.82)	(75,895,286)	(93.53)	(56,883,368)	(92.68)	(37,443,321)
Gross profit	4.81	5,273,466	8.25	10,680,756	6.86	6,263,790	6.18	4,998,753	6.47	3,935,773	7.32	2,956,539
Distribution and marketing expenses	(0.77)	(844,157)	(0.69)	(889,008)	(0.37)	(341,463)	(0.33)	(270,190)	(0.22)	(136,453)	-	-
Administrative expenses	(0.34)	(371,655)	(0.29)	(376,170)	(0.38)	(345,224)	(0.46)	(374,824)	(1.03)	(625,245)	(0.91)	(366,853)
Other operating income	1.25	1,365,148	1.09	1,404,402	1.09	992,689	1.65	1,337,507	0.69	420,862	1.56	629,079
Other operating expenses	(0.20)	(214,958)	(0.51)	(657,019)	(0.50)	(453,098)	(0.52)	(419,270)	(0.47)	(287,071)	(1.08)	(435,660)
Operating profit	4.75	5,207,844	7.85	10,162,961	6.70	6,116,694	6.52	5,271,976	5.44	3,307,866	6.89	2,783,105
Finance cost	(2.19)	(2,394,388)	(1.03)	(1,331,669)	(0.02)	(21,994)	(0.01)	(9,883)	(0.02)	(13,204)	(0.05)	(18,584)
Profit before taxation	2.57	2,813,456	6.83	8,831,292	6.67	6,094,700	6.50	5,262,093	5.42	3,294,662	6.84	2,764,521
Taxation	(1.17)	(1,280,428)	(2.18)	(2,825,860)	(2.07)	(1,892,046)	(2.29)	(1,852,272)	(1.93)	(1,174,156)	(2.26)	(915,016)
Profit after taxation	1.40	1,533,028	4.64	6,005,432	4.60	4,202,654	4.22	3,409,821	3.49	2,120,506	4.58	1,849,505

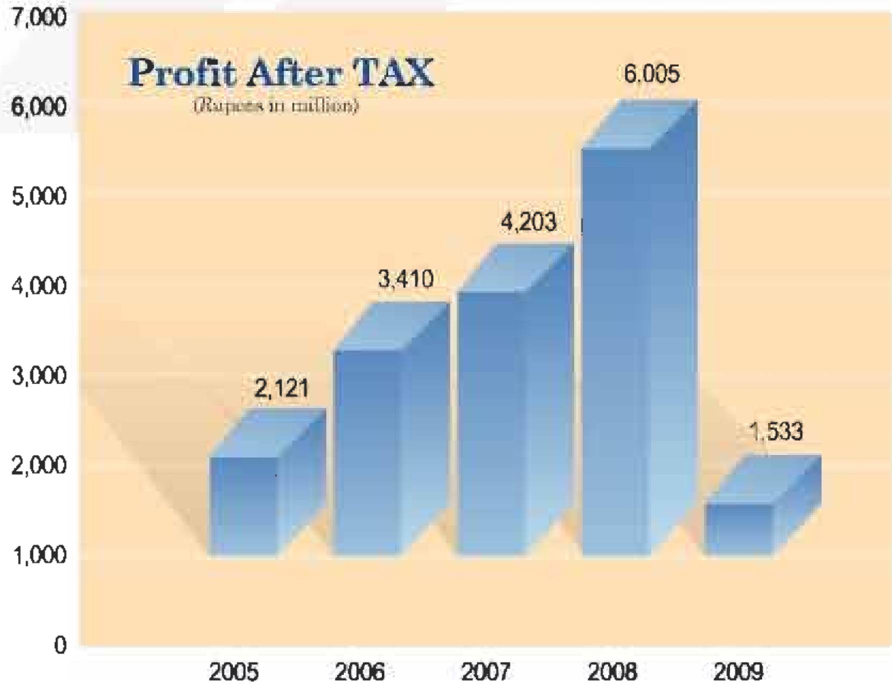
Horizontal Profit and Loss Account

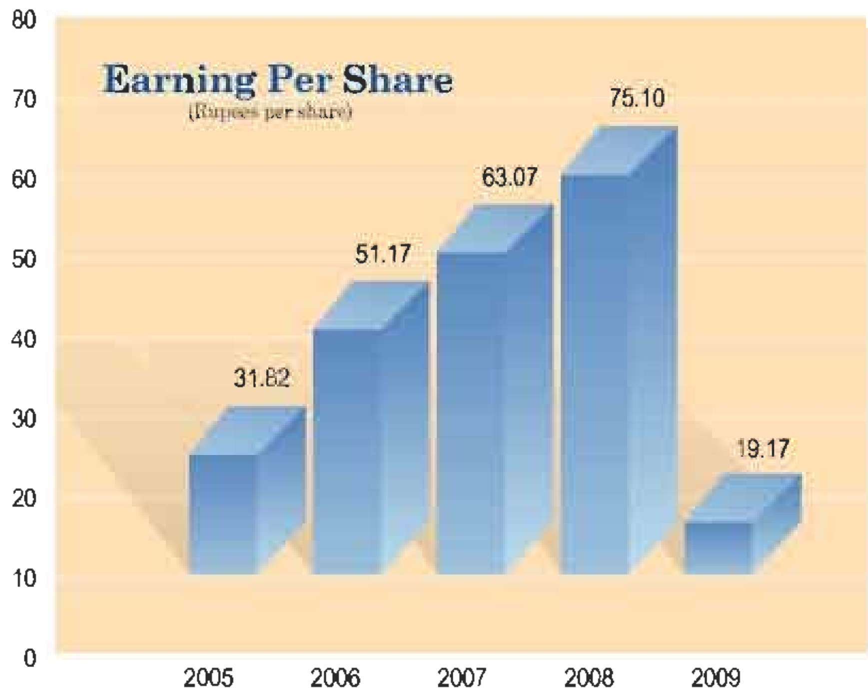
	2009		2008		2007		2006		2005		2004	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in thousand)											
Gross sales		**140,112,250**		146,233,271		109,145,970		96,634,962		71,123,677		46,265,658
Trade discounts, taxes, duties and levies		**(30,533,886)**		(16,847,455)		(17,819,432)		(15,740,923)		(10,304,536)		(5,865,798)
Net sales	**271.23**	**109,578,364**	320.26	129,385,816	226.06	91,326,538	200.23	80,894,039	150.54	60,819,141	100.00	40,399,860
Cost of products sold	**278.57**	**(104,304,898)**	317.03	(118,705,060)	227.18	(85,062,748)	202.69	(75,895,286)	151.92	(56,883,368)	100.00	(37,443,321)
Gross profit	**178.37**	**5,273,466**	361.26	10,680,756	211.86	6,263,790	169.07	4,998,753	133.12	3,935,773	100.00	2,956,539
Distribution and marketing expenses	**-**	**(844,157)**	-	(889,008)	-	(341,463)	-	(270,190)	-	(136,453)	-	-
Administrative expenses	**101.31**	**(371,655)**	102.54	(376,170)	94.10	(345,224)	102.17	(374,824)	170.43	(625,245)	100.00	(366,853)
Other operating income	**217.01**	**1,365,148**	223.25	1,404,402	157.80	992,689	212.61	1,337,507	66.90	420,862	100.00	629,079
Other operating expenses	**49.34**	**(214,958)**	150.81	(657,019)	104.00	(453,098)	96.24	(419,270)	65.89	(287,071)	100.00	(435,660)
Operating profit	**187.12**	**5,207,844**	365.17	10,162,961	219.78	6,116,694	189.43	5,271,976	118.86	3,307,866	100.00	2,783,105
Finance cost	**12,884.14**	**(2,394,388)**	7,165.67	(1,331,669)	118.35	(21,994)	53.18	(9,883)	71.05	(13,204)	100.00	(18,584)
Profit before taxation	**101.77**	**2,813,456**	319.45	8,831,292	220.46	6,094,700	190.34	5,262,093	119.18	3,294,662	100.00	2,764,521
Taxation	**139.94**	**(1,280,428)**	308.83	(2,825,860)	206.78	(1,892,046)	202.43	(1,852,272)	128.32	(1,174,156)	100.00	(915,016)
Profit after taxation	**82.89**	**1,533,028**	324.70	6,005,432	227.23	4,202,654	184.36	3,409,821	114.65	2,120,506	100.00	1,849,505

Graphic Representation

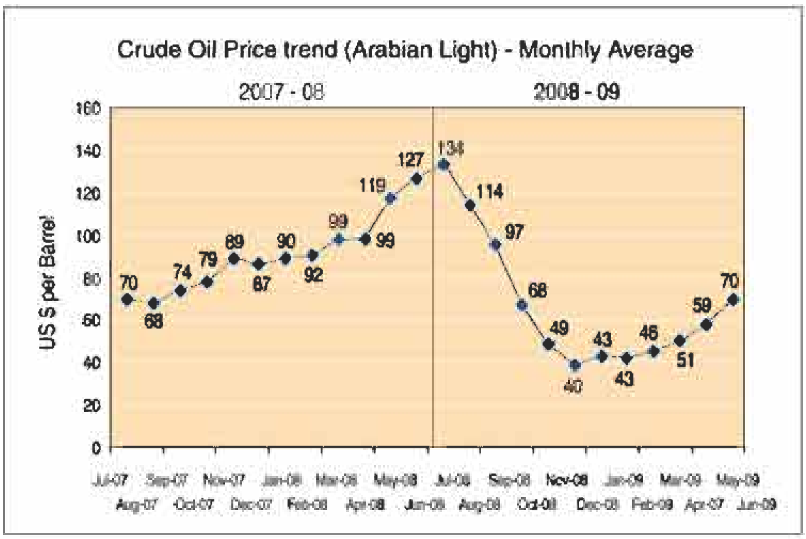


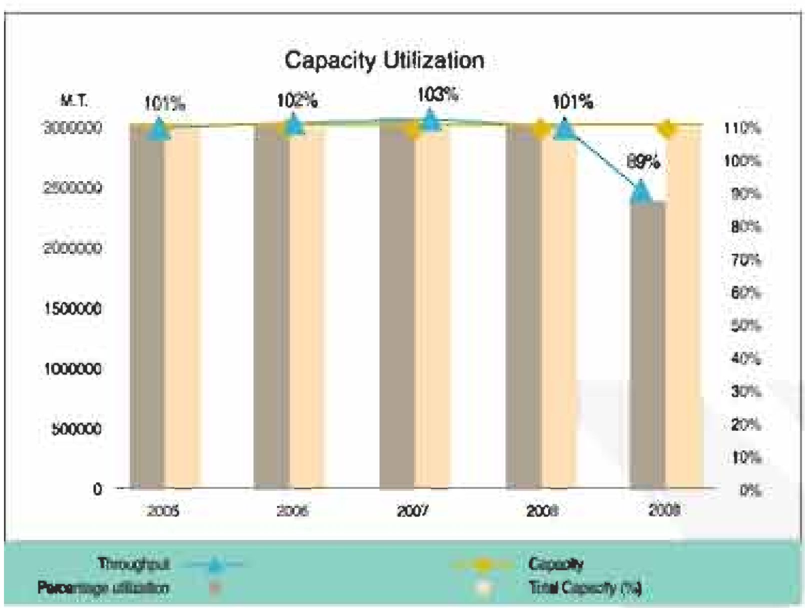



Profit After TAX
(Rupees in million)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,121
3,410
4,203
6,005
1,533
2005
2006
2007
2008
2009


