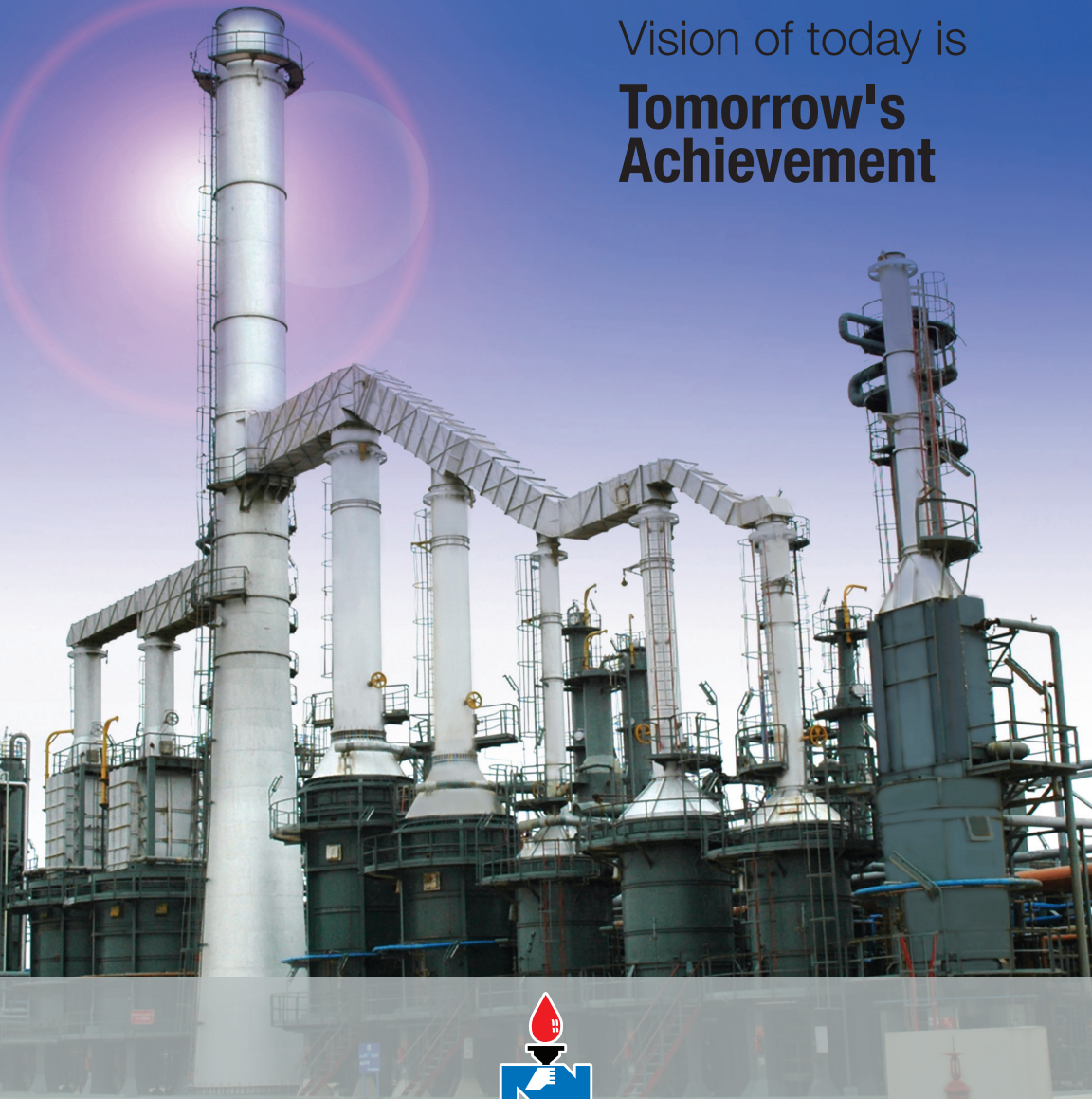


**Condensed Interim
Financial Information
for the Half Year ended
December 31, 2016**

Vision of today is
**Tomorrow's
Achievement**



National Refinery Limited



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Corporate Information

Board of Directors

Laith G. Pharaon - Chairman
Alternate Director: Jamil A. Khan
Wael G. Pharaon
Alternate Director: Babar Bashir Nawaz
Shuaib A. Malik
Zaki Mohamad Mansoor
Muhammad Naeem
Tariq Iqbal Khan
Abdus Sattar

