ENERGISING THE FUTURE

Shell Pakistan Limited
Half Yearly Report June 2019

COMPANY INFORMATION

BOARD OF DIRECTORS	Rafi H. Basheer (Chairman) Haroon Rashid Farrokh K. Captain Parvez Ghias Waqar Siddiqui Nasser N.S. Jaffer Naz Khan Klaas Mantel Badaruddin F. Vellani Faisal Waheed Madiha Khalid
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 Klaas Mantel Haroon Rashid
COMPANY SECRETARY	Lalarukh Hussain-Shaikh
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

DIRECTOR’S REPORT

FOR THE HALF YEAR ENDED JUNE 30, 2019

Dear Shareholders,

The Directors of your Company present the financial statements for the half year ended June 30, 2019.

While the underlying business through the period remained positive, unprecedented devaluation of the rupee and volatility in the international oil prices in the second quarter, have had a significant impact on our financial results. The oil industry felt the impact of some of the macro-economic challenges being faced by the Country as the fuels market shrunk in volumes. However, your Company was able to maintain and improve its market share.

Over the course of the six months of 2019, the Pak Rupee devalued against the US dollar by 15% with a 13% decline in just the last two months. Being part of an import dependent industry where a large percentage of our costs and payables are denominated in foreign currency, this devaluation had an impact on our cost base and, in turn, on our financial performance. The profit / loss for the period ended June 30, 2019 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

	Rupees in Million
Loss before taxation	(526)
Taxation	(921)
Net loss for the period	(1,447)
	Rupees
Loss per share – basic and diluted	(13.53)

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 11 of these condensed interim financial statements.

As one of the leading Oil Marketing Company’s (OMC) in Pakistan, your Company continues to be at the forefront of the industry in ensuring safe operations across the business. This has been achieved by making extensive investments towards expansion of its existing best-in-class logistics capabilities which are fully compliant with Oil and Gas Regulatory Authority (OGRA) standards. Your Company also continues its relentless focus on ensuring safety at all its sites by inculcating a culture of safety through ongoing engagements, drills, and workshops with staff, business partners, and industry partners; whereby playing an industry leading role in terms of safety advocacy.

Lubricants

Lubricants continues to deliver value for your Company’s overall business. In tough economic times and a declining lubricant market, your Company has managed to maintain its market share. Emphasis remains on maintaining and further strengthening the market leadership position in the industry.

The management of your Company welcomes the move by the Federal Board of Revenue for abolishing the ‘Extra Tax’ Regime on lubricants and moving the same to Schedule 3 of the Sales Tax Act, 1990; which will enable easier and consistent documentation for all companies selling lubricants in Pakistan.

This year, your Company sponsored "Ride Pakistan 2019" campaign in Karachi with Shell Advance Motorcycle Oils. With more than 300 registered riders, it is going to be the largest ride of its kind. The hashtag #RidePakistan2019 aims to bring together and cherish the mutual passion for motorbikes as well as create awareness about various social sector initiatives. The event is also focused on cultivating safety standards while riding motorcycles.

Retail

Your Company remains focused on making life's journeys better for its consumers by delivering an unparalleled forecourt experience in Pakistan by putting customer centricity at the forefront. We further enhanced our compelling customer value proposition through continued expansion, new and exciting integrated retail offers on key sites and increased availability of "V-Power", your Company's most advanced motor fuel. As a key theme, sharp focus is being maintained on driving safe Retail operations for the benefit of our retailers and customers.

Social Investment

In your Company, we continue to invest in the communities where we live and operate, through programs that enable it to share with communities the benefits that economic development brings. Shell Tameer program continued with its mission of enabling young entrepreneurs to start their own businesses and create employment in the country. Through the Shell Eco-Marathon competition, eight teams from six universities competed in the global competition this year for science, technology, engineering and math students to design and build ultra-energy-efficient cars, and then compete on-track. As part of its Social Investment initiative, your Company is working in partnership with the National Rural Support Program on an Access to Energy Project in Southern Punjab. The project involves providing clean energy solutions to a village that will positively impact income levels and lifestyles on a sustained basis, it includes a solar powered tube well for increased uninterrupted water supply when needed thereby increasing productivity, clean cooking stoves and conversion of the local flour mill to solar power. This model has the potential of being replicated across other villages for a wider impact.

