

Condensed Interim
Financial Statements
for the Quarter Ended
September 30, 2022

Refining with Vision



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

Shamim Ahmad Khan

Abdus Sattar

Sajid Nawaz

Khondamir Nusratkhujaev

Chief Executive Officer

Jamil A. Khan

Chief Financial Officer

Nouman Ahmed Usmani

Company Secretary

Muhammad Atta ur Rehman Malik

Audit Committee

Shamim Ahmad 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

Shamim Ahmad Khan

Chairman

Shuaib A. Malik

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 Advisor

Ali Sibtain Fazli & Associates

Legal Advisors, Advocates & Solicitors

Bankers

Habib Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Allied Bank Limited

Bank Alfalah Limited

Habib Metropolitan Bank Limited

Askari Bank Limited

Faysal Bank Limited

BankIslami Pakistan

Industrial & Commercial Bank of China Limited

Dubai Islamic Bank

United Bank Limited

MCB Bank Limited

Samba Bank Limited

Bank AL-Habib Limited

Registered Office

7-B, Korangi Industrial Area, Karachi-74900

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PABX: +92-21-35064981-86

+92-21-35064977-79

Website: www.nrlpak.com

E-mail: info@nrlpak.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, 2022.

The current quarter started with good product margins, however, since the beginning the foremost challenge your Company faced has been securing confirmation from foreign banks on Letters of Credit (LCs) for import of Crude Oil due to downgrading of Country's outlook to negative by international rating agencies, which not only resulted in disruptions in Crude Oil import plan but also caused cancellation as well as delayed supplies of crude oil cargoes at exorbitantly higher LC confirmation rates.

These difficulties further aggravated by unprecedented country-wide flooding that caused widespread devastation especially in agricultural and transportation sector resulting in decline in product offtake during the quarter. Resultant ullage constraints together with unscheduled maintenance of fuel refinery's hydrogen production unit not only forced the refinery to operate at below 50% throughput but also disrupted HSD production in the month of August 2022. The situation further worsened due to sharp devaluation of Pak Rupee against US Dollar which touched historical low resulting in net exchange loss of Rs. 4,057 million for the quarter as compared to net exchange loss of Rs. 1,071 million during the corresponding period. In the meantime crude oil prices in international markets declined, squeezing the product margins; consequently, the Company sustained inventory losses with period-end inventory write down valuing Rs. 788 million. Under these difficult circumstances, Fuel segment of the company incurred loss after tax of Rs. 4,457 million as compared to loss after tax of Rs. 1,567 million in the same period last year.

Lube Segment earned profit after tax of Rs. 66 million as compared to profit after tax of Rs. 1,973 million during the corresponding quarter last year. Decline in sales volume of Lube Base Oils have been witnessed mainly because of flood situation throughout the country coupled with other operational constraints. Your Company exported 25,220 M.T of Bitumen during the quarter as compared to 6,402 M.T in the corresponding period. Throughput attained for the quarter is higher by 2.6% to 87% as against the same period last year.

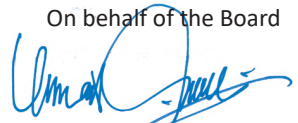
In view of the foregoing, your company incurred loss after tax of Rs. 4,391 million resulting in loss per share of Rs. 54.92 as compared to profit after tax of Rs. 406 million that had resulted in earning per share of Rs. 5.08 in the corresponding period.

Company's working capital financing requirement has increased considerably during the quarter due to slow upliftment of products and higher crude oil prices as compared to corresponding period. Also, there has been substantial increase in the mark-up rates due to higher policy rate in the current period as compared to same period last year. Resultantly, the Company incurred mark-up expense of Rs. 1,280 million during the quarter as compared to Rs. 448 million in the corresponding quarter.

Any progress with respect to approval of draft refining policy will be shared accordingly.

