COMPANY INFORMATION

BOARD OF DIRECTORS	Rafi H. Basheer (Chairman) Jawwad A. Cheema Farrokh K. Captain Parvez Ghias Rahat Hussain Nasser N.S. Jaffer Naz Khan Klaas Mantel Haroon Rashid Badaruddin F. Vellani Faisal Waheed
CHIEF EXECUTIVE	Jawwad A. Cheema
AUDIT COMMITTEE	Naz Khan (Chairperson) Rafi H. Basheer Badaruddin F. Vellani
HUMAN RESOURCE & REMUNERATION COMMITTEE	Parvez Ghias (Chairman) Farrokh K. Captain Jawwad A. Cheema Klaas Mantel
COMPANY SECRETARY	Andalib Alavi
REGISTERED OFFICE	Shell House 6, Ch. Khaliquzzaman Road Karachi–75530 Pakistan
AUDITORS	EY Ford Rhodes
LEGAL ADVISORS	Vellani & Vellani Advocates & Solicitors
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-75400

CHAIRMAN'S REVIEW

FOR THE QUARTER ENDED MARCH 31, 2018

Dear Shareholders,

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the period ended March 31, 2018. Through continued focus on its strategic priorities and operational excellence, the Company has delivered a strong result for this past quarter, with a profit after tax of Rs. 1,356 million for the period.

Your company continues with its focus on ensuring safe operations across the supply chain. In the first quarter of 2018, some of the measures put in place have started to bear fruit. In the coming months, as our logistics infrastructure continues to adapt in order to ensure Shell Pakistan continues to lead the industry in transport safety standards, we are confident that your Company is well placed to capture the expected continued growth in the Pakistani fuels market. The stabilization of your Company's market share in this quarter is a good sign, and gives me confidence that your Company's efforts in this direction are beginning to bear fruit.

We continue to play an industry leading role in the engagement with OGRA to ensure implementation of the required safety standards across in the industry, and continue to look to the regulator to ensure a level playing field in terms of compliance to transport safety standards, for the benefit of all Pakistani consumers.

Lubricants

During the quarter, lubricants continued to be a strong pillar of Shell Pakistan's overall business performance, where the business continued to consolidate and leverage its market leadership position, and delivered strong volume growth across all focus segments. We also launched a special advertising campaign for our Helix motor oil, encouraging all Pakistanis to pledge to exhibit safe driving behaviours on our roads, tying in with our overall aim to be the safety leaders in the industry.

Retail

Your Company continued to enhance its Retail business by providing customers with the best retail forecourt experience in Pakistan supported by a continued expansion, with several new fuel stations being opened in the quarter, increased availability of our most advanced motor fuel, V-Power, and holding a series of engagements with our retailers all across the country, with a specific focus on reiterating the importance of safety focus in everything we do.

Social Investment

In your Company, we continue to invest in programmes that enable us to share with communities the benefits that economic development brings while creating a sustainable business environment, such as the Shell Tameer programme where we continued capacity building of young entrepreneurship talent and the Shell Eco Marathon, which gave engineering students a platform to manufacture fuel efficient cars with 10 teams from 7 universities taking part in this gobal innovation competition

Receivables & financing costs

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. As at 31st March 2018, total outstanding receivables stand at Rs. 5,494 million. The Company's management continues its efforts of proactive and regular engagement with relevant Government authorities for the recovery of receivables to ensure we enhance shareholder returns, drive for efficient business, and ensure our ability to continue to invest in growth opportunities in Pakistan.

March 2018 saw another sharp decline in the Pak rupee, as the currency saw a 5% fall in the space of less than a week. In an import dependent industry, where a large percentage of our payables are denominated in foreign currency, this resulted in a significant negative impact on our financial performance.

Fuel specifications and margins

Main grade motor gasoline margins are fixed in Rupees per liter by the government. In line with the initiative to revise margins based on Consumer Price Index, the government announced a small increase in October 2017; however, comparing the margins in Pakistan with the available margins in the Asia Pacific / Middle East region, we continue to advocate for a further favorable revision to bring them in line with increasing costs of investing and operating in Pakistan.

In October 2017, the Government of Pakistan also announced the intention to de-regulate diesel margins. This is a much-awaited initiative as it will allow OMC's to offer quality services to its customers and further invest in the downstream sector. We are working with the regulator and industry bodies on a comprehensive strategy to operationalize this decision in a manner that is transparent and provides the right value for consumers, and for your Company.

Going forward

The management remains committed to maintaining sharp focus on sustained financial performance of your Company, with a baseline of driving towards attaining Goal Zero in its safety performance. Driven by renewed determination to lead the industry towards safer operating standards, as the Company continues to work with relevant stakeholders, offering the right products and services to our customers to ensure strong financial performance.

The Company does recognize challenges ahead, not least arising from continued delays in receivables from the Government as well as changing market, regulatory and competitive dynamics. Our Board of Directors continues to play an active and effective role in driving the company towards achieving its objectives; meetings were well-attended and the board was involved both in setting the direction for the company and also in reviewing its performance.

