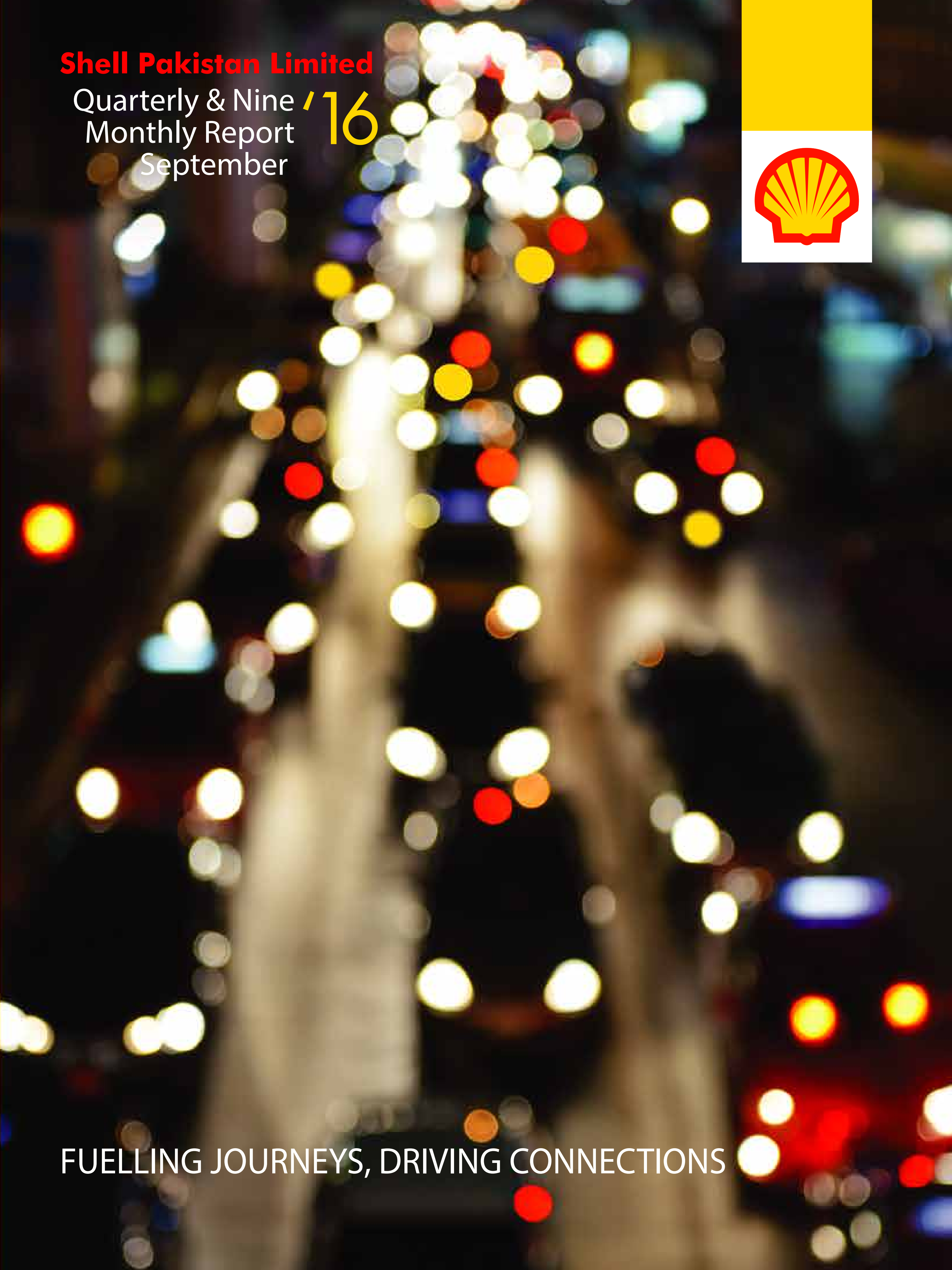
Shell Pakistan Limited

Quarterly & Nine Monthly Report September '16



FUELLING JOURNEYS, DRIVING CONNECTIONS

COMPANY **INFORMATION**

Board of Directors
Omar Sheikh Chairman
Jawwad A Cheema
Farrokh K Captain
Soo Lim Goh*
Imran R Ibrahim
Nasser N S Jaffer
Zaffar A Khan
Klaas Mantel
Haroon Rashid
Badaruddin F Vellani
Faisal Waheed

