

**Condensed Interim
Financial Information for
the Nine Months ended
March 31, 2017**

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Achievement**



National Refinery Limited



Contents

| | |
|----|---|
| 02 | Corporate Information |
| 03 | Directors' Review – English |
| 04 | Directors' Review – Urdu |
| 05 | Condensed Interim Balance Sheet |
| 06 | Condensed Interim Profit & Loss Account |
| 07 | Condensed Interim Statement of Comprehensive Income |
| 08 | Condensed Interim Cash Flow Statement |
| 09 | Condensed Interim Statement of Changes in Equity |
| 10 | Selected Notes to the Condensed Interim Financial Information |

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
Muhammed 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 | Member |
| Alternate Director to Wael G. Pharaon | |
| Shaikh Ather Ahmed | Secretary |

Human Resource and Remuneration (HR&R) Committee

| | |
|---------------------------------------|-----------|
| Abdus Sattar | Chairman |
| Babar Bashir Nawaz | Member |
| Alternate Director to Wael G. Pharaon | |
| 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 am pleased to present a brief review of un-audited financial statements of your Company for nine month's ended March 31, 2017.

During the period, your Company earned profit after tax of Rs. 6,674 million resulting in earnings per share of Rs. 83.46, compared to profit after tax of Rs. 5,238 million resulting in earnings per share of Rs. 65.50 in the same period last year.

Fuel segment of the Company earned profit after tax of Rs. 3,613 million as compared to profit after tax of Rs.1,179 million in the corresponding period of last year. Apart from the fluctuation in Products and Crude Oil prices in international market, refining margins improved. Profitability also increased due to better Sales mix of products and the investment tax credit availed by the company against Diesel Desulphurization and Naphtha Isomerization projects amounting to Rs. 2,334 million. Stability in Pak rupee vs US Dollar resulted in net exchange loss of Rs.109 million as compared to Rs. 243 million in same period last year. Furthermore, during this period shut down of fuel refinery was undertaken for 15 days for tie-ins and revamp of crude distillation column which were completed in time. As a result the crude oil processing capacity has been successfully enhanced by 3,000 barrels per day increasing the overall designed capacity from 62,000 barrels per day to 65,000 barrels per day.

Lube Segment earned profit after tax of Rs. 3,061 million compared to Rs. 4,059 million during the corresponding period last year. The profit of lube segment decreased due to increase in feed cost. Local sales of lube base oils increased however, its export declined.

The projects of Diesel Desulphurization and Naphtha Isomerization are progressing smoothly. Most of the construction and installation work has been completed and the pre-commissioning activities are underway. Despite delay in mechanical completion by six weeks due to various reasons, your company endeavors to complete these projects before June 30, 2017.

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

Rawalpindi
April 17, 2017

On behalf of the Board

Shuaib A. Malik
Deputy Chairman &
Chief Executive Officer

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے میں مسرت کے ساتھ کمپنی کے 31 مارچ 2017 کو مکمل ہونے والے نو ماہ کے غیر آڈٹ شدہ مالی گوشوارے کا ایک مختصر جائزہ پیش کر رہا ہوں۔


موجودہ عرصہ میں، آپ کی کمپنی نے 6,674 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 83.46 روپے فی حصص آمدنی کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 5,238 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 65.50 روپے فی حصص آمدنی کے مساوی تھا۔

کمپنی کے فیول سیگمنٹ نے 3,613 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں 1,179 ملین روپے کا ٹیکس کے بعد منافع کمایا تھا۔ بین الاقوامی مارکیٹ میں مصنوعات اور خام تیل کی قیمتوں میں اتار چڑھاؤ کے باوجود، ریفا ٹینگ مارجنز میں بہتری آئی۔ مصنوعات کی بہتر سائزنگس اور ڈیزل ڈی سلفیورائزیشن اور نیفٹیا آکسیسومرائزیشن منصوبوں کی مدد میں کمپنی کو حاصل کردہ 2,334 ملین روپے کا سرمایہ کاری ٹیکس کریڈٹ بھی منافع میں اضافہ کا سبب بنا۔ ڈالر کے مقابل پاکستانی روپے میں استحکام کے نتیجے میں صرف 109 ملین روپے کا زرمبادلہ کا خسارہ ہوا جبکہ گزشتہ مالی سال اسی مدت میں 243 ملین روپے کا خسارہ تھا۔ مزید برآں، اس سہ ماہی کے دوران کروڈ ڈسٹیلیشن کالم کے ریویپ (revamp) اور منسلک کرنے کیلئے فیول ریفاٹری کو 15 دنوں کیلئے بند کیا گیا تھا جو کہ مقررہ وقت میں مکمل کر لیا گیا۔ اس کے نتیجے میں خام تیل کی پیداواری صلاحیت میں کامیابی کے ساتھ یومیہ 3,000 بیرل کے اضافہ کے ساتھ مجموعی صلاحیت 62,000 بیرل سے بڑھ کر یومیہ 65,000 بیرل ہو گئی۔

