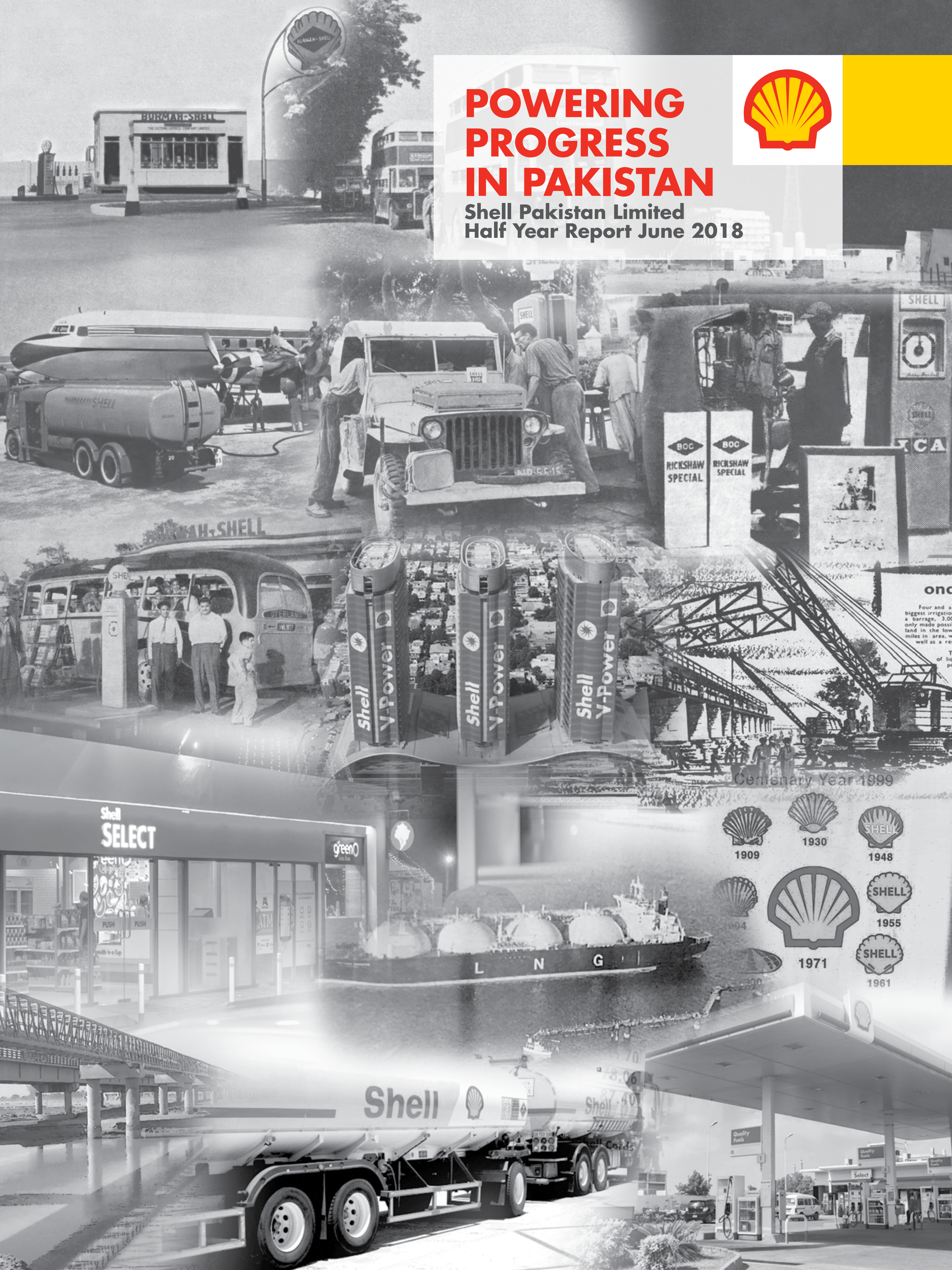
POWERING PROGRESS IN PAKISTAN

Shell Pakistan Limited
Half Year Report June 2018



COMPANY INFORMATION

BOARD OF DIRECTORS	Rafi H. Basheer (Chairman) Farrokh K. Captain Parvez Ghias Rahat Hussain Nasser N.S. Jaffer Naz Khan Klaas Mantel Haroon Rashid Badaruddin F. Vellani Faisal Waheed
CHIEF EXECUTIVE	Haroon Rashid
AUDIT COMMITTEE	Naz Khan (Chairperson) Rafi H. Basheer Badaruddin F. Vellani
HUMAN RESOURCE & REMUNERATION COMMITTEE	Parvez Ghias (Chairman) Farrokh K. Captain Haroon Rashid 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

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 second quarter and half year ended June 30, 2018. Your Company continued the focus on its strategic priorities and operational excellence in the second quarter of the year and delivered a profit after tax of Rs. 247 million for the second quarter and Rs. 1,603 million in the first half of the year.

