

annual report 2010

Vision of today is
tomorrow's
achievement



National Refinery Limited

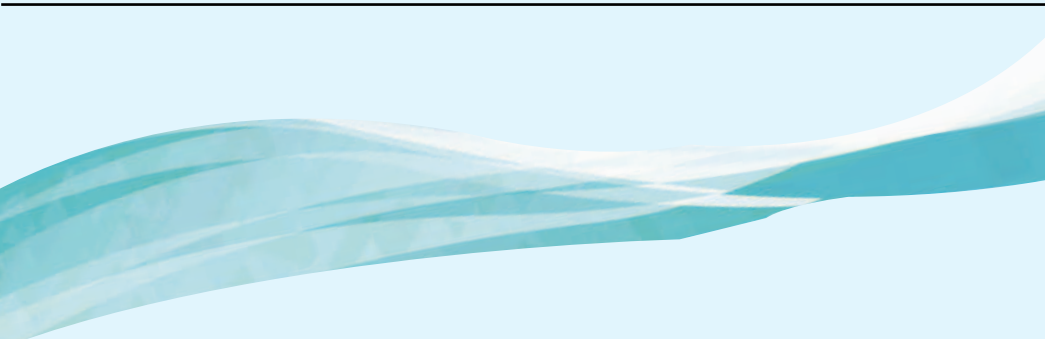




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Vision



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 importantly give true and lasting value to our customers.
- Deliver strong returns on existing and projected investments of our stakeholders by use of specialised 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.



Corporate Information

Board of Directors

Dr. Ghaith R. Pharaon - Chairman
Alternate Director: Iqbal A. Khwaja

Laith G. Pharaon
Alternate Director: Babar Bashir Nawaz

Wael G. Pharaon
Alternate Director: Jamil A. Khan

Shuaib A. Malik
Dr. Mohamed Djarraya
Bahauddin Khan
Abdus Sattar

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Shaikh Ather Ahmed



Audit Committee

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

Chairman
Member
Member
Member
Secretary

Registered Office

7-B, Korangi Industrial Area,
P.O. Box 8228
Karachi-74900
UAN- No.111-675-675
Fax: +92-21-35054663
Website: www.nrlpak.com

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Primary Bankers

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

Share Registrar

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



NRL at a Glance



First Lube Refinery

Design Capacity	539,700 M. Tons per year of Crude processing
Design Capacity	76,200 M. Tons per year of Lube Base Oils
Date Commissioned	June 1966
Project Cost	Rs. 103.9 million

Fuel Refinery

Before Re-Vamp

Design Capacity	1,500.800 M. Tons per year of Crude processing
Date Commissioned	April 1977
Project Cost	Rs. 607.5 million

After Re-Vamp

Design Capacity	2,170,800 M. Tons per year of Crude processing
Date Commissioned	February 1990
Project Cost of Revamping	Rs. 125.0 million

BTX Unit

Design Capacity	25,000 M. Tons per year of BTX
Date Commissioned	April 1979
Project Cost	Rs. 66.7 million

Second Lube Refinery

Before Re-Vamp

Design Capacity	100,000 M. Tons per year of Lube Base Oils
Date Commissioned	January 1985
Project Cost	Rs. 2,082.4 million

After Re-Vamp

Design Capacity	115,000 M. Tons per year of Lube Base Oils
Date Commissioned	June 2008
Project Cost of Revamping	Rs. 585.0 million

Shareholder's Equity

June 1966	Rs. 20.0 million
June 2010	Rs. 19,637.97 million

Corporate 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 objective 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 standards of Occupational Health, Safety and Environmental.
- Ensure reasonable return on the shareholders' existing and projected investments.
- Maintain modern management systems 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 Environmental.
- Acquiring self-sufficiency in re-engineering, design and fabrication of equipments.

Board of Directors



Dr. Ghalth R. Pharoan
Chairman



Lalth G. Pharoan



Wael G. Pharoan



Dr. Mohamed Djarreya



Bahauddin Khan



Abdus Sattar



Baber Baahir Nawaz
Alternate for
Lalth G. Pharoan



Jamil A. Khan
Alternate for
Wael G. Pharoan



Iqbal A. Khwaja
Alternate for
Dr. Ghalth R. Pharoan



Shualb 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

September 29, 2010

Notice Of Annual General Meeting

Notice is hereby given that the **Forty Seventh (47th) Annual General Meeting** of National Refinery Limited will be held on Wednesday, October 27, 2010 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, 2010 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. 20/- per share i.e. 200% for the year ended June 30, 2010 as recommended by the Board of Directors.
3. To appoint Company's auditors for the year ending June 30, 2011 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board



Karachi:

Dated: October 5, 2010

Company Secretary

Notes:

1. The Register of Members of the Company will remain closed and no transfer of shares will be accepted for registration from October 19, 2010 to October 27, 2010 (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 Monday, October 18, 2010 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 Computerised National Identity Card (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. Form of proxy is attached to the notice of meeting being sent to the members.

Chairman's Review



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, in the forty seventh Annual General Meeting of your Company and to present annual review of results of your Company and audited financial statements for the financial year ended June 30, 2010.

The year has witnessed a marginal recovery in global economy lead by growth in developing nations. Despite various odds, macroeconomics environment has improved. Pak Rupee has remained stable against US dollar, inflation was lower than previous year and GDP growth was higher than last year. Unfortunately due to recent floods economy in the year 2010-11 will be fragile because of destruction of some infrastructure, and damage agriculture sector.

Your Company by the grace of Almighty has succeeded in achieving profit after tax of Rs. 3,285 million despite net loss after tax of Rs. 707 million in Fuel Segment. The management through its best professional approach and dedicated efforts succeeded in capitalizing the available opportunities in the Lube business and this Segment succeeded in contributing profit after tax of Rs. 3,992 million.

NRL continued to face liquidity crunch due to circular debts, whereas, material steps from the government are still awaited to resolve the issue.

Fuel refineries of the country for the last two years are continuously facing losses mainly due to the pricing formula. Refineries including yours pursued government on the matter, which is now being actively considered. It is expected that appropriate revisions in the pricing formula would be made to protect the refineries and encourage the investment in refining sector of Pakistan.

In compliance to the Companies Ordinance 1984, election of the Board of Directors was held in October 2009. I expect that the new Board will dedicate their efforts for further improvement of your Company and maximize return to all stakeholders. I appreciate the valuable services rendered to the Company by outgoing directors Mr. Tarik Kivanc and Mr. Firasat Ali.

In the end I would like to recognize and commend the efforts of management, employees and all stakeholders for their continued efforts and support in improving the performance of the Company and expect that they will not only continue the same but also put more focused efforts in meeting the new challenges ahead and deliver increasingly better returns.



September 29, 2010
Damascus, Syria

Dr. Ghaith R. Pharaon
Chairman

Directors' Report



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Assalam-o-Alaikum!

On behalf of the Board of Directors, I am pleased to present the 47th Annual Report of National Refinery Limited together with the audited financial statements and auditors' report thereon for the year ended June 30, 2010.

OVERVIEW

The Fuel Segment has shown improvement compared to last year, but Gross Refining Margin (GRM) was unable to absorb the expenses/tax to achieve profit. Stability in rupee parity with foreign currencies and monitoring of throughput with that of products GRM contributed to reduce the losses during the year, consequently due to thin GRM, fuel segment ended at after tax loss of Rs. 707 million as compared to after tax loss of Rs. 2,699 million in the last year.

FINANCIAL RESULTS

The Company has earned a net profit after tax of Rs. 3,285 million as compared to Rs. 1,533 million in the last year. Earning per share is Rs. 41.08 compared to Rs. 19.17 in the last year. The loss in fuel segment of Rs. 707 million has been transferred to Special Reserve as per the Pricing Formula given in note 17.2 of the financial statements. An amount of Rs. 4,025 million is available for appropriation.

The financial results for the year ended June 30, 2010 are summarized below:

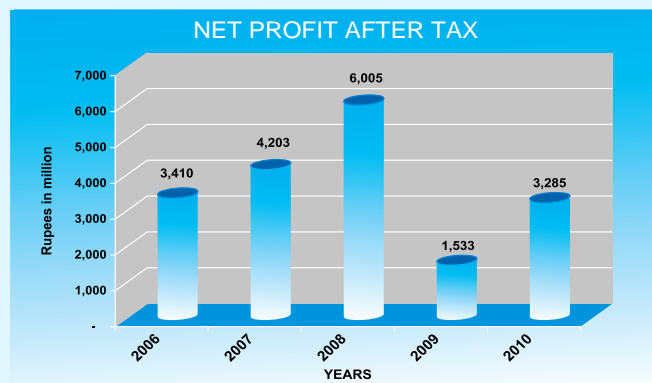
APPROPRIATIONS

Profit available for appropriation after transfer to Special Reserve under the Pricing Formula as per note 17.2

Transfer to General Reserves

Final Dividend 200% (2009: 125%)

Lube Segment earned profit after tax of Rs. 3,992 million as compared to Rs. 4,232 million in the last year. The reduction in profitability was due to higher feed cost compared to selling prices of Lube Base Oils, determined on the basis of market dynamics. Company has achieved sales of Lube Base Oils of 206,045 M. tons that is higher by 32,169 M. tons compared to last year.



2009-10

2008-09

(Rupees in million)

<u><u>4,025</u></u>	<u><u>4,232</u></u>
<u><u>2,400</u></u>	<u><u>3,200</u></u>
<u><u>1,599</u></u>	<u><u>1,000</u></u>

DIVIDEND

The Board of Directors has recommended a final cash dividend @ Rs. 20 per share (200%) for the year ended June 30, 2010. The dividend recommended is subject to the approval by the shareholders in the Annual General Meeting.

CREDIT RATING

Your Company, for the 6th successive year, has retained long-term credit rating of “AAA” due to exceptionally strong capacity for timely payment of financial commitments and short-term rating “A1+” due to obligations supported by the highest capacity for timely repayment. Credit Rating assessments have been carried out by Pakistan Credit Rating Agency (PACRA).

KEY OPERATING & FINANCIAL DATA

Key operating and financial data of last six years (2005 – 2010) is shown on page 28.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the financial year, the Company contributed Rs. 28,103 million to the National exchequer in the shape of direct and indirect taxes and earned valuable foreign exchange of US \$ 212 million through the export of Naphtha and Lube Base Oil.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

National Refinery Limited (NRL) is strongly committed to the Occupational Health, Safety of its employees, customers, stakeholders, contractors, visitors, suppliers and the community in which it operates. Protection and continued improvement of the environment is given top priority including the conservation of natural resources like water, air, land and energy.

NRL is committed towards the compliance of National Environment Laws & Regulations. Like previous year this year also NRL has monitored the gasses emission and liquid effluent through SMART (Self Monitoring and Reporting Tool) program. All results of gasses emission and liquid effluent were within the limits mentioned in NEQS (National Environment Quality Standards). Furthermore, NRL has acquired

certification in ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

Our dedication towards Occupational Health and Safety has resulted in safe and productive working environment. We believe there is no job, which cannot be done in safer way. NRL has a comprehensive permit to work system where all jobs are executed under this system. By the Grace of Almighty Allah and concerted efforts of NRL Staff, Company has achieved 14.3 millions safe man-hours without LTI (Lost Time Injury) up to June 30, 2010.

ENVIRONMENT EXCELLENCE AWARDS

NRL has won the following awards during this year.

- 1) National Forum for Environment & Health (NFEH), Excellence Award 2010, consecutively for the seventh time.
- 2) ACCA / WWF Pakistan Best Environment Reporting Award 2009.

NRL is one of the major players in the petroleum-refining sector of the country to become an environmental friendly enterprise.