لیوب سیگمنٹ نے 3,061 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 4,059 ملین روپے تھا۔ پیداواری لاگت میں اضافہ کی وجہ سے لیوب سیگمنٹ کے منافع میں کمی آئی۔ لیوب بیس آئل کی مقامی پیکل میں اضافہ ہوا تاہم، برآمدات میں کمی ہوئی۔

ڈیزل ڈی سلفیورائزیشن اور نیفٹیا آکسیسومرائزیشن منصوبے مناسب رفتار سے تکمیل کی جانب رواں ہیں۔ تعمیر اور تنصیب کا کام تقریباً مکمل ہو چکا ہے اور پری کمیشننگ (pre-commissioning) کی سرگرمیاں شروع کی جا چکی ہیں۔ مختلف وجوہات کی بناء پر میکینیکل تکمیل میں چھ ہفتوں کی تاخیر کے باوجود، آپ کی کمپنی ان منصوبوں کو 30 جون 2017 سے پہلے مکمل کرنے کیلئے کوشاں ہے۔

بورڈ کمپنی کے تمام حصہ داروں کا انکے مسلسل تعاون، حمایت اور اعتماد کیلئے شکر گزار ہے۔

بورڈ کمانڈر سے

 شعیب اے ملک

ڈپٹی چیئرمین اور چیف ایگزیکٹو آفیسر

راولپنڈی

17 اپریل، 2017

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2017

| | | Unaudited March 31, 2017 (Rupees in thousand) | Audited June 30, 2016 |
|---|------|--|-----------------------------|
| | Note | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 5 | 36,443,645 | 23,627,920 |
| Long term investment | | - | - |
| Long term loans | 6 | 45,165 | 40,918 |
| Long term deposits | 7 | 30,189 | 30,189 |
| Retirement benefit prepayments | | 2,923 | 4,917 |
| Deferred taxation | 8 | 513,927 | - |
| | | <u>37,035,849</u> | <u>23,703,944</u> |
| CURRENT ASSETS | | | |
| Stores, spares and chemicals | | 892,505 | 907,495 |
| Stock-in-trade | 9 | 9,244,006 | 11,252,503 |
| Trade debts | | 3,768,604 | 5,297,198 |
| Loans and advances | 10 | 63,566 | 84,718 |
| Trade deposits and short-term prepayments | 11 | 69,683 | 10,576 |
| Interest accrued | | 22,866 | 28,778 |
| Other receivables | | 283,343 | 504,421 |
| Taxation - payments less provisions | | 476,360 | - |
| Cash and bank balances | | 2,101,417 | 11,870,898 |
| | | <u>16,922,350</u> | <u>29,956,587</u> |
| | | <u>53,958,199</u> | <u>53,660,531</u> |
| TOTAL ASSETS | | | |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | | 799,666 | 799,666 |
| Reserves | | <u>41,097,066</u> | <u>36,022,777</u> |
| | | <u>41,896,732</u> | <u>36,822,443</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowing | 12 | 766,100 | - |
| Retirement benefit obligations | | 387,528 | 462,173 |
| Deferred taxation | | - | 135,369 |
| | | <u>1,153,628</u> | <u>597,542</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 10,795,478 | 15,030,594 |
| Provisions | | 112,361 | 112,361 |
| Taxation - provisions less payments | | - | 1,097,591 |
| | | <u>10,907,839</u> | <u>16,240,546</u> |
| | | <u>12,061,467</u> | <u>16,838,088</u> |
| TOTAL LIABILITIES | | | |
| CONTINGENCIES AND COMMITMENTS | | | |
| TOTAL EQUITY AND LIABILITIES | 14 | <u>53,958,199</u> | <u>53,660,531</u> |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