This is inspite of significant challenges faced in the period from currency devaluation and oil price exposures on imports. Lubricants continued to grow volumes and Retail business also made progress on volume recovery.

The Board of Directors acknowledge the continued underlying operational performance of the company and declared an interim cash dividend of Rs. 7 per share for the half year ended 30th June 2018.

Your company continues with its focus on ensuring safe operations across the business with continued focus and extension of its existing best in class and compliant logistics capability having now brought in 120 new fuel delivery vehicle trucks with further induction planned in the coming months. With the completion of the new fleet induction, SPL will be at the forefront in terms of safety and compliance standards. We are also 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 is a good sign and gives me confidence that your Company's efforts in this direction are beginning to bear fruit.

Being the leading OMC in Pakistan in terms of compliance with the HSSE standards, we continue to play an industry leading role in the engagement with OGRA to ensure implementation of the required safety standards across 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 half year, 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 behaviors 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 period, increased availability of "V-Power", our most advanced motor fuel alongside a continued focus on driving safe Retail operations for the benefit of our retailers and customers .

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 global 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 30th June 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.

Like the first quarter, June 2018 saw another sharp decline in the Pak rupee, as the currency saw a 5% fall in the space of less than a week. This resulted in a devaluation of circa 10% for the first half of the year. 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 margins for motor gasoline are fixed in Rupee 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 margins in similar operating and financial conditions 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 oil marketing 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, although implementation of this intention is still pending. We are in engagement with the regulator and industry bodies to assist where required 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 continue 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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shell Pakistan Limited
Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Shell Pakistan Limited (the Company) as at June 30, 2018 and the related condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of comprehensive income and the notes forming part thereof for the three months ended 30 June 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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 statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the contents of notes 10.1, 10.2, 10.3 and 10.4 to the interim financial statements in respect of receivable against petroleum development levy and price differential claims due from the Government of Pakistan. Our conclusion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Riaz A. Rehman Chamdia.

Chartered Accountants
Place: Karachi
Date: 16 August 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	Unaudited June 30, 2018	Audited December 31, 2017
		(Rupees '000)	
ASSETS			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	5	**10,296,149**	10,000,115
Intangible asset	6	**-**	-
		10,296,149	10,000,115
Long-term investments	7	**4,539,039**	4,051,815
Long-term loans		**40,112**	17,820
Long-term deposits and prepayments		**388,370**	289,045
Deferred taxation – net	8	**1,187,669**	1,214,351
		16,451,339	15,573,146
Current Assets			
Stock-in-trade	9	**15,219,043**	9,500,585
Trade debts		**3,380,885**	3,101,181
Loans and advances		**62,337**	48,403
Short-term prepayments		**540,954**	304,673
Other receivables	10	**9,091,115**	7,773,261
Cash and bank balances		**3,369,651**	2,591,864
		31,663,985	23,319,967
TOTAL ASSETS		**48,115,324**	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		**7,522,897**	7,738,731
Remeasurement of post-employment benefits - actuarial loss		**(321,601)**	(321,601)
Total equity		**9,982,226**	10,198,060
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		**123,120**	93,809
Current Liabilities			
Trade and other payables	11	**34,709,678**	26,884,157
Unclaimed dividend		**1,777,177**	270,295
Accrued mark-up		**377**	431
Short term borrowings – secured		**-**	395,000
Taxation – net		**1,522,746**	1,051,361
		38,009,978	28,601,244
		38,133,098	28,695,053
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		**48,115,324**	38,893,113