Earning Per Share
(Rupees per share)
80
70
60
50
40
30
20
10
0
31.82
51.17
63.07
75.10
19.17
2005
2006
2007
2008
2009


Exchange Rate - at Month End
2007 - 08
2008 - 09
Rs. / US $
90
80
70
60
50
40
30
60.5
60.7
60.83
60.8
61.23
61.55
62.7
62.6
62.83
64.6
66.5
68.2
71.45
76.5
78.2
81.5
78.7
78.9
79
79.9
80.4
80.45
80.9
81.3
Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 May-08 Jul-08 Sep-08 Nov-08 Jan-09 Mar-09 May-09
Aug-07 Oct-07 Dec-07 Feb-08 Apr-08 Jun-08 Aug-08 Oct-08 Dec-08 Feb-09 Apr-07 Jun-09


Crude Oil Price trend (Arabian Light) - Monthly Average
2007 - 08
2008 - 09
US $ per Barrel
160
140
120
100
80
60
40
20
0
70
68
74
79
89
87
90
92
99
99
119
127
134
114
97
68
49
40
43
43
46
51
59
70
Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 May-08 Jul-08 Sep-08 Nov-08 Jan-09 Mar-09 May-09
Aug-07 Oct-07 Dec-07 Feb-08 Apr-08 Jun-08 Aug-08 Oct-08 Dec-08 Feb-09 Apr-07 Jun-09


Capacity Utilization
M.T.
3000000
2500000
2000000
1500000
1000000
500000
0
101%
102%
103%
101%
89%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2005
2006
2007
2008
2009
Throughput
Percentage utilization
Capacity
Total Capacity (%)

A.F. FERGUSON & CO.

A member firm of
PRICEWATERHOUSECOOPERS

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Refinery Limited to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.

Chartered Accountants
Karachi

Dated: September 2, 2009

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Stock Exchanges where the shares of the Company are listed, for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director representing minority shareholders.

- The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

- No casual vacancy occurred in the Board of directors during the year ended June 30, 2009.

- The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

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

- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

- The meetings of the Board were presided over by the Chairman or Deputy Chairman and all the meetings were attended by the Chief Financial Officer and Company Secretary. The Board meets at least once in every quarter. Written notice of the Board meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded, circulated and signed by the Chairman of the meeting of the Board of Directors.

- The Directors were apprised of their duties and responsibilities from time to time.

- The Board approved terms of appointment and remunerations of Chief Executive and appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

- The director's report for this year has been prepared in compliance with the requirements of code and fully describes the salient matters required to be disclosed.
- The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of Code.
- The Board has formed an Audit Committee. It comprises of four members; all of them are non-executive directors including the Chairman of the committee.
- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has set-up an effective internal audit function and that is involved in the Internal Audit on full time basis relating to the business and other affairs of the Company.
- 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The related party transactions have been placed before the audit committee and approved by the Board of Directors alongwith pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.

We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

August 19, 2009

The Terms of Reference of the Audit Committee

The Board has constituted a fully functional Audit Committee. All members of the Audit Committee are non-executive directors. The features of the terms of reference of the committee in accordance of Code of Corporate Governance are:

a) Determination of appropriate measure to safeguard the Company's assets;

b) Review of preliminary announcements of results prior to publication;

c) Review of quarterly, half yearly and annual financial statement of the Company, prior to their approval by the Board of Directors, focusing on;

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 and ensuring that the internal audit function has adequate resources and is a appropriately placed within the Company;

h) Consideration of major findings of internal investigations and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) Review the Company's statement on internal control system prior to endorsement by the Board of Directors;

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 and to consider remittance of any matter to the external auditors or to any other external body;

l) Determination of compliance with relevant statutory requirements;

m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

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

In addition, as defined in the Code of Corporate Governance, the Audit Committee is also responsible for recommending the appointment of external auditors.

FINANCIAL
Statements

A.F. FERGUSON & CO.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Refinery Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

    (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

    (ii) the expenditure incurred during the year was for the purpose of the company's business; and

    (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Karachi

Dated: 02 SEP 2009

Name of the engagement partner: Ali Muhammad Mesia

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54000, Pakistan Tel: (92-42) 6285078-85 Fax: (92-42) 6285088
Islamabad Office: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: House No. 4, Street No. 3, District 6, Road Kane-3, Kabul, Afghanistan. Tel: (93-799) 315320-203424

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,019,311	2,601,276
Intangible assets	4	5,938	11,911
Deferred taxation	5	84,498	164,407
Long term investment	6	-	-
Long term loans and deposits	7	79,147	79,923
		3,188,894	2,857,517
CURRENT ASSETS			
Stores, spares and chemicals	8	936,594	779,076
Stock-in-trade	9	12,251,181	13,288,291
Trade debts	10	14,841,288	10,173,051
Loans and advances	11	25,219	51,028
Deposits and prepayments	12	53,749	95,899
Accrued interest		91,500	30,780
Other receivables	13	2,382,583	2,183,257
Investments	14	197,622	3,615,359
Tax refunds due from Government - Sales tax		575,902	408,221
Cash and bank balances	15	7,800,079	13,122,136
		39,155,717	43,747,098
TOTAL ASSETS		42,344,611	46,604,615
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
100,000,000 Ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up	16	799,666	799,666
Reserves	17	16,553,075	16,619,379
		17,352,741	17,419,045
LIABILITIES			
NON - CURRENT LIABILITIES			
Retirement benefit obligations	18	135,547	312,277
CURRENT LIABILITIES			
Trade and other payables	19	23,032,238	26,662,420
Provisions	20	301,485	298,569
Taxation		1,522,600	1,912,304
		24,856,323	28,873,293
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		42,344,611	46,604,615

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

Chief Executive **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
Gross sales	22	**140,112,250**	146,233,271
Trade discounts, taxes, duties and levies	23	**(30,533,886)**	(16,847,455)
Net sales		**109,578,364**	129,385,816
Cost of products sold	24	**(104,304,898)**	(118,705,060)
Gross profit		**5,273,466**	10,680,756
Distribution and marketing expenses	25	**(844,157)**	(889,008)
Administrative expenses	26	**(371,655)**	(376,170)
Other operating income	27	**1,365,148**	1,404,402
Other operating expenses	28	**(214,958)**	(657,019)
Operating profit		**5,207,844**	10,162,961
Finance cost	29	**(2,394,388)**	(1,331,669)
Profit before taxation		**2,813,456**	8,831,292
Taxation	30	**(1,280,428)**	(2,825,860)
Profit after taxation		**1,533,028**	6,005,432
		(Rupees)	
Earnings per share	31	**19.17**	75.10

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

Chief Executive **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	32	**(5,534,242)**	7,770,085
Income tax paid		**(1,590,223)**	(2,606,817)
Long term loans and deposits - net		**776**	(15,533)
Gratuity paid		**-**	(1,508)
Pension fund contribution		**(273,558)**	(3,205)
Finance cost paid		**(46)**	(259)
Net cash (used in) / from operating activities		**(7,397,293)**	5,142,763
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(647,735)**	(497,682)
Purchase of intangible asset		**(311)**	-
Proceeds on disposal of property, plant and equipment		**2,118**	3,492
Investments encashed / (made)		**3,492,179**	(2,443,293)
Interest received on balances with banks		**821,841**	749,055
Net cash from / (used in) investing activities		**3,668,092**	(2,188,428)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(1,593,649)**	(1,326,308)
Net (decrease) / increase in cash and cash equivalents		**(5,322,850)**	1,628,027
Cash and cash equivalents at beginning of the year		**13,122,136**	11,492,152
Exchange gain on foreign currency bank accounts		**793**	1,957
Cash and cash equivalents at end of the year	15	**7,800,079**	13,122,136

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

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	SHARE CAPITAL	CAPITAL RESERVES			REVENUE RESERVES		Special reserve (note 17.2)	Total
	Issued, subscribed and paid-up	Capital compensation reserve	Exchange equalisation reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit		
	(Rupees in thousand)							
Balance as at July 1, 2007	666,388	10,142	4,117	-	4,687,000	3,710,566	3,668,176	12,746,389
Final dividend for the year ended June 30, 2007 - Rs. 20 per share	-	-	-	-	-	(1,332,776)	-	(1,332,776)
Transfer to general reserve	-	-	-	-	2,244,400	(2,244,400)	-	-
Transfer to reserve for issue of bonus shares	-	-	-	133,278	-	(133,278)	-	-
Issue of 1 bonus share for every 5 shares held	133,278	-	-	(133,278)	-	-	-	-
Profit for the year	-	-	-	-	-	6,005,432	-	6,005,432
Transfer to special reserve	-	-	-	-	-	(2,949,521)	2,949,521	-
Balance as at June 30, 2008	**799,666**	**10,142**	**4,117**	**-**	**6,931,400**	**3,056,023**	**6,617,697**	**17,419,045**
Final dividend for the year ended June 30, 2008 - Rs. 20 per share	**-**	**-**	**-**	**-**	**-**	**(1,599,332)**	**-**	**(1,599,332)**
Transfer to general reserve	**-**	**-**	**-**	**-**	**1,456,600**	**(1,456,600)**	**-**	**-**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,533,028**	**-**	**1,533,028**
Loss after tax from fuel refinery operations transferred to special reserve	**-**	**-**	**-**	**-**	**-**	**2,699,059**	**(2,699,059)**	**-**
Balance as at June 30, 2009	**799,666**	**10,142**	**4,117**	**-**	**8,388,000**	**4,232,178**	**3,918,638**	**17,352,741**

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

Chief Executive **Director**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are provision for income tax and provision for post employment benefits.

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 impact the income tax provision in the period in which such determination is made.

Significant estimates relating to post employment benefits are disclosed in note 18.