Chief Executive Officer

Shuaib A. Malik

Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Nouman Ahmed Usmani

Audit Committee

Tariq Iqbal Khan	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz Alternate to Wael G. Pharaon	Member
Shaikh Ather Ahmed	Secretary

Human Resource and Remuneration (HR&R) Committee

Abdus Sattar	Chairman
Babar Bashir Nawaz Alternate to Wael G. Pharaon	Member
Shuaib A. Malik	Member
Nouman Ahmed Usmani	Secretary

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Solicitors

Ali Sibtain Fazli & Associates

Bankers

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

Registered Office

7-B, Korangi Industrial Area,
P.O. Box 8228, Karachi-74900
UAN: +92-21-111-675-675
PABX: +92-21-35064981-86
+92-21-35064977-79
Fax: +92-21-35054663
+92-21-35066705
Website: www.nrlpak.com
E-mail: info@nrlpak.com

Share Registrar

THK Associates (Pvt.) Ltd.,
1st Floor, 40-C, Block 6, P.E.C.H.S.,
KARACHI-75400.
UAN: +92-21 111-000-322
Direct: +92-21 34168270
Fax: +92-21 34168271
Email: secretariat@thk.com.pk
Website: www.thk.com.pk

Directors' Review



Assalam-u-Alaikum!

On behalf of the Board of Directors, I present a brief review of the un-audited financial statements of your Company for the half year ended December 31, 2016.

During the period, your Company earned profit after tax of Rs. 3,968 million resulting in earnings per share of Rs. 49.62, compared to profit after tax of Rs. 2,884 million resulting in earnings per share of Rs. 36.07 in the same period last year.

Fuel segment of the Company earned profit after tax of Rs. 1,890 million as compared to profit after tax of Rs. 119 million in the corresponding period of last year. Increase in sales volume of premier products and improved production yield contributed towards higher margins in fuel segment. Furthermore, stability in Pak Rupee vs US Dollar resulted in net exchange loss of Rs. 62 million only as compared to Rs. 222 million in same period last year. The profitability of fuel segment includes the impact of tax credit on investments on Isomerization and Diesel Hydro desulphurization projects amounting to Rs. 1,140 million.

Recently Government decided to introduce 92 Research Octane Number (RON) Premier Motor Gasoline (PMG) and through a policy parameter directed refineries to produce 90/87 RON PMG. Oil Marketing Companies would import 92 RON PMG, blend the same with the local production and market 90/92 RON PMG. According to pricing mechanism, NRL would be entitled to 90 RON PMG price; which would be higher than present 87 RON PMG price. The difference in price between 92 and 90 RON will be payable to the Government Treasury.

Lube Segment earned profit after tax of Rs. 2,078 million compared to Rs. 2,765 million during the same period last year. Sales volume in Lube segment increased, however, profitability was affected due to decline in lube segment product prices.

During the period company reduced its financing facility with consortium of banks from Rs. 24.2 billion to Rs. 12.1 billion as most of the project is financed by company's own resources. The company has obtained long term loan of Rs. 766 million in November 2016 from the above facility.

The projects of Diesel Desulphurization and Naphtha Isomerization are progressing smoothly. Although, the mechanical completion has been delayed by six weeks, your company is making all efforts to complete the projects before 30 June, 2017.

The Board, on behalf of all of the directors, shareholders and employees of the Company, would like to put on record its sincere gratitude to respected Chairman Attock Group of Companies, Dr. Ghaith R. Pharaon who breathed his last on January 06, 2017. It was his vision, guidance, trust and confidence which enabled a moderate business set up to become one of the leading business groups of the country and thereby contributing significantly towards economic development of the country. May Allah rest him in eternal peace and give fortitude and courage to his family to bear this loss. Ameen.

The Board appreciates the continuous cooperation, support and confidence of all the stakeholders of the company.