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

	Note	Half year ended June 30, 2018	Half year ended June 30, 2017	Quarter ended June 30, 2018	Quarter ended June 30, 2017
		(Rupees '000)			
Sales		**106,434,056**	117,370,923	**57,145,489**	59,437,813
Other revenue		**448,044**	538,643	**243,880**	289,411
		106,882,100	117,909,566	**57,389,369**	59,727,224
Sales tax		**(16,976,565)**	(21,865,374)	**(9,100,796)**	(12,607,391)
Net revenue		**89,905,535**	96,044,192	**48,288,573**	47,119,833
Cost of products sold		**(81,619,815)**	(88,311,492)	**(44,460,109)**	(43,515,433)
Gross profit		**8,285,720**	7,732,700	**3,828,464**	3,604,400
Distribution and marketing expenses		**(2,840,859)**	(2,669,955)	**(1,523,410)**	(1,372,470)
Administrative expenses		**(2,012,113)**	(1,937,171)	**(1,230,416)**	(997,359)
		3,432,748	3,125,574	**1,074,638**	1,234,571
Other expenses	13	**(1,897,858)**	(369,282)	**(1,101,696)**	(160,701)
		1,534,890	2,756,292	**(27,058)**	1,073,870
Other income		**268,974**	295,227	**164,734**	205,045
Operating profit		**1,803,864**	3,051,519	**137,676**	1,278,915
Finance costs		**(93,249)**	(93,795)	**(46,543)**	(43,145)
		1,710,615	2,957,724	**91,133**	1,235,770
Share of profit of associate - net of tax	7	**487,224**	362,837	**213,292**	188,562
Profit before taxation		**2,197,839**	3,320,561	**304,425**	1,424,332
Taxation	14	**(594,463)**	(982,197)	**(57,013)**	(482,051)
Net profit for the period		**1,603,376**	2,338,364	**247,412**	942,281
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the period		**1,603,376**	2,338,364	**247,412**	942,281
Earnings per share - basic and diluted (Rupees)		**14.98**	21.85	**2.31**	8.81

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Haroon Rashid	**Faisal Waheed**	**Rafi H. Basheer**
Chief Executive	Chief Financial Officer	Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

	Note	Half year ended June 30, 2018	Half year ended June 30, 2017
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	**2,367,510**	(2,150,997)
Finance costs paid		**(16,244)**	(7,744)
Income tax paid		**(96,396)**	(107,611)
Long-term loans		**(22,292)**	(1,305)
Long-term deposits and prepayments		**(99,325)**	(5,350)
Interest received on short-term deposits		**60,954**	85,784
Net cash generated from / (used in) operating activities		**2,194,207**	(2,187,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(709,198)**	(587,929)
Proceeds from disposal of property, plant and equipment		**106**	-
Net cash used in investing activities		**(709,092)**	(587,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(312,328)**	(3,325,037)
Net increase / (decrease) in cash and cash equivalents		**1,172,787**	(6,100,189)
Cash and cash equivalents at the beginning of the period		**2,196,864**	5,988,405
Cash and cash equivalents at the end of the period		**3,369,651**	(111,784)
Cash and cash equivalents comprise of:			
Cash and bank balances		**3,369,651**	1,468,216
Short term borrowings – secured		**-**	(1,580,000)
		3,369,651	(111,784)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappro-priated 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
Final dividend for the year ended December 31, 2016 at the rate of Rs.28/- per share	-	-	-	(2,996,345)	-	(2,996,345)
Total comprehensive income for half year ended June 30, 2017	-	-	-	2,338,364	-	2,338,364
Balance as at June 30, 2017 (Unaudited)	1,070,125	1,503,803	207,002	7,643,479	27,392	10,451,801
Balance as at December 31, 2017 (Audited)	1,070,125	1,503,803	207,002	7,738,731	(321,601)	10,198,060
Final dividend for the year ended December 31, 2017 at the rate of Rs.17/- per share	-	-	-	(1,819,210)	-	(1,819,210)
Total comprehensive income for half year ended June 30, 2018	-	-	-	1,603,376	-	1,603,376
Balance as at June 30, 2018 (Unaudited)	**1,070,125**	**1,503,803**	**207,002**	**7,522,897**	**(321,601)**	**9,982,226**

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 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 of the Company for the half year ended June 30, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of International Accounting Standard 34 - 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. These condensed interim financial statements of the Company for the half year ended June 30, 2018 are unaudited but subject to limited scope review by the statutory auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017.

2.2 The figures of the condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and 2017 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended June 30, 2018. These 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 These condensed interim financial statements are being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2017, except as disclosed below:

New / Revised Standards, Interpretations and Amendments

IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
IAS 28	Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Amendment)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

3.2 The Company follows the practice of conducting actuarial valuation 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.

