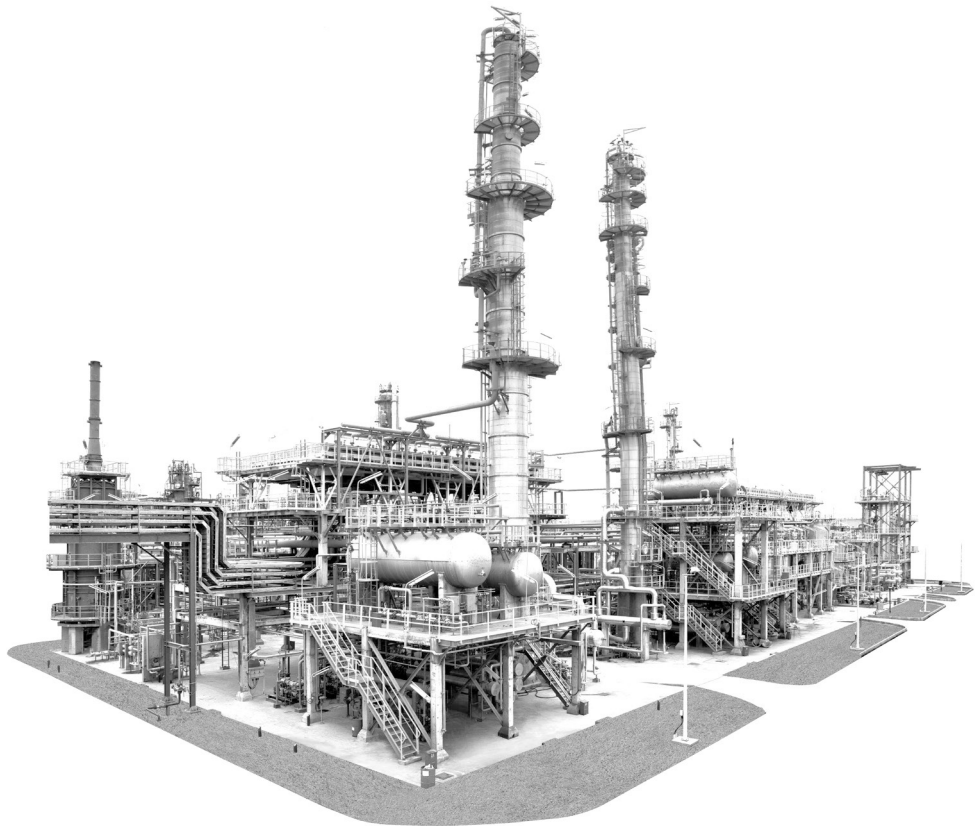


Condensed Interim
Financial Statements
for the Half Year Ended
December 31, 2022

Refining with Vision



National Refinery Limited



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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

Shamim Ahmad Khan

Abdus Sattar

Sajid Nawaz

Khondamir Nusratkhujavev

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

Habib Metropolitan Bank Limited

Askari Bank Limited

Faysal Bank Limited

BankIslami Pakistan

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 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 pleased to present a brief review of the financial results and operations of your Company for the half year ended December 31, 2022.

The half year started with favorable product margins, however, macroeconomic challenges started to impact simultaneously resulting in tight monetary policy, high inflation, declining foreign exchange reserves and impact of catastrophic floods that have translated into challenges to the Company in the form of lower product demand, higher exchange losses and difficulties in securing confirmation from foreign banks on Letters of Credit (LCs) for import of Crude Oil. The Company however managed to arrange LC confirmations but against exceptionally high charges. Under these difficult circumstances your Company incurred loss after tax of Rs. 5,484 million resulting in loss per share of Rs. 68.58 as compared to profit after tax of Rs. 2,550 million that had resulted in earning per share of Rs. 31.89 in the corresponding period.

