National Refinery Limited

Annual Report 2012

VISION OF TODAY IS TOMORROW'S ACHIEVEMENT

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NATIONAL REFINERY LIMITED

COMPANY OVERVIEW

Vision

Our passion is to attain distinctive leadership amongst the corporate success stories of tomorrow.

We at NRL recognize that 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 Habib Djarraya

Bahauddin Khan

Abdus Sattar

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Nouman Ahmed Usmani

Audit Committee

Abdus Sattar	Chairman
Babar Bashir Nawaz	Member
Jamil A. Khan	Member
Iqbal A. Khwaja	Member
Shaikh Ather Ahmed	Secretary

Human Resource and Remuneration Committee

Iqbal A. Khwaja Alternate to Dr. Ghaith R. Pharaon	Chairman
Bahauddin Khan	Member
Jamil A. Khan Alternate to Mr. Wael G. Pharaon	Member

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Solicitors
Ali Sibtain Fazli & Associates

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

Registered Office
7-B, Korangi Industrial Area,
P.O. Box 8228, Karachi-74900
UAN No. 111-675-675
Fax: + 92-21 35054663,
+ 92-21 35066705
Website : www.nrlpak.com
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 2012	Rs. 25,226.4 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 up gradation 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 de-bottlenecking 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.

DIRECTORS' PROFILE

Name	Other Engagements

Dr. Ghaith R. Pharaon
Chairman and 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 Houses 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.

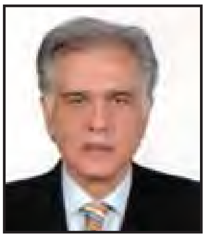
Director & CEO
Attock Petroleum Ltd., & (Alternate Director to
Dr. Ghaith R. Pharaon)
The Attock Oil Company Ltd.
Attock Info.Technology Services (Pvt.) Ltd.
Angoori Heights Development (Pvt.) Ltd.
Attock Leisure & Management Associates (Pvt.) Ltd.
Falcon Pakistan (Pvt.) Ltd.

Director
Attock Cement Pakistan Ltd.
Attock Gen Ltd.
Rawal Lodges Development (Pvt.) Ltd.
Margalla Farm Houses Development (Pvt.) Ltd.

Resident Director
Pharaon Investment Group Ltd. Holding SAL

Group Regional Chief Executive

Chairman & Trustee
NRL Management Staff Pension Fund

Name		Other Engagements
Mr. Abdus Sattar (Independent Director)		**Director** Attock Refinery Ltd. Attock Petroleum Ltd. Pakistan Oilfields Ltd. Attock Cement Pakistan Ltd.
Dr. Mohamed Habib Djarraya (Independent Director)		**Director** Bank of Khartoum, Sudan Fujairah Cement Industries, UAE Islamic Trading Company, Bahrain Banque Islamique du Niger Banque Islamique du Senegal Banque Islamique de Guinee
Mr. Bahauddin Khan (Independent Director)		**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. Attock Refinery 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 Houses Development (Pvt.) Ltd. Falcon Pakistan (Pvt.) Ltd. **Alternate Director** Attock Refinery Ltd. Attock Leisure & Management Associates (Pvt.) Ltd. Pakistan Oilfields Ltd.
Mr. Jamil A. Khan Deputy Managing Director Alternate for Mr. Wael G. Pharaon (Executive Director)		**Chairman & Trustee** NRL Executive Staff Post-Retirement Medical Benefit Fund NRL Non-MPT Staff Gratuity Fund **Trustee** NRL Management Staff Pension Fund NRL Officers Provident Fund NRL Workmen Provident Fund

CHAIRMAN'S REVIEW

بسم الله الرحمن الرحيم

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, in the 49th 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, 2012.

Volatility in crude oil prices continued to plague the international oil market during the whole year. This volatility was mainly due to the impact of Europe's debt crisis, which is becoming a key challenge for global economy, increased geopolitical uncertainties, as well as civil unrest in some oil producing countries. On the demand side, Brazil, China, India and many other emerging economies have an insatiable appetite for energy that continues to grow apace, putting enormous strain on global suppliers. On the supply side, no major suppliers have come online and Saudi Arabia remains the only country in the world with any meaningful spare production capacity.

National economy reflected some recovery during the year 2011-12 as GDP growth rate increased, but the economy continued to be affected by structural weaknesses, including energy crisis, a precipitous decline in investment, persistently high inflation, sharp rupee depreciation against US$, and security issues. Budget deficit remained high, driven by substantial subsidies and losses of state-owned enterprises and low contribution of tax revenues. The slow growth in recent years was exacerbated by wide spread floods in 2010 and 2011.

Despite number of challenges, your Company posted profit after tax of Rs 2,618 million compared to Rs 6,569 million during last year. Fuel Segment incurred loss after tax of Rs 117 million compared to profit after tax of Rs 773 million in the last year due to narrow margins and depressed sales of furnace oil. Sharp decline in prices lead to inventory write down whereas depreciation of the Pak rupee escalated exchange losses. Profitability of Lube segment was also under pressure, primarily due to the declining trend in selling prices of Lube Base Oils in the international market despite increase in feed cost. Lube segment profit after tax is Rs 2,735 million compared to Rs 5,796 million during last year.

Long outstanding issue of circular debts remained unresolved throughout the year, although, various options were under consideration with the Government. I am pleased to report that lately Government has taken a step to resolve the outstanding issue of circular debts. This step is very much appreciated and it will go a long way to stabilize the refineries operations.

I anticipate that we will continue receiving support, confidence and trust of all the stakeholders, and your company will continue to strive through better management and improve efficiency to achieve even better results for the times to come.

Dr. Ghaith R. Pharaon
Chairman
15 September 2012
Dubai, UAE

DIRECTORS' REPORT

بسم الله الرحمن الرحيم

Assalam-o-Alaikum

The Board of Directors is pleased to present the 49th Annual Report of National Refinery Limited together with the audited financial statements and auditors' report thereon for the year ended June 30, 2012.

COMPANY'S BUSINESS

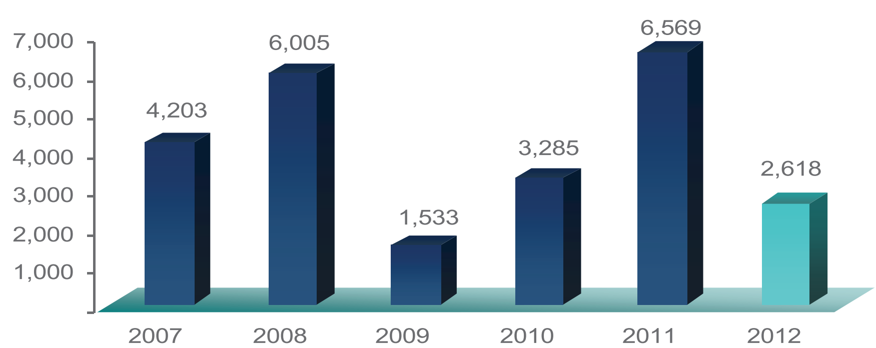
The Company is engaged in the business of refining of crude oil and is managed by Attock Group with 51% of the shareholdings. The refining complex consists of First Lube Refinery, Fuel Refinery and Second Lube Refinery commissioned in the year 1966, 1977 & 1985 respectively.

The Company operates with two business segments "Fuel Segment" and "Lube Segment". Fuel Segment mainly produces High Speed Diesel, Naphtha, Motor Gasoline, Liquefied Petroleum Gas, Jet Fuels & Furnace Oil. Lube Segment mainly produces multiple grades of Lube Base Oils, Asphalts, Waxes and Rubber Process Oil and some fuel products. Products are mainly sold in the domestic market except Naphtha and on need basis partial quantity of Lube Base Oils is exported. Annual capacity of Fuel Segment to process crude oil is 2,710,500 M. Tons.

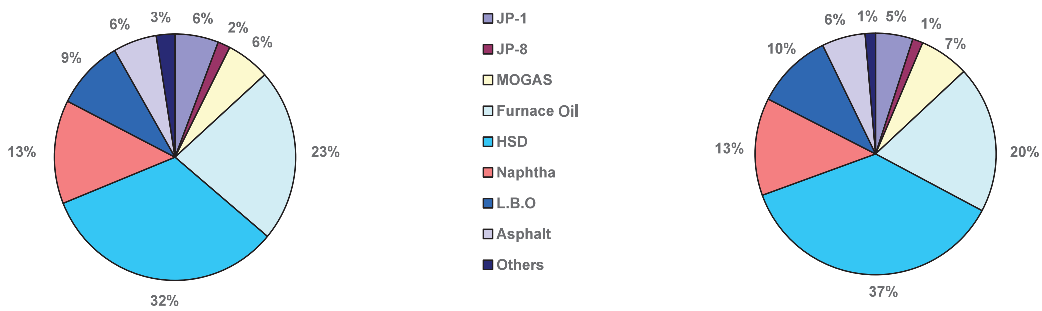
FINANCIAL RESULTS

The year was a test of perseverance, as we had to contend with reduction in throughput and narrow margins. On the other hand was the task of meeting the growing energy needs of the nation and to keep moving the wheels of the economy.

Profitability remained under pressure, however, your Company managed to earn profit after tax of Rs 2,618 million compared to Rs 6,569 million in the last year.



PROFIT AFTER TAX (Rs in million)

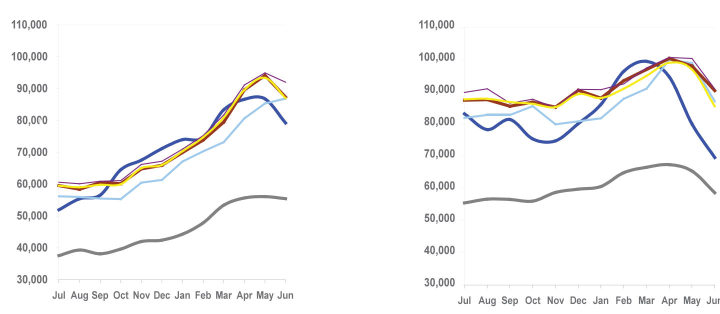


2010 - 2011 | SALES VOLUME | 2011 - 2012

Fuel Segment

Fuel Segment incurred loss after tax of Rs 117 million as compared to profit after tax of Rs 773 million in the last year. Major reasons for decrease in gross profit were fluctuation in crude oil and product selling prices resulting in narrow refining margins. The prices declined sharply in the last 2 months of the financial year. This forced the Company to write down the stock in trade by Rs 871 million (2011: Rs 323 million) to arrive at its net realizable value. Company also faced reduction in upliftment of Furnace Oil due to closure of independent power plants and search of new market for the same. Moreover, due to continuous depreciation of Pak Rupee value against US Dollar the exchange losses on purchase of crude oil increased to Rs 1,464 million from Rs 80 million in the last year. Keeping in view the above constraints faced by your Company during the current year plant was operated at 84% of the designed capacity compared to 89% last year. However, the segment losses were reduced by other income of Rs 1,252 million (2011: Rs 158 million) being liabilities that were either settled with the supplier or no longer required.

During the last four years, except for the year 2010-11, Fuel Segment has remained in losses. Your Company is of the view that the Import Parity Pricing Formula be improved to appropriately accommodate the exchange losses due to depreciation in the Pak Rupee against US Dollar.



2010-2011 | AVERAGE SELLING PRICES – Rs / M.Ton | 2011-2012

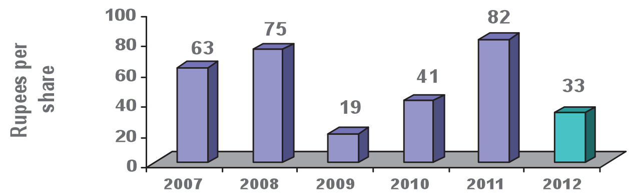
Lube Segment

The Segment earned profit after tax of Rs 2,735 million compared to Rs 5,796 million during last year. The profitability of Lube Segment has been drastically squeezed due to downward trend of Lube Base Oils prices in the international market and increase in the feed cost. However, untiring efforts of the Company succeeded in achieving record sales of 213,869 M. Tons sales of Lube Base Oils.

On the other hand, sale of Asphalt has shown a declining trend due to slow pace of road infrastructure development in the country. As a result, throughput of Lube Segment was adjusted to 107% compared to 115% during last year. In order to reduce the high inventory levels of Asphalt, your Company is making efforts to search different avenues, including export of Asphalt to other countries.

EARNING PER SHARE

Earning per share was Rs 32.74 compared to Rs 82.14 in the last year.



APPROPRIATIONS

Description	2011 - 12	2010 - 11
	(Rupees in millions)	
Profit available for appropriation after transfer to Special Reserve under the Pricing Formula as per note 16.2	2,773	5,936
Transfer to General Reserves	1,573	3,900
Final Dividend @ 150% (2011: 250%)	1,199	1,999

DIVIDEND

The Board of Directors has recommended a final cash dividend @ Rs.15 per share (150 %) for the year ended June 30, 2012. The dividend recommended is subject to the approval by the shareholders in the Annual General Meeting.

PRICING FORMULA

Fuel Segment is regulated by Government Import Parity Pricing Formula and the prices for regulated products, High Speed Diesel and Kerosene Oil are announced by Oil & Gas Regulatory Authority. The prices of deregulated products, Motor gasoline, Aviation Fuel and Light Diesel Oil are required to be equivalent to Pakistan State Oil average actual import prices of previous month including partially the incidentals/wharfage. In case these prices are not available then refineries have to fix their prices as per existing Import Parity Pricing Formula.

According to the formula, the distribution of profits from Fuel Segment is restricted and 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. Special reserves can be utilized to offset against any future losses or to make investment for expansion or up-gradation of Refinery.

Ministry of Petroleum & Natural Resources has issued direction on 14 October 2010 to the refineries not to adjust losses in Fuel Segment with Special Reserves. Your Company has taken advice from legal counsel on this issue, who opined that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan. Accordingly, the Company has transferred the loss after tax amounting to Rs 117.32 million (2011: Nil) from fuel operations to Special Reserves.

ON GOING AND COMPLETED PROJECTS

Pursuant to NRL development strategy to achieve sustainable productivity and profitability, NRL plans to further upgrade it's refining capacity and improve quality and yields of products. In this regard, some of the on going and future plans of NRL are summarized below:

Two Stage Unit at Lube–1 Refinery

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 5,200 bpsd to 6,600 bpsd. Front End Engineering Design (FEED) has been completed. Company is planning to go for appointing Engineering, Procurement, Construction and Commissioning (EPCC) contractor.

