

Unaudited Accounts For The 1st Quarter Ended September 30, 2010

Vision of today is
tomorrow's
achievement



National Refinery Limited



Contents

1	Corporate Information
2	Directors' Review
3	Condensed Interim Balance Sheet
4	Condensed Interim Profit and Loss Account
5	Condensed Interim Cash Flow Statement
6	Condensed Interim Statement of Changes In Equity
7	Notes to and forming part of the Condensed Interim Financial Information

Corporate Information

Board of Directors

Dr. Ghaith R. Pharaon - Chairman
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Dr. Mohamed Djarrraya
Bahauddin Khan
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
Nouman Ahmed Usmani

Chairman
Member
Member
Member
Secretary

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Primary Bankers

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

Registered Office

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

Share Registrar

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

Directors' Review



Assalam-u-Alaikum!

The Board of Directors is pleased to present a brief overview of the un-audited interim financial information of your Company for the quarter ended September 30, 2010.

The quarter witnessed better refining margins due to relatively steady product and crude oil prices. The profitability of your company increased to Rs.1,349 million as compared to 678 million for the corresponding period last year.

Fuel Segment earned profit after tax of Rs. 237 million compared to after tax loss of Rs. 157 million for the same period last year. The result is attributed to better throughput and comparatively steady exchange rate of Pak Rupee versus dollar.

During the quarter throughput of fuel segment was 98% of the designed capacity as compared to 70% during the corresponding quarter of last year when plant was under scheduled maintenance for 21 days. The lube segment was operated at 118% as compared to 105% for the same period last year. The company achieved higher production and sales for both fuel and lube segments for the quarter under review.

The circular debt issue continued haunting during the quarter, however, your company managed to keep the overdue receivable at a constant figure of Rs. 9,393 million. Oil industry is continuously looking towards the Government to develop a mechanism that could settle the aggravating issue of circular debts.

On continuous persuasion by all refineries of the country, it is encouraging to note that the Government is revisiting the issue to rationalize the Pricing Formula. We hope that the amended pricing formula would provide a Gross Refining Margin that allows reasonable return to the shareholders.

The Board would like to thank all stakeholders for their continued support and interest.

On behalf of the Board

Shuaib A. Malik
Deputy Chairman /
Chief Executive Officer

Karachi:
October 27, 2010

CONDENSED INTERIM BALANCE SHEET

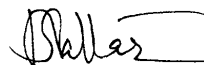
AS AT SEPTEMBER 30, 2010

	Note	Unaudited September 30, 2010	Audited June 30, 2010
ASSETS			
NON-CURRENT ASSETS			
(Rupees in thousand)			
Property, plant and equipment	3	3,253,621	3,248,221
Intangible assets		113	138
Deferred taxation		445,498	432,732
Long term investment	4	-	-
Long term loans and deposits		91,990	90,494
		3,791,222	3,771,585
CURRENT ASSETS			
Stores, spares and chemicals		1,074,659	904,370
Stock-in-trade	5	15,335,250	11,798,203
Trade debts		14,809,978	16,291,704
Loans and advances		78,967	21,433
Deposits and prepayments		65,455	16,301
Accrued interest		65,543	69,231
Other receivables		275,342	941,591
Investments	6	5,013,496	1,553,665
Tax refunds due from Government - Sales tax		190,906	190,906
Cash and bank balances		18,012,730	16,209,008
		54,922,326	47,996,412
TOTAL ASSETS		58,713,548	51,767,997
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
100,000,000 Ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up		799,666	799,666
Reserves	7	20,187,683	18,838,307
		20,987,349	19,637,973
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefits obligations		167,036	139,492
CURRENT LIABILITIES			
Trade and other payables	8	33,344,764	29,888,910
Provisions		298,569	298,569
Taxes payable	9	3,915,830	1,803,053
		37,559,163	31,990,532
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		58,713,548	51,767,997

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.



