

Refining with Vision

Condensed Interim
Financial Information for
the Nine Months Ended
March 31, 2020



National Refinery Limited





Contents

02	Corporate Information
03	Directors' Review – English
04	Directors' Review – Urdu
05	Condensed Interim Statement of Financial Position
06	Condensed Interim Statement of Profit or Loss
07	Condensed Interim Statement of Profit or Loss and other Comprehensive Income
08	Condensed Interim Statement of Changes in Equity
09	Condensed Interim Statement of Cash Flows
10	Notes to the Condensed Interim Financial Information

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 Mansoor

Chief Executive Officer

Jamil A. Khan

Chief Financial Officer

Nouman Ahmed Usmani

Company Secretary

Muhammad Atta ur Rehman Malik

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 Shakra-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 nine months ended March 31, 2020.

During the period, your company incurred a loss after tax of Rs. 8,129 million resulting in Loss per share of Rs. 101.65 as compared to loss after tax of Rs. 5,186 million which resulted in Loss per share of Rs. 64.85 in the corresponding period.

Fuel segment of the Company incurred loss after tax of Rs. 9,036 million as compared to loss after tax of Rs. 6,369 million in the same period last year due to continuity of negative margins. The segment remained under pressure since beginning of third quarter as initially the Company was coping with IMO 2020 triggered declining price trend of furnace oil and then the outbreak of Covid-19 Pandemic that severely impacted the demand for petroleum products and resultantly the oil prices. The situation was further aggravated due to opinion differences on productions cut among the oil producing countries leading to extremely weak oil market. At the same time, local demand for petroleum products contracted to the lowest due to lockdowns announced by provincial governments to control the pandemic. Consequently, facing severe ullage constraints and no demand for products in sight, the refinery was temporarily closed down. The company incurred inventory loss of Rs. 2,594 million due to high inventory levels as on March 31, 2020 as compared to Rs. 148 million as on March 31, 2019. The refinery throughput dropped to 64% of the designed capacity as compared to 79% in the corresponding nine months due to reasons explained above.

Lube Segment however, earned profit after tax of Rs. 907 million as compared to profit after tax of Rs. 1,183 million during the corresponding period last year. Sale of Bitumen remained stagnant in the third quarter as well; resultantly no remarkable reduction is seen in its carrying inventory.

Continuous losses, lower demand of products and higher inventory levels compelled the Company to finance working capital through short term borrowings which resulted in interest cost of Rs. 1,689 million as compared to Rs. 694 million in the same period last year. Pakistani Rupee being no exception to the negative impacts of Covid-19 pandemic witnessed devaluation against the US Dollar translating into net foreign exchange loss of Rs. 150 million.

Besides all odds there is a ray of hope in the form of lower crude oil prices at which crude oil is being traded however, the performance of refinery sector will largely depend upon how the events will develop in the International arena with respect to crude oil market and also on any positive outcome of deliberations that are still under process between the refineries and Government of Pakistan.

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

On behalf of the Board

Shuaib A. Malik
Chairman

Rawalpindi
April 23, 2020

ڈائریکٹرز کا جائزہ

نیشنل ریفاٹری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 31 مارچ 2020 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 8,129 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 101.65 روپے فی حصص نقصان کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 5,186 ملین روپے کا ٹیکس کے بعد نقصان ہوا تھا جو 64.85 روپے فی حصص نقصان کے مساوی تھا۔

