



# SHELL PAKISTAN LIMITED

## Quarterly & Nine Monthly Report

### September '2010



NEW SHELL HELIX  
CLEAN ON THE INSIDE



SPRIT OF YOUTH ENTERPRISE





OUR  
VISION



## Directors' Review

For the quarter and nine months ended  
September 30, 2010

The Country is currently going through a challenging period in terms of managing the aftermath of the recent floods and our thoughts are with the people who have been impacted. During this period and going forward, your Company has been doing its utmost to ensure continued and adequate supply of oil products across the country. In addition, a number of our staff have been and continue to be involved directly in supporting the relief and rehabilitation efforts on a voluntary basis in various parts of the country.

We initially committed Rs 15 million to assist with the relief efforts and have now secured an additional Rs 40 million from our parent company, Royal Dutch Shell. We are working with our partners in appropriately allocating these funds to right causes to assist with the relief and rehabilitation requirements in the flood impacted areas.

The Company is suffering an immense burden imposed on us by doubling of the rate of minimum tax on turnover to 1%, which has now driven our effective tax rate to 140%. This is having a serious impact on the future robustness and sustainability of our business and we have been engaging with relevant fiscal authorities on this matter to try and find a suitable solution.

We also continue to face continuing delays in payments to the Company from the Government. At present we have more than Rs 5 billion due from the Government for Price Differential Claims and Sales Tax / Petroleum Development Levy refunds. The delays are causing serious concerns amongst our shareholders and we have suffered financing costs of Rs 3 billion since the inception of these receivables. The sooner these outstandings are settled, the better it would be for all key stakeholders and your management team is vigorously following up the matter with the concerned Government authorities.

The third quarter has also seen a challenge for the business. Impact due to the floods has been felt on the transportation and sale of our fuels and lubricants as well as continued competitive pressure from new market entrants impacting all the established players, leading to lower than expected earnings in this quarter.

We are confident though that as the country moves into the rehabilitation phase after the floods we will be able to participate in the related increased demand for oil products and are hopeful for an improved fourth quarter for 2010.

We feel that it is imperative for the Government to quickly address the unfavourable impacts of the current corporate taxation and delayed Government receivables to create an environment conducive to longer term business continuity and growth.

We thank our shareholders, customers and staff for their sustained support and trusting Shell as their brand of first choice.

October 22, 2010

**Zaiviji Ismail bin Abdullah**  
Chairman & Chief Executive



## Condensed Interim Balance Sheet

as at September 30, 2010

	Note	(Unaudited) September 30, 2010	(Audited) December 31, 2009
		----- (Rupees `000) -----	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	6,582,280	7,024,787
Intangibles	5	1,807,764	289,573
Long term investments	6	2,743,807	2,312,806
Long term loans and advances		93,584	101,058
Long term deposits and prepayments		169,350	206,542
Long term debtors		21,931	20,919
Deferred taxation - net	7	2,124,000	2,334,798
		<b>13,542,716</b>	12,290,483
<b>Current Assets</b>			
Stores and spares		14,502	15,719
Stock-in-trade		13,521,124	13,076,718
Trade debts		1,725,710	1,239,213
Loans and advances		122,721	60,283
Trade deposits and short term prepayments		388,833	250,050
Other receivables	8	7,355,844	5,851,644
Cash and bank balances		210,772	869,623
		<b>23,339,506</b>	21,363,250
<b>TOTAL ASSETS</b>		<b>36,882,222</b>	33,653,733
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		684,880	684,880
Reserves		2,096,050	2,096,050
Unappropriated profit		3,492,010	5,489,673
		<b>6,272,940</b>	8,270,603
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Liabilities against assets subject to finance lease		-	1,790
Asset retirement obligation		208,667	212,038
		<b>208,667</b>	213,828
<b>Current Liabilities</b>			
Current maturity of liabilities against assets subject to finance lease		2,571	38,808
Trade and other payables		20,392,121	15,970,996
Accrued mark-up		134,502	200,038
Short term running finances utilised under mark-up arrangements - secured		2,126,844	2,453,001
Short term loans - secured		7,000,000	6,000,000
Taxation		744,577	506,459
		<b>30,400,615</b>	25,169,302
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,882,222</b>	33,653,733
<b>Contingencies and commitments</b>	9		