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

On behalf of the Board



Shuaib A. Malik
Chairman

ڈائریکٹرز کا جائزہ

نیشنل ریفاٹری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کی کمپنی کی 30 ستمبر 2022 کو مکمل ہونے والی سہ ماہی کے مالی نتائج اور آپریٹنگ کا ایک مختصر جائزہ پیش کرتا ہوں۔

موجودہ سہ ماہی کا آغاز اچھے پراڈکٹس مارجنز کے ساتھ ہوا، تاہم، بین الاقوامی ریٹنگ ایجنسیوں کی طرف سے ملک کے آؤٹ لک کو منہی کرنے کی وجہ سے ابتداء سے ہی آپ کی کمپنی کو ریٹینس سب سے اہم چیلنج خام تیل کی درآمد کے لیے غیر ملکی بینکوں سے لیٹرف آف کریڈٹ (LCs) پر تصدیق حاصل کرنا رہا ہے، جس کے نتیجے میں نہ صرف خام تیل کا درآمدی شیڈول متاثر رہا بلکہ کمپنی کو LC کی انتہائی بلند شرح پر تصدیق کے ساتھ ساتھ خام تیل کے کارگو کی منسوخی اور درآمد میں تاخیر کا بھی سامنا کرنا پڑا۔

یہ مشکلات ملک بھر میں بدترین سیلاب کی وجہ سے مزید بڑھ گئیں جس نے خاص طور پر زراعت اور نقل و حمل کے شعبے میں بڑے پیمانے پر تباہی مچائی جس کے نتیجے میں موجودہ سہ ماہی کے دوران مصنوعات کی فروخت میں کمی واقع ہوئی۔ پراڈکٹس کو اسٹاک کرنے کی گنجائش (Ullage) میں کمی کے ساتھ ساتھ فیول ریفاٹری کے ہائیڈروجن پراڈکشن یونٹ کی غیر طے شدہ منتینس کی وجہ سے نہ صرف ریفاٹری کی پیداوار 50% فیصد سے کم رہی بلکہ اگست 2022 کے مہینے میں ڈیزل کی پیداوار میں بھی خلل واقع ہوا۔ صورتحال مزید خراب ہونے کی وجہ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں تیزی سے کمی ہے جو تاریخ کی کم ترین سطح کو چھو گئی جس کی وجہ سے زرمبادلہ کی مد میں 4,057 ملین روپے کا نقصان ہوا جبکہ گزشتہ سال اسی عرصے میں 1,071 ملین روپے کا نقصان ہوا تھا۔ اس دوران بین الاقوامی منڈیوں میں خام تیل کی قیمتوں میں کمی آئی، جس سے مصنوعات کے مارجنز میں کمی آئی۔ نتیجتاً، کمپنی کو سہ ماہی کے اختتام پر انویسٹری کی مد میں 788 ملین روپے کا نقصان اٹھانا پڑا۔ ان مشکل حالات میں، کمپنی کے فیول سیگمنٹ کو 4,457 ملین روپے ٹیکس کے بعد نقصان ہوا جبکہ گزشتہ سال اسی مدت میں ٹیکس کے بعد نقصان 1,567 ملین روپے تھا۔

لیوب سیگمنٹ کو 66 ملین روپے کا ٹیکس کے بعد منافع ہوا جبکہ گزشتہ مالی سال اسی مدت میں ٹیکس کے بعد 1,973 ملین روپے کا منافع تھا۔ لیوب بیس آئل کی فروخت کے حجم میں کمی بنیادی طور پر ملک بھر میں سیلاب کی صورتحال اور دیگر آپریٹنگ رکاوٹوں کی وجہ سے دیکھی گئی۔ آپ کی کمپنی نے اس مدت میں 25,220 میٹرک ٹن تارکولر برآمد کیا جو کہ گزشتہ سال اسی مدت میں 6,402 میٹرک ٹن تھا۔ موجودہ سہ ماہی میں حاصل کی گئی پیداوار گزشتہ سہ ماہی کے مقابلے میں 2.5% فیصد بڑھ کر 87% فیصد رہی۔

مذکورہ بالا کے پیش نظر، آپ کی کمپنی کو 4,391 ملین روپے کا ٹیکس کے بعد نقصان ہوا جو 54.92 روپے فی حصص نقصان کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 406 ملین روپے کا ٹیکس کے بعد منافع ہوا تھا جو 5.08 روپے فی حصص منافع کے مساوی تھا۔