Fuel Segment of the Company incurred loss after tax of Rs. 6,049 million as compared to loss after tax of Rs. 971 million in the same period last year. During the period crude oil prices in international market gradually decreased from approximately US \$110/barrel in July-2022 to US \$80/barrel in December-2022 as concerns about a possible economic recession and severe COVID-19 containment measures in China contributed to lower global petroleum demand. As a result product margins started to decline that not only impacted Company's performance but also led to write-down of finished goods inventory by Rs. 1,055 million and semi-finished inventory by Rs. 367 million as at December 31, 2022. The situation further aggravated due to slow upliftment of Furnace Oil during the second quarter ahead of winter season. Accordingly, due to ullage constraints together with other operational limitations, the Company operated at lower throughput of 56% as compared to 66% in the corresponding period. Besides, devaluation of Pak-Rupee against US Dollar during the six months resulted in net exchange loss of Rs. 3,528 million as compared to Rs. 2,044 million in the same period last year.

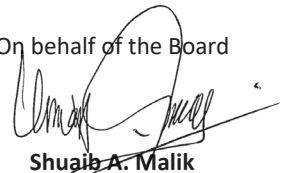
Lube Segment earned profit after tax of Rs. 565 million as compared to profit after tax of Rs. 3,521 million during the corresponding period last year. Local sales volume of Lube Base Oils declined by 17,122 M.Tons (22%) mainly due to decline in demand owing to lower economic activity post country wide flooding during the period. Local sales of Bitumen has also declined during the period due to lower road infrastructure development works in the Country. However, your Company has doubled its exports of Bitumen to 44,781 M.Tons during the period helping to ease out inventory ullage issues; consequently, throughput was managed at 89% (same period last year: 87%).

Besides significant increase in mark-up rates due to increase in policy rates during the period, the Company's working capital financing requirement has also increased considerably due to slow products' offtake and higher Crude Oil prices as compared to corresponding six months. Resultantly, Company's mark-up expense has increased to Rs. 2,647 million from Rs. 1,112 million in the same period last year.

Your Company is vigilant with respect to ongoing economic situation of the country and together with other industry members is in contact with concerned authorities. The discussion on the refinery policy is in final stages and hopefully it will be concluded shortly.

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

On behalf of the Board



Shuaib A. Malik

Chairman

ڈائریکٹرز کا جائزہ

نیشنل ریفاائنری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 31 دسمبر 2022 کو مکمل ہونے والی ششماہی کے مالی نتائج اور آپریٹنگ کا ایک مختصر جائزہ پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔

موجودہ ششماہی کا آغاز اچھے پروڈکٹ مارجنز کے ساتھ ہوا، تاہم، میکرو اکنامک چیلنجز بیک وقت اثر انداز ہونا شروع ہو گئے جس کے نتیجے میں سخت مالیاتی پالیسی، بلند افراط زر، گرتے ہوئے زرمبادلہ کے ذخائر اور تباہ کن سیلاب کے اثرات کا سامنا کرنا پڑا جو کہ کمپنی کے لیے مصنوعات کی کم طلب، زیادہ زرمبادلہ کے نقصانات اور خام تیل کی درآمد کے لیے لیٹرز آف کریڈٹ (LCs) پر غیر ملکی بینکوں سے تصدیق حاصل کرنے میں مشکلات جیسے چیلنجز میں تبدیل ہو گئے۔ تاہم، کمپنی LC کی تصدیق کا بندوبست کرنے میں کامیاب رہی لیکن تصدیقی اخراجات غیر معمولی طور پر زیادہ ادا کرنے پڑے۔ ان مشکل حالات میں، آپ کی کمپنی کو 5,484 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 68.58 روپے فی حصص نقصان کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 2,550 ملین روپے کا ٹیکس کے بعد منافع ہوا تھا جو 31.89 روپے فی حصص منافع کے مساوی تھا۔

