SHELL PAKISTAN LIMITED

QUARTERLY REPORT MARCH 2015

COMPANY INFORMATION

Board of Directors
Omar Sheikh — Chairman
Farrokh K Captain
John King Chong Lo
Soo Lim Goh
Rahat Hussain
Imran R Ibrahim
Nasser N S Jaffer
Zaffar A Khan
Haroon Rashid
Badaruddin F Vellani
Faisal Waheed

Managing Director & Chief Executive Officer
Omar Sheikh

Audit Committee
Badaruddin F Vellani — Chairman
Soo Lim Goh
Imran R Ibrahim

Human Resource and Remuneration Committee
Rahat Hussain — Chairman
Farrokh K Captain
Omar Sheikh

Company Secretary
Tariq Saeed

Registered Office
Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530
Pakistan

Auditors
A F Ferguson & Co.

Legal Advisors
Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office
FAMCO Associates (Pvt) Ltd.
8-F, next to Hotel Faran, Nursery
Block-6, P.E.C.H.S.
Shahra-e-Faisal
Karachi-75400

CHAIRMAN'S REVIEW

For the quarter ended March 31, 2015

Our performance

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the quarter ended March 31, 2015. The Company has continued to make progress on improving its operational performance during the quarter registering strong growth in motor gasoline, diesel and lubricant volumes and growth in market share. Downward oil price movement continued to impact our otherwise robust operational performance resulting in a net loss after tax of Rs 753 million for the quarter, compared to a net profit of Rs 511 million in first quarter of 2014.

In an import dependent market with fixed margins for motor gasoline and diesel, the extent of inventory losses due to decline in international oil prices is rather large. With the oil prices taking a further plunge in the first three months of 2015, your Company incurred heavy inventory losses during the quarter.

The Company continued with its focus on enhanced customer value propositions and superior portfolio offering and in line with this, advertising and promotional spend of Rs 185 million provided significant volume gains over first quarter of 2014.

Financial results of your Company continue to be affected by low regulated fuel margins, continued significant impact of the turnover tax mechanism and financial burden resulting from overdue receivables from the Government.

Receivables & financing costs

During the current period, the Company was not able to collect further refunds from the Government with an implication that it continued to incur financing cost on bank borrowings required to fund these receivables. As at 31st March 2015, the Company is still owed Rs. 5,245 million as receivables. The Company's management is continuously engaged with relevant Government authorities and we continue to demand that the Government pay the remaining amount on an expedited basis to ensure business continuity and growth.

Fuel margins

Petrol and diesel margins in Pakistan are regulated and fixed in Rupees per liter. Currently, these margins are not at a level sufficient to cover steadily rising direct costs of operations and the high cost of financing required for investment in stocks and business assets. In November 2014, a minimal increase in margins on regulated petroleum products was granted by the Government. Currently regulated margins for motor gasoline and diesel still remain the lowest in the region and we continue to advocate for a further favorable revision of these margins to bring them in line with increasing costs of doing business.

Turnover tax

Due to the minimum tax on turnover regime applicable to oil companies, your Company pays Corporate Tax irrespective of the level of profits earned in the period, which has unfairly eroded its operating profit performance and is stifling future investment and growth prospects in the industry. The Company's management is in continuous discussions with Government authorities to remove this anomaly and to bring us in line with various allowances and lower rates that are granted to other similarly regulated sectors in the country.

Going forward

The management remains committed to maintain focus on improving the financial performance of your Company. We thank our shareholders, customers and staff for their sustained support and trust in the Company.