Rawalpindi
January 27, 2017

On behalf of the Board

Laith G. Pharaon
Chairman

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے میں کمپنی کے 31 دسمبر 2016 کو مکمل ہونے والے ششماہی کے غیر آڈٹ شدہ مالی گوشوارے کا ایک مختصر جائزہ پیش کر رہا ہوں۔ موجودہ ششماہی میں، آپ کی کمپنی نے 3,968 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 49.62 روپے فی حصص آمدنی کے مساوی ہے۔ کمپنی نے گزشتہ مالی سال اسی مدت میں 2,884 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 36.07 روپے فی حصص آمدنی کے مساوی تھا۔

کمپنی کے فیول سیکمنٹ نے 1,890 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں 119 ملین روپے کا ٹیکس کے بعد منافع کمایا تھا۔ پریمیئر مصنوعات کے فروخت کا بہتر حجم اور بہتر پیداوار فیول سیکمنٹ میں اضافی مارجن کا سبب بنے۔ مزید برآں، ڈالر کے مقابل پاکستانی روپے میں استحکام کے نتیجے میں صرف 62 ملین روپے کے زرمبادلہ کا خسارہ ہوا جبکہ گزشتہ مالی سال اسی مدت میں 222 ملین روپے کا خسارہ ہوا تھا۔ فیول سیکمنٹ کے منافع میں ڈیزل ڈی سلفیورائزیشن اور نیفٹیا آکسیسمرائزیشن کے منصوبوں میں سرمایہ کاری کی بناء پر ٹیکس کرڈٹ کی مد میں 1,140 ملین روپے بھی شامل ہیں۔

حال ہی میں حکومت نے 92 ریبرج آکٹین نمبر (RON) پریمیئر مونوگیسولین (PMG) کو متعارف کرنے کا فیصلہ کیا ہے اور اس ضمن میں ریٹائنرز کو پالیسی دائرہ کار کے ذریعے سے RON 90/87 کی پیداوار کرنے کی ہدایت کی ہے۔ آئل مارکیٹنگ کمپنیز RON 92 پریمیئر مونوگیسولین درآمد کر سکیں اور مقامی پیداوار کے مرکب کے ساتھ RON 90/92 پریمیئر مونوگیسولین کی فروخت کر سکیں۔ قیمتوں کے تعین کے طریقہ کار کے مطابق، این آر ایل RON 90 پریمیئر مونوگیسولین کی قیمت کی حقدار ہوگی؛ جو کہ موجودہ RON 87 پریمیئر مونوگیسولین کی قیمت سے زیادہ ہے۔ 92 اور RON 90 کی قیمت کے درمیان کا فرق حکومت کے خزانے میں جمع کیا جائیگا۔

لیوب سیکمنٹ نے 2,078 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 2,765 ملین روپے تھا۔ لیوب سیکمنٹ میں فروخت کا حجم زیادہ رہا، تاہم لیوب سیکمنٹ کی مصنوعات کی قیمتوں میں کمی کی وجہ سے منافع متاثر ہوا۔

موجودہ ششماہی میں کمپنی نے بینک کے کنسورٹیم کے ساتھ آئی سرمایہ کاری کی سہولت کو 24.2 ملین روپے سے کم کر کے 12.1 ملین روپے کر دیا کیونکہ منصوبہ کی اکثر لاگت کو کمپنی اپنے موجودہ وسائل سے ادا کر چکی ہے۔ کمپنی مندرجہ بالا سہولت سے نومبر 2016 میں 766 ملین روپے کے طویل مدتی قرض حاصل کر چکی ہے۔

ڈیزل ڈی سلفیورائزیشن اور نیفٹیا آکسیسمرائزیشن منصوبے کا ترقیاتی کام مناسب رفتار سے جاری ہے۔ اگرچہ مشینری تنصیبات کے کام میں چھ ہفتوں کی تاخیر ہو چکی ہے، تاہم آپ کی کمپنی ان منصوبوں کو 30 جون 2017 سے پہلے مکمل کرنے کیلئے ہر ممکن کوشش کر رہی ہے۔

