



Celebrating

th

YEAR OF **POWERING
PROGRESS IN PAKISTAN**



GENERATING
SHAREHOLDER
VALUE



ACHIEVING
NET-ZERO
EMISSIONS



POWERING
LIVES



RESPECTING
NATURE

| QUARTERLY REPORT – MARCH 2022

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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
Zain K. Hak
Waqar I. Siddiqui

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, 2022

Dear Shareholders,

The Directors of our Company are pleased to present the unaudited condensed interim financial statements for the quarter ended March 31, 2022.

Shell Pakistan Limited continued focus on its strategic priorities and operational excellence in the quarter and despite the ongoing macroeconomic challenges in the country, successfully delivered a profit after tax of Rs. 2,079 million for the first quarter of 2022.

This encouraging turnaround is mainly driven by improved business performance e.g., selling more differentiated fuels and lubricants, the governments positive change in pricing formula to Platts indexes to align with international pricing trends and running efficient fuel operations during the period.

We continue to be at the forefront of the industry in Pakistan in ensuring safe operations across the business. Focusing on inculcating a culture of safety, and workshops with staff, business partners and playing an industry leading role in terms of safety advocacy.

The profit / loss for the period ended March 31, 2022, after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit/Loss before taxation	3,030
Taxation	(951)
Net Profit/Loss for the period ended March 31, 2022	2,079
	Rupees
Earnings per share – basic and diluted	9.72

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 7 of the condensed interim financial statements.

Lubricants

Lubricant business continues to be a key contributor towards our Company's overall business. In the first quarter of 2022, we carried forward the sustained focus on market penetration and premium selling. In the face of cost pressures, the Lubricants business continued expanding its footprint and offers in Passenger Car Motor Oil segment and major industrial segments such as Mining, Construction including CPEC projects, Oil & Gas and Automotive Original Equipment Manufacturers (OEMs). This will help our Company grow further and strengthen its market leadership position.

Retail (Mobility)

Our Mobility business delivered robust financial performance for the quarter despite several headwinds on the back of healthy margins on fuels and steady market share. We launched three new sites which will help build on our volume delivery and our non-fuel retail business particularly lubricants. There has been encouraging breakthrough in the government advocacy space which will now enable unabated expansion of our network in Punjab driving topline growth while providing best-in-class customer value proposition in Pakistan.

Social Investment

Our company has been working towards the economic empowerment of women through vocational skills in grass-root communities through Shell Tameer. The first batch of trainees at the Vocational Business Center for Women near Bahawalpur were provided hands-on training and provided market access to the local garment industry. The group successfully received two orders to produce 580 garment articles from larger garment production units creating revenue streams for 11 women.

Shell Tameer entered into an agreement with the Institute of Business Management (IOBM) Shahjehan S Karim Incubation Center to promote youth entrepreneurship in Pakistan. Through this partnership both institutes will work together to inculcate entrepreneurial skills through trainings, mentoring and business incubation services to create opportunities for young Pakistani start-ups.

This International Women's Day, Shell Tameer hosted the launch of Tameer's Mentoring Circles for Women Entrepreneurs at IOBM, with a panel discussion on "Gender Equality for a Sustainable Future". 13 female-led enterprises received mentoring through four industry experts in the area of sustainability.

Receivables, financing costs & taxation

The finances of our Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. As of March 31, 2022, total outstanding receivables stand at Rs. 8,134 million. This includes the new PDC (Price Differential Claim) receivable of Rs 2,783 million which has further strained our Company's working capital and cash position. However, our Company's management is in continuous discussions with the Government authorities for the recovery of these receivables and we would like to appreciate the Government's commitment to ease the impact on OMCs as we have received PDC amounting to Rs 219 million. This is a good start, and we hope the Government continues its support to clear all the remaining receivables as well.

Going forward

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

The Company does face challenges ahead, not least arising from currency devaluation, oil price volatility, local economic uncertainty and continued delays in recovery of receivables from the Government. However, the Board of Directors and management will continue to meet the challenges to minimize and continue to strive toward providing requisite returns to stakeholders.

