

National Refinery Limited

Annual Report 2000

CONTENTS

Company Information
Board of Directors
NRL at a Glance
Financial Highlights
Notice of Meeting
Directors' Report
Chairman's Review
Performance at a Glance
Auditor's Report
Balance Sheet
Profit & Loss Account
Statement of Changes in Financial Position (Cash Flow)
Statement of Changes in Equity
Notes to the Accounts
Pattern of Shareholdings
Report & Accounts of National Oil Marketing (Pvt.) Ltd. (NOM)

COMPANY INFORMATION

MANAGING DIRECTOR

M. M. Husain

COMPANY SECRETARY

Asad A. Siddiqui

AUDITORS

Ford, Rhodes, Robson, Morrow Chartered Accountants

SOLICITORS

Qamar Abbas & Co.

BANKERS

ABN - AMRO Bank

Allied Bank of Pakistan Limited

American Express Bank Limited

Bank Alfalah

Citibank N.A.

Deutsche Bank A.G.

Habib Bank Limited

Muslim Commercial Bank Limited

National Bank of Pakistan

Standard Chartered Bank

Standard Chartered Grindlays

Union Bank Ltd.

United Bank Limited

REGISTERED OFFICE

7 - B, Korangi Industrial Zone, Karachi - 74900, Pakistan

SHARES LIAISON OFFICE

1 st Floor, Karim Chambers, Merewether Road, Karachi - 75530, Pakistan

REFINERY

7 - B, Korangi Industrial Zone, Karachi - 74900, Pakistan

PHONES (PABX)

5064135- 37, 5064977- 79, 5064981-86, 5064988

FAX

92 - 21 - 5054663

TELEX

29141 - ENAR - PK

20789 - ENAR - PK

CABLE

ENARLUBE

BOARD OF DIRECTORS

Chairman

Zafar Iqbal

Chairman

Social Marketing Pakistan Limited

Istaqbal Mehdi

Chairman/Chief Executive

National Investment Trust Limited

G.A. SabriDirector General Oil
Ministry of Petroleum & NR**Tarik Kivanc**Executive Director
Islamic Development Bank, Jeddah

Towfiq H. Chinoy

Managing Director
International Industries Ltd.**M.M. Husain**Managing Director
National Refinery Ltd.**M. Younas Khan**Chairman
Inter Asia Leasing Company**Saqib H. Shirazee**President & Chief Executive Officer
Atlas Investment Bank Ltd.**Ahmed Dawood**Chairman
Dawood Group of Industries**Aaliya K. Dossa**Section Officer Research
National Investment Trust Ltd.**NRL AT 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 1986
Project Cost	103.9 Million Rupees

FUEL REFINERY**BEFORE REVAMP**

Design Capacity	1,500,800 Tons per year of Crude processing
Date Commissioned	April 1977
Project Cost	607.5 Million Rupees

AFTER REVAMP

Design Capacity	2,170,800 Tons per year of Crude processing
Date Commissioning of Revamp	February 1990
Project Cost of Revamp	125.0 Million Rupees

B.T.X. UNIT

Design Capacity	25,000 Tons per year of B.T.X.
Date Commissioned	April 1979
Project Cost	66.7 Million Rupees

SECOND LUBE REFINERY

Design Capacity	100,000 Tons per year of Lube Base Oils
Date Commissioned	January 1985
Project Cost	2,082.4 Million Rupees

SHARE HOLDERS' EQUITY

June 1966	20.0 Million Rupees
June 2000	2,387.0 Million Rupees

FINANCIAL HIGHLIGHTS

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
RETURN ON INVESTMENT										
					Rs. Per Share of Rs.10					
EARNING	4.78	3.41	4.36	5.30	(3.83)	4.19	6.84	7.38	9.65	10.61

BREAK-UP VALUE	13.21	13.32	13.68	14.48	10.65	14.84	19.18	24.06	29.71	35.82
DIVIDEND	3.75	3.30	4.00	4.50	0.00	0.00	2.50	2.50	4.00	4.50

FINANCIAL GLIMSES

	Rs. In 000's									
ISSUED & PAID-UP CAPITAL	666,388	666,388	666,388	666,388	666,388	666,388	666,388	666,388	666,388	666,388
SHARE HOLDERS' EQUITY	880,180	887,567	911,777	964,792	709,735	988,780	1,278,009	1,603,234	1,979,987	2,386,819
CAPITAL EXPENDITURE	67,751	45,791	65,441	134,355	627,244	65,451	82,370	246,516	46,622	175,521
PROFIT BEFORE TAX	552,563	406,295	589,196	633,395	(123,285)	466,284	774,311	738,928	1,230,307	1,093,059
PROFIT AFTER TAX	318,563	227,295	290,765	352,889	(255,057)	279,045	455,826	491,822	643,308	706,707
TAXATION	234,000	179,000	298,431	280,506	131,772	187,239	318,485	247,106	586,999	386,352
MARKET VALUE OF SHARE	37.40	96.00	83.75	103.00	53.50	39.25	28.50	17.50	30.54	42.70

FINANCIAL RATIOS

CURRENT RATIO	1:1	1:0.98	1:0.96	1:0.95	1:0.95	1:1	1:1	1:1.02	1:1.06	1:1.08
LONG TERM DEBT: EQUITY	46: 54	40: 60	33: 67	34: 66	47: 53	53: 47	32: 68	18: 82	11: 89	04: 96
TOTAL DEBT: EQUITY	77:23	84:16	86:14	85:15	90:10	90:10	90:10	89:11	85:15	84:16

NOTICE OF MEETING

Notice is hereby given that the Thirty Seventh (37th) Annual General Meeting of National Refinery Limited will be held on Tuesday, 28th November, 2000 at 10:30 a.m. at Hotel Beach Luxury, Karachi to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on December 22, 1999.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Directors' Report and the Auditors' Report thereon.
3. To declare a final dividend of 35% in addition to the interim dividend of 10% already paid.
4. To appoint auditors M/s. Ford, Rhodes, Robson, Morrow Chartered Accountants as auditors for the year ended June 30, 2001 and to fix their remuneration.
5. To elect Directors of the Company representing private shareholding pursuant to the Article 7F of the Economic Reform Order 1972 in place of those retiring namely (1) Mr. Tarik Kivanc, representative of Islamic Development Bank and (2) Mr. Ahmed Dawood, representative of private shareholdings.

SPECIAL BUSINESS

1. To consider investment as loan to State Petroleum Refining & Petrochemical Corporation (Pvt.) Ltd., (PERAC) for Rs. 60.0 million under section 208 of Companies Ordinance, 1984 with following resolution:

RESOLVED THAT

"a sum of Rs. 60.0 (Rupees sixty) million advanced as loan to State Petroleum Refining & Petrochemical Corporation (Pvt.) Ltd., (PERAC) @ 14% for equity in Iran-Pak Refinery Ltd., under section 208 of Companies Ordinance, 1984, be and hereby ratified as approved by the Board of Directors."

AND

To transact any other Business of the Company with the permission of the Chairman.

By order of the Board

ASAD A. SIDDIQUI
Company Secretary

Karachi: October 05, 2000

NOTES:

1. Share Transfer Books of the Company will remain closed from 20th November, 2000 to 29th November, 2000 both days inclusive.
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy.
3. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. CDC shareholders are requested to bring their National Identity Card, Account and Participant's ID Number, while attending the Meeting for identification.

5. Shareholders are requested to promptly notify the Company of any change in their address.

6. Shareholders desirous of proposing any person for election as director are requested to fill in the attached nomination form and send it duly completed in all respects to the Secretary of the Company at 7B Korangi Industrial Zone, Karachi so as to reach him not later than 13th November, 2000.

7. Federal Government of Pakistan and other corporations or institutions being shareholders of the Company, owned or controlled by the Federal Government shall not participate in the election.

8. Election shall take place under provisions of Section 178(5) of the Companies Ordinance 1984, in the following manner:

a) A member shall have such number of votes as is equal to the product of the number of voting shares held by him and the number of directors to be elected.

b) A member may give all his votes to single candidate or divide them between more than one of the candidate in such manner as he may choose; and

c) The candidate who gets the highest number of votes shall be declared elected as Director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.

DIRECTORS' REPORT

The Directors of the Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for the year ended June 30, 2000.

		(Rupees in '000)	
The profit of the company for the year ended June 30, 2000 after taking in to account the amount of Rs. 3,945.366 million, under import parity pricing formula and after providing for administrative, selling and financial charges amount to:			1,163,295
Less:	Provision for		
	- Workers' Profit Participation Fund	58,165	
	- Workers' Welfare Fund	12,071	70,236
		-----	-----
			1,093,059
Less: Taxation			
- For the year		401,078	
- Deferred Tax		(14,726)	386,352
		-----	-----
Profit after taxation			706,707
Amount of un-appropriated profit brought forward from previous year			340

Profit available for appropriation			707,047
APPROPRIATIONS			
- Interim Dividend @ 10%		66,639	
- The Directors proposed that this should be utilized in providing for final dividend at the rate of 35% equivalent to Rs. 3.50 per share of Rs. 10 each		233,236	
- Transfer to General reserve		407,000	706,875
		-----	-----
Un appropriated profit carried forward to next year			172
			=====

The amount receivable from the Government under the import parity pricing formula shall be determined after the audited accounts are submitted to the Government and the approval is received in due course of time.