منفی مارجنز کے تسلسل کی وجہ سے کمپنی کے فیول سیکٹ کو 9,036 ملین روپے کا ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ مالی سال اسی مدت میں ٹیکس کے بعد یہ نقصان 6,369 ملین روپے کا رہا۔ تیسری سہ ماہی کے آغاز سے ہی یہ سیکٹ دباؤ میں رہا کیونکہ ابتداء میں کمپنی کو IMO 2020 کی وجہ سے فرنس آئل کی قیمتوں میں کمی کا سامنا رہا اور پھر COVID-19 کی عالمی وبا کے پھیلاؤ نے پیٹرولیم مصنوعات کی طلب اور قیمتوں کو شدید متاثر کیا۔ تیل پیدا کرنے والے ممالک کے درمیان تیل کی پیداواری حد بندی کے بارے میں اختلاف رائے کی وجہ سے صورتحال مزید خراب ہو گئی جس نے تیل کی مارکیٹ کو انتہائی کمزور کر دیا۔ اس کے ساتھ ہی، وبائی مرض پر قابو پانے کے لئے صوبائی حکومتوں کی جانب سے اعلان کردہ لاک ڈاؤن کی وجہ سے پیٹرولیم مصنوعات کی مقامی طلب بہت کم ہو گئی۔ اس کے نتیجے میں کمپنی کے مصنوعات کے ٹینک بھر جانے اور نہ ہونے کے برابر طلب کی وجہ سے ریفاٹری کو معاشی طور پر بند کرنا پڑا۔ 31 مارچ 2020 کو بڑھی ہوئی انونٹری کی وجہ سے کمپنی کو 2,594 ملین روپے کا انونٹری کی قدر میں کمی کا سامنا کرنا پڑا جو کہ 31 مارچ 2019 کی انونٹری پر 148 ملین روپے تھا۔ اوپر بیان کی گئی وجوہات کی وجہ سے کمپنی کی پیداوار %64 تک گر گئی جو کہ گزشتہ سال کے اسی عرصہ میں %79 تھی۔

لیوب سیکٹ نے بہر حال 907 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 1,183 ملین روپے تھا۔ تیسری سہ ماہی میں بھی تارکول کی فروخت، جنمدرہ، تیتجٹاس کی انونٹری میں کوئی قابل ذکر کمی نہیں ہوئی۔

مستقل نقصانات، پیٹرولیم مصنوعات کی طلب میں کمی اور بڑھتی ہوئی انونٹری نے کمپنی کو قلیل المیاد قرضوں کے ذریعہ ورکنگ کپینٹل کو فنائیس کرنے پر مجبور کر دیا جس کے نتیجے میں مارک اپ کا خرچہ 1,689 ملین روپے ہوا جبکہ گزشتہ مالی سال اسی مدت میں یہ اخراجات 694 ملین روپے تھے۔ پاکستانی روپیہ بھی COVID-19 کے وبائی مرض کے منفی اثرات کی زد سے محفوظ نظر رہا اور پاکستانی روپے کی قدر میں بھی کمی دیکھی گئی جس کی وجہ سے زرمبادلہ کی مد میں 150 ملین روپے کا نقصان ہوا۔

تمام ترمشکات کے باوجود خام تیل کی کم قیمتوں پر فروخت میں امید کی کرن سے تاہم ریفاٹری کے شعبے کی کارکردگی کا زیادہ تر انحصار بین الاقوامی سطح پر خام تیل کی مارکیٹ میں رونما ہونے والے واقعات اور گورنمنٹ اور ریفاٹریوں کے مابین ہونے والے رابطوں کے کسی مثبت نتیجے پر پہنچنے پر منحصر ہے۔

