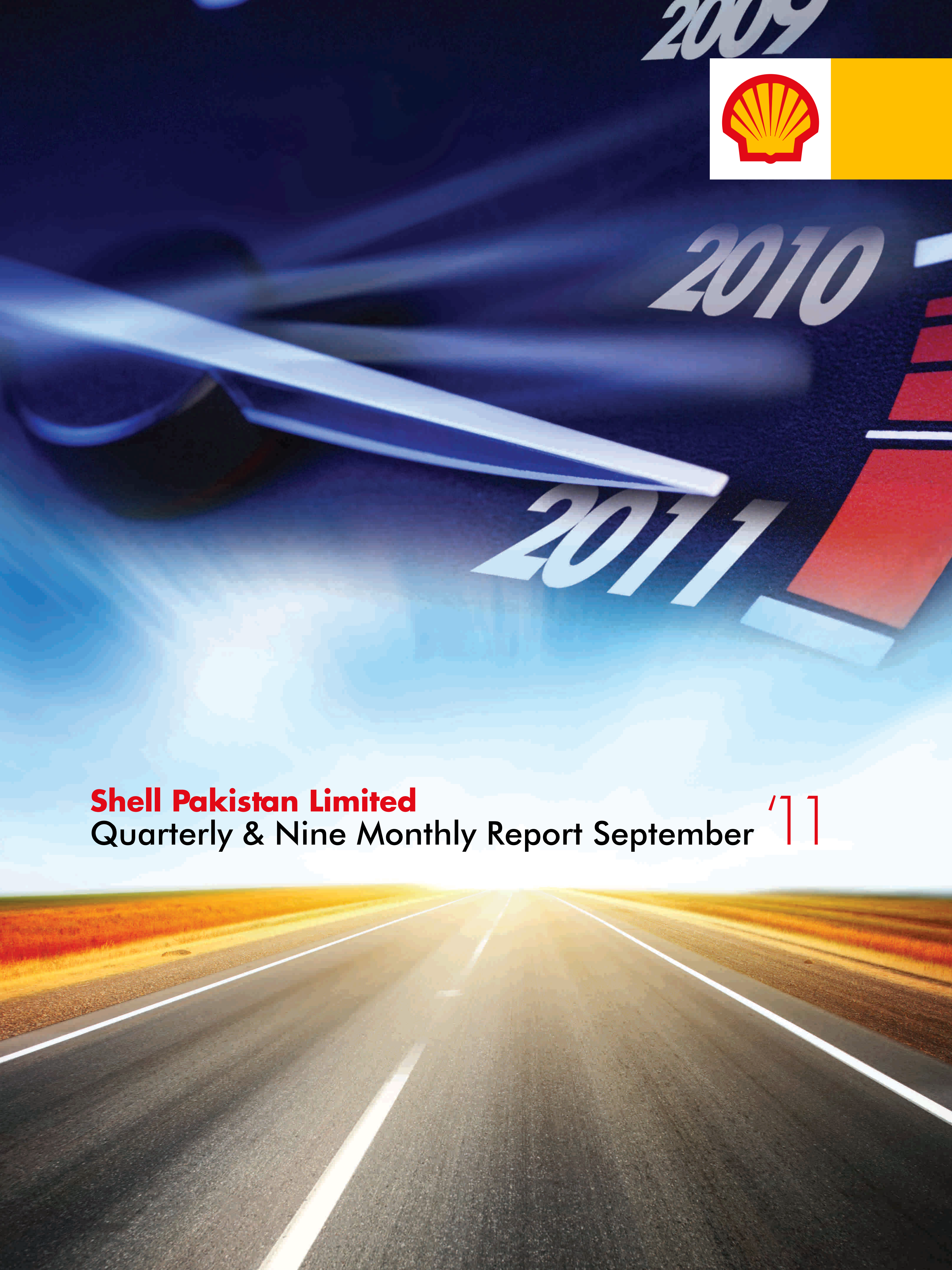

Shell Pakistan Limited

Quarterly & Nine Monthly Report September '11

Company Information

Board of Directors

Chairman	Mr. Sarim Sheikh
	Mr. Rafi H. Basheer
	Mr. Farrokh K. Captain
	Mr. Chong Keng Cheen
	Mr. Haroon Rashid
	Mr. Imran R. Ibrahim
	Mr. Nasser N.S. Jaffer
	Mr. Zaffar A. Khan
	Mr. Michael Noll
	Mr. Omar Y. Sheikh
	Mr. Badaruddin F. Vellani
Managing Director & Chief Executive	Mr. Sarim Sheikh

