National Refinery Limited

Vision of today is

Tomorrow's Achievement

Annual Report 2011

We believe in respecting the community and preserving the environment for our future generations and keeping National interest paramount in all our actions.

Contents

Company Overview

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.

Core Values

Following concepts and ideas guide the Management and Staff of National Refinery Limited in conducting its business practices in most ethical ways.

1. **Ethical Conduct and Integrity**
   We value lifestyle in our organization where ethics like truth, honesty, integrity and fair play are basic ingredients while interacting within the organization or dealing with the outside world.

2. **Teamwork and Responsibility**
   We share information and resources and step in to help out other team members. Conflicts are worked out in spite of obstacles and difficulties. We accept responsibility with "can do" attitude.

3. **Customer Satisfaction**
   We endeavor to provide quality products to our customers at competitive prices. We value their satisfaction essential for continued growth of our business.

4. **Continuous Improvement**
   We generate new ideas and creative approaches to upgrade and update our refinery to best available technology and processes so that our products are at the level of internationally accepted standards.

5. **Profitability**
   We believe in enhancing our profitability to the maximum so that Employees, Shareholders and Government all benefits from it.

6. **Corporate Citizenship**
   As a good Corporate Citizen, we are more than willing and happy to meet our social responsibilities towards the community around us. We are also committed to meet requirements of health, safety and environment.

Corporate Information

Board of Directors

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

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Shaikh Ather Ahmed

Audit Committee

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

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

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

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

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

NRL at a Glance

FIRST LUBE REFINERY

Design Capacity	539,700 Tons per year of Crude processing
Design Capacity	76,200 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 Tons per year of Crude processing
Date Commissioned	April 1977
Project Cost	Rs. 607.5 million

AFTER RE-VAMP

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

BTX UNIT

Design Capacity	25,000 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 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 Tons per year of Lube Base Oils
Date Commissioned	June 2008
Project Cost of Revamping	Rs. 585.0 million

SHAREHOLDERS' EQUITY

June 1966	Rs. 20.0 million
June 2011	Rs. 24,607.18 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.

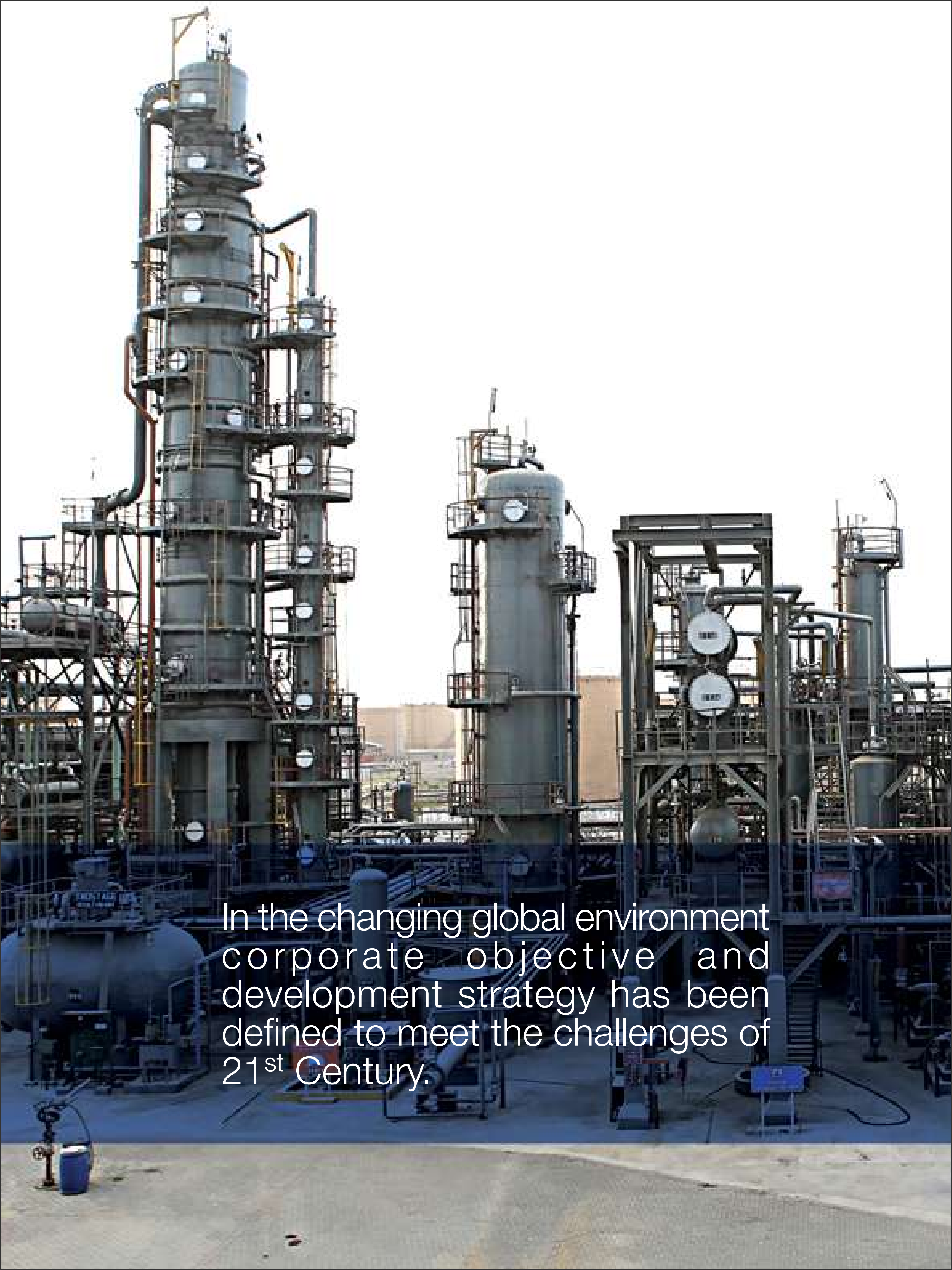
NRL objectives and development strategy are aimed at achieving sustainable productivity and profitability and high standards of safety, occupational health and environmental care. This entails human resource re-engineering & development, enhancing value addition, implementing conservation measures and 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 products.
- Optimization of the value of barrel of crude oil and cost reduction through conservation measures.
- Achieving and maintaining a high standard of Occupational Health, Safety and Environmental care.
- 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 care.
- Acquiring self-sufficiency in re-engineering, design and fabrication of equipments.



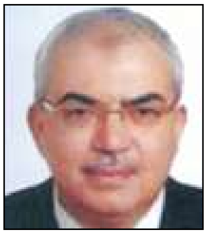
In the changing global environment corporate objective and development strategy has been defined to meet the challenges of 21st Century.

Directors' Profile

	Name	Other Engagements
	Dr. Ghaith R. Pharaon Chairman & Director (Non-Executive Director)	Chairman & Director The Attock Oil Company Ltd. Attock Petroleum Ltd. Attock Cement Pakistan Ltd. Director Pakistan Oilfields Ltd. Attock Gen Ltd. Attock Leisure & Management Associates (Pvt.) Ltd. Attock Refinery Ltd.
	Mr. Laith G. Pharaon (Non-Executive Director)	Director Attock Petroleum Ltd. Pakistan Oilfields Ltd. The Attock Oil Company Ltd. Attock Refinery Ltd. Attock Cement Pakistan Ltd. Attock Gen Ltd.
	Mr. Wael G. Pharaon (Non-Executive Director)	Director Attock Petroleum Ltd. Pakistan Oilfields Ltd. The Attock Oil Company Ltd. Attock Refinery Ltd. Attock Cement Pakistan Ltd. Attock Gen Ltd. Attock Leisure & Management Associates (Pvt.) Ltd. Angoori Heights Development (Pvt.) Ltd. Margalla Farm House Development (Pvt.) Ltd. Rawal Lodges Development (Pvt.) Ltd.
	Mr. Shuaib A. Malik Deputy Chairman & Chief Executive Officer (Executive Director)	Director, Chairman & CEO Pakistan Oilfields Ltd. Chairman & Director Attock Refinery Ltd. Attock Hospital (Pvt.) Ltd. Director & CEO Attock Petroleum Ltd & (Alternate Director to Dr. Ghaith R. Pharaon) Attock Oil Company Ltd. Attock Info.Technology Services (Pvt.) Ltd. Angoori Heights Development (Pvt.) Ltd. Attock Leisure & Management Associates (Pvt.) Ltd. Falcon Pakistan (Pvt.) Ltd. Director Attock Cement Pakistan Ltd. Attock Gen Ltd. Rawal Lodges Development (Pvt.) Ltd. Margalla Farm Houses Development (Pvt.) Ltd. Group Regional Chief Executive Pharaon Investment Group Ltd. Holding sal

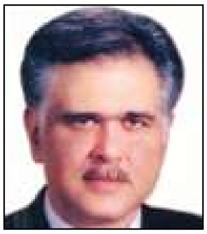
Mr. Abdus Sattar
(Non-Executive Director)

Director
Attock Cement Pakistan Ltd.
Attock Refinery Ltd.
Pakistan Oilfields Ltd.



Dr. Mohamed Djarraya
(Non-Executive Director)

Director
Bank of Khartoum (Sudan)
Fujairah Cement Industries (UAE)
Islamic Trading Company (Bahrain)



Mr. Bahauddin Khan
(Non-Executive Director)

Chairman
National Institutional Facilitation Technology Ltd.

Chairman/Director
HRCC Committee (NITL)
National Investment Trust Ltd (NITL)

Director
Siemens (Pakistan) Engineering Company Ltd.

Mr. Iqbal A. Khwaja
Alternate for Dr. Ghaith R. Pharaon
(Non-Executive Director)

Director
Pakistan Oilfields Ltd.
Attock Petroleum Ltd.

Mr. Babar Bashir Nawaz
Alternate for Mr. Laith G. Pharaon
(Non-Executive Director)

Director & Chief Executive
Attock Cement Pakistan Ltd.
Rawal Lodges Development (Pvt.) Ltd.

Director
Attock Petroleum Ltd.
Angoori Heights Development (Pvt.) Ltd.
Margalla Farm House Development (Pvt.) Ltd.
Falcon Pakistan (Pvt.) Ltd.

Alternate Director
Attock Refinery Ltd.
Attock Leisure & Management Associates (Pvt.) Ltd.

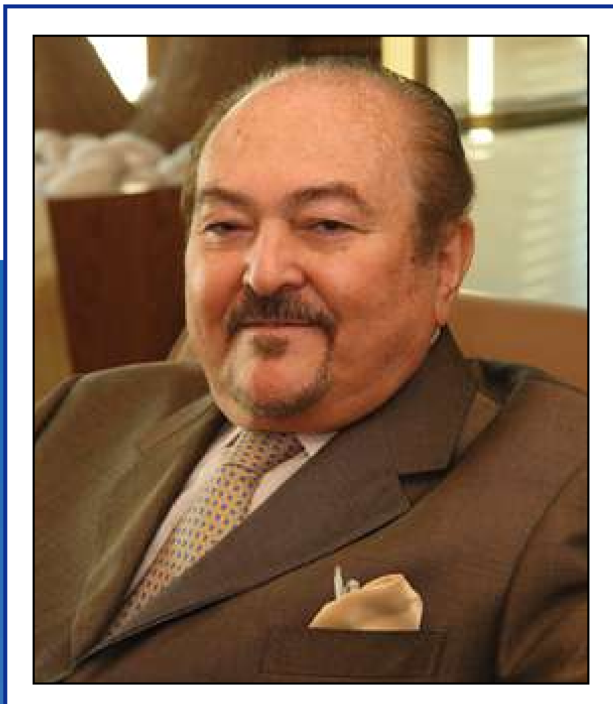
Mr. Jamil A.Khan
Deputy Managing Director
Alternate for Mr. Wael G. Pharaon
(Executive Director)

Trustee
NRL Management Staff Pension Fund
NRL Executive Staff Post Retirement Medical Benefit Fund
NRL Non-MPT Staff Gratuity Fund
NRL Officers Provident Fund
NRL Workmen Provident Fund

The Year at a Glance

Events	Details
Meetings	
Annual General Meeting	
47th	Held in Karachi on October 27, 2010.
Board Meetings	
160th	Held on September 29, 2010 to review and approve results for the year ended June 2009-10.
161st	Held on October 27, 2010 to review and approve results for the 1st Quarter 2010-11.
162nd	Held on January 27, 2011 to review and approve results for the 2nd Quarter 2010-11.
163rd	Held on April 18, 2011 to review and approve results for the 3rd Quarter 2010-11.
164th	Held on June 21, 2011 to review and approve the Annual Budget 2011-12.
Revenue Landmarks	
Lube Based Oil Exports	NRL achieved the highest ever-annual exports of lube base oils i.e. 43, 908 M.Tons, fetching record LBO export revenue i.e. USD 48 Millions and expanded its customer base to Europe. NRL managed to sale 56% more LBO this year. The increase in revenue is approximately twice as much. This is largely due to the premium quality of service that NRL bestows upon its customers and fulfils its commitments in due time.
Wax Sales	NRL sold the highest ever number of Wax this year. Total units sold are 14,578 metric tons approximately, 2067 metric tons more than last year.
Pricing Mechanism	
Deregulation of Petroleum Prices	The prices of Petroleum products have been deregularised on June 1st, 2011 due to which MS and JP1 are now priced at the rates that are charged from PSO on its imports.
Awards Won	
National Forum for Environment & Health (NFEH), Environment Excellence Award 2011	For eight consecutive years NRL has won the Environment Excellence Award conducted by National Forum for Environment & Health.
ACCA-WWF Best Environment Reporting Award	NRL has been participating in ACCA-WWF Best Environmental awards since 2003 and has won this prestigious award for its reports of 2003, 2009 and 2010.