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of these condensed interim financial statements is in conformity with the approved accounting standards which 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 June 30, 2018	Audited December 31, 2017
		(Rupees '000)	
Operating assets - at net book value	5.1 & 5.2	**8,865,587**	8,810,682
Provision for impairment		**(350,762)**	(358,423)
		8,514,825	8,452,259
Capital work-in-progress	5.3	**1,781,324**	1,547,856
		10,296,149	10,000,115

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

	Unaudited Half year ended June 30, 2018	Unaudited Half year ended June 30, 2017
	(Rupees '000)	
Leasehold land	**79,735**	91,313
Buildings on freehold land	**-**	1,638
Buildings on leasehold land	**18,464**	88,935
Tanks and pipelines	**64,170**	88,355
Plant and machinery	**32,022**	195,691
Air conditioning plant	**-**	1,165
Lifts	**6,009**	8,515
Dispensing pumps	**61,645**	180,777
Rolling stock and vehicles	**101**	27,527
Electrical, mechanical and firefighting equipment	**12,421**	21,213
Furniture, office equipment and other assets	**239,980**	528,232
	514,547	1,233,361

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

	Cost	Accumulated depreciation	Net book value
		(Rupees '000)	
June 30, 2018 (Unaudited)			
Tanks and pipelines	**270**	**220**	**50**
June 30, 2017 (Unaudited)			
Building on leasehold land	1,559	1,555	4
Tanks and pipelines	7,120	6,758	362
Plant and machinery	47,523	47,447	76
Air conditioning plant and computer auxiliaries	13,570	13,136	434
Rolling stock and vehicles	42,449	42,449	-
Electrical, mechanical and fire fighting equipment	30,903	28,276	2,627
Furniture office equipment and other assets	5,287	4,958	329
	148,411	144,579	3,832

		Note	Unaudited June 30, 2018	Audited December 31, 2017
			(Rupees '000)	
5.3	**Capital work-in-progress**			
	Buildings on leasehold land		**1,057,104**	967,881
	Tanks and pipelines		**157,415**	144,848
	Plant and machinery		**435,767**	314,092
	Electrical, mechanical and fire-fighting equipment		**110,824**	117,856
	Furniture, office equipment and other assets		**4,414**	3,179
	Computer auxiliaries		**15,800**	-
		5.3.1	**1,781,324**	1,547,856

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 709,198 thousand (June 30, 2017: Rs. 587,928 thousand).

6. INTANGIBLE ASSET – computer software

This represents cost of Rs. 1,912,571 thousand incurred by the Company in respect of implementation and deployment of its Enterprise Resource Planning (ERP) system as part of its business process transformation and streamline project. The Company's ERP was fully amortized during the year ended 31 December 2015, however, it is still in active use.

7. LONG-TERM INVESTMENTS

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

	Unaudited June 30, 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	**765,174**	1,242,946
Share of taxation	**(277,950)**	(405,170)
	487,224	837,776
Dividend received	**-**	(521,521)
Balance at the end of the period / year	**4,534,039**	4,046,815

8. DEFERRED TAXATION - net

	Note	Unaudited June 30, 2018	Audited December 31, 2017
This comprises of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation		**(948,055)**	(958,546)
- investment in associate		**(399,306)**	(326,222)
		(1,347,361)	(1,284,768)
Deductible temporary differences arising in respect of:			
- provisions		**631,784**	595,873
- minimum tax carry forward	8.1	**1,903,246**	1,903,246
		2,535,030	2,499,119
		1,187,669	1,214,351

8.1 In view of the order of the High Court of Sindh, as fully explained in note 20.1.2.1 to the annual audited financial statements for the year ended 31 December 2017, the Company has not recognized deferred tax asset on minimum tax carry forward amounting to Rs. 2,051,898 (December 31, 2017: Rs. 2,051,898) thousand.

