



**National Refinery Limited**

Condensed Interim  
Financial Information for  
the Half Year ended  
December 31, 2018

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 Mansoer

## Chief Executive Officer

Jamil A. Khan

## Company Secretary / CFO

Nouman Ahmed Usmani

## Audit Committee

Tariq Iqbal 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

Tariq Iqbal Khan	Chairman
Abdus Sattar	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 Adviser

Ali Sibtain Fazli & Associates  
Legal Advisers, Advocates & Solicitors

## Bankers

Bank AL-Habib Limited  
National Bank of Pakistan  
United Bank Limited  
MCB Bank Limited  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
Habib Bank Limited  
Meezan Bank Limited

## Registered Office

7-B, Korangi Industrial Area, Karachi-74900  
UAN: +92-21-111-675-675  
PABX: +92-21-35064981-86  
+92-21-35064977-79  
Website: [www.nrllpak.com](http://www.nrllpak.com)  
E-mail: [info@nrllpak.com](mailto:info@nrllpak.com)

## Share Registrar

Central Depository Company of  
Pakistan Limited  
Share Registrar Department  
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@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

# Directors' Review



Assalam-o-Alaikum!

On behalf of the Board of Directors of National Refinery Limited, with all concerns, I am presenting a brief review of the financial results and operations of your Company for the half year ended December 31, 2018.

During the period, your company incurred a loss after tax of Rs. 3,857 million resulting in Loss per share of Rs. 48.24 as compared to same period last year's profit after tax of Rs. 1,623 million with Earning per share of Rs. 20.30.

Fuel segment of the Company incurred heavy loss after tax of Rs. 4,577 million as compared to profit after tax of Rs. 297 million in the corresponding period. Besides the continuing trend of asymmetrical increase in products and crude oil prices impacting Company's GRM, sale of fuel segment's products remained depressed especially due to Furnace oil, which forced refinery to lower its throughput to an average of 79% (December' 2017: 90%), thus affecting production/ sales of other fuel products. Upliftment of furnace oil remained a challenge due to Government policy to phase out furnace oil in power sector disrupting the whole energy chain, by using Regasified Liquefied Natural Gas (RLNG) for electricity generation being low in cost. In the second quarter, International crude oil and product prices declined sharply, resulting in lower upliftment of products by OMCs in the second fortnight of last two months. Sales of High Speed Diesel and Furnace oil declined by 107,276 and 87,325 M.Tons. Consequently, in the month of December 2018, inventory of finished goods increased considerably that along with huge decline in petroleum product prices effective January 1, 2019 resulted in write-down of inventory by Rs. 1,625 million. Further, short recovery of Custom duty paid on Crude oil imports attributable to de-regulated products has an impact of Rs. 1,315 million, which could not be recovered from products due to lower sales volume and lower prices. The situation becomes worse considering the impact of 1.5% incremental deemed duty on HSD as committed earlier that NRL has been deprived off.

Lube Segment earned profit after tax of Rs. 720 million compared to Rs. 1,326 million during the corresponding period last year although throughput of lube segment increased from 101% to 104%. The profit of lube segment declined due to asymmetrical increase in prices of lube products. It was further affected by lower sales volume of Bitumen due to curtailment of development funds at Government level. Higher volume and lower prices resulted in write-down of Bitumen inventory by Rs. 112 million.

Pak rupee remained under significant stress against US\$, which resulted in net exchange loss amounting to Rs. 1,928.7 million in comparison to Rs. 471.5 million in the same period last year. The higher inventory levels compelled the refinery to finance the working capital through short term borrowings that translated into interest expense amounting to Rs. 292 million.

The refinery is in continuous process of discussion with Government for resolution of problems being faced due to sudden decline in upliftment of Furnace oil. However, there is no progress as such nor any relief extended to refineries so far. Refineries are now being forced to export Furnace oil, which is not an easy task. Moreover, its export would further negatively affect the refinery's margins.

Your Company is making all out efforts to recover from the situation and it is anticipated that with the increase in demand of electricity the situation will improve.

I thank all our stakeholders for their support and trust in the Company.