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 and the increase in State Bank of Pakistan (SBP) policy rate. The SBP announced its Monetary Policy twice during the period and increased the policy rate by 50 bps to 10.75% in April 2019 and then by 150 bps to 12.25% in May 2019. As at June 30, 2019, total outstanding receivables stand at Rs. 5,331 million. Your 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.

Going forward

The management remains committed to maintaining sharp focus on improving the financial performance of your Company, with a baseline of driving towards attaining Goal Zero in its safety performance.

Challenges at the macro-economic level continue to be a significant exposure especially from the continued volatility on the Pak Rupee. The Company does recognize challenges ahead, not least arising from currency devaluation, economic uncertainty and continued delays in receivables from the Government as well as changing market, regulatory and competitive dynamics. Your Board of Directors continue to play an active and effective role in driving your Company towards achieving the objectives; and the board was involved 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 are also confident that your Company is well placed to capture the expected continued growth in Pakistan's fuels market.

The Directors confirm that:

1. The Board constitutes of 11 members, including the Chief Executive, who is a deemed director. The Board composition comprises of two female and nine male members which is as follows:

   Female Members:

   1. Ms. Naz Khan
   2. Ms. Madiha Khalid

   Male Members:

   1. Mr. Rafi H. Basheer
   2. Mr. Farrokh K. Captain
   3. Mr. Parvez Ghias
   4. Mr. Waqar Siddiqui
   5. Mr. Haroon Rashid
   6. Mr. Nasser N. S. Jaffer
   7. Mr. Klaas Mantel
   8. Mr. Badaruddin F. Vellani
   9. Mr. Faisal Waheed

2. The Board has formed committees comprising of members given below:

   A. Audit Committee

   a. Ms. Naz Khan (Chairperson)
   b. Mr. Badaruddin F. Vellani
   c. Mr. Rafi H. Basheer

   B. Human Resource & Remuneration Committee

   a. Mr. Parvez Ghias (Chairman)
   b. Mr. Farrokh K. Captain
   c. Mr. Haroon Rashid
   d. Mr. Klaas Mantel

3. The condensed interim financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

4. Proper books of account of the Company have been maintained.

5. Appropriate accounting policies have been consistently applied in preparation of these condensed interim financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in note 3 to these condensed interim financial statements. Accounting estimates are based on reasonable and prudent judgment.

6. International Financial Reporting Standards, as applicable in Pakistan for interim reporting, have been followed in preparation of these condensed interim financial statements; and departures, if any, have been adequately disclosed.

7. The system of internal control is sound in design and has been effectively implemented and monitored.

8. There are no significant doubts upon the Company's ability to continue as a going concern.

9. There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.

10. The Board and Audit Committee met twice during the half year.

11. The non-executive/independent directors, other than those occupying executive positions in other Shell Group Companies are paid a fee to attend meetings of the board and its committees.

12. A formal self-evaluation of the Board and its committees' performance was carried out in 2018, facilitated by KPMG Taseer Hadi & Co. – Chartered Accountants.

13. Mr. Rafi H. Basheer, Mr. Parvez Ghias, Mr. Nasser N.S. Jaffer, Ms. Naz Khan, Mr. Badaruddin F. Vellani, Mr. Haroon Rashid and Mr. Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG), while Mr. Farrokh Captain is exempted. The Company shall continue to comply with the requirements of the Code of Corporate Governance 2017 to ensure that the required number of directors are duly certified.

14. The Company is a subsidiary of Shell Petroleum Company Limited, London (immediate holding company) which is a subsidiary of Royal Dutch Shell Plc. (ultimate holding company) incorporated in the United Kingdom.

15. The figures in the condensed interim financial statements for the half year ended June 30, 2019 have been reviewed by the auditors.

16. The Board, on the recommendation of the Board Audit Committee, recommended M/S EY Ford Rhodes to be retained as external auditors of the Company for the year ended December 31, 2019; which was approved by the Shareholders in the Annual General Meeting held on April 2019.

