

VISION OF TODAY IS
TOMORROW'S ACHIEVEMENT



Unaudited Accounts
for the Half Year ended
December 31, 2014



National Refinery Limited



Contents

- 02 Corporate Information
- 03 Directors' Review
- 04 Auditors' Report
- 05 Condensed Interim Balance Sheet
- 06 Condensed Interim Profit and Loss Account
- 07 Condensed Interim Statement of Comprehensive Income
- 08 Condensed Interim Cash Flow Statement
- 09 Condensed Interim Statement of Changes in Equity
- 10 Selected Notes to the Condensed Interim Financial Information

CORPORATE INFORMATION

Board of Directors

Dr. Ghaith R. Pharaon - Chairman
Alternate Director: Abdus Sattar

Laith G. Pharaon
Alternate Director: Jamil A. Khan

Wael G. Pharaon
Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik
Musa Bojang
Bahauddin Khan
Tariq Iqbal Khan

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Nouman Ahmed Usmani

Audit Committee

Tariq Iqbal Khan	Chairman
Abdus Sattar	Member
Alternate to Dr. Ghaith R. Pharaon	
Babar Bashir Nawaz	Member
Alternate to Wael G. Pharaon	
Bahauddin Khan	Member
Shaikh Ather Ahmed	Secretary

Human Resource and Remuneration (HR&R) Committee

Mosa Bojang	Chairman
Bahauddin Khan	Member
Babar Bashir Nawaz	Member
Alternate to Wael G. Pharaon	
Shuaib A. Malik	Member
Nouman Ahmed Usmani	Secretary

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Bankers

MCB Bank Limited
Allied Bank Limited
Habib Bank Limited
Askari Bank Limited
Faysal Bank Limited
United Bank Limited
Bank Alfalah Limited
Samba Bank Limited
Bank Al-Habib Limited
National Bank of Pakistan
Habib Metropolitan Bank Limited

Registered Office

7-B, Korangi Industrial Area,
P.O. Box 8228, Karachi-74900
UAN: 111-675-675
PABX No. +92-21-35064981-86,
+92-21-35064977-79
Fax: +92-21-35054663
+92-21-35066705
Website: www.nr1pak.com
Email: info@nr1pak.com

Share Registrar

THK Associates (Pvt.) Ltd.,
2nd Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road,
Karachi-75530 P.O. Box No. 8533
UAN: +92-21-111-000-322
Direct: +92-21-35693094-95
Fax: (92-21) 35655595
Email: secretariat@thk.com.pk
Website: www.thk.com.pk

DIRECTORS' REVIEW



Assalam-u-Alaikum!

On behalf of the Board of Directors, I am pleased to present a brief review of the un-audited financial statements of your Company for the half year ended December 31, 2014.

During this period, your Company incurred a loss after tax of Rs.48 million (translated into loss per share of Rs.0.61) compared to profit after tax of Rs.30 million (earning per share of Rs.0.37) in the corresponding period of last year.

The fuel segment sustained loss after tax of Rs.1,881 million as compared to loss after tax of Rs. 1,814 million in the corresponding period of last year. These six months were eventful for the world economy as international prices of crude oil have substantially slid and currently trading at five and half year low. Refinery margins slightly improved in second quarter but this upside was eroded due to falling prices of fuel products and reduced sale. Improvement in exchange parity of Pak Rupees during second quarter contributed in recovering exchange loss by Rs. 234 million. Net exchange loss for the period under review stood at Rs.663 million compared to Rs.1,423 million in the corresponding period of last year.

Lube Segment earned profit after tax of Rs.1,833 million compared to Rs.1,844 million in the corresponding period last year. The profitability of lube segment broadly remained the same despite reduction in sale of lube base oils. Sales of Asphalt during the period under review helped in reduction of its inventory level compared to June 2014.

Company has recently signed agreements for Diesel desulphurization and Naphtha Isomerization with the contractors for supply and construction. Financing agreements were also signed with the consortium of local banks to finance these projects. Despite challenges of declining international prices, reduced sales and a delay of fourteen months beyond the completion timeline as set by Government of Pakistan, your Company is endeavoring to achieve the milestone of above Refinery upgradation projects to uphold interest of all the stakeholders.