Audit Committee

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

Leadership Team

General Manager Retail	Mr. Sarim Sheikh
General Manager Lubricants	Mr. Omar Y. Sheikh
General Manager Human Resources	Mr. Leon Menezes
General Manager Supply & Distribution	Mr. Haroon Rashid
Chief Financial Officer	Mr. Rafi H. Basheer

Company Secretary

Mr. Tariq Saeed

Registered Office

Shell House,
6, Ch. Khaliquzzaman 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

Chairman's Review

For the quarter and nine months ended September 30, 2011

On behalf of the Board of Directors of Shell Pakistan Limited, I am pleased to share the results of the Company for the above mentioned period.

During the third quarter of 2011 the Company incurred a net loss of Rs. 284 million as against a net loss of Rs. 732 million in the same quarter last year. This was mainly driven by lower sales volumes due to slow macro economic growth in the country and stock losses due to oil price volatility. This was further impacted by soaring financing costs due to increasing Government receivables and high effective tax rate of 70% due to incidence of minimum tax on turnover of regulated products.

As a result, for the nine months period the Company earned a profit after tax of Rs. 1,122 million as against a net loss of approximately Rs. 12 million recorded in the same period last year.

Regulated margins for petrol and diesel in Pakistan remain one of the lowest in the region, at a time of both rising oil prices and increasing cost of doing business. In this high oil price and inflationary environment that is prevalent during this nine month period, the level of margins allowed by the Government do not provide appropriate returns to fully cover the cost of operations and the high cost of financing for the required investments in costlier stock and higher and delayed Government receivables. However, we are pleased to see the recent implementation of the ECC decision to increase margins on regulated petroleum products and hope that the Government will consider further favorable revisions to the same, in line with increasing cost of doing business.

Government receivables are now in excess of Rs. 14,000 million mainly related to refund of indirect taxes and fuel subsidies and are causing high financing charges on the company. Since the inception of these receivables, the delays in settlement have already cost the company around Rs. 3.5 billion in interest costs. Your management is vigorously following up with concerned Government authorities for the settlement of these receivables and has taken measures to arrest the further build-up of these refunds including curtailment of certain sales which has negatively impacted our earnings for the period.

We continue to emphasise that it is imperative for the Government to urgently address the unfavorable impacts of delay in settlement of Government receivables, with a longer term view to create an environment conducive to business continuity and growth in this key sector of the economy.

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

Sarim Sheikh
Chairman & Chief Executive

October 20, 2011

Condensed Interim Balance Sheet
as at September 30, 2011

	Note	(Unaudited) September 30, 2011	(Audited) December 31, 2010
		(Rupees `000)	
ASSETS			
Non-Current Assets			
Property, plant & equipment	5	6,504,783	6,502,773
Intangible assets		1,410,754	1,679,707
Long term investments	6	3,030,903	2,547,853
Long term loans and advances		93,844	81,960
Long term deposits and prepayments		171,186	190,666
Long term debtors		18,095	11,442
Deferred taxation	7	1,468,020	1,993,350
		12,697,585	13,007,751
Current Assets			
Stores and spares		15,973	14,502
Stock-in-trade		19,302,698	12,348,438
Trade debts		2,243,537	2,013,358
Loans and advances		58,237	76,187
Trade deposits and short term prepayments		339,394	305,384
Other receivables	8	14,445,725	9,686,866
Cash and bank balances		10,729	1,045,025
		36,416,293	25,489,760
TOTAL ASSETS		49,113,878	38,497,511
EQUITY AND LIABILITIES			
EQUITY			
Share capital		684,880	684,880
Reserves		2,096,050	2,096,050
Unappropriated profit		5,693,620	5,119,105
		8,474,550	7,900,035
LIABILITIES			
Non-Current Liabilities			
Liabilities against assets subject to finance lease		995	2,662
Asset retirement obligation		186,566	187,104
		187,561	189,766
Current Liabilities			
Trade and other payables		23,606,742	19,936,550
Accrued mark-up		208,778	86,350
Current maturity of liabilities against assets subject to finance lease		3,013	15,550
Short term running finances utilised under mark-up arrangements - secured		5,950,172	1,586,438
Short term loans- secured		10,313,000	8,400,000
Taxation		370,062	382,822
		40,451,767	30,407,710
TOTAL EQUITY AND LIABILITIES		49,113,878	38,497,511
Contingencies and commitments	9		

