QUARTERLY REPORT MARCH 2012

Shell Pakistan Limited

Chairman's Review

for the quarter ended March 31, 2012

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 first quarter of current year the Company incurred a net loss of Rs. 224 million as against a net profit of Rs. 758 million in the same quarter last year. This was mainly driven by lower overall margins, continued high financing costs on account of refunds due from the government and high effective tax rate of due to incidence of minimum turnover tax.

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 these margins allowed by the Government do not provide adequate returns to fully cover the cost of operations and the high cost of financing for the required investments in costlier stock.

Government receivables at the end of the quarter stood in excess of Rs.12,600 million mainly related to refund of Sales and Indirect taxes and fuel subsidies outstanding. These are resulting in very high financing charges on the Company which for this quarter alone was Rs. 506 million. Since the inception of these receivables over the last three years, the delays in settlement have already cost the Company in excess of Rs. 5,000 million in interest costs. Your management is vigorously following up with concerned Government authorities for the speedy settlement of these receivables. On the positive side, the Company managed to recover Rs. 1,100 million in the current quarter in this respect and we hope that the Government will make payment of the remaining amount on an expedited basis. 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.

Your Company continues to bear the impact of minimum tax on turnover which has adversely impacted our bottom line. In a rising price environment as seen during this quarter, this has led to increased tax liability with no corresponding increase in margin resulting in effective rate of corporate tax of more than 600% and unfairly eroding our operating profit growth. We are in continuous discussions with the tax authorities to remove this anomaly for our industry and bring us in line with exemptions and allowance on turnover tax already given to other sectors with similar challenges.

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

April 19, 2012

Sarim Sheikh
Chairman & Chief Executive

Condensed Interim Balance Sheet

as at March 31, 2012

	Note	(Unaudited) March 31, 2012	(Audited) Decmber 31, 2011
		(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**6,490,709**	6,652,020
Intangible assets		**1,234,415**	1,321,105
Long term investments	6	**2,933,313**	2,749,610
Long term loans and advances		**108,251**	93,914
Long term deposits and prepayments		**160,464**	194,242
Long term debtors		**3,103**	3,732
Deferred taxation	7	**1,383,816**	1,383,816
		12,314,071	12,398,439
Current Assets			
Stores and spares		**15,143**	15,143
Stock-in-trade		**15,111,510**	17,847,222
Trade debts		**2,407,049**	2,488,910
Loans and advances		**54,962**	66,532
Trade deposits and short term prepayments		**220,447**	271,133
Other receivables	8	**13,337,742**	14,633,255
Cash and bank balances		**588,220**	1,438,447
		31,735,073	36,760,642
TOTAL ASSETS		**44,049,144**	49,159,081
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**684,880**	684,880
Reserves		**2,096,050**	2,096,050
Unappropriated profit		**5,253,547**	5,477,191
		8,034,477	8,258,121
LIABILITIES			
Non-Current Liabilities			
Asset retirement obligation		**192,262**	189,351
Current Liabilities			
Trade and other payables		**18,050,977**	24,495,103
Accrued mark-up		**220,010**	217,645
Short term running finances utilised under mark-up arrangements - secured		**7,557,294**	7,866,032
Short term loans - secured		**9,839,000**	7,879,000
Taxation		**155,124**	253,829
		35,822,405	40,711,609
		36,014,667	40,900,960
TOTAL EQUITY AND LIABILITIES		**44,049,144**	49,159,081
Contingencies and commitments	9		

The annexed notes 1 to 16 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the quarter ended March 31, 2012