Your Company is focused on driving towards credible, competitive and affordable business plans that deliver top quartile business performance, delivering better returns for our investors, positively impacting the communities we operate in and playing a key role in developing Pakistan's energy future. We thank our shareholders, customers, staff and all other stakeholders for their dedication and sustained support and trust in the Company as we continue our journey in becoming the number one energy company in Pakistan.

Rafi H. Basheer
Chairman of the Board

CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2018

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant & equipment	5	**9,983,597**	10,000,115
Intangible assets		**-**	-
Long-term investments	6	**4,325,747**	4,051,815
Long-term loans and advances		**31,116**	17,820
Long-term deposits and prepayments		**264,382**	289,045
Deferred taxation - net	7	**1,169,827**	1,214,351
		15,774,669	15,573,146
Current Assets			
Stock-in-trade	8	**12,431,326**	9,500,585
Trade debts		**3,185,632**	3,101,181
Loans and advances		**36,542**	48,403
Short-term prepayments		**502,865**	304,673
Other receivables	9	**7,979,243**	7,773,261
Cash and bank balances		**3,043,636**	2,591,864
		27,179,244	23,319,967
TOTAL ASSETS		**42,953,913**	38,893,113
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,070,125**	1,070,125
Share Premium		**1,503,803**	1,503,803
General Reserves		**207,002**	207,002
Unappropriated profit		**9,094,695**	7,738,731
Remeasurement of post employment benefits - Actuarial loss		**(321,601)**	(321,601)
Total equity		**11,554,024**	10,198,060
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		**121,118**	93,809
Current Liabilities			
Trade and other payables	10	**29,185,847**	27,154,452
Accrued mark-up		**729**	431
Short term borrowings - secured		**612,000**	395,000
Taxation - net		**1,480,195**	1,051,361
		31,278,771	28,601,244
Total Liabilities		**31,399,889**	28,695,053
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		**42,953,913**	38,893,113

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2018

	Note	(Unaudited) March 2018	(Unaudited) March 2017
		(Rupees '000)	
Sales		**49,288,567**	57,933,110
Other revenue		**204,164**	249,232
		49,492,731	58,182,342
Sales tax		**(7,875,769)**	(9,257,983)
Net revenue		**41,616,962**	48,924,359
Cost of products sold		**(37,159,706)**	(44,796,059)
Gross profit		**4,457,256**	4,128,300
Distribution and marketing expenses		**(1,317,449)**	(1,297,485)
Administrative expenses		**(781,697)**	(939,812)
Other operating expenses		**(796,162)**	(208,581)
Other income		**104,240**	90,182
Operating profit		**1,666,188**	1,772,604
Finance costs		**(46,706)**	(50,650)
		1,619,482	1,721,954
Share of profit of associate - net of tax		**273,932**	174,275
Profit before taxation		**1,893,414**	1,896,229
Taxation	12	**(537,450)**	(500,146)
Profit for the period		**1,355,964**	1,396,083
Other comprehensive income		**-**	-
Total comprehensive Income for the period		**1,355,964**	1,396,083
		(Rupees)	
Earnings per share - basic and diluted		**12.67**	13.05

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED MARCH 31, 2018

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappropriated profit	Acturial (loss) / gain on post-employment benefits	Total
	(Rupees '000)					
Balance as at December 31, 2016 (Audited)	1,070,125	1,503,803	207,002	8,301,460	27,392	11,109,782
Total comprehensive income for the quarter ended March 31, 2017	-	-	-	1,396,083	-	1,396,083
Balance as at March 31, 2017 (Unaudited)	1,070,125	1,503,803	207,002	9,697,543	27,392	12,505,865
Balance as at December 31, 2017 (Audited)	1,070,125	1,503,803	207,002	7,738,731	(321,601)	10,198,060
Total comprehensive income for the quarter ended March 31, 2018	-	-	-	1,355,964	-	1,355,964
Balance as at March 31, 2018 (Unaudited)	1,070,125	1,503,803	207,002	9,094,695	(321,601)	11,554,024

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2018

	Note	(Unaudited) March 2018	(Unaudited) March 2017
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	**445,477**	(2,808,943)
Finance costs paid		**(12,978)**	(5,723)
Income tax paid		**(64,092)**	(71,400)
Long-term loans and advances		**(13,296)**	(216)
Long-term deposits and prepayments		**24,663**	(1,033)
Interest received on short-term deposits		**22,113**	32,645
Net cash generated from operating activities		**401,887**	(2,854,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(163,336)**	(209,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(3,779)**	(2,193)
Net increase / (decrease) in cash and cash equivalents		**234,772**	(3,066,695)
Cash and cash equivalents at the beginning of the year		**2,196,864**	5,988,405
Cash and cash equivalents at end of the period		**2,431,636**	2,921,710

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Jawwad A. Cheema	**Faisal Waheed**	**Rafi H. Basheer**
Chief Executive	Chief Financial Officer	Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of Shell Petroleum Company Limited, United Kingdom (immediate parent) which is a subsidiary of Royal Dutch Shell Plc. (ultimate parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

1.2 The Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (Act); and

- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed. The condensed interim financial statements of the Company for the quarter ended March 31, 2018 are unaudited.