BOARD OF DIRECTORS

In pursuance of letter No.4(5)/92-Oil.Vol. II dated February 16, 2000 of Ministry of Petroleum & Natural Resources, the Board of Directors was reconstituted on February 16, 2000, accordingly Mr. Aitzaz Shahbaz relinquished his charge as Chairman and Mr. Zafar Iqbal has been appointed as a new Chairman.

Messrs Towfiq H. Chinoy, MD International Industries Ltd., Saquib H. Shirazi, Chief Executive, Atlas Investment Bank Ltd., Istaqbal Mehdi, Chief Executive, National Investment Trust Ltd., Aaliya K. Dossa, Section Officer Research, National Investment Trust Ltd., and Mr. M. Younas Khan, Chairman Inter Asia Leasing Company were appointed. Messrs Mohammad Abbas, Joint Secretary, Ministry of Petroleum & NR, Brigadier Abu Rashid, MD K.E.S.C., Hussain Ahmed Khan, Joint Secretary (Ops.), Ministry of Industries & Production and Mr. Abdus Sattar, Financial Advisor,

Ministry of Petroleum & NR were retired during this period.

PATTERN OF SHAREHOLDING

Pattern of shareholding

AUDITORS

M/s Ford, Rhodes, Robson, Morrow Chartered Accountants, retire and being eligible, offer themselves for reappointment,

CHAIRMAN'S REVIEW

The Chairman's Review is endorsed by the Board of Directors of the Company.

On behalf of the Board

ZAFAR IQBAL

Chairman

CHAIRMAN'S REVIEW

Dear Shareholders

On behalf of the Board of Directors and myself I welcome you to the 37th Annual General Meeting of the Company. I take the opportunity to present a review of Company's Financial Result for the year ended June 30, 2000.

The year under report witnessed shrinkage in margins of fuel products. Fuel Refinery's profitability remained under stress of increase in crude oil prices by 90.7% against increase of 84.2% in CIF prices of products, restricting its profit after tax at a minimum of 10% as admissible under the pricing formula.

The average price of petroleum products in the international market has been increased substantially during the year whereas the ex-refinery prices have not been increased in that ratio by the Government as a result a deficit of Rs. 3.945 billion in the sale revenue was required to make up the minimum profit of 10% of the Fuel Refinery.

The Lube Refinery is not subjected to pricing control by the Government and it operates in an open market environment. The price of the feedstock of Lube Refinery increased manifold whereas the lube base oil could not be sold at a higher price since it was facing severe competition from imported Lube Base Oils which were abundantly available in the country at comparatively lower prices. Besides, sub-standard reclaimed lubricants from mushroom unregistered producers also flooded the market. As a result the sale of LBOs declined to 152,916 tons compared to 176,172 tons last year.

PROFITABILITY:

Despite severe competition and low margin on sale of products the company registered highest ever, after tax, profit of Rs.706.707 million which gives a return of 106.1% on paid-up capital. This is mainly on account of substantial saving in expenses specially under the head of financial charges.

CRUDE OIL:

The supplies of Arabian Light and Arabian Extra Light were arranged by the Government from Saudi Aramco and shared with Pakistan Refinery Ltd. The crude oil throughput for the year was 2.856 million tons including 0.303 million tons received from indigenous sources as against 2.893 million tons (including 0.367 million tons received from indigenous sources) of the previous year.

PRODUCTION:

The aggregate production of finished products was 2.719 million tons. The product mix was maintained according to the market demand maximizing production of deficit items as required by the Government. The production of Lube Base Oils was kept lower at 176,596 tons compared to 177,751 tons last year, as imported and sub-standard reclaimed lubricants were available in the market at lower prices.

SALES:

Sales for the year were 2.689 million tons generating a revenue of Rs. 25.683 billion including Lube Base Oil sales of Rs.3.416 billion compared to 2.795 million tons and Rs. 18.037 billion respectively for the year 1998-99. The exports of Naphtha for the year were 126,485 tons amounting to Rs. 1.428 billion compared to last year's figure of 83,985 tons of Naphtha & Asphalt amounting to Rs. 0.531 billion.

MANUFACTURING, SELLING, ADMIN. & FINANCIAL EXPENSES

The total manufacturing expenses for the year were Rs. 1,703 million compared to Rs.2,034 million last year. This decrease of Rs. 331 million was mainly due to substantial saving in the use of chemicals and energy.

The selling and administrative expenses were Rs. 232 million this year against Rs. 230 million last year. As stated earlier, management exercised cost / expense control measures which were offset by significant inflation and devaluation of Pak Rupee. However, the increase is insignificant.

The position of the company's fund flow has significantly improved during the year 1999-2000 and consequently the financial expenses have been reduced by Rs. 619 million to Rs. 114 million as compared to previous year's figure of Rs. 733 million.

PROJECT:

M/s Siemens commenced work on the 7.5 MW steam turbo generator and it would be in operation soon.

Installation of additional tanks for storage of 45,000 tons crude oil have been completed.

FUTURE OUT LOOK:

The production of Lube Base Oils is value added and highly profitable. The Company is therefore actively engaged in revamping its Lube Refineries to increase its production by about 20%.

STAFF:

On the job training to technicians and engineers to meet the Shortage of trained personnel continued during the year.

I wish to share with you my deep appreciation for the untiring efforts and dedication of all the executives, staff and workers during the year in keeping the Refinery operating which has enabled the company to achieve a record profit. I acknowledge their contribution and assure them of your full support.

I would also like to pay tribute to the Managing Director and the members of the Board for their keen participation and guidance in the affairs of the company. I am also thankful to all financial institutions, bankers, leasing companies, World Bank and other suppliers who extended their support and co-operation to the management in carrying out the operation of the company.

I conclude with a word about you, our esteemed shareholders. It is heartening to know that we continue to receive your support and confidence and trust that this will continue in the future as well.

ZAFAR IQBAL

Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NATIONAL REFINERY LIMITED as at June 30. 2000 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:

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 account 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, 2000 and of the profit, its cash flows and changes in equity for the year then ended;

(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; and

(e) without qualifying our opinion, we draw attention to the matter discussed in note 12.1 to the accounts pertaining to the recovery of amount due from the Government, which is dependent upon its review and approval.

Karachi -

October 09, 2000

Chartered Accountants.

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets at cost less accumulated depreciation	3	1,004,698	950,314
Capital work-in-progress	4	509,225	611,157
		-----	-----
		1,513,923	1,561,471
Long term investments	5	9	9
Long term loans, advance and deposits	6	145,280	147,400
CURRENT ASSETS			
Stores, spares and chemicals	7	494,658	546,226
Stock-in-trade	8	2,686,016	1,711,974
Trade debts	9	4,903,691	5,380,423
Loans and advances	10	39,234	25,313
Deposits and prepayments	11	80,375	60,195
Other receivables	12	4,599,173	3,772,530
Cash and bank balances	13	142,580	68,612
		-----	-----
		12,945,727	11,565,273
		-----	-----
TOTAL ASSETS		14,604,939	13,274,153
		=====	=====
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	14	666,388	666,388
Reserves	15	1,720,431	1,313,599
		-----	-----
NON CURRENT LIABILITIES		2,386,819	1,979,987
Long term loans	16	96,956	242,758
Obligations under finance leases	17	4,313	3,812
Deferred liabilities	18	119,474	122,032
CURRENT LIABILITIES			
Current maturities of long term loans and obligations under finance leases	19	93,743	151,742
Shod term running finances	20	630,584	157,633
Creditors, accrued and other liabilities	21	11,011,125	9,966,279
Provision for taxation		19,030	376,725
Dividends	22	242,895	273,185
		-----	-----
		11,997,377	10,925,564
CONTINGENCIES AND COMMITMENTS	23		

TOTAL EQUITY AND LIABILITY ES	14,604,939	13,274,153
--------------------------------------	------------	------------

The annexed notes form an integral part of these accounts.

ZAFAR IQBAL Chairman	M.M. HUSAIN Chief Executive	G. A. SABRI Director
--------------------------------	---------------------------------------	--------------------------------

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
GROSS SALES	24	29,329,724	19,624,219
REFUNDS UNDER THE IMPORT PARITY FORMULA		3,945,364	1,063,295
		-----	-----
Duties, taxes and levies	25	33,275,088	20,687,514
		3,646,679	1,587,498
		-----	-----
NET SALES		29,628,409	19,100,016
Cost of sales	26	28,375,324	16,961,240
		-----	-----
GROSS PROFIT		1,253,085	2,138,776
OTHER OPERATING INCOME	27	256,246	154,747
		-----	-----
Administrative, selling and general expenses	28	1,509,331	2,293,523
		232,492	229,709
		-----	-----
OPERATING PROFIT		1,276,839	2,063,814
Other charges	29	70,236	100,061
Financial charges	30	113,544	733,446
		-----	-----
		183,780	833,507
		-----	-----
PROFIT BEFORE TAXATION		1,093,059	1,230,307
Taxation	31	386,352	586,999
		-----	-----
NET PROFIT FOR THE YEAR		706,707	643,308
Unappropriated profit brought forward		340	587
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		707,047	643,895
APPROPRIATIONS			
Interim dividend @ Rs.1 (1999: Rs. Nil) per Ordinary share of Rs.10 each		66,639	--
Proposed final dividend @ Rs.3.5 (1999: Rs.4) per Ordinary share of Rs. 10 each		233,236	266,555
Transfer to General reserve		407,000	377,000
		-----	-----
		706,875	643,555
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		172	340
		=====	=====
BASIC EARNINGS PER SHARE	32	10.61	9.65
		=====	=====

The annexed notes form an integral part of these accounts.

