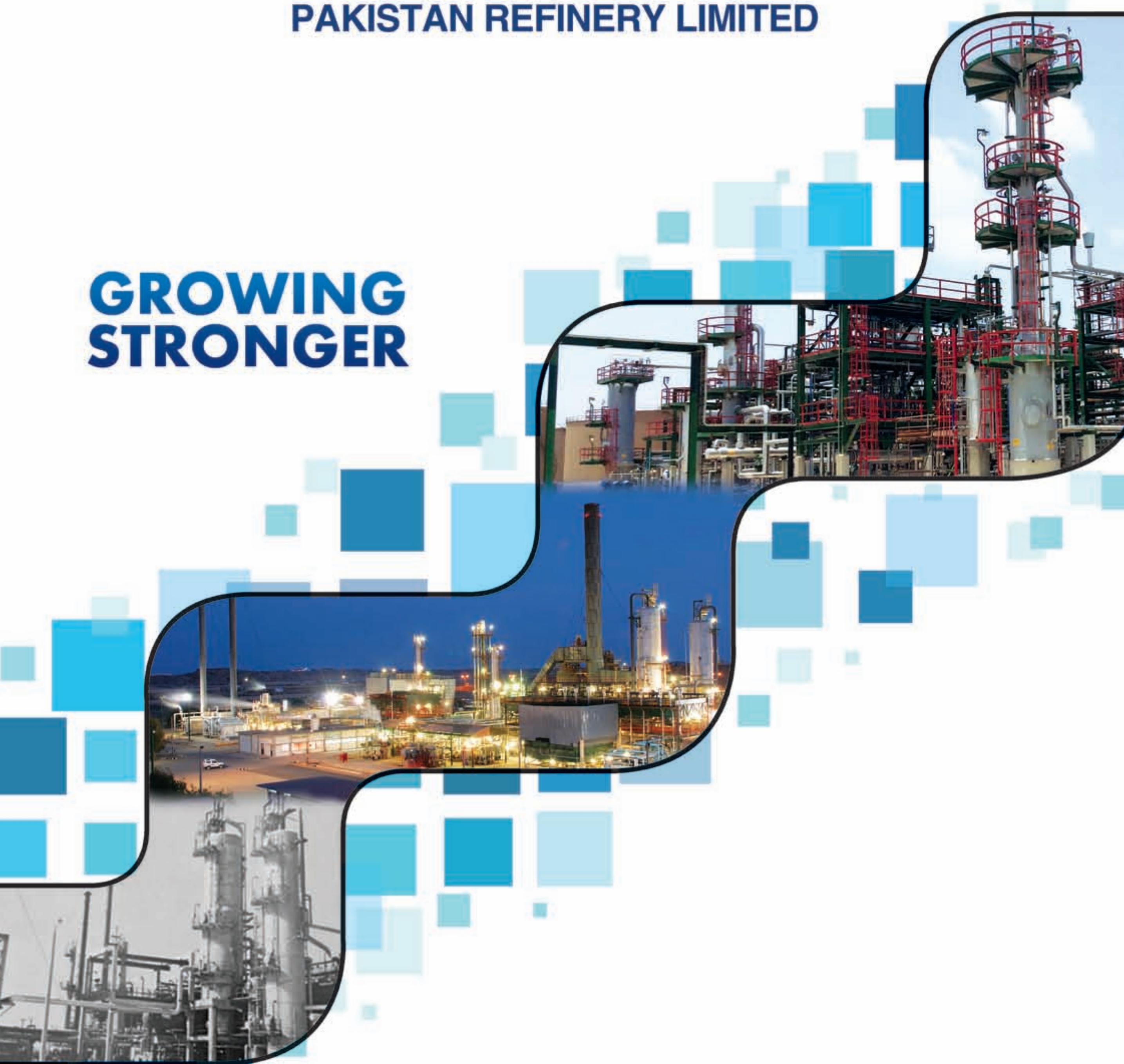
PAKISTAN REFINERY LIMITED

GROWING STRONGER



3RD QUARTER REPORT MARCH 31, 2017

Vision

To be the Refinery of first choice for all stakeholders.

