

Condensed Interim
Financial Statements for
the Half Year Ended
December 31, 2020



National Refinery Limited

Refining with Vision



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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

Tariq Iqbal Khan

Abdus Sattar

Sajid Nawaz

Zaki Mohamad Mansoor

Chief Executive

Jamil A. Khan

Chief Financial Officer

Nouman Ahmed Usmani

Company Secretary

Muhammad Atta ur Rehman Malik

Audit Committee

Tariq Iqbal Khan	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz	Member
Alternate Director for Wael G. Pharaon	
Shaikh Ather Ahmed	Secretary

Human Resource and Remuneration (HR&R) Committee

Tariq Iqbal Khan	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz	Member
Alternate Director for 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

National Bank of Pakistan
Habib Bank Limited
Meezan Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Askari Bank Limited
MCB Bank Limited
United Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Bank AL-Habib Limited
Samba Bank 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.nrllpak.com
E-mail: info@nrllpak.com

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi – 74400.
Tel: (Toll Free) 0800-23275
Fax: +92-21-34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Directors' Review

On behalf of the Board of Directors of National Refinery Limited, I am presenting a brief review of the financial results and operations of your Company for the half year ended December 31, 2020.

Improvement in domestic economic activity and business sentiments have been witnessed during the period. The prices of crude oil and products showed upward trend, however the margins on products as compared to crude oil remained thin. Under the prevalent situation, your company managed to contain the loss after tax during the current period to Rs. 823 million resulting in loss per share of Rs. 10.29 as against the loss after tax of Rs. 2,985 million that had resulted in loss per share of Rs. 37.33 in the corresponding period.

Fuel segment of the company incurred loss after tax of Rs. 1,770 as compared to loss after tax of Rs. 3,329 in the same period last year. Amid Corona Virus vaccines approvals, second wave of the Pandemic and its varying impacts in different parts of the world together with uncertainty with respect to international oil demand and its associated price implications, the Company has adopted a careful approach and managed to maintain the throughput at 67.85% (December 2019: 67.45%). The upward price trend during the period helped in reducing the losses. Average sales volume rebounded during the second quarter and have surpassed their pre-Covid levels which resulted in some recovery in fuel segment results. During the current period, Government has introduced Euro V standard Motor Gasoline effective September 2020 resulting in price difference between Euro II and Euro V standard Motor Gasoline which has been recorded as expense in the financial statements.

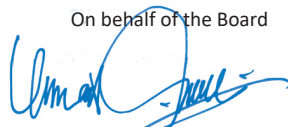
Lube Segment earned profit after tax of Rs. 947 million as compared to profit after tax of Rs. 344 million during the corresponding period last year, while maintaining the throughput at 74.57% (December 2019: 75.97%). The profit of lube segment is due to surge in sales volume after easing of lockdowns that resulted in higher demand, which was backed by positive margins in product prices during the period. Slow-upliftment of Bitumen due to lower Government spending on infrastructure projects is resulting in blocking of funds in inventory forcing the Company to finance the operations through running finance.

Refineries working group is in constant discussion with the Government so that some relief can be provided to existing refineries to cope with ongoing extra ordinary situation. We understand that the Government appreciates the gravity of problems and expect its support in the matter for smooth and sustainable operations of refineries in Pakistan.

Meanwhile, the Company has started producing Euro V standard High Speed Diesel effective January 2021 in order to meet the new standards as applicable in Pakistan and hence qualifies for the price entitlement of Euro V product.

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

On behalf of the Board



Shuaib A. Malik
Chairman

Islamabad
January 26, 2021

ڈائریکٹرز کا جائزہ

نیشنل ریفاٹری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 31 دسمبر 2020 کو مکمل ہونے والی ششماہی کے مالی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتا ہوں۔

