



POWERING THE FUTURE

SHELL PAKISTAN LIMITED | QUARTERLY REPORT SEPTEMBER 2020

COMPANY INFORMATION

BOARD OF DIRECTORS

Rafi H. Basheer (Chairperson)
Haroon Rashid
Parvez Ghias
Imran R. Ibrahim
Madiha Khalid
Zaffar A. Khan
John King Chong Lo
Amir R. Paracha
Waqar I. Siddiqui
Badaruddin F. Vellani
Faisal Waheed

CHIEF EXECUTIVE

Haroon Rashid

AUDIT COMMITTEE

Imran R. Ibrahim (Chairperson)
Rafi H. Basheer
Badaruddin F. Vellani

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Zaffar A. Khan (Chairperson)
Parvez Ghias
Waqar I. Siddiqui
Haroon Rashid

COMPANY SECRETARY

Lalarukh Hussain – Shaikh

REGISTERED OFFICE

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530
Pakistan

AUDITORS

EY Ford Rhodes

LEGAL ADVISORS

Vellani & Vellani
Advocates & Solicitors

REGISTRAR & SHARE REGISTRATION OFFICE

FAMCO Associates (Pvt) Ltd.
8-F, next to Hotel Faran, Nursery
Block-6, P.E.C.H.S.
Shahra-e-Faisal
Karachi-75400

DIRECTOR'S REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Dear Shareholders,

The Directors of your Company present the financial statements for the third quarter and nine months ended September 30, 2020.

Your Company continued the focus on its strategic priorities and operational excellence in the quarter and despite the continued macro-economic challenges in the country, successfully delivered a profit after tax of Rs. 1,812 million for the third quarter of 2020.

However, the overall financials for the nine months ended 30th September 2020 still present a challenging situation for the Company driven primarily by the unprecedented coronavirus pandemic and its effects which resulted in declining fuels market and volatility in the international oil prices. Furthermore, over the course of the nine months of 2020, the Pakistan Rupee devalued against the US dollar by a further 6%. Although the Pakistan Rupee remained relatively stable during the quarter, its effects were felt in the overall results of the Company. Being part of an import dependent industry where a large percentage of our costs are denominated in foreign currency, this devaluation had an impact on our cost base and, in turn, on our financial performance.

The profit / loss for the period ended September 30, 2020 after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Loss before taxation	(6,118)
Taxation	57
Net loss for the period ended September 30, 2020	<u><u>(6,061)</u></u>
Loss per share – basic and diluted	<u><u>(56.69)</u></u>

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 8 of the condensed interim financial statements.

Your Company continues to be at the forefront of the industry in Pakistan in ensuring safe operations across the business. Your Company's transport fleet is fully compliant with the Oil and Gas Regulatory Authority (OGRA) standards. Your Company also continues its relentless focus on ensuring safety at all its sites by inculcating a culture of safety through ongoing engagements, drills, and workshops with staff, business partners, and industry partners; whereby playing an industry leading role in terms of safety advocacy.

Lubricants

Lubricants business continues to be a key contributor towards your Company's overall business. During the quarter lubricants business marked a remarkable recovery with significant growth in volumes as compared to the previous quarter. Your Company was also awarded with the first Genuine Products Oil business for Kia Lucky Motors despite stiff competition.

Retail

Your Company continues to show strong recovery with Retail Fuels volume growing significantly in the current quarter. We launched Shell V-Power the Nation campaign, which helped your Company in fulfilling ration needs for the deserving with every litre of Shell V-Power sold at our Retail Stations. Your Company also launched Shell @ Home, which provides oil change and car care services at your house. We further expanded the Select Brand Standards across our network of stores and brought shopping online with our delivery partner foodpanda and collaborated with VISA to go cashless on selected sites and incentivized customers by offering them the opportunity to win free fuel for up to a year.

Social Investment

Shell Tameer enabled 3 Pakistani start-ups to the top 21 applicants that were shortlisted from 15 countries in the Shell LiveWire Top Ten Innovators competition. Furthermore, with a purpose to develop clean-tech innovation ecosystem in Pakistan, Climate LaunchPad Pakistan Regional Finale, had Shell Tameer as a thought leader alongside Pakistan's incubation center partner and financial economist; sharing insights for faster technological advancement and development of the Pakistani entrepreneurship landscape.