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.

Amendments to published standards and new interpretations effective in current period

i. IFRS 7 - 'Financial Instruments: Capital Disclosures', introduces new disclosures relating to financial instruments. Adoption of the standard has extended the disclosures presented in note 35 to the financial statements.

ii. IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' was issued in July 2007 and is effective for the periods beginning on or after January 1, 2008. This interpretation provides general guidance on the extent to which pension surplus may be recognised as an asset.

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

Following IAS, amendment to IAS, IFRS and IFRIC interpretation have been issued by the IASB and are likely to affect future financial statements, although none is expected to have a material impact on the results or the financial position of the Company.

i. IAS 1 - 'Presentation of Financial Statements' was issued in September 2007 and will be effective for the periods beginning on or after January 1, 2009. The amendments to the standard requires various disclosures and presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement.

ii. IAS 23 (Amendment) - 'Borrowing Cost' effective for the periods beginning on or after January 1, 2009, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of cost of that asset.

iii. IFRS 8 - 'Operating segments' effective for the periods beginning on or after January 1, 2009. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Interpretations to published approved accounting standards that are not yet effective and are not considered relevant

i. IFRS 3 - 'Business Combinations'	Effective from July 1, 2009
ii. IFRS 4 - 'Insurance Contracts'	Effective from January 1, 2009
iii. IFRIC 4 - 'Determining whether an Arrangement contains a Lease'	Effective from July 1, 2010
iv. IFRIC 12 - 'Service Concession Arrangements'	Effective from July 1, 2010
v. IFRIC 15 - 'Agreements for the construction of Real Estate'	Effective from January 1, 2009
vi. IFRIC 16 - 'Hedges of a Net Investment in a Foreign Operation'	Effective from October 1, 2008

2.2 Overall Valuation Policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policies notes.

2.3 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress, which is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 fixed assets category as and when assets are available for use.

Depreciation is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 3.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month immediately preceding the disposal. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of operating assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Gains and losses on disposal or retirement of assets are recognised in income currently.

2.4 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 that the cost of such asset can be measured reliably. These are stated at cost less accumulated amortisation and impairment.

Costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognised as intangible asset. Direct costs include the purchase cost of software, implementation cost and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the cost of the software.

Intangible assets are amortised using the straight-line method over a period of three years or license period, whichever is shorter.

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.5 Investments

The Company determines the appropriate classification of its investment at the time of purchase.

Investment in securities which are intended to be held for an undefined period of time are classified as available for sale. These are initially measured at fair value including the transaction costs. Subsequent measurement of investments whose fair value can be reliably measured is stated at fair value with gains or losses taken to equity.

Available for sale investments in unlisted securities whose fair value can not be reliably measured are carried at cost less impairment.

Investment held for trading are stated at fair value through profit or loss. These are initially measured at fair value with transaction cost charged to income. Subsequent measurement is at fair value with changes taken to profit and loss account. In the case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company.

Impairment, if any is charged to profit and loss account.

2.6 Stores, spares and chemicals

Stores, spares and chemicals, except items in transit, are stated at moving average cost. Cost comprises invoice value and other direct costs. Provision is made for slow moving and obsolete items wherever necessary.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.7 Stock-in-trade

Stock of crude oil is valued at lower of cost, determined on a first-in-first out (FIFO) basis, and net realisable value. Crude oil in transit is valued at cost comprising invoice value plus other charges incurred thereon.

Stocks of semi-finished and finished products are valued at lower of cost, determined on a weighted average basis, and net realisable value. Cost in relation to semi-finished and finished products represents cost of crude oil and an appropriate portion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at original invoice amount less a provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written-off.

2.9 Cash and cash equivalents

Cash in hand and at banks, short-term bank deposits and short-term running finance, if any, are carried at cost. Cash and cash equivalents include cash in hand, balances with banks and short-term running finance.

2.10 Staff retirement benefits

2.10.1 Defined contribution plan

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% per annum of the basic salary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2.10.2 Defined benefit plans

The Company operates the following schemes:

i) Funded Pension Scheme for permanent, regular and full time managerial and supervisory staff of the Company. Contributions are made to the fund on the basis of actuarial valuation and are charged to income. The most recent valuation of the scheme was carried out as at June 30, 2009, using the 'Projected Unit Credit Method'.

ii) Funded gratuity scheme for non-management permanent employees. Provision is made annually to cover obligations under the scheme, as per actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2009, using the 'Projected Unit Credit Method'.

iii) Funded medical scheme for its management employees who are eligible for pension on normal or early retirement and to their widows on death of employee in service or after retirement if they are entitled for pension. Provision is made annually to cover obligations under the scheme, by way of a charge to income, calculated in accordance with the actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2009, using the 'Projected Unit Credit Method'.

Actuarial gains and losses are recognised as income or expense from the next year when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of (a) the defined benefit obligation and (b) the fair value of plan assets. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Amounts recognised in the balance sheet represent the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, if any, and as reduced by the fair value of plan assets. Any assets resulting from the calculation is limited to the unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contribution to the plan.

2.11 Compensated absences

The Company provides facility to its employees for accumulating their annual earned leave. Under the scheme employees are entitled to 30 days annual leave. Unutilised leave can be accumulated upto a maximum of 2 years. At the time of retirement entire accumulated leave balance is encashable.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2009 using the 'Projected Unit Credit Method'.

2.12 Trade and other payables

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

2.13 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.14 Taxation

2.14.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits, rebates available, if any.

2.14.2 Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account.

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised as follows:

a) Local sales of products delivered through pipelines are recorded when products passes through pipelines' flange. Sale of products loaded through gantry is recognised when products are loaded into tank lorries.

b) Export sales are recorded on the basis of products delivered to tankers.

c) Handling and storage income, pipelines charges, scrap sales, insurance commission and rental incomes are recognised on accrual basis.

d) Return / Interest on bank deposits and advances to employees are recognised on accrual basis.

2.16 Borrowing cost

Borrowing cost related to the financing of major projects during construction phase is capitalised. All other borrowing costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2.17 Foreign currency transactions and translation

The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

Transactions in foreign currencies are converted into Pakistan Rupees using the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing on the balance sheet date. Exchange differences are taken to income currently.

2.18 Financial assets and liabilities

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

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

2.19 Segment reporting

The Company's operating businesses are organised and managed separately according to the nature of production process for products and services provided, with each segment representing a strategic business unit. The fuel segment is primarily a diverse supplier of fuel products and offers gasoline, diesel oils, kerosene and furnace oil. The lube segment mainly provides different types of lube base oils, asphalt, wax free oil and other petroleum products for different sectors of the economy. Intersegment transfers are made at relevant costs to each segment.

2.20 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

	2009	2008
	(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 3.1	**2,095,848**	2,031,962
Capital work-in-progress - note 3.2	**923,463**	569,314
	3,019,311	2,601,276

3.1 Operating assets

	Leasehold land (note 3.1.1)	Building on leasehold land	Oil terminal	Processing plant and storage tanks	Power generation plant	Pipelines	Water power and other utilities	Vehicles	Furniture and fixtures	Computers and other related accessories	Office and other equipments	TOTAL
	(Rupees in thousand)											
Year ended June 30, 2009												
Opening net book value	49,625	208,026	175,867	684,911	292,469	172,084	226,450	31,923	5,609	5,008	179,990	2,031,962
Additions including transfers - note 3.1.2	-	21,114	72,588	78,140	-	29,219	16,367	4,679	926	-	70,553	293,586
Disposals												
Cost	-	-	-	-	-	(4,274)	-	(3,527)	-	-	(16)	(7,817)
Depreciation	-	-	-	-	-	4,274	-	2,170	-	-	4	6,448
	-	-	-	-	-	-	-	(1,357)	-	-	(12)	(1,369)
Depreciation charge	(600)	(14,225)	(18,000)	(70,402)	(52,005)	(17,795)	(24,981)	(9,774)	(697)	(2,217)	(17,635)	(228,331)
Closing net book value	49,025	214,915	230,455	692,649	240,464	183,508	217,836	25,471	5,838	2,791	232,896	2,095,848
As at June 30, 2009												
Cost	60,035	390,528	412,576	4,216,785	747,293	331,056	936,572	79,240	10,176	42,531	396,832	7,623,624
Accumulated depreciation	(11,010)	(175,613)	(182,121)	(3,524,136)	(506,829)	(147,548)	(718,736)	(53,769)	(4,338)	(39,740)	(163,936)	(5,527,776)
Net book value	49,025	214,915	230,455	692,649	240,464	183,508	217,836	25,471	5,838	2,791	232,896	2,095,848
Year ended June 30, 2008												
Opening net book value	50,225	210,982	184,043	724,544	337,723	164,605	249,278	20,047	5,557	4,996	154,266	2,106,266
Additions including transfers - note 3.1.2	-	10,332	6,624	50,346	6,668	22,748	1,431	20,442	670	5,892	40,301	165,454
Disposals												
Cost	-	-	-	-	-	-	(1,766)	(5,471)	-	(76)	-	(7,313)
Depreciation	-	-	-	-	-	-	1,766	4,993	-	-	-	6,759
	-	-	-	-	-	-	-	(478)	-	(76)	-	(554)
Depreciation charge	(600)	(13,288)	(14,800)	(89,979)	(51,922)	(15,269)	(24,259)	(8,088)	(618)	(5,804)	(14,577)	(239,204)
Closing net book value	49,625	208,026	175,867	684,911	292,469	172,084	226,450	31,923	5,609	5,008	179,990	2,031,962
As at July 1, 2008												
Cost	60,035	369,414	339,988	4,138,645	747,293	306,111	920,205	78,088	9,250	42,531	326,295	7,337,855
Accumulated depreciation	(10,410)	(161,388)	(164,121)	(3,453,734)	(454,824)	(134,027)	(693,755)	(46,165)	(3,641)	(37,523)	(146,305)	(5,305,893)
Net book value	49,625	208,026	175,867	684,911	292,469	172,084	226,450	31,923	5,609	5,008	179,990	2,031,962
Annual Rate of Depreciation %	1	5	5 to 8	5 & 7	7	8	6	20	7.5	33.33	5 to 15	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

3.1.1 Leasehold land includes land subleased / licensed to the following lessees / licensees:

- Pak-Hy Oils (Private) Limited
- Chevron Pakistan Limited
- Shell Gas LPG (Pakistan) Limited
- Pakistan State Oil Company Limited
- PERAC Research & Development Foundation
- Petroleum Packages Limited
- Anoud Power Generation Limited
- Pakistan Oilfields Limited
- Attock Petroleum Limited

The carrying value of each of the above is immaterial.