بورڈ تمام ڈائریکٹرز، حصص یافتگان اور کمپنی کے ملازمین کی جانب سے انک گروپ آف کمپنیز کے قابل احترام چیئرمین، ڈاکٹر غیث آفرخون کیلئے مخلصانہ جذبات کا اظہار کرتا ہے جو 6 جنوری 2017 کو رحلت فرما گئے۔ ڈاکٹر غیث آفرخون نے جن کاروباری اداروں کی بنیاد رکھی وہ انکی دوراندیشی، رہنمائی اور انتھک محنت کی بدولت آج ملک کے ممتاز کاروباری گروپس میں شامل ہیں اور اس طرح ملک کی اقتصادی ترقی میں اہم کردار ادا کر رہے ہیں۔ اللہ ان کی مغفرت فرمائے اور لواحقین کو صبر اور ہمت عطا فرمائے۔ آمین۔

بورڈ تمام حصہ داروں کا انکی مسلسل حمایت اور کمپنی پر اعتماد کیلئے شکریہ ادا کرتا ہے۔

بورڈ کی جانب سے
لیٹ جی فرعون
چیئرمین

راولپنڈی

27 جنوری، 2017



**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of National Refinery Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants
Karachi

Dated: January 31, 2017

Name of the engagement partner: Rashid A. Jafer

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2016

	Note	Unaudited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	34,382,906	23,627,920
Long term investment		-	-
Long term loans	6	42,327	40,918
Long term deposits	7	30,189	30,189
Retirement benefit prepayments		1,686	4,917
		<u>34,457,108</u>	<u>23,703,944</u>
CURRENT ASSETS			
Stores, spares and chemicals		826,278	907,495
Stock-in-trade	8	9,763,493	11,252,503
Trade debts		5,452,604	5,297,198
Loans and advances	9	103,671	84,718
Trade deposits and short-term prepayments	10	116,414	10,576
Interest accrued		29,933	28,778
Other receivables		304,714	504,421
Taxation - payments less provisions		398,192	-
Cash and bank balances	11	9,053,335	11,870,898
		<u>26,048,634</u>	<u>29,956,587</u>
TOTAL ASSETS		<u>60,505,742</u>	<u>53,660,531</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		38,391,360	36,022,777
		<u>39,191,026</u>	<u>36,822,443</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term borrowing	12	766,100	-
Retirement benefit obligations		473,797	462,173
Deferred taxation		118,009	135,369
		<u>1,357,906</u>	<u>597,542</u>
CURRENT LIABILITIES			
Trade and other payables	13	19,844,449	15,030,594
Provisions		112,361	112,361
Taxation - provisions less payments		-	1,097,591
		<u>19,956,810</u>	<u>16,240,546</u>
TOTAL LIABILITIES		<u>21,314,716</u>	<u>16,838,088</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	14	<u>60,505,742</u>	<u>53,660,531</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

		Quarter ended		Half year ended	
	Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		← (Rupees in thousand) →			
Gross sales	15	37,544,611	44,041,564	74,076,094	79,034,133
Trade discounts, taxes, duties, levies and price differential	16	(10,941,092)	(14,219,999)	(21,736,177)	(24,421,482)
Net sales		26,603,519	29,821,565	52,339,917	54,612,651
Cost of sales		(24,133,057)	(25,938,364)	(47,630,230)	(49,956,658)
Gross profit		2,470,462	3,883,201	4,709,687	4,655,993
Distribution cost		(197,190)	(192,591)	(359,210)	(341,848)
Administrative expenses		(219,919)	(215,366)	(412,579)	(378,865)
Other income	17	197,473	366,359	425,176	733,333
Other operating expenses		(156,044)	(262,907)	(300,193)	(309,327)
Operating profit		2,094,782	3,578,696	4,062,881	4,359,286
Finance cost	18	(16,780)	(40,495)	(62,680)	(230,242)
Profit before taxation		2,078,002	3,538,201	4,000,201	4,129,044
Taxation	19	(15,419)	(1,060,036)	(32,287)	(1,244,761)
Profit after taxation		2,062,583	2,478,165	3,967,914	2,884,283
Earnings per share - basic and diluted		Rs. 25.79	Rs. 30.99	Rs. 49.62	Rs. 36.07