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements

Sarim Sheikh
Chairman & Chief Executive

Imran R. Ibrahim
Director

Condensed Interim Profit and Loss Account (Unaudited)

for the quarter and nine months ended September 30, 2011

	Note	Nine Months Ended September 30		Quarter Ended September 30	
		2011	2010	**2011**	2010
		(Rupees `000)			
Sales		**187,958,915**	157,729,422	**57,541,150**	55,714,167
Non-fuel retail		**-**	1,255	**-**	-
Other Revenue		**392,827**	316,330	**146,569**	110,660
		188,351,742	158,047,007	**57,687,719**	55,824,827
Sales tax		**(21,087,872)**	(18,691,961)	**(6,741,774)**	(6,621,504)
Net Revenue		**167,263,870**	139,355,046	**50,945,945**	49,203,323
Cost of products sold		**(157,394,977)**	(131,085,881)	**(48,635,890)**	(46,663,705)
Gross Profit		**9,868,893**	8,269,165	**2,310,055**	2,539,618
Distribution and marketing expenses		**(3,024,285)**	(3,279,731)	**(1,086,858)**	(1,491,929)
Administrative expenses		**(2,708,101)**	(2,882,453)	**(839,613)**	(930,114)
		4,136,507	2,106,981	**383,584**	117,575
Other operating income		**146,716**	395,115	**37,950**	7,907
		4,283,223	2,502,096	**421,534**	125,482
Other operating expenses		**(552,440)**	(541,240)	**95,421**	(200,901)
Operating profit		**3,730,783**	1,960,856	**516,955**	(75,419)
Financing cost		**(1,505,909)**	(900,357)	**(645,818)**	(331,374)
		2,224,874	1,060,499	**(128,863)**	(406,793)
Share of profit of associate - net of tax		**483,050**	431,001	**165,632**	135,861
Profit / (loss) before taxation		**2,707,924**	1,491,500	**36,769**	(270,932)
Taxation	10	**(1,585,505)**	(1,503,013)	**(321,549)**	(460,789)
Profit / (loss) after tax		**1,122,419**	(11,513)	**(284,780)**	(731,721)
		Rupees	Rupees	**Rupees**	Rupees
Earnings per share		**16.39**	(0.17)	**(4.16)**	(10.68)

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Sarim Sheikh
Chairman & Chief Executive

Imran R. Ibrahim
Director

Condensed Interim Cash Flow (Unaudited)

for the nine months ended September 30, 2011

	Note	Nine Months Ended September 30 2011	2010
		(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	**(3,790,021)**	2,377,729
Finance costs paid		**(1,222,474)**	(823,851)
Taxes paid		**(1,072,937)**	(1,054,096)
Long term loans and advances		**(11,884)**	7,474
Long term deposits and prepayments		**19,480**	37,191
Mark up received on short term deposits		**21,854**	30,856
Long term debtors		**(6,653)**	21,449
Net cash generated from operating activities		**(6,062,635)**	596,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(752,179)**	(193,303)
Proceeds from disposal of property, plant and equipment		**47,231**	14,143
Net cash used in investing activities		**(704,948)**	(179,160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(528,359)**	(1,703,690)
Repayment of liability under finance lease		**(15,088)**	(46,596)
Net cash used in financing activities		**(543,447)**	(1,750,286)
Net (decrease)/increase in cash and cash equivalents		**(7,311,030)**	(1,332,694)
Cash and cash equivalents at beginning of the period		**(8,941,413)**	(5,083,378)
Cash and cash equivalents at end of the period		**(16,252,443)**	(6,416,072)