17. Details of trades in shares of the company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on page 24.

We thank our shareholders, customers, staff and all other stakeholders for their dedication, sustained support and trust in the Company as we continue our journey in becoming the number one energy company in Pakistan.

On behalf of the Board of Directors

Rafi H. Basheer	**Haroon Rashid**
Chairman of the Board	Chief Executive

Karachi: August 21, 2019

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 30 June 2019 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 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

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 9.1, 9.2, 9.3 and 9.4 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: 21 August 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		------------- (Rupees '000)	---------------
ASSETS			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	5	**15,955,053**	11,767,843
Intangible asset	6	**13,133**	14,709
		15,968,186	11,782,552
Long-term investments	7	**4,896,655**	4,436,561
Long-term loans and advances		**24,551**	25,076
Long-term deposits and prepayments		**497,137**	883,177
Deferred taxation – net		**101,298**	178,456
		21,487,827	17,305,822
Current Assets			
Stock-in-trade	8	**17,807,034**	14,884,111
Trade debts	3.1	**4,060,146**	3,264,207
Loans and advances		**119,276**	109,668
Short-term prepayments		**877,850**	782,165
Other receivables	3.1/9	**8,659,100**	10,797,182
Cash and bank balances		**1,426,583**	1,973,413
		32,949,989	31,810,746
TOTAL ASSETS		**54,437,816**	49,116,568
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		**2,175,308**	4,068,450
Remeasurement of post-employment benefits - actuarial loss		**(496,058)**	(496,058)
Total equity		**4,460,180**	6,353,322
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		**134,896**	130,983
Long-term lease liabilities		**3,034,113**	-
		3,169,009	130,983
Current Liabilities			
Trade and other payables	10	**36,495,381**	33,766,676
Unclaimed dividend		**167,919**	142,960
Unpaid dividend		**157,017**	190,081
Accrued mark-up		**84,299**	3,110
Short term borrowings – secured		**9,288,408**	8,052,978
Taxation – net		**615,603**	476,458
		46,808,627	42,632,263
		49,977,636	42,763,246
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		**54,437,816**	49,116,568

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Naz Khan
Director

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018	Quarter ended June 30, 2019	Quarter ended June 30, 2018
		---------- (Rupees '000) ----------			
Sales		**116,844,907**	106,434,056	**63,561,613**	57,145,489
Other revenue		**436,810**	448,044	**199,975**	243,880
		117,281,717	106,882,100	**63,761,588**	57,389,369
Sales tax		**(16,136,493)**	(16,976,565)	**(8,196,674)**	(9,100,796)
Net revenue		**101,145,224**	89,905,535	**55,564,914**	48,288,573
Cost of products sold		**(92,728,582)**	(81,619,815)	**(50,268,539)**	(44,460,109)
Gross profit		**8,416,642**	8,285,720	**5,296,375**	3,828,464
Distribution and marketing expenses		**(3,448,858)**	(2,840,859)	**(1,842,591)**	(1,523,410)
Administrative expenses		**(2,360,077)**	(2,012,113)	**(1,595,831)**	(1,230,416)
		2,607,707	3,432,748	**1,857,953**	1,074,638
Other expenses	12	**(3,245,246)**	(1,897,858)	**(2,845,246)**	(1,101,696)
		(637,539)	1,534,890	**(987,293)**	(27,058)
Other income		**378,350**	268,974	**98,532**	164,734
Operating (loss) / profit		**(259,189)**	1,803,864	**(888,761)**	137,676
Finance costs	13	**(726,846)**	(93,249)	**(396,338)**	(46,543)
		(986,035)	1,710,615	**(1,285,099)**	91,133
Share of profit of associate - net of tax	7	**460,094**	487,224	**244,598**	213,292
(Loss) / profit before taxation		**(525,941)**	2,197,839	**(1,040,501)**	304,425
Taxation	14	**(921,517)**	(594,463)	**(663,851)**	(57,013)
Net (loss) / profit for the period		**(1,447,458)**	1,603,376	**(1,704,352)**	247,412
Other comprehensive income		**-**	-	**-**	-
Total comprehensive (loss) / profit for the period		**(1,447,458)**	1,603,376	**(1,704,352)**	247,412
(Loss) / earnings per share - basic and diluted (Rupees)		**(13.53)**	14.98	**(15.93)**	2.31