Chairman's Review



بسم الله الرحمن الرحيم

I am pleased to report that your Company has earned profit after tax of Rs. 6,569 million compared to Rs. 3,285 million being higher by 100%.

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, in the 48th 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, 2011.

Crude oil prices continued to fluctuate during the year primarily because of international events like Japanese earthquake, weaker economic growth in USA and Europe and political uncertainties in the Middle East. Additionally, increase in demand from emerging economies of China and India also contributed to the increase in the oil prices.

The year 2010-11 proved to be another difficult year for national economy. GDP growth remained weaker as the country had suffered severe losses due to the devastation caused by the unprecedented floods in August 2010. Growing energy shortfall accompanied with the gas supply constraints is directly hampering production and weakening the economy. Mounting inflation and the security concerns are another factors impacting the economy of our country.

Inspite of all the above, I am pleased to report that your Company has earned profit after tax of Rs. 6,569 million compared to Rs. 3,285 million being higher by 100%.

Fuel Segment after running in losses consecutively for the previous two years earned Rs. 773 million profit after tax compared to Rs. 707 million loss after tax in the last year. The profitability is achieved due to better international product prices compared to crude cost, higher other income and decreased exchange losses.

Lube segment earned profit after tax of Rs. 5,796 million compared to Rs. 3,992 million during last year. Company has succeeded in achieving sales of Lube Base Oils at 206,150 M.Tons including export of 43,908 M.Tons.

The pricing formula was revised effective from June 1, 2011 and the prices of Motor Gasoline, Light Diesel Oil and Aviation Fuels were deregulated, with certain limitations. The revisions in pricing formula, however, still does not provide a mechanism which could ensure an all time guaranteed refiners' margin necessary for refining operations on economically sustainable basis as well as to safeguard the interests of the stakeholders.

Despite continued representations by your Company the issue of circular debt remained unresolved by the Government of Pakistan. We expect that the Government would come up with material steps to solve the issue in overall interest of the Country.

In the end I would like to recognize that the results have only been achieved due to the commitment, dedication and hard work of the management and entire staff and cooperation of all the stakeholders. On behalf of the board I would like to thank them for their sincere efforts.

Dr. Ghaith R. Pharaon
Chairman

September 10, 2011
Damascus, Syria

Directors' Report

بسم الله الرحمن الرحيم

Assalam-o-Aliakum

The Board of Directors is pleased to present the 48th Annual Report of National Refinery Limited together with the audited financial statements and auditors' report thereon for the year ended June 30, 2011.

OVERVIEW

I feel immense pleasure to inform you, that during the financial year 2010-11, your company succeeded in achieving another landmark by posting best after tax results in the history of the company.

Your company earned profit after tax of Rs. 6,569 million as compared to Rs. 3,285 million of the last year. Contribution of Fuel Segment amounts to Rs. 773 million and Lube Segment amounts to Rs. 5,796 million. The increase in profitability is mainly due to better refining margins.

COMPANY'S BUSINESS

The Company is involved in the business of Crude Oil Refining since 1966. Two refineries were added in 1977 and in 1985. Since then various up gradations and revamps of the refineries have been made, after which NRL stands to be the second largest refinery of Pakistan in terms of crude processing facility and the only lube refinery of the Country. The Company was privatized in the year 2005 where Attock Group acquired 51% of the shareholding of the Company.

The Company currently operates with two business segments namely “Fuel Segment” and “Lube Segment”. Fuel Segment is primarily a diverse supplier of fuel products offering High Speed Diesel, Naphtha, Motor Gasoline, Liquefied Petroleum Gas, Jet Fuels, Furnace Oil while it exports Naphtha. Lube Segment mainly provides different types of Lube Base Oils, Asphalts, Waxes and Rubber Process Oil and some fuel products while it also exports Lube Base Oils.

PRICING FORMULA

The Company's fuel segment is regulated by Government Import Parity Pricing Formula. Sales prices for regulated products are announced by Oil & Gas Regulatory Authority.

Import Parity Pricing Formula has been revised effective from June 1, 2011, deregulating the prices of Motor gasoline, Aviation Fuel and Light Diesel Oil, while High Speed Diesel and Kerosene Oil stands as the regulated products. According to the revision, deregulated prices would be equivalent to Pakistan State Oil average actual import prices of previous month excluding incidentals/wharfage. In case these prices are not available then refineries will fix their prices as per existing Import Parity Pricing Formula excluding incidentals/wharfage. There was revision in pricing formula, effective December 1, 2010 whereby the import incidentals in the calculation of prices has been removed resulting in decrease in prices by approximately 1%. However, effective August 26, 2011 partial incidentals/wharfage has been allowed.

Further according to the formula, the distribution of profits from fuel segment is restricted based on the Government's notifications, where only 50% of the paid-up capital as of July 1, 2002 can be distributed as dividend to shareholders and the remaining amount is to be transferred to “Special Reserves”. According to the amendment during the year, losses are to be taken to General Reserves. However, this position of the Government is contested by all the refineries.

MANAGEMENT'S OBJECTIVES AND STRATEGIES

NRL plans to further upgrade its refining capacity to improve yields of white-oil products. In this regard, some of the future plans of NRL are summarized below:

- **Two Stage Unit at Lube-I Refinery**
  Two Stage Unit at Lube-I Refinery would be revamped to enhance the installed crude oil processing capacity from 12,050 Barrel per stream day (bpsd) to 17,000 bpsd and Vacuum fractionation capacity from present 5,200 bpsd to 6,600 bpsd. Front End Engineering Design (FEED) has been started which is expected to complete by October 2011.

- **101 Crude Distillation Unit at Fuel Refinery**
  101 Crude Distillation Unit at Fuel Refinery would be revamped to enhance the installed crude oil processing capacity from 50,000 bpsd to 53,000 bpsd. Front End Engineering Design (FEED) has been started which is expected to complete by October 2011.

- **Refineries Integrated Project**
  This project would increase the production of premium products by eliminating the low value High Sulphur Fuel Oil and Asphalt. This includes de-sulphurization of HSD, production of Group II Lube Base Oil and enhancement in the quantity of Lube Base Oils from 200,000 M. Tons to 273,000 M. Tons per year.

SIGNIFICANT RESOURCE

The Company has adequate funds in the form of cash and bank balances and short-term investments to maintain its liquidity. The Company is managing its liquidity without any long-term and short-term borrowings.

RELATIONSHIPS

Company's major purchases are being made from one supplier i.e. Saudi Aramco, since inception with a history of no default.

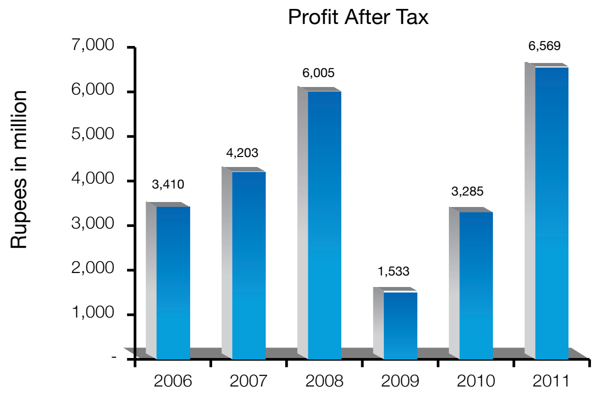
Crude Oil is also being received from Oil Exploration Companies operating in Pakistan. All payments to suppliers during the year have been made on due dates and regular supplies are being received from all the suppliers.

Relationship with customers are also growing with the passage of time, where currently all the customers are making timely payments of supplies made to them, except for Pakistan State Oil where an amount of Rs. 9,393 million is outstanding on account of circular debt. The GoP has taken steps to resolve the issue of circular debt, however issue of circular debt with respect to NRL could not be resolved during the year 2010-11.

Keeping in view the above, your company has strong relationships with its supplier and customers.

FINANCIAL RESULTS

The Company's profit after tax for the year 2010-11 increased by 100% to Rs. 6,569 million from Rs. 3,285 million in the last year, which is the highest ever profit in the history of the Company.



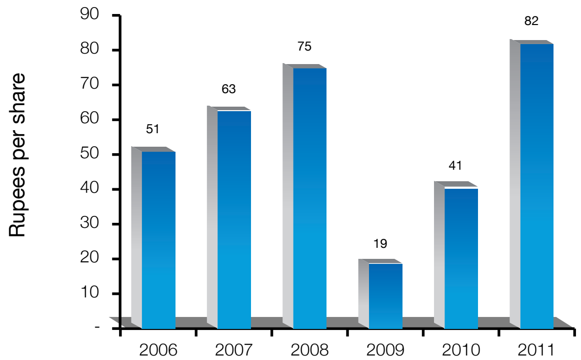
Profit after tax of Fuel Segment amounted to Rs. 773 million as compared to loss after tax of Rs. 707 million in the last year. Fuel Segment entered into profit zone, after incurring loss consecutively for last two financial years. During this year, there was steady rise in product selling prices and crude prices generating favourable margins. Further, the exchange loss on purchase of crude oil reduced to Rs. 80 million as compared to Rs. 384 million in the last year, and bank interest income earned on surplus funds available with the Company also contributed towards favourable results.

During the year, throughput of the Company was increased to 89% from 79% in the last year. Accordingly, total sales of the Company were increased to 2,223,694 M.Tons from 2,029,595 M.Tons in the last year. It is to be noticed that volumetric increase in export sales of Naphtha is 7.7% whereas for Lube Base Oils it is 56%.

Effective 15 March 2011 to 30 June 2011, Government imposed 15% surcharge on income tax liability, which was an additional burden on your company.

EARNINGS PER SHARE

Earnings per share has been increased to Rs. 82.14 from Rs. 41.08 in the last year.



APPROPRIATIONS

	2010-11	2009-10
	(Rupees in millions)	
Profit available for appropriation after transfer to Special Reserve under the Pricing Formula as per note 16.2	5,936	4,025
Transfer to General Reserves	3,900	2,400
Final Dividend @ 250% (2010: 200%)	1,999	1,599

DIVIDEND

The Board of Directors has recommended a final cash dividend @ Rs. 25 per share (250%) for the year ended June 30, 2011. The dividend recommended is subject to the approval by the shareholders in the Annual General Meeting.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last six years (2006 - 2011) is shown on page 38.

CRITICAL PERFORMANCE MEASURES

The Company's critical measure of performance is Gross Refining Margins (GRMs) calculated separately for both the segments.

MARKET SHARE INFORMATION

NRL is the second largest refinery of Pakistan with a production capacity of 2.71 million tons per year, which accounts to 21% of the total crude oil refining capacity of the country. NRL is the only Lube Refinery of Pakistan producing various Lube Base Oils in order to meet the demand of the country.

CREDIT RATING

Your company for the seventh 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 “A 1+” due to obligations supported by the highest capacity for timely repayment. Pakistan Credit Rating Agency (PACRA) has carried out credit rating assessments.

RISK & THREATS

Fluctuation in Crude Oil and Product Prices in International Markets affects profitability. In case of losses due to the fluctuation the Company adjust its throughput to minimize the losses.

Raw material purchases mostly involve foreign currency payments. Abrupt devaluation in Pak Rupee results in exchange losses.

Being strategic asset there are security concerns. Company has already taken steps to strengthen the existing security measures, however, further steps are underway to improve the same.

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 life in the country. Company is ambitious to be recognized as social partner and not only as commercial entity. In this respect, the Company has kept six disabled persons on its manpower strength as prescribed in 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.

ENVIRONMENTAL PROTECTION MEASURES

National Refinery Limited has won the following Environment Excellence Awards during this year:

1. National Forum for Environment & Health (NFEH), Excellence award 2011, consecutively for the last eighth years.

2. Participate ACCA-WWF Pakistan Best Environment Reporting Awards since 2003 and winner of the victory stand in 2003, 2009 & 2010.

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. The Company has plans to enhance the Sports activities that may go a long way in maintaining good health of the employees, boosting up their moral and sense of belonging. In this regard, the Sports Club of the Company has formed a Cricket team, which participated in the Cricket Tournament organized by Pak-Arab Refinery Limited.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

National Refinery Limited is committed to streamline its activities in line with the government laws and Company's standard operating procedures and safe work practices. NRL has monitored the gaseous emission and liquid effluent through SMART (Self Monitoring and Reporting Tool) program. All results of gaseous emission and liquid effluent were within the limits as specified mentioned in the National Environment Quality Standards (NEQs).

Management un-deterred commitment towards excellence since 2003 in overall performance is evident from implementation of IMS (Integrated Management System) based on ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. These certifications have been maintained for the year 2011-12 after Surveillance Audit by M/s Moody International (Pvt.) Ltd.

NRL has achieved 15.60 million safe man-hours without Lost Time Injury (LTI) as on June 30, 2011. Continuous efforts are being made to ensure the effective application of operational controls for minimizing Occupational Health & Safety risks and environmental impacts.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the financial year, the company contributed Rs. 31,962 million to the national exchequer in the shape of direct and indirect taxes and earned valuable foreign exchange of US $ 295 million through the export of Naphtha and Lube Base Oil.

In addition to the above, Company has paid to government Rs. 11,123 million as discount on account of crude oil and condensates purchased from oil and gas exploration companies.

