



BUILDING AN ENERGY FUTURE TOGETHER

QUARTERLY REPORT - MARCH 2021
SHELL PAKISTAN LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Rafi H. Basheer (Chairperson)

Haroon Rashid

Parvez Ghias

Imran R. Ibrahim

Madiha Khalid

Zaffar A. Khan

John King Chong Lo

Amir R. Paracha

Waqar I. Siddiqui

Badaruddin F. Vellani

Faisal Waheed

CHIEF EXECUTIVE

Haroon Rashid

AUDIT COMMITTEE

Imran R. Ibrahim (Chairperson)

Rafi H. Basheer

Badaruddin F. Vellani

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Zaffar A. Khan (Chairperson)

Parvez Ghias

Haroon Rashid

Waqar I. Siddiqui

COMPANY SECRETARY

Lalarukh Hussain – Shaikh

REGISTERED OFFICE

Shell House

6, Ch. Khaliqzaman Road

Karachi-75530

Pakistan

AUDITORS

EY Ford Rhodes

LEGAL ADVISORS

Vellani & Vellani

Advocates & Solicitors

REGISTRAR & SHARE REGISTRATION OFFICE

FAMCO Associates (Pvt) Ltd.

8-F, next to Hotel Faran, Nursery

Block-6, P.E.C.H.S.

Shahra-e-Faisal

Karachi-75400

Director's Review Report

FOR THE QUARTER ENDED MARCH 31, 2021

Dear Shareholders,

The Directors of your Company are pleased to present the unaudited condensed interim financial statements for the quarter ended March 31, 2021.

Your Company's performance has witnessed a significant recovery compared to a very tough last year and your Company was able to successfully deliver a profit after tax of Rs. 1,948 million for the first quarter of 2021 as compared to a loss after tax of Rs. 4,332 million for the same period last year. This encouraging turnaround is mainly driven by improved business performance as your Company continued to focus on its strategic priorities e.g. HSSE, selling more differentiated fuels and lubricants, cost reduction, individual retail outlet profitability, running safe and efficient fuel operations in the quarter despite the continued restrictions in the country due to COVID-19. This success was also supported by increasing international oil prices coupled with the appreciation of the Pakistan Rupee against the US dollar by 5% during the quarter.

The profit for the period ended March 31, 2021 after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	2,161
Taxation	(213)
Net Profit for the period ended March 31, 2021	1,948
	Rupees
Earnings per share – basic and diluted	11.17

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 6 of these condensed interim financial statements.

We continue to be at the forefront of the industry in Pakistan in ensuring safe operations across the business. Our transport fleet is fully compliant with the Oil and Gas Regulatory Authority (OGRA) standards. We also continue our relentless focus on ensuring safety at all its sites by inculcating a culture of safety through ongoing engagements, drills, and workshops with staff, business partners, and industry partners; whereby playing an industry leading role in terms of safety advocacy

Lubricants

Lubricants business continues to be a key contributor towards your Company's overall business. We continue to focus on building premium brands, and a consumer promotion "Drive-On Pakistan" was launched with celebrities advocating Shell Helix on Digital/Social media platforms. Project Karakoram has been initiated to strengthen the Rimula brand across important Transport Hubs by engaging workshop owners, mechanics and increasing brand presence in key transport centers.

Retail

Your Company delivered a strong first quarter from its Retail business, capitalizing on the level playing field post changes in the pricing mechanism and putting into place further interventions to ensure robust volumes. We continued to grow our network by adding seven new sites and enhancing our Non-Fuel offer. We maintained focus on premiumization across both lubricants and fuels to provide the best-in-class customer value proposition.

Social Investment

Shell Tameer works with women to empower them. In the month of March, women entrepreneurs of Shell Tameer were proudly celebrated in their journey of social and economic empowerment and highlighted to others as a source of inspiration. Furthermore, continuing the learning expedition, Shell Tameer opened registrations to all aspiring Pakistani entrepreneurs, to a virtual workshop with a specialist on Design Thinking to help grow their business.

