



BUILDING AN ENERGY FUTURE TOGETHER

QUARTERLY REPORT - SEPTEMBER 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

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 NINE MONTHS ENDED SEPTEMBER 30, 2021

Dear Shareholders,

The Directors of your Company are pleased to present the financial statements for the third quarter and nine months ended September 30, 2021.

Your Company continued the focus on its strategic priorities and operational excellence in the quarter and despite the continued macroeconomic challenges in the country, successfully delivered a profit after tax of Rs. 297 million for the third quarter of 2021.

Your Company's overall financial performance for the nine months ended September 30, 2021 have also 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. 2,447 million for the nine months of 2021, as compared to a loss after tax of Rs. 6,061 million for the same period last year. 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 the international pricing and running safe and efficient fuel operations during the period despite the continued restrictions in the country due to COVID-19. The right issue which was fully subscribed by the shareholders at the beginning of the year further assisted in this turnaround as it provided financial support to implement the Company's business plans. We continue to be at the forefront of the industry in Pakistan in ensuring safe operations across the business and focus on inculcating a culture of safety, and workshops with staff, business partners, and industry, playing an industry leading role in terms of safety advocacy.

The profit for the period ended September 30, 2021 after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	3,389
Taxation	(942)
Net Profit for the period ended September 30, 2021	2,447
	Rupees
Earnings per share – basic and diluted	12.18

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.

Lubricants

The lubricant business continues to be a key contributor towards your Company's overall business. There has been a sustained focus on market penetration and premium selling. The Lubricants business is expanding its product offering through portfolio introduction in Diesel Engine Oil segment and new offerings. This will help your company grow further and strengthen its foothold in the market.

Retail (Mobility)

Your Company delivered a strong performance for the third quarter of 2021 from its mobility business by further building on robust volumes and margins. We maintained focus on premiumization across Shell V-Power, our differentiated fuel, and lubricants, and successfully launched Shell Recharge, our first Electric-Vehicle Charging Station, in Karachi, in collaboration with K-Electric Limited, aiming to lead the energy transition and provide the best-in-class customer value proposition in Pakistan.

Social Investment

Your Company, in collaboration with HANDS (Health and Nutrition Development Society) organized a COVID-19 Vaccination Drive through 15 mobile vaccination units in Karachi, Lahore and Multan with the aim to contribute to the Governments efforts and safeguard health and safety of the community. This resulted in vaccinating over 12,500 individuals including community members around fuel stations and terminals over one week.

Shell Tameer organized its 8th Shell Tameer Awards, with 125 young entrepreneurs from across Pakistan competing. The competition rewards and recognises Pakistan's youth building innovative businesses that power sustainable development and create job opportunities in the country. 20 finalists were shortlisted to receive mentoring and coaching from international specialists. A panel of industry experts selected 12 inspiring businesses as winners for the awards, who won prize money for their businesses.

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 of September 30, 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

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 Company does face challenges ahead, not least arising from currency devaluation and continued delays in recovery of receivables from the Government as well as changing market, regulatory and competitive dynamics.

Your Board and the Company's management will continue to endeavor to work to minimise the impact of the current challenges and endeavor to capture future opportunities to ensure that your Company plays a key role in developing Pakistan's energy future.

Composition of the Board

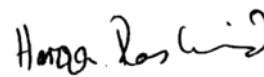
Total Number of Directors	Male: 9 Female: 01
Independent Directors	04
Non-Executive Directors	03
Executive Directors	03

