

Condensed Interim
Financial Statements
for the Nine Months
Ended March 31, 2021



National Refinery Limited

Refining with Vision



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 Statements

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

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 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 Wael G. Pharaon	
Jamil A. Khan	Member
Nouman Ahmed Usmani	Secretary

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Ali Sibtain Fazli & Associates
Legal Advisors, Advocates & Solicitors

Bankers

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

Registered Office

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

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 would like to present the results of your Company for the nine months ended March 31, 2021.

Despite difficult times and numerous economic challenges, your company successfully achieved profit after tax of Rs. 892 million resulting in earnings per share of Rs. 11.15, as compared to loss after tax of Rs. 8,129 million that had resulted in loss per share of Rs. 101.65 in the same period last year.

Fuel segment of the company incurred loss after tax of Rs. 1,774 million as compared to loss after tax of Rs. 9,036 million in the same period last year. Improved sales volume and less inventory losses due to upward trends in fuel product prices helped in reducing the losses. However, second fortnight of March 2021 witnessed decline in international oil prices that translated into inventory losses of Rs. 227 million at the end of period.

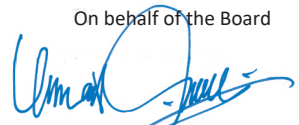
In spite of recent COVID vaccination drive that has been initiated throughout the world, economic activities remained vulnerable due to emergence of COVID's third wave, which is considered to be more virulent and could have significant impacts on international oil demand and supply equation together with pricing implications. Consequently, the Company continued to follow a vigilant approach and slightly increased the throughput to 67.23% (March 2020: 63.94%).

Lube segment earned profit after tax of Rs. 2,666 million as compared to profit after tax of Rs. 907 million in the corresponding period. As the margins are restored globally, the throughput of lube segment was enhanced to 79.44% from 72.40% attained in the same period last year. Due to slow offtake of Bitumen in local market, your Company simultaneously focused to export Bitumen and has successfully managed to export 22,175 metric tons during the period, which is twice the volume exported during the corresponding period.

Refineries working group is in constant discussion with the Government with respect to incentives to support upgradation of refineries. We understand that the Government would play an important role in developing policies, which would result in smooth and sustainable operations of refineries in Pakistan.

The management remains committed to maintaining efforts on improving the performance of your Company and thank the shareholders, customers, staff and all other stakeholders for their continuous support and trust in the Company.

On behalf of the Board



Shuaib A. Malik
Chairman

Islamabad
April 26, 2021

ڈائریکٹرز کا جائزہ

نیشنل ریفاٹری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کے 31 مارچ 2021 کو مکمل ہونے والے نو ماہ کے نتائج پیش کرتا ہوں۔

مشکل صورتحال اور متعدد معاشی چیلنجوں کے باوجود آپ کی کمپنی نے کامیابی کے ساتھ 892 ملین روپے کا ٹیکس کے بعد منافع حاصل کیا جو 11.15 روپے فی حصص منافع کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 8,129 ملین روپے کا ٹیکس کے بعد نقصان ہوا تھا جو 101.65 روپے فی حصص نقصان کے مساوی تھا۔


کمپنی کے فیول سیگمنٹ کو 1,774 ملین روپے ٹیکس کے بعد نقصان ہوا جبکہ پچھلے سال اسی عرصے میں ٹیکس کے بعد نقصان 9,036 ملین روپے تھا۔ فروخت کے حجم میں بہتری اور فیول مصنوعات کی قیمتوں میں اضافے کے رجحانات کے باعث انوینٹری نقصانات میں کمی نے مجموعی طور پر نقصانات کو کم کرنے میں مدد فراہم کی۔ تاہم، مارچ 2021 کے آخری پندرہ دنوں میں تیل کی بین الاقوامی قیمتوں میں کمی دیکھی گئی جس کی وجہ سے موجودہ عرصہ کی اختتامی انوینٹری کی قدر میں 227 ملین روپے نقصان کا سامنا کرنا پڑا۔

