

ATTOCK REFINERY LIMITED

Selected Notes To and Forming part of the Condensed Financial Statements (Unaudited)

For The First Quarter Ended September 30, 2008

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on November 8, 1978 as a private limited company and was converted into a public limited company on June 26, 1979. The registered office of the Company is situated at Morgah, Rawalpindi. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. It is principally engaged in the refining of crude oil.

The Company is a subsidiary of The Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group S.A.

2. BASIS OF PREPARATION

- 2.1 These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 'Interim Financial Reporting'.
- 2.2 All accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of the preceding annual published financial statements of the Company.

3. RESERVE

	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
Capital reserve	148,103	5,948
Revenue reserve		
Special reserve for expansion / modernisation - note 3.1	3,537,752	4,407,932
General reserve	55	55
Investment reserve - note 3.2	3,762,775	-
Unappropriated profit	100,731	4,574,281
	7,401,313	8,982,268
	7,549,416	8,988,216

3.1 SPECIAL RESERVE FOR EXPANSION / MODERNISATION

Represents amounts retained as per stipulations of the Government under the pricing formula and is available only for offsetting any future loss or making investment in expansion or upgradation of the refinery. Transfer to / from special reserve is recognised at each quarter end and is reviewed for adjustment based on profit / loss on an annual basis. The company has incurred capital expenditure of Rs 3,770 million on upgradation and expansion projects from July 1, 1997 to September 30, 2008 (July 1, 1997 to June 30, 2008: Rs 3,770 million).

- 3.2 The Company has set aside gain on sale of investments as investment reserve to meet any future losses / impairment on investments.

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4. SHORT TERM FINANCE

During the period, the Company has negotiated running finance facilities with various banks and accepted Facility Offer Letters to the extent of Rs 3.5 Billion. As and when required, these facilities shall be secured by joint hypothecation by way of 1st registered charges over the Company's current assets.

	September 30, 2008	June 30, 2008
(Rupees in thousand)		
5. TRADE AND OTHER PAYABLES		
Creditors and accrued liabilities - note 5.1	28,466,703	26,086,337
Due to the Attock Oil Company Limited - Holding Company	177,421	256,739
Due to associated companies		
Pakistan Oilfields Limited	2,323,266	1,685,628
Attock Information Technology Services (Private) Limited	18,496	17,429
Due to the Government under the pricing formula	9,619,082	7,138,356
Advance payments and deposits from customers	5,121	2,677
Sales tax payable	1,067,230	1,037,929
Current account balances with statutory authorities in respect of petroleum development levy, excise duty	501,861	13,475
Payable to employees funds	196,090	378,407
Crude oil freight recoverable through inland freight equalisation margin	55,968	21,479
Security deposits	48,874	48,890
Unclaimed dividends	1,485	1,576
	<u>42,481,597</u>	<u>36,688,922</u>

5.1 These balances include amounts retained from payments to crude suppliers for purchase of local crude as per the directives of the Ministry of Petroleum and Natural Resources (the Ministry) pending finalisation of prices in respect of certain crude purchases. Further, as per directive of the Ministry such withheld amounts are being retained in designated 90 days interest bearing accounts. The amounts retained alongwith accumulated profits amounted to Rs 8,379.854 million (June 30, 2008: Rs 6,630.615 million).

6. CONTINGENCIES AND COMMITMENTS

6.1 Claims/guarantees for which the Company may be contingently liable amount to Rs 1.650 million (June 30, 2008 : Rs 1.600 million) for which a lien has been marked by the bank as referred to in note 12.2. Further, there may be some price adjustment related to crude oil purchases, as referred to in note 15.1 below, the amount of which cannot be presently quantified.

6.2 Capital commitments outstanding as at September 30, 2008 were Rs 240.923 million (June 30, 2008 : Rs 216.681 million).

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	Three Months ended September 30, 2008	Year ended June 30, 2008
	(Rupees in thousand)	
7. OPERATING ASSETS		
Opening written down value	2,459,520	2,730,262
Additions during the period / year	52,714	128,787
Written down value of disposals / adjustments	(8)	(8,023)
Depreciation during the period / year	<u>(27,314)</u>	<u>(391,506)</u>
Closing written down value	<u><u>2,484,912</u></u>	<u><u>2,459,520</u></u>

8. LONG TERM INVESTMENTS - AT COST

	September 30, 2008		June 30, 2007	
	% age (Rupees in thousand)		% age (Rupees in thousand)	
	Holding		Holding	
Associated Companies				
National Refinery Limited	25	8,046,635	25	8,046,635
Attock Petroleum Limited	21.88	4,463,485	21.70	4,438,944
Attock Gen Limited	30	727,500	30	643,500
Attock Information Technology Services (Private) Limited	10	4,500	10	4,500
Subsidiary Company				
Attock Hospital (Private) Limited	100	<u>2,000</u>	100	<u>2,000</u>
		<u><u>13,244,120</u></u>		<u><u>13,135,579</u></u>

9. STOCK-IN-TRADE

As at September 30, 2008, finished products and crude oil include stocks carried at net realisable value of Rs 2,502 million (June 30, 2008: Rs 2 million). As at September 30, 2008, adjustments amounting to Rs 825 million (June 30, 2008: Rs 1 million) have been made to closing inventory to write down stock in trade to net realizable value.