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

**Zaiviji Ismail bin Abdullah**

Chairman & Chief Executive

**Imran R. Ibrahim**

Director



## Condensed Interim Profit and Loss Account (Unaudited)

for the quarter and nine months ended September 30, 2010

	Note	Nine months ended		Quarter ended	
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
----- (Rupees `000) -----					
<b>Sales</b>		<b>157,729,422</b>	128,981,928	<b>55,714,167</b>	46,979,618
Non-fuel retail					
- Sales		-	5,356	-	-
- Others		<b>1,255</b>	12,760	-	6,633
Other revenue		<b>316,330</b>	354,199	<b>110,660</b>	124,240
		<b>158,047,007</b>	129,354,243	<b>55,824,827</b>	47,110,491
Less: Sales tax		<b>18,691,961</b>	15,950,118	<b>6,621,504</b>	5,662,837
<b>Net revenue</b>		<b>139,355,046</b>	113,404,125	<b>49,203,323</b>	41,447,654
Cost of products sold		<b>131,085,881</b>	104,486,910	<b>46,663,705</b>	37,736,600
<b>Gross profit</b>		<b>8,269,165</b>	8,917,215	<b>2,539,618</b>	3,711,054
Distribution expenses		<b>3,279,731</b>	2,222,532	<b>1,491,929</b>	740,300
Administrative and marketing expenses		<b>2,882,453</b>	2,692,827	<b>930,114</b>	858,730
		<b>2,106,981</b>	4,001,856	<b>117,575</b>	2,112,024
Other operating income		<b>395,115</b>	223,751	<b>7,907</b>	67,435
		<b>2,502,096</b>	4,225,607	<b>125,482</b>	2,179,459
Other operating expenses		<b>541,240</b>	774,624	<b>200,901</b>	393,081
<b>Operating profit</b>		<b>1,960,856</b>	3,450,983	<b>(75,419)</b>	1,786,378
Finance cost		<b>900,357</b>	1,142,278	<b>331,374</b>	240,006
		<b>1,060,499</b>	2,308,705	<b>(406,793)</b>	1,546,372
Share of profit of associate - net of tax		<b>431,001</b>	276,740	<b>135,861</b>	76,861
<b>Profit / (loss) before taxation</b>		<b>1,491,500</b>	2,585,445	<b>(270,932)</b>	1,623,233
Taxation	10	<b>1,503,013</b>	881,684	<b>460,789</b>	933,434
<b>(Loss) / Profit after taxation</b>		<b>(11,513)</b>	1,703,761	<b>(731,721)</b>	689,799
		<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>(Loss) / Earnings per share</b>		<b>(0.17)</b>	24.88	<b>(10.68)</b>	10.07

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

**Zaiviji Ismail bin Abdullah**  
Chairman & Chief Executive

**Imran R. Ibrahim**  
Director



## Condensed Interim Cash Flow Statement (Unaudited)

for the nine months ended September 30, 2010

	Note	Nine months ended	
		September 30, 2010	September 30, 2009
		----- (Rupees `000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	11	<b>2,377,730</b>	6,448,802
Finance costs paid		<b>(823,851)</b>	(1,416,437)
Taxes paid		<b>(1,054,096)</b>	(164,717)
Long term loans and advances - net		<b>7,474</b>	11,505
Long term deposits and prepayments - net		<b>37,191</b>	72,678
Mark up received on short term deposits		<b>30,856</b>	70,492
Long term debtors - net		<b>21,449</b>	3,995
Net cash generated from operating activities		<b>596,753</b>	5,026,318
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		<b>(193,304)</b>	(763,262)
Proceeds from disposal of property, plant and equipment		<b>14,143</b>	52,831
Net cash used in investing activities		<b>(179,161)</b>	(710,431)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		<b>(1,703,690)</b>	(6,525)
Repayment of liability under finance lease		<b>(46,596)</b>	(78,539)
Net cash used in financing activities		<b>(1,750,286)</b>	(85,064)
<b>Net increase in cash and cash equivalents</b>		<b>(1,332,694)</b>	4,230,823
Cash and cash equivalents at beginning of the period		<b>(5,083,378)</b>	(7,283,579)
<b>Cash and cash equivalents at end of the period</b>		<b>(6,416,072)</b>	(3,052,756)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