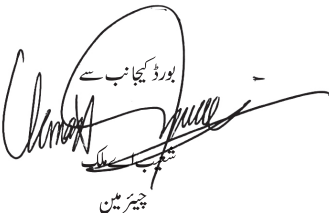
کمپنی کے فیول سیکورٹ 6,049 ملین روپے ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ سال اسی مدت میں ٹیکس کے بعد نقصان 971 ملین روپے تھا۔ اس عرصے کے دوران ممکنہ معاشی گراؤ اور چین میں COVID-19 سے بچاؤ کے شدید اقدامات کے نتیجے میں پیدا ہونے والے خدشات نے عالمی سطح پر پٹرولیم مصنوعات کی طلب کم ہونے میں کردار ادا کیا جس کی وجہ سے بین الاقوامی منڈی میں خام تیل کی قیمتیں جو کہ جولائی 2022 میں تقریباً 110 امریکی ڈالر فی بیرل تھیں بتدریج گرتے ہوئے دسمبر 2022 میں 80 امریکی ڈالر فی بیرل کی سطح تک کم ہو گئیں۔ نتیجتاً، پروڈکٹ کے مارجنز میں کمی آنا شروع ہو گئی جس نے نہ صرف کمپنی کی کارکردگی کو متاثر کیا بلکہ 31 دسمبر 2022 پر تیار شدہ انویٹری کی مد میں 1,055 ملین روپے اور تیار کیے گئے مراحل میں موجود انویٹری کی مد میں 367 ملین روپے کا نقصان اٹھانا پڑا۔ دوسری سہ ماہی کے دوران موسم سرما کی آمد کی وجہ سے فرانس آئل کی فروخت سست روی کا شکار رہی جس کی وجہ سے صورتحال مزید خراب ہو گئی۔ اس کے نتیجے میں، پراڈکٹ کو اسٹاک کرنے کی گنجائش (Ullage) میں کمی کے ساتھ ساتھ دیگر آپریٹنگ مشکلات کی وجہ سے کمپنی کی پیداوار گزشتہ ششماہی کے 66% فیصد کے مقابلے میں کم کر کے 56% فیصد کرنا پڑی۔ اس کے علاوہ، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے چھ مہینوں کے دوران زرمبادلہ کی مد میں 3,528 ملین روپے کا نقصان اٹھانا پڑا جو کہ گزشتہ سال 2,044 ملین روپے تھا۔

لیوب سیکورٹ کو 565 ملین روپے کا ٹیکس کے بعد منافع ہوا جبکہ گزشتہ مالی سال اسی مدت میں ٹیکس کے بعد 3,521 ملین روپے کا منافع تھا۔ لیوب میں آئل کی مقامی فروخت کے حجم میں 17,122 میٹرک ٹن کی کمی واقع ہوئی ہے جس کی بنیادی وجہ اس عرصے کے دوران ملک بھر میں سیلاب کے بعد محدود اقتصادی سرگرمیوں کی وجہ سے طلب میں کمی ہے۔ ملک میں سڑکوں کی بنیادی ڈھانچے کے ترقیاتی کاموں میں کمی کی وجہ سے اس مدت کے دوران تارکول کی مقامی فروخت میں بھی کمی آئی۔ تاہم، آپ کی کمپنی نے اس مدت کے دوران اپنے تارکول کی برآمدات کو دوگنا کر کے 44,781 میٹرک ٹن کر دیا ہے تاکہ انویٹری کے مسائل کو کم کرنے میں مدد کی جاسکے۔ نتیجتاً، پیداوار کو 89% فیصد رکھا گیا جو کہ گزشتہ ششماہی میں 87% فیصد تھی۔

اس عرصے کے دوران پالیسی کی شرح میں اضافے کی وجہ سے مارک اپ کی شرح میں نمایاں اضافے کے علاوہ، گزشتہ ششماہی کے مقابلے میں موجودہ عرصے کے دوران مصنوعات کی فروخت میں کمی اور خام تیل کی زائد قیمتوں کی وجہ سے کمپنی کے ورکنگ کیپیٹل فنڈنگ کی ضروریات میں کافی اضافہ ہوا ہے۔ اس کے نتیجے میں مارک اپ اخراجات کی مد میں گزشتہ مالی سال اسی مدت کے 1,112 ملین روپے کے مقابلے میں 2,647 ملین روپے خرچ ہوئے۔