101 Crude Distillation Unit at Fuel Refinery

To enhance the installed crude oil processing capacity from 50,000 bpsd to 53,000 bpsd. Front End Engineering Design (FEED) has been completed. Company is planning to go for appointing EPCC contractor.

Refineries Integrated Projects

The integrated projects 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 to 273,000 M.Tons per year. Presently, engineering design of HSD de-sulphurization project is in process.

Naphtha Isomerization Project

Keeping in view the deficit production of Motor Gasoline in the country, company is in process of finalizing engineering design and licence agreements to increase production of Motor Gasoline by 192,000 Metric Tons per year.

Water Desalination Plant

The 300,000 gallons per day Water Desalination Plant has been planned to overcome the present increasing shortage of water in the Refinery. The project is based on the ground water and its chemistry has been analyzed. The Company is in the process of appointing the contractor.

Radar Gauging System

Radar Gauging System has been completed at 97 tanks to measure the quantity of products in tanks.

Product Metering System

In order to modernize and upgrade the conventional custody transfer system of products to Oil Marketing Companies and to eliminate the chances of error in product measurement, Product Metering System has been installed.

Pumping Capacity

A new vertical pump was installed at Oil Movement for pumping of white oils in order to enhance pumping capacity.

SIGNIFICANT RESOURCES

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

We have a history of making timely payments for the supply of crude oil to Saudi Aramco and oil exploration companies operating in Pakistan.

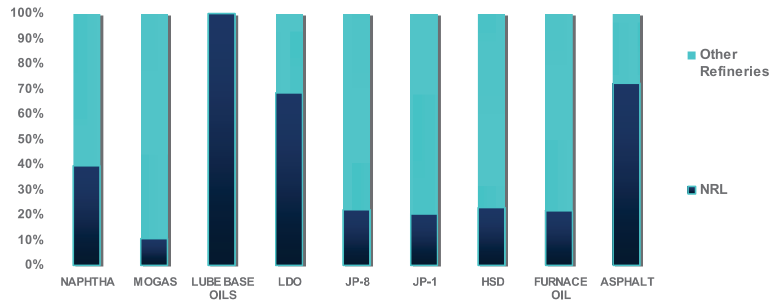
We always endeavor to maintain good relationship with our business partners, local suppliers and customers. The relationship is likely to grow further due to resolution of circular debt issue which has been addressed recently by the Government of Pakistan.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last six years (2007 – 2012) is shown on page 37.

REFINERIES PRODUCTION AND PRODUCTWISE SHARE PARTICIPATION 2010-11

NRL is the second largest refinery of Pakistan with a production capacity of 2.71 million tons per year. NRL is the only Lube Refinery of Pakistan producing multiple grades of Lube Base Oils to meet the demand of the country.



NRL SHARE IN INDUSTRY (SOURCE : PAKISTAN OIL REPORT)

CREDIT RATING

Your Company for the eighth 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

Asymmetrical fluctuation in crude oil and product prices in international market often causes narrow margins. In such case Company adjust its throughput to minimize the losses.

Payment against the purchases of a major portion of raw material usually involves foreign currency. Hence, devaluation in Pak Rupee results in exchange losses.

Being strategic asset there are security concerns. Company is continually involved in the improvement of the security system.

CORPORATE SOCIAL RESPONSIBILITY

The Company realizes its social responsibility towards the national economy apart from its customers, employees and shareholders. 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.

EMPLOYEES & MANAGEMENT RELATIONS

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

The Company has plans to enhance the sports activities, which 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 organized an Inter-Departmental Cricket Tournament wherein employees from all departments participated with full enthusiasm.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

We ensure that our manufacturing activities are in line with the government environmental laws and Company's standard operating procedures & safe work practices to support toward environment protection.

Environmental performance is reviewed at planned intervals to ensure its continuing suitability, adequacy and effectiveness. Opportunities of improvement and need for changes where required are discussed in HSE Committees and Steering Committee meetings. Decisions are taken, where needed, strategies are developed and implemented.

Management is committed towards acquiring excellence in overall performance specially for the conservation of environment, which is evident from implementation of IMS (Integrated Management System) based on ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007 standards.

In response to the Global environmental initiatives, produce environment friendly clean High Speed Diesel De-Sulphurization (HSD) project is in progress. NRL has achieved 16.99 million Safe Man Hours without Lost Time Injury (LTI) as on June 30, 2012. Continuous efforts to ensure the effective application of operational controls for minimizing Occupational Health & Safety risk's values and environmental impacts.

ENVIRONMENT EXCELLENCE AWARDS

Company has participated in the following Environment Excellence Awards:

1. National Forum for Environment & Health (NFEH), Excellence award 2012, consecutively winner since last nine years.

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

Your Company is an environmental friendly enterprise in the petroleum-refining sector of the country.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the financial year, the Company contributed Rs 34,387 million to the National exchequer in the shape of direct and indirect taxes and earned valuable foreign exchange of US $ 303 million through the export of Naphtha and Lube Base Oil.

In addition to the above, Company has paid to government Rs 5,736 million as discount and windfall levy 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. Company has also planned to arrange comprehensive training program for SAP ERP Users with the implementation of SAP ECC-6.

CORPORATE GOVERNANCE

The Company is committed to good corporate governance and has complied with the applicable 'Code of Corporate Governance' contained in the listing regulations of the stock exchanges. As required by the Code, following is the statement in compliance with the Corporate and Financial Reporting Framework of Code of Corporate Governance.

a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, 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 applicable in Pakistan, have been followed in the preparation of financial statements.

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

f) There are no significant doubts upon the listed Company's ability to continue as a going concern.

g) The values of investment of various funds, based on their respective accounts as at 30 June 2012 are as under:

Description	(Rs in million) Unaudited
Management staff	
Pension Fund	3,219
Provident Fund	708
Post Retirement Medical Fund	847
Non - Management staff	
Gratuity Fund	74
Provident Fund	310

h) No trade in the shares of the Company was carried out by the Board of Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children except that mentioned in "Pattern of Shareholding".

Composition and Meetings of the Board of Directors

During the financial year 2011-12 five meetings of the Board of Directors were held. The attendance of the Directors was as under:

Name of Directors	Total Number of Meetings	Meeting Attended
Dr. Ghaith R. Pharaon - Chairman Alternate Director: Mr. Iqbal A. Khwaja	5	5
Mr. Laith G. Pharaon Alternate Director: Mr. Babar Bashir Nawaz	5	5
Mr. Wael G. Pharaon Alternate Director: Mr. 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	4
Mr. Bahauddin Khan - NIT Nominee	5	4

Audit Committee

The Directors have established Audit Committee comprising of four members. Directors' attendance in the Audit Committee meetings for the year ended June 30, 2012 is as follows:

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

Pattern of Shareholding

Pattern of shareholdings is shown on page 86

AUDITORS

The Auditors retire and offer themselves for reappointment. The Audit Committee recommends the reappointment of Messrs A. F. Ferguson & Co., Chartered Accountants as auditors for the financial year ending June 30, 2013.

ACKNOWLEDGEMENT

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

On behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

15 September 2012
Dubai, UAE

CORPORATE GOVERNANCE

CODE OF CONDUCT

National Refinery Limited (the Company) 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 requires all its Board Members and Employees to act within the authority conferred upon them and in the best interests of the Company and observe all the Company's policies and procedures as well as relevant laws and regulations, as are applicable in individual capacity or otherwise, including but not limited to the corporate values, business principles and the acceptable and unacceptable behaviour (hereinafter called the Company's Code of Conduct) embodied in this document.

The Company believes that 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 is undesirable.

- 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.

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

- No board member or employee shall in any manner disclose to any person or cause disclosure of any information or documents, official or otherwise, relating to the Company, except those published, and unless he/she is authorised by the management.

- All papers, books, drawings, sketches, photographs, documents and similar papers containing analysis, formulas, notes or information relating to the Company's business affairs or operations shall always be treated as the Company property, whether prepared by the employee or otherwise and no employee shall be permitted to carry any of these outside business premises unless specifically authorised to do so by the management.

- The Company's property, funds, facilities and services must be used only for authorised purposes.

- The board members or employees of the Company specifically those coming in direct contact with the vendors doing or seeking to do business with the Company shall not receive favours or incur obligations. In case any contractor/supplier to have business relations with the Company happen to be a relative of an official who is entrusted the responsibility of opening/evaluation/award of supply/contract job or with execution or certification of material/services, he/she shall immediately bring the fact to the notice of Managing Director who may entrust the responsibility to another.

- Each employee shall devote his/her full time and energy exclusively to the business and interests of the Company. In particular, no employee (including those on leave) unless otherwise permitted by the Company, shall directly or indirectly engage in any other profession or business or enter the services of or be employed in any capacity for any purpose whatsoever and for any part of his/her time by any other person, government department, firm or company and/or shall not have any private financial dealings with any other persons of firms having business relations with the company for sale or purchase of any materials or equipments or supply of labour or for any other purpose. Every employee shall hold himself in readiness to perform any duties required of him by his/her superiors to the best of his/her ability.

- No board member or employee of the Company shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period, as determined and informed by the Company.

- No board member or employee of the Company shall practice insider trading.

Without prejudice to any penal action defined in any statute, as applicable, against any kind of non-compliances/violations, non-compliance with the Company's Code of Conduct may expose the person involved to disciplinary action as per Company's rules and/or as determined by the management or the Board of Directors of the Company, as the case may be, on case to case basis.

On behalf of the Board

SHUAIB A. MALIK
Deputy Chairman &
Chief Executive Officer

June 18, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) 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:

Category	Names
Independent Directors	Mr. Abdus Sattar Dr. Mohamed Habib Djarraya Mr. Bahauddin Khan
Executive Directors	Mr. Shuaib A. Malik Mr. Jamil A. Khan Alternate Director for Mr. Wael G. Pharaon
Non-Executive Directors	Dr. Ghaith R. Pharaon Alternate Director: Mr. Iqbal A. Khwaja Mr. Laith G. Pharaon Alternate Director: Mr. Babar Bashir Nawaz Mr. Wael G. Pharaon

   The independent directors meet the criteria of independence under clause (i)(b) of the Code 2002. The criteria for independent directors given under clause (i)(b) of the revised Code 2012 will be assessed when the Board is reconstituted on expiry of its current term as per the proviso given under clause (vi) of the Code 2012.

2. The Directors have confirmed that none of them is serving as a director in more than seven 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, 2012.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

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.

11. The director's report for this year has been prepared in compliance with the requirements of the 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 the Code.

15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the committee is an independent director as per clause (i)(b) of the Code 2002.

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 formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.

18. 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.

19. 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 the Institute of Chartered Accountants of Pakistan.

20. 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.

21. 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.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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 15, 2012

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, 2012 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, 2012.

Chartered Accountants
Karachi

Dated: September 17, 2012

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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;
- Significant related party transactions.

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 of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities 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 and internal audit reports;

k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l) Determination of compliance with relevant statutory requirements;

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

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

o) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the company in addition to audit of its financial statements.

STAKEHOLDERS' INFORMATION

STATEMENT OF VALUE ADDED

For The Year Ended June 30, 2012

	2012		2011	
	Rupees in thousand	%	Rupees in thousand	%
Revenue Generated				
Gross sales revenue	207,588,512		178,058,448	
Less: Bought in material and services	172,555,025		139,586,937	
	35,033,487		38,471,511	
Add: Income from investment	1,325,872		2,081,571	
Other Income	1,810,960		416,003	
	3,136,832		2,497,574	
Total Revenue	38,170,319	100.0%	40,969,085	100.0%
Revenue Distributed				
To Employees remuneration as:				
Salaries, wages and benefits	1,438,685	3.8%	1,320,990	3.2%
To Government as:				
Levies	31,662,104	82.9%	28,595,805	69.9%
Company taxation	1,833,488	4.8%	3,460,077	8.4%
Worker's fund	329,946	0.9%	743,293	1.8%
	33,825,538	88.6%	32,799,175	80.1%
To Shareholders as:				
Cash Dividend	1,199,498	3.1%	1,999,164	4.9%
Retained in the business :				
Depreciation	287,364	0.8%	280,284	0.7%
Amortization	348	0.0%	103	0.0%
Net earnings	1,418,886	3.7%	4,569,369	11.1%
	1,706,598	4.5%	4,849,756	11.8%
	38,170,319	100.0%	40,969,085	100.0%

SIX YEARS AT A GLANCE

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
	Rupees in million					
Profit and Loss Account						
Net sales	174,797	148,558	110,186	109,578	129,386	91,327
Cost of sales	170,075	138,551	103,854	104,302	118,705	85,063
Purchases	171,149	141,383	98,964	99,503	120,599	83,511
Gross profit	4,722	10,007	6,333	5,277	10,681	6,264
Operating profit	5,795	10,179	5,831	5,208	10,163	6,101
Profit before tax	4,452	10,029	5,136	2,813	8,831	6,095
Profit after tax	2,618	6,569	3,285	1,533	6,005	4,203
Balance Sheet						
Share Capital	800	800	800	800	800	666
Reserves	24,427	23,808	18,838	16,553	16,619	12,080
Shareholder equity	25,226	24,607	19,638	17,353	17,419	12,746
Fixed Assets	3,534	3,235	3,248	3,025	2,613	2,361
Current Assets	53,485	53,366	47,868	39,156	43,747	30,055
Current Liabilities	31,492	31,858	31,862	24,856	28,873	19,658
Net current assets / liabilities	21,993	21,508	16,006	14,299	14,874	10,397