3.1.2 During the year, the following amounts have been transferred from capital work-in-progress note 3.2 to operating assets note 3.1:

	2009	2008
	(Rupees in thousand)	
Buildings on leasehold land	**19,759**	8,205
Oil terminal	**72,589**	4,217
Processing plant and storage tanks	**78,140**	4,187
Power generation plant	**-**	6,668
Pipelines	**29,219**	22,748
Water power and other utilities	**16,367**	1,431
Vehicles	**660**	4,266
Office and other equipment	**60,275**	31,068
	277,009	82,790

3.1.3 The details of property, plant and equipment disposed of during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Vehicles	905	287	618	724	Company Policy	Mr. Gulam Fareed (Ex-employee)
	860	215	645	688	Company Policy	Mr. Alam Zia (Ex-employee)
	806	712	94	330	Company Policy	Mr. Kamal Anwer (Ex-employee)
	2,571	1,214	1,357	1,742		
written down value below Rs. 50,000 each						
Office and other equipments	16	4	12	-		
Vehicle	956	956	-	376		
Pipelines - scrapped	4,274	4,274	-	-		
	7,817	6,448	1,369	2,118		

3.2 **Capital work-in-progress**

	LUBE REVAMP PROJECT			Other projects	Advances to other contractors/ suppliers	Total
	Advances to contractors	Fee and technical studies	Material cost			
	(Rupees in thousand)					
Balance as at July 1, 2008	**281**	**1,995**	**7,629**	**553,572**	**5,837**	**569,314**
Additions during the year	**-**	**8,852**	**9,869**	**573,360**	**39,077**	**631,158**
Transfers during the year - note 3.1.2	**-**	**-**	**-**	**(276,349)**	**(660)**	**(277,009)**
Balance as at June 30, 2009	**281**	**10,847**	**17,498**	**850,583**	**44,254**	**923,463**
Balance as at July 1, 2007	-	-	-	228,591	8,495	237,086
Additions during the year	281	1,995	7,629	403,505	1,608	415,018
Transfers during the year - note 3.1.2	-	-	-	(78,524)	(4,266)	(82,790)
Balance as at June 30, 2008	281	1,995	7,629	553,572	5,837	569,314

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees in thousand)	
4. INTANGIBLE ASSETS – Computer software		
Net carrying value		
Balance at beginning of the year	**11,911**	18,126
Addition at cost	**311**	-
Amortisation charge for the year	**(6,284)**	(6,215)
Balance at end of the year	**5,938**	11,911
Gross carrying value		
Cost	**50,836**	50,525
Accumulated amortisation	**(44,898)**	(38,614)
Net book value	**5,938**	11,911

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

	2009	2008
5. DEFERRED TAXATION		
Debit balances arising in respect of provisions for:		
- slow moving and obsolete stores, spares and chemicals	**154,851**	173,927
- duties and taxes	**71,680**	70,553
- retirement benefits	**-**	39,826
- discount on crude oil purchases	**85,605**	84,258
- long term investment, doubtful debts and pending litigations	**14,246**	14,022
- old outstanding liabilities offered for tax	**128,228**	130,108
	454,610	512,694
Credit balance arising in respect of accelerated tax depreciation and amortisation	**(370,112)**	(348,287)
	84,498	164,407
6. LONG TERM INVESTMENT		
Investment in related party (unlisted) – available for sale		
Anoud Power Generation Limited [1,080,000 (2008: 1,080,000) Ordinary shares of Rs.10 each, Equity held 9.09 percent (2008: 9.09 percent)]	**10,800**	10,800
Less: Provision for impairment	**10,800**	10,800
	-	-

	2009	2008
	(Rupees in thousand)	
7. LONG TERM LOANS AND DEPOSITS		
Loans - considered good		
Secured - note 7.2		
- Executives	23,368	26,461
- Employees	42,891	39,512
	66,259	65,973
Less: Recoverable within one year shown under current assets - note 11		
- Executives	6,145	5,968
- Employees	7,293	6,655
	13,438	12,623
	52,821	53,350
Unsecured - note 7.3		
- Executives	2,033	2,779
- Employees	1,194	883
	3,227	3,662
Less: Recoverable within one year shown under current assets - note 11		
- Executives	636	673
- Employees	333	241
	969	914
	2,258	2,748
	55,079	56,098
Deposits		
- Utilities	7,938	7,938
- Others	16,130	15,887
	24,068	23,825
	79,147	79,923

7.1 Reconciliation of the carrying amount of loans:

	2009			2008		
	Executives	Employees	Total	Executives	Employees	Total
	(Rupees in thousand)					
Balance at beginning of the year	29,240	40,395	69,635	26,134	41,383	67,517
Effect of promotions to Executives	3,853	(3,853)	-	2,484	(2,484)	-
Add: Disbursements	4,003	13,800	17,803	10,326	10,575	20,901
Less: Recoveries	(11,695)	(6,257)	(17,952)	(9,704)	(9,079)	(18,783)
Balance at end of the year	25,401	44,085	69,486	29,240	40,395	69,635

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7.2 The secured loans to executives and employees are for the purchase of motor cars and house building. These are granted in accordance with the terms of their employment and are recoverable in monthly installments over a period ranging between 5 to 10 (2008: 5 to 10) years. Certain of these loans are interest free, whereas others carry interest ranging from 3% to 7% (2008: 3% to 7%) per annum in case of motor car loans and 5% (2008: 5%) per annum in case of house loans. These loans are secured against original title documents of respective assets.

7.3 The unsecured loans to executives and employees are either personal loans or given for the purchase of furniture and motor cycles. These are granted in accordance with the terms of their employment and are recoverable in monthly installments over a period of 4 to 12 (2008: 4 to 12) years and are interest free.

	2009	2008
	(Rupees in thousand)	
8. STORES, SPARES AND CHEMICALS		
In hand		
- Stores	**293,698**	230,301
- Spares	**939,518**	941,613
- Chemicals	**127,106**	86,445
	1,360,322	1,258,359
In transit	**84,402**	100,572
	1,444,724	1,358,931
Provision for slow moving and obsolete stores, spares and chemicals	**(508,130)**	(579,855)
	936,594	779,076
9. STOCK-IN-TRADE		
Raw materials		
- Crude oil and condensate - note 9.1	**6,737,943**	8,315,621
- Naphtha	**20,084**	21,193
	6,758,027	8,336,814
Semi finished products	**1,576,437**	925,522
Finished products - note 9.2	**3,916,717**	4,025,955
	12,251,181	13,288,291

9.1 As at June 30, 2009, stock of raw material has been written down by Rs. 187.54 million (2008: Nil) to arrive at its net realisable value.

9.2 Includes stocks held with the following third parties:

	2009	2008
- Karachi Bulk Storage & Terminals (Pvt.) Limited	**483,500**	-
- Pakistan State Oil Company Limited	**14,384**	7,021
	497,884	7,021

	2009	2008
	(Rupees in thousand)	
10. TRADE DEBTS - unsecured		
Considered good		
- related party - Attock Petroleum Limited	**4,866,923**	5,660,998
- others	**9,974,365**	4,512,053
Considered doubtful	**21,174**	21,174
	14,862,462	10,194,225
Provision for doubtful debts	**(21,174)**	(21,174)
	14,841,288	10,173,051

10.1 These relate to a number of independent customers from whom there is no history of default. The age analysis of debt past due but not impaired is as follows:

	2009	2008
Up to 3 months	**5,144,437**	3,234,433
3 to 6 months	**6,649,111**	-
More than 6 months	**7,222**	7,222

11. LOANS AND ADVANCES

	2009	2008
Loans - considered good		
Current portion of long term loans - note 7		
Secured		
- Executives	**6,145**	5,968
- Employees	**7,293**	6,655
	13,438	12,623
Unsecured		
- Executives	**636**	673
- Employees	**333**	241
	969	914
Short term loans to employees - unsecured, interest free	**433**	448
Advances		
- Executives	**870**	33
- Employees	**367**	894
- Suppliers	**9,142**	36,116
	10,379	37,043
	25,219	51,028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees in thousand)	
12. DEPOSITS AND PREPAYMENTS		
Deposits		
- Margin against letters of credit and guarantee	13,396	18,063
- Others	512	559
	13,908	18,622
Prepayments		
- Insurance	11,559	75,418
- Gratuity fund	-	28
- Workers' profits participation fund - note 19.4	23,472	-
- Others	4,810	1,831
	39,841	77,277
	53,749	95,899
13. OTHER RECEIVABLES – considered good		
Receivable from related parties:		
- Attock Petroleum Limited	836	1,316
- Attock Refinery Limited	455	6,245
- The Attock Oil Company Limited	3	-
	1,294	7,561
Others:		
- Pakistan Refinery Limited - note 13.1	654,754	1,185,710
- Pak Arab Refinery Limited - note 13.1	1,003,344	-
- Government of Pakistan - note 13.2	699,264	973,622
- Claims receivable	4,142	1,563
- Insurance rebate receivable	4,900	7,000
- Others	14,885	7,801
	2,382,583	2,183,257

13.1 This represents amount due in respect of sharing of crude oil, freight and other charges paid by the Company on behalf of Pakistan Refinery Limited and Pak Arab Refinery Limited.

13.2 This includes price differential claims amounting to Rs. 660.75 million (2008: Rs. 935.12 million).

	2009	2008
	(Rupees in thousand)	

14. INVESTMENTS

At fair value through profit or loss

Investment in open ended mutual funds

2009 Units	**2008** Units		**2009**	2008
7,241,154	-	National Investment Trust	**194,425**	-
31,054	5,922,593	Faysal Income & Growth Fund	**3,197**	612,574
-	26,681,542	NAFA Cash Fund	**-**	287,544
-	9,472,905	Pakistan Income Fund	**-**	487,476
-	1,993,352	Dawood Money Market Fund	**-**	220,670
-	4,705,006	JS Abamco UTP Income Fund	**-**	489,659
-	5,710,672	AMZ Plus Income Fund	**-**	633,157
-	5,547,542	United Income & Growth Fund	**-**	572,543
-	1,980,012	AKD Income Fund	**-**	101,816
-	1,031,231	Askari Income Fund	**-**	107,227
-	994,609	KASB Liquid Fund	**-**	102,693
			197,622	**3,615,359**

The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2009 as quoted by the Asset Management Companies.