On behalf of the Board

**Shuaib A. Malik**  
Chairman

Istanbul  
January 21, 2019

## ڈائریکٹرز کا جائزہ

# بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

السلام علیکم

بمقتل ریفرنسز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں موجودہ چند خدشات کے ساتھ آپ کی کمپنی کے 31 دسمبر 2018 کو مکمل ہونے والے ششماہی کے مالی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتا ہوں۔

موجودہ عرصہ میں، آپ کی کمپنی کو 3,857 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 48.24 روپے فی حصص نقصان کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 1,623 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 20.30 روپے فی حصص آمدنی کے مساوی تھا۔

کمپنی کے فیول سیکمنٹ کو 4,577 ملین روپے کا ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں 297 ملین روپے کا ٹیکس کے بعد منافع کمایا تھا۔ خام تیل کی بڑھتی ہوئی قیمتوں جبکہ مصنوعات کی قیمتوں میں اسی رفتار سے اضافہ ہونے کے مسلسل رجحان کی وجہ سے فیول سیکمنٹ کا جی آر ایم (GRM) متاثر ہونے کے ساتھ ساتھ، فیول سیکمنٹ کی فروخت میں بالخصوص فرانس آئل کی وجہ سے نمایاں کمی ہوئی، جس نے ریفرنسز کو اپنی پیداوار اور سٹاک 79% (دسمبر 2017: 90%) تک کم کرنے پر مجبور کیا، نتیجتاً فیول کی دیگر مصنوعات کی پیداوار اور فروخت متاثر ہوئی۔ پاور سیکٹرز میں بجلی کی دستی پیداوار کیلئے ریلیکسڈ مائع قدرتی گیس (RNLG) کے استعمال اور فرانس آئل کے استعمال کو بہتر منظم کرنے کی حکمتی پالیسی کی وجہ سے فرانس آئل کی فروخت ایک چیلنج رہی۔ دوسرے سہ ماہی میں بین الاقوامی خام تیل اور مصنوعات کی قیمتوں میں تیزی سے کمی ہوئی، جسکے نتیجے میں گزشتہ دو ماہ کے دوسرے وقتوں میں او ای ایم سیز (OMCs) کی جانب سے مصنوعات کی خرید میں کمی ہوئی۔ فرانس آئل اور ہائی اسپینڈ ڈیزل کی فروخت میں 107,276 اور 87,325 میٹرک ٹن کمی ہوئی۔ نتیجتاً، دسمبر 2018 کے مہینہ میں تیار شدہ پراڈکٹ کی انونٹری میں قابل قدر اضافہ ہونے کے ساتھ ساتھ 1 جنوری، 2019 سے اطلاق شدہ پیٹرولیم مصنوعات کی قیمتوں میں بہت زیادہ کمی کے نتیجے میں 1,625 ملین روپے سے انونٹری کی قدر میں کمی ہوئی۔ مزید برآں فروخت کے کم حجم اور کم قیمتوں کی وجہ سے، ڈی ریلیکسڈ مائع مصنوعات سے منسوب خام تیل کی درآمد پراڈاکرہ کسٹم ڈیوٹی کی مختصر وصولی پر 1,315 ملین روپے کا اثر آیا۔ ایچ ایس ڈی پراضانی 1.5% ڈیہڈ ڈیوٹی، جو کہ پہلے طے کر دی گئی تھی، اس سے این آرایم کو خروم کرنے کے اثر کو دیکھتے ہوئے صورتحال مزید ابتر ہو جاتی ہے۔

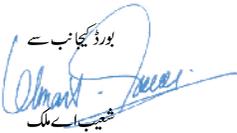
لیوب سیکمنٹ نے 720 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 1,326 ملین روپے تھا۔ اگرچہ لیوب سیکمنٹ کی پیداوار 101% سے 104% تک بڑھ گئی تاہم لیوب مصنوعات کی قیمتوں میں غیر متناسب اضافہ کی وجہ سے لیوب سیکمنٹ کے منافع میں کمی آئی۔ حکومتی سطح پر ترقیاتی فنڈز میں کمیوں کے باعث تارکول کی فروخت کے کم حجم کی وجہ سے یہ سیکمنٹ مزید متاثر ہوا۔ بڑھے ہوئے حجم اور کم قیمت کے باعث تارکول کی انونٹری کی قدر میں 112 ملین روپے کمی کی واقع ہوئی۔

امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں نمایاں کمی رہی جسکے نتیجے میں 1,928.7 ملین روپے کا زرمبادلہ کا نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں 471.5 ملین روپے کا نقصان ہوا۔ انونٹری کے اضافی حجم کے باعث ریفرنسز کو مجبوراً اورنگ کینٹل کوئیل المیاد قرضوں کے ذریعہ فنانس کرنا پڑا جسکی مدد میں 292 ملین روپے کے انٹریسٹ کے اخراجات آئے۔

ریفرنسز نے فرانس آئل کی طلب میں اچانک کمی کی وجہ سے آنے والے مسائل کے حل کیلئے حکومت سے مسلسل مذاکرات کا عمل جاری رکھا ہے۔ تاہم، اب تک اس سلسلے میں نہ ہی کوئی پیش رفت ہوئی اور نہ ہی ریفرنسز کو کوئی ریلیف دیا گیا ہے۔ ریفرنسز کو اب فرانس آئل برآمد کرنے پر مجبور کیا جا رہا ہے، جو کہ آسان کام نہیں ہے۔ مزید برآں، اسکی برآمدات کار ریفرنسز کے مارجنز پر مزید منفی اثر ہوگا۔

آپ کی کمپنی اس صورت حال سے نکلنے کیلئے تمام تر کوششیں کر رہی ہے اور امید رکھتی ہے کہ بجلی کی طلب میں اضافہ کے ساتھ صورتحال بہتر ہوگی۔

میں تمام حصہ داروں کا کاکی حمایت اور اعتماد کیلئے شکرگزار ہوں۔

بورڈ ممبران سے  
  
 شعیب اے ملک

چیئر مین

استنبول

21 جنوری، 2019



**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, 2018 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 six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this 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 financial statements based on our review. The figures of the condensed interim statement of profit or loss for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

**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 is 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 Farrukh Rehman.

Chartered Accountants  
Karachi

Date: 24 January 2019

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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

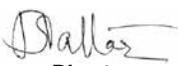
AS AT DECEMBER 31, 2018

	Note	Unaudited December 31, 2018	Audited June 30, 2018
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	5	36,518,642	37,718,722
Long term investment		-	-
Long term loans	6	54,158	54,205
Long term deposits	7	30,265	30,265
Deferred taxation		1,498,398	456,849
Retirement benefit prepayments		-	6,268
		<u>38,101,463</u>	<u>38,266,309</u>
<b>CURRENT ASSETS</b>			
Stores, spares and chemicals		1,637,777	1,501,864
Stock-in-trade	8	22,027,212	12,627,661
Trade receivables		3,629,975	7,986,214
Loans and advances	9	28,904	58,253
Trade deposits and short-term prepayments	10	292,163	16,915
Interest accrued		12,673	7,394
Other receivables		1,725,163	3,569,871
Taxation - payments less provision	11	1,167,005	1,237,953
Cash and bank balances	12	610,398	541,837
		<u>31,131,270</u>	<u>27,547,962</u>
<b>TOTAL ASSETS</b>		<u><b>69,232,733</b></u>	<u><b>65,814,271</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		799,666	799,666
Reserves		37,794,862	42,451,871
		<u>38,594,528</u>	<u>43,251,537</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowing	13	-	12,870
Retirement benefit obligations		401,631	343,853
		<u>401,631</u>	<u>356,723</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	13,902,335	20,550,989
Unclaimed dividend		66,323	60,525
Unpaid dividend		37,098	31,478
Accrued mark-up		161,531	33,775
Provisions		112,361	112,361
Short term running finance	15	15,956,926	1,340,273
Current portion of long-term borrowing		-	76,610
		<u>30,236,574</u>	<u>22,206,011</u>
<b>TOTAL LIABILITIES</b>		<u><b>30,638,205</b></u>	<u><b>22,562,734</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>69,232,733</b></u>	<u><b>65,814,271</b></u>