10. TRADE DEBTS

These included amounts receivable from associated companies Rs 1,655 million from Attock Petroleum Limited (June 30, 2008: Rs 2,327 million) and Rs 15 million from Pakistan Oilfields Limited (June 30, 2008: Rs 11 million).

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	September 30, 2008	June 30, 2008
	(Rupees in thousand)	
11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Due from Subsidiary Company - Attock Hospital (Private) Limited	1,020	1,279
Due from associated companies		
Attock Petroleum Limited	5,128	9,308
National Refinery Limited	2,696	2,610
Attock Gen Limited	9,247	5,394
Attock Leisure and Management Associates (Pvt) Limited	283	115
National Cleaner Production Centre Foundation	3,821	2,992
Attock Cement Pakistan Limited	21	-
Attock Industrial Products Limited (net of provision of Rs 3,015,145 ; June 30, 2008 : Rs 3,015,145)	-	-
Income accrued on bank deposits	86,913	108,888
Loans, advances and other receivables	119,783	114,109
	228,912	244,695

12. CASH AND BANK BALANCES

12.1 Balances with banks include Rs 6,682.625 million (2008: Rs 4,817.269 million) in respect of deposits placed in a 90-day interest-bearing account consequent to a directive of the Ministry of Petroleum & Natural Resources (the Ministry) on account of amounts withheld as referred to in note 10.1 alongwith related interest earned thereon.

12.2 A lien on the Company's savings account has been marked by a bank to the extent of guarantees issued on behalf of the Company as referred to in note 6.1.

	3 Months to	
	September 30, 2008	September 30, 2007
	(Rupees in thousand)	
13. SALES		
Gross sales	30,686,303	19,736,162
Naphtha export proceeds	4,544,517	2,044,867
Less : Cost of Naphtha purchased from third parties and related handling charges	601,561	273,553
	3,942,956	1,771,314
Less : Duties, taxes and levies	4,378,440	3,506,768
	30,250,819	18,000,708

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14. REIMBURSEMENT DUE FROM THE GOVERNMENT UNDER THE PRICING FORMULA

This represents amount due from the Government of Pakistan on account of shortfall in ex-refinery prices of certain petroleum products under the import parity pricing formula.

3 Months to	
September 30, 2008	September 30, 2007
(Rupees in thousand)	

15. COST OF SALES

Crude oil consumed - note 15.1	30,041,800	16,796,403
Transportation and handling charges	348,427	257,249
Salaries, wages and other employees' benefits	84,698	63,413
Chemicals consumed	84,860	92,547
Fuel and power	148,122	88,409
Repairs and maintenance	33,660	18,260
Staff transport and travelling	2,077	2,570
Insurance	12,845	12,864
Cost of receptacles	3,999	2,231
Other operating costs	3,635	3,384
Depreciation	24,740	84,664
Cost of goods manufactured	30,788,863	17,421,994
Changes in stock	1,583	(668,884)
	30,790,446	16,753,110

15.1 Certain crude purchases have been incorporated in the accounts based on provisional prices notified by the Government and any subsequent adjustment arising therefrom shall be accounted for as and when the prices are finalised.

16. FINANCE COST

This includes an amount of Rs 1,240 million exchange loss related to crude purchase foreign currency transaction and represents differential of price calculated at initial recognition of liability and actual payment made thereagainst or outstanding at September 30, 2008 at the closing rate of exchange.

3 Months to	
September 30, 2008	September 30, 2007
(Rupees in thousand)	

17. PROVISION FOR TAXATION

Current	39,306	459,200
Deferred	5,647	(20,482)
	44,953	438,718

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18. INCOME FROM NON-REFINERY OPERATIONS LESS APPLICABLE CHARGES AND TAXATION

This represents net amount of dividend income from associated companies. As right to receive dividend from associated companies was not established at September 30, 2008, no dividend income has been recognised.

19. RELATED PARTY TRANSACTIONS

Aggregate transactions with holding company, associated companies and subsidiary during the period were as follows:

	3 Months to	
	September 30, 2008	September 30, 2007
	(Rupees in thousand)	
Sale of goods and services	<u>9,085,055</u>	<u>3,997,363</u>
Purchase of goods and services	<u>3,392,994</u>	<u>2,432,831</u>

20. GENERAL

20.1 EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company for the period ended September 30, 2008.

20.2 BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are being submitted to the shareholders as required under the Companies Ordinance, 1984

20.3 DATE OF AUTHORIZATION

These financial statements were authorised for circulation to the shareholders by the Board of Directors of the Company on October 30, 2008.

SD/-

Chief Executive

SD/-

Director