Mission

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmentally friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.

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Company Information

Chief Financial Officer
Imran Ahmad Mirza

Company Secretary
Shehrzad Aminullah

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor
Orr Dignam & Co.

Registrar & Share Registration Office
FAMCO Associates (Pvt) Ltd.
8-F, Next to Hotel Faran, Nursery Block-6,
P.E.C.H.S. Shahra-e-Faisal, Karachi.

Registered Office
P.O. Box 4612
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Bankers
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citi Bank N.A.
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Board of Directors

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Abdul Jabbar Memon
Director

Babar H. Chaudhary
Director

Faisal Waheed
Director

Farrokh K. Captain
Director

Jawwad Cheema
Director

Muhammad Najam Shamsuddin
Director

Mumtaz Hasan Khan
Director

Saleem Butt
Director

Sheikh Imran ul Haque
Director

Board Committees

Audit Committee

The Audit Committee comprises of four members, from non-executive Directors of the Board all of whom have sufficient financial management expertise. The Chief Internal Auditor is the Secretary of the Committee.

The Board has determined the Terms of Reference of the Audit Committee and has provided adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

Human Resources and Remuneration Committee (HR&RC)

HR&RC comprises of four members, including its Chairman, from the non-executive Directors of the Company. The CEO may be inducted as member of the committee but not as the Chairman of committee. The General Manager Human Resources - Pakistan Refinery Limited will act as the Secretary of the Committee.

HR&RC has been delegated the role of assisting the Board of Directors in following matters:

- recommending human resource management policies to the board;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Managing Director & Chief Executive Officer;
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Managing Director & Chief Executive Officer, Chief Financial Officer, Company Secretary and Chief Internal Auditor;
- consideration and approval on recommendations of Managing Director & Chief Executive Officer on such matters for key management positions who report directly to Managing Director & Chief Executive Officer.

Board Technical Committee

The Board Technical Committee is responsible for removing barriers for realising the upgradation project for the Company's project team, institutionalising project execution process and governance for the upgradation project and endorsement of the investment decisions recommended by the Project Steering Committee. This committee also reviews and engages with technical managers for HSEQ matters.

Board Strategic Committee

The Board Strategic Committee has been set up to assist management in defining and putting up to the Board of Directors a structured strategic plan that will ensure future sustainability of the business and deliver sustainable returns to the shareholders.

Board Share Transfer Committee

The Share Transfer Committee comprises of two Directors and is set up to approve registration of transfer of shares received by the Company. The Share Transfer Committee shall assist the Board of Directors in the following matters:

- approve and register transfer / transmission of shares;
- sub-divide, consolidate and issue their certificates; and
- issue share certificates in place of those which are damaged or in which the pages are completely exhausted, provided the original certificates are surrendered to the Company.

Directors' Review

Maintaining a consistent performance during the current financial year, the company made profit after taxation of Rs. 1,066 million for the nine-months period ended March 31, 2017 as compared to profit after taxation of Rs. 860 million during the same period last year. This performance is with the backing of positive refining margins and stable exchange rate.

The Company however, remained burdened by the negativity of pricing mechanism of High Speed Diesel (HSD) which eroded Rs. 662 million from the profit for the nine-months period ended March 31, 2017. Since the inception of this HSD pricing mechanism, whereby refineries are required to pay the difference between HSD actual import price and a notional ex-refinery price, the Company's profitability has been adversely hit by Rs. 3,855 million to date.

The Company is committed to embark on the Refinery Expansion and Upgrade Project (REUP), including setting up of Diesel Hydro de-sulphurisation (DHDS) plant as required by the Government of Pakistan (GoP) to produce environment friendly HSD. However, this has been held up due to litigation amongst some of the shareholders of the Company. Further progress on the expansion project can only take place once the litigation is resolved.

It is very encouraging that despite all the above challenges, the Refinery managed smooth, uninterrupted and safe operations during the period and continues its focus on Health, Safety, Environment and Quality (HSEQ) standards with processes continuously being reviewed and strengthened, wherever required. The Refinery remained compliant with all applicable HSEQ standards during the period and completed 9.6 million man hours without any LTI as at March 31, 2017.