**Zaiviji Ismail bin Abdullah**  
Chairman & Chief Executive

**Imran R. Ibrahim**  
Director



## Condensed Interim Statement of Changes in Equity (Unaudited)

for the nine months ended September 30, 2010

	Issued, subscribed and paid-up capital	Capital reserves - share premium	General revenue reserves	Unappro- priated profit	Total
	(Rupees '000)				
<b>Balance as at January 1, 2009</b>	684,880	1,889,048	207,002	3,474,628	6,255,558
Interim dividend declared for the year ended December 31, 2009	-	-	-	(547,903)	(547,903)
Total comprehensive income for the Nine months ended September 30, 2009	-	-	-	1,703,761	1,703,761
<b>Balance as at September 30, 2009</b>	<u>684,880</u>	<u>1,889,048</u>	<u>207,002</u>	<u>4,630,486</u>	<u>7,411,416</u>
<b>Balance as at January 1, 2010</b>	684,880	1,889,048	207,002	5,489,673	8,270,603
Final dividend declared for the year ended December 31, 2009	-	-	-	<b>(1,712,198)</b>	<b>(1,712,198)</b>
Interim dividend declared for the year ended December 31, 2010	-	-	-	<b>(273,952)</b>	<b>(273,952)</b>
Loss after tax for the nine months ended September 30, 2010	-	-	-	<b>(11,513)</b>	<b>(11,513)</b>
<b>Balance as at September 30, 2010</b>	<u><b>684,880</b></u>	<u><b>1,889,048</b></u>	<u><b>207,002</b></u>	<u><b>3,492,010</b></u>	<u><b>6,272,940</b></u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

**Zaiviji Ismail bin Abdullah**  
Chairman & Chief Executive

**Imran R. Ibrahim**  
Director



## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

### 1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited (the Company) is a limited liability company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is located at 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. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended September 30, 2010 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance.

This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2009.

### 3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2009.

### 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value - notes 4.1 and 4.2  
Capital work-in-progress - note 4.3

Less: Provision for impairment

<b>(Unaudited) September 30, 2010</b>	<b>(Audited) December 31, 2009</b>
----- (Rupees `000) -----	
<b>5,820,817</b>	6,372,690
<b>805,634</b>	740,908
<b>6,626,451</b>	7,113,598
<b>44,171</b>	88,811
<b>6,582,280</b>	7,024,787

#### 4.1 Additions to operating assets during the period / year were as follows:

##### Owned assets

Buildings on leasehold land	<b>68,235</b>	415,766
Tanks and pipelines	<b>12,785</b>	68,964
Plant and machinery	-	18,378
Air conditioning plant	<b>89</b>	-
Dispensing pumps	<b>2,708</b>	42,418
Rolling stock and vehicles	<b>10,875</b>	55,809
Electrical, mechanical and fire fighting equipment	<b>41,107</b>	490,105
Furniture, office equipment and other assets	<b>53,362</b>	203,770
Computer auxiliaries	<b>3,817</b>	16,656

##### Leased assets

Plant and machinery	-	4,096
Vehicles	<b>8,569</b>	37,237
	<b>201,547</b>	1,353,199





## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

### 4.2 The following assets were disposed / written off during the period / year:

	Cost	Accumulated depreciation	Net Book Value
	----- (Rupees `000) -----		
<b>Owned assets</b>			
Building on leasehold land	17,009	8,146	8,863
Tanks and pipelines	28,543	10,966	17,577
Plant and machinery	1,897	1,893	5
Dispensing pumps	67,354	37,737	29,617
Rolling stock and vehicles	40,008	11,293	28,715
Electrical, mechanical and fire fighting equipment	68,518	37,529	30,989
Furniture, office equipment and other assets	25,391	18,067	7,324
<b>Leased assets</b>			
Plants & machinery	1,597	705	893
Vehicles	16,555	11,424	5,131
	<u>266,872</u>	<u>137,760</u>	<u>129,114</u>
December 31, 2009 (Audited)	<u>2,385,465</u>	<u>2,022,405</u>	<u>363,060</u>
		(Unaudited) September 30, 2010	(Audited) December 31, 2009
		----- (Rupees `000) -----	

### 4.3 Capital work-in-progress comprises of:

Buildings on leasehold land	319,185	253,671
Tanks and pipelines	45,581	38,637
Plant and machinery	1,621	1,620
Air conditioning plant	3,939	4,028
Dispensing pumps	13,844	6,650
Rolling stock and vehicles	17,803	37,238
Electrical, mechanical and fire fighting equipment	304,056	299,233
Furniture, office equipment and other assets	87,668	83,915
Computer auxiliaries	9,933	11,630
Capital stores and spares	2,004	4,286
	<u>805,634</u>	<u>740,908</u>

## 5. INTANGIBLES

This includes an amount of Rs1,807,764 thousand (December 31, 2009: Rs 283,295 thousand) incurred by the Company in respect of implementation and deployment of its Enterprise Resource Planning (ERP) system as part of its business transformation project.