Profitability Ratios		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Gross profit	%	2.70	6.74	5.75	4.81	8.26	6.86
Net profit to sales	%	1.50	4.42	2.98	1.40	4.64	4.60
EBITDA Margin to sales	%	2.72	7.02	5.20	2.79	7.08	6.91
Return on Equity	%	10.38	26.69	16.73	8.83	34.47	32.98
Return on Capital Employed	%	10.51	29.69	17.76	8.82	39.81	38.00
Liquidity Ratios							
Current Ratio	*Times*	1.70	1.68	1.50	1.58	1.52	1.53
Quick /Acid test ratio	*Times*	0.89	1.07	1.13	1.08	1.05	1.13
Cash to Current Liabilities	*Times*	0.32	0.28	0.51	0.31	0.45	0.58
Activity / Turnover Ratios							
Inventory turnover	*Days*	47.32	40.46	41.68	44.08	31.81	29.97
Debtors turnover	*Days*	28.18	36.82	50.86	41.09	22.68	22.61
Creditors turnover	*Days*	55.47	67.63	88.67	83.61	61.71	60.73
Total Assets turnover ratio	*Times*	3.06	2.62	2.13	2.59	2.78	2.80
Fixed assets turnover ratio	*Times*	49.47	45.93	33.92	36.22	49.51	38.67
Investment / Market Ratios							
Earnings per share (EPS) and diluted EPS	*Rs.*	32.74	82.14	41.08	19.17	75.10	63.07
Price earning ratio	*Times*	7.07	4.29	4.45	11.48	3.96	5.45
Dividend yield ratio	*Times*	6.48	7.10	10.94	5.68	6.72	25.81
Cash Dividend payout ratio	*Times*	45.82	30.44	48.69	65.21	26.63	31.71
Dividend cover ratio	*Times*	2.18	3.29	2.05	1.53	3.76	3.15
Cash Dividend per share	*Rs.10/share*	15.00	25.00	20.00	12.50	20.00	20.00
Stock Dividend	%	-	-	-	-	-	20.00
Market value per share at year end	*Rs.10/share*	231	352	183	220	297	344
Breakup value per share	*Rs.10/share*	315	308	246	217	218	191

HORIZONTAL BALANCE SHEET

as at June, 30

	2012		2011		2010		2009		2008		2007	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
ASSETS												
NON-CURRENT ASSETS												
Fixed assets	3,533.62	149.6%	3,234.79	137.0%	3,248.36	137.6%	3,025.25	128.1%	2,613.19	110.7%	2,361.48	100.0%
Deferred taxation	-	-	-	-	432.73	268.6%	84.50	52.4%	164.41	102.0%	161.12	100.0%
Long term loans	65.41	121.1%	62.86	116.4%	60.06	111.2%	55.08	102.0%	56.10	103.9%	54.02	100.0%
Long term desposits	30.19	291.1%	30.17	290.9%	30.44	293.4%	24.06	232.0%	23.82	229.6%	10.37	100.0%
	3,629.22	140.3%	3,327.82	128.6%	3,771.59	145.8%	3,188.89	123.3%	2,857.52	110.5%	2,586.99	100.0%
CURRENT ASSETS												
Stores, spares and chemicals	1,148.69	143.1%	887.29	110.5%	904.37	112.7%	936.59	116.7%	779.08	97.1%	802.79	100.0%
Stock-in-trade	25,359.71	329.9%	19,346.93	251.7%	11,798.20	153.5%	12,251.18	159.4%	13,288.29	172.9%	7,687.42	100.0%
Trade debts	13,262.18	216.3%	14,100.49	230.0%	16,291.70	265.8%	14,841.29	242.1%	10,173.05	166.0%	6,130.32	100.0%
Loans and advances	40.13	202.4%	23.96	120.9%	21.43	108.1%	25.22	127.2%	51.03	257.4%	19.83	100.0%
Trade deposits and short-term prepayments	6.67	15.5%	18.45	42.8%	16.30	37.8%	53.75	124.7%	95.90	222.4%	43.12	100.0%
Interest accrued	110.69	244.6%	57.00	126.0%	69.23	153.0%	91.50	202.2%	30.78	68.0%	45.25	100.0%
Other receivables	248.13	13.6%	932.49	51.2%	941.59	51.7%	2,382.59	130.8%	2,183.25	119.9%	1,821.04	100.0%
Financial asset - held to maturity investments	3,230.47	335.8%	8,941.63	929.0%	1,553.67	161.5%	197.62	20.5%	3,615.36	375.8%	962.09	100.0%
Tax refunds due from Government - Sales tax	-	-	-	-	62.03	5.9%	575.90	54.8%	408.22	38.9%	1,050.56	100.0%
Cash and bank balances	10,078.54	87.7%	9,058.20	78.8%	16,209.01	141.0%	7,800.08	67.9%	13,122.14	114.2%	11,492.15	100.0%
	53,485.21	178.0%	53,366.44	177.6%	47,867.53	159.3%	39,155.72	130.3%	43,747.10	145.6%	30,054.57	100.0%
TOTAL ASSETS	57,114.43	175.0%	56,694.26	173.7%	51,639.12	158.2%	42,344.61	129.7%	46,604.62	142.8%	32,641.56	100.0%
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital	799.67	120.0%	799.67	120.0%	799.67	120.0%	799.67	120.0%	799.67	120.0%	666.39	100.0%
Reserves	24,426.73	202.2%	23,807.51	197.1%	18,838.31	156.0%	16,553.07	137.0%	16,619.38	137.6%	12,080.00	100.0%
	25,226.40	197.9%	24,607.18	193.1%	19,637.98	154.1%	17,352.74	136.1%	17,419.05	136.7%	12,746.39	100.0%
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	223.44	94.3%	179.86	75.9%	139.49	58.9%	135.55	57.2%	312.28	131.8%	236.94	100.0%
Deferred taxation	172.65	-	48.91	-	-	-	-	-	-	-	-	-
CURRENT LIABILITIES												
Trade and other payables	29,748.89	168.4%	29,400.16	166.4%	29,888.90	169.2%	23,032.24	130.4%	26,662.42	150.9%	17,669.11	100.0%
Provisions	398.90	133.3%	428.68	143.3%	298.57	99.8%	301.48	100.8%	298.57	99.8%	299.15	100.0%
Taxation - provision less payments	1,344.15	79.5%	2,029.47	120.1%	1,674.18	99.1%	1,522.60	90.1%	1,912.30	113.2%	1,689.97	100.0%
	31,491.94	160.2%	31,858.31	162.1%	31,861.65	162.1%	24,856.32	126.4%	28,873.29	146.9%	19,658.23	100.0%
TOTAL EQUITY AND LIABILITIES	57,114.43	175.0%	56,694.26	173.7%	51,639.12	158.2%	42,344.61	129.7%	46,604.62	142.8%	32,641.56	100.0%

VERTICAL BALANCE SHEET

as at June, 30

	2012		2011		2010		2009		2008		2007	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
ASSETS												
NON-CURRENT ASSETS												
Fixed assets	3,533.62	6.2%	3,234.79	5.7%	3,248.36	6.3%	3,025.25	7.1%	2,613.19	5.5%	2,361.48	7.2%
Deferred taxation	-	-	-	-	432.73	0.8%	84.50	0.2%	164.41	0.4%	161.12	0.5%
Long term loans	65.41	0.1%	62.86	0.1%	60.06	0.1%	55.08	0.1%	56.10	0.1%	54.02	0.2%
Long term desposits	30.19	0.1%	30.17	0.1%	30.44	0.1%	24.06	0.1%	23.82	0.1%	10.37	0.0%
	3,629.22	6.4%	3,327.82	5.9%	3,771.59	7.3%	3,188.89	7.5%	2,857.52	6.1%	2,586.99	7.9%
CURRENT ASSETS												
Stores, spares and chemicals	1,148.69	2.0%	887.29	1.6%	904.37	1.8%	936.59	2.2%	779.08	1.7%	802.79	2.5%
Stock-in-trade	25,359.71	44.3%	19,346.93	34.1%	11,798.20	22.9%	12,251.18	28.9%	13,288.29	28.4%	7,687.42	23.5%
Trade debts	13,262.18	23.2%	14,100.49	24.9%	16,291.70	31.6%	14,841.29	35.1%	10,173.05	21.8%	6,130.32	18.8%
Loans and advances	40.13	0.1%	23.96	0.0%	21.43	0.0%	25.22	0.1%	51.03	0.1%	19.83	0.1%
Trade deposits and short-term prepayments	6.67	0.0%	18.45	0.0%	16.30	0.0%	53.75	0.1%	95.90	0.2%	43.12	0.1%
Interest accrued	110.69	0.2%	57.00	0.1%	69.23	0.1%	91.50	0.2%	30.78	0.1%	45.25	0.1%
Other receivables	248.13	0.4%	932.49	1.6%	941.59	1.8%	2,382.59	5.6%	2,183.25	4.7%	1,821.04	5.6%
Financial asset - held to maturity investments	3,230.47	5.7%	8,941.63	15.8%	1,553.67	3.0%	197.62	0.5%	3,615.36	7.8%	962.09	3.0%
Tax refunds due from Government - Sales tax	-	-	-	-	62.03	0.1%	575.90	1.4%	408.22	0.9%	1,050.56	3.2%
Cash and bank balances	10,078.54	17.7%	9,058.20	16.0%	16,209.01	31.4%	7,800.08	18.4%	13,122.14	28.2%	11,492.15	35.2%
	53,485.21	93.6%	53,366.44	94.1%	47,867.53	92.7%	39,155.72	92.5%	43,747.10	93.9%	30,054.57	92.1%
TOTAL ASSETS	57,114.43	100.0%	56,694.26	100.0%	51,639.12	100.0%	42,344.61	100.0%	46,604.62	100.0%	32,641.56	100.0%
EQUITY AND LIABILITIES												
SHARE CAPITAL AND RESERVES												
Share capital	799.67	1.4%	799.67	1.4%	799.67	1.6%	799.67	1.9%	799.67	1.7%	666.39	2.0%
Reserves	24,426.73	42.8%	23,807.51	42.0%	18,838.31	36.4%	16,553.07	39.1%	16,619.38	35.7%	12,080.00	37.1%
	25,226.40	44.2%	24,607.18	43.4%	19,637.98	38.0%	17,352.74	41.0%	17,419.05	37.4%	12,746.39	39.1%
LIABILITIES												
NON - CURRENT LIABILITIES												
Retirement benefit obligations	223.44	0.4%	179.86	0.3%	139.49	0.3%	135.55	0.3%	312.28	0.7%	236.94	0.7%
Deferred taxation	172.65	0.3%	48.91	0.1%	-	-	-	-	-	-	-	-
CURRENT LIABILITIES												
Trade and other payables	29,748.89	52.0%	29,400.16	51.8%	29,888.90	57.9%	23,032.24	54.4%	26,662.42	57.2%	17,669.11	54.1%
Provisions	398.90	0.7%	428.68	0.8%	298.57	0.6%	301.48	0.7%	298.57	0.6%	299.15	0.9%
Taxation - provision less payments	1,344.15	2.4%	2,029.47	3.6%	1,674.18	3.2%	1,522.60	3.6%	1,912.30	4.1%	1,689.97	5.2%
	31,491.94	55.1%	31,858.31	56.2%	31,861.65	61.7%	24,856.32	58.7%	28,873.29	61.9%	19,658.23	60.2%
TOTAL EQUITY AND LIABILITIES	57,114.43	100.0%	56,694.26	100.0%	51,639.12	100.0%	42,344.61	100.0%	46,604.62	100.0%	32,641.56	100.0%

HORIZONTAL PROFIT & LOSS ACCOUNT

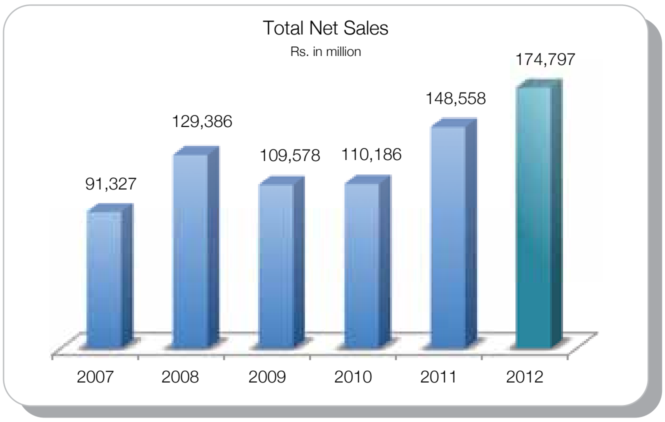
for the year ended

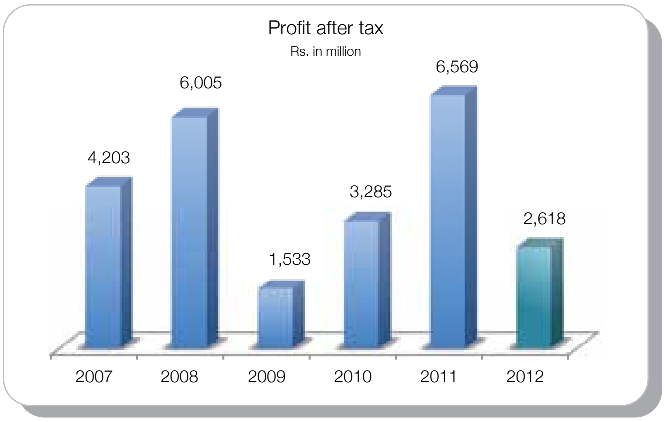
	2012		2011		2010		2009		2008		2007	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
Net sales	174,797.07	191.4%	148,558.50	162.7%	110,186.38	120.7%	109,578.36	120.0%	129,385.82	141.7%	91,326.54	100.0%
Cost of sales	(170,074.58)	199.9%	(138,551.42)	162.9%	(103,853.57)	122.1%	(104,301.66)	122.6%	(118,705.06)	139.6%	(85,062.75)	100.0%
Gross profit	4,722.49	75.4%	10,007.08	159.8%	6,332.81	101.1%	5,276.70	84.2%	10,680.76	170.5%	6,263.79	100.0%
Distribution and marketing expenses	(1,264.03)	370.2%	(1,136.00)	332.7%	(996.10)	291.7%	(860.11)	251.9%	(889.01)	260.4%	(341.46)	100.0%
Administrative expenses	(464.10)	134.4%	(421.00)	122.0%	(373.78)	108.3%	(358.93)	104.0%	(376.17)	109.0%	(345.22)	100.0%
Other operating income	3,136.82	316.0%	2,497.58	251.6%	1,278.11	128.8%	1,365.15	137.5%	1,404.40	141.5%	992.68	100.0%
Other operating expenses	(336.45)	74.3%	(768.58)	169.6%	(409.66)	90.4%	(214.96)	47.4%	(657.02)	145.0%	(453.10)	100.0%
Operating profit	5,794.73	94.7%	10,179.08	166.4%	5,831.38	95.3%	5,207.85	85.1%	10,162.96	166.2%	6,116.69	100.0%
Finance cost	(1,342.86)	6105.6%	(150.47)	684.1%	(695.76)	3163.4%	(2,394.39)	10886.6%	(1,331.67)	6054.7%	(21.99)	100.0%
Profit before taxation	4,451.87	73.0%	10,028.61	164.6%	5,135.62	84.3%	2,813.46	46.2%	8,831.29	144.9%	6,094.70	100.0%
Taxation	(1,833.49)	96.9%	(3,460.08)	182.9%	(1,850.81)	97.8%	(1,280.43)	67.7%	(2,825.86)	149.4%	(1,892.05)	100.0%
Profit after taxation	2,618.38	62.3%	6,568.53	156.3%	3,284.81	78.2%	1,533.03	36.5%	6,005.43	142.9%	4,202.65	100.0%