Omar Sheikh,
Chairman & Chief Executive

CONDENSED INTERIM BALANCE SHEET

As at March 31, 2015

	Note	(Unaudited) March 31, 2015	(Audited) December 31, 2014
ASSETS		------------(Rupees '000)	----------
Non-current assets			
Property, plant and equipment	5	**7,180,608**	7,059,726
Intangible assets		**109,779**	185,706
Long-term investments	6	**3,386,317**	3,276,116
Long-term loans and advances		**15,163**	20,640
Long-term deposits and prepayments		**181,725**	186,022
Deferred taxation - net	7	**537,125**	225,872
		11,410,717	10,954,082
Current assets			
Stock-in-trade		**13,729,992**	13,086,285
Trade debts		**2,412,186**	2,626,021
Loans and advances		**87,913**	70,227
Short-term prepayments		**173,183**	252,630
Other receivables	8	**11,184,398**	10,393,887
Cash and bank balances		**1,200,376**	1,295,633
		28,788,048	27,724,683
TOTAL ASSETS		**40,198,765**	38,678,765
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,070,125**	1,070,125
Share premium		**1,503,803**	1,503,803
General reserve		**207,002**	207,002
Unappropriated profit		**2,440,803**	3,193,878
Remeasurement of post employment benefits - Actuarial loss		**(79,743)**	(79,743)
Total equity		**5,141,990**	5,895,065
Liabilities			
Non-current liability			
Asset retirement obligation		**154,828**	141,610
Current liabilities			
Trade and other payables	9	**29,391,480**	28,487,894
Accrued mark-up / interest		**6,872**	10,064
Short-term borrowings - secured		**5,135,000**	3,765,762
Taxation		**368,595**	378,370
		34,901,947	32,642,090
Total liabilities		**35,056,775**	32,783,700
Contingencies and commitments	10		
TOTAL EQUITY AND LIABILITIES		**40,198,765**	38,678,765

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Omar Sheikh
Chairman & Chief Executive

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the quarter ended March 31, 2015

	Note	March 31, 2015	March 31, 2014
		----------(Rupees '000)----------	
Sales		**59,218,683**	64,870,359
Other revenue		**140,882**	158,916
		59,359,565	65,029,275
Sales tax		**(11,184,204)**	(9,010,688)
Net revenue		**48,175,361**	56,018,587
Cost of products sold		**(46,841,085)**	(53,841,804)
Gross profit		**1,334,276**	2,176,783
Distribution and marketing expenses		**(1,072,699)**	(893,126)
Administrative expenses		**(1,071,463)**	(1,039,660)
		(809,886)	243,997
Other operating expenses		**(131,258)**	(88,859)
		(941,144)	155,138
Other income		**41,377**	976,629
Operating profit		**(899,767)**	1,131,767
Finance costs		**(70,865)**	(140,763)
		(970,632)	991,004
Share of profit of associate - net of tax		**110,201**	103,750
Profit before taxation		**(860,431)**	1,094,754
Taxation	11	**107,356**	(583,312)
(Loss) / profit for the quarter		**(753,075)**	511,442
Other comprehensive income		**-**	-
Total comprehensive (loss) / income for the quarter		**(753,075)**	511,442
		------------(Rupees)------------	
			Restated
(Loss) / earnings per share		**(7.04)**	4.78

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Omar Sheikh
Chairman & Chief Executive

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the quarter ended March 31, 2015

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappropriated profit	Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	Total
	--------	--------	--------(Rupees '000)--------	--------	--------	--------
Balance as at December 31, 2013	856,100	1,717,828	207,002	4,603,450	(161,854)	7,222,526
Profit for the year	-	-	-	(1,067,133)	-	(1,067,133)
Other comprehensive income for the year	-	-	-	-	82,111	82,111
Transactions with owners						
Bonus shares issued in the ratio of 1 share for every 4 shares held	214,025	(214,025)	-	-	-	-
Final dividend for the year ended December 31, 2013 at the rate of Rs. 4 per share	-	-	-	(342,439)	-	(342,439)
	214,025	(214,025)	-	(342,439)	-	(342,439)
Balance as at December 31, 2014	1,070,125	1,503,803	207,002	3,193,878	(79,743)	5,895,065
Profit after taxation for the quarter ended March 31, 2015	-	-	-	(753,075)	-	(753,075)
Balance as at March 31, 2015	1,070,125	1,503,803	207,002	2,440,803	(79,743)	5,141,990

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Omar Sheikh
Chairman & Chief Executive

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the quarter ended March 31, 2015