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

بورڈ کی جانب سے



شعیب اے ملک

چیئرمین

راولپنڈی

23 اپریل، 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Unaudited March 31, 2020	Audited June 30, 2019
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	34,901,225	35,695,334
Long term investment		13,346	13,346
Long term loans	6	46,147	49,716
Long term deposits	7	30,265	30,265
Deferred taxation	8	6,410,534	2,874,070
Retirement benefit prepayments		6,598	15,618
		<u>41,408,115</u>	<u>38,678,349</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,673,171	1,572,569
Stock-in-trade	9	22,089,195	25,668,594
Trade receivables		2,571,838	7,499,049
Loans and advances	10	41,152	31,400
Trade deposits and short-term prepayments	11	145,156	34,610
Interest accrued		44,512	14,215
Other receivables		1,036,343	1,662,812
Taxation - payments less provisions	15	-	27,072
Cash and bank balances	12	867,410	978,680
		<u>28,468,777</u>	<u>37,489,001</u>
		<u>69,876,892</u>	<u>76,167,350</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		24,944,805	33,073,803
		<u>25,744,471</u>	<u>33,873,469</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		187,507	-
Retirement benefit obligations		370,061	293,310
CURRENT LIABILITIES			
Trade and other payables	13	17,162,674	16,418,255
Unclaimed dividend		62,552	65,278
Unpaid dividend		31,630	31,742
Accrued mark-up		495,822	365,037
Provisions		112,361	112,361
Current portion of long-term lease liability		22,032	-
Borrowings	14	21,346,961	25,007,898
Taxation - provisions less payments	15	4,340,821	-
		<u>43,574,853</u>	<u>42,000,571</u>
		44,132,421	42,293,881
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL EQUITY AND LIABILITIES			
		<u>69,876,892</u>	<u>76,167,350</u>

The annexed notes 1 to 26 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, 2020 (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
← (Rupees in thousand) →					
Revenue from contracts with customers	17	36,819,932	51,961,375	144,968,533	151,588,697
Trade discounts, taxes, duties, levies and price differential	18	(10,004,416)	(14,303,982)	(37,489,174)	(34,841,903)
Net revenue from contracts with customers		<u>26,815,516</u>	<u>37,657,393</u>	<u>107,479,359</u>	<u>116,746,794</u>
Cost of sales		<u>(32,275,219)</u>	<u>(38,453,681)</u>	<u>(115,466,815)</u>	<u>(119,521,381)</u>
Gross loss		<u>(5,459,703)</u>	<u>(796,288)</u>	<u>(7,987,456)</u>	<u>(2,774,587)</u>
Distribution cost		(171,804)	(189,987)	(614,370)	(601,426)
Administrative expenses		(230,627)	(199,203)	(668,079)	(642,758)
Other income	19	78,474	88,848	314,497	254,665
Other operating expenses		(2,522)	(3,082)	(12,699)	(11,033)
Operating loss		<u>(5,786,182)</u>	<u>(1,099,712)</u>	<u>(8,968,107)</u>	<u>(3,775,139)</u>
Finance cost	20	(1,174,541)	(589,765)	(1,863,961)	(2,813,230)
Loss before taxation		<u>(6,960,723)</u>	<u>(1,689,477)</u>	<u>(10,832,068)</u>	<u>(6,588,369)</u>
Taxation	21	1,816,698	361,304	2,703,070	1,402,853
Loss after taxation		<u>(5,144,025)</u>	<u>(1,328,173)</u>	<u>(8,128,998)</u>	<u>(5,185,516)</u>
Loss per share - basic and diluted		<u>(Rs.64.32)</u>	<u>(Rs.16.61)</u>	<u>(Rs.101.65)</u>	<u>(Rs.64.85)</u>

The annexed notes 1 to 26 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, 2020 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	← (Rupees in thousand) →			
Loss after taxation	(5,144,025)	(1,328,173)	(8,128,998)	(5,185,516)
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>(5,144,025)</u>	<u>(1,328,173)</u>	<u>(8,128,998)</u>	<u>(5,185,516)</u>

The annexed notes 1 to 26 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, 2020 (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	Investment at fair value through OCI	Unappropriated profit / (loss)	
	(Rupees in thousand)								
Balance as at July 1, 2018	799,666	10,142	4,117	-	9,631,914	31,061,000	15,010	1,744,698	43,266,547
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 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	15,010	(5,140,484)	37,281,365
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 nine months ended March 31, 2020	-	-	-	-	-	-	-	(8,128,998)	(8,128,998)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss for the nine months ended March 31, 2020	-	-	-	-	-	-	-	(8,128,998)	(8,128,998)
Balance as at March 31, 2020	799,666	10,142	4,117	-	9,631,914	31,961,000	13,346	(16,675,714)	25,744,471