2.2 The condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

2.3 This condensed interim financial statements are being submitted to the shareholders as required by the Listing Regulations of Pakistan Stock Exchange and section 237 of the Act.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2017, except for certain amendments which did not have any effect on these condensed interim financial statements.

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 The Company follows the practice of conducting actuarial valuations annually at the year end. Hence, the impact of re-measurement of post-employment benefit plans has not been incorporated in the condensed interim financial statements.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

4.2 During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2017.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		(Rupees '000)	
Operating assets - at net book value	5.1 & 5.2	**8,740,664**	8,810,682
Provision for impairment		**(347,111)**	(358,423)
		8,393,553	8,452,259
Capital work-in-progress	5.3	**1,590,044**	1,547,856
		9,983,597	10,000,115

5.1 Additions to operating assets, including transfers from capital work-in-progress, during the period / year were as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees '000)	
Owned assets		
Leasehold land	**57,417**	116,502
Buildings on freehold land	**-**	1,638
Buildings on leasehold land	**6,132**	91,101
Tanks and pipelines	**48,344**	170,820
Plant and machinery	**22,195**	285,363
Dispensing pumps	**3,060**	265,985
Air conditioning plant,lifts and computer auxiliaries	**2,304**	17,331
Rolling stock and vehicles	**101**	32,846
Electrical, mechanical and fire fighting equipments	**-**	184,943
Furniture, office equipment and other assets	**20,411**	797,919
	159,964	1,964,448

5.2 The following assets were disposed / written off during the period / year:

	Cost	Accumulated depreciation	Net book value
		(Rupees '000)	
March 31, 2018 (unaudited)			
Owned assets			
Tanks and pipelines	270	220	50
	270	220	50
December 31, 2017 (audited)	263,398	247,723	15,675

5.2.1 For details of the assets disposed / written off during the year ended December 31, 2017, please refer to the audited annual financial statements for the same year.

5.3 Capital work-in-progress	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees '000)	
Buildings on leasehold land	**1,001,049**	967,881
Tanks and pipelines	**145,179**	144,848
Plant and machinery	**325,877**	314,092
Electrical, mechanical and fire fighting equipments	**106,490**	117,856
Furniture, office equipment and other assets	**1,519**	3,179
Computer auxiliaries	**9,930**	-
	1,590,044	1,547,856

6. LONG-TERM INVESTMENTS

This includes investment (26%) in an unquoted associate "Pak-Arab Pipeline Company Limited (PAPCO)", which is carried under equity method of accounting as summarized below:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees '000)	
Balance at the beginning of the period / year	**4,046,815**	3,730,560
Share of profit before taxation	**391,332**	1,242,946
Share of taxation	**(117,400)**	(405,170)
	273,932	837,776
Dividend received	**-**	(521,521)
Balance at the end of the period / year	**4,320,747**	4,046,815

7. DEFERRED TAXATION

This is composed of the following:

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		(Rupees '000)	
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation		**(974,907)**	(958,546)
- investment in associate		**(367,312)**	(326,222)
		(1,342,219)	(1,284,768)
Deductible temporary differences arising in respect of:			
- other provisions		**608,800**	595,873
- minimum tax carried forward	7.1	**1,903,246**	1,903,246
		2,512,046	2,499,119
		1,169,827	1,214,351

7.1 In view of the order of the High Court of Sindh, as fully explained in note 11.1.2.1 to the condensed interim financial statements, the Company has not recognized deferred tax asset on minimum tax carry forward amounting to Rs. 2,051,898 thousand.

8. STOCK-IN-TRADE

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		(Rupees '000)	
Raw and packing materials		**1,681,822**	1,690,379
Provision for obsolete and slow-moving stock	8.1	**(48,360)**	(45,205)
		1,633,462	1,645,174
Finished products	8.2	**10,861,318**	7,911,389
Provision for obsolete and slow-moving stock	8.1	**(63,454)**	(55,978)
		10,797,864	7,855,411
		12,431,326	9,500,585

8.1 Provision for obsolete and slow-moving stock is as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Balance at the beginning of the period / year	**101,183**	89,632
Provision made during the period / year	**87,390**	126,760
Reversals during the period / year	**(76,759)**	(115,209)
	10,631	11,551
Balance at end of the period / year	**111,814**	101,183

8.2 Includes items costing Rs. 3,078,808 thousand (2017: Nil) which have been valued at their net realizable value of Rs. 2,988,857 thousand (2017: Nil).