The annexed notes 1 to 15 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Imran R. Ibrahim
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

for the nine months ended September 30, 2011

	Issued, subscribed, paid up capital	Capital reserves - share premium	General revenue reserves	Unappro-priated profit	Total
	(Rupees '000)				
Balance as at January 1, 2010	684,880	1,889,048	207,002	5,489,673	8,270,603
Final Dividend for the year ended December 31, 2009 at Rs 25 per share	-	-	-	(1,712,198)	(1,712,198)
Interim dividend for the year ended December 31, 2010 at Rs 4 per share	-	-	-	(273,952)	(273,952)
Total comprehensive income for Nine months ended September 30, 2010	-	-	-	(11,513)	(11,513)
Balance as at September 30, 2010	684,880	1,889,048	207,002	3,492,010	6,272,940
Balance as at January 1, 2011	684,880	1,889,048	207,002	5,119,105	7,900,035
Final Dividend for the year ended December 31, 2010 at Rs 8 per share	**-**	**-**	**-**	**(547,904)**	**(547,904)**
Total comprehensive income for Nine months ended September 30, 2011	**-**	**-**	**-**	**1,122,419**	**1,122,419**
Balance as at September 30, 2011	**684,880**	**1,889,048**	**207,002**	**5,693,620**	**8,474,550**

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Sarim Sheikh
Chairman & Chief Executive

Imran R. Ibrahim
Director

Notes to the Condensed Interim Financial Information (Unaudited)
for the period ended September 30, 2011

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 the Karachi and Lahore Stock Exchanges. The registered office of the Company is located at Shell House, 6, Ch. Khaliquzzaman 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 This condensed interim financial information of the Company for the nine months ended September 30, 2011 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 the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 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, 2010.

3. ACCOUNTING POLICIES

3.1 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, 2010 except for the changes resulting from initial application of standards, amendments or interpretations to existing standards as stated in note 3.2 which though adopted do not presently have any impact on this condensed interim financial information but may effect the accounting for future transactions and events.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates 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.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	(Rupees `000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	**5,737,368**	6,202,640
Capital work-in-progress - note 5.3	**847,148**	344,304
	6,584,516	6,546,944
Less: Provision for impairment	**(79,733)**	(44,171)
	6,504,783	6,502,773

Notes to the Condensed Interim Financial Information (Unaudited)
for the period ended September 30, 2011

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	(Rupees `000)	
5.1 Additions to operating assets during the period / year were as follows:		
Owned assets		
Leasehold land	-	3,967
Buildings on freehold land	8,124	7,597
Buildings on leasehold land	55,937	209,605
Tanks and piplines	30,076	71,989
Plant and machinery	27,140	162,969
Air conditioning plant	-	1,534
Dispensing pumps	-	22,095
Rolling stock and vehicles	18,865	19,535
Electrical, mechanical and fire fighting equipment	104,700	92,217
Furniture, office equipment and other assets	571	227,787
Computer auxiliaries	3,922	16,658
Leased assets		
Vehicles	-	40,794
	249,335	876,747

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

	Cost	Accumulated depreciation	Net book value
		(Rupees `000)	
September 30, 2011 (unaudited)			
Owned assets			
Building on leasehold land	114,739	49,845	64,894
Tanks and pipelines	44,713	17,183	27,530
Plant and machinery	11,401	437	10,964
Dispensing pumps	73,781	53,083	20,698
Rolling stock and vehicles	52,108	22,949	29,159
Electrical, mechanical and fire fighting equipment	1,727	1,651	76
Furniture, office equipment and other assets	38,844	35,280	3,564
Computer auxiliaries	41	41	-
Leased assets			
Vehicles	35,605	29,644	5,961
	372,959	210,113	162,846
December 31, 2010 (audited)	472,072	224,451	247,621