Receivables, financing costs & taxation

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. As at March 31, 2021, total outstanding receivables stand at Rs. 5,331 million. Your Company's management is in continuous discussions with the Government authorities for the recovery of these receivables.

Going forward

During the quarter, the process of rights issue was completed. The right issue was fully subscribed by the shareholders and the allotment of the shares was made on March 2, 2021. The rights issue was offered by the Company to help meet its working capital requirements and also to provide support to implement the Company's business plans.

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

The Directors confirm that:

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

Female Member:

1. Ms. Madiha Khalid

Male Members:

1. Mr. Rafi H. Basheer
2. Mr. Parvez Ghias
3. Mr. Imran Ibrahim
4. Mr. Zaffar Khan
5. Mr. John Lo
6. Mr. Amir Paracha
7. Mr. Haroon Rashid
8. Mr. Waqar Siddiqui
9. Mr. Badaruddin F. Vellani
10. Mr. Faisal Waheed

Independent Directors:

1. Mr. Parvez Ghias
2. Mr. Imran Ibrahim
3. Mr. Zaffar Khan
4. Mr. Amir Paracha

Non-Executive Directors:

1. Mr. Rafi H. Basheer
2. Mr. John Lo
3. Mr. Waqar Siddiqui
4. Mr. Badaruddin F. Vellani

Executive Directors:

1. Mr. Haroon Rashid
2. Ms. Madiha Khalid
3. Mr. Faisal Waheed

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

A. Audit Committee

- a. Mr. Imran Ibrahim (Chairperson)
- b. Mr. Rafi H. Basheer
- c. Mr. Badaruddin F. Vellani

B. Human Resource & Remuneration Committee

- a. Mr. Zaffar Khan (Chairperson)
- b. Mr. Parvez Ghias
- c. Mr. Haroon Rashid
- d. Mr. Waqar Siddiqui


3. The non-executive/independent directors, other than those occupying executive positions in other Shell Group Companies are paid a fee to attend meetings of the board and its committees. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors.
4. The system of internal controls is sound in design and has been effectively implemented and monitored.
5. Details of trades in shares of the Company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on pages 18 and 19 of these condensed interim financial statements.

We thank our shareholders, customers, staff and all other stakeholders for their dedication, sustained support and trust in the Company.

On behalf of the Board of Directors



Rafi H. Basheer
Chairperson



Haroon Rashid
Chief Executive

Karachi: April 21, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

		Unaudited March 31, 2021	Audited December 31, 2020
	Note	(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,845,419	14,958,627
Right-of-use assets		5,239,228	5,174,286
Intangible assets		7,617	8,405
Long-term investments	6	5,121,689	4,936,422
Long-term loans		20,553	29,131
Long-term deposits and prepayments		159,299	158,799
Deferred taxation		1,130,119	1,020,840
		27,523,924	26,286,510
Current Assets			
Stock-in-trade	7	21,661,116	13,510,164
Trade debts		3,846,192	3,971,807
Loans and advances		86,149	98,893
Short-term deposits and prepayments		702,536	618,934
Other receivables	8	7,330,513	7,616,623
Cash and bank balances		2,815,805	2,542,876
		36,442,311	28,359,297
TOTAL ASSETS		63,966,235	54,645,807
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,140,248	1,070,125
Share premium		11,991,012	1,503,803
General reserves		207,002	207,002
Accumulated loss		(936,305)	(2,829,185)
Remeasurement of post-employment benefits - actuarial loss		(597,904)	(597,904)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.2	(5,000)	(5,000)
Total equity		12,799,053	(651,159)
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		157,748	157,748
Long-term financing	10	-	4,000,000
Long-term lease liabilities		4,319,821	4,209,046
Provision for post-retirement medical benefits		171,566	171,566
		4,649,135	8,538,360
Current Liabilities			
Trade and other payables	11	44,890,538	39,023,387
Unclaimed dividend		257,548	257,548
Unpaid dividend		59,396	59,396
Accrued mark-up		-	1,936
Short-term borrowings		-	6,150,510
Taxation - net		537,742	522,870
Current portion of long-term lease liabilities		772,823	742,959
		46,518,047	46,758,606
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		63,966,235	54,645,807

