



Driven to  
**Deliver**

Shell Pakistan Limited  
Quarterly Report  
**March 2023**

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# Company Information

## Board of Directors

Zain K. Hak (Chairperson)  
Waqar I. Siddiqui  
Rafi H. Basheer  
Parvez Ghias  
Imran R. Ibrahim  
Madiha Khalid  
Zaffar A. Khan  
John King Chong Lo  
Zarrar Mahmud  
Amir R. Paracha  
Badaruddin F. Vellani

## Chief Executive

Waqar I. Siddiqui

## Audit Committee

Imran R. Ibrahim (Chairperson)  
Rafi H. Basheer  
Badaruddin F. Vellani

## Human Resource and Remuneration Committee

Zaffar A. Khan (Chairperson)  
Parvez Ghias  
Waqar I. Siddiqui  
Zain K. Hak

## Company Secretary

Lalarukh Hussain – Shaikh

## Registered Office

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

## Auditors

EY Ford Rhodes

## Legal Advisors

Vellani & Vellani  
Advocates & Solicitors

## Registrar & Share Registration Office

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

# Director's Review Report

For the quarter ended March 31, 2023

## Dear Shareholders,

The Directors of the Company present the unaudited condensed interim financial statements for the quarter ended March 31, 2023.

The period witnessed material external shocks such as the unprecedented devaluation of the Rupee, rising inflation and macroeconomic uncertainty. The continued economic challenges over the period resulted in a slow-down in economic activity, low demand and risks to supply security. However, the Company was able to maintain its market share.

The profit/ loss for the period ended March 31, 2023, after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	<b>Rupees in Million</b>
<b>Loss before taxation</b>	<b>(4,074)</b>
Taxation	(688)
<b>Net loss for the period ended March 31, 2023</b>	<b>(4,762)</b>
	<b>Rupees</b>
<b>Loss per share – basic and diluted</b>	<b>(22.25)</b>

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 07 of the condensed interim financial statements.

The Company continues to be at the forefront of the industry in Pakistan in ensuring safe operations across the business and playing an industry leading role in terms of safety advocacy.

## Macro-economic challenges

The finances and profitability of the Company continue to be impacted by the current economic challenges affecting the country. The Company continues to bear the burden of overdue legacy receivables of PKR 5,331 million from the Government of Pakistan. The period saw an unprecedented 26% depreciation of the Rupee against the US dollar resulting in significant exchange losses for the Company. The Company's management continues to proactively engage with the Government authorities to minimize its exposure further from the foreign exchange losses incurred and recovery of the legacy receivables.

## Lubricants

Lubricants business continues to be a key growth lever for the Company's overall business performance. In the face of massive economic headwinds, Lubricants business set its growth trajectory by focusing on the basics: consistent activations, sustained penetration and conscious pricing actions. Growth came predominantly on the back of expansion in the diesel engine oil sector and B2B new wins majorly in construction, fleets, general manufacturing and process oil sectors.

## Mobility (formerly Retail)

Our Mobility business held its own under testing circumstances by delivering best in class customer value propositions and maintaining market share in a safe and compliant manner. Proactive coordination with Supply and Distribution ensured fuel availability across our network as supply challenges emerged across the industry. On the advocacy front, increase in OMC margins to Rs 6 per litre was realized through structured efforts. Moreover, 6 new sites were commissioned during the quarter to shore up Fuel and Non-Fuel retail delivery. Our safety campaign, "Ehtiyat Bunay Hifaazat" reached new heights at the industry level as other OMCs followed suit. The brand gained positive mileage via its alliance with the finalist (Multan Sultans) of the Pakistan Super League.

## Environmental, Social and Governance

Shell Tameer and SoS Technical Training Institute, Karachi signed an agreement to assist and prepare a student team from the institute to participate in the Shell Eco-marathon Asia, an annual competition hosted by Shell where student teams from all over the world design, build and drive energy efficient vehicles. The opportunity has been extended to a vocational institute where young automobile technicians from the underprivileged communities will receive technical and financial assistance from Shell Pakistan to design a fuel-efficient car for Shell Eco-marathon.

In another collaboration with SoS Technical Training Institute, Shell retail site service champions from Karachi underwent vocational skills development program for 6 months, 5 successfully graduated receiving certification from Sindh Board of Technical Education (SBTE).