## 6. LONG TERM INVESTMENTS

This includes investment in an associate "Pak Arab Pipeline Company Limited (PAPCO)", which is carried at carrying value under equity method of accounting amounting to Rs 2,738,807 thousand (December 31, 2009: Rs 2,307,806 thousand) as follows:

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	----- (Rupees `000) -----	
<b>Movement of investment in associate</b>		
Beginning of the period / year	2,307,806	2,013,198
Share of profits	663,078	655,621
Share of taxation	(232,077)	(231,036)
	431,001	424,585
Dividend received	-	(129,977)
End of the period / year	<u>2,738,807</u>	<u>2,307,806</u>



## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

### 7. DEFERRED TAX ASSET

This amount represents Net deferred tax asset in respect of Carry forward tax losses and other deductible temporary differences offset by deferred tax liability arising in respect of taxable temporary differences as per the deferred tax policy of the Company

Due to the implication of minimum tax on turnover @1 % whereby the Company is required to pay a minimum tax @1% on its turnover regardless of its level of taxable profits, the recoverability of the above mentioned deferred tax asset, which is mainly comprising of carry forward unused tax losses, may not be possible based on estimated average earnings of the Company. However, the Company alongwith others in industry, is pursuing this matter with Federal Board of Revenue for the abolishment of this minimum tax @ 1%. The final outcome of these negotiations with FBR is still awaited.

In case the outcome of this is not in favour of the Company and the minimum tax law is not repealed or amended accordingly, then the Company will have to impair its deferred tax asset amounting to Rs 2.1 billion in its books for the year ending December 31, 2010. Had this deferred tax asset been written off in these accounts, the loss after tax would have been Rs 2,135,512 thousand and loss per share would have been Rs 31.18.

### 8. OTHER RECEIVABLES

Includes receivables aggregating Rs 4,493,360 thousand (December 31, 2009: Rs 3,417,026 thousand) from the Government of Pakistan (GoP) on account of the following:

**8.1** Petroleum development levy recoverable amounting to Rs 1,936,000 thousand (December 31, 2009: Rs 1,332,207 thousand) from the Federal Board of Revenue on account of export sales. The Company has not received any settlement against this receivable during the period and is actively pursuing the matter with the Federal Board of Revenue.

**8.2** Price differential on imports and the ex-refinery price amounting to Rs 295,733 thousand (December 31, 2009: Rs 295,733 thousand) on direct and retail sales during the period 1990-2002.

**8.3** Price differential claims receivable from the GoP amounting to Rs 747,490 thousand (December 31, 2009: Rs 910,958 thousand). From time to time the GoP agreed to subsidise the petroleum prices by restricting the increase in prices of various petroleum products in order to reduce the burden of rising oil prices on the end consumers.

**8.4** Price differential claim amounting to Rs 1,514,137 thousand (December 31, 2009: Rs 878,128 thousand) on account of import of motor gasoline by the Company, being the difference between their 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 were asked in a meeting chaired by Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, oil marketing companies 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. Although no response was received from the MoPNR, the Company alongwith another oil marketing company 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.

During 2009, oil marketing companies approached the MoPNR requesting an expeditious settlement of these claims. Further, the Company along with other affected oil marketing companies also approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. In December 2009 and March 2010, audits covering the claims for the period October 2007 to September 2009 and October 2009 to December 2009 respectively were completed and the audit reports were forwarded to MoPNR as per their request.

Pending related notification by MoPNR and settlement thereof the Company along with other oil marketing companies and Oil Companies Advisory Committee (OCAC) continues to follow up this matter with MoPNR and is confident of recovering this amount in full. The receivable represents the Company's share of differential claim on shared import cargoes of motor gasoline.

### 9. CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

##### 9.1.1 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.



## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

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 filled civil suits in the High Court of Sindh challenging the amending Ordinance. However, these suits were also dismissed 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 wherein it was held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to this date. Being aggrieved by the said judgment, both the Company and the Government of Sindh filed separate appeals before the Supreme Court of Pakistan.

The accumulated levy upto December 12, 2006 (held to be invalid by the High Court) amounts to Rs 603,000 thousand and from then onwards upto September 30, 2010 amounts to Rs 1,051,461 thousand (Total Rs 1,654,461 thousand) (December 31, 2009: Rs 1,432,721 thousand). However, based on the legal advice obtained, no provision has been made in this condensed interim financial information against the levy as the Company's management expects a favourable outcome.

