



National Refinery Limited

Condensed Interim Financial Information for the Nine Months Ended March 31, 2019

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
Meezan Bank Limited
Allied Bank Limited
Bank Alfalah Limited
MCB Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Askari 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.nr1pak.com
E-mail: info@nr1pak.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
Website: www.cdcpakistan.com

Directors' Review



On behalf of the Board of Directors of National Refinery Limited, I am presenting a brief review of the financial results and operations of your Company for the nine months ended March 31, 2019.

During the period, your company incurred a loss after tax of Rs. 5,186 million resulting in Loss per share of Rs. 64.85 as compared to profit after tax of Rs. 1,569 million with Earning per share of Rs. 19.62 for the corresponding period.

Fuel segment of the Company incurred significant loss after tax of Rs. 6,369 million as compared to loss after tax of Rs. 834 million in the same period last year. Fuel segment is persistently under pressure due to higher crude oil cost without corresponding increase in product prices in the International Market. Particularly, unprecedented trend of Motor Gasoline being traded in International Market below the crude oil price also aggravated the negative margins during the period. Upliftment of furnace oil remained a challenge due to lower seasonal demand of electricity in the country and shift of electricity generation on RLNG. Consequently, the company had to reduce its throughput from 86% to 79%. Inventory write-down on closing stock is Rs. 148 million whereas short recovery of custom duty paid on crude oil imports attributable to de-regulated products has an impact of Rs. 1,734 million in fuel segment.

Lube Segment earned profit after tax of Rs. 1,183 million compared to Rs. 2,403 million during the corresponding period last year. Throughput of lube segment increased from 103% to 104%. The profit of lube segment declined due to increase in feed cost and asymmetrical increase in prices of products. It was further affected by lower sales volume of Bitumen by 50% as compared to corresponding period due to curtailment of development funds at Government level. Currently, company has inventory of 59,731 M. Tons of Bitumen blocking Rs. 4.13 billion.

Decline in sales volume due to lower demand resulted in increase in finished goods inventory which had an adverse impact on working capital needs. This forced the company to finance its operations through short term finance, which subsequently squeezed the profitability with markup cost amounting to Rs. 694 million. The currency depreciation continued to affect company's net margins negatively resulting in exchange loss amounting to Rs. 2,116 million in comparison to Rs. 1,035 million in the same period last year.

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

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

On behalf of the Board

Shuaib A. Malik
Chairman

Rawalpindi
April 11, 2019

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

نیشنل ریفرنسری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 31 مارچ 2019 کو مکمل ہونے والے نو ماہ کے مالی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتا ہوں۔

موجودہ عرصہ میں، آپ کی کمپنی کو 5,186 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 64.85 روپے فی حصص کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 1,569 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 19.62 روپے فی حصص آمدنی کے مساوی تھا۔

کمپنی کے فیول سیکمنٹ کو 6,369 ملین روپے کا ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں 834 ملین روپے کا ٹیکس کے بعد نقصان ہوا تھا۔ عالمی مارکیٹ میں خام تیل کی بڑھتی ہوئی قیمتوں میں اضافہ جبکہ مصنوعات کی قیمتوں میں اسی رفتار سے اضافہ ہونے کے سبب فیول سیکمنٹ مسلسل دباؤ میں رہا۔ بالخصوص، موٹر گیسولین کی بین الاقوامی مارکیٹ میں خام تیل سے کم قیمت پر تجارت کے غیر معمولی رجحان نے اس عرصہ میں منفی مارجنز میں مزید اضافہ کیا۔ ملک میں بجلی کی کم ڈیمانڈ اور بجلی کی پیداوار کو آرائل این جی (RLNG) پر منتقل کرنے کی وجہ سے فرس آئل کی فروخت ایک چیلنج رہی۔ نتیجتاً، کمپنی کو اپنی پیداوار کے 86% سے 79% تک کم کرنا پڑی۔ فیول سیکمنٹ کے اسٹاک پر انونٹری کی قدر میں 148 ملین روپے سے کمی ہوئی اور ڈی ریگولیٹڈ مصنوعات سے منسوب خام تیل کی درآمد پر ادا کردہ کسٹم ڈیوٹی کی مختصر وصولی پر 1,734 ملین روپے کا اثر آیا۔