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)			
Profit after taxation	2,062,583	2,478,165	3,967,914	2,884,283
Other comprehensive income / (loss)				
Items that will not be reclassified to profit and loss account				
Remeasurement of post employment benefit obligation	-	21,091	-	-
Deferred tax thereon	-	(3,005)	-	-
	-	18,086	-	-
Total comprehensive income	<u>2,062,583</u>	<u>2,496,251</u>	<u>3,967,914</u>	<u>2,884,283</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Note December 31, December 31,
2016 2015
(Rupees in thousand)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	20	10,295,406	5,677,419
Income tax paid		(1,545,430)	(441,398)
(Increase) / decrease in long term loans		(1,409)	2,779
Payments made to staff retirement benefit funds		(47,721)	(47,506)
Net cash inflow from operating activities		<u>8,700,846</u>	<u>5,191,294</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(10,959,897)	(5,734,314)
Purchase of intangible asset	-	(144)
Proceeds from disposal of property, plant and equipment	-	978
Return received on investments and bank accounts	257,755	544,946
Net cash used in investing activities	<u>(10,702,142)</u>	<u>(5,188,534)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(1,582,367)	(793,772)
Proceeds from long term borrowing	766,100	-
Proceeds from foreign currency loan	-	2,285,200
Net cash (used in) / inflow from financing activities	<u>(816,267)</u>	<u>1,491,428</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,817,563)</u>	<u>1,494,188</u>
Cash and cash equivalents at the beginning of the period	11,870,898	17,396,032
Cash and cash equivalents at the end of the period	11 <u><u>9,053,335</u></u>	<u><u>18,890,220</u></u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

	SHARE CAPITAL Issued, subscribed and paid-up	CAPITAL RESERVES Capital compensation reserve	Exchange equalisation reserve	REVENUE RESERVES General reserve	Unappropriated profit	Special reserve	Total
	(Rupees in thousand)						
Balance as at July 1, 2015	799,666	10,142	4,117	21,061,000	4,485,682	3,773,100	30,133,707
Final dividend for the year ended June 30, 2015 - Rs. 10 per share	-	-	-	-	(799,666)	-	(799,666)
Transfer to general reserve	-	-	-	3,000,000	(3,000,000)	-	-
Profit for the half year ended December 31, 2015	-	-	-	-	2,884,283	-	2,884,283
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year ended December 31, 2015	-	-	-	-	2,884,283	-	2,884,283
Transferred to special reserve	-	-	-	-	(49,370)	49,370	-
Balance as at December 31, 2015	799,666	10,142	4,117	24,061,000	3,520,929	3,822,470	32,218,324
Balance as at July 1, 2016	799,666	10,142	4,117	24,061,000	6,264,285	5,683,233	36,822,443
Final dividend for the year ended June 30, 2016 - Rs. 20 per share	-	-	-	-	(1,599,331)	-	(1,599,331)
Transfer to general reserve	-	-	-	4,000,000	(4,000,000)	-	-
Profit for the half year ended December 31, 2016	-	-	-	-	3,967,914	-	3,967,914
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the half year ended December 31, 2016	-	-	-	-	3,967,914	-	3,967,914
Transferred to special reserve	-	-	-	-	(1,832,710)	1,832,710	-
Balance as at December 31, 2016	799,666	10,142	4,117	28,061,000	2,800,158	7,515,943	39,191,026

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.


Chief Executive


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (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 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 initiated contracts for Diesel De-sulphurisation and Naphtha Isomerisation as part of upgradation and expansion of fuel refinery operations. The estimated project cost is US\$ 349 million (Rs. 35.49 billion) whereas these projects are expected to be completed by May 2017. The arrangement for the funding of these projects is disclosed in note 12.

2. BASIS OF PREPARATION

This condensed interim financial information for the half year ended December 31, 2016 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange.

This condensed interim financial information does not include all the information required for a complete set of financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2016.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

The amendment provides clarification on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

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, 2016 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

IAS 7, 'Statement of cash flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

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 judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

- 4.2 Judgements 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, 2016.
- 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, 2016.

