

Condensed Interim
Financial Information for
the Half Year Ended
December 31, 2017



National Refinery Limited

Refining with
Vision



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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
Abdus Sattar
Zaki Mohamad Mansoer
Muhammed Naeem
Tariq Iqbal Khan

Chief Executive Officer

Shuaib A. Malik

General Manager Finance and Corporate Affairs & Chief Financial Officer

Anwar A. Shaikh

Company Secretary

Nouman Ahmed Usmani

Audit Committee

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

Human Resource and Remuneration (HR&R) Committee

Abdus Sattar	Chairman
Babar Bashir Nawaz Alternate Director to Mr. 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
National Bank of Pakistan
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Samba Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited

Registered Office

7-B, Korangi Industrial Area,
P.O. Box No. 8228, Karachi-74900
UAN: +92-21-111-675-675
PABX: +92-21-35064981-86
+92-21-35064977-79
Website: www.nrpak.com
E-mail: info@nrpak.com

Share Registrar

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal,
Karachi-74400.
Tel: Customer Support Services
(Toll Free) 0800-23275
Fax: +92-21 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Directors' Review



Assalam-u-Alaikum!

On behalf of the Board of Directors of National Refinery Limited, I am pleased to present brief review of the financial results and operations of your Company for the half year ended December 31, 2017.

During the period, your Company earned a profit after tax of Rs.1,623 million resulting in earnings per share of Rs. 20.30, compared to profit after tax of Rs. 3,968 million resulting in earnings per share of Rs. 49.62 in the same period last year.

In compliance with the direction of the Government, Diesel Hydro De-sulphurization (DHDS) Unit commenced the operation before 30 June 2017 reducing sulphur contents in HSD below 500 parts per million (ppm). However, the Government direction pertaining to increase in 1.5% Deemed Duty on HSD, to support operating cost of DHDS Unit has not been finalized. Refineries are in process of discussion with the Government to enhance deemed duty on HSD from 7.5% to 9% so that higher operating cost could be recovered.

Fuel segment of the Company earned a profit after tax of Rs. 297 million as compared to profit after tax of Rs. 1,890 million in the same period last year. Despite elimination of price differential on HSD, profitability declined due to reduced refining margins in the second quarter and increase in operating costs including depreciation. Exchange loss, on purchase of crude oil, amounting to Rs. 471.5 million in comparison to Rs. 61.9 million in same period last year.

In addition, the use of Liquefied Natural Gas for electricity generation has severely impacted the Furnace Oil market reducing the production and margins of fuel segment.

In October 2017, the company successfully commissioned the Isomerization Project to convert Naphtha into Motor Gasoline. The project is likely to contribute as a positive factor towards the performance of the Company.

Lube Segment earned profit after tax of Rs.1,326 million compared to Rs. 2,078 million during the corresponding period last year. The profit of lube segment decreased due to lower production on account of scheduled turnaround of Lube II refinery for 22 days during November 2017 and reduction in other income due to less available surplus funds.

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

Rawalpindi
January 23, 2018

On behalf of the Board

Laith G. Pharaon
Chairman

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

السلام علیکم

نیٹشل ریفاائنری لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں مسرت کے ساتھ آپ کی کمپنی کے مالی نتائج اور آپریشنز کا ایک مختصر جائزہ پیش کرتا ہوں جو کہ 31 دسمبر 2017 کو مکمل ہونے والے ششماہی کے لئے ہے۔

موجودہ عرصہ میں، آپ کی کمپنی نے 1,623 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 20.30 روپے فی حصص آمدنی کے مساوی ہے جبکہ گزشتہ مالی سال اسی مدت میں 3,968 ملین روپے کا ٹیکس کے بعد منافع کمایا جو 49.62 روپے فی حصص آمدنی کے مساوی تھا۔