| | Note | Quarter ended | | Nine months ended | |
|--|------|--------------------------|---------------------|---------------------|---------------------|
| | | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | | ← (Rupees in thousand) → | | | |
| Gross sales | 15 | 35,793,415 | 35,908,620 | 109,869,509 | 114,942,753 |
| Trade discounts, taxes, duties, levies and price differential | 16 | <u>(9,377,278)</u> | <u>(14,539,950)</u> | <u>(31,113,455)</u> | <u>(38,961,432)</u> |
| Net sales | | 26,416,137 | 21,368,670 | 78,756,054 | 75,981,321 |
| Cost of sales | | <u>(23,842,518)</u> | <u>(18,032,694)</u> | <u>(71,472,748)</u> | <u>(67,989,352)</u> |
| Gross profit | | 2,573,619 | 3,335,976 | 7,283,306 | 7,991,969 |
| Distribution cost | | (204,749) | (169,300) | (563,959) | (511,148) |
| Administrative expenses | | (217,939) | (159,138) | (630,518) | (538,003) |
| Other income | 17 | 165,652 | 418,689 | 590,828 | 1,152,022 |
| Other operating expenses | | <u>(158,458)</u> | <u>(235,337)</u> | <u>(458,651)</u> | <u>(544,664)</u> |
| Operating profit | | 2,158,125 | 3,190,890 | 6,221,006 | 7,550,176 |
| Finance cost | 18 | <u>(47,104)</u> | <u>(27,362)</u> | <u>(109,784)</u> | <u>(257,604)</u> |
| Profit before taxation | | 2,111,021 | 3,163,528 | 6,111,222 | 7,292,572 |
| Taxation | 19 | 594,685 | (809,778) | 562,398 | (2,054,539) |
| Profit after taxation | | <u>2,705,706</u> | <u>2,353,750</u> | <u>6,673,620</u> | <u>5,238,033</u> |
| Earnings per share - basic and diluted | | <u>Rs. 33.84</u> | Rs. 29.43 | <u>Rs. 83.46</u> | Rs. 65.50 |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

| | Quarter ended | | Nine months ended | |
|---|--------------------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | ← (Rupees in thousand) → | | | |
| Profit after taxation | 2,705,706 | 2,353,750 | 6,673,620 | 5,238,033 |
| Other comprehensive income | | | | |
| Remeasurement loss of post employment benefit obligation | - | - | - | - |
| Deferred tax thereon | - | - | - | - |
| Total comprehensive income | <u>2,705,706</u> | <u>2,353,750</u> | <u>6,673,620</u> | <u>5,238,033</u> |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

| | Note | March 31, 2017 (Rupees in thousand) | March 31, 2016 |
|---|------|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 20 | 5,665,993 | 14,164,033 |
| Income tax paid | | (1,660,849) | (873,270) |
| (Increase) / Decrease in long term loans and deposits | | (4,247) | 4,174 |
| Payments made to staff retirement benefit funds | | (166,515) | (55,415) |
| Net cash flow from operating activities | | <u>3,834,382</u> | <u>13,239,522</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (13,126,491) | (9,010,941) |
| Purchase of intangible asset | | (553) | (1,577) |
| Proceeds from disposal of property, plant and equipment | | - | 978 |
| Return on investments and bank accounts | | 345,220 | 888,891 |
| Net cash flow used in investing activities | | <u>(12,781,824)</u> | <u>(8,122,649)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceed from long term borrowing | | 766,100 | - |
| Dividend paid | | (1,588,139) | (794,945) |
| | | <u>(822,039)</u> | <u>(794,945)</u> |
| Net (decrease) / increase in cash and cash equivalents | | <u>(9,769,481)</u> | <u>4,321,928</u> |
| Cash and cash equivalents at beginning of the period | | <u>11,870,898</u> | <u>17,396,032</u> |
| Cash and cash equivalents at end of the period | 21 | <u><u>2,101,417</u></u> | <u><u>21,717,960</u></u> |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (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 nine months ended March 31, 2016 | - | - | - | - | 5,238,033 | - | 5,238,033 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total Comprehensive income for the nine months ended March 31, 2016 | - | - | - | - | 5,238,033 | - | 5,238,033 |
| Income of Fuel refinery operations transferred to special reserve | - | - | - | - | (1,092,631) | 1,092,631 | - |
| Balance as at March 31, 2016 | 799,666 | 10,142 | 4,117 | 24,061,000 | 4,831,418 | 4,865,731 | 34,572,074 |
| 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 nine months ended March 31, 2017 | - | - | - | - | 6,673,620 | - | 6,673,620 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total Comprehensive income for the nine months ended March 31, 2017 | - | - | - | - | 6,673,620 | - | 6,673,620 |
| Income of Fuel refinery operations transferred to special reserves | - | - | - | - | (3,527,140) | 3,527,140 | - |
| Balance as at March 31, 2017 | 799,666 | 10,142 | 4,117 | 28,061,000 | 3,811,434 | 9,210,373 | 41,896,732 |