9. OTHER RECEIVABLES

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		(Rupees '000)	
Petroleum development levy and other duties	9.1	**1,380,029**	1,380,029
Price differential claims			
- on imported purchases	9.2	**295,733**	295,733
- on high speed diesel (HSD)	9.3	**343,584**	343,584
- on imported motor gasoline	9.4	**1,999,263**	1,999,263
Regulatory and customs duty receivable	9.5	**169,632**	169,632
Sales tax refundable	9.6	**191,639**	98,949
Inland freight equalization mechanism		**684,903**	928,489
Receivable from related parties	9.7	**331,961**	272,211
Service cost receivable from associated company – PAPCO		**15,562**	9,081
Staff retirement benefit schemes		**274,773**	273,411
Receivable from Oil Marketing Companies		**1,395,555**	1,329,960
Taxes recoverable	9.8	**976,009**	976,009
Others		**325,825**	102,135
		8,384,468	8,178,486
Provision for impairment		**(405,225)**	(405,225)
		7,979,243	7,773,261

9.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (2017: Rs. 1,369,560 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales from June 2007. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, refund cheques against which were received in 2014. During 2015, verification exercise of claims amounting to Rs. 182,004 thousand was completed by the authorities, however, the payment has not been released yet. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs. 851,330 thousand. However, the same has not yet been sanctioned by the FBR as of the balance sheet date. Furthermore, the remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by the FBR.

9.2 Represents amount receivable from GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.

9.3 Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidise petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.

9.4 Represents the Company's share of price differential claims on account of import of motor gasoline by the Company, being the difference between the landed cost and ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other oil marketing companies were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, oil marketing companies approached the Ministry of Petroleum and Natural Resources (MoPNR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Despite no response from the MoPNR, the Company along with another oil marketing company continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

In 2009, the Company along with other oil marketing companies approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs. 2,411,661 thousand. Subsequently, the Company received an amount of Rs. 454,000 thousand from GoP in respect of these claims.

In 2012, to meet the increasing local demand, oil marketing companies again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with oil marketing companies approached the GoP with a proposal to include the high premium on the gallop cargo in the pricing mechanism. MoPNR accepted the oil marketing companies' proposal and directed OGRA through its directive PL-3 (457) / 2012 - 43 dated June 30, 2012 to adjust the actual premium differential of the imported motor gasoline through the IFEM mechanism.

In 2013, the Company approached MoPNR through letter dated May 20, 2013 requesting to expedite settlement of the claim amounting to Rs. 109,896 thousand in respect of this import. On June 6, 2013, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit report thereafter in respect of this claim.

In 2017, claims aggregating to Rs. 71,844 thousand have been adjusted through the IFEM mechanism as per the directive of MoPNR stated above.

The Company along with other oil marketing companies and Oil Companies Advisory Council (OCAC) continues to follow up this matter with MoPNR and is confident of recovering the amounts in full.

9.5 This includes receivable in respect of regulatory duty imposed by the Ministry of Finance (MoF), Economic Affairs, Statistics and Revenue, GoP through S.R.O. 392(I)/2015 dated April 30, 2015 on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the Oil Marketing Companies (OMCs) were required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. Since the notification of regulatory duty was received on May 2, 2015, the impact of the regulatory duty could not be incorporated in the prices effective from May 1, 2015, which were announced on April 30, 2015. Therefore, the recovery of regulatory duty was to be made through subsequent month's prices of petroleum products. However, through SRO 603(I)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty from the GoP. The Company is currently engaged with the MoPNR and is actively pursuing recovery thereagainst. MoPNR, in accordance with the decision of Economic Coordination Committee (ECC) dated July 8, 2015, has requested OGRA to develop a comprehensive recovery mechanism of regulatory duty based on the principle that there should be no gain or loss to OMCs.

It further includes receivable in respect of increase in rate of customs duty effective June 25, 2016, imposed by the MoF through Finance Act 2016 dated June 24, 2016, on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the OMCs are required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. However, impact of increase in rate of customs duty was not incorporated in the price notification issued by OGRA for July 2016 which resulted in a receivable balance on customs duty to be recovered from the GoP. The Company has currently taken up this matter with OCAC to demand recovery of the aforesaid balance from the GoP and expects to receive the amount in due course.

9.6 Includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 642,996 thousand respectively. In 2017, the tax authorities completed verification of refunds amounting to Rs. 440,378 thousand which have been received. During the period, the tax authorities completed further verification exercise of refunds amounting to Rs. 75,389 thousand against which Refund Payment Orders have been issued. For the remaining refund claims, the Company is actively pursuing for their recovery.