The Board would like to extend its gratitude to all the stakeholders for their continuous support and unwavering confidence.

On behalf of the Board

Dr. Ghaith R. Pharaon
Chairman

Beirut
January 27, 2015



A. F. FERGUSON & CO.

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of National Refinery Limited as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 December 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2014.

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 information 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 information as of and for the half year ended 31 December 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants
Karachi

Dated: 28 January 2015

Name of the engagement partner: Farrukh Rehman

*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>*

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, F-7/1, H-8 Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2274457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yousuf Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (11) 315320; +93 (11) 315320

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2014

	Note	Unaudited December 31, 2014	Audited June 30, 2014
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	5,622,370	5,061,222
Deferred taxation	6	491,615	165,344
Long term investment		-	-
Long term loans		41,839	41,486
Long term deposits		30,189	30,189
Retirement benefit prepayments		19,574	12,711
		<u>6,205,587</u>	<u>5,310,952</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,160,169	1,149,428
Stock-in-trade	7	14,933,598	23,856,560
Trade debts		5,162,776	10,207,068
Loans and advances		72,940	48,432
Trade deposits and short-term prepayments		140,840	53,237
Interest accrued		58,387	40,843
Other receivables	8	515,961	301,904
Short term investments		2,001,716	3,002,863
Cash and bank balances		12,343,053	8,804,865
		<u>36,389,440</u>	<u>47,465,200</u>
TOTAL ASSETS		<u><u>42,595,027</u></u>	<u><u>52,776,152</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		25,717,135	25,793,973
		<u>26,516,801</u>	<u>26,593,639</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefit obligations		473,556	380,867
CURRENT LIABILITIES			
Trade and other payables	9	14,908,918	24,931,269
Provisions		112,361	246,187
Taxation - provisions less payments		583,391	624,190
		<u>15,604,670</u>	<u>25,801,646</u>
TOTAL LIABILITIES		<u>16,078,226</u>	<u>26,182,513</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u><u>42,595,027</u></u>	<u><u>52,776,152</u></u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
← (Rupees in thousand) →					
Gross sales	11	51,738,976	61,536,891	112,845,163	124,996,289
Trade discounts, taxes, duties, levies and price differential	12	(9,964,064)	(10,473,475)	(21,142,009)	(21,010,147)
Net sales		<u>41,774,912</u>	<u>51,063,416</u>	<u>91,703,154</u>	<u>103,986,142</u>
Cost of sales		(41,144,747)	(50,810,805)	(91,005,587)	(102,176,475)
Gross profit		<u>630,165</u>	<u>252,611</u>	<u>697,567</u>	<u>1,809,667</u>
Distribution and marketing expenses		(226,631)	(265,427)	(467,251)	(538,925)
Administrative expenses		(157,518)	(125,073)	(290,263)	(233,480)
Other income	13	463,774	255,780	773,952	712,558
Other operating expenses	14	(15,012)	11,646	(16,220)	(24,771)
Operating profit		<u>694,778</u>	<u>129,537</u>	<u>697,785</u>	<u>1,725,049</u>
Finance cost	15	234,087	(251,770)	(663,126)	(1,425,788)
Profit / (Loss) before taxation		<u>928,865</u>	<u>(122,233)</u>	<u>34,659</u>	<u>299,261</u>
Taxation	16	(140,399)	(49,936)	(83,062)	(269,652)
Profit / (Loss) after taxation		<u>788,466</u>	<u>(172,169)</u>	<u>(48,403)</u>	<u>29,609</u>
Earnings / (Loss) per share - basic and diluted		<u>Rs. 9.86</u>	<u>(Rs. 2.15)</u>	<u>(Rs. 0.61)</u>	<u>Rs. 0.37</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Executive


Director

**CONDENSED INTERIM STATEMENT
OF COMPREHENSIVE INCOME**
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	← (Rupees in thousand) →			
Profit / (Loss) after taxation	788,466	(172,169)	(48,403)	29,609
Other comprehensive income				
Remeasurement loss	(12,060)	(9,936)	(24,119)	(36,173)
Deferred tax thereon	(2,173)	3,060	(4,316)	10,908
	(14,233)	(6,876)	(28,435)	(25,265)
Total comprehensive income / (loss)	774,233	(179,045)	(76,838)	4,344