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



Rafi H. Basheer
Chairperson



Haroon Rashid
Chief Executive

Karachi: October 21, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

		Unaudited September 30, 2021	Audited December 31, 2020
	Note	(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	17,146,379	14,958,627
Right-of-use assets		5,675,877	5,174,286
Intangible asset		6,041	8,405
Long-term investments	6	4,725,078	4,936,422
Long-term loans and advances		26,484	29,131
Long-term deposits and prepayments		172,623	158,799
Deferred taxation – net		1,387,263	1,020,840
		29,139,745	26,286,510
Current Assets			
Stock-in-trade	7	24,463,268	13,510,164
Trade debts		4,674,118	3,971,807
Loans and advances		84,819	98,893
Short-term deposits and prepayments		517,549	618,934
Other receivables	8	7,921,743	7,616,623
Cash and bank balances		2,442,283	2,542,876
		40,103,780	28,359,297
TOTAL ASSETS		69,243,525	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
Unappropriated loss		(436,987)	(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		13,298,371	(651,159)
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		162,939	157,748
Long-term financing	10	-	4,000,000
Long-term lease liabilities		4,958,417	4,209,046
Provision for post-retirement medical benefits		180,586	171,566
		5,301,942	8,538,360
Current Liabilities			
Trade and other payables	11	47,331,834	39,023,387
Unclaimed dividend		315,101	257,548
Unpaid dividend		-	59,396
Accrued mark-up		-	1,936
Short term borrowings – secured		1,650,000	6,150,510
Taxation – net		487,932	522,870
Current portion of long-term lease liabilities		858,345	742,959
		50,643,212	46,758,606
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		69,243,525	54,645,807

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
 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 NINE MONTHS ENDED SEPTEMBER 30, 2021

Note	Nine months ended		Quarter ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Rupees '000)			
Sales	196,883,124	135,802,205	70,660,103	51,403,506
Other revenue	574,384	320,231	241,852	168,823
	197,457,508	136,122,436	70,901,955	51,572,329
Sales tax	(28,229,930)	(20,961,361)	(8,806,804)	(7,956,545)
Net revenue	169,227,578	115,161,075	62,095,151	43,615,784
Cost of products sold	(153,940,250)	(111,585,284)	(55,630,200)	(38,787,864)
Gross profit	15,287,328	3,575,791	6,464,951	4,827,920
Distribution and marketing expenses	(5,342,749)	(4,516,613)	(1,891,774)	(1,486,469)
Administrative expenses	(4,710,561)	(4,039,620)	(1,745,818)	(1,244,944)
Other expenses	13 (2,298,384)	(1,187,733)	(2,367,646)	(63,937)
Other income	474,141	454,734	110,996	52,973
Operating profit / (loss)	3,409,775	(5,713,441)	570,709	2,085,543
Finance costs	(638,382)	(1,213,926)	(182,840)	(354,943)
	2,771,393	(6,927,367)	387,869	1,730,600
Share of profit of associate - net of tax	6.1 617,877	809,101	224,170	259,246
Profit / (Loss) before taxation	3,389,270	(6,118,266)	612,039	1,989,846
Taxation	14 (941,852)	57,088	(315,467)	(177,979)
Net profit / (loss) for the period	2,447,418	(6,061,178)	296,572	1,811,867

Other Comprehensive Income

Items that will not be subsequently reclassified to profit or loss

Loss on equity instrument at fair value through other comprehensive income	-	(5,000)	-	-
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Items that may be subsequently reclassified to profit or loss

Share of other comprehensive income of associate - net of tax	6.1	3,088	-	-
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Total comprehensive income / (loss) for the period	2,450,506	(6,066,178)	296,572	1,811,867
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	(Rupees)			
		Restated		Restated
Earning / (Loss) per share - basic and diluted	12.18	(39.24)	1.39	11.72