گزشتہ سہ ماہی کے مقابلے میں موجودہ عرصے کے دوران مصنوعات کی فروخت میں کمی اور خام تیل کی زائد قیمتوں کی وجہ سے کمپنی کے ورکنگ کپینٹل فنائنگ کی ضروریات میں کافی اضافہ ہوا ہے۔ اس کے علاوہ، گزشتہ سال کی اسی مدت کے مقابلے میں موجودہ مدت میں زیادہ شرح سود کی وجہ سے مارک اپ ریٹ میں خاطر خواہ اضافہ ہوا ہے۔ اس کے نتیجے میں مارک اپ اخراجات کی مد میں گزشتہ مالی سال اسی مدت کے 448 ملین روپے کے مقابلے میں 1,280 ملین روپے خرچ ہوئے۔

ریفائٹنگ پالیسی کے مودے کی منظوری کے حوالے سے کسی بھی پیشرفت سے اسی کے مطابق آگاہ کر دیا جائے گا۔

ہم اپنے حصص یافتگان، صارفین اور عملے کا اکی مسلسل حمایت اور اعتماد کیلئے شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے



شعیب اے ملک

چیئرمین

اسلام آباد

25 اکتوبر، 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022

	Note	Unaudited September 30, 2022	Audited June 30, 2022
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	27,676,424	28,348,945
Long-term investment		17,472	17,472
Long-term loans	6	33,884	37,985
Long-term deposits	7	30,265	30,265
Deferred taxation	8	6,522,533	4,655,287
Retirement benefit prepayments		9,238	25,452
		<u>34,289,816</u>	<u>33,115,406</u>
CURRENT ASSETS			
Stores, spares and chemicals		1,877,082	1,914,831
Stock-in-trade	9	53,679,379	45,684,808
Trade receivables		16,294,850	16,502,290
Loans and advances	10	34,955	52,109
Trade deposits and short-term prepayments	11	560,141	55,962
Interest accrued		33,522	11,902
Other receivables		1,083,668	1,395,152
Taxation - payments less provision		3,075,820	3,355,429
Cash and bank balances	12	593,589	618,419
		<u>77,233,006</u>	<u>69,590,902</u>
		<u>111,522,822</u>	<u>102,706,308</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		34,628,327	39,019,692
		<u>35,427,993</u>	<u>39,819,358</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term lease liability		150,795	169,460
Provision for Gas Infrastructure Development Cess	13.1	282,409	353,767
Retirement benefit obligations		509,377	494,308
		<u>942,581</u>	<u>1,017,535</u>
CURRENT LIABILITIES			
Trade and other payables	13	30,007,471	41,378,319
Advances from customers	14	548,378	1,224,455
Unclaimed dividend		60,302	60,149
Unpaid dividend		36,745	37,024
Accrued mark-up		983,555	531,417
Provisions		112,361	112,361
Borrowings	15	43,403,436	18,517,389
Current portion of long-term lease liability		-	8,301
		<u>75,152,248</u>	<u>61,869,415</u>
		<u>76,094,829</u>	<u>62,886,950</u>
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL EQUITY AND LIABILITIES			
		<u>111,522,822</u>	<u>102,706,308</u>

The annexed notes 1 to 26 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 QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

	Note	September 30, 2022	September 30, 2021
(Rupees in thousand)			
Revenue from contracts with customers	17	77,729,058	54,045,724
Trade discounts, taxes, duties, levies and price differentials	18	<u>(9,395,074)</u>	<u>(8,733,270)</u>
Net revenue from contracts with customers		68,333,984	45,312,454
Cost of sales		<u>(68,307,673)</u>	<u>(42,660,094)</u>
Gross profit		26,311	2,652,360
Distribution cost		(392,181)	(279,780)
Administrative expenses		(240,596)	(210,165)
Other income	19	74,956	47,072
Other operating expenses		<u>(19,305)</u>	<u>(56,125)</u>
Operating (loss) / profit		(550,815)	2,153,362
Finance cost - net	20	<u>(5,348,822)</u>	<u>(1,527,192)</u>
(Loss) / profit before taxation		(5,899,637)	626,170
Taxation	21	1,508,272	(220,202)
(Loss) / profit after taxation		<u>(4,391,365)</u>	<u>405,968</u>
(Loss) / earnings per share - basic and diluted		<u>(Rs. 54.92)</u>	<u>Rs. 5.08</u>

The annexed notes 1 to 26 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 QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
(Loss) / profit after taxation	(4,391,365)	405,968
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 (loss) / income	<u>(4,391,365)</u>	<u>405,968</u>