Notes to the Condensed Interim Financial Information (Unaudited)

for the period ended September 30, 2011

		(Unaudited) September 30, 2011	(Audited) December 31, 2010
		(Rupees `000)	
5.3	Capital work-in-progress comprise the following:		
	Buildings on leasehold land	**481,610**	50,252
	Tanks and pipelines	**238,850**	126,333
	Plant and machinery	**84,013**	7,545
	Dispensing pumps	**-**	2,091
	Rolling stock and vehicles	**-**	17,975
	Electrical, mechanical and fire fighting equipments	**42,017**	136,883
	Furniture, office equipment and other assets	**658**	1,221
	Capital stores and spares	**-**	2,004
		847,148	344,304

6. LONG TERM INVESTMENTS

This includes investment in an associate "Pak Arab Pipeline Company Limited (PAPCO)", which is carried under equity method of accounting amounting to Rs. 3,025,903 thousand (December 31, 2010: Rs. 2,542,853 thousand) as follows:

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	(Rupees `000)	
Movement of investment in associate		
Balance at the beginning of the period / year	**2,542,853**	2,307,806
Share of profit	**487,850**	916,887
Share of taxation	**(4,800)**	(320,879)
	483,050	596,008
Dividend received	**-**	(360,961)
Balance at the end of the period / year	**3,025,903**	2,542,853

7. DEFERRED TAXATION

This includes deferred income tax asset amounting to Rs. 1,886,890 thousand (December 31, 2010: Rs. 2,438,707 thousand) recognised for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate unutilized tax losses as at September 30, 2011 amount to Rs. 5,719,861 thousand (December 31, 2010: Rs. 7,296,481 thousand) out of which deferred income tax asset has been recognised on tax losses amounting to Rs. 5,391,114 thousand (December 31, 2010: Rs. 6,967,734 thousand) based on projections of future taxable profits of the Company.

8. OTHER RECEIVABLES

This includes receivables aggregating Rs. 5,305,414 thousand (December 31, 2010: Rs. 5,106,027 thousand) from the Government of Pakistan (GoP) on account of the following:

8.1 Petroleum development levy recoverable amounting to Rs. 2,313,188 thousand (December 31, 2010: Rs. 2,070,888 thousand) from the Federal Board of Revenue on account of export sales. The Company has not received any amount 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 ex-refinery price amounting to Rs. 295,733 thousand (December 31, 2010: 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, 2010: Rs. 747,490 thousand). From time to time the GoP agrees 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. 1,950,000 thousand (December 31, 2010: Rs. 1,991,916 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 the 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 representing 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.

In 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. The Company has accordingly submitted audit reports for all such claims till May 31, 2011.

During the period, the Company has received an amount of Rs. 454,000 thousand from GoP in respect of these claims. 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.

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 amended 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.

During the period the Government of Sindh, unconditionally withdrew its appeals on the plea that the Sindh Assembly had legislated the Sindh Finance (Amendment) Act, 2009 levying infrastructure fee with retrospective effect from 1994. However the Supreme Court of Pakistan, in view of the new legislation, directed the Company and others to file fresh petitions to challenge the same before the High Court and set aside the earlier order of the High Court.

Notes to the Condensed Interim Financial Information (Unaudited)

for the period ended September 30, 2011

The High Court on fresh petitions filed, passed an interim order directing that any bank guarantee / security furnished for consignments cleared upto December 27, 2006 are to be returned and for period thereafter guarantees or securities furnished for consignments cleared are to be encashed to the extent of 50% and the remaining balance is to be retained till the disposal of petitions. For future clearances the Company is required to clear the goods on paying of 50% of the fee amount involved and furnishing a guarantee / security for the balance amount.

The accumulated levy up to September 30, 2011 amounts to Rs. 69,216 thousand (December 31, 2010: Rs. 53,300 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 Taxation

9.1.2.1 During the period, the Company received orders for the tax years 2004 to 2007, 2009 and 2010 raising a demand of Rs. 294,233 thousand in respect of these years by holding the Company as an assessee in default for not withholding tax on rebates given to pump operators, dealers and non dealers on sales made to them during these years on the grounds that the rebates given were in the nature of prize for promotion of sales by the Company on which the Company failed to withhold tax as required under Section 156 of the Income Tax Ordinance 2001 (ITO 2001). Against this demand the Company, based on the advice of its tax consultant, has paid an amount of Rs. 179,309 thousand under the tax amnesty scheme announced by the FBR through SRO 647(I)/2011 dated June 25, 2011 to avoid default surcharge and penalties. The payments made against the demand have been included in other receivables as reflected on the balance sheet in the condensed interim financial information. The Company has filed appeals against these demands with the Commissioner Inland Revenue (CIR) (Appeals) where the initial hearings have been completed and decision from CIR is pending.

