



National Refinery Limited

**Condensed Interim
Financial Statements
for the Half Year Ended
December 31, 2021**

Refining with Vision



Contents

02	Corporate Information
03	Directors' Review – English
04	Directors' Review – Urdu
05	Auditor's Report
06	Condensed Interim Statement of Financial Position
07	Condensed Interim Statement of Profit or Loss
08	Condensed Interim Statement of Profit or Loss and other Comprehensive Income
09	Condensed Interim Statement of Changes in Equity
10	Condensed Interim Statement of Cash Flows
11	Notes to the Condensed Interim Financial Statements

Corporate Information

Board of Directors

Laith G. Pharaon

Alternate Director: Shuaib A. Malik

Wael G. Pharaon

Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik - Chairman

Shamim Ahmad Khan

Abdus Sattar

Sajid Nawaz

Khondamir Nusratkhujiev

Chief Executive Officer

Jamil A. Khan

Chief Financial Officer

Nouman Ahmed Usmani

Company Secretary

Muhammad Atta ur Rehman Malik

Audit Committee

Shamim Ahmad Khan

Chairman

Abdus Sattar

Member

Babar Bashir Nawaz

Member

Alternate Director for Mr. Wael G. Pharaon

Shaikh Ather Ahmed

Secretary

Human Resource and Remuneration (HR&R) Committee

Shamim Ahmad Khan

Chairman

Shuaib A. Malik

Member

Babar Bashir Nawaz

Member

Alternate Director for Mr. Wael G. Pharaon

Jamil A. Khan

Member

Nouman Ahmed Usmani

Secretary

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Legal Advisor

Ali Sibtain Fazli & Associates

Legal Advisors, Advocates & Solicitors

Bankers

Habib Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Allied Bank Limited

Bank Alfalah Limited

Faysal Bank Limited

Habib Metropolitan Bank Limited

Askari Bank Limited

Industrial & Commercial Bank of China Limited

Dubai Islamic Bank

United Bank Limited

MCB Bank Limited

Samba Bank Limited

Bank AL-Habib Limited

Registered Office

7-B, Korangi Industrial Area, Karachi-74900

P.O. Box: 8228, Karachi-74900

UAN: +92-21-111-675-675

PABX: +92-21-35064981-86

+92-21-35064977-79

Website: www.nrlpak.com

E-mail: info@nrlpak.com

Share Registrar

CDC Share Registrar Services Limited

CDC House, 99-B, Block 'B', S.M.C.H.S.,

Main Shakra-e-Faisal, Karachi – 74400.

Tel: (Toll Free) 0800-23275

Fax: +92-21-34326053

Email: info@cdcsrsl.com

Website: www.cdcsrsl.com

Directors' Review

The Board of Directors of your Company is pleased to present a brief review of the financial results and operations of the Company for the half year ended December 31, 2021.

During the period, your company earned profit after tax of Rs. 2,550 million resulting in earning per share of Rs. 31.89 as compared to loss after tax of Rs. 823 million that had resulted in loss per share of Rs. 10.29 in the corresponding period.

Fuel segment of the company incurred loss after tax of Rs. 971 million as compared to loss after tax of Rs. 1,770 million in the same period last year. Gross Refining Margins remained better during the second quarter due to increase in economic activities around the world. International Oil Prices also showed a steady upward trend owing to rising demand of petroleum products. However, continuous devaluation of Pak Rupee against US Dollar during the period translated into significant exchange loss of Rs. 2,044 million as compared to exchange gain of Rs. 525 million in the corresponding period. Sale of Furnace oil declined due to lesser demand of electricity during second quarter which adversely affected the performance of fuel segment. Sharp decline in prices of petroleum products towards the end of the period because of emerging omicron threat compelled the refinery to record write down in inventory valuation at period-end by Rs. 926 million (June 30, 2021: Rs. 34 million) aggravating loss from fuel refinery operations. The Company commenced turnaround of Fuel Refinery and its associated units on December 24, 2021 as per plan, which has been successfully completed during January 2022. Throughput of fuel refinery operations slightly declined to 66% as compared to 68% in the corresponding period.

Lube Segment earned profit after tax of Rs. 3,521 million as compared to profit after tax of Rs. 947 million during the corresponding period last year. Improvement in sales volume and prices have been witnessed due to restoration of economic activities globally that resulted in better financial results of lube segment. Due to lower demand of Bitumen in local market, the Company exported 21,893 M.Tons of Bitumen during the period as compared to 3,892 M.Tons in the corresponding period. Lube segment was operated at 87% as compared to 75% during same period last year.