The annexed notes 1 to 26 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 QUARTER ENDED SEPTEMBER 30, 2022 (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, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(10,829,239)	31,587,387
Profit for the three months ended September 30, 2021	-	-	-	-	-	-	-	405,968	405,968
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive income for the three months ended September 30, 2021	-	-	-	-	-	-	-	405,968	405,968
Balance as at September 30, 2021	799,666	10,142	4,117	-	9,631,914	31,961,000	9,787	(10,423,271)	31,993,355
Balance as at July 1, 2022	799,666	10,142	4,117	-	9,631,914	31,961,000	17,472	(2,604,953)	39,819,358
Loss for the three months ended September 30, 2022	-	-	-	-	-	-	-	(4,391,365)	(4,391,365)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss for the three months ended September 30, 2022	-	-	-	-	-	-	-	(4,391,365)	(4,391,365)
Balance as at September 30, 2022	799,666	10,142	4,117	-	9,631,914	31,961,000	17,472	(6,996,318)	35,427,993

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

	Note	September 30, 2022	September 30, 2021
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	22	(23,787,443)	(10,506,319)
Income tax paid		(79,365)	(62,932)
Mark-up paid on Conventional Financing		(545,831)	(297,026)
Mark-up paid on Islamic Financing		(282,066)	(137,722)
Decrease in long-term loans		4,101	4,032
Payment made to staff retirement benefit fund		(7,172)	-
Net cash used in operating activities		<u>(24,697,776)</u>	<u>(10,999,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(183,031)	(93,929)
Return on investments and bank accounts		3,244	1,574
Net cash used in investing activities		<u>(179,787)</u>	<u>(92,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(126)	(260)
Lease rentals paid		(33,188)	(31,607)
Net cash used in financing activities		<u>(33,314)</u>	<u>(31,867)</u>
Net decrease in cash and cash equivalents		<u>(24,910,877)</u>	<u>(11,124,189)</u>
Cash and cash equivalents at beginning of the period		<u>(17,898,970)</u>	<u>(19,390,188)</u>
Cash and cash equivalents at end of the period		<u><u>(42,809,847)</u></u>	<u><u>(30,514,377)</u></u>

The annexed notes 1 to 26 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 QUARTER ENDED SEPTEMBER 30, 2022 (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, 2022.

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, 2022.

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 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, 2022.
- 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, 2022.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

September 30,
2022 June 30,
2022
(Rupees in thousand)

5. FIXED ASSETS

Property, plant and equipment		
- Operating assets - note 5.1 & 5.2	25,711,302	26,510,353
- Major spare parts and stand-by equipments	457,224	467,288
- Capital work-in-progress - note 5.3	<u>1,503,543</u>	<u>1,366,181</u>
	<u>27,672,069</u>	<u>28,343,822</u>
Intangible assets	<u>4,355</u>	<u>5,123</u>
	<u>27,676,424</u>	<u>28,348,945</u>

5.1 In the current period variable lease for right-of-use of assets amounts to Rs. 0.47 million (September 30, 2021: Rs. 2.08 million).

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

5.3 Capital work-in-progress

	Balance as at July 1, 2022	Additions during the period	Transfers	Balance as at September 30, 2022	Balance as at July 1, 2021	Additions during the year	Transfers	Balance as at June 30, 2022
	(Rupees in thousand)							
Building on leasehold land	15,629	1,959	(2,457)	15,131	12,168	6,249	(2,788)	15,629
Refineries upgradation projects	982,766	5,706	-	988,472	973,706	10,028	(968)	982,766
Plant and machinery	306,183	138,926	(49,938)	395,171	273,063	530,603	(497,483)	306,183
Office and other equipments	51,892	5,691	(1,413)	56,170	39,513	29,934	(17,555)	51,892
	<u>1,356,470</u>	<u>152,282</u>	<u>(53,808)</u>	<u>1,454,944</u>	<u>1,298,450</u>	<u>576,814</u>	<u>(518,794)</u>	<u>1,356,470</u>
Advances to contractors / suppliers - note 5.5	9,711	45,744	(6,856)	48,599	52,442	9,720	(52,451)	9,711
	<u>1,366,181</u>	<u>198,026</u>	<u>(60,664)</u>	<u>1,503,543</u>	<u>1,350,892</u>	<u>586,534</u>	<u>(571,245)</u>	<u>1,366,181</u>