اس ششماہی کے دوران مقامی معاشی سرگرمیوں اور کاروباری لین دین میں بہتری دیکھنے میں آئی ہے۔ خام تیل اور مصنوعات کی قیمتوں میں اضافہ کا رجحان رہا، تاہم خام تیل کے مقابلے میں مصنوعات کے مارجنز کم رہے۔ مروجہ صورتحال کے تحت، آپ کی کمپنی موجودہ مدت کے دوران ٹیکس کے بعد ہونے والے نقصان کو 823 ملین روپے تک محدود کرنے میں کامیاب رہی جو 10.29 روپے فی حصص نقصان کے مساوی ہے۔ جبکہ گزشتہ مالی سال اسی مدت میں 2,985 ملین روپے کا ٹیکس کے بعد نقصان ہوا تھا جو 37.33 روپے فی حصص نقصان کے مساوی تھا۔

کمپنی کے فیول سیگمنٹ کو 1,170 ملین روپے ٹیکس کے بعد نقصان ہوا جبکہ پچھلے سال اسی عرصے میں ٹیکس کے بعد نقصان 3,329 ملین روپے تھا۔ کورونا وائرس سے متعلق ویکسینوں کی منظوری، وبائی مرض کی دوسری لہر اور دنیا کے مختلف حصوں میں اس کے مختلف اثرات مرتب ہونے کے ساتھ ساتھ بین الاقوامی تیل کی طلب اور اس سے وابستہ قیمت کے مضمرات کے سلسلے میں غیر یقینی صورتحال کے باعث کمپنی نے محتاط انداز اپناتے ہوئے پیداوار کو 67.85% پر برقرار رکھا جو کہ گزشتہ مالی سال اسی مدت میں 67.45% تھی۔ اس عرصے کے دوران قیمت میں اضافے کے رجحانات نے نقصانات کو کم کرنے میں مدد فراہم کی۔ دوسری سہ ماہی کے دوران فروخت کی اوسط مقدار کو ویڈ-19 سے پہلے کی سطح سے بھی بہتر رہی ہے۔ جس کے نتیجے میں فیول سیگمنٹ کے نتائج میں کچھ بہتری ہوئی ہے۔ موجودہ مدت کے دوران، حکومت نے یورو V معیار کے پیٹرول کو ستمبر 2020 سے متعارف کرا دیا ہے جس کے نتیجے میں یورو II اور یورو V معیار کے پیٹرول کی قیمتوں میں فرق کو مالیاتی گوشواروں میں اخراجات کے طور پر ریکارڈ کیا گیا ہے۔

لیوب سیگمنٹ کو 947 ملین روپے ٹیکس کے بعد منافع ہوا جبکہ گزشتہ مالی سال اسی مدت میں 344 ملین روپے ٹیکس کے بعد منافع تھا۔ جبکہ پیداوار کو 74.57% پر برقرار رکھا گیا جو کہ گزشتہ مالی سال اسی مدت میں 75.97% تھی۔ لاک ڈاؤن میں نری کے بعد طلب بڑھنے کی وجہ سے فروخت کے حجم میں اضافہ اور مصنوعات کی قیمتوں میں مثبت مارجنز لیوب سیگمنٹ کے منافع کا سبب بنے۔ انفراسٹرکچر منصوبوں پر کم سرکاری اخراجات کے باعث تارکول کی فروخت کم ہوئی جس کے نتیجے میں انونٹری میں فنڈز کے ہلاک ہونے کے باعث کمپنی کو مجبوراً قلیل المیعاد قرضوں کے ذریعہ آپریشنز کو فنائٹس کرنا پڑا۔

ریفاٹریز ورکنگ گروپ حکومت سے مستقل طور پر بات چیت کر رہا ہے تاکہ موجودہ غیر معمولی صورتحال سے نمٹنے کے لئے موجودہ ریفاٹریز کو کچھ مراعات فراہم کی جاسکیں۔ ہم توقع کرتے ہیں کہ حکومت مسائل کی سنگینی کو سمجھے گی اور پاکستان میں ریفاٹریوں کے استحکام اور آپریشنز کے تسلسل کے لیے اس معاملے میں اپنا کردار ادا کرے گی۔

دریں اثنا، کمپنی نے پاکستان میں قابل اطلاق نئے معیارات کی تکمیل کے لئے یورو V معیار کے بائی اسپنڈ ڈیزل کی تیاری جنوری 2021 میں کرنا شروع کر دی ہے اور یورو V مصنوعات کی قیمت کے استحقاق کے لئے اہل ہے۔