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Capital reserve		Revenue reserve			Unrealised (loss) on revaluation of investments	Total
	Share capital	Share premium	General reserve	Unappropriated (loss) / 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	-	-	-	(6,061,178)	-	-	(6,061,178)
Other comprehensive loss for the period	-	-	-	-	-	(5,000)	(5,000)
	-	-	-	(6,061,178)	-	(5,000)	(6,066,178)
Balance as at September 30, 2020 (Unaudited)	1,070,125	1,503,803	207,002	(4,065,902)	(485,073)	(5,000)	(1,775,045)
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	-	-	-	2,447,418	-	-	2,447,418
Other comprehensive income for the period	-	-	-	3,088	-	-	3,088
	-	-	-	2,450,506	-	-	2,450,506
Issue of Right Shares	1,070,123	10,487,209	-	-	-	-	11,557,332
Issue cost of Right Shares	-	-	-	(58,308)	-	-	(58,308)
Balance as at September 30, 2021 (Unaudited)	2,140,248	11,991,012	207,002	(436,987)	(597,904)	(5,000)	13,298,371

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
 Chief Financial Officer


Haroon Rashid
 Chief Executive


Imran R. Ibrahim
 Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Nine months ended	
	September 30, 2021	September 30, 2020
Note	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	15 1,046,442	(549,908)
Finance costs paid	(118,922)	(773,341)
Interest portion of lease liabilities paid	(18,750)	-
Income tax paid	(1,343,213)	(396,484)
Long-term loans and advances	2,647	(22,460)
Long-term deposits and prepayments	(13,824)	2,459
Net cash used in operating activities	(445,620)	(1,739,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,061,692)	(1,634,259)
Dividend received from associate	832,309	760,439
Proceeds from disposal of property, plant and equipment	15,127	12,795
Interest received on short-term deposits and saving accounts	107,052	21,672
Net cash used in investing activities	(2,107,204)	(839,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	11,557,332	-
Share issuance cost	(58,308)	-
Principal portion of lease liabilities paid	(544,440)	(467,384)
Proceeds from long-term loan	-	3,600,000
Repayment of long-term loan	(4,000,000)	-
Dividends paid	(1,843)	(1,786)
Net cash generated from financing activities	6,952,741	3,130,830
Net increase in cash and cash equivalents	4,399,917	551,743
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	792,283	(5,283,054)
Cash and cash equivalents comprise of:		
Cash and bank balances	2,442,283	2,216,946
Short term borrowings – secured	(1,650,000)	(7,500,000)
	792,283	(5,283,054)

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 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, except as follows:

New / Revised Standards, Interpretations and Amendments

IFRS 9 / IAS 39 / IFRS 7 / IFRS 4 / IFRS 16 Interest Rate Benchmark Reform – Phase 2 – Amendments

These amendments had no impact on the condensed interim financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3.2 The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.3 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.

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

4 ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

- 4.1** The preparation of these condensed interim financial statements is in conformity with the approved accounting standards which requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates and assumptions.
- 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.

		Unaudited September 30, 2021	Audited December 31, 2020
	Note	----- (Rupees '000) -----	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value		10,780,374	10,405,079
Provision for impairment		(212,056)	(297,659)
	5.1	10,568,318	10,107,420
Capital work-in-progress		6,578,061	4,851,207
	5.2	17,146,379	14,958,627
5.1 Operating Fixed Assets			
Balance at the beginning of the period / year		10,107,420	10,146,683
Additions during the period / year		1,386,688	1,297,581
	5.1.1	11,494,108	11,444,264
Disposals / write-offs during the period / year - Net Book Value (NBV)		(12,869)	(148,486)
Depreciation charge / impairment reversal during the period / year - net		(912,921)	(1,188,358)
	5.1.2	(925,790)	(1,336,844)
Balance at the end of the period / year		10,568,318	10,107,420

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

	Unaudited Nine months ended September 30, 2021	September 30, 2020
	----- (Rupees '000) -----	
Leasehold land	64,275	36,276
Buildings on freehold land	41	151
Buildings on leasehold land	396,891	143,675
Tanks and pipelines	175,771	56,367
Plant and machinery	95,420	142,615
Air conditioning plant	4,753	73
Lifts	3,599	9,108
Dispensing pumps	139,942	190,267
Computer auxiliaries	123,781	145,494
Rolling stock and vehicles	-	67,577
Electrical, mechanical and firefighting equipment	124,459	101,730
Furniture, office equipment and other assets	257,756	226,340
	1,386,688	1,119,673