Managing Director &
Chief Executive Officer
Jawwad A Cheema

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

Human Resource and Remuneration Committee
Klaas Mantel
Farrokh K Captain
Jawwad A Cheema

Company Secretary
Tariq Saeed

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

Auditors
Ernst & Young Ford Rhodes Sidat Hyder

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

*Soo Lim Goh resigned from the office of Director w.e.f. October 20, 2016 (close of business) and Rafi H Basheer was co-opted in his place w.e.f. October 21, 2016.

CHIEF EXECUTIVE'S REVIEW

For the quarter and nine months ended September 30, 2016

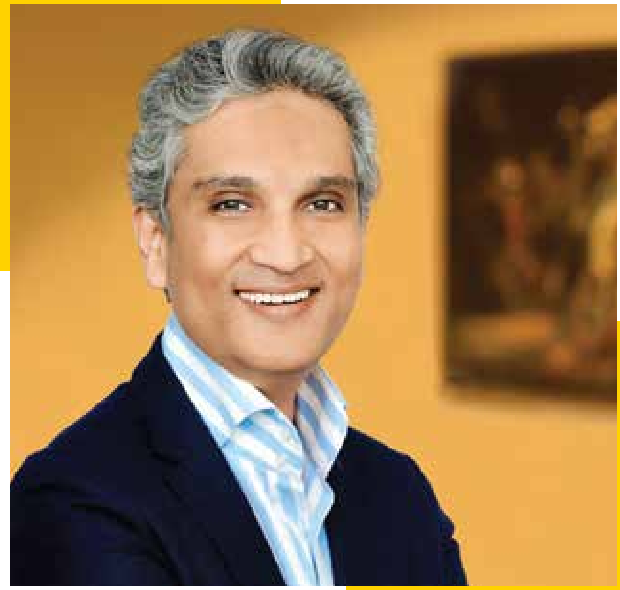
Our performance

Dear Shareholders,

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the nine months ended September 30, 2016. The Company has built on its positive operational performance during the quarter, with a clear focus on key strategic priorities and profitable growth. Despite continued volatility in international oil prices, your Company delivered a profit after tax of Rs 3,422 million for the nine months ended September 2016, compared to a profit after tax of Rs. 186 million in the same period last year. We continue to drive towards creating and sustaining a culture that drives our commitment to the safety of people, protect the environment, and drive for achieving Goal Zero, in our safety performance.

With the oil prices continuing to fluctuate in 2016, your Company is exposed to inventory losses driven by price volatility and compliance to regulatory requirements of maintaining strategic stock levels in the country. With Shell's global supply chain network we continue to drive for best available prices for imported products, and some of these efforts have been successful in mitigating potential losses.

Your Company continued a strict focus on ensuring excellence in operations while keeping costs at a manageable level. We made significant investments in building the Brand through advertising and promotional activities,



as well as in our infrastructure, to ensure we maintain our competitive advantage. We are working to enhance customer experience across our network by delivering enhanced value propositions delivered through our superior portfolio offerings.

Receivables & financing costs

The results of your Company continue to be affected by the financial burden resulting from overdue 'receivables' from the Government of Pakistan. During the current period, your Company was unable to collect further refunds from the Government, due to which the Company continues to incur financing cost on bank borrowings required to fund these receivables. As at 30th September 2016, total outstanding receivables stand at Rs 6,441 million. The Company's management is in engagement with relevant Government authorities for the recovery of 'receivables' to ensure we enhance shareholder returns, drive for efficient business, and invest in growth opportunities in Pakistan.

Fuel margins

Motor gasoline and diesel margins are fixed in Rupees per liter by the government, and the recent initiative by the Government of Pakistan to revise margins based on CPI is a welcome change. In line with this, there was a small increase announced in July 2016; however, comparing the margins in Pakistan with the available margins in the region, we continue to advocate for a further favorable revision to bring them in line with increasing costs of doing business in Pakistan. Additionally, the Government of Pakistan announcement on de-regulation of RON 95 & RON 97 motor gasoline is a welcome initiative, which will allow OMC's to offer better quality fuels to customers.