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Faisal Waheed
 Chief Financial Officer


Haroon Rashid
 Chief Executive


Imran R. Ibrahim
 Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2021

	Quarter ended	
	March 31, 2021	March 31, 2020
Note	(Rupees '000)	
Sales	60,346,721	49,309,716
Other revenue	186,292	104,724
	60,533,013	49,414,440
Sales tax	(9,290,051)	(7,504,663)
Net revenue	51,242,962	41,909,777
Cost of products sold	(47,254,277)	(41,163,967)
Gross profit	3,988,685	745,810
Distribution and marketing expenses	(1,724,745)	(1,747,045)
Administrative expenses	(1,313,529)	(1,315,789)
Other expenses	13 (124,093)	(1,667,284)
Other income	14 1,423,753	72,784
Operating profit / (loss)	2,250,071	(3,911,524)
Finance costs	(274,263)	(432,451)
	1,975,808	(4,343,975)
Share of profit of associate - net of tax	6.1 185,267	248,228
Profit / (Loss) before taxation	2,161,075	(4,095,747)
Taxation	15 (212,638)	(236,715)
Net profit / (loss) for the period	1,948,437	(4,332,462)
Other comprehensive income	-	-
Total comprehensive income for the period	1,948,437	(4,332,462)
	----- (Rupees) -----	
Earnings / (Loss) per share - basic and diluted	11.17	Restated (28.03)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Faisal Waheed
 Chief Financial Officer


Haroon Rashid
 Chief Executive


Imran R. Ibrahim
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2021

	Capital reserve		Revenue reserve			Unrealised (loss) on revaluation of investments	Total
	Share capital	Share premium	General reserve	Accumulated (loss) / Unappropriated profit	Actuarial loss on post-employment benefits		
	----- (Rupees '000) -----						
Balance as at December 31, 2019 (Audited)	1,070,125	1,503,803	207,002	1,995,276	(485,073)	-	4,291,133
Net loss for the period	-	-	-	(4,332,462)	-	-	(4,332,462)
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	(4,332,462)	-	-	(4,332,462)
Balance as at March 31, 2020 (Unaudited)	1,070,125	1,503,803	207,002	(2,337,186)	(485,073)	-	(41,329)
Balance as at December 31, 2020 (Audited)	1,070,125	1,503,803	207,002	(2,829,185)	(597,904)	(5,000)	(651,159)
Net profit for the period	-	-	-	1,948,437	-	-	1,948,437
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	1,948,437	-	-	1,948,437
Issue of right shares	1,070,123	10,487,209	-	-	-	-	11,557,332
Right share issuance cost	-	-	-	(55,557)	-	-	(55,557)
Balance as at March 31, 2021 (Unaudited)	2,140,248	11,991,012	207,002	(936,305)	(597,904)	(5,000)	12,799,053

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Faisal Waheed
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2021

	Note	Quarter ended	
		March 31, 2021	March 31, 2020
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	16	671,738	(2,467,426)
Finance costs paid		(107,151)	(282,637)
Interest portion of lease liabilities paid		(7,798)	(2,063)
Income tax paid		(307,045)	(156,778)
Long-term loans		8,578	(44,436)
Long-term deposits and prepayments		(500)	(60,061)
Net cash generated from / (used in) operating activities		257,822	(3,013,401)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,141,678)	(571,457)
Proceeds from disposal of property, plant and equipment		4,896	-
Interest received on short-term deposits and saving accounts		22,892	6,246
Net cash used in investing activities		(1,113,890)	(565,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		11,557,332	-
Share issuance cost		(55,557)	-
Principal portion of lease liabilities paid		(222,268)	(157,252)
Proceeds from long-term loan		-	600,000
Repayment of long-term loan		(4,000,000)	-
Dividends paid		-	(1,786)
Net cash used in financing activities		7,279,507	440,962
Net increase in cash and cash equivalents		6,423,439	(3,137,650)
Cash and cash equivalents at the beginning of the period		(3,607,634)	(5,834,797)
Cash and cash equivalents at the end of the period		2,815,805	(8,972,447)
Cash and cash equivalents comprise of:			
Cash and bank balances		2,815,805	2,591,083
Short term borrowings – secured		-	(11,563,530)
		2,815,805	(8,972,447)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Faisal Waheed
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2021

1 THE COMPANY AND ITS OPERATIONS

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

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

2 BASIS OF PREPARATION

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

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

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

These condensed interim financial statements of the Company for the quarter ended March 31, 2021 are unaudited.