HUMAN RESOURCE DEVELOPMENT

Human Resource of the Company is playing a very significant role in achieving the short and long-term corporate and strategic objectives of the Company. Therefore, your Company focuses special attention on their training and development. Various staff members were nominated for local and overseas courses and workshops in different technical and non-technical disciplines. In addition to hands on executive training programs, the Company has also conducted apprenticeship program where theoretical and practical training in Refinery operations and maintenance was imparted which will extend a great help to the Petroleum Refining industry in the availability of trained manpower.

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, 2011 are as follows:

Name of Directors	Number of Audit Committee meetings held and attended
Mr. Abdus Sattar	4
Mr. Babar Bashir Nawaz	4
Mr. Iqbal A. Khwaja	4
Mr. Jamil A. Khan	4

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

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

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

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

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

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

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

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

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

i) All major Statutory levies in the normal course of business are paid on due dates.

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

	(Rs. in million) Un-audited
Pension Fund	2,950
Gratuity Fund	59
Officers Provident Fund	582
Workers Provident Fund	232
Post Retirement Medical Fund	652

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

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

COMPOSITION AND MEETINGS OF THE BOARD OF DIRECTORS

During the financial year 2010-11 five meetings of the Board of Directors were held. The attendance of the Directors was as under:

Name of Directors	Total Number of Meetings	Meetings 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. Jamil A. Khan	5	5
Mr. Shuaib A. Malik Deputy Chairman / Chief Executive Officer	5	5
Mr. Abdus Sattar	5	5
Dr. Mohamed Djarraya - IDB Nominee	5	3
Mr. Bahauddin Khan - NIT Nominee	5	5

PATTERN OF SHAREHOLDING

Pattern of shareholdings is shown on page 87.

AUDITORS

The Auditors retire and offer themselves for reappointment. The Audit Committee recommends the reappointment of Messers A. F. Ferguson & Co., Chartered Accountants as auditors for the financial year ending June 30, 2012.

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 10, 2011
Damascus, Syria

Corporate Governance

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 10, 2011

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 NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. No casual vacancy has occurred in the Board of directors during the year ended June 30, 2011.

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 the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director.

8. The meetings of the Board were presided over by the Chairman or Deputy Chairman, and the Chief Financial Officer and Company Secretary attended all the meetings. 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 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.

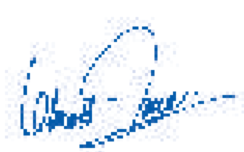
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of 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 10, 2011

pwc

A. F. FERGUSON & CO.

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, 2011 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, 2011.

Chartered Accountants
Karachi

Dated: September 12, 2011

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.

Stakeholders' Information

Statement of Value Added
For The Year Ended June 30, 2011

	2011 Rs. in thousand	%	2010 Rs. in thousand	%
Revenue Generated				
Gross sales revenue	178,058,448		136,450,985	
Less: Bought in material and services	139,586,937		105,158,269	
	38,471,511		31,292,716	
Add: Income from investment	2,081,571		1,008,746	
Other Income	416,003		269,358	
	2,497,574		1,278,104	
Total Revenue	40,969,085	100.0	32,570,820	100.0
Revenue Distributed				
To Employees remuneration as:				
Salaries, wages and benefits	1,320,990	3.2	1,139,190	3.5
To Government as:				
Levies	28,595,805	69.9	25,651,377	78.8
Company taxation	3,460,077	8.4	1,850,808	5.7
Worker's fund	743,293	1.8	403,702	1.2
	32,799,175	80.1	27,905,887	85.7
To Shareholders as:				
Cash Dividend	1,999,164	4.9	1,599,331	4.9
Retained in the business:				
Depreciation	280,284	0.7	235,129	0.7
Amortization	103	0.0	5,800	0.0
Net earnings	4,569,369	11.1	1,685,483	5.2
	4,849,756	11.8	1,926,412	5.9
	40,969,085	100.0	32,570,820	100.0

Six Years at a Glance

		2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Profitability Ratios							
Gross profit	%	6.74	5.75	4.81	8.26	6.86	6.18
Net profit to sales	%	4.42	2.98	1.40	4.64	4.60	4.22
EBITDA Margin to sales	%	7.02	5.20	2.79	7.08	6.91	6.74
Return on Equity	%	26.69	16.73	8.83	34.47	32.98	36.37
Return on Capital Employed	%	29.69	17.76	8.82	39.81	38.00	42.42
Liquidity Ratios							
Current Ratio	Times	1.68	1.50	1.58	1.52	1.53	1.45
Quick /Acid test ratio	Times	1.07	1.13	1.08	1.05	1.13	1.02
Cash to Current Liabilities	Times	0.28	0.51	0.31	0.45	0.58	0.50
Activity / Turnover Ratios							
Inventory turnover	Days	40.46	41.68	44.08	31.81	29.97	22.96
Debtors turnover	Days	36.82	50.86	41.09	22.68	22.61	15.57
Creditors turnover	Days	67.63	88.67	83.61	61.71	60.73	44.16
Total Assets turnover ratio	Times	2.62	2.13	2.59	2.78	2.80	3.25
Fixed assets turnover ratio	Times	49.46	40.60	52.28	63.67	43.37	52.70
Investment / Market Ratios							
Earnings per share (EPS) and diluted EPS	Rs.	82.14	41.08	19.17	75.10	63.07	51.17
Price earning ratio	Times	4.29	4.45	11.48	3.96	5.45	5.00
Dividend yield ratio	Times	7.10	10.94	5.68	6.72	25.81	6.25
Cash Dividend payout ratio	Times	30.44	48.69	65.21	26.63	31.71	31.27
Dividend cover ratio	Times	3.29	2.05	1.53	3.76	3.15	3.20
Cash Dividend per share	Rs.10/share	25.00	20.00	12.50	20.00	20.00	16.00
Stock Dividend	%	-	-	-	-	20.00	-
Market value per share at year end.	Rs.10/share	352.26	182.85	220.02	297.47	344.00	256.00
Breakup value per share	Rs.10/share	308	246	217	218	191	141

Horizontal Balance Sheet as at June 30

	2011		2010		2009		2008		2007		2006	
ASSETS	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand
NON-CURRENT ASSETS												
Property, plant and equipment	141.46	3,234,755	142.05	3,248,221	132.03	3,019,311	113.75	2,601,276	102.48	2,343,352	100.00	2,286,751
Intangible assets	0.33	35	1.30	138	55.87	5,938	112.07	11,911	170.55	18,126	100.00	10,628
Deferred taxation	-	-	160.87	432,732	31.41	84,498	61.12	164,407	59.90	161,118	100.00	268,990
Long term loans and deposits	150.21	93,030	146.11	90,494	127.79	79,147	129.05	79,923	103.97	64,390	100.00	61,934
	126.61	3,327,820	143.50	3,771,585	121.33	3,188,894	108.72	2,857,517	98.43	2,586,986	100.00	2,628,303
CURRENT ASSETS												
Stores, spares and chemicals	123.80	887,292	126.18	904,370	130.68	936,594	108.70	779,076	112.01	802,794	100.00	716,709
Stock-in-trade	298.79	19,346,929	182.21	11,798,203	189.20	12,251,181	205.22	13,288,291	118.72	7,687,420	100.00	6,475,195
Trade debts	263.92	14,100,493	304.93	16,291,704	277.78	14,841,288	190.41	10,173,051	114.74	6,130,324	100.00	5,342,764
Loans and advances	131.36	23,962	117.49	21,433	138.25	25,219	279.73	51,028	108.68	19,825	100.00	18,242
Deposits and prepayments	195.65	18,446	172.90	16,301	570.10	53,749	1,017.17	95,899	457.36	43,120	100.00	9,428
Accrued interest	147.03	56,995	178.60	69,231	236.04	91,500	79.40	30,780	116.72	45,246	100.00	38,764
Other receivables	103.70	932,485	104.71	941,591	264.97	2,382,583	242.80	2,183,257	202.52	1,821,036	100.00	899,201
Investments		8,941,634		1,553,665		197,622		3,615,359		962,092	-	-
Tax refunds due from Government - Sales tax	-	-	6.01	62,028	55.76	575,902	39.52	408,221	101.71	1,050,564	100.00	1,032,875
Cash and bank balances	116.71	9,058,203	208.85	16,209,008	100.50	7,800,079	169.08	13,122,136	148.07	11,492,152	100.00	7,761,060
	239.37	53,366,439	214.71	47,867,534	175.63	39,155,717	196.23	43,747,098	134.81	30,054,573	100.00	22,294,238
TOTAL ASSETS	227.48	56,694,259	207.20	51,639,119	169.90	42,344,611	187.00	46,604,615	130.97	32,641,559	100.00	24,922,541
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
Authorized												
100,000,000 Ordinary shares of Rs. 10 each		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000
Issued, subscribed and paid up	120.00	799,666	120.00	799,666	120.00	799,666	120.00	799,666	100.00	666,388	100.00	666,388
Reserves	273.32	23,807,509	216.28	18,838,307	190.04	16,553,075	190.80	16,619,379	138.69	12,080,001	100.00	8,710,332
	262.43	24,607,175	209.43	19,637,973	185.06	17,352,741	185.77	17,419,045	135.94	12,746,389	100.00	9,376,720
LIABILITIES												
NON-CURRENT LIABILITIES												
Retirement benefit obligations	102.57	179,857	79.55	139,492	77.30	135,547	178.08	312,277	135.12	236,940	100.00	175,355
Deferred taxation		48,909										
CURRENT LIABILITIES												
Trade and other payables	226.29	29,400,170	230.05	29,888,910	177.27	23,032,238	205.21	26,662,420	135.99	17,669,110	100.00	12,992,504
Provisions	133.72	428,676	93.13	298,569	94.04	301,485	93.13	298,569	93.31	299,148	100.00	320,588
Taxation	98.64	2,029,472	81.37	1,674,175	74.01	1,522,600	92.95	1,912,304	82.14	1,689,972	100.00	2,057,374
	207.27	31,858,318	207.29	31,861,654	161.71	24,856,323	187.85	28,873,293	127.90	19,658,230	100.00	15,370,466
TOTAL EQUITY AND LIABILITIES	227.48	56,694,259	207.20	51,639,119	169.90	42,344,611	187.00	46,604,615	130.97	32,641,559	100.00	24,922,541

Vertical Balance Sheet as at June 30

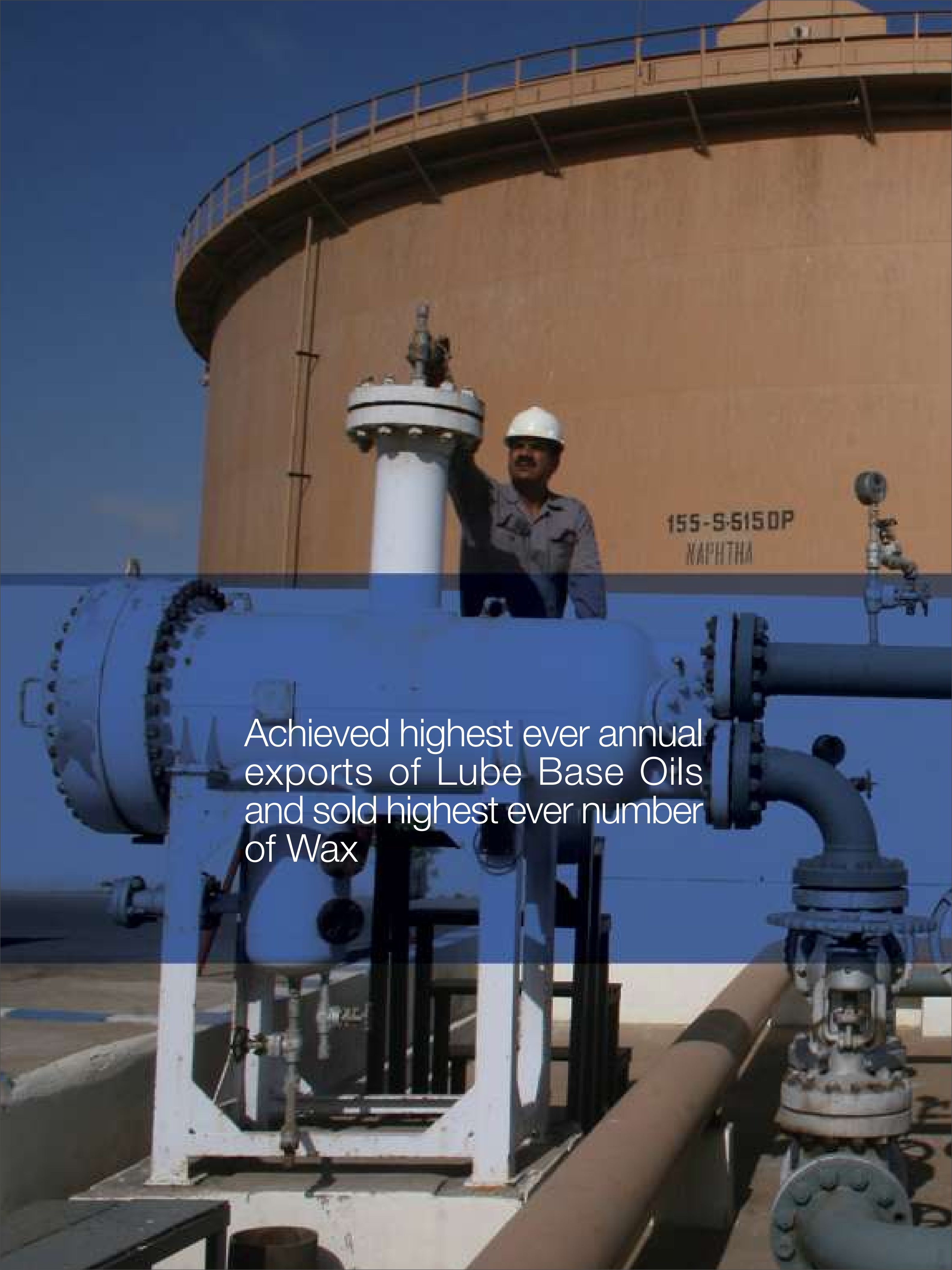
	2011		2010		2009		2008		2007		2006	
ASSETS	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand
NON-CURRENT ASSETS												
Property, plant and equipment	5.71	3,234,755	6.29	3,248,221	7.13	3,019,311	5.58	2,601,276	7.18	2,343,352	9.18	2,286,751
Intangible assets	-	35	-	138	0.01	5,938	0.03	11,911	0.06	18,126	0.04	10,628
Deferred taxation	-	-	0.84	432,732	0.20	84,498	0.35	164,407	0.49	161,118	1.08	268,990
Long term loans and deposits	0.16	93,030	0.18	90,494	0.19	79,147	0.17	79,923	0.20	64,390	0.25	61,934
	5.87	3,327,820	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
CURRENT ASSETS												
Stores, spares and chemicals	1.57	887,292	1.75	904,370	2.21	936,594	1.67	779,076	2.46	802,794	2.88	716,709
Stock-in-trade	34.13	19,346,929	22.85	11,798,203	28.92	12,251,181	28.51	13,288,291	23.54	7,687,420	25.97	6,475,195
Trade debts	24.87	14,100,493	31.55	16,291,704	35.05	14,841,288	21.82	10,173,051	18.78	6,130,324	21.44	5,342,764
Loans and advances	0.04	23,962	0.04	21,433	0.06	25,219	0.11	51,028	0.06	19,825	0.07	18,242
Deposits and prepayments	0.03	18,446	0.03	16,301	0.13	53,749	0.21	95,899	0.13	43,120	0.04	9,428
Accrued interest	0.10	56,995	0.13	69,231	0.22	91,500	0.07	30,780	0.14	45,246	0.16	38,764
Other receivables	1.64	932,485	1.82	941,591	5.63	2,382,583	4.68	2,183,257	5.58	1,821,036	3.61	899,201
Investments	15.77	8,941,634	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
Cash and bank balances	15.98	9,058,203	31.39	16,209,008	18.42	7,800,079	28.16	13,122,136	35.21	11,492,152	31.14	7,761,060
	94.13	53,366,439	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
TOTAL ASSETS	100.00	56,694,259	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
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital												
Issued, subscribed and paid up	1.41	799,666	1.55	799,666	1.89	799,666	1.72	799,666	2.04	666,388	2.67	666,388
		-		-								
Reserves	41.99	23,807,509	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
	43.40	24,607,175	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
LIABILITIES												
NON-CURRENT LIABILITIES												
Retirement benefit obligations	0.32	179,857	0.27	139,492	0.32	135,547	0.67	312,277	0.73	236,940	0.70	175,355
Deferred taxation	0.08	48,909										
CURRENT LIABILITIES												
Trade and other payables	51.86	29,400,170	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
Provisions	0.76	428,676	0.58	298,569	0.71	301,485	0.64	298,569	0.92	299,148	1.29	320,588
Taxation	3.58	2,029,472	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
	56.20	31,858,318	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
TOTAL EQUITY AND LIABILITIES	100.00	56,694,259	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

