



NATIONAL REFINERY LIMITED

**Unaudited Accounts for the 1st Quarter ended
September 30, 2009**



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Corporate Information

Board of Directors

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

Alternate Director Iqbal A. Khwaja
 Alternate Director Babar Bashir Nawaz
 Alternate Director Jamil A. Khan

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Shaikh Ather Ahmed

Audit Committee

Abdus Sattar
 Babar Bashir Nawaz
 Jamil A. Khan
 Iqbal A. Khwaja
 Afzal Hussain Khan

Chairman
 Member
 Member
 Member
 Secretary

Auditors

A. F. Ferguson & Co.
 Chartered Accountants.

Solicitors

Ali Sibtain Fazli & Associates

Primary Bankers

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

Registered Office

7-B, Korangi Industrial Area,
 P.O Box 8228
 Karachi - 74900, Pakistan.
 UAN No. 111-675-675
 Fax: +92-21-5054663
 website: www.nrlpak.com

Share Registrar

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

Directors' Review



The Board of Directors is pleased to present a brief overview of the un-audited interim accounts of your company for the quarter ended September 30, 2009.

Your company earned a profit after tax of Rs.678 million during the quarter under review compared to a loss after tax of Rs.91 million for the same period last year. Fuel segment faced a loss after tax of Rs.157 million compared to loss after tax of Rs.1,612 million during same period last year. Except for the month of September, profitability during July and August remained under pressure.

For the period under review, a little or negative margins between the products selling prices and crude prices contributed towards a loss in fuel segment and lesser profits towards lube segment. Volatile crude price, which was US\$71.48 per barrel in the beginning of July, dropped to US\$ 65.33 per barrel at the end of September 2009. The variation resulted in extremely thin refiners' margins. A unilateral change in pricing mechanism for HSD and Motor Gasoline is also affecting the profitability of your company.

Throughput for the period was 69.89% mainly due to scheduled maintenance of Fuel Refinery for twenty-one days in July. While the sale of fuel products reduced significantly, an increase was recorded in sale of Lube Base Oil and Asphalt.

Circular debt remained a major issue for the entire oil industry. Although some relief was provided by the Government, the period ended with a circular debt of Rs.9.8 billion on 30 September 2009 as compared to Rs.12 billion on June 30, 2009.

Your company along with other refineries is actively presenting its viewpoint for a revision in pricing mechanism to improve the refiners' margins for sustainable operations. We hope that a decision in this regard will be taken shortly.

The Board would like to extend its gratitude to all the stakeholders for their continued support and confidence in National Refinery Limited.

On behalf of the Board

Shuaib A. Malik
Deputy Chairman &
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2009

	Note	Unaudited September 30, 2009	Audited June 30, 2009
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,173,472	3,019,311
Intangible assets		4,488	5,938
Deferred taxation		93,651	84,498
Long term investment	4	-	-
Long term loans and deposits		79,880	79,147
		<u>3,351,491</u>	<u>3,188,894</u>
CURRENT ASSETS			
Stores, spares and chemicals		915,592	936,594
Stock-in-trade		11,967,479	12,251,181
Trade debts		13,067,076	14,841,288
Loans and advances		65,219	25,219
Deposits and prepayments		42,691	53,749
Accrued interest		36,275	91,500
Other receivables		961,198	2,382,583
Investments		326,194	197,622
Tax refunds due from Government - Sales tax		548,811	575,902
Cash and bank balances	5	12,799,680	7,800,079
		<u>40,730,215</u>	<u>39,155,717</u>
TOTAL ASSETS		<u>44,081,706</u>	<u>42,344,611</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
100,000,000 Ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid up		799,666	799,666
Reserves	6	16,231,057	16,553,075
		<u>17,030,723</u>	<u>17,352,741</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefits obligations		157,180	135,547
CURRENT LIABILITIES			
Trade and other payables	7	24,887,712	23,032,238
Provisions		301,485	301,485
Taxation		1,704,606	1,522,600
		<u>26,893,803</u>	<u>24,856,323</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>44,081,706</u>	<u>42,344,611</u>

The annexed notes form an integral part of these condensed interim financial information.