2.2 These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

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

3 ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2020.

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

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

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

4.1 The preparation of these condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.2 During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2020, except as disclosed otherwise.

	Note	Unaudited March 31, 2021 ------(Rupees '000) -----	Audited December 31, 2020
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value	5.1 & 5.2	10,213,872	10,405,079
Provision for impairment		(286,801)	(297,659)
		9,927,071	10,107,420
Capital work-in-progress	5.3	5,918,348	4,851,207
		15,845,419	14,958,627

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

	Unaudited Quarter ended	
	March 31, 2021 ------(Rupees '000) -----	March 31, 2020
Leasehold land	-	6,459
Leasehold improvements	-	-
Buildings on freehold land	-	105
Buildings on leasehold land	-	42,162
Tanks and pipelines	-	10,233
Plant and machinery	126,387	22,977
Air conditioning plant	-	61
Lifts	-	4,555
Dispensing pumps	-	10,637
Computer auxiliaries	-	58,108
Rolling stock and vehicles	-	67,577
Electrical, mechanical and firefighting equipment	-	38,942
Furniture, office equipment and other assets	-	88,767
	126,387	350,583

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

	Cost -----	Accumulated depreciation (Rupees '000)	Net book value -----
March 31, 2021 (Unaudited)			
Building on leasehold land	1,392	58	1,334
Dispensing pumps	848	328	520
Electrical, mechanical and fire fighting equipment	2,731	1,842	889
Tanks and pipelines	1,788	1,016	772
	6,759	3,244	3,515
March 31, 2020 (Unaudited)			
Rolling stock and vehicles	7,984	7,984	-
	7,984	7,984	-

5.3 Capital work-in-progress	Note	Unaudited	Audited
		March 31, 2021	December 31, 2020
		------(Rupees '000) -----	
Buildings on leasehold land		2,454,234	1,750,558
Tanks and pipelines		1,387,607	1,201,709
Plant and machinery		1,717,099	1,654,602
Air conditioning plant		100,467	25,619
Electrical, mechanical and fire-fighting equipment		171,387	169,769
Furniture, office equipment and other assets		10,500	10,500
Rolling stock and vehicles		77,054	38,450
	5.3.1	<u>5,918,348</u>	<u>4,851,207</u>

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 1,141,678 thousand (March 31, 2020: Rs. 503,879 thousand).

6 LONG-TERM INVESTMENTS	Note	Unaudited	Audited
		March 31, 2021	December 31, 2020
		------(Rupees '000) -----	
Investment in associate - unquoted	6.1	5,121,689	4,936,422
At fair value through other comprehensive income	6.2	-	-
		<u>5,121,689</u>	<u>4,936,422</u>

6.1 Represent 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	Audited
	March 31, 2021	December 31, 2020
		------(Rupees '000) -----
Balance at the beginning of the period / year	4,936,422	4,626,252
Share of profit before taxation	272,151	1,482,422
Share of taxation	(86,884)	(408,379)
	185,267	1,074,043
Share of other comprehensive loss before taxation	-	(4,837)
Share of taxation	-	1,403
	-	(3,434)
Dividend received	-	(760,439)
Balance at the end of the period / year	<u>5,121,689</u>	<u>4,936,422</u>

6.2 Represent investment in an unquoted company "Arabian Sea Country Club Limited (ASSCL)", which is carried at fair value through other comprehensive income as summarized below:

	Unaudited	Audited
	March 31, 2021	December 31, 2020
		------(Rupees '000) -----
Balance at the beginning of the period / year	-	5,000
Loss on remeasurement of equity instrument at fair value through other comprehensive income	-	(5,000)
Balance at the end of the period / year	<u>-</u>	<u>-</u>

