

Refining with Vision

Condensed Interim
Financial Information for
the First Quarter ended
September 30, 2019



National Refinery Limited





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Corporate Information

Board of Directors

Laith G. Pharaon

Alternate Director: Shuaib A. Malik

Wael G. Pharaon

Alternate Director: Babar Bashir Nawaz

Shuaib A. Malik - Chairman

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

Habib Bank Limited

Allied Bank Limited

Bank Alfalah Limited

MCB Bank Limited

Faysal Bank Limited

Habib Metropolitan Bank Limited

Samba Bank Limited

Askari Bank Limited

Registered Office

7-B, Korangi Industrial Area, P.O. Box 8228,
Karachi-74900

UAN: +92-21-111-675-675

PABX: +92-21-35064981-85

+92-21-35064977-79

+92-21-35064135-37

Website: www.nr1pak.com

E-mail: info@nr1pak.com

Share Registrar

CDC Share Registrar Services Limited

CDC House, 99-B, Block 'B', S.M.C.H.S.,

Main Shahra-e-Faisal, Karachi – 74400.

Tel: (Toll Free) 0800-23275

Fax: +92-21-34326053

Email: info@cdcsrsl.com

Website: www.cdcsrsl.com

Directors' Review

On behalf of the Board of Directors of National Refinery Limited, I am presenting a brief review of the financial results and operations of your Company for the quarter ended September 30, 2019.

During the period, your company incurred a loss after tax of Rs. 679 million resulting in Loss per share of Rs. 8.49 as compared to loss after tax of Rs. 1,066 million which resulted in Loss per share of Rs. 13.33 in the corresponding period.

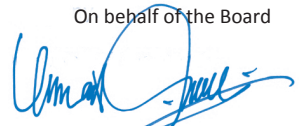
Fuel segment of the Company incurred a loss after tax of Rs. 596 million as compared to loss after tax of Rs. 1,396 million in the same period last year. Fuel segment of the company sustained loss primarily due to continuous asymmetrical price trend between crude oil and product prices. Considering higher inventory levels, supply constraints on the part of imported crude oil and lower country wide consumption of HSD due to country's overall economic situation, throughput was lowered to 62.39% as compared to 81.19% in same period last year. As at September 30, 2019 inventory was written-down by Rs. 78 million due to lower ex-refinery prices for petroleum products effective October 1, 2019.

Lube Segment incurred a loss after tax of Rs. 83 million as compared to profit after tax of Rs. 330 million during the corresponding period last year. The profit of lube segment declined due to increase in feed cost and decline in prices of products. Slower upliftment of Bitumen due to lower Government spending on road infrastructure projects is resulting in blocking of funds in inventory forcing the company to finance the operations through running finance which is resulting in higher finance cost. Your company managed to export a small parcel of Bitumen but could only fetch price lower than the price at which it is sold in local market. Considering the overall situation, lube segment throughput was reduced to 65% from 103%.

Your company is in the process of discussing the refineries' situation with the Government so that some relief can be provided to existing refineries. We expect that Government would be announcing the petroleum policy shortly which may help in improving the performance of refinery.

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

On behalf of the Board



Shuaib A. Malik
Chairman

Islamabad
October 15, 2019

ڈائریکٹرز کا جائزہ

نیشنل ریفاائنری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 30 ستمبر 2019 کو مکمل ہونے والی سہ ماہی کے مالی نتائج اور آپریٹنگز کا ایک مختصر جائزہ پیش کرتا ہوں۔

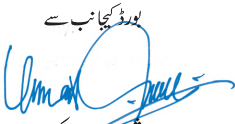
موجودہ عرصہ میں، آپ کی کمپنی کو 679 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 8.49 روپے فی حصص نقصان کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 1,066 ملین روپے کا ٹیکس کے بعد نقصان ہوا تھا جو 13.33 روپے فی حصص نقصان کے مساوی تھا۔

