



Shell in Pakistan
Over 100 Years of Excellence



QUARTERLY REPORT
MARCH 2009



Directors' Review

for the Quarter ended March 31, 2009

The Directors of Shell Pakistan Limited (SPL) present their review of the affairs of the Company for the quarter ended March 31, 2009. During this quarter the Company earned a profit after tax of Rs 374 million as compared to a profit of Rs 962 million in the corresponding period last year. This decrease in profits is mainly due to the inventory losses resulting from unfavorable movements in international oil prices. Moreover, your Company still continues to finance sizable receivables of over Rs 5 billion from Government and public sector entities, which carried a financing cost of around Rs 185 million during the quarter.

It is pertinent to note that this quarter's profit is itself an improvement over the last quarter of 2008 where the Company incurred a loss of Rs 3.9 billion.

During the quarter there have been some signs of improvement in the economic indicators of the country, notably a stable exchange rate, some reduction in inflation and trade deficit. Nonetheless, the economy is still confronted by lower GDP growth, double-digit inflation, challenging security situation and a difficult geo-economic environment.

It is encouraging to note that the fundamentals of the Company remain strong and notwithstanding the oil price volatility and local economic challenges, the core profitability on a normalized basis is intact and the Company is well positioned for the future.

We thank our shareholders, customers and staff for their sustained support in ensuring the continued viability of the Company and making Shell their brand of first choice.



April 15, 2009

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Condensed Interim Balance Sheet

as at March 31, 2009

	Note	Unaudited March 31, 2009	Audited December 31, 2008
(Rupees '000)			
ASSETS			
Non-current assets			
Fixed assets	4	7,200,865	7,152,802
Long-term investments		2,098,241	2,018,198
Long-term loans and advances		102,106	121,682
Long-term deposits and prepayments		218,967	269,024
Long-term debtors		122,459	73,589
Deferred taxation - net		3,296,825	3,090,098
		13,039,463	12,725,393
Current assets			
Stores and spares		18,491	17,992
Stock-in-trade		11,560,684	10,969,029
Trade debts		2,148,374	2,925,753
Loans and advances		54,388	51,422
Trade deposits and short-term prepayments		215,693	272,804
Other receivables		6,644,442	7,724,593
Cash and bank balances		278,055	6,549,868
		20,920,127	28,511,461
Total assets		33,959,590	41,236,854
EQUITY AND LIABILITIES			
EQUITY			
Share capital		684,880	684,880
Reserves		2,096,050	2,096,050
Unappropriated profit		3,848,768	3,474,628
		6,629,698	6,255,558
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance lease		2,000	1,795
Long-term loan		2,500,000	2,500,000
Asset retirement obligation		199,714	181,544
		2,701,714	2,683,339
Current liabilities			
Current maturity of liabilities against assets subject to finance lease		42,538	61,425
Short-term running finances utilised under mark-up arrangements-Secured		4,959,126	1,308,447
Short-term loans-Secured		4,000,000	12,525,000
Trade and other payables		15,199,730	17,561,819
Mark-up accrued		323,129	563,025
Taxation		103,655	278,241
		24,628,178	32,297,957
		27,329,892	34,981,296
Total Equity and Liabilities		33,959,590	41,236,854
Contingencies and commitments	5		

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Condensed Interim Profit and Loss Account (Unaudited)

for the Quarter ended March 31, 2009

	2009	2008
	(Rupees `000)	
Sales	37,581,450	38,988,403
Non-fuel retail		
- Sales	5,356	26,317
- Others	2,202	3,348
Other revenue	145,600	84,071
	<hr/>	<hr/>
	37,734,608	39,102,139
Less: Sales tax	4,655,418	4,430,218
	<hr/>	<hr/>
Net revenue	33,079,190	34,671,921
Cost of products sold	30,945,215	31,802,981
	<hr/>	<hr/>
Gross profit	2,133,975	2,868,940
Distribution expenses	743,774	682,591
Administrative and marketing expenses	932,656	462,895
	<hr/>	<hr/>
	457,545	1,723,454
Other operating income	95,003	9,777
	<hr/>	<hr/>
	552,548	1,733,231
Other operating expenses	44,502	253,698
	<hr/>	<hr/>
Operating profit	508,046	1,479,533
Finance cost	545,161	235,183
Share of profit of associate - net of tax	80,043	43,726
	<hr/>	<hr/>
Profit before taxation	42,928	1,288,076
Taxation	(331,212)	325,757
	<hr/>	<hr/>
Profit after taxation	374,140	962,319
	<hr/>	<hr/>
	Rupees	Rupees
Earnings per share	5.46	14.05

Appropriations, if any, have been reflected in the statement of changes in equity.