The annexed notes 1 to 26 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, 2020 (UNAUDITED)

	Note	March 31, 2020	March 31, 2019
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) operations	22	3,238,996	(9,654,709)
Income tax refund - net		3,534,499	336,696
Finance cost paid		(1,557,718)	(447,686)
Decrease in long term loans		3,569	2,559
Payments made to staff retirement benefit funds		(14,818)	(4,805)
Net cash generated from / (utilised in) operating activities		<u>5,204,528</u>	<u>(9,767,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,676,856)	(1,020,363)
Purchase of intangible assets		(45)	(1,079)
Proceeds from disposal of property, plant and equipment		9,855	2,278
Return on investments and bank accounts		15,023	24,137
Net cash used in investing activities		<u>(1,652,023)</u>	<u>(995,027)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term borrowing		-	(89,480)
Dividend paid		(2,838)	(793,584)
Net cash used in financing activities		<u>(2,838)</u>	<u>(883,064)</u>
Net increase / (decrease) in cash and cash equivalents		<u>3,549,667</u>	<u>(11,646,036)</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>(20,479,551)</u></u>	<u><u>(12,444,472)</u></u>

The annexed notes 1 to 26 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, 2020 (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.

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 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 recognized. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1, of these condensed interim financial statements.

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, 2019 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019 except as disclosed in note 3.1.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

3.1 CHANGES IN ACCOUNTING POLICES - IFRS 16

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's right-of-use asset and lease liability are disclosed in note 3.2.

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 recognized in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Company recognized lease liability which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. This 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 recognized on initial application of IFRS 16 at July 1, 2019.

	(Rupees in thousand)
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	<u>189,627</u>
Of which are:	
Current lease liabilities	2,120
Non-current lease liabilities	187,507

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 recognized in the statement of financial position as at June 30, 2019.

	March 31, 2020	July 1, 2019
	(Rupees in thousand)	
The recognized right-of-use assets relate to the following types of assets:		
Property	178,134	189,627
The change in accounting policy affected the following in the condensed interim 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 in the condensed interim statement of profit or loss account on March 31, 2020:		
Markup expense - increased by		19,912
Depreciation charged in cost of sale increased by		11,493

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

3.2 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 July 1, 2019, leases are recognized 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 amortized cost using the effective interest rate method. It is premeasured 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-of-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 measurements of the lease liability.

The Company has elected to apply the practical expedient not to recognize 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 recognized as an expense on a straight line basis over the lease term.

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 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 NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

March 31,
2020 June 30,
2019
(Rupees in thousand)

5. FIXED ASSETS

Property, plant and equipment		
- Operating assets	30,318,273	32,650,046
- Major spare parts and stand-by equipment's	356,934	337,292
- Right of use assets - 5.1	189,627	-
Less: depreciation	(11,493)	-
	178,134	-
- Capital work-in-progress - note 5.3	4,007,542	2,604,318
	<u>34,860,883</u>	<u>35,591,656</u>
Intangible assets	40,342	103,678
	<u><u>34,901,225</u></u>	<u><u>35,695,334</u></u>

5.1 The right-of-use assets comprise a lease hold land at oil installation area, Kemari of Karachi Port Trust (KPT), used by the Company for its operations.