کمپنی کے فیول سٹاکٹ کو 596 ملین روپے کا ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں 1,396 ملین روپے کا ٹیکس کے بعد نقصان تھا۔ بنیادی طور پر خام تیل اور مصنوعات کی قیمتوں کے مابین مسلسل غیر متناسب قیمت کے رجحان کی وجہ سے کمپنی کے فیول سٹاکٹ کو خسارے کا سامنا رہا۔ بڑھے ہوئے انونٹری لیولز، درآ مد شدہ خام تیل کی رسد میں رکاوٹوں اور ملک کی مجموعی معاشی صورتحال کی وجہ سے HSD کی ملک بھر میں کم کھپت کو مد نظر رکھتے ہوئے کمپنی کی پیداوار کو %62.39 تک محدود کیا گیا، جبکہ گزشتہ سال اسی مدت میں یہ پیداوار %81.19 تھی۔ 30 ستمبر 2019 کو یکم اکتوبر 2019 سے لاگو شدہ پیٹرولیم مصنوعات کی ایکس ریفاائنری قیمتیں کم ہونے کی وجہ سے انونٹری کی قدر میں 78 ملین روپے سے کمی ہوئی۔

لیوب سٹاکٹ کو 83 ملین روپے کا ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں ٹیکس کے بعد 330 ملین روپے کا منافع تھا۔ فیڈ کی قیمت میں اضافہ اور مصنوعات کی قیمتوں میں کمی کی وجہ سے لیوب سٹاکٹ کے منافع میں کمی آئی۔ سڑک کے انفراسٹرکچر منصوبوں پر کم سرکاری اخراجات کے باعث تارکول کی فروخت کم ہوئی جسکے نتیجے میں انونٹری میں فنڈز کے بلاک ہونے کے باعث کمپنی کو مجبوراً قلیل البعاقد قرضوں کے ذریعہ آپریٹنگز کو فنڈنگس کرنا پڑا جسکے نتیجے میں انٹریٹ کے اخراجات زیادہ ہوئے۔ آپ کی کمپنی تارکول کی مختصر مدت دار کو برآمد کرنے میں کامیاب رہی لیکن مقامی مارکیٹ میں اسکی قیمت فروخت سے کم قیمت حاصل کر سکی۔ مجموعی صورتحال پر غور کرتے ہوئے، لیوب سٹاکٹ کی پیداوار %103 سے کم کر کے %65 تک محدود کر دی گئی۔

آپ کی کمپنی حکومت کے ساتھ ریفاائنری کی صورتحال پر تبادلہ خیال کر رہی ہے تاکہ موجودہ ریفاائنریوں کو کچھ مراعات مل سکے۔ ہم توقع کرتے ہیں کہ حکومت جلد ہی پیٹرولیم پالیسی کا اعلان کریگی جو ریفاائنری کی کارکردگی کو بہتر بنانے میں معاون ثابت ہو سکتی ہے۔