The move by the Government to upgrade the Main Grade fuel from RON 87 to RON 92 is another positive step. However, margin environment for the main grade continues to be under stress. This has a negative impact as it does not allow companies to cover rising direct costs due to inflation, high financing costs on receivables, working capital tied up in minimum stock to be maintained, or indeed for the investments in business assets that are required to give customers a world-class experience.

Going forward

The management remains committed to maintain focus on improving the financial performance of your Company, and we continue to drive for achieving Goal Zero in our safety performance. We assure you that we are driving towards credible, competitive and affordable business plans that deliver top quartile business performance. We thank our shareholders, customers and staff for their sustained support and trust in the Company, and look forward to taking this Company to newer heights.

Jawwad A Cheema
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET

As at September 30, 2016

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		------------(Rupees '000)------------	
ASSETS			
Non-current Assets			
Property, plant and equipment	5	**8,638,554**	8,089,022
Long-term investments	6	**3,944,680**	3,436,508
Long-term loans	7	**14,719**	5,712
Long-term deposits and prepayments	8	**163,106**	167,416
		12,761,059	11,698,658
Current assets			
Stock-in-trade		**10,700,135**	13,281,189
Trade debts		**1,392,774**	1,600,632
Loans and advances	9	**197,137**	67,716
Short-term prepayments		**275,537**	584,063
Other receivables	10	**9,280,286**	8,598,668
Cash and bank balances	11	**8,714,646**	2,103,517
		30,560,515	26,235,785
TOTAL ASSETS		**43,321,574**	37,934,443
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		**5,600,604**	3,248,749
Remeasurement of post employment benefits - Actuarial (loss) /gain		**(48,857)**	(48,857)
Total Equity		**8,332,677**	5,980,822
Liabilities			
Non-current Liabilities			
Asset retirement obligation		**118,565**	117,861
Deferred taxation - net	12	**460,735**	347,605
Current liabilities			
Trade and other payables	13	**29,943,981**	29,030,718
Accrued mark-up		**1,899**	10,476
Short term borrowings - secured		**3,927,773**	2,025,448
Taxation		**535,944**	421,513
		34,409,597	31,488,155
Total Liabilities		**34,988,897**	31,953,621
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		**43,321,574**	37,934,443

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Jawwad A Cheema
Chief Executive Officer

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the quarter and nine months ended September 30, 2016

	Note	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	Quarter ended September 30, 2016	Quarter ended September 30, 2015
		---(Rupees '000)---			
Sales		**171,753,186**	188,698,437	**54,318,044**	53,654,479
Other revenue		**738,023**	574,630	**245,929**	240,167
		172,491,209	189,273,067	**54,563,973**	53,894,646
Sales tax		**(37,537,133)**	(37,695,890)	**(9,672,851)**	(12,962,598)
Net revenue		**134,954,076**	151,577,177	**44,891,122**	40,932,048
Cost of products sold		**(124,712,239)**	(143,516,999)	**(41,235,267)**	(38,700,577)
Gross profit		**10,241,837**	8,060,178	**3,655,855**	2,231,471
Distribution and marketing expenses		**(3,631,987)**	(3,353,345)	**(1,333,799)**	(1,180,559)
Administrative expenses		**(2,925,113)**	(3,073,328)	**(1,044,239)**	(1,006,736)
		3,684,737	1,633,505	**1,277,817**	44,176
Other operating expenses	15	**(449,733)**	(881,848)	**(244,980)**	(387,046)
		3,235,004	751,657	**1,032,837**	(342,870)
Other income	16	**531,496**	209,558	**108,548**	80,592
Operating profit		**3,766,500**	961,215	**1,141,385**	(262,278)
Finance costs		**(145,252)**	(228,831)	**(53,835)**	(84,138)
		3,621,248	732,384	**1,087,550**	(346,416)
Share of profit of associate - net of tax	6	**508,172**	377,665	**233,994**	110,776
Profit before taxation		**4,129,420**	1,110,049	**1,321,544**	(235,640)
Taxation	17	**(707,443)**	(925,006)	**(112,400)**	(113,393)
Profit / (loss) for the period		**3,421,977**	185,043	**1,209,144**	(349,033)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income / (loss) for the period		**3,421,977**	185,043	**1,209,144**	(349,033)
		(Rupees)			
Earnings / (loss) per share		**31.98**	1.73	**11.30**	(3.26)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Jawwad A Cheema
Chief Executive Officer