حکومت کی ہدایت کے مطابق، ڈیزل ہائیڈرو ڈی سلفیورائزیشن (DHDS) پلانٹ نے 30 جون 2017 سے قبل آپریشن کا آغاز کیا جو کہ ایچ ایس ڈی میں سلفر مواد کو 500 حصے فی ملین (ppm) تک کم کر رہا ہے۔ تاہم، ڈی ایچ ایچ ڈی ایس پلانٹ کی آپریشننگ لاگت کو سپورٹ کرنے کیلئے ایچ ایس ڈی پر 1.5% ڈیمنڈ پوائنٹی میں اضافے سے متعلق حکومتی ہدایت کو حتمی شکل نہیں دی جاسکی ہے۔ ریفاائنریز ایچ ایس ڈی پر ڈیمنڈ پوائنٹی کو 7.5% سے 9% تک بڑھانے کیلئے حکومت سے بات چیت کر رہی ہے تاکہ اضافی آپریشننگ لاگت کو ریکور کیا جاسکے۔

کمپنی کے فیول سٹاکٹ نے 297 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں 1,890 ملین روپے کا ٹیکس کے بعد منافع کمایا تھا۔ ایچ ایس ڈی پر Price differential کے خاتمے کے باوجود منافع میں کمی آئی جسکی وجہ دوسرے سہ ماہی میں ریفاائننگ مارجن میں کمی اور، آپریشننگ لاگت بشمول ڈیپریسیشن میں اضافہ ہے۔ خام تیل کی خریداری پر زرمبادلہ نقصان 471.5 ملین روپے بمقابلہ 61.9 ملین روپے اسی مدت کے گزشتہ مالی سال میں رہا۔

مزید برآں، بجلی کی پیداوار کیلئے مائع قدرتی گیس کے استعمال نے فرنس آئل کی مارکیٹ کو بہت زیادہ متاثر کیا جسکی وجہ سے فیول سٹاکٹ کے مارجن اور پیداوار میں کمی آئی۔

اکتوبر 2017 میں، کمپنی نے فیضیہ کو موثر گیسولین میں تبدیل کرنے کیلئے آئی سو مرائزیشن منصوبہ کو کامیابی کے ساتھ مکمل کیا۔ امید ہے یہ منصوبہ مثبت انداز میں کمپنی کی کارکردگی میں معاون ہوگا۔

یوب سٹاکٹ نے 1,326 ملین روپے کا ٹیکس کے بعد منافع کمایا جبکہ گزشتہ مالی سال اسی مدت میں یہ منافع 2,078 ملین روپے تھا۔ یوب سٹاکٹ کے منافع میں کمی کی وجہ نومبر 2017 کے دوران 22 دنوں کیلئے یوب II ریفاائنری کے سٹرکچرل ارارڈ ٹنڈے جسکی وجہ سے پیداوار میں کمی ہوئی اور اضافی فنڈز کی کم دستیابی کی وجہ سے Other income میں کمی رہی۔

بورڈ تمام حصہ داروں کا انکی سلسل حمایت اور اعتماد کیلئے شکر گزار ہے۔

بورڈ کی جانب سے
لیتے و عمل
لیٹ جی فرعون
چیئر مین

راولپنڈی
23 جنوری، 2018

**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, 2017 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 the 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, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

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, 2017 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: February 1, 2018

Name of the engagement partner: Rashid A. Jafer

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2017

	Note	Unaudited December 31, 2017 (Rupees in thousand)	Audited June 30, 2017
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	39,158,824	38,547,362
Long term investment		-	-
Long term loans	6	51,713	51,333
Long term deposits	7	30,189	30,189
Retirement benefit prepayments		279	5,468
		<u>39,241,005</u>	<u>38,634,352</u>
CURRENT ASSETS			
Stores, spares and chemicals		867,547	908,606
Stock-in-trade	8	11,564,307	10,931,017
Trade debts		5,836,269	6,032,874
Loans and advances	9	50,619	64,276
Trade deposits and short-term prepayments	10	131,337	14,013
Interest accrued		16,091	15,831
Other receivables		565,555	674,368
Taxation - payments less provisions		1,516,944	1,341,117
Cash and bank balances	11	4,259,444	2,769,491
		<u>24,808,113</u>	<u>22,751,593</u>
TOTAL ASSETS		<u>64,049,118</u>	<u>61,385,945</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		799,666	799,666
Reserves		42,364,168	42,540,214
		<u>43,163,834</u>	<u>43,339,880</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowing	12	451,185	689,490
Retirement benefit obligations		316,341	264,824
Deferred taxation		153,760	408,566
		<u>921,286</u>	<u>1,362,880</u>
CURRENT LIABILITIES			
Trade and other payables	13	19,768,078	16,484,464
Accrued mark-up		6,949	9,750
Provisions		112,361	112,361
Short term finance	14	-	-
Current portion of long-term borrowing		76,610	76,610
		<u>19,963,998</u>	<u>16,683,185</u>
TOTAL LIABILITIES		<u>20,885,284</u>	<u>18,046,065</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	15	<u>64,049,118</u>	<u>61,385,945</u>