Receivables, financing costs & taxation

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. As at September 30, 2020, total outstanding receivables stand at Rs. 5,331 million. Furthermore, the Government of Pakistan through the Finance Act 2019 increased the minimum tax rate applicable to Oil Marketing Companies from 0.5% to 0.75% resulting in a higher tax charge irrespective of the level of profitability. Your Company's management is in continuous discussions with the Government authorities for the recovery of receivables and providing tax concessions as are granted to other similarly regulated sectors in the country.

Going forward

The management remains committed to maintaining sharp focus on improving the financial performance of your Company, with a baseline of driving towards attaining Goal Zero in its safety performance.

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

Your Board and the Company's management will continue to actively work to minimizing the impact of the current challenges and capture all opportunities to ensure the company is well placed to provide a return and to play a key role in developing Pakistan's energy future

The Directors confirm that:

1. The Board comprises of 11 members, including the Chief Executive, who is a deemed director. The Board comprises of one female and ten male members which is as follows:

Female Member:

1. Ms. Madiha Khalid

Male Members:

1. Mr. Rafi H. Basheer
2. Mr. John Lo
3. Mr. Parvez Ghias
4. Mr. Waqar Siddiqui
5. Mr. Haroon Rashid
6. Mr. Zaffar Khan
7. Mr. Imran Ibrahim
8. Mr. Amir Paracha
9. Mr. Badaruddin F. Vellani
10. Mr. Faisal Waheed

Independent Directors:

1. Mr. Parvez Ghias
2. Mr. Amir Paracha
3. Mr. Zaffar Khan
4. Mr. Imran Ibrahim

Non-Executive Directors:

1. Mr. Rafi H. Basheer
2. Mr. Waqar Siddiqui
3. Mr. Badaruddin F. Vellani
4. Mr. John Lo

Executive Directors:

1. Mr. Haroon Rashid
2. Ms. Madiha Khalid
3. Mr. Faisal Waheed

2. A casual vacancy occurred during the period upon the resignation of Ms. Naz Khan. The casual vacancy was filled by the Board within the prescribed period; and Mr. Amir Paracha was co-opted as a director of the Company.
3. The Board has formed committees comprising of members given below:

A. Audit Committee

- a. Mr. Imran Ibrahim (Chairperson)
- b. Mr. Badaruddin F. Vellani
- c. Mr. Rafi H. Basheer

B. Human Resource & Remuneration Committee

- a. Mr. Zaffar Khan (Chairperson)
- b. Mr. Parvez Ghias
- c. Mr. Waqar Siddiqui
- d. Mr. Haroon Rashid

4. The non-executive/independent directors, other than those occupying executive positions in other Shell Group Companies are paid a fee to attend meetings of the board and its committees. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. Details of trades in shares of the Company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on page 19 of these condensed interim financial statements.

We thank our shareholders, customers, staff and all other stakeholders for their dedication, sustained support and trust in the Company.