	Note	(Unaudited) March 31, 2012	March 31, 2011
		(Rupees '000)	
Sales		**57,837,345**	65,622,324
Other revenue		**149,720**	115,706
		57,987,065	65,738,030
Sales tax		**(7,738,102)**	(7,146,948)
Net revenue		**50,248,963**	58,591,082
Cost of products sold		**(47,928,122)**	(54,799,258)
Gross profit		**2,320,841**	3,791,824
Distribution and marketing expenses		**(878,045)**	(1,173,233)
Administrative expenses		**(885,184)**	(891,925)
		557,612	1,726,666
Other operating income		**58,007**	52,879
		615,619	1,779,545
Other operating expenses		**(249,116)**	(306,042)
Operating profit		**366,503**	1,473,503
Finance costs		**(506,539)**	(374,199)
		(140,036)	1,099,304
Share of profit of associate - net of tax		**183,703**	177,719
Profit before taxation		**43,667**	1,277,023
Taxation	10	**(267,309)**	(518,622)
(Loss) / Profit for the quarter		**(223,642)**	758,401
Other comprehensive income		**-**	-
Total comprehensive (loss) / income for the quarter		**(223,642)**	758,401
		(Rupees)	
Earnings per share		**(3.27)**	11.07

The annexed notes 1 to 16 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

for the quarter ended March 31, 2012

	Share capital	Capital reserves - share premium	General revenue reserves	Unappropriated profit	Total
	(Rupees '000)				
Balance as at December 31, 2010	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 year ended December 31, 2011	-	-	-	905,990	905,990
Balance as at December 31, 2011	684,880	1,889,048	207,002	5,477,191	8,258,121
Loss after taxation for the quarter ended March 31, 2012	-	-	-	(223,644)	(223,644)
Balance as at March 31, 2012	**684,880**	**1,889,048**	**207,002**	**5,253,547**	**8,034,477**

The annexed notes 1 to 16 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Statement of Cash Flows (Unaudited)

for the quarter ended March 31, 2012

	Note	(Unaudited) March 31, 2012	March 31, 2011
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	**(1,698,575)**	(3,058,266)
Finance costs paid		**(456,077)**	(363,415)
Taxes paid		**(366,014)**	(502,094)
Long term loans and advances		**(14,337)**	1,028
Long term deposits and prepayments		**33,778**	29,184
Mark up received on short term deposits		**1,779**	14,646
Long term debtors		**629**	1,254
Net cash generated from operating activities		**(2,498,817)**	(3,877,663)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(10,936)**	(64,400)
Proceeds from disposal of property, plant and equipment		**9,047**	14,851
Net cash used in investing activities		**(1,889)**	(49,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**-**	(1,243)
Repayment of liability under finance lease		**(783)**	(1,824)
Net cash used in financing activities		(783)	(3,067)
Net (decrease)/increase in cash and cash equivalents		**(2,501,489)**	(3,930,279)
Cash and cash equivalents at beginning of the quarter		**(14,306,585)**	(8,941,413)
Cash and cash equivalents at end of the quarter		**(16,808,074)**	(12,871,692)

The annexed notes 1 to 16 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Notes to the Condensed Interim Financial Information (Unaudited)

for the quarter ended March 31, 2012

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 quarter ended March 31, 2012 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, 2011.

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, 2011 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 affect the accounting for future transactions and events.

3.2 The following new amendment to existing standards is mandatory for the financial year beginning on January 1, 2012:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures';

The application of this standard does not have any impact on this condensed interim financial information.

3.3 The following new standards and amendments have been issued but are not effective for the financial year beginning January 1, 2012 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments';
- IFRS 12, 'Disclosures of interests in other entities';
- IFRS 13, 'Fair value measurement';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 19 (Revised), 'Employee benefits';
- IAS 27 (Revised), 'Separate financial statements';
- IAS 28 (Revised), 'Associates and joint ventures';

3.4 There are number of new standards and amendments and interpretations to published standards that are not yet effective, and are also not relevant to the Company and therefore have not been presented here.

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.

Notes to the Condensed Interim Financial Information (Unaudited)

for the quarter ended March 31, 2012

4.2 During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the annual audited financial statements for the year ended December 31, 2011.