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

	Cost	Accumulated depreciation	Net book value
	-----	(Rupees '000)	-----
September 30, 2021 (Unaudited)			
Building on leasehold land	15,535	11,939	3,596
Dispensing pumps	4,980	4,231	749
Electrical, mechanical and fire fighting equipment	15,133	12,037	3,096
Furniture, office equipment and other assets	8,055	6,498	1,557
Plant and Machinery	1,638	1,264	374
Rolling stocks and vehicles	63,638	63,638	-
Tanks and pipelines	5,197	2,499	2,698
Air conditioning plant	4,161	3,362	799
	<u>118,337</u>	<u>105,468</u>	<u>12,869</u>
September 30, 2020 (Unaudited)			
Rolling stock and vehicles	32,979	32,979	-
Plant and machinery	1,150	1,150	-
	<u>34,129</u>	<u>34,129</u>	<u>-</u>

	Note	Unaudited September 30, 2021	Audited December 31, 2020
		-----	(Rupees '000)
5.2 Capital work-in-progress			
Buildings on leasehold land		2,546,275	1,750,558
Tanks and pipelines		1,656,995	1,201,709
Plant and machinery		1,901,993	1,654,602
Air conditioning plant		117,159	25,619
Electrical, mechanical and fire-fighting equipment		255,913	169,769
Furniture, office equipment and other assets		43,829	10,500
Rolling stock and vehicles		55,897	38,450
	5.2.1	<u>6,578,061</u>	<u>4,851,207</u>

5.2.1 Additions to capital work-in-progress during the period amounted to Rs. 3,061,692 thousand (September 30, 2020: Rs. 1,566,682 thousand).

	Note	Unaudited September 30, 2021	Audited December 31, 2020
		-----	(Rupees '000)
6 LONG-TERM INVESTMENTS			
Investment in associate - unquoted	6.1	4,725,078	4,936,422
At fair value through other comprehensive income	6.2	-	-
		<u>4,725,078</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 September 30, 2021	Audited December 31, 2020
	------(Rupees '000) -----	
Balance at the beginning of the period / year	4,936,422	4,626,252
Share of profit before taxation	899,644	1,482,422
Share of taxation	(281,767)	(408,379)
	617,877	1,074,043
Share of other comprehensive loss before taxation	4,349	(4,837)
Share of taxation	(1,261)	1,403
	3,088	(3,434)
Dividend received	(832,309)	(760,439)
Balance at the end of the period / year	4,725,078	4,936,422

- 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 September 30, 2021	Audited 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	-	-

7 STOCK-IN-TRADE

	Unaudited September 30, 2021	Audited December 31, 2020
	------(Rupees '000) -----	
Raw and packing materials	3,298,959	2,334,516
Provision for obsolete and slow moving stock	(49,553)	(67,308)
	3,249,406	2,267,208
Finished products	21,261,190	11,348,925
Provision for obsolete and slow moving stock	(47,328)	(105,969)
	21,213,862	11,242,956
	24,463,268	13,510,164

- 7.1** Includes items costing Rs. Nil thousand (December 31, 2020: Rs. 7,698,953 thousand) which have been valued at their net realizable value of Rs. Nil (December 31, 2020: Rs. 7,698,581 thousand).