The Board of Directors express their gratitude to all stakeholders including Government ministries, employees and shareholders for their continuous support.

On behalf of the Board of Directors.

Farooq Rahmatullah Khan
Chairman

Karachi: April 18, 2017

Condensed Interim Balance Sheet
as at March 31, 2017

	Note	Unaudited March 31, 2017	Audited June 30, 2016
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	4	12,305,287	12,100,255
Intangible assets		6,588	9,214
Investment in associate		87,341	85,432
Long-term loans and advances		3,932	5,598
Long-term deposits		21,939	21,607
Deferred taxation	5	39,608	253,299
		12,464,695	12,475,405
Current assets			
Stores, spares and chemicals		387,064	347,029
Stock-in-trade	6	8,026,778	5,089,534
Trade debts		5,223,275	5,211,050
Loans and advances		12,796	62,291
Trade deposits and short-term prepayments		47,966	77,646
Other receivables		4,676	95,842
Taxation - payments less provision		849,755	831,593
Cash and bank balances	7	767,851	586,791
		15,320,161	12,301,776
		27,784,856	24,777,181
EQUITY			
Share capital	8	2,940,000	2,940,000
Exchange equalisation reserve		897	897
General reserve		1,050	1,050
Special reserve	2.3	479,300	479,300
Accumulated loss	2.4	(3,778,673)	(4,753,066)
Fair value reserve		4,397	1,380
		(353,029)	(1,330,439)
SURPLUS ON REVALUATION OF FIXED ASSETS		3,497,928	3,497,928
LIABILITIES			
Non-current liabilities			
Long-term borrowing		1,800,000	2,000,000
Retirement benefit obligations		236,464	241,495
Unearned Income		10,000	20,000
		2,046,464	2,261,495
Current liabilities			
Trade and other payables	9	12,853,531	11,254,006
Term finance certificates	10	234,890	1,967,020
Short-term borrowings		4,963,636	5,688,057
Running finance under mark-up arrangements	11	3,254,074	905,685
Current portion of long term borrowing		200,000	-
Accrued mark-up		93,521	39,299
Payable to government - sales tax		993,841	494,130
		22,593,493	20,348,197
		24,639,957	22,609,692
Contingencies and commitments	12		
		27,784,856	24,777,181

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Profit and Loss Account

for the nine months period ended March 31, 2017 (Unaudited)

	Note	For the quarter January - March 2017	For the quarter January - March 2016	For the nine months period July - March 2017	For the nine months period July - March 2016
		(Rupees in thousand)			
Net Sales	13	15,706,600	12,373,059	50,011,234	49,753,541
Cost of sales		(14,989,549)	(11,353,569)	(48,257,305)	(47,817,862)
Gross profit		717,051	1,019,490	1,753,929	1,935,679
Distribution cost		(47,075)	(40,463)	(136,636)	(128,168)
Administrative expenses		(81,080)	(69,726)	(236,122)	(206,180)
Other operating expenses	14	(44,139)	(65,436)	(153,975)	(105,289)
Other income	15	45,177	101,635	525,228	186,810
Operating profit		589,934	945,500	1,752,424	1,682,852
Finance cost		(138,918)	(232,651)	(456,266)	(687,539)
Share of income of associate		6,297	(336)	8,645	1,875
Profit before taxation		457,313	712,513	1,304,803	997,188
Taxation - current		(23,188)	-	(26,456)	-
- deferred		(58,803)	(61,083)	(212,814)	(136,729)
		(81,991)	(61,083)	(239,270)	(136,729)
Profit after taxation		375,322	651,430	1,065,533	860,459
Other comprehensive (loss) / income:					
Change in fair value reserve of available for sale investments of associate		(5,322)	169	3,893	(432)
Deferred tax relating to component of other comprehensive income		1,197	(38)	(876)	97
		(4,125)	131	3,017	(335)
Total comprehensive income		371,197	651,561	1,068,550	860,124
Earnings per share - basic and diluted	16	Rs. 1.21	Rs. 2.10	Rs. 3.43	Rs. 2.83