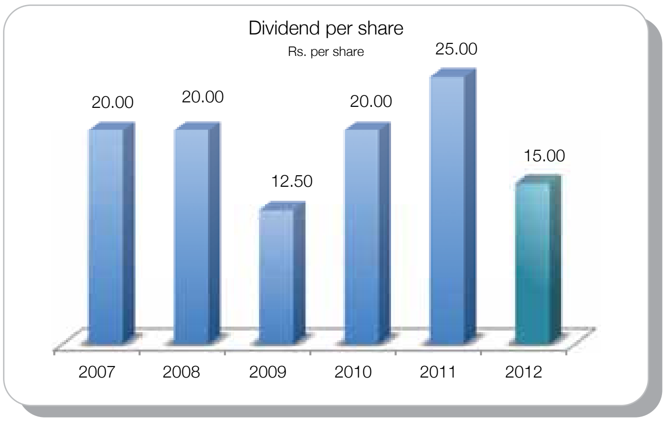
VERTICAL PROFIT & LOSS ACCOUNT
for the year ended

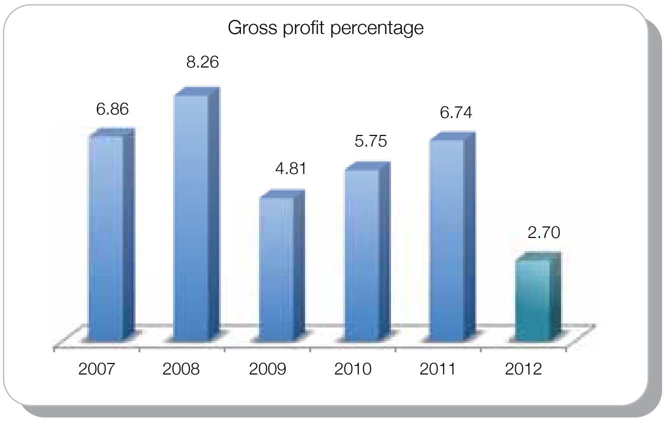
	2012		2011		2010		2009		2008		2007	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
Net sales	174,797.07	100.0%	148,558.50	100.0%	110,186.38	100.0%	109,578.36	100.0%	129,385.82	100.0%	91,326.54	100.0%
Cost of sales	(170,074.58)	-97.3%	(138,551.42)	-93.3%	(103,853.57)	-94.3%	(104,301.66)	-95.2%	(118,705.06)	-91.7%	(85,062.75)	-93.1%
Gross profit	4,722.49	2.7%	10,007.08	6.7%	6,332.81	5.7%	5,276.70	4.8%	10,680.76	8.3%	6,263.79	6.9%
Distribution and marketing expenses	(1,264.03)	-0.7%	(1,136.00)	-0.8%	(996.10)	-0.9%	(860.11)	-0.8%	(889.01)	-0.7%	(341.46)	-0.4%
Administrative expenses	(464.10)	-0.3%	(421.00)	-0.3%	(373.78)	-0.3%	(358.93)	-0.3%	(376.17)	-0.3%	(345.22)	-0.4%
Other operating income	3,136.82	1.8%	2,497.58	1.7%	1,278.11	1.2%	1,365.15	1.3%	1,404.40	1.1%	992.68	1.1%
Other operating expenses	(336.45)	-0.2%	(768.58)	-0.5%	(409.66)	-0.4%	(214.96)	-0.2%	(657.02)	-0.5%	(453.10)	-0.5%
Operating profit	5,794.73	3.3%	10,179.08	6.8%	5,831.38	5.3%	5,207.85	4.8%	10,162.96	7.9%	6,116.69	6.7%
Finance cost	(1,342.86)	-0.8%	(150.47)	-0.1%	(695.76)	-0.6%	(2,394.39)	-2.2%	(1,331.67)	-1.1%	(21.99)	0.0%
Profit before taxation	4,451.87	2.5%	10,028.61	6.7%	5,135.62	4.7%	2,813.46	2.6%	8,831.29	6.8%	6,094.70	6.7%
Taxation	(1,833.49)	-1.0%	(3,460.08)	-2.3%	(1,850.81)	-1.7%	(1,280.43)	-1.2%	(2,825.86)	-2.2%	(1,892.05)	-2.1%
Profit after taxation	2,618.38	1.5%	6,568.53	4.4%	3,284.81	3.0%	1,533.03	1.4%	6,005.43	4.6%	4,202.65	4.6%

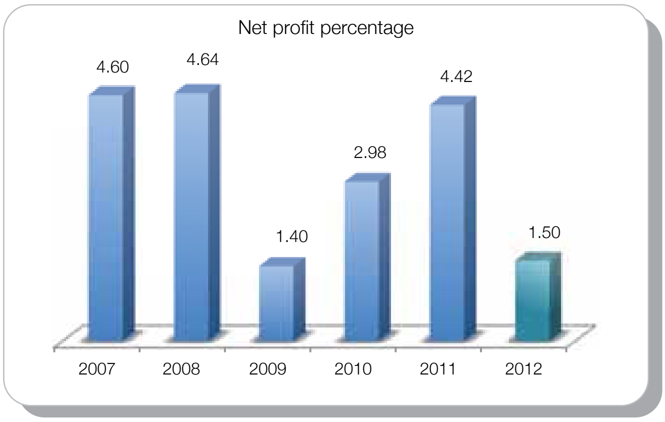
GRAPHICAL REPRESENTATION

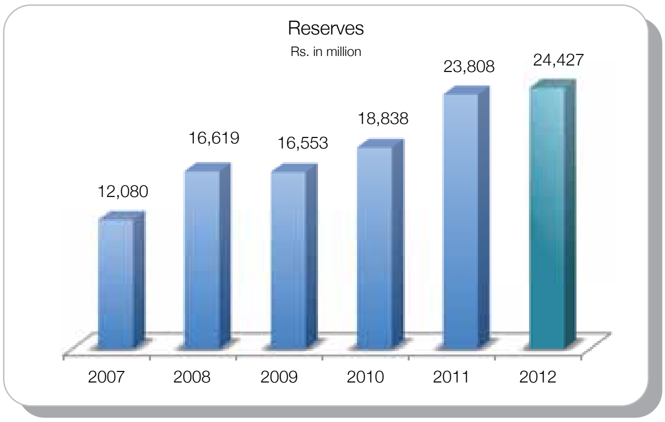


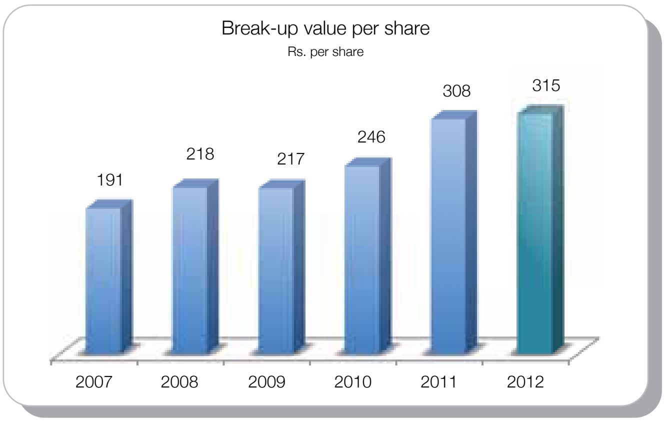


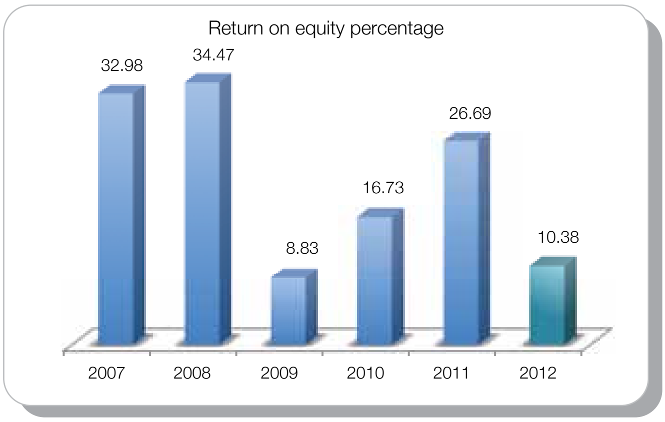


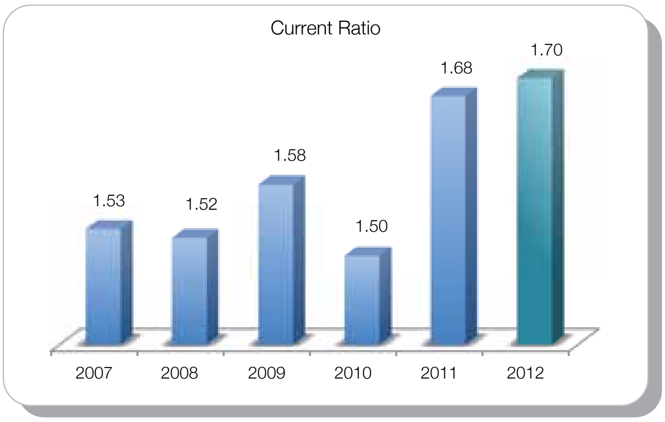


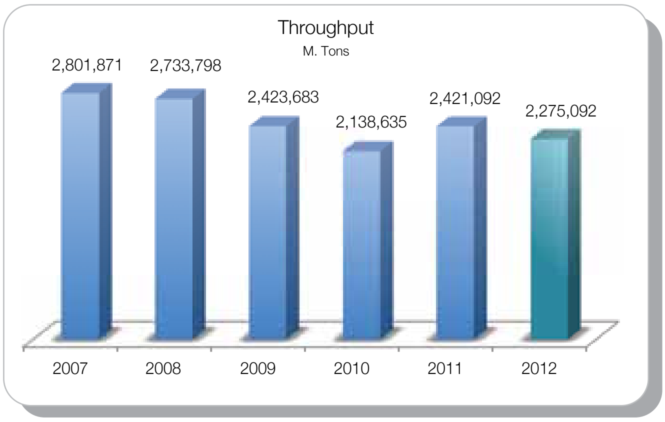


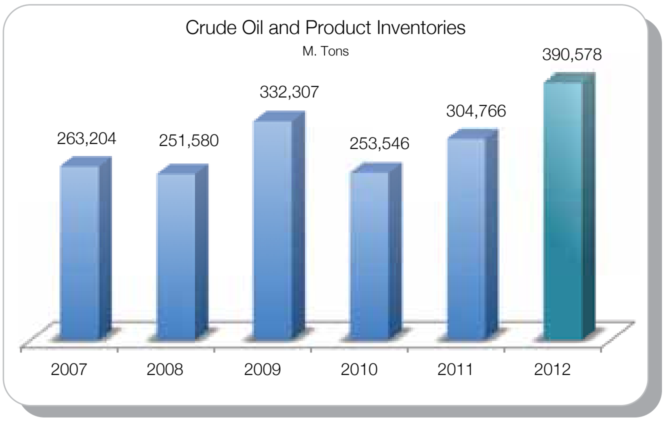

Reserves
Rs. in million
12,080
16,619
16,553
18,838
23,808
24,427
2007
2008
2009
2010
2011
2012


Break-up value per share
Rs. per share
191
218
217
246
308
315
2007
2008
2009
2010
2011
2012

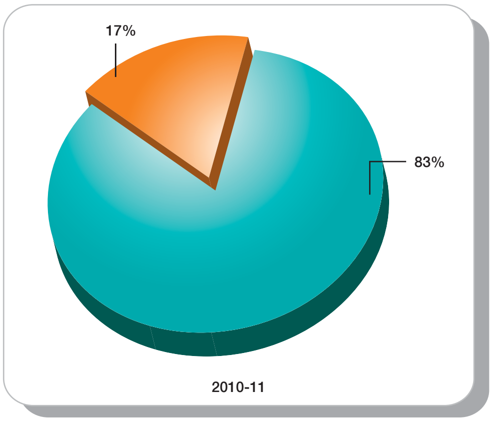

Return on equity percentage
32.98
34.47
8.83
16.73
26.69
10.38
2007
2008
2009
2010
2011
2012


Current Ratio
1.53
1.52
1.58
1.50
1.68
1.70
2007
2008
2009
2010
2011
2012

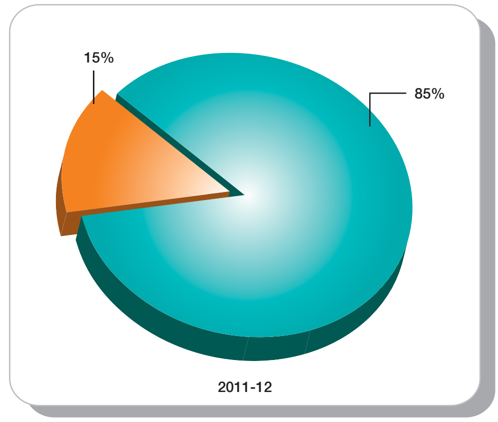

Throughput
M. Tons
2,801,871
2,733,798
2,423,683
2,138,635
2,421,092
2,275,092
2007
2008
2009
2010
2011
2012


Crude Oil and Product Inventories
M. Tons
263,204
251,580
332,307
253,546
304,766
390,578
2007
2008
2009
2010
2011
2012