- 7.2** Provision for obsolete and slow moving stock is as follows:

	Unaudited September 30, 2021	Audited December 31, 2020
	------(Rupees '000) -----	
Balance at the beginning of the period / year	173,277	273,380
Provision made during the period / year	96,882	173,278
Reversals during the period / year	(173,278)	(273,381)
	(76,396)	(100,103)
Balance at end of the period / year	96,881	173,277

	Unaudited September 30, 2021	Audited December 31, 2020
	------(Rupees '000) -----	
8 OTHER RECEIVABLES		
Petroleum development levy and other duties	1,380,029	1,380,029
Price differential claims		
- on imported purchases	295,733	295,733
- on high speed diesel (HSD)	343,584	343,584
- on imported motor gasoline	1,961,211	1,961,211
Customs duty receivable	44,413	44,413
Sales tax refundable	615,737	104,616
Inland freight equalisation mechanism	412,483	802,899
Receivable from related parties	1,288,819	1,095,008
Service cost receivable from PAPCO – an associated company	26,832	18,712
Workers' profits participation fund	-	15,185
Receivable from Oil Marketing Companies	789,048	915,189
Taxes recoverable	1,020,214	1,020,214
Margin held against letter of credit	111,039	162,992
Others	591,445	415,682
	<u>8,880,587</u>	<u>8,575,467</u>
Provision for impairment	<u>(958,844)</u>	<u>(958,844)</u>
	<u>7,921,743</u>	<u>7,616,623</u>

9 SHARE CAPITAL

Authorized share capital

Unaudited September 30, 2021	Audited December 31, 2020		Unaudited September 30, 2021	Audited December 31, 2020
(Number of shares)		Note	------(Rupees '000) -----	
Ordinary shares of Rs. 10/- each				
<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 September 30, 2021	Audited December 31, 2020		Unaudited September 30, 2021	Audited December 31, 2020
(Number of shares)			------(Rupees '000) -----	
Ordinary shares of Rs. 10/- each				
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
<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:

Unaudited September 30, 2021	Audited December 31, 2020		Unaudited September 30, 2021	Audited December 31, 2020
107,012,331	107,012,331	Opening shares outstanding	1,070,125	1,070,125
107,012,331	-	Shares issued during the period	1,070,123	-
<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.

10 LONG-TERM FINANCING

During the period, the loan was repaid in full.

		Unaudited September 30, 2021	Audited December 31, 2020
	Note	------(Rupees '000) -----	
11 TRADE AND OTHER PAYABLES			
Creditors	11.1	37,833,873	30,741,316
Accrued liabilities	11.2	7,855,094	6,984,682
Security deposits		336,728	341,037
Advances received from customers (contract liabilities)		349,306	477,997
Provision for Staff retirement benefit schemes		97,696	87,919
Workers' Welfare Fund		316,886	316,220
Workers' profits participation fund		130,712	-
Provision for staff redundancy plan		353,749	59,800
Others		57,790	14,416
		<u>47,331,834</u>	<u>39,023,387</u>

11.1 Includes amounts due to related parties aggregating to Rs. 31,570,685 thousand (December 31, 2020: Rs. 23,466,697 thousand).

11.2 Includes Rs. 108,920 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, during the year, the High Court of Sindh dismissed all connected petitions, vacating the stay orders granted earlier. The High Court in its judgement held that the imposition and collection of the impugned levy with effect from July 01, 1994 is valid and provided an exemption to Companies who were a party to the earlier case wherein the first four versions of the law were struck down by the High Court. The High Court directed that all bank guarantees furnished by the petitioners up to December 27, 2006 who were appellants in the earlier case shall stand discharged; whereas those furnished on or after December 28, 2006 shall be en-cashed and paid. Being aggrieved by the said judgement, the Company and several others filed separate appeals before the Supreme Court of Pakistan. The Supreme Court of Pakistan through its order suspended the operation of the impugned judgement of the High Court of Sindh and recovery of the impugned levy. The Supreme Court also directed the petitioners to keep the bank guarantees already submitted operative and enforceable and to furnish fresh bank guarantees equivalent to the amount of levy claimed by the respondents against release of all future consignments of imported goods.

The Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to September 30, 2021 at Rs. 171,493 thousand (December 31, 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 condensed interim financial statements against the levy.