آپ کی کمپنی ملک میں جاری معاشی صورتحال کے حوالے سے مکمل آگاہ ہے اور انڈسٹری کے دیگر اراکین کے ساتھ مل کر متعلقہ حکام سے رابطے میں ہے۔ ریفاائنری پالیسی پر بات چیت آخری مراحل میں ہے اور امید ہے کہ یہ جلد ہی مکمل ہو جائے گی۔

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

بورڈ کی جانب سے

 چیئرمین



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, 2022 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, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

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.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: February 27, 2023

UDIN: RR202210073vX9Arkm5i

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, 2022

	Note	Unaudited December 31, 2022	Audited June 30, 2022
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	26,956,109	28,348,945
Long-term investment		17,472	17,472
Long-term loans	6	32,799	37,985
Long-term deposits	7	30,265	30,265
Deferred taxation	8	7,321,480	4,655,287
Retirement benefit prepayments		-	25,452
		<u>34,358,125</u>	<u>33,115,406</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,841,535	1,914,831
Stock-in-trade	9	41,751,352	45,684,808
Trade receivables		13,072,613	16,502,290
Loans and advances	10	84,775	52,109
Trade deposits and short-term prepayments	11	425,496	55,962
Interest accrued		46,734	11,902
Other receivables		1,086,596	1,395,152
Taxation - payments less provision		3,099,238	3,355,429
Cash and bank balances	12	609,157	618,419
		<u>62,017,496</u>	<u>69,590,902</u>
TOTAL ASSETS		<u>96,375,621</u>	<u>102,706,308</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		32,335,954	39,019,692
		<u>33,135,620</u>	<u>39,819,358</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		157,017	169,460
Provision for Gas Infrastructure Development Cess	13.1	208,913	353,767
Retirement benefit obligations		538,596	494,308
		<u>904,526</u>	<u>1,017,535</u>
CURRENT LIABILITIES			
Trade and other payables	13	34,169,214	41,378,319
Advances from customers	14	752,443	1,224,455
Unclaimed dividend		60,094	60,149
Unpaid dividend		46,546	37,024
Accrued mark-up		721,815	531,417
Provisions		112,361	112,361
Borrowings	15	26,473,002	18,517,389
Current portion of long-term lease liability		-	8,301
		<u>62,335,475</u>	<u>61,869,415</u>
TOTAL LIABILITIES		<u>63,240,001</u>	<u>62,886,950</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	16	<u>96,375,621</u>	<u>102,706,308</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, 2022 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
← (Rupees in thousand) →					
Revenue from contracts with customers	17	105,150,141	66,736,302	182,879,199	120,782,026
Trade discounts, taxes, duties, levies and price differentials	18	(13,613,308)	(9,250,937)	(23,008,382)	(17,984,207)
Net revenue from contracts with customers		<u>91,536,833</u>	<u>57,485,365</u>	<u>159,870,817</u>	<u>102,797,819</u>
Cost of sales		<u>(91,461,020)</u>	<u>(55,092,010)</u>	<u>(159,768,693)</u>	<u>(97,752,104)</u>
Gross profit		<u>75,813</u>	<u>2,393,355</u>	<u>102,124</u>	<u>5,045,715</u>
Distribution cost		<u>(433,263)</u>	<u>(407,646)</u>	<u>(825,444)</u>	<u>(687,426)</u>
Administrative expenses		<u>(251,185)</u>	<u>(223,669)</u>	<u>(491,781)</u>	<u>(433,834)</u>
Other income	19	70,912	81,473	145,868	128,545
Other operating expenses		<u>(11,060)</u>	<u>(30,087)</u>	<u>(30,365)</u>	<u>(86,212)</u>
Operating (loss) / profit		<u>(548,783)</u>	<u>1,813,426</u>	<u>(1,099,598)</u>	<u>3,966,788</u>
Finance cost - net	20	<u>(849,030)</u>	<u>(1,647,581)</u>	<u>(6,197,852)</u>	<u>(3,174,773)</u>
(Loss) / profit before taxation		<u>(1,397,813)</u>	<u>165,845</u>	<u>(7,297,450)</u>	<u>792,015</u>
Taxation	21	304,938	1,978,664	1,813,210	1,758,462
(Loss) / profit after taxation		<u>(1,092,875)</u>	<u>2,144,509</u>	<u>(5,484,240)</u>	<u>2,550,477</u>
(Loss) / earnings per share - basic and diluted		<u>(Rs. 13.66)</u>	<u>Rs. 26.81</u>	<u>(Rs. 68.58)</u>	<u>Rs. 31.89</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 AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	← (Rupees in thousand) →			
(Loss) / profit after taxation	(1,092,875)	2,144,509	(5,484,240)	2,550,477
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 (loss) / income	(1,092,875)	2,144,509	(5,484,240)	2,550,477