Horizontal Profit & Loss Account

	2011		2010		2009		2008		2007		2006	
	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand
Net sales	183.65	148,588,492	136.21	110,186,374	135.46	109,578,364	159.94	129,385,816	112.90	91,326,538	100.00	80,894,039
Cost of products sold	182.56	(138,551,416)	136.84	(103,853,566)	137.43	(104,301,665)	156.41	(118,705,060)	112.08	(85,062,748)	100.00	(75,895,286)
Gross profit	200.19	10,007,076	126.69	6,332,808	105.56	5,276,699	213.67	10,680,756	125.31	6,263,790	100.00	4,998,753
Distribution and marketing expenses	420.44	(1,135,999)	368.67	(996,099)	318.34	(860,112)	329.03	(889,008)	126.38	(341,463)	100.00	(270,190)
Administrative expenses	112.32	(420,995)	99.72	(373,775)	95.76	(358,933)	100.36	(376,170)	92.10	(345,224)	100.00	(374,824)
Other operating income	186.73	2,497,574	95.56	1,278,104	102.07	1,365,148	105.00	1,404,402	74.22	992,689	100.00	1,337,507
Other operating expenses	183.31	(768,578)	97.71	(409,659)	51.27	(214,958)	156.71	(657,019)	108.07	(453,098)	100.00	(419,270)
Operating profit	193.08	10,179,078	110.61	5,831,379	98.78	5,207,844	192.77	10,162,961	116.02	6,116,694	100.00	5,271,976
Finance cost	1,522.49	(150,468)	7,039.94	(695,757)	24,227.34	(2,394,388)	13,474.34	(1,331,669)	222.54	(21,994)	100.00	(9,883)
Profit before taxation	190.58	10,028,610	97.60	5,135,622	53.47	2,813,456	167.83	8,831,292	115.82	6,094,700	100.00	5,262,093
Taxation	186.80	(3,460,077)	99.92	(1,850,808)	69.13	(1,280,428)	152.56	(2,825,860)	102.15	(1,892,046)	100.00	(1,852,272)
Profit after taxation	192.64	6,568,533	96.33	3,284,814	44.96	1,533,028	176.12	6,005,432	123.25	4,202,654	100.00	3,409,821

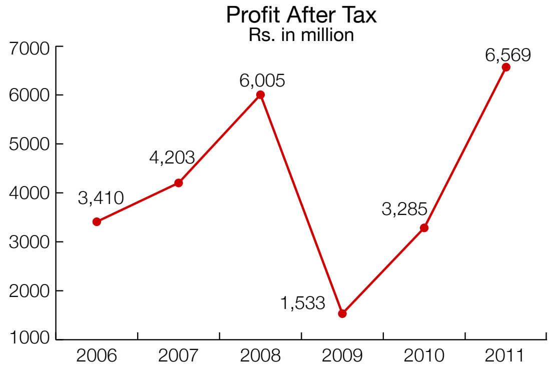
Vertical Profit & Loss Account

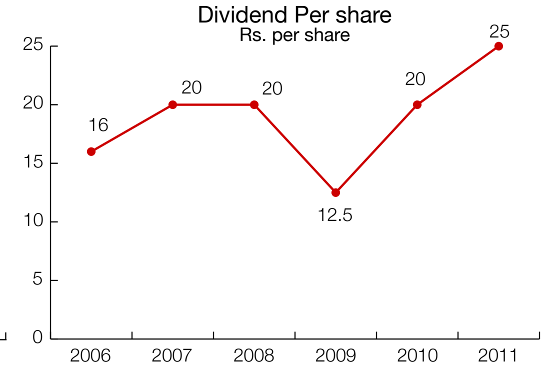
	2011		2010		2009		2008		2007		2006	
	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand
Net sales	100.00	148,558,492	100.00	110,186,374	100.00	109,578,364	100.00	129,385,816	100.00	91,326,538	100.00	80,894,039
Cost of products sold	(93.26)	(138,551,416)	(94.25)	(103,853,566)	(95.18)	(104,301,665)	(91.75)	(118,705,060)	(93.14)	(85,062,748)	(93.82)	(75,895,286)
Gross profit	6.74	10,007,076	5.75	6,332,808	4.82	5,276,699	8.25	10,680,756	6.86	6,263,790	6.18	4,998,753
Distribution and marketing expenses	(0.76)	(1,135,999)	(0.90)	(996,099)	(0.78)	(860,112)	(0.69)	(889,008)	(0.37)	(341,463)	(0.33)	(270,190)
Administrative expenses	(0.28)	(420,995)	(0.34)	(373,775)	(0.33)	(358,933)	(0.29)	(376,170)	(0.38)	(345,224)	(0.46)	(374,824)
Other operating income	1.68	2,497,574	1.16	1,278,104	1.25	1,365,148	1.09	1,404,402	1.09	992,689	1.65	1,337,507
Other operating expenses	(0.52)	(768,578)	(0.37)	(409,659)	(0.20)	(214,958)	(0.51)	(657,019)	(0.50)	(453,098)	(0.52)	(419,270)
Operating profit	6.86	10,179,078	5.30	5,831,379	4.76	5,207,844	7.85	10,162,961	6.70	6,116,694	6.52	5,271,976
Finance cost	(0.10)	(150,468)	(0.63)	(695,757)	(2.19)	(2,394,388)	(1.03)	(1,331,669)	(0.02)	(21,994)	(0.01)	(9,883)
Profit before taxation	6.76	10,028,610	4.67	5,135,622	2.57	2,813,456	6.82	8,831,292	6.68	6,094,700	6.51	5,262,093
Taxation	(2.33)	(3,460,077)	(1.68)	(1,850,808)	(1.17)	(1,280,428)	(2.18)	(2,825,860)	(2.07)	(1,892,046)	(2.29)	(1,852,272)
Profit after taxation	4.43	6,568,533	2.99	3,284,814	1.40	1,533,028	4.64	6,005,432	4.61	4,202,654	4.22	3,409,821

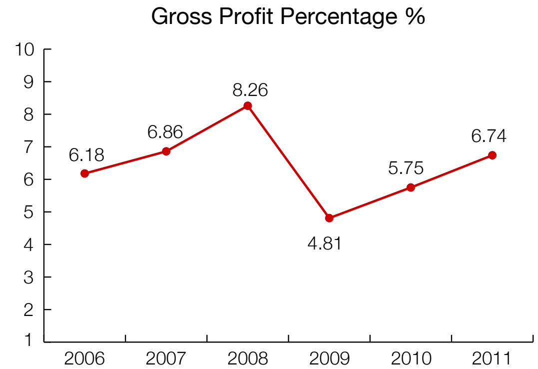


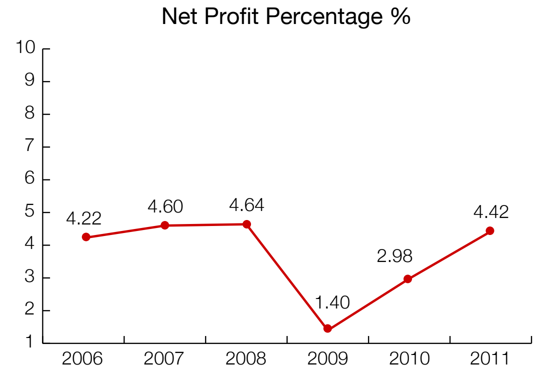
Achieved highest ever annual exports of Lube Base Oils and sold highest ever number of Wax

