

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

For The Half Year Ended December 31, 2009

1. LEGAL STATUS AND OPERATIONS

Attock Refinery Limited (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 are separate financial statements of the Company. These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 'Interim Financial Reporting'.

2.2 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the preceding separate annual published financial statements of the Company.

3. RESERVES

	December 31, 2009 (Rupees in thousand)	June 30, 2009
Capital reserves	5,948	5,948
Revenue reserves		
Special reserve for expansion / modernisation - note 3.1	4,063,241	4,668,148
Investment reserve - note 3.2	3,762,775	3,762,775
General reserve	55	55
Unappropriated profit	1,252,280	857,273
	<u>9,078,351</u>	<u>9,288,251</u>
	<u>9,084,299</u>	<u>9,294,199</u>

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 3,870 million on upgradation and expansion projects from July 1, 1997 to December 31, 2009 (July 1, 1997 to June 30, 2009 : Rs 3,855 million).

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

4. SHORT TERM FINANCE

The Company has negotiated running finance facilities with various banks and accepted facility offer letters to the extent of Rs 3 billion (June 30 2009 : Rs 3 billion), which were unutilised at the period end. As and when required, these facilities shall be secured by joint hypothecation by way of 1st registered charges over the Company's current assets.

	December 31, 2009	June 30, 2009
	(Rupees in thousand)	
5. TRADE AND OTHER PAYABLES		
Creditors - note 5.1	25,445,572	22,995,072
Due to the Attock Oil Company Limited - Holding Company	169,622	84,985
Due to associated companies		
Pakistan Oilfields Limited	1,765,353	837,348
Attock Petroleum Limited	1,666	-
Attock Information Technology Services (Private) Limited	1,324	3,044
Accrued liabilities and provisions -note 5.1	3,024,973	2,830,079
Due to the Government under the pricing formula	5,743,125	2,527,290
Advance payments and deposits from customers	35,934	30,298
Sales tax payable	1,146,796	441,691
Payable to statutory authorities in respect of petroleum development levy and excise duty	784,309	176,189
Payable to employees funds	236,074	332,773
Security deposits	48,366	48,866
Unclaimed dividends	3,712	3,774
	<u>38,406,826</u>	<u>30,311,409</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). Further, as per directive of the Ministry such withheld amounts are to be retained in designated 90 days interest bearing accounts. The amounts withheld alongwith accumulated profits amounted to Rs 3,082.594 million (June 30, 2009: Rs 4,368.984 million).

6. CONTINGENCIES AND COMMITMENTS

6.1 Due to huge circular debt in the oil industry, certain payments due from / to the oil marketing companies (OMCs) and crude oil suppliers respectively have not been made on their due dates of payment. As a result the Company has raised claims on OMCs in respect of mark-up on delayed payments as well as received counter claims from some crude oil suppliers which have not been recognized in the financial statements as these have not been acknowledged as debt by either parties.

6.2 Claims / guarantees for which the Company may be contingently liable amount to Rs 1.694 million (June 30, 2009 : Rs 1.650 million) for which a lien has been marked by the bank as referred to in note 12.2. Further, there may be some price adjustments related to crude oil purchases as referred to in note 15.1 below, the amount of which cannot be presently quantified.

6.3 Capital expenditure commitments outstanding as at December 31, 2009 were Rs 215.004 million (June 30,2009: Rs 280.919 million).

	Half year ended December 31, 2009	Year ended June 30, 2009
	(Rupees in thousand)	
7. OPERATING ASSETS		
Opening written down value	2,521,903	2,459,520
Additions during the period / year	16,841	264,796
Written down value of disposals / adjustments	(475)	(75,570)
Depreciation during the period / year	(59,304)	(126,843)
Closing written down value	<u>2,478,965</u>	<u>2,521,903</u>

8. LONG TERM INVESTMENTS - AT COST

	December 31, 2009		June 30, 2009	
	% age Holding	(Rupees in thousand)	% age Holding	(Rupees in thousand)
Associated Companies				
Quoted				
National Refinery Limited -8.1	25	8,046,635	25	8,046,635
Attock Petroleum Limited -8.1	21.88	4,463,485	21.88	4,463,485
Unquoted				
Attock Gen Limited	30	748,296	30	727,500
Attock Information Technology Services (Pvt) Limited	10	4,500	10	4,500
Subsidiary Company				
Unquoted				
Attock Hospital (Pvt) Limited	100	2,000	100	2,000
		<u>13,264,916</u>		<u>13,244,120</u>

8.1 Based on a valuation analysis carried out at June 30, 2009, the recoverable amount of investment in National Refinery Limited and Attock Petroleum Limited exceeds their carrying amounts. The recoverable amount has been estimated based on a value in use calculation.

9. STOCK - IN - TRADE

As at December 31, 2009, stock in trade include stocks carried at net realisable value of Rs 1,540 million (June 30, 2009: Rs 910 million). Adjustments amounting to Rs 179 million (June 30, 2009: Rs 88 million) have been made to closing inventory to write down stock-in-trade to net realizable value.