On behalf of the Board of Directors

Rafi H. Basheer

Chairperson

Haroon Rashid

Chief Executive

Karachi: October 28, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

		Unaudited September 30, 2020	Audited December 31, 2019
	Note	----- (Rupees '000) -----	-----
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	13,968,754	13,176,996
Right-of-use assets		5,259,877	4,861,724
Intangible asset		9,193	11,557
Long-term investments	6	4,674,914	4,631,252
Long-term loans and advances		56,045	33,585
Long-term deposits and prepayments		157,300	159,759
Deferred taxation – net		731,655	425,467
		24,857,738	23,300,340
Current Assets			
Stock-in-trade	7	13,215,611	17,413,439
Trade debts		3,201,837	4,544,062
Loans and advances		58,903	131,099
Short-term deposits and prepayments		487,912	544,129
Other receivables	8	7,021,165	7,922,392
Cash and bank balances		2,216,946	2,319,546
		26,202,374	32,874,667
		51,060,112	56,175,007
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital		1,070,125	1,070,125
Share premium		1,503,803	1,503,803
General reserves		207,002	207,002
Unappropriated (loss) / profit		(4,065,902)	1,995,276
Remeasurement of post-employment benefits - actuarial loss		(485,073)	(485,073)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.2	(5,000)	-
Total equity		(1,775,045)	4,291,133
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		168,686	138,322
Long-term financing	9	3,600,000	-
Long-term lease liabilities		4,249,473	3,718,614
Provision for post-retirement medical benefits		183,520	173,067
		8,201,679	4,030,003
Current Liabilities			
Trade and other payables	10	35,751,571	38,401,649
Unclaimed dividend		164,316	165,094
Unpaid dividend		153,615	154,623
Accrued mark-up		27,459	11,747
Short term borrowings – secured		7,500,000	8,154,343
Taxation – net		412,268	559,652
Current portion of long-term lease liabilities		624,249	406,763
		44,633,478	47,853,871
Contingencies and commitments	11		
		51,060,112	56,175,007
TOTAL EQUITY AND LIABILITIES			

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Nine months ended		Quarter ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		----- (Rupees '000) -----			
Sales		135,802,205	171,713,929	51,403,506	54,869,022
Other revenue		320,231	599,205	168,823	162,395
		136,122,436	172,313,134	51,572,329	55,031,417
Sales tax		(20,961,361)	(25,676,502)	(7,956,545)	(9,540,009)
Net revenue		115,161,075	146,636,632	43,615,784	45,491,408
Cost of products sold		(111,585,284)	(134,695,594)	(38,787,864)	(41,967,012)
Gross profit		3,575,791	11,941,038	4,827,920	3,524,396
Distribution and marketing expenses		(4,516,613)	(5,203,968)	(1,486,469)	(1,755,110)
Administrative expenses		(4,039,620)	(3,835,610)	(1,244,944)	(1,475,533)
Other expenses	12	(1,187,733)	(2,776,205)	(63,937)	(8,520)
Other income		454,734	462,188	52,973	561,399
Operating (loss) / profit		(5,713,441)	587,443	2,085,543	846,632
Finance costs		(1,213,926)	(1,116,704)	(354,943)	(389,858)
		(6,927,367)	(529,261)	1,730,600	456,774
Share of profit of associate - net of tax	6.1	809,101	656,140	259,246	196,046
(Loss) / Profit before taxation		(6,118,266)	126,879	1,989,846	652,820
Taxation	13	57,088	(1,004,393)	(177,979)	(82,876)
Net (loss) / profit for the period		(6,061,178)	(877,514)	1,811,867	569,944
Loss on equity instrument at fair value through other comprehensive income		(5,000)	-	-	-
Total comprehensive income for the period		(6,066,178)	(877,514)	1,811,867	569,944
----- Rupees -----					
(Loss) / Earnings per share - basic and diluted		(56.69)	(8.20)	16.93	5.33