EMPLOYEES & MANAGEMENT RELATIONS

The cordial relationship between the management and union persisted unabatedly. The productivity achieved reflects the concerted and sincere collective endeavors. An amicable settlement was arrived at between the Management and the Collective Bargaining Agent for a period of two years, which will go a long way to improve the cordial relationship between the two parties in the interest of the Company.

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. NRL Human Resource Development Center continuously conduct hands on employees training programs and also conduct apprenticeship/internship program where theoretical and practical training in Refinery operations and maintenance is imparted which will extend a great help to the Petroleum Refining industry in the availability of trained manpower.

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 has 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 just a commercial entity.

NRL has carried out energy-based improvements, which have its impact not only on environment, but there is considerable monetary saving as well. These projects are as under:

Installation of On- line oxygen analyzer on process furnaces and boilers

Nine numbers of on line oxygen analyzers were installed at Lube-II process furnaces and boilers. The whole project was conceived and designed by NRL. After installation of

these analyzers monitoring and control of excess air, resulted in monetary saving and also reduced air pollution and fuels consumption.

Conversion of Lube-II process furnaces on dual firing system i.e. Fuel Oil and Natural Gas.

Previously all furnaces in Lube-II process units were on single firing system i.e. Fuel Oil. Therefore a study was carried out to convert these furnaces on dual firing system i.e. Fuel Oil and Natural Gas. This project was conceived and designed and all instrumentation, mechanical work and commissioning was successfully carried out by NRL, which resulted in monetary saving and reduction in air pollution.

On going future project of HSD (Desulfurization)

The main benefit from this project would be reduction of sulfur level in HSD from 10,000 parts per million (ppm) to 500 ppm, which will result significant decrease in air pollution.

Employment of special persons

The Company gave employment to six disabled persons in compliance with Employment and Rehabilitation Ordinance, 1981 and also made payments to National Council for the Rehabilitation of Disabled Persons in lieu of less number of such persons in the Company's employment.

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.

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 where majority of the members including Committee's Chairman are non-executive directors. The details of the attendance of the directors of the Audit Committee Meetings for the year ended June 30, 2010 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. Iqbal A. Khwaja	4	4
Mr. S. Ahmed Abid	1	1
Mr. Jamil A. Khan	3	3

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

STATEMENT BY BOARD OF DIRECTORS IN COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- 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.
- Proper books of accounts have been maintained in the manner required under the Companies Ordinance 1984.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements except for changes as disclosed in note 2.2 and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as notified in Pakistan, have been followed in the preparation of financial statements.
- The financial statements prepared by the management conform to the approved accounting standards as applicable in Pakistan.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The Board of Directors considered that the Company is a going concern.
- There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- All major Statutory levies in the normal course of business are paid on due dates.
- The values of investment of various funds, based on their respective accounts are as under:

(Rs. in million) - Un-audited	
Pension Fund	2,654
Gratuity Fund	48
Officers Provident Fund	488
Workers Provident Fund	195
Post Retirement Medical Fund	551

- Significant deviations, plans, decisions and business expansion have been outlined in the report.
- No trade in the share of the Company was carried out by the Board of Directors, CEO, CFO, Company Secretary, Executive and their spouses and minor Children except that already mentioned.

BOARD OF DIRECTORS

The present Board of seven Directors was elected in the 46th Annual General Meeting held on October 19, 2009 for a term of three years. Mr. Bahauddin Khan filled a casual vacancy occurring in the Board as a result of replacement of Mr. Firasat Ali by National Investment Trust (NIT) within 30 days.

Present composition of Board of Directors:

Dr. Ghaith R. Pharaon Alternate Director: Mr. Iqbal A. Khwaja	Chairman
Mr. Laith G. Pharaon Alternate Director: Mr. Babar Bashir Nawaz	Director
Mr. Wael G. Pharaon Alternate Director: Mr. Jamil A. Khan	Director
Mr. Shuaib A. Malik	Deputy Chairman / Chief Executive Officer
Mr. Abdus Sattar	Director
Dr. Mohamed Djarraya	Director
Mr. Bahauddin Khan	Director

MEETINGS OF THE BOARD

During the financial year 2009-10 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. 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/Mr. Jamil A. Khan	5	4
Mr. Shuaib A. Malik	5	4
Mr. Abdus Sattar	5	5
Mr. Tarik Kivanc/Dr. Mohamed Djarraya – IDB Nominee	5	3
Mr. Firasat Ali/Mr. Bahauddin Khan –NIT Nominee	5	5

* 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 progress. 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.

- **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 feasibility study has been completed and appointment of Engineering Design & Specification (EDS) contractor is in progress.

PATTERN OF SHAREHOLDING

Pattern of shareholdings is shown on page 84.

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, 2011.

ACKNOWLEDGEMENT

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

On behalf of the Board



Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

September 29, 2010
Damascus, Syria

Stakeholders' Information

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
	(Rupees in million)					
Profit and Loss Account						
Net turnover	110,186	109,578	129,386	91,327	80,894	60,819
Gross profit	6,333	5,277	10,681	6,264	4,999	3,936
Operating profit	5,831	5,208	10,163	6,101	5,272	3,308
Profit before tax	5,136	2,813	8,831	6,095	5,262	3,295
Profit after tax	3,285	1,533	6,005	4,203	3,410	2,121
Balance Sheet						
Share capital	800	800	800	666	666	666
Reserves	18,838	16,553	16,619	12,080	8,710	6,034
Shareholder equity	19,638	17,353	17,419	12,746	9,376	6,700
Property, plant and equipment (excluding CWIP)	2,714	2,096	2,032	2,106	1,535	1,511
Current assets	47,868	39,156	43,747	30,055	22,294	15,829
Current liabilities	31,862	24,856	28,873	19,658	15,370	11,732
Net current assets / liabilities	16,006	14,299	14,874	10,397	6,924	4,117
Long term deferred liabilities	139	136	312	237	175	112

Investor information

Gross profit ratio		5.75	4.81	8.26	6.86	6.18	6.47
Net profit ratio		2.98	1.40	4.64	4.60	4.22	3.49
Return on equity	%	16.73	8.83	34.47	32.98	36.37	31.66
Return on capital employed	%	410.77	191.71	750.63	631.08	512.01	318.47
Earnings per share (EPS)	Rs.10/share	41.08	19.17	75.10	63.07	51.17	31.82
Market value per share at year end	Rs.10/share	182.85	220.02	297.47	344.00	256.00	316.30
Inventory turnover ratio		8.64	8.17	11.32	12.01	15.68	16.62
No. of days in receivables		50.86	41.09	22.68	22.61	15.57	12.02
Fixed assets turnover ratio		40.60	52.28	63.30	43.00	52.32	39.70
Quick /Acid test ratio		1.13	1.08	1.05	1.13	1.02	1.07
Price earning ratio		4.45	11.48	3.96	5.45	5.00	9.94
Cash Dividend per share	Rs.10/share	20.00	12.50	20.00	20.00	16.00	12.50
Dividend yield ratio	%	10.94	5.68	6.72	25.81	6.25	3.95
Bonus shares issued	%	-	-	-	20.00	-	-

Statement of Value Added

	2010	2009
	(Rupees in thousand)	
Gross sales revenue	136,450,985	140,112,250
Less: Bought in material and services	105,158,269	107,302,913
	31,292,716	32,809,337
Add: Income from investment	1,008,746	957,457
Other income	269,358	407,691
	1,278,104	1,365,148
Total Value Added	32,570,820	34,174,485
Applied as follows		
Employees remuneration as:		
Salaries, wages and related benefits	1,139,190	1,122,264
Government as:		
Company taxation	1,850,808	1,280,428
Levies	25,651,377	29,795,205
Worker's fund	403,702	208,945
	27,905,887	31,284,578
Shareholders as:		
Dividend	1,599,331	999,582
Retained in business :		
Depreciation	235,129	228,331
Amortization	5,800	6,284
Net earnings	1,685,483	533,446
	1,926,412	768,061
	32,570,820	34,174,485

Vertical Balance Sheet as at June, 30

	2010		2009		2008		2007		2006		2005	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in thousand)											
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment		3,248,221		3,019,311		2,601,276		2,343,352		2,286,751		2,121,582
Intangible assets	0.00	138	0.01	5,938	0.03	11,911	0.06	18,126	0.04	10,628	0.12	21,255
Deferred taxation	0.84	432,732	0.20	84,498	0.35	164,407	0.49	161,118	1.08	268,990	2.04	375,683
Long term investment		-	-	-	-	-	-	-	-	-	-	-
Long term loans and deposits	0.18	90,494	0.19	79,147	0.17	79,923	0.20	64,390	0.25	61,934	0.35	64,406
	7.31	3,771,585	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
CURRENT ASSETS												
Stores, spares and chemicals	1.75	904,370	2.21	936,594	1.67	779,076	2.46	802,794	2.88	716,709	3.91	719,385
Stock-in-trade	22.85	11,798,203	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
Trade debts	31.55	16,291,704	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
Loans and advances	0.04	21,433	0.06	25,219	0.11	51,028	0.06	19,825	0.07	18,242	0.12	22,087
Deposits and prepayments	0.03	16,301	0.13	53,749	0.21	95,899	0.13	43,120	0.04	9,428	1.17	214,687
Accrued interest	0.13	69,231	0.22	91,500	0.07	30,780	0.14	45,246	0.16	38,764	0.13	23,402
Other receivables	1.82	941,591	5.63	2,382,583	4.68	2,183,257	5.58	1,821,036	3.61	899,201	10.95	2,016,999
Investments	3.01	1,553,665	0.47	197,622	7.76	3,615,359	2.95	962,092	-	-	-	-
Tax refunds due from Government - Sales tax	0.12	62,028	1.36	575,902	0.88	408,221	3.22	1,050,564	4.14	1,032,875	0.70	128,537
Cash and bank balances	31.39	16,209,008	18.41	7,800,079	28.15	13,122,136	35.20	11,492,152	31.13	7,761,060	42.60	7,844,153
	92.69	47,867,534	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
TOTAL ASSETS	100.00	51,639,119	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
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
Authorized		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000
100,000,000 Ordinary shares of Rs. 10 each												
Issued, subscribed and paid up	1.55	799,666	1.89	799,666	1.72	799,666	2.04	666,388	2.67	666,388	3.62	666,388
Reserves	36.48	18,838,307	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
	38.03	19,637,973	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
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	0.27	139,492	0.32	135,547	0.67	312,277	0.73	236,940	0.70	175,355	0.61	112,434
CURRENT LIABILITIES												
Trade and other payables	57.88	29,888,910	54.39	23,032,238	57.21	26,662,420	54.12	17,669,110	52.13	12,992,504	52.53	9,673,347
Provisions	0.58	298,569	0.71	301,485	0.64	298,569	0.92	299,148	1.29	320,588	3.97	730,502
Taxation	3.24	1,674,175	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
	61.70	31,861,654	58.70	24,856,323	61.95	28,873,293	60.22	19,658,230	61.68	15,370,466	63.00	11,599,717
TOTAL EQUITY AND LIABILITIES	100.00	51,639,119	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