		Unaudited March 31, 2012	Audited December 31, 2011
		(Rupees '000)	
5.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets, at net book value - notes 5.1 and 5.2	**6,090,649**	5,606,489
	Capital work-in-progress - note 5.3	**482,631**	1,128,102
		6,573,280	6,734,591
	Less: Provision for impairment	**(82,571)**	(82,571)
		6,490,709	6,652,020
5.1	Additions to operating assets during the period / year were as follows:		
	Owned assets		
	Buildings on freehold land	**-**	53,882
	Buildings on leasehold land	**5,695**	-
	Tanks and pipelines	**407,925**	1,580
	Plant and machinery	**153,760**	86,479
	Dispensing pumps	**16,652**	2,091
	Rolling stock and vehicles	**12,876**	31,679
	Electrical, mechanical and fire fighting equipment	**60,073**	146,420
	Furniture, office equipment and other assets	**11,964**	618
	Computer auxiliaries	**1,031**	3,922
		669,976	326,671

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

	Cost	Accumulated Depreciation	Net book value
	(Rupees '000)		
March 31, 2012 (unaudited)			
Leased assets			
Vehicles	16,380	14,732	1,648
December 31, 2011 (audited) - note 5.2.1	514,276	333,978	180,298

5.2.1 For details of the assets disposed / written off during the year ended December 31, 2011, please refer to the annual audited financial statements for the same year.

		Unaudited March 31, 2012	Audited December 31, 2011
		(Rupees '000)	
5.3	Capital work-in-progress comprise the following:		
	Buildings on leasehold land	**350,003**	587,451
	Tanks and pipelines	**21,045**	338,305
	Plant and machinery	**91,175**	175,269
	Rolling stock and vehicles	**5,596**	-
	Electrical, mechanical and fire fighting equipments	**7,388**	26,466
	Furniture, office equipment and other assets	**7,424**	611
		482,631	1,128,102

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. 2,928,313 thousand (December 31, 2011: Rs. 2,744,610 thousand) as follows:

	Unaudited March 31, 2012	Audited December 31, 2011
	(Rupees '000)	
Movement of investment in associate		
Balance at the beginning of the period / year	**2,744,610**	2,542,853
Share of profit	**282,924**	981,817
Share of taxation	**(99,221)**	(346,626)
	183,703	635,191
Dividend received	**-**	(433,434)
Balance at the end of the period / year	**2,928,313**	2,744,610

7. DEFERRED TAXATION

This includes deferred income tax asset amounting to Rs. 1,383,816 thousand (December 31, 2011: Rs.1,383,816 thousand) recognized 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 March 31, 2012 amount to Rs. 5,115,860 thousand (December 31, 2011: Rs. 5,115,860 thousand) and are available for utilization against future taxable profits till December 31, 2014. The management reviews the realisability of deferred tax asset on a bi-annual basis at half year and year end.

8. OTHER RECEIVABLES

This includes receivables aggregating Rs. 5,334,175 thousand (December 31, 2011: Rs. 5,278,742 thousand) from the Government of Pakistan (GoP) on account of the following:

8.1 Petroleum development levy recoverable amounting to Rs. 2,329,741thousand (December 31, 2011: Rs. 2,274,308 thousand) from the Federal Board of Revenue on account of export sales and sales to export processing zones. 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, 2011: 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, 2011: 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. 1,961,211 thousand (December 31, 2011: Rs. 1,961,211 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 along with 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.

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 year 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.

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.

Subsequent to the orders of the court the Company has reviewed its position and without acknowledging it as a debt now estimates the accumulated levy up to March 31, 2012 at Rs. 31,843 thousand (December 31, 2011: Rs. 30,993 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. For these reasons based on legal advice obtained, no provision has been made in the financial statements against the levy as the Company's management expects a favourable outcome.

9.1.2 Taxation

9.1.2.1 During 2011, the Company received orders for the tax years 2004 to 2007, 2009 and 2010 raising a demand of Rs. 294,233 thousand (including default surcharge amounting to Rs. 114,924 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 company has filed appeals against these demands with the Commissioner Inland Revenue (CIR) (Appeals) where the initial hearings have been completed and decision from the CIR is pending. Further, 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.

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. The payments made against the demand to the extent considered recoverable have been included in other receivables as reflected on the balance sheet in the financial statements.