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Nine months ended	
		September 30, 2020	September 30, 2019
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	14	(549,908)	5,622,591
Finance costs paid		(773,341)	(611,244)
Income tax paid		(396,484)	(926,089)
Long-term loans and advances		(22,460)	(22,468)
Long-term deposits and prepayments		2,459	96,673
Interest received on short-term deposits		21,672	26,309
Net cash (used in) / generated from operating activities		(1,718,062)	4,185,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,634,259)	(1,891,743)
Dividend received from associate		760,439	-
Proceeds from disposal of property, plant and equipment		12,795	500
Net cash used in investing activities		(861,025)	(1,891,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(467,384)	(605,781)
Long term financing obtained		3,600,000	-
Dividends paid		(1,786)	(8,320)
Net cash generated from / (used in) financing activities		3,130,830	(614,101)
Net increase in cash and cash equivalents		551,743	1,680,428
Cash and cash equivalents at the beginning of the period		(5,834,797)	(6,079,565)
Cash and cash equivalents at the end of the period		(5,283,054)	(4,399,137)
Cash and cash equivalents comprise of:			
Cash and bank balances		2,216,946	2,115,273
Short term borrowings – secured		(7,500,000)	(6,514,410)
		(5,283,054)	(4,399,137)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Capital reserve		Revenue reserve			Unrealised (loss) on revaluation of investments	Total
	Share capital	Share premium	General reserve	Unappropriated (loss) / profit	Actuarial loss on post-employment benefits		
	----- (Rupees '000) -----						
Balance as at December 31, 2018 (Audited)	1,070,125	1,503,803	207,002	4,068,450	(496,058)	-	6,353,322
Effect of change in accounting policy – net of tax	-	-	-	(587,407)	-	-	(587,407)
Balance as at January 01, 2019 (Adjusted)	1,070,125	1,503,803	207,002	3,481,043	(496,058)	-	5,765,915
Net loss for the period	-	-	-	(877,514)	-	-	(877,514)
Other comprehensive income for the period	-	-	-	(877,514)	-	-	(877,514)
Balance as at September 30, 2019 (Unaudited)	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>2,603,529</u>	<u>(496,058)</u>	<u>-</u>	<u>4,888,401</u>
Balance as at December 31, 2019 (Audited)	1,070,125	1,503,803	207,002	1,995,276	(485,073)	-	4,291,133
Net loss for the period	-	-	-	(6,061,178)	-	-	(6,061,178)
Other comprehensive loss for the period	-	-	-	-	-	(5,000)	(5,000)
	-	-	-	(6,061,178)	-	(5,000)	(6,066,178)
Balance as at September 30, 2020 (Unaudited)	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>(4,065,902)</u>	<u>(485,073)</u>	<u>(5,000)</u>	<u>(1,775,045)</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Imran R. Ibrahim
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

1 THE COMPANY AND ITS OPERATIONS

- 1.1** Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of Shell Petroleum Company Limited, United Kingdom (immediate parent) which is a subsidiary of Royal Dutch Shell Plc. (ultimate parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliqzaman Road, Karachi-75530, Pakistan.
- 1.2** The Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils.
- 1.3** As at the reporting date, the Company has incurred a loss before tax amounting to Rs. 6,118,266 thousand and have accumulated losses and negative equity amounting to Rs. 4,065,902 thousand and Rs. 1,775,045 thousand respectively. The adverse situation arose in the first half of the year due to the unprecedented fluctuation in the international oil prices and demand disruption caused by extended lockdown due to Covid19. Amidst stability in the international oil prices and ease in the lockdown measures, the Company earned a profit before tax of Rs. 1,989,846 thousand during the quarter ended September 30, 2020. The management believes that with the continued stability in international oil prices and resumption of normal economic activity in the country, the Company will return to profitability in the near future based on the business plans drawn by the management and duly endorsed by the Board.

2 BASIS OF PREPARATION

- 2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

These condensed interim financial statements of the Company for the nine months ended September 30, 2020 are unaudited.

- 2.2** These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.
- 2.3** These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Act and Pakistan Stock Exchange Regulations.

3 ACCOUNTING POLICIES

- 3.1** The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2019, except as follows:

New / Revised Standards, Interpretations and Amendments

IFRS 3	Definition of a Business (Amendments)
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 16	COVID 19 Related Rent Concessions (Amendments)
IAS 1 / IAS 8	Definition of a Material (Amendments)

The application of above standards did not have any material impact on the condensed interim financial statements of the Company.

3.2 The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

3.3 The Company follows the practice of conducting actuarial valuation annually at the year end. Hence, the impact of re-measurement of post-employment benefit plans has not been incorporated in these condensed interim financial statements.

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

4 ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

4.2 During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended December 31, 2019, except as disclosed otherwise.

	Note	Unaudited September 30, 2020	Audited December 31, 2019
		----- (Rupees '000) -----	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value	5.1 & 5.2	10,694,828	10,502,075
Provision for impairment		(299,038)	(355,392)
		10,395,790	10,146,683
Capital work-in-progress	5.3	3,572,964	3,030,313
		13,968,754	13,176,996

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

	Unaudited Nine months ended	September 30, 2020	September 30, 2019
		----- (Rupees '000) -----	
Leasehold improvements		36,276	75,645
Buildings on freehold land		151	3,019
Buildings on leasehold land		143,675	227,350
Tanks and pipelines		56,367	105,711
Plant and machinery		142,615	84,748
Air conditioning plant		73	469
Lifts		9,108	10,664
Dispensing pumps		190,267	147,460
Computer auxiliaries		145,494	1,984
Rolling stock and vehicles		67,577	77,240
Electrical, mechanical and firefighting equipment		101,730	369,637
Furniture, office equipment and other assets		226,340	217,165
		1,119,673	1,321,092