Horizontal Balance Sheet as at June, 30

ASSETS	2010		2009		2008		2007		2006		2005	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
NON-CURRENT ASSETS												
Property, plant and equipment	153.10	3,248,221	142.31	3,019,311	122.61	2,601,276	110.45	2,343,352	107.79	2,286,751	100.00	2,121,582
Intangible assets	0.65	138	27.94	5,938	56.04	11,911	85.28	18,126	50.00	10,628	100.00	21,255
Deferred taxation	115.19	432,732	22.49	84,498	43.76	164,407	42.89	161,118	71.60	268,990	100.00	375,683
Long term investment												
Long term loans and deposits	140.51	90,494	122.89	79,147	124.09	79,923	99.98	64,390	96.16	61,934	100.00	64,406
	146.02	3,771,585	123.46	3,188,894	110.63	2,857,517	100.16	2,586,986	101.76	2,628,303	100.00	2,582,926
CURRENT ASSETS												
Stores, spares and chemicals	125.71	904,370	130.19	936,594	108.30	779,076	111.59	802,794	99.63	716,709	100.00	719,385
Stock-in-trade	368.02	11,798,203	382.15	12,251,181	414.50	13,288,291	239.79	7,687,420	201.98	6,475,195	100.00	3,205,874
Trade debts	994.97	16,291,704	897.28	14,841,288	615.05	10,173,051	370.63	6,130,324	323.02	5,342,764	100.00	1,654,027
Loans and advances	97.04	21,433	114.18	25,219	231.03	51,028	89.76	19,825	82.59	18,242	100.00	22,087
Deposits and prepayments	7.59	16,301	25.04	53,749	44.67	95,899	20.09	43,120	4.39	9,428	100.00	214,687
Accrued interest	295.83	69,231	390.99	91,500	131.53	30,780	193.34	45,246	165.64	38,764	100.00	23,402
Other receivables	46.68	941,591	118.13	2,382,583	108.24	2,183,257	90.28	1,821,036	44.58	899,201	100.00	2,016,999
Investments	-	1,553,665	-	197,622	-	3,615,359	-	962,092	-	-	-	-
Tax refunds due from Government - Sales tax	48.26	62,028	448.04	575,902	317.59	408,221	817.32	1,050,564	803.56	1,032,875	100.00	128,537
Cash and bank balances	206.64	16,209,008	99.44	7,800,079	167.29	13,122,136	146.51	11,492,152	98.94	7,761,060	100.00	7,844,153
	302.40	47,867,534	247.36	39,155,717	276.37	43,747,098	189.87	30,054,573	140.84	22,294,238	100.00	15,829,151
TOTAL ASSETS	280.46	51,639,119	229.98	42,344,611	253.12	46,604,615	177.28	32,641,559	135.36	24,922,541	100.00	18,412,077
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
Authorized		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000
100,000,000 Ordinary shares of Rs. 10 each												
Issued, subscribed and paid up	120.00	799,666	120.00	799,666	120.00	799,666	100.00	666,388	100.00	666,388	100.00	666,388
Reserves	312.23	18,838,307	274.35	16,553,075	275.45	16,619,379	200.21	12,080,001	144.37	8,710,332	100.00	6,033,538
	293.11	19,637,973	259.00	17,352,741	259.99	17,419,045	190.25	12,746,389	139.95	9,376,720	100.00	6,699,926
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	124.07	139,492	120.56	135,547	277.74	312,277	210.74	236,940	155.96	175,355	100.00	112,434
CURRENT LIABILITIES												
Trade and other payables	308.98	29,888,910	238.10	23,032,238	275.63	26,662,420	182.66	17,669,110	134.31	12,992,504	100.00	9,673,347
Provisions	40.87	298,569	41.27	301,485	40.87	298,569	40.95	299,148	43.89	320,588	100.00	730,502
Taxation	140.00	1,674,175	127.32	1,522,600	159.91	1,912,304	141.32	1,689,972	172.04	2,057,374	100.00	1,195,868
	274.68	31,861,654	214.28	24,856,323	248.91	28,873,293	169.47	19,658,230	132.51	15,370,466	100.00	11,599,717
TOTAL EQUITY AND LIABILITIES	280.46	51,639,119	229.98	42,344,611	253.12	46,604,615	177.28	32,641,559	135.36	24,922,541	100.00	18,412,077

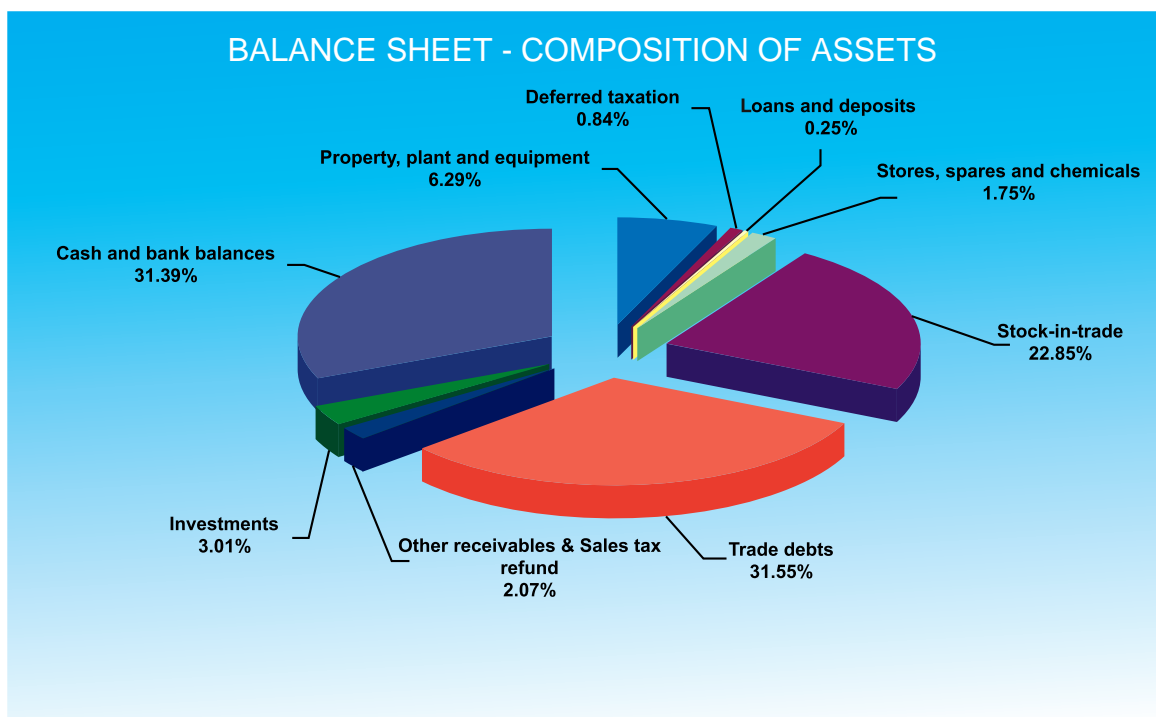
Vertical Profit and Loss Account

	2010	2009	2008	2007	2006	2005
	Amount	Amount	Amount	Amount	Amount	Amount
%	%	%	%	%	%	%
	(Rupees in thousand)					
Net sales	100	100	100	100	100	100
Cost of sales	(94.25)	(104,301,665)	(91.75)	(85,062,748)	(93.82)	(56,883,368)
Gross profit	5.75	6,332,808	8.25	6,263,790	6.18	3,935,773
Distribution and marketing expenses	(0.90)	(860,112)	(0.69)	(341,463)	(0.33)	(136,453)
Administrative expenses	(0.34)	(373,775)	(0.29)	(376,170)	(0.46)	(625,245)
Other operating income	1.16	1,278,104	1.09	992,689	1.65	420,862
Other operating expenses	(0.37)	(409,659)	(0.51)	(453,098)	(0.52)	(287,071)
Operating profit	5.30	5,831,379	7.85	6,116,694	6.52	3,307,866
Finance cost	(0.63)	(695,757)	(1.03)	(21,994)	(0.01)	(13,204)
Profit before taxation	4.67	5,135,622	6.83	6,094,700	6.50	3,294,662
Taxation	(1.68)	(1,850,808)	(2.18)	(1,892,046)	(2.29)	(1,174,156)
Profit after taxation	2.99	3,284,814	4.64	4,202,654	4.22	2,120,506

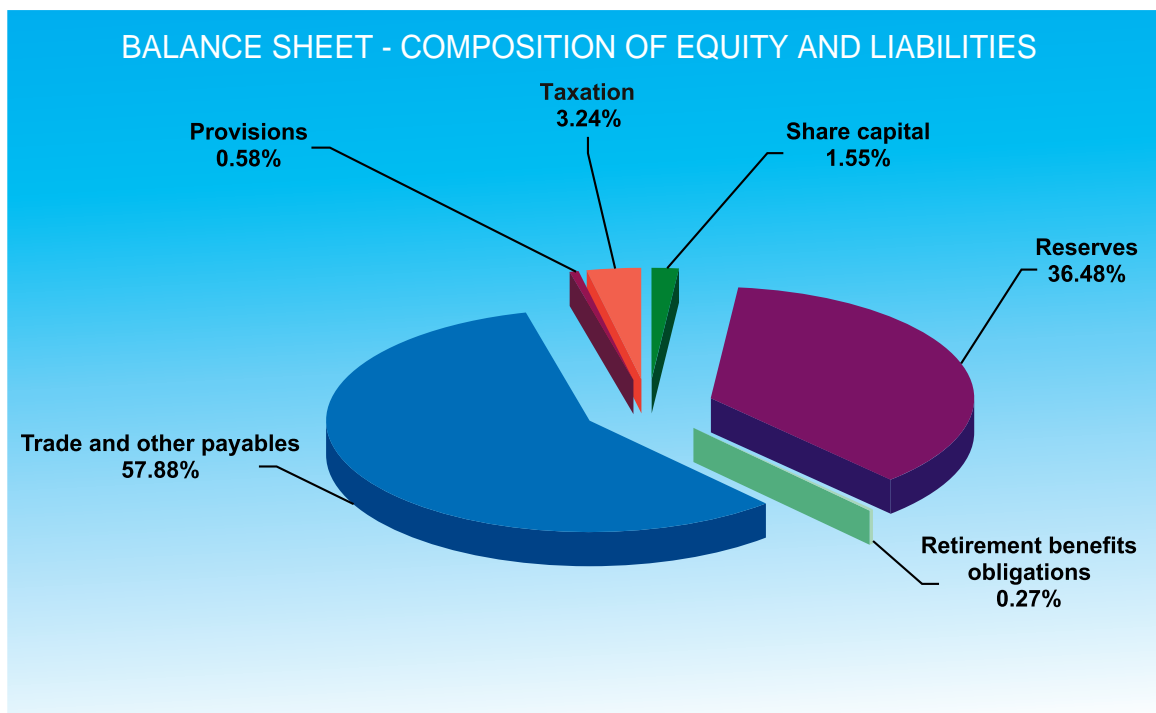
Horizontal Profit and Loss Account

	2010		2009		2008		2007		2006		2005	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
		(Rupees in thousand)										
Net sales	181.17	110,186,374	180.17	109,578,364	212.74	129,385,816	150.16	91,326,538	133.01	80,894,039	100.00	60,819,141
Cost of sales	182.57	(103,853,566)	183.36	(104,301,665)	208.68	(118,705,060)	149.54	(85,062,748)	133.42	(75,895,286)	100.00	(56,883,368)
Gross profit	160.90	6,332,808	134.07	5,276,699	271.38	10,680,756	159.15	6,263,790	127.01	4,998,753	100.00	3,935,773
Distribution and marketing expenses	729.99	(996,099)	630.34	(860,112)	651.51	(889,008)	250.24	(341,463)	198.01	(270,190)	100.00	(136,453)
Administrative expenses	59.78	(373,775)	57.41	(358,933)	60.16	(376,170)	55.21	(345,224)	59.95	(374,824)	100.00	(625,245)
Other operating income	303.69	1,278,104	324.37	1,365,148	333.70	1,404,402	235.87	992,689	317.80	1,337,507	100.00	420,862
Other operating expenses	142.70	(409,659)	74.88	(214,958)	228.87	(657,019)	157.83	(453,098)	146.05	(419,270)	100.00	(287,071)
Operating profit	176.29	5,831,379	157.44	5,207,844	307.24	10,162,961	184.91	6,116,694	159.38	5,271,976	100.00	3,307,866
Finance cost	5,269.29	(695,757)	18,133.81	(2,394,388)	10,085.35	(1,331,669)	166.57	(21,994)	74.85	(9,883)	100.00	(13,204)
Profit before taxation	155.88	5,135,622	85.39	2,813,456	268.05	8,831,292	184.99	6,094,700	159.72	5,262,093	100.00	3,294,662
Taxation	157.63	(1,850,808)	109.05	(1,280,428)	240.67	(2,825,860)	161.14	(1,892,046)	157.75	(1,852,272)	100.00	(1,174,156)
Profit after taxation	154.91	3,284,814	72.30	1,533,028	283.21	6,005,432	198.19	4,202,654	160.80	3,409,821	100.00	2,120,506