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


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
← (Rupees in thousand) →					
Gross sales	16	43,216,608	37,544,611	84,909,730	74,076,094
Trade discounts, taxes, duties, levies and price differential	17	(12,114,573)	(10,941,092)	(23,879,281)	(21,736,177)
Net sales		31,102,035	26,603,519	61,030,449	52,339,917
Cost of sales		(30,764,740)	(24,133,057)	(58,548,820)	(47,630,230)
Gross profit		337,295	2,470,462	2,481,629	4,709,687
Distribution cost		(182,205)	(197,190)	(373,570)	(359,210)
Administrative expenses		(222,200)	(219,919)	(432,156)	(412,579)
Other income	18	138,832	197,473	270,643	425,176
Other operating expenses		34,224	(156,044)	(95,282)	(300,193)
Operating profit		105,946	2,094,782	1,851,264	4,062,881
Finance cost	19	(451,091)	(16,780)	(482,868)	(62,680)
Profit / (loss) before taxation		(345,145)	2,078,002	1,368,396	4,000,201
Taxation	20	268,030	(15,419)	254,806	(32,287)
Profit / (loss) after taxation		<u>(77,115)</u>	<u>2,062,583</u>	<u>1,623,202</u>	<u>3,967,914</u>
Earnings / (loss) per share - basic and diluted		<u>(Re. 0.96)</u>	<u>Rs. 25.79</u>	<u>Rs. 20.30</u>	<u>Rs. 49.62</u>

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


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	← (Rupees in thousand) →			
Profit / (loss) after taxation	(77,115)	2,062,583	1,623,202	3,967,914
Other comprehensive income / (loss)				
Items that will not be reclassified to profit and loss account				
Remeasurement of post employment benefit obligation	-	-	-	-
Deferred tax thereon	-	-	-	-
Total comprehensive income / (loss)	(77,115)	2,062,583	1,623,202	3,967,914

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


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Note	December 31, 2017	December 31, 2016
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	21	5,709,690	10,295,406
Income tax paid		(175,827)	(1,545,430)
Finance cost paid		(13,544)	-
Increase in long term loans		(380)	(1,409)
Payments made to staff retirement benefit funds		-	(47,721)
Net cash inflow from operating activities		<u>5,519,939</u>	<u>8,700,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,160,333)	(10,959,897)
Proceeds from disposal of property, plant and equipment		1,410	-
Return received on investments and bank accounts		133,349	257,755
Net cash used in investing activities		<u>(2,025,574)</u>	<u>(10,702,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,766,107)	(1,582,367)
Proceeds from long term borrowing		-	766,100
Repayment of long term borrowing		(238,305)	-
Net cash used in financing activities		<u>(2,004,412)</u>	<u>(816,267)</u>
Net increase / (decrease) in cash and cash equivalents		1,489,953	(2,817,563)
Cash and cash equivalents at the beginning of the period		2,769,491	11,870,898
Cash and cash equivalents at the end of the period		<u>4,259,444</u>	<u>9,053,335</u>