پوری دنیا میں شروع کی گئی حالیہ COVID-19 پیکسینیشن مہم کے باوجود، COVID کی تیسری لہر کے ابھرنے کی وجہ سے معاشی سرگرمیاں خطرے میں ہیں۔ حالیہ لہر کے زیادہ مہلک ہونے کی وجہ سے بین الاقوامی تیل کی طلب اور رسد کے ساتھ ساتھ قیمتوں پر ممکنہ گہرے اثرات کے پیش نظر کمپنی نے محتاط انداز جاری رکھتے ہوئے پیداوار کو معمولی اضافہ کے ساتھ 67.23% پر رکھا جو کہ گزشتہ مالی سال اسی مدت میں 63.94% تھی۔

لیوب سیگمنٹ کو 2,666 ملین روپے کا ٹیکس کے بعد منافع ہوا جبکہ گزشتہ مالی سال اسی مدت میں ٹیکس کے بعد 907 ملین روپے کا منافع تھا۔ حالیہ سطح پر مارجنز میں بحالی کے باعث لیوب سیگمنٹ کی حالیہ پیداوار اضافہ کے بعد 79.44% رہی جو کہ گزشتہ مالی سال اسی مدت میں 72.40% تھی۔ مقامی مارکیٹ میں تارکول کی فروخت میں کمی کی وجہ سے آپ کی کمپنی نے بیک وقت تارکول برآمد کرنے پر توجہ دی اور کامیابی سے 22,175 میٹرک ٹن برآمد کیا جو کہ گزشتہ سال کے مقابلے میں دگنا ہے۔

تمام ریفاٹریاں مل کر حکومت سے تبادلہ خیال کرنے میں مصروف عمل ہیں تاکہ موجودہ ریفاٹریوں کو کچھ مراعات فراہم کی جاسکیں اور ایگریڈیشن میں مدد حاصل ہو سکے۔ ہم سمجھتے ہیں کہ حکومت ایسی پالیسی مرتب کرنے میں اہم کردار ادا کرے گی جس کی وجہ سے پاکستان میں ریفاٹریوں کے آپریشنز میں استحکام اور تسلسل ملے گا۔

بینجمنٹ آپ کی کمپنی کی کارکردگی کو بہتر بنانے کے سلسلے میں کوششوں کو برقرار رکھنے کے لیے پوزیشن ہے اور ہم اپنے حصص یافتگان، صارفین، عملے اور دیگر تمام اسٹیک ہولڈرز کا اکی مسلسل حمایت اور اعتماد کیلئے شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے

 شیخ ایف ایف ملک
 چیئرمین

اسلام آباد
 26 اپریل، 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	Note	Unaudited March 31, 2021	Audited June 30, 2020
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	32,083,604	34,217,924
Long-term investment		12,942	12,942
Long-term loans	6	39,438	46,351
Long-term deposits	7	30,265	30,265
Deferred taxation	8	7,877,003	7,639,925
Retirement benefit prepayments		9,426	19,786
		<u>40,052,678</u>	<u>41,967,193</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,569,607	1,552,996
Stock-in-trade	9	20,452,526	11,820,278
Trade receivables		8,714,773	4,022,171
Loans and advances	10	35,363	43,941
Trade deposits and short-term prepayments	11	174,030	21,228
Interest accrued		31,420	8,833
Other receivables		1,141,609	1,070,134
Taxation - payments less provision		1,557,101	2,253,411
Cash and bank balances	12	748,488	552,605
		<u>34,424,917</u>	<u>21,345,597</u>
TOTAL ASSETS		<u><u>74,477,595</u></u>	<u><u>63,312,790</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		<u>29,929,236</u>	<u>29,037,620</u>
		<u>30,728,902</u>	<u>29,837,286</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		177,094	183,656
Provision for Gas Infrastructure Development Cess	13	685,711	-
Retirement benefit obligations		<u>374,007</u>	<u>308,552</u>
		<u>1,236,812</u>	<u>492,208</u>
CURRENT LIABILITIES			
Trade and other payables	14	23,482,676	15,492,187
Unclaimed dividend		61,567	62,538
Unpaid dividend		31,454	31,489
Accrued mark-up		256,056	310,264
Provisions		112,361	112,361
Borrowings	15	18,567,767	16,777,521
Unearned revenue		-	193,085
Current portion of long-term lease liability		-	3,851
		<u>42,511,881</u>	<u>32,983,296</u>
TOTAL LIABILITIES		<u>43,748,693</u>	<u>33,475,504</u>
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		<u><u>74,477,595</u></u>	<u><u>63,312,790</u></u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Chief Financial Officer