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended September 30, 2016

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappro-priated profit	Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	Total
	(Rupees '000)					
Balance as at January 1, 2015 (Audited)	1,070,125	1,503,803	207,002	3,193,878	(79,743)	5,895,065
Total Comprehensive income for the nine months ended September 30, 2015	-	-	-	185,043	-	185,043
Transactions with owners						
Final dividend for the year ended December 31, 2014 at the rate of Rs. 8 per share	-	-	-	(856,099)	-	(856,099)
Balance as at September 30, 2015 (Unaudited)	1,070,125	1,503,803	207,002	2,522,822	(79,743)	5,224,009
Total Comprehensive income for the three months ended December 31, 2015	-	-	-	725,927	30,886	756,813
Balance as at December 31, 2015 (Audited)	1,070,125	1,503,803	207,002	3,248,749	(48,857)	5,980,822
Total Comprehensive income for the nine months ended September 30, 2016	-	-	-	3,421,977	-	3,421,977
Final dividend for the year ended December 31, 2015 at the rate of Rs. 10 per share	-	-	-	(1,070,122)	-	(1,070,122)
Balance as at September 30, 2016 (Unaudited)	1,070,125	1,503,803	207,002	5,600,604	(48,857)	8,332,677

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Jawwad A Cheema
Chief Executive Officer

Badaruddin F Vellani
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months ended September 30, 2016

	Note	Nine months ended September 30, 2016	Nine months ended September 30, 2015
		-------------(Rupees '000)------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	**7,352,757**	4,155,694
Finance costs paid		**(18,011)**	(69,081)
Income tax paid		**(479,882)**	(750,697)
Long-term loans and advances		**(9,007)**	15,469
Long-term deposits and prepayments		**4,309**	14,898
Net cash generated from operating activities		**6,850,166**	3,366,283
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,172,372)**	(872,534)
Proceeds from disposal of operating assets		**11,364**	51,625
Dividend received from associate		**-**	423,570
Mark-up / interest received on short term deposits		**125,851**	47,507
Net cash used in investing activities		**(1,035,157)**	(349,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,106,205)**	(893,230)
Net increase in cash and cash equivalents		**4,708,804**	2,123,221
Cash and cash equivalents at beginning of the year		**78,069**	(2,470,129)
Cash and cash equivalents at end of the period		**4,786,873**	(346,908)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Jawwad A Cheema
Chief Executive Officer

Badaruddin F Vellani
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

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 (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). 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 has been prepared in accordance with the requirements of the International Accounting Standard 34 – "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is being submitted to the shareholders as required by the Listing Regulations of Pakistan Stock Exchange and Section 245 of the Companies Ordinance, 1984 and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2015.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2015 except as disclosed below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendment to IFRSs which became effective for the current period:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

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 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 this condensed interim financial information, 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, 2015.

5. PROPERTY, PLANT AND EQUIPMENT	**Note**	**Unaudited September 30, 2016**	**Audited December 31, 2015**
		----------(Rupees '000)-----------	
- Operating assets - at net book value	5.1 & 5.2	**7,826,696**	7,304,355
- Provision for impairment		**(367,216)**	(378,281)
		7,459,480	6,926,074
Capital Work in Progress	5.3	**1,179,074**	1,162,948
		8,638,554	8,089,022

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

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

	Unaudited September 30, 2016	Audited December 31, 2015
	----------(Rupees '000)	-----------
Owned assets		
Leasehold land	**47,330**	137,637
Buildings on freehold and leasehold land	**48,892**	64,280
Tanks and pipelines	**226,252**	62,593
Plant and machinery	**204,010**	608,359
AC, Lifts and computer auxiliaries	**1,771**	6,107
Dispensing pumps	**83,992**	251,548
Rolling stock and vehicles	**16,450**	37,243
Electrical, mechanical and fire fighting equipments	**329,555**	73,329
Furniture, office equipment and other assets	**124,927**	763,389
	1,083,179	2,004,485