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

	Note	December 31, 2014	December 31, 2013
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated / (used) in operations	17	3,208,959	(7,874,613)
Income tax paid		(454,448)	(672,425)
(Increase) / Decrease in long term loans		(353)	6,045
Payment made to gratuity fund		-	(10)
Net cash flow generated / (used) in operating activities		<u>2,754,158</u>	<u>(8,541,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(686,738)	(677,647)
Purchase of intangible asset		(35,053)	(100)
Proceeds from disposal of property, plant and equipment		2,843	2,799
Return on treasury bills received		48,094	25,600
Return received on bank accounts		344,097	435,590
Return received on Pakistan Investment Bonds		111,431	-
Net cash flow used in investing activities		<u>(215,326)</u>	<u>(213,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		<u>(412)</u>	<u>(1,191,786)</u>
Net increase / (decrease) in cash and cash equivalents		2,538,420	(9,946,547)
Cash and cash equivalents at beginning of the period		11,804,769	16,494,400
Cash and cash equivalents at end of the period	18	<u>14,343,189</u>	<u>6,547,853</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVES		Special reserve	Total
	Issued, subscribed and paid-up	Capital compensation reserve	Exchange equalisation reserve	General reserve	Unappropriated profit		
	← (Rupees in thousand) →						
Balance as at July 1, 2013	799,666	10,142	4,117	19,461,000	2,745,679	3,773,100	26,793,704
Transfer to general reserve	-	-	-	1,600,000	(1,600,000)	-	-
Final dividend for the year ended June 30, 2013 - Rs. 15 per share	-	-	-	-	(1,199,498)	-	(1,199,498)
Profit for half year ended December 31, 2013	-	-	-	-	29,609	-	29,609
Other comprehensive income	-	-	-	-	(25,265)	-	(25,265)
Total comprehensive income for the half year ended December 31, 2013	-	-	-	-	4,344	-	4,344
Balance as at December 31, 2013	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>21,061,000</u>	<u>(49,475)</u>	<u>3,773,100</u>	<u>25,598,550</u>
Balance as at July 1, 2014	799,666	10,142	4,117	21,061,000	945,614	3,773,100	26,593,639
Loss for the half year ended December 31, 2014	-	-	-	-	(48,403)	-	(48,403)
Other comprehensive income	-	-	-	-	(28,435)	-	(28,435)
Total comprehensive income for the half year ended December 31, 2014	-	-	-	-	(76,838)	-	(76,838)
Balance as at December 31, 2014	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>21,061,000</u>	<u>868,776</u>	<u>3,773,100</u>	<u>26,516,801</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Executive


Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (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 Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. 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 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 executed contracts for Diesel De-sulphurization and Naphtha Isomerization as part of Upgradation project. The estimated project cost is US\$ 349 million whereas these projects are expected to be completed in twenty six months. The funding of the project is to be met with debt (Rs. 24.2 billion) and through internal generation of cash. The Company has executed financing agreements to secure the debts which are to be paid over ten years in semi annual installments with grace period of two years. The financing is obtained at 1.7% above six months KIBOR.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended December 31, 2014 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

This condensed interim financial information does 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, 2014.

2.1 Changes In Accounting Standards, Interpretations And Pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRIC 21, "Levies" a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continue to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard may not have impact on future consolidated financial statement of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Company for the year ended June 30, 2014.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

- 4.2 Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2014.

- 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, 2014.

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

	December 31, 2014	June 30, 2014
	(Rupees in thousand)	
5. FIXED ASSETS		
Property, plant and equipment		
Operating assets	2,878,179	2,977,683
- Additions	152,659	227,268
- Disposals	(2,109)	(1,144)
- Depreciation charge	(156,232)	(325,628)
Closing book value	<u>2,872,497</u>	<u>2,878,179</u>
Major spare parts and stand-by equipments	212,280	164,123
Capital work-in-progress - note 5.1	2,503,195	2,017,277
Intangible assets	34,398	1,643
	<u>5,622,370</u>	<u>5,061,222</u>