	Note	March 31, 2015	March 31, 2014
		-----------(Rupees '000)----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	**(950,403)**	(295,400)
Finance costs paid		**(31,053)**	(82,365)
Income tax paid		**(213,672)**	(104,341)
Long-term loans and advances		**5,477**	9,294
Long-term deposits and prepayments		**4,297**	(3,156)
Mark-up / interest received on short-term deposits		**18,633**	6,877
Net cash generated from operating activities		**(1,166,721)**	(469,091)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(300,787)**	(325,051)
Proceeds from disposal of operating assets		**3,013**	5,735
Net cash used in investing activities		**(297,774)**	(319,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**-**	(19)
Net increase in cash and cash equivalents		**(1,464,495)**	(788,426)
Cash and cash equivalents at beginning of the period		**(2,470,129)**	(5,299,630)
Cash and cash equivalents at end of the period		**(3,934,624)**	(6,088,056)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Omar Sheikh
Chairman & Chief Executive

Badaruddin F Vellani
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

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 the Karachi and Lahore Stock Exchanges. 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 This condensed interim financial information of the Company for the quarter ended March 31, 2015 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34-'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2014.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2014.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements 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 this condensed interim financial information, the significant judgements 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, 2014.

5. PROPERTY, PLANT AND EQUIPMENT	Unaudited March 31, 2015	Audited December 31, 2014
	-----------(Rupees '000)-----------	
Operating assets, at net book value - notes 5.1 and 5.2		
- Operating assets	**6,072,611**	6,063,938
- Provision for impairment	**(462,357)**	(462,357)
	5,610,254	5,601,581
Capital Work in Progress - note 5.3	**1,570,354**	1,458,145
	7,180,608	7,059,726

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

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

	Unaudited March 31, 2015	Audited December 31, 2014
	-----------(Rupees '000)	-----------
Owned assets		
Leasehold land	**1,102**	32,186
Buildings on freehold land	**120**	13,353
Tanks and pipelines	**12,405**	294,224
Plant and machinery	**10,119**	139,150
Dispensing pumps	**116,537**	173,452
Rolling stock and vehicles	**7,213**	108,141
Electrical, mechanical and fire fighting equipments	**9,664**	95,409
Furniture, office equipment and other assets	**34,789**	124,397
	191,949	980,312

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

	Cost	Accumulated depreciation	Net book value
	---------------------	(Rupees '000)	--------------------
March 31, 2015 (unaudited)			
Owned assets			
Building on leasehold land	10,979	7,436	3,543
Dispensing pumps	9,637	8,820	817
Electrical, mechanical and fire fighting equipment	6,044	3,493	2,551
Furniture, office equipment and other assets	3,301	3,235	66
Rolling stocks and vehicles	1,327	1,327	-
Tanks and pipelines	5,575	2,470	3,105
	36,863	26,781	10,082
December 31, 2014 (audited)	419,045	204,255	214,790

5.2.1 For details of the assets disposed / written off during the year ended December 31, 2014, please refer to the audited annual financial statements for the same year.

5.3 **Capital work-in-progress**	Unaudited March 31, 2015	Audited December 31, 2014
	-----------(Rupees '000)	-----------
Buildings on leasehold land	**736,637**	714,456
Tanks and pipelines	**34,751**	26,204
Plant and machinery	**550,435**	483,427
Electrical, mechanical and fire fighting equipments	**222,476**	203,350
Furniture, office equipment and other assets	**7,319**	10,225
Rolling stocks & vehicles	**18,736**	20,483
	1,570,354	1,458,145

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

6. LONG-TERM INVESTMENTS

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

	Unaudited March 31, 2015	Audited December 31, 2014
	------------(Rupees '000)	-----------
Balance at the beginning of the period / year	**3,271,116**	3,065,286
Share of profit	**130,387**	720,876
Share of taxation	**(20,186)**	(179,324)
	110,201	541,552
Dividend received	**-**	(335,722)
Balance at the end of the period / year	**3,381,317**	3,271,116

7. DEFERRED TAXATION

This is composed of the following:

Taxable temporary differences arising in respect of:		
- accelerated tax depreciation	**(841,020)**	(843,629)
- investment in associate	**(150,932)**	(139,912)
Deductible temporary differences arising in respect of:		
- short-term provisions	**549,272**	541,726
- carry forward tax losses - note 7.1	**979,805**	667,687
	537,125	225,872

7.1 Deferred income tax asset is recognised for tax losses available for carry - forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The aggregate unutilised tax losses as at March 31, 2015 amount to Rs. 2,969,105 thousand (December 31, 2014: Rs. 2,023,295 thousand), inclusive of business loss of Rs. 790,283 thousand (December 31, 2014: Rs. Nil). Tax losses in respect of business are available for utilization against future taxable profits till December 31, 2021.