9.1.2.2 During 2011, 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 Sales tax and Federal Excise Duty (FED)

9.1.3.1 During 2011, the tax authorities after conducting sales tax and federal excise audit for period July 2008 to June 2009 and post refund audit for period September and October 2008 raised sales tax and federal excise duty demands amounting to Rs. 1,843,529 thousand through several orders. The demands primarily arose on account of (i) disallowing input tax against zero rated supplies; (ii) levying FED on license fee, group service fee and trade mark and manifestation fee; (iii) levying sales tax on difference in output sales tax as per return and financial statements; and (iv) sales tax on lubricants paid on the value of supply instead of retail price as mentioned on packs. The Company in response to the aforementioned orders has filed appeals and sought stay against the demands with the Appellate Tribunal Inland Revenue (ATIR) and Commissioner Inland Revenue (Appeals) [CIR(A)] where one of the appeals has been heard by the ATIR and order is awaited. Further, ATIR has also granted stay against recovery of the demands. The appeal and stay application filed with CIR(A) is pending hearing.

The Company with respect to the merits of the case based on the advice of its tax consultant and legal opinion obtained, expects a favourable outcome on the matter and accordingly no provision has been made in this respect in these financial statements.

9.1.3.2 Subsequent to the year end, the Company has received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, without specifying the basis of computation, on goods imported by levying further sales tax @ 2% representing minimum value addition under Sub-section 5 of Section 3 read with Section 7A of the Sales Tax Act, 1990 and Chapter X of the Sales Tax Special Procedure Rules, 2007. Further, the Company has also received show cause notices from other Model Customs Collectorates with a potential demand of Rs. 4,775,814 thousand, the basis of computation of which has not been specified. The Company is of the view that the sales tax on minimum value addition is not applicable as OMCs are manufacturers of lubricants and other products and the prices of POL products imported by them for sale in the country are administered under a special pricing arrangement agreed with the Government. The FBR has issued directives restricting collectorates from any recovery actions and has also issued a notification dated February 10, 2012 confirming that value addition sales tax is not to be charged on POL products whose prices are regulated under special pricing arrangement by the GoP or regulatory authority working under the GoP. The Company is of the opinion that OMCs are also not required to charge value addition sales tax on unregulated products and is confident that revised notification in this respect will be issued for which it will be approaching FBR along with the industry. Further, in the event the Company is required to make a payment in this respect, it is Company's contention that it will be able to claim the amount paid as input tax except for default surcharge which cannot be computed at this stage. Accordingly, no provision has been made in this respect in these financial statements.

9.1.4 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, 2011: 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. 215,834 thousand. Based on legal advice obtained, the management believes 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.

9.1.5 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at March 31, 2012 amounting to approximately Rs. 2,487,449 thousand (December 31, 2011: Rs. 2,402,630 thousand). This includes claims by refineries, amounting to Rs. 996,554 thousand (December 31, 2011: 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 March 31, 2012 amounted to approximately Rs. 18,022 thousand (December 31, 2011: Rs. 308,517 thousand).

9.2.2 Commitments for rentals of assets under operating lease agreements as at March 31, 2012 amounted to Rs. 2,765,493 thousand (December 31, 2011: Rs. 2,822,905 thousand) payable as follows:

	Unaudited March 31, 2012	Audited December 31, 2011
	(Rupees '000)	
Not later than one year	**146,784**	152,284
Later than one year and not later than five years	**610,576**	638,394
Later than five years	**2,008,133**	2,032,227
	2,765,493	2,822,905

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 March 31, 2012, the value of these cheques amounted to Rs. 3,629,154 thousand (December 31, 2011: Rs. 4,927,938 thousand). The maturity dates of these cheques extend to October 5, 2012 (December 31, 2011: June 29, 2012).

9.2.4 Letters of credit and bank guarantees outstanding as at March 31, 2012 amount to Rs. 4,245,129 thousand (December 31, 2011: Rs. 4,441,046 thousand).