9. STOCK-IN-TRADE	**Note**	**Unaudited June 30, 2018**	**Audited December 31, 2017**
		(Rupees '000)	
Raw and packing materials		**1,877,557**	1,690,379
Provision for obsolete and slow moving stock	9.1	**(60,187)**	(45,205)
		1,817,370	1,645,174
Finished products		**13,486,962**	7,911,389
Provision for obsolete and slow moving stock	9.1	**(85,289)**	(55,978)
		13,401,673	7,855,411
		15,219,043	9,500,585

9.1 Provision for impairment is as follows:

Balance at the beginning of the period / year		**101,183**	89,632
Provision made during the period / year		**121,052**	126,760
Reversals during the period / year		**(76,759)**	(115,209)
		44,293	11,551
Balance at end of the period / year		**145,476**	101,183

10. OTHER RECEIVABLES			
Petroleum development levy and other duties	10.1	**1,380,029**	1,380,029
Price differential claims			
- on imported purchases	10.2	**295,733**	295,733
- on high speed diesel (HSD)	10.3	**343,584**	343,584
- on imported motor gasoline	10.4	**1,999,263**	1,999,263
Regulatory and customs duty receivable	10.5	**169,632**	169,632
Sales tax refundable	10.6	**1,419,217**	98,949
Inland freight equalisation mechanism		**455,797**	928,489
Receivable from related parties	10.7	**238,869**	272,211
Service cost receivable from PAPCO – an associated company		**12,381**	9,081
Staff retirement benefit schemes		**389,017**	273,411
Receivable from Oil Marketing Companies		**1,506,987**	1,329,960
Taxes recoverable	10.8	**995,077**	976,009
Others		**290,754**	102,135
		9,496,340	8,178,486
Provision for impairment		**(405,225)**	(405,225)
		9,091,115	7,773,261

10.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (December 31, 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.

10.2 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.

10.3 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.

10.4 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 were 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.

10.5 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 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.

10.6 Includes sales tax refundable on account of export sales pertaining to the 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 current 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.

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

10.8 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.

11. TRADE AND OTHER PAYABLES

	Note	Unaudited June 30, 2018	Audited December 31, 2017
		(Rupees '000)	
Creditors	11.1	**25,592,619**	18,536,541
Accrued liabilities		**7,607,516**	6,729,762
Dealers' and customers' security deposits		**343,818**	328,902
Advances received from customers		**550,816**	617,180
Provision for post-retirement medical benefits		**91,578**	91,578
Workers' welfare fund		**355,214**	321,908
Workers' profits participation fund		**71,623**	79,387
Provision for staff redundancy plan		**80,125**	79,445
Other liabilities		**16,369**	99,454
		34,709,678	26,884,157

11.1 Includes amount due to related parties aggregating to Rs. 18,208,323 thousand (December 31, 2017: Rs. 14,834,100 thousand).

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 20.1 to the annual audited financial statements for the year ended 31 December 2017 except for the contingencies disclosed in note 20.1.1 and note 20.1.4 of that financial statements which have been updated as follows:

12.1.1 Infrastructure fee

During the current period, the Company filed a writ petition before the High Court of Sindh (the Court) to challenge the levy of cess under the Sindh Development and Maintenance of Infrastructure Cess Act, 2017, against which a stay order has been granted.

Subsequent to the stay granted by the Court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to June 30, 2018 at Rs. 117,493 thousand (December 31, 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.

12.1.2 Others

The amount of other claims against the Company not acknowledged as debt as at June 30 2018 aggregate to approximately Rs. 3,069,576 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.

12.2 Commitments

12.2.1 Capital expenditure contracted for but not incurred as at June 30, 2018 amounted to approximately Rs. 989,533 thousand (December 31, 2017: Rs. 493,354 thousand).

12.2.2 Commitments for rentals of assets under operating lease agreements as at June 30, 2018 amounted to Rs. 3,957,388 thousand (December 31, 2017: Rs. 3,449,240 thousand) payable as follows:

	Unaudited June 30, 2018	Audited December 31, 2017
	(Rupees '000)	
Not later than one year	**284,909**	252,951
Later than one year but not later than five years	**1,122,813**	987,413
Later than five years	**2,549,666**	2,208,876
	3,957,388	3,449,240

12.2.3 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 June 30, 2018, the value of these cheques amounted to Rs. 9,614,252 thousand (December 31, 2017: Rs. 20,285,218 thousand). The maturity dates of these cheques extend to December 30, 2018.

12.2.4 Letters of credit and bank guarantees outstanding as at June 30, 2018 amount to Rs. 8,037,000 thousand (December 31, 2017: Rs. 10,134,156 thousand).

13. OTHER EXPENSES

Includes exchange loss amounting to Rs. 1,855,468 thousand (June 30, 2017: Rs. 138,242 thousand).