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Naz Khan
Director

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		-------------- (Rupees '000)	------------
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	**315,410**	2,367,510
Finance costs paid		**(401,310)**	(16,244)
Income tax paid		**(524,210)**	(96,396)
Long-term loans and advances		**525**	(22,292)
Long-term deposits and prepayments		**205,021**	(99,325)
Interest received on short-term deposits		**15,221**	60,954
Net cash (used in) / generated from operating activities		**(389,343)**	2,194,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,154,588)**	(709,198)
Proceeds from disposal of property, plant and equipment		**500**	106
Net cash used in investing activities		**(1,154,088)**	(709,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		**(230,724)**	-
Dividends paid		**(8,105)**	(312,328)
Net cash used in financing activities		**(238,829)**	(312,328)
Net (decrease) / increase in cash and cash equivalents		**(1,782,260)**	1,172,787
Cash and cash equivalents at the beginning of the period		**(6,079,565)**	2,196,864
Cash and cash equivalents at the end of the period		**(7,861,825)**	3,369,651
Cash and cash equivalents comprise of:			
Cash and bank balances		**1,426,583**	3,369,651
Short term borrowings – secured		**(9,288,408)**	-
		(7,861,825)	3,369,651

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Naz Khan
Director

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

		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, 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
Balance as at December 31, 2018 (Audited)	1,070,125	1,503,803	207,002	4,068,450	(496,058)	6,353,322
Adjustment on initial application of IFRS 9 – net of tax (note 3.1)	-		-	(445,684)	-	(445,684)
Balance as at January 01, 2019 (Adjusted)	**1,070,125**	**1,503,803**	**207,002**	**3,622,766**	**(496,058)**	**5,907,638**
Total comprehensive loss for half year ended June 30, 2019	-		-	(1,447,458)	-	(1,447,458)
Balance as at June 30, 2019 (Unaudited)	**1,070,125**	**1,503,803**	**207,002**	**2,175,308**	**(496,058)**	**4,460,180**

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Naz Khan	**Haroon Rashid**	**Faisal Waheed**
Director	Chief Executive	Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

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 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; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and 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, 2019 are unaudited but subject to limited scope review by the statutory auditors as required by section 237 of the Companies Act, 2017.

2.2 The figures of the condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and 2018 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, 2019. 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, 2018.

2.3 These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017 and Pakistan Stock Exchange Regulations.

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, 2018, except as disclosed below:

New / Revised Standards, Interpretations and Amendments

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 9	Prepayment Features with Negative Compensation – (Amendments)
IFRS 3	Business Combinations: Previously held interests in a joint operation
IFRS 11	Joint Arrangements: Previously held interests in a joint operation
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity
IAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement (Amendments)

IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization
IAS 28	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over income tax treatments

The Company applied IFRS 9, IFRS 15 and IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2019, but do not have any material impact on the condensed interim financial statements of the Company.

IFRS 9 - Financial Instruments

"IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS - 9 retains but simplifies the measurement model and establishes the measurement categories of financial asset: amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces the expected credit loss (ECL) model that replaces the incurred loss impairment model under IAS 39. ECL is a probability-weighted estimate of credit loss over the expected life of the financial asset. For financial assets, a credit loss is the present value of the difference between the contractual cash flows due to the Company and the cash flows that the Company expects to receive. Since ECL model considers the amount and timing of payments, a credit loss arises even if the Company expects to be paid in full but later than when contractually due.

In accordance with S.R.O 229/(I)/2019 dated February 14, 2019 issued by Securities & Exchange Commission of Pakistan (SECP), the Company adopted IFRS 9 with effect from January 01, 2019. In accordance with the transition requirements of IFRS 9, comparative information will not be restated and transitional adjustments will be accounted through retained earnings as at January 01, 2019, the date of initial application. The application of the ECL model resulted in recognition of a loss allowance in trade receivables and other receivables (on account of long outstanding receivables from the government) is as follows:

	Trade receivables	Other receivables	Total
	--------------------	(Rupees '000)	--------------------
- Decrease in retained earnings as at January 01, 2019 – net of tax	48,191	397,493	**445,684**
- Reversal during the period – net of tax	23,296	23,102	**46,398**

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method of adoption with the date of initial application of January 01, 2019. The Company is engaged in the procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils. The Company has assessed that significant performance obligations in contracts with customers is based on transfer of control of related goods and is discharged at that point of time. The transfer of goods takes place upon delivery of goods to customers.