Chief Executive Officer




Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	Jul. - Sep. 2009	Jul. - Sep. 2008
(Rupees in '000)			
Gross sales	9	24,809,053	49,266,235
Trade discounts, taxes duties and levies	10	(4,821,143)	(5,851,395)
Net sales		19,987,910	43,414,840
Cost of products sold		(18,747,780)	(41,472,803)
Gross profit		1,240,130	1,942,037
Distribution and marketing expenses		(181,818)	(282,118)
Administrative expenses		(89,491)	(88,561)
Other operating income		286,466	337,316
Other operating expenses		(77,284)	(1,636)
Operating profit		1,178,003	1,907,038
Finance cost	11	(143,715)	(1,896,530)
Profit before taxation		1,034,288	10,508
Taxation	12	(356,724)	(101,692)
Profit / (Loss) after taxation		677,564	(91,184)
(Rupees)			
Earning / (Loss) per share - Basic and diluted		8.47	(1.14)

The annexed notes form an integral part of these condensed interim financial information.


Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	Jul. - Sep. 2009	Jul. - Sep. 2008
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	13	5,210,279	(10,056,620)
Income tax paid		(183,872)	(713,133)
Long term loans and deposits - net		(733)	367
Pension fund contribution		-	(51,014)
Net cash from / (used in) operating activities		5,025,674	(10,820,400)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(212,429)	(108,977)
Proceeds from disposal of property, plant and equipments		360	-
Investments (made) / encashed		(77,866)	3,061,437
Interest received on balances with banks		264,005	218,856
Net cash (used in) / from investing activities		(25,930)	3,171,316
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(264)	(55)
Net increase / (decrease) in cash and cash equivalents		4,999,480	(7,649,139)
Cash and cash equivalents at the beginning of the period		7,800,079	13,122,136
Exchange gain on foreign currency bank accounts		121	2,213
Cash and cash equivalents at the end of the period		12,799,680	5,475,210

The annexed notes form an integral part of these condensed interim financial information.



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Share Capital	Capital Reserves		Revenue Reserves		Special Reserve	Total
	Issued, subscribed and paid-up	Capital compen- sation reserves	Exchange equalisation reserve	General reserve	Unappro- priated profit	(note 2.3)	
	(Rupees in '000)						
Balance as at July 01, 2008	799,666	10,142	4,117	6,931,400	3,056,023	6,617,697	17,419,045
Final dividend for the year ended June 30, 2008 - Rs. 20 per share	-	-	-	-	(1,599,332)	-	(1,599,332)
Transfer to general reserve	-	-	-	1,456,600	(1,456,600)	-	-
Loss for the three months ended September 30, 2008	-	-	-	-	(91,184)	-	(91,184)
Loss after tax from fuel refinery operation transferred to special reserve	-	-	-	-	1,612,374	-	(1,612,374)
Balance as at September 30, 2008	799,666	10,142	4,117	8,388,000	1,521,281	5,005,323	15,728,529
Profit for the nine months ended June 30, 2009	-	-	-	-	1,624,212	-	1,624,212
Transfer to special reserve	-	-	-	-	1,086,685	(1,086,685)	-
Balance as at July 01, 2009	799,666	10,142	4,117	8,388,000	4,232,178	3,918,638	17,352,741
Final dividend for the year ended June 30, 2009 - Rs. 12.5 per share	-	-	-	-	(999,582)	-	(999,582)
Transfer to general reserve - 2009	-	-	-	3,200,000	(3,200,000)	-	-
Profit for the three months ended September 30, 2009	-	-	-	-	677,564	-	677,564
Loss after tax from fuel refinery operation transferred to special reserve	-	-	-	-	156,643	(156,643)	-
Balance as at September 30, 2009	799,666	10,142	4,117	11,588,000	866,803	3,761,995	17,030,723

The annexed notes form an integral part of these condensed interim financial information.



Chief Executive Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

1 LEGAL STATUS AND OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company and its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The registered office of the Company is situated at 7-B, Korangi Industrial Area, Karachi, Pakistan.

The Company is engaged in the manufacturing, production and sale of large range of petroleum products. The refinery complex of the Company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977.

2 BASIS OF PREPARATION

- 2.1** These condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS)-34 "Interim Financial Reporting" and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 2.2** The accounting policies adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2009.
- 2.3** As per Import Parity Pricing formula, effective July 01, 2002, replaced the formula of guaranteed return and in lieu thereof provided a new formula. Under the new mechanism the refineries including the Company were directed to transfer to a 'Special Reserve', from their profit after taxation attributable to fuel segment an amount in excess of 50% of paid-up capital, as on July 01, 2002 attributable to fuel segment, to offset against any future losses or to make investment for expansion or up-gradation. The amount transferred to 'Special Reserve' is not available for distribution to the shareholders. Surplus or loss is transferred to or set off against 'Special Reserve' at the end of each quarter.