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

  
Chief Financial Officer

  
Chief Executive

  
Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
← (Rupees in thousand) →					
Gross sales	17	46,400,064	43,216,608	99,627,322	84,909,730
Trade discounts, taxes, duties, levies and price differential	18	(8,569,726)	(12,114,573)	(20,537,921)	(23,879,281)
Net revenue		<u>37,830,338</u>	<u>31,102,035</u>	<u>79,089,401</u>	<u>61,030,449</u>
Cost of sales		<u>(39,287,196)</u>	<u>(30,764,740)</u>	<u>(81,067,700)</u>	<u>(58,548,820)</u>
Gross (Loss) / profit		<u>(1,456,858)</u>	<u>337,295</u>	<u>(1,978,299)</u>	<u>2,481,629</u>
Distribution cost		<u>(220,886)</u>	<u>(182,205)</u>	<u>(411,439)</u>	<u>(373,570)</u>
Administrative expenses		<u>(216,143)</u>	<u>(222,200)</u>	<u>(443,555)</u>	<u>(432,156)</u>
Other income	19	75,458	138,832	165,817	270,643
Other operating expenses		<u>(3,829)</u>	<u>34,224</u>	<u>(7,951)</u>	<u>(95,282)</u>
Operating (Loss) / profit		<u>(1,822,258)</u>	<u>105,946</u>	<u>(2,675,427)</u>	<u>1,851,264</u>
Finance cost	20	<u>(1,755,528)</u>	<u>(451,091)</u>	<u>(2,223,465)</u>	<u>(482,868)</u>
(Loss) / profit before taxation		<u>(3,577,786)</u>	<u>(345,145)</u>	<u>(4,898,892)</u>	<u>1,368,396</u>
Taxation	21	786,611	268,030	1,041,549	254,806
(Loss) / profit after taxation		<u>(2,791,175)</u>	<u>(77,115)</u>	<u>(3,857,343)</u>	<u>1,623,202</u>
(Loss) / earnings per share - basic and diluted		<u>(Rs. 34.91)</u>	<u>(Re. 0.96)</u>	<u>(Rs. 48.24)</u>	<u>Rs. 20.30</u>

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive



Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

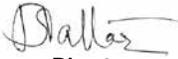
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← (Rupees in thousand) →			
(Loss) / profit after taxation	(2,791,175)	(77,115)	(3,857,343)	1,623,202
Other comprehensive income / (loss)				
Items that will not be reclassified to profit or loss account				
Remeasurement of post employment benefit obligation	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive (loss) / income	(2,791,175)	(77,115)	(3,857,343)	1,623,202

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

  
**Chief Financial Officer**

  
**Chief Executive**

  
**Director**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (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	Unappropriated profit	
	(Rupees in thousand)							
Balance as at July 1, 2017	799,666	10,142	4,117	-	9,631,914	28,061,000	4,833,041	43,339,880
Final dividend for the year ended June 30, 2017 - Rs. 22.50 per share	-	-	-	-	-	-	(1,799,248)	(1,799,248)
Transfer to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-
Profit for the half year ended December 31, 2017	-	-	-	-	-	-	1,623,202	1,623,202
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended December 31, 2017	-	-	-	-	-	-	1,623,202	1,623,202
Transferred to special reserve	-	-	-	239,507	-	-	(239,507)	-
Balance as at December 31, 2017	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>239,507</u>	<u>9,631,914</u>	<u>31,061,000</u>	<u>1,417,488</u>	<u>43,163,834</u>
Balance as at July 1, 2018	799,666	10,142	4,117	-	9,631,914	31,061,000	1,744,698	43,251,537
Final dividend for the year ended June 30, 2018 - Rs. 10 per share	-	-	-	-	-	-	(799,666)	(799,666)
Transfer to general reserve	-	-	-	-	-	900,000	(900,000)	-
Loss for the half year ended December 31, 2018	-	-	-	-	-	-	(3,857,343)	(3,857,343)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the half year ended December 31, 2018	-	-	-	-	-	-	(3,857,343)	(3,857,343)
Balance as at December 31, 2018	<u>799,666</u>	<u>10,142</u>	<u>4,117</u>	<u>-</u>	<u>9,631,914</u>	<u>31,961,000</u>	<u>(3,812,311)</u>	<u>38,594,528</u>