ہم اپنے حصص یافتگان، صارفین اور عملے کی کمپنی میں ان کی مستقل حمایت اور اعتماد کے لئے ان کا شکریہ ادا کرتے ہیں۔

بورڈ کچانجے

 شیخ اعجاز علی ملک
 چیئرمین

اسلام آباد

26 جنوری، 2021



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, 2020 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 these 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, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

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 1, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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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, 2020

	Note	Unaudited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	32,825,958	34,217,924
Long term investment		12,942	12,942
Long term loans	6	43,535	46,351
Long term deposits	7	30,265	30,265
Deferred taxation	8	8,290,194	7,639,925
Retirement benefit prepayments		12,879	19,786
		<u>41,215,773</u>	<u>41,967,193</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,621,224	1,552,996
Stock-in-trade	9	16,815,771	11,820,278
Trade receivables		7,194,853	4,022,171
Loans and advances	10	35,787	43,941
Trade deposits and short-term prepayments	11	278,312	21,228
Interest accrued		24,803	8,833
Other receivables		1,141,173	1,070,134
Taxation - payments less provision		1,819,079	2,253,411
Cash and bank balances	12	593,112	552,605
		<u>29,524,114</u>	<u>21,345,597</u>
		<u>70,739,887</u>	<u>63,312,790</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		28,215,053	29,037,620
		<u>29,014,719</u>	<u>29,837,286</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term lease liability		183,656	183,656
Provision for Gas Infrastructure Development Cess	13	743,615	-
Retirement benefit obligations		354,271	308,552
		<u>1,281,542</u>	<u>492,208</u>
CURRENT LIABILITIES			
Trade and other payables	14	18,255,169	15,492,187
Unclaimed dividend		62,102	62,538
Unpaid dividend		31,358	31,489
Accrued mark-up		199,355	310,264
Provisions		112,361	112,361
Borrowings	15	21,766,305	16,777,521
Unearned revenue		-	193,085
Current portion of long-term lease liability		16,976	3,851
		<u>40,443,626</u>	<u>32,983,296</u>
		<u>41,725,168</u>	<u>33,475,504</u>
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL EQUITY AND LIABILITIES			
		<u>70,739,887</u>	<u>63,312,790</u>

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



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

		Quarter ended		Half year ended	
	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		← (Rupees in thousand) →			
Revenue from contracts with customers	17	50,421,377	55,816,175	93,051,424	108,148,601
Trade discounts, taxes, duties, levies and price differential	18	(18,075,987)	(14,419,947)	(33,443,794)	(27,484,758)
Net revenue from contracts with customers		32,345,390	41,396,228	59,607,630	80,663,843
Cost of sales		(31,216,154)	(43,735,687)	(59,818,920)	(83,191,596)
Gross profit / (loss)		1,129,236	(2,339,459)	(211,290)	(2,527,753)
Distribution cost		(196,698)	(245,684)	(320,479)	(442,566)
Administrative expenses		(213,014)	(203,050)	(419,730)	(437,452)
Other income	19	96,574	134,250	191,720	236,023
Other operating expenses		(6,615)	(5,141)	(9,732)	(10,177)
Operating profit / (loss)		809,483	(2,659,084)	(769,511)	(3,181,925)
Finance cost	20	(95,044)	(318,550)	(245,440)	(689,420)
Profit / (loss) before taxation		714,439	(2,977,634)	(1,014,951)	(3,871,345)
Taxation	21	(225,906)	671,426	192,384	886,372
Profit / (loss) after taxation		488,533	(2,306,208)	(822,567)	(2,984,973)
Earnings / (loss) per share - basic and diluted		Rs. 6.11	(Rs. 28.84)	(Rs. 10.29)	(Rs. 37.33)

The annexed notes 1 to 26 form an integral part of this 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, 2020 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
Profit / (loss) after taxation	488,533	(2,306,208)	(822,567)	(2,984,973)
Other comprehensive income / (loss)				
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>488,533</u>	<u>(2,306,208)</u>	<u>(822,567)</u>	<u>(2,984,973)</u>