Shell Tameer conducted workshops on Entrepreneurship and Business Model Canvas engaging 314 young startups and aspiring entrepreneurs from 7 institutes in Karachi, Lahore and Hyderabad.

## Going forward

The Company and the Industry are expected to face severe challenges in the near term. Some of these continue to be macro-economic in nature such as currency, oil price volatility and the general uncertain economic outlook of the Country.

Despite these challenges, the management and the Board of Directors remain committed in ensuring that the Company's financial position is further strengthened, a Goal-Zero approach in safety performance is maintained and that the company continues to play a responsible role in society.

## Composition of the Board

Total Number of Directors	Male: 10	Female: 01
Independent Directors	04	
Non-Executive Directors	04	
Executive Directors	03	

We would like to take the opportunity to thank our shareholders, customers, employees and all other stakeholders for their dedication, sustained support, and trust in the Company.

On behalf of the Board of Directors



Zain K. Hak  
Chairperson



Waqar I. Siddiqui  
Chief Executive

Karachi: May 4, 2023

# Condensed Interim Statement of Financial Position

As at March 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
		(Rupees '000)	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	20,937,398	20,579,301
Right-of-use assets		6,339,718	6,453,393
Intangible assets		1,313	2,101
Long-term investments	6	5,311,066	5,198,192
Long-term loans		48,648	51,163
Long-term deposits and prepayments		226,900	220,100
Deferred taxation		555,349	780,010
		<b>33,420,392</b>	<b>33,284,260</b>
<b>Current Assets</b>			
Stock-in-trade	7	62,617,593	42,921,597
Trade debts		6,531,647	5,910,061
Loans and advances		25,401	62,784
Short-term deposits and prepayments		1,177,921	535,584
Other receivables	8	8,672,409	8,216,986
Cash and bank balances		10,188,033	10,801,097
		<b>89,213,004</b>	<b>68,448,109</b>
<b>TOTAL ASSETS</b>		<b>122,633,396</b>	<b>101,732,369</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	2,140,246	2,140,246
Share premium		11,991,012	11,991,012
General reserves		207,002	207,002
Unappropriated profit		(3,954,775)	807,101
Remeasurement of post-employment benefits - actuarial loss		(543,266)	(543,266)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.2	(5,000)	(5,000)
<b>Total equity</b>		<b>9,835,219</b>	<b>14,597,095</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Asset retirement obligation		325,438	321,113
Long-term provisions		2,923,281	2,923,281
Long-term lease liabilities		5,865,909	5,945,991
Provision for post-retirement medical benefits		178,788	178,788
		<b>9,293,416</b>	<b>9,369,173</b>
<b>Current Liabilities</b>			
Trade and other payables	10	98,980,208	73,703,492
Advances received from customers (contract liabilities)		1,975,187	1,442,366
Unclaimed dividend		278,892	278,892
Unpaid dividend		508,954	508,954
Accrued mark-up		-	2,848
Taxation - net		814,763	882,792
Current portion of long term provisions		236,964	236,964
Current portion of long-term lease liabilities		709,793	709,793
		<b>103,504,761</b>	<b>77,766,101</b>
<b>Contingencies and commitments</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>122,633,396</b>	<b>101,732,369</b>

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



**Zarrar Mahmud**  
Chief Financial Officer



**Waqar I. Siddiqui**  
Chief Executive



**Badaruddin F. Vellani**  
Director


# Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the quarter ended March 31, 2023