5.2 In the current period variable lease for right-of-use of assets amounts to Rs. 25.15 million.

5.3 Capital work-in-progress

	Balance as at July 1, 2019	Additions during the period	Transfers	Balance as at March 31, 2020	Balance as at July 1, 2018	Additions during the year	Transfers	Balance as at June 30, 2019
(Rupees in thousand)								
Building on leasehold land	16,420	15,753	(9,039)	23,134	12,261	30,461	(26,302)	16,420
Refineries upgradation projects	1,580,129	1,064,357	-	2,644,486	1,077,221	566,511	(63,603)	1,580,129
Plant and machinery	770,160	569,970	(134,244)	1,205,886	712,973	693,649	(636,462)	770,160
Office and other equipments	26,001	46,765	(16,261)	56,505	25,110	19,609	(18,718)	26,001
	<u>2,392,710</u>	<u>1,696,845</u>	<u>(159,544)</u>	<u>3,930,011</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	87,079	(221,156)	77,531	178,301	168,415	(135,108)	211,608
	<u>2,604,318</u>	<u>1,783,924</u>	<u>(380,700)</u>	<u>4,007,542</u>	<u>2,005,866</u>	<u>1,478,645</u>	<u>(880,193)</u>	<u>2,604,318</u>

5.4 Additions and disposals to operating assets during the nine months ended March 31, 2020 are as follows:

	Additions (at cost)		Disposals (at net book value)	
	March 2020	March 2019	March 2020	March 2019
(Rupees in thousand)				
Plant and machinery	70,507	506,859	-	-
Buildings	3,886	11,279	-	-
Utilities	97,873	57,864	-	-
Vehicles	34,181	52,451	286	2,913
Office and other equipment's	10,606	5,475	-	-
Furniture and fixtures	587	832	220	-
Computer equipment's	3,392	5,422	-	-
Storage tanks	33,034	80,962	-	-
	<u>254,066</u>	<u>721,144</u>	<u>506</u>	<u>2,913</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 NINE MONTHS ENDED MARCH 31, 2020 (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. 8.84 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 March 31, 2020 stock of finished products and semi-finished products have been written down by Rs. 2,594 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. 2.02 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.

	March 31, 2020	June 30, 2019
	(Rupees in thousand)	
12. CASH AND BANK BALANCES		
Cash in hand	500	500
With banks on:		
- Current accounts	364,564	60,282
- Savings accounts	12,283	427,835
- Deposit accounts	490,063	490,063
	<u>866,910</u>	<u>978,180</u>
	<u>867,410</u>	<u>978,680</u>
13. TRADE AND OTHER PAYABLES		
Trade creditors	10,062,959	9,851,697
Due to Government of Pakistan	568,171	756,362
Due to related parties:		
- Attock Petroleum Limited	16,824	23,393
- Pakistan Oilfields Limited	413,295	414,427
Accrued liabilities	1,943,924	1,876,057
Surplus price differential payable	7,582	7,582
PMG-RON differential payable	182,955	54,495
Custom duty payable - note 13.1	1,442,964	1,719,988
Sales tax payable	241,994	-
Retention money	154,484	120,703
Deposits from contractors	46,108	51,225
Advances from customers - note 13.2	336,390	226,236
Workers' Welfare Fund	88,707	80,917
Income tax deducted at source	18,228	9,071
Excise duty and petroleum levy	1,629,962	1,221,012
Others	8,127	5,090
	<u>17,162,674</u>	<u>16,418,255</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (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 custom duty impact on regulated products and crude oil portion in trade payables and in case of custom 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.26.31 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 unutilized at the period end was Rs. 5.52 billion (June 30, 2019: 1.40 billion). The rates of mark-up applicable on running finance ranges from 0.20% to 1.10% above KIBOR (June 30, 2019: KIBOR + 0.15%-1.10%) per annum.

14.2 The facility from Tjjarah arrangement from an Islamic bank amounted to Rs. 5 billion of which none remained unutilized 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% per annum (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. 4 billion (June 30, 2019: Rs.4 billion). The rate of mark-up applicable on this loan is based on 1 week KIBOR + 0.40% (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 (June 30, 2019: Rs. 6.19 billion) out of which Rs. 5.75 billion (June 30, 2019: Rs. 1.50 billion) has been received till March 31, 2020. 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 period another similar order of ATIR has been received for tax year 2013, for which FBR has processed refund order amounting to Rs. 816 million and carry forward of Minimum tax of Rs. 528 million.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 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, 2019, except as disclosed in note 16.1.2.