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive


Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (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. 36.59 billion) whereas these projects are expected to be completed by June 2017. The arrangements for the funding of these projects is disclosed in note 12.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended March 31, 2017 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 full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2016.

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.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.

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

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

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

March 31,
2017
(Rupees in thousand)

June 30,
2016

5. FIXED ASSETS

Property, plant and equipment

| | | |
|--|------------|------------|
| - Operating assets | 3,226,635 | 3,233,977 |
| - Major spare parts and stand-by equipments | 238,710 | 221,438 |
| - Capital work-in-progress (CWIP) - note 5.1 | 32,969,571 | 20,153,752 |
| | 36,434,916 | 23,609,167 |
| | 8,729 | 18,753 |
| | 36,443,645 | 23,627,920 |

Intangible assets

5.1 Capital work-in-progress

| | Balance as at July 1, 2016 | Addition during the period | Transfers | Balance as at March 31, 2017 | Balance as at July 1, 2015 | Addition during the year | Transfers | Balance as at June 30, 2016 |
|--|----------------------------------|----------------------------------|-----------|------------------------------------|----------------------------------|--------------------------------|-----------|-----------------------------------|
| | (Rupees in thousand) | | | | | | | |
| Building on leasehold land | 28,124 | 23,925 | (19,487) | 32,562 | 25,618 | 35,593 | (33,087) | 28,124 |
| Refineries upgradation projects - note 5.2 | 19,778,143 | 11,697,219 | - | 31,475,362 | 4,651,181 | 15,126,962 | - | 19,778,143 |
| Plant and machinery | 146,729 | 836,679 | (211,400) | 772,008 | 207,848 | 548,920 | (610,039) | 146,729 |
| Computer software under development | - | - | - | - | - | 2,450 | (2,450) | - |
| Office and other equipments | 43,233 | 17,421 | (26,221) | 34,433 | 37,710 | 56,750 | (51,227) | 43,233 |
| | 19,996,229 | 12,575,244 | (257,108) | 32,314,365 | 4,922,357 | 15,770,675 | (696,803) | 19,996,229 |
| Advances to contractors/ suppliers - note 5.4 | 157,523 | 574,079 | (76,396) | 655,206 | 84,881 | 136,914 | (64,272) | 157,523 |
| | 20,153,752 | 13,149,323 | (333,504) | 32,969,571 | 5,007,238 | 15,907,589 | (761,075) | 20,153,752 |

5.2 The Company has incurred capital expenditure of Rs.31.48 billion (June 30, 2016: Rs. 19.78 billion) on up-gradation and expansion projects. It includes Rs.31.27 billion (June 30, 2016: Rs. 19.57 billion) for the up-gradation and expansion of fuel refinery operations.