	Note	Unaudited March 31, 2021 ------(Rupees '000) -----	Audited December 31, 2020
7 STOCK-IN-TRADE			
Raw and packing materials		2,977,014	2,334,516
Provision for obsolete and slow moving stock	7.2	(53,387)	(67,308)
		2,923,627	2,267,208
Finished products	7.1	18,756,934	11,348,925
Provision for obsolete and slow moving stock	7.2	(19,445)	(105,969)
		18,737,489	11,242,956
		21,661,116	13,510,164

7.1 Includes items costing Rs. Nil (2020: Rs. 7,698,953 thousand) which have been valued at their net realizable value of Rs. Nil (2020: Rs. 7,698,581 thousand).

	Note	Unaudited March 31, 2021 ------(Rupees '000) -----	Audited December 31, 2020
7.2 Provision for obsolete and slow moving stock is as follows:			
Balance at the beginning of the period / year		173,277	273,380
Provision made during the period / year		72,832	173,278
Reversals during the period / year		(173,277)	(273,381)
		(100,445)	(100,103)
Balance at end of the period / year		72,832	173,277

8 OTHER RECEIVABLES

Petroleum development levy and other duties	8.1	1,380,029	1,380,029
Price differential claims			
- on imported purchases	8.2	295,733	295,733
- on high speed diesel (HSD)	8.3	343,584	343,584
- on imported motor gasoline	8.4	1,961,211	1,961,211
Customs duty receivable	8.5	44,413	44,413
Sales tax refundable	8.6 / 11	-	104,616
Inland freight equalisation mechanism		570,186	802,899
Receivable from related parties	8.7	1,087,785	1,095,008
Service cost receivable from PAPCO – an associated company		20,859	18,712
Workers' profits participation fund		-	15,185
Receivable from Oil Marketing Companies		895,967	915,189
Taxes recoverable	8.8	1,020,214	1,020,214
Margin held against letter of credit		175,365	162,992
Others		494,011	415,682
		8,289,357	8,575,467
Provision for impairment		(958,844)	(958,844)
		7,330,513	7,616,623

8.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (December 31, 2020: Rs. 1,369,560 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales from June 2007. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, refund cheques against which were received in 2014. During 2015, verification exercise of claims amounting to Rs. 182,004 thousand was completed by the authorities, however, the payment has not been released yet. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs. 851,330 thousand. However, the same has not yet been sanctioned by the FBR. Furthermore, the remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by the FBR.

- 8.2** Represents amount receivable from GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.
- 8.3** Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidise petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.
- 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 (OMCs) were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs approached the Ministry of Petroleum and Natural Resources (MoPNR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Despite no response from the MoPNR, the Company along with another OMC continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

In 2009, the Company along with other OMCs approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 02, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs. 2,411,661 thousand. Subsequently, the Company received an amount of Rs. 454,000 thousand from GoP on account of these claims. The remaining claims amounting to Rs. 1,957,661 thousand are still outstanding as on the statement of financial position date.

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

- 8.5** This includes receivable in respect of increase in rate of customs duty effective June 25, 2016, imposed by the MoF through Finance Act, 2016 dated June 24, 2016, on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the OMCs are required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. However, impact of increase in rate of customs duty was not incorporated in the price notification issued by OGRA for July 2016 which resulted in a receivable balance on customs duty to be recovered from the GoP. The Company has taken up this matter with OCAC to demand recovery of the aforesaid balance from the GoP and expects to receive the amount in due course.
- 8.6** Includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 642,996 thousand respectively. The Company is actively pursuing for the recovery of these claims.
- 8.7** Includes net receivable on account of recoveries from customers by Shell Aviation Limited on behalf of the Company.
- 8.8** In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of Appellate Tribunal Inland Revenue (ATIR), completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs. 425,514 thousand. The demand primarily relates to disallowance of a pricing component 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 02, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome of appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