14. TAXATION

	Unaudited			
	Half Year ended		Quarter ended	
	June 30, 2018	June 30 2017	June 30, 2018	June 30 2017
	(Rupees '000)			
Current				
- for the period	**567,781**	760,786	**74,855**	276,326
- for prior period	**-**	173,379	**-**	173,379
	567,781	934,165	**74,855**	449,705
Deferred	**26,682**	48,032	**(17,842)**	32,346
	594,463	982,197	**57,013**	482,051

	Note	Unaudited Half year ended June 30, 2018	Unaudited Half year ended June 30, 2017
		(Rupees '000)	
15. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**2,197,839**	3,320,561
Adjustment for non-cash charges and other items:			
Depreciation charge		**459,592**	412,658
Accretion expense in respect of asset retirement obligation		**3,756**	2,949
Reversal of liability in respect of asset retirement obligation		**(13,262)**	-
Provision / (reversal) of impairment of stock-in-trade – net		**44,293**	(2,304)
Reversal of provision for impairment of trade debts		**(2,557)**	(1,618)
Trade debts written off		**39**	1,195
Reversal of provision for impairment of operating assets		**(7,661)**	(3,846)
Write off of operating assets		**50**	3,832
Gain on disposal of operating assets		**(106)**	-
Share of profit of associate – net of tax		**(487,224)**	(362,837)
Interest on short-term deposits		**(60,954)**	(85,784)
Mark-up on short-term running finance		**16,190**	7,739
Working capital changes	15.1	**217,515**	(5,443,542)
		2,367,510	(2,150,997)

15.1 Working capital changes

(Increase) / decrease in current assets

Stock-in-trade	**(5,762,751)**	(4,504,848)
Trade debts	**(277,186)**	(373,960)
Loans and advances	**(13,934)**	(43,029)
Short-term prepayments	**(236,281)**	2,763
Other receivables	**(1,317,854)**	(694,001)
	(7,608,006)	(5,613,075)
Increase in current liabilities		
Trade and other payables	**7,825,521**	169,533
	217,515	(5,443,542)

16. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of ultimate and immediate parents, associated undertakings, employees' retirement funds, directors and key management personnel. Transactions with related parties other than those disclosed elsewhere in these condensed interim financial statements are as follows:

			Unaudited Half year ended	
		Note	June 30, 2018	June 30, 2017
			(Rupees '000)	
Nature of relationship	**Nature of transactions**			
Holding Company	Dividend paid		**-**	2,769,086
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		**177,120**	308,188
	Others		**9,388**	17,581
Staff retirement benefit / contribution funds				
Defined contribution				
Pension funds	Contribution		**64,133**	60,342
Gratuity funds	Contribution		**507**	-
Provident funds	Contribution		**33,696**	32,319
Key management Personnel	Salaries and other short term employee benefits	16.1	**49,479**	42,710
	Post-employment benefits		**2,749**	2,552
Directors	Fee for attending meetings		**2,334**	2,750
	Dividend paid		**12,488**	23,544
Other related parties	Purchases		**51,731,891**	57,917,380
	Sales		**-**	22,317
	Collection for sales made in Pakistan to customers of the parent and its associates		**2,033,389**	2,353,527
	Technical service fee charged	16.2	**866,252**	663,096
	Trademarks and manifestations license fee charged	16.3	**217,400**	168,606
	Computer expenses charged (Global Infrastructure Desktop charges)	16.3	**39,455**	28,263
	Expenses recovered from related parties	16.4	**44,094**	70,086
	Other expenses charged by related parties	16.4	**249,363**	250,895
	Legal charges		**582**	1,327

16.1 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.

16.2 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.

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

16.4 Expenses recovered from / charged by related parties are based on actuals.

17. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Company as at 31 December 2017. There has been no change in any risk management policies since the year end.

18. FAIR VALUES OF ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities are estimated to approximate their fair values. There were no transfers amongst levels during the period.

19. SUBSEQUENT EVENT

The Board of Directors has proposed and approved an interim cash dividend of Rs. 7/- per share for the half year ended June 30, 2018, in its meeting held on August 16, 2018.

20. GENERAL

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

20.2 These condensed interim financial statements were authorized for issue on August 16, 2018 by the Board of Directors of the Company.

Haroon Rashid	**Faisal Waheed**	**Rafi H. Basheer**
Chief Executive	Chief Financial Officer	Director

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