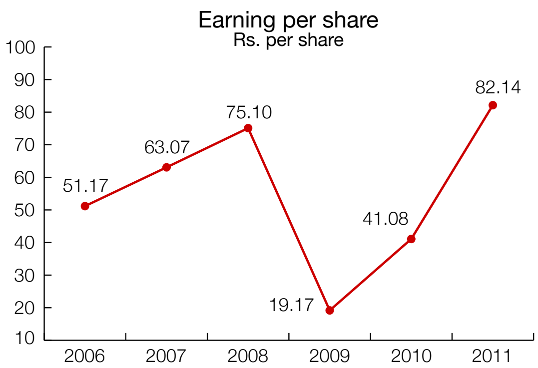
Graphical Representation

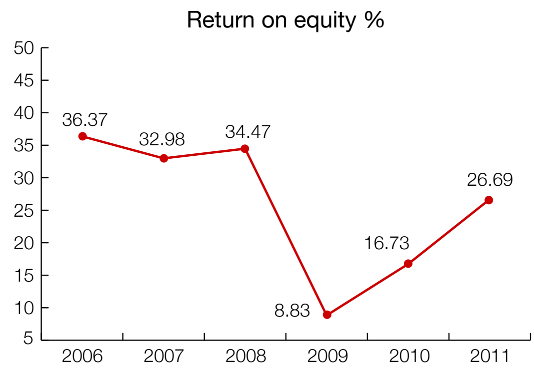


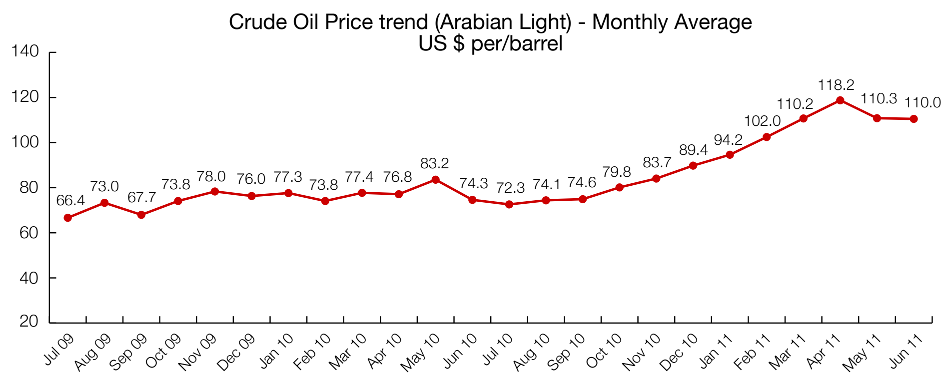


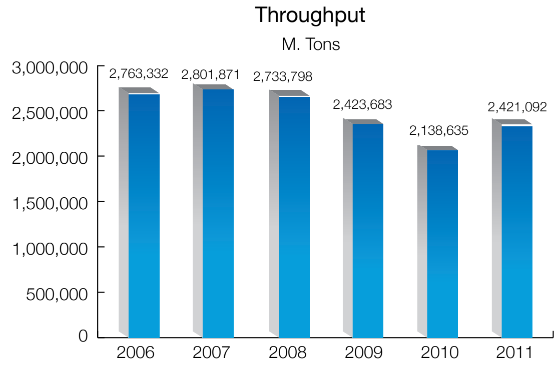


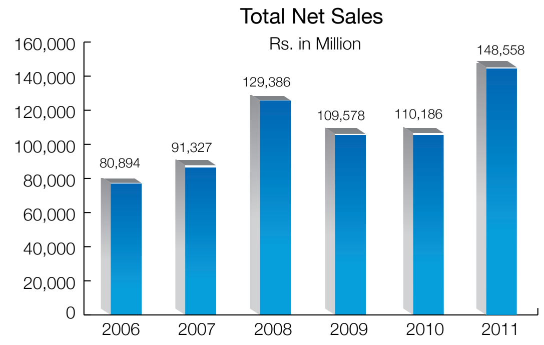




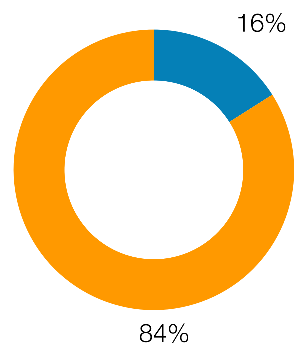




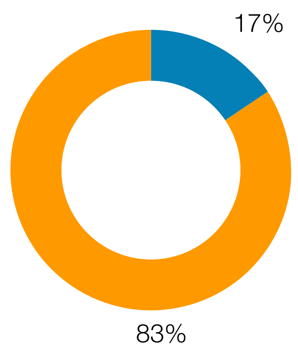




Composition of Local and Export Sales - 2009-10



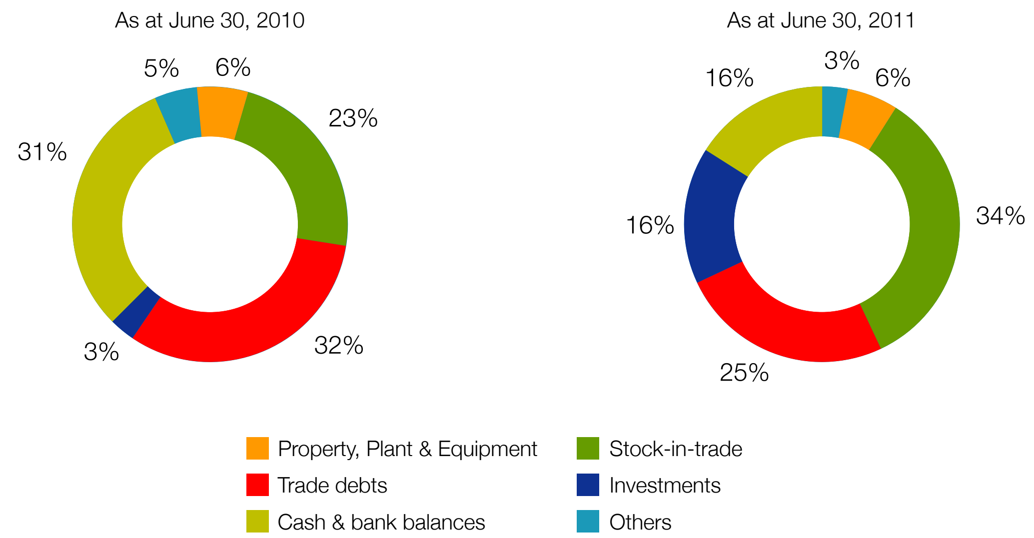
Composition of Local and Export Sales - 2010-11



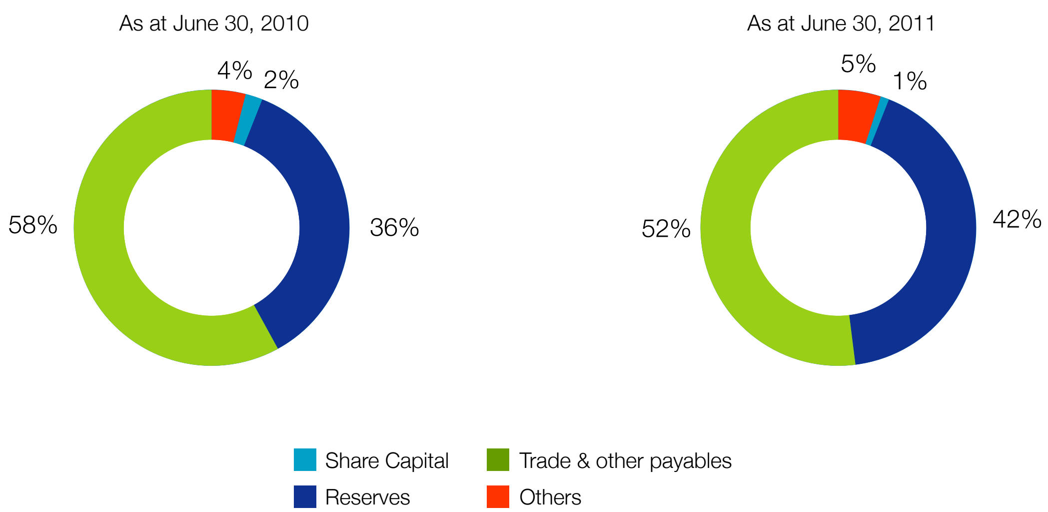
Net Local Sales Export Sales

Balance Sheet Composition

Assets



Share capital, reserves and liabilities



Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of National Refinery Limited as at June 30, 2011 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;

 (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, 2011 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 12, 2011

Name of the engagement partner: Ali Muhammad Mesia

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) [illegible]; Fax: +92 (42) [illegible]
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) [illegible]; Fax: +92 (51) [illegible]
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (799) [illegible], +93 (799) [illegible]

BALANCE SHEET

As At June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,234,755	3,248,221
Intangible assets	4	35	138
Deferred taxation		-	432,732
Long term investment	5	-	-
Long term loans and deposits	6	93,030	90,494
		3,327,820	3,771,585
CURRENT ASSETS			
Stores, spares and chemicals	7	887,292	904,370
Stock-in-trade	8	19,346,929	11,798,203
Trade debts	9	14,100,493	16,291,704
Loans and advances	10	23,962	21,433
Deposits and prepayments	11	18,446	16,301
Accrued interest		56,995	69,231
Other receivables	12	932,485	941,591
Investments	13	8,941,634	1,553,665
Tax refunds due from Government - Sales tax		-	62,028
Cash and bank balances	14	9,058,203	16,209,008
		53,366,439	47,867,534
TOTAL ASSETS		56,694,259	51,639,119
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	15	799,666	799,666
Reserves	16	23,807,509	18,838,307
		24,607,175	19,637,973
LIABILITIES			
NON - CURRENT LIABILITIES			
Retirement benefit obligations	17	179,857	139,492
Deferred taxation	18	48,909	-
CURRENT LIABILITIES			
Trade and other payables	19	29,400,170	29,888,910
Provisions	20	428,676	298,569
Taxation		2,029,472	1,674,175
		31,858,318	31,861,654
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		56,694,259	51,639,119

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

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Gross sales	22	178,058,448	136,450,985
Trade discounts, taxes, duties and levies	23	(29,499,956)	(26,264,611)
Net sales		148,558,492	110,186,374
Cost of sales	24	(138,551,416)	(103,853,566)
Gross profit		10,007,076	6,332,808
Distribution and marketing expenses	25	(1,135,999)	(996,099)
Administrative expenses	26	(420,995)	(373,775)
Other operating income	27	2,497,574	1,278,104
Other operating expenses	28	(768,578)	(409,659)
Operating profit		10,179,078	5,831,379
Finance cost	29	(150,468)	(695,757)
Profit before taxation		10,028,610	5,135,622
Taxation	30	(3,460,077)	(1,850,808)
Profit after taxation		6,568,533	3,284,814
		(Rupees)	
Earnings per share	31	82.14	41.08

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

Chief Executive

Director

CASH FLOW STATEMENT

For The Year Ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,708,724	12,333,555
Income tax paid		(2,623,139)	(2,047,467)
Increase in long term loans and deposits		(2,536)	(11,347)
Payment made to pension fund		(58,267)	(61,234)
Payment made to gratuity fund		(5,562)	(3,253)
Post retirement medical benefits paid		(19,711)	(18,100)
Net cash (used in) / from operating activities		(491)	10,192,154
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(268,268)	(465,799)
Proceeds from disposal of property, plant and equipment		4,725	4,054
Investment made in units of open ended mutual funds		-	(501,401)
Proceeds from sale of units of open ended mutual funds		190,185	543,514
Dividend received on NIT units		13,890	23,534
Return on treasury bills received		491,287	12,159
Interest received on bank accounts		1,477,837	958,860
Net cash from investing activities		1,909,656	574,921
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,591,998)	(996,116)
Net increase in cash and cash equivalents		317,167	9,770,959
Cash and cash equivalents at beginning of the year		17,571,298	7,800,079
Exchange gain on foreign currency bank accounts		21	260
Cash and cash equivalents at end of the year	33	17,888,486	17,571,298

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2011

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVES		Special reserve (note 16.2)	Total
	Issued, subscribed and paid-up	Capital compensation reserve (note 16.1)	Exchange equalisation reserve	General reserve	Unappropriated profit		
	(Rupees in thousand)						
Balance as at July 1, 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
Final dividend for the year ended June 30, 2010 - Rs. 20 per share	-	-	-	-	(1,599,331)	-	(1,599,331)
Transfer to general reserve	-	-	-	2,400,000	(2,400,000)	-	-
Profit for the year	-	-	-	-	6,568,533	-	6,568,533
Profit after tax from fuel refinery operations transferred to special reserve	-	-	-	-	(658,006)	658,006	-
Balance as at June 30, 2011	799,666	10,142	4,117	13,988,000	5,936,182	3,869,068	24,607,175

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

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 17.

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.

2.2 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

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. Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplfies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

ii. IFRS 7 (ammendment), 'Financial Instruments: Disclosures' (effective for period beginning on or after January 1, 2011). The ammendments emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment will only effect the disclosures in the company's financial statements.

iii. 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments rectifies this. The amendments are effective for annual periods beginning January 1, 2011. The company's retirement benefit funds are not subject to any minimum funding requirement, therefore, there is no effect of this amendment on the company's financial statements.

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.

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.

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 loses 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 carried at invoice value 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 and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, short-term investments with original maturities of three months or less, running finance under mark-up arrangements and short-term finance.

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, 2011, 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, 2011, using the ‘Projected Unit Credit Method’.

iii) Funded medical scheme for 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, 2011, 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.

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, 2011 using the 'Projected Unit Credit Method'.

2.15 Trade and other payables

Trade and other payables are carried at 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 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 and 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:

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

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

c) Handling and storage income, pipelines charges, scrap sales, insurance commission and rental 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.

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

	2011	2010
	(Rupees in thousand)	
Operating assets - note 3.1	3,003,479	2,714,181
Capital work-in-progress - note 3.2	231,276	534,040
	3,234,755	3,248,221

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, 2011												
Opening 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
Additions including transfers - note 3.1.2	-	8,966	123,287	219,985	-	18,167	116,276	4,105	406	4,609	75,231	571,032
Disposals												
Cost	-	-	(811)	-	-	-	-	(6,605)	-	-	(2,670)	(10,086)
Depreciation	-	-	811	-	-	-	-	5,182	-	-	2,643	8,636
	-	-	-	-	-	-	-	(1,423)	-	-	(27)	(1,450)
Depreciation charge	(600)	(14,706)	(23,961)	(93,979)	(51,906)	(20,255)	(38,121)	(7,681)	(765)	(1,765)	(26,545)	(280,284)
Closing net book value	47,825	196,282	381,124	1192,595	136,596	186,807	470,416	14,372	5,394	4,442	367,626	3,003,479
As at June 30, 2011												
Cost	60,035	401,110	606,581	4,880,644	747,293	373,818	1,253,757	73,434	11,222	48,092	576,085	9,032,071
Accumulated depreciation	(12,210)	(204,828)	(225,457)	(3,688,049)	(610,697)	(187,011)	(783,341)	(59,062)	(5,828)	(43,650)	(208,459)	(6,028,592)
Net book value	47,825	196,282	381,124	1,192,595	136,596	186,807	470,416	14,372	5,394	4,442	367,626	3,003,479
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
Annual Rate of Depreciation %	1	5	5 to 8	5 & 7	7	8	6	20	7.5	33.33	5 to 15	

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

- Pak-Hy Oils (Private) Limited
- Chevron Pakistan Limited
- Burshane LPG (Pakistan) Limited (formerly Shell Gas LPG (Pakistan) Limited)
- Pakistan State Oil Company Limited
- PERAC Research & Development Foundation
- Petroleum Packages (Pvt.) 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:

	2011	2010
	(Rupees in thousand)	
Buildings on leasehold land	8,966	1,616
Oil terminal	123,064	71,529
Processing plant and storage tanks	219,985	439,028
Pipelines	18,167	24,595
Water power and other utilities	116,276	200,909
Office and other equipments	64,882	97,047
	551,340	834,724

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	1,317	221	1,096	843	Company Policy	Mr. Nisar Ahmed Khan (Employee)
	905	588	317	464	Company Policy	Mr. Dawood Panhwar (Ex-employee)
	2,222	809	1,413	1,307		
written down value below Rs. 50,000 each						
Vehicles	4,383	4,373	10	3,322		
Oil Terminal	811	811	-	-		
Office and other equipments	2,670	2,643	27	96		
	10,086	8,636	1,450	4,725		