5.1 Capital work-in-progress

	Refineries upgradation projects	Other projects	Advances to contractors / suppliers	Total
	(Rupees in thousand)			
Opening balance as at July 1, 2014	1,777,174	215,410	24,693	2,017,277
Additions	476,730	132,600	63,071	672,401
Transfers	-	(171,615)	(14,868)	(186,483)
Closing balance as at December 31, 2014	<u>2,253,904</u>	<u>176,395</u>	<u>72,896</u>	<u>2,503,195</u>
Opening balance as at July 1, 2013	1,096,437	106,592	29,925	1,232,954
Additions	680,737	298,713	23,874	1,003,324
Transfers	-	(189,895)	(29,106)	(219,001)
Closing balance as at June 30, 2014	<u>1,777,174</u>	<u>215,410</u>	<u>24,693</u>	<u>2,017,277</u>

5.2 The Company has incurred capital expenditure of Rs. 2.25 billion (June 30, 2014: Rs. 1.78 billion) on up-gradation and expansion projects. It includes Rs. 1.76 billion (June 30, 2014: Rs. 1.58 billion) for the up-gradation and expansion of fuel refinery operations.

6. DEFERRED TAXATION

Deferred tax debit balance is recognised on minimum tax based on the projected taxable profits of the Company for future years. The determination of future taxable profits is most sensitive to certain key assumptions such as international oil prices, exchange rates and inflation. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax assets.

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

7. STOCK-IN-TRADE

As at December 31, 2014 stock of finished goods have been written down by Rs. 612.48 million (June 30, 2014: Rs. 154.71 million) to arrive at its net realisable value.

8. OTHER RECEIVABLES

This includes receivable on account of sales tax paid to Federal Board of Revenue amounting to Rs. 237.54 million in respect of sales tax demand for the period July 2009 to June 2010, on account of unitary conversion differences, against an order received during the period ended December 31, 2014. The Company is in the process of filing appeal against the said order and reasonably expects a favourable outcome in the said case.

	December 31, 2014	June 30, 2014
(Rupees in thousand)		
9. TRADE AND OTHER PAYABLES		
Trade creditors	9,026,352	18,005,884
Due to Government of Pakistan	1,497,773	1,973,811
Due to related party:		
- Attock Petroleum Limited	26,195	26,553
- Attock Refinery Limited	-	6,575
- Pakistan Oilfields Limited	520,617	842,851
Accrued liabilities	852,134	681,244
Advances from customers - note 9.1	221,616	292,455
Workers' profits participation fund	1,945	-
Workers' welfare fund	72,525	70,255
Unclaimed dividend	68,141	68,553
Surplus price differential payable	448,110	429,011
Sales tax payable	1,319,550	1,606,115
Excise duty and petroleum levy	739,642	604,912
Other liabilities	114,318	323,050
	<u>14,908,918</u>	<u>24,931,269</u>

9.1 This includes advances received from a related party - Pakistan Oilfields Limited amounting to Rs. 3.97 million (June 30, 2014: Rs. 11.16 million) against supply of goods.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There has been no significant change in contingencies since the issuance of last annual financial statements for the year ended June 30, 2014.

10.2 Commitments

- a) Commitments for capital expenditure as at December 31, 2014 amounted to Rs. 23.37 billion (June 30, 2014: Rs. 0.427 billion) which includes an amount of Rs. 23.09 billion being the contract value of refinery upgradation project as explained in note 1 of the financial information; and
- b) Outstanding letters of credit at the end of the period amounted to Rs. 8.8 billion (June 30, 2014: Rs.19.87 billion).