ZAFAR IQBAL Chairman	M.M. HUSAIN Chief Executive	G. A. SABRI Director
--------------------------------	---------------------------------------	--------------------------------

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	1,132,841	5,787,883
Financial charges paid		(164,367)	(667,982)
Income tax paid		(761,499)	(236,522)
Gratuity paid		(687)	(684)
		-----	-----
Net cash inflow from operating activities		206,288	4,882,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(74,135)	(126,574)

Proceeds on disposal of fixed assets	209	1,917
Long term loans and deposits	2,120	(2,454)
	-----	-----
Net cash used in investing activities	(71,806)	(127,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(330,165)	(166,258)
Lease finances	1,481	(123,622)
Long term loans	(204,781)	(112,423)
	-----	-----
Net cash used in financing activities	(533,465)	(402,303)
	-----	-----
Net (decrease) /increase in cash and cash equivalents	(398,983)	4,353,281
Cash and cash equivalents at the beginning of the year	(89,021)	(4,442,302)
	-----	-----
Cash and cash equivalents at the end of the year	35	(488,004)
	=====	=====

ZAFAR IQBAL
Chairman

M.M. HUSAIN
Chief Executive

G. A. SABRI
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	Share Capital	Capital Reserves		Revenue Reserves		Total
	Issued, subscribed and paid-up	Capital compensation reserves	Exchange equalisation reserve	General reserve	Unappropriated profit	
	----- (Rupees in '000) -----					
Balance as at June 30, 1998	666,388	10,142	4,117	922,000	587	1,603,234
Net profit for the year	--	--	--	--	643,308	643,308
Final dividend @ 40%	--	--	--	--	(266,555)	(266,555)
Transfer to general reserve	--	--	--	377,000	(377,000)	--
	-----	-----	-----	-----	-----	-----
Balance as at June 30, 1999	666,388	10,142	4,117	1,299,000	340	1,979,987
Net profit for the year	--	--	--	--	706,707	706,707
Interim dividend @ 10%	--	--	--	--	(66,639)	(66,639)
Final dividend @ 35%	--	--	--	--	(233,236)	(233,236)
Transfer to g -	--	--	--	407,000	(407,000)	--
	-----	-----	-----	-----	-----	-----
Balance as at June 30, 2000	666,388	10,142	4,117	1,706,000	172	2,386,819
	=====	=====	=====	=====	=====	=====

ZAFAR IQBAL
Chairman

M.M. HUSAIN
Chief Executive

G. A. SABRI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company. The shares of the company are listed on the Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the production and sale 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 accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except that certain exchange differences referred to in notes 2.4, 2.9 and 2.12 have been incorporated in the cost of relevant assets.

2.3 Consolidated financial statements

The company has not prepared the consolidated financial statements comprising the financial statements of the company and its wholly owned subsidiary, National Oil Marketing (Private) Limited, as at June 30, 2000 in view of the current dormant status of the wholly owned subsidiary coupled with the company's plan to subsequently restructure the operations of the wholly owned subsidiary in the near future.

2.4 Tangible fixed assets

(a) Owned

These are stated at cost less accumulated depreciation. Exchange gains and losses in respect of long term foreign currency loans acquired and utilised for the acquisition of assets are included in the cost of the respective assets.

Depreciation is charged to income applying the straight line method whereby the cost of the asset is written off over its estimated useful life. The rates used are stated in note 3 to the accounts. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

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 of assets are included in income currently.

(b) Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under finance leases less financial charges allocated to future periods are shown as a liability. The financial charge to date is calculated at the interest rates implicit in the leases and is charged to profit and loss account.

Depreciation is charged at the same rates as charged on company owned assets or over the lease period as appropriate.

2.5 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred in respect of fixed assets in the course of their construction and installation.

2.6 Long term investments

Investments in quoted shares are stated at lower of cost and market value, determined on an individual portfolio basis.

Investments in unquoted shares are valued at cost. However, where in the opinion of the management there is a decline which is other than temporary, the carrying amount of the investment is reduced to recognize the decline.

2.7 Stores, spares and chemicals

Stores, spares and chemicals, excluding drum sheets, empty drums and items in transit are valued at moving average cost. Drum sheets and empty drums are valued at cost using first-in-first out (FIFO) basis whereas items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

2.8 Stock-in-trade

Stock of crude oil is valued at cost determined on first-in-first out basis. Crude oil in transit is valued at costs comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date. Stock of semi-finished and finished products are valued at lower of cost and net realisable value. Cost in relation to semi-finished and finished products represents cost of crude oil and an appropriate allocation of manufacturing overheads. Cost in respect of semi-finished items is adjusted to appropriate stage of processing.

Net realisable value represents import parity prices as published in the Platt's Oilgram notified by the Ministry of Petroleum and Natural Resources.

2.9 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date. Exchange differences on loans obtained for acquisition of fixed assets are capitalised. All other exchange differences are routed through the profit and loss account.

2.10 Taxation

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

The Company accounts for deferred taxation on all timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.11 Revenue recognition

Local sales are recorded on the basis of products delivered to the tanks of marketing companies and customers.

Export sales are recorded on the basis of products delivered to tankers and shipped to customers. Rebate on exports, if any, is accounted for on receipt basis.

Interest / return on bank deposits and advances to employees are recognized on accrual basis.

Interest income resulting from overdue balances, if any, included in trade debts and markup on long term loan to PERAC are accounted for on a receipt basis.

2.12 Borrowing costs

Borrowing costs incurred in respect of loans obtained for specific projects are capitalised during their construction and are written off after their completion. Any income earned on unutilised loans is netted off against capitalised borrowing costs.

2.13 Staff retirement benefits

The company participates in the funded pension scheme, established for the management staff of companies, administered by the State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC). This scheme is managed by PERAC through a fund established out of contributions from the participating companies and are based on actuarial valuation. The projected unit credit actuarial cost method has been adopted for valuation of the schemes. The latest valuation in this regard was carried out as on January 01, 2000. The company's share in the fair value of assets and liabilities of the schemes for the past services of employees at the valuation date was Rs.527.746 million and Rs.546.651 million, respectively.

In addition to the above, the company operates

(a) an unfunded gratuity scheme covering all workers and clerical staff whose period of service with the company is five years or more. Based on graduated rates fixed under the scheme and calculated with reference to the last drawn salary and length of service of the employee, amounts are provided annually by way of a charge to profit and loss account to cover obligations under the scheme.

(b) 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% of basic salary.

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

2.14 Research and development costs

Contributions made to the Research and Development Fund are charged against current income together with other related expenses incurred by the company,

2.15 Import parity entitled prices

Effective July 01, 1992 the Government introduced an Import Parity Formula under which product prices had been fixed at CIF level, restricting the profitability of the Fuel Refinery in the range of 10% to 40% (including "other income") on the paid up capital with no such restriction in respect of the Lube Refinery. Effective July 1, 1994, the company has retained the non-refining income in addition to the above restricted return on capital, in accordance with the 1994 petroleum policy.

3. OPERATING FIXED ASSETS

	C O S T					ACCUMULATED DEPRECIATION			(Rupees in '000) WRITTEN DOWN	
	AS AT JULY 01, 1999	AS AT ADDITIONS (DISPOSALS)	AS AT JUNE 30,2000	RATE %	JULY 01,1999	FOR THE YEAR	(ON DISPOSALS)	AS AT JUNE 30,2000	VALUE AS AT JUNE 302,000	
OWNED										
Leasehold land (Note 3.1)	59,216	--	59,216	1	5,019	594	--	5,613	53,603	
Building on leasehold land	59,280	2,724	62,004	5	39,149	2,168	--	41,317	20,687	
Oil Terminal	102,350	12,071	11,421	6	96,178	1,415	--	97,593	16,828	
Processing plant and storage tanks	3,454,084	139,005	3,593,089		5107 3,018,417	50,141	--	3,068,558	524,531	
Power Generation Plant (4.0 Mw.)	223,653	--	223,653	7	31,312	15,656	--	46,968	176,685	
Pipelines	110,995	698	111,693	8	105,584	678	--	106,262	5,431	

Water power and other utilities	707,766	6,996	--	714,762	6	522,049	38,603	--	560,652	154,110
Vehicles	22,282	906	(351)	22,837	20	17,568	2,670	(281)	19,957	2,880
Furniture and fixtures	9,937	436	--	10,373	7.50	6,664	479	--	7,143	3,230
Office and other equipment	118,089	9,931	(195)	127,825	51o15	80,545	7,197	(130)	87,612	40,213
	4,867,652	172,767	(546)	5,039,873		3,922,485	119,601	(411)	4,041,675	998,198
LEASED										
Vehicles	6,434	3,300	--	9,734	20	1,287	1,947	--	3,234	6,500
	6,434	3,300	--	9,734		1,287	1,947	--	3,234	6,500
June 30, 2000	4,874,086	176,067	(546)	5,049,607		3,923,772	121,548	(411)	4,044,909	1,004,698
June 30, 1999	4,827,464	50,256	(3,634)	4,874,086		3,675,033	250,549	(1,810)	3,923,772	950,314

3.1 Leasehold land includes a piece of land measuring 13,200 square yards sub-leased to Anoud Power Generation Limited (APGL) for the purposes of setting up a power plant to provide power to the refinery.

