



National Refinery Limited

Unaudited Accounts  
for the First Quarter ended  
September 30, 2012

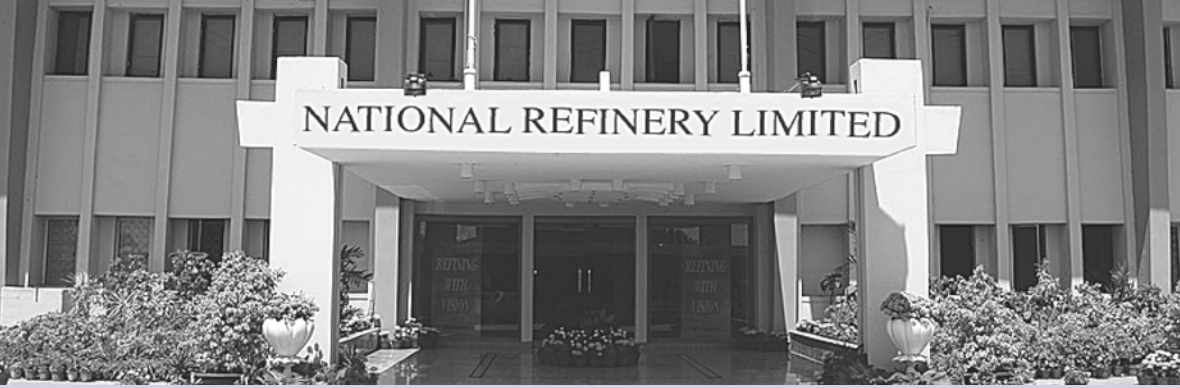


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ACHIEVEMENT

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## 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 Djarraa  
 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	Chairman
Alternate to Dr. Ghaith R. Pharaon	
Bahauddin Khan	Member
Jamil A. Khan	Member
Alternate to Wael G. Pharaon	

### 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](http://www.nrlpak.com)

E-mail : [info@nrlpak.com](mailto:info@nrlpak.com)

### Share Registrar

Nobel 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](http://www.noble-computers.com)

# DIRECTOR'S 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, 2012.

Your Company earned profit after tax of Rs 802 million during the period under review compared to Rs 828 million during the same period last year. Earning per share was Rs 10.03 as compared to Rs 10.36 in corresponding period.

The performance in Fuel Segment improved during the period. It earned profit after tax of Rs 364 million compared to loss after tax of Rs 297 million. The increasing trend of prices in this quarter coupled with better GRM, contributed positively in Fuel Segment's profitability. A significant Exchange Loss of Rs 154 million as compared to Rs 225 million last year was recorded. The Rupee value against US Dollar declined due to uncertain economic conditions in the Country. Throughput remained 81% of designed capacity as compared to 80% in corresponding period. This is mainly due to the closure of some of the IPP's and reduced demand of Furnace Oil. Your Company is making all efforts to increase the sale of Furnace Oil.

Profitability of Lube Segment continued to be under pressure and could only post profit after tax of Rs 438 million compared to Rs 1,125 million during corresponding period. The selling prices of Lube Base Oils were kept aligned with the international prices to remain competitive against imports. Feedstock cost increased by 9% in current quarter as compared to corresponding period, however, the selling prices of Lube Base Oils decreased by 11% compared to the same period last year. This resulted in significant reduction in Refining margins and lower profits. In addition to above, lower turnover of Asphalt continued to adversely impact the profitability of Lube Segment. The sale of Asphalt remained low due to insignificant infrastructure development projects in the Country. However, small parcels have been exported to other countries in anticipation for a major order to be exported.

Other income declined to Rs 313 million from Rs 478 million in the corresponding period last year. Reduced interest rates and lesser surplus available funds for investments contributed towards this reduction. During this quarter, the long outstanding circular debt amount was received by the Company. However, the entire fund so received was paid to Creditors for local crude supplies.

The Board of Directors would like to express their gratitude to our valued customers, employees and shareholders for their continuous support.