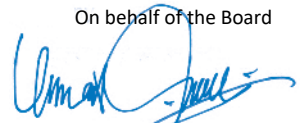
The profitability also includes impact of appeal effects issued by Federal Board of Revenue in relation to prior tax years amounting to Rs. 2,089 million.

Company's working capital financing requirement has increased considerably due to increase in crude oil prices and levy of sales tax on crude oil purchases. Downward adjustment of sales tax on petroleum products by the Government slowed down the recovery of sales tax adding to the requirement of working capital. Upward revision in policy rate during the period also added in increased mark-up expense. Resultantly, Company's total mark-up expense during the six months' period is Rs. 1,112 million as compared to Rs. 753 million in the corresponding period.

Your Company together with other refineries has taken up the issue of slow upliftment of Furnace oil in addition to ongoing discussion with the Government seeking some relief for sustainable refinery operations and future upgradation. The Government is currently reviewing the proposals and the Company expects some progressive measures including approval of draft refining policy.

We thank our shareholders, customers and staff for their continued support and trust in the Company.

On behalf of the Board



Shuaib A. Malik
Chairman

Islamabad
February 04, 2022

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز مسرت کے ساتھ 31 دسمبر 2021 کو مکمل ہونے والی ششماہی کے مالیاتی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتے ہیں۔

موجودہ عرصے میں، آپ کی کمپنی کو 2,550 ملین روپے کا ٹیکس کے بعد منافع ہوا جو 31.89 روپے فی حصص منافع کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 823 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 10.29 روپے فی حصص نقصان کے مساوی تھا۔

کمپنی کے فیول سیکمنٹ کو 971 ملین روپے ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ سال اسی مدت میں ٹیکس کے بعد نقصان 1,770 ملین روپے تھا۔ دوسری سرمایہ کے دوران دنیا بھر میں اقتصادی سرگرمیوں میں تیزی کی وجہ سے گراس ریفاٹنگ مارجنز بہتر رہے۔ پیٹرولیم مصنوعات کی مانگ میں اضافے کے باعث بین الاقوامی تیل کی قیمتوں میں بھی مسلسل اضافے کا رجحان دیکھا گیا۔ تاہم، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں مسلسل کمی کی وجہ سے زرمبادلہ کی مد میں 2,044 ملین روپے کا نقصان ہوا جبکہ گزشتہ سال اسی عرصے میں 525 ملین روپے کا فائدہ ہوا تھا۔ دوسری سرمایہ کے دوران بجلی کی طلب میں کمی کے باعث فرنس آئل کی فروخت میں کمی آئی جس نے فیول سیکمنٹ کی کارکردگی کو بری طرح متاثر کیا۔ اونیٹوں کے ابھرتے ہوئے خطرے کے پیش نظر حالیہ سرمایہ کے آخر میں پیٹرولیم مصنوعات کی قیمتوں میں شدید کمی ہوئی جس کی وجہ سے ریفاٹری کو موجودہ عرصے کی اختتامی اونیٹری پر 926 ملین روپے کا نقصان اٹھانا پڑا (30 جون، 2021: 34 ملین روپے) جس کی وجہ سے فیول ریفاٹری کے آپریشنز سے نقصان مزید بڑھ گیا۔ کمپنی نے پلان کے مطابق 24 دسمبر 2021 کو فیول ریفاٹری اور اس سے منسلک یونٹس کے ٹران اراؤنڈ کا آغاز کیا، جو جنوری 2022 کے دوران کامیابی سے مکمل ہو چکا ہے۔ فیول ریفاٹری کی پیداوار معمولی کمی کے بعد 66% فیصد رہی جو کہ گزشتہ مالی سال اسی مدت میں 68% فیصد رہی۔


لیوب سیکمنٹ کو 3,521 ملین روپے کا ٹیکس کے بعد منافع ہوا جبکہ گزشتہ سال اسی مدت میں ٹیکس کے بعد 947 ملین روپے کا منافع تھا۔ عالمی سطح پر معاشی سرگرمیوں کی بحالی کی وجہ سے فروخت کے حجم اور قیمتوں میں بہتری دیکھی گئی ہے جس کے نتیجے میں لیوب سیکمنٹ کے بہتر مالیاتی نتائج حاصل ہوئے ہیں۔ مقامی مارکیٹ میں تارکول کی کم مانگ کی وجہ سے کمپنی نے اس عرصے کے دوران 21,893 میٹرک ٹن تارکول برآمد کیا جو کہ گزشتہ سال اسی مدت میں 3,892 میٹرک ٹن تھا۔ لیوب سیکمنٹ کی پیداوار گزشتہ سال کی اسی مدت میں 75% فیصد کے مقابلے میں 87% فیصد رہی۔