9 SHARE CAPITAL

Authorized share capital

Unaudited March 31, 2021 (Number of shares)	Audited December 31, 2020		Unaudited March 31, 2021	Audited December 31, 2020
		Ordinary shares of Rs. 10/- each	Note ----- (Rupees '000) -----	
<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000</u>	<u>3,000,000</u>

Issued, subscribed and paid-up share capital

Unaudited March 31, 2021 (Number of shares)	Audited December 31, 2020			Unaudited March 31, 2021	Audited December 31, 2020
		Ordinary shares of Rs. 10/- each			
<u>130,493,331</u>	23,481,000	Fully paid in cash	9.2	<u>1,304,933</u>	234,810
<u>83,531,331</u>	83,531,331	Issued as fully paid bonus shares		<u>835,315</u>	835,315
<u>214,024,662</u>	<u>107,012,331</u>			<u>2,140,248</u>	<u>1,070,125</u>

Reconciliation between the issued, subscribed and paid-up share capital at the beginning and end of the period / year is as follows:

<u>107,012,331</u>	107,012,331	Opening shares outstanding		<u>1,070,125</u>	1,070,125
<u>107,012,331</u>	-	Shares issued during the period	9.2	<u>1,070,123</u>	-
<u>214,024,662</u>	<u>107,012,331</u>			<u>2,140,248</u>	<u>1,070,125</u>

- 9.1** The immediate parent held 165,700,304 (December 31, 2020: 81,443,702) ordinary shares as at the date of condensed interim statement of financial position.
- 9.2** The Board of Directors in their meeting held on December 9, 2020 approved to raise further capital by issuance of right shares at a value of Rs. 108 per share (premium of Rs. 98 per share) to its existing shareholders in the proportion of 1 right share for every 1 ordinary share held. The process of rights issue was completed during the period and a total of 107,012,331 shares were issued. Through this issue, an amount of Rs. 11,557,332 thousand was raised comprising of Rs. 1,070,123 thousand and Rs. 10,487,209 thousand in respect of ordinary share capital and share premium, respectively.

		Unaudited March 31, 2021	Audited December 31, 2020
10 LONG-TERM FINANCING - secured	Note ----- (Rupees '000) -----		
Long-term loan		-	4,000,000
Current portion of long-term loan		-	-
	10.1	<u>-</u>	<u>4,000,000</u>

- 10.1** In 2020, the Company entered into a long-term financing facility with a commercial bank amounting to Rs. 4,000,000 thousand. The facility carried interest at the rate of 3 month KIBOR + 0.05%. The loan, secured by way of hypothecation over the Company's present and future current assets, was repayable over a period of 5 years commencing from December 30, 2022. During the period, the loan was repaid in full.

11 TRADE AND OTHER PAYABLES	Note	Unaudited March 31, 2021	Audited December 31, 2020
		----- (Rupees '000) -----	
Creditors	11.1	35,774,270	30,741,316
Accrued liabilities	11.2	7,140,466	6,984,682
Security deposits		341,471	341,037
Advances received from customers (contract liabilities)		572,307	477,997
Provision for staff retirement benefit schemes		98,862	87,919
Sales tax payable - net	8.6	496,387	-
Workers' welfare fund		316,220	316,220
Workers' profits participation fund		86,283	-
Provision for staff redundancy plan		37,777	59,800
Others		26,495	14,416
		<u>44,890,538</u>	<u>39,023,387</u>

11.1 Includes amounts due to related parties aggregating to Rs. 30,890,449 thousand (December 31, 2020: Rs. 23,466,697 thousand).

11.2 Includes Rs. 1,087,756 thousand (December 31, 2020: Rs. 601,809 thousand) accrued in respect of related parties.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 23.1 to the annual audited financial statements for the year ended December 31, 2020 except as follows:

12.1.1 Infrastructure fee

Reference to note 23.1.1 of the annual audited financial statements for the year ended December 31, 2020, subsequent to the stay granted by the High Court of Sindh, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to March 31, 2021 at Rs. 159,493 thousand (2020: Rs. 153,493 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

Management, based on the opinion of its legal advisor, is confident of a favorable outcome and accordingly no provision has been made in these financial statements against the levy.