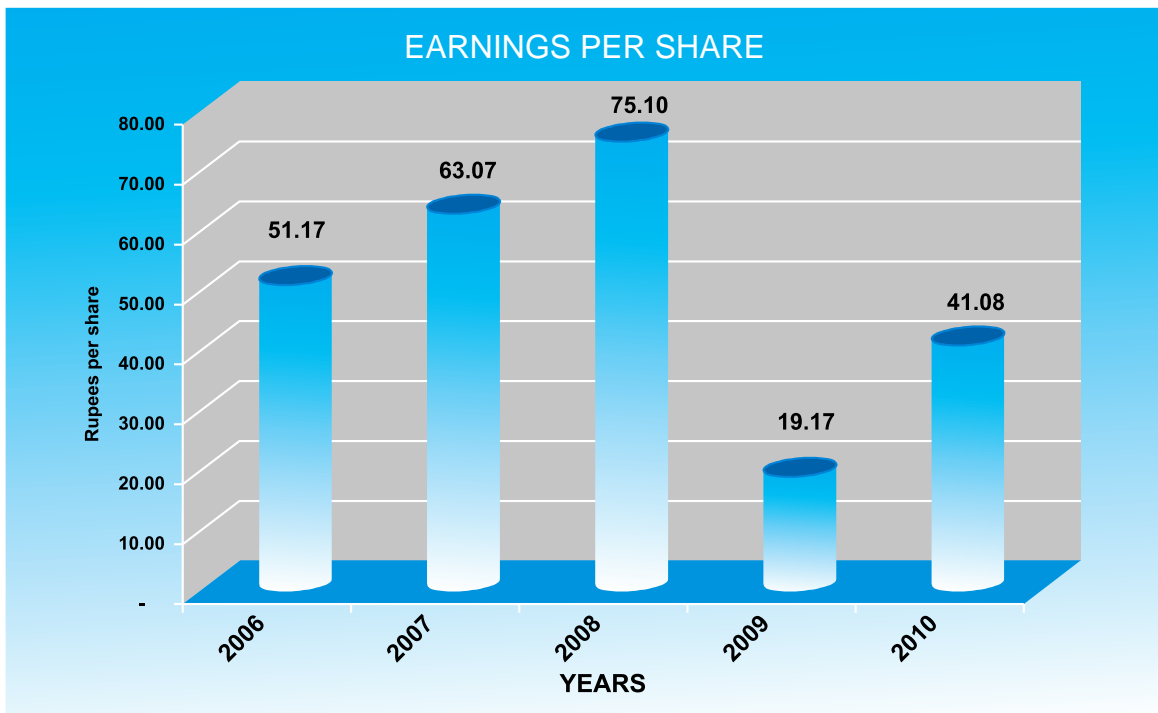
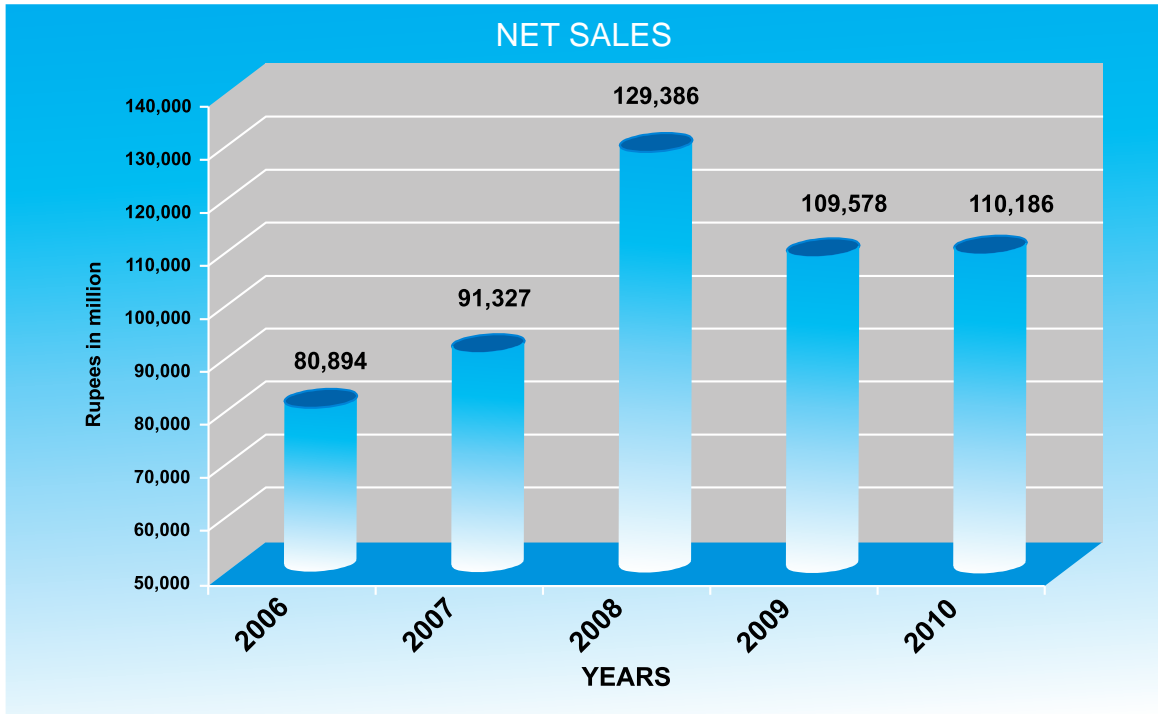
Graphic Representation



1.75%



Graphic Representation



**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 for the year ended June 30, 2010 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's 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, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require 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, 2010.



Chartered Accountants
Karachi

Dated: September 30, 2010

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:

1. 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.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. 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 NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurring in the Board as a result of replacement of its nominee by National Investment Trust (NIT) was filled within 30 days and the concerned director has filed his consent and declaration under clause (ii) of the Code of Corporate Governance.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed vision and mission statements, 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.
7. 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 director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman or Deputy Chairman except two meetings, presided over by a Director elected by the directors for the purpose; and all the meetings were attended by the Chief Financial Officer and Company Secretary. The Board meets at least once in every quarter. Written notices 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.
9. The Directors were apprised of their duties and responsibilities from time to time.

10. The Board has approved terms of appointment and remunerations of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, as determined by the CEO.
11. 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.
12. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of Code.
15. The Board has formed an Audit Committee. It comprises of four members; with the exception of one, the remaining three are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. 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.
18. 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.
19. 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.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors along with 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

September 29, 2010

The Terms of Reference of the Audit Committee

The Board has constituted a fully functional Audit Committee. The features of the terms of reference of the committee in accordance with the Code of Corporate Governance are as follows:

- a) Determination of appropriate measures 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 statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards; and
 - Compliance with listing regulations and other statutory and regulatory requirements;
- 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.
- g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed.
- 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 of Company's statement on internal control systems prior to endorsement by the Board of Directors;
- k) Instituting special projects, value for money studies or other investigation 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



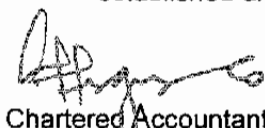
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Refinery Limited as at June 30, 2010 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 with which we concur;
 - (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, 2010 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: September 30, 2010

Name of the engagement partner: Ali Muhammad Mesia

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010	2009
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,248,221	3,019,311
Intangible assets	4	138	5,938
Deferred taxation	5	432,732	84,498
Long term investment	6	-	-
Long term loans and deposits	7	90,494	79,147
		3,771,585	3,188,894
CURRENT ASSETS			
Stores, spares and chemicals	8	904,370	936,594
Stock-in-trade	9	11,798,203	12,251,181
Trade debts	10	16,291,704	14,841,288
Loans and advances	11	21,433	25,219
Deposits and prepayments	12	16,301	53,749
Accrued interest		69,231	91,500
Other receivables	13	941,591	2,382,583
Investments	14	1,553,665	197,622
Tax refunds due from Government - Sales tax		62,028	575,902
Cash and bank balances	15	16,209,008	7,800,079
		47,867,534	39,155,717
TOTAL ASSETS		51,639,119	42,344,611
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	18,838,307	16,553,075
		19,637,973	17,352,741
LIABILITIES			
NON - CURRENT LIABILITIES			
Retirement benefit obligations	18	139,492	135,547
CURRENT LIABILITIES			
Trade and other payables	19	29,888,910	23,032,238
Provisions	20	298,569	301,485
Taxation		1,674,175	1,522,600
		31,861,654	24,856,323
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	21	51,639,119	42,344,611

The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive



Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in thousand)			
Gross sales	22	136,450,985	140,112,250
Trade discounts, taxes, duties and levies	23	(26,264,611)	(30,533,886)
Net sales		110,186,374	109,578,364
Cost of sales	24	(103,853,566)	(104,301,665)
Gross profit		6,332,808	5,276,699
Distribution and marketing expenses	25	(996,099)	(860,112)
Administrative expenses	26	(373,775)	(358,933)
Other operating income	27	1,278,104	1,365,148
Other operating expenses	28	(409,659)	(214,958)
Operating profit		5,831,379	5,207,844
Finance cost	29	(695,757)	(2,394,388)
Profit before taxation		5,135,622	2,813,456
Taxation	30	(1,850,808)	(1,280,428)
Profit after taxation		3,284,814	1,533,028
(Rupees)			
Earnings per share	31	41.08	19.17

The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive



Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	12,357,089	(5,534,242)
Income tax paid		(2,047,467)	(1,590,223)
(Increase) / Decrease in long term loans and deposits		(11,347)	776
Payment made to gratuity fund		(3,253)	-
Payment made to pension fund		(61,234)	(273,558)
Post retirement medical benefits paid		(18,100)	-
Finance cost paid		-	(46)
Net cash from / (used in) operating activities		10,215,688	(7,397,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(465,799)	(647,735)
Purchase of intangible asset		-	(311)
Proceeds from disposal of property, plant and equipment		4,054	2,118
Investment made in units of open ended mutual funds		(501,401)	(203,150)
Proceeds from sale of units of open ended mutual funds		543,514	3,695,329
Return on treasury bills received		12,159	-
Interest received on bank accounts		958,860	821,841
Net cash from investing activities		551,387	3,668,092
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(996,116)	(1,593,649)
Net increase / (decrease) in cash and cash equivalents		9,770,959	(5,322,850)
Cash and cash equivalents at beginning of the year		7,800,079	13,122,136
Exchange gain on foreign currency bank accounts		260	793
Cash and cash equivalents at end of the year	33	17,571,298	7,800,079

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVES		Special reserve (note 17.2)	Total
	Issued, subscribed and paid-up	Capital compensation reserve (note 17.1)	Exchange equalisation reserve	General reserve	Unappropriated profit		
	← (Rupees in thousand) →						
Balance as at July 1, 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
Final dividend for the year ended June 30, 2009 - Rs. 12.50 per share	-	-	-	-	(999,582)	-	(999,582)
Transfer to general reserve	-	-	-	3,200,000	(3,200,000)	-	-
Profit for the year	-	-	-	-	3,284,814	-	3,284,814
Loss after tax from fuel refinery operations transferred to special reserve	-	-	-	-	707,576	(707,576)	-
Balance as at June 30, 2010	799,666	10,142	4,117	11,588,000	4,024,986	3,211,062	19,637,973

The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 impact on the amounts disclosed in the financial statements.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2.2 Change in accounting policies and disclosures

Changes arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year are as follows:

- i. IAS 1 (Revised), 'Presentation of financial statements' requires presentation of transactions with owners in statement of changes in equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. There are no items for Other Comprehensive Income, therefore there is no impact on the Company's financial statements.
- ii. IAS 23 (Amendment), 'Borrowing costs' 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. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the Company's financial statements.
- iii. IFRS 8, 'Operating segments' replaces IAS 14 and requires an entity to determine and present operating segments based on the information that is provided internally to the Chief Operating Decision maker who is responsible for allocating resources and assessing performance of the operating segments. Adoption of this standard has not resulted in any change in the reportable segments.