کمپنی کے منافع میں فیڈرل بورڈ آف ریونیو کی طرف سے دیے گئے گزشتہ ٹیکس سائیکل کے ایبل فیکٹس کی مد میں 2,089 ملین روپے بھی شامل ہیں۔

خام تیل کی قیمتوں میں اضافے اور خام تیل کی خریداری پر سب ٹیکس عائد کرنے کی وجہ سے کمپنی کی ورکنگ کپینٹل فنانسنگ کی ضرورت کافی بڑھ گئی ہے۔ حکومت کی جانب سے پیٹرولیم مصنوعات پر عائد سب ٹیکس کو کم کرنے کی وجہ سے سب ٹیکس کی وصولی کم ہو گئی ہے جس کی وجہ سے ورکنگ کپینٹل کی ضرورت میں اضافہ ہوا۔ اس مدت کے دوران پالیسی ریٹ کے بڑھنے کی وجہ سے مارک اپ کے اخراجات میں بھی اضافہ ہوا۔ نتیجتاً، چھ ماہ کی مدت کے دوران کمپنی کے مارک اپ اخراجات کی مد میں 1,112 ملین روپے خرچ ہوئے جو کہ گزشتہ سال اسی مدت میں 753 ملین روپے تھے۔

آپ کی کمپنی نے دیگر ریفاٹریوں کے ساتھ مل کر حکومت سے فرنس آئل کی فروخت میں کمی کا مسئلہ اٹھا یا ہے اور اس کے ساتھ ساتھ ریفاٹریز کے آپریشنز میں تسلسل اور مستقبل میں اپ گریڈیشن کے لیے پھر بلیف حاصل کرنے کے سلسلے میں بات چیت بھی جاری ہے۔ حکومت فی الحال تجویز کا جائزہ لے رہی ہے اور کمپنی کو بہتر نتائج کی توقع ہے جس میں مودہ ریفاٹنگ پالیسی کی منظوری بھی شامل ہے۔

ہم اپنے حصص یافتگان، صارفین اور عملے کا کی مسلسل حمایت اور اعتماد کیلئے شکریہ ادا کرتے ہیں۔

بورڈ چیف منسٹر

 شعیب اے ملک
 چیئرمین

اسلام آباد

4 فروری، 2022



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of National Refinery Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of National Refinery Limited as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss, and condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

Chartered Accountants
Karachi

Date: February 11, 2022

UDIN: RR202110073bLz4da5wJ

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	Note	Unaudited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	29,718,392	31,228,089
Long-term investment		9,787	9,787
Long-term loans	6	35,487	36,983
Long-term deposits	7	30,265	30,265
Deferred taxation	8	8,419,252	8,161,767
Retirement benefit prepayments		14,911	22,409
		<u>38,228,094</u>	<u>39,489,300</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,780,705	1,705,847
Stock-in-trade	9	29,114,113	21,403,625
Trade receivables		6,445,813	9,031,922
Loans and advances	10	24,488	36,667
Trade deposits and short-term prepayments	11	313,810	31,140
Interest accrued		20,900	7,195
Other receivables	12	6,324,716	1,199,914
Taxation - payments less provision		3,866,791	2,168,579
Cash and bank balances	13	602,256	607,327
		<u>48,493,592</u>	<u>36,192,216</u>
TOTAL ASSETS		<u>86,721,686</u>	<u>75,681,516</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		32,538,532	30,787,721
		<u>33,338,198</u>	<u>31,587,387</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		164,905	177,761
Provision for Gas Infrastructure Development Cess	14.1	504,170	626,516
Retirement benefit obligations		422,720	370,048
		<u>1,091,795</u>	<u>1,174,325</u>
CURRENT LIABILITIES			
Trade and other payables	14	16,572,415	22,616,437
Unclaimed dividend		61,111	61,398
Unpaid dividend		37,121	31,330
Accrued mark-up		350,017	94,868
Provisions		112,361	112,361
Borrowings	15	35,158,668	19,997,515
Current portion of long-term lease liability		-	5,895
		<u>52,291,693</u>	<u>42,919,804</u>
TOTAL LIABILITIES		<u>53,383,488</u>	<u>44,094,129</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	16	<u>86,721,686</u>	<u>75,681,516</u>