	Note	Quarter ended	
		March 31, 2023	March 31, 2022
		———— (Rupees '000) ————	
Sales		109,606,157	84,381,126
Other revenue		382,419	141,430
		<u>109,988,576</u>	<u>84,522,557</u>
Sales tax		(1,355,404)	(1,814,388)
Net revenue		<u>108,633,172</u>	<u>82,708,169</u>
Cost of products sold		(96,434,927)	(73,354,888)
<b>Gross profit</b>		<u>12,198,245</u>	<u>9,353,280</u>
Distribution and marketing expenses		(2,679,154)	(2,380,662)
Administrative expenses		(2,308,034)	(1,529,874)
Other expenses	12	(11,136,410)	(2,528,421)
Other income		476,378	141,123
<b>Operating (loss) / profit</b>		<u>(3,448,975)</u>	<u>3,055,446</u>
Finance costs		(737,767)	(216,904)
		<u>(4,186,742)</u>	<u>2,838,542</u>
Share of profit of associate - net of tax	6.1	112,874	191,947
<b>(Loss) / Profit before taxation</b>		<u>(4,073,868)</u>	<u>3,030,489</u>
Taxation	13	(688,008)	(951,073)
<b>Net (loss) / profit for the period</b>		<u>(4,761,876)</u>	<u>2,079,416</u>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/ income for the period</b>		<u>(4,761,876)</u>	<u>2,079,416</u>
		———— (Rupees) ————	
<b>(Loss) / Earnings per share - basic and diluted</b>		<u>(22.25)</u>	<u>9.72</u>

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

  
Zarrar Mahmud  
Chief Financial Officer

  
Waqar I. Siddiqui  
Chief Executive

  
Badaruddin F. Vellani  
Director


# Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended March 31, 2023

	Share capital	Capital reserve	Revenue reserve			Total	
		Share premium	General reserves	Accumulated (loss) / Unappropriated profit	Remeasurement of post-employment benefits actuarial (loss) / gain		Unrealised loss on revaluation of investments
<b>(Rupees '000)</b>							
<b>Balance as at December 31, 2021 (Audited)</b>	2,140,248	11,991,012	207,002	1,587,146	(598,930)	(5,000)	15,321,478
Net profit for the period	-	-	-	2,079,416	-	-	2,079,416
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	2,079,416	-	-	2,079,416
<b>Balance as at March 31, 2022 (Unaudited)</b>	<u>2,140,248</u>	<u>11,991,012</u>	<u>207,002</u>	<u>3,666,562</u>	<u>(598,930)</u>	<u>(5,000)</u>	<u>17,400,894</u>
<b>Balance as at December 31, 2022 (Audited)</b>	<b>2,140,246</b>	<b>11,991,012</b>	<b>207,002</b>	<b>807,101</b>	<b>(543,266)</b>	<b>(5,000)</b>	<b>14,597,095</b>
Net profit for the period	-	-	-	(4,761,876)	-	-	(4,761,876)
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	(4,761,876)	-	-	(4,761,876)
<b>Balance as at March 31, 2023 (Unaudited)</b>	<u>2,140,246</u>	<u>11,991,012</u>	<u>207,002</u>	<u>(3,954,775)</u>	<u>(543,266)</u>	<u>(5,000)</u>	<u>9,835,219</u>

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

  
**Zarrar Mahmud**  
Chief Financial Officer

  
**Waqar I. Siddiqui**  
Chief Executive

  
**Badaruddin F. Vellani**  
Director



# Condensed Interim Statement of Cash Flows (Unaudited)

For the quarter ended March 31, 2023

	Note	Quarter ended	
		March 31, 2023	March 31, 2022
		(Rupees '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operations	14	714,117	(1,287,189)
Finance costs paid		(7,176)	(17,307)
Interest portion of lease liabilities paid		(107,731)	-
Income tax paid		(531,381)	(563,673)
Long-term loans		2,515	(9,679)
Long-term deposits and prepayments		(6,800)	(3,849)
<b>Net cash generated from/ (used in) operating activities</b>		<b>63,543</b>	<b>(1,881,697)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(845,094)	(787,128)
Proceeds from disposal of property, plant and equipment		-	17,922
Interest received on short-term deposits and saving accounts		419,879	46,477
<b>Net cash used in investing activities</b>		<b>(425,215)</b>	<b>(722,729)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease liabilities paid		(251,392)	(292,034)
<b>Net cash (used in) / generated from financing activities</b>		<b>(251,392)</b>	<b>(292,034)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(613,064)</b>	<b>(2,896,460)</b>
Cash and cash equivalents at the beginning of the period		10,801,097	4,973,417
<b>Cash and cash equivalents at the end of the period</b>		<b>10,188,033</b>	<b>2,076,957</b>

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



**Zarrar Mahmud**  
Chief Financial Officer



**Waqar I. Siddiqui**  
Chief Executive



**Badaruddin F. Vellani**  
Director

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended March 31, 2023

## 1 THE COMPANY AND ITS OPERATIONS

**1.1** Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan on June 28, 1969 under the repealed Companies Act, VII of 1913 (now Companies Act, 2017 (the Act)) 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 Shell plc (formerly known as Royal Dutch Shell Plc.) (Ultimate Parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliqzaman Road, Karachi.