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, 2022 (UNAUDITED)

	Note	December 31, 2022	December 31, 2021
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	22	(3,382,783)	(13,096,638)
Income tax paid		(596,792)	(197,235)
Finance cost paid		(2,459,124)	(857,345)
Decrease in long term loans		5,186	1,496
Payment made to staff retirement benefit funds		(7,172)	-
Net cash used in operating activities		<u>(6,440,685)</u>	<u>(14,149,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(323,537)	(196,773)
Proceeds from disposal of property, plant and equipment		2,106	42
Return on investments and bank accounts		20,459	5,998
Net cash used in investing activities		<u>(300,972)</u>	<u>(190,733)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,190,031)	(794,162)
Lease rental paid		(33,187)	(31,607)
Net cash used in financing activities		<u>(1,223,218)</u>	<u>(825,769)</u>
Net decrease in cash and cash equivalents		<u>(7,964,875)</u>	<u>(15,166,224)</u>
Cash and cash equivalents at beginning of the period		<u>(17,898,970)</u>	<u>(19,390,188)</u>
Cash and cash equivalents at end of the period	23	<u><u>(25,863,845)</u></u>	<u><u>(34,556,412)</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, 2022 (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, 2022.

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, 2022. 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, 2022 (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, 2023. 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, 2022.

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, 2022.

- 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, 2022.

December 31, 2022	June 30, 2022
(Rupees in thousand)	

5. FIXED ASSETS

Property, plant and equipment

- Operating assets - note 5.2	25,065,020	26,510,353
- Major spare parts and stand-by equipments	483,039	467,288
- Capital work-in-progress - note 5.4	1,404,463	1,366,181

<u>26,952,522</u>	<u>28,343,822</u>
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Intangible assets	3,587	5,123
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<u>26,956,109</u>	<u>28,348,945</u>
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

- 5.1 In the current period variable lease for right-of-use of assets amounts to Rs. 3.91 million (2021: 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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	← (Rupees in thousand) →			
Plant and machinery	98,345	43,918	-	-
Office and other equipments	9,106	2,449	184	-
Buildings	6,671	1,642	-	-
Utilities	37,173	27,626	-	-
Vehicles	15,185	1,023	2,102	-
Furniture and fixtures	1,140	236	-	-
Computer equipment	670	182	-	-
Pipelines	13,179	-	-	-
Storage tanks	88,035	-	-	-
	<u>269,504</u>	<u>77,076</u>	<u>2,286</u>	<u>-</u>

5.4 Capital work-in-progress

	Balance as at July 1, 2022	Additions during the period	Transfers	Balance as at December 31, 2022	Balance as at July 1, 2021	Additions during the year	Transfers	Balance as at June 30, 2022
		← (Rupees in thousand) →						
Buildings on leasehold land	15,629	5,334	(6,303)	14,660	12,168	6,249	(2,788)	15,629
Refineries upgradation projects	982,766	6,226	(809)	988,183	973,706	10,028	(968)	982,766
Plant and machinery	306,183	225,364	(236,323)	295,224	273,063	530,603	(497,483)	306,183
Office and other equipments	51,892	18,966	(4,452)	66,406	39,513	29,934	(17,555)	51,892
	<u>1,356,470</u>	<u>255,890</u>	<u>(247,887)</u>	<u>1,364,473</u>	<u>1,298,450</u>	<u>576,814</u>	<u>(518,794)</u>	<u>1,356,470</u>
Advances to contractors / suppliers - note 5.5	9,711	38,910	(8,631)	39,990	52,442	9,720	(52,451)	9,711
	<u>1,366,181</u>	<u>294,800</u>	<u>(256,518)</u>	<u>1,404,463</u>	<u>1,350,892</u>	<u>586,534</u>	<u>(571,245)</u>	<u>1,366,181</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