December 31,
2016 June 30,
2016
(Rupees in thousand)

5. FIXED ASSETS

Property, plant and equipment

- Operating assets	3,230,395	3,233,977
- Major spare parts and stand-by equipments	219,251	221,438
- Capital work-in-progress - note 5.1	<u>30,921,544</u>	<u>20,153,752</u>
	34,371,190	23,609,167
Intangible assets	<u>11,716</u>	<u>18,753</u>
	<u>34,382,906</u>	<u>23,627,920</u>

5.1 Capital work-in-progress

	Balance as at July 1, 2016	Additions during the period	Transfers	Balance as at December 31, 2016	Balance as at July 1, 2015	Additions during the period	Transfers	Balance as at June 30, 2016
	(Rupees in thousand)							
Buildings on leasehold land	28,124	8,730	(16,292)	20,562	25,618	35,593	(33,087)	28,124
Refineries upgradation projects - note 5.2	19,778,143	9,912,145	-	29,690,288	4,651,181	15,126,962	-	19,778,143
Plant and machinery	146,729	628,954	(132,307)	643,376	207,848	548,920	(610,039)	146,729
Computer software under development	-	-	-	-	-	2,450	(2,450)	-
Office and other equipments	43,233	9,743	(19,753)	33,223	37,710	56,750	(51,227)	43,233
Advances to contractors / suppliers - note 5.4	19,996,229	10,559,572	(168,352)	30,387,449	4,922,357	15,770,675	(696,803)	19,996,229
	<u>157,523</u>	<u>452,142</u>	<u>(75,570)</u>	<u>534,095</u>	<u>84,881</u>	<u>136,914</u>	<u>(64,272)</u>	<u>157,523</u>
	<u>20,153,752</u>	<u>11,011,714</u>	<u>(243,922)</u>	<u>30,921,544</u>	<u>5,007,238</u>	<u>15,907,589</u>	<u>(761,075)</u>	<u>20,153,752</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

5.2 The Company has incurred capital expenditure of Rs. 29.69 billion (June 30, 2016: Rs. 19.78 billion) on up-gradation and expansion projects. It includes Rs. 29.48 billion (June 30, 2016: Rs. 19.57 billion) for the up-gradation and expansion of fuel refinery operations.

5.3 Additions and disposals to the operating assets during the half year end are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 2016	December 2015	December 2016	December 2015
	(Rupees in thousand)			
Plant and machinery	33,457	55,602	-	-
Office and other equipments	31,072	22,452	-	-
Buildings	16,139	13,350	-	-
Utilities	63,000	2,784	-	-
Vehicles	6,316	1,940	-	1,309
Furniture and fixtures	1,466	1,469	-	-
Power plant	3,342	735	-	-
Computer equipment	2,403	627	-	-
Pipelines	19,048	421	-	-
Storage tanks	18,049	-	-	-
	<u>194,292</u>	<u>99,380</u>	<u>-</u>	<u>1,309</u>

5.4 The advance to supplier does not carry any interest or markup arrangement.

6. LONG TERM LOANS

These include secured loans to executives and employees for the purchase of motor cars and house building. Out of these, car loans amounting to Rs. 12.69 million (June 30, 2016: Rs. 11.3 million) carry interest ranging from 3% to 7% (June 30, 2016: 3% to 7%). The unsecured loans to executives and employees are interest free.

7. LONG TERM DEPOSITS

These deposits do not carry any markup arrangement.

8. STOCK-IN-TRADE

As at December 31, 2016 stock of finished goods has been written down by Rs. 145.82 million (June 30, 2016: Rs. 283.36 million) to arrive at its net realisable value.

9. LOAN AND ADVANCES

Out of these, car loans amounting to Rs. 2.66 million (June 30, 2016: Rs. 2.41 million) carry interest as disclosed in note 6. Advances do not carry any markup arrangement.

10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any markup arrangement.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

December 31,
2016
(Rupees in thousand)

June 30,
2016

11. CASH AND BANK BALANCES

Cash in hand	500	500
With banks on:		
- Current accounts	80,562	46,463
- Savings accounts	1,036,587	1,887,050
- Deposit accounts	7,935,686	9,936,885
	9,052,835	11,870,398
	<u>9,053,335</u>	<u>11,870,898</u>

All bank accounts are maintained under conventional banking system.