7.2 The Company has not recognized deferred tax asset on minimum tax available for carry forward, as explained in note 11.1

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

8. OTHER RECEIVABLES	Unaudited March 31, 2015	Audited December 31, 2014
	------------(Rupees '000)-----------	
Petroleum development levy and other duties - note 8.1	**1,368,313**	1,367,956
Price differential claims		
- on imported purchases - note 8.2	**295,733**	295,733
- on high speed diesel (HSD) - note 8.3	**343,584**	343,584
- on imported motor gasoline - note 8.4	**2,071,107**	2,071,107
Sales tax refundable - note 8.5	**1,166,064**	1,299,263
Receivable under inland freight equalisation mechanism	**1,054,547**	980,903
Receivable from related parties	**2,719,818**	2,000,064
Service cost receivable from associate company - PAPCO	**9,821**	9,955
Staff retirement benefit schemes	**1,323,552**	1,226,448
Taxes recoverable - note 8.6	**968,073**	968,073
Others	**87,011**	54,026
	11,407,623	10,617,112
Less:		
Provision for impairment	**(223,225)**	(223,225)
	11,184,398	10,393,887

8.1 Includes petroleum development levy amounting to Rs. 1,357,013 thousand (2014: Rs. 1,357,013 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales. In 2014, the FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, a refund of which was received during such year. 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 FBR.

8.2 Represents receivable from the GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001.

8.3 Represents price differential claim from the GoP on local / imported purchases of HSD which was based on rates notified by the GoP to subsidize petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers.

8.4 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 for an early 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. The Company accordingly submitted audit reports thereafter for claims till May 31, 2011. In 2011, the Company received an amount of Rs. 454,000 thousand from GoP in respect of these claims.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

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.

Further in 2013, the Company approached MoPNR through letter dated May 20, 2013 requesting an early 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. The Company accordingly submitted an audit report thereafter in respect of this claim.

The Company along with industry and Oil Companies Advisory Committee (OCAC) continues to follow up this matter with MoPNR and is confident of recovering the amounts in full.

8.5 This principally represents sales tax refundable on account of export sales for which the Company has filed claims with FBR and is actively pursuing for its recovery.

8.6 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 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 is in process of filing an appeal before the Appellate Tribunal Inland Revenue.

The Company, based on the advice of its tax consultant expects a favourable outcome on the matter and considers the possibility of any liability arising under the aforementioned order to be remote.

	Unaudited March 31, 2015	Audited December 31, 2014
9. TRADE AND OTHER PAYABLES	-----------(Rupees '000)	------------
Creditors - note 9.1	**22,872,649**	21,205,158
Accrued liabilities	**4,198,287**	4,086,359
Excise, customs duties and development surcharge	**17,461**	11,939
Dealers' and customers' security deposits	**519,416**	533,295
Advances received from customers	**1,310,130**	2,154,738
Provision for post retirement medical benefits	**78,183**	80,479
Workers' welfare fund	**196,458**	195,684
Workers' profits participation fund	**21,245**	48,245
Unclaimed dividends	**118,790**	118,790
Other liabilities	**58,861**	53,207
	29,391,480	28,487,894

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

9.1 This includes amounts due to related parties aggregating to Rs. 19,426,926 thousand (December 31, 2014: Rs. 17,484,610 thousand). Particulars of the amounts due are as follows:

	Unaudited March 31, 2015	Audited December 31, 2014
	-----------(Rupees '000)------------	
Affiliates of Parent Company	**17,865,003**	16,518,805
Pakistan Refinery Limited	**1,414,815**	827,964
Other related parties	**147,108**	137,841
	19,426,926	17,484,610