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Cash Flow Statement

for the nine months period ended March 31, 2017 (Unaudited)

	Note	March 31, 2017	March 31, 2016
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	17	1,640,981	(6,648,470)
Mark-up paid		(392,747)	(619,621)
Income tax paid		(44,617)	(71,399)
Contribution to defined benefit retirement plans		(63,847)	(44,090)
Decrease in long-term loans and advances		1,666	550
Increase in long-term deposits		(332)	(15)
Net cash generated from / (used in) operating activities		1,141,104	(7,383,045)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(852,462)	(358,242)
Purchase of intangible assets		-	(6,008)
Proceeds from disposal of fixed assets		6	-
Return received on deposits		80,000	87,931
Dividend received		10,629	10,630
Net cash used in investing activities		(761,827)	(265,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(90,386)	(130)
(Repayments of) / proceeds from foreign currency loans		(3,188,057)	16,129,057
Proceeds from short-term borrowings		3,063,636	-
Subscription money received against right issue		-	42
Deposit into debt service account for repayment of long-term borrowing		(96,841)	-
Redemptions against term finance certificates		(1,732,130)	(134,700)
Net cash (used in) / generated from financing activities		(2,043,778)	15,994,269
Net (decrease) / increase in cash and cash equivalents		(1,664,501)	8,345,535
Cash and cash equivalents at the beginning of the period		(2,818,894)	(4,169,290)
Exchange gains on cash and cash equivalents		331	-
Cash and cash equivalents at the end of the period	19	(4,483,064)	4,176,245

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Statement of Changes in Equity

for the nine months period ended March 31, 2017 (Unaudited)

	SHARE CAPITAL	SUB-SCRIPTION MONEY AGAINST RIGHTS ISSUE	CAPITAL RESERVE	REVENUE RESERVE		SPECIAL RESERVE (note 2.3)	FAIR VALUE RESERVE	TOTAL
			Exchange equalisation reserve	General reserve	Accumulated loss			
	(Rupees in thousand)							
Balance as at July 1, 2015	350,000	2,589,958	897	1,050	(4,853,066)	396,018	1,950	(1,513,193)
Subscription money against rights issue	-	42	-	-	-	-	-	42
Issuance of right shares	2,590,000	(2,590,000)	-	-	-	-	-	-
Profit for the nine months period ended March 31, 2016	-	-	-	-	860,459	-	-	860,459
Other comprehensive loss	-	-	-	-	-	-	(335)	(335)
Total recognised profit for the nine months period ended March 31, 2016	-	-	-	-	860,459	-	(335)	860,124
Balance as at March 31, 2016	2,940,000	-	897	1,050	(3,992,607)	396,018	1,615	(653,027)
Balance as at July 1, 2016	2,940,000	-	897	1,050	(4,753,066)	479,300	1,380	(1,330,439)
Final cash Dividend for the year ended June 30, 2016 - Rs. 0.31 per share	-	-	-	-	(91,140)	-	-	(91,140)
Profit for the nine months period ended March 31, 2017	-	-	-	-	1,065,533	-	-	1,065,533
Other comprehensive income	-	-	-	-	-	-	3,017	3,017
Total recognised profit for the nine months period ended March 31, 2017	-	-	-	-	1,065,533	-	3,017	1,068,550
Balance as at March 31, 2017	2,940,000	-	897	1,050	(3,778,673)	479,300	4,397	(353,029)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2017 (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is quoted on Pakistan Stock Exchange. The registered office of the Company is at Korangi Creek Road, Karachi. The Company is engaged in the production and sale of petroleum products.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months period ended March 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 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 for the year ended June 30, 2016.

2.1 The accounting policies and methods of computation adopted for 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.

2.2 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.

The amendments provide clarification on 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 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 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

Amendments to IAS 7 - Disclosure initiative

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.