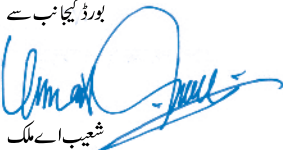
لیوب سیکمنٹ نے 1,183 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 2,403 ملین روپے تھا۔ لیوب سیکمنٹ کی پیداوار 103% سے 104% تک بڑھ گئی تاہم فیڈ کی قیمت میں اضافہ اور مصنوعات کی قیمتوں میں غیر متناسب اضافہ کی وجہ سے لیوب سیکمنٹ کے منافع میں کمی آئی۔ حکومتی سطح پر ترقیاتی فنڈز میں کٹوتی کے باعث تارکول کی فروخت کے گزشتہ عرصہ کے مقابل 50% کم حجم کی وجہ سے یہ سیکمنٹ مزید متاثر ہوا۔ فی الوقت، کمپنی کے پاس تارکول کی 59,731 ایم ٹن کی انونٹری ہے جس کی مالیت 4.13 بلین روپے ہے۔

ڈیمانڈ میں کمی کی وجہ سے فروخت میں کمی ہوئی نتیجتاً تیار شدہ انونٹری میں اضافہ ہوا جس سے ورکنگ کپٹل کی ضروریات پر منفی اثرات پڑے۔ کمپنی کو مجبوراً ورکنگ کپٹل کو قلیل المیعاد قرضوں کے ذریعے فنانس کرنا پڑا، جس کی وجہ سے 694 ملین روپے کے مارک اپ اخراجات نے منافع کو مزید کم کر دیا۔ روپے کی قدر میں کمی نے کمپنی کے خالص مارجنز میں منفی اثر ڈالنے کا سلسلہ جاری رکھا جس کے نتیجے میں 2,116 ملین روپے کا زرمبادلہ کا نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں 1,035 ملین روپے کا نقصان ہوا۔

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

ہم تمام حصہ داروں کا انکی حمایت اور اعتماد کیلئے شکرگزار ہیں۔

بورڈ چیف سے



شعیب اے ملک

چیئرمین

راولپنڈی

11 اپریل، 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	Note	Unaudited March 31, 2019	Audited June 30, 2018
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	36,092,936	37,718,722
Long term investment		-	-
Long term loans	6	51,646	54,205
Long term deposits	7	30,265	30,265
Deferred taxation	8	1,859,702	456,849
Retirement benefit prepayments		-	6,268
		<u>38,034,549</u>	<u>38,266,309</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,672,863	1,501,864
Stock-in-trade	9	24,734,914	12,627,661
Trade receivables		10,048,649	7,986,214
Loans and advances	10	23,947	58,253
Trade deposits and short-term prepayments	11	122,609	16,915
Interest accrued		21,263	7,394
Other receivables		1,054,484	3,569,871
Taxation - payments less provision	12	901,257	1,237,953
Cash and bank balances	13	559,621	541,837
		<u>39,139,607</u>	<u>27,547,962</u>
TOTAL ASSETS		<u><u>77,174,156</u></u>	<u><u>65,814,271</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		<u>36,466,689</u>	<u>42,451,871</u>
		<u>37,266,355</u>	<u>43,251,537</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowing	14	-	12,870
Retirement benefit obligations		<u>436,055</u>	<u>343,853</u>
		436,055	356,723
CURRENT LIABILITIES			
Trade and other payables	15	25,975,377	20,550,989
Unclaimed dividend		65,613	60,525
Unpaid dividend		32,472	31,478
Accrued mark-up		281,830	33,775
Provisions		112,361	112,361
Short term running finance	16	13,004,093	1,340,273
Current portion of long-term borrowing		-	76,610
		<u>39,471,746</u>	<u>22,206,011</u>
TOTAL LIABILITIES		<u>39,907,801</u>	<u>22,562,734</u>
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		<u><u>77,174,156</u></u>	<u><u>65,814,271</u></u>