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: April 20, 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	Note	Unaudited March 31, 2022	Audited December 31, 2021
		----- (Rupees '000) -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	18,185,533	17,841,942
Right-of-use assets		5,793,817	5,896,843
Intangible assets		4,465	5,253
Long-term investments	6	5,162,242	4,970,295
Long-term loans		47,119	37,440
Long-term deposits and prepayments		269,615	265,766
Deferred taxation		381,660	753,734
		29,844,451	29,771,273
Current Assets			
Stock-in-trade	7	46,355,897	36,711,968
Trade debts		4,423,675	4,667,468
Loans and advances		65,191	92,160
Short-term deposits and prepayments		422,592	527,247
Other receivables	8	10,897,715	8,189,480
Cash and bank balances		2,076,957	4,973,417
		64,242,027	55,161,740
TOTAL ASSETS		94,086,478	84,933,013
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,140,248	2,140,248
Share premium		11,991,012	11,991,012
General reserves		207,002	207,002
Unappropriated profit		3,666,562	1,587,146
Remeasurement of post-employment benefits – actuarial loss		(598,930)	(598,930)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.2	(5,000)	(5,000)
Total equity		17,400,894	15,321,478
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		175,427	173,550
Long-term lease liabilities		5,300,611	5,365,192
Provision for post-retirement medical benefits		170,543	170,543
		5,646,581	5,709,285
Current Liabilities			
Trade and other payables	10	68,567,917	61,341,662
Advances received from customers (contract liabilities)		1,002,311	1,105,953
Unclaimed dividend		293,906	293,906
Accrued mark-up		-	1,187
Taxation - net		493,184	477,857
Current portion of long-term lease liabilities		681,685	681,685
		71,039,003	63,902,250
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		94,086,478	84,933,013

The annexed notes 1 to 21 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, 2022

	Note	Quarter ended	
		March 31, 2022	March 31, 2021
		----- (Rupees '000) -----	
Sales		84,381,126	60,346,721
Other revenue		141,430	186,292
		84,522,556	60,533,013
Sales tax		(1,814,388)	(9,290,051)
Net revenue		82,708,168	51,242,962
Cost of products sold		(73,354,888)	(47,254,277)
Gross profit		9,353,280	3,988,685
Distribution and marketing expenses		(2,380,662)	(1,724,745)
Administrative expenses		(1,529,874)	(1,313,529)
Other expenses	12	(2,528,421)	(124,093)
Other income	13	141,123	1,423,753
Operating profit		3,055,446	2,250,071
Finance costs		(216,904)	(274,263)
		2,838,542	1,975,808
Share of profit of associate - net of tax	6.1	191,947	185,267
Profit before taxation		3,030,489	2,161,075
Taxation	14	(951,073)	(212,638)
Net profit for the period		2,079,416	1,948,437
Other comprehensive income		-	-
Total comprehensive income for the period		2,079,416	1,948,437
		----- (Rupees) -----	
Earnings per share - basic and diluted		9.72	11.17

The annexed notes 1 to 21 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, 2022

	Capital reserve		Revenue reserve				Total
	Share capital	Share premium	General reserves	Accumulated (loss) / Unappropriated profit	Actuarial loss on post-employment benefits	Unrealised (loss) on revaluation of investments	
	----- (Rupees '000) -----						
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)	<u>2,140,248</u>	<u>11,991,012</u>	<u>207,002</u>	<u>(936,305)</u>	<u>(597,904)</u>	<u>(5,000)</u>	<u>12,799,053</u>
Balance as at December 31, 2021 (Audited)	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
Balance as at March 31, 2022 (Unaudited)	<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>

The annexed notes 1 to 21 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, 2022

	Note	Quarter ended	
		March 31, 2022	March 31, 2021
----- (Rupees '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	15	(1,287,189)	671,738
Finance costs paid		(17,307)	(107,151)
Interest portion of lease liabilities paid		-	(7,798)
Income tax paid		(563,673)	(307,045)
Long-term loans		(9,679)	8,578
Long-term deposits and prepayments		(3,849)	(500)
Net cash (used in) / generated from operating activities		(1,881,697)	257,822
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(787,128)	(1,141,678)
Proceeds from disposal of property, plant and equipment		17,922	4,896
Interest received on short-term deposits and saving accounts		46,477	22,892
Net cash used in investing activities		(722,729)	(1,113,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	11,557,332
Share issuance cost		-	(55,557)
Principal portion of lease liabilities paid		(292,034)	(222,268)
Repayment of long-term loan		-	(4,000,000)
Net cash (used in) / generated from financing activities		(292,034)	7,279,507
Net (decrease) / increase in cash and cash equivalents		(2,896,460)	6,423,439
Cash and cash equivalents at the beginning of the period		4,973,417	(3,607,634)
Cash and cash equivalents at the end of the period		2,076,957	2,815,805

The annexed notes 1 to 21 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, 2022

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 Companies Act, VII of 1913 (repealed with the enactment of the Companies Act, 2017) 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, 2022 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, 2021.