	Unaudited Quarter ended March 31, 2012	Unaudited Quarter ended March 31, 2011
	(Rupees '000)	
10. TAXATION		
Current		
- for the period - note 10.1	**267,309**	368,622
- for prior periods	**-**	-
Deferred	**-**	150,000
	267,309	518,622

10.1 This includes minimum tax @ 0.5% (March 31, 2011 @ 0.5%) amounting to Rs 231,402 thousand (March 31, 2011: Rs 221,373 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 recognized the tax asset in view of the prior year's unutilized tax losses available for set-off against future taxable income aggregating to Rs 5,115,860 thousand (December 31, 2011: Rs 5,115,860 thousand).

Notes to the Condensed Interim Financial Information (Unaudited)

for the quarter ended March 31, 2012

		Unaudited Quarter ended	
		March 31, 2012	March 31, 2011
		(Rupees '000)	
11.	**CASH GENERATED FROM OPERATIONS**		
	Profit / (loss) before taxation	**43,667**	1,277,023
	Adjustment for non-cash charges and other items:		
	Depreciation / amortisation expense charged to the profit and loss account	**257,289**	278,155
	Accretion expense in respect of asset retirement obligation	**2,912**	2,688
	Provision for impairment of trade debts	**2,033**	5,286
	Reversal of provision for impairment of trade debts	**(23,248)**	(19,117)
	Provision for impairment of fixed assets	**-**	69,929
	Gain on disposal of property, plant and equipment	**(7,402)**	(11,443)
	Share of profit of associate	**(183,703)**	(177,719)
	Mark-up on short term deposits	**(1,779)**	(14,646)
	Mark-up on short term running finances and loans	**458,442**	353,109
	Finance charge on liabilities against assets subject to finance lease	**783**	-
	Working capital changes -note 11.1	**(2,247,569)**	(4,821,531)
		(1,698,575)	(3,058,266)
11.1	**Working capital changes**		
	Decrease / (increase) in current assets		
	Stores and spares	**-**	4,281
	Stock-in-trade	**2,735,712**	(2,251,139)
	Trade debts	**103,076**	(439,716)
	Loans and advances (net)	**11,570**	19,614
	Trade deposits and short term prepayments (net)	**50,686**	97,630
	Other receivables (net)	**1,295,513**	(2,521,231)
		4,196,557	(5,090,561)
	Increase / (decrease) in current liabilities		
	Trade and other payables (excluding unclaimed dividends)	**(6,444,126)**	269,030
		(2,247,569)	(4,821,531)

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	Unaudited Quarter ended March 31, 2012	Unaudited Quarter ended March 31, 2011
			(Rupees '000)	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		**124,665**	205,683
Contribution to staff retirement benefits	Pension Fund		**26,900**	22,508
	Gratuity Fund		**6,723**	5,144
	Provident Fund		**10,089**	8,604
Key management personnel	Remuneration		**22,638**	35,584
Other related parties	Purchases		**10,223,142**	26,385,479
	Sales		**504,071**	347,764
	Technical service fee charged	12.1	**274,686**	280,636
	Royalty		**56,310**	55,704
	Computer expenses charged (Global Infrastruture Desktop charges)	12.2	**48,884**	42,861
	Expenses recovered from related parties	12.3	**46,106**	31,333
	Other expenses charged by related parties	12.3	**81,255**	76,882
	Legal charges		**72**	-

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.

Notes to the Condensed Interim Financial Information (Unaudited)

for the quarter ended March 31, 2012

13. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

13.1 During the quarter, the Board of Directors of the Company in their meeting held on March 7, 2012 have proposed a 25% issue of bonus shares in the ratio of one share for every four shares held by shareholders. The approval of the members for issue of bonus has been obtained in the Annual General Meeting held on April 19, 2012. The financial statements for the quarter ended March 31, 2012 do not include the effect of these appropriations which will be accounted for in the subsequent financial statements for the year ending December 31, 2012.

14. CORRESPONDING FIGURES

14.1 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, 2011 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 three months ended March 31, 2011.

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

15. GENERAL

Figures have been rounded off to the nearest thousand.

16. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 19, 2012 by the Board of Directors of the Company.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Company Information

Board of Directors

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

Managing Director & Chief Executive
Sarim Sheikh

Audit Committee

Chairman	Badaruddin F. Vellani
	Imran R. Ibrahim
	Michael Noll

Company Secretary
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

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