Chief Executive



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	Note	September 30, 2010	September 30, 2009
(Rupees in thousand)			
Gross sales	11	41,268,208	24,809,053
Trade discounts, taxes, duties and levies	12	(7,878,567)	(4,821,143)
Net sales		33,389,641	19,987,910
Cost of sales	13	(31,076,603)	(18,747,059)
Gross profit		2,313,038	1,240,851
Distribution and marketing expenses		(239,820)	(182,539)
Administrative expenses		(91,598)	(89,491)
Other operating income		416,965	286,466
Other operating expenses		(167,792)	(77,284)
Operating profit		2,230,793	1,178,003
Finance cost	14	(64,037)	(143,715)
Profit before taxation		2,166,756	1,034,288
Taxation	15	(817,380)	(356,724)
Profit after taxation		1,349,376	677,564

(Rupees)

Earnings per share	16.87	8.47
---------------------------	--------------	------

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.



Chief Executive



Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	Note	September 30, 2010	September 30, 2009
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	5,429,902	5,233,814
Income tax paid		(455,770)	(183,872)
Increase in long term loans and deposits		(1,496)	(733)
Post retirement medical benefits paid		(3,433)	-
Net cash from operating activities		4,969,203	5,049,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(72,432)	(212,429)
Proceeds from disposal of property, plant and equipment		4,131	360
Investments made in units of open ended mutual funds		-	(101,401)
Return on treasury bills received		37,710	-
Interest received on bank accounts		269,579	264,005
Net cash from / (used in) investing activities		238,988	(49,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(216)	(264)
Net increase in cash and cash equivalents		5,207,975	4,999,480
Cash and cash equivalents at the beginning of the period		17,571,298	7,800,079
Exchange gain on foreign currency bank account		34	121
Cash and cash equivalents at the end of the period	17	22,779,307	12,799,680

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	Share Capital	Capital Reserves		Revenue Reserves		Special Reserve	Total
	Issued, subscribed and paid-up	Capital compensation reserves	Exchange equalisation reserve	General reserve	Unappropriated profit	Note 7.1	
	(Rupees in thousand)						
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 three months ended September 30, 2009	-	-	-	-	677,564	-	677,564
Loss after tax from fuel refinery operations 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
Profit for the nine months ended June 30, 2010	-	-	-	-	2,607,250	-	2,607,250
Loss after tax from fuel refinery operations transferred to special reserve	-	-	-	-	550,933	(550,933)	-
Balance as at July 01, 2010	799,666	10,142	4,117	11,588,000	4,024,986	3,211,062	19,637,973
Transfer to general reserve - 2010	-	-	-	2,400,000	(2,400,000)	-	-
Profit for the three months ended September 30, 2010	-	-	-	-	1,349,376	-	1,349,376
Profit after tax from fuel refinery operations transferred to special reserve	-	-	-	-	(208,280)	208,280	-
Balance as at September 30, 2010	799,666	10,142	4,117	13,988,000	2,766,082	3,419,342	20,987,349

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (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, 2010.

3 PROPERTY, PLANT AND EQUIPMENT

Additions made during the period:

Oil terminal
Furniture and fixtures
Computer and other related accessories
Office and other equipments
Capital work-in-progress - net

September 30, September 30,
2010 2009

(Rupees in thousand)

217	-
33	333
167	186
6,662	2,258
65,353	209,652
72,432	212,429

4 LONG TERM INVESTMENT

Investment in related party (unlisted)
- Available for sale

Anoud Power Generation Limited

[1,080,000 (June 30, 2010: 1,080,000)
ordinary shares of Rs. 10 each,

Equity held 9.09 % (June 30, 2010: 9.09%)]

Provision for impairment

September 30, June 30,
2010 2010

(Rupees in thousand)

10,800	10,800
(10,800)	(10,800)
-	-

5 STOCK IN TRADE

As at September 30, 2010, stock of raw materials has been written down by Rs. 134.98 million (June 30, 2010: Rs.190.44 million) and finished goods by Rs. Nil (June 30, 2010: Rs. 156.91 million) to arrive at its net realisable value.