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Infrastructure fee

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

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

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

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

Subsequent to the orders of the court,the Company has reviewed its position and without acknowledging it as a debt now estimates the accumulated levy up to March 31, 2015 at Rs. 64,993 thousand (December 31, 2014: Rs. 61,993 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. For these reasons and based on legal advice obtained, no provision has been made in the condensed interim financial information against the levy as the management expects a favourable outcome.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

10.1.2 **Taxation**

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

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

10.1.2.2 In 2012, the Company received a demand from tax authorities in respect of tax year 2004 amounting to Rs. 161,057 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses, disallowance of software cost claimed as revenue expenditure and credit disallowed in respect of income derived from Azad Kashmir. The Company in response to the order deposited an amount of Rs. 29,106 thousand and filed a rectification application and an appeal with CIR (Appeals). The tax officer rectified the order allowing Azad Kashmir tax credit and partial relief on amortization of software cost reducing the tax demand to Rs. 109,895 thousand after taking into consideration Rs. 29,106 thousand already deposited on this account. Thereafter, the Company made a payment of Rs. 100,000 thousand under protest against the rectified order and filed another rectification application and appeal before CIR (Appeals). The tax officer provided further relief in the revised rectified order on account of software cost which resulted in a net tax refund of Rs.733 thousand after taking into consideration the payments already made in this regard. The revised rectified order still contains certain mistakes for which the Company has filed another rectification application which is still pending.

In 2013, CIR (Appeals) had upheld the basis used by tax officer in respect of allocation of expenses and had directed the tax authorities to work out correct figures, in order to determine the allocation ratio. The CIR (Appeals) in respect of disallowance of software cost had directed tax authorities to give consequential effect to the subsequent years. The Company has filed an appeal against the CIR (Appeals) order before the ATIR.

The Company, based on the advice of its tax consultant expects a favourable outcome. The Company, however, has provided for an amount of Rs. 19,068 thousand representing its best estimate of potential liability arising therefrom. The payment made against the demand to the extent considered recoverable has been included in other receivables as reflected on the balance sheet in the condensed interim financial information.

10.1.3 **Sales tax and federal excise duty (FED)**

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

In 2012, the tax authorities have adjusted sales tax demand of Rs. 173,799 thousand pertaining to September 2008 against sales tax refundable. The Company in response to the aforementioned orders filed appeals and sought stay against the demands with the CIR (Appeals), ATIR and High Court. The appeal for October 2008 has been decided in favour of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 have been decided on most of the grounds in favour of the Company by CIR (Appeals) except for issue of FED on dealers joining fee and income from Company Owned Company Operated (COCO) sites. Appeal on such issue was filed by the Company with the ATIR which has remanded back the matter to the tax authorities for fresh adjudication.

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

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

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

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

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

10.1.4 **Others**

The amount of other claims against the Company not acknowledged as debt as at March 31, 2015 aggregate to approximately Rs. 3,192,386 thousand (December 31, 2014: Rs. 3,181,879 thousand). This includes claims by refineries,amounting to Rs. 1,094,021 thousand (December 31, 2014: Rs. 1,094,021 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.

10.2 **Commitments**

10.2.1 Capital expenditure contracted for but not incurred as at March 31, 2015 amounted to approximately Rs. 746,678 thousand (December 31, 2014: Rs. 361,694 thousand).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

10.2.2 Commitments for rentals of assets under operating lease agreements as at March 31,2015 amounted to Rs. 2,690,017 thousand (December 31,2014: Rs. 2,731,934 thousand) payable as follows:

	Unaudited March 31, 2015	Audited December 31, 2014
	-----------(Rupees '000)------------	
Not later than one year	**169,921**	169,186
Later than one year and not later than five years	**650,485**	653,131
Later than five years	**1,869,611**	1,909,617
	2,690,017	2,731,934

10.2.3 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at March 31, 2015, the value of these cheques amounted to Rs. 7,230,800 thousand (December 31, 2014: Rs. 8,909,134 thousand). The maturity dates of these cheques extend to September 27, 2015 (2014: June 22, 2015).

10.2.4 Letters of credit and bank guarantees outstanding as at March 31, 2015 amount to Rs. 7,852,983 thousand (December 31, 2014: Rs. 4,579,015 thousand).