The annexed notes 1 to 27 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 NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
← (Rupees in thousand) →					
Gross sales	18	51,961,375	41,442,040	151,588,697	126,351,770
Trade discounts, taxes, duties, levies and price differential	19	(14,303,982)	(10,378,166)	(34,841,903)	(34,257,447)
Net revenue		<u>37,657,393</u>	<u>31,063,874</u>	<u>116,746,794</u>	<u>92,094,323</u>
Cost of sales		<u>(38,453,681)</u>	<u>(30,233,224)</u>	<u>(119,521,381)</u>	<u>(88,782,044)</u>
Gross (loss) / profit		<u>(796,288)</u>	<u>830,650</u>	<u>(2,774,587)</u>	<u>3,312,279</u>
Distribution cost		<u>(189,987)</u>	<u>(176,485)</u>	<u>(601,426)</u>	<u>(550,055)</u>
Administrative expenses		<u>(199,203)</u>	<u>(220,366)</u>	<u>(642,758)</u>	<u>(652,522)</u>
Other income	20	88,848	116,962	254,665	387,605
Other operating expenses		<u>(3,082)</u>	<u>3,129</u>	<u>(11,033)</u>	<u>(92,153)</u>
Operating (loss) /profit		<u>(1,099,712)</u>	<u>553,890</u>	<u>(3,775,139)</u>	<u>2,405,154</u>
Finance cost	21	<u>(589,765)</u>	<u>(587,856)</u>	<u>(2,813,230)</u>	<u>(1,070,724)</u>
(Loss) / profit before taxation		<u>(1,689,477)</u>	<u>(33,966)</u>	<u>(6,588,369)</u>	<u>1,334,430</u>
Taxation	22	361,304	(20,627)	1,402,853	234,179
(Loss) / profit after taxation		<u>(1,328,173)</u>	<u>(54,593)</u>	<u>(5,185,516)</u>	<u>1,568,609</u>
(Loss) / earnings per share - basic and diluted		<u>(Rs.16.61)</u>	<u>(Re.0.68)</u>	<u>(Rs.64.85)</u>	<u>Rs. 19.62</u>

The annexed notes 1 to 27 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 NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	← (Rupees in thousand) →			
(Loss) / profit after taxation	(1,328,173)	(54,593)	(5,185,516)	1,568,609
Other comprehensive income / (loss)				
Items that will not be reclassified to profit or loss account				
Remeasurement of post employment benefit obligations	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive (loss) / profit	<u>(1,328,173)</u>	<u>(54,593)</u>	<u>(5,185,516)</u>	<u>1,568,609</u>

The annexed notes 1 to 27 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 NINE MONTHS ENDED MARCH 31, 2019 (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 / (loss)	
	← (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 nine months ended March 31, 2018	-	-	-	-	-	-	1,568,609	1,568,609
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive income for the nine months ended March 31, 2018	-	-	-	-	-	-	1,568,609	1,568,609
Balance as at March 31, 2018	799,666	10,142	4,117	-	9,631,914	31,061,000	1,602,402	43,109,241
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. 10.00 per share	-	-	-	-	-	-	(799,666)	(799,666)
Transfer to general reserve	-	-	-	-	-	900,000	(900,000)	-
Loss for the nine months ended March 31, 2019	-	-	-	-	-	-	(5,185,516)	(5,185,516)
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive loss for the nine months ended March 31, 2019	-	-	-	-	-	-	(5,185,516)	(5,185,516)
Balance as at March 31, 2019	799,666	10,142	4,117	-	9,631,914	31,961,000	(5,140,484)	37,266,355

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

	Note	March 31, 2019 (Rupees in thousand)	March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	23	(9,654,709)	1,644,727
Income tax refund / (paid)		336,696	(3,304)
Finance cost paid		(447,686)	(13,894)
Decrease / (increase) in long term loans		2,559	(2,299)
Payments made to staff retirement benefit funds		(4,805)	-
Net cash (outflow) / inflow from operating activities		<u>(9,767,945)</u>	<u>1,625,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,020,363)	(2,624,935)
Purchase of intangible assets		(1,079)	(1,121)
Proceeds from disposal of property, plant and equipment		2,278	2,035
Return received on investments and bank accounts		24,137	153,385
Net cash used in investing activities		<u>(995,027)</u>	<u>(2,470,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term borrowing		(89,480)	(238,305)
Dividend paid		(793,584)	(1,788,213)
Net cash used in financing activities		<u>(883,064)</u>	<u>(2,026,518)</u>
Net decrease in cash and cash equivalents		<u>(11,646,036)</u>	<u>(2,871,924)</u>
Cash and cash equivalents at beginning of the period		(798,436)	2,769,491
Cash and cash equivalents at end of the period		<u><u>(12,444,472)</u></u>	<u><u>(102,433)</u></u>

The annexed notes 1 to 27 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 NINE MONTHS ENDED MARCH 31, 2019 (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.

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, 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 judgments, 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, 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.