5.4 Additions to operating assets during the three months ended September 30, 2022 are as follows:

	Additions (at cost)	
	September 2022	September 2021
	(Rupees in thousand)	
Plant and machinery	49,938	26,002
Buildings	2,457	116
Vehicles	102	-
Office and other equipments	3,014	15,877
Furniture and fixtures	221	100
Computer equipments	-	1,318
	<u>55,732</u>	<u>43,413</u>

5.5 These do not carry any mark-up arrangement.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (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. 6.9 million (June 30, 2022: Rs. 7.3 million) carry interest ranging from 3% to 7% (June 30, 2021: 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 losses is expected to be recovered based on the estimated future taxable income.

9. STOCK-IN-TRADE

As at September 30, 2022 stock of finished products have been written down by Rs. 918.12 million (June 30, 2022: Rs. 130.07 million) to arrive at their net realisable value.

10. LOANS AND ADVANCES

Out of these, car loans amounting to Rs. 1.55 million (June 30, 2022: Rs. 1.61 million) carrying interest as disclosed in note 6. Advances do not carry any mark-up arrangement.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any mark-up.

September 30, 2022	June 30, 2022
(Rupees in thousand)	

12. CASH AND BANK BALANCES

Cash in hand	500	500
With banks on:		
- Current accounts	101,255	123,436
- Savings accounts	1,771	4,420
- Deposit accounts	490,063	490,063
	593,089	617,919
	593,589	618,419

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

September 30,
2022

June 30,
2022

(Rupees in thousand)

13. TRADE AND OTHER PAYABLES

Trade creditors	20,389,444	31,917,056
Due to Government of Pakistan	2,579,967	2,379,053
Due to related parties:		
- Attock Petroleum Limited	45,229	51,646
- Pakistan Oilfields Limited	-	27
- Attock Cement Pakistan Limited	194	-
Accrued liabilities	1,170,398	1,120,657
Current portion of provision for Gas Infrastructure Development Cess - note 13.1	600,474	507,365
HSD premium differential - note 13.2	22,744	1,048,580
PMG - RON differential	370,025	294,018
PMG - Euro V differential	17,275	7,258
Custom duty - note 13.3	1,686,148	1,670,681
Sales tax	1,486,567	1,846,834
Retention money	79,945	66,576
Deposits from contractors	60,390	64,296
Workers' profits participation fund	-	110,992
Workers' Welfare Fund	265,484	262,903
Income tax deducted at source	23,473	21,495
Excise duty and petroleum levy	1,200,233	1,035
Others	9,481	7,847
	<u>30,007,471</u>	<u>41,378,319</u>

- 13.1 The Supreme Court of Pakistan through its judgement dated August 13, 2020 had decided the Appeal against consumers upholding the vires of GIDC Act, 2015. The Review Petition was also dismissed on merits. However, the Honorable Court had provided some relief by increasing the time period for recovery of GIDC from 24 to 48 installments.

The Company also filed a civil suit before the Honourable High Court of Sindh (SHC) on the ground that the Company falls under the category of consumers and it has not passed on the burden of Cess. Accordingly, stay order was granted. However, while pendency of aforesaid suit, the Company kept on paying GIDC installments under protest and without prejudice to the Company's legal rights till August 2021 (upto 13th installment). In September 2021, Sui Southern Gas Company Limited (SSGC) revised the payment terms from 48 to 24 months. The Company, after giving notice to SSGC stopped payment of further installments of GIDC as the stay order has been operative till the next date of hearing, whereby SHC has restrained SSGC from taking any coercive action against the Company in relation to non-payment of installments of GIDC arrears.

- 13.2 This represents a differential payable as per the defined formula in the notification PL-3(457)/2022 dated April 6, 2022 issued by the Ministry of Energy (MoE) which requires the refineries to payback difference of PSO's weighted average HSD premium on spot cargoes and PSO's weighted average HSD premium (that includes premium under long term arrangement with Kuwait Petroleum). During the period the Company has paid Rs. 1,025.84 million to PSO in respect of the above premium differential.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

13.3 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 and other payables and in case of regulatory duty on deregulated products in the sales and cost of sales respectively.