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
← (Rupees in thousand) →					
Revenue from contracts with customers	17	66,736,302	50,421,377	120,782,026	93,051,424
Trade discounts, taxes, duties, levies and price differential	18	(9,250,937)	(18,075,987)	(17,984,207)	(33,443,794)
Net revenue from contracts with customers		57,485,365	32,345,390	102,797,819	59,607,630
Cost of sales		(55,092,010)	(31,216,154)	(97,752,104)	(59,818,920)
Gross profit / (loss)		2,393,355	1,129,236	5,045,715	(211,290)
Distribution cost		(407,646)	(196,698)	(687,426)	(320,479)
Administrative expenses		(223,669)	(213,014)	(433,834)	(419,730)
Other income	19	81,473	96,574	128,545	191,720
Other operating expenses		(30,087)	(6,615)	(86,212)	(9,732)
Operating profit / (loss)		1,813,426	809,483	3,966,788	(769,511)
Finance cost - net	20	(1,647,581)	(95,044)	(3,174,773)	(245,440)
Profit / (loss) before taxation		165,845	714,439	792,015	(1,014,951)
Taxation	21	1,978,664	(225,906)	1,758,462	192,384
Profit / (loss) after taxation		2,144,509	488,533	2,550,477	(822,567)
Earnings / (loss) per share - basic and diluted		Rs. 26.81	Rs. 6.11	Rs. 31.89	(Rs. 10.29)

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	← (Rupees in thousand) →			
Profit / (loss) after taxation	2,144,509	488,533	2,550,477	(822,567)
Other comprehensive income				
Items that will not be reclassified to profit or loss account				
Change in fair value of long term investment	-	-	-	-
Remeasurement of post employment benefit obligations	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive income / (loss)	<u>2,144,509</u>	<u>488,533</u>	<u>2,550,477</u>	<u>(822,567)</u>

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	SHARE CAPITAL	CAPITAL RESERVES				REVENUE RESERVES			Total
	Issued, subscribed and paid-up	Capital compensation reserve	Exchange equalisation reserve	Special reserve	Utilised special reserve	General reserve	Gain / (loss) on revaluation of investment at fair value through OCI	Accumulated loss	
	(Rupees in thousand)								
Balance as at July 1, 2020	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(12,582,495)	29,837,286
Loss for the half year ended December 31, 2020	-	-	-	-	-	-	-	(822,567)	(822,567)
Other comprehensive income / (loss) for the half year ended December 31, 2020	-	-	-	-	-	-	-	(822,567)	(822,567)
Balance as at December 31, 2020	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(13,405,062)	29,014,719
Balance as at July 1, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(10,829,239)	31,587,387
Profit for the half year ended December 31, 2021	-	-	-	-	-	-	-	2,550,477	2,550,477
Other comprehensive income / (loss) for the half year ended December 31, 2021	-	-	-	-	-	-	-	-	-
Final Dividend for the year ended June 30, 2021 @ Rs. 10 per share	-	-	-	-	-	-	-	2,550,477	2,550,477
Balance as at December 31, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(9,078,428)	33,338,198

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	Note	December 31, 2021	December 31, 2020
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	22	(13,096,638)	(3,780,328)
Income tax paid		(197,235)	(23,553)
Finance cost paid		(857,345)	(863,784)
Decrease in long term loans		1,496	2,816
Payments made to staff retirement benefit funds		-	(2,687)
Net cash used in operating activities		<u>(14,149,722)</u>	<u>(4,667,536)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(196,773)	(291,461)
Purchase of intangible assets		-	(1,281)
Proceeds from disposal of property, plant and equipment		42	637
Return on investments and bank accounts		5,998	11,931
Net cash used in investing activities		<u>(190,733)</u>	<u>(280,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(794,162)	(567)
Lease rentals paid		(31,607)	-
Net cash used in financing activities		<u>(825,769)</u>	<u>(567)</u>
Net decrease in cash and cash equivalents		<u>(15,166,224)</u>	<u>(4,948,277)</u>
Cash and cash equivalents at beginning of the period		<u>(19,390,188)</u>	<u>(16,224,916)</u>
Cash and cash equivalents at end of the period	23	<u><u>(34,556,412)</u></u>	<u><u>(21,173,193)</u></u>

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**1. LEGAL STATUS AND OPERATIONS**

National Refinery Limited was incorporated in Pakistan on August 19, 1963 as a public limited company and its shares are listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 7-B, Korangi Industrial Area, Karachi, Pakistan.

The Company is engaged in the manufacturing, production and sale of a large range of petroleum products. The refinery complex of the Company comprises of three refineries, consisting of two lube refineries, commissioned in 1966 and 1985, and a fuel refinery added to the complex in 1977. The company has also commissioned Diesel Hydro De-sulphurisation (DHDS) and Isomerisation (ISOM) units during the financial years 2017 and 2018 respectively.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2021.