3.2 Capital work-in-progress

	Various projects	Advances to other contractors/ suppliers	Total
	(Rupees in thousand)		
Balance as at July 1, 2010	505,085	28,955	534,040
Additions during the year	245,913	2,663	248,576
Transfers during the year - note 3.1.2	(540,370)	(10,970)	(551,340)
Balance as at June 30, 2011	210,628	20,648	231,276
Balance as at July 1, 2009	879,209	44,254	923,463
Additions during the year	437,531	7,770	445,301
Transfers during the year - note 3.1.2	(811,655)	(23,069)	(834,724)
Balance as at June 30, 2010	505,085	28,955	534,040

4. INTANGIBLE ASSETS – Computer softwares

	2011	2010
	(Rupees in thousand)	
Net carrying value		
Balance at beginning of the year	138	5,938
Amortisation for the year	(103)	(5,800)
Balance at end of the year	35	138
Gross carrying value		
Cost	50,836	50,836
Accumulated amortisation	(50,801)	(50,698)
Net book value	35	138

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

5. LONG TERM INVESTMENT

Investment in related party (unlisted)
Available for sale

	2011	2010
Anoud Power Generation Limited [1,080,000 (2010: 1,080,000) Ordinary shares of Rs.10 each, Equity held 9.09 percent (2010: 9.09 percent)]	10,800	10,800
Less: Provision for impairment	10,800	10,800
	-	-

6. LONG TERM LOANS AND DEPOSITS

	2011	2010
	(Rupees in thousand)	
Loans - considered good		
Secured - note 6.2		
- Executives	36,915	30,033
- Employees	39,695	42,952
	76,610	72,985
Less: Recoverable within one year shown under current assets - note 10		
- Executives	8,386	7,291
- Employees	6,927	7,322
	15,313	14,613
	61,297	58,372
Unsecured - note 6.3		
- Executives	964	1,393
- Employees	1,225	880
	2,189	2,273
Less: Recoverable within one year shown under current assets - note 10		
- Executives	372	403
- Employees	257	183
	629	586
	1,560	1,687
	62,857	60,059
Deposits		
- Utilities	14,200	14,200
- Others	15,973	16,235
	30,173	30,435
	93,030	90,494

6.1 **Reconciliation of the carrying amount of loans:**

	2011			2010		
	Executives	Employees	Total	Executives	Employees	Total
	(Rupees in thousand)					
Balance at beginning of the year	31,426	43,832	75,258	25,401	44,085	69,486
Effect of promotions to Executives	8,015	(8,015)	-	2,260	(2,260)	-
Add: Disbursements	11,640	10,431	22,071	13,957	10,625	24,582
Less: Recoveries	(13,202)	(5,328)	(18,530)	(10,192)	(8,618)	(18,810)
Balance at end of the year	37,879	40,920	78,799	31,426	43,832	75,258

6.2 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 instalments over a period ranging between 5 to 10 (2010: 5 to 10) years. Certain of these loans are interest free, whereas others carry interest ranging from 3% to 7% (2010: 3% to 7%) per annum in case of motor car loans and 5% (2010: 5%) per annum in case of house loans. These loans are secured against original title documents of respective assets.

6.3 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 instalments over a period of 4 to 12 (2010: 4 to 12) years and are interest free.

	2011	2010
	(Rupees in thousand)	
7. STORES, SPARES AND CHEMICALS		
In hand		
- Stores - note 7.1	320,134	331,889
- Spares	980,069	972,862
- Chemicals	119,202	98,450
	1,419,405	1,403,201
In transit	43,491	61,667
	1,462,896	1,464,868
Provision for slow moving and obsolete stores, spares and chemicals	(575,604)	(560,498)
	887,292	904,370

7.1 Includes stores held with the following third parties:

	2011	2010
- Petroleum Packages (Pvt.) Limited	11,193	28,534
- Karachi Containers & Engineering (Pvt.) Limited	13,355	7,281
- Esquire Packaging Company (Pvt.) Limited	3,979	8,552
	28,527	44,367

8. STOCK-IN-TRADE

	2011	2010
Raw materials		
- Crude oil and condensate - note 8.1	5,121,396	4,396,449
- Naphtha	-	21,765
	5,121,396	4,418,214
Semi finished products	2,579,119	1,968,622
Finished products - notes 8.1 and 8.2	11,646,414	5,411,367
	19,346,929	11,798,203

8.1 As at June 30, stock of raw materials has been written down by Rs. 207.45 million (2010: Rs. 190.44 million) and finished goods by Rs. 115.96 million (2010: Rs. 156.91 million) to arrive at its net realisable value.

8.2 Includes stocks held with the following third parties:

	2011	2010
- Karachi Bulk Storage & Terminals (Pvt.) Limited	161,606	192,450
- Pakistan State Oil Company Limited	97,356	52,491
	258,962	244,941

9. TRADE DEBTS - unsecured

		2011	2010
Considered good			
- related party - Attock Petroleum Limited	note 9.1	2,358,923	2,784,059
- others	note 9.1	11,741,570	13,507,645
Considered doubtful		23,908	21,174
		14,124,401	16,312,878
Provision for doubtful debts		(23,908)	(21,174)
		14,100,493	16,291,704

		2011	2010
		(Rupees in thousand)	
9.1	The age analysis of debt past due but not impaired is as follows:		
	Up to 3 months	109,537	709,517
	3 to 6 months	-	290,912
	More than 6 months	9,379,588	9,168,404

10. LOANS AND ADVANCES

	2011	2010
Loans - considered good		
Current portion of long term loans - note 6		
Secured		
- Executives	8,386	7,291
- Employees	6,927	7,322
	15,313	14,613
Unsecured		
- Executives	372	403
- Employees	257	183
	629	586
Short term loans to employees - unsecured, interest free	580	494
Advances		
- Executives	1,365	1,648
- Employees	1,185	981
- Suppliers	4,890	3,111
	7,440	5,740
	23,962	21,433

11. DEPOSITS AND PREPAYMENTS

	2011	2010
Deposits	801	842
Prepayments		
- Insurance	576	10,089
- Workers' profits participation fund - note 19.3	11,373	-
- Others	5,696	5,370
	17,645	15,459
	18,446	16,301

12. OTHER RECEIVABLES – considered good

	2011	2010
Receivable from related parties:		
- Attock Petroleum Limited	-	1,220
- Attock Refinery Limited	7,316	9,475
	7,316	10,695
Others:		
- Pakistan Refinery Limited - note 12.1	685,292	682,643
- Government of Pakistan - note 12.2	232,809	232,809
- Claims receivable	1,251	9,595
- Insurance rebate receivable	4,166	4,411
- Others	1,651	1,438
	932,485	941,591

12.1 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.

12.2 This represents price differential claims receivable from Government of Pakistan.

13. INVESTMENTS

At fair value through profit or loss

Investment in open ended mutual funds

2011 (Units)	2010 (Units)		2011 (Rupees in thousand)	2010 (Rupees in thousand)
-	6,172,840	National Investment Trust	-	173,889
		Held to maturity		
		3 months treasury bills - at amortised cost - note 13.1	8,941,634	1,379,776
			8,941,634	1,553,665

13.1 These are held by company's banker on behalf of the company. The yield on these bills ranges from 13.07% to 13.49% (2010: 12.48% to 12.67%) per annum and these bills will mature in July 2011 to September 2011.

14. CASH AND BANK BALANCES

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
In hand	500	500
With banks on:		
Current accounts	43,251	75,062
Savings accounts - note 14.3	1,659,622	8,315,740
Deposit accounts		
- local currency - notes 14.1, 14.2 and 14.3	7,354,830	7,812,535
- foreign currency (2010: US $ 61 thousand)	-	5,171
	9,057,703	16,208,508
	9,058,203	16,209,008

14.1 Includes Rs. 1.06 billion (2010: Rs. 1.21 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 from suppliers alongwith related interest earned thereon.

14.2 Includes Rs. 290.65 million (2010: Rs. 198.19 million) under lien with banks against bank guarantees issued on behalf of the company.

14.3 These carry interest at the rates varying from 5% to 13.40% (2010: 5% to 13.50%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Numbers of shares		2011 (Rupees in thousand)	2010 (Rupees in thousand)
59,450,417	Ordinary shares of Rs. 10 each fully paid in cash	594,504	594,504
6,469,963	Ordinary shares of Rs. 10 each issued for consideration other than cash	64,700	64,700
14,046,180	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	140,462	140,462
79,966,560		799,666	799,666

15.1 As at June 30, 2011 and 2010, Attock Oil Group holds 51% equity stake in the company through the following companies:

	2011 (Number of shares)	2010 (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

16. RESERVES

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Capital reserves		
Capital compensation reserve - note 16.1	10,142	10,142
Exchange equalisation reserve	4,117	4,117
	14,259	14,259
Revenue reserves		
General reserve	13,988,000	11,588,000
Unappropriated profit	5,936,182	4,024,986
	19,924,182	15,612,986
Special reserve - note 16.2	3,869,068	3,211,062
	23,807,509	18,838,307

16.1 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.

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

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

17. STAFF RETIREMENT BENEFITS

The details of staff retirement benefits are as follows:

	2011			2010		
	Pension Fund	Gratuity Fund	Medical Fund	Pension Fund	Gratuity Fund	Medical Fund
	(Rupees in thousand)					
17.1 Reconciliations of obligations						
Present value of defined benefit obligations	2,938,458	90,789	728,221	2,478,854	73,659	645,699
Fair value of plan assets	(2,950,214)	(59,039)	(651,744)	(2,659,526)	(47,721)	(551,351)
Funded status	(11,756)	31,750	76,477	(180,672)	25,938	94,348
Unrecognised net actuarial gain / (loss)	82,360	(27,376)	28,402	228,973	(25,938)	(3,157)
Recognised liability	70,604	4,374	104,879	48,301	-	91,191
17.2 Movement in liability						
Liability at beginning of the year	48,301	-	91,191	44,745	885	89,917
Charge for the year	80,570	9,936	33,399	64,790	2,368	19,374
Contribution (paid to) / refund by the fund	(58,267)	(5,562)	-	(61,234)	(3,253)	2,294
Benefits paid directly by the company	-	-	(19,711)	-	-	(20,394)
Liability at end of the year	70,604	4,374	104,879	48,301	-	91,191
17.3 Charge for the year						
Current service cost	74,923	4,417	12,934	71,336	2,727	14,513
Interest cost	298,317	9,590	81,688	250,872	6,034	63,809
Expected return on plan assets	(292,670)	(5,500)	(61,223)	(257,418)	(7,005)	(58,948)
Net actuarial loss recognised during the year	-	1,429	-	-	612	-
	80,570	9,936	33,399	64,790	2,368	19,374
17.4 Movement in present value of defined benefit obligations						
Opening balance	2,478,854	73,659	645,699	2,312,535	53,946	581,215
Service cost	74,923	4,417	12,934	71,336	2,727	14,513
Interest cost	298,317	9,590	81,688	250,872	6,034	63,809
Benefits paid	(137,134)	(147)	-	(147,076)	(153)	-
Benefits paid directly by the company	-	-	(19,711)	-	-	(20,394)
Transfer from Gratuity / (to Pension) Fund	375	(375)	-	-	-	-
Actuarial loss / (gain)	223,123	3,645	7,611	(8,813)	11,105	6,556
Present value of defined benefit obligations at the end of the year	2,938,458	90,789	728,221	2,478,854	73,659	645,699
17.5 Movement in fair value of plan assets						
Opening balance	2,659,526	47,721	551,351	2,396,530	62,950	534,593
Expected return	292,670	5,500	61,223	257,418	7,005	58,948
Contributions / (refund)	58,267	5,562	-	61,234	3,253	(2,294)
Benefits paid	(137,134)	(147)	-	(147,076)	(153)	-
Actuarial gain / (loss)	76,510	778	39,170	67,285	(1,199)	(39,896)
Transfer from Gratuity / (to Pension) Fund	375	(375)	-	24,135	(24,135)	-
Fair value of plan assets at the end of the year	2,950,214	59,039	651,744	2,659,526	47,721	551,351
Actual return on plan assets	397,531	6,506	66,931	324,703	5,806	19,052

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

	2011	2010	2009	2008	2007
			(Rupees in thousand)		
17.6 Historical information					
PENSION FUND					
As at June 30					
Present value of defined benefit obligation	2,938,458	2,478,854	2,312,535	2,181,529	1,961,320
Fair value of plan assets	(2,950,214)	(2,659,526)	(2,396,530)	(2,128,896)	(1,997,522)
(Surplus) / Deficit	(11,756)	(180,672)	(83,995)	52,633	(36,202)
Experience loss / (gain) on obligation	223,123	(8,813)	(104,285)	57,522	28,890
Experience gain / (loss) on plan assets	104,861	67,285	(148,795)	38,441	161,482
GRATUITY FUND					
As at June 30					
Present value of defined benefit obligation	90,789	73,659	53,946	67,945	56,823
Fair value of plan assets	(59,039)	(47,721)	(62,950)	(82,668)	(67,595)
Deficit / (Surplus)	31,750	25,938	(9,004)	(14,723)	(10,772)
Experience loss / (gain) on obligation	12,092	11,105	2,681	13,968	(315)
Experience gain / (loss) on plan assets	1,006	(1,199)	(15,500)	7,706	9,320
MEDICAL FUND					
As at June 30					
Present value of defined benefit obligation	728,221	645,699	581,215	553,929	548,940
Fair value of plan assets	(651,744)	(551,351)	(534,593)	(525,739)	(499,257)
Deficit	76,477	94,348	46,622	28,190	49,683
Experience loss / (gain) on obligation	7,611	6,556	(39,626)	(49,327)	18,373
Experience gain / (loss) on plan assets	5,708	(39,896)	(41,160)	(10,080)	41,378