15. CASH AND BANK BALANCES

	2009	2008
In hand	**500**	500
With banks on:		
Current accounts	**52,592**	302,508
Savings accounts	**2,250,229**	3,379,143
Deposit accounts		
- local currency - note 15.1	**5,491,847**	9,422,474
- foreign currency		
(US $ 61 thousand; 2008: US $ 258 thousand)	**4,911**	17,511
	7,799,579	13,121,636
	7,800,079	13,122,136

15.1 Includes Rs. 1.61 billion (2008: Rs. 2.32 billion) withheld from suppliers and deposited with banks as explained in note 19.2.

These carry interest at the rates varying from 10.5% to 17.8% (2008: 11% to 14%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Number of shares		2009	2008
		(Rupees in thousand)	
59,450,417	Ordinary shares of Rs. 10 each fully paid in cash	594,504	594,504
6,469,963	Ordinary shares of Rs. 10 each issued for consideration other than cash	64,700	64,700
14,046,180	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	140,462	140,462
79,966,560		799,666	799,666

16.1 RECONCILIATION OF NUMBER OF ORDINARY SHARES OUTSTANDING

	2009	2008
At the beginning of the year	79,966,560	66,638,800
Issue of 1 bonus share for every 5 shares held	-	13,327,760
At the end of the year	79,966,560	79,966,560

16.2 As at June 30, 2009 and 2008, Attock Oil Group holds 51% equity stake in the Company through the following companies:

	(Number of Shares) 2009	2008
- Attock Refinery Limited	19,991,640	19,991,640
- Pakistan Oilfields Limited	19,991,640	19,991,640
- Attock Petroleum Limited	799,665	799,665

	2009	2008
	(Rupees in thousand)	
17. RESERVES		
Capital reserves		
Capital compensation reserve - note 17.1	**10,142**	10,142
Exchange equalisation reserve	**4,117**	4,117
	14,259	14,259
Revenue reserves		
General reserve	**8,388,000**	6,931,400
Unappropriated profit	**4,232,178**	3,056,023
	12,620,178	9,987,423
Special reserve - note 17.2	**3,918,638**	6,617,697
	16,553,075	16,619,379

17.1 Capital compensation reserve includes net amounts for (a) premature termination of crude oil sales, bareboat charter-party and technical assistance agreements, (b) design defects and terminated service agreements and (c) termination of bareboat charter-party and affreightment agreements.

17.2 This represents the reserve created under the directives of Ministry of Petroleum & Natural Resources. The directive, with effect from July 1, 2002, replaced the formula of guaranteed return and in lieu thereof provided a new formula. Under the new mechanism the refineries were directed to transfer to a 'Special Reserve', from their profit after taxation attributable to fuel segment an amount in excess of 50% of paid-up capital, as on July 1, 2002 attributable to fuel segment, to offset against any future losses or to make investment for expansion or upgradation. The amount transferred to 'Special Reserve' is not available for distribution to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

18. STAFF RETIREMENT BENEFITS

The details of staff retirement benefits are as follows:

		2009			2008		
		Pension Fund	Gratuity Fund	Medical Fund	Pension Fund	Gratuity Fund	Medical Fund
		(Rupees in thousand)					
18.1	**Reconciliations of obligations**						
	Present value of defined benefit obligations	**2,312,535**	**53,946**	**581,215**	2,181,529	67,945	553,929
	Fair value of plan assets	**(2,396,530)**	**(62,950)**	**(534,593)**	(2,128,896)	(82,668)	(525,739)
	Funded status	**(83,995)**	**(9,004)**	**46,622**	52,633	(14,723)	28,190
	(Receivable from Gratuity) / Payable to Pension Fund	**(24,135)**	**24,135**	**-**	(10,760)	10,760	-
	Unrecognised net actuarial gain	**152,875**	**(14,246)**	**43,295**	197,385	3,935	44,829
	Recognised liability / (asset)	**44,745**	**885**	**89,917**	**239,258**	**(28)**	**73,019**
18.2	**Movement in liability / (asset)**						
	Liability / (asset) at beginning of the year	**239,258**	**(28)**	**73,019**	181,675	(28)	55,265
	Charge for the year	**79,045**	**913**	**16,898**	60,788	1,508	17,754
	Contribution paid to the fund	**(273,558)**	**-**	**-**	(3,205)	(1,508)	-
	Liability / (asset) at end of the year	**44,745**	**885**	**89,917**	**239,258**	**(28)**	**73,019**
18.3	**Charge for the year**						
	Current service cost	**69,771**	**2,580**	**13,707**	63,820	2,807	13,023
	Interest cost	**259,223**	**5,906**	**66,339**	194,571	5,777	54,715
	Expected return on plan assets	**(249,949)**	**(7,573)**	**(63,148)**	(195,932)	(6,789)	(49,984)
	Net actuarial gain recognised during the year	**-**	**-**	**-**	(1,671)	(287)	-
		79,045	**913**	**16,898**	**60,788**	**1,508**	**17,754**
18.4	**Movement in present value of defined benefit obligations**						
	Opening balance	**2,181,529**	**67,945**	**553,929**	1,961,320	56,823	548,940
	Service cost	**69,771**	**2,580**	**13,707**	63,820	2,807	13,023
	Interest cost	**259,223**	**5,906**	**66,339**	194,571	5,777	54,715
	Benefits paid	**(118,869)**	**-**	**(13,134)**	(107,134)	-	(13,422)
	Transfer from Gratuity / (to Pension) Fund	**25,166**	**(25,166)**	**-**	11,430	(11,430)	-
	Actuarial loss / (gain)	**(104,285)**	**2,681**	**(39,626)**	57,522	13,968	(49,327)
	Present value of defined benefit obligations at the end of the year	**2,312,535**	**53,946**	**581,215**	**2,181,529**	**67,945**	**553,929**
18.5	**Movement in fair value of plan assets**						
	Opening balance	**2,128,896**	**82,668**	**525,739**	1,997,522	67,595	499,257
	Expected return	**249,949**	**7,573**	**63,148**	195,932	6,789	49,984
	Contributions	**273,558**	**-**	**-**	3,205	1,508	-
	Benefits paid	**(118,869)**	**-**	**(13,134)**	(107,134)	-	(13,422)
	Actuarial gain / (loss)	**(148,795)**	**(15,500)**	**(41,160)**	38,441	7,706	(10,080)
	Transfer from Gratuity / (to Pension) Fund	**11,791**	**(11,791)**	**-**	930	(930)	-
	Fair value of plan assets at the end of the year	**2,396,530**	**62,950**	**534,593**	2,128,896	82,668	525,739
	Actual return / (loss) on plan assets	**101,154**	**(7,927)**	**21,988**	**234,373**	**14,495**	**39,904**

		2009	2008	2007	2006	2005
		(Rupees in thousand)				
18.6	**Historical information**					
	PENSION FUND					
	As at June 30					
	Present value of defined benefit obligation	**2,312,535**	2,181,529	1,961,320	1,811,027	1,751,423
	Fair value of plan assets	**(2,396,530)**	(2,128,896)	(1,997,522)	(1,758,226)	(1,625,638)
	(Surplus) / Deficit	**(83,995)**	**52,633**	**(36,202)**	**52,801**	**125,785**
	Experience loss on obligation	**(104,285)**	57,522	28,890	44,795	223,319
	Experience gain on plan assets	**(148,795)**	38,441	161,482	93,238	232,289
	GRATUITY FUND					
	As at June 30					
	Present value of defined benefit obligation	**53,946**	67,945	56,823	50,859	46,087
	Fair value of plan assets	**(62,950)**	(82,668)	(67,595)	(52,110)	(44,644)
	(Surplus) / Deficit	**(9,004)**	**(14,723)**	**(10,772)**	**(1,251)**	**1,443**
	Experience (gain) / loss on obligation	**2,681**	13,968	(315)	(329)	15,306
	Experience gain / (loss) on plan assets	**(15,500)**	7,706	9,320	1,263	(2,781)
	MEDICAL FUND					
	As at June 30					
	Present value of defined benefit obligation	**581,215**	553,929	548,940	488,747	431,233
	Fair value of plan assets	**(534,593)**	(525,739)	(499,257)	(433,941)	(408,587)
	Deficit	**46,622**	**28,190**	**49,683**	**54,806**	**22,646**
	Experience (gain) / loss on obligation	**(39,626)**	(49,327)	18,373	15,022	17,438
	Experience gain / (loss) on plan assets	**(41,160)**	(10,080)	41,378	12,927	-

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

	Pension		Gratuity		Medical Fund	
	2009	2008	2009	2008	2009	2008
Debt Instrument	**80.93%**	69.07%	**79.38%**	63.74%	**27.17%**	-
Equity	**2.04%**	2.02%	**3.86%**	4.65%	**3.18%**	4.61%
Mixed funds	**14.14%**	26.11%	**9.68%**	13.06%	**66.58%**	92.16%
Others	**2.89%**	2.80%	**7.08%**	18.55%	**3.07%**	3.23%

18.8 Principal actuarial assumptions

	Pension 2009	Pension 2008	Gratuity 2009	Gratuity 2008	Medical Fund 2009	Medical Fund 2008
Rate of discount	**11% p.a**	12% p.a	**11% p.a**	12% p.a	**11% p.a**	12% p.a
Expected rate of increment of salary / increase in cost	**10% p.a**	11% p.a	**11% p.a**	12% p.a	**8% p.a**	9% p.a
Expected rate of increase in pension	**4% p.a**	5% p.a	**-**	-	**-**	-
Expected rate of return on assets	**11% p.a**	12% p.a	**11% p.a**	12% p.a	**11% p.a**	12% p.a
Expected retirement age	**60 years**	60 years	**60 years**	60 years	**60 years**	60 years

18.9 The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Increase	Decrease
	(Rupees in thousands)	
Effect on the aggregate of current service cost and interest cost	16,094	11,102
Effect on the defined benefit obligation	104,195	82,221

The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:

	2009	2008
	Years	
Male	**16.8**	16.8
Female	**21.2**	21.2

18.10 The expected contributions to the plans for the coming year are as follows:

	(Rupees in thousands)
Pension fund	64,789
Gratuity fund	2,368
Medical fund	19,374

NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	(Rupees in thousand)	
19. TRADE AND OTHER PAYABLES		
Creditors		
Government of Pakistan	**161,793**	2,627,871
Other trade creditors:		
- Related parties - note 19.1	**30,144**	63,822
- Others - note 19.2 and 19.3	**21,176,825**	22,250,221
	21,206,969	22,314,043
	21,368,762	24,941,914
Mark-up accrued on:		
- unsecured customs duty - overdue	**310,264**	310,264
- secured short-term running finance	**-**	46
- late payment to suppliers	**-**	86,686
Accrued liabilities	**541,829**	500,013
Retention money	**14,266**	15,687
Deposits from contractors	**18,028**	19,760
Advances from customers	**339,718**	227,273
Workers' profits participation fund - note 19.4	**-**	74,291
Workers' welfare fund	**141,571**	289,838
Income tax deducted at source	**9,321**	10,362
Unclaimed dividend	**43,538**	37,855
Excise duty and petroleum development levy	**235,429**	139,219
Others	**9,512**	9,212
	23,032,238	26,662,420

19.1 Amounts due to related parties are as follows:

	2009	2008
Attock Petroleum Limited	**30,144**	63,406
The Attock Oil Company Limited	**-**	416
	30,144	63,822

19.2 This includes Rs. 1.59 billion (2008: Rs. 1.58 billion) representing amount payable in respect of local crude supplies exceeding the maximum slab rates provided in the respective Crude Oil Sale and Purchase Agreements (COSAs). The Ministry of Petroleum and Natural Resources (MoP & NR) through its directive dated December 17, 2005, instructed the refineries to withhold such payments until the matter is resolved among the parties to the above agreements. A directive was issued by MoP & NR dated December 15, 2007, requiring the amounts above the maximum slab rates to be equally distributed to the GoP and Oil Exploration Companies (E&Ps). Payments of such amounts have again been directed to be withheld through notification dated March 7, 2008, in case E&Ps do not get the supplement COSAs signed till May 10, 2008. During the year on October 24, 2008, MoP & NR through a notification communicated that refineries may release to producers and GoP amounts over and above the ceiling limits on provisional basis till further decision is taken in the matter and subject to retrospective adjustment.