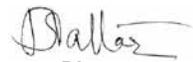
The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive



Director

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Note	December 31, 2018	December 31, 2017
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	22	(13,038,036)	5,709,690
Income tax refund / (paid)		70,948	(175,827)
Finance cost paid		(166,093)	(13,544)
Decrease / (increase) in long term loans		47	(380)
Payments made to staff retirement benefit funds		(4,805)	-
Net cash (outflow) / inflow from operating activities		<u>(13,137,939)</u>	<u>5,519,939</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(555,992)	(2,160,333)
Purchase of intangible assets		(339)	-
Proceeds from disposal of property, plant and equipment		1,780	1,410
Return received on investments and bank accounts		22,126	133,349
Net cash used in investing activities		<u>(532,425)</u>	<u>(2,025,574)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(788,248)	(1,766,107)
Current portion of long term loan repaid		(76,610)	-
Repayment of long term borrowing		(12,870)	(238,305)
Net cash used in financing activities		<u>(877,728)</u>	<u>(2,004,412)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(14,548,092)</u>	<u>1,489,953</u>
Cash and cash equivalents at the beginning of the period		<u>(798,436)</u>	<u>2,769,491</u>
Cash and cash equivalents at the end of the period		<u><u>(15,346,528)</u></u>	<u><u>4,259,444</u></u>

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



**Chief Financial Officer**



**Chief Executive**



**Director**

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (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.

**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.

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, 2018.

**2.1 Changes in accounting standards, interpretations and pronouncements**

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

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

**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 annual financial statements of the Company for the year ended June 30, 2018.

**4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

4.1 The preparation of interim financial information 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 this condensed interim financial information.

4.2 Judgements 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, 2018.

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, 2018.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

December 31,  
2018  
June 30,  
2018  
(Rupees in thousand)

**5. FIXED ASSETS**

Property, plant and equipment

- Operating assets	34,139,664	35,225,898
- Major spare parts and stand-by equipments	315,264	297,592
- Capital work-in-progress - note 5.1	1,917,323	2,005,866
	<u>36,372,251</u>	<u>37,529,356</u>
Intangible assets	146,391	189,366
	<u>36,518,642</u>	<u>37,718,722</u>

**5.1 Capital work-in-progress**

	Balance as at July 1, 2018	Additions during the period	Transfers	Balance as at December 31, 2018	Balance as at July 1, 2017	Additions during the period	Transfers	Balance as at June 30, 2018
	(Rupees in thousand)							
Buildings on leasehold land	12,261	14,760	(6,871)	20,150	13,389	33,660	(34,788)	12,261
Refineries upgradation projects	1,077,221	237,300	-	1,314,521	6,541,758	1,074,055	(6,538,592)	1,077,221
Plant and machinery	712,973	195,310	(519,973)	388,310	658,949	1,218,428	(1,164,404)	712,973
Computer software under development	-	-	-	-	-	500	(500)	-
Office and other equipments	25,110	16,765	(2,243)	39,632	30,555	32,705	(38,150)	25,110
	<u>1,827,565</u>	<u>464,135</u>	<u>(529,087)</u>	<u>1,762,613</u>	<u>7,244,651</u>	<u>2,359,348</u>	<u>(7,776,434)</u>	<u>1,827,565</u>
Advances to contractors / suppliers - note 5.4	178,301	82,795	(106,386)	154,710	199,316	159,370	(180,385)	178,301
	<u>2,005,866</u>	<u>546,930</u>	<u>(635,473)</u>	<u>1,917,323</u>	<u>7,443,967</u>	<u>2,518,718</u>	<u>(7,956,819)</u>	<u>2,005,866</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

5.2 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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← (Rupees in thousand) →			
Plant and machinery - note 5.3	460,510	6,797,151	-	-
Office and other equipments	13,254	47,534	-	-
Buildings	10,691	11,083	-	-
Utilities	7,650	24,455	-	-
Vehicles	49,952	1,602	2,415	2,116
Furniture and fixtures	530	2,865	-	-
Power plant	-	383,655	-	-
Computer equipment	3,315	2,164	-	-
Pipelines	-	2,432	-	-
Storage tanks	80,962	13,905	-	-
	<u>626,864</u>	<u>7,286,846</u>	<u>2,415</u>	<u>2,116</u>

5.3 This includes capitalisation of Rs. Nil (2017: Rs. 6.71 billion) for the upgradation and expansion of fuel refinery operations.