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

Following amendments to existing standards and interpretation have been published that are mandatory for accounting periods beginning on the dates mentioned below:

- i. IAS 17 (Amendment), 'Classification of leases of land and buildings' (effective from January 1, 2010). The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. This amendment does not have any material impact on the financial statements of the Company.
- ii. IFRS 8 (Amendment), 'Disclosure of information about segment assets' (effective from January 1, 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the Chief Operating Decision maker. The new guidance is not expected to have a material impact on the Company's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- iii. IFRIC 4, 'Determining whether an Arrangement contains a Lease' was adopted by SECP and was applicable for all periods beginning on or after January 1, 2006. However, SECP vide Circular No. D(CS)/34/2009 dated June 22, 2009 deferred the implementation of IFRIC 4 till June 30, 2010. However, in case if SECP does not defer it further, it shall be applicable for all periods beginning on or after July 1, 2010. The amendment is expected to result in additional disclosure requirements of IAS 17, 'Leases' in respect of certain arrangements of the Company.

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

Standards, amendments to existing approved accounting standards and new interpretations have been published that are mandatory for future years. However, these are not expected to affect materially the financial statements of the Company for the accounting periods beginning on the dates prescribed therein.

2.5 Overall Valuation Policy

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

2.6 Property, plant and equipment

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 property, plant and equipment are recognised in income currently.

2.7 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, if any.

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.

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.

2.8 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, if any.

Investments with fixed payments and maturity that the Company has positive intent and ability to hold till maturity are classified as held-to-maturity investments. These are measured at amortised cost using effective interest method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses recognised directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices. 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.

2.9 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.

2.10 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 costs necessarily to be incurred to make the sale.

2.11 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.

2.12 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, short term investments and short-term running finance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2.13 Staff retirement benefits

2.13.1 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.

2.13.2 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, 2010, 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, 2010, 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, 2010, using the 'Projected Unit Credit Method'.

Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of respective fund's assets are amortised over the average remaining working lives of 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 asset 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, if any.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2.14 Compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

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, 2010 using the 'Projected Unit Credit Method'.

2.15 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.

2.16 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past events, 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.

2.17 Taxation

2.17.1 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.

2.17.2 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.

2.18 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- a) Local sales of products delivered through pipelines are recorded when products pass 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 income are recognised on accrual basis.
- d) Return / Interest on bank deposits and advances to employees are recognised on accrual basis.
- e) Return / Interest on treasury bills is recognised using the effective interest method.
- f) Dividend income is recognised as income when the right of receipt is established.

2.19 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

2.20 Foreign currency transactions and translation

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

Transactions in foreign currencies are converted into Pak 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.

2.21 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer of the Company.

2.23 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.

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 3.1

Capital work-in-progress - note 3.2

	2010	2009
	(Rupees in thousand)	
	2,714,181	2,095,848
	534,040	923,463
	<u>3,248,221</u>	<u>3,019,311</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3.1 Operating assets

	Leasehold land (note 3.1.1)	Buildings 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, 2010												
Opening 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
Additions including transfers - note 3.1.2	-	1,616	71,529	443,874	-	24,595	200,909	4,415	640	952	106,692	855,222
Disposals												
Cost	-	-	-	-	-	-	-	(7,721)	-	-	-	(7,721)
Depreciation	-	-	-	-	-	-	-	5,961	-	-	-	5,961
	-	-	-	-	-	-	-	(1,760)	-	-	-	(1,760)
Depreciation charge	(600)	(14,509)	(20,186)	(69,934)	(51,962)	(19,208)	(26,484)	(8,755)	(725)	(2,145)	(20,621)	(235,129)
Closing net book value	48,425	202,022	281,798	1,066,589	188,502	188,895	392,261	19,371	5,753	1,598	318,967	2,714,181
As at June 30, 2010												
Cost	60,035	392,144	484,105	4,660,659	747,293	355,651	1,137,481	75,934	10,816	43,483	503,524	8,471,125
Accumulated depreciation	(11,610)	(190,122)	(202,307)	(3,594,070)	(558,791)	(166,756)	(745,220)	(56,563)	(5,063)	(41,885)	(184,557)	(5,756,944)
Net book value	48,425	202,022	281,798	1,066,589	188,502	188,895	392,261	19,371	5,753	1,598	318,967	2,714,181
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
Annual Rate of Depreciation %	1	5	5 to 8	5 & 7	7	8	6	20	7.5	33.33	5 to 15	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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:

	2010	2009
	(Rupees in thousand)	
Buildings on leasehold land	1,616	19,759
Oil terminal	71,529	72,589
Processing plant and storage tanks	439,028	78,140
Pipelines	24,595	29,219
Water power and other utilities	200,909	16,367
Vehicles	-	660
Office and other equipments	97,047	60,275
	834,724	277,009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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	857	286	571	360	Company Policy	Mr. Usman Ahmed (Ex-employee)
	905	362	543	579	Company Policy	Mr. Munawer Jawed Butt (Ex-employee)
	861	344	517	550	Company Policy	Mr. Syed Qasim Ali Rizvi (Ex-employee)
	969	840	129	506	Company Policy	Mr. S. M. Ashqeen (Ex-employee)
	3,592	1,832	1,760	1,995		
written down value below Rs. 50,000 each						
Vehicles	4,129	4,129	-	2,059		
	<u>7,721</u>	<u>5,961</u>	<u>1,760</u>	<u>4,054</u>		

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, 2009	281	10,847	17,498	850,583	44,254	923,463
Additions during the year	-	-	3,086	434,445	7,770	445,301
Transfers during the year - note 3.1.2	(281)	(10,847)	(20,584)	(779,943)	(23,069)	(834,724)
Balance as at June 30, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,085</u>	<u>28,955</u>	<u>534,040</u>
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	<u>281</u>	<u>10,847</u>	<u>17,498</u>	<u>850,583</u>	<u>44,254</u>	<u>923,463</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
4. INTANGIBLE ASSETS – Computer softwares		
Net carrying value		
Balance at beginning of the year	5,938	11,911
Addition at cost	-	311
Amortisation for the year	(5,800)	(6,284)
Balance at end of the year	<u>138</u>	<u>5,938</u>
Gross carrying value		
Cost	50,836	50,836
Accumulated amortisation	(50,698)	(44,898)
Net book value	<u>138</u>	<u>5,938</u>
Amortisation is charged at the rate of 33.33% per annum.		
5. DEFERRED TAXATION		
Debit balances arising in respect of provisions for:		
- slow moving and obsolete stores, spares and chemicals	171,728	154,851
- duties and taxes	72,066	71,680
- discount on crude oil purchases	86,065	85,605
- long term investment, doubtful debts, doubtful receivables and pending litigations	26,123	14,246
- old outstanding liabilities offered for tax	563,086	128,228
	<u>919,068</u>	<u>454,610</u>
Credit balance arising in respect of accelerated tax depreciation and amortisation	(486,336)	(370,112)
	<u>432,732</u>	<u>84,498</u>
6. LONG TERM INVESTMENT		
Investment in related party (unlisted)		
– Available for sale		
Anoud Power Generation Limited	10,800	10,800
[1,080,000 (2009: 1,080,000) Ordinary shares of Rs.10 each, Equity held 9.09 percent (2009: 9.09 percent)]		
Less: Provision for impairment	10,800	10,800
	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
7. LONG TERM LOANS AND DEPOSITS		
Loans - considered good		
Secured - note 7.2		
- Executives	30,033	23,368
- Employees	42,952	42,891
	<u>72,985</u>	<u>66,259</u>
Less: Recoverable within one year shown under current assets - note 11		
- Executives	7,291	6,145
- Employees	7,322	7,293
	<u>14,613</u>	<u>13,438</u>
	58,372	52,821
Unsecured - note 7.3		
- Executives	1,393	2,033
- Employees	880	1,194
	<u>2,273</u>	<u>3,227</u>
Less: Recoverable within one year shown under current assets - note 11		
- Executives	403	636
- Employees	183	333
	<u>586</u>	<u>969</u>
	1,687	2,258
	<u>60,059</u>	<u>55,079</u>
Deposits		
- Utilities	14,200	7,938
- Others	16,235	16,130
	<u>30,435</u>	<u>24,068</u>
	<u>90,494</u>	<u>79,147</u>

7.1 Reconciliation of the carrying amount of loans:

	2010			2009		
	Executives	Employees	Total	Executives	Employees	Total
	(Rupees in thousand)					
Balance at beginning of the year	25,401	44,085	69,486	29,240	40,395	69,635
Effect of promotions to Executives	2,260	(2,260)	-	3,853	(3,853)	-
Add: Disbursements	13,957	10,625	24,582	4,003	13,800	17,803
Less: Recoveries	(10,192)	(8,618)	(18,810)	(11,695)	(6,257)	(17,952)
Balance at end of the year	<u>31,426</u>	<u>43,832</u>	<u>75,258</u>	<u>25,401</u>	<u>44,085</u>	<u>69,486</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- 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 (2009: 5 to 10) years. Certain of these loans are interest free, whereas others carry interest ranging from 3% to 7% (2009: 3% to 7%) per annum in case of motor car loans and 5% (2009: 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 (2009: 4 to 12) years and are interest free.