12.1.2 Taxation

During the year, the Company received a demand order from the tax authorities in respect of tax year 2017 amounting to Rs. 1,296,007 thousand. The demand principally arose due to disallowance of technical fee and other associated company payments as well as disallowance of depreciation on dealer operated retail sites. Further, the assessing officer also disallowed the credit for minimum tax amounting to Rs. 533,288 thousand paid in earlier years alongwith disallowance of outstanding liabilities which have been unpaid for more than three years. The Company, in response to the order, filed an appeal with the CIR Appeals where the matter is pending.

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

12.1.3 Sales Tax

During the year, Deputy Commissioner - Inland Revenue (DCIR) finalized the audit for financial year ended 2018 and raised a demand of Rs. 2,646,915 thousand primarily disallowing input tax adjustment on zero-rated supplies of Jet Fuel to international flights, inadmissible input tax adjustment and disallowance of discount given to customers. The company being aggrieved, filed an appeal with the CIR Appeals. The CIR Appeals has granted a stay till October 13, 2021.

12.1.4 Others

Claims against the Company not acknowledged as debt as at September 30, 2021 amounted to approximately Rs. 2,548,087 thousand (December 31, 2020: Rs. 2,402,066 thousand).

12.2 Commitments

12.2.1 Capital expenditure contracted for but not incurred as at September 30, 2021 amounted to approximately Rs. 1,619,789 thousand (December 31, 2020: 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 September 30, 2021, the value of these cheques amounted to Rs. 14,018,284 thousand (December 31, 2020: Rs. 18,675,659 thousand). The maturity dates of these cheques extend to March 08, 2022.

12.2.3 Letters of credit, bank guarantees and bank contracts outstanding at September 30, 2021 amount to Rs. 18,539,718 thousand (December 31, 2020: Rs. 8,683,703 thousand).

13 OTHER EXPENSES

Includes exchange loss amounting to Rs. 2,068,481 thousand (September 30, 2020: Rs. 1,073,932 thousand).

	Unaudited			
	Nine months ended		Quarter ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	----- (Rupees '000) -----			
14 TAXATION				
Current				
- for the year	1,308,275	782,389	574,970	352,153
- prior year	-	(533,289)	-	-
	1,308,275	249,100	574,970	352,153
Deferred	(366,423)	(306,188)	(259,503)	(174,174)
	941,852	(57,088)	315,467	177,979

		Unaudited September 30, 2021	Unaudited September 30, 2020
	Note	------(Rupees '000) -----	
15 CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		3,389,270	(6,118,266)
Adjustment for non-cash charges and other items:			
Depreciation for the period on operating assets		998,524	926,920
Depreciation for the period on right-of-use assets		525,297	474,420
Amortisation		2,364	2,364
Accretion expense in respect of asset retirement obligation		5,191	2,984
Reversal of liability in respect of asset retirement obligation		-	(685)
Reversal of impairment of stock-in-trade – net	7.2	(76,396)	(173,822)
Stock-in-trade written off		-	118,562
(Reversal) / Provision for impairment of trade debts		(83,881)	77,024
Trade debts written-off		48,123	-
Reversal of provision for impairment of other receivables		-	(10,266)
Reversal of provision for impairment of operating assets	5	(85,603)	(56,354)
Provision for post-retirement medical benefits		9,020	10,453
Write off of operating assets		3,305	-
Write in of operating assets		(51,850)	-
Gain on disposal of operating assets		(5,563)	(12,795)
Share of profit of associate – net of tax	6.1	(617,877)	(809,101)
Interest on short-term deposits		(107,052)	(21,672)
Mark-up on short-term borrowings		116,986	789,053
Interest on lease liability		401,059	343,156
Working capital changes	15.1	(3,424,475)	3,908,117
		1,046,442	(549,908)

15.1 Working capital changes

(Increase) / Decrease in current assets

Stock-in-trade	(10,876,708)	4,253,088
Trade debts	(666,553)	1,265,201
Loans and advances	14,074	72,196
Short-term prepayments	101,385	56,217
Other receivables	(305,120)	911,493
	(11,732,922)	6,558,195