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

بورڈ کی جانب سے

 چیئرمین
 چیئرمین

اسلام آباد
 15 اکتوبر، 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

	Note	Unaudited September 30, 2019	Audited June 30, 2019
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	35,452,095	35,695,334
Long term investment		13,346	13,346
Long term loans	6	50,094	49,716
Long term deposits	7	30,265	30,265
Deferred taxation	8	3,393,251	2,874,070
Retirement benefit prepayments		12,612	15,618
		<u>38,951,663</u>	<u>38,678,349</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,565,484	1,572,569
Stock-in-trade	9	24,916,129	25,668,594
Trade receivables		9,898,361	7,499,049
Loans and advances	10	64,280	31,400
Trade deposits and short-term prepayments	11	332,044	34,610
Interest accrued		22,163	14,215
Other receivables		1,153,294	1,662,812
Taxation - payments less provisions		-	27,072
Cash and bank balances	12	771,996	978,680
		<u>38,723,751</u>	<u>37,489,001</u>
TOTAL ASSETS		<u><u>77,675,414</u></u>	<u><u>76,167,350</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		<u>32,395,038</u>	<u>33,073,803</u>
		<u>33,194,704</u>	<u>33,873,469</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Retirement benefit obligations		323,832	293,310
Long-term lease liability		171,117	-
CURRENT LIABILITIES			
Trade and other payables	13	24,493,711	16,418,255
Unclaimed dividend		65,230	65,278
Unpaid dividend		31,617	31,742
Accrued mark-up		409,690	365,037
Provisions		112,361	112,361
Current portion of long-term lease liability		25,148	-
Borrowings	14	17,475,997	25,007,898
Taxation - provisions less payments	15	1,372,007	-
		<u>43,985,761</u>	<u>42,000,571</u>
TOTAL LIABILITIES		<u>44,480,710</u>	<u>42,293,881</u>
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		<u><u>77,675,414</u></u>	<u><u>76,167,350</u></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 QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	Note	September 30, 2019	September 30, 2018
(Rupees in thousand)			
Revenue from contracts with customers	17	52,332,426	53,227,258
Trade discounts, taxes, duties, levies and price differential	18	<u>(13,064,811)</u>	<u>(11,968,195)</u>
Net revenue from contracts with customers		39,267,615	41,259,063
Cost of sales		<u>(39,455,909)</u>	<u>(41,780,504)</u>
Gross loss		(188,294)	(521,441)
Distribution cost		(196,882)	(190,553)
Administrative expenses		(234,402)	(227,412)
Other income	19	101,773	90,359
Other operating expenses		<u>(5,036)</u>	<u>(4,122)</u>
Operating loss		(522,841)	(853,169)
Finance cost	20	<u>(370,870)</u>	<u>(467,937)</u>
Loss before taxation		(893,711)	(1,321,106)
Taxation	21	214,946	254,938
Loss after taxation		<u>(678,765)</u>	<u>(1,066,168)</u>
Loss per share - basic and diluted		<u>(Rs.8.49)</u>	<u>(Rs.13.33)</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 QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	September 30, 2019 (Rupees in thousand)	September 30, 2018
Loss after taxation	(678,765)	(1,066,168)
Other comprehensive income / (loss)		
Items that will not be reclassified to profit or loss account		
Change in fair value of long term investment	-	-
Remeasurement of post employment benefit obligations	-	-
Deferred tax thereon	-	-
Total comprehensive loss	<u>(678,765)</u>	<u>(1,066,168)</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 CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 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	Gain / (loss) on revaluation of investment at fair value through OCI	Unappropriated profit / (accumulated loss)	
	(Rupees in thousand)								
Balance as at July 1, 2018	799,666	10,142	4,117	-	9,631,914	31,061,000	-	1,744,698	43,251,537
Transfer to general reserve	-	-	-	-	-	900,000	-	(900,000)	-
Loss for the three months ended September 30, 2018	-	-	-	-	-	-	-	(1,066,168)	(1,066,168)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss for the three months ended September 30, 2018	-	-	-	-	-	-	-	(1,066,168)	(1,066,168)
Balance as at September 30, 2018	799,666	10,142	4,117	-	9,631,914	31,961,000	-	(221,470)	42,185,369
Balance as at July 1, 2019	799,666	10,142	4,117	-	9,631,914	31,961,000	13,346	(8,546,716)	33,873,469
Loss for the three months ended September 30, 2019	-	-	-	-	-	-	-	(678,765)	(678,765)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss for the three months ended September 30, 2019	-	-	-	-	-	-	-	(678,765)	(678,765)
Balance as at September 30, 2019	799,666	10,142	4,117	-	9,631,914	31,961,000	13,346	(9,225,481)	33,194,704

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 QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	Note	September 30, 2019	September 30, 2018
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated / (utilised) from operations	22	7,168,121	(1,810,249)
Income tax refund - net		1,094,844	130,495
Finance cost paid		(493,170)	(35,570)
(Increase) / decrease in long term loans		(378)	737
Net cash flow from / (used in) operating activities		<u>7,769,417</u>	<u>(1,714,587)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(451,027)	(316,071)
Purchase of intangible assets		-	(263)
Return on investments and bank accounts		7,000	14,970
Net cash flow used in investing activities		<u>(444,027)</u>	<u>(301,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term borrowing		-	(89,480)
Dividend paid		(173)	(407)
Net cash flow used in financing activities		<u>(173)</u>	<u>(89,887)</u>
Net increase / (decrease) in cash and cash equivalents		<u>7,325,217</u>	<u>(2,105,838)</u>
Cash and cash equivalents at beginning of the period		<u>(24,029,218)</u>	<u>(798,436)</u>
Cash and cash equivalents at end of the period		<u><u>(16,704,001)</u></u>	<u><u>(2,904,274)</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 QUARTER ENDED SEPTEMBER 30, 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 Standard 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, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the financial statements for the year ended June 30, 2019 except as disclosed in note 3.1.

3.1 New / Revised standard, Interpretations and Amendments

3.1.1 IFRS 16 Leases

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company right of use asset and lease liability are disclosed in note 3.1.2.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

'On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 14%.'