**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, 2023 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, 2022.

**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, 2022.

**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, 2022, except as disclosed otherwise.

5	PROPERTY, PLANT AND EQUIPMENT	Note	Unaudited	Audited
			March 31, 2023	December 31, 2022
			(Rupees '000)	
	Operating assets - at net book value	5.1 & 5.2	<b>16,396,018</b>	16,329,276
	Provision for impairment		<b>(352,112)</b>	(355,725)
			<b>16,043,906</b>	15,973,551
	Capital work-in-progress	5.3	<b>4,893,492</b>	4,605,750
			<b>20,937,398</b>	20,579,301

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

	Unaudited	
	Quarter ended	
	March 31, 2023	March 31, 2022
(Rupees '000)		
Buildings on leasehold land	<b>304,155</b>	209,373
Tanks and pipelines	<b>44,454</b>	71,278
Plant and machinery	<b>4,937</b>	163,802
Air conditioning plant	<b>4,195</b>	4,657
Lifts	<b>2,158</b>	88
Dispensing pumps	<b>35,082</b>	76,315
Computer auxiliaries	<b>55,967</b>	9,456
Electrical, mechanical and firefighting equipment	<b>21,721</b>	40,689
Furniture, office equipment and other assets	<b>84,683</b>	88,490
	<b>557,352</b>	664,148

**5.2** There were no disposals/ write-offs of assets during the period.

	Cost	Accumulated depreciation (Rupees '000)	Net book value
<b>March 31, 2022 (Unaudited)</b>			
Furniture, office equipment and other assets	9,221	6,309	2,912
Building on leasehold land	9,269	1,465	7,804
Tanks and pipelines	2,160	830	1,330
Dispensing pumps	6,404	3,374	3,030
Electrical, mechanical and fire fighting equipment	1,573	1,130	442
Plant and Machinery	354	41	313
Rolling stocks and vehicles	15,695	8,284	7,411
Computer auxiliaries	1,397	272	1,126
	<b>46,073</b>	<b>21,705</b>	<b>24,368</b>

<b>5.3 Capital work-in-progress</b>	<b>Note</b>	<b>Unaudited March 31, 2023</b>	<b>Audited December 31, 2022</b>
		<b>———— (Rupees '000) ————</b>	
Buildings on leasehold land		<b>2,563,980</b>	2,487,709
Tanks and pipelines		<b>1,252,583</b>	1,095,270
Plant and machinery		<b>509,768</b>	473,821
Air conditioning plant		<b>44,062</b>	44,062
Rolling stock and vehicles		<b>39,901</b>	49,057
Electrical, mechanical and fire-fighting equipments		<b>335,491</b>	324,137
Furniture, office equipment and other assets		<b>147,707</b>	131,694
	5.3.1	<b><u>4,893,492</u></b>	<b><u>4,605,750</u></b>

**5.3.1** Additions to capital work-in-progress during the period amounted to Rs. 269,611 thousand (March 31, 2022: Rs. 787,129 thousand).

<b>6 LONG-TERM INVESTMENTS</b>	<b>Note</b>	<b>Unaudited March 31, 2023</b>	<b>Audited December 31, 2022</b>
		<b>———— (Rupees '000) ————</b>	
Investment in associate - unquoted	6.1	<b>5,311,066</b>	5,198,192
At fair value through other comprehensive income	6.2	-	-
		<b><u>5,311,066</u></b>	<b><u>5,198,192</u></b>

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

	<b>Unaudited March 31, 2023</b>	<b>Audited December 31, 2022</b>
	<b>———— (Rupees '000) ————</b>	
Balance at the beginning of the period / year	<b>5,198,192</b>	4,970,295
Share of profit before taxation	<b>173,652</b>	1,553,225
Share of taxation	<b>(60,778)</b>	(554,320)
	<b>112,874</b>	998,905
Share of other comprehensive loss before taxation	-	(91,507)
Share of taxation	-	25,849
	-	(65,658)
Dividend received	-	(705,350)
Balance at the end of the period / year	<b><u>5,311,066</u></b>	<b><u>5,198,192</u></b>

**6.2** Represents investment in an unquoted company "Arabian Sea Country Club Limited (ASSCL)", which is carried at fair value through other comprehensive income.