However, the Company, based on the merits of the case and on the advice of its tax consultant, out of the above demand has provided an amount of Rs. 19,854 thousand in the condensed interim financial information, representing its best estimate of the liability @ 10% under Section 156 A on rebates to pump operators. Under Section 156 A of the ITO 2001, tax is required to be withheld at 10% of the amount of any commission or discount allowed on petroleum products sold to pump operators. The management is confident that the eventual outcome of the matter will be in its favour, accordingly no provision has been made against the remaining balance of Rs. 159,455 thousand.

For tax year 2008 the Company received a show cause notice on similar grounds. The Company has filed a constitutional petition with the High Court for this year and has obtained a stay from further proceedings by depositing an amount of Rs. 16,388 thousand and furnishing a guarantee of Rs. 7,867 thousand. The payments made against the demand have been included in taxation as reflected on the balance sheet in the condensed interim financial information.

9.1.2.2 During the period, the Company received a demand from tax authorities in respect of tax year 2008 amounting to Rs. 735,109 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses and taxing the reversal of provision for impairment in trade and other receivables. Further, assessing officer has also disallowed the credit for minimum tax amounting to Rs. 482,685 thousand paid in earlier year and set-off against tax liability for the tax year 2008. The Company in response to the demands has deposited an amount of Rs. 120,000 thousand and has filed an appeal with the Commissioner Inland Revenue (CIR) (Appeals) where the Company, based on the advice of its tax consultant expects a favourable outcome and as such has not made any provision there against. The payments made against the demand have been included in other receivables as reflected on the balance sheet in the condensed financial information.

9.1.3 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 liability in this respect amounted to Rs. 78,164 thousand which has been paid and consequently no provision has been made for the additional demand raised by MoPNR.

9.1.4 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at September 30, 2011 amounting to approximately Rs. 2,457,962 thousand (December 31, 2010: Rs. 1,921,096 thousand). This includes claims by refineries, amounting to Rs. 996,554 thousand (December 31, 2010: Rs. 996,554 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 Capital expenditure contracted for but not incurred as at September 30, 2011 amounted to approximately Rs. 283,794 thousand (December 31, 2010: Rs. 196,710 thousand).

9.2.2 Commitments for rentals of assets under operating lease agreements as at September 30, 2011 amounted to Rs. 2,827,198 thousand (December 31, 2010: Rs. 2,361,356 thousand) payable as follows:

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	(Rupees `000)	
Not later than one year	**148,599**	147,548
Later than one year and not later than five years	**621,284**	584,816
Later than five years	**2,057,315**	1,628,992
	2,827,198	2,361,356

9.2.3 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, 2011, the value of these cheques amounted to Rs. 10,672,915 thousand (December 31, 2010: Rs. 6,657,745 thousand). The maturity dates of these cheques extend to April 3, 2012 (December 31, 2010: June 27, 2011).

9.2.4 Letters of credit and bank guarantees outstanding as at September 30, 2011 amount to Rs. 3,309,313 thousand (December 31, 2010: Rs. 4,220,825 thousand).

Notes to the Condensed Interim Financial Information (Unaudited)
for the period ended September 30, 2011

	(Unaudited)			
	Nine months ended		Quarter ended	
	Sept. 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
	(Rupees `000)			
10. TAXATION				
Current				
- for the period - note 10.1	**1,033,380**	1,280,743	**321,549**	460,789
- for prior periods	**26,801**	-	**-**	-
Deferred	**525,324**	222,270	**-**	-
	1,585,505	1,503,013	**321,549**	460,789

10.1 This includes minimum tax @ 0.5% (September 30, 2010: @ 1%) amounting to Rs. 657,028 thousand (September 30, 2010: Rs. 1,067,565 thousand) under section 113 of the Income Tax Ordinance, 2001. The minimum tax paid is adjustable against the tax liability of succeeding five years. The Company however, on prudence, has not recognised the tax asset in view of the prior year's unutilized tax losses available for set off against future taxable income aggregating Rs. 5,719,861 thousand (December 31, 2010: Rs. 7,296,481 thousand).