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

	Note	Cost	Accumulated depreciation	Net book value
		----------------(Rupees '000)	-------------------	
September 30, 2016 (Unaudited)				
Leasehold land		**658**	**11**	**647**
Building on leasehold land		**16,813**	**11,228**	**5,585**
Dispensing pumps		**56,985**	**55,748**	**1,238**
Electrical, mechanical and fire fighting equipment		**9,283**	**6,073**	**3,210**
Furniture, office equipment and other assets		**9,633**	**9,487**	**146**
Tanks and pipelines		**9,853**	**5,295**	**4,557**
		103,225	**87,842**	**15,383**
December 31, 2015 (Audited)	5.2.1	**501,132**	**397,050**	**104,082**

5.2.1 For details of the assets disposed / written off during the year ended December 31, 2015, please refer to the audited annual financial statements for the same year.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

	Unaudited September 30, 2016	Audited December 31, 2015
	-----------(Rupees '000)----------	
5.3 Capital work-in-progress		
Buildings on leasehold land	**910,748**	395,285
Tanks and pipelines	**178,503**	305,544
Plant and machinery	**88,781**	88,901
Rolling stocks & vehicles	**-**	5,205
Electrical, mechanical and fire fighting equipment	**14,593**	362,656
Furniture, office equipment and other assets	**22,172**	3,157
Dispensing pumps	**-**	2,200
	1,214,797	1,162,948

6. LONG-TERM INVESTMENTS

This 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 September 30, 2016	Audited December 31, 2015
	-----------(Rupees '000)----------	
Balance at the beginning of the period / year	**3,431,508**	3,271,116
Share of profit	**733,584**	832,027
Share of taxation	**(225,412)**	(248,066)
	508,172	583,961
Dividend received	**-**	(423,569)
Balance at the end of the period / year	**3,939,680**	3,431,508

7. LONG-TERM LOANS

Includes loans due from executives and employees amounting to Rs. 13,052 thousand and Rs. 1,667 thousand (December 31, 2015: Rs. 3,696 thousand and Rs. 2,016 thousand), respectively.

Interest is charged on loans given for housing and purchase of motor cars at 1% per annum. Advances are interest free.

8. LONG-TERM DEPOSITS AND PREPAYMENTS

Includes interest free deposits.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

9. LOANS AND ADVANCES

Includes loans due from executives and employees amounting to Rs. 190,805 thousand and Rs. 6,332 thousand (December 31, 2015: Rs. 22,115 thousand and Rs. 45,601 thousand), respectively.

Interest is charged on loans given for housing and purchase of motor cars at 1% per annum. Advances are interest free.

10. OTHER RECEIVABLES

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		-----------(Rupees '000)	-----------
Petroleum development levy and other duties	10.1	**1,382,676**	1,381,970
Price differential claims			
- on imported purchases	10.2	**295,733**	295,733
- on high speed diesel (HSD)	10.3	**343,584**	343,584
- on imported motor gasoline	10.4	**2,071,107**	2,071,107
Regulatory duty receivable	10.5	**169,632**	118,404
Sales tax refundable	10.6	**446,717**	168,324
Receivable under inland freight equalisation mechanism		**956,119**	971,734
Receivable from related parties	10.7	**444,336**	305,236
Service cost receivable from associate company - PAPCO		**5,184**	11,136
Staff retirement benefit schemes		**401,977**	250,814
Receivable from Oil Marketing Companies		**1,887,661**	1,862,207
Taxes recoverable	10.8	**976,426**	968,073
Others		**122,359**	73,571
		9,503,511	8,821,893
Provision for impairment		**(223,225)**	(223,225)
		9,280,286	8,598,668

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

10.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (December 31, 2015: Rs. 1,364,069 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, a refund cheque against which was received in 2014. During last year, 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 the current period, 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. 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.

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

10.3 Represents price differential claim receivable 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 with the GoP and is confident of recovering the amount in full.

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

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

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

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

10.6 Include sales tax refundable on account of export sales pertaining to the period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 1,514,091 thousand respectively against which the Company has filed claims with FBR and is actively pursuing for their recovery.