3.2 Depreciation for the year has been allocated as follows:

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
Cost of sales	26	112,929	241,589
Administrative expenses	28	8,619	8,960
		121,548	250,549

3.3 During the year the following amounts have been transferred from Capital Work-in-progress to fixed assets

Building on leasehold land	1,224	691
Oil Terminal	12,071	--
Processing plant and storage tanks	136,825	2,250
Pipelines	698	3,521
Water power and other utilities	5,454	4,436
Office and other equipment	2,286	914
	158,558	11,812

3.4 The following fixed assets were disposed off during the year :

Description	Cost	(Rupees in '000)			Mode of disposal	Particulars of buyers
		Accumulated Depreciation	Written down value	Sale proceeds		
Vehicle	351	281	70	144	Company policy	Mr. Samiullah Sharif (Ex-Employee)
Equipment	93	48	45	45	Company policy	Mr. Samiullah Sharif (Ex-Employee)
Equipment with Written Down Value of below Rs.5,000	102	82	20	20	--	Various
	546	411	135	209		

	<i>Note</i>	<i>2000</i>	<i>Additions/ (Transfers)</i>	<i>1999</i>
		<i>(Rupees in '000)</i>		

4. CAPITAL WORK-IN-PROGRESS

Power Generation Plant (7.5 M.W.)

Fees and technical studies	54,964	1,333	53,631
Material, equipment and cost of related services	352,084	--	352,084
Borrowing costs	68,274	--	68,274
Other expenditure	646	--	646
	475,968	1,333	474,635

Processing Plant and Storage Tanks

Fees and technical studies	169	(215)	811
		(427)	

Material, equipment and

cost of related services	4.1	15,742	24,653 (130,943)	122,032
Advances to contractors	4.2	--	(1,293)	1,293
		15,911	(108,225)	124,136
Other Projects		17,346	32,148	12,386
Building on leasehold land			(1,224)	
Processing plant and storage tanks			(17,526)	
Pipelines			(698)	
Water power and other utilities			(5,454)	
Office and other equipment			(2,286)	
		509,225	(101,932)	611,157

4.1 Included herein is a sum of Rs.0.215 million transferred during the year from fees and technical studies.

4.2 Advances to contractors amounting to Rs.1.293 million have been transferred to material, equipment and cost of related services during the year.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
5. LONG TERM INVESTMENTS			
Wholly owned subsidiary			
National Oil Marketing (Private) Limited			
100 (1999: 100) Ordinary shares of Rs.10 each	2.3	1	1
[Break-up value, Rs. Nil (1999: Rs.5,182) per Ordinary share on the basis of financial statements for the year ended June 30, 2000]			
Listed			
Pakistan PVC Limited		8	8
3,125 Ordinary shares of Rs.10 each			
[Market value Rs. 8,125 (1999: Rs.8,125)]			
Unlisted			
Anoud Power Generation Limited		10,800	10,800
1,080,000 Ordinary shares of Rs.10 each.			
[Chief Executive: Tasveer A. Jumani.			
Break-up value of each Ordinary share of Rs.10 is Rs.10 (1999: Rs.10) per Ordinary share based on the latest audited accounts available for the year ended June 30, 1999]			
Fuel Pipelines Limited		50	50
5,000 Ordinary shares of Rs.10 each. [Equity held 10% (1999: 10%), Chief Executive: Syed Amjad Hussain			
Break-up value of each Ordinary share of Rs.10 is Rs.4.89 (1999: Rs.4.96) per Ordinary share based on the latest audited accounts available for the year ended June 30, 1999]			
Provision for diminution in value of investments in unlisted securities		(10,850)	(10,850)
		9	9
		=====	=====

6. LONG TERM LOANS, ADVANCE AND DEPOSITS

Considered good			
Loans			
Secured			
Executives		24,650	22,640
Employees		2,188	6,493
	6.1	26,838	29,133
Less: Recoverable within one year shown under current assets			
Executives		7,240	6,033
Employees		497	1,525
		7,737	7,558
Unsecured		19,101	21,575

Executives		12,968	12,175
Employees		917	1,929
	6.2	13,885	14,104
Less: Recoverable within one year shown under current assets			
Executives		3,019	3,243
Employees		345	695
	10	3,364	3,938
		10,521	10,166
State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC)	6.3	60,000	60,000
		89,622	91,741
Advance Unsecured			
State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC)	6.4	50,000	50,000
Deposits		5,658	5,659
		145,280	147,400
Loans and advance outstanding for periods exceeding three years		123,248	124,851
Others		16,374	16,890
		139,622	141,741

6.1 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 installments over a period ranging between 10 to 12 (1999:7 to 12) years. Motor car loans carry interest ranging between 3% to 7% (1999: 3% to 7%) per annum and are secured against respective vehicles purchased by them as opposed to house building loans which are interest free and secured against title documents of the property purchased by the employees.

The maximum aggregate amount due from executives in respect of secured loans at the end of any month during the year was Rs.26.772 (1999: Rs.26.507) million.

6.2 The unsecured loans to executives and employees are personal loans and are for the purchase of furniture and motor cycles. These are granted in accordance with the terms of their employment and are recoverable in monthly installments over a period ranging between 4 to 12 (1999:4 to 12) years and are interest free.

The maximum aggregate amount due from executives in respect of unsecured loans at the end of any month during the year was Rs.14.103 (1999: Rs.13.392) million.

6.3 The company has provided a sum of Rs.60.00 million as a loan to the State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC) for the purposes of setting up the Iran-Pak Refinery Project, under the directives of the Government of Pakistan. Although the loan carries markup @ 14% (1999: 14%) per annum, the company has decided not to accrue the same with effect from July 1, 1998, in view of uncertainty regarding the realization of markup because of financial position of the PERAC. The company has the option to convert the loan into equity in the above referred project.

6.4 This represents an advance to PERAC for acquiring shares in National Crescent Petroleum Limited. The shares have not yet been allotted to the company.

2000 **1999**
(Rupees in '000)

7. STORES, SPARES AND CHEMICALS

In hand			
Stores		216,900	212,085
Spares		495,583	468,525
Chemicals		127,220	120,605
In transit		26,854	48,887
		866,557	850,102
Provision against obsolete stores, spares and chemicals		(371,899)	(303,876)
		494,658	546,226

=====

7.1 Due to the nature of the inventory of the company, stores and spares held for capital expenditure purposes cannot be separately identified.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
8. STOCK-IN-TRADE			
Crude oil			
in tanks		846,720	875,964
in transit		406,067	208,699
		-----	-----
		1,252,787	1,084,663
Semi finished products		373,880	256,117
Adjustment relating to net realizable value		--	(126)
		-----	-----
		373,880	255,991
Finished products		1,059,349	371,320
		-----	-----
		2,686,016	1,711,974
		=====	=====

9. TRADE DEBTS

Unsecured			
Considered good		4,903,691	5,380,423
Considered doubtful		22,735	22,735
		-----	-----
		4,926,426	5,403,158
Provision against debts considered doubtful		(22,735)	(22,735)
		-----	-----
		4,903,691	5,380,423
		=====	=====

10. LOANS AND ADVANCES

Considered good			
Loans			
Current portions of long term loans			
Secured			
Executives		7,240	6,033
Employees		497	1,525
		-----	-----
	6	7,737	7,558
Unsecured			
Executives		3,019	3,243
Employees		345	695
		-----	-----
	6	3,364	3,938
Short term loans to employees			
Advances			
Executives		515	606
Employees		5	27
Suppliers		25,385	11,400
		-----	-----
		25,905	12,033
		-----	-----
		39,234	25,313
		=====	=====

10.1 The maximum aggregate amount due from executives in respect of advances at the end of any month during the year was Rs.0.602 (1999: Rs.0.956) million.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
11. DEPOSITS AND PREPAYMENTS			
Deposits			
Development surcharge		6,026	5,517
Excise duty		31,005	13,085
Margin against letters of credit and guarantee		2,400	2,063
Lease deposits		883	701
Others		1,905	1,733
		-----	-----
		42,219	23,099
Prepayments			
Rent		--	96

Insurance		29,758	29,368
Miscellaneous		8,398	7,632
		-----	-----
		38,156	37,096
		-----	-----
		80,375	60,195
		=====	=====

12. OTHER RECEIVABLES

Considered good

Due from

National Oil Marketing (Private) Limited - a wholly owned subsidiary		1,456	1,425
Government of Pakistan	12.1	4,000,304	3,604,295
Pakistan State Oil Company Limited	12.2	10,452	10,452
Pakistan Refinery Limited - an associated Undertaking	12.3	45,659	143,247
Interest accrued on unsecured long term loan to PERAC	6.3	7,531	7,531
Claims receivable	12.4	2,073	3,204
Sales tax - net	12.5	528,021	--
Income tax refundable		2,726	--
Miscellaneous		951	2,376
		-----	-----
		4,599,173	3,772,530
		=====	=====

12.1 This represents the net balance of:

(a) refund of Rs.3,945.364 (1999: Rs.3,759.048) million due from the Government of Pakistan under the Import Parity Formula, discussed in note 2.15 to these accounts, in respect of the current year.