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



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (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, 2019	799,666	10,142	4,117	-	9,631,914	31,961,000	13,346	(8,546,716)	33,873,469
Loss for the half year ended December 31, 2019	-	-	-	-	-	-	-	(2,984,973)	(2,984,973)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the half year ended December 31, 2019	-	-	-	-	-	-	-	(2,984,973)	(2,984,973)
Balance as at December 31, 2019	799,666	10,142	4,117	-	9,631,914	31,961,000	13,346	(11,531,689)	30,888,496
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)	-	-	-	-	-	-	-	-	-
Total comprehensive 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

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



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

	Note	December 31, 2020 (Rupees in thousand)	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in) / generated from operations	22	(3,780,328)	6,525,829
Income tax (paid) / refund		(23,553)	2,488,525
Finance cost paid		(863,784)	(1,080,354)
Decrease / (increase) in long term loans		2,816	(2,836)
Payments made to staff retirement benefit funds		(2,687)	-
Net cash (utilised in) / generated from operating activities		(4,667,536)	7,931,164
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(291,461)	(1,309,941)
Purchase of intangible assets		(1,281)	(45)
Proceeds from disposal of property, plant and equipment		637	4,900
Return on investments and bank accounts		11,931	11,149
Net cash used in investing activities		(280,174)	(1,293,937)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(567)	(554)
Net (decrease) / increase in cash and cash equivalents		(4,948,277)	6,636,673
Cash and cash equivalents at beginning of the period		(16,224,916)	(24,029,218)
Cash and cash equivalents at end of the period		(21,173,193)	(17,392,545)

The annexed notes 1 to 26 form an integral part of this 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, 2020 (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, 2020.

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, 2020. However, these do not have any significant impact on the Company's financial reporting.

(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 January 1, 2021. 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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, 2020.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of 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, 2020.

- 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, 2020.

December 31,	June 30,
2020	2020
(Rupees in thousand)	

5. FIXED ASSETS

Property, plant and equipment

- Operating assets - note 5.1	30,527,409	30,366,435
- Major spare parts and stand-by equipments	371,656	363,497
- Capital work-in-progress - note 5.2	1,915,806	3,468,738
	<u>32,814,871</u>	<u>34,198,670</u>
Intangible assets	11,087	19,254
	<u>32,825,958</u>	<u>34,217,924</u>

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

5.2 Capital work-in-progress

	Balance as at July 1, 2020	Additions during the period	Transfers	Balance as at December 31, 2020	Balance as at July 1, 2019	Additions during the period	Transfers	Balance as at June 30, 2020
	(Rupees in thousand)							
Buildings on leasehold land	22,810	3,298	(4,012)	22,096	16,420	17,763	(11,373)	22,810
Refineries upgradation projects	2,804,584	47,353	(1,566,392)	1,285,545	1,580,129	1,224,455	-	2,804,584
Plant and machinery	510,885	143,809	(223,407)	431,287	770,160	636,018	(895,293)	510,885
Office and other equipments	53,860	23,108	(14,895)	62,073	26,001	52,410	(24,551)	53,860
	3,392,139	217,568	(1,808,706)	1,801,001	2,392,710	1,930,646	(931,217)	3,392,139
Advances to contractors / suppliers - note 5.4	76,599	94,439	(56,233)	114,805	211,608	41,064	(176,073)	76,599
	3,468,738	312,007	(1,864,939)	1,915,806	2,604,318	1,971,710	(1,107,290)	3,468,738

5.3 Additions and disposals to the operating assets during the half year end are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
Plant and machinery	1,828,657	20,366	-	-
Office and other equipments	40	16,463	-	-
Buildings	5,391	1,534	-	-
Utilities	-	97,873	-	-
Vehicles	334	330	736	286
Furniture and fixtures	148	335	-	220
Computer equipment	1,665	2,087	-	-
Storage tanks	-	28,068	-	-
	1,836,235	167,056	736	506

5.4 The advances to contractors / suppliers does not carry any interest or mark-up arrangement.

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. 8.10 million (June 30, 2020: Rs. 10.05 million) carry interest ranging from 3% to 7% (June 30, 2020: 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 any mark-up arrangement.