6 INVESTMENTS

At fair value through profit and loss

Investment in open ended mutual funds

National Investment Trust

Held to maturity

3 months treasury bills - at amortised cost

161,790

173,889

4,851,706

1,379,776

5,013,496

1,553,665

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	September 30, 2010	June 30, 2010
	(Rupees in thousand)	
7 RESERVES		
Capital reserves	14,259	14,259
Revenue reserves		
General reserve	13,988,000	11,588,000
Unappropriated profit	2,766,082	4,024,986
	16,754,082	15,612,986
Special reserve - note 7.1	3,419,342	3,211,062
	20,187,683	18,838,307
7.1 As per Import Parity Pricing formula, effective July 1, 2002, certain refineries including the Company have been directed to transfer to special reserve, from their net profit after tax for the year from fuel refinery operations, an amount in excess of 50% of paid-up share 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 and is therefore not available for distribution. Transfer to / from special reserve is recognised at each quarter end and is reviewed for adjustment based on profit / loss on an annual basis.		
8 TRADE AND OTHER PAYABLES		
Trade creditors	30,794,245	27,413,743
Trade creditors - related parties	65,746	71,169
	30,859,991	27,484,912
Accrued mark-up	310,264	310,264
Accrued liabilities	534,604	503,364
Other liabilities	1,593,117	1,543,366
Dividends payable	46,788	47,004
	33,344,764	29,888,910
9 TAXES PAYABLE		
Sales tax	1,738,400	128,878
Income tax	2,177,430	1,674,175
	3,915,830	1,803,053
10 CONTINGENCIES AND COMMITMENTS		
10.1 Contingencies		
The status of the contingencies which were reported in notes 21.1 and 34 to the financial statements for the year ended June 30, 2010, have been unchanged.		
10.2 Commitments		
Commitments in respect of letters of credit outstanding at the end of the period amounted to Rs. 9.70 billion (June 30, 2010: Rs. 10.28 billion).		
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
11 GROSS SALES		
Local	35,584,139	21,617,264
Export	5,684,069	3,191,789
	41,268,208	24,809,053
12 TRADE DISCOUNT, TAXES, DUTIES AND LEVIES		
Trade discounts	165,919	109,023
Sales tax	5,071,477	2,955,149
Excise duty	279,500	308,853
Petroleum levy	2,361,671	1,378,358
Carbon surcharge	-	69,760
	7,878,567	4,821,143

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
13 COST OF SALES		
Opening stock of semi-finished products	1,968,622	1,576,437
Crude oil, condensate, naphtha and drums consumed	31,876,839	20,322,848
Manufacturing expenses	920,167	862,162
Closing stock of semi finished products	(2,474,792)	(1,826,529)
Cost of products manufactured	32,290,836	20,934,918
Opening stock of finished products	5,411,367	3,916,717
Closing stock of finished products	(6,625,600)	(6,104,576)
	31,076,603	18,747,059
14 FINANCE COST		
This includes exchange loss of Rs. 73.21 million (July to September 2009: Rs. 149.29 million) on foreign currency transactions relating to crude oil purchases.		
15 TAXATION		
Current	830,146	365,877
Deferred	(12,766)	(9,153)
	817,380	356,724
16 CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,166,756	1,034,288
Adjustment for non cash charges and other items:		
Depreciation and amortisation	65,962	59,147
Provision for gratuity	2,484	592
Provision for post retirement medical benefits	8,350	4,844
Provision for pension	20,143	16,197
Provision for slow moving and obsolete stores, spares and chemicals	11,664	-
Return / interest on bank deposits	(265,891)	(208,780)
Gain on re-measurement of fair value of open ended mutual fund units	12,099	(27,171)
Return on treasury bills	(105,353)	-
Profit / loss on disposal of property, plant and equipment	(3,035)	212
Exchange gain on foreign currency bank accounts	(34)	(121)
Increase in working capital - note 16.1	3,516,757	4,354,606
	5,429,902	5,233,814
16.1 Working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(181,953)	21,002
Stock-in-trade	(3,537,047)	283,702
Trade debts	1,481,726	1,774,212
Loans and advances	(57,534)	(40,000)
Deposits and short term prepayments	(49,154)	11,058
Other receivables	666,249	1,421,385
Tax refunds due from Government - sales tax	-	15,820
Increase in current liabilities		
Trade and other payables	3,456,070	856,156
Sales tax payable	1,738,400	11,271
	3,516,757	4,354,606