Comparison of Local & Export Sales



2010-11

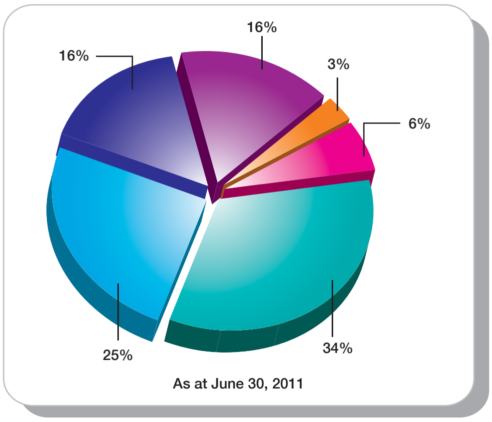


2011-12

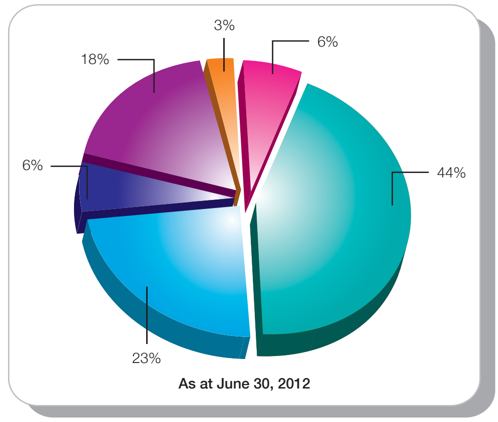
Net Local Sales Export Sales

Balance Sheet Composition

Assets



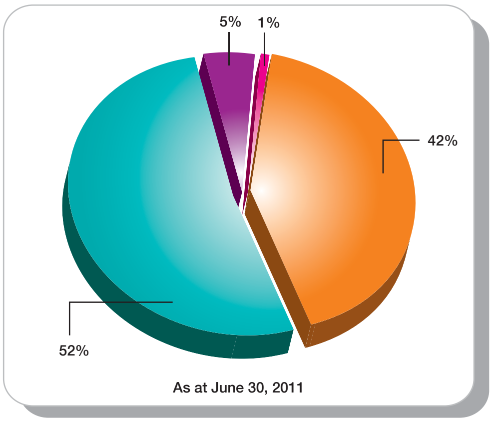
As at June 30, 2011



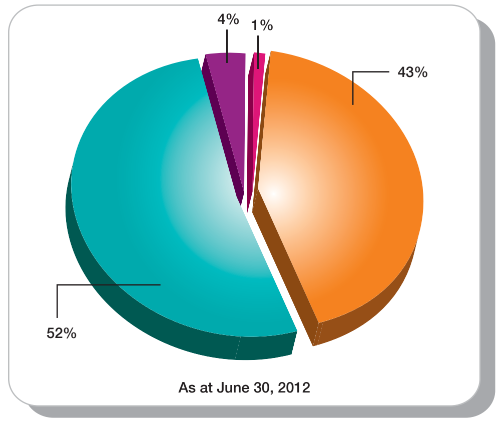
As at June 30, 2012

Fixed Assets Stock-in-trade Trade debts
Investments Cash & bank balances Others

Share Capital, Reserves and Liabilities



As at June 30, 2011



As at June 30, 2012

Share Capital Reserves
Trade & Other Payables Others

FINANCIAL STATEMENTS

pwc

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Refinery Limited as at June 30, 2012 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, 2012 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 17, 2012

Name of the engagement partner: Farrukh Rehman

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) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

BALANCE SHEET
As At June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	3,533,613	3,234,790
Long term investment	4	-	-
Long term loans	5	65,413	62,857
Long term deposits	6	30,189	30,173
		3,629,215	3,327,820
CURRENT ASSETS			
Stores, spares and chemicals	7	1,148,686	887,292
Stock-in-trade	8	25,359,710	19,346,929
Trade debts	9	13,262,184	14,100,493
Loans and advances	10	40,127	23,962
Trade deposits and short-term prepayments	11	6,666	18,446
Interest accrued		110,686	56,995
Other receivables	12	248,126	932,485
Financial asset - held to maturity investments	13	3,230,473	8,941,634
Cash and bank balances	14	10,078,554	9,058,203
		53,485,212	53,366,439
TOTAL ASSETS		57,114,427	56,694,259
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	799,666	799,666
Reserves	16	24,426,729	23,807,509
		25,226,395	24,607,175
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefit obligations	17	223,437	179,857
Deferred taxation	18	172,647	48,909
		396,084	228,766
CURRENT LIABILITIES			
Trade and other payables	19	29,748,891	29,400,170
Provisions	20	398,905	428,676
Taxation - provision less payments		1,344,152	2,029,472
		31,491,948	31,858,318
TOTAL LIABILITIES		31,888,032	32,087,084
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		57,114,427	56,694,259

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, 2012

	Note	2012	2011
		(Rupees in thousand)	
Gross sales	22	207,588,512	178,058,448
Trade discounts, taxes, duties and levies	23	(32,791,437)	(29,499,956)
Net sales		174,797,075	148,558,492
Cost of sales	24	(170,074,583)	(138,551,416)
Gross profit		4,722,492	10,007,076
Distribution and marketing expenses	25	(1,264,034)	(1,135,999)
Administrative expenses	26	(464,104)	(420,995)
Other operating income	27	3,136,832	2,497,574
Other operating expenses	28	(336,454)	(768,578)
Operating profit		5,794,732	10,179,078
Finance cost	29	(1,342,860)	(150,468)
Profit before taxation		4,451,872	10,028,610
Taxation	30	(1,833,488)	(3,460,077)
Profit after taxation		2,618,384	6,568,533
Other comprehensive income		-	-
Total comprehensive income		2,618,384	6,568,533
		(Rupees)	
Earnings per share - basic and diluted	31	32.74	82.14

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, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	32	(903,245)	2,708,724
Income tax paid		(2,395,070)	(2,623,139)
Increase in long term loans and advances		(2,556)	(2,798)
(Increase) / decrease in long term deposits		(16)	262
Payment made to pension fund		(74,285)	(58,267)
Payment made to gratuity fund		(7,927)	(5,562)
Post retirement medical benefits paid		(314)	(19,711)
Net cash used in operating activities		(3,383,413)	(491)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(585,032)	(268,268)
Purchase of intangible assets		(1,797)	-
Proceeds from disposal of property, plant and equipment		1,053	4,725
Proceeds from sale of units of open ended mutual funds		-	190,185
Dividend received on NIT units		-	13,890
Return on treasury bills received		496,604	491,287
Return received on bank accounts		855,789	1,477,837
Net cash flow from investing activities		766,617	1,909,656
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,993,165)	(1,591,998)
Net (decrease) / increase in cash and cash equivalents		(4,609,961)	317,167
Cash and cash equivalents at beginning of the year		17,888,486	17,571,298
Exchange gain on foreign currency bank accounts		-	21
Cash and cash equivalents at end of the year	33	13,278,525	17,888,486

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, 2012

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVES		Special	Total
	Issued, subscribed and paid-up	Capital compensation reserve (note 16.1)	Exchange equalisation reserve	General reserve	Unappropriated profit	reserve (note 16.2)	
	(Rupees in thousand)						
Balance as at July 1, 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)	-	-
Total comprehensive income 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
Final dividend for the year ended June 30, 2011 - Rs. 25 per share	-	-	-	-	(1,999,164)	-	(1,999,164)
Transfer to general reserve	-	-	-	3,900,000	(3,900,000)	-	-
Total comprehensive income for the year	-	-	-	-	2,618,384	-	2,618,384
Loss after tax from fuel refinery operations transferred to special reserve - note 16.2	-	-	-	-	117,324	(117,324)	-
Balance as at June 30, 2012	799,666	10,142	4,117	17,888,000	2,772,726	3,751,744	25,226,395

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

Chief Executive

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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.

2.2 Critical accounting estimates and judgments

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 as follows:

i. Taxation

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.

ii. Post employment benefits

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.

2.3 Changes in accounting policy and disclosures

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

There are no new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2011 that would have a material effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

- IAS 19 (amendment), 'Employee Benefits', is effective for accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The Company is yet to assess the full impact of the amendment.

There are no other standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

2.4 Overall Valuation Policy

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

2.5 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 as sets 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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, balances 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.

2.12 Staff retirement benefits

2.12.1 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.

2.12.2 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 who joined prior to January 01, 2012. 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, 2012, using the ‘Projected Unit Credit Method’.

ii) Funded gratuity scheme for non-management permanent employees of the Company. 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, 2012, using the ‘Projected Unit Credit Method’.

iii) Funded medical scheme for its management employees who joined the Company prior to 1 September 2006. 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, 2012, using the 'Projected Unit Credit Method'.

iv) Funded gratuity scheme for management permanent employees of the Company joining on or after January 1, 2012. Existing non-management employees may be considered for membership on case to case basis at the sole discretion of the Company. 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, 2012, using the 'Projected Unit Credit Method'. However, as at June 30, 2012, the approval for establishment of the fund is pending before the Commissioner Inland Revenue.

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.

2.13 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, 2012 using the 'Projected Unit Credit Method'.

2.14 Trade and other payables

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

2.15 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.

2.16 Taxation

2.16.1 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.

2.16.2 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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. FIXED ASSETS

	2012	2011
	(Rupees in thousand)	
Property, plant and equipment		
- Operating assets - note 3.1	2,939,577	3,003,479
- Capital work-in-progress - note 3.2	592,552	231,276
	3,532,129	3,234,755
Intangible assets - note 3.3	1,484	35
	3,533,613	3,234,790

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

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, 2012												
Opening 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
Additions including transfers - note 3.1.2	-	3,521	56,550	75,422	-	26,563	8,161	4,344	655	7,469	41,071	223,756
Disposals												
Cost	-	-	-	-	-	-	-	(1,890)	-	(3,848)	(5,501)	(11,239)
Depreciation	-	-	-	-	-	-	-	1,618	-	3,842	5,485	10,945
	-	-	-	-	-	-	-	(272)	-	(6)	(16)	(294)
Depreciation charge	(600)	(14,968)	(31,407)	(102,466)	(40,583)	(22,599)	(37,164)	(5,004)	(774)	(3,184)	(28,615)	(287,364)
Closing net book value	47,225	184,835	406,267	1,165,551	96,013	190,771	441,413	13,440	5,275	8,721	380,066	2,939,577
As at June 30, 2012												
Cost	60,035	404,631	663,131	4,956,066	747,293	400,381	1,261,918	75,888	11,877	51,713	611,655	9,244,588
Accumulated depreciation	(12,810)	(219,796)	(256,864)	(3,790,515)	(651,280)	(209,610)	(820,505)	(62,448)	(6,602)	(42,992)	(231,589)	(6,305,011)
Net book value	47,225	184,835	406,267	1,165,551	96,013	190,771	441,413	13,440	5,275	8,721	380,066	2,939,577
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	1,192,595	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
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
- 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):

	2012	**2011**
	(Rupees in thousand)	
Buildings on leasehold land	3,521	8,966
Oil terminal	56,550	123,064
Processing plant and storage tanks	75,422	219,985
Pipelines	26,563	18,167
Water power and other utilities	8,161	116,276
Office and other equipments	24,604	64,882
	194,821	551,340

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Vehicles	907	635	272	473	Company Policy	Mr. Muhammad Aslam (Employee)
Written down value below Rs. 50,000 each						
Vehicles	983	983	-	371		
Computers and accessories	3,848	3,842	6	195		
Office and other equipments	5,501	5,485	16	14		
	11,239	10,945	294	1,053		

		2012	2011
		(Rupees in thousand)	
3.2	Capital work-in-progress		
	Opening balance	231,276	534,040
	Additions during the year	556,097	248,576
	Transfers during the year - note 3.1.2	(194,821)	(551,340)
	Closing balance - note 3.2.1	592,552	231,276
3.2.1	As at June 30, 2012 and 2011, capital work-in-progress represents:		
	Buildings on leasehold land	4,292	4,266
	Oil terminal	7,995	13,817
	Refineries upgradation projects - note 3.2.1.1	451,158	-
	Processing plant and storage tanks	48,842	94,154
	Pipelines	8,588	42,581
	Water power and other utilities	12,792	11,542
	Office and other equipments	19,355	31,320
	Advances to contractors / suppliers	39,530	33,596
		592,552	231,276

3.2.1.1 This relates to cost associated with front end engineering designs and process licenses in relation to the fuel and lube refineries upgradation projects. These projects have been undertaken; (i) to comply with the government's directives to produce High Speed Diesel with low sulphur contents and; (ii) to enhance Company's profitability on a sustainable basis.

		2012	2011
		(Rupees in thousand)	
3.3	Intangible Assets – Computer Softwares		
	Net carrying value		
	Balance at beginning of the year	35	138
	Additions during the year	1,797	-
	Amortisation for the year	(348)	(103)
	Balance at end of the year	1,484	35
	Gross carrying value		
	Cost	52,633	50,836
	Accumulated amortisation	(51,149)	(50,801)
	Net book value	1,484	35

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
4. LONG TERM INVESTMENT		
Available for sale		
Anoud Power Generation Limited [1,080,000 (2011: 1,080,000) Ordinary shares of Rs.10 each, Equity held 9.09 percent (2011: 9.09 percent)]	10,800	10,800
Less: Provision for impairment	10,800	10,800
	-	-

	2012	2011
5. LONG TERM LOANS		
Loans - considered good		
Secured - note 5.2		
- Executives	56,001	36,915
- Employees	25,049	39,695
	81,050	76,610
Less: Recoverable within one year shown under current assets - note 10		
- Executives	13,195	8,386
- Employees	3,577	6,927
	16,772	15,313
	64,278	61,297
Unsecured - note 5.3		
- Executives	649	964
- Employees	1,002	1,225
	1,651	2,189
Less: Recoverable within one year shown under current assets - note 10		
- Executives	260	372
- Employees	256	257
	516	629
	1,135	1,560
	65,413	62,857

5.1 Reconciliation of the carrying amount of loans:

	2012			2011		
	Executives	Employees	Total	Executives	Employees	Total
	(Rupees in thousand)					
Balance at beginning of the year	37,879	40,920	78,799	31,426	43,832	75,258
Effect of promotions to Executives	15,167	(15,167)	-	8,015	(8,015)	-
Add: Disbursements	16,075	8,000	24,075	11,640	10,431	22,071
Less: Recoveries	(12,471)	(7,702)	(20,173)	(13,202)	(5,328)	(18,530)
Balance at end of the year	56,650	26,051	82,701	37,879	40,920	78,799

5.2 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 (2011: 5 to 10) years. Certain of these loans are interest free, whereas others carry interest ranging from 3% to 7% (2011: 3% to 7%) per annum in case of motor car loans and 5% (2011: 5%) per annum in case of house loans. These loans are secured against original title documents of respective assets.

5.3 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 (2011: 4 to 12) years and are interest free.