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


Chief Financial Officer


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (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	Unappropriated profit	
	(Rupees in thousand)							
Balance as at July 1, 2016	799,666	10,142	4,117	5,683,233	-	24,061,000	6,264,285	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	7,515,943	-	28,061,000	2,800,158	39,191,026
Balance as at July 1, 2017	799,666	10,142	4,117	-	9,631,914	28,061,000	4,833,041	43,339,880
Final dividend for the year ended June 30, 2017 - Rs. 22.50 per share	-	-	-	-	-	-	(1,799,248)	(1,799,248)
Transfer to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-
Profit for the half year ended December 31, 2017	-	-	-	-	-	-	1,623,202	1,623,202
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended December 31, 2017	-	-	-	-	-	-	1,623,202	1,623,202
Transferred to special reserve	-	-	-	239,507	-	-	(239,507)	-
Balance as at December 31, 2017	799,666	10,142	4,117	239,507	9,631,914	31,061,000	1,417,488	43,163,834

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


Chief Financial Officer


Chief Executive


Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 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 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.

On October 09, 2017, Pentane / Hexane Isomerization Unit has successfully commenced operations and, accordingly, this unit has been capitalised.

2. BASIS OF PREPARATION

As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies whose financial year, including quarterly and other interim periods, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of the 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 repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2017.

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 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, which continues to explore how financial statement disclosure can be improved.

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, 2017 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

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, 2017.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

- 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, 2017.
- 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, 2017.

December 31,
2017
(Rupees in thousand)

June 30,
2017

5. FIXED ASSETS

Property, plant and equipment

- Operating assets	36,549,728	30,804,238
- Major spare parts and stand-by equipments	420,389	260,153
- Capital work-in-progress - note 5.1	<u>2,157,218</u>	<u>7,443,967</u>
	39,127,335	38,508,358

Intangible assets

31,489

39,004

39,158,824

38,547,362

5.1 Capital work-in-progress

	Balance as at July 1, 2017	Additions during the period	Transfers	Balance as at December 31, 2017	Balance as at July 1, 2016	Additions during the period	Transfers	Balance as at June 30, 2017
	(Rupees in thousand)							
Buildings on leasehold land	13,389	14,504	(8,771)	19,122	28,124	35,626	(50,361)	13,389
Refineries upgradation projects	6,541,758	1,263,112	(6,710,815)	1,094,055	19,778,143	13,579,867	(26,816,252)	6,541,758
Plant and machinery	658,949	515,873	(508,872)	665,950	146,729	1,783,897	(1,271,677)	658,949
Office and other equipments	30,555	25,249	(28,439)	27,365	43,233	19,419	(32,097)	30,555
	<u>7,244,651</u>	<u>1,818,738</u>	<u>(7,256,897)</u>	<u>1,806,492</u>	<u>19,996,229</u>	<u>15,418,809</u>	<u>(28,170,387)</u>	<u>7,244,651</u>
Advances to contractors / suppliers - note 5.4	199,316	290,796	(139,386)	350,726	157,523	132,174	(90,381)	199,316
	<u>7,443,967</u>	<u>2,109,534</u>	<u>(7,396,283)</u>	<u>2,157,218</u>	<u>20,153,752</u>	<u>15,550,983</u>	<u>(28,260,768)</u>	<u>7,443,967</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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

	Additions (at cost)		Disposals (at net book value)	
	December 2017	December 2016	December 2017	December 2016
	← (Rupees in thousand) →			
Plant and machinery - note 5.3	6,797,151	33,457	-	-
Office and other equipments	47,534	31,072	-	-
Buildings	11,083	16,139	-	-
Utilities	24,455	63,000	-	-
Vehicles	1,602	6,316	2,116	-
Furniture and fixtures	2,865	1,466	-	-
Power plant	383,655	3,342	-	-
Computer equipment	2,164	2,403	-	-
Pipelines	2,432	19,048	-	-
Storage tanks	13,905	18,049	-	-
	<u>7,286,846</u>	<u>194,292</u>	<u>2,116</u>	<u>-</u>

5.3 This includes capitalisation of Rs. 6.71 billion (2016: Rs. Nil) for the upgradation and expansion of fuel refinery operations.