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

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

11. CASH AND BANK BALANCES

Bank balances with saving accounts are placed under interest/markup arrangements. The Company has conventional banking relationships with all the banks having Islamic window operations.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

12. DEFERRED TAXATION - net

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		-----------(Rupees '000)	-----------
This comprises of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation		**938,295**	880,325
- investment in associate		**258,325**	194,938
		1,196,620	1,075,263
Deductible temporary differences arising in respect of:			
- provisions		**(735,885)**	(648,876)
- carry forward tax losses	12.1	**-**	(78,782)
		(735,885)	(727,658)
		460,735	347,605

12.1 As of the balance sheet date, deferred tax asset amounting to Rs. 5,307,288 thousand (December 31, 2015: Rs. 4,814,898 thousand) has not been recognized as a matter of prudence and on account of uncertainty around recoupability.

13. TRADE AND OTHER PAYABLES

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		-----------(Rupees '000)	-----------
Creditors	13.1	**21,325,775**	21,156,857
Accrued liabilities		**5,626,814**	5,001,774
Dealers' and customers' security deposits		**513,845**	499,507
Advances received from customers		**1,532,936**	1,763,309
Provision for post-retirement medical benefits		**84,197**	84,197
Workers' welfare fund		**227,132**	153,229
Workers' profits participation fund		**220,199**	115,958
Unclaimed dividends		**107,065**	143,147
Other liabilities		**6,018**	112,740
		29,643,981	29,030,718

13.1 This includes amounts due to related parties aggregating to Rs. 15,137,762 thousand (December 31, 2015: Rs. 17,138,216 thousand). Particulars of the amounts due are as follows:

	Unaudited September 30, 2016	Audited December 31, 2015
	-----------(Rupees '000)	-----------
Affiliates of Parent company	**13,857,590**	16,212,600
Pakistan Refinery Limited	**1,129,679**	794,609
Other related parties	**150,493**	131,007
	15,137,762	17,138,216

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 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.

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 September 30, 2016 at Rs. 93,492 thousand (December 31, 2015: Rs. 75,493 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. For these reasons and based on legal advice obtained, no provision has been made in these financial statements against the levy as the management expects a favorable outcome.

On July 1, 2016, Sindh Assembly has amended the Sindh Finance Act, 1994 through legislation of Sindh Finance Act, 2016 according to which infrastructure fee will range from 1.10% to 1.15% of total value of goods against various slabs of net weight of goods as assessed by the Customs Authorities plus one paisa per kilometer.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

14.1.2 Taxation

14.1.2.1 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 for hearing.

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

14.1.2.2 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 amortisation of software cost reducing the tax demand to Rs. 109,895 thousand after taking into consideration Rs. 29,106 thousand already deposited on this account.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

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

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

14.1.2.4 During the period, the tax authorities after finalising the income tax audit for the tax year 2010 raised a demand of Rs. 2,212,170 thousand. The demand principally arose due to the disallowance of premium paid to SITME on imports, disallowance on account of allocation of expenses & disallowance of technical service fee due to non-withholding of tax. Additionally, unutilised tax losses of previous years have not been adjusted in computing the tax liability. The Company in response to order has filed a rectification application and an appeal with the CIR (Appeals).

The CIR(A) issued an order deleting the disallowance on premium paid to SITME on imports. The CIR(A) also allowed adjustment on unutilized tax losses available to the company. The CIR(A) order nullified the demand raised by the taxation authorities. The Company and the department both have filed appeals before the ATIR against CIR (Appeals)'s decision.

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

14.1.3.2 In 2012, the tax authorities adjusted sales tax demand of Rs. 173,799 thousand pertaining to September 2008 against sales tax refundable. The Company in response to the aforementioned orders filed appeals and sought stay against the demands with the CIR (Appeals), ATIR and High Court of Sindh. The appeals for September and October 2008 were decided in favour of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 were 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 remanded back the matter to the tax authorities for fresh adjudication. During 2015, the ATIR also decided the appeal filed by the tax authorities for the period July 2009 to December 2009 wherein all issues involved in the appeal were once again remanded back to the authorities for fresh examination.

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

14.1.3.3 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 any order.