	2012	2011
	(Rupees in thousand)	
6. LONG TERM DEPOSITS		
Utilities	14,216	14,200
Others	15,973	15,973
	30,189	30,173
7. STORES, SPARES AND CHEMICALS		
In hand		
- Stores - note 7.1	491,555	320,134
- Spares	1,064,977	980,069
- Chemicals	102,866	119,202
	1,659,398	1,419,405
In transit	56,397	43,491
	1,715,795	1,462,896
Provision for slow moving and obsolete stores, spares and chemicals - note 7.2	(567,109)	(575,604)
	1,148,686	887,292

		2012	2011
		(Rupees in thousand)	
7.1	Includes stores held with the following third parties:		
	- Petroleum Packages (Pvt.) Limited	20,071	11,193
	- Karachi Containers & Engineering (Pvt.) Limited	17,332	13,355
	- Esquire Packaging Company (Pvt.) Limited	11,252	3,979
		48,655	28,527

7.2 The Company made a provision of Rs. 22.15 million (2011: Rs. 15.11 million) for obsolescence and has written off stores, spares and chemicals of Rs. 30.65 million (2011: Nil) by utilising the provision during the year.

		2012	2011
8.	STOCK-IN-TRADE	(Rupees in thousand)	
	Raw materials		
	Crude oil and condensate [including in transit Rs. 70.68 million (2011: Rs. 75.58 million)] - note 8.1	6,578,110	5,121,396
	Semi finished products	5,091,602	2,579,119
	Finished products - notes 8.1 and 8.2	13,689,998	11,646,414
		25,359,710	19,346,929

8.1 As at June 30, stock of raw materials has been written down by Nil (2011: Rs. 207.45 million) and finished goods by Rs. 870.96 million (2011: Rs. 115.96 million) to arrive at its net realisable value.

		2012	2011
		(Rupees in thousand)	
8.2	Includes stocks held with the following third parties:		
	- Karachi Bulk Storage & Terminals (Pvt.) Limited	344,319	161,606
	- Al-Rahim Tank Terminal Services (Pvt.) Limited	544,633	-
	- Pakistan State Oil Company Limited	50,094	97,356
		939,046	258,962

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

		2012	2011
		(Rupees in thousand)	
9.	TRADE DEBTS - unsecured		
	Considered good		
	- Related party - Attock Petroleum Limited (note 9.1)	1,459,794	2,358,923
	- Others (note 9.1)	11,802,390	11,741,570
	Considered doubtful	21,174	23,908
		13,283,358	14,124,401
	Provision for doubtful debts	(21,174)	(23,908)
		13,262,184	14,100,493
9.1	The age analysis of debt past due but not impaired is as follows:		
	Up to 3 months	305,638	109,537
	3 to 6 months	-	-
	More than 6 months - note 9.1.1	8,834,985	9,379,588

9.1.1 Subsequent to the balance sheet date on September 10, 2012 the customer has settled the past due amount through the Government arrangements.

		2012	2011
10.	LOANS AND ADVANCES		
	Loans - considered good		
	Current portion of long term loans - note 5		
	Secured		
	- Executives	13,195	8,386
	- Employees	3,577	6,927
		16,772	15,313
	Unsecured		
	- Executives	260	372
	- Employees	256	257
		516	629
	Short term loans to employees - unsecured, interest free	782	580
	Advances		
	- Executives	1,963	1,365
	- Employees	1,754	1,185
	- Suppliers	18,340	4,890
		22,057	7,440
		40,127	23,962

		2012	2011
		(Rupees in thousand)	
11.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Deposits	335	801
	Prepayments		
	- Insurance	732	576
	- Workers' profits participation fund - note 19.1	-	11,373
	- Others	5,599	5,696
		6,331	17,645
		6,666	18,446
12.	OTHER RECEIVABLES – considered good		
	Receivable from related parties:		
	- Attock Refinery Limited	1,712	7,316
	Others:		
	- Pakistan Refinery Limited - note 12.1	-	685,292
	- Government of Pakistan - note 12.2	232,809	232,809
	- Claims receivable	1,251	1,251
	- Margin against letters of credit	6,306	-
	- Insurance rebate receivable	4,171	4,166
	- Others	1,877	1,651
		248,126	932,485

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. During the year on behalf of oil refineries, Oil Companies Advisory Committee (OCAC) has presented the claims before the Ministry of Petroleum & Natural Resources, which are under review.

		2012	2011
		(Rupees in thousand)	
13.	FINANCIAL ASSET - INVESTMENTS		
	Held to maturity		
	3 months treasury bills - at amortised cost - note 13.1	3,230,473	8,941,634

13.1 These are held by Company's banker on behalf of the Company. The yield on these bills ranges from 11.87% to 11.92% (2011: 13.07% to 13.49%) per annum and these bills will mature from July 2012 to September 2012.

		2012	2011
		(Rupees in thousand)	
14.	**CASH AND BANK BALANCES**		
	In hand	500	500
	With banks on:		
	Current accounts	38,662	43,251
	Savings accounts - note 14.2	6,248,730	1,659,622
	Deposit accounts		
	- local currency - notes 14.1 and 14.2	3,790,662	7,354,830
		10,078,054	9,057,703
		10,078,554	9,058,203

14.1 Includes Rs. 290.66 million (2011: Rs. 290.65 million) under lien with banks against bank guarantees issued on behalf of the Company.

14.2 These carry interest at the rates varying from 6% to 12.75% (2011: 5% to 13.40%) per annum.

		2012	2011
		(Rupees in thousand)	
15.	**SHARE CAPITAL**		
	Number of shares		
	Authorised		
100,000,000	Ordinary shares of Rs. 10 each	1,000,000	1,000,000
	Issued, subscribed and paid-up		
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, 2012 and 2011, Attock Group holds 51% equity stake in the Company through the following companies:

	2012	2011
	(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

	2012	2011
	(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	17,888,000	13,988,000
Unappropriated profit	2,772,726	5,936,182
	20,660,726	19,924,182
Special reserve - note 16.2	3,751,744	3,869,068
	24,426,729	23,807,509

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.

The Ministry of Petroleum and Natural Resources through its circular dated October 14, 2010 directed the refineries not to adjust the operational losses against the special reserve. The Company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan. Accordingly, the Company has transferred the loss after tax amounting to Rs. 117.32 million (2011: Nil) from fuel operations to special reserve.

The Company has incurred capital expenditure of Rs. 451.16 million (2011: Nil) on up gradation and expansion projects during the year. It includes Rs. 154.36 million for the up gradation and expansion of fuel refinery operations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

17. RETIREMENT BENEFIT OBLIGATIONS

The details of staff retirement benefits are as follows:

	2012				2011			
	Pension Fund	Gratuity Fund	Medical Fund	Gratuity Un-funded (note - 2.12.2)	Pension Fund	Gratuity Fund	Medical Fund	Gratuity Un-funded
	(Rupees in thousand)							
17.1 Reconciliations of obligations								
Present value of defined benefit obligations	3,264,638	118,209	786,802	80	2,938,458	90,789	728,221	-
Fair value of plan assets	(3,252,080)	(73,844)	(712,300)	-	(2,950,214)	(59,039)	(651,744)	-
Funded status	12,558	44,365	74,502	80	(11,756)	31,750	76,477	-
Unrecognised net actuarial gain / (loss)	69,142	(37,292)	60,082	-	82,360	(27,376)	28,402	-
Recognised liability	81,700	7,073	134,584	80	70,604	4,374	104,879	-
17.2 Movement in liability								
Liability at beginning of the year	70,604	4,374	104,879	-	48,301	-	91,191	-
Charge for the year	85,381	10,626	30,019	80	80,570	9,936	33,399	-
Contribution paid to the fund	(74,285)	(7,927)	(314)	-	(58,267)	(5,562)	-	-
Benefits paid directly by the Company	-	-	-	-	-	-	(19,711)	-
Liability at end of the year	81,700	7,073	134,584	80	70,604	4,374	104,879	-
17.3 Charge for the year								
Current service cost	83,020	4,325	13,578	77	74,923	4,417	12,934	-
Interest cost	394,539	13,377	104,778	3	298,317	9,590	81,688	-
Expected return on plan assets	(392,178)	(8,296)	(88,337)	-	(292,670)	(5,500)	(61,223)	-
Net actuarial loss recognised during the year	-	1,220	-	-	-	1,429	-	-
	85,381	10,626	30,019	80	80,570	9,936	33,399	-
17.4 Movement in present value of defined benefit obligations								
Opening balance	2,938,458	90,789	728,221	-	2,478,854	73,659	645,699	-
Service cost	83,020	4,325	13,578	77	74,923	4,417	12,934	-
Interest cost	394,539	13,377	104,778	3	298,317	9,590	81,688	-
Benefits paid	(171,650)	(643)	(21,691)	-	(137,134)	(147)	-	-
Benefits paid directly by the Company	-	-	-	-	-	-	(19,711)	-
Transfer from Gratuity / (to Pension) Fund	-	-	-	-	375	(375)	-	-
Actuarial loss / (gain)	20,271	10,361	(38,084)	-	223,123	3,645	7,611	-
Present value of defined benefit obligations at the end of the year	3,264,638	118,209	786,802	80	2,938,458	90,789	728,221	-
17.5 Movement in fair value of plan assets								
Opening balance	2,950,214	59,039	651,744	-	2,659,526	47,721	551,351	-
Expected return	392,178	8,296	88,337	-	292,670	5,500	61,223	-
Contributions	74,285	7,927	314	-	58,267	5,562	-	-
Benefits paid	(171,650)	(643)	(21,691)	-	(137,134)	(147)	-	-
Actuarial gain / (loss)	7,053	(775)	(6,404)	-	76,510	778	39,170	-
Transfer from Gratuity / (to Pension) Fund	-	-	-	-	375	(375)	-	-
Fair value of plan assets at the end of the year	3,252,080	73,844	712,300	-	2,950,214	59,039	651,744	-
Actual return on plan assets	372,926	7,521	75,883	-	397,531	6,506	66,931	-

17.6 Historical information

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
PENSION FUND					
As at June 30					
Present value of defined benefit obligation	3,264,638	2,938,458	2,478,854	2,312,535	2,181,529
Fair value of plan assets	(3,252,080)	(2,950,214)	(2,659,526)	(2,396,530)	(2,128,896)
Deficit / (Surplus)	12,558	(11,756)	(180,672)	(83,995)	52,633
Experience loss / (gain) on obligation	20,271	223,123	(8,813)	(104,285)	57,522
Experience (loss) / gain on plan assets	(19,252)	104,861	67,285	(148,795)	38,441
GRATUITY FUND					
As at June 30					
Present value of defined benefit obligation	118,209	90,789	73,659	53,946	67,945
Fair value of plan assets	(73,844)	(59,039)	(47,721)	(62,950)	(82,668)
Deficit / (Surplus)	44,365	31,750	25,938	(9,004)	(14,723)
Experience loss on obligation	10,361	12,092	11,105	2,681	13,968
Experience (loss) / gain on plan assets	(775)	1,006	(1,199)	(15,500)	7,706
MEDICAL FUND					
As at June 30					
Present value of defined benefit obligation	786,802	728,221	645,699	581,215	553,929
Fair value of plan assets	(712,300)	(651,744)	(551,351)	(534,593)	(525,739)
Deficit	74,502	76,477	94,348	46,622	28,190
Experience (gain) / loss on obligation	(38,084)	7,611	6,556	(39,626)	(49,327)
Experience (loss) / gain on plan assets	(12,454)	5,708	(39,896)	(41,160)	(10,080)

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

	Pension		Gratuity		Medical fund		Gratuity (un-funded)	
	2012	2011	2012	2011	2012	2011	2012	2011
Debt Instrument	90.76%	90.55%	88.66%	82.67%	47.86%	47.88%	-	-
Equity	2.75%	6.48%	6.78%	8.01%	0.00%	0.00%	-	-
Mixed funds	6.33%	2.96%	0.00%	0.00%	34.60%	51.59%	-	-
Others	0.16%	0.01%	4.56%	9.32%	17.54%	0.53%	-	-

17.8 Principal actuarial assumptions

	Pension 2012	Pension 2011	Gratuity 2012	Gratuity 2011	Medical fund 2012	Medical fund 2011	Gratuity (un-funded) 2012	Gratuity (un-funded) 2011
Rate of discount	13.50% p.a	14.50% p.a	13.50% p.a	14.50% p.a	13.50% p.a	14.50% p.a	13.50% 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	12.50% p.a	13.50% p.a	10.50% p.a	11.50% p.a	12.50% p.a	-
- Long term increase	12.50% p.a	13.50% p.a	12.50% p.a	13.50% p.a	10.50% p.a	11.50% p.a	12.50% p.a	-
Expected rate of increase in pension	6.50% p.a	7.50% p.a	-	-	-	-	-	-
Expected rate of return on assets	12.50% p.a	13.50% p.a	12.50% p.a	13.50% p.a	12.50% p.a	13.50% p.a	-	-
Expected retirement age	60 years	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	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service cost and interest cost	17,490	14,660
Effect on the defined benefit obligation	124,865	101,419

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

	2012	2011
	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	94,452
Gratuity fund	13,970
Medical fund	30,188
Gratuity (un-funded)	338

17.11 Information in note 17 is based on actuarial advice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

		2012	2011
		(Rupees in thousand)	
18.	DEFERRED TAXATION		
	Credit / (Debit) balances arising in respect of:		
	- accelerated tax depreciation and amortisation	548,001	550,041
	Provisions for:		
	- slow moving and obsolete stores, spares and chemicals	(171,891)	(176,456)
	- duties and taxes	(64,930)	(77,507)
	- discount on crude oil purchases	-	(43,057)
	- long term investment, doubtful debts, doubtful receivables, staff retirement benefits and pending litigations	(59,510)	(26,976)
	- old outstanding liabilities offered for tax	(79,023)	(177,136)
		(375,354)	(501,132)
		172,647	48,909
19.	TRADE AND OTHER PAYABLES		
	Creditors		
	Government of Pakistan	1,107,730	2,282,216
	Other trade creditors:		
	- Related party - Attock Petroleum Limited	-	2,878
	- Others	25,927,544	23,426,827
		25,927,544	23,429,705
		27,035,274	25,711,921
	Mark-up accrued on unsecured customs duty overdue	-	310,264
	Accrued liabilities	626,493	656,946
	Sales tax payable	675,351	1,940,962
	Retention money	12,207	13,738
	Deposits from contractors	27,981	27,239
	Advances from customers	470,284	275,037
	Workers' profits participation fund - note 19.1	14,091	-
	Workers' welfare fund	122,750	236,561
	Income tax deducted at source	10,476	6,773
	Unclaimed dividend	60,336	54,337
	Excise duty and petroleum levy	690,160	163,924
	Others	3,488	2,468
		29,748,891	29,400,170

		2012	2011
		(Rupees in thousand)	
19.1	Workers' profits participation fund		
	(Receivable) / Payable at beginning of the year	(11,373)	1,966
	Allocation for the year - note 28	239,091	538,627
	Interest on funds utilised in the Company's business - note 29	-	622
		227,718	541,215
	Amount paid to the Trustees of the Fund	(213,627)	(552,588)
	Payable / (Receivable) at end of the year	14,091	(11,373)
20.	PROVISIONS		
	Duties and taxes - note 20.1	194,220	232,829
	Others - note 20.2	204,685	195,847
		398,905	428,676
20.1	These represent provisions for:		
	Claim by the Government - note 20.1.1	165,214	165,214
	Sales tax and central excise duty - note 20.1.2	29,006	67,615
		194,220	232,829

20.1.1 This represents amount claimed by the Government of Pakistan (GoP), alleging that the company had been allowed excess refunds in the year 2000 - 2001, 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 and central excise duty aggregating to Rs. 29.01 million (2011: Rs. 67.61 million), determined by the Collectorate of Customs, Sales Tax and Central Excise (Adjudication) in 2004 in respect of goods sold by the Company to one of its customer without deduction of sales tax and central excise duties.