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(Rupees in thousand)					
Revenue from contracts with customers	17	52,232,105	36,819,932	145,283,529	144,968,533
Trade discounts, taxes, duties, levies and price differentials	18	(13,734,282)	(10,004,416)	(47,178,076)	(37,489,174)
Net revenue from contracts with customers		<u>38,497,823</u>	<u>26,815,516</u>	<u>98,105,453</u>	<u>107,479,359</u>
Cost of sales		(35,626,656)	(32,275,219)	(95,445,576)	(115,466,815)
Gross profit / (loss)		<u>2,871,167</u>	<u>(5,459,703)</u>	<u>2,659,877</u>	<u>(7,987,456)</u>
Distribution cost		(270,572)	(171,804)	(591,051)	(614,370)
Administrative expenses		(239,131)	(230,627)	(658,861)	(668,079)
Other income	19	87,543	78,474	279,263	314,497
Other operating expenses		(114,075)	(2,522)	(123,807)	(12,699)
Operating profit / (loss)		<u>2,334,932</u>	<u>(5,786,182)</u>	<u>1,565,421</u>	<u>(8,968,107)</u>
Finance cost - net	20	89,973	(1,174,541)	(155,467)	(1,863,961)
Profit / (loss) before taxation		<u>2,424,905</u>	<u>(6,960,723)</u>	<u>1,409,954</u>	<u>(10,832,068)</u>
Taxation	21	(710,722)	1,816,698	(518,338)	2,703,070
Profit / (loss) after taxation		<u>1,714,183</u>	<u>(5,144,025)</u>	<u>891,616</u>	<u>(8,128,998)</u>
Earnings / (loss) per share - basic and diluted		<u>Rs. 21.44</u>	<u>(Rs. 64.32)</u>	<u>Rs. 11.15</u>	<u>(Rs. 101.65)</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	← (Rupees in thousand) →			
Profit / (loss) after taxation	1,714,183	(5,144,025)	891,616	(8,128,998)
Other comprehensive income / (loss)				
Items that will not be reclassified to statement of profit or loss				
Change in fair value of long term investment	-	-	-	-
Remeasurement of post employment benefit obligations	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive income / (loss)	<u>1,714,183</u>	<u>(5,144,025)</u>	<u>891,616</u>	<u>(8,128,998)</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2021 (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		Accumulated loss
	← (Rupees in thousand) →								
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
Balance as at July 1, 2020	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(12,582,495)	29,837,286
Profit for the nine months ended March 31, 2021	-	-	-	-	-	-	-	891,616	891,616
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive income for the nine months ended March 31, 2021	-	-	-	-	-	-	-	891,616	891,616
Balance as at March 31, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	12,942	(11,690,879)	30,728,902

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

	Note	March 31, 2021	March 31, 2020
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	120,352	3,238,996
Income tax (paid) / refund		(59,106)	3,534,499
Finance cost paid		(1,226,210)	(1,557,718)
Decrease in long-term loans		6,913	3,569
Payments made to staff retirement benefit funds		(7,157)	(14,818)
Net cash flow (used in) / generated from operating activities		<u>(1,165,208)</u>	<u>5,204,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(414,124)	(1,676,856)
Purchase of intangible assets		(1,281)	(45)
Proceeds from disposal of property, plant and equipment		637	9,855
Return on investments and bank accounts		16,720	15,023
Net cash flow used in investing activities		<u>(398,048)</u>	<u>(1,652,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,006)	(2,838)
Lease rentals paid		(30,101)	-
Net cash flow used in financing activities		<u>(31,107)</u>	<u>(2,838)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(1,594,363)</u>	<u>3,549,667</u>
Cash and cash equivalents at beginning of the period		<u>(16,224,916)</u>	<u>(24,029,218)</u>
Cash and cash equivalents at end of the period		<u><u>(17,819,279)</u></u>	<u><u>(20,479,551)</u></u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (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. The company has also commissioned Diesel Hydro De-sulphurisation (DHDS) and Isomerisation (ISOM) units during the financial years 2017 and 2018 respectively.