12.2 Commitments

12.2.1 Capital expenditure contracted for but not incurred as at March 31, 2021 amounted to approximately Rs. 1,572,491 thousand (December 31, 2020: Rs. Rs.1,790,844 thousand).

12.2.2 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at March 31, 2021, the value of these cheques amounted to Rs. 36,674,031 thousand (December 31, 2020: Rs.18,675,659 thousand). The maturity dates of these cheques extend to September 23, 2021.

12.2.3 Letters of credit, bank guarantees and bank contracts outstanding at March 31, 2021 amount to Rs. 13,107,843 thousand (2020: Rs.8,683,703 thousand).

13 OTHER EXPENSES

Includes exchange loss amounting to Rs. Nil (March 31, 2020: Rs. 1,619,346 thousand).

14 OTHER INCOME

Includes exchange gain amounting to Rs. 1,250,858 thousand (March 31, 2020: Rs. Nil).

	Unaudited	
	Quarter ended	
	March 31,	March 31,
	2021	2020
Note	----- (Rupees '000) -----	
15 TAXATION		
Current	321,917	264,500
Deferred	(109,279)	(27,785)
	212,638	236,715
16 CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit / (Loss) before taxation	2,161,075	(4,095,747)
Adjustment for non-cash charges and other items:		
Depreciation charge for the period on operating assets	314,079	296,840
Depreciation charge for the period on right-of-use assets	178,688	168,221
Amortization charge for the period	788	788
Accretion expense in respect of asset retirement obligation	-	2,056
(Reversal) / Provision of impairment of trade debts	(38,187)	44,514
(Reversal) / Provision for obsolete and slow moving stock	7.2 (100,445)	8,272
Write-in of operating assets	(51,850)	-
Reversal of impairment of operating assets	5 (10,858)	(1,405)
Gain on disposal of operating assets	(1,381)	-
Share of profit of associate - net of tax	6.1 (185,267)	(248,228)
Interest on term deposits and saving accounts	(22,892)	(6,246)
Mark-up on borrowings and running finance	105,215	288,192
Accretion of interest on lease liabilities	127,075	107,183
Working capital changes	16.1 (1,804,302)	968,134
	671,738	(2,467,426)
16.1 Working capital changes		
Decrease / (Increase) in current assets		
Stock-in-trade	(8,050,507)	778,729
Trade debts	163,802	747,946
Loans and advances	12,744	28,395
Short-term deposits and prepayments	(83,602)	(54,097)
Other receivables	286,110	(490,312)
	(7,671,453)	1,010,661
Increase / (Decrease) in current liabilities		
Trade and other payables	5,867,151	(42,527)
	(1,804,302)	968,134

17 RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	Unaudited Quarter ended	
			March 31, 2021 ----- (Rupees '000) -----	March 31, 2020
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		68,053	68,721
	Others		2,147	6,452
Employees' retirement funds				
Pension funds	Contribution		46,426	47,492
Gratuity funds	Contribution		1,842	87,290
Provident funds	Contribution		21,099	20,056
Key management personnel				
	Salaries and other short term employee benefits	17.1	15,978	23,541
	Post-employment benefits		2,187	2,099
	Medical		943	386
Directors				
	Fee for attending meetings		1,430	1,073
Others				
	Purchases		27,828,674	27,227,655
	Sales		48,821	78,418
	Collection for sales made in Pakistan to customers of the parent company and its associates		242,279	446,424
	Technical service fee charged	17.2	649,937	604,115
	Trademarks and manifestations license fee charged		115,768	165,144
	Expenses recovered from related parties - net		39,863	37,298
	Other expenses charged by related parties	17.3	190,956	149,745
	Donations		11,690	600
	Legal charges		10	19
	Commission income - net		-	1,966
	Commission expense - net		263	-

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

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

17.3 These include charges net of reversals amounting to Rs. 64,123 thousand (March 31, 2020: Rs. 45,037 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

18 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Company as at December 31, 2020. There has been no change in any risk management policies since the year end.

19 FAIR VALUES OF ASSETS AND LIABILITIES

There were no transfers amongst levels during the period.