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Condensed Interim Cash Flow Statement (Unaudited)

for the Quarter ended March 31, 2009

	Note	2009	2008
		(Rupees `000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	6	(461,167)	492,998
Mark-up on short-term finances and short-term loans paid		(734,027)	(181,173)
Taxes paid		(50,101)	(204,017)
Long-term loans and advances - net		19,576	22,252
Long-term deposits and prepayments - net		50,057	(29,157)
Mark-up received on short-term deposits		65,145	7,125
Long term debtors - net		(48,870)	-
Net cash (used in) / generated from operating activities		(1,159,387)	108,028
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(231,102)	(126,870)
Proceeds from disposal of property, plant and equipment		16,424	5,693
Net cash used in investing activities		(214,678)	(121,177)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(4,745)	(548,517)
Repayment of liability under finance lease		(18,682)	(4,838)
Net cash used in financing activities		(23,427)	(553,355)
Net decrease in cash and cash equivalents		(1,397,492)	(566,504)
Cash and cash equivalents at January 1		(7,283,579)	(7,373,278)
Cash and cash equivalents at March 31		(8,681,071)	(7,939,782)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity (Unaudited)

for the Quarter ended March 31, 2009

	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Capital reserves- share premium	General revenue reserves	Unappro- priated profit	Total
	----- (Rupees '000) -----					
Balance as at January 1, 2008	547,904	-	2,026,024	207,002	7,930,561	10,711,491
Interim dividend declared for the half year ended December 31, 2007	-	-	-	-	(547,904)	(547,904)
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	962,319	962,319
Balance as at March 31, 2008	<u>547,904</u>	<u>-</u>	<u>2,026,024</u>	<u>207,002</u>	<u>8,344,976</u>	<u>11,125,906</u>
Balance as at January 1, 2009	684,880	-	1,889,048	207,002	3,474,628	6,255,558
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	374,140	374,140
Balance as at March 31, 2009	<u>684,880</u>	<u>-</u>	<u>1,889,048</u>	<u>207,002</u>	<u>3,848,768</u>	<u>6,629,698</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

for the Quarter ended March 31, 2009

1. THE COMPANY AND ITS OPERATIONS

The Company is a limited liability company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The address of its registered office is Shell House, 6, Ch. Khaliqzaman Road, Karachi - 75530, Pakistan. The Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the financial statements for the six months ended December 31, 2008.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published audited financial statements of the Company for the six months ended December 31, 2008.

4. ADDITIONS AND DELETIONS TO FIXED ASSETS

Property, plant and equipment - owned

	2009	2008
	(Rupees '000)	
Additions	263,047	172,817
Deletions (cost)	6,991	13,548

Property, plant and equipment - leased

Additions	26,463	9,171
Deletions (cost)	21,362	5,434

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

a) Infrastructure fee

The Sindh Finance Act 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air.

The Company and several others challenged the levy in constitutional petitions before the High Court of Sindh. These petitions were dismissed as, during their pendency, the nature of the levy was changed by the Government of Sindh through an Ordinance. The Company and others therefore filed civil suits in the High Court of Sindh challenging the amending Ordinance. However, these suits were also dismissed by the High Court in October 2003. All the plaintiffs preferred intra-court appeals against the dismissal. The intra-court appeals were decided by the High Court in September 2008, which held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to that date.

Being aggrieved by the said judgement, both the Company and the Government of Sindh have now filed separate appeals before the Supreme Court of Pakistan.

The accumulated levy up to December 31, 2006 (held to be invalid by the High Court) amounts to Rs 603 million and from then onwards upto March 31, 2009 comes to Rs 591.013 million (Total Rs 1,194.013 million). However, no provision has been made in these financial statements against the levy as the Company's management expects a favourable outcome.

Notes to the Condensed Interim Financial Statements (Unaudited)

for the Quarter ended March 31, 2009

b) PARCO pipeline fill

The Ministry of Petroleum and Natural Resources (MOPNR) has made a claim relating to the loan arranged by the Government of Pakistan (GoP) to the Company to finance the initial fill of the PARCO Pipeline. MOPNR has calculated the Company's liability by applying the price prevailing on August 11, 2000 to the quantity of fuel supplied at the time of initial fill.

The Company maintains that its liability is limited only to the extent of Rs 78.164 million (December 31, 2008: Rs 78.164 million) which has been fully paid in March 2007.

The claim if calculated on the August 11, 2000 price as indicated by MOPNR would amount to Rs 294 million. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs 78.164 million and consequently no provision has been made for the additional demand of Rs 215.836 million raised by MOPNR.

c) Others

The aggregate amount of other claims against the Company not acknowledged as debt as at March 31, 2009 amounted to approximately Rs 1,621.233 million (December 31, 2008: Rs 1,352.004 million). This includes claims by refineries, amounting to Rs 816.697 million (December 31, 2008: Rs 562.613 million) in respect of delayed payment charges.