The following summary reconciles the Company's operating lease commitments at June 30, 2019 as previously disclosed in the Company's annual financial statements as at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

	Rs. in '000
Operating lease commitment as at July 01, 2019	407,288
Discounted using the lessee's incremental borrowing rate at the date of initial application	(217,661)
Total liability as at July 01, 2019	189,627
Of which are:	
Current lease liabilities	25,148
Non-current lease liabilities	171,117

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	September 30, 2019	July 01, 2019
	(Rupees in thousand)	
The recognised right-of-use assets relate to the following types of assets:		
Property	185,318	189,627
The change in accounting policy affected the following items in the statement of financial position on July 1, 2019:		
Right of use asset - increased by		189,627
lease liabilities - increased by		189,627
The change in accounting policy affected the following items in the profit and loss account on September 30, 2019:		
Markup expense - increased by		6,638
Cost of sales which includes depreciation and rent expenses decreased by		2,858

3.1.2 Lease liability and Right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

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.

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, 2019.

4.2 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, 2019.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	September 30, 2019	June 30, 2019
	(Rupees in thousand)	
5. FIXED ASSETS		
Property, plant and equipment		
- Operating assets	31,889,595	32,650,046
- Major spare parts and stand-by equipments	403,461	337,292
- Right of use assets - 5.1	189,627	-
Less: depreciation	(4,309)	-
	185,318	-
- Capital work-in-progress - note 5.3	2,891,146	2,604,318
	35,369,520	35,591,656
Intangible assets	82,575	103,678
	<u>35,452,095</u>	<u>35,695,334</u>

5.1 The right-of-use assets comprise of land on lease used by the Company for its operations.

5.2 In the current period variable lease for right of use of assets amounts to Rs. 3.1 million.

5.3 Capital work-in-progress

	Balance as at July 1, 2019	Addition during the period	Transfers	Balance as at September 30, 2019	Balance as at July 1, 2018	Addition during the year	Transfers	Balance as at June 30, 2019
	(Rupees in thousand)							
Building on lease hold land	16,420	3,098	-	19,518	12,261	30,461	(26,302)	16,420
Refineries upgradation projects	1,580,129	561	-	1,580,690	1,077,221	566,511	(63,603)	1,580,129
Plant and machinery	770,160	364,027	(84,724)	1,049,463	712,973	693,649	(636,462)	770,160
Office and other equipments	26,001	1,415	(1,130)	26,286	25,110	19,609	(18,718)	26,001
	<u>2,392,710</u>	<u>369,101</u>	<u>(85,854)</u>	<u>2,675,957</u>	<u>1,827,565</u>	<u>1,310,230</u>	<u>(745,085)</u>	<u>2,392,710</u>
Advances to contractors / suppliers - note 5.5	211,608	20,517	(16,936)	215,189	178,301	168,415	(135,108)	211,608
	<u>2,604,318</u>	<u>389,618</u>	<u>(102,790)</u>	<u>2,891,146</u>	<u>2,005,866</u>	<u>1,478,645</u>	<u>(880,193)</u>	<u>2,604,318</u>

5.4 Additions to operating assets during the three months ended September 30, 2019 are as follows:

	Additions (at cost)	
	September 2019	September 2018
	(Rupees in thousand)	
Plant and machinery	89,565	24,465
Buildings	-	3,326
Vehicles	330	6,862
Office and other equipments	6,580	2,464
Furniture and fixtures	17	464
Computer equipments	1,540	199
	<u>98,032</u>	<u>37,780</u>

5.5 The advances to contractors / suppliers do not carry any interest or markup arrangement.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

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. 10.42 million (June 30, 2019: Rs. 11.82 million) carry interest ranging from 3% to 7% (June 30, 2019: 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 and tax loss will be recoverable based on the estimated future taxable income.

9. STOCK -IN- TRADE

As at September 30, 2019 stock of finished products and semi-finished products have been written down by Rs. 78 million (June 30, 2019: Rs.628 million) to arrive at its net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.98 million (June 30, 2019: Rs. 2.58 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.