(b) development surcharge of Rs.78.328 million due from the Government of Pakistan on furnace oil used as feedstock in the lube refinery in respect of period commencing 1995-96 to 1998-99 (1999:Rs.131.365 million due to the Government of Pakistan).

(c) Rs.23.388 (1999: Rs.23.388) million due to the Government of Pakistan in respect of net debt servicing costs whereby excess of interest earned on funds, previously set aside for the purposes of repayment of short term loan obtained by the company from the Islamic Development Bank in the past, over interest paid thereon and resulting exchange rate fluctuations is payable to the Government and, hence, the balance of Rs.23.388 million, as referred to above, is due in this regard.

During the current year, the Ministry of Petroleum and Natural Resources in their letter dated April 27, 2000 approved the revised computation of development surcharge, under the existing formula, whereby the amount owed on this account was determined to be Rs.53.037 million in respect of the years commencing June 30, 1996 to June 30, 1999, resulting in a refund of Rs.78.328 million, as referred to in (b) above, as opposed to Rs.131.365 million previously estimated to be payable to the Government of Pakistan. Accordingly, the company has now recorded the same in the accounts of the current year.

12.2 This represents amount due in respect of furnace oil imported by the company for the Pakistan State Oil Company Limited (PSO) under the directives of the Federal Government. Efforts are currently being made to recover this amount from the PSO and, hence, as a result thereof the management is confident that the same will be recovered shortly.

12.3 This represents amount due from Pakistan Refinery Limited (PRL) on account of custom duties and other related charges paid by the company on behalf of PRL on the import of crude oil under the directives of the Federal Government.

12.4 Included herein are claims in respect of insurance and sales tax amounting to Rs.0.262 (1999: Rs.0.207) million and Rs.1.811 (1999: Rs.2.997) million respectively.

12.5 During the current year, the Federal Government through SRO 922(I)/99 withdrew sales tax exemption, previously available to the company on crude petroleum oil. As a result, sales tax @ 15% has been imposed thereon with effect from August 16, 1999.

2000 **1999**
(Rupees in '000)

13. CASH AND BANK BALANCES

In hand		568	570
At banks in			
current accounts		105,287	6,143
savings accounts		27,085	52,691

foreign currency deposit account	9,640	9,208
	-----	-----
	142,012	68,042
	-----	-----
	142,580	68,612
	=====	=====

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2000	1999	2000	1999	
		(Rupees in '000)		
59,450,417	59,450,417	Ordinary shares of Rs.10 each fully paid in cash	594,504	594,504
6,469,963	6,469,963	Ordinary shares of Rs.10 each fully paid for consideration other than cash	64,700	64,700
718,420	718,420	Ordinary shares issued as fully paid bonus shares	7,184	7,184
-----	-----	-----	-----	-----
66,638,800	66,638,800		666,388	666,388
=====	=====	=====	=====	=====

15. RESERVES**Capital reserves**

Capital compensation reserves		10,142	10,142
Exchange equalisation reserve		4,117	4,117
		-----	-----
		14,259	14,259
Revenue reserves			
General reserve	15.2	1,706,000	1,299,000
Unappropriated profit carried forward		172	340
		-----	-----
		1,706,172	1,299,340
		-----	-----
		1,720,431	1,313,599
		=====	=====

15.1 Capital compensation reserves

(a) For premature termination of crude oil sales, bareboat charter-party and technical assistance agreements		17,396	17,396
(b) For design defects and terminated service agreements		613	613
(c) For termination of bareboat charter-party and affreightment agreements		395	395
		-----	-----
		18,404	18,404
Less: Capitalised by issue of bonus shares of Rs.7.184 (1999: Rs.7.184) million, including tax thereon		8,262	8,262
		-----	-----
		10,142	10,142
		=====	=====

15.2 General reserve

Balance at the beginning of the year		1,299,000	922,000
Appropriation during the year		407,000	377,000
		-----	-----
		1,706,000	1,299,000
		=====	=====

16. LONG TERM LOANS

Secured loans from banks

Demand finance loans

Allied Bank of Pakistan Limited		--	66,300
AN7 Grindlays Bank Limited		--	40,000
Muslim Commercial Bank Limited		--	13,185
		-----	-----
		--	119,485
		=====	=====

Unsecured loans

State Petroleum Refining and Petrochemical Corporation (Private) Limited (PERAC)	16.1	188,377	273,673
		-----	-----
		188,377	393,158
		=====	=====

Less: Current maturities shown under current liabilities

Secured loans from banks	--	60,985
Unsecured loans from PERAC	91,421	89,415
	-----	-----
19	91,421	150,400
	-----	-----
	96,956	242,758
	=====	=====

16.1 The balance outstanding at the end of the current year in respect of unsecured loans from PERAC is repayable thereto in Pak Rupees, equivalent to approximately U.S. Dollars 3.602 (1999: U.S. Dollars 5.273) million. These loans, originally consisting of two separate loans of U.S. Dollars 19.625 million and U.S. Dollars 1.087 million, aggregating to U.S. Dollars 20.712 million, were arranged by PERAC from the International Bank for Reconstruction and Development (IBRD) for the purposes of improving the efficiency and operations of the company and, hence, PERAC relents the above referred U.S. Dollars Rs.20.712 million equivalent to the company under two separate subsidiary loan agreements.

These loans carry interest at the rate of one half of one percent per annum above the cost of qualified borrowings for the last semester ending prior to the commencement of such interest period. Accordingly, the effective rate of interest for the year thus worked out @ 5.40% (1999: 6.11%) per annum.

The repayments in respect of the loan of U.S. Dollar 19.625 million are to be made in four equal half yearly installments of U.S. Dollar 0.925 million equivalent whereas repayments in respect of U.S. Dollar 1.087 million are to be made in six equal half yearly installments of U.S. Dollar 0.036 million equivalent.

17. OBLIGATIONS UNDER FINANCE LEASES

During the year, the company entered into three new finance lease agreements in respect of vehicles. The rates of interest used as the discounting factor range between 14.95% and 18.06% (1999: 14.95% and 18.06%) per annum. There are no financial restrictions in the lease agreements.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

Note	2000		1999	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	----- (Rupees in '000) -----			
Year ending				
June 30, 2000	--	--	2,123	1,341
June 30, 2001	3,284	2,378	2,123	1,589
June 30, 2002	3,229	2,784	2,069	1,829
June 30, 2003	1,407	1,312	409	395
June 30, 2004	358	161	--	--
	-----	-----	-----	-----
Total minimum lease payments	8,278	6,635	6,724	5,154
Less: Financial charges allocated to future periods	1,643	--	1,570	--
Present value of minimum lease payments	-----	-----	-----	-----
	6,635	6,635	5,154	5,154
Less: Current maturity shown under current liabilities	19	2,322	--	1,342
	-----	-----	-----	-----
	4,313	6,635	3,812	5,154
	=====	=====	=====	=====

18. DEFERRED LIABILITIES

	2000	1999
	(Rupees in '000)	
Gratuity	59,233	50,975
Compensated absences	23,645	19,735
Deferred taxation	18.1	36,596
	-----	-----
	119,474	122,032
	=====	=====

18.1 Deferred taxation

Deferred tax credits arising from timing differences relating to fixed assets	209,651	201,911
Deferred tax debits arising from various provisions	(173,055)	(150,589)
	-----	-----

	36,596	51,322
	=====	=====

19. CURRENT MATURITIES OF LONG TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

secured	--	60,985
unsecured	91,421	89,415
	-----	-----
	16	91,421
	17	2,322
Obligations under finance leases		150,400
		1,342
	-----	-----
	93,743	151,742
	=====	=====

20. SHORT TERM RUNNING FINANCES

Under mark-up arrangements - Secured 630,584 157,633

The facilities for short term running finances available from various banks amounted to Rs.1,536.00 (1999: Rs.540.50) million.

The rates of markup range from 11% to 13.75% (1999: 14% and 16.425%) per annum, payable quarterly.

The facilities are secured against pari passu charge on stock of crude oil, first and second charge on stock-in-trade and mortgage charge over land, building and machinery of the company.

The purchase prices are repayable on various dates, latest by June 30, 2001.

21. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	9,737,915	8,364,439
Accrued liabilities		
Mark-up on:		
secured long term loans	--	237
secured short term running finances	21	628
unsecured customs duty	432,059	481,123
	-----	-----
	432,080	481,988
Interest on:		
unsecured long term loans	396	1,311
secured short term loans	1,016	1,016
	-----	-----
	1,412	2,327
Accrued expenses	520,450	552,297
	-----	-----
Other liabilities	953,942	1,036,612
Retention money	14,455	9,972
Deposits from contractors	34,615	25,487
Advances from customers	184,904	166,884
Sales tax - net	--	214,495
Workers' Profits Participation Fund	21.1	8,165
Workers' Welfare Fund		16,443
		22,377
Customs duty		43,662
Income tax deducted at source		21,890
		75,401
Miscellaneous		5,403
		14
		27,459
		12,870
	-----	-----
	319,268	565,228
	-----	-----
	11,011,125	9,966,279
	=====	=====

21.1 Workers' Profits Participation Fund

Balance at the beginning of the year		16,443	39,648
Allocation for the year	29	58,165	66,518
		-----	-----
		74,608	106,166
Interest on funds utilised in the company's business	30	1,973	1,789
		-----	-----
		76,581	107,955
Less: Amount paid to the Trustees of the Fund		68,416	91,512
		-----	-----
Balance at the end of the year		8,165	16,443
		=====	=====

22. DIVIDENDS

Unclaimed	9,659	6,630
Proposed	233,236	266,555
	-----	-----
	242,895	273,185
	=====	=====

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 The ANZ Grindlays Bank has confirmed a loan given to the company amounting to U.S. Dollars 30.00 million, equivalent to approximately Rs.1,569 million, which has not been recorded by the company in its books as the same was not received by the company and the proceeds thereof were credited to the account of the Federal Government. The Federal Government vide their letter number F-3(25) EF (B-III)/97-113, dated February 7, 2000 has now acknowledged deposit of the above-referred loan in the Federal Government Account and has assumed responsibility for the repayment of principal and interest thereon through the State Bank of Pakistan. However, as per the instructions of the Federal Government, contained in the above mentioned letter, the loan in question is shown as a contingency in these accounts.