### 9.1.2 PARCO pipeline fill

The MoPNR has made a claim relating to the loan arranged by the Government of Pakistan to the Company to finance the initial fill of the Pak-Arab Refinery Limited (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 thousand (December 31, 2009: Rs 78,164 thousand) which is based on the price prevailing at the time of the initial fill and has been fully paid in March 2007.

The claim, if calculated on August 11, 2000 price as indicated by MoPNR, would amount to Rs 294,000 thousand. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs 78,164 thousand and consequently no provision has been made for the additional demand raised by MoPNR.

### 9.1.3 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at September 30, 2010 amount to approximately Rs 1,521,360 thousand (December 31, 2009: Rs 1,777,315 thousand). This includes claims by refineries, amounting to Rs 996,554 thousand (December 31, 2009: Rs 991,566 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

## 9.2 Commitments

9.2.1 Commitments for rentals of assets under operating lease agreements as at September 30, 2010 amounted to Rs 2,399,351 thousand (December 31, 2009: Rs 2,500,559 thousand) payable as follows:

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	----- (Rupees `000) -----	
Not later than one year	148,869	151,042
Later than one year and not later than five years	584,898	581,997
Later than five years	1,665,584	1,767,520
	<u>2,399,351</u>	<u>2,500,559</u>

9.2.2 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 Bill 2005. As at September 30, 2010, the value of these cheques amounted to Rs 5,317,695 thousand (December 31, 2009: Rs 9,718,828 thousand). The maturity dates of these cheques extend to April 12, 2011 (December 31, 2009: June 19, 2010).

9.2.3 Letters of credit and bank guarantees outstanding as at September 30, 2010 amount to Rs 8,967,845 thousand (December 31, 2009: Rs 2,851,360 thousand).



## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

	(Unaudited)			
	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	----- (Rupees `000) -----			
<b>10. TAXATION</b>				
Current				
- Minimum tax on turnover - note 10.1	<b>1,078,087</b>	373,946	<b>378,229</b>	390,716
- Presumptive tax	<b>202,656</b>	158,066	<b>82,560</b>	68,688
- for prior periods	-	(187,172)	-	-
Deferred	<b>222,270</b>	536,844	-	474,030
	<b>1,503,013</b>	881,684	<b>460,789</b>	933,434
<b>10.1</b>	Due to the un-utilized carried forward tax losses of the Company, the entire amount of minimum tax has been charged off in these accounts as it seems unlikely that the Company will be able to adjust the minimum tax against future normal tax liability within the stipulated period of 3 years.			
			(Unaudited) Nine months ended	
			September 30, 2010	September 30, 2009
			----- (Rupees `000) -----	
<b>11. CASH GENERATED FROM OPERATIONS</b>				
Profit before taxation			<b>1,491,500</b>	2,585,445
Adjustment for non-cash charges and other items:				
Depreciation / amortisation expense charged to the profit and loss account			<b>667,672</b>	543,451
Accretion expense / (reversal) in respect of asset retirement obligation - net			<b>3,371</b>	25,424
Provision for impairment of trade debts			<b>23,754</b>	67,373
Reversal of provision for impairment of trade debts			<b>(66,081)</b>	(122,969)
Property, plant and equipment written-off			<b>74,110</b>	-
Loss / (profit) on disposal of property, plant and equipment			<b>(3,781)</b>	138,272
Share of profit of associate			<b>(431,001)</b>	(276,740)
Mark-up on short-term deposits			<b>(33,662)</b>	(28,072)
Mark-up on short-term running finances and loans			<b>758,315</b>	1,031,448
Provision for stock-in-trade written back			<b>(11,155)</b>	-
Working capital changes - note 11.1			<b>(95,312)</b>	2,485,170
			<b>2,377,730</b>	6,448,802
<b>11.1 Working capital changes</b>				
<b>Decrease / (increase) in current assets</b>				
Stores and spares			<b>1,217</b>	6,716
Stock-in-trade (net)			<b>(444,405)</b>	(5,516,518)
Trade debts			<b>(507,945)</b>	1,649,106
Loans and advances (net)			<b>(62,439)</b>	(19,191)
Trade deposits and short-term prepayments (net)			<b>(138,771)</b>	4,942
Other receivables (net)			<b>(1,501,399)</b>	768,918
			<b>(2,653,742)</b>	(3,106,027)
<b>Increase in current liabilities</b>				
Trade and other payables (excluding unclaimed dividends)			<b>2,558,430</b>	5,591,197
			<b>(95,312)</b>	2,485,170