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

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

14.1.3.5 In 2012, the Company received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, on imported goods, without specifying the basis of computation by levying further sales tax @ 2% representing minimum value addition under Sub-section (5) of Section 3 read with Section 7A of the Sales Tax Act, 1990 and Chapter X of the Sales Tax Special Procedure Rules, 2007. Further, the Company 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 was not to be charged on POL products whose prices are regulated under special pricing arrangement by the GoP or regulatory

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

authority working under the GoP. Further, Model Customs Adjudication quashed the show cause notices of Faisalabad, Lahore and Multan Collectorates based on the notification. The Company is also of the view that OMCs cannot be required to pay the tax on unregulated products / exports retrospectively since clarification of FBR was available 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.

14.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at September 30, 2016 aggregate to approximately Rs. 2,907,779 thousand (December 31, 2015: Rs. 3,152,249 thousand). This includes claims by refineries, amounting to Rs. 1,094,569 thousand (December 31, 2015: 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.

14.2 **Commitments**

14.2.1 Capital expenditure contracted for but not incurred as at September 30, 2016 amounted to approximately Rs. 265,166 thousand (December 31, 2015: Rs. 242,599 thousand).

14.2.2 Commitments for rentals of assets under operating lease agreements as at September 30, 2016 amounted to Rs. 2,744,769 thousand (December 31, 2015: Rs. 2,562,699 thousand) payable as follows:

	Unaudited September 30, 2016	Audited December 31, 2015
	------------(Rupees '000)	------------
Not later than one year	**182,828**	170,322
Later than one year but not later than five years	**724,512**	644,171
Later than five years	**1,837,429**	1,748,206
	2,744,769	2,562,699

15. OTHER EXPENSES

Represents exchange loss – net amounting to Nil (September 30, 2015: 676,993 thousand) arising on revaluation of foreign currency financial assets and liabilities and on transactions in foreign currencies.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

	Note	Unaudited Nine months ended September 30, 2016	Unaudited Nine months ended September 30, 2015
		(Rupees '000)	(Rupees '000)
16. OTHER INCOME			
Income from financial assets			
Mark-up / interest on short-term deposits	16.1	**125,851**	47,507
Income from non-financial assets			
Gain on disposal of operating assets		**7,166**	23,410
Reversal of impairment on operating assets		**11,065**	28,246
Liability no longer payable written back		**61,273**	-
Reversal of asset retirement obligation		**2,761**	2,387
Shell card income		**51,439**	49,360
Exchange gain – net	16.2	**198,929**	-
Commission – net		**47,814**	12,325
Income from services-net		**949**	1,631
Fees/Income received for Director Services		**661**	3,718
Non oil income		**18,585**	39,681
Throughput revenues		**5,003**	1,293
		531,496	209,558

16.1 Includes markup/interest on bank accounts amounting to Rs. 35,368 thousand (September 30, 2015: Rs. 13,730 thousand).

16.2 Represents exchange gain - net arising on revaluation of foreign currency financial assets and liabilities and on transactions in foreign currencies.

17. TAXATION	Note	Unaudited Nine Months ended September 30, 2016	Unaudited Nine Months ended September 30, 2015	Unaudited Quarter ended September 30, 2016	Unaudited Quarter ended September 30, 2015
		(Rupees '000)	(Rupees '000)	(Rupees '000)	(Rupees '000)
Current					
- for the period	17.1	**523,240**	669,286	**156,453**	224,758
- for prior period		**71,073**	-	**-**	-
		594,313	669,286	**156,453**	224,758
Deferred		**113,130**	255,720	**44,052**	(111,365)
		707,443	925,006	**200,505**	113,393

17.1 This includes minimum tax @ 0.5% of taxable turnover amounting to Rs. 492,390 thousand (September 30, 2015: Rs. 584,073 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 and uncertainty around recoupability. As at September 30, 2016 minimum tax which is available

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

for adjustment against the future tax liability and not recognised as tax asset aggregates to Rs. 5,307,288 thousand (December 31, 2015: Rs. 4,814,898 thousand).