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

	Pension		Gratuity		Medical Fund	
	2011	2010	2011	2010	2011	2010
Debt Instrument	90.55%	81.75%	82.67%	53.82%	47.88%	26.30%
Equity	6.48%	1.81%	8.01%	9.18%	0.00%	3.43%
Mixed funds	2.96%	14.51%	0.00%	14.85%	51.59%	68.43%
Others	0.01%	1.93%	9.32%	22.15%	0.53%	1.84%

17.8 Principal actuarial assumptions

Rate of discount	14.50% p.a	12.75% p.a	14.50% p.a	12.75% p.a	14.50% p.a	12.75% p.a
Expected rate of increment of salary / increase in cost						
- Three succeeding year's after valuation	10.00% p.a	10.00% p.a	13.50% p.a	12.75% p.a	11.50% p.a	9.75% p.a
- Long term increase	13.50% p.a	11.75% p.a	13.50% p.a	12.75% p.a	11.50% p.a	9.75% p.a
Expected rate of increase in pension	7.50% p.a	5.75% p.a	-	-	-	-
Expected rate of return on assets	13.50% p.a	11% p.a	13.50% p.a	11% p.a	13.50% p.a	11% p.a
Expected retirement age	60 years	60 years	60 years	60 years	60 years	60 years

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

	Increase	Increase
	(Rupees in thousand)	
Effect on the aggregate of current service cost and interest cost	13,972	11,331
Effect on the defined benefit obligation	112,066	103,622

The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:	2011	2010
	Years	
Male	16.8	16.8
Female	21.2	21.2

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

	(Rupees in thousand)
Pension fund	85,381
Gratuity fund	10,626
Medical fund	29,705

17.11 Information in note 17 is based on actuarial advice.

18. DEFERRED TAXATION

	2011	2010
	(Rupees in thousand)	
Debit balances arising in respect of provisions for:		
- slow moving and obsolete stores, spares and chemicals	176,456	171,728
- duties and taxes	77,507	72,066
- discount on crude oil purchases	43,057	86,065
- long term investment, doubtful debts, doubtful receivables and pending litigations	26,976	26,123
- old outstanding liabilities offered for tax	177,136	563,086
	501,132	919,068
Credit balance arising in respect of accelerated tax depreciation and amortisation	(550,041)	(486,336)
	(48,909)	432,732

	2011	2010
	(Rupees in thousand)	
19. TRADE AND OTHER PAYABLES		
Creditors		
Government of Pakistan	2,282,216	7,911,734
Other trade creditors:		
- Related parties - note 19.1	2,878	71,169
- Others - note 19.2	23,426,827	19,502,009
	23,429,705	19,573,178
	25,711,921	27,484,912
Mark-up accrued on unsecured customs duty overdue	310,264	310,264
Accrued liabilities	656,946	503,364
Sales tax payable	1,940,962	-
Retention money	13,738	14,737
Deposits from contractors	27,239	25,200
Advances from customers	275,037	367,569
Workers' profits participation fund - note 19.3	-	1,966
Workers' welfare fund	236,561	37,142
Income tax deducted at source	6,773	34,806
Unclaimed dividend	54,337	47,004
Excise duty and petroleum levy	163,924	952,391
Others	2,468	9,555
	29,400,170	29,888,910

19.1 Amounts due to related parties are as follows:

Attock Petroleum Limited	2,878	70,817
The Attock Oil Company Limited	-	352
	2,878	71,169

19.2 Includes an amount of Rs. 140.46 million (2010: 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.

	2011	2010
	(Rupees in thousand)	
19.3 Workers' profits participation fund		
Payable / (Receivable) at beginning of the year	1,966	(23,472)
Allocation for the year - note 28	538,627	276,966
Interest on funds utilised in the company's business - note 29	622	-
	541,215	253,494
Less: Amount paid to the Trustees of the Fund	552,588	251,528
(Receivable) / Payable at end of the year	(11,373)	1,966

	2011	2010
	(Rupees in thousand)	
20. PROVISIONS		
Duties and taxes - note 20.1	232,829	215,214
Others	195,847	83,355
	428,676	298,569

20.1 These represent provisions for:

Claim by the Government - note 20.1.1	165,214	165,214
Sales tax, central excise duty and penalties - note 20.1.2	67,615	50,000
	232,829	215,214

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

20.1.2 This represents provision made by the company in respect of sales tax, central excise duty and penalties aggregating to Rs. 67.61 million (2010: 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.

	2011	2010
	(Rupees in thousand)	
20.2 Reconciliation of provisions		
Balance at the beginning of the year	298,569	301,485
Provision / (Reversal) due to settlement - note 20.2.1	130,107	(2,916)
Balance at the end of the year	428,676	298,569

20.2.1 This represents provision made by the company, in respect of arbitration claim from one of the suppliers of the company, on account of cancellation of a supply contract.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Outstanding counter guarantees at the end of the year amounted to Rs. 291.26 million (2010: Rs. 198.41 million).

21.1.2 Claims not acknowledged by the company as debt at the end of the year amounted to Rs. 2.89 billion (2010: Rs. 1.41 billion). These include claims accumulating to Rs. 2.68 billion (2010: Rs. 1.26 billion) in respect of late payment surcharge claimed by crude oil suppliers.

21.1.3 The company has raised claims on certain Oil Marketing Companies (OMCs) in respect of interest on late payments against receivables aggregating to Rs. 3.60 billion (2010: Rs. 2.39 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 outstanding for capital expenditures as at June 30, 2011 amounted to Rs. 81.97 million (2010: Rs. 65.11 million).

21.2.2 Outstanding letters of credit at the end of the year amounted to Rs. 11.74 billion (2010: Rs. 10.28 billion).

	2011	2010
	(Rupees in thousand)	
22. GROSS SALES		
Local	152,838,472	118,668,989
Export	25,219,976	17,781,996
	178,058,448	136,450,985
23. TRADE DISCOUNTS, TAXES, DUTIES AND LEVIES		
Trade discounts	904,151	613,234
Sales tax	21,988,075	16,240,584
Excise duty	1,307,595	1,424,189
Petroleum development levy	5,300,135	7,916,844
Carbon surcharge	-	69,760
	29,499,956	26,264,611
24. COST OF SALES		
Opening stock of semi-finished products	1,968,622	1,576,437
Crude oil, condensate, naphtha and drums consumed - notes 24.1 and 24.2	141,229,444	101,788,482
Stores, spares and chemicals consumed	501,492	521,002
Salaries, wages and staff benefits - note 24.3	911,252	797,604
Staff transport and canteen	79,146	68,167
Fuel, power and water	2,018,160	1,755,256
Rent, rates and taxes	44,844	102,200
Insurance	106,713	96,606
Contract services	43,387	42,480
Repairs and maintenance	165,592	266,468
Provision for slow moving and obsolete stores, spares and chemicals	15,106	52,368
Depreciation	249,557	205,095
Amortisation of intangible assets - note 4	-	5,697
Health, safety, environment and related cost	4,822	4,398
Professional charges	3,297	4,936
Consultancy charges	12,852	19,516
Others	11,296	10,126
	145,396,960	105,740,401
Closing stock of semi-finished products - note 8	(2,579,119)	(1,968,622)
Cost of products manufactured	144,786,463	105,348,216
Opening stock of finished products	5,411,367	3,916,717
Closing stock of finished products - note 8	(11,646,414)	(5,411,367)
	(6,235,047)	(1,494,650)
	138,551,416	103,853,566

	2011	2010
	(Rupees in thousand)	
24.1 Crude oil, condensate, naphtha and drums consumed		
Crude oil, condensate and naphtha		
- Opening stock	4,418,214	6,758,027
- Purchases	141,382,543	98,964,228
- Closing stock	(5,121,396)	(4,418,214)
	140,679,361	101,304,041
Drums	550,083	484,441
	141,229,444	101,788,482

24.2 Cost of crude oil and condensate 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. 81.24 million (2010: Rs. 55.87 million) and Rs. 24.66 million (2010: Rs. 23.96 million) in respect of defined benefit and defined contribution plans respectively.

	2011	2010
	(Rupees in thousand)	
25. DISTRIBUTION AND MARKETING EXPENSES		
Salaries and staff benefits - note 25.1	49,446	40,328
Staff transport and canteen	3,707	2,983
Stores, spares and chemicals consumed	3,963	3,622
Commission on local sales	614,982	558,989
Commission on export sales	252,558	178,244
Export expenses	154,624	123,168
Depreciation	17,240	15,397
Repairs and maintenance	13,705	13,415
Postage and periodicals	1,680	2,073
Provision for doubtful receivable	2,734	38,514
Selling expenses	8,214	8,713
Pipeline charges	6,525	3,628
Others	6,621	7,025
	1,135,999	996,099

25.1 Includes Rs. 6.83 million (2010: Rs. 4.93 million) and Rs. 1.90 million (2010: Rs. 1.62 million) in respect of defined benefit and defined contribution plans respectively.

	2011	2010
	(Rupees in thousand)	
26. ADMINISTRATIVE EXPENSES		
Salaries and staff benefits - note 26.1	256,976	212,865
Staff transport and canteen	20,463	17,243
Directors' Fee	3,431	3,405
Rent, rates and taxes	3,478	4,028
Depreciation	13,487	14,637
Amortisation of intangible assets - note 4	103	103
Legal and professional charges	3,264	7,940
Printing and stationery	5,012	6,466
Repairs and maintenance	64,059	60,985
Telecommunication	4,911	5,010
Electricity and power	19,781	17,261
Insurance	1,206	1,763
Training and seminar	1,269	965
Postage and periodicals	6,597	6,013
Security charges	10,322	9,602
Others	6,636	5,489
	420,995	373,775

26.1 Includes Rs. 35.83 million (2010: Rs. 25.73 million) and Rs. 8.36 million (2010: Rs. 7.73 million) in respect of defined benefit and defined contribution plans respectively.

27. OTHER OPERATING INCOME

	2011	2010
	(Rupees in thousand)	
Income from financial assets		
Return / interest / mark-up on:		
- PLS savings and deposit accounts	1,465,601	936,591
- Secured loans to employees and executives	632	596
- Treasury bills	585,152	29,645
Gain on sale of open ended mutual fund units	16,296	44,491
Loss on re-measurement of fair value of open ended mutual fund units	-	(26,111)
Dividend income from NIT units	13,890	23,534
Others		
Handling and storage income	147,739	113,231
Hospitality income	10,847	8,600
Liabilities no longer payable written back	162,653	112,649
Profit on disposal of property, plant and equipment	3,275	2,294
Sale of scrap and empties	69,004	9,882
Pipeline charges recovered	5,345	4,629
Rental income	6,778	6,081
Rebate on insurance	6,061	5,081
Encashment of bank guarantee	1,817	3,669
Tender fees	437	180
Others	2,047	3,062
	2,497,574	1,278,104

28. OTHER OPERATING EXPENSES

	2011	2010
Workers' profits participation fund - note 19.3	538,627	276,966
Workers' welfare fund	204,666	126,736
Provision for duties and taxes - note 20.1	17,615	-
Auditors' remuneration - note 28.1	7,570	5,957
Donation - note 28.2	100	-
	768,578	409,659

28.1 Auditors' remuneration

	2011	2010
Audit fee	1,500	1,320
Taxation services	4,750	3,457
Fee for review of half yearly financial statements, special reports and certifications	960	797
Out-of-pocket expenses	360	383
	7,570	5,957

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

	2011	2010
	(Rupees in thousand)	

29. FINANCE COST

	2011	2010
Interest on workers' profits participation fund - note 19.3	622	-
Mark-up on late payment to supplier	112,492	348,289
Exchange loss	35,559	345,277
Guarantee commission and service charges	1,144	1,306
Bank charges	651	885
	150,468	695,757

30. TAXATION

	2011	2010
Current		
- for the year	2,978,436	2,112,460
- for prior years	-	86,582
	2,978,436	2,199,042
Deferred	481,641	(348,234)
	3,460,077	1,850,808

30.1 Relationship between tax expense and accounting profit

	2011	2010
Accounting profit before taxation	10,028,610	5,135,622
Tax at the applicable tax rate of 35%	3,510,014	1,797,468
Tax effect of income exempt from tax	(5,704)	(15,572)
Tax effect of expenses not allowed for tax	5,112	13,722
Tax effect of Final Tax Regime	(65,291)	24,018
Effect of tax credits	(67,574)	(49,526)
Effect of income taxable at lower rate	(5,203)	(5,884)
Effect of surcharge on tax payable	88,723	-
Effect of prior years tax	-	86,582
Tax expense for the year	3,460,077	1,850,808

31. EARNINGS PER SHARE

	2011	2010
Profit after taxation	6,568,533	3,284,814
Weighted average number of ordinary shares in issue (in thousand)	79,967	79,967
Basic earnings per share (Rupees)	82.14	41.08

There were no dilutive potential ordinary shares in issue as at June 30, 2011 and 2010.