12. LONG-TERM BORROWING

The Company had initially entered into a syndicated finance agreement with a consortium of banks which includes United Bank Limited as the Agent Bank for a term finance facility of Rs. 24.2 billion for the Company's upgradation and expansion projects. During the period, on request of the Company, the facility has been reduced to Rs. 12.1 billion with all other terms and conditions remaining the same. The facility carries a mark-up of 6 month KIBOR plus 1.70% p.a. which will be payable on semi-annual basis. The tenure of this facility is 12 years including a grace period of 2 years.

December 31,
2016
(Rupees in thousand)

June 30,
2016

13. TRADE AND OTHER PAYABLES

Trade creditors	9,260,663	6,841,409
Due to the Government of Pakistan	1,034,198	816,569
Due to related parties:		
- Attock Petroleum Limited	26,479	17,998
- Pakistan Oilfields Limited	37,550	114,791
Accrued liabilities	996,416	1,150,901
Surplus price differential payable	1,131,667	1,121,352
Custom duty payable	757,542	450,494
Sales tax payable	1,711,590	1,032,285
Retention money	3,135,650	2,000,517
Deposits from contractors	42,344	42,188
Advances from customers - note 13.1	252,526	226,947
Workers' profits participation fund	214,852	1,891
Workers' welfare fund	331,499	249,862
Income tax deducted at source	28,034	7,722
Unclaimed dividend	88,892	71,928
Excise duty and petroleum levy	778,271	877,811
Markup on long-term borrowing	8,500	-
Others	7,776	5,929
	<u>19,844,449</u>	<u>15,030,594</u>

- 13.1 This includes advances received from a related party - Pakistan Oilfields Limited amounting to Rs. 3.96 million (June 30, 2016: Rs. 11.77 million) against supply of goods.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There has been no significant change in contingencies since the issuance of the annual financial statements for the year ended June 30, 2016.

14.2 Commitments

- Commitments for capital expenditure as at December 31, 2016 amounted to Rs. 6.530 billion (June 30, 2016: Rs. 13.471 billion) in respect of refinery upgradation project as explained in note 1 of the financial information; and
- Outstanding letters of credit as at December 31, 2016 amounted to Rs. 10.15 billion (June 30, 2016: Rs. 12.92 billion).

15. GROSS SALES

	Quarter ended		Half year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)			
Local	35,262,045	40,805,749	69,128,634	73,883,735
Export	2,282,566	3,235,815	4,947,460	5,150,398
	<u>37,544,611</u>	<u>44,041,564</u>	<u>74,076,094</u>	<u>79,034,133</u>

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

	Quarter ended		Half year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)			
Trade discounts	114,254	99,037	201,175	211,839
Sales tax	7,090,438	10,335,590	13,758,428	17,171,483
Excise duty	174	123	368	243
Petroleum levy	2,639,615	3,035,791	5,405,802	5,158,837
Custom duty	833,134	564,478	1,632,888	1,092,347
Surplus price differential	263,477	184,980	737,516	786,733
	<u>10,941,092</u>	<u>14,219,999</u>	<u>21,736,177</u>	<u>24,421,482</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

17. OTHER INCOME

This includes return on bank deposits amounting to Rs. 173.01 million (2015: Rs. 305.55 million), return on Pakistan Investment Bonds amounting to Rs. 78.78 million (2015: Rs. 188.84 million) and return on treasury bills amounting to Rs. 7.13 million (2015: Rs. 91.44 million).

All bank accounts are maintained under conventional banking system.

18. FINANCE COST

This includes net exchange loss of Rs. 61.87 million (2015: Rs. 221.74 million) on foreign currency transactions relating to purchase and sale of crude oil / products. This exchange gain / loss relates to actual currency fluctuations and not due to derivative financial instruments.

	Quarter ended		Half year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)			
19. TAXATION				
Current - note 19.1	22,910	1,067,146	49,647	1,265,116
Deferred	(7,491)	(7,110)	(17,360)	(20,355)
	<u>15,419</u>	<u>1,060,036</u>	<u>32,287</u>	<u>1,244,761</u>

- 19.1 Current period tax charge is net of tax credit under section 65B of the Income Tax Ordinance, 2001 on fixed asset additions made in respect of the refinery upgradation project.