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, 2021.

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, 2021, except as disclosed otherwise.

	Note	Unaudited March 31, 2022	Audited December 31, 2021
		------(Rupees '000) -----	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value	5.1 & 5.2	13,718,658	13,498,820
Provision for impairment		(209,568)	(210,340)
		13,509,090	13,288,480
Capital work-in-progress	5.3	4,676,443	4,553,462
		18,185,533	17,841,942

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

	Unaudited Quarter ended	
	March 31, 2022	March 31, 2021
------(Rupees '000) -----		
Leasehold land	118,856	-
Buildings on leasehold land	90,517	-
Tanks and pipelines	71,278	-
Plant and machinery	163,802	126,387
Air conditioning plant	4,657	-
Lifts	88	-
Dispensing pumps	76,315	-
Computer auxiliaries	9,456	-
Electrical, mechanical and firefighting equipment	40,689	-
Furniture, office equipment and other assets	88,490	-
	664,148	126,387

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

	Cost	Accumulated depreciation	Net book value
	----- (Rupees '000) -----		
March 31, 2022 (Unaudited)			
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	443
Plant and Machinery	354	41	313
Rolling stocks and vehicles	15,695	8,284	7,411
Computer auxiliaries	1,397	272	1,125
	46,073	21,705	24,368
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

5.3 Capital work-in-progress

	Note	Unaudited March 31, 2022	Audited December 31, 2021
		----- (Rupees '000) -----	
Buildings on leasehold land		1,650,035	1,644,941
Tanks and pipelines		1,833,846	1,744,915
Plant and machinery		736,696	710,089
Air conditioning plant		99,747	97,840
Electrical, mechanical and fire-fighting equipment		160,394	227,419
Furniture, office equipment and other assets		120,619	109,225
Rolling stock and vehicles		75,106	19,033
	5.3.1	4,676,443	4,553,462

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 787,129 thousand (March 31, 2021: Rs. 1,141,678 thousand).

6 LONG-TERM INVESTMENTS

	Note	Unaudited March 31, 2022	Audited December 31, 2021
		----- (Rupees '000) -----	
Investment in associate - unquoted	6.1	5,162,242	4,970,295
At fair value through other comprehensive income	6.2	-	-
		5,162,242	4,970,295

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 March 31, 2022	Audited December 31, 2021
	------(Rupees '000) -----	
Balance at the beginning of the period / year	4,970,295	4,936,422
Share of profit before taxation	278,643	1,244,175
Share of taxation	(86,696)	(385,778)
	191,947	858,397
Share of other comprehensive loss before taxation	-	10,964
Share of taxation	-	(3,180)
	-	7,784
Dividend received	-	(832,308)
Balance at the end of the period / year	5,162,242	4,970,295

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

	Unaudited March 31, 2022	Audited December 31, 2021
	------(Rupees '000) -----	
7 STOCK-IN-TRADE		
Raw and packing materials	3,529,355	2,539,185
Provision for obsolete and slow moving stock	(66,855)	(77,085)
	3,462,500	2,462,100
Finished products	43,008,197	34,379,579
Provision for obsolete and slow moving stock	(114,800)	(129,711)
	42,893,397	34,249,868
	46,355,897	36,711,968

7.1 Provision for obsolete and slow moving stock is as follows:

Balance at the beginning of the period / year	206,796	173,277
Provision made during the period / year	181,655	206,796
Reversals during the period / year	(206,796)	(173,277)
	(25,141)	33,519
Balance at end of the period / year	181,655	206,796