5.4 The advance to supplier does not carry any interest or markup 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. 11.21 million (June 30, 2018: Rs. 14.24 million) carry interest ranging from 3% to 7% (June 30, 2018: 3% to 7%). These also include unsecured loans to executives and employees which are interest free.

## 7. LONG TERM DEPOSITS

These deposits do not carry any markup arrangement.

## 8. STOCK-IN-TRADE

As at December 31, 2018 stock of finished goods has been written down by Rs. 1,737 million (June 30, 2018: Rs. 19.04 million) to arrive at its net realisable value.

## 9. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 2.24 million (June 30, 2018: Rs. 2.64 million) carry interest as disclosed in note 6. Advances do not carry any markup arrangement.

## 10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any markup arrangement.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

**11. TAXATION - PAYMENTS LESS PROVISION**

During the financial year 2018, the Company has received orders from the Appellate Tribunal Inland Revenue (ATIR) in respect of various appeals filed for the tax years 2003, 2004 and 2006 to 2012. The main issue involved in these appeals was the apportionment of expenses between normal income and exports on the basis of 'gross sales' as compared to 'net sales'. The ATIR has allowed the apportionment of expenses on the basis of 'gross sales' which has resulted in a refund of Rs. 6.19 billion out of which Rs. 750 million has been received till December 31, 2018. However, the Federal Board of Revenue has filed an appeal in the High Court of Sindh against the ATIR orders. The Company has also filed an appeal in the High Court of Sindh in respect of apportionment of expenses to be based on quantity sold rather than on net sales. The Company continues to carry the provision for taxation until the principal issue is decided by the Court.

December 31,  
2018  
(Rupees in thousand)

June 30,  
2018

**12. CASH AND BANK BALANCES**

<b>Cash in hand</b>	500	500
<b>With banks in:</b>		
- Current accounts	104,137	79,287
- Savings accounts	15,698	26,364
- Deposit accounts	490,063	435,686
	609,898	541,337
	610,398	541,837

**13. LONG-TERM BORROWING**

During the period, the company has fully paid long-term loan of Rs. 89.48 million.

December 31,  
2018  
(Rupees in thousand)

June 30,  
2018

**14. TRADE AND OTHER PAYABLES**

Trade creditors	8,205,013	13,853,258
Due to the Government of Pakistan	805,286	815,589
Due to related parties:		
- Attock Petroleum Limited	17,931	15,430
- Pakistan Oilfields Limited	194,707	83,246
Accrued liabilities	1,707,019	1,690,269
Surplus price differential payable	73,982	388,940
PMG-RON differential payable	204,287	464,569
Custom duty payable - note 14.1	1,571,308	1,763,670
Retention money	129,099	132,733
Deposits from contractors	56,788	54,419
Advances from customers - note 14.2	211,033	190,614
Workers' welfare fund	75,407	81,923
Income tax deducted at source	7,396	9,179
Excise duty and petroleum levy	606,382	998,875
Others	36,697	8,275
	13,902,335	20,550,989

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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). During the financial year 2018, the Oil and Gas Regulatory Authority (OGRA) has approved the mechanism for recovery of this duty. The Company in accordance with the OGRA notification has start adjusting this amount effective from August 1, 2018.

14.2 This includes advances received from a related party - Pakistan Oilfields Limited amounting to Rs. 14.76 million (June 30, 2018: Rs. 2.48 million) against supply of goods.

**15. SHORT TERM RUNNING FINANCE**

During the period, the company utilised running finance facilities from banks. Rate of markup applicable on these facilities is ranging from 3 months KIBOR + 0.15% - 0.25% per annum.

**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 statement for the year ended June 30, 2018.

**16.2 Commitments**

- a) Commitments for capital expenditure as at December 31, 2018 amounted to Rs. 1.373 billion (June 30, 2018: Rs. 1.374 billion) in respect of refinery upgradation project; and
- b) Outstanding letters of credit as at December 31, 2018 amounted to Rs. 11.99 billion (June 30, 2018: Rs. 18.06 billion).