8. DEFERRED TAXATION

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

9. STOCK-IN-TRADE

As at December 31, 2020 stock of finished products have been written down by Rs. Nil (June 30, 2020: Rs. 77 million) to arrive at its net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 2.01 million (June 30, 2020: Rs. 1.97 million) carrying interest as disclosed in note 6. Advances do not carry any mark-up arrangement.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any mark-up arrangement.

	December 31, 2020	June 30, 2020
	(Rupees in thousand)	
12. CASH AND BANK BALANCES		
Cash in hand	500	500
With banks in:		
- current accounts	63,276	43,535
- savings accounts	39,273	18,507
- deposit accounts	490,063	490,063
	592,612	552,105
	<u>593,112</u>	<u>552,605</u>

13. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS

During the period the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honourable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments. However, the review application has been dismissed on merits.

The Company has also filed a civil suit before the Honourable High Court of Sindh on the ground that the Company falls under the category of consumers and it has not passed on the burden of Cess. Stay order was granted in the aforesaid suit, which has been operative till the next date of hearing. However, while pendency of aforesaid suit, the Company is regularly paying GIDC installments up to the date under protest and without prejudice to the Company's legal rights.

The Company has recorded the provision at its present value by discounting the future cash flows at risk free rate and has booked income of Rs. 153.7 million, which is netted off in cost of sales.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

	December 31, 2020	June 30, 2020
	(Rupees in thousand)	
14. TRADE AND OTHER PAYABLES		
Trade creditors	9,102,817	7,116,002
Due to the Government of Pakistan	546,061	418,523
Due to related parties:		
- Attock Petroleum Limited	30,952	19,219
- Pakistan Oilfields Limited	381,500	289,686
- Attock Cement Pakistan Limited	139	-
Accrued liabilities	913,734	2,826,847
Current portion of provision for Gas Infrastructure Development Cess - note 13	319,000	-
Surplus price differential payable	7,582	7,582
PMG-RON differential payable	110,006	148,664
PMG-Euro-V differential payable - note 18.1	50,995	-
Custom duty payable - note 14.1	1,193,604	1,493,612
Sales tax payable	2,123,392	1,122,417
Retention money	93,537	177,349
Deposits from contractors	50,180	42,716
Advances from customers - note 14.2	349,043	339,814
Workers' welfare fund	73,626	78,595
Income tax deducted at source	13,462	23,694
Excise duty and petroleum levy	2,874,199	1,379,486
Others	21,340	7,981
	<u>18,255,169</u>	<u>15,492,187</u>

14.1 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.

14.2 These include advances received from related party - Pakistan Oilfields Limited amounting to Rs. 17.84 million (June 30, 2020: Rs. 25.54 million) against supply of goods.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

15. BORROWINGS

- 15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 26.7 billion (June 30, 2020: Rs. 21.65 billion) of which the amount remaining unutilised at the period end was Rs. 10.12 billion (June 30, 2020: 9.87 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.0% above KIBOR (June 30, 2020: KIBOR + 0.15% to 1.10%) per annum.
- 15.2 The facility from Istisna arrangement from an Islamic bank amounted to Rs. 5 billion (June 20, 2020: 5 billion) of which Rs Nil (June 30, 2020: Rs. Nil) remained unutilised as at the period end. The rate of mark-up applicable is based on three months KIBOR + 0.25% to 0.50% (June 30, 2020: three months KIBOR + 0.25%) per annum.
- 15.3 Short term loans obtained on weekly rollover basis from commercial banks amounted to Rs. 10.85 billion (June 30, 2020: Rs. 6 billion). These loans are interchangeable facilities with running finance arrangement as disclosed in note 15.1. The rate of mark-up applicable on this loan is based on respective tenor KIBOR ranging from 0.08% to 0.55% (June 30, 2020: KIBOR + 0.1% to 0.55%) per annum.
- 15.4 The facilities for opening the letters of credit and guarantees as at December 31, 2020 amounted to Rs. 86.45 billion (June 30, 2020: Rs. 86.8 billion) of which the amount remaining unutilised at the period end was Rs. 50.132 billion (June 30, 2020: Rs. 63.58 billion). The above financing arrangements to the tune of Rs. 28.7 billion (June 30, 2020: Rs. 21.65 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 changes during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2020, 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. 5.51 billion (June 30, 2020: Rs. 5.17 billion). These include claims accumulating to Rs. 5.3 billion (June 30, 2020: Rs. 5 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 63.92 million (June 30, 2020: Rs. 49.64 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at December 31, 2020 amounted to Rs. 380 million (June 30, 2020: Rs. 403 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Quarter ended		Half year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
Local	48,682,535	51,173,789	89,625,132	100,005,655
Export	1,738,842	4,642,386	3,426,292	8,142,946
	<u>50,421,377</u>	<u>55,816,175</u>	<u>93,051,424</u>	<u>108,148,601</u>