	2010	2009
	(Rupees in thousand)	
8. STORES, SPARES AND CHEMICALS		
In hand		
- Stores	331,889	293,698
- Spares	972,862	939,518
- Chemicals	98,450	127,106
	1,403,201	1,360,322
In transit	61,667	84,402
	1,464,868	1,444,724
Provision for slow moving and obsolete stores, spares and chemicals	(560,498)	(508,130)
	904,370	936,594
9. STOCK-IN-TRADE		
Raw materials		
- Crude oil and condensate - note 9.1	4,396,449	6,737,943
- Naphtha	21,765	20,084
	4,418,214	6,758,027
Semi finished products	1,968,622	1,576,437
Finished products - notes 9.1 and 9.2	5,411,367	3,916,717
	11,798,203	12,251,181
9.1 As at June 30, stock of raw materials has been written down by Rs. 190.44 million (2009: Rs. 187.54 million) and finished goods by Rs. 156.91 million (2009: nil) to arrive at its net realisable value.		
9.2 Includes stocks held with the following third parties:		
- Karachi Bulk Storage & Terminals (Pvt.) Limited	192,450	483,500
- Pakistan State Oil Company Limited	52,491	14,384
	244,941	497,884

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in thousand)	
10.	TRADE DEBTS - unsecured		
	Considered good		
	- related party - Attock Petroleum Limited	2,784,059	4,866,923
	- others	13,507,645	9,974,365
			} note 10.1
	Considered doubtful	21,174	21,174
		<u>16,312,878</u>	<u>14,862,462</u>
	Provision for doubtful debts	(21,174)	(21,174)
		<u>16,291,704</u>	<u>14,841,288</u>
10.1	The age analysis of debts past due but not impaired is as follows:		
	Up to 3 months	709,517	5,144,437
	3 to 6 months	290,912	6,649,111
	More than 6 months	9,168,404	7,222
11.	LOANS AND ADVANCES		
	Loans - considered good		
	Current portion of long term loans - note 7		
	Secured		
	- Executives	7,291	6,145
	- Employees	7,322	7,293
		14,613	13,438
	Unsecured		
	- Executives	403	636
	- Employees	183	333
		586	969
	Short term loans to employees - unsecured, interest free	494	433
	Advances		
	- Executives	1,648	870
	- Employees	981	367
	- Suppliers	3,111	9,142
		5,740	10,379
		<u>21,433</u>	<u>25,219</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
12. DEPOSITS AND PREPAYMENTS		
Deposits		
- Margin against letters of credit and guarantee	-	13,396
- Others	842	512
	842	13,908
Prepayments		
- Insurance	10,089	11,559
- Workers' profits participation fund - note 19.3	-	23,472
- Others	5,370	4,810
	15,459	39,841
	16,301	53,749
13. OTHER RECEIVABLES – considered good		
Receivable from related parties:		
- Attock Petroleum Limited	1,220	836
- Attock Refinery Limited	9,475	455
- The Attock Oil Company Limited	-	3
	10,695	1,294
Others:		
- Pakistan Refinery Limited - note 13.1	682,643	654,754
- Pak Arab Refinery Limited - note 13.1	-	1,003,344
- Government of Pakistan - note 13.2	232,809	699,264
- Claims receivable	9,595	4,142
- Insurance rebate receivable	4,411	4,900
- Others	1,438	14,885
	941,591	2,382,583
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. 232.81 million (2009: Rs. 660.75 million).	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2010 2009

(Rupees in thousand)

14. INVESTMENTS

At fair value through profit or loss

Investment in open ended mutual funds - note 14.1

2010	2009			
Units				
6,172,840	7,241,154	National Investment Trust	173,889	194,425
-	31,054	Faysal Income & Growth Fund	-	3,197
			<u>173,889</u>	<u>197,622</u>

Held to maturity

3 months treasury bills - at amortised cost - note 14.2

1,379,776	-
<u>1,553,665</u>	<u>197,622</u>

14.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2010 as quoted by the Asset Management Companies.

14.2 These are held by Company's banker on behalf of the Company. The yield on these bills ranges from 12.48% to 12.67% per annum and these bills will mature in July 2010 to September 2010.

15. CASH AND BANK BALANCES

In hand

500

500

With banks on:

Current accounts	75,062	52,592
Savings accounts - note 15.3	8,315,740	2,250,229
Deposit accounts		
- local currency - notes 15.1, 15.2 and 15.3	7,812,535	5,491,847
- foreign currency [US \$ 61 thousand; (2009: US \$ 61 thousand)]	5,171	4,911
	<u>16,208,508</u>	<u>7,799,579</u>
	<u>16,209,008</u>	<u>7,800,079</u>

15.1 Includes Rs. 1.21 billion (2009: Rs. 1.61 billion) in respect of deposits placed in 90 days interest-bearing accounts consequent to various directives of the Ministry of Petroleum & Natural Resources on account of amounts withheld alongwith related interest earned thereon.

15.2 Includes Rs. 198.19 million (2009: Rs. 91.85 million) under lien with banks against bank guarantees issued on behalf of the Company.

15.3 These carry interest at the rates varying from 5% to 13.50% (2009: 5% to 17.8%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2010 2009
(Rupees in thousand)

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Number of shares

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
<u>79,966,560</u>		<u>799,666</u>	<u>799,666</u>

16.1 As at June 30, 2010 and 2009, Attock Oil Group holds 51% equity stake in the Company through the following companies:

	2010	2009
	(Number of shares)	
- 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(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	11,588,000	8,388,000
Unappropriated profit	4,024,986	4,232,178
	15,612,986	12,620,178
Special reserve - note 17.2	3,211,062	3,918,638
	18,838,307	16,553,075

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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

18. STAFF RETIREMENT BENEFITS

The details of staff retirement benefits are as follows:

	2010			2009		
	Pension Fund	Gratuity Fund	Medical Fund (Rupees in thousand)	Pension Fund	Gratuity Fund	Medical Fund
18.1 Reconciliations of obligations						
Present value of defined benefit obligations	2,478,854	73,659	645,699	2,312,535	53,946	581,215
Fair value of plan assets	(2,659,526)	(47,721)	(551,351)	(2,396,530)	(62,950)	(534,593)
Funded status (Receivable from Gratuity) / Payable to Pension Fund	(180,672)	25,938	94,348	(83,995)	(9,004)	46,622
Unrecognised net actuarial gain / (loss)	228,973	(25,938)	(3,157)	152,875	(14,246)	43,295
Recognised liability	48,301	-	91,191	44,745	885	89,917
18.2 Movement in liability / (asset)						
Liability / (asset) at beginning of the year	44,745	885	89,917	239,258	(28)	73,019
Charge for the year	64,790	2,368	19,374	79,045	913	16,898
Contribution (paid to) / refund by the fund	(61,234)	(3,253)	2,294	(273,558)	-	-
Benefits paid directly by the Company	-	-	(20,394)	-	-	-
Liability at end of the year	48,301	-	91,191	44,745	885	89,917
18.3 Charge for the year						
Current service cost	71,336	2,727	14,513	69,771	2,580	13,707
Interest cost	250,872	6,034	63,809	259,223	5,906	66,339
Expected return on plan assets	(257,418)	(7,005)	(58,948)	(249,949)	(7,573)	(63,148)
Net actuarial loss recognised during the year	-	612	-	-	-	-
	64,790	2,368	19,374	79,045	913	16,898
18.4 Movement in present value of defined benefit obligations						
Opening balance	2,312,535	53,946	581,215	2,181,529	67,945	553,929
Service cost	71,336	2,727	14,513	69,771	2,580	13,707
Interest cost	250,872	6,034	63,809	259,223	5,906	66,339
Benefits paid	(147,076)	(153)	-	(118,869)	-	(13,134)
Benefits paid directly by the Company	-	-	(20,394)	-	-	-
Transfer from Gratuity / (to Pension) Fund	-	-	-	25,166	(25,166)	-
Actuarial (gain) / loss	(8,813)	11,105	6,556	(104,285)	2,681	(39,626)
Present value of defined benefit obligations at the end of the year	2,478,854	73,659	645,699	2,312,535	53,946	581,215
18.5 Movement in fair value of plan assets						
Opening balance	2,396,530	62,950	534,593	2,128,896	82,668	525,739
Expected return	257,418	7,005	58,948	249,949	7,573	63,148
Contributions / (refund)	61,234	3,253	(2,294)	273,558	-	-
Benefits paid	(147,076)	(153)	-	(118,869)	-	(13,134)
Actuarial gain / (loss)	67,285	(1,199)	(39,896)	(148,795)	(15,500)	(41,160)
Transfer from Gratuity / (to Pension) Fund	24,135	(24,135)	-	11,791	(11,791)	-
Fair value of plan assets at the end of the year	2,659,526	47,721	551,351	2,396,530	62,950	534,593
Actual return / (loss) on plan assets	324,703	5,806	19,052	101,154	(7,927)	21,988

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	← 2010	2009	2008	2007	2006 →	
	(Rupees in thousand)					
18.6 Historical information						
PENSION FUND						
As at June 30						
Present value of defined benefit obligation	2,478,854	2,312,535	2,181,529	1,961,320	1,811,027	
Fair value of plan assets	(2,659,526)	(2,396,530)	(2,128,896)	(1,997,522)	(1,758,226)	
(Surplus) / Deficit	<u>(180,672)</u>	<u>(83,995)</u>	<u>52,633</u>	<u>(36,202)</u>	<u>52,801</u>	
Experience (gain) / loss on obligation	(8,813)	(104,285)	57,522	28,890	44,795	
Experience gain / (loss) on plan assets	67,285	(148,795)	38,441	161,482	93,238	
GRATUITY FUND						
As at June 30						
Present value of defined benefit obligation	73,659	53,946	67,945	56,823	50,859	
Fair value of plan assets	(47,721)	(62,950)	(82,668)	(67,595)	(52,110)	
Deficit / (Surplus)	<u>25,938</u>	<u>(9,004)</u>	<u>(14,723)</u>	<u>(10,772)</u>	<u>(1,251)</u>	
Experience loss / (gain) on obligation	11,105	2,681	13,968	(315)	(329)	
Experience (loss) / gain on plan assets	(1,199)	(15,500)	7,706	9,320	1,263	
MEDICAL FUND						
As at June 30						
Present value of defined benefit obligation	645,699	581,215	553,929	548,940	488,747	
Fair value of plan assets	(551,351)	(534,593)	(525,739)	(499,257)	(433,941)	
Deficit	<u>94,348</u>	<u>46,622</u>	<u>28,190</u>	<u>49,683</u>	<u>54,806</u>	
Experience loss / (gain) on obligation	6,556	(39,626)	(49,327)	18,373	15,022	
Experience (loss) / gain on plan assets	(39,896)	(41,160)	(10,080)	41,378	12,927	
18.7 Major categories / composition of plan assets are as follows:						
	Pension		Gratuity		Medical fund	
	2010	2009	2010	2009	2010	2009
Debt Instrument	81.75%	80.93%	53.82%	79.38%	26.30%	27.17%
Equity	1.81%	2.04%	9.18%	3.86%	3.43%	3.18%
Mixed funds	14.51%	14.14%	14.85%	9.68%	68.43%	66.58%
Others	1.93%	2.89%	22.15%	7.08%	1.84%	3.07%
18.8 Principal actuarial assumptions						
Rate of discount	12.75% p.a	11% p.a	12.75% p.a	11% p.a	12.75% p.a	11% p.a
Expected rate of increment of salary / increase in cost	11.75% p.a	10% p.a	12.75% p.a	11% p.a	9.75% p.a	8% p.a
Expected rate of increase in pension	5.75% p.a	4% p.a	-	-	-	-
Expected rate of return on assets	11% p.a	11% p.a	11% p.a	11% p.a	11% p.a	11% 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				11,331	14,516	
Effect on the defined benefit obligation				103,622	84,644	
The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:						
				← 2010	2009 →	
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				80,570		
Gratuity fund				9,936		
Medical fund				33,398		
18.11 Information in note 18 is based on actuarial advice.						

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
(Rupees in thousand)		
19. TRADE AND OTHER PAYABLES		
Creditors		
Government of Pakistan	7,911,734	161,793
Other trade creditors:		
- Related parties - note 19.1	71,169	30,144
- Others - note 19.2	19,502,009	21,176,825
	19,573,178	21,206,969
	27,484,912	21,368,762
Mark-up accrued on unsecured customs duty overdue	310,264	310,264
Accrued liabilities	503,364	541,829
Retention money	14,737	14,266
Deposits from contractors	25,200	18,028
Advances from customers	367,569	339,718
Workers' profits participation fund - note 19.3	1,966	-
Workers' welfare fund	137,142	141,571
Income tax deducted at source	34,806	9,321
Unclaimed dividend	47,004	43,538
Excise duty and petroleum levy	952,391	235,429
Others	9,555	9,512
	29,888,910	23,032,238
19.1 Amounts due to related parties are as follows:		
Attock Petroleum Limited	70,817	30,144
The Attock Oil Company Limited	352	-
	71,169	30,144

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- 19.2** Includes an amount of Rs. 280.91 million (2009: 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.