On behalf of the Board

**Shuaib A. Malik**  
Deputy Chairman /  
Chief Executive Officer

Karachi:  
October 18, 2012

# CONDENSED INTERIM BALANCE SHEET

As At September 30, 2012

	Note	Unaudited September 30, 2012	Audited June 30, 2012
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	4	3,654,170	3,533,613
Long term investment	5	-	-
Long term loans		64,835	65,413
Long term deposits		30,189	30,189
		<u>3,749,194</u>	<u>3,629,215</u>
<b>CURRENT ASSETS</b>			
Stores, spares and chemicals		1,250,052	1,148,686
Stock-in-trade		25,410,248	25,359,710
Trade debts	6	5,838,685	13,262,184
Loans and advances		117,377	40,127
Trade deposits and short-term prepayments		197,657	6,666
Interest accrued		44,642	110,686
Other receivables		254,797	248,126
Financial asset - held to maturity investments		2,030,432	3,230,473
Cash and bank balances		11,669,841	10,078,554
		<u>46,813,731</u>	<u>53,485,212</u>
<b>TOTAL ASSETS</b>		<u><u>50,562,925</u></u>	<u><u>57,114,427</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up		799,666	799,666
Reserves	7	<u>25,229,121</u>	<u>24,426,729</u>
		<u>26,028,787</u>	<u>25,226,395</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Retirement benefits obligations		252,247	223,437
Deferred taxation		<u>166,406</u>	<u>172,647</u>
		<u>418,653</u>	<u>396,084</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<u>22,160,913</u>	<u>29,748,891</u>
Provisions		401,115	398,905
Taxation - provision less payments		<u>1,553,457</u>	<u>1,344,152</u>
		<u>24,115,485</u>	<u>31,491,948</u>
<b>TOTAL LIABILITIES</b>		<u>24,534,138</u>	<u>31,888,032</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	9	<u><u>50,562,925</u></u>	<u><u>57,114,427</u></u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For The Quarter Ended September 30, 2012 (Unaudited)

	Note	September 30, 2012 (Rupees in thousand)	September 30, 2011
Gross sales	10	53,418,542	43,794,874
Trade discounts, taxes, duties and levies	11	<u>(9,382,858)</u>	<u>(6,187,211)</u>
Net sales		44,035,684	37,607,663
Cost of sales		<u>(42,435,814)</u>	<u>(36,092,594)</u>
Gross profit		1,599,870	1,515,069
Distribution and marketing expenses		<u>(278,514)</u>	<u>(262,816)</u>
Administrative expenses		<u>(116,969)</u>	<u>(110,358)</u>
Other operating income		313,001	477,751
Other operating expenses		<u>(95,923)</u>	<u>(99,160)</u>
Operating profit		1,421,465	1,520,486
Finance cost		<u>(148,509)</u>	<u>(195,938)</u>
Profit before taxation		1,272,956	1,324,548
Taxation	12	<u>(470,564)</u>	<u>(496,240)</u>
Profit after taxation		802,392	828,308
Other comprehensive income		-	-
Total comprehensive income		<u><u>802,392</u></u>	<u><u>828,308</u></u>
		(Rupees)	
Earnings per share - basic and diluted		<u><u>10.03</u></u>	<u><u>10.36</u></u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT

For The Quarter Ended September 30, 2012 (Unaudited)

	Note	September 30, 2012	September 30, 2011
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	13	527,743	(6,168,351)
Income tax paid		(267,501)	(630,564)
Decrease in long term loans		578	1,932
Payment made to pension fund		-	(6,193)
Post retirement medical benefits		(5,926)	(3,885)
Net cash from / (used in) operating activities		254,894	(6,807,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(192,103)	(12,120)
Proceeds from disposal of property, plant and equipment		-	480
Return on treasury bills received		87,529	269,720
Return received on bank accounts		240,226	188,874
Net cash from investing activities		135,652	446,954
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,117)	(342)
Net increase / (decrease) in cash and cash equivalents		389,429	(6,360,449)
Cash and cash equivalents at the beginning of the period		13,278,525	17,888,486
Cash and cash equivalents at the end of the period	14	<u>13,667,954</u>	<u>11,528,037</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Quarter Ended September 30, 2012 (Unaudited)

	Share Capital	Capital Reserves		Revenue Reserves		Special Reserve	Total
	Issued, subscribed and paid-up	Capital compensation reserves	Exchange equalization reserve	General reserve	Unappropriated profit	Note- 7.1	
	(Rupees in thousand)						
<b>Balance as at July 1, 2011</b>	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)	-	-
Profit for three months ended September 30, 2011	-	-	-	-	828,308	-	828,308
<b>Balance as at September 30, 2011</b>	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>17,888,000</u>	<u>865,326</u>	<u>3,869,068</u>	<u>23,436,319</u>
Profit for the nine months ended June 30, 2012	-	-	-	-	1,790,076	-	1,790,076
Loss after tax from fuel refinery transferred to special reserve	-	-	-	-	117,324	(117,324)	-
<b>Balance as at June 30, 2012</b>	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>17,888,000</u>	<u>2,772,726</u>	<u>3,751,744</u>	<u>25,226,395</u>
Transfer to general reserve	-	-	-	1,573,000	(1,573,000)	-	-
Profit for three months ended September 30, 2012	-	-	-	-	802,392	-	802,392
<b>Balance as at September 30, 2012</b>	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>19,461,000</u>	<u>2,002,118</u>	<u>3,751,744</u>	<u>26,028,787</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director



# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## For The Quarter Ended September 30, 2012 (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 This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information 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 and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2012.