The aforementioned loan carries interest @ 8.19% (LIBOR + 1.25%) [1999: 6.5% (LIBOR + 1%)] per annum and is guaranteed by the State Bank of Pakistan through the Pakistan Trade Maintenance Agreement. This was originally payable on September 30, 1998, however, the same has been rescheduled and will be repaid in 3 years with 60% of principal amount to be paid in year 2 and 40% in year 3. Interest on the same is payable on a quarterly basis. The accumulated amount of the principal and interest at the end of the current year is U.S. Dollars 32.370 (1999: U.S. Dollars 31.463) million, equivalent to approximately Rs.1,692.937 (1999: Rs.1,632.904) million.

23.2 A contractor has filed a claim of Rs.9.572 (1999: Rs.9.572) million against the company for (a) alleged delay in the completion of certain storage tanks, causing the contractor a loss on that account and (b) in respect of extra work performed by the contractor. Although the matter is currently under arbitration, the company is, none-the-less, confident that the case will be decided against the contractor and, hence, pending a final decision by the arbitrator, no provision has been made by the company against the above referred claim.

23.3 A customer of the company invoked arbitration proceedings against the company on account of a dispute resulting from the alleged contamination of certain cargo sold by the company. The customer and the company have appointed their respective arbitrators with no statement of claim filed to date by the customer. Accordingly, the amount of claim cannot be determined at present.

23.4 Outstanding counter guarantees at the end of the year amounted to Rs.51.821 (1999: Rs.57.791) million.

23.5 Claims not acknowledged as debt amounted to Rs.92.378 (1999: Rs.21.577) million at the end of the year.

Commitments

23.6 Contracts signed in respect of capital expenditure but not executed until the end of the year, amounted to Rs.3.308 (1999: Rs.20.0) million.

23.7 Outstanding letters of credit at the end of the year amounted to Rs.76.223 (1999: Rs.98.830) million.

	2000	1999
	(Rupees in '000)	
24. GROSS SALES		
Local	27,879,742	19,079,153
Export	1,449,982	545,066
	-----	-----
	29,329,724	19,624,219
	=====	=====

25. DUTIES, TAXES AND LEVIES

Development surcharge	229,346	513,365
Excise duty	349,426	324,906
Sales tax	3,046,199	735,218
Custom duty, wharfage and other levies	21,708	14,009
	-----	-----
	3,646,679	1,587,498
	=====	=====

26. COST OF SALES

Opening stock of semi-finished and finished products		627,311	735,633
Crude oil and drums consumed	26.1	27,478,540	14,819,417

Stores, spares and chemicals consumed		214,483	329,513
Provision against obsolete stores, spares and chemicals - net		68,023	69,027
Salaries, wages and staff benefits - Fuel and power	26.2	409,748	373,699
Rent, rates and taxes		577,987	680,408
Insurance		21,941	23,231
Repairs and maintenance		33,056	33,030
Depreciation	3.2	221,419	233,327
Staff transport		112,929	241,589
Research and development outlay		11,231	11,873
Consultancy / survey fee		11,000	8,000
Miscellaneous		636	8,752
		20,249	21,052
		-----	-----
		29,181,242	16,852,918
		-----	-----
		29,808,553	17,588,551
Closing Stock of semi-finished and finished products		(1,433,229)	(627,311)
		-----	-----
		28,375,324	16,961,240
		=====	=====

26.1 Crude Oil and Drums Consumed

Crude oil - Opening stock		875,964	402,345
Purchases		27,282,024	14,979,253
Closing stock		(846,720)	(875,964)
		-----	-----
		27,311,268	14,505,634
Drums consumed		167,272	313,783
		-----	-----
		27,478,540	14,819,417
		=====	=====

26.2 Included herein is a sum of Rs.32.049 (1999: Rs.36.384) million in respect of staff retirement benefits.

27. OTHER OPERATING INCOME

Interest on:			
bank deposits		89,592	50,229
secured loans to employees		145	117
Accrued liabilities written back		82,954	86,825
Development surcharge written back on its revision 12.1 (b)		78,328	--
Gain on sale of fixed assets		74	93
Proceed from sale of scrap and empties		--	9,043
Lube based oil pipeline charges		549	609
Supply of utilities		158	978
Ground rent		469	440
Tender fees		614	656
Store handling charges		40	14
Training and seminar		3,110	2,484
Exchange gain		--	1,321
Miscellaneous		213	1,938
		-----	-----
		256,246	154,747
		=====	=====

28. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries and staff benefits	28.1	156,229	164,911
Rent, rates and taxes		1,764	2,260
Selling expenses		5,082	3,146
Depreciation	3.2	8,619	8,960
Legal and professional charges		4,118	3,518
Auditors' remuneration	28.2	652	787
Printing and stationery		4,674	3,419
Staff transport		3,261	2,932
Repairs and maintenance		13,587	14,256
Telephone		6,678	5,201
Electricity and water charges		5,086	4,503
Postage, telegrams and periodicals		1,182	706
Subscriptions		1,389	1,751
Sanitation and gardening		3,458	2,810
Donations	28.3	25	--
Miscellaneous		16,688	10,549
		-----	-----
		232,492	229,709
		=====	=====

28.1 Included herein is a sum of Rs.12.251 (1999: Rs.12.590) million in respect of staff retirement benefits.

28.2 Auditors' remuneration

Audit fee		150	125
Special reports and certifications, audit of Workers' Profit Participation Fund, sundry accounting and advisory services		467	570
Out-of-pocket expenses		35	92
		-----	-----
		652	787
		=====	=====

28.3 Donations were not made to any donee in whom a director or his spouse had any interest at any time during the year.

29. OTHER CHARGES

Workers' Welfare Fund		12,071	33,543
Workers' Profit Participation Fund	21.1	58,165	66,518
		-----	-----
		70,236	100,061
		=====	=====

30. FINANCIAL CHARGES

Markup on:			
secured long term loans		11,482	26,886
secured short term running finances		8,409	5,564
unsecured customs duty		63,142	342,106
		-----	-----
Interest on:		83,033	374,556
unsecured long term loans		25,843	69,669
secured short term loans		384	284,521
Workers' Profit Participation Fund	21.1	1,973	1,789
		-----	-----
		28,200	355,979
Finance charges in respect of finance leases		1,081	1,655
Guarantee commission		451	249
Bank charges		779	1,007
		-----	-----
		113,544	733,446
		=====	=====

31. TAXATION

Current			
Prior		376,552	545,716
		24,526	94,066
Deferred		(14,726)	(52,783)
		-----	-----
		386,352	586,999
		=====	=====

The income tax assessments of the company have been finalized upto and including assessment year 1999-2000, corresponding to the year ended June 30, 1999. However, as a result of various appeals filed by the company against the assessment orders finalized by the department in respect of prior years, the Income Tax Appellate Tribunal decided the same in favour of the company. The Income Tax Department has preferred to file appeals thereagainst in the High Court of Sindh, which are currently pending hearings.

32. BASIC EARNINGS PER SHARE

Basic earnings per share has been computed by dividing the net profit for the year after taxation with the number of Ordinary shares issued by the company.