<b>7 STOCK-IN-TRADE</b>	<b>Note</b>	<b>Unaudited March 31, 2023</b>	<b>Audited December 31, 2022</b>
		<b>———— (Rupees '000) ————</b>	
Raw and packing materials		<b>5,650,337</b>	5,853,973
Provision for obsolete and slow moving stock	7.1	<b>(46,204)</b>	(50,577)
		<b>5,604,133</b>	5,803,396
Finished products		<b>57,210,985</b>	37,502,553
Provision for obsolete and slow moving stock	7.1	<b>(197,525)</b>	(384,352)
		<b>57,013,460</b>	37,118,201
		<b>62,617,593</b>	42,921,597
<b>7.1</b> Provision for obsolete and slow moving stock is as follows:			
Balance at the beginning of the period / year		<b>434,929</b>	289,940
Provision made during the period / year		<b>243,729</b>	434,929
Reversals during the period / year		<b>(434,929)</b>	(289,940)
		<b>(191,200)</b>	144,989
Balance at end of the period / year		<b>243,729</b>	434,929
<b>8 OTHER RECEIVABLES</b>			
Petroleum development levy and other duties	8.1	<b>1,380,029</b>	1,380,029
Price differential claims			
- on imported purchases	8.2	<b>295,733</b>	295,733
- on high speed diesel (HSD)	8.3 / 8.5	<b>343,584</b>	343,584
- on imported motor gasoline	8.4 / 8.5	<b>1,961,211</b>	1,961,211
Customs duty receivable	8.6	<b>44,413</b>	44,413
Sales tax refundable	8.7	<b>1,534,438</b>	2,020,988
Inland freight equalisation mechanism		<b>823,239</b>	414,687
Receivable from related parties		<b>2,210,308</b>	1,749,834
Service cost receivable from PAPCO - an associate		<b>21,972</b>	18,386
Workers' profits participation fund		<b>45,708</b>	94,500
Receivable from Oil Marketing Companies		<b>95,797</b>	96,350
Taxes recoverable	8.8	<b>1,020,214</b>	1,020,214
Margin held against letter of credit		<b>301,750</b>	211,517
Others		<b>749,202</b>	720,729
		<b>10,827,598</b>	10,372,175
Provision for impairment		<b>(2,155,189)</b>	(2,155,189)
		<b>8,672,409</b>	8,216,986

- 8.1** Includes petroleum development levy amounting to Rs.1,369,560 thousand (December 31, 2022: 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, which was then paid in the year 2014. During 2015, verification exercise of claims amounting to Rs.182,004 thousand was completed by the authorities. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs.851,330 thousand. 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.
- 8.3** Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidize petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers.
- 8.4** Represents the Company's share of price differential claims on account of import of motor gasoline by the Company, being the difference between the landed cost and ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other Oil Marketing Companies (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.

The Company submitted audit reports for claims till May 31, 2011 amounting to Rs.2,411,661 thousand against which the Company received an amount of Rs.454,000 thousand. The remaining claims amounting to Rs.1,957,661 thousand are still outstanding as on the statement of financial position date.

In 2012, to meet the increasing local demand, OMCs again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with OMCs approached the GoP with a proposal to include the high premium on the gallop cargo in the pricing mechanism. MoPNR accepted the oil marketing companies' proposal and directed OGRA through its directive PL-3 (457) / 2012 - 43 dated June 30, 2012 to adjust the actual premium differential of the imported motor gasoline through the IFEM. 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 the above import. On June 06, 2013, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit report thereafter in respect of this claim. In 2017 and 2018, claims aggregating to Rs.71,844 thousand and Rs.38,052 thousand were adjusted through the IFEM respectively, as per the directive of MoPNR stated above.