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

	Quarter ended		Half year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
← (Rupees in thousand) →				
11. GROSS SALES				
Local	47,229,669	56,165,101	102,293,905	111,592,561
Export	4,509,307	5,371,790	10,551,258	13,403,728
	<u>51,738,976</u>	<u>61,536,891</u>	<u>112,845,163</u>	<u>124,996,289</u>
12. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL				
Trade discounts	207,991	245,547	474,410	521,545
Sales tax	6,862,586	8,160,842	14,863,529	16,214,523
Excise duty	152	118	302	281
Petroleum levy	2,445,225	1,977,333	5,045,010	4,104,177
Surplus price differential	448,110	89,635	758,758	169,621
	<u>9,964,064</u>	<u>10,473,475</u>	<u>21,142,009</u>	<u>21,010,147</u>
13. OTHER INCOME				
This includes return on bank deposits and Pakistan Investment Bonds amounting to Rs. 470.11 million (2013: Rs. 376.98 million) and liabilities no longer considered payable written back to Rs. 95.59 million (2013: Rs. 154.83 million) against settlement of legal cases and suppliers' balances.				
14. OTHER OPERATING EXPENSES				
This includes Rs. 9.85 million recorded to fully account for the change in cost estimation formula as change in accounting policy as disclosed in note 21 to the financial information.				
15. FINANCE COST				
This includes net exchange loss of Rs. 662.46 million (December 31, 2013: Rs. 1,422.95 million) on foreign currency transactions relating to purchase and sale of crude oil / products.				
← (Rupees in thousand) →				
16. TAXATION				
Current				
- for the period	231,879	282,173	512,060	586,947
- for prior periods	-	-	(98,409)	-
	231,879	282,173	413,651	586,947
Deferred	(91,480)	(232,237)	(330,589)	(317,295)
	<u>140,399</u>	<u>49,936</u>	<u>83,062</u>	<u>269,652</u>

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

	December 31, 2014	December 31, 2013
	(Rupees in thousand)	
17. CASH GENERATED FROM OPERATIONS		
Profit before taxation	34,659	299,261
Adjustment for non cash charges and other items:		
Depreciation and amortisation	158,532	161,166
Provision for gratuity	7,504	5,712
Provision for post retirement medical benefits	6,611	10,375
Provision for pension	47,594	49,175
Provision for slow moving and obsolete stores spares and chemicals	-	(841)
Return / Interest on bank deposits	(361,641)	(391,592)
Return on Pakistan Investment Bonds	(108,472)	-
Return on treasury bills	(49,674)	(22,601)
Profit on disposal of property, plant and equipment	(734)	(2,799)
Increase in working capital - note 17.1	3,474,580	(7,982,469)
	<u>3,208,959</u>	<u>(7,874,613)</u>
17.1 Increase in working capital		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(10,741)	(284,393)
Stock-in-trade	8,922,962	(4,003,207)
Trade debts	5,044,292	1,740,813
Loans and advances	(24,508)	(30,155)
Trade deposits and short-term prepayments	(87,603)	(145,899)
Other receivables	(214,057)	(21,454)
	13,630,345	(2,744,295)
(Decrease) / Increase in current liabilities		
Trade and other payables	(10,021,939)	(5,238,174)
Provisions	(133,826)	-
	<u>3,474,580</u>	<u>(7,982,469)</u>
18. CASH AND CASH EQUIVALENTS		
In hand	500	500
With banks on:		
- current accounts	42,844	63,671
- savings accounts	3,864,024	6,197,787
- deposit accounts	8,435,685	285,895
	12,342,553	6,547,353
Short term investment in treasury bills	2,000,136	-
	<u>14,343,189</u>	<u>6,547,853</u>

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

19. TRANSACTIONS WITH RELATED PARTIES

Nature of relationship	Nature of transactions	Quarter ended		Half year ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
← (Rupees in thousand) →					
Associated companies	Sale of petroleum products	24,511,930	29,626,829	58,551,713	60,092,845
	Rental income	866	1,203	2,174	2,392
	Hospitality charges	16,174	11,273	30,148	23,373
	Handling income	65,935	39,396	109,688	80,371
	Trade discounts and commission on sales	383,743	453,264	836,968	933,031
	Reimbursement of expenses	373	1,152	529	1,437
	Purchase of petroleum products	5,691	3,442	6,675	7,475
	Purchase of crude oil and condensate	589,587	-	1,484,224	1,591,658
	Purchase of stores	-	11,277	-	112,149
	Dividend paid	-	611,744	-	611,744
Post employment staff benefit plans	Contributions	8,656	10,598	22,271	21,221
Key management personnel compensation	Salaries and other employee benefits	16,038	8,827	29,004	20,829
	Post employment benefits	628	579	1,256	1,160
	Directors' fees	720	638	2,253	1,408
		<u>17,386</u>	<u>10,044</u>	<u>32,513</u>	<u>23,397</u>