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.

These condensed interim financial statements do 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, 2020.

2.1 Changes in accounting standards, interpretations and pronouncements

(a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

(b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

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, 2020.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of interim financial statements 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 these condensed interim financial statements.

4.2 Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2020.

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, 2020.

5. FIXED ASSETS

	March 31, 2021	June 30, 2020
	(Rupees in thousand)	
Property, plant and equipment		
- Operating assets - note 5.1 & 5.2	29,870,566	30,366,435
- Major spare parts and stand-by equipments	443,174	363,497
- Capital work-in-progress - note 5.3	<u>1,763,590</u>	<u>3,468,738</u>
	32,077,330	34,198,670
Intangible assets	<u>6,274</u>	19,254
	<u>32,083,604</u>	<u>34,217,924</u>

5.1 In the current period variable lease for right-of-use of assets amounts to Rs. 16.34 million.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

5.2 These include the right-of-use asset comprising a lease hold land at oil installation area, Kemari of Karachi Port Trust (KPT), used by the Company for its operations.

5.3 Capital work-in-progress

	Balance as at July 1, 2020	Additions during the period	Transfers	Balance as at March 31, 2021	Balance as at July 1, 2019	Additions during the year	Transfers	Balance as at June 30, 2020
	(Rupees in thousand)							
Building on leasehold land	22,810	7,272	(14,990)	15,092	16,420	17,763	(11,373)	22,810
Refineries upgradation projects	2,804,584	32,911	(1,566,392)	1,271,103	1,580,129	1,224,455	-	2,804,584
Plant and machinery	510,885	222,904	(377,006)	356,783	770,160	636,018	(895,293)	510,885
Office and other equipments	53,860	38,376	(36,864)	55,372	26,001	52,410	(24,551)	53,860
	<u>3,392,139</u>	<u>301,463</u>	<u>(1,995,252)</u>	<u>1,698,350</u>	<u>2,392,710</u>	<u>1,930,646</u>	<u>(931,217)</u>	<u>3,392,139</u>
Advances to contractors/suppliers - note 5.5	76,599	45,681	(57,040)	65,240	211,608	41,064	(176,073)	76,599
	<u>3,468,738</u>	<u>347,144</u>	<u>(2,052,292)</u>	<u>1,763,590</u>	<u>2,604,318</u>	<u>1,971,710</u>	<u>(1,107,290)</u>	<u>3,468,738</u>

5.4 Additions and disposals to operating assets during the nine months ended March 31, 2021 are as follows:

	Additions (at cost)		Disposals (at net book value)	
	March 2021	March 2020	March 2021	March 2020
	(Rupees in thousand)			
Plant and machinery	1,791,208	70,507	-	-
Buildings	15,063	3,886	-	-
Utilities	14,775	97,873	-	-
Vehicles	8,613	34,181	736	286
Office and other equipments	68,501	10,606	-	-
Furniture and fixtures	856	587	-	220
Power Plant	133,279	-	-	-
Computer equipments	7,299	3,392	-	-
Storage tanks	-	33,034	-	-
	<u>2,039,594</u>	<u>254,066</u>	<u>736</u>	<u>506</u>

5.5 The advances to contractors / suppliers do not carry any interest or mark-up 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. 8.99 million (June 30, 2020: Rs. 10.05 million) carry interest ranging from 3% to 7% (June 30, 2020: 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 mark-up arrangement.

8. DEFERRED TAXATION

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

9. STOCK-IN-TRADE

As at March 31, 2021 stock of finished products and semi-finished products have been written down by Rs. 132 million (June 30, 2020: Rs. 77 million) and Rs. 95 million (June 30, 2020: Rs. Nil) respectively to arrive at their net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.84 million (June 30, 2020: Rs. 1.97 million) carrying interest as disclosed in note 6. Advances do not carry any mark-up arrangement.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any mark-up arrangement.