	March 31, 2019	June 30, 2018
	(Rupees in thousand)	

5. FIXED ASSETS

Property, plant and equipment

- Operating assets	33,364,841	35,225,898
- Major spare parts and stand-by equipments	322,993	297,592
- Capital work-in-progress - note 5.1	2,279,682	2,005,866

	35,967,516	37,529,356
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Intangible assets	125,420	189,366
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	36,092,936	37,718,722
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

5.1 Capital work-in-progress

	Balance as at July 1, 2018	Addition during the period	Transfers	Balance as at March 31, 2019	Balance as at July 1, 2017	Addition during the year	Transfers	Balance as at June 30, 2018
(Rupees in thousand)								
Building on leasehold land	12,261	23,197	(6,860)	28,598	13,389	33,660	(34,788)	12,261
Refineries upgradation projects	1,077,221	315,347	(48,014)	1,344,554	6,541,758	1,074,055	(6,538,592)	1,077,221
Plant and machinery	712,973	313,413	(589,357)	437,029	658,949	1,218,428	(1,164,404)	712,973
Computer software under development	-	-	-	-	-	500	(500)	-
Office and other equipments	25,110	16,733	(9,366)	32,477	30,555	32,705	(38,150)	25,110
	<u>1,827,565</u>	<u>668,690</u>	<u>(653,597)</u>	<u>1,842,658</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	370,454	(111,731)	437,024	199,316	159,370	(180,385)	178,301
	<u>2,005,866</u>	<u>1,039,144</u>	<u>(765,328)</u>	<u>2,279,682</u>	<u>7,443,967</u>	<u>2,518,718</u>	<u>(7,956,819)</u>	<u>2,005,866</u>

5.2 Additions and disposals to operating assets during the nine months ended March 31, 2019 are as follows:

	Additions		Disposals	
	(at cost)		(at net book value)	
	March 2019	March 2018	March 2019	March 2018
(Rupees in thousand)				
Plant and machinery - note 5.3	581,411	7,006,563	-	-
Buildings	11,279	19,593	-	-
Utilities	57,864	36,471	-	-
Vehicles	52,451	2,844	2,913	2,952
Office and other equipments	5,475	6,655	-	-
Furniture and fixtures	832	6,458	-	-
Power Plant	6,410	428,351	-	-
Computer equipments	5,422	5,224	-	-
	<u>721,144</u>	<u>7,512,159</u>	<u>2,913</u>	<u>2,952</u>

5.3 This includes capitalisation of Rs. Nil (March 31, 2018: Rs. 6.71 billion) for the upgradation and expansion of fuel refinery operations.

5.4 The advance to contractors / suppliers 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. 9.84 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 executive and employees which are interest free.

7. LONG TERM DEPOSITS

These deposits do not carry any markup arrangement.

8. DEFERRED TAXATION

The deferred tax asset on minimum tax, alternative corporate tax, unused investment tax credit and tax loss is expected to be recovered based on the estimated future taxable income.

9. STOCK -IN- TRADE

As at March 31, 2019 stock of finished goods has been written down by Rs. 148.46 million (June 30, 2018: Rs. 19.04 million) to arrive at its net realisable value.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 2.02 million (June 30, 2018: Rs. 2.64 million) carrying interest as disclosed in note 6. Advances do not carry any markup arrangement.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any markup arrangement.

12. 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. 1.1 billion has been received till March 31, 2019. 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.

	March 31, 2019	June 30, 2018
	(Rupees in thousand)	
13. CASH AND BANK BALANCES		
Cash in hand	500	500
With banks in:		
- Current accounts	61,603	79,287
- Savings accounts	7,455	26,364
- Deposit accounts	490,063	435,686
	<u>559,121</u>	<u>541,337</u>
	<u>559,621</u>	<u>541,837</u>
14. LONG-TERM BORROWING		
During the period, the company has fully paid long-term loan of Rs. 89.48 million.		
15. TRADE AND OTHER PAYABLES		
Trade creditors	18,735,744	13,853,258
Due to Government of Pakistan	742,666	815,589
Due to related party:		
- Attock Petroleum Limited	19,616	15,430
- Pakistan Oilfields Limited	210,862	83,246
- Attock Oil Company Limited	164	-
Accrued liabilities	1,835,197	1,690,269
Surplus price differential payable	7,582	388,940
PMG-RON differential payable	76,343	464,569
Custom duty payable - note 15.1	1,845,763	1,763,670
Sales tax payable	423,027	-
Retention money	50,938	132,733
Deposits from contractors	52,088	54,419
Advances from customers - note 15.2	289,323	190,614
Workers' welfare fund	77,497	81,923
Excise duty and petroleum levy	1,593,966	998,875
Others	14,601	17,454
	<u>25,975,377</u>	<u>20,550,989</u>

15.1 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 adjusted the amount of Rs. 322 million pertaining to the period from May 2015 to June 2016, during the period from August 2018 to December 2018.

15.2 This includes advances received from related party - Pakistan Oilfields Limited amounting to Rs. 11.67 million (June 30, 2018: Rs. 2.48 million) against supply of goods.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

16. SHORT TERM RUNNING FINANCE

During the period, the company utilised short term financing from banks. Rates of markup applicable on these facilities are KIBOR based and range from 0.10% - 0.60% per annum.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 There has been no other significant changes during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2018.