	Unaudited Quarter ended	
11 TAXATION	**March 31 2015**	**March 31 2014**
	-----------(Rupees '000)------------	
Current		
- for the period - note 11.1	**203,897**	264,286
- for prior periods	**-**	-
Deferred	**(311,253)**	319,026
	(107,356)	583,312

11.1 This includes minimum tax @ 0.5% of taxable turnover amounting to Rs. 191,819 thousand (March 31, 2014: Rs. 251,096 thousand). Minimum tax is adjustable against the tax liability of succeeding five years. The Company however, on prudence, has not recognised the related deferred tax asset in view of unutilised tax losses available for set off against future taxable income. Minimum tax which is available for adjustment against the future tax liability and not recognised as tax asset aggregates to Rs. 5,008,067 thousand (December 31, 2014: Rs. 4,816,248 thousand).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

	Unaudited Quarter ended	
	March 31, 2015	**March 31, 2014**
12. CASH GENERATED FROM OPERATIONS	-----------(Rupees '000)------------	
(Loss) / profit before taxation	**(860,431)**	1,094,754
Adjustment for non-cash charges and other items:		
Depreciation and amortisation charge	**257,454**	240,479
Accretion expense in respect of asset retirement obligation	**1,533**	45,605
Reversal of provision for impairment of trade debts	**(20)**	(1,892)
Write off of operating assets	**3,113**	-
Loss / (gain) on disposal of operating assets	**3,956**	(2,440)
Share of profit of associate	**(110,201)**	(103,750)
Mark-up / interest on short-term deposits	**(18,633)**	(6,876)
Mark-up / interest on short-term borrowings	**27,862**	80,986
Working capital changes - note 12.1	**(255,036)**	(1,642,266)
	(950,403)	(295,400)

12.1 **Working capital changes**

Decrease / (increase) in current assets		
Stock-in-trade	**(643,707)**	(479,469)
Trade debts	**213,835**	478,291
Loans and advances	**(17,686)**	(17,216)
Short-term prepayments	**79,447**	287
Other receivables	**(790,511)**	(547,231)
	(1,158,622)	(565,338)
Increase in current liability		
Trade and other payables	**903,586**	(1,076,928)
	(255,036)	(1,642,266)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

13. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Unaudited Quarter ended March 31, 2015	Unaudited Quarter ended March 31, 2014
		-----------(Rupees '000)	------------
Associate			
Pak-Arab Pipeline Company Limited	Pipeline charges	**112,111**	119,200
	Others	**4,820**	2,739
Staff retirement benefit / contribution funds			
Pension Funds	Contribution	**7,714**	6,836
DC Pension Funds	Contribution	**25,184**	21,970
Gratuity Funds	Contribution	**1,927**	1,638
Provident Funds	Contribution	**13,276**	12,081
Key management personnel	Salaries and other short term employee benefits - note 13.1	**13,435**	15,076
	Post employment benefits	**779**	1,254
	Directors' Fee	**700**	500
Other related parties	Purchases	**26,048,437**	15,693,486
	Sales	**1,383,282**	3,454
	Collection for sales made in Pakistan to customers of the parent company and its associates	**1,161,427**	1,563,286
	Technical service fee charged - note 13.2	**381,479**	316,564
	Trademarks and manifestations license fee charged - note 13.3	**52,813**	72,042
	Computer expenses charged (Global Infrastructure Desktop charges) - note 13.3	**36,375**	48,377
	Expenses recovered from related parties - note 13.4	**54,020**	24,315
	Other expenses charged by related parties - note 13.4	**163,976**	168,853

13.1 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.

13.2 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the quarter ended March 31, 2015

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

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

14. CORRESPONDING FIGURES

14.1 In order to comply with the requirements of International Accounting Standard 34 – 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balances as per the audited annual financial statements of the Company for the year ended December 31, 2014 and the corresponding figures in the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows comprise of balances of comparable period as per the condensed interim financial information of the Company for the quarter ended March 31, 2014.

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

15. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on April 23, 2015 by the Board of Directors of the Company.

Omar Sheikh
Chairman & Chief Executive

Badaruddin F Vellani
Director

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