### 3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 3.1 The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.
- However, management believes that the change in outcome of judgments, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.
- 3.2 Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2012.
- 3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2012.

September 30,      September 30,  
2012                      2011  
(Rupees in thousand)

### 4 FIXED ASSETS

Additions to property, plant and equipment made during the period:

Building on leasehold land	268	901
Oil terminal	1,507	-
Processing plant and storage tanks	3,168	65,413
Pipelines	2,252	-
Water, power and utilities	10,668	-
Furniture and fixtures	81	564
Computer and other related accessories	364	1,039
Office and other equipment	6,750	4,884
	<u>25,058</u>	<u>72,801</u>

Written down value of assets disposed off during the period:

Vehicles	-	272
Office and other equipment	-	6
	<u>-</u>	<u>278</u>

- 4.1 During the period, capital work-in-progress amounting to Rs. 21.26 million (September 30, 2011: Rs. 67.60 million) was transferred to operating assets.

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For The Quarter Ended September 30, 2012 (Unaudited)

September 30,  
2012  
(Rupees in thousand)

June 30,  
2012

#### 5 LONG TERM INVESTMENT

Investment in related party (unlisted)		
- Available for sale		
Anoud Power Generation Limited	10,800	10,800
[1,080,000 (June 30, 2012: 1,080,000) ordinary shares of Rs. 10 each, Equity held 9.09 % (June 30, 2012: 9.09%)]		
Provision for impairment	(10,800)	(10,800)
	<u>-</u>	<u>-</u>

#### 6 TRADE DEBTS

The customer has settled the long outstanding amount on account of circular debts through the Government arrangements on September 10, 2012.

#### 7 RESERVES

Capital reserves	14,259	14,259
Revenue reserves		
General reserve	19,461,000	17,888,000
Unappropriated profit	2,002,118	2,772,726
	21,463,118	20,660,726
Special reserve - note 7.1	3,751,744	3,751,744
	<u>25,229,121</u>	<u>24,426,729</u>

- 7.1 As per 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 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.

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.

Adjustment in special reserve is made on annual basis.

The Company has incurred capital expenditure of Rs. 611.39 million (June 30, 2012: Rs. 451.16 million) on upgradation and expansion projects during the period. It includes Rs. 198.95 million (2012: Rs. 154.36 million) for up gradation and expansion of fuel refinery operations.

#### 8 TRADE AND OTHER PAYABLES

Creditors		
Government of Pakistan	1,202,040	1,107,730
Other trade creditors		
Related parties	55,301	-
Others	17,551,977	25,927,544
	<u>18,809,318</u>	<u>27,035,274</u>
Accrued liabilities	533,658	626,493
Advances from customers	270,720	470,284
Unclaimed dividend	59,219	60,336
Sales tax payable	1,441,983	675,351
Excise duty and petroleum levy	741,863	690,160
Other liabilities	304,152	190,993
	<u>22,160,913</u>	<u>29,748,891</u>

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Quarter Ended September 30, 2012 (Unaudited)

## 9 CONTINGENCIES AND COMMITMENTS

The status of the contingencies and commitments which were reported in notes 21 and 34 to the financial statements for the year ended June 30, 2012 has not been materially changed.

	September 30, 2012 (Rupees in thousand)	September 30, 2011
<b>10 GROSS SALES</b>		
Local	49,130,178	36,635,468
Export	4,288,364	7,159,406
	<u>53,418,542</u>	<u>43,794,874</u>
<b>11 TRADE DISCOUNT, TAXES, DUTIES AND LEVIES</b>		
Trade discounts	264,669	300,707
Sales tax	6,776,674	4,949,324
Excise duty	137	229,574
Petroleum levy	2,341,378	707,606
	<u>9,382,858</u>	<u>6,187,211</u>
<b>12 TAXATION</b>		
Current	476,805	506,046
Deferred	(6,241)	(9,806)
	<u>470,564</u>	<u>496,240</u>
<b>13 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	1,272,956	1,324,548
Adjustment for non cash charges and other items:		
Depreciation and amortization	71,547	69,424
Provision for gratuity	3,576	2,657
Provision for post retirement medical benefits	7,547	7,426
Provision for pension	23,613	21,345
Provision for slow moving and obsolete stores, spares and chemicals	2,662	13,273
Return / interest on PLS saving and deposit accounts	(174,182)	(155,063)
Return on treasury bills	(89,346)	(270,952)
Profit on disposal of property, plant and equipment	-	(202)
Increase in working capital - note 13.1	(590,630)	(7,180,807)
	<u>527,743</u>	<u>(6,168,351)</u>
<b>13.1 Increase in working capital changes</b>		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(104,028)	38,750
Stock-in-trade	(50,538)	(7,023,198)
Trade debts	7,423,499	(1,378,187)
Loans and advances	(77,250)	(101,070)
Deposits and short term prepayments	(190,991)	(161,322)
Other receivables	(6,671)	(494,828)
Increase / (Decrease) in current liabilities		
Trade and other payables	(7,586,861)	1,936,839
Provisions	2,210	2,209
	<u>(590,630)</u>	<u>(7,180,807)</u>