		2011	2010
		(Rupees in thousand)	
32.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	10,028,610	5,135,622
	Adjustment for non cash charges and other items:		
	Depreciation and amortisation	280,387	240,929
	Provision for pension	80,570	64,790
	Provision for gratuity	9,936	2,368
	Provision for post retirement medical benefits	33,399	19,374
	Mark-up on late payment to supplier	-	348,289
	Provision for slow moving and obsolete stores, spares and chemicals	15,106	52,368
	Provision for doubtful receivables	2,734	38,514
	Return / interest on bank deposits	(1,465,601)	(936,591)
	Return on treasury bills	(585,152)	(29,645)
	Gain on sale of open ended mutual fund units	(16,296)	(44,491)
	Loss on re-measurement of fair value of open ended mutual fund units	-	26,111
	Dividend income on NIT units	(13,890)	(23,534)
	Profit on disposal of property, plant and equipment	(3,275)	(2,294)
	Exchange gain on foreign currency bank accounts	(21)	(260)
	(Increase) / Decrease in working capital - note 32.1	(5,657,783)	7,442,005
		2,708,724	12,333,555
32.1	**(Increase) / Decrease in working capital**		
	(Increase) / Decrease in current assets		
	Stores, spares and chemicals	1,972	(20,144)
	Stock-in-trade	(7,548,726)	452,978
	Trade debts	2,188,477	(1,450,416)
	Loans and advances	(2,529)	3,786
	Deposits and short term prepayments	(2,145)	37,448
	Other receivables	9,106	1,402,478
	Tax refunds due from Government - Sales tax	62,028	513,874
		(5,291,817)	940,004
	Increase / (Decrease) in current liabilities		
	Trade and other payables	(496,073)	6,504,917
	Provisions	130,107	(2,916)
		(5,657,783)	7,442,005
33.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	9,058,203	16,209,008
	Short term investments	8,830,283	1,362,290
		17,888,486	17,571,298
34.	**UNAVAILED CREDIT FACILITIES**		
	Short term running finance - note 34.1	350,000	350,000
	Letters of credit and guarantee - note 34.2	24,228,811	17,734,762

34.1 Short term running finance

The rates of mark-up on these finance ranges between 12.75% and 14.30% (2010: 12.22% and 13.36%) 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, 2012.

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.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2011			2010		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in thousand)					
Managerial remuneration	6,737	3,694	178,107	6,381	2,440	144,532
Bonus	1,991	720	36,507	1,545	402	21,627
Retirement benefits	2,239	871	44,601	1,713	587	35,190
House rent	2,240	1,375	69,949	-	908	56,194
Conveyance	216	306	15,246	193	273	10,701
Leave benefits	600	382	17,270	585	228	14,683
	14,023	7,348	361,680	10,417	4,838	282,927
Number of person(s)	1	1	212	1	1	165

35.1 In addition to the above, fee to Directors during the year amounted to Rs. 3.43 million (2010: Rs. 3.40 million).

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			
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
	(Rupees in thousand)						
Financial assets							
Loans and receivables							
Loans and advances	2,477	9,937	12,414	16,595	52,920	69,515	81,929
Deposits	-	-	-	801	30,173	30,974	30,974
Trade debts	-	-	-	14,100,493	-	14,100,493	14,100,493
Accrued interest	-	-	-	56,995	-	56,995	56,995
Other receivables	-	-		932,485	--	932,485	932,485
Cash and bank balances	9,014,452	-	9,014,452	43,751	-	43,751	9,058,203
Held to maturity							
Investments	8,941,634	-	8,941,634	-	-	-	8,941,634
2011	17,958,563	9,937	17,968,500	15,151,120	83,093	15,234,213	33,202,713
2010	17,510,597	10,515	17,521,112	17,573,766	79,979	17,653,745	35,174,857
Financial liabilities							
Trade and other payables	2,028,018	-	2,028,018	24,748,895	-	24,748,895	26,776,913
2011	2,028,018	-	2,028,018	24,748,895	-	24,748,895	26,776,913
2010	1,678,714	-	1,678,714	26,699,709	-	26,699,709	28,378,423

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. As mentioned in note - 16.2, 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 transfered to special reserve.

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

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets that are subject to credit risk amounted to Rs. 24.03 billion (2010: Rs. 34.94 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:

	2011	2010
	(Rupees in thousand)	
Loans and advances	81,929	78,381
Deposits	30,974	31,277
Trade debts	4,611,368	6,122,871
Accrued interest	56,995	69,231
Other receivables	932,485	941,591
Investments	8,941,634	1,553,665
Cash and bank balances	9,058,203	16,209,008
	23,713,588	25,006,024

(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. 290.48 million (2010: Rs. 960.01 million) and financial liabilities include Rs. 6.1 billion (2010: Rs. 7.33 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, 2011, 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. 581.4 million (2010: Rs. 636.50 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, 2011 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 not exposed to any price risk with respect to its investments in treasury bills.

(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.

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.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	2011	2010	2011	2010	2011	2010
			(Rupees in thousand)			
Segment Revenue						
Sales to external customers						
- local, net of discounts, taxes, duties and levies	84,644,771	60,429,727	38,693,745	31,974,651	123,338,516	92,404,378
- export	21,103,080	15,758,624	4,116,896	2,023,372	25,219,976	17,781,996
	105,747,851	76,188,351	42,810,641	33,998,023	148,558,492	110,186,374
Inter-segment transfers	33,606,335	25,546,918	203,308	-	33,809,643	25,546,918
Elimination of inter-segment transfers	-	-	-	-	(33,809,643)	(25,546,918)
Net sales	139,354,186	101,735,269	43,013,949	33,998,023	148,558,492	110,186,374
Segment results after tax	772,591	(707,576)	5,795,942	3,992,390	6,568,533	3,284,814
Segment assets	33,787,945	31,030,284	21,346,617	18,514,187	55,134,562	49,544,471
Unallocated assets	-	-	-	-	1,559,697	2,094,648
Total assets	33,787,945	31,030,284	21,346,617	18,514,187	56,694,259	51,639,119
Segment liabilities	27,904,406	28,645,989	2,104,296	1,680,982	30,008,702	30,326,971
Unallocated liabilities	-	-	-	-	2,078,382	1,674,175
Total liabilities	27,904,406	28,645,989	2,104,296	1,680,982	32,087,084	32,001,146
Other Segment Information:						
Capital expenditure	86,633	254,416	141,609	262,032	228,242	516,448
Unallocated capital expenditure	-	-	-	-	342,790	338,774
	86,633	254,416	141,609	262,032	571,032	855,222
Depreciation and amortisation	89,099	72,739	191,288	168,190	280,387	240,929
Interest income	683,796	322,277	1,367,589	644,555	2,051,385	966,832
Interest expense	223	348,289	112,907	-	113,130	348,289
Non-cash expenses other than depreciation	7,769	55,970	10,071	34,912	17,840	90,882
Stock-in-trade written down	323,405	347,350	-	-	323,405	347,350

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 71.61% (2010: 69.56%) of the net revenues during the year amounting to Rs.106.38 billion (2010: Rs.76.64 billion) and each customer individually exceeds 10% of the net revenues.

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	2011	2010
		(Rupees in thousand)	
Associated companies			
	Sale of petroleum products	60,130,173	38,907,025
	Rental income	3,739	3,296
	Hospitality charges	10,847	8,600
	Handling income	107,866	69,402
	Trade discounts and commission on sales	1,771,692	1,348,660
	Reimbursement of expenses	2,368	7,405
	Purchase of petroleum products	19,127	16,586
	Dividend paid	815,659	509,787
	Sale of stores	1,859	-
	Interest on late payment	137	-
Post employment staff benefit plans			
	Contributions	158,821	119,842
Others			
	Purchase of electricity	1,040,325	863,667
	Rental income	544	494
Key management employees compensation			
	Salaries and other employee benefits	32,893	26,782
	Post retirement benefits	3,734	2,872
	Directors' Fees	3,431	3,405

Sale of certain products were transacted at prices fixed by Oil & Gas Regulatory Authority. However, Ministry of Petroleum & Natural Resources through its circular dated May 31, 2011 deregulated the prices of Motor Spirit (MS), HOBC, Light Diesel Oil (LDO) & Aviation Fuels (JPs). Other transactions with related parties are carried on commercially negotiated terms.

38.2 The related party status of outstanding balances as at June 30, 2011 is included in trade debts, other receivables and trade and other payables.

39. CAPACITY

	Annual designed throughput capacity	Actual throughput 2011	Actual throughput 2010
	(In Metric Tons)		
Fuel section - throughput of crude oil - 39.1	2,710,500	2,421,092	2,138,635
Lube section - throughput of reduced crude oil	620,486	713,481	657,355

39.1 Reduction is due to day to day monitoring of throughput based on expected product margins.

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 10, 2011 (i) approved transfer of Rs. 3.9 billion (2010: Rs. 2.4 billion) from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs. 25 per share (2010: Rs. 20 per share) for the year ended June 30, 2011 amounting to Rs. 2 billion (2010: Rs. 1.6 billion) for approval of the members at the Annual General Meeting to be held on October 20, 2011. These financial statements do not recognise these appropriations which will be accounted for in the financial statements for the year ending June 30, 2012.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 10, 2011 by the Board of Directors of the company.

Chief Executive

Director

Pattern of Shareholding & Notice of AGM

Pattern of Shareholding

NUMBER OF SHARES FROM	TO	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% ON ISSUED
1	100	1,434	51,149	0.06
101	500	1,237	326,821	0.41
501	1000	576	434,018	0.54
1001	5000	851	1,930,000	2.41
5001	10000	151	1,070,426	1.34
10001	15000	42	512,538	0.64
15001	20000	30	531,291	0.66
20001	25000	12	274,320	0.34
25001	30000	9	250,000	0.31
30001	35000	7	234,233	0.29
35001	40000	5	196,664	0.25
40001	45000	4	169,955	0.21
45001	50000	6	290,116	0.36
55001	60000	5	292,662	0.37
60001	65000	4	256,445	0.32
65001	70000	6	404,582	0.51
70001	75000	1	72,078	0.09
75001	80000	3	235,525	0.29
80001	85000	2	166,797	0.21
85001	90000	2	176,568	0.22
90001	95000	2	186,400	0.23
95001	100000	4	392,868	0.49
105001	110000	2	217,000	0.27
115001	120000	2	233,600	0.29
120001	125000	2	246,500	0.31
145001	150000	3	450,000	0.56
165001	170000	1	168,460	0.22
175001	180000	1	180,000	0.23
195001	200000	1	200,000	0.25
210001	215000	1	215,000	0.27
220001	225000	1	222,525	0.28
230001	235000	1	234,979	0.29
260001	265000	1	265,000	0.33
280001	285000	1	282,000	0.35
310001	315000	1	314,285	0.39
345001	350000	1	350,000	0.44
365001	370000	1	369,800	0.46
375001	380000	1	376,077	0.47
430001	435000	1	433,555	0.54
445001	450000	1	450,000	0.56
455001	460000	1	455,400	0.57
500001	505000	1	502,363	0.63
510001	515000	1	510,896	0.64
610001	615000	1	611,217	0.76
795001	800000	1	799,665	1.00
845001	850000	1	846,109	1.06
1940001	1945000	1	1,943,820	2.43
3160001	3165000	1	3,164,141	3.96
5485001	5490000	1	5,485,432	6.86
11995001	12000000	1	12,000,000	15.00
19990001	19995000	2	39,983,280	50.00
		4,428	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	4182	7,103,225	8.88
Investment Companies	9	49,147	0.06
Joint Stock Companies	24	1,187,329	1.48
NIT & ICP	9	7,329,940	9.17
Bank, Insurance, Modaraba, Mutual & Provident / Pension Funds	78	8,168,676	10.22
Foreign Investors (including IDB)	61	14,899,665	18.63
Charitable Trust	11	240,767	0.30
Others	52	1,004,531	1.26
	4,428	79,966,560	100.00

INFORMATION REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

ASSOCIATED COMPANIES	2	39,983,280
NIT & ICP		
National Bank of Pakistan-trustee Department NI(U)T Fund	1	5,485,432
National Investment Trust Limited	2	611,917
IDBP (ICP Unit)	1	339
Investment Corp.of Pakistan	2	466
National Bank of Pakistan	3	1,231,786
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 *		1

* During the year Mr. Abdus Sattar disposed off 600 shares

On August 10, 2011 Mr. Iqbal A. Khawaja acquired 1000 shares

Executives	7	1,000
Public Sector Companies	24	1,187,329
Bank, Insurance, Modaraba, Mutual & Provident / Pension Funds and Non-Banking Financial Institutions:	211	24,362,786
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

Notice of Annual General Meeting

Notice is hereby given that the 48th Annual General Meeting of National Refinery Limited will be held on October 20, 2011 at 15:00 hours at Hotel Carlton, Karachi to transact the following business:

ORDINARY BUSINESS

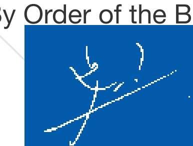
1. To receive, consider and approve the audited accounts of the Company together with Directors' and Auditors' Reports for the year ended June 30, 2011.

2. To consider and, if thought fit, to approve the payment of final cash dividend at the rate of Rs. 25/- per share i.e. 250% for the year ended June 30, 2011 as recommended by the Board of Directors.

3. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration.

4. Any other business with the permission of the Chair.

By Order of the Board



Karachi:
Dated: September 29, 2011

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 11, 2011 to October 20, 2011 (both days inclusive). Transfers received in order at the office of the Share Registrar:

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

   at the close of business on October 10, 2011 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 Computerized 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 Computerized 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. All other shareholders of the Company shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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

NATIONAL REFINERY LIMITED
48th 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 48th Annual General Meeting of the of National Refinery Limited., to be held at 3:00 p.m. on October 20, 2011 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 ___________ 2011.

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. First 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 initialed 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

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P.O. Box 8228 Karachi-74900,
Pakistan.

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