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

September 30
2010
(Rupees in thousand)

September 30
2009

17 CASH AND CASH EQUIVALENTS

In hand

With banks on:

current accounts
savings accounts
local currency deposit accounts
foreign currency deposit accounts

Short term investment in treasury bills

September 30 2010 (Rupees in thousand)	September 30 2009
500	500
135,804	50,288
7,631,623	9,475,913
10,239,595	3,267,947
5,208	5,032
18,012,230	12,799,180
4,766,577	-
22,779,307	12,799,680

18 SEGMENT INFORMATION

18.1 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. Intersegment transfers are made at relevant costs to each segment.

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

The financial information regarding business segments is as follows:

	FUEL		LUBE		TOTAL	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees in thousand)					
Segment Revenue						
Sales to external customer						
-- local, net of discount, taxes, duties and levies	20,058,942	10,357,241	7,646,630	6,438,880	27,705,572	16,796,121
--export	4,800,618	3,191,789	883,451	-	5,684,069	3,191,789
	24,859,560	13,549,030	8,530,081	6,438,880	33,389,641	19,987,910
Inter segment sales	7,147,732	5,746,600	-	-	7,147,732	5,746,600
Elimination of inter segment sales	-	-	-	-	(7,147,732)	(5,746,600)
Net sales	32,007,292	19,295,630	8,530,081	6,438,880	33,389,641	19,987,910
Segment results after tax	236,926	(156,643)	1,112,450	834,207	1,349,376	677,564

	FUEL		LUBE		TOTAL	
	September 30, 2010	June 30, 2010	September 30, 2010	June 30, 2010	September 30, 2010	June 30, 2010
	(Rupees in thousand)					
Segment Assets	33,435,906	31,009,608	22,940,199	18,472,835	56,376,105	49,482,443
Unallocated Assets	-	-	-	-	2,337,443	2,285,554
Total Assets	33,435,906	31,009,608	22,940,199	18,472,835	58,713,548	51,767,997
Segment Liabilities	32,081,906	28,645,989	1,728,463	1,680,982	33,810,369	30,326,971
Unallocated Liabilities	-	-	-	-	3,915,830	1,803,053
Total Liabilities	32,081,906	28,645,989	1,728,463	1,680,982	37,726,199	32,130,024

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UNAUDITED)

19 TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Transactions during the quarter	
		September 30, 2010	September 30, 2009
		(Rupees in thousand)	
Associated companies	Sale of petroleum products	10,911,430	6,750,871
	Rental income	939	840
	Hospitality charges	2,530	1,762
	Handling income	28,016	14,453
	Trade discounts and commission on sale	339,183	254,476
	Reimbursement of expenses	209	1,430
	Purchase of petroleum products	4,737	3,727
	Sale of stores	1,727	-
	Payment made to Prime Minister Flood Relief Fund through The Attock Oil Company Limited	5,000	-
	Post employment staff benefit plans	Contributions	39,452
Others	Purchase of electricity	218,742	180,917
	Rental income	128	117
Key management personnel			
	Salaries and other employees benefits	5,769	7,890
	Post retirement benefits	689	950
	Director's Fees	1,290	30

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

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

20 DIVIDEND

The Board of Directors in their meeting held on September 29, 2010 proposed a final cash dividend of Rs. 20.00 per share for the year ended June 30, 2010 amounting to Rs. 1.6 billion for approval of the members at the Annual General Meeting to be held on October 27, 2010. Effect of the proposal will be considered in the Company's financial statements after the same has been approved by the shareholders in the said Annual General Meeting.

21 CORRESPONDING FIGURES

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

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 27, 2010 by the Board of Directors of the Company.



Chief Executive



Director

Unaudited Accounts For The
1st Quarter Ended
September 30, 2010

Vision of today is
tomorrow's
achievement



National Refinery Limited



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