20.2 This includes provision for interest made by the Company aggregating to Rs. 121.33 million (2011: Rs. 112.49 million) in respect of arbitration claim from one of the suppliers of the company on account of cancellation of a supply contract and Rs. 55.62 million (2011: Rs. 55.62 million) in respect of sales tax and excise duty on account of purchases of crude oil and drums.

		2012	2011
		(Rupees in thousand)	
20.3	Reconciliation of provisions		
	Balance at the beginning of the year	428,676	298,569
	Provisions	9,177	130,107
	Payment - note 20.1.2	(38,948)	-
	Balance at the end of the year	398,905	428,676

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Outstanding counter guarantees at the end of the year amounted to Rs. 295.60 million (2011: Rs. 291.26 million).

21.1.2 Claims not acknowledged by the Company as debt at the end of the year amounted to Rs. 4.35 billion (2011: Rs. 2.89 billion). These include claims accumulating to Rs. 3.57 billion (2011: Rs. 2.68 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 354.29 million (2011: Rs. 114.68 million) relating to freight claims.

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. 4.98 billion (2011: Rs. 3.60 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, 2012 amounted to Rs. 940.30 million (2011: Rs. 81.97 million).

21.2.2 Outstanding letters of credit at the end of the year amounted to Rs. 18.06 billion (2011: Rs. 11.74 billion).

	2012	2011
	(Rupees in thousand)	
22. GROSS SALES		
Local	180,678,301	152,838,472
Less: sales returns	(53,949)	-
	180,624,352	152,838,472
Export	26,964,160	25,219,976
	207,588,512	178,058,448
23. TRADE DISCOUNTS, TAXES, DUTIES AND LEVIES		
Trade discounts	1,129,333	904,151
Sales tax	24,810,105	21,988,075
Excise duty	1,294,810	1,307,595
Petroleum levy	5,557,189	5,300,135
	32,791,437	29,499,956

		2012	2011
		(Rupees in thousand)	
24.	**COST OF SALES**		
	Opening stock of semi-finished products	2,579,119	1,968,622
	Crude oil, condensate, naphtha and drums consumed - notes 24.1 and 24.2	170,374,228	141,229,444
	Stores, spares and chemicals consumed	431,812	501,492
	Salaries, wages and staff benefits - note 24.3	968,213	911,252
	Staff transport and canteen	87,082	79,146
	Fuel, power and water	2,067,650	2,018,160
	Rent, rates and taxes	35,212	44,844
	Insurance	231,011	106,713
	Contract services	58,047	50,284
	Repairs and maintenance	79,633	165,592
	Provision for slow moving and obsolete stores, spares and chemicals	22,151	15,106
	Depreciation - note 3.1	253,894	249,557
	Health, safety, environment and related cost	3,623	4,822
	Professional charges	2,610	3,297
	Consultancy charges	11,050	12,852
	Others	4,434	4,399
		174,630,650	145,396,960
	Closing stock of semi-finished products - note 8	(5,091,602)	(2,579,119)
	Cost of products manufactured	172,118,167	144,786,463
	Opening stock of finished products	11,646,414	5,411,367
	Closing stock of finished products - note 8	(13,689,998)	(11,646,414)
		(2,043,584)	(6,235,047)
		170,074,583	138,551,416
24.1	**Crude oil, condensate, naphtha and drums consumed**		
	Crude oil, condensate and naphtha		
	- Opening stock	5,121,396	4,418,214
	- Purchases	171,149,407	141,382,543
	- Closing stock - note 8	(6,578,110)	(5,121,396)
		169,692,693	140,679,361
	Drums	681,535	550,083
		170,374,228	141,229,444

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. 82.60 million (2011: Rs. 81.24 million) and Rs. 28.55 million (2011: Rs. 24.66 million) in respect of defined benefit and defined contribution plans respectively.

		2012	2011
		(Rupees in thousand)	
25.	DISTRIBUTION AND MARKETING EXPENSES		
	Salaries and staff benefits - note 25.1	55,700	49,446
	Staff transport and canteen	5,381	3,707
	Stores, spares and chemicals consumed	3,784	3,963
	Commission on local sales	711,857	614,982
	Commission on export sales	270,966	252,558
	Export expenses	155,331	154,624
	Depreciation - note 3.1	21,450	17,240
	Repairs and maintenance	18,637	13,705
	Postage and periodicals	2,358	1,680
	(Reversal) of / Provision for doubtful receivable	(2,734)	2,734
	Selling expenses	7,478	8,214
	Pipeline charges	5,794	6,525
	Others	8,032	6,621
		1,264,034	1,135,999

25.1 Includes Rs. 6.91 million (2011: Rs. 6.83 million) and Rs. 2.31 million (2011: Rs. 1.90 million) in respect of defined benefit and defined contribution plans respectively.

		2012	2011
		(Rupees in thousand)	
26.	ADMINISTRATIVE EXPENSES		
	Salaries and staff benefits - note 26.1	297,552	256,976
	Staff transport and canteen	24,757	20,463
	Directors' fee	3,129	3,431
	Rent, rates and taxes	2,590	3,478
	Depreciation - note 3.1	12,020	13,487
	Amortisation of intangible assets - note 3.3	348	103
	Legal and professional charges	3,531	3,264
	Printing and stationery	5,430	5,012
	Repairs and maintenance	67,303	64,059
	Telecommunication	5,283	4,911
	Electricity and power	13,514	19,781
	Insurance	1,125	1,206
	Training and seminar	977	1,269
	Postage and periodicals	5,677	6,597
	Security charges	13,417	10,322
	Others	7,451	6,636
		464,104	420,995

26.1 Includes Rs. 36.60 million (2011: Rs. 35.83 million) and Rs. 10.46 million (2011: Rs. 8.36 million) in respect of defined benefit and defined contribution plans respectively.

		2012	2011
		(Rupees in thousand)	
27.	OTHER OPERATING INCOME		
	Income from financial assets		
	Return / interest / mark-up on:		
	- PLS savings and deposit accounts	909,480	1,465,601
	- Secured loans to employees and executives	637	632
	- Treasury bills	415,755	585,152
	Gain on sale of open ended mutual fund units	-	16,296
	Dividend income from NIT units	-	13,890
	Others		
	Handling and storage income	147,264	147,739
	Hospitality income	15,583	10,847
	Liabilities considered no longer payable written back - note 27.1	1,566,766	162,653
	Profit on disposal of property, plant and equipment	759	3,275
	Sale of scrap and empties	1,924	69,004
	Pipeline charges recovered	6,179	5,345
	Rental income	7,446	6,778
	Rebate on insurance	4,627	6,061
	Encashment of bank guarantee	-	1,817
	Tender fees	299	437
	Others - note 27.2	60,113	2,047
		3,136,832	2,497,574

27.1 This includes write back of old outstanding liabilities considered no longer payable consequent to finalisation of certain local crude oil/condensate sale and purchase agreements amounting to Rs. 913.89 million, settlement of claim with a supplier amounting to Rs. 156.13 million, settlement of old yield differentials with suppliers during the year amounting to Rs. 179.90 million and write back of accrued mark up on custom duty amounting to Rs. 310.26 million.

27.2 This includes refund of sales tax and excise duty amounting to Rs. 58.69 million (2011: Nil) paid under protest on exports of supplies being sold locally by the buyer.

		2012	2011
		(Rupees in thousand)	
28.	OTHER OPERATING EXPENSES		
	Workers' profits participation fund - note 19.1	239,091	538,627
	Workers' welfare fund	90,855	204,666
	Provision for duties and taxes - note 20.1	-	17,615
	Auditors' remuneration - note 28.1	6,508	7,570
	Donation	-	100
		336,454	768,578

		2012	2011
		(Rupees in thousand)	
28.1	Auditors' remuneration		
	Audit fee	1,650	1,500
	Taxation services	3,032	4,750
	Fee for review of half yearly financial information, special reports and certifications	1,439	960
	Out-of-pocket expenses	387	360
		6,508	7,570
29.	FINANCE COST		
	Interest on workers' profits participation fund - note 19.1	-	622
	Mark-up on late payment to supplier	9,189	112,492
	Exchange loss	1,331,814	35,559
	Guarantee commission and service charges	1,425	1,144
	Bank charges	432	651
		1,342,860	150,468
30.	TAXATION		
	Current		
	- for the year	1,678,338	2,978,436
	- for prior years	31,412	-
		1,709,750	2,978,436
	Deferred	123,738	481,641
		1,833,488	3,460,077
30.1	Relationship between tax expense and accounting profit		
	Accounting profit before taxation	4,451,872	10,028,610
	Tax at the applicable tax rate of 35%	1,558,155	3,510,014
	Tax effect of income exempt from tax	-	(5,704)
	Tax effect of expenses not allowed for tax	(20,385)	5,112
	Tax effect of Final Tax Regime	302,224	(65,291)
	Effect of tax credits	(36,021)	(67,574)
	Effect of income taxable at lower rate	(1,897)	(5,203)
	Effect of surcharge on tax payable	-	88,723
	Effect of prior years tax	31,412	-
	Tax expense for the year	1,833,488	3,460,077

		2012	2011
		(Rupees in thousand)	
31.	EARNINGS PER SHARE - basic and diluted		
	Profit after taxation	2,618,384	6,568,533
	Weighted average number of ordinary shares in issue (in thousand)	79,967	79,967
	Basic earnings per share (Rupees)	32.74	82.14

There were no dilutive potential ordinary shares in issue as at June 30, 2012 and 2011.

		2012	2011
		(Rupees in thousand)	
32.	CASH (USED IN) / GENERATED FROM OPERATIONS		
	Profit before taxation	4,451,872	10,028,610
	Adjustment for non cash charges and other items:		
	Depreciation and amortisation	287,712	280,387
	Provision for pension	85,381	80,570
	Provision for gratuity	10,706	9,936
	Provision for post retirement medical benefits	30,019	33,399
	Provision for slow moving and obsolete stores, spares and chemicals	22,151	15,106
	(Reversal) of / Provision for doubtful receivables	(2,734)	2,734
	Return / interest on PLS savings and deposit accounts	(909,480)	(1,465,601)
	Return on treasury bills	(415,755)	(585,152)
	Gain on sale of open ended mutual fund units	-	(16,296)
	Dividend income on NIT units	-	(13,890)
	Profit on disposal of property, plant and equipment	(759)	(3,275)
	Exchange gain on foreign currency bank accounts	-	(21)
	Increase in working capital - note 32.1	(4,462,358)	(5,657,783)
		(903,245)	2,708,724

		2012	2011
		(Rupees in thousand)	
32.1	Increase in working capital		
	(Increase) / Decrease in current assets		
	Stores, spares and chemicals	(283,545)	1,972
	Stock-in-trade	(6,012,781)	(7,548,726)
	Trade debts	841,043	2,188,477
	Loans and advances	(16,165)	(2,529)
	Deposits and prepayments	11,780	(2,145)
	Other receivables	684,359	9,106
	Tax refunds due from Government - Sales tax	-	62,028
		(4,775,309)	(5,291,817)
	Increase / (Decrease) in current liabilities		
	Trade and other payables	342,722	(496,073)
	Provisions	(29,771)	130,107
		(4,462,358)	(5,657,783)
33.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	10,078,554	9,058,203
	Short term investments	3,199,971	8,830,283
		13,278,525	17,888,486
34.	UNAVAILED CREDIT FACILITIES		
	Short term running finance - note 34.1	350,000	350,000
	Letters of credit and guarantee - note 34.2	32,203,558	24,228,811

34.1 Short term running finance

The rates of mark-up on these finance ranges between 12.25% and 14.13% (2011: 12.75% and 14.30%) 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, 2013.

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, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(Rupees in thousand)					
Managerial remuneration	8,482	5,041	299,352	6,737	3,694	178,107
Bonus	2,497	1,401	62,436	1,991	720	36,507
Retirement benefits	2,287	1,381	76,404	2,239	871	44,601
House rent	3,551	2,014	119,215	2,240	1,375	69,949
Conveyance	265	376	30,406	216	306	15,246
Leave benefits	732	441	32,076	600	382	17,270
	17,814	10,654	619,889	14,023	7,348	361,680
Number of person(s)	1	1	354	1	1	212

35.1 In addition to the above, fee to executive and non-executive directors during the year amounted to Rs. 1.16 million (2011: Rs. 1.11 million) and Rs. 1.97 million (2011: Rs. 2.32 million) respectively.

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	2,217	8,845	11,062	19,570	56,568	76,138	87,200
Deposits	-	-	-	335	30,189	30,524	30,524
Trade debts	-	-	-	13,262,184	-	13,262,184	13,262,184
Accrued interest	-	-	-	110,686	-	110,686	110,686
Other receivables	-	-	-	248,126	-	248,126	248,126
Cash and bank balances	10,039,392	-	10,039,392	39,162	-	39,162	10,078,554
Held to maturity							
Investments	3,230,473	-	3,230,473	-	-	-	3,230,473
2012	13,272,082	8,845	13,280,927	13,680,063	86,757	13,766,820	27,047,747
2011	17,958,563	9,937	17,968,500	15,151,120	83,093	15,234,213	33,202,713

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

	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 liabilities							
Trade and other payables	586,093	-	586,093	27,179,686	-	27,179,686	27,765,779
2012	586,093	-	586,093	27,179,686	-	27,179,686	27,765,779
2011	2,028,018	-	2,028,018	24,748,895	-	24,748,895	26,776,913
On balance sheet gap							
2012	12,685,989	8,845	12,694,834	(13,499,623)	86,757	(13,412,866)	(718,032)
2011	15,930,545	9,937	15,940,482	(9,597,775)	83,093	(9,514,682)	6,425,800

OFF BALANCE SHEET ITEMS

Commitments for capital expenditure	940,296
Letters of credit	18,064,014
Letters of guarantees	295,602
2012	19,299,912
2011	12,114,417

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 transferred 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. 23.58 billion (2011: Rs. 24.03 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 organizations.