9.7 Includes net receivable on account of recoveries from customers by Shell Aviation Limited on behalf of the Company.

9.8 In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of ATIR, completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs. 425,514 thousand. The demand primarily relates to disallowance of premium paid to Shell International Trading Middle East (SITME) on imports of high speed diesel while treating the same as payment to non-resident on which the Company failed to deduct tax under section 152 of the Income Tax Ordinance, 2001. The Company in response to the aforementioned order deposited an amount of Rs. 301,167 thousand while an amount of Rs. 111,785 thousand was adjusted against sales tax refund. In addition, a rectification application was also filed for correction of certain mistakes apparent in the order which has been accepted and given effect. The Company also filed an appeal against the aforementioned order before CIR (Appeals) which in its order dated February 2, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome of appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

10	TRADE AND OTHER PAYABLES	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
			(Rupees '000)	
	Creditors	10.1	**21,239,569**	18,536,541
	Accrued liabilities		**5,822,710**	6,729,762
	Dealers' and customers' security deposits		**329,136**	328,902
	Advances received from customers		**651,697**	617,180
	Provision for post retirement medical benefits		**91,578**	91,578
	Workers' welfare fund		**355,129**	321,908
	Workers' profits participation fund		**166,370**	79,387
	Provision for staff redundancy plan		**79,755**	79,445
	Unclaimed dividends		**266,516**	270,295
	Other liabilities		**183,387**	99,454
			29,185,847	27,154,452

10.1 This includes amounts due to related parties aggregating to Rs. 15,882,391 thousand (December 31, 2017: Rs. 14,870,616 thousand). Particulars of the amounts due are as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees '000)	
Affiliates of Parent company	**14,810,025**	14,474,852
Other related parties	**1,072,366**	395,764
	15,882,391	14,870,616

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Infrastructure fee

The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. Subsequently, Sindh Assembly has amended the Sindh Finance Act, 1994 through legislation of Sindh Finance Act, 2013 according to which infrastructure fee will range from 0.90% to 0.95% of total value of goods against various slabs of net weight of goods as assessed by the Customs Authorities plus one paisa per kilometer.

The Company and several others challenged the levy in constitutional petitions before the High Court of Sindh. These petitions were dismissed as, during their pendency, the nature of the levy was changed by the Government of Sindh through an Ordinance. The Company and others therefore filed civil suits in the High Court of Sindh challenging the amended Ordinance. However, these suits were also dismissed in October 2003. All the plaintiffs preferred intra-court appeals against the dismissal. The intra-court appeals were decided by the High Court in September 2008 wherein it was held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to this date. Being aggrieved by the said judgment, both the Company and the Government of Sindh filed separate appeals before the Supreme Court of Pakistan.

In 2011, the Government of Sindh unconditionally withdrew its appeals on the plea that the Sindh Assembly had legislated the Sindh Finance (Amendment) Act, 2009, levying infrastructure fee with retrospective effect from 1994. However, the Supreme Court of Pakistan, in view of the new legislation, directed the Company and others to file fresh petitions to challenge the same before the High Court and set aside the earlier order of the High Court.

The High Court on fresh petitions filed, passed an interim order directing that any bank guarantee / security furnished for consignments cleared upto December 27, 2006 are to be returned and for period thereafter guarantees or securities furnished for consignments cleared are to be encashed to the extent of 50% and the remaining balance is to be retained till the disposal of petitions. For future clearances, the Company is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount.

In 2017, Sindh Assembly passed the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 with retrospective effect from July 1, 1994. Through this Act, the range of infrastructure fee was increased to 1.10% to 1.15% on the value of goods against various slabs of net weight as assessed by the Custom Authorities plus one paisa per kilometer. This Act replaced the infrastructure cess levied under the Sindh Finance Act, 1994 and subsequent amendments thereof. To comply with the earlier interim order of the High Court granted against the cess as levied through the Sindh Finance Act 1994 and its amendments, the Company continues to pay 50% of the cess amount involved and furnishes bank guarantee for the balance amount. During the period, the Company filed a writ petition before the High Court of Sindh to challenge the levy of cess under this Act, against which a stay order has been granted.

Subsequent to the orders of the court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to March 31, 2018 at Rs. 117,493 thousand (2017: Rs. 111,493 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

Management is confident of a favorable outcome and accordingly no provision has been made in these financial statements against the levy.

11.1.2 Taxation

11.1.2.1 In 2011, the Company received a demand order from the tax authorities in respect of tax year 2008 amounting to Rs. 735,109 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses and taxing the reversal of provision for impairment in trade and other receivables. Further, assessing officer had also disallowed the credit for minimum tax amounting to Rs. 482,685 thousand paid in earlier year and set-off against tax liability for the tax year 2008. The Company thereafter filed an application against the order for rectification of certain mistakes apparent from the record. The tax officer rectified the order accepting the Company's contention and reduced the demand to Rs. 527,150 thousand. The Company in response to the demand deposited an amount of Rs. 120,000 thousand under protest and filed an appeal with the Commissioner Inland Revenue (CIR Appeals) and thereafter with Appellate Tribunal Inland Revenue (ATIR). The remaining demand has been adjusted by the taxation authorities from sales tax refundable. In 2012, both CIR Appeals and ATIR have decided the case against the Company. The Company in response to this order of ATIR filed an appeal before the High Court of Sindh which is pending for hearing.