September 30, June 30,
2019 2019
(Rupees in thousand)

12. CASH AND BANK BALANCES

Cash in hand	500	500
With banks on:		
- Current accounts	53,124	60,282
- Savings accounts	228,309	427,835
- Deposit accounts	490,063	490,063
	<u>771,496</u>	<u>978,180</u>
	<u>771,996</u>	<u>978,680</u>

13. TRADE AND OTHER PAYABLES

Trade creditors	16,784,908	9,851,697
Due to Government of Pakistan	706,853	756,362
Due to related parties:		
- Attock Petroleum Limited	23,660	23,393
- Pakistan Oilfields Limited	501,103	414,427
Accrued liabilities	2,031,786	1,876,057
Surplus price differential payable	7,582	7,582
PMG-RON differential payable	104,431	54,495
Custom duty payable - note 13.1	1,693,378	1,719,988
Sales tax payable	32,770	-
Retention money	234,117	120,703
Deposits from contractors	52,640	51,225
Advances from customers - note 13.2	376,509	226,236
Workers' Welfare Fund	83,759	80,917
Income tax deducted at source	12,244	9,071
Excise duty and petroleum levy	1,841,609	1,221,012
Others	6,362	5,090
	<u>24,493,711</u>	<u>16,418,255</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

- 13.1 This represents the differential of custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by the Government of Pakistan and Ministry of Energy (MOE). In 2018, the Oil and Gas Regulatory Authority (OGRA) in compliance with the directives of MOE approved a recovery mechanism for regulated products through which refineries would operate on no gain / loss basis on this account. The Company has adjusted the net regulatory duty impact on regulated products and crude oil portion in trade payables and in case of regulatory duty on deregulated products in the sales and cost of sales respectively. Based on mechanism devised by OGRA together with subsequent changes / instructions as communicated from time to time, the amount of liability is being directly adjusted / paid by refineries.
- 13.2 This includes advances received from related party - Pakistan Oilfields Limited amounting to Rs.17.54 million (June 30, 2019: Rs. 21.81 million) against supply of goods.

14. BORROWINGS

- 14.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 17.65 billion (June 30, 2019: Rs. 17.65 billion) of which the amount remaining unutilised at the period end was Rs. 3.77 billion (June 30, 2019: 1.40 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.10% above KIBOR (June 30, 2019: KIBOR + 0.15%-1.10%) per annum.
- 14.2 The facility from Tijarah arrangement from an Islamic bank amounted to Rs. 5 billion of which Rs. 2.99 billion remained unutilised as at the period end (June 30, 2019: Rs. 0.24 billion). The rate of mark-up applicable is based on three months KIBOR + 0.15% (June 30, 2019: three months KIBOR + 0.15%) per annum.
- 14.3 Short term loan obtained on weekly rollover basis from a commercial bank amounted to Rs. 1.59 billion (June 30, 2019: Rs.4 billion). The rate of mark-up applicable on this loan is based on 1 week KIBOR + 0.10% (June 30, 2019: 1 week KIBOR + 0.10%) per annum.

15. TAXATION - PROVISIONS LESS PAYMENTS

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. 3.15 billion has been received till September 30, 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 until the principal issue is decided by the Court. During the current period another similar order of ATIR has been received for tax year 2013 for which company is in the process of obtaining appeal effect from tax department.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

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, 2019.

16.2 Commitments

- a) Commitments outstanding for capital expenditure as at September 30, 2019 amounted to Rs.1.20 billion (June 30, 2019: Rs.1.33 billion).
- b) The facilities for opening the letters of credit and guarantees as at September 30, 2019 amounted to Rs. 56.57 billion (June 30, 2019: Rs. 56.57 billion) of which the amount remaining unutilised at the period end was Rs. 44.92 billion (June 30, 2019: Rs. 41.90 billion).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
17. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Local	48,831,866	49,715,315
Export	<u>3,500,560</u>	<u>3,511,943</u>
	<u>52,332,426</u>	<u>53,227,258</u>
18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL		
Trade discounts	116,213	136,423
Sales tax	7,095,298	7,880,124
Excise duty	88	165
Petroleum levy	4,659,835	2,801,890
PMG-RON differential	102,595	107,832
Custom duty	<u>1,090,782</u>	<u>1,041,761</u>
	<u>13,064,811</u>	<u>11,968,195</u>
19. OTHER INCOME		
This includes return on bank deposits amounting to Rs. 14.95 million (September 30, 2018: Rs. 17.78 million).		
20. FINANCE COST		
20.1	This includes net exchange gain of Rs. 169.34 million (September 30, 2018: Net exchange loss of Rs. 380.87 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.	
20.2	This includes interest on lease liabilities amounting to Rs. 6.64 million (September 30, 2018 Rs. Nil).	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
21. TAXATION		
Current	304,235	-
Deferred	<u>(519,181)</u>	<u>(254,938)</u>
	<u>(214,946)</u>	<u>(254,938)</u>
22. CASH GENERATED FROM / (UTILISED IN) OPERATIONS		
Loss before taxation	(893,711)	(1,321,106)
Adjustment for non cash charges and other items:		
Depreciation and amortisation	883,893	871,922
Provision for staff retirement benefit funds	33,528	34,423
Finance cost	537,823	86,683
Interest on lease	6,638	
Return on investments and bank accounts	(14,948)	(17,781)
Change in working capital - note 22.1	<u>6,614,898</u>	<u>(1,464,390)</u>
	<u>7,168,121</u>	<u>(1,810,249)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
22.1 Change in working capital		
(Increase) / Decrease in current assets		
Stores, spares and chemicals	7,085	54,327
Stock-in-trade	752,465	(4,260,342)
Trade receivables	(2,399,312)	(1,495,514)
Loans and advances	(32,880)	1,945
Trade deposits and short-term prepayments	(297,434)	(230,059)
Other receivables	509,518	2,401,675
	(1,460,558)	(3,527,968)
Increase in current liabilities		
Trade and other payables	8,075,456	2,063,578
	<u>6,614,898</u>	<u>(1,464,390)</u>

23. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the period.

Nature of relationship	Nature of transactions	Transactions during the quarter	
		September 30, 2019	September 30, 2018
		(Rupees in thousand)	
Associated companies	Sale of petroleum products	27,081,393	28,904,097
	Purchase of crude oil and condensates	747,277	123,701
	Price differential claim paid	-	20,212
	Rental income	1,671	1,541
	Hospitality and storage income	31,045	21,333
	Handling income	39,041	26,148
	Trade discounts and commission on sales	243,015	276,076
	Reimbursement of expenses made	466	2,616
	Reimbursement of expenses received	282	838
	Purchase of petroleum products	1,141	228
Post employment staff benefit plans	Contributions	11,979	13,698
Key management employees compensation	Salaries and other employee benefits	12,104	23,651
	Post retirement benefits	855	667
	Directors' fees	2,894	1,848
		15,853	26,166

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

24. SEGMENT INFORMATION

24.1. The Company's operating segments are organised and managed separately according to the nature of production process for products and services provided, with each segment representing a strategic business unit. The fuel segment is primarily a diverse supplier of fuel products and offers gasoline, diesel oils and furnace oil. The lube segment mainly provides different types of lube base oils, asphalt, furnace oil, wax free oil and other petroleum products for different sectors of the economy. Inter-segment transfers are made at relevant costs to each segment.

Segments results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets includes property, plant and equipment.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(Rupees in thousand)					
Segment Revenue						
Revenue to external customers						
- local (net of discounts, taxes, duties and levies and price differential)	27,019,182	28,514,562	8,747,873	9,232,558	35,767,055	37,747,120
- exports	3,031,341	3,353,858	469,219	158,085	3,500,560	3,511,943
	30,050,523	31,868,420	9,217,092	9,390,643	39,267,615	41,259,063
Inter-segment transfers	6,185,795	9,320,740	-	-	6,185,795	9,320,740
Elimination of inter-segment transfers	-	-	-	-	(6,185,795)	(9,320,740)
Net revenue from contract with customer	36,236,318	41,189,160	9,217,092	9,390,643	39,267,615	41,259,063
Segment results after tax	(595,552)	(1,396,257)	(83,213)	330,089	(678,765)	(1,066,168)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (Loss) / income	(595,552)	(1,396,257)	(83,213)	330,089	(678,765)	(1,066,168)
	FUEL		LUBE		TOTAL	
	September 30, 2019	June 30, 2019	September 30, 2019	June 30, 2019	September 30, 2019	June 30, 2019
	(Rupees in thousand)					
Segment assets	57,200,077	55,916,954	12,928,147	14,456,607	70,128,224	70,373,561
Unallocated assets	-	-	-	-	7,547,190	5,793,789
Total assets	57,200,077	55,916,954	12,928,147	14,456,607	77,675,414	76,167,350
Segment liabilities	29,980,454	23,436,357	12,619,099	18,564,214	42,599,553	42,000,571
Unallocated liabilities	-	-	-	-	1,881,157	293,310
Total liabilities	29,980,454	23,436,357	12,619,099	18,564,214	44,480,710	42,293,881

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

25. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on October 15, 2019.



Chief Financial Officer



Chief Executive



Director



National Refinery Limited

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