10. TRADE DEBTS

All trade debtors are unsecured and considered good. These include amount receivable from associated companies Attock Petroleum Limited Rs 3,822 million (June 30, 2009: Rs 3,902 million) and Pakistan Oilfields Limited Rs 17 million (June 30, 2009: Rs 8 million).

	December 31, 2009 (Rupees in thousand)	June 30, 2009
11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Due from Subsidiary Company-Attock Hospital (Private) Limited	1,137	682
Due from associated companies		
National Refinery Limited	2,501	2,478
Attock Petroleum Limited	-	4,913
Attock Gen Limited	5,582	22,304
Attock Cement Pakistan Limited	-	46
National Cleaner Production Centre Foundation	4,502	2,053
Attock Leisure and Management Associates (Pvt) Limited	164	594
Crude oil freight adjustable through inland freight equalisation margin	53,059	67,276
Income accrued on bank deposits	66,135	80,494
Amount adjustable against insurance claim	-	75,000
Loans, deposits prepayments and other receivables	188,533	121,294
	321,613	377,134

12. CASH AND BANK BALANCES

- 12.1** Balances with banks include Rs 2,114 million (June 30, 2009: Rs 2,000 million) in respect of deposits placed in a 90-day interest-bearing account consequent to a directive issued by the Ministry of Petroleum and Natural Resources (The Ministry) on account of amounts withheld as referred to in note 5.1 alongwith related interest 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 6.2.

	3 Months to		6 Months to	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees in thousand)		(Rupees in thousand)	
13. SALES				
Gross sales	24,186,469	24,167,043	46,702,712	54,853,346
Naphtha export proceeds	1,750,691	832,111	3,851,761	5,376,628
Less : Cost of Naphtha purchased from third parties and related handling Charges recovered	241,599	145,120	389,936	746,681
	1,509,092	686,991	3,461,825	4,629,947
Less : Duties, taxes and levies	5,478,596	6,975,205	10,691,502	11,353,645
	20,216,965	17,878,829	39,473,035	48,129,648

14. REIMBURSEMENT DUE FROM THE GOVERNMENT UNDER THE PRICING FORMULA

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

	<u>3 Months to</u>		<u>6 Months to</u>	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees in thousand)		(Rupees in thousand)	
15. COST OF SALES				
Crude oil consumed - note 15.1	20,482,037	16,261,663	39,587,287	46,303,463
Transportation and handling charges	258,963	290,436	514,899	638,863
Salaries, wages and other employees' benefits	94,107	84,037	177,070	168,735
Chemicals consumed	70,126	106,804	137,129	191,664
Fuel and power	158,214	118,146	275,330	266,268
Repairs and maintenance	49,982	26,379	80,371	60,039
Staff transport and traveling	1,930	1,711	3,572	3,788
Insurance	21,377	21,765	47,357	34,610
Cost of receptacles	3,418	3,507	6,980	7,506
Other operating costs	4,354	3,181	6,914	6,816
Depreciation	27,224	24,713	54,309	49,453
Cost of goods manufactured	21,171,732	16,942,342	40,891,218	47,731,205
Changes in stock	(867,209)	1,499,222	(807,566)	1,500,805
	20,304,523	18,441,564	40,083,652	49,232,010

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 finalized.

16. FINANCE COST

This includes an amount of Rs 194 million (December 31, 2008 : Rs 1,335 million) exchange loss related to crude oil purchase in foreign currency transaction and represents differential of price calculated at initial recognition of liability and due date of payment or outstanding but not due at December 31, 2009 at the closing rate of exchange.

	<u>3 Months to</u>		<u>6 Months to</u>	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees in thousand)		(Rupees in thousand)	
17. PROVISION FOR TAXATION				
Current	15,000	6,848	35,000	46,154
Deferred	2,005	1,357	3,067	7,004
	17,005	8,205	38,067	53,158

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

Dividend income from associated companies	249,820	609,834	438,897	609,834
Less: Related charges				
Workers' Profit Participation fund	(9,454)	-	-	-
Workers' Welfare fund	(3,782)	-	-	-
Taxation	24,982	60,983	43,890	60,983
	11,746	60,983	43,890	60,983
	238,074	548,851	395,007	548,851

19. RELATED PARTY TRANSACTIONS

	<u>3 Months to</u>		<u>6 Months to</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)	
Associated companies				
Sale of goods and services	<u>8,383,149</u>	<u>5,429,233</u>	<u>17,014,200</u>	<u>14,514,288</u>
Purchase of goods and services	<u>2,338,917</u>	<u>1,554,794</u>	<u>4,227,447</u>	<u>4,947,788</u>
Other related parties				
Contribution to employees' pension and provident funds	<u>7,268</u>	<u>7,557</u>	<u>14,703</u>	<u>13,980</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 December 31, 2009.

20.2 BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

These condensed interim financial statements are being submitted to the shareholders as required under the Companies Ordinance, 1984. The figures for the half year ended December 31, 2009 have been reviewed by external auditors as required by the Code of Corporate Governance.

20.3 DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for circulation to the shareholders by the Board of Directors of the Company on February 10, 2010.

SD/-

Chief Executive

SD/-

Director