2.3 Under the directive from the Ministry of Petroleum & Natural Resources' (the Ministry), any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

On March 27, 2013, the Government of Pakistan issued a policy framework for up-gradation and expansion of refinery projects, amended through a letter dated April 25, 2016, which interalia state that:

- till completion of the projects refineries will not be allowed to offset losses, if any, for year ended June 30, 2013 or subsequent years against the amount of profit above 50% accumulated or to be accumulated in the Special Reserve Account as per current pricing formula;

- the refineries are required to install Diesel Hydro Desulphurisation (DHDS) plant by June 30, 2017. If any refinery fails to install DHDS by June 30, 2017 then the ex-refinery price of High Speed Diesel (HSD) based on Import Parity Price (IPP) formula will be adjusted / reduced due to higher sulphur content.

During the period, the Company has completed a feasibility study in which various options have been considered for the Refinery expansion and up-gradation including the installation of DHDS under above policy framework.

2.3.1 The Company has not transferred any amount to special reserve for the nine months period ended March 31, 2017 since it continues to consider transfer to Special Reserve on annual basis.

2.4 As at March 31, 2017 the Company has accumulated losses of Rs. 3.78 billion (June 30, 2016: Rs. 4.75 billion) resulting in negative equity of Rs. 0.35 billion (June 30, 2016: Rs. 1.33 billion) and its current liabilities exceed its current assets by Rs. 7.27 billion (June 30, 2016: Rs. 8.05 billion). These conditions may cast a doubt on the Company's ability to continue as a going concern. During the period ended March 31, 2017, the Company earned profit after taxation of Rs. 1.07 billion. Further during the period, the Company has increased its banking facilities from Rs. 8.75 billion to Rs. 9.75 billion which will ease the pressure on Company's liquidity.

Based on the above facts and projected profitability and cash flows, the management believes that the current negative equity / liquidity situation will be overcome in future. Accordingly, this condensed interim financial information has been prepared on a going concern basis.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 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.

3.2 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.

4. FIXED ASSETS

Following are additions to fixed assets during the period:

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
Processing plant, tank farm, terminal, pipelines and power generation	375,308	487,231
Equipment including furniture	11,659	44,126
Firefighting and telecommunication systems	5,538	17,653
Major spare parts and stand-by equipment - net of transfers	(67,112)	(382,899)
Capital work in progress - net of transfers	527,069	173,470
	852,462	339,581

4.1 During the period, assets costing Rs. 0.5 million (March 31, 2016: Rs. Nil) having written down value of Rs. Nil (March 31, 2016: Rs. Nil) were disposed off.

	March 31, 2017	June 30, 2016
	(Rupees in thousand)	
4.2 Capital work-in-progress		
Buildings	2,803	-
Processing plant	244,428	89,998
Korangi tank farm	214,058	174,116
Keamari terminal	180,753	96,405
Pipelines	118,130	21,182
Fire fighting and telecommunication systems	12,478	-
Power generation, transmission and distribution	38,206	491
Equipment including furniture	6,546	876
Advances to contractors / suppliers	287,189	194,454
	1,104,591	577,522

4.2.1 During the period, the Company has capitalised borrowing costs amounting to Rs. 39.47 million (June 30, 2016: Rs. 17.35 million) on capital work-in-progress. Borrowing costs were capitalised at the current weighted average rate of its general borrowings of 8.08% (June 30, 2016: 9.35%) per annum.

5. DEFERRED TAXATION

Deferred tax debit balances of Rs. 2.68 billion (June 30, 2016: Rs. 2.97 billion) in respect of unabsorbed depreciation, tax losses, minimum tax and deductible temporary differences have not been recognised as their recoverability is not expected.

6. STOCK-IN-TRADE

This includes crude oil in transit amounting to Rs. 2.99 billion (June 30, 2016: Rs. 0.96 billion).

As at March 31, 2017 stock of crude oil has been written down by Rs. Nil (June 30, 2016: Rs. 31.54 million) and finished goods by Rs. 33.29 million (June 30, 2016: Rs. 83.76 million) to arrive at their net realisable values.