## Notes to and forming part of the Condensed Interim Financial Statements (Unaudited) for the nine months ended September 30, 2010

### 12. RELATED PARTY TRANSACTIONS

Significant transactions entered by the Company with related parties are as follows:

Nature of relationship	Nature of transactions	Unaudited Nine months ended	
		September 30, 2010	September 30, 2009
		----- (Rupees `000) -----	
<b>Associate</b>			
Pak Arab Pipeline Company Ltd.	Pipeline charges	<b>584,515</b>	896,329
<b>Contribution to staff retirement benefits</b>			
	Pension Fund	<b>59,607</b>	46,795
	Gratuity Fund	<b>13,687</b>	13,783
	Provident Fund	<b>23,045</b>	21,865
<b>Key management personnel</b>			
	Remuneration	<b>47,481</b>	32,261
<b>Other related parties</b>			
	Purchases	<b>52,255,853</b>	45,768,871
	Sales	<b>1,523,313</b>	1,284,793
	Technical service fee charged - note 12.1	<b>1,165,025</b>	1,086,414
	Trade marks and manifestations license fee charged - note 12.2	<b>103,713</b>	153,912
	Computer expenses charged (Global Infrastructure Desktop charges)	<b>94,800</b>	55,682
	ERP implementation charges - note 12.3	<b>1,355,624</b>	-
	Expenses recovered from related parties - note 12.4	<b>203,292</b>	155,088
	Other expenses charged by related parties - note 12.4	<b>129,543</b>	24,372
	Legal charges	<b>38</b>	1,024

**12.1** Technical services include advice and assistance on the implementation of strategies and in the Company's operations. The costs for these services and the fees have been determined on the basis of agreements between the Company and related Shell Group companies based on an agreed methodology.

**12.2** Trade mark and manifestations license fee and Global Infrastructure Desktop charges are based on the agreements entered into by the Company.

**12.3** These represent charges in respect of implementation of Company's Enterprise Resource Planning (ERP) system as mentioned in note 5 to this condensed interim financial information.

**12.4** Expenses recovered from charged by related parties are based on actuals.

### 13. GENERAL

Figures have been rounded off to the nearest thousand.

### 14. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on October 22nd, 2010 by the Board of Directors of the Company.

**Zaiviji Ismail bin Abdullah**  
Chairman & Chief Executive

**Imran R. Ibrahim**  
Director



## Company Information

### Chairman

### Board of Directors

Mr. Zaiviji Ismail bin Abdullah  
 Mr. Zaffar A. Khan  
 Mr. Omar Yaqoob Sheikh  
 Ms. Shahnaz Wazir Ali  
 Mr. Rafi H. Basheer  
 Mr. Michael Noll  
 Mr. Leon Menezes  
 Mr. Imran R. Ibrahim  
 Mr. Farrokh K. Captain  
 Mr. Chong Keng Cheen  
 Mr. Badaruddin F. Vellani

### Managing Director & Chief Executive

### Chief Executive

Mr. Zaiviji Ismail bin Abdullah

### Chairman

### Audit Committee

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

### Chairman

### Country Leadership Team

General Manager External Affairs  
 General Manager Distribution  
 General Manager Commercial Fuels  
 Cluster General Manager Retail - Pakistan & Oman  
 General Manager Human Resources  
 Finance Director / Chief Financial Officer  
 General Manager Business Strategy  
 Country Co-ordinator  
 General Manager Supply  
 Company Secretary & Head of Legal  
 General Manager Lubricants

Mr. Zaiviji Ismail bin Abdullah  
 Mr. Abid S. Ibrahim  
 Mr. Amr Ahmed  
 Mr. Bilal Virk  
 Mr. Gary Fisher  
 Mr. Leon Menezes  
 Mr. Rafi H. Basheer  
 Mr. Saleem Piracha  
 Ms. Seema Adil  
 Mr. Shehzad Mohsin  
 Mr. Tariq Saeed  
 Mr. Omar Yaqoob Sheikh

### Company Secretary

Mr. Tariq Saeed

### Registered Office

Shell 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.,  
 1st Floor, State Life Building 1-A,  
 I. I. Chundrigar Road,  
 Karachi - 74000





**Shell Pakistan Limited**

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