2.1 Changes in accounting standards, interpretations and pronouncements**(a) Standards and amendments to approved accounting and reporting standards that are effective**

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

(b) **Standards and amendments to approved accounting and reporting standards that are not yet effective**

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2021.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these condensed interim financial statements.

- 4.2 Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2021.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2021.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	December 31, 2021	June 30, 2021
	(Rupees in thousand)	
5. FIXED ASSETS		
Property, plant and equipment		
- Operating assets - note 5.2	27,753,850	29,381,667
- Major spare parts and stand-by equipments	459,034	487,340
- Capital work-in-progress - note 5.4	1,498,900	1,350,892
	<u>29,711,784</u>	<u>31,219,899</u>
Intangible assets	6,608	8,190
	<u>29,718,392</u>	<u>31,228,089</u>

5.1 In the current period variable lease for right-of-use of assets amounts to Rs. 3.52 million.

5.2 These include the right-of-use asset comprising a lease hold land at oil installation area, Keamari of Karachi Port Trust (KPT), used by the Company for its operations.

5.3 Additions and disposals to the operating assets during the period are as follows:

	Additions (at cost)		Disposals / write-offs (at net book value)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in thousand)			
Plant and machinery	43,918	1,828,657	-	-
Office and other equipments	2,449	40	-*	-
Buildings	1,642	5,391	-	-
Utilities	27,626	-	-	-
Vehicles	1,023	334	-	736
Furniture and fixtures	236	148	-	-
Computer equipment	182	1,665	-	-
	<u>77,076</u>	<u>1,836,235</u>	<u>-</u>	<u>736</u>

* Assets disposed off and written-off during the period having zero net book value.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

5.4 Capital work-in-progress

	Balance as at July 1, 2021	Additions during the period	Transfers	Balance as at December 31, 2021	Balance as at July 1, 2020	Additions during the year	Transfers	Balance as at June 30, 2021
(Rupees in thousand)								
Buildings on leasehold land	12,168	2,571	(1,642)	13,097	22,810	15,952	(26,594)	12,168
Refineries upgradation projects	973,706	4,907	(968)	977,645	2,804,584	4,283	(1,835,161)	973,706
Plant and machinery	273,063	182,435	(34,108)	421,390	510,885	225,301	(463,123)	273,063
Office and other equipments	39,513	12,485	(12,332)	39,666	53,860	43,500	(57,847)	39,513
	1,298,450	202,398	(49,050)	1,451,798	3,392,139	289,036	(2,382,725)	1,298,450
Advances to contractors / suppliers - note 5.5	52,442	45,970	(51,310)	47,102	76,599	40,164	(64,321)	52,442
	<u>1,350,892</u>	<u>248,368</u>	<u>(100,360)</u>	<u>1,498,900</u>	<u>3,468,738</u>	<u>329,200</u>	<u>(2,447,046)</u>	<u>1,350,892</u>

5.5 These do not carry any interest or mark-up.

6. LONG-TERM LOANS

These include secured loans to executives and employees for the purchase of motor cars and house building. Out of these, car loans amounting to Rs. 7.59 million (June 30, 2021: Rs. 8.50 million) carry interest ranging from 3% to 7% (June 30, 2021: 3% to 7%). These also include unsecured loans to executive and employees which are interest free.

7. LONG-TERM DEPOSITS

These deposits do not carry mark-up.

8. DEFERRED TAXATION

The deferred tax asset on minimum tax, alternative corporate tax and tax losses will be recoverable based on the estimated future taxable income.

9. STOCK-IN-TRADE

As at December 31, 2021 stock of finished products and semi-finished products have been written down by Rs. 676 million (June 30, 2021: Rs. 34 million) and Rs. 250 million (June 30, 2021: Rs. Nil) respectively to arrive at its net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.92 million (June 30, 2021: Rs. 1.78 million) carrying interest as disclosed in note 6. Advances do not carry any mark-up arrangement.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry mark-up.

12. OTHER RECEIVABLES

These include unadjusted input of sales tax amounting to Rs. 5.20 billion (June 30, 2021: Rs. Nil).