- 8.5** The Company along with other OMCs and Oil Companies Advisory Council (OCAC) continues to follow up the aforementioned matters (note 8.1 to 8.4) with MoPNR and is confident of recovering these balances.
- 8.6** 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.
- 8.7** 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.
- 8.8** 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, 2023 —— (Number of shares) ——	Audited December 31, 2022 —— (Number of shares) ——	Note	Unaudited March 31, 2023 —— (Rupees '000) ——	Audited December 31, 2022 —— (Rupees '000) ——
<b>300,000,000</b>	300,000,000	Ordinary shares of Rs. 10/- each	<b>3,000,000</b>	3,000,000

### Issued, subscribed and paid-up share capital

Unaudited March 31, 2023 —— (Number of shares) ——	Audited December 31, 2022 —— (Number of shares) ——	Note	Unaudited March 31, 2023 —— (Rupees '000) ——	Audited December 31, 2022 —— (Rupees '000) ——
		Ordinary shares of Rs. 10/- each		
<b>130,493,331</b>	130,493,331	Fully paid in cash	<b>1,304,933</b>	1,304,933
<b>83,531,331</b>	83,531,331	Issued as fully paid bonus shares	<b>835,313</b>	835,313
<b>214,024,662</b>	214,024,662	9.1	<b>2,140,246</b>	2,140,246

**9.1** The Immediate Parent held 165,700,304 (December 31, 2022: 165,700,304) ordinary shares of Rs. 10/- each, constituting 77.42% (2021: 77.42%) of issued share capital of the Company, as at the date of condensed interim statement of financial position.

10 TRADE AND OTHER PAYABLES	Note	Unaudited March 31, 2023 —— (Rupees '000) ——	Audited December 31, 2022 —— (Rupees '000) ——
Creditors	10.1	<b>88,959,775</b>	65,036,991
Accrued liabilities	10.2	<b>9,033,092</b>	7,407,648
Security deposits		<b>488,547</b>	470,820
Staff retirement benefit schemes		<b>41,496</b>	70,529
Workers' Welfare Fund		<b>369,254</b>	554,693
Provision for staff redundancy plan		<b>81,954</b>	155,071
Other liabilities		<b>6,090</b>	7,740
		<b>98,980,208</b>	73,703,492

**10.1** Includes amounts due to related parties aggregating to Rs. 80,035,695 thousand (December 31, 2022: Rs. 56,010,107 thousand).

**10.2** Includes Rs. 1,161,233 thousand (December 31, 2022: Rs. 1,009,768 thousand) accrued in respect of related parties.

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 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, 2022 except as follows:

#### 11.1.1 Infrastructure fee

Reference to note 23.1.1 of the annual audited financial statements for the year ended December 31, 2022, subsequent to the stay granted by the Honorable Supreme Court of Pakistan against the order of High Court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to March 31, 2023 at Rs. 244,793 thousand (December 31, 2022: Rs. 244,793 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.

11.2 Commitments	Note	Unaudited	Audited
		March 31, 2023	December 31, 2022
		(Rupees '000)	
Commitments for capital expenditure		1,493,555	2,214,706
Outstanding letters of credit	11.2.1	24,559,559	3,530,472
Outstanding bank guarantees	11.2.1	3,769,823	3,440,528
Outstanding bank contracts		10,676,688	3,979,213
Post-dated cheques	11.2.2	13,796,934	24,529,122

**11.2.1** Total facilities for letters of credit amount to Rs. 46,024,184 thousand (December 31, 2022: Rs. 32,521,322 thousand) and for bank guarantees and contracts amount to Rs. 34,169,006 thousand (December 31, 2022: Rs. 23,390,103 thousand).

**11.2.2** These 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. The maturity dates of these cheques extend to September 21, 2023.

## 12 OTHER EXPENSES

Includes exchange loss amounting to Rs. 11,131,624 thousand (March 31, 2022: Rs. 2,067,187).