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

	Quarter ended		Half year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
Trade discounts	65,213	68,136	115,271	184,349
Sales tax	7,073,647	7,435,613	12,994,601	14,530,911
Excise duty	94	150	146	238
Petroleum levy	9,932,572	5,511,508	18,366,006	10,171,343
Custom duty	880,210	1,193,268	1,721,612	2,284,050
PMG - RON differential	78,188	211,272	195,163	313,867
PMG - Euro V differential - note 18.1	46,063	-	50,995	-
	<u>18,075,987</u>	<u>14,419,947</u>	<u>33,443,794</u>	<u>27,484,758</u>

- 18.1 This represents the price differential of Euro-V and Euro-II standard Mogas for the seven fortnights ended December 31, 2020. The Company produces Mogas of Euro-II standard, hence it has recorded a liability for the aforesaid differential amount in accordance with the guidelines issued by Ministry of Energy (MOE).

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 27.90 million (2019: Rs. 30.78 million).

20. FINANCE COST

- 20.1 This includes interest on short term borrowings amounting to Rs. 752.87 million (2019: Rs. 1,051.48 million). The rates of mark-up applicable are provided in note 15.
- 20.2 This also includes net exchange gain of Rs. 525.48 million (2019: Rs. 380.8 million) on foreign currency transactions relating to purchase and sale of crude oil / products. This exchange gain / loss relates to actual currency fluctuations and not due to derivative financial instruments.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
21. TAXATION				
Current	248,058	319,619	457,885	623,854
Deferred	(22,152)	(991,045)	(650,269)	(1,510,226)
	<u>225,906</u>	<u>(671,426)</u>	<u>(192,384)</u>	<u>(886,372)</u>
			December 31, 2020	December 31, 2019
			(Rupees in thousand)	
22. CASH (UTILISED IN) / GENERATED FROM OPERATIONS				
Loss before taxation			(1,014,951)	(3,871,345)
Adjustment for non cash charges and other items:				
Depreciation and amortisation			1,683,972	1,768,036
Provision for staff retirement benefit funds			55,313	67,057
Finance cost			752,875	1,051,741
Return on investments and bank accounts			(27,901)	(30,781)
Loss / (gain) on disposal of property, plant & equipment			99	(4,394)
Interest on lease liability			13,125	13,275
Changes in working capital - note 22.1			(5,242,860)	7,532,240
			<u>(3,780,328)</u>	<u>6,525,829</u>
22.1 Changes in working capital				
(Increase) / decrease in current assets				
Stores, spares and chemicals			(68,228)	(27,370)
Stock-in-trade			(4,995,493)	8,979,947
Trade receivables			(3,172,682)	(1,896,512)
Loans and advances			8,154	(7,672)
Trade deposits and short-term prepayments			(257,084)	(218,426)
Other receivables			(71,039)	(525,953)
			<u>(8,556,372)</u>	<u>6,304,014</u>
Increase in current liabilities				
Trade and other payables			3,313,512	1,228,226
			<u>(5,242,860)</u>	<u>7,532,240</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