5.3 Additions and disposals to operating assets during the nine months ended March 31, 2017 are as follows :

| | Additions (at cost) | | Disposals (at net book value) | |
|-----------------------------|------------------------|---------------|----------------------------------|---------------|
| | March 2017 | March 2016 | March 2017 | March 2016 |
| | (Rupees in thousand) | | | |
| Plant and machinery | 74,424 | 57,354 | - | - |
| Office and other equipments | 40,905 | 43,620 | - | - |
| Buildings | 19,333 | 31,890 | - | - |
| Utilities | 81,036 | 11,523 | - | - |
| Vehicles | 12,004 | 13,718 | - | 1,309 |
| Furniture and fixtures | 2,861 | 2,145 | - | - |
| Power Plant | 3,342 | 734 | - | - |
| Computer equipments | 2,745 | 2,619 | - | - |
| Pipelines | 24,164 | 1,770 | - | - |
| Storage tanks | 33,519 | 2,404 | - | - |
| | 294,333 | 167,777 | - | 1,309 |

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 motors cars and house building. Out of these, cars loans amounting to Rs.12.24 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 executive and employees are interest free.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

7. LONG TERM DEPOSITS

These deposits do not carry any markup arrangement.

8. DEFERRED TAXATION

This includes deferred tax asset recognised on unavailed tax credit available against refinery upgradation projects based on the assumption of availability of projected taxable profits of the Company for the future years. The determination of future taxable profits is sensitive to certain key assumptions such as international oil prices, exchange rates and inflation.

9. STOCK-IN-TRADE

Stock of finished goods as at March 31, 2017 has been written down by Rs.169.98 million (June 30, 2016: Rs. 283.36 million) to arrive at its net realisable value.

10. LOANS AND ADVANCES

This includes car loans amounting to Rs. 2.18 million (June 30, 2016: 2.41 million) carry interest as disclosed in note 7. Advances do not carry any markup arrangement.

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

These deposits do not carry any markup arrangement.

12. LONG-TERM BORROWING

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.

| | March 31, 2017 | June 30, 2016 |
|-------------------------------------|----------------------|-------------------|
| | (Rupees in thousand) | |
| 13. TRADE AND OTHER PAYABLES | | |
| Trade creditors | 2,633,220 | 6,841,409 |
| Due to Government of Pakistan | 959,930 | 816,569 |
| Due to related party: | | |
| - Attock Petroleum Limited | 75,661 | 17,998 |
| - Attock Refinery Limited | 71 | - |
| - Pakistan Oilfields Limited | 78,264 | 114,791 |
| - Attock Cement Pakistan Limited | 281 | - |
| Accrued liabilities | 1,105,248 | 1,150,901 |
| HSD surplus price differential | 738,073 | 1,121,352 |
| PMG-RON differential | 64,702 | - |
| Custom duty payable | 721,339 | 450,494 |
| Sales tax payable | 782,132 | 1,032,285 |
| Retention money | 2,140,909 | 2,000,517 |
| Deposits from contractors | 40,013 | 42,188 |
| Advances from customers - note 13.1 | 325,565 | 226,947 |
| Workers' profits participation fund | 328,226 | 1,891 |
| Workers' welfare fund | 194,703 | 249,862 |
| Income tax deducted at source | 3,218 | 7,722 |
| Dividend payable | 83,120 | 71,928 |
| Excise duty and petroleum levy | 488,307 | 877,811 |
| Accrued interest | 23,000 | - |
| Others | 9,496 | 5,929 |
| | <u>10,795,478</u> | <u>15,030,594</u> |

- 13.1 This Includes advances received from related party - Pakistan Oilfields Limited amounting to Rs.15.33 million (June 30, 2016:Rs. 11.77 million) against supply of goods.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

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

14.2 Commitments

- Commitments outstanding for capital expenditure as at March 31, 2017 amounted to Rs.4.24 billion (June 30, 2016: Rs. 13.471 billion) in respect of refinery upgradation projects as explained in note 1 of the financial information; and
- Outstanding letters of credit at the end of the period amounted to Rs. 3.65 billion (June 30, 2016: Rs. 12.92 billion)