December 31,
2021 June 30,
2021
(Rupees in thousand)

13. CASH AND BANK BALANCES

Cash in hand	500	500
With banks in:		
- current accounts	106,561	91,300
- savings accounts	5,132	25,464
- deposit accounts	490,063	490,063
	601,756	606,827
	602,256	607,327

14. TRADE AND OTHER PAYABLES

Trade creditors	11,522,411	16,098,850
Due to the Government of Pakistan	1,337,903	928,684
Due to related parties:		
- Attock Petroleum Limited	66,854	57,094
- Pakistan Oilfields Limited	-	49,224
- Attock Cement Pakistan Limited	-	141
Accrued liabilities	864,517	1,035,607
Current portion of provision for Gas Infrastructure Development Cess - refer note 14.1	379,311	307,457
PMG-RON differential payable	61,923	84,457
PMG-Euro-V differential payable	1,084	-
Custom duty payable - note 14.2	744,232	617,090
Sales tax payable	-	2,717,164
Retention money	64,180	58,403
Deposits from contractors	58,799	57,579
Advances from customers - note 14.3	429,907	-
Workers' Profits Participation Fund	43,624	-
Workers' Welfare Fund	121,121	94,714
Income tax deducted at source	27,497	29,189
Excise duty and petroleum levy	842,040	478,727
Others	7,012	2,057
	16,572,415	22,616,437

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

- 14.1 The Supreme Court of Pakistan through its judgement dated August 13, 2020 had decided the Appeal against consumers upholding the vires of GIDC Act, 2015. The Review Petition was also dismissed on merits; however, the Honorable Court had provided some relief by increasing the time period for recovery of GIDC from 24 to 48 installments.

The Company also filed a civil suit before the Honorable High Court of Sindh (SHC) on the ground that the Company falls under the category of consumers and it has not passed on the burden of Cess. Accordingly, stay order was granted. However, while pendency of aforesaid suit, the Company kept on paying GIDC installments under protest and without prejudice to the Company's legal rights till August 2021 (upto 13th installment). In September 2021, Sui Southern Gas Company Limited (SSGC) revised the payment terms from 48 to 24 months. The Company, after giving notice to SSGC stopped payment of further installments of GIDC as the stay order has been operative till next date of hearing, whereby SHC has restrained SSGC from taking any coercive action against the Company in relation to non-payment of installments of GIDC arrears.

- 14.2 This represents the differential of custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by the Government of Pakistan and Ministry of Energy (MOE). In 2018, the Oil and Gas Regulatory Authority (OGRA) in compliance with the directives of MOE approved a recovery mechanism for regulated products through which refineries would operate on no gain / loss basis on this account. OGRA directed Oil Companies' Advisory Committee (OCAC) to ensure implementation of the said mechanism. The company has worked out the impact of such mechanism and adjusted the regulatory duty on regulated products in the trade payables and in case of regulatory duty on deregulated products in the sales and cost of sales respectively.
- 14.3 These include advances received from related party - Pakistan Oilfields Limited amounting to Rs. 17.13 million (June 30, 2021: Nil) against supply of goods.

15. BORROWINGS

- 15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 31.70 billion (June 30, 2021: Rs. 26.70 billion) of which the amount remaining unutilised at the period end was Rs. 6.10 billion (June 30, 2021: Rs. 13.40 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.0% above KIBOR (June 30, 2021: KIBOR + 0.15% to 1%) per annum.
- 15.2 The facility from Istisna and Tijarah arrangements from Islamic banks amounted to Rs. 12.90 billion (June 30, 2021: Rs. 9.75 billion) of which Rs. 3.80 billion (June 30, 2021: Rs. 3.50 billion) remained unutilised as at the period end. The rate of mark-up applicable is based on three months KIBOR + 0.02% to 0.15% (June 30, 2021: three months KIBOR + 0.05% to 0.5%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

- 15.3 Short term loans obtained on rollover basis from commercial banks amounted to Rs. 14.00 billion (June 30, 2021: Rs. 13.15 billion). These loans are interchangeable facilities with running finance arrangement as disclosed in note 15.1. The rate of mark-up applicable on these loan is based on respective tenor KIBOR -0.40% to +0.10% (June 30, 2021: KIBOR -0.10% to +0.55%) per annum.
- 15.4 The facilities for opening the letters of credit and guarantees as at December 31, 2021 amounted to Rs. 102.67 billion (June 30, 2021: Rs. 82.95 billion) of which the amount remaining unutilised at the period end was Rs. 54.64 billion (June 30, 2021: Rs. 33.78 billion). The above financing arrangements to the tune of Rs. 30.70 billion (June 30, 2021: Rs. 28.70 billion) are sublimit of these non-funded limits.
- 15.5 These facilities are secured against ranking charge on Company's stock, receivables and stores, spares and chemicals.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1 There has been no significant change during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2021, except as disclosed in note 16.1.2.
- 16.1.2 Claims not acknowledged by the Company as debt at the end of the period amounted to Rs. 5.64 billion (June 30, 2021: Rs. 5.57 billion). These include claims accumulating to Rs. 5.35 billion (June 30, 2021: Rs. 5.34 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 113.48 million (June 30, 2021: Rs. 63.9 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at December 31, 2021 amounted to Rs. 506.16 million (June 30, 2021: Rs. 351.65 million).