Under the directive of MoP & NR dated May 31, 2006, the amounts being withheld as mentioned above are to be kept at 90 days' interest bearing deposits, which interest generated is to be paid with the principal amount after the final discount rates are decided between the parties.

Further, an amount of Rs. 15.20 million (2008: Rs. 739.85 million) has been withheld on account of COSAs not finalised under the directives of MoP & NR dated December 23, 2006. The amounts withheld are required to be kept at 90 days interest bearing accounts to be paid with the principal amount as and when COSAs are finalised or as directed by the Government.

19.3 Includes an amount of Rs. 280.91 million (2008: Rs. 280.91 million) on account of invoices raised by local crude oil suppliers in respect of excess discounts given to the Company for the period 1998-99 to 2000-01 consequent to amendment in Master Crude Oil Sale and Purchase Agreement. As the benefit of these discounts have been passed on to the Government of Pakistan (GoP), the Company is of the view that such claim be settled by the GoP directly or the GoP should pay the amount to the Company for onward settlement with suppliers. The Company is pursuing the matter and is hopeful that the amount will ultimately be settled by GoP. However, as an abundant caution, liability for the aforementioned amount has been recognised pending acceptance by GoP for settlement thereof.

	2009	2008
	(Rupees in thousand)	
19.4 Workers' profits participation fund		
Payable / (Receivable) at beginning of the year	**74,291**	(22,646)
Allocation for the year - note 28	**151,528**	474,291
Interest on funds utilised in the Company's business - note 29	**8,167**	-
	233,986	451,645
Less: Amount paid to the Trustees of the Fund	**257,458**	377,354
(Receivable) / Payable at end of the year	**(23,472)**	74,291

20. PROVISIONS

	2009	2008
Duties and taxes - note 20.1	**215,214**	215,214
Others	**86,271**	83,355
	301,485	298,569
20.1. These represent provisions for:		
Claim by the Government - note 20.1.1	**165,214**	165,214
Sales tax, central excise duty and penalties - note 20.1.2	**50,000**	50,000
	215,214	215,214

20.1.1 This represents amount claimed by the Government of Pakistan (GoP), alleging that the Company had been allowed excess refunds in prior years on account of Import Parity Formula. The Company has taken up this matter with the GoP and is contesting the same.

20.1.2 This represents provision made by the Company in respect of sales tax, central excise duty and penalties, aggregating to Rs. 50 million, determined by the Collectorate of Customs, Sales Tax and Central Excise (Adjudication) in 2004 in respect of goods sold by the Company to one of its customer without deduction of sales tax and central excise duties.

20.2. Reconciliation of provisions

	2009	2008
Balance at the beginning of the year	**298,569**	299,148
Provision / (reversal) due to settlement	**2,916**	(579)
Balance at the end of the year	**301,485**	298,569

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

21. CONTINGENCIES AND COMMITMENTS

21.1. Contingencies

21.1.1 A customer of the Company invoked arbitration proceedings against the Company on account of a dispute resulting from the alleged contamination of certain cargo sold by the Company. The customer and the Company have appointed their respective arbitrators with no statement of claim filed to date by the customer. Accordingly, the amount of claim cannot be determined at present.

21.1.2 The Company had filed an appeal with the CIT(A) for the assessment year 2001-2002 in respect of various disallowances made by the Assessing Officer, of which Rs. 19.10 million remained unresolved. CIT(A) decided the case in favour of Company and allowed the said disallowances. However, the department has filed an appeal in this regard before the ITAT.

21.1.3 Outstanding counter guarantees at the end of the year amounted to Rs. 157.30 million (2008: Rs. 108.62 million).

21.1.4 Claims not acknowledged by the company as debt at the end of the year amounted to Rs. 545.84 million (2008: Rs. 111.55 million). These include claims accumulating to Rs. 404.08 million (2008: Rs. 86.69 million) in respect of late payment surcharge claimed by a crude oil supplier.

21.1.5 The Company has raised claims on certain Oil Marketing Companies (OMCs) in respect of interest on late payments against receivables aggregating to Rs. 1.24 billion (2008: Rs. 0.25 billion). However, these have not been recognised in the financial statements as these have not been acknowledged by the OMCs.

21.2. Commitments

21.2.1 Commitment for capital expenditures outstanding at the end of the year are as follows:

	2009	2008
	(Rupees in thousand)	
CURRENCY		
- Foreign currency (US $ 750 thousand)	**16,260**	13,640
- Pak Rupees	**68,317**	57,146
	84,577	70,786

21.2.2 Outstanding letters of credit at the end of the year amounted to Rs. 6.44 billion (2008: Rs. 16.39 billion).

22. GROSS SALES

	2009	2008
Local - note 22.1	**126,687,035**	124,753,735
Export	**13,425,215**	21,479,536
	140,112,250	146,233,271

22.1 Includes price differential claims from the Government of Pakistan amounting to Rs. 554.26 million (2008: Rs. 1.84 billion).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees in thousand)	

23. TRADE DISCOUNTS, TAXES, DUTIES AND LEVIES

	2009	2008
Trade discounts	**738,681**	761,595
Sales tax	**16,403,512**	13,806,025
Excise duty	**1,332,503**	1,496,336
Petroleum development levy	**12,059,190**	783,499
	30,533,886	16,847,455

24. COST OF PRODUCTS SOLD

	2009	2008
Opening stock of semi-finished products	**925,522**	881,547
Crude oil, condensate, naphtha and drums consumed - note 24.1 and 24.2	**101,375,495**	116,916,214
Stores, spares and chemicals consumed	**457,473**	520,239
Salaries, wages and staff benefits - note 24.3	**789,888**	803,090
Staff transport and canteen	**64,201**	58,109
Fuel, power and water	**1,601,029**	1,274,407
Rent, rates and taxes	**33,725**	42,192
Insurance	**80,923**	69,758
Contract services	**42,218**	36,642
Repairs and maintenance	**143,384**	184,395
Provision for slow moving and obsolete stores, spares and chemicals	**-**	7,231
Depreciation	**198,395**	209,259
Amortisation of intangible assets - note 4	**6,215**	6,215
Health, safety, environment and related cost	**2,440**	4,746
Professional charges	**5,655**	4,059
Consultancy charges - note 24.4	**31,860**	64,697
Pipeline charges	**3,233**	3,546
Others	**10,441**	8,170
	104,846,575	120,212,969
Closing stock of semi-finished products - note 9	**(1,576,437)**	(925,522)
Cost of products manufactured	**104,195,660**	120,168,994
Opening stock of finished products	**4,025,955**	2,562,021
Closing stock of finished products - note 9	**(3,916,717)**	(4,025,955)
	109,238	(1,463,934)
	104,304,898	118,705,060

24.1 Crude oil, condensate, naphtha and drums consumed

	2009	2008
Crude oil, condensate and naphtha		
- Opening stock	**8,336,814**	4,243,852
- Purchases	**99,502,904**	120,598,663
- Closing stock	**(6,758,027)**	(8,336,814)
	101,081,691	116,505,701
Drums	**293,804**	410,513
	101,375,495	116,916,214

NOTES TO THE FINANCIAL STATEMENTS
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24.2 Cost of crude oil consumed in respect of non-finalised Crude Oil Sale Agreements has been recorded provisionally in line with notifications of the Ministry of Petroleum & Natural Resources.

24.3 Includes Rs. 73.62 million (2008: Rs. 60.85 million) and Rs. 22.78 million (2008: Rs. 22.46 million) in respect of defined benefit and defined contribution plans respectively.

24.4 This represents costs incurred on consultancy in respect of designing and other related studies for the installation of High Speed Diesel Desulphurisation unit.

25. DISTRIBUTION AND MARKETING EXPENSES

	2009	2008
	(Rupees in thousand)	
Salaries and staff benefits - note 25.1	**27,379**	27,035
Stores, spares and chemicals consumed	**9,315**	8,068
Commission on local sales	**525,750**	444,230
Commission on export sales	**135,363**	215,786
Export expenses	**104,515**	124,482
Depreciation	**14,278**	11,802
Repairs and maintenance	**11,770**	15,191
Postage, telegrams and periodicals	**1,925**	2,649
Provision for doubtful debts	**-**	21,174
Bad debts	**-**	1,973
Technical Fee	**-**	1,432
Selling expenses	**6,916**	8,618
Others	**6,946**	6,568
	844,157	889,008

25.1 Includes Rs. 2.48 million (2008: Rs. 2.05 million) and Rs. 0.77 million (2008: Rs. 0.76 million) in respect of defined benefit and defined contribution plans respectively.

26. ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and staff benefits - note 26.1	**221,152**	226,412
Staff transport and canteen	**16,903**	15,132
Rent, rates and taxes	**3,521**	6,145
Depreciation	**15,658**	18,143
Amortisation of intangible assets - note 4	**69**	-
Legal and professional charges	**3,933**	13,149
Printing and stationery	**5,681**	7,136
Repairs and maintenance	**59,362**	51,507
Telephone and communication	**3,926**	4,610
Electricity and power	**15,941**	14,339
Insurance	**1,790**	1,650
Training and seminar	**285**	1,356
Postage, telegrams and periodicals	**5,326**	4,664
Security charges	**10,795**	6,637
Others	**7,313**	5,290
	371,655	376,170

26.1 Includes Rs. 20.76 million (2008: Rs. 17.15 million) and Rs. 6.42 million (2008: Rs. 6.33 million) in respect of defined benefit and defined contribution plans respectively.