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. 4.8 million (June 30, 2017: Rs. 3.3 million) carry interest ranging from 3% to 7% (June 30, 2017: 3% to 7%). These also include unsecured loans to executives and employees which are interest free.

7. LONG TERM DEPOSITS

These deposits do not carry any markup arrangement.

8. STOCK-IN-TRADE

As at December 31, 2017 stock of finished goods has been written down by Rs. 133.45 million (June 30, 2017: Rs. 9.43 million) to arrive at its net realisable value.

9. LOAN AND ADVANCES

Out of these, car loans amounting to Rs. 0.75 million (June 30, 2017: Rs. 0.54 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	December 31, 2017	June 30, 2017
	(Rupees in thousand)	
11. CASH AND BANK BALANCES		
Cash in hand	500	500
With banks in:		
- current accounts	90,025	44,494
- savings accounts	1,233,234	1,088,811
- deposit accounts	2,935,685	1,635,686
	4,258,944	2,768,991
	<u>4,259,444</u>	<u>2,769,491</u>

All bank accounts are maintained under conventional banking system.

12. LONG-TERM BORROWING

During the period, the Company has paid unscheduled amount of long-term loan of Rs. 238.3 million.

	December 31, 2017	June 30, 2017
	(Rupees in thousand)	
13. TRADE AND OTHER PAYABLES		
Trade creditors	11,120,719	7,988,321
Due to the Government of Pakistan	588,406	592,995
Due to related parties:		
- Attock Petroleum Limited	15,437	15,028
- Attock Refinery Limited	8,703	24
- Pakistan Oilfields Limited	27,399	135,321
Accrued liabilities	2,038,977	2,070,746
Surplus price differential payable	882,314	1,288,745
PMG-RON differential payable	292,957	128,589
Custom duty payable - note 13.1	891,453	851,062
Sales tax payable	880,819	138,180
Retention money	1,460,445	1,795,010
Deposits from contractors	54,097	44,224
Advances from customers - note 13.2	274,814	477,850
Workers' profits participation fund	73,425	-
Workers' welfare fund	80,181	69,984
Income tax deducted at source	4,981	11,681
Unclaimed dividend	115,399	82,258
Excise duty and petroleum levy	949,807	788,570
Others	7,745	5,876
	<u>19,768,078</u>	<u>16,484,464</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

- 13.1 This represents the differential of custom duty levied on import of crude oil and sale of petroleum products based on SROs issued by the Government of Pakistan and MoPNR. During the period, the Oil and Gas Regulatory Authority (OGRA) has approved the mechanism for recovery of this duty.
- 13.2 This includes advances received from a related party - Pakistan Oilfields Limited amounting to Rs. 5.92 million (June 30, 2017: Rs. Nil) against supply of goods.

14. SHORT TERM FINANCE

During the period, the Company utilised Rs. 2 billion out of the available running finance facilities and repaid the same before the period end. Rate of markup applicable on this facility is 3 months KIBOR + 0.2% per annum.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 15.1.1 The Finance Act, 2017 has introduced tax on every public company at the rate of 7.5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company which distributes at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares. The Company has distributed dividend at the rate of Rs. 22.50 per share amounting to Rs. 1.80 billion for the year ended June 30, 2017, which is less than 40% of after tax profit and exposes the Company to a tax liability of Rs. 624 million.

The Company has filed a petition in the High Court of Sindh challenging the applicability of the above mentioned section. Among other grounds of appeal, the Company has taken a position that its after tax profit for the purpose of the said section should be taken after deduction of transfer to special reserves (which are made in accordance with Economic Coordination Committee approved import pricing parity formula), as this amount is not available for distribution as dividend. The High Court of Sindh has granted stay order to the Company in this regard. The Company, based on the advice of their consultants, believe that even if only this contention of the Company is accepted, then the Company is not exposed to any tax liability in this respect.

- 15.1.2 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, 2017.