September 30, September 30,
2009 2008

(Rupees in '000)

3 PROPERTY, PLANT AND EQUIPMENT

Additions made during the period:

Building on leasehold land	-	1,335
Processing plant and storage tanks	-	1,641
Pipelines	-	404
Furniture and fixtures	333	556
Computer and other related accessories	186	-
Office and other equipments	2,258	2,059
	<u>2,777</u>	<u>5,995</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	September 30, 2009	June 30, 2009
(Rupees in '000)			
4			
LONG TERM INVESTMENT			
Investment in related party (unlisted) - available for sale Anoud Power Generation Limited [1,080,000 (June 30, 2009: 1,080,000) ordinary shares of Rs. 10 each, Equity held 9.09 % (June 30, 2009: 9.09%)]		10,800	10,800
Provision for impairment		(10,800)	(10,800)
		<u>-</u>	<u>-</u>
5			
CASH AND BANK BALANCES			
In hand		500	500
With banks on:			
current accounts		50,288	52,592
savings accounts		9,475,913	2,250,229
local currency deposit accounts	5.1	3,267,947	5,491,847
foreign currency deposit accounts		5,032	4,911
		12,799,180	7,799,579
		12,799,680	7,800,079
5.1	Includes Rs. 579.4 million (June 30, 2009: Rs. 1.61 billion), withheld from suppliers and deposited with banks.		
6			
RESERVES			
Capital reserves		14,259	14,259
Revenue reserves			
General reserve		11,588,000	8,388,000
Unappropriated profit		866,803	4,232,178
		12,454,803	12,620,178
Special reserve	2.3	3,761,995	3,918,638
		16,231,057	16,553,075
7			
TRADE AND OTHER PAYABLES			
Creditors			
Government of Pakistan		636,193	161,793
Related parties		145,760	30,144
Other trade creditors	7.1	20,978,170	21,176,825
		21,760,123	21,368,762
Accrued mark-up		310,264	310,264
Accrued expenses		572,220	541,829
Other liabilities		1,202,249	767,845
Dividends proposed / payable		1,042,856	43,538
		24,887,712	23,032,238

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

- 7.1 These include Rs. 579.4 million (June 30, 2009: Rs. 1.61 billion) withheld from suppliers for purchase of local crude oil and deposited in deposit accounts as per the directives of Ministry of Petroleum and Natural Resources.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- (i) There has been no significant change in contingent liabilities since the issuance of last annual financial statements for the year ended June 30, 2009 except as follows:

The Company has raised claims to certain Oil Marketing Companies in respect of late payments against receivables aggregating to Rs. 1.53 billion (June 30, 2009: Rs. 1.24 billion). However, these have not been recognised in the financial statements as these have not been acknowledged by the OMCs.

- (ii) Outstanding counter guarantees at the end of the period amounted to Rs. 195.64 million (June 30, 2009: Rs. 157.30 million).

8.2 Commitments

- (i) Contracts signed in respect of capital expenditure but not executed until the end of the period amounted to Rs. 90.30 million (June 30, 2009: Rs. 84.58 million).
- (ii) Outstanding letters of credit at the end of the period amounted to Rs. 9.53 billion (June 30, 2009: 6.44 billion).

Note	Jul.- Sep. 2009	Jul.- Sep. 2008
(Rupees in '000)		

9 GROSS SALES

Local	9.1	21,617,264	42,445,729
Export		3,191,789	6,820,506
		<u>24,809,053</u>	<u>49,266,235</u>

- 9.1 Includes price differential claims from Government of Pakistan amounting to Rs. Nil (July to September 2008: Rs. 520.35 million).

10 TRADE DISCOUNT, TAXES AND LEVIES

Trade discount		109,023	271,410
Sales tax		2,955,149	4,918,453
Excise duty		308,853	298,961
Petroleum development levy		1,448,118	362,571
		<u>4,821,143</u>	<u>5,851,395</u>