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

	Cost	Accumulated depreciation (Rupees '000)	Net book value
September 30, 2020 (Unaudited)			
Rolling stock and vehicles	32,979	32,979	-
Plant and machinery	1,150	1,150	-
	<u>34,129</u>	<u>34,129</u>	<u>-</u>
September 30, 2019 (Unaudited)			
Tanks and pipelines	12,541	12,541	-
Plant and machinery	3,124	3,083	41
Rolling stock and vehicles	1,376	1,376	-
Electrical, mechanical and fire fighting equipment	9,755	8,822	933
	<u>26,796</u>	<u>25,822</u>	<u>974</u>

5.3 Capital work-in-progress	Note	Unaudited September 30, 2020 (Rupees '000)	Audited December 31, 2019
Buildings on leasehold land		1,196,898	1,440,440
Tanks and pipelines		744,504	164,655
Plant and machinery		1,487,896	1,363,171
Electrical, mechanical and fire-fighting equipment		85,378	56,965
Furniture, office equipment and other assets		10,380	1,212
Rolling stock and vehicles		38,450	3,803
Computer auxiliaries		-	67
Air conditioning plant		9,458	-
	5.3.1	<u>3,572,964</u>	<u>3,030,313</u>

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 1,566,682 thousand (September 30, 2019: Rs. 1,891,743 thousand).

6 LONG-TERM INVESTMENTS	Note	Unaudited September 30, 2020 (Rupees '000)	Audited December 31, 2019
Investment in associate - unquoted	6.1	4,674,914	4,626,252
At fair value through other comprehensive income	6.2	-	5,000
		<u>4,674,914</u>	<u>4,631,252</u>

6.1 Represent investment of 26% in an unquoted associate "Pak-Arab Pipeline Company Limited (PAPCO)", which is carried under equity method of accounting as summarized below:

	Unaudited September 30, 2020 (Rupees '000)	Audited December 31, 2019
Balance at the beginning of the period / year	4,626,252	4,431,561
Impact of initial application of IFRS 9 - net of tax	-	(142,458)
	<u>4,626,252</u>	<u>4,289,103</u>
Share of profit before taxation	1,136,545	1,399,235
Share of taxation	(327,444)	(448,429)
	<u>809,101</u>	<u>950,806</u>
Dividend received	(760,439)	(613,657)
Balance at the end of the period / year	<u>4,674,914</u>	<u>4,626,252</u>

- 6.2** Represent investment in an unquoted company "Arabian Sea Country Club Limited (ASSCL)", which is carried at fair value through other comprehensive income as summarized below:

Note	Unaudited September 30, 2020 ------(Rupees '000)-----	Audited December 31, 2019 -----
Balance at the beginning of the period / year	5,000	5,000
Loss on equity instrument at fair value through other comprehensive income	(5,000)	-
Balance at the end of the period / year	<u>-</u>	<u>5,000</u>

7 STOCK-IN-TRADE

Raw and packing materials	1,572,887	1,204,911
Provision for obsolete and slow moving stock	7.1 (44,643)	(30,910)
	1,528,244	1,174,001
Finished products	11,742,282	16,481,908
Provision for obsolete and slow moving stock	7.1 (54,915)	(242,470)
	11,687,367	16,239,438
	13,215,611	17,413,439

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

Balance at the beginning of the period / year	273,380	172,707
Provision made during the period / year	99,558	161,703
Reversals during the period / year	(273,380)	(61,030)
	(173,822)	100,673
Balance at end of the period / year	99,558	273,380