2010 **2009**
(Rupees in thousand)

19.3 Workers' profits participation fund

(Receivable) / Payable at beginning of the year	(23,472)	74,291
Allocation for the year - note 28	276,966	151,528
Interest on funds utilised in the Company's business - note 29	-	8,167
	253,494	233,986
Less: Amount paid to the Trustees of the Fund	251,528	257,458
Payable / (Receivable) at end of the year	1,966	(23,472)

20. PROVISIONS

Duties and taxes - note 20.1	215,214	215,214
Others	83,355	86,271
	298,569	301,485

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- 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 (2009: 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.

	2010	2009
	(Rupees in thousand)	
20.2. Reconciliation of provisions		
Balance at the beginning of the year	301,485	298,569
(Reversal) / Provision due to settlement	(2,916)	2,916
Balance at the end of the year	<u>298,569</u>	<u>301,485</u>

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** Outstanding counter guarantees at the end of the year amounted to Rs. 198.41 million (2009: Rs. 157.30 million).
- 21.1.3** Claims not acknowledged by the Company as debt at the end of the year amounted to Rs. 1.41 billion (2009: Rs. 545.84 million). These include claims accumulating to Rs. 1.26 billion (2009: Rs. 404.08 million) in respect of late payment surcharge claimed by crude oil suppliers.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

21.1.4 The Company has raised claims on certain Oil Marketing Companies (OMCs) in respect of interest on late payments against receivables aggregating to Rs. 2.39 billion (2009: Rs.1.24 billion). However, these have not been recognised in the financial statements as these claims have not been acknowledged by the OMCs.

21.2. Commitments

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

	2010	2009
	(Rupees in thousand)	
CURRENCY		
- Foreign currency	17,120	16,260
- Pak Rupees	47,988	68,317
	<u>65,108</u>	<u>84,577</u>

21.2.2 Outstanding letters of credit at the end of the year amounted to Rs. 10.28 billion (2009: Rs. 6.44 billion).

22. GROSS SALES

Local	118,668,989	126,687,035
Export	17,781,996	13,425,215
	<u>136,450,985</u>	<u>140,112,250</u>

23. TRADE DISCOUNTS, TAXES, DUTIES AND LEVIES

Trade discounts	613,234	738,681
Sales tax	16,240,584	16,403,512
Excise duty	1,424,189	1,332,503
Petroleum levy	7,916,844	12,059,190
Carbon surcharge	69,760	-
	<u>26,264,611</u>	<u>30,533,886</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
24. COST OF SALES		
Opening stock of semi-finished products	1,576,437	925,522
Crude oil, condensate, naphtha and drums consumed - notes 24.1 and 24.2	101,788,482	101,375,495
Stores, spares and chemicals consumed	521,002	456,066
Salaries, wages and staff benefits - note 24.3	797,604	789,888
Staff transport and canteen	68,167	64,201
Fuel, power and water	1,755,256	1,601,029
Rent, rates and taxes	102,200	33,725
Insurance	96,606	80,923
Contract services	42,480	42,218
Repairs and maintenance	266,468	143,384
Provision for slow moving and obsolete stores, spares and chemicals	52,368	-
Depreciation	205,095	198,395
Amortisation of intangible assets - note 4	5,697	6,215
Health, safety, environment and related cost	4,398	3,847
Professional charges	4,936	5,655
Consultancy charges - note 24.4	19,516	31,860
Others	10,126	10,441
	105,740,401	104,843,342
Closing stock of semi-finished products - note 9	(1,968,622)	(1,576,437)
Cost of products manufactured	105,348,216	104,192,427
Opening stock of finished products	3,916,717	4,025,955
Closing stock of finished products - note 9	(5,411,367)	(3,916,717)
	(1,494,650)	109,238
	103,853,566	104,301,665
24.1 Crude oil, condensate, naphtha and drums consumed		
Crude oil, condensate and naphtha		
- Opening stock	6,758,027	8,336,814
- Purchases	98,964,228	99,502,904
- Closing stock	(4,418,214)	(6,758,027)
	101,304,041	101,081,691
Drums	484,441	293,804
	101,788,482	101,375,495

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. 55.87 million (2009: Rs. 73.62 million) and Rs. 23.96 million (2009: Rs. 22.78 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 and other projects.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
25. DISTRIBUTION AND MARKETING EXPENSES		
Salaries and staff benefits - note 25.1	40,328	38,277
Staff transport and canteen	2,983	2,741
Stores, spares and chemicals consumed	3,622	9,315
Commission on local sales	558,989	525,750
Commission on export sales	178,244	135,363
Export expenses	123,168	104,515
Depreciation	15,397	14,278
Repairs and maintenance	13,415	11,770
Postage and periodicals	2,073	1,925
Provision for doubtful receivable	38,514	-
Selling expenses	8,713	6,916
Pipeline charges	3,628	3,233
Others	7,025	6,029
	<u>996,099</u>	<u>860,112</u>
25.1	Includes Rs. 4.93 million (2009: Rs. 2.48 million) and Rs. 1.62 million (2009: Rs. 0.77 million) in respect of defined benefit and defined contribution plans respectively.	
26. ADMINISTRATIVE EXPENSES		
Salaries and staff benefits - note 26.1	212,865	210,254
Staff transport and canteen	17,243	16,903
Directors Fee	3,405	120
Rent, rates and taxes	4,028	3,521
Depreciation	14,637	15,658
Amortisation of intangible assets - note 4	103	69
Legal and professional charges	7,940	3,933
Printing and stationery	6,466	5,681
Repairs and maintenance	60,985	59,362
Telephone and communication	5,010	3,926
Electricity and power	17,261	15,941
Insurance	1,763	1,790
Training and seminar	965	285
Postage and periodicals	6,013	5,326
Security charges	9,602	8,971
Others	5,489	7,193
	<u>373,775</u>	<u>358,933</u>
26.1	Includes Rs. 25.73 million (2009: Rs. 20.76 million) and Rs. 7.73 million (2009: Rs. 6.42 million) in respect of defined benefit and defined contribution plans respectively.	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
27. OTHER OPERATING INCOME		
Income from financial assets		
Return / interest / mark-up on:		
- PLS savings and deposit accounts	936,591	882,561
- Secured loans to employees and executives	596	454
- Treasury bills	29,645	-
Gain on sale of open ended mutual fund units	44,491	79,970
Loss on re-measurement of fair value of open ended mutual fund units	(26,111)	(5,528)
Dividend income from NIT units	23,534	-
Others		
Handling and storage income	113,231	119,414
Hospitality charges	8,600	11,037
Liabilities no longer payable written back	112,649	198,094
Profit on disposal of property, plant and equipment	2,294	749
Sale of scrap and empties	9,882	54,965
Pipeline charges recovered	4,629	3,631
Rental income	6,081	5,979
Rebate on insurance	5,081	6,878
Encashment of bank guarantee	3,669	3,803
Tender fees	180	353
Others	3,062	2,788
	<u>1,278,104</u>	<u>1,365,148</u>
28. OTHER OPERATING EXPENSES		
Workers' profits participation fund - note 19.3	276,966	151,528
Workers' welfare fund	126,736	57,417
Auditors' remuneration - note 28.1	5,957	3,513
Donations - note 28.2	-	2,500
	<u>409,659</u>	<u>214,958</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
28.1 Auditors' remuneration		
Audit fee	1,320	1,100
Taxation services	3,457	1,121
Fee for review of half yearly financial statements, special reports and certifications	797	996
Out-of-pocket expenses	383	296
	<u>5,957</u>	<u>3,513</u>
28.2 None of the Directors or their spouses had any interest in the donee.		
29. FINANCE COST		
Interest on workers' profits participation fund - note 19.3	-	8,167
Interest on amounts withheld against purchases of crude oil	348,289	-
Exchange loss	345,277	2,385,068
Guarantee commission and service charges	1,306	324
Bank charges	885	829
	<u>695,757</u>	<u>2,394,388</u>
30. TAXATION		
Current		
- for the year	2,112,460	1,024,349
- for prior years	86,582	176,170
	<u>2,199,042</u>	<u>1,200,519</u>
Deferred	(348,234)	79,909
	<u>1,850,808</u>	<u>1,280,428</u>
30.1 Relationship between tax expense and accounting profit		
Accounting profit before taxation	5,135,622	2,813,456
Tax at the applicable tax rate of 35%	1,797,468	984,710
Tax effect of income exempt from tax	(15,572)	(40,763)
Tax effect of expenses not allowed for tax	13,722	5,914
Tax effect of Final Tax Regime	24,018	154,397
Effect of tax credits	(49,526)	-
Effect of income taxable at lower rate	(5,884)	-
Effect of prior years tax	86,582	176,170
Tax expense for the year	<u>1,850,808</u>	<u>1,280,428</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
31. EARNINGS PER SHARE		
Profit after taxation	<u>3,284,814</u>	<u>1,533,028</u>
Weighted average number of ordinary shares in issue (in thousand)	<u>79,967</u>	<u>79,967</u>
Basic earnings per share (Rupees)	<u>41.08</u>	<u>19.17</u>
There were no dilutive potential ordinary shares in issue as at June 30, 2010 and 2009.		
32. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	5,135,622	2,813,456
Adjustment for non cash charges and other items:		
Depreciation and amortisation	240,929	234,615
Provision for gratuity	2,368	913
Provision for post retirement medical benefits	19,374	16,898
Provision for pension	64,790	79,045
Interest on amounts withheld against purchases of crude oil	348,289	-
Provision for slow moving and obsolete stores, spares and chemicals	52,368	-
Provision for doubtful receivables	38,514	-
Return / interest on bank deposits	(936,591)	(882,561)
Return on treasury bills	(29,645)	-
Gain on sale of open ended mutual fund units	(44,491)	(79,970)
Loss on re-measurement of fair value of open ended mutual fund units	26,111	5,528
Profit on disposal of property, plant and equipment	(2,294)	(749)
Exchange gain on foreign currency bank accounts	(260)	(793)
Increase in working capital - note 32.1	<u>7,442,005</u>	<u>(7,720,624)</u>
	<u>12,357,089</u>	<u>(5,534,242)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
32.1 (Increase) / Decrease in working capital		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(20,144)	(157,518)
Stock-in-trade	452,978	1,037,110
Trade debts	(1,450,416)	(4,668,237)
Loans and advances	3,786	25,809
Deposits and short term prepayments	37,448	42,122
Other receivables	1,402,478	(199,326)
Tax refunds due from Government - Sales tax	513,874	(167,681)
	940,004	(4,087,721)
Increase / (Decrease) in current liabilities		
Trade and other payables	6,504,917	(3,635,819)
Provisions	(2,916)	2,916
	7,442,005	(7,720,624)
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,209,008	7,800,079
Short term investments	1,362,290	-
	17,571,298	7,800,079
34. UNAVAILED CREDIT FACILITIES		
Short term running finance - note 34.1	350,000	350,000
Letters of credit and guarantee - note 34.2	17,734,762	19,438,184
34.1 Short term running finance		
The rates of mark-up on these finance ranges between 12.22% and 13.36% (2009: 12.42% and 16.02%) per annum, payable quarterly.		
The facilities are secured against joint pari passu charge on Company's stocks, receivables and other current assets.		
The purchase prices are repayable on various dates latest by March 31, 2011.		
34.2 Letters of credit and guarantee		
The facilities are secured by way of pari passu charge against hypothecation of Company's plant and machinery and ranking charge on Company's stocks, receivables and other current assets.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in thousand)					
Managerial remuneration	6,381	2,440	144,532	4,380	-	125,387
Bonus	1,545	402	21,627	1,820	-	34,639
Retirement benefits	1,713	587	35,190	1,310	-	31,340
House rent	-	908	56,194	-	-	49,168
Conveyance	193	273	10,701	195	-	9,658
Leave benefits	585	228	14,683	416	-	11,744
	<u>10,417</u>	<u>4,838</u>	<u>282,927</u>	<u>8,121</u>	<u>-</u>	<u>261,936</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>165</u>	<u>1</u>	<u>-</u>	<u>142</u>