20 OPERATING SEGMENTS

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

20.2 As described in note 1.2 to these condensed interim financial statements, the Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils. Revenues (inclusive of sales tax) from external customers for petroleum products amounts to Rs. 60,296,009 thousand (March 31, 2020: Rs. 49,261,505 thousand) and others amounts to Rs. 50,712 thousand (March 31, 2020: Rs. 48,211 thousand).

20.3 Total sales of the Company relating to customers in Pakistan were 100% during the period ended March 31, 2021 (March 31, 2020: 100%).

20.4 All non-current assets of the Company as at March 31, 2021 and 2020 are located in Pakistan.

20.5 Sales to twenty major customers of the Company are around 17% during the quarter ended March 31, 2021 (March 31, 2020: 14%).

21 GENERAL

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

22 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on April 21, 2021 by the Board of Directors of the Company.


Faisal Waheed
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

Trade in Shares by Executives through CDC

FOR THE QUARTER ENDED MARCH 31, 2021

Name	Category	Transaction's date	No. of Shares	Nature	Rate
Mr. Usman Khalid	Executive	01-01-2021	100	Sold	285.50
Mr. Usman Khalid	Executive	19-01-2021	500	RAL-Out	96.25
Mr. Usman Khalid	Executive	22-01-2021	100	RAL-In	92.00
Mr. Usman Khalid	Executive	25-01-2021	100	RAL-In	86.54
Mr. Usman Khalid	Executive	25-01-2021	100	Sold	201.05
Mr. Usman Khalid	Executive	01-02-2021	100	Sold	208.00
Mr. Usman Khalid	Executive	01-02-2021	100	Sold	210.00
Mr. Usman Khalid	Executive	01-02-2021	100	RAL-Out	90.60
Mr. Usman Khalid	Executive	01-02-2021	100	RAL-Out	92.60
Mr. Sohail Kamran	Executive	09-02-2021	100	RAL-In	83.56
Mr. Sohail Kamran	Executive	09-02-2021	100	Sold	205.40
Mr. Usman Khalid	Executive	09-03-2021	100	Bought	180.49
Mr. Usman Khalid	Executive	10-03-2021	100	Bought	173.50
Mr. Usman Khalid	Executive	15-03-2021	100	Bought	165.00
Mr. Usman Khalid	Executive	15-03-2021	100	Bought	167.00
Mr. Usman Khalid	Executive	22-03-2021	100	Bought	161.58
Mr. Usman Khalid	Executive	29-03-2021	100	Bought	156.43
Mr. Usman Khalid	Executive	29-03-2021	100	Bought	154.50

Rights Shares subscribed by Directors/Executives/ Spouses & Substantial Shareholder

FOR THE QUARTER ENDED MARCH 31, 2021

Name	Category	Date of credit	No. of Shares	Nature	Rate
The Shell Petroleum Company Limited (London)	Substantial shareholder	09-03-2021	84,256,602	Rights shares	108.00
Mr. Haroon Rashid	CEO/Director	09-03-2021	20,000	Rights shares	108.00
Mr. Imran R. Ibrahim	Director	09-03-2021	70,443	Rights shares	108.00
Mr. Badaruddin F. Vellani	Director	09-03-2021	195	Rights shares	108.00
Mr. Zaffar A. Khan	Director	09-03-2021	100	Rights shares	108.00
Mr. Amir R. Paracha	Director	09-03-2021	81	Rights shares	108.00
Mr. Parvez Ghias	Director	09-03-2021	50	Rights shares	108.00
Mr. Abid S. Ibrahim	Senior management	09-03-2021	3,391	Rights shares	108.00
Mr. Mir Hassan Ali Talpur	Executive	09-03-2021	100	Rights shares	108.00
Mr. Wajahatullah Khan	Executive	09-03-2021	200	Rights shares	108.00
Mrs. Samina Ibrahim	Spouse	09-03-2021	193,927	Rights shares	108.00
Mrs. Ayesha Zeba Ghias	Spouse	09-03-2021	50	Rights shares	108.00

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