8 OTHER RECEIVABLES

Petroleum development levy and other duties	8.1 1,380,029	1,380,029
Price differential claims		
- on imported purchases	8.2 295,733	295,733
- on high speed diesel (HSD)	8.3 343,584	343,584
- on imported motor gasoline	8.4 1,961,211	1,961,211
Customs duty receivable	8.5 44,413	44,413
Sales tax refundable	8.6 118,504	-
Inland freight equalisation mechanism	470,723	447,295
Receivable from related parties	8.7 1,078,897	924,666
Service cost receivable from PAPCO – an associated company	18,712	11,346
Workers' profits participation fund	15,185	15,185
Staff retirement benefit schemes	60,717	-
Receivable from Oil Marketing Companies	890,101	1,944,059
Taxes recoverable	8.8 1,020,214	1,020,214
Margin held against letter of credit	38,988	59,076
Others	266,560	468,253
	8,003,571	8,915,064
Provision for impairment	(982,406)	(992,672)
	7,021,165	7,922,392

- 8.1** Includes petroleum development levy amounting to Rs. 1,369,560 thousand (December 31, 2019: Rs. 1,369,560 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales from June 2007. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, refund cheques against which were received in 2014. During 2015, verification exercise of claims amounting to Rs. 182,004 thousand was completed by the authorities, however, the payment has not been released yet. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs. 851,330 thousand. However, the same has not yet been sanctioned by the FBR as of the statement of financial position date. Furthermore, the remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by the FBR.
- 8.2** Represents amount receivable from GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.
- 8.3** Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidise petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.
- 8.4** Represents the Company's share of price differential claims on account of import of motor gasoline by the Company, being the difference between the 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 (OMCs) were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs 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. Despite no response from the MoPNR, the Company along with other OMCs 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.
- In 2009, the Company along with other OMCs approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 02, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs. 2,411,661 thousand. Subsequently, the Company received an amount of Rs. 454,000 thousand from GoP on account of these claims. The remaining claims amounting to Rs. 1,957,661 thousand are still outstanding as on the statement of financial position date.
- The Company along with other OMCs and Oil Companies Advisory Council (OCAC) continues to follow up this matter with MoPNR and is confident of recovering the amounts in full.
- 8.5** This includes receivable in respect of increase in rate of customs duty effective June 25, 2016, imposed by the MoF through Finance Act, 2016 dated June 24, 2016, on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the OMCs are required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. However, impact of increase in rate of customs duty was not incorporated in the price notification issued by OGRA for July 2016 which resulted in a receivable balance on customs duty to be recovered from the GoP. The Company has taken up this matter through OCAC to demand recovery of the aforesaid balance from the GoP and expects to receive the amount in due course.
- 8.6** Includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 642,996 thousand respectively. In 2017, the tax authorities completed verification of refunds amounting to Rs. 440,378 thousand which have been received. For the remaining refund claims, the Company is actively pursuing for their recovery.
- 8.7** Includes net receivable on account of recoveries from customers by Shell Aviation Limited on behalf of the Company.

- 8.8** In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of Appellate Tribunal Inland Revenue (ATIR), completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs. 425,514 thousand. The demand primarily relates to disallowance of premium paid to Shell International Trading Middle East (SITME) on imports of high speed diesel while treating the same as payment to non-resident on which the Company failed to deduct tax under section 152 of the Income Tax Ordinance, 2001. The Company in response to the aforementioned order deposited an amount of Rs. 301,167 thousand while an amount of Rs. 111,785 thousand was adjusted against sales tax refund. In addition, a rectification application was also filed for correction of certain mistakes apparent in the order which has been accepted and given effect. The Company also filed an appeal against the aforementioned order before CIR (Appeals) which in its order dated February 2, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome at appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

		Unaudited September 30, 2020	Audited December 31, 2019
	Note	------(Rupees '000) -----	
9 LONG-TERM FINANCING			
Long-term loan	9.1	3,600,000	-
Less: Current portion of long-term loan		<u>-</u>	<u>-</u>
		<u>3,600,000</u>	<u>-</u>

- 9.1** Represents a long-term financing facility from a commercial bank amounting to Rs. 4,000,000 (2019: Nil) thousand out of which Rs. 400,000 thousands remain unutilized at period end. The facility carries interest at the rate of 3 months KIBOR + 0.05%. The financing is repayable over a period of 5 years. The loan is secured by way of hypothecation over the Company's present and future current assets.