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Quarter ended		Half year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	← (Rupees in thousand) →			
Local	57,459,782	48,682,535	107,478,479	89,625,132
Export	9,276,520	1,738,842	13,303,547	3,426,292
	<u>66,736,302</u>	<u>50,421,377</u>	<u>120,782,026</u>	<u>93,051,424</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL

	Quarter ended		Half year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	← (Rupees in thousand) →			
Trade discounts	123,101	65,213	202,516	115,271
Sales tax	6,147,761	7,073,647	12,927,661	12,994,601
Excise duty	33	94	69	146
Petroleum levy	2,009,431	9,932,572	2,834,467	18,366,006
Custom duty	886,295	880,210	1,858,238	1,721,612
PMG - RON differential	83,232	78,188	160,172	195,163
PMG - Euro V differential	1,084	46,063	1,084	50,995
	<u>9,250,937</u>	<u>18,075,987</u>	<u>17,984,207</u>	<u>33,443,794</u>

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 19.70 million (2020: Rs. 27.90 million).

20. FINANCE COST - NET

20.1 This includes mark-up on short term borrowings amounting to Rs. 1,112.49 million (2020: Rs. 752.87 million). The rates of mark-up applicable are provided in note 15.

20.2 This also includes net exchange loss of Rs. 2,044.11 million (2020: net exchange gain of Rs. 525.48 million) on foreign currency transactions relating to purchase and sale of crude oil / products. This exchange loss / gain relates to actual currency fluctuations and not due to derivative financial instruments.

	Quarter ended		Half year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	← (Rupees in thousand) →			

21. TAXATION

Current for the period	303,344	248,058	587,712	457,885
for prior periods - note 21.1	(2,088,689)	-	(2,088,689)	-
Deferred	(193,319)	(22,152)	(257,485)	(650,269)
	<u>(1,978,664)</u>	<u>225,906</u>	<u>(1,758,462)</u>	<u>(192,384)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

21.1 The Company has received an appeal effects order on January 17, 2022 based on the appellate orders passed by the Commissioner Inland Revenue Appeals (CIRA) in respect of tax year 2016. The main issue involved in the appeal was the apportionment of expenditures between local income and exports on the basis of 'gross sales' as compared to 'net sales'. The CIRA based on the prior orders of Appellate Tribunal Inland Revenue (ATIR) has allowed the apportionment of expenditures on the basis of 'gross sales' which has resulted in refund of Rs. 3,010.35 million that includes adjustment of Minimum tax / Alternative Corporate Tax versus Normal tax relating to previous years. However, the Federal Board of Revenue (FBR) has filed an appeal in the ATIR against the CIRA order. The Company has also filed an appeal in the ATIR in respect of apportionment of expenditures to be based on quantity sold rather than on net sales. As per last year practice and based on the legal advice, the Company has adjusted the appeal affect to the tune of Rs. 2,088.69 million relating to adjustments of 2015 and prior tax years. However, being prudent, the Company has partially accounted for the appeal effects for tax year 2016.

	December 31, 2021	December 31, 2020
	(Rupees in thousand)	
22. CASH USED IN OPERATIONS		
Profit / (loss) before taxation	792,015	(1,014,951)
Adjustment for non cash charges and other items:		
Depreciation and amortisation	1,706,470	1,683,972
Provision for staff retirement benefit funds	60,170	55,313
Finance cost	1,112,494	752,875
Return on investments and bank accounts	(19,703)	(27,901)
(Gain) / loss on disposal of property, plant & equipment	(42)	99
Interest on lease liability	12,856	13,125
Changes in working capital - note 22.1	(16,760,898)	(5,242,860)
	<u>(13,096,638)</u>	<u>(3,780,328)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	December 31, 2021	December 31, 2020
	(Rupees in thousand)	
22.1 Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and chemicals	(74,858)	(68,228)
Stock-in-trade	(7,710,488)	(4,995,493)
Trade receivables	2,586,109	(3,172,682)
Loans and advances	12,179	8,154
Trade deposits and short-term prepayments	(282,670)	(257,084)
Other receivables	(5,124,802)	(71,039)
	(10,594,530)	(8,556,372)
Increase / (decrease) in current liabilities		
Trade and other payables	(6,166,368)	3,313,512
	<u>(16,760,898)</u>	<u>(5,242,860)</u>
23. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 13	602,256	593,112
Short term borrowings - note 15	(35,158,668)	(21,766,305)
	<u>(34,556,412)</u>	<u>(21,173,193)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

24. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Quarter ended		Half year ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(Rupees in thousand)			
Associated companies					
-	Pakistan Oilfields Limited (POL)				
	Rental income	860	759	1,720	1,518
	Products - sale of petroleum products	60,929	92,391	109,727	137,422
	Purchase of raw material	3,432	475,646	21,052	863,954
	Reimbursement of expenses incurred by NRL on behalf of POL	128	34	197	77
	Dividend paid	199,916	-	199,916	-
-	Attock Refinery Limited (ARL)				
	Reimbursement of expenses incurred by NRL on behalf of ARL	6,073	-	6,073	-
	Naphtha handling Income	3,390	34,099	3,390	68,198
	Dividend paid	199,916	-	199,916	-
-	Attock Petroleum Limited (APL)				
	Sale of petroleum products	23,488,994	16,782,442	45,635,417	34,760,115
	Trade discounts	92,900	41,233	147,323	76,004
	Commission on export sales	95,666	18,060	137,722	37,197
	Commission on local Sales	238,221	164,646	437,863	245,717
	Purchase of petroleum products	4,393	-	5,419	2,020
	Hospitality charges on sales	59,118	29,732	80,666	51,685
	Dividend paid	7,997	-	7,997	-
	Rental income	1,286	1,264	2,540	2,186
	Reimbursement of expenses incurred by NRL on behalf of APL	2,239	1,370	3,160	1,973
	Reimbursement of expenses incurred by APL on behalf of NRL	-	-	251	-
-	Attock Cement Pakistan Limited (ACPL)				
	Purchase of stores	154	139	294	139
-	Attock Oil Company Limited (AOCL) *				
	Reimbursement of expenses incurred by AOCL on behalf of NRL	34	9	59	11
	Reimbursement of expenses incurred by NRL on behalf of AOCL	8	11	16	27
Other related parties					
-	Contribution to staff retirement benefits plans				
	Employees provident fund	13,228	12,148	25,391	26,275
	Employees gratuity fund	-	-	-	2,687
-	Key management compensation				
	Salaries and other employee benefits	10,281	11,499	25,558	20,810
	Post employment benefits	939	891	1,879	1,783
	Directors' fee	1,455	1,362	5,100	5,099

* The Company is incorporated in United Kingdom with registered address 4, Swan Street Manchester England M4 5JN.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

25. SEGMENT INFORMATION

25.1 Segments results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets include property, plant and equipment.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	← (Rupees in thousand) →					
Segment Revenue						
Sales to external customers						
- local (net of discounts, taxes, duties and levies and price differential)	61,974,797	40,841,771	27,519,475	15,339,567	89,494,272	56,181,338
- export	10,646,581	3,291,268	2,656,966	135,024	13,303,547	3,426,292
	72,621,378	44,133,039	30,176,441	15,474,591	102,797,819	59,607,630
Inter segment transfers	25,679,442	12,487,581	-	-	25,679,442	12,487,581
Elimination of inter-segment transfers	-	-	-	-	(25,679,442)	(12,487,581)
Net revenue from contract with customers	98,300,820	56,620,620	30,176,441	15,474,591	102,797,819	59,607,630
Segment results after tax	(970,426)	(1,769,359)	3,520,903	946,792	2,550,477	(822,567)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(970,426)	(1,769,359)	3,520,903	946,792	2,550,477	(822,567)

	FUEL		LUBE		TOTAL	
	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021
	← (Rupees in thousand) →					
Segment assets	59,221,478	50,261,268	11,098,325	9,496,061	70,319,803	59,757,329
Unallocated assets	-	-	-	-	16,401,883	15,924,187
Total assets as per balance sheet	59,221,478	50,261,268	11,098,325	9,496,061	86,721,686	75,681,516
Segment liabilities	49,182,284	28,945,615	3,778,484	14,778,466	52,960,768	43,724,081
Unallocated liabilities	-	-	-	-	422,720	370,048
Total liabilities as per balance sheet	49,182,284	28,945,615	3,778,484	14,778,466	53,383,488	44,094,129

25.2 Incremental expenses of Diesel Hydro De-sulphurisation (DHDS) and Isomerisation (ISOM) units have been charged to fuel segment in accordance with note 25.1 above.

26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company on February 04, 2022.



Chief Financial Officer



Chief Executive



Director



National Refinery Limited

7-B, Korangi Industrial Area, Karachi-74900. UAN: 111-675-675
Website: www.nrlpak.com E-mail: info@nrlpak.com