December 31,
2016 December 31,
2015
(Rupees in thousand)

20. CASH GENERATED FROM OPERATIONS

Profit before taxation	4,000,201	4,129,044
Adjustment for non cash charges and other items:		
Depreciation and amortisation	204,911	172,880
Provision for staff retirement benefit funds	62,576	124,358
Markup on short term borrowings	-	8,058
Return on investments and bank accounts	(258,910)	(586,338)
Loss on disposal of operating assets	-	331
Increase in working capital - note 20.1	6,286,628	1,829,086
	<u>10,295,406</u>	<u>5,677,419</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

December 31, 2016 December 31, 2015
(Rupees in thousand)

20.1 Increase in working capital

(Increase) / decrease in current assets

Stores, spares and chemicals	81,217	(10,309)
Stock-in-trade	1,489,010	3,892,915
Trade debts	(155,406)	1,439,353
Loans and advances	(18,953)	(10,108)
Trade deposits and short-term prepayments	(105,838)	(113,530)
Other receivables	199,707	37,483
	<u>1,489,737</u>	<u>5,235,804</u>

Increase / (decrease) in current liability

Trade and other payables	<u>4,796,891</u>	<u>(3,406,718)</u>
	<u>6,286,628</u>	<u>1,829,086</u>

21. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Half year ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		(Rupees in thousand)			
Associated Companies	Sale of petroleum products	19,106,314	20,975,030	35,170,390	41,130,774
	Purchase of crude oil and condensate	74,365	411,780	272,912	765,576
	Rental income	1,301	1,184	2,582	2,350
	Hospitality charges	20,457	18,797	42,782	37,731
	Handling income	41,472	50,437	90,797	94,578
	Trade discounts and commission on sales	252,440	226,165	442,585	441,616
	Reimbursement of expenses	1,098	638	1,750	954
	Purchase of petroleum products	3,048	4,398	7,044	10,499
	Purchase of stores	281	-	281	-
	Sale of chemicals	-	289	-	289
	Dividend paid	815,659	407,829	815,659	407,829
Post employment staff benefit plans	Contributions	14,349	58,551	73,247	69,755
Key management personnel compensation	Salaries and other employee benefits	13,006	23,279	36,597	41,201
	Post employment benefits	788	725	1,579	1,405
	Directors' fees	731	522	2,299	2,156

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

22. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	FUEL		LUBE		TOTAL	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)					
Segment Revenue						
Sales to external customers						
- local (net of discounts, taxes, duties and levies and price differential)	32,448,773	33,823,864	14,943,684	15,638,389	47,392,457	49,462,253
- export	4,532,032	4,642,935	415,428	507,463	4,947,460	5,150,398
	36,980,805	38,466,799	15,359,112	16,145,852	52,339,917	54,612,651
Inter segment transfers	9,984,494	9,753,693	-	-	9,984,494	9,753,693
Elimination of inter-segment transfers	-	-	-	-	(9,984,494)	(9,753,693)
Net sales	46,965,299	48,220,492	15,359,112	16,145,852	52,339,917	54,612,651
Segment results after tax	1,890,003	118,689	2,077,911	2,765,594	3,967,914	2,884,283
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	1,890,003	118,689	2,077,911	2,765,594	3,967,914	2,884,283

	FUEL		LUBE		TOTAL	
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
	(Rupees in thousand)					
Segment assets	46,655,752	36,624,831	11,152,547	14,116,985	57,808,299	50,741,816
Unallocated assets	-	-	-	-	2,697,443	2,918,715
Total assets as per balance sheet	46,655,752	36,624,831	11,152,547	14,116,985	60,505,742	53,660,531
Segment liabilities	19,354,707	14,549,100	1,842,000	1,051,088	21,196,707	15,600,188
Unallocated liabilities	-	-	-	-	118,009	1,237,900
Total liabilities as per balance sheet	19,354,707	14,549,100	1,842,000	1,051,088	21,314,716	16,838,088

23. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on January 27, 2017.


Chief Executive


Director



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