17.2 The income tax return for the tax year 2015 (financial year ended 31 December 2014) has been filed.

	Note	Unaudited Nine months ended September 30, 2016	 September 30, 2015
		-----------(Rupees '000)	-----------
18. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**4,129,420**	1,110,049
Adjustment for non-cash charges and other items:			
Depreciation		**581,178**	712,012
Accretion expense in respect of asset retirement obligation		**3,464**	4,553
Reversal of liability in respect of asset retirement obligation		**(2,761)**	-
Provision / (Reversal of provision) for impairment of the stock in trade, net		**12,238**	-
Provision / (Reversal of provision) for impairment of the trade debts, net		**1,068**	116,145
Trade debts written off directly		**280**	-
Reversal of impairment of operating assets		**(11,065)**	-
Liability no longer payable written back		**(33,000)**	-
Write off of operating assets		**48,532**	56,187
(Gain) / loss on disposal of operating assets		**(7,166)**	(23,410)
Share of profit of associate		**(508,172)**	(377,665)
Mark-up / interest on short-term deposits		**(125,851)**	(47,507)
Mark-up / interest on short-term running finance		**9,434**	68,418
Working capital changes	18.1	**3,255,158**	2,536,911
		7,352,757	4,155,693

18.1 **Working capital changes**

Decrease / (increase) in current assets		
Stock-in-trade	**2,568,816**	(554,134)
Trade debts	**206,510**	(1,714,373)
Loans and advances	**(129,421)**	(11,896)
Short-term prepayments	**308,526**	25,456
Other receivables	**(681,618)**	2,960,794
	2,272,813	705,847
Increase in current liabilities		
Trade and other payables	**982,345**	1,831,064
	3,255,158	2,536,911

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

19. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise parent, ultimate parent, other related parties, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these parties. Transactions with related parties are as follows:

			Unaudited	
			Nine months ended	
Nature of relationship	**Nature of transactions**	**Note**	**September 30, 2016**	**September 30, 2015**
			------(Rupees '000) ------	
Holding Company	Dividend Paid		**814,437**	651,550
Associate	Pipeline charges		**635,492**	501,349
	Others		**9,350**	7,332
	Dividend received		**-**	423,570
Staff retirement benefit / contribution funds				
Pension funds	Contribution		**14,391**	22,849
Defined contribution Pension funds	Contribution		**55,929**	76,745
Gratuity funds	Contribution		**3,595**	5,708
Provident funds	Contribution		**30,744**	43,361
Key management personnel	Salaries and other short term employee benefits	19.1	**55,853**	42,722
	Post-employment benefits		**4,555**	3,672
Directors	Fee for attending meetings		**2,900**	2,625
	Dividend paid		**-**	-
Other related parties	Purchases		**75,664,831**	90,525,325
	Sales		**1,010,580**	4,240,488
	Collection for sales made in Pakistan to customers of the parent company and its associates		**2,472,637**	3,125,551
	Technical service fee charged	19.2	**982,806**	1,179,001
	Trademarks and manifestations license fee charged	19.3	**243,922**	266,669
	Computer expenses charged (Global Infrastructure Desktop charges)	19.3	**110,450**	158,638
	Expenses recovered from related parties	19.4	**115,268**	143,360
	Other expenses charged by related parties	19.4	**781,560**	561,520

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended September 30, 2016

19.1 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.

19.2 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.

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

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

20. OPERATING SEGMENTS

This condensed interim financial information has been prepared on the basis of a single reportable segment. Almost all the sales of the Company relate to petroleum products.

Total sales of the Company relating to customers in Pakistan were 99% during the period ended September 30, 2016 (September 30, 2015: 100%).

All non-current assets of the Company as at September 30, 2016 and 2014 are located in Pakistan.

Sales to twenty major customers of the Company are around 21% during the nine months ended September 30, 2016 (September 30, 2015: 21%).

21. CORRESPONDING FIGURES

21.1 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, 2015 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 three months ended September 30, 2015.

21.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation, the effects of which are not material.

22. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on October 20, 2016 by the Board of Directors of the Company.

Jawwad A Cheema
Chief Executive Officer

Badaruddin F Vellani
Director

Shell Pakistan Limited
Shell House
6, Ch. Khaliquzzaman Road
Karachi - 75530
Pakistan.
www.shell.com.pk