| | Quarter ended | | Nine months ended | |
|--|----------------------|-------------------|--------------------|--------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | (Rupees in thousand) | | | |
| 15. GROSS SALES | | | | |
| Local | 32,082,151 | 33,487,787 | 101,210,785 | 107,371,522 |
| Export | 3,711,264 | 2,420,833 | 8,658,724 | 7,571,231 |
| | <u>35,793,415</u> | <u>35,908,620</u> | <u>109,869,509</u> | <u>114,942,753</u> |
| 16. TRADE DISCOUNTS, TAXES, DUTIES, LEVIES AND PRICE DIFFERENTIAL | | | | |
| Trade discounts | 107,928 | 146,273 | 309,103 | 358,112 |
| Sales tax | 5,961,721 | 10,086,961 | 19,720,149 | 27,258,444 |
| Excise duty | 147 | 138 | 515 | 381 |
| Petroleum levy | 2,256,211 | 2,836,357 | 7,662,013 | 7,995,194 |
| Surplus price differential | 214,237 | 940,174 | 931,856 | 1,726,907 |
| PMG-RON differential | 44,805 | - | 64,702 | - |
| Custom duty | 792,229 | 530,047 | 2,425,117 | 1,622,394 |
| | <u>9,377,278</u> | <u>14,539,950</u> | <u>31,113,455</u> | <u>38,961,432</u> |
| 17. OTHER INCOME | | | | |

This includes return on bank deposits amounting to Rs. 233.09 million (2016: Rs. 541.40 million), return on Pakistan Investment Bonds amounting to Rs. 94.75 (2016: Rs. 268.63 million) and retrun on treasury bills amounting to Rs.11.47 million (2016: Rs. 103.36 million).

18. FINANCE COST

This include net exchange loss of Rs.108.57 million (2016: Rs. 243 million) on foreign currency transactions relating to purchase and export of crude oil/products.

| | Quarter ended | | Nine months ended | |
|---------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | (Rupees in thousand) | | | |
| 19. TAXATION | | | | |
| Current | | | | |
| - for the periods | 37,251 | 872,942 | 86,898 | 2,138,059 |
| - for prior periods | - | (51,794) | - | (51,794) |
| | 37,251 | 821,148 | 86,898 | 2,086,265 |
| Deferred | (631,936) | (11,370) | (649,296) | (31,726) |
| | <u>(594,685)</u> | <u>809,778</u> | <u>(562,398)</u> | <u>2,054,539</u> |

Current period tax and deferred tax includes impact of tax credit under section 65B of the Income Tax Ordinance, 2001 on fixed assets additions made in respect of the refinery upgradation project.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

| | March 31, 2017 | March 31, 2016 |
|--|----------------------|-------------------|
| | (Rupees in thousand) | |
| 20. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 6,111,222 | 7,292,572 |
| Adjustment for non cash charges and other items: | | |
| Depreciation and amortisation | 312,252 | 262,347 |
| Provision for staff retirement benefit funds | 93,864 | 170,693 |
| Reversal of provision for slow moving and obsolete stores and spares | (6,350) | (7,266) |
| Reversal of provision for impairment of major spares parts and stand by equipments | (933) | - |
| Return on investments and bank accounts | (339,308) | (913,403) |
| Loss on disposal of property, plant and equipment | - | 331 |
| Decrease in working capital - note 20.1 | (504,754) | 7,358,759 |
| | <u>5,665,993</u> | <u>14,164,033</u> |
| | March 31, 2017 | March 31, 2016 |
| | (Rupees in thousand) | |
| 20.1 (Increase) / Decrease in working capital | | |
| (Increase) / decrease in current assets | | |
| Stores, spares and chemicals | 21,340 | 17,673 |
| Stock-in-trade | 2,008,497 | 4,837,814 |
| Trade debts | 1,528,594 | 2,570,754 |
| Loans and advances | 21,152 | (6,805) |
| Trade deposits and short-term prepayments | (59,107) | (60,996) |
| Other receivables | 221,078 | 28,396 |
| | 3,741,554 | 7,386,836 |
| Decrease in current liabilities | | |
| Trade and other payables | (4,246,308) | (28,077) |
| | <u>(504,754)</u> | <u>7,358,759</u> |
| 21. CASH AND CASH EQUIVALENTS | | |
| In hand | 500 | 500 |
| With banks on: | | |
| - Current accounts | 63,010 | 68,445 |
| - Savings accounts | 102,221 | 767,296 |
| - Deposit accounts | 1,935,686 | 14,935,686 |
| | 2,100,917 | 15,771,427 |
| Short term investments | - | 5,946,033 |
| | <u>2,101,417</u> | <u>21,717,960</u> |