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

	2012	2011
	(Rupees in thousand)	
Loans and advances	87,200	81,929
Deposits	30,524	30,974
Trade debts	4,121,561	4,611,368
Accrued interest	110,686	56,995
Other receivables	248,126	932,485
Investments	3,230,473	8,941,634
Cash and bank balances	10,078,554	9,058,203
	17,907,124	23,713,588

(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 Nil (2011: Rs. 290.48 million) and financial liabilities include Rs. 10.69 billion (2011: Rs. 6.1 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, 2012, 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. 1.07 billion (2011: Rs. 581.4 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, 2012 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

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	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local, net of discounts, taxes, duties and levies	105,290,400	84,644,771	42,542,515	38,693,745	147,832,915	123,338,516
- export	23,062,279	21,103,080	3,901,881	4,116,896	26,964,160	25,219,976
	128,352,679	105,747,851	46,444,396	42,810,641	174,797,075	148,558,492
Inter-segment transfers	41,661,211	33,606,335	37,180	203,308	41,698,391	33,809,643
Elimination of inter-segment transfers	-	-	-	-	(41,698,391)	(33,809,643)
Net sales	170,013,890	139,354,186	46,481,576	43,013,949	174,797,075	148,558,492
Segment results after tax	(117,324)	772,591	2,735,708	5,795,942	2,618,384	6,568,533
Segment assets	34,276,233	33,787,945	20,937,822	21,346,617	55,214,055	55,134,562
Unallocated assets	-	-	-	-	1,900,372	1,559,697
Total assets	34,276,233	33,787,945	20,937,822	21,346,617	57,114,427	56,694,259
Segment liabilities	28,673,583	27,904,406	1,697,650	2,104,296	30,371,233	30,008,702
Unallocated liabilities	-	-	-	-	1,516,799	2,078,382
Total liabilities	28,673,583	27,904,406	1,697,650	2,104,296	31,888,032	32,087,084
Other Segment Information:						
Capital expenditure	78,091	86,633	27,122	141,609	105,213	228,242
Unallocated capital expenditure	-	-	-	-	120,340	342,790
	78,091	86,633	27,122	141,609	225,553	571,032
Depreciation and amortisation	93,024	89,099	194,688	191,288	287,712	280,387
Interest income	441,957	683,796	883,915	1,367,589	1,325,872	2,051,385
Interest expense	351	223	8,838	112,907	9,189	113,130
Non-cash expenses other than depreciation	7,384	7,769	14,767	10,071	22,151	17,840
Stock-in-trade written down	870,955	323,405	-	-	870,955	323,405

37.3 The company sells its manufactured products to Oil Marketing Companies (OMCs) and other organisations / institutions. Out of these, three of the company's customers contributed towards 68.15% (2011: 71.61%) of the net revenues during the year amounting to Rs. 119.13 billion (2011: Rs. 106.38 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	2012	2011
		(Rupees in thousand)	
Associated companies			
	Sale of petroleum products	92,089,091	60,130,173
	Sales returns	53,949	-
	Rental income	4,067	3,739
	Hospitality income	13,273	10,847
	Handling income	114,890	107,866
	Trade discounts and commission on sales	2,098,365	1,771,692
	Reimbursement of expenses	2,058	2,368
	Purchase of petroleum products	17,490	19,127
	Dividend paid	1,019,574	815,659
	Purchase of stores	1,200	1,395
	Sale of stores	174	1,859
	Interest on late payment	-	137
Post employment staff benefit plans			
	Contributions	167,023	158,821
Key management employees compensation			
	Salaries and other employee benefits	39,447	32,893
	Post retirement benefits	4,400	3,734
	Directors' fees	3,129	3,431

Sales of petroleum products to associated companies are based on prices fixed by Oil & Gas Regulatory Authority, import prices of Pakistan State Oil, Company announced prices and other services on contractual basis.

38.2 The related party status of outstanding balances as at June 30, 2012 is included in trade debts, other receivables and trade and other payables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

	Annual designed throughput capacity	Actual throughput 2012	Actual throughput 2011
	←	(In Metric Tons)	→
39. CAPACITY			
Fuel section - throughput of crude oil - note 39.1	2,710,500	2,275,092	2,421,092
Lube section - throughput of reduced crude oil	620,486	663,588	713,481

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 15, 2012 (i) approved transfer of Rs. 1.57 billion (2011: Rs. 3.9 billion) from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs. 15 per share (2011: Rs. 25 per share) for the year ended June 30, 2012 amounting to Rs. 1.2 billion (2011: Rs. 2 billion) for approval of the members at the Annual General Meeting to be held on October 19, 2012. These financial statements do not recognise these appropriations which will be accounted for in the financial statements for the year ending June 30, 2013.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 15, 2012 by the Board of Directors of the Company.

Chief Executive

Director

PATTERN OF SHAREHOLDING & NOTICE OF AGM

PATTERN OF SHAREHOLDING

As At June 30, 2012

NUMBER OF SHARES FROM	TO	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% ON ISSUED
1	100	1,544	50,957	0.06
101	500	1,233	325,037	0.41
501	1,000	593	448,531	0.56
1,001	5,000	814	1,811,228	2.26
5,001	10,000	142	1,028,085	1.29
10,001	15,000	38	473,379	0.59
15,001	20,000	35	622,650	0.78
20,001	25,000	20	444,344	0.56
25,001	30,000	8	231,872	0.29
30,001	35,000	6	199,182	0.25
35,001	40,000	6	230,205	0.29
40,001	45,000	4	175,128	0.22
45,001	50,000	3	143,600	0.18
55,001	60,000	6	354,834	0.44
60,001	65,000	2	124,317	0.16
65,001	70,000	2	132,475	0.17
70,001	75,000	3	222,078	0.28
75,001	80,000	2	157,611	0.20
80,001	85,000	1	84,600	0.11
85,001	90,000	1	90,000	0.11
90,001	95,000	1	93,900	0.12
95,001	100,000	3	300,000	0.38
105,001	110,000	3	323,709	0.40
125,001	130,000	1	126,500	0.16
130,001	135,000	1	131,000	0.16
135,001	140,000	1	138,000	0.17
140,001	145,000	2	286,194	0.36
145,001	150,000	1	150,000	0.19
165,001	170,000	1	168,460	0.21
170,001	175,000	1	175,000	0.22
190,001	195,000	1	191,056	0.24
195,001	200,000	1	198,358	0.25
210,001	215,000	1	215,000	0.27
265,001	270,000	1	265,270	0.33
280,001	285,000	1	281,375	0.35
310,001	315,000	1	314,285	0.39
330,001	335,000	1	332,000	0.42
345,001	350,000	1	350,000	0.44
375,001	380,000	1	376,077	0.47
430,001	435,000	1	432,055	0.54
445,001	450,000	1	445,584	0.56
455,001	460,000	1	455,400	0.57
500,001	505,000	1	502,363	0.63
610,001	615,000	1	611,217	0.76
770,001	775,000	1	770,896	0.96
795,001	800,000	1	799,665	1.00
860,001	865,000	1	862,865	1.08
1,005,001	1,010,000	1	1,007,000	1.25
1,140,001	1,145,000	1	1,144,468	1.43
3,510,001	3,515,000	1	3,512,319	4.39
5,670,001	5,675,000	1	5,673,151	7.09
11,995,001	12,000,000	1	12,000,000	15.00
19,990,001	19,995,000	2	39,983,280	50.00
		4,502	**79,966,560**	**100.00**

CATEGORIES OF SHAREHOLDING

As At June 30, 2012

Categories	% on Issued	Number of Shareholders	Number of Shares held
Associated Companies	50.00	2	39,983,280
Individuals	7.67	4,278	6,137,413
Investment Companies	0.06	9	49,147
Joint Stock Companies	1.62	27	1,294,549
NIT & ICP	9.77	9	7,816,018
Mutual Fund	1.88	28	1,503,623
Bank, Insurance, Modaraba	8.70	44	6,955,048
Provident/Pension Funds	0.61	17	487,811
Foreign Investors (including IDB)	18.05	23	14,431,100
Charitable Trust	0.33	13	264,679
Others	1.31	52	1,043,892
	100.00	4,502	79,966,560

INFORMATION REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Associated Companies

Attock Refinery Limited	1	19,991,640
Pakistan Oilfields Limited	1	19,991,640

NIT & ICP

Department NI(U)T Fund	1	5,673,151
National Investment Trust Limited	2	611,917
IDBP (ICP Unit)	1	339
Investment Corp. of Pakistan	2	466
National Bank of Pakistan	3	1,530,145

Mutual Funds (as per LOBO from CDC)

Faysal Asset Allocation Fund	1	15,000
AKD Index Tracker Fund	1	4,660
KASB Asset Allocation Fund	1	28,572
JS KSE - 30 Index Fund	1	2,139
KASB Stock Market Fund	1	11,907
Meezan Islamic Fund	1	191,056
Meezan Capital Projected Fund - II	1	991
Al Meezan Mutual Fund	1	66,246
Crosby Dragon Fund	1	18,500
First Dawood Mutual Fund	1	39,000
JS Large Cap. Fund	1	175,000
Meezan Balanced Fund	1	32,900
Pak Strategic Alloc. Fund	1	18,199
First Habib Stock Fund	1	21,017
JS Islamic Fund	1	40,000
Unit Trust of Pakistan	1	46,550
First Capital Mutual Fund Limited	1	3,837

Categories	Number of Shareholders	Number of Shares held
HBL Islamic Stock Fund	1	21,000
Dawood Islamic Fund	1	42,500
JS Islamic Pension Saving Fund-Equity Account	1	5,500
HBL Multi - Asset Fund	1	2,500
KSE Meezan Index Fund	1	21,745
NIT-Equity Market Opportunity Fund	1	432,055
UIRSF-Equity Sub Fund	1	5,900
Meezan Tahaffuz Pension Fund-Equity sub Fund	1	9,655
JS Growth Fund	1	141,194
URSF-Equity Sub Fund	1	6,000
JS Value Fund Limited	1	100,000
Directors and their spouse(s) 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
Mr. Babar Bashir Nawaz		1
Mr. Iqbal A. Khwaja		1,000
Executives	10	1,062
Public Sector Companies	27	1,294,549
Bank, Insurance, Modaraba, Provident/ Pension Funds and Non-Banking Finance Companies	93	21,923,106
Shareholders holding 5% or more voting rights		
Attock Refinery Limited	25%	19,991,640
Pakistan Oilfields Limited	25%	19,991,640
Islamic Development Bank (IDB), Jeddah	15%	12,000,000
NIT & ICP	10%	7,816,018

Trades in the shares of the Company carried out by directors, executives, their spouses and minor children

Mr. Iqbal A. Khwaja, alternate director to Dr. Ghaith R. Pharaon acquired 1000 shares during the year on August 10, 2011

The expression “executive” here includes an employee of the Company whose annual basic salary exceeds Rs.1.39 million including all employees of the Finance Function.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Forty Ninth (49th) Annual General Meeting** of National Refinery Limited will be held on **Friday,October 19, 2012 at 1630 hours at Hotel, Sheraton, Karachi** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2012 together with the Directors' Report and the Auditors' Report thereon.

2. To consider and, if thought fit, to approve the payment of Final Cash Dividend at the rate of Rs. 15/- per share i.e. 150% for the year ended June 30, 2012 as recommended by the Board of Directors.

3. To appoint Company's auditors for the year ending June 30, 2013 and to fix their remuneration.

4. To elect seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three (3) years commencing from October 21, 2012.

   The names of the retiring Directors are:

   1. Dr. Ghaith R. Pharaon
   2. Mr. Laith G. Pharaon
   3. Mr. Wael G. Pharaon
   4. Mr. Shuaib Anwer Malik
   5. Mr. Abdus Sattar
   6. Mr. Bahauddin Khan
   7. Dr. Mohamed Habib Djarraya

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

By Order of the Board

Karachi:
Dated: September 28, 2012

Nouman Ahmed Usmani
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 12, 2012 to October 19, 2012 (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 Thursday, October 11, 2012 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. A proxy need not be a member.

   Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the Share Registrar not less than 48 hours before the meeting.

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

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

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

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

   A. For attending the meeting:

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

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

   B. For appointing proxies:

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

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

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

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

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

7. Election of directors:

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

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

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

a. Form 28 (consent to act as director) prescribed under the Companies Ordinance, 1984;

b. Detailed profile along with his/her office address as required under SRO 25(1)/2012 dated January 16, 2012 of the Securities and Exchange Commission of Pakistan; and

c. A declaration under the Code of Corporate Governance to the effect that he/she is not serving as a Director in more than seven (7) listed companies (provided that this limit shall not include directorships in listed subsidiaries of a listed holding company), that he/she is a registered National Tax Payer (except where he/she is non-resident), and that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a DFI or NBFI or, being member of a stock exchange, by the stock exchange.

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

Form of Proxy

49th Annual General Meeting
NATIONAL REFINERY LIMITED

I ______________________ of ______________________ in the district of ______________ being a Member of NATIONAL REFINERY LIMITED hereby appoint ______________________ of ______________________ as my proxy, and failing him, ______________________ of ______________________ another Member of the Company to vote for me and on my behalf at the 49th Annual General Meeting of the Company to be held on the 19th day of October 2012 and at any adjournment thereof.

Signed this ________ day of ________ 2012.

Signed by the said Member

SIGNED IN THE PRESENCE OF:

1. Signature: ______________________
   Name: ______________________
   Address: ______________________
   CNIC/Passport No. ______________

2. Signature: ______________________
   Name: ______________________
   Address: ______________________
   CNIC/Passport No. ______________

Information required:		For Member (Shareholder)	For Proxy	For alternate Proxy (*)
			(if member)	
Number of shares held				
Folio No.				
CDC Account No.	Participant I.D.			
	Account No.			

(*) Upon failing of appointed Proxy.

Affix Revenue Stamp of Rs.5/-

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. A proxy need not be 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.** 1st Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi, Telephone No. 34325482-87, not later than 48 hours before the time of holding the meeting.

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

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

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

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

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
National Refinery Limited
7-B, Korangi Industrial Area, Karachi-74900,
Pakistan.

National Refinery Limited

7-B, Korangi Industrial Area,
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