	2000	1999
	<i>(Rupees in '000)</i>	
33. UNAVAILABLE CREDIT FACILITIES		
Short term running finances	905,416	382,867
Letters of credit	1,570,566	1,226,170
Letters of guarantee	23,179	94,709
	=====	=====

34. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,093,059	1,230,307
Adjustment for non cash charges and other items:		
Depreciation	121,548	250,549

Financial charges	113,544	733,446
Gratuity	8,945	15,071
Compensated absences	3,910	7,100
Profit on sale of fixed assets	(74)	(93)
Accrued liabilities written back	(82,954)	(86,825)
Provision against obsolete stores, spares and chemical - net	68,023	69,027
	-----	-----
Profit before working capital changes	1,326,001	2,218,582
Working capital changes		
(Increase) / Decrease in current assets		
Store and spares	(16,455)	(46,005)
Stock-in-trade	(974,042)	(571,844)
Trade debts	476,732	3,167,825
Loans and advances	(13,921)	93,417
Deposits and short term prepayments	(20,180)	(2,703)
Other receivables	(957,954)	(1,179,830)
	-----	-----
Increase / (Decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	1,312,660	2,108,441
	-----	-----
Cash generated from operations	1,132,841	5,787,883
	=====	=====

35. CASH AND CASH EQUIVALENTS

Cash and bank balances	142,580	68,612
Short term loans and running finance	(630,584)	(157,633)
	-----	-----
	(488,004)	(89,021)
	=====	=====

36. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES

	<i>Chief</i>		<i>TOTAL</i>	
	<i>Executive</i>	<i>Executives</i>	<i>2000</i>	<i>1999</i>
	------(Rupees in '000)-----			
Managerial remuneration	994	225,799	226,793	98,668
Company's contribution to provident and pension funds	--	15,716	15,716	14,800
	-----	-----	-----	-----
	994	241,515	242,509	113,468
Other perquisites and benefits				
Rent and housing	220	52,986	53,206	22,504
Conveyance	114	43,148	43,262	24,912
Leave benefits	85	22,126	22,211	7,415
	-----	-----	-----	-----
	419	118,260	118,679	54,831
	-----	-----	-----	-----
June 30, 2000	1,413	359,775	361,188	168,299
	=====	=====	=====	=====
June 30, 1999	577	167,722	--	--
	=====	=====	=====	=====

	Number of persons			
June 30, 2000	1	612	613	--
June 30, 1999	1	298	--	299

36.1 The Chief Executive and some of the executives of the company are also provided with free use of company's cars and residential equipment in accordance with their terms of service.

36.2 Fees paid to non-executive directors was Rs.0.028 (1999: Rs.0.026) million.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**37.1 Financial assets and liabilities**

	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total	
	<i>Maturity upto</i>	<i>Maturity after</i>	<i>Sub-total</i>	<i>Maturity upto</i>	<i>Maturity after</i>	<i>Sub-total</i>	<i>2000</i>	<i>1999</i>
	<i>one year</i>	<i>one year</i>		<i>one year</i>	<i>one year</i>			
	------(Rupees in '000)-----							
FINANCIAL ASSETS								
Long term investments	--	--	--	--	9	9	9	9
Long term loans and advances	--	60,000	60,000	--	50,000	50,000	110,000	110,000
Deposits	--	--	--	42,219	5,658	47,877	47,877	28,758

Trade debts	4,463,877	--	4,463,877	439,814	--	439,814	4,903,691	5,380,423
Other receivables	--	--	--	4,066,615	--	4,066,615	4,066,615	3,769,533
Cash and bank balance	36,725	--	36,725	105,855	--	105,855	142,580	68,612
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2000	4,500,602	60,000	4,560,602	4,654,503	55,667	4,710,170	9,270,772	9,357,335
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 1999	4,936,162	60,000	4,996,162	4,305,505	55,668	4,361,173	9,357,335	
	=====	=====	=====	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES								
Long term loans	91,421	96,956	188,377	--	--	--	188,377	393,158
Obligations under finance leases	2,322	4,313	6,635	--	--	--	6,635	5,154
Short term running finance	630,584	--	630,584	--	--	--	630,584	157,633
Creditors, accrued and other liabilities	209,139	--	209,139	10,312,092	--	10,312,092	10,521,231	9,135,141
Dividends	--	--	--	242,895	--	242,895	242,895	273,185
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2000	933,466	101,269	1,034,735	10,554,987	--	10,554,987	11,589,722	9,964,271
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 1999	452,997	246,570	699,567	9,264,704	--	9,264,704	9,964,271	
	=====	=====	=====	=====	=====	=====	=====	=====

37.2 Credit risk exposure

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.9,270.772 million, the financial assets which are subject to credit risk amounted to Rs.5,127.879 million. The company believes that it is not exposed to major concentration of credit risk. Further it manages credit risk in trade receivables by executing formal agreements with the debtors.

37.3 Interest / mark-up rate risk exposure

The company is exposed to interest / mark-up rate risk on some of the financial obligations. Significant financial assets / liabilities which are exposed to various rates of interest are mentioned in the respective notes to the accounts.

37.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. Major payables exposed to foreign currency risks are covered through forward foreign exchange contracts. In addition, the company is also exposed to foreign exchange movements in the bank deposit account. The company uses foreign currency borrowings as a natural hedge against the bank deposit.

37.5 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.

38. ASSOCIATED UNDERTAKING

The Company shares crude oil imports with Pakistan Refinery Limited (PRL). Under this arrangement crude oil delivered to PRL amounted to Rs.18,544.403 (1999: Rs.8,182.397) million and it has also received crude oil from PRL in aggregate amount of Rs. Nil (1999: Rs.687.595) million.

39. SEGMENT INFORMATION

The company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The fuel segment is a diverse supplier of fuel products and offers gasoline, diesel oils, kerosene and furnace oil. The lube segment provides different types of lube based oils, asphalt and wax free oil for different sectors of the economy. The company accounts for intersegment sales and transfers on the basis of cost.

The following tables present revenue and profit information regarding business segments for the year ended June 30, 2000 and June 30, 1999 and certain asset and liability information regarding business segments at June 30, 2000 and June 30, 1999.

	Fuel		Lube		Total	
	2000	1999	2000	1999	2000	1999
	----- (Rupees in '000) -----					
Segment Revenue						
Sales to external customer	19,161,246	12,010,382	6,521,799	6,026,339	25,683,045	18,036,721
Inter segment sales	5,070,526	2,645,353	(5,070,526)	(2,645,353)	--	--
Refunds from Government	3,563,225	1,140,749	382,139	(77,454)	3,945,364	1,063,295
	-----	-----	-----	-----	-----	-----
Total Revenue	27,794,997	15,796,484	1,833,412	3,303,532	29,628,409	19,100,016
	-----	-----	-----	-----	-----	-----
Segment result after tax	22,917	22,917	519,511	586,190	542,428	609,107
	-----	-----	-----	-----	-----	-----

Unallocated Revenue					164,279	34,201
Net Profit					706,707	643,308
Segment Assets	11,419,164	10,908,292	1,974,277	1,134,035	13,393,441	12,042,327
Unallocated Assets	--	--	--	--	1,211,497	1,231,825
Investment in Subsidiary	--	--	--	--	1	1
Total Assets	11,419,164	10,908,292	1,974,277	1,134,035	14,604,939	13,274,153
Segment Liabilities	10,808,004	9,258,060	1,330,845	1,588,324	12,138,849	10,846,384
Unallocated Liabilities	--	--	--	--	79,271	447,782
Total Liabilities	10,808,004	9,258,060	1,330,845	1,588,324	12,218,120	11,294,166
Other Segment Information:						
Capital expenditure	1,132	8	9,442	4,482	10,574	4,490
Unallocated capital expenditure	--	--	--	--	165,493	45,766
					176,067	50,256
Depreciation	26,327	26,859	9,102	145,244	35,429	172,103
Unallocated depreciation	--	--	--	--	86,119	78,446
					121,548	250,549
Non-cash expenses other than depreciation	41,440	46,253	35,528	38,445	76,968	84,698

40. STATEMENT PURSUANT TO SECTION 237 (1) (e) OF THE COMPANIES ORDINANCE, 1984

The audited accounts of the company's wholly owned subsidiary, National Oil Marketing (Private) Limited, for the year ended June 30, 2000 are annexed to these accounts. The (accumulated loss) / unappropriated profit which has been carried forward in the accounts of the subsidiary company has not been dealt with in or for the purpose of the accounts of National Refinery Limited.

The other information required by Section 237 (1) (e) of the Companies Ordinance 1984 is given hereunder:

	2000	1999
(a) Extent of the interest of National Refinery Limited (the holding company) in the equity of National Oil Marketing (Private) Limited (the subsidiary company) at the end of the financial year of the subsidiary;	100%	100%
	(Rupees in '000)	
(b) The net aggregate amount of the (losses) / profits of the subsidiary company so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company for the year ended June 30, 2000 are:		
i) for the financial year of the subsidiary;	(2,184)	624
ii) for the previous years of the subsidiary since it became the holding company's subsidiary;	17	(607)
(c) The net aggregate amount of the (losses) / profits of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 2000 are:		
i) for the financial year of the subsidiary;	--	--
ii) for the previous years of the subsidiary since it became the holding company's subsidiary.	--	--

41. CAPACITY AND ACTUAL PERFORMANCE

	<i>Annual designed throughput capacity</i>	<i>Actual throughput for the year ended June 30,</i>	
		<i>2000</i>	<i>1999</i>
	(In Metric Tons)		
Fuel section - throughput of crude oil	2,710,500	2,855,733	2,892,766
Lube section - throughput of reduced crude oil	620,486	692,010	691,495

	2000	1999
42. NUMBER OF EMPLOYEES	1,042	1,077

43. GENERAL

43.1 Figures have been rounded-off to the nearest thousand of rupees.

43.2 Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison.