In 2013, the High Court of Sindh, in respect of another Company, overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that the minimum tax could not be carried forward where there was no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor that the above order is not correct and would not be maintained by the Supreme Court of Pakistan which the Company intends to approach, if same decision is awarded to the Company in appeal to the High Court of Sindh. Therefore, the Company has continued to consider the adjustment made against the demand and the deposit of Rs. 120,000 thousand as recoverable and the same is included in 'Other receivables'.

11.1.2.2 In 2012, the Company received a demand order from the tax authorities in respect of tax year 2004 amounting to Rs. 161,057 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses, disallowance of software cost claimed as revenue expenditure and credit disallowed in respect of income derived from Azad Kashmir. The Company in response to the order deposited an amount of Rs. 29,106 thousand and filed a rectification application and an appeal with CIR Appeals. The tax officer rectified the order allowing Azad Kashmir tax credit and partial relief on amortisation of software cost reducing the tax demand to Rs. 109,895 thousand, after taking into consideration Rs. 29,106 thousand already deposited on this account.

Thereafter, the Company made a payment of Rs. 100,000 thousand under protest against the rectified order and filed another rectification application and appeal before CIR Appeals. The tax officer provided further relief in the revised rectified order on account of software cost which resulted in a net tax refund of Rs. 733 thousand after taking into consideration the payments already made in this regard. The revised rectified order still contains certain mistakes for which the Company filed another rectification application which is still pending.

In 2013, CIR Appeals upheld the basis used by tax officer in respect of allocation of expenses and had directed the tax authorities to work out correct figures, in order to determine the allocation ratio. The CIR Appeals in respect of disallowance of software cost had directed tax authorities to give consequential effect to the subsequent years. The Company filed an appeal against the CIR Appeals order before the ATIR which through an order dated December 7, 2015 confirmed the decision of the CIR Appeals on the issue of allocation of expenses. The Company in response to this order of ATIR filed an appeal before the High Court of Sindh which is pending for hearing.

The Company filed a reference before the High Court of Sindh against the ATIR order. Simultaneously, a miscellaneous application was filed before ATIR to review its earlier judgement. The ATIR vide order dated December 22, 2016 re-visited its decision and agreed that the judgement of the Supreme Court of Pakistan in respect of civil petition no. 1306 of 2014 had been overlooked. However, it also gave directions to rehear the department's contentions and re-fix the hearing.

The Company, based on the advice of its tax consultant expects a favorable outcome, however, an amount of Rs. 19,068 thousand has been provided representing the best estimate of potential liability arising therefrom. The payment made against the demand to the extent considered recoverable has been included in 'Other receivables'.

11.1.2.3 In 2015, the tax authorities after finalizing the income tax audit for the tax year 2011 raised a demand of Rs. 1,694,921 thousand. The demand principally arose due to the disallowance of premium paid to SITME on imports, disallowance of technical service fee and other associated company payments for alleged non-withholding of tax and allocation of expenses. Additionally, unutilized tax losses of previous years were not adjusted in computing the tax liability. The Company in response to order filed a rectification application and an appeal with the CIR Appeals. The tax officer rectified the order allowing the unutilized tax losses for previous years thereby reducing the demand to Rs. 250,144 thousand. The revised rectified order still contained certain mistakes for which the Company filed another rectification application with the authorities which was rejected by the authorities. However, on the Company's appeal, CIR Appeals vide appellate order dated September 9, 2015 has decided most of the issues including disallowance of premium paid to SITME and technical service fee in favor of the Company, whereas disallowance of bad debts written off was confirmed. The Company and the department both have filed appeals against CIR Appeals decision.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on the aforementioned matter and accordingly no provision in this respect has been made in these condensed interim financial statements.

11.1.2.4 In 2016, the tax authorities after finalizing the income tax audit for the tax year 2010 raised a demand of Rs. 2,212,170 thousand. The demand principally arose due to the disallowance of premium paid to SITME on imports, disallowance on account of allocation of expenses & disallowance of technical service fee due to non-withholding of tax. Additionally, unutilized tax losses of previous years have not been adjusted in computing the tax liability. The Company in response to order has filed a rectification application and an appeal with the CIR Appeals. The CIR Appeals vide appellate order dated August 31, 2016 has given a favorable decision on most of the issues except for bad debts written off and legal issues against which appeal before the ATIR has been filed by the Company.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on these matters and accordingly no provision in this respect has been made in these condensed interim financial statements.

11.1.2.5 In 2017, the tax authorities after finalizing the income tax audit for the tax year 2015 raised a demand of Rs. 5,126 thousand. The demand principally arose due to the allocation of expenses and disallowance of tax loss on disposal of fixed assets. The Company in response to the order has filed an appeal with the CIR Appeals.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on these matters and accordingly no provision in this respect has been made in these condensed interim financial statements.