Based on the above assessment, the Company considers that its existing accounting policies are substantially in compliance with the requirements of IFRS 15.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

The Company adopted IFRS 16 with effect from January 01, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient option allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Company also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a lease term of 12 months or less (short-term leases) and do not contain a purchase option, and lease contracts for which the underlying asset is of low value (low-value leases).

The effect of adoption of IFRS 16 as at January 01, 2019 (increase/(decrease)) is as follows:

	(Rupees '000)
Assets	
Property, plant and equipment	2,504,084
Prepayments	88,648
Total Assets	**2,592,732**
Liabilities	
Lease liability	2,592,732
Total Liabilities	**2,592,732**

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease or finance lease as on January 01, 2019.

The lease liabilities as at January 01, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	Rupees in '000's
Operating lease commitments as at December 31, 2018	**5,217,504**
Impact of discounting	(2,298,424)
Exemptions	
- Short-term leases	(12,507)
- Low-value leases	(135,468)
Other reconciling items	(178,373)
Total lease liability at January 01, 2019	**2,592,732**
Weighted average incremental borrowing rate as at January 01, 2019	**10%**

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 these 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, 2018, except as disclosed otherwise.

5. PROPERTY, PLANT AND EQUIPMENT	**Note**	**Unaudited June 30, 2019**	**Audited December 31, 2018**
		-----------(Rupees '000) -----------	
Operating assets - at net book value	5.1 & 5.2	**10,170,814**	9,659,775
Provision for impairment		**(358,135)**	(359,289)
		9,812,679	9,300,486
Right of use assets	5.3	**3,804,372**	-
Accumulated depreciation		**(250,835)**	-
		3,553,537	-
Capital work-in-progress	5.4	**2,588,837**	2,467,357
		15,955,053	11,767,843

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, 2019	**Unaudited Half year ended June 30, 2018**
	-----------(Rupees '000) -----------	
Leasehold land	**67,133**	79,735
Buildings on freehold land	**429**	-
Buildings on leasehold land	**176,301**	18,464
Tanks and pipelines	**90,833**	64,170
Plant and machinery	**73,511**	32,022
Air conditioning plant	**344**	-
Lifts	**10,150**	6,009
Dispensing pumps	**114,397**	61,645
Computer auxiliaries	**1,704**	-
Rolling stock and vehicles	**2,259**	101
Electrical, mechanical and firefighting equipment	**332,414**	12,421
Furniture, office equipment and other assets	**163,633**	239,980
	1,033,108	514,547

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

	Cost	Accumulated depreciation	Net book value
	-------------	(Rupees '000)	-------------
June 30, 2019 (Unaudited)			
Tanks and pipelines	**12,541**	**12,541**	**-**
Electrical, mechanical and firefighting equipment	**9,755**	**8,822**	**933**
Plant and machinery	**3,124**	**3,083**	**41**
	25,420	**24,446**	**974**
June 30, 2018 (Unaudited)			
Tanks and pipelines	**270**	**220**	**50**

5.3 The right-of-use assets comprise of lands acquired on lease by the Company for its operations

5.4 Capital work-in-progress	**Note**	**Unaudited June 30, 2019**	**Audited December 31, 2018**
		------------(Rupees '000)	------------
Buildings on leasehold land		**1,655,306**	1,527,069
Tanks and pipelines		**79,705**	104,834
Plant and machinery		**709,413**	722,009
Electrical, mechanical and fire-fighting equipment		**88,728**	71,258
Furniture, office equipment and other assets		**21,285**	12,800
Rolling stock and vehicles		**34,400**	29,387
	5.4.1	**2,588,837**	2,467,357

5.4.1 Additions to capital work-in-progress during the period amounted to Rs. 1,154,588 thousand (June 30, 2018: Rs. 709,198 thousand).