	March 31, 2017	June 30, 2016
	(Rupees in thousand)	
7. CASH AND BANK BALANCES		
With banks on		
- current accounts - note 7.1	54,331	12,948
- mark-up bearing savings accounts - notes 7.2 & 7.3 [including foreign currency account Rs. 230.73 million (June 30, 2016: Rs. 230.40 million)]	712,425	572,668
Cash in hand	1,095	1,175
	767,851	586,791

7.1 These bank balances are maintained under current accounts and do not carry any interest.

7.2 The rates of mark-up on savings accounts during the year ranged from 3.75% to 5.75% per annum (June 30, 2016: mark-up on savings accounts ranged from 3.85% to 5.75% per annum).

7.3 This includes local and foreign currency balances maintained with Faysal Bank Limited - a related party of Rs. Nil and Rs. 230.73 million respectively (June 30, 2016: Rs. 3.22 million and Rs. 230.40 million respectively).

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2017 (Unaudited)

8. SHARE CAPITAL

During the year ended June 30, 2016, the Company issued right shares amounting to Rs. 2.59 billion out of the total size of issue of Rs. 2.8 billion. The amount of Rs. 210 million has not been issued due to the Restraining Order obtained under Suit No. 931 of 2015 by one of the Class B shareholder 'Pakistan State Oil Company Limited' against another Class B shareholder 'Chevron Global Energy Inc. (Chevron)'. The order in the suit interalia directs all the defendants to maintain status quo in respect of the letters of rights issued to and shares held by Chevron; and restrains Chevron from creating any third party interest in respect of shares offered to it under the letters of rights issued to another class B shareholder namely Shell Petroleum Company Limited.

9. TRADE AND OTHER PAYABLES

This includes differential of regulatory duty / custom duty levied amounting to Rs.1.45 billion (June 30, 2016: Rs. 0.86 billion) on import of crude oil consumed in the production and sale of products based on SROs issued by Government of Pakistan and MoPNR. The Oil and Gas Regulatory Authority (OGRA) has been advised by MoPNR to establish a recovery mechanism for regulated products through which refineries are expected to operate on no gain / loss basis on this account.

10. TERM FINANCE CERTIFICATES

During the period, PRL Taraqqi TFC 1 amounting to Rs. 1.7 billion was fully redeemed after expiry of tenor of 3 years.

11. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

This includes running finance from Faysal Bank Limited - a related party of Rs. 1 billion (June 30, 2016: Rs. Nil).

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debt amount to Rs. 4.51 billion (June 30, 2016: Rs. 4.74 billion). These include Rs. 4.13 billion (June 30, 2016: Rs. 4.11 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.36 billion (June 30, 2016: Rs. 7.36 billion) relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

12.1.2 Bank guarantees of Rs. 61.6 million (June 30, 2016: Rs. 54 million) were issued in favour of third parties.

12.2 Commitments

As at March 31, 2017 commitments outstanding for capital expenditure amounted to Rs. 1.13 billion (June 30, 2016: Rs. 0.41 billion).

Outstanding letters of credit as at March 31, 2017 amounted to Rs. 0.24 billion (June 30, 2016: Rs. 9.2 billion).

Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipment amounted to Rs. 29.36 million (June 30, 2016: Rs. 32.57 million).

13. NET SALES

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
Local Sales	71,312,663	78,083,258
Exports	2,251,287	2,285,794
Gross Sales	73,563,950	80,369,052
Less:		
- Sales tax	(14,003,355)	(20,439,637)
- Excise duty and petroleum levy	(6,599,770)	(7,324,364)
- Surplus price differential - note 13.1	(749,930)	(1,319,545)
- Regulatory duty - note 13.2	(2,199,661)	(1,531,965)
	50,011,234	49,753,541

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2017 (Unaudited)

13.1 This includes price differential amounting to Rs. 88.3 million on sale of 90 RON MS, under the mechanism notified by Ministry of Petroleum & Natural Resources dated December 30, 2016.