Increase / (Decrease) in current liabilities

Trade and other payables	8,308,447	(2,650,078)
	(3,424,475)	3,908,117

16 RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	Unaudited nine months ended	
			September 30, 2021	September 30, 2020
			----- (Rupees '000) -----	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		194,829	158,999
	Others		10,259	12,501
	Dividend Received	6.1	832,309	760,439
Staff retirement benefit / contribution funds				
Pension funds	Contribution		133,537	144,122
Gratuity funds	Contribution		5,193	91,417
Provident funds	Contribution		56,052	60,741
Key management Personnel				
	Salaries and other short term employee benefits	16.1	48,180	55,497
	Post-employment benefits		5,031	6,474
	Medical		3,170	1,583
	Loan to Executive Director		6,619	3,492
Directors				
	Fee for attending meetings		5,184	3,218
Other related parties				
	Purchases		86,612,935	50,122,000
	Sales		165,101	320,349
	Collection for sales made in Pakistan to customers of the parent and its associates		772,587	748,320
	Technical service fee charged	16.2	2,070,098	1,897,565
	Trademarks and manifestations license fee charged		358,548	406,769
	Expenses recovered from related parties		107,749	135,527
	Other expenses charged by related parties	16.3	890,630	759,844
	Donations		11,690	2,784
	Legal charges		846	542
	Commission income - net		-	2,886
	Commission expense - net		298	-
	Subscription		300	-

- 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.
- 16.3** These include charges net of reversals amounting to Rs. 219,706 thousand (September 30, 2020: Rs. 235,448 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

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, 2020. 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. 196,740,543 thousand (September 30, 2020: Rs. 135,664,015 thousand) and others amounts to Rs. 142,581 thousand (September 30, 2020: Rs. 138,190 thousand).

19.3 Total sales of the Company relating to customers in Pakistan were 100% during the period ended September 30, 2021 (September 30, 2020: 100%).

19.4 All non-current assets of the Company as at September 30, 2021 and 2020 are located in Pakistan.

19.5 Sales to twenty major customers of the Company are around 17% during the nine months ended September 30, 2021 (September 30, 2020: 14%).

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 October 21, 2021 by the Board of Directors of the Company.



Zarrar Mahmud
Chief Financial Officer



Haroon Rashid
Chief Executive



Imran R. Ibrahim
Director

Trade in Shares by Director/Executives through CDC

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Name	Category	Transaction's date	No. of Shares	Nature	Rate Rs.
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
Mr. Charles Harris	Executive	23-04-2021	400	Sold	158.00
Mr. Usman Khalid	Executive	04-05-2021	100	Bought	150.05
Mr. Usman Khalid	Executive	20-05-2021	100	Bought	156.00
Mr. Usman Khalid	Executive	25-05-2021	100	Bought	156.27
Mr. Usman Khalid	Executive	28-05-2021	100	Sold	164.00
Mr. Usman Khalid	Executive	31-05-2021	100	Sold	169.85
Mr. Usman Khalid	Executive	31-05-2021	100	Sold	174.50
Mr. Usman Khalid	Executive	03-06-2021	100	Sold	183.00
Mr. Usman Khalid	Executive	08-06-2021	100	Sold	191.00
Mr. Hamza Kholia	Executive	30-06-2021	100	Bought	175.00
Mr. Haroon Rashid	CEO/Director	23-07-2021	16,700	Sold	173.48
Mr. Hamza Kholia	Executive	28-07-2021	200	Bought	168.30
Mr. Muhammad Akmal	Executive	02-09-2021	100	Bought	151.80
Mr. Haroon Rashid	CEO/Director	13-09-2021	23,300	Sold	148.85

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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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BUILDING AN ENERGY FUTURE TOGETHER

QUARTERLY REPORT - SEPTEMBER 2021
SHELL PAKISTAN LIMITED