6. INTANGIBLE ASSET

Includes intangible assets at a 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, 2019	**Audited December 31, 2018**
	-----------(Rupees '000)	------------
Balance at the beginning of the period / year	**4,431,561**	4,046,815
Share of profit before taxation	**638,800**	1,399,141
Share of taxation	**(178,706)**	(425,066)
	460,094	974,075
Dividend received	**-**	(589,329)
Balance at the end of the period / year	**4,891,655**	4,431,561

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-------------(Rupees '000)	-------------

8. STOCK-IN-TRADE

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Raw and packing materials		**1,939,925**	1,607,620
Provision for obsolete and slow moving stock	8.2	**(36,377)**	(38,838)
		1,903,548	1,568,782
Finished products	8.1	**16,028,591**	13,449,198
Provision for obsolete and slow moving stock	8.2	**(125,105)**	(133,869)
		15,903,486	13,315,329
		17,807,034	14,884,111

8.1 Includes items costing Rs. 5,828,814 thousand (December 31, 2018: Rs. 12,386,627 thousand) which have been valued at their net realizable value of Rs. 5,793,672 (December 31, 2018: Rs. 11,589,554 thousand).

8.2 Provision for impairment is as follows:	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-------------(Rupees '000)	-------------
Balance at the beginning of the period / year		**172,707**	101,183
Provision made during the period / year		**49,805**	153,207
Reversals during the period / year		**(61,030)**	(81,683)
		(11,225)	71,524
Balance at end of the period / year		**161,482**	172,707

9. OTHER RECEIVABLES

	Note	Unaudited June 30, 2019	Audited December 31, 2018
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	**1,961,211**	1,961,211
Customs duty receivable	9.5	**44,413**	44,413
Sales tax refundable	9.6	**1,521,473**	2,907,560
Inland freight equalisation mechanism		**573,804**	467,207
Receivable from related parties	9.7	**812,463**	463,869
Service cost receivable from PAPCO – an associated company		**12,878**	14,500
Workers' profits participation fund		**15,185**	15,185
Receivable from Oil Marketing Companies		**1,259,291**	1,983,481
Taxes recoverable	9.8	**1,020,214**	1,020,214
Margin held against letter of credit		**56,898**	83,646
Others		**293,590**	221,775
		9,590,766	11,202,407
Provision for impairment	3.1	**(931,666)**	(405,225)
		8,659,100	10,797,182

9.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (December 31, 2018: 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 (OMCs) were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs 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 other OMCs 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 OMCs approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 02, 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, OMCs again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with OMCs 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 06, 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. In 2018, further claims amounting to Rs. 38,052 thousand were adjusted through the IFEM mechanism.

The Company along with other OMCs 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 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 through 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. In 2018, the tax authorities completed further verification of refunds amounting to Rs. 75,389 thousand against which Refund Payment Orders (RPO) 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 Appellate Tribunal Inland Revenue (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 at appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

10. TRADE AND OTHER PAYABLES

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----------(Rupees '000)	-----------
Creditors	10.1	**23,997,946**	21,754,296
Accrued liabilities	10.2	**10,833,181**	9,876,108
Current portion of lease liability		**187,981**	-
Security deposits		**411,499**	368,726
Advances received from customers (contract liabilities)		**409,888**	990,872
Provision for post-retirement medical benefits		**97,987**	97,987
Staff retirement benefit schemes		**135,612**	96,902
Workers' welfare fund		**323,088**	323,088
Provision for staff redundancy plan		**84,033**	154,837
Other liabilities		**14,166**	103,860
		36,495,381	33,766,676

10.1 Includes amounts due to associated companies aggregating to Rs. 16,462,343 thousand (December 31, 2018: Rs. 16,884,205 thousand).

10.2 Includes Rs. 4,234,542 thousand (December 31, 2018: Rs. 3,417,391 thousand) accrued in respect of associated companies.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 21.1 to the annual audited financial statements for the year ended December 31, 2018 except for the contingencies disclosed in notes 21.1.1, 21.1.2.2, 21.1.3.1 and 21.1.4 of that financial statements which have been updated as follows:

11.1.1 Infrastructure fee

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, 2019 at Rs. 135,493 thousand (December 31, 2018: Rs. 129,493 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.