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← (Rupees in thousand) →			

**17. GROSS SALES**

Local	44,228,228	40,447,680	93,943,543	78,690,822
Export	2,171,836	2,768,928	5,683,779	6,218,908
	46,400,064	43,216,608	99,627,322	84,909,730

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← (Rupees in thousand) →			
Trade discounts	94,251	102,125	230,674	260,955
Sales tax	5,373,324	7,869,648	13,253,448	15,661,301
Excise duty	191	106	356	167
Petroleum levy	2,123,608	3,034,852	4,925,498	5,800,714
Custom duty	897,511	1,008,280	1,939,272	1,991,777
PMG-RON differential	80,841	99,562	188,673	164,367
	<u>8,569,726</u>	<u>12,114,573</u>	<u>20,537,921</u>	<u>23,879,281</u>

**19. OTHER INCOME**

This includes return on bank deposits amounting to Rs. 27.41 million (2017: Rs. 94.92 million), return on Pakistan Investment Bonds amounting to Rs. Nil (2017: Rs. 38.69 million).

**20. FINANCE COST**

This includes net exchange loss of Rs. 1,929 million (2017: Rs. 471.48 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.

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← (Rupees in thousand) →			

**21. TAXATION**

Current - note 21.1	-	-	-	-
Deferred	(786,611)	(268,030)	(1,041,549)	(254,806)
	<u>(786,611)</u>	<u>(268,030)</u>	<u>(1,041,549)</u>	<u>(254,806)</u>

21.1 Current period tax charge is net of tax credit under section 65B of the Income Tax Ordinance, 2001 on fixed asset additions made in respect of the refinery upgradation project.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
<b>22. CASH GENERATED FROM OPERATIONS</b>		
(Loss) / profit before taxation	(4,898,892)	1,368,396
<b>Adjustment for non cash charges and other items:</b>		
Depreciation and amortisation	1,753,996	1,546,755
Provision for staff retirement benefit funds	68,851	56,706
Finance cost	293,849	10,743
Return on investments and bank accounts	(27,405)	(133,609)
Loss on disposal of property, plant & equipment	635	706
(Decrease) / increase in working capital - note 22.1	(10,229,070)	2,859,993
	<u>(13,038,036)</u>	<u>5,709,690</u>
<b>22.1 (Decrease) / increase in working capital</b>		
<b>Increase in current assets</b>		
Stores, spares and chemicals	(135,913)	41,059
Stock-in-trade	(9,399,551)	(633,290)
Trade receivables	4,356,239	196,605
Loans and advances	29,349	13,657
Trade deposits and short-term prepayments	(275,248)	(117,324)
Other receivables	1,844,708	108,813
	(3,580,416)	(390,480)
<b>(Decrease) / increase in current liability</b>		
Trade and other payables	(6,648,654)	3,250,473
	<u>(10,229,070)</u>	<u>2,859,993</u>

**23. TRANSACTIONS WITH RELATED PARTIES**

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		(Rupees in thousand)			
Associated Companies	Sale of petroleum products	22,890,988	22,105,902	51,795,085	43,652,278
	Purchase of crude oil and condensate	292,863	65,797	416,564	282,008
	Price differential claim paid	9,209	10,257	29,421	16,980
	Rental income	1,542	1,432	3,083	2,843
	Hospitality charges	13,057	19,582	34,390	32,111
	Handling income	25,299	24,345	51,447	48,690
	Trade discounts and commission on sales	215,294	227,237	491,370	516,946
	Reimbursement of expenses	1,548	406	5,002	1,462
	Purchase of petroleum products	2,226	3,707	2,454	5,149
	Dividend paid	407,829	917,616	407,829	917,616
	Post employment staff benefit plans	Contributions	16,607	11,709	30,305
Key management personnel compensation	Salaries and other employee benefits	11,225	14,841	34,876	42,827
	Post employment benefits	687	575	1,354	1,243
	Directors' fees	951	897	2,799	2,321









## **National Refinery Limited**

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