11 FINANCE COST

This includes exchange loss of Rs. 149.29 million (July to September 30, 2008: Rs. 1.97 billion) on foreign currency transactions relating to crude oil purchases.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	Jul.- Sep. 2009	Jul.- Sep. 2008
(Rupees in '000)			
12 TAXATION			
Current		365,877	101,311
Deferred		(9,153)	381
		<u>356,724</u>	<u>101,692</u>
13 CASH GENERATED FROM / (USED IN) OPERATIONS			
Profit before taxation		1,034,288	10,508
Adjustment for non cash charges and other items:			
Depreciation and amortization		59,147	55,401
Provision for gratuity		592	437
Provision for post retirement medical benefits		4,844	4,224
Provision for pension		16,197	19,331
Return / Interest on bank deposits		(208,780)	(223,122)
Gain on re-measurement of fair value of open ended mutual fund units		(50,706)	(63,199)
Loss on disposal of operating assets		212	-
Exchange gain on foreign currency bank account		(121)	(2,213)
Working capital changes	13.1	4,354,606	(9,857,987)
		<u>5,210,279</u>	<u>(10,056,620)</u>
13.1 Working capital changes			
(Increase) / Decrease in current assets			
Stores, spares and chemicals		21,002	(61,667)
Stock - in - trade		283,702	(3,804,980)
Trade debts		1,774,212	(8,752,053)
Loans and advances		(40,000)	19,164
Deposits and short term prepayments		11,058	6,582
Other receivables		1,421,385	565,871
Tax refunds due from Government - sales tax		27,091	315,614
Increase in current liabilities			
Trade and other payables		856,156	1,853,482
		<u>4,354,606</u>	<u>(9,857,987)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

14 SEGMENT INFORMATION

The financial information regarding business segments is as under:

	FUEL		LUBE		TOTAL	
	Jul. - Sep. 30, 2009	Jul. - Sep. 30, 2008	Jul. - Sep. 30, 2009	Jul. - Sep. 30, 2008	Jul. - Sep. 30, 2009	Jul. - Sep. 30, 2008
	(Rupees in '000)					
Segment Revenue						
Net sales to external customer						
-- local, net of discount, taxes, duties and levies	10,357,241	27,050,888	6,438,880	9,543,446	16,796,121	36,594,334
--export	3,191,789	6,820,506	-	-	3,191,789	6,820,506
	13,549,030	33,871,394	6,438,880	9,543,446	19,987,910	43,414,840
Inter segment sales	5,746,600	8,669,735	-	-	5,746,600	8,669,735
Elimination of inter segment sales	-	-	-	-	(5,746,600)	(8,669,735)
Net sales	19,295,630	42,541,129	6,438,880	9,543,446	19,987,910	43,414,840
Segment results after tax	(156,643)	(1,612,374)	834,206	1,521,190	677,564	(91,184)

	FUEL		LUBE		TOTAL	
	Sep. 30, 2009	Jun. 30, 2009	Sep. 30, 2009	Jun. 30, 2009	Sep. 30, 2009	Jun. 30, 2009
	(Rupees in '000)					
Segment Assets	26,215,253	29,172,546	15,210,747	10,680,182	41,426,000	39,852,728
Unallocated Assets	-	-	-	-	2,655,706	2,491,883
Total Assets	26,215,253	29,172,546	15,210,747	10,680,182	44,081,706	42,344,611
Segment Liabilities	22,955,911	21,752,603	2,390,466	1,716,667	25,346,377	23,469,270
Unallocated Liabilities	-	-	-	-	1,704,606	1,522,600
Total Liabilities	22,955,911	21,752,603	2,390,466	1,716,667	27,050,983	24,991,870

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

15 TRANSACTIONS WITH RELATED PARTIES

15.1 The following transactions were carried out with related parties during the period:

RELATIONSHIP	NATURE OF TRANSACTIONS	Transactions during the period	
		Jul. - Sep. 2009	Jul. - Sep. 2008
		(Rupees in '000)	
Associated companies	Reimbursement of expenses	1,430	342
	Sale of petroleum products	6,750,871	11,752,634
	Purchase of petroleum products	3,727	-
	Rental income	840	644
	Handling income	14,453	17,820
	Trade discount and commission	254,476	506,691
	Hospitality charges	1,762	2,832
Post employment staff benefit plans	Contributions	29,531	31,363
Others	Purchase of electricity	180,917	272,592
	Land rental	117	106
Key management employees compensation			
	Salaries and other benefits	7,890	3,456
	Post retirement benefits	950	459


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

16 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorised for issue on October 19, 2009 by the Board of Directors of the Company.



Chief Executive Officer



Director



NATIONAL REFINERY LIMITED

Unaudited Accounts for the 1st Quarter ended
September 30, 2009



7-B, Korangi Industrial Area,
Karachi-74900, Pakistan.
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