11.1.3 Sales tax and federal excise duty (FED)

11.1.3.1 In 2011, the tax authorities after conducting sales tax and FED audit for the period July 2008 to June 2009 and post refund audit for the period September and October 2008 raised sales tax and FED demands amounting to Rs. 1,843,529 thousand including penalty through several orders. In 2012 and 2013, the tax authorities also conducted sales tax and FED audit for period July 2009 to December 2009 and January to December 2011 and raised additional sales tax and FED demands amounting to Rs. 1,093,370 thousand and Rs. 2,902,486 thousand including penalty, respectively.

These demands primarily arose on account of (i) disallowing input tax against zero rated supplies; (ii) levying FED on license fee, group service fee and trademarks and manifestation fee; (iii) levying sales tax on difference in output sales tax as per return and financial statements; (iv) sales tax on lubricants paid on the value of supply instead of retail price as mentioned on packs; and (v) unlawful adjustment of input sales tax.

In 2012, the tax authorities adjusted sales tax demand of Rs. 173,799 thousand pertaining to September 2008 against sales tax refundable. The Company in response to the aforementioned orders filed appeals and sought stay against the demands with the CIR Appeals, ATIR and High Court of Sindh. The appeals for September and October 2008 were decided in favor of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 were decided in favor of the Company by CIR Appeals except for issue of FED on dealers joining fee and income from Company Owned Company Operated (COCO) sites.

Appeal on such issue was filed by the Company with the ATIR which remanded back the matter to the tax authorities for fresh adjudication. During 2015, the ATIR also decided the appeal filed by the tax authorities for the period July 2009 to December 2009 wherein all issues involved in the appeal were once again remanded back to the authorities for fresh examination.

The CIR (Appeals) whilst deciding sales tax appeal for the period January 2011 to December 2011 set-aside all matters involved in appeal and directed the tax authorities to re-examine the same in line with his directives. The Company filed an appeal on the matter before the ATIR, which in its order, has maintained the stance taken by CIR (Appeals). The Company in response to the order of ATIR, filed a reference application with the High Court of Sindh, which through an ad-interim order restrained tax authorities from passing an order.

In 2014, the tax authorities issued a notice proposing to levy sales tax on the value of supply of jet fuel to various airlines during the period July 2012 to June 2013 thereby proposing to raise tax demand of Rs. 2,558,997 thousand. The Company filed an application with the High Court of Sindh, which passed an ad-interim order restraining the tax authorities from passing an order.

In 2015, the tax authorities whilst finalizing sales tax audit for the period January 2012 to December 2012 issued a show cause notice inter alia proposing to levy sales tax on the value of supply of jet fuel during the period January 2012 to June 2012, thereby proposing to raise a demand of Rs. 1,046,760 thousand. Further, FED amounting to Rs. 186,201 thousand in respect of trade mark and manifestation fee and group fee is also being demanded. The Company filed an application with the High Court of Sindh, which passed an order restraining the tax authorities from passing an order.

The Company based on the merits of the aforementioned matters and as per the advice of its tax consultant and legal advisor, expects a favorable outcome on these matters and accordingly no provision has been made in this respect in these condensed interim financial statements.

11.1.3.2 In 2012, the Company received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, on imported goods, without specifying the basis of computation by levying further sales tax @ 2% representing minimum value addition under Sub-section 5 of Section 3 read with Section 7A of the Sales Tax Act, 1990 and Chapter X of the Sales Tax Special Procedure Rules, 2007. Further, the Company received show cause notices from Model Customs Collectorates Faisalabad, Lahore and Multan with a potential demand of Rs. 4,775,814 thousand, the basis of computation of which has not been specified. The Company is of the view that the sales tax on minimum value addition is not applicable as OMCs are manufacturers of lubricants and other products and the prices of POL products imported by them for sale in the country are administered under a special pricing arrangement agreed with the GoP.

The FBR has issued directives restricting Collectorates from any recovery actions and has also issued a notification dated February 10, 2012 confirming that value addition sales tax was not to be charged on POL products whose prices are regulated under special pricing arrangement by the GoP or regulatory authority working under the GoP. Further, Model Customs Adjudication quashed the show cause notices of Faisalabad, Lahore and Multan Collectorates based on the notification. The Company is also of the view that OMCs will not be required to pay the tax on deregulated products / exports retrospectively since directive of FBR was available at that time and is confident that revised notification in this respect will be issued by FBR if considered necessary. Furthermore, in the event the Company is required to make a payment in this respect, it is Company's contention that it will be able to claim the amount paid as input tax except for default surcharge, which cannot be computed at this stage. Accordingly, no provision has been made in this respect in these condensed interim financial statements.

11.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at March 31, 2018 aggregate to approximately Rs. 2,907,779 thousand (December 31, 2017: Rs. 2,907,659 thousand). This includes claims by refineries, amounting to Rs. 1,094,149 thousand (December 31, 2017: Rs. 1,094,149 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

11.2 Commitments

11.2.1 Capital expenditure contracted for but not incurred as at March 31, 2018 amounted to approximately Rs. 853,783 thousand (December 31, 2017: Rs. 493,354 thousand).