11.1.2 Taxation

During the period, the ATIR vide order dated February 27, 2019 has decided the case in favor of the Company by declaring the proceedings as void ab-initio, illegal and not sustainable due to time limitation. Further, an appeal effect order dated April 05, 2019 giving effect to this ATIR order has been passed by the tax department, thereby confirming the refund of Rs. 130,000 thousand.

11.1.3 Sales tax and federal excise duty (FED)

During the period, Assistant Commissioner – Inland Revenue (ACIR) whilst finalizing sales tax audit for financial year ended 2014 passed an order dated February 20, 2019, raising a demand aggregating to Rs. 5,397,701 thousand primarily disallowing input tax adjustment on zero rated supplies of Jet Fuel to international flights and levy of FED on trademarks and manifestation fee and group fee. The Company filed a rectification application before the ACIR for correction of some apparent errors in the aforesaid order. The ACIR passed a rectified order reducing the aforesaid demand to Rs. 2,979,494 thousand. The Company being aggrieved, filed an appeal with the Commissioner Inland Revenue (CIR), where the hearing is pending adjudication. However, the CIR has granted stay against the recovery of the rectified order. Further, the Company simultaneously obtained stay order from the Sindh High Court.

The Company based on the merits of the aforementioned matters and as per the advice of its tax consultant and legal advisor, expects a favourable outcome on these matters and 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 June 30, 2019 aggregate to approximately Rs. 3,156,503 thousand (December 31, 2018: Rs. 3,138,848 thousand). This includes claims by refineries, amounting to Rs. 1,094,149 thousand (December 31, 2018: 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 June 30, 2019 amounted to approximately Rs. 981,485 thousand (December 31, 2018: Rs. 1,330,785 thousand).

11.2.2 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, 2019, the value of these cheques amounted to Rs. 17,998,150 thousand (December 31, 2018: Rs. 8,422,015 thousand). The maturity dates of these cheques extend to January 29, 2020.

11.2.3 Letters of credit and bank guarantees outstanding as at June 30, 2019 amount to Rs. 5,252,723 thousand (December 31, 2018: Rs. 6,241,134 thousand).

12. OTHER EXPENSES

Includes exchange loss amounting to Rs. 3,243,836 thousand (June 30, 2018: Rs. 1,855,468 thousand).

13. FINANCE COSTS

Includes mark-up on short term borrowings amounting to Rs. 482,499 thousand (June 30, 2018: Rs. 16,190 thousand) and interest on lease liabilities amounting to Rs. 146,565 thousand (June 30, 2018: Rs. Nil).

14. TAXATION

	Unaudited			
	Half Year ended		Quarter ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees '000)			
Current				
- for the period	**663,355**	567,781	**503,705**	74,855
- for prior period	**-**	-	**-**	-
	663,355	567,781	**503,705**	74,855
Deferred	**258,162**	26,682	**160,146**	(17,842)
	921,517	594,463	**663,851**	57,013

15. CASH GENERATED FROM OPERATIONS

	Note	Unaudited June 30, 2019	Unaudited June 30, 2018
		-----------(Rupees '000) -----------	
(Loss) / profit before taxation		**(525,941)**	2,197,839
Adjustment for non-cash charges and other items:			
Depreciation charge		**771,930**	459,592
Amortisation		**1,576**	-
Accretion expense in respect of asset retirement obligation		**3,913**	3,756
Reversal of liability in respect of asset retirement obligation		**-**	(13,262)
(Reversal) / provision of impairment of stock-in-trade – net		**(11,225)**	44,293
Reversal of provision for impairment of trade debts		**(130,778)**	(2,557)
Reversal of provision for impairment of other receivables		**(32,484)**	-
Trade debts written off		**-**	39
Reversal of provision for impairment of operating assets		**(1,154)**	(7,661)
Write off of operating assets		**916**	50
Gain on disposal of operating assets		**(442)**	(106)
Share of profit of associate – net of tax		**(460,094)**	(487,224)
Interest on short-term deposits		**(15,221)**	(60,954)
Mark-up on short term borrowings		**482,499**	16,190
Interest on lease liability		**146,565**	-
Working capital changes	15.1	**85,350**	217,515
		315,410	2,367,510