	Nine Months ended September 30, 2011	Nine Months ended September 30, 2010
	(Rupees `000)	
11. CASH GENERATED FROM OPERATIONS		
Profit / (loss) before taxation	**2,707,924**	1,491,500
Adjustment for non-cash charges and other items:		
Depreciation / amortisation expense charged to the profit and loss account	**818,452**	667,672
Accretion expense in respect of asset retirement obligation	**(538)**	3,371
Provision for impairment of trade debts	**22,702**	23,754
Reversal of provision for impairment of trade debts	**(48,281)**	(66,081)
Provision for impairment of fixed assets	**35,562**	-
Write off of fixed assets	**-**	74,110
Loss on disposal of property, plant and equipment	**117,876**	(3,781)
Share of profit of associate	**(483,050)**	(431,002)
Mark-up on short term deposits	**(21,854)**	(33,662)
Mark-up on short term running finances and loans	**1,344,902**	758,315
Finance charge on liabilities against assets subject to finance lease	**884**	-
Provision for stock-in-trade written back	**-**	(11,155)
Working capital changes - note 11.1	**(8,284,600)**	(95,312)
	(3,790,021)	2,377,729

	Nine Months ended September 30, 2011	Nine Months ended September 30, 2010
	(Rupees `000)	
11.1 Working capital changes		
Decrease / (increase) in current assets		
Stores and spares	**(1,471)**	1,217
Stock-in-trade	**(6,954,260)**	(444,405)
Trade debts	**(204,597)**	(507,945)
Loans and advances (net)	**17,950**	(62,439)
Trade deposits and short-term prepayments (net)	**(34,010)**	(138,771)
Other receivables (net)	**(4,758,859)**	(1,501,399)
	(11,935,247)	(2,653,742)
Increase / (decrease) in current liabilities		
Trade and other payables (excluding unclaimed dividends)	**3,650,647**	2,558,430
	(8,284,600)	(95,312)

12. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
			(Rupees `000)	
Associate				
Pak Arab Pipeline Company Ltd.	Pipeline charges		**528,104**	584,515
Contribution to staff retirement benefit funds	Pension Fund		**56,912**	59,607
	Gratuity Fund		**13,836**	13,687
	Provident Fund		**21,920**	23,045
Key management personnel	Remuneration		**76,568**	72,489
Other related parties	Purchases		**74,503,716**	52,255,853
	Sales		**1,473,493**	1,523,313
	Technical service fee charged	12.1	**791,235**	1,165,025
	Trade mark and manifestations license fee charged	12.2	**131,916**	103,713
	Computer expenses charged (Global Infrastructure Desktop charges)	12.2	**117,708**	94,800
	ERP Implementation charges		**-**	1,355,624
	Expenses recovered from related parties	12.3	**135,119**	203,292
	Other expenses charged by related parties	12.3	**236,677**	129,543

Notes to the Condensed Interim Financial Information (Unaudited)
for the period ended September 30, 2011

12.1 Technical services include advice and assistance to the Company in its operations. The fee for these services has been determined on the basis of agreements between the Company and a related Shell Group Company 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 with the Shell Group Companies.

12.3 Expenses recovered from / charged by related parties are based on actual charged by or recovered from the related parties.

13. CORRESPONDING FIGURES

13.1 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Company for the year ended December 31, 2010 and the corresponding figures in the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows comprise of balances of comparable period as per the condensed interim financial information of the Company for the nine months ended September 30, 2010.

14. GENERAL

Figures have been rounded off to the nearest thousand.

15. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on October 20, 2011 by the Board of Directors of the Company.

Sarim Sheikh
Chairman & Chief Executive

Imran R. Ibrahim
Director

Shell Pakistan Limited
Shell House, 6 - Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.
www.shell.com.pk