13 TAXATION	Note	Unaudited Quarter ended	
		March 31, 2023	March 31, 2022
		(Rupees '000)	
Current		463,345	579,000
Deferred		224,663	372,073
		688,008	951,073

## 14 CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation		(4,073,868)	3,030,489
Adjustment for non-cash charges and other items:			
Depreciation charge for the period on operating assets		490,610	419,941
Depreciation charge for the period on right-of-use assets		215,830	187,960
Amortization charge for the period		788	788
Accretion expense in respect of asset retirement obligation		4,324	1,878
Reversal of impairment of trade debts		(1,600)	(12,988)
Provision for impairment of other receivables	8	-	221,683
Reversal of provision for obsolete and slow moving stock	7.1	(191,200)	(25,141)
Write off of operating assets		-	14,292
Reversal of impairment of operating assets	5	(3,613)	(772)
Gain on disposal of operating assets		-	(7,846)
Share of profit of associate - net of tax	6.1	(112,874)	(191,947)
Interest on term deposits and saving accounts		(419,879)	(46,477)
Mark-up on borrowings and running finance		4,328	16,120
Accretion of interest on lease liabilities		176,893	142,519
Working capital changes	14.1	4,624,378	(5,037,687)
		714,117	(1,287,189)



	Unaudited Quarter ended	
	March 31, 2023	March 31, 2022
	———— (Rupees '000) ————	
<b>14.1 Working capital changes</b>		
<b>Increase in current assets</b>		
Stock-in-trade	(19,504,796)	(9,618,788)
Trade debts	(619,986)	256,781
Loans and advances	37,383	26,969
Short-term deposits and prepayments	(642,337)	104,655
Other receivables	(455,423)	(2,929,918)
	<u>(21,185,159)</u>	<u>(12,160,301)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	25,809,537	7,122,613
	<u>4,624,378</u>	<u>(5,037,688)</u>

## 15 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, 2023	March 31, 2022
			———— (Rupees '000) ————	
<b>Associate</b>				
Pak-Arab Pipeline Company Limited	Pipeline charges		130,897	165,246
	Others		3,587	7,562
<b>Employees' retirement funds</b>				
Pension funds	Contribution		36,605	31,963
Gratuity funds	Contribution		965	1,106
Provident funds	Contribution		6,444	12,813
<b>Key management personnel</b>				
	Salaries and other short term employee benefits	15.1	61,353	39,481
	Post-employment benefits		3,144	2,623
	Medical		403	375
	Loan to Director		1,787	-
<b>Directors</b>				
	Fee for attending meetings		2,474	1,118
<b>Others</b>				
	Purchases		41,619,698	55,794,106
	Sales		117,469	1,078,258
	Collection for sales made in Pakistan to customers of the parent company and its associates		173,304	631,965
	Technical service fee charged	15.2	1,325,970	816,584
	Trademarks and manifestations license fee charged		82,371	115,374
	Expenses recovered from related parties - net		47,509	33,134
	Other expenses charged by related parties		337,813	345,579
	Donations		10,150	11,750
	Commission income - net		846	9,594

**15.1** 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.

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

## **16 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, 2022. There has been no change in any risk management policies since the year end.

## **17 FAIR VALUES OF ASSETS AND LIABILITIES**

There were no transfers amongst levels during the period.

## **18 OPERATING SEGMENTS**

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

**18.2** 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. 109,606,157 thousand (March 31, 2022: Rs. 84,360,095 thousand) and others amounts to Rs. Nil (March 31, 2022: Rs. 21,031 thousand).

**18.3** Total sales of the Company relating to customers in Pakistan were 100% during the period ended March 31, 2023 (March 31, 2022: 100%).

**18.4** All non-current assets of the Company as at March 31, 2023 and 2022 are located in Pakistan.

**18.5** Sales to twenty major customers of the Company are around 17% during the quarter ended March 31, 2023 (March 31, 2022: 16%).

## **19 GENERAL**

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

## **20 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorized for issue on May 04, 2023 by the Board of Directors of the Company.



**Zarrar Mahmud**  
Chief Financial Officer



**Waqar I. Siddiqui**  
Chief Executive



**Badaruddin F. Vellani**  
Director

# Trade in shares by Executive through CDC

During January 01 to March 31, 2023

<b>Name</b>	<b>Category</b>	<b>Transaction's date</b>	<b>No. of Shares</b>	<b>Nature</b>	<b>Rate (Rs.)</b>
Mr. Hamza Kholia	Executive	19-01-2023	1000	Sold	103.04
Mr. Zarrar Jamali	Executive	17-08-2022	32	Bought	127.00

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