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. 4.743 million (June 30, 2022: Rs. 7.30 million) carry interest ranging from 3% to 7% (June 30, 2022: 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, 2022 stock of finished products and semi-finished products have been written down by Rs. 1,055.57 million (June 30, 2022: Rs. 130.07 million) and Rs. 366.75 million (June 30, 2022: Rs. Nil) respectively to arrive at its net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.73 million (June 30, 2022: Rs. 1.61 million) carry 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 mark-up.

12. CASH AND BANK BALANCES

	December 31, 2022	June 30, 2022
	(Rupees in thousand)	
Cash in hand	500	500
With banks in:		
- current accounts	117,433	123,436
- savings accounts	1,161	4,420
- deposit accounts	490,063	490,063
	<u>608,657</u>	<u>617,919</u>
	<u>609,157</u>	<u>618,419</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

December 31,
2022
(Rupees in thousand)

June 30,
2022

13. TRADE AND OTHER PAYABLES

Trade creditors	25,357,061	31,917,056
Due to the Government of Pakistan	1,862,132	2,379,053
Due to related parties:		
- Attock Petroleum Limited	56,700	51,646
- Pakistan Oilfields Limited	-	27
Accrued liabilities	944,050	1,120,657
Current portion of provision for Gas		
Infrastructure Development Cess - refer note 13.1	693,444	507,365
HSD premium differential	22,744	1,048,580
PMG-RON differential payable	325,719	294,018
PMG-Euro-V differential payable	19,923	7,258
Custom duty payable - note 13.2	1,273,763	1,670,681
Sales tax payable	753,108	1,846,834
Retention money	76,934	66,576
Deposits from contractors	63,444	64,296
Workers' Profits Participation Fund	-	110,992
Workers' Welfare Fund	71,760	262,903
Income tax deducted at source	20,089	21,495
Excise duty and petroleum levy	2,621,859	1,035
Others	6,484	7,847
	<u>34,169,214</u>	<u>41,378,319</u>

- 13.1 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

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.

- 13.2 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. ADVANCES FROM CUSTOMERS

These include advances received from related parties - Pakistan Oilfields Limited and Attock Petroleum Limited amounting to Rs. 17.13 million (June 30, 2022: 17.13 million) and Rs. 38.72 million (June 30, 2022: Rs. Nil) respectively against supply of goods.

15. BORROWINGS

- 15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 34.54 billion (June 30, 2022: Rs. 27.44 billion) of which the amount remaining unutilised at the period end was Rs. 19.44 billion (June 30, 2022: 17.97 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1% above KIBOR (June 30, 2022: KIBOR + 0.15% to 1%) per annum.
- 15.2 The facility from Istisna and Tijarah arrangements from various Islamic banks amounted to Rs. 17.90 billion (June 30, 2022: Rs. 14.90 billion) of which Rs. 6.90 billion (June 30, 2022: Rs. 5.96 billion) remained unutilised as at the period end. The rate of mark-up applicable is based on relevant KIBOR + 0.05% to 0.15% (June 30, 2022: one / three months KIBOR + 0.02% to 0.15%) per annum.
- 15.3 Short term loans obtained on rollover basis from commercial banks amounted to Rs. 13.07 billion (June 30, 2022: Rs. 2.47 billion). These loans are interchangeable facilities with running finance arrangement as disclosed in note 15.1. The rate of mark-up applicable on these loans is based on respective tenor KIBOR plus spread ranging from -0.70% to +0.15% (June 30, 2022: KIBOR -0.4% to +0.45%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

- 15.4 The facilities for opening the letters of credit and guarantees as at December 31, 2022 amounted to Rs. 122.77 billion (June 30, 2022: Rs. 106.38 billion) of which the amount remaining unutilised at the period end was Rs. 40.996 billion (June 30, 2022: Rs. 43.94 billion). The above financing arrangements to the tune of Rs. 37.94 billion (June 30, 2022: Rs. 20.84 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, 2022, 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. 5.62 billion (June 30, 2022: Rs. 5.67 billion). These include claims accumulating to Rs. 5.42 billion (June 30, 2022: Rs. 5.39 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 67.45 million (June 30, 2022: Rs. 100.4 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at December 31, 2022 amounted to Rs. 836.05 million (June 30, 2022: Rs. 665.3 million).