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## For The Quarter Ended September 30, 2012 (Unaudited)

	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
<b>14 CASH AND CASH EQUIVALENTS</b>		
In hand	500	500
With banks on		
Current accounts	99,290	166,349
Savings accounts	11,279,399	1,957,163
Deposit accounts - local currency	290,652	4,884,924
	11,669,341	7,008,436
Short term investment in treasury bills	1,998,113	4,519,101
	<u>13,667,954</u>	<u>11,528,037</u>

### 15 SEGMENT INFORMATION

The financial information regarding business segments is as follows:

	FUEL		LUBE		TOTAL	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(Rupees in thousand)					
<b>Segment Revenue</b>						
Sales to external customer						
- local, net of discount, taxes, duties and levies	27,868,106	22,063,804	11,879,214	8,384,453	39,747,320	30,448,257
- export	3,672,261	6,670,636	616,103	488,770	4,288,364	7,159,406
	31,540,367	28,734,440	12,495,317	8,873,223	44,035,684	37,607,663
Inter segment transfers	10,670,287	9,062,434	-	-	10,670,287	9,062,434
Elimination of inter segment transfers	-	-	-	-	(10,670,287)	(9,062,434)
Net sales	<u>42,210,654</u>	<u>37,796,874</u>	<u>12,495,317</u>	<u>8,873,223</u>	<u>44,035,684</u>	<u>37,607,663</u>
Segment results after tax	<u>364,421</u>	<u>(297,493)</u>	<u>437,971</u>	<u>1,125,801</u>	<u>802,392</u>	<u>828,308</u>
	FUEL		LUBE		TOTAL	
	September 30, 2012	June 30, 2012	September 30, 2012	June 30, 2012	September 30, 2012	June 30, 2012
	(Rupees in thousand)					
<b>Segment Assets</b>	27,404,242	34,276,233	21,122,990	20,937,822	48,527,232	55,214,055
Unallocated Assets	-	-	-	-	2,035,693	1,900,372
Total Assets	<u>27,404,242</u>	<u>34,276,233</u>	<u>21,122,990</u>	<u>20,937,822</u>	<u>50,562,925</u>	<u>57,114,427</u>
<b>Segment Liabilities</b>	21,213,731	28,673,583	1,600,544	1,697,650	22,814,275	30,371,233
Unallocated Liabilities	-	-	-	-	1,719,863	1,516,799
Total Liabilities	<u>21,213,731</u>	<u>28,673,583</u>	<u>1,600,544</u>	<u>1,697,650</u>	<u>24,534,138</u>	<u>31,888,032</u>

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For The Quarter Ended September 30, 2012 (Unaudited)

#### 16 TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Transactions during the quarter	
		September 30, 2012	September 30, 2011
		(Rupees in thousand)	
Associated companies	Sale of petroleum products	23,044,635	20,661,758
	Rental income	1,080	1,018
	Hospitality charges	8,358	2,700
	Handling income	27,883	33,744
	Trade discounts and commission on sales	479,553	488,596
	Reimbursement of expenses	334	223
	Purchase of petroleum products	2,439	4,163
Post employment staff benefit plans	Contributions	45,098	41,177
Key management employees compensation	Salaries and other employees benefits	10,838	9,773
	Post retirement benefits	1,097	1,180
	Director's Fees	1,040	961

Sale 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.

#### 17 DIVIDEND

The Board of Directors in its meeting held on September 15, 2012 proposed a final cash dividend of Rs. 15 per share for the year ended June 30, 2012 amounting to Rs. 1.2 billion for approval of the members at the Annual General Meeting to be held on October 19, 2012. 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.

#### 18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 18, 2012 by the Board of Directors of the Company.



Chief Executive



Director



## National Refinery Limited

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Karachi-74900, Pakistan.  
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