11.2.2 Commitments for rentals of assets under operating lease agreements as at March 31, 2018 amounted to Rs. 3,386,002 thousand (December 31, 2017: Rs. 3,449,240 thousand) payable as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees '000)	
Not later than one year	**253,770**	252,951
Later than one year and not later than five years	**978,737**	987,413
Later than five years	**2,153,495**	2,208,876
	3,386,002	3,449,240

11.2.3 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at March 31, 2018, the value of these cheques amounted to Rs. 8,690,823 thousand (December 31, 2017: Rs. 20,285,218 thousand). The maturity dates of these cheques extend to September 28, 2018.

11.2.4 Letters of credit and bank guarantees outstanding as at March 31, 2018 amount to Rs. 6,180,560 thousand (December 31, 2017: Rs. 10,134,156 thousand).

12. Taxation

	(Unaudited) Quarter ended	
	March 31, 2018	March 31, 2017
	(Rupees '000)	
Current	**492,926**	484,460
Deferred	**44,524**	15,686
	537,450	500,146

13. CASH GENERATED FROM OPERATIONS

	(Unaudited) Quarter ended	
	March 31, 2018	March 31, 2017
	(Rupees '000)	
Profit before taxation	**1,893,414**	1,896,229
Adjustment for non-cash charges and other items:		
Depreciation charge	**229,932**	217,158
Accretion expense in respect of asset retirement obligation	**1,755**	1,475
Reversal of liability in respect of asset retirement obligation	**(13,262)**	-
Provision/(Reversal) of Provision for impairment of stock-in-trade	**10,631**	(6,280)
Provision/(Reversal) for impairment of trade debts	**(2,557)**	13,552
Reversal of Provision for impairment of operating assets	**(11,312)**	(2,403)
Write off of operating assets	**50**	322
Share of profit of associate	**(273,932)**	(174,275)
Interest on short-term deposits	**(22,113)**	(32,645)
Mark-up on short-term borrowings	**13,276**	6,353
Working capital changes - note 13.1	**(1,380,405)**	(4,728,429)
	445,477	(2,808,943)

13.1 Working capital changes

Decrease / (Increase) in current assets		
Stock-in-trade	**(2,941,372)**	(4,267,527)
Trade debts	**(81,894)**	(741,436)
Loans and advances	**11,861**	58,679
Short-term prepayments	**(198,192)**	61,967
Other receivables	**(205,982)**	(772,187)
	(3,415,579)	(5,660,504)
Increase in current liability		
Trade and other payables	**2,035,174**	932,075
	(1,380,405)	(4,728,429)

14. RELATED PARTY TRANSACTIONS

Transactions entered during the period by the Company with related parties are as follows:

Nature of relationship	Nature of transactions	(Unaudited) Quarter ended March 31, 2018	March 31, 2017
		(Rupees '000)	
Associate			
Pak-Arab Pipeline Company Limited	Pipeline charges	**58,754**	143,847
	Others	**3,851**	10,784
Staff retirement benefit / contribution funds			
Pension Funds	Contribution	**-**	-
DC Pension Funds	Contribution	**32,233**	30,312
Gratuity Funds	Contribution	**-**	-
Provident Funds	Contribution	**16,670**	16,701
Key management personnel	Salaries and other short term employee benefits - note 14.1	**33,667**	27,026
	Post employment benefits	**1,359**	1,256
Non-Executive Directors	Fee for attending meetings	**1,094**	1,125
Other related parties	Purchases	**22,956,835**	28,965,269
	Sales	**23,213**	11,534
	Collection for sales made in Pakistan to customers of the parent company and its associates	**1,230,714**	1,729,021
	Technical service fee charged - note 14.2	**337,559**	346,684
	Trademarks and manifestations license fee charged - note 14.3	**98,716**	139,927
	Computer expenses charged (Global Infrastructure Desktop charges) - note 14.3	**12,265**	44,261
	Expenses recovered from related parties	**7,255**	50,823
	Other expenses charged by related parties	**113,406**	195,106
	Donations	**2,000**	-
	Bank charges	**17,576**	-
	Interest received	**6,411**	-

14.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive and Executive Directors to be key management personnel.

14.2 Technical services include advice and assistance to the Company in its operations. The fee for these services has been determined on the basis of agreements between the Company and a related Shell Group company based on an agreed methodology.

14.3 Trademarks and manifestations license fee and Global Infrastructure Desktop charges are based on the agreements entered into by the Company with Shell Group companies.

15. CORRESPONDING FIGURES

15.1 In order to comply with the requirements of International Accounting Standard 34 – 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balances as per the audited annual financial statements of the Company for the year ended December 31, 2017 and the corresponding figures in the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows comprise of balances of comparable period as per the condensed interim financial statements of the Company for the quarter ended March 31, 2017.

15.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

16. DATE OF AUTHORIZATION

These condensed interim financial statements were authorization for issue on April 24, 2018 by the Board of Directors of the Company.

Jawwad A. Cheema	**Faisal Waheed**	**Rafi H. Basheer**
Chief Executive	Chief Financial Officer	Director