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)**

20. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	← (Rupees in thousand) →					
Segment Revenue						
Sales to external customer						
- local (net of discounts, taxes, duties and levies and price differential)	57,435,290	66,403,412	23,716,606	24,179,002	81,151,896	90,582,414
- export	9,623,654	11,329,619	927,604	2,074,109	10,551,258	13,403,728
	<u>67,058,944</u>	<u>77,733,031</u>	<u>24,644,210</u>	<u>26,253,111</u>	<u>91,703,154</u>	<u>103,986,142</u>
Inter segment transfers	18,628,078	22,252,281	-	-	18,628,078	22,252,281
Elimination of inter-segment transfers	-	-	-	-	(18,628,078)	(22,252,281)
Net sales	<u>85,687,022</u>	<u>99,985,312</u>	<u>24,644,210</u>	<u>26,253,111</u>	<u>91,703,154</u>	<u>103,986,142</u>
Segment results after tax	(1,881,598)	(1,814,661)	1,833,195	1,844,270	(48,403)	29,609
Other comprehensive income	(9,478)	(8,422)	(18,957)	(16,843)	(28,435)	(25,265)
Total comprehensive income / (loss)	<u>(1,891,076)</u>	<u>(1,823,083)</u>	<u>1,814,238</u>	<u>1,827,427</u>	<u>(76,838)</u>	<u>4,344</u>
	← (Rupees in thousand) →					
	FUEL		LUBE		TOTAL	
	December 31, 2014	June 30, 2014	December 31, 2014	June 30, 2014	December 31, 2014	June 30, 2014
Segment assets	20,064,705	31,513,855	20,172,512	19,702,044	40,237,217	51,215,899
Unallocated assets	-	-	-	-	2,357,810	1,560,250
Total assets as per balance sheet	<u>20,064,705</u>	<u>31,513,855</u>	<u>20,172,512</u>	<u>19,702,044</u>	<u>42,595,027</u>	<u>52,776,149</u>
Segment liabilities	14,166,966	24,400,760	1,442,119	1,157,561	15,609,085	25,558,321
Unallocated liabilities	-	-	-	-	469,141	624,192
Total liabilities as per balance sheet	<u>14,166,966</u>	<u>24,400,760</u>	<u>1,442,119</u>	<u>1,157,561</u>	<u>16,078,226</u>	<u>26,182,513</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

**21. DISCLOSURE OF CHANGE IN ACCOUNTING POLICY IN RESPECT OF
REMEASUREMENT OF STOCK-IN-TRADE**

The Company changed its cost estimation formula for valuation of stock-in-trade from Weighted Average to First-in-First-Out (FIFO) basis during the year ended June 30, 2013 to bring it in line with industry and maintenance practice of inventory. The Company accordingly disclosed this change in its financial statements together with its financial impact by treating the same as change in 'accounting estimate'. The Securities and Exchange Commission of Pakistan (SECP), however, after serving a Show Cause Notice and reviewing Company's response thereto, conveyed an order stating that subject change should have been treated as change in "accounting policy" and accordingly directed to account for and take effects of change in cost formula in the financial statements of the Company for the period ended December 31, 2014. In order to comply with SECP order, it is stated that had the subject change disclosed in 2013 financial statement as "Change in Accounting Policy", the impact would have been as follows:

Financial Impacts - increase / (decrease)

	Profit and Loss account For the year		Balance Sheet As at June 30	
	Cost of Sales	Profit after taxation	Stock-in- trade	Statement of changes in equity
	← (Rupees in thousand) →			
2011	(405,427)	257,369	405,427	257,369
2012	88,738	(60,328)	316,689	197,041
2013	316,689	(206,891)	-	(9,850)

To fully account for treatment of change in accounting policy, the Company has charged off Rs. 9.85 million during the period ended December 31, 2014.

22. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on January 27, 2015.


Chief Executive


Director



National Refinery Limited

7-B, Korangi Industrial Area, Karachi-74900, Pakistan.
Tel: 92-21-35064981-86 Fax: 92-21-35054663
UAN: 111-675-675 URL: www.nrlpak.com
Email: info@nrlpak.com