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Quarter ended		Half year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	← (Rupees in thousand) →			
Local	97,990,309	57,459,782	172,561,545	107,478,479
Export	7,159,832	9,276,520	10,317,654	13,303,547
	<u>105,150,141</u>	<u>66,736,302</u>	<u>182,879,199</u>	<u>120,782,026</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

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

	Quarter ended		Half year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)			
Trade discounts	-	123,101	-	202,516
Sales tax	4,651,870	6,147,761	9,719,456	12,927,661
Excise duty	40	33	88	69
Petroleum levy	6,600,926	2,009,431	8,795,143	2,834,467
Custom duty	2,093,087	886,295	3,766,715	1,858,238
PMG - RON differential	255,440	83,232	526,703	160,172
PMG - Euro V differential	11,945	1,084	21,961	1,084
HSD premium differential	-	-	178,316	-
	<u>13,613,308</u>	<u>9,250,937</u>	<u>23,008,382</u>	<u>17,984,207</u>

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 55.29 million (2021: Rs. 19.70 million).

20. FINANCE COST - NET

20.1 This includes mark-up on short term borrowings amounting to Rs. 2,647.47 million (2021: Rs. 1,112.49 million). The rates of mark-up applicable are provided in note 15.

20.2 This also includes net exchange loss of Rs. 3,527.53 million (2021: Rs. 2,044.11 million) on foreign currency transactions relating to purchase of crude oil and sale of products. This relates to actual fluctuations and not due to derivative financial instruments.

	Quarter ended		Half year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)			

21. TAXATION

Current				
for the period	494,009	303,344	852,983	587,712
for prior periods	-	(2,088,689)	-	(2,088,689)
Deferred	<u>(798,947)</u>	<u>(193,319)</u>	<u>(2,666,193)</u>	<u>(257,485)</u>
	<u>(304,938)</u>	<u>(1,978,664)</u>	<u>(1,813,210)</u>	<u>(1,758,462)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)

December 31, 2022 December 31, 2021
(Rupees in thousand)

22. CASH USED IN OPERATIONS

(Loss) / profit before taxation	(7,297,450)	792,015
Adjustment for non cash charges and other items:		
Depreciation and amortisation	1,714,087	1,706,470
Provision for staff retirement benefit funds	76,912	60,170
Finance cost	2,649,522	1,112,494
Return on investments and bank accounts	(55,291)	(19,703)
Loss / (gain) on disposal of property, plant & equipment	180	(42)
Interest on lease liability	12,443	12,856
Changes in working capital - note 22.1	(483,186)	(16,760,898)
	<u>(3,382,783)</u>	<u>(13,096,638)</u>

22.1 Changes in working capital

Decrease / (increase) in current assets

Stores, spares and chemicals	73,296	(74,858)
Stock-in-trade	3,933,456	(7,710,488)
Trade receivables	3,429,677	2,586,109
Loans and advances	(32,666)	12,179
Trade deposits and short-term prepayments	(369,534)	(282,670)
Other receivables	308,556	(5,124,802)
	7,342,785	(10,594,530)

(Decrease) / increase in current liabilities

Trade and other payables	(7,353,959)	(6,596,275)
Advances from customers	(472,012)	429,907
	<u>(483,186)</u>	<u>(16,760,898)</u>

23. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 12	609,157	602,256
Short term borrowings - note 15	(26,473,002)	(35,158,668)
	<u>(25,863,845)</u>	<u>(34,556,412)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022 (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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
← (Rupees in thousand) →					
Associated companies					
- Pakistan Oilfields Limited (POL)					
	Rental income	946	860	1,892	1,720
	Products - sale of petroleum products	77,283	60,929	173,241	109,727
	Purchase of raw material	-	3,432	-	21,052
	Reimbursement of expenses incurred by POL on behalf of NRL	69	-	69	-
	Reimbursement of expenses incurred by NRL on behalf of POL	92	128	208	197
	Dividend paid	299,875	199,916	299,875	199,916
- Attock Refinery Limited (ARL)					
	Reimbursement of expenses incurred by NRL on behalf of ARL	53	6,073	53	6,073
	Naphtha handling Income	-	3,390	-	3,390
	Dividend paid	299,875	199,916	299,875	199,916
- Attock Petroleum Limited (APL)					
	Sale of petroleum products	46,008,121	23,488,994	79,667,940	45,635,417
	Trade discounts	-	92,900	-	147,323
	Commission on export sales	60,682	95,666	70,297	137,722
	Commission on local Sales	272,087	238,221	509,256	437,863
	Purchase of petroleum products	11,643	4,393	19,490	5,419
	Hospitality charges on sales	34,428	59,118	82,572	80,666
	Dividend paid	11,995	7,997	11,995	7,997
	Rental income	1,411	1,286	2,787	2,540
	Reimbursement of expenses incurred by NRL on behalf of APL	2,074	2,239	3,028	3,160
	Reimbursement of expenses incurred by APL on behalf of NRL	-	-	-	251
- Attock Cement Pakistan Limited (ACPL)					
	Reimbursement of expenses incurred by ACPL on behalf of NRL	38	-	38	-
	Reimbursement of expenses incurred by NRL on behalf of ACPL	316	-	316	-
	Purchase of stores	-	154	194	294
- Attock Oil Company Limited (AOCL) *					
	Reimbursement of expenses incurred by AOCL on behalf of NRL	67	34	67	59
	Reimbursement of expenses incurred by NRL on behalf of AOCL	9	8	18	16
Other related parties					
- Contribution to staff retirement benefits plans					
	Employees provident fund	12,973	13,228	26,245	25,391
	Employees gratuity fund	-	-	7,172	-
- Key management compensation					
	Salaries and other employee benefits	11,284	10,281	32,480	25,558
	Post employment benefits	1,189	939	2,429	1,879
	Directors' fee	1,590	1,455	5,448	5,100

* 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, 2022 (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, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local (net of discounts, taxes, duties and levies and price differentials)	113,843,246	61,974,797	35,709,917	27,519,475	149,553,163	89,494,272
- export	5,015,464	10,646,581	5,302,190	2,656,966	10,317,654	13,303,547
	118,858,710	72,621,378	41,012,107	30,176,441	159,870,817	102,797,819
Inter-segment transfers	38,498,365	25,679,442	-	-	38,498,365	25,679,442
Elimination of intersegment transfers	-	-	-	-	(38,498,365)	(25,679,442)
Net revenue from contract with customers	157,357,075	98,300,820	41,012,107	30,176,441	159,870,817	102,797,819
Segment results after tax	(6,049,047)	(970,426)	564,807	3,520,903	(5,484,240)	2,550,477
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(6,049,047)	(970,426)	564,807	3,520,903	(5,484,240)	2,550,477

	FUEL		LUBE		TOTAL	
	December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022
	(Rupees in thousand)					
Segment assets	68,319,511	78,514,017	12,648,043	11,399,874	80,967,554	89,913,891
Unallocated assets	-	-	-	-	15,408,067	12,792,417
Total assets as per balance sheet	68,319,511	78,514,017	12,648,043	11,399,874	96,375,621	102,706,308
Segment liabilities	58,519,339	57,869,157	4,182,066	4,523,485	62,701,405	62,392,642
Unallocated liabilities	-	-	-	-	538,596	494,308
Total liabilities as per balance sheet	58,519,339	57,869,157	4,182,066	4,523,485	63,240,001	62,886,950

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 27, 2023.


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