15.1 Working capital changes

	Unaudited June 30, 2019	Unaudited June 30, 2018
(Increase) / decrease in current assets		
Stock-in-trade	**(2,911,698)**	(5,762,751)
Trade debts	**(732,924)**	(277,186)
Loans and advances	**(9,608)**	(13,934)
Short-term prepayments	**(439,343)**	(236,281)
Other receivables	**1,611,642**	(1,317,854)
	(2,481,931)	(7,608,006)
Increase in current liabilities		
Trade and other payables	**2,567,281**	7,825,521
	85,350	217,515

16. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of ultimate and immediate parent and its subsidiaries, associates and other companies with common directorship with significant influence, employees' retirement funds, directors and key management personnel. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

			Unaudited Half year ended	
Nature of relationship	Nature of transactions	Note	June 30, 2019	June 30, 2018
			---------- (Rupees '000) ----------	
Holding Company	Dividend paid		**-**	-
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		**111,979**	177,120
	Others		**6,640**	9,388
Staff retirement benefit / contribution funds				
Pension funds	Contribution		**89,292**	64,133
Gratuity funds	Contribution		**2,701**	507
Provident funds	Contribution		**42,239**	33,696
Key management Personnel	Salaries and other short term employee benefits	16.1	**43,204**	49,479
	Post-employment benefits		**3,779**	2,749
	Loan to Executive Director		**4,277**	-
Directors	Fee for attending meetings		**2,324**	2,334
	Dividend paid		**-**	12,488
Other related parties	Purchases		**47,302,439**	51,731,891
	Sales		**93,791**	-
	Collection for sales made in Pakistan to customers of the parent and its associates		**1,368,658**	2,033,389
	Technical service fee charged	16.2	**1,211,675**	866,252
	Trademarks and manifestations license fee charged		**162,710**	217,400
	Computer expenses charged (Global Infrastructure Desktop charges)	16.3	**51,808**	39,455
	Expenses recovered from related parties		**178,797**	44,094
	Other expenses charged by related parties	16.4	**444,412**	249,363
	Donations		**155**	-
	Legal charges		**2,187**	582
	Commission income - net		**3,570**	5,132

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, Company Secretary, Executive Directors and Chief Financial Officer to be key management personnel. Key management personnel remuneration corresponding figures have been revised in light with the new definition of key management personnel under directive issued by the SECP.

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 an agreement between the Company and a related Shell Group company based on an agreed methodology.

16.3 Global Infrastructure Desktop charges are based on the agreement entered into by the Company with Shell Group Company.

16.4 These include charges net of reversals amounting to Rs. 201,747 thousand (June 30, 2018: Rs. 148,137 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

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 December 31, 2018. 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. OPERATING SEGMENTS

These condensed interim financial statements have been prepared on the basis of a single reportable segment.

All the sales of the Company relate to petroleum products including lubricating oils.

Total sales of the Company relating to customers in Pakistan were 100% during the period ended June 30, 2019 (June 30, 2018: 100%).

All non-current assets of the Company as at June 30, 2019 and 2018 are located in Pakistan.

Sales to twenty major customers of the Company are around 12% during the period ended June 30, 2019 (June 30, 2018: 15%).

20. GENERAL

20.1 Figures have been rounded off to the nearest thousand, unless otherwise stated.

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

21. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on August 21, 2019 by the Board of Directors of the Company.

Naz Khan	**Haroon Rashid**	**Faisal Waheed**
Director	Chief Executive	Chief Financial Officer

Trade in Shares of the Company by Director / Executives

The details of Electronic (CDC shares) are as follows:

Name	Designation	Date of transaction	Number of Shares	Ave. rate per share	Nature of transaction
Usman Khalid	Executive	01-04-2019	100	Rs. 266/50	Bought
Wajahatullah Khan	Executive	20-06-2019	200	Rs. 199/24	Bought

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