8 OTHER RECEIVABLES	Note	Unaudited	Audited
		March 31, 2022	December 31, 2021
		------(Rupees '000) -----	
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 / 8.5	1,580,728	382,794
- on imported motor gasoline	8.4 / 8.5	3,527,100	2,088,244
Customs duty receivable	8.6	44,413	44,413
Sales tax refundable	8.7	1,735,632	902,767
Inland freight equalisation mechanism		-	64,292
Receivable from related parties		1,454,649	1,400,968
Service cost receivable from PAPCO – an associated company		17,937	19,045
Workers' profits participation fund		-	63,977
Receivable from Oil Marketing Companies		324,505	861,535
Taxes recoverable	8.8	1,020,214	1,020,214
Margin held against letter of credit		24,945	59,245
Others		825,767	718,478
		12,231,652	9,301,734
Provision for impairment		(1,333,937)	(1,112,254)
		10,897,715	8,189,480

8.1 Includes petroleum development levy amounting to Rs.1,369,560 thousand (December 31, 2021: 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** In 2021, the Ministry of Energy vide letter No. PL-3(457)/2021-73 dated October 31, 2021 and during the period, vide letter No. PL-3(457)/2021-74 dated February 28, 2022 directed Oil Marketing Companies to supply Motor Gasoline and High Speed Diesel based on the GOP notified rates to subsidize petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers. Similar to other PDC arrangements, the differential cost was to be borne by GoP and reimbursed directly to the Company by MoF.

The Company along with other OMCs and Oil Companies Advisory Council (OCAC) continues to follow up the aforementioned matters (note 8.1 to 8.5) 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, 2022 (Number of shares)	Audited December 31, 2021		Unaudited March 31, 2022 (Rupees '000)	Audited December 31, 2021 (Rupees '000)
300,000,000	300,000,000	Ordinary shares of Rs. 10/- each	3,000,000	3,000,000

Issued, subscribed and paid-up share capital

Unaudited March 31, 2022 (Number of shares)	Audited December 31, 2021		Unaudited March 31, 2022 (Rupees '000)	Audited December 31, 2021 (Rupees '000)
130,493,331	23,481,000	Fully paid in cash	1,304,933	234,810
83,531,331	83,531,331	Issued as fully paid bonus shares	835,315	835,315
214,024,662	107,012,331		2,140,248	1,070,125

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

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

- 9.1** The immediate parent held 165,700,304 (December 31, 2021: 165,700,304) ordinary shares as at the date of condensed interim statement of financial position.

10	TRADE AND OTHER PAYABLES	Note	Unaudited	Audited
			March 31, 2022	December 31, 2021
			----- (Rupees '000) -----	
	Creditors	10.1	64,050,538	52,925,102
	Accrued liabilities	10.2	2,970,029	7,338,060
	Security deposits		356,181	344,118
	Provision for staff retirement benefit schemes		40,803	94,349
	Workers' welfare fund		501,896	439,552
	Workers' profits participation fund		85,750	-
	Provision for staff redundancy plan		59,379	199,740
	Inland freight equalization margin		466,711	-
	Others		36,630	741
			68,567,917	61,341,662

10.1 Includes amounts due to related parties aggregating to Rs. 55,254,643 thousand (December 31, 2021: Rs. 47,213,745 thousand).

10.2 Includes Rs. 1,025,416 thousand (December 31, 2021: Rs. 1,161,245 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, 2021 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, 2021, 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, 2022 at Rs. 171,493 thousand (December 31, 2021: Rs. 171,493 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.

11.2 Commitments

11.2.1 Capital expenditure contracted for but not incurred as at March 31, 2022 amounted to approximately Rs. 1,811,410 thousand (December 31, 2021: Rs. 1,539,713 thousand).

11.2.2 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at March 31, 2022, the value of these cheques amounted to Rs. 19,721,089 thousand (December 31, 2021: Rs. 15,727,211 thousand). The maturity dates of these cheques extend to August 21, 2022.

11.2.3 Letters of credit, bank guarantees and bank contracts outstanding at March 31, 2022 amount to Rs. 22,546,392 thousand (December 31, 2021: Rs. 18,121,996 thousand).

12 OTHER EXPENSES

Includes exchange loss amounting to Rs. 2,067,187 thousand (March 31, 2021: Rs. Nil).

13 OTHER INCOME

Includes exchange gain amounting to Rs. Nil (March 31, 2021: Rs. 1,250,858 thousand).