5.2 Commitments

- a) Capital expenditure contracted for but not incurred as at March 31, 2009 amounted to approximately Rs 760.935 million (December 31, 2008: Rs 1,415.705 million).
- b) Commitments for rentals of assets under operating lease agreements as at March 31, 2009 amounted to Rs 2,430.903 million (December 31, 2008: Rs 2,460.754 million) payable as follows:

	March 31, 2009	December 31, 2008
	(Rupees `000)	
Not later than one year	123,905	123,248
Later than one year and not later than five years	471,667	472,847
Later than five years	1,835,331	1,864,659
	<u>2,430,903</u>	<u>2,460,754</u>

Note	2009	2008
	(Rupees `000)	

6. CASH GENERATED FROM OPERATIONS

Profit before taxation	42,928	1,288,076
Adjustment for non-cash charges and other items:		
Depreciation / amortisation expenses charged to the profit and loss account	196,214	140,469
(Profit) / loss on disposal of property, plant & equipment	(11,430)	3,922
Share of profit of associates	(80,043)	(43,726)
Mark-up on short-term deposits	(20,818)	(6,326)
Mark-up expense on short-term running finances and loans	494,132	208,721
Working capital changes	6.1 (1,082,150)	(1,098,138)
	<u>(461,167)</u>	<u>492,998</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

for the Quarter ended March 31, 2009

	2009	2008
	(Rupees `000)	
6.1 Working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(499)	6,105
Stock-in-trade (net)	(591,655)	(1,032,273)
Trade debts	777,379	(407,963)
Loans and advances (net)	(2,966)	443
Trade deposits and short-term prepayments (net)	57,111	(78,362)
Other receivables (net)	1,035,824	(3,288,693)
	<u>1,275,194</u>	<u>(4,800,743)</u>
(Decrease) / increase in current liabilities		
Trade and others payables (excluding unclaimed dividends)	<u>(2,357,344)</u>	<u>3,702,605</u>
	<u>(1,082,150)</u>	<u>(1,098,138)</u>

7. RELATED PARTY TRANSACTIONS

	Parent Company		Other Related Parties	
	2009	2008	2009	2008
	(Rupees `000)			
(i) Purchases	-	-	13,246,168	22,568,329
(ii) Sales	-	-	179,222	520,461
(iii) Other Items				
- Technical service fee charged	409,643	168,407	-	-
- Trade marks and manifestations license fee charged	-	-	51,304	40,145
- Computer expenses charged (Global Infrastructure Desktop charges)	-	-	6,458	17,358
- Expenses recovered from Related Parties	56,551	42,942	14,541	16,715
- Other expenses charged by Related Parties	-	-	18,410	15,958
- Key Management Personnel remuneration	-	-	11,629	12,668
- PAPCO pipeline transportation charges	-	-	280,580	296,161
- Legal Charges	-	-	554	52

8. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

9. GENERAL

Figures have been rounded off to the nearest thousand.

10. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 15, 2009 by the Board of Directors of the Company.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Company Information

Chairman

Managing Director & Chief Executive

Chairman

Chairman

Country Programme Manager Downstream-One
General Manager Distribution
General Manager Lubricants
National Sales Manager
General Manager External Affairs
General Manager Human Resources
General Manager Supply
General Manager Business Strategy
Company Secretary & Head of Legal
Finance Director / Chief Financial Officer
General Manager Commercial Fuels

Board of Directors

Mr. Zaiviji Ismail bin Abdulah
Ms. Shahnaz Wazir Ali
Mr. Yousuf Ali
Mr. Farrokh K. Captain
Mr. Imran R. Ibrahim
Ms. Fawzia Kazmi
Mr. Zaffar A. Khan
Mr. Leon Menezes
Mr. Michael Noor
Mr. Asif Sindhu
Mr. Badaruddin F. Vellani

Chief Executive

Mr. Zaiviji Ismail bin Abdulah

Audit Committee

Mr. Badaruddin F. Vellani
Mr. Michael Noor
Mr. Imran R. Ibrahim

Country Leadership Team

Mr. Zaiviji Ismail bin Abdulah
Ms. Seema Adil
Mr. Amr Ahmed
Mr. Yousuf Ali
Mr. Zain K. Hak
Mr. Abid S. Ibrahim
Mr. Leon Menezes
Mr. Shehzad Mohsin
Mr. Saleem Piracha
Mr. Tariq Saeed
Mr. Asif Sindhu
Mr. Bilal Virk

Company Secretary

Mr. Tariq Saeed

Registered Office

Sheila House,
6, Ch. Khaliqzaman Road,
Karachi - 75530

Auditors

A. F. Ferguson & Co.

Legal Advisors

Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.,
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