March 31, 2021	June 30, 2020
(Rupees in thousand)	

12. CASH AND BANK BALANCES

Cash in hand	500	500
With banks on:		
- Current accounts	244,726	43,535
- Savings accounts	13,199	18,507
- Deposit accounts	490,063	490,063
	747,988	552,105
	748,488	552,605

13. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS

During the period the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgment dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honourable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments. However, the review application has been dismissed on merits.

The Company has also filed a civil suit before the Honourable High Court of Sindh on the ground that the Company falls under the category of consumers and it has not passed on the burden of Cess. Stay order was granted in the aforesaid suit, which has been operative till the next date of hearing. However, while pendency of aforesaid suit, the Company is regularly paying GIDC installments up to the date under protest and without prejudice to the Company's legal rights.

The Company has recorded the provision at its present value by discounting the future cash flows at risk free rate and has booked income of Rs. 153.7 million, which is netted off in cost of sales.

March 31, 2021	June 30, 2020
(Rupees in thousand)	

14. TRADE AND OTHER PAYABLES

Trade creditors	14,718,887	7,116,002
Due to Government of Pakistan	741,885	418,523
Due to related parties:		
- Attock Petroleum Limited	44,034	19,219
- Pakistan Oilfields Limited	228,919	289,686
Accrued liabilities	1,033,379	2,826,847
Current portion of provision for Gas Infrastructure Development Cess - note 13	313,175	-
Surplus price differential payable	7,582	7,582
PMG - RON differential payable	97,011	148,664
PMG - Euro-V differential payable	90,022	-
Custom duty payable - note 14.1	1,054,127	1,493,612
Sales tax payable	2,903,325	1,122,417
Retention money	86,469	177,349
Deposits from contractors	55,407	42,716
Advances from customers - note 14.2	447,181	339,814
Workers' profits participation fund	76,259	-
Workers' Welfare Fund	109,768	78,595
Income tax deducted at source	14,552	23,694
Excise duty and petroleum levy	1,440,222	1,379,486
Others	20,472	7,981
	23,482,676	15,492,187

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

- 14.1 This represents the differential of custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by the Government of Pakistan and Ministry of Energy (MOE). 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. OGRA directed Oil Companies Advisory Committee (OCAC) to ensure implementation of the said mechanism. The Company has worked out the impact of such mechanism and adjusted the regulatory duty on regulated products in the trade payables and in case of regulatory duty on deregulated products in the sales and cost of sales respectively.
- 14.2 This includes advances received from related party - Pakistan Oilfields Limited amounting to Rs. 20.30 million (June 30, 2020: Rs. 25.54 million) against supply of goods.

15. BORROWINGS

- 15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 26.70 billion (June 30, 2020: Rs. 21.65 billion) of which the amount remaining unutilized at the period end was Rs. 13.24 billion (June 30, 2020: 9.87 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.0% above KIBOR (June 30, 2020: KIBOR + 0.15% to 1.10%) per annum.
- 15.2 The facility from Istisna arrangement from an Islamic bank amounted to Rs. 5 billion (June 30, 2020: Rs. 5 billion) of which Rs. Nil remain unutilised as at period end. The rate of mark-up applicable is based on three months KIBOR + 0.20% to 0.50% (June 30, 2020: three months KIBOR + 0.25%) per annum.
- 15.3 Short term loans obtained on weekly/monthly basis from commercial banks amounted to Rs. 10.40 billion (June 30, 2020: Rs. 6 billion). These loans are interchangeable facilities with running finance arrangement as disclosed in note 15.1. The rate of mark-up applicable on these loans is based on respective tenor KIBOR plus spread ranging from Nil to 0.55% (June 30, 2020: KIBOR + 0.1% to 0.55%) per annum.
- 15.4 The facilities for opening the letters of credit and guarantees as at March 31, 2021 amounted to Rs. 86.45 billion (June 30, 2020: Rs. 86.8 billion) of which the amount remaining unutilised at the period end was Rs. 48.72 billion (June 30, 2020 Rs. 63.58 billion). The above financing arrangement to the tune of Rs. 28.70 billion (June 30, 2020: Rs. 21.65 billion) are sublimit of these non-funded limits.
- 15.5 These facilities are secured against ranking charge on Company's stocks, receivables and stores, spares and chemicals.