		2009	2008
		(Rupees in thousand)	
27.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Return / interest / mark-up on:		
	- PLS savings and deposit accounts	**882,561**	734,589
	- Secured loans to employees and executives	**454**	467
	Gain on re-measurement of fair value of open ended mutual fund units	**74,442**	209,974
	Others		
	Handling and storage income	**119,414**	198,838
	Hospitality charges	**11,037**	12,123
	Provision and liabilities no longer required or payable, written back	**198,094**	221,786
	Gain on disposal of property, plant and equipment	**749**	2,938
	Sale of scrap and empties	**54,965**	6,315
	Pipeline charges recovered	**3,631**	5,811
	Rental income	**5,979**	4,234
	Tender fees	**353**	65
	Rebate against insurance expense	**6,878**	7,000
	Encashment of bank guarantee	**3,803**	-
	Others	**2,788**	262
		1,365,148	1,404,402
28.	**OTHER OPERATING EXPENSES**		
	Workers' profits participation fund - note 19.4	**151,528**	474,291
	Workers' welfare fund	**57,417**	180,230
	Auditors' remuneration - note 28.1	**3,513**	2,498
	Donations - note 28.2	**2,500**	-
		214,958	657,019
28.1	**Auditors' remuneration**		
	Audit fee	**1,100**	750
	Taxation services	**1,121**	854
	Fee for review of half yearly financial statements, special reports and certifications	**996**	561
	Out-of-pocket expenses	**296**	333
		3,513	2,498

28.2 None of the Directors or their spouses had any interest in the donee.

NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	(Rupees in thousand)	

29. FINANCE COST

	2009	2008
Mark-up on short term running finance	-	46
Mark-up on late payments to suppliers	-	86,945
Interest on workers' profits participation fund - note 19.4	8,167	-
Exchange loss	2,385,068	1,242,919
Guarantee commission and service charges	324	932
Bank charges	829	827
	2,394,388	1,331,669

30. TAXATION

	2009	2008
Current		
- for the year	1,024,349	2,917,200
- for prior years	176,170	(88,051)
	1,200,519	2,829,149
Deferred	79,909	(3,289)
	1,280,428	2,825,860

30.1 Relationship between tax expense and accounting profit

	2009	2008
Accounting profit before taxation	2,813,456	8,831,292
Tax at the applicable tax rate of 35%	984,710	3,090,952
Tax effect of income exempt from tax	(40,763)	(73,491)
Tax effect of expenses not allowed for tax	5,914	6,214
Effect of tax on export sales under Final Tax Regime	154,397	(109,764)
Effect of prior years tax	176,170	(88,051)
Tax expense for the year	1,280,428	2,825,860

31. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2009	2008
Profit after taxation	1,533,028	6,005,432
Weighted average number of ordinary shares in issue (in thousand)	79,967	79,967
Earnings per share - basic and diluted (Rupees)	19.17	75.10

NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	(Rupees in thousand)	
32. CASH (USED IN) / GENERATED FROM OPERATIONS		
Profit before taxation	**2,813,456**	8,831,292
Adjustment for non cash charges and other items:		
Depreciation and amortisation	**234,615**	245,419
Finance cost	**-**	86,991
Provision for gratuity	**913**	1,508
Provision for post retirement medical benefits	**16,898**	17,754
Provision for pension	**79,045**	60,788
Return / interest on bank deposits	**(882,561)**	(734,589)
Gain on re-measurement of fair value of open ended mutual fund units	**(74,442)**	(209,974)
Gain on disposal of property, plant and equipment	**(749)**	(2,938)
Exchange gain on foreign currency bank accounts	**(793)**	(1,957)
Increase in working capital - note 32.1	**(7,720,624)**	(524,209)
	(5,534,242)	7,770,085
32.1 (Increase) / Decrease in working capital		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	**(157,518)**	23,718
Stock-in-trade	**1,037,110**	(5,600,871)
Trade debts	**(4,668,237)**	(4,042,727)
Loans and advances	**25,809**	(31,203)
Deposits and short term prepayments	**42,122**	(52,779)
Other receivables	**(199,326)**	(362,221)
Tax refunds due from Government - Sales tax	**(167,681)**	642,343
	(4,087,721)	(9,423,740)
Increase / (Decrease) in current liabilities		
Trade and other payables	**(3,635,819)**	8,900,110
Provisions	**2,916**	(579)
	(7,720,624)	(524,209)
33. UNAVAILED CREDIT FACILITIES - as at June 30		
Short term running finance - note 33.1	**350,000**	1,850,000
Letters of credit and guarantee	**19,438,184**	16,638,615

33.1 Short term running finance

The rates of mark-up on these finance ranges between 12.42% and 16.02% (2008: 9.81% and 14.39%) per annum, payable quarterly.

The facilities are secured against joint pari passu charge on the Company's stocks, receivables and other current assets.

The purchase prices are repayable on various dates latest by March 31, 2010.

NOTES TO THE FINANCIAL STATEMENTS
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34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	**4,380**	**125,387**	4,380	115,113
Bonus	**1,820**	**34,639**	2,184	38,622
Retirement benefits	**1,310**	**31,340**	1,239	27,734
House rent	**-**	**49,168**	-	43,763
Conveyance	**195**	**9,658**	166	7,642
Leave benefits	**416**	**11,744**	416	9,668
	8,121	**261,936**	8,385	242,542
Number of person(s)	**1**	**142**	1	126

34.1 In addition to the above, fee to two non-executive Directors during the year amounted to Rs. 120 thousand (2008: Rs. 55 thousand).

34.2 The Chairman, Chief Executive and some of the executives of the Company are provided with free use of Company's cars and additionally, the Chief Executive and executives are also entitled to medical benefits and club subscriptions in accordance with their terms of service.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial assets and liabilities

	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	(Rupees in thousand)						
Financial assets							
Loans and receivables							
Loans and advances	**2,538**	**10,861**	**13,399**	**11,869**	**44,218**	**56,087**	**69,486**
Deposits	**-**	**-**	**-**	**13,908**	**24,068**	**37,976**	**37,976**
Trade debts	**8,814,298**	**-**	**8,814,298**	**6,026,990**	**-**	**6,026,990**	**14,841,288**
Accrued interest	**-**	**-**	**-**	**91,500**	**-**	**91,500**	**91,500**
Other receivables	**-**	**-**	**-**	**2,382,583**	**-**	**2,382,583**	**2,382,583**
Cash and bank balances	**7,742,076**	**-**	**7,742,076**	**58,003**	**-**	**58,003**	**7,800,079**
Fair value through profit or loss							
Investments	**-**	**-**	**-**	**197,622**	**-**	**197,622**	**197,622**
2009	**16,558,912**	**10,861**	**16,569,773**	**8,782,475**	**68,286**	**8,850,761**	**25,420,534**
2008	13,788,463	14,225	13,802,688	15,368,279	65,698	15,433,977	29,236,665
Financial liabilities							
At amortised cost							
Trade and other payables	**2,801,677**	**-**	**2,801,677**	**19,504,522**	**-**	**19,504,522**	**22,306,199**
2009	**2,801,677**	**-**	**2,801,677**	**19,504,522**	**-**	**19,504,522**	**22,306,199**
2008	3,148,447	-	3,148,447	22,772,990	-	22,772,990	25,921,437

35.2 Financial risk management objectives and policies

(i) 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. The Company manages its capital through adjusting its dividend policy. Further, as also mentioned in note - 17.2, the company operates under tariff protection formula for fuel operations whereby profits after tax attributable to fuel segment in excess of 50% of the paid up capital as of July 1, 2002 attributable to fuel segment are diverted to special reserve.

The capital structure of the company is equity based with no financing through long term borrowings.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets that are subject to credit risk amounted to Rs. 24.70 billion (2008: Rs. 28.30 billion).

The company monitors its exposure to credit risk on an ongoing basis at various levels. The Company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry and has as customers only a few sound organisations.

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

	2009	2008
	(Rupees in thousand)	
Loans and advances	**69,486**	69,635
Deposits	**37,976**	42,447
Trade debts	**3,040,518**	6,931,396
Accrued interest	**91,500**	30,780
Other receivables	**2,382,583**	2,183,257
Investments	**197,622**	3,615,359
Cash and bank balances	**7,800,079**	13,122,136

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

(iii) Foreign exchange risk

Foreign currency risk arises mainly when receivables and payables exist due to transactions in foreign currencies primarily with respect to US Dollar. Financial assets include Rs. 4.91 million (2008: Rs. 17.51 million) and financial liabilities include Rs. 729.40 million (2008: Rs. 9.85 billion) which are subject to foreign currency risk. The Company believes that it is not materially exposed to foreign exchange risk as its product prices are linked to the currency of its imports.

As at June 30, 2009, if the Pakistan Rupee had weakened / strengthened by 10 % against US Dollar with all other variables held constant, profit after tax for the year would have been lower/higher by Rs. 72.45 million (2008: Rs. 983 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar-denominated trade payables.

(iv) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments.

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

(v) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at June 30, 2009 the company does not have any borrowings, hence management believes that the company is not exposed to interest rate changes.

(vi) Price risk

The Company is exposed to price risk with respect to its investments in open ended mutual funds amounting to Rs. 197.62 million.

The Company limits price risk by maintaining a diversified portfolio and by continuous monitoring of developments in open ended mutual funds. In addition, the Company actively monitors the key factors that affect the open ended mutual funds.

(vii) 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.