13.2 This represents regulatory duty recovered on sale of products subject to regulatory duty.

13.3 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (MS, HOBC, HSD, LDO and Aviation Fuels) are based on prices determined in the light of notifications of the Ministry of Petroleum and Natural Resources.

14. OTHER OPERATING EXPENSES

This includes an amount of Rs. 56.76 million (March 31, 2016: Rs. 11.76 million) in respect of feasibility study for Refinery expansion and up-gradation project including installation of Diesel Hydrodesulphurisation Unit (DHDS).

15. OTHER INCOME

This includes net reversal of Rs. 350.85 million representing accrued amount in respect of crude purchases consequent to finalisation of these amounts by the Company as per the agreement, which are no more considered payable.

16. EARNINGS PER SHARE

	For the quarter		For the nine months period	
	January - March 2017	January - March 2016	July - March 2017	July - March 2016
	(Rupees in thousand)			
Profit after taxation attributable to ordinary shareholders	375,322	651,430	1,065,533	860,459
Weighted average number of ordinary shares outstanding during the period (in thousand)	310,366	310,366	310,366	304,375
Basic and diluted earnings per share	Rs. 1.21	Rs. 2.10	Rs. 3.43	Rs. 2.83

17. CASH GENERATED FROM / (USED IN) OPERATIONS

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
Profit before taxation	1,304,803	997,188
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	650,056	645,687
Capital work-in-progress written off	-	18,661
Mark-up expense	446,969	674,767
Provision for defined benefit retirement plans	58,816	45,279
Exchange gains on cash and cash equivalents	(331)	-
Share of income of associate	(8,645)	(1,876)
Return on deposits	(80,000)	(97,070)
Gain on disposal of fixed assets	(6)	-
Agreement signing fees	(10,000)	-
Working capital changes - note 17.1	(720,681)	(8,931,106)
Cash generated from / (used in) operations	1,640,981	(6,648,470)

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2017 (Unaudited)

		March 31, 2017	March 31, 2016
		(Rupees in thousand)	
17.1	Working capital changes		
	(Increase) / decrease in current assets		
	Stores, spares and chemicals	(40,035)	(139,628)
	Stock-in-trade	(2,937,244)	1,138,292
	Trade debts	(12,225)	(5,937,963)
	Loans and advances	49,495	(14,175)
	Trade deposits and short-term prepayments	29,680	76
	Other receivables	91,166	1,969,345
		(2,819,163)	(2,984,053)
	Increase / (decrease) in current liabilities		
	Trade and other payables	1,598,771	(7,330,311)
	Payable to government - sales tax	499,711	1,383,258
		2,098,482	(5,947,053)
		(720,681)	(8,931,106)

18. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	Transactions during the period March 31, 2017	March 31, 2016
		(Rupees in thousand)	
Associated companies	Sale of goods - net	45,197,450	40,721,656
	Sale of services	46,122	45,796
	Purchase of goods	-	33,355
	Services received	48,468	52,969
	Mark-up paid	6,875	24,014
	Dividend paid	64,674	-
	Dividend received	10,630	10,630
	Interest claimed on late payments	2,130	1,743
	Bank charges	170	135
	Agreement signing fee	3,750	1,250
Key management compensation	Salaries and other short-term employee benefits	77,545	69,976
	Post-employment benefits	11,621	9,219
Staff retirement benefit plans	Contributions to retirement plans	97,110	82,287
	Mark-up paid on TFCs	6,030	6,052
Directors	Fee including honorarium	2,677	2,602
	Dividend paid	26	-

Sale of certain products is transacted at prices fixed by the Oil and Gas Regulatory Authority. Other transactions with related parties are carried on commercially negotiated terms.

Key management personnel comprises of members of the Refinery Leadership Team.

Notes to and Forming Part of the Condensed Interim Financial Information

for the nine months period ended March 31, 2017 (Unaudited)

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances	671,010	4,176,245
Short-term loan	(1,900,000)	-
Running finance under mark-up arrangements	(3,254,074)	-
	(4,483,064)	4,176,245

20. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on April 18, 2017.

Farooq Rahmatullah Khan
Chairman

Aftab Husain
Managing Director & CEO

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