16.1.2 Claims not acknowledged by the Company as debt at the end of the period amounted to Rs. 4.49 billion (June 30, 2019: Rs. 4.51 billion). These include claims accumulating to Rs. 4.34 billion (June 30, 2019: Rs. 4.34 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 49.64 million (June 30, 2019: Rs. 49.64 million) relating to freight claims.

16.2 Commitments

a) Commitments outstanding for capital expenditure as at March 31, 2020 amounted to Rs.0.525 billion (June 30, 2019: Rs.1.33 billion).

b) The facilities for opening the letters of credit and guarantees as at March 31, 2020 amounted to Rs. 60.15 billion (June 30, 2019: Rs. 56.57 billion) of which the amount remaining unutilized at the period end was Rs. 54.03 billion (June 30, 2019: Rs. 41.90 billion).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	← (Rupees in thousand) →			
17. REVENUE FROM CONTRACTS WITH CUSTOMERS				
Local	35,382,238	49,395,795	135,387,893	143,339,338
Export	1,437,694	2,565,580	9,580,640	8,249,359
	<u>36,819,932</u>	<u>51,961,375</u>	<u>144,968,533</u>	<u>151,588,697</u>
18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL				
Trade discounts	139,829	96,949	324,178	327,623
Sales tax	5,141,099	7,177,339	19,672,010	20,430,787
Excise duty	140	184	378	540
Petroleum levy	3,829,451	5,845,955	14,000,794	10,771,453
PMG-RON differential	112,554	84,562	426,421	273,235
Custom duty	781,343	1,098,993	3,065,393	3,038,265
	<u>10,004,416</u>	<u>14,303,982</u>	<u>37,489,174</u>	<u>34,841,903</u>

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 45.32 million (March 31, 2019: Rs. 38.01 million).

20. FINANCE COST

This include net exchange loss of Rs. 150 million (March 31, 2019: Rs. 2,116 million) on foreign currency transactions relating to purchase and export of crude oil/products. This exchange loss relates to actual currency fluctuations and not due to derivatives financial instruments.

	Quarter ended		Nine months ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	← (Rupees in thousand) →			
21. TAXATION				
Current	209,540	-	833,394	-
Deferred	(2,026,238)	(361,304)	(3,536,464)	(1,402,853)
	<u>(1,816,698)</u>	<u>(361,304)</u>	<u>(2,703,070)</u>	<u>(1,402,853)</u>
22. CASH GENERATED FROM / (UTILISED IN) OPERATIONS				
Loss before taxation			(10,832,068)	(6,588,369)
Adjustment for non cash charges and other items:				
Depreciation and amortisation			2,660,131	2,644,315
Provision for staff retirement benefit funds			100,589	103,275
Finance cost			1,688,503	695,741
Interest on lease liability			19,912	-
Return on investments and bank accounts			(45,320)	(38,006)
(Gain) / loss on disposal of property, plant and equipment			(9,349)	635
Changes in working capital - note 22.1			9,656,598	(6,472,300)
			<u>3,238,996</u>	<u>(9,654,709)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	March 31, 2020	March 31, 2019
	(Rupees in thousand)	
22.1 Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and chemicals	(100,602)	(170,999)
Stock-in-trade	3,579,399	(12,107,253)
Trade receivables	4,927,211	(2,062,435)
Loans and advances	(9,752)	34,306
Trade deposits and short-term prepayments	(110,546)	(105,694)
Other receivables	626,469	2,515,387
	8,912,179	(11,896,688)
Increase in current liabilities		
Trade and other payables	744,419	5,424,388
	<u>9,656,598</u>	<u>(6,472,300)</u>

23. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Nine months ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(Rupees in thousand)					
Associated companies	Sale of petroleum products	18,658,766	26,290,709	70,290,039	78,085,794
	Purchase of crude oil and condensates	538,157	255,958	1,680,619	672,522
	Price differential claim paid	-	18,325	-	47,746
	Rental income	1,714	1,558	5,081	4,641
	Hospitality charges	14,466	16,362	69,415	50,752
	Handling income	30,687	35,302	100,414	86,749
	Trade discounts and commission on sales	222,171	226,529	740,369	717,899
	Reimbursement of expenses made	859	208	2,297	4,175
	Reimbursement of expenses received	1,481	1,395	2,502	2,430
	Purchase of petroleum products	1,245	1,501	3,531	3,955
	Sale of assets	-	-	4,900	-
	Dividend paid	-	-	-	407,829
	Purchase of stores	-	465	139	465
Post employment staff benefit plans	Contributions	26,943	12,154	50,719	42,459
Key management employees compensation	Salaries and other employee benefits	10,807	9,879	32,392	44,755
	Post retirement benefits	851	913	2,618	2,266
	Directors' fees	1,117	1,169	5,607	3,968

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

24. SEGMENT INFORMATION

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

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(Rupees in thousand)					
Segment Revenue						
Revenue to external customers						
- local (net of discounts, taxes, duties and levies and price differential)	72,900,193	80,734,317	24,998,526	27,763,118	97,898,719	108,497,435
- exports	8,035,927	7,256,000	1,544,713	993,359	9,580,640	8,249,359
	80,936,120	87,990,317	26,543,239	28,756,477	107,479,359	116,746,794
Inter-segment transfers	18,222,674	28,047,275	-	-	18,222,674	28,047,275
Elimination of inter-segment transfers	-	-	-	-	(18,222,674)	(28,047,275)
Net revenue from contract with customer	99,158,794	116,037,592	26,543,239	28,756,477	107,479,359	116,746,794
Segment results after tax	(9,036,406)	(6,368,516)	907,408	1,183,000	(8,128,998)	(5,185,516)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(9,036,406)	(6,368,516)	907,408	1,183,000	(8,128,998)	(5,185,516)
	FUEL		LUBE		TOTAL	
	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019
	(Rupees in thousand)					
Segment assets	47,413,020	55,916,954	11,712,675	14,456,607	59,125,695	70,373,561
Unallocated assets	-	-	-	-	10,751,197	5,793,789
Total assets	47,413,020	55,916,954	11,712,675	14,456,607	69,876,892	76,167,350
Segment liabilities	23,746,573	23,436,357	15,674,966	18,564,214	39,421,539	42,000,571
Unallocated liabilities	-	-	-	-	4,710,882	293,310
Total liabilities	23,746,573	23,436,357	15,674,966	18,564,214	44,132,421	42,293,881

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

25. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the COVID-19 has spread throughout the country and accordingly the government has extended already taken measures to reduce the spread of the COVID-19 that include lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses. The aforementioned measures have also affected the business operations of the Company significantly including lower sales at declining prices due to lower demand of petroleum products and resultant disruptions in supply chain, and also write down of high levels of inventories due to reduced upliftment and lower product prices post period-end. The COVID-19 situation may also result in worsening of refinery margins that may affect Company's profitability forecasts. The Company may also face liquidity issues if the situation prolongs that may also have impacts on upgradation projects. Due to overall uncertain situation about the impacts and duration for which the abovementioned measures will continue, the overall impact on the Company's financial position and financial performance cannot be predicted with reasonable certainty.

Considering lower demand and ullage constraints, the Company initially decided to temporarily close down its production effective March 25, 2020. However, in view of continuation in government announced lockdown, the Company has extended the temporary closure of refinery units till the situation improves.

26. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 23, 2020.



Chief Financial Officer



Chief Executive



Director



National Refinery Limited

**7-B, Korangi Industrial Area, Karachi-74900. UAN: 111-675-675
Website: www.nrlpak.com E-mail: info@nrlpak.com**