17.2 Commitments

- Commitments outstanding for capital expenditure as at March 31, 2019 amounted to Rs. 1.382 billion (June 30, 2018: Rs. 1.374 billion).
- Outstanding letters of credit at the end of the period amounted to Rs. 22.89 billion (June 30, 2018: Rs. 18.06 billion).

	Quarter ended		Nine months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	← (Rupees in thousand) →			
18. GROSS SALES				
Local	49,395,795	38,743,816	143,339,338	117,434,638
Export	2,565,580	2,698,224	8,249,359	8,917,132
	<u>51,961,375</u>	<u>41,442,040</u>	<u>151,588,697</u>	<u>126,351,770</u>

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

Trade discounts	96,949	96,886	327,623	357,841
Sales tax	7,177,339	6,760,097	20,430,787	22,421,398
Excise duty	184	152	540	319
Petroleum levy	5,845,955	2,487,968	10,771,453	8,288,682
PMG-RON differential	84,562	85,965	273,235	250,332
Custom duty	1,098,993	947,098	3,038,265	2,938,875
	<u>14,303,982</u>	<u>10,378,166</u>	<u>34,841,903</u>	<u>34,257,447</u>

20. OTHER INCOME

This includes return on bank deposits amounting to Rs. 38.01 million (March 31, 2018: Rs. 116.34 million) and return on Pakistan Investment Bonds amounting to Rs. Nil (March 31, 2018: Rs. 38.69 million).

21. FINANCE COST

This include net exchange loss of Rs. 2,116 million (March 31, 2018: Rs. 1,035 million) on foreign currency transactions relating to purchase and export of crude oil/products. This exchange gain / loss relates to actual currency fluctuations and not due to derivatives financial instruments.

	Quarter ended		Nine months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	← (Rupees in thousand) →			
22. TAXATION				
Current - note 22.1	-	-	-	-
Deferred	(361,304)	20,627	(1,402,853)	(234,179)
	<u>(361,304)</u>	<u>20,627</u>	<u>(1,402,853)</u>	<u>(234,179)</u>

22.1 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 NINE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
23. CASH (USED IN) / GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(6,588,369)	1,334,430
Adjustment for non cash charges and other items:		
Depreciation and amortisation	2,644,315	2,403,465
Provision for staff retirement benefit funds	103,275	85,059
Finance cost	695,741	34,607
Return on investments and bank accounts	(38,006)	(155,023)
Loss on disposal of property, plant and equipment	635	917
Change in working capital - note 23.1	<u>(6,472,300)</u>	<u>(2,058,728)</u>
	<u>(9,654,709)</u>	<u>1,644,727</u>
23.1 Change in working capital		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	(170,999)	(16,802)
Stock-in-trade	(12,107,253)	(4,815,386)
Trade receivables	(2,062,435)	(1,323,051)
Loans and advances	34,306	(49,994)
Trade deposits and short-term prepayments	(105,694)	(70,356)
Other receivables	2,515,387	(789,624)
	(11,896,688)	(7,065,213)
Increase in current liabilities		
Trade and other payables	<u>5,424,388</u>	<u>5,006,485</u>
	<u>(6,472,300)</u>	<u>(2,058,728)</u>

24. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Nine months ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
(Rupees in thousand)					
Associated companies	Sale of petroleum products	26,290,709	23,359,907	78,085,794	67,012,185
	Purchase of crude oil and condensates	255,958	24,301	672,522	306,309
	Price differential claim paid	18,325	29,032	47,746	46,012
	Rental income	1,558	1,446	4,641	4,289
	Hospitality and storage income	16,362	31,949	50,752	64,060
	Handling income	35,302	24,345	86,749	73,035
	Trade discounts and commission on sales	226,529	222,488	717,899	739,434
	Reimbursement of expenses made	208	216	4,175	656
	Reimbursement of expenses received	1,395	514	2,430	1,536
	Purchase of petroleum products	1,501	2,631	3,955	7,780
	Dividend paid	-	-	407,829	917,616
	Purchase of stores	465	-	465	-
Post employment staff benefit plans	Contributions	12,154	12,178	42,459	35,735
Key management employees compensation	Salaries and other employee benefits	9,879	16,289	44,755	59,116
	Post retirement benefits	913	621	2,266	1,864
	Directors' fees	1,169	553	3,968	2,874
		11,961	17,463	50,989	63,854



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