36. SEGMENT INFORMATION

The financial information regarding business segments is as follows:

	FUEL		LUBE		TOTAL	
	2009	2008	**2009**	2008	**2009**	2008
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local, net of discounts, taxes, duties and levies	**66,488,111**	81,459,366	**29,665,038**	26,446,914	**96,153,149**	107,906,280
- export	**12,613,155**	20,736,974	**812,060**	742,562	**13,425,215**	21,479,536
	79,101,266	102,196,340	**30,477,098**	27,189,476	**109,578,364**	129,385,816
Inter segment sales	**21,529,165**	21,190,530	**-**	-	**21,529,165**	21,190,530
Elimination of inter segment sales	**-**	-	**-**	-	**(21,529,165)**	(21,190,530)
Net sales	**100,630,431**	123,386,870	**30,477,098**	27,189,476	**109,578,364**	129,385,816
Segment results after tax	**(2,699,059)**	3,064,106	**4,232,087**	2,941,326	**1,533,028**	6,005,432
Segment assets	**29,172,546**	30,597,851	**10,680,182**	13,968,888	**39,852,728**	44,566,739
Unallocated assets	**-**	-	**-**	-	**2,491,883**	2,037,876
Total assets	**29,172,546**	30,597,851	**10,680,182**	13,968,888	**42,344,611**	46,604,615
Segment liabilities	**21,752,603**	25,478,331	**1,716,667**	1,794,935	**23,469,270**	27,273,266
Unallocated liabilities	**-**	-	**-**	-	**1,522,600**	1,912,304
Total liabilities	**21,752,603**	25,478,331	**1,716,667**	1,794,935	**24,991,870**	29,185,570
Other Segment Information:						
Capital expenditure	**7,548**	9,556	**160,819**	65,549	**168,367**	75,105
Unallocated capital expenditure	**-**	-	**-**	-	**125,530**	90,349
	7,548	9,556	**160,819**	65,549	**293,897**	165,454
Depreciation and amortisation	**73,088**	90,620	**161,527**	154,799	**234,615**	245,419
Non-cash expenses other than depreciation	**5,633**	5,918	**11,265**	11,836	**16,898**	17,754

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

37. TRANSACTIONS WITH RELATED PARTIES

37.1. The following transactions were carried out with related parties during the year:

Nature of relationship	Nature of transactions	2009	2008
		(Rupees in thousand)	
Associated companies			
	Sale of petroleum products	**32,863,655**	30,601,364
	Rental income	**3,426**	2,183
	Hospitality charges	**11,037**	12,123
	Handling income	**70,796**	78,704
	Trade discounts and commission on sales	**1,399,794**	1,421,270
	Reimbursement of expenses	**3,203**	6,274
	Purchase of petroleum products	**2,559**	1,010
	Dividend paid	**815,659**	679,716
	Payment made to Prime Minister Relief Fund through The Attock Oil Company Limited	**2,500**	-
Post employment staff benefit plans			
	Contributions	**127,485**	109,604
Others			
	Purchase of electricity	**729,016**	693,180
	Rental income	**449**	408
Key management employees compensation			
	Salaries and other employee benefits	**19,466**	20,826
	Post retirement benefits	**2,162**	2,110

37.2. The related party status of outstanding balances as at June 30, 2009 is included in trade debts, other receivables and trade and other payables.

38. CAPACITY

	Annual designed throughput capacity	Actual throughput 2009	Actual throughput 2008
	(In Metric Tons)		
Fuel section - throughput of crude oil	2,710,500	**2,423,683**	2,733,797
Lube section - throughput of reduced crude oil	620,486	**673,666**	707,388

39. CORRESPONDING FIGURES

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

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 19, 2009 (i) approved transfer of Rs. 3.2 billion from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs. 12.50 per share for the year ended June 30, 2009 amounting to Rs. 999.58 million for approval of the members at the Annual General Meeting to be held on October 19, 2009. These financial statements do not recognise these appropriations which will be accounted for in the financial statements for the year ending June 30, 2010.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 19, 2009 by the Board of Directors of the Company.

Chief Executive | **Director**

Pattern of Shareholding

NUMBER OF SHARES FROM	TO	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% ON ISSUED
1	100	1289	47,257	0.06
101	100	1158	303,500	0.38
501	1,000	556	409,562	0.51
1,001	5,000	843	1,868,163	2.34
5,001	10,000	154	1,098,838	1.37
10,001	15,000	47	582,716	0.73
15,001	20,000	36	654,903	0.82
20,001	25,000	12	278,900	0.35
25,001	30,000	9	262,088	0.33
30,001	35,000	7	225,290	0.28
35,001	40,000	4	158,500	0.20
40,001	45,000	5	220,336	0.28
45,001	50,000	5	237,666	0.30
50,001	55,000	3	158,800	0.20
55,001	60,000	5	287,122	0.36
60,001	65,000	1	60,920	0.08
65,001	70,000	2	136,039	0.17
70,001	75,000	1	72,078	0.09
80,001	85,000	3	251,397	0.31
85,001	90,000	1	88,300	0.11
90,001	95,000	2	185,800	0.23
95,001	100,000	2	197,256	0.25
105,001	110,000	2	213,500	0.27
110,001	115,000	1	110,400	0.14
115,001	120,000	2	235,700	0.29
120,001	125,000	1	124,000	0.16
135,001	140,000	1	136,500	0.17
145,001	150,000	2	300,000	0.38
150,001	155,000	1	152,400	0.19
165,001	170,000	1	168,460	0.21
170,001	175,000	1	175,000	0.22
190,001	195,000	1	193,500	0.24
220,001	225,000	1	222,525	0.28
230,001	235,000	2	465,200	0.58
235,001	240,000	1	238,800	0.30
240,001	245,000	1	242,900	0.30
245,001	250,000	1	246,000	0.31
270,001	275,000	1	272,371	0.34
315,001	320,000	1	315,660	0.39
330,001	335,000	1	334,691	0.42
335,001	340,000	1	361,738	0.45
455,001	460,000	1	455,400	0.57
480,001	485,000	1	484,900	0.61
505,001	510,000	2	1,019,062	1.27
795,001	800,000	1	799,665	1.00
1,005,001	1,010,000	1	1,005,900	1.26
3,170,001	3,175,000	1	3,173,883	3.97
4,065,001	4,070,000	1	4,069,502	5.09
4,680,001	4,685,000	1	4,680,392	5.85
11,995,001	12,000,000	1	12,000,000	15.00
19,990,001	19,995,000	2	39,983,280	50.00
		4180	79,966,560	100.00

Categories of Shareholdings

Categories	Number of Shareholders	Number of Shares held	% on issued
Associated Companies	2	39,983,280	50.00
Individuals	3,976	6,950,640	8.69
Investment Companies	4	21,838	0.03
Joint Stock Companies	20	1,243,773	1.56
NIT & ICP	10	9,269,514	11.59
Banks, Insurance, Modaraba, Mutual & Provident / Pension Funds	91	19,552,910	24.45
Foreign Investors	18	2,094,009	2.62
Charitable Trust	12	140,865	0.18
Others	47	709,731	0.89
	4,180	79,966,560	100.00

INFORMATION REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Associated Companies	2	39,983,280
NIT & ICP		
IDBP (ICP UNIT)	1	339
National Investment Trust	3	518,764
National Bank of Pakistan Trustee Department	1	4,680,392
NBP Trustee - NI(U)T (LOC) Fund	1	4,069,502
National Bank of Pakistan	2	51
Investment Corporation of Pakistan	2	466
Chief Executive Officer, Director, their spouse and minor children		
Dr. Ghaith R. Pharaon		1
Laith G. Pharaon		1
Wael G. Pharaon		1
Shuaib A. Malik		2
Abdus Sattar		601
Executive	10	732
Public Sector Companies	20	1,243,773
Banks, Insurance, Modaraba, Mutual & Provident / Pension Funds Non-Banking Financial Institutions:	172	22,519,353
Shareholders holding 10% or more voting interest		
Attock Refinery Limited	25%	19,991,640
Pakistan Oilfields Limited	25%	19,991,640
Islamic Development Bank, Jeddah	15%	12,000,000
NIT & ICP	12%	9,268,997

NATIONAL REFINERY LIMITED
46th Annual General Meeting

Form of Proxy

Folio No. ________________ and/or CDC Participant I.D. No. ____________________ CDC A/c. No. ____________________________

I/We ____ of ____

being a member(s) of National Refinery Limited holding __________________________________ ordinary shares HEREBY APPOINT ____ of __________________________ also a member of National Refinery Limited. Folio No. ______________________ (or failing him/her ____________________ of __________________ also a member of National Refinery Ltd. Folio No. __________________) as my / our proxy to vote for me / us and on my / our behalf at the 46th Annual General Meeting of the of National Refinery Limited., to be held at 4:00 p.m. on Monday , October 19, 2009 and at any adjournment thereof.

Signed by the said Member

Affix Revenue Stamp of Rs. 5/-

As witness my/our hand(s) this ___________ day of ___________ 2009.

Signed in the presence of:

1. Signature ____________________

   Name: ____________________

   Address: ____________________

   ____

   CNIC/Passport No. ______________

2. Signature ____________________

   Name: ____________________

   Address: ____________________

   ____

   CNIC/Passport No. ______________

Notes:

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy, who is not a member of the Company except corporate entity may appoint a person who is not a member.

2. This Proxy Form, duly completed and signed, together with Board Resolution / Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar, M/s. Noble Computer Services (Pvt.) Ltd. Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3 - Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi, telephone No. 4325482-87, not later than 48 Hours before the time of holding the meeting.

3. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity its common seal should be affixed on the instrument.

4. Any alteration made in this instrument of proxy should be initialled by the person who signs it.

5. Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be provided with the proxy form.

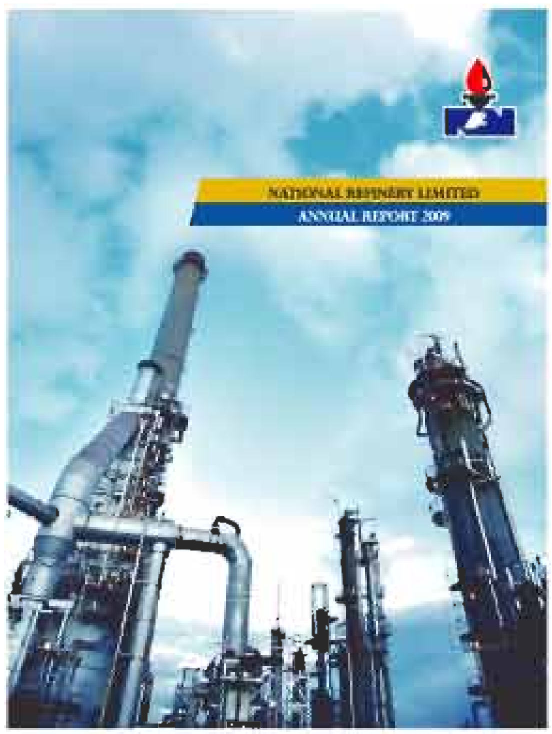
6. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

7. In the case of joint holders the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.

8. The proxy shall produce his / her original CNIC or passport at the time of the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
NATIONAL REFINERY LIMITED
7-B, Korangi Industrial Area,
P. O. Box 8228 Karachi-74900
Pakistan.



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

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