ZAFAR IQBAL	M.M. HUSAIN	G.A.SABRI
Chairman	Chief Executive	Director

PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 2000

<i>NO. OF SHARE HOLDER</i>	<i>SHARE HOLDINGS FROM</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
1,357	1	100	61,877
1,331	101	500	411,773
688	501	1,000	569,998
918	1,001	5,000	2,140,776
125	5,001	10,000	916,198
17	10,001	15,000	211,134
24	15,001	20,000	420,267
6	20,001	25,000	138,330
6	25,001	30,000	168,100
5	30,001	35,000	163,557
3	35,001	40,000	113,150
4	40,001	45,000	171,450
7	45,001	50,000	340,165
2	55,001	60,000	120,000
2	60,001	65,000	122,504
3	65,001	70,000	210,000
2	70,001	75,000	144,500
1	75,001	80,000	76,662
3	80,001	85,000	246,800
4	95,001	100,000	400,000
1	105,001	110,000	107,500
1	110,001	115,000	115,000
1	130,001	135,000	131,400
1	150,001	155,000	153,000
1	155,001	160,000	160,000
1	205,001	210,000	210,000
1	210,001	215,000	210,133
1	270,001	275,000	274,500
1	280,001	285,000	283,500
1	310,001	315,000	312,717
1	335,001	340,000	339,320
1	655,001	660,000	658,04
1	695,000	700,000	696,600
2	795,001	800,000	1,600,000
1	965,001	970,000	967,418
1	1,300,001	1,305,000	1,300,182
1	2,815,001	2,820,000	2,817,560
1	2,835,001	2,840,000	2,838,447
1	4,245,001	4,250,000	4,247,150
1	5,275,001	5,280,000	5,279,822
1	9,995,001	10,000,000	10,000,000
1	10,755,001	10,760,000	10,757,382
1	16,030,001	16,035,000	16,031,888
-----	-----	-----	-----
4,532			66,638,800
=====	=====	=====	=====

CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	4,408	5,213,587	7.82
Investment Companies	14	12,180,040	18.28
Joint Stock Companies	36	369,408	0.55
Financial Institutions*	46	33,397,329	50.12
Modaraba Companies	4	144,600	0.22
Insurance Companies	13	4,408,169	6.62
Others	10	10,919,667	16.39
1. PERAC	1	10,757,382	16.14
2. Administrator Abandoned Properties	1	46,630	0.07

3. Charitable Organizations	6	86,654	0.13
4. Corporate Law Authority	1	1	0.00
5. Employees old age benefits	1	2,900	0.04
Non Residents	2	600	0.01
	-----	-----	-----
TOTAL	4,532	66,638,800	100.00
	=====	=====	=====

* Including Islamic Development Bank Jeddah, Holding 5% Shares

SUBSIDIARY COMPANY NATIONAL OIL MARKETING (PRIVATE) LIMITED

(A Wholly owned subsidiary company of National Refinery Limited)

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Audited Financial Statements for the year ended June 30, 2000.

	<i>(Rupees)</i>
Loss for the year ended June 30, 2000	2,183,987
Less: Accumulated profit carried forward	17,188

Accumulated loss carried forward	2,166,799
	=====

COMMERCIAL ACTIVITIES

The Board has decided in principle to reactivate the activities of the company. Government has recently deregularized the sale of LPG and Furnace Oil and hopefully would deregularize other petroleum products as well. The Board concluded that sizeable profit could be earned by marketing the fuel products.

The Board decided that all documentation should be completed and the request, under the Petroleum Rules 1971, may be sent to Director General (Oil) to permit National Oil Marketing (Pvt.) Ltd. (NOM) to operate as oil marketing company.

BOARD OF DIRECTORS

Presently Mr. M. M. Husain is Chairman and Chief Executive and Messrs Zahiruddin, Asad A. Siddiqui, Khawaja Shahid Waheed and Mohammad Wasi Khan are Directors on the Board.

PATTERN OF SHAREHOLDINGS

National Refinery Limited owns 100 shares of Rs. 10 each.

AUDITORS

The Auditors M/s. Ford, Rhodes, Robson, Morrow Chartered Accountants, retire and being eligible, offer themselves for reappointment.

On behalf of the Board

M. M. HUSAIN
Chairman and Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NATIONAL OIL MARKETING (PRIVATE) LIMITED as at June 30, 2000 and the related profit and loss account, 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 and, after due verification thereof, 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 the 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 purposes 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, together with the notes forming part thereof, 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, 2000 and of the loss for the year then ended.

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

(e) without qualifying our opinion we draw attention to note 10 in the financial statements. The Company incurred a net loss of Rs. 2.184 million during the year ended June 30~ 2000 and, as of that date, the company's total liabilities exceeded its total assets by Rs. 1.666 million. Accordingly, the ability of the company to continue as a going concern depends upon its success in improving liquidity and achieving other plans as disclosed by the management of the company in note 10 to these accounts.

Karachi: October 19, 2000

Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees)</i>	
ASSETS			
CURRENT ASSETS			
Advance income tax		9,807	--
Accrued interest		53,155	765,427
Cash and bank balances	3	84,660	2,956,352
		-----	-----
		147,622	3,721,779
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
10,000,000 (1999:10,000,000) Ordinary shares of Rs. 10 each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up	4	1,000	1,000
Reserve	5	(1,666,799)	517,188
		-----	-----
		(1,665,799)	518,188
CURRENT LIABILITIES			
Current account with National Refinery Limited, the Parent company			
		1,456,050	1,425,445
Accrued and other liabilities	6	357,371	1,717,129
Provision for taxation - net		--	61,017
		-----	-----
		1,813,421	3,203,591
		-----	-----
		147,622	3,721,779
		=====	=====

The annexed notes form an integral part of these accounts.

M. M. HUSAIN
Chief Executive

ASAD A. SIDDIQUI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees)</i>	
COMMISSION INCOME			
		--	1,293,881
OTHER OPERATING INCOME	7	151,228	5,521,187
		-----	-----
		151,228	6,815,068
Administrative expenses			
		171,586	5,117,329
Selling expenses		--	145,241
		-----	-----
		171,586	5,262,570
OPERATING (LOSS) / PROFIT		(20,358)	1,552,498
Financial charges		--	15,255
		-----	-----
(LOSS) / PROFIT BEFORE TAXATION		(20,358)	1,537,243

TAXATION

Current	9	--	412,824
Prior		2,163,629	--
		-----	-----
		2,163,629	412,824
		-----	-----
NET (LOSS) / PROFIT FOR THE YEAR		(2,183,987)	1,124,419
Unappropriated profit / (Accumulated loss) brought forward		17,188	(607,231)
		-----	-----
		(2,166,799)	517,188
APPROPRIATION			
Transfer to general reserve		--	500,000
		-----	-----
(ACCUMULATED Loss) / UNAPPROPRIATED PROFIT CARRIED FORWARD		(2,166,799)	17,188
		=====	=====

The annexed notes form an integral part of these accounts.

M. M. HUSAIN
Chief Executive

ASAD A. SIDDIQUI
Director

NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000**THE COMPANY AND ITS OPERATIONS**

National Oil Marketing (Private) Limited was incorporated in Pakistan on April 18, 1998 as a private limited company. It is engaged in the marketing of the products of National Refinery Limited, the Parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Taxation

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

2.3 Revenue recognition

Commission on sale of products is recognised on despatch of goods to customers. Return on bank deposits and commission on the placement of human resources are recognised on an accrual basis.

3. CASH AND BANK BALANCES

	2000	1999
	(Rupees)	
In hand	203	203
At banks in		
current account	4,582	62,967
deposit account	79,875	2,893,182
	-----	-----
	84,660	2,956,352
	=====	=====

4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

100(1999: 100) Ordinary shares of Rs. 10 each fully paid in cash	1,000	1,000
	-----	-----
	=====	=====

National Refinery Limited, the Parent company, held 100 Ordinary shares of Rs. 10 each of the company at the end of the year.

5. RESERVE

Revenue reserve		
General reserve	500,000	500,000
(Accumulated loss) / Unappropriated profit	(2,166,799)	17,188
	-----	-----
	(1,666,799)	517,188
	=====	=====

6. ACCRUED AND OTHER LIABILITIES

Accrued liabilities		
Accrued expenses	134,297	736,460
Other liabilities		
Advances from customers	223,074	980,669

-----	-----
357,371	1,717,129
=====	=====

7. OTHER OPERATING INCOME

Return on bank deposits	151,228	4,137,382
Commission on the placement of Human Resources	--	1,332,260
Miscellaneous	--	51,545
	-----	-----
	151,228	5,521,187
	=====	=====

8. ADMINISTRATIVE EXPENSES

Salaries	14,547	4,944,478
Repairs and maintenance	--	138,775
Printing and stationery	--	18,405
Legal and professional fees	121,299	--
Travelling expense	16,101	--
	8.1	19,639
		15,000
Miscellaneous	--	671
	-----	-----
	171,586	5,117,329
	=====	=====

8.1 Auditors' Remuneration

Audit fee	15,000	15,000
Out-of-pocket expenses	4,639	--
	-----	-----
	19,639	15,000
	=====	=====

9. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1999-2000, corresponding to the year ended June 30, 1999. However, the company has filed an appeal to the Commissioner of Income tax (Appeals) in respect of assessment year 1999-2000 for salaries disallowed amounting to Rs. 3.444 million, which is currently pending.

10. Although the commercial activities of the company were discontinued in December 1998, National Refinery Limited, the Parent Company is currently contemplating necessary plans to restructure the operations of the subsidiary. In this regard, several options are being considered by the Parent company to (a) enable the subsidiary to undertake necessary marketing efforts to promote company's products and (b) assist the subsidiary in generating income from its own operations to meet necessary expenditure so that the same could turn into a profitable and viable company.

11. GENERAL

11.1 Figures have been rounded-off to the nearest rupee.

11.2 Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison.

M. M. HUSAIN
Chief Executive

ASAD A. SIDDIQUI
Director