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, 2020, 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. 5.51 billion (June 30, 2020: Rs. 5.17 billion). These include claims accumulating to Rs. 5.29 billion (June 30, 2020: Rs. 5 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 63.92 million (June 30, 2020: Rs. 49.64 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at March 31, 2021 amounted to Rs. 343 million (June 30, 2020: Rs. 403 million).

	Quarter ended		Nine months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)			

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local	49,157,756	35,382,238	138,782,888	135,387,893
Export	3,074,349	1,437,694	6,500,641	9,580,640
	<u>52,232,105</u>	<u>36,819,932</u>	<u>145,283,529</u>	<u>144,968,533</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

	Quarter ended		Nine months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	← (Rupees in thousand) →			
18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIALS				
Trade discounts	63,057	139,829	178,328	324,178
Sales tax	7,142,720	5,141,099	20,137,321	19,672,010
Excise duty	19	140	165	378
Petroleum levy	5,399,722	3,829,451	23,765,728	14,000,794
PMG - RON differential	74,422	112,554	269,585	426,421
PMG - EURO-V differential - note 18.1	39,027	-	90,022	-
Custom duty	1,015,315	781,343	2,736,927	3,065,393
	<u>13,734,282</u>	<u>10,004,416</u>	<u>47,178,076</u>	<u>37,489,174</u>

18.1 This represents the price differential of Euro-V and Euro-II standard Motor gasoline for the thirteen fortnights ended March 31, 2021. The Company produces Motor gasoline of Euro-II standard, hence it has recorded a liability for the aforesaid differential amount in accordance with the guidelines issued by Ministry of Energy (MOE).

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 39.31 million (March 31, 2020: Rs. 45.32 million).

20. FINANCE COST - NET

- 20.1 This includes interest on short term borrowings amounting to Rs. 1,172.00 million (March 31, 2020: Rs. 1,688.50 million). The rates of mark-up applicable are provided in note 15.
- 20.2 This also includes net exchange gain of Rs. 1,043.63 million (March 31, 2020: exchange loss of Rs. 150.00 million) on foreign currency transactions relating to purchase and sale of crude oil / products. This exchange gain / loss relates to actual fluctuations and not due to derivative financial instruments.

	Quarter ended		Nine months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	← (Rupees in thousand) →			
21. TAXATION				
Current	297,531	209,540	755,416	833,394
Deferred	413,191	(2,026,238)	(237,078)	(3,536,464)
	<u>710,722</u>	<u>(1,816,698)</u>	<u>518,338</u>	<u>(2,703,070)</u>

22. CASH GENERATED FROM OPERATIONS

	March 31, 2021	March 31, 2020
	← (Rupees in thousand) →	
Profit / (loss) before taxation	1,409,954	(10,832,068)
Adjustment for non cash charges and other items:		
Depreciation and amortisation	2,548,989	2,660,131
Provision for staff retirement benefit funds	82,972	100,589
Finance cost	1,172,002	1,688,503
Interest on lease liability	19,688	19,912
Return on investments and bank accounts	(39,307)	(45,320)
Loss / (gain) on disposal of property, plant and equipment	99	(9,349)
Changes in working capital - note 22.1	<u>(5,074,045)</u>	<u>9,656,598</u>
	<u>120,352</u>	<u>3,238,996</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)

	March 31, 2021	March 31, 2020
	(Rupees in thousand)	
22.1 Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and chemicals	(16,611)	(100,602)
Stock-in-trade	(8,632,248)	3,579,399
Trade receivables	(4,692,602)	4,927,211
Loans and advances	8,578	(9,752)
Trade deposits and short-term prepayments	(152,802)	(110,546)
Other receivables	(71,475)	626,469
	(13,557,160)	8,912,179
Increase in current liabilities		
Trade and other payables	8,483,115	744,419
	<u>(5,074,045)</u>	<u>9,656,598</u>

23. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Nine months ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(Rupees in thousand)					
Associated companies					
-	Pakistan Oilfields Limited (POL)				
	Rental income	778	707	2,296	2,087
	Sale of petroleum products	20,604	165,127	158,026	392,000
	Purchase of raw material	403,517	538,157	1,267,471	1,680,619
	Reimbursement of expenses incurred by POL on behalf of NRL	-	-	-	273
	Reimbursement of expenses incurred by NRL on behalf of POL	35	151	112	327
-	Attock Refinery Limited (ARL)				
	Reimbursement of expenses incurred by ARL on behalf of NRL	-	404	-	871
	Reimbursement of expenses incurred by NRL on behalf of ARL	-	-	-	115
	Naphtha Handling Income	34,099	30,687	102,297	100,414
-	Attock Petroleum Limited (APL)				
	Sale of petroleum products	18,320,639	18,493,639	53,080,754	69,898,039
	Trade discounts	40,600	102,682	116,604	253,511
	Commission on Export Sales	25,366	12,405	62,563	103,197
	Commission on Local Sales	189,137	107,084	434,854	383,661
	Purchase of Petroleum Products	2,021	1,245	4,041	3,531
	Hospitality charges on sales	23,710	14,466	75,395	69,415
	Rental income	1,107	1,007	3,293	2,994
	Reimbursement of expenses incurred by NRL on behalf of APL	856	1,314	2,829	1,863
-	Attock Cement Pakistan Limited (ACPL)				
	Reimbursement of expenses incurred by ACPL on behalf of NRL	-	13	-	185
	Reimbursement of expenses incurred by NRL on behalf of ACPL	-	-	-	149
	Purchase of stores	-	-	139	139
-	Attock Oil Company Limited (AOCL)*				
	Reimbursement of expenses incurred by AOCL on behalf of NRL	36	442	47	968
	Reimbursement of expenses incurred by NRL on behalf of AOCL	8	16	35	48
	Sale of Company vehicle	-	-	-	4,900
Other related parties					
-	Contribution to staff retirement benefits plans				
	Employees provident fund	12,352	12,127	38,627	35,903
	Employees gratuity fund	-	-	2,687	-
	Employees pension fund	-	9,510	-	9,510
	Post retirement medical fund	4,470	5,306	4,470	5,306
-	Key management compensation				
	Salaries and other employee benefits	11,451	10,807	32,261	32,392
	Post employment benefits	934	851	2,717	2,618
	Directors' fee	1,348	1,117	6,447	5,607

* The Company is incorporated in United Kingdom with registered address 4, Swan Street Manchester England M4 5JN.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (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, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)					
Segment Revenue						
Revenue from external customers						
- local (net of discounts, taxes, duties levies and price differentials)	65,389,834	72,900,193	26,214,978	24,998,526	91,604,812	97,898,719
- exports	5,550,856	8,035,927	949,785	1,544,713	6,500,641	9,580,640
Inter-segment transfers	70,940,690	80,936,120	27,164,763	26,543,239	98,105,453	107,479,359
Elimination of inter-segment transfers	21,651,691	18,222,674	-	-	21,651,691	18,222,674
Net revenue from contract with customers	92,592,381	99,158,794	27,164,763	26,543,239	98,105,453	107,479,359
Segment results after tax	(1,774,482)	(9,036,406)	2,666,098	907,408	891,616	(8,128,998)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(1,774,482)	(9,036,406)	2,666,098	907,408	891,616	(8,128,998)

	FUEL		LUBE		TOTAL	
	March 31, 2021	June 30, 2020	March 31, 2021	June 30, 2020	March 31, 2021	June 30, 2020
	(Rupees in thousand)					
Segment assets	48,977,192	38,592,749	11,907,871	10,828,424	60,885,063	49,421,173
Unallocated assets	-	-	-	-	13,592,532	13,891,617
Total assets	48,977,192	38,592,749	11,907,871	10,828,424	74,477,595	63,312,790
Segment liabilities	28,328,342	18,699,283	15,046,344	14,467,669	43,374,686	33,166,952
Unallocated liabilities	-	-	-	-	374,007	308,552
Total liabilities	28,328,342	18,699,283	15,046,344	14,467,669	43,748,693	33,475,504

- 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. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 26, 2021.



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**