35.1 In addition to the above, fee to Directors during the year amounted to Rs. 3.40 million (2009: Rs. 120 thousand).

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

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial assets and liabilities

	Interest/mark-up bearing			Non-interest/mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial assets							
Loans and receivables							
Loans and advances	2,546	10,515	13,061	15,776	49,544	65,320	78,381
Deposits	-	-	-	842	30,435	31,277	31,277
Trade debts	-	-	-	16,291,704	-	16,291,704	16,291,704
Accrued interest	-	-	-	69,231	-	69,231	69,231
Other receivables	-	-	-	941,591	-	941,591	941,591
Cash and bank balances	16,128,275	-	16,128,275	80,733	-	80,733	16,209,008
Fair value through profit or loss							
Investments	-	-	-	173,889	-	173,889	173,889
Held to maturity							
Investments	1,379,776	-	1,379,776	-	-	-	1,379,776
2010	<u>17,510,597</u>	<u>10,515</u>	<u>17,521,112</u>	<u>17,573,766</u>	<u>79,979</u>	<u>17,653,745</u>	<u>35,174,857</u>
2009	7,744,614	10,861	7,755,475	17,596,773	68,286	17,665,059	25,420,534
Financial liabilities							
Trade and other payables							
	1,678,714	-	1,678,714	26,699,709	-	26,699,709	28,378,423
2010	<u>1,678,714</u>	<u>-</u>	<u>1,678,714</u>	<u>26,699,709</u>	<u>-</u>	<u>26,699,709</u>	<u>28,378,423</u>
2009	2,801,677	-	2,801,677	19,504,522	-	19,504,522	22,306,199

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

36.2 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. 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. 34.94 billion (2009: Rs. 24.70 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:

	2010	2009
	(Rupees in thousand)	
Loans and advances	78,381	69,486
Deposits	31,277	37,976
Trade debts	6,122,871	3,040,518
Accrued interest	69,231	91,500
Other receivables	941,591	2,382,583
Investments	1,553,665	197,622
Cash and bank balances	16,209,008	7,800,079
	<u>25,006,024</u>	<u>13,619,764</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

(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. 960.01 million (2009: Rs. 4.91 million) and financial liabilities include Rs. 7.33 billion (2009: Rs. 6.20 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, 2010, 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. 636.50 million (2009: Rs. 619.29 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar-denominated trade payables and trade debts.

(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 and bank 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, 2010 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. 173.90 million (2009: 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

37. SEGMENT INFORMATION

37.1 The Company's operating segments 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. Inter-segment transfers are made at relevant costs to each segment.

37.2 Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets include property, plant and equipment and tax refunds.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	2010	2009	2010	2009	2010	2009
	← (Rupees in thousand) →					
Segment Revenue						
Sales to external customers						
- local, net of discounts, taxes, duties and levies	60,429,727	66,488,111	31,974,651	29,665,038	92,404,378	96,153,149
- export	15,758,624	12,613,155	2,023,372	812,060	17,781,996	13,425,215
	76,188,351	79,101,266	33,998,023	30,477,098	110,186,374	109,578,364
Inter-segment sales	25,546,918	21,529,165	-	-	25,546,918	21,529,165
Elimination of inter-segment sales	-	-	-	-	(25,546,918)	(21,529,165)
Net sales	101,735,269	100,630,431	33,998,023	30,477,098	110,186,374	109,578,364
Segment results after tax	(707,576)	(2,699,059)	3,992,390	4,232,087	3,284,814	1,533,028
Segment assets	31,009,608	29,172,546	18,472,835	10,680,182	49,482,443	39,852,728
Unallocated assets	-	-	-	-	2,156,676	2,491,883
Total assets	31,009,608	29,172,546	18,472,835	10,680,182	51,639,119	42,344,611
Segment liabilities	28,645,989	21,752,603	1,680,982	1,716,667	30,326,971	23,469,270
Unallocated liabilities	-	-	-	-	1,674,175	1,522,600
Total liabilities	28,645,989	21,752,603	1,680,982	1,716,667	32,001,146	24,991,870
Other Segment Information:						
Capital expenditure	254,416	7,548	262,032	160,819	516,448	168,367
Unallocated capital expenditure	-	-	-	-	338,774	125,530
	254,416	7,548	262,032	160,819	855,222	293,897
Depreciation and amortisation	72,739	73,088	168,190	161,527	240,929	234,615
Interest income	322,277	294,338	644,555	588,677	966,832	883,015
Interest expense	348,289	2,722	-	5,445	348,289	8,167
Non-cash expenses other than depreciation	55,970	5,633	34,912	11,265	90,882	16,898
Stock-in-trade written down	347,350	187,540	-	-	347,350	187,540

37.3 The Company sells its manufactured products to local Oil Marketing Companies (OMCs) and other organisations / institutions. Out of these, four of the Company's customers contributed towards 69.56% (2009: 76.29%) of the net revenues during the year amounting to Rs. 76.64 billion (2009: Rs. 83.59 billion) and each customer individually exceeds 10% of the net revenues.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		(Rupees in thousand)	
38.	TRANSACTIONS WITH RELATED PARTIES		
38.1	The following transactions were carried out with related parties during the year:		
	Nature of relationship	Nature of transactions	
	Associated companies		
		38,907,025	32,863,655
	Sale of petroleum products		
	Rental income	3,296	3,426
	Hospitality charges	8,600	11,037
	Handling income	69,402	70,796
	Trade discounts and commission on sales	1,348,660	1,399,794
	Reimbursement of expenses	7,405	3,203
	Purchase of petroleum products	16,586	2,559
	Dividend paid	509,787	815,659
	Payment made to Prime Minister Relief Fund through The Attock Oil Company Limited	-	2,500
	Post employment staff benefit plans		
	Contributions	119,842	127,485
	Others		
	Purchase of electricity	863,667	729,016
	Rental income	494	449
	Key management employees compensation		
	Salaries and other employee benefits	26,782	19,466
	Post retirement benefits	2,872	2,162
	Directors' Fees	3,405	120

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

38.2 The related party status of outstanding balances as at June 30, 2010 is included in trade debts, other receivables and trade and other payables.

	Annual designed throughput capacity	Actual throughput 2010	2009
		(In Metric Tons)	
39.	CAPACITY		
Fuel section - throughput of crude oil - 39.1	<u>2,710,500</u>	<u>2,138,635</u>	<u>2,423,683</u>
Lube section - throughput of reduced crude oil	<u>620,486</u>	<u>657,355</u>	<u>673,666</u>

39.1 The throughput has been reduced due to scheduled turnaround of refinery and negative product margins due to unfavourable economies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

40. CORRESPONDING FIGURES

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

41. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 29, 2010 (i) approved transfer of Rs. 2.4 billion (2009: Rs. 3.2 billion) from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs. 20.00 per share (2009: Rs. 12.50 per share) for the year ended June 30, 2010 amounting to Rs. 1.60 billion (2009: Rs. 999.58 million) for approval of the members at the Annual General Meeting to be held on October 27, 2010. These financial statements do not recognise these appropriations which will be accounted for in the financial statements for the year ending June 30, 2011.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 29 SEP 2010 by the Board of Directors of the Company.



Chief Executive



Director

Pattern of Shareholding

NUMBER OF SHARES		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% ON ISSUED
FROM	TO			
1	100	1,332	47,424	0.06
101	500	1,187	315,800	0.39
501	1,000	547	406,235	0.50
1,001	5,000	864	1,931,242	2.41
5,001	10,000	153	1,086,613	1.36
10,001	15,000	49	605,238	0.76
15,001	20,000	30	533,479	0.67
20,001	25,000	13	298,620	0.37
25,001	30,000	9	255,640	0.32
30,001	35,000	9	295,118	0.37
35,001	40,000	8	309,800	0.39
40,001	45,000	6	262,058	0.33
45,001	50,000	11	532,934	0.67
50,001	55,000	1	55,956	0.07
55,001	60,000	4	232,706	0.29
60,001	65,000	2	127,800	0.16
65,001	70,000	4	274,199	0.34
70,001	75,000	2	143,462	0.18
75,001	80,000	3	230,150	0.29
80,001	85,000	2	166,797	0.21
90,001	95,000	4	373,256	0.47
95,001	100,000	3	296,700	0.37
105,001	110,000	2	215,936	0.27
115,001	120,000	2	232,300	0.29
120,001	125,000	3	366,659	0.46
135,001	140,000	1	135,560	0.17
145,001	150,000	2	299,909	0.38
150,001	155,000	1	151,362	0.19
160,001	165,000	1	163,499	0.20
165,001	170,000	1	168,460	0.21
170,001	175,000	1	173,218	0.22
180,001	185,000	1	181,371	0.23
200,001	205,000	1	203,500	0.25
205,001	210,000	1	210,000	0.26
220,001	225,000	2	447,364	0.56
235,001	240,000	1	240,000	0.30
245,001	250,000	1	250,000	0.31
270,001	275,000	1	272,371	0.34
295,001	300,000	1	300,000	0.38
315,001	320,000	1	316,785	0.40
325,001	330,000	1	329,532	0.41
401,001	405,000	1	404,351	0.51
420,001	425,000	1	425,000	0.53
455,001	460,000	1	455,400	0.57
500,001	505,000	1	502,363	0.63
600,001	605,000	1	602,648	0.75
610,001	615,000	1	611,217	0.76
665,001	700,000	1	700,000	0.88
795,001	800,000	1	799,665	1.00
2,185,001	2,190,000	1	2,189,308	2.74
3,170,001	3,175,000	1	3,173,883	3.97
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
		4,282	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	4,064	7,084,819	8.86
Investment Companies	10	199,653	0.25
Joint Stock Companies	22	1,144,119	1.43
NIT & ICP	6	5,293,114	6.62
Bank, Insurance, Modaraba, Mutual & Provident / Pension Funds	94	10,927,659	13.67
Foreign Investors (including IDB)	20	14,391,378	18.00
Charitables Trust	8	104,649	0.13
Others	56	837,889	1.04
	4,282	79,966,560	100.00

INFORMATION REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Associated Companies	2	39,983,280
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NIT & ICP

National Bank of Pakistan-Trustee Department NI(U)T Fund	1	4,680,392
National Investment Trust Limited	2	611,917
IDBP (ICP Unit)	1	339
M/S Investment Corp. of Pakistan	2	466

Chief Executive Officer, Director, their spouse and minor children

Dr. Ghaith R. Pharaon	1
Mr. Laith G. Pharaon	1
Mr. Wael G. Pharaon	1
Mr. Shuaib A. Malik	2
Mr. Abdus Sattar	601

Executives	11	2,250
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Public Sector Companies	22	1,144,119
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Bank, Insurance, Modaraba, Mutual & Provident / Pension Funds and Non-Banking Financial Institutions:	188	26,461,228
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Shareholders holding 10% or more voting interest

Attock Refinery Limited	25%	19,991,640
Pakistan Oilfields Limited	25%	19,991,640
Islamic Development Bank (IDB), Jeddah	15%	12,000,000

NATIONAL REFINERY LIMITED

47th 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 47th Annual General
 Meeting of the of National Refinery Limited., to be held at 4:00 p.m. on Wednesday , October 27, 2010 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 _____ 2010.

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. 34325482-87, 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.

annual report 2010




National Refinery Limited



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