23. TRANSACTIONS WITH RELATED PARTIES

23.1 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, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		← (Rupees in thousand) →			
Associated companies					
-	Pakistan Oilfields Limited (POL)				
	Rental income	759	690	1,518	1,380
	Products - sale of petroleum products	92,391	151,878	137,422	226,873
	Purchase of raw material	475,646	395,185	863,954	1,142,462
	Reimbursement of expenses incurred by POL on behalf of NRL	-	252	-	273
	Reimbursement of expenses incurred by NRL on behalf of POL	34	134	77	176
-	Attock Refinery Limited (ARL)				
	Reimbursement of expenses incurred by ARL on behalf of NRL	-	467	-	467
	Reimbursement of expenses incurred by NRL on behalf of ARL	-	46	-	114
	Naphtha handling Income	34,099	30,686	68,198	69,727
-	Attock Petroleum Limited (APL)				
	Sale of petroleum products	16,782,442	24,398,002	34,760,115	51,404,400
	Trade discounts	41,233	53,967	76,004	150,829
	Commission on export sales	18,060	56,124	37,197	90,792
	Commission on local Sales	164,646	165,092	245,717	276,577
	Purchase of petroleum products	-	1,145	2,020	2,286
	Hospitality charges on sales	29,732	23,904	51,685	54,949
	Rental income	1,264	1,006	2,186	1,987
	Reimbursement of expenses incurred by NRL on behalf of APL	1,370	394	1,973	550
-	Attock Cement Pakistan Limited (ACPL)				
	Reimbursement of expenses incurred by ACPL on behalf of NRL	-	151	-	172
	Reimbursement of expenses incurred by NRL on behalf of ACPL	-	149	-	149
	Purchase of stores	139	-	139	-
-	Attock Oil Company Limited (AOCL) *				
	Reimbursement of expenses incurred by AOCL on behalf of NRL	9	102	11	526
	Reimbursement of expenses incurred by NRL on behalf of AOCL	11	16	27	32
	Sales of Company vehicle	-	4,900	-	4,900
Other related parties					
-	Contribution to staff retirement benefits plans				
	Employees provident fund	12,148	11,797	26,275	23,776
	Employees gratuity fund	-	-	2,687	-
-	Key management compensation				
	Salaries and other employee benefits	11,499	9,481	20,810	21,585
	Post employment benefits	891	912	1,783	1,767
	Directors' fee	1,362	1,596	5,099	4,490

* 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, 2020 (UNAUDITED)

24. SEGMENT INFORMATION

- 24.1 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, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local (net of discounts, taxes, duties levies and price differentials)	40,841,771	55,044,651	15,339,567	17,476,246	56,181,338	72,520,897
- exports	3,291,268	7,275,992	135,024	866,954	3,426,292	8,142,946
	44,133,039	62,320,643	15,474,591	18,343,200	59,607,630	80,663,843
Inter segment transfers	12,487,581	13,056,811	-	-	12,487,581	13,056,811
Elimination of inter-segment transfers	-	-	-	-	(12,487,581)	(13,056,811)
Net sales	56,620,620	75,377,454	15,474,591	18,343,200	59,607,630	80,663,843
Segment results after tax	(1,769,359)	(3,329,423)	946,792	344,450	(822,567)	(2,984,973)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(1,769,359)	(3,329,423)	946,792	344,450	(822,567)	(2,984,973)

	FUEL		LUBE		TOTAL	
	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020
	(Rupees in thousand)					
Segment assets	46,280,226	38,592,749	9,859,709	10,828,424	56,139,935	49,421,173
Unallocated assets	-	-	-	-	14,599,952	13,891,617
Total assets as per balance sheet	46,280,226	38,592,749	9,859,709	10,828,424	70,739,887	63,312,790
Segment liabilities	24,298,966	18,699,283	17,071,931	14,467,669	41,370,897	33,166,952
Unallocated liabilities	-	-	-	-	354,271	308,552
Total liabilities as per balance sheet	24,298,966	18,699,283	17,071,931	14,467,669	41,725,168	33,475,504

- 24.2 Incremental expenses of Diesel Hydro De-sulphurisation (DHDS) and Isomerisation (ISOM) units have been charged to fuel segment in accordance with note 24.1 above.

25. CORRESPONDING FIGURES

Comparative information has been reclassified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparison and to confirm with presentation in the current period.

26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company on January 26, 2021.



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**