	Note	Unaudited Quarter ended	
		March 31, 2022	March 31, 2021
		----- (Rupees '000) -----	
14 TAXATION			
Current		579,000	321,917
Deferred		372,073	(109,279)
		951,073	212,638
15 CASH GENERATED FROM / (USED IN) OPERATIONS			
Profit before taxation		3,030,489	2,161,075
Adjustment for non-cash charges and other items:			
Depreciation charge for the period on operating assets		419,941	314,079
Depreciation charge for the period on right-of-use assets		187,960	178,688
Amortization charge for the period		788	788
Accretion expense in respect of asset retirement obligation		1,878	-
Reversal of impairment of trade debts		(12,988)	(38,187)
Provision for impairment of other receivables	8	221,683	-
Reversal of provision for obsolete and slow moving stock	7.1	(25,141)	(100,445)
Write-in of operating assets		-	(51,850)
Write off of operating assets		14,292	-
Reversal of impairment of operating assets	5	(772)	(10,858)
Gain on disposal of operating assets		(7,846)	(1,381)
Share of profit of associate - net of tax	6.1	(191,947)	(185,267)
Interest on term deposits and saving accounts		(46,477)	(22,892)
Mark-up on borrowings and running finance		16,120	105,215
Accretion of interest on lease liabilities		142,519	127,075
Working capital changes	15.1	(5,037,687)	(1,804,302)
		(1,287,189)	671,738
15.1 Working capital changes			
Increase in current assets			
Stock-in-trade		(9,618,788)	(8,050,507)
Trade debts		256,781	163,802
Loans and advances		26,969	12,744
Short-term deposits and prepayments		104,655	(83,602)
Other receivables		(2,929,918)	286,110
		(12,160,301)	(7,671,453)
Decrease in current liabilities			
Trade and other payables		7,122,613	5,867,151
		(5,037,687)	(1,804,302)

16 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, 2022	March 31, 2021
			----- (Rupees '000) -----	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		165,246	68,053
	Others		7,562	2,147
Employees' retirement funds				
Pension funds	Contribution		31,963	46,426
Gratuity funds	Contribution		1,106	1,842
Provident funds	Contribution		12,813	21,099
Key management personnel				
	Salaries and other short term employee benefits	16.1	39,481	15,978
	Post-employment benefits		2,623	2,187
	Medical		375	943
Directors				
	Fee for attending meetings		1,118	1,430
Others				
	Purchases		55,794,106	27,828,674
	Sales		1,078,258	48,821
	Collection for sales made in Pakistan to customers of the parent company and its associates		631,965	242,279
	Technical service fee charged	16.2	816,584	649,937
	Trademarks and manifestations license fee charged		115,374	115,768
	Expenses recovered from related parties - net		33,134	39,863
	Other expenses charged by related parties		345,579	190,956
	Donations		11,750	11,690
	Legal charges		-	10
	Commission income - net		9,594	-
	Commission expense - net		-	263

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

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

17 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Company as at December 31, 2021. There has been no change in any risk management policies since the year end.

18 FAIR VALUES OF ASSETS AND LIABILITIES

There were no transfers amongst levels during the period.

19 OPERATING SEGMENTS

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

19.2 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. 84,360,095 thousand (March 31, 2021: Rs. 60,296,009 thousand) and others amounts to Rs. 21,031 thousand (March 31, 2021: Rs. 50,712 thousand).

19.3 Total sales of the Company relating to customers in Pakistan were 100% during the period ended March 31, 2022 (March 31, 2021: 100%).

19.4 All non-current assets of the Company as at March 31, 2022 and 2021 are located in Pakistan.

19.5 Sales to twenty major customers of the Company are around 16% during the quarter ended March 31, 2022 (March 31, 2021: 17%).

20 GENERAL

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

21 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on April 20, 2022 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 Executives through CDC

FOR THE QUARTER ENDED MARCH 31, 2022

Name	Category	Transaction's date	No. of Shares	Nature	Rate
Usman Khalid	Executive	27-01-2022	500	Bought	120.50
Usman Khalid	Executive	03-02-2022	200	Sold	129.00
Usman Khalid	Executive	03-02-2022	200	Sold	134.00
Saifullah Khan	Executive	04-02-2022	10,000	Sold	140.00
Hamza Kholia	Executive	07-02-2022	500	Sold	138.31
Usman Khalid	Executive	14-02-2022	400	Bought	127.50
Usman Khalid	Executive	24-02-2022	100	Bought	118.50
Usman Khalid	Executive	02-03-2022	200	Bought	119.00

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