14. ADVANCES FROM CUSTOMERS

This includes advances received from related party - Pakistan Oilfields Limited amounting to Rs. 13.47 million (June 30, 2022: Rs. 17.13 million) against supply of goods.

15. BORROWINGS

15.1 The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 37.0 billion (June 30, 2022: Rs. 27.44 billion) of which the amount remaining unutilized at the period end was Rs. 8.91 billion (June 30, 2022: 17.97 billion). The rates of mark-up applicable on running finance ranges from 0.15% to 1.0% above one / three months KIBOR (June 30, 2022: KIBOR + 0.15% to 1.0%) per annum.

15.2 The facility from Istisna and Tijarah arrangements from Islamic banks amounted to Rs. 14.90 billion (June 30, 2022: Rs. 14.90 billion) of which Rs. 0.095 billion (June 30, 2022: Rs. 5.96 billion) remained unutilised as at period end. The rate of mark-up applicable is based on one month / three months KIBOR + 0.05% to 0.15% (June 30, 2022: three months KIBOR + 0.02% to 0.15%) per annum.

15.3 Short term loans obtained on rollover basis from commercial banks amounted to Rs. 19.50 billion (June 30, 2022: Rs. 2.47 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 ranging from 0.0% to +0.15% (June 30, 2022: KIBOR -0.40% to +0.45%) per annum.

15.4 The facilities for opening the letters of credit and guarantees as at September 30, 2022 amounted to Rs. 106.07 billion (June 30, 2022: Rs. 106.38 billion) of which the amount remaining unutilized at the period end was Rs. 32.55 billion (June 30, 2022: Rs. 43.94 billion). The above financing arrangement to the tune of Rs. 30.70 billion (June 30, 2022: Rs.20.84 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, 2022, 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. 5.72 billion (June 30, 2022: Rs. 5.67 billion). These include claims accumulating to Rs. 5.42 billion (June 30, 2022: Rs. 5.39 billion) in respect of late payment surcharge claimed by crude oil suppliers and Rs. 117.1 million (June 30, 2022: Rs. 100.4 million) relating to freight claims.

16.2 Commitments

Commitments outstanding for capital expenditure as at September 30, 2022 amounted to Rs. 757.25 million (June 30, 2022: Rs. 665.3 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

September 30, September 30,
2022 2021
(Rupees in thousand)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local	74,571,236	50,018,697
Export	3,157,822	4,027,027
	77,729,058	54,045,724

18. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIALS

Trade discounts	-	79,415
Sales tax	5,067,586	6,779,900
Excise duty	48	36
Petroleum levy	2,194,217	825,036
HSD premium differential - note 13.2	178,316	-
PMG - RON differential	271,263	76,940
PMG - Euro V differential	10,016	-
Custom duty	1,673,628	971,943
	9,395,074	8,733,270

19. OTHER INCOME

This includes return on bank deposits amounting to Rs. 24.86 million (September 30, 2021: Rs. 10.31 million).

20. FINANCE COST - NET

- 20.1 This includes mark-up on short term borrowings under conventional banking mode amounting to Rs. 884.05 million (September 30, 2021: Rs. 269.53 million) and mark-up on islamic financing amounting to Rs. 395.99 million (September 30, 2021: Rs. 178.31 million). The rates of mark-up applicable are provided in note 15.
- 20.2 This also includes net exchange loss of Rs. 4,057 million (September 30, 2021: net exchange loss of Rs. 1,071 million) on foreign currency transactions relating to purchase of crude oil and sale of products. This relates to actual fluctuations and not due to derivative financial instruments.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
21. TAXATION		
Current	358,974	284,368
Deferred	(1,867,246)	(64,166)
	<u>(1,508,272)</u>	<u>220,202</u>
22. CASH USED IN OPERATIONS		
(Loss) / profit before taxation	(5,899,637)	626,170
Adjustment for non cash charges and other items:		
Depreciation and amortisation	855,552	852,760
Provision for staff retirement benefit funds	38,455	30,085
Mark-up on Conventional Financing	884,050	269,526
Mark-up on Islamic Financing	395,985	178,310
Interest on lease liability	6,222	6,428
Return on investments and bank accounts	(24,864)	(10,309)
Changes in working capital - note 22.1	(20,043,206)	(12,459,289)
	<u>(23,787,443)</u>	<u>(10,506,319)</u>
22.1 Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and chemicals	37,749	(4,911)
Stock-in-trade	(7,994,571)	(9,609,597)
Trade receivables	207,440	(1,034,247)
Loans and advances	17,154	12,807
Trade deposits and short-term prepayments	(504,179)	(404,053)
Other receivables	311,484	(1,310,443)
	(7,924,923)	(12,350,444)
Decrease in current liabilities		
Trade and other payables	(11,442,206)	(539,584)
Advances from Customers	(676,077)	430,739
	<u>(20,043,206)</u>	<u>(12,459,289)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

23. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Transactions during the quarter	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Associated companies			
- Attock Petroleum Limited (APL)			
	Sale of petroleum products	33,659,819	22,146,423
	Trade discounts	-	54,423
	Commission on Export Sales	9,615	42,056
	Commission on Local Sales	237,169	199,642
	Purchase of Petroleum Products	7,847	1,026
	Hospitality income on sales	48,144	21,548
	Rental income	1,376	1,254
	Reimbursement of expenses incurred by NRL on behalf of APL	954	921
	Reimbursement of expenses incurred by APL on behalf of NRL	-	251
- Pakistan Oilfields Limited (POL)			
	Rental income	946	860
	Sale of petroleum products	95,958	48,798
	Purchase of raw material	-	17,620
	Reimbursement of expenses incurred by NRL on behalf of POL	116	69
- Attock Cement Pakistan Limited (ACPL)			
	Purchase of stores	194	140
- Attock Oil Company Limited (AOCL)*			
	Reimbursement of expenses incurred by AOCL on behalf of NRL	-	25
	Reimbursement of expenses incurred by NRL on behalf of AOCL	9	8
Other related parties			
- Contribution to staff retirement benefits plans			
	Employees provident fund	13,272	12,163
	Post retirement medical fund	7,172	-
- Key management compensation **			
	Salaries and other employee benefits	21,196	15,277
	Post employment benefits	1,240	940
	Directors' fee	3,858	3,645

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

** Key management personnel include Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and General Manager Commercial & Procurement.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (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 include property, plant and equipment.

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Rupees in thousand)					
Segment Revenue						
Revenue from external customers						
- local, net of discounts, taxes, duties, levies and price differentials	47,859,312	29,637,998	17,316,850	11,647,429	65,176,162	41,285,427
- exports	-	2,711,688	3,157,822	1,315,339	3,157,822	4,027,027
	47,859,312	32,349,686	20,474,672	12,962,768	68,333,984	45,312,454
Inter-segment transfers	21,158,543	11,377,883	-	-	21,158,543	11,377,883
Elimination of intersegment transfers	-	-	-	-	(21,158,543)	(11,377,883)
Net revenue from contract with customers	69,017,855	43,727,569	20,474,672	12,962,768	68,333,984	45,312,454
Segment results after tax	(4,457,270)	(1,566,990)	65,905	1,972,958	(4,391,365)	405,968
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income	(4,457,270)	(1,566,990)	65,905	1,972,958	(4,391,365)	405,968

	FUEL		LUBE		TOTAL	
	September 30, 2022	June 30, 2022	September 30, 2022	June 30, 2022	September 30, 2022	June 30, 2022
	(Rupees in thousand)					
Segment assets	82,579,266	78,514,017	14,172,174	11,399,874	96,751,440	89,913,891
Unallocated assets	-	-	-	-	14,771,382	12,792,417
Total assets	82,579,266	78,514,017	14,172,174	11,399,874	111,522,822	102,706,308
Segment liabilities	71,431,164	57,869,157	4,154,288	4,523,485	75,585,452	62,392,642
Unallocated liabilities	-	-	-	-	509,377	494,308
Total liabilities	71,431,164	57,869,157	4,154,288	4,523,485	76,094,829	62,886,950

- 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. DIVIDEND

The Board of Directors in its meeting held on August 16, 2022 proposed a final cash dividend of Rs. 15.00 per share for the year ended June 30, 2022, amounting to Rs. 1,199.50 million which has been approved by the members at the Annual General Meeting on October 19, 2022. Effect of the dividend will be considered in the second quarter in Company's financial statements.

26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 25, 2022.


Chief Financial Officer


Chief Executive


Director



National Refinery Limited

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