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

22. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties.

| Nature of relationship | Nature of transactions | Quarter ended | | Nine months ended | |
|---------------------------------------|---|----------------------|-------------------|-------------------|-------------------|
| | | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | | (Rupees in thousand) | | | |
| Associated companies | Sale of petroleum products | 18,791,974 | 18,399,472 | 53,962,364 | 59,530,246 |
| | Purchase of crude oil and condensates | 89,907 | 329,126 | 362,819 | 1,094,702 |
| | HSD surplus price differential | 95,953 | - | 95,953 | - |
| | Rental income | 1,313 | 1,199 | 3,895 | 3,549 |
| | Hospitality and storage income | 19,645 | 21,143 | 62,427 | 58,874 |
| | Handling income | 28,783 | 44,956 | 119,580 | 139,534 |
| | Trade discounts and commission on sales | 247,191 | 250,521 | 689,776 | 692,137 |
| | Reimbursement of expenses | 1,558 | 1,352 | 3,308 | 2,306 |
| | Purchase of petroleum products | 2,761 | 1,678 | 9,805 | 12,177 |
| | Dividend paid | - | - | 815,659 | 407,829 |
| | Sale of Stores | - | - | - | 289 |
| | Purchase of stores | - | - | 281 | - |
| Post employment staff benefit plans | Contributions | 130,832 | 19,366 | 204,079 | 89,121 |
| Key management employees compensation | Salaries and other employees benefits | 15,381 | 14,510 | 51,978 | 43,526 |
| | Post employment benefits | 838 | 790 | 2,417 | 2,195 |
| | Directors' fees | 524 | 625 | 2,823 | 2,781 |
| | | 16,743 | 15,925 | 57,218 | 48,502 |

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (UNAUDITED)

23. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

| | FUEL | | LUBE | | TOTAL | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | (Rupees in thousand) | | | | | |
| Segment Revenue | | | | | | |
| Sales to external customers | | | | | | |
| - local (net of discounts, taxes, duties and levies and price differential) | 47,162,341 | 46,266,340 | 22,934,989 | 22,143,750 | 70,097,330 | 68,410,090 |
| - export | 8,243,296 | 6,742,550 | 415,428 | 828,681 | 8,658,724 | 7,571,231 |
| | 55,405,637 | 53,008,890 | 23,350,417 | 22,972,431 | 78,756,054 | 75,981,321 |
| Inter-segment transfers | 15,851,222 | 12,340,311 | - | - | 15,851,222 | 12,340,311 |
| Elimination of inter-segment transfers | - | - | - | - | (15,851,222) | (12,340,311) |
| Net sales | 71,256,859 | 65,349,201 | 23,350,417 | 22,972,431 | 78,756,054 | 75,981,321 |
| Segment results after tax | 3,613,079 | 1,178,570 | 3,060,541 | 4,059,463 | 6,673,620 | 5,238,033 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive Income | 3,613,079 | 1,178,570 | 3,060,541 | 4,059,463 | 6,673,620 | 5,238,033 |
| | | | | | | |
| | FUEL | | LUBE | | TOTAL | |
| | March 31, 2017 | June 30, 2016 | March 31, 2017 | June 30, 2016 | March 31, 2017 | June 30, 2016 |
| | (Rupees in thousand) | | | | | |
| Segment assets | 43,475,823 | 36,624,831 | 7,351,328 | 14,116,985 | 50,827,151 | 50,741,816 |
| Unallocated assets | - | - | - | - | 3,131,048 | 2,918,715 |
| Total assets | 43,475,823 | 36,624,831 | 7,351,328 | 14,116,985 | 53,958,199 | 53,660,531 |
| Segment liabilities | 10,431,523 | 14,549,100 | 1,629,944 | 1,051,088 | 12,061,467 | 15,600,188 |
| Unallocated liabilities | - | - | - | - | - | 1,237,900 |
| Total liabilities | 10,431,523 | 14,549,100 | 1,629,944 | 1,051,088 | 12,061,467 | 16,838,088 |

24. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on April 17, 2017.


Chief Executive


Director



National Refinery Limited

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