15.2 Commitments

- a) Commitments for capital expenditure as at December 31, 2017 amounted to Rs. 0.568 billion (June 30, 2017: Rs. 1.231 billion) in respect of refinery upgradation project; and
- b) Outstanding letters of credit as at December 31, 2017 amounted to Rs. 11.85 billion (June 30, 2017: Rs. 15.10 billion).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)			
16. GROSS SALES				
Local	40,447,680	35,262,045	78,690,822	69,128,634
Export	2,768,928	2,282,566	6,218,908	4,947,460
	<u>43,216,608</u>	<u>37,544,611</u>	<u>84,909,730</u>	<u>74,076,094</u>

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

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)			
Trade discounts	102,125	114,254	260,955	201,175
Sales tax	7,869,648	7,090,438	15,661,301	13,758,428
Excise duty	106	174	167	368
Petroleum levy	3,034,852	2,639,615	5,800,714	5,405,802
Custom duty	1,008,280	833,134	1,991,777	1,632,888
PMG-RON differential	99,562	-	164,367	-
Surplus price differential	-	263,477	-	737,516
	<u>12,114,573</u>	<u>10,941,092</u>	<u>23,879,281</u>	<u>21,736,177</u>

18. OTHER INCOME

This includes return on bank deposits amounting to Rs. 94.92 million (2016: Rs. 173.01 million), return on Pakistan Investment Bonds amounting to Rs. 38.69 million (2016: Rs. 78.78 million) and return on treasury bills amounting to Rs. Nil (2016: Rs. 7.13 million).

All bank accounts are maintained under conventional banking system.

19. FINANCE COST

This includes net exchange loss of Rs. 471.48 million (2016: Rs. 61.87 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016

(Rupees in thousand)

20. TAXATION

Current - note 20.1	-	22,910	-	49,647
Deferred	(268,030)	(7,491)	(254,806)	(17,360)
	<u>(268,030)</u>	<u>15,419</u>	<u>(254,806)</u>	<u>32,287</u>

- 20.1 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,
2017 December 31,
2016
(Rupees in thousand)

21. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,368,396	4,000,201
Adjustment for non cash charges and other items:		
Depreciation and amortisation	1,546,755	204,911
Provision for staff retirement benefit funds	56,706	62,576
Finance cost	10,743	-
Return on investments and bank accounts	(133,609)	(258,910)
Loss on disposal of property, plant & equipment	706	-
Increase in working capital - note 21.1	2,859,993	6,286,628
	<u>5,709,690</u>	<u>10,295,406</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

December 31, 2017 December 31, 2016
(Rupees in thousand)

21.1 Increase in working capital

(Increase) / decrease in current assets

Stores, spares and chemicals	41,059	81,217
Stock-in-trade	(633,290)	1,489,010
Trade debts	196,605	(155,406)
Loans and advances	13,657	(18,953)
Trade deposits and short-term prepayments	(117,324)	(105,838)
Other receivables	108,813	199,707
	(390,480)	1,489,737

Increase in current liability

Trade and other payables	3,250,473	4,796,891
	<u>2,859,993</u>	<u>6,286,628</u>

22. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are:

Nature of relationship	Nature of transactions	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in thousand)			
Associated Companies	Sale of petroleum products	22,105,902	19,106,314	43,652,278	35,170,390
	Purchase of crude oil and condensate	65,797	74,365	282,008	272,912
	Price differential claim paid	10,257	-	16,980	-
	Rental income	1,432	1,301	2,843	2,582
	Hospitality charges	19,582	20,457	32,111	42,782
	Handling income	24,345	41,472	48,690	90,797
	Trade discounts and commission on sales	227,237	252,440	516,946	442,585
	Reimbursement of expenses	406	1,098	1,462	1,750
	Purchase of petroleum products	3,707	3,048	5,149	7,044
	Purchase of stores	-	281	-	281
	Dividend paid	917,616	815,659	917,616	815,659
Post employment staff benefit plans	Contributions	11,709	14,349	23,557	73,247
Key management personnel compensation	Salaries and other employee benefits	14,841	13,006	42,827	36,597
	Post employment benefits	575	788	1,243	1,579
	Directors' fees	897	731	2,321	2,299



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