		Unaudited September 30, 2020	Audited December 31, 2019
	Note	------(Rupees '000) -----	
10 TRADE AND OTHER PAYABLES			
Creditors	10.1	27,230,255	26,481,720
Accrued liabilities	10.2	7,259,798	10,281,935
Security deposits		344,650	396,442
Advances received from customers (contract liabilities)		544,617	543,942
Staff retirement benefit schemes		-	20,878
Workers' welfare fund		342,604	335,361
Provision for staff redundancy plan		16,881	19,972
Sales tax payable		-	319,330
Others		12,766	2,069
		<u>35,751,571</u>	<u>38,401,649</u>

- 10.1** Includes amounts due to related parties aggregating to Rs. 22,462,011 thousand (December 31, 2019: Rs. 19,550,664 thousand).

- 10.2** Includes Rs. 842,511 thousand (December 31, 2019: Rs. 2,684,345 thousand) accrued in respect of related parties.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 22.1 to the annual audited financial statements for the year ended December 31, 2019 except as follows:

11.1.1 Infrastructure fee

Reference to note 22.1.1 of the annual audited financial statements for the year ended December 31, 2019, In January 2020, the Company received demand notices issued by the relevant authority for levy or collection of cess on imported petroleum products under the SDMI Act. The Company along with others challenged the levy of cess in Constitutional Petitions before the Sindh High Court (SHC) on the basis, inter alia, that the SDMI Act is inapplicable to petroleum products whose prices are fixed under the Federal laws and, alternatively, no cess can lawfully be levied or collected under the SDMI Act on the import or export of petroleum products regulated by the Federal laws. The SHC has passed an interim order directing that the respondents may not take adverse action against the Company pursuant to impugned demand/penalty notice and may not create hindrance in the lawful import/export of petroleum products of the Company.

Subsequent to the stay granted by the SHC, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to September 30, 2020 at Rs. 147,493 thousand (December 31, 2019: Rs. 141,493 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

11.1.2 Taxation

11.1.2.1 Reference to note 22.1.3.4 of the annual audited financial statements for the year ended December 31, 2019, the tax officer has issued show cause notice to the Company for verification of data in line with directions of Commissioner Appeals.

11.1.2.2 During the period, the tax authorities whilst finalizing the assessment proceedings for tax year 2014 vide order dated April 30, 2020, disallowed adjustment of brought forward business losses, fees for technical services, salary expense and Global Infrastructure Desktop Charges (GIDC) resulting in an aggregate demand of Rs. 499,879 thousand. The Company has filed an appeal against the same with the Commissioner (Appeals) and has also simultaneously filed a rectification application with the department for adjustment of brought forward business losses, since it's disallowance was never confronted to the Company at the time of notice issuance. After giving effect to the filed rectification application, the demand will stand reduced to Rs. 49,475 thousand.

11.1.2.3 Reference to note 22.1.3.3 of the annual audited financial statements for the year ended December 31, 2019, In August 2020, recovery notice was received against which a stay order from Lahore High Court has been obtained. Furthermore, a hearing was conducted by the Commissioner (Appeals) in September 2020 requesting submission of detailed documentation, which was duly submitted by the Company. The appeal order is awaited.

11.2 Commitments

11.2.1 Capital expenditure contracted for but not incurred as at September 30, 2020 amounted to approximately Rs. 2,140,761 thousand (December 31, 2019: Rs. 1,125,160 thousand).

11.2.2 Post-dated cheques have been deposited with the Collector of Customs Karachi 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, 2020, the value of these cheques amounted to Rs. 17,853,043 thousand (December 31, 2019: Rs. 14,203,008 thousand). The maturity dates of these cheques extend to March 18, 2021.

11.2.3 Letters of credit and bank guarantees outstanding as at September 30, 2020 amount to Rs. 12,692,136 thousand (December 31, 2019: Rs. 11,448,257 thousand).

12 OTHER EXPENSES

Includes exchange loss amounting to Rs. 1,073,932 thousand (September 30, 2019: Rs. 2,766,275 thousand).

	Unaudited			
	Nine months ended		Quarter ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
----- (Rupees '000) -----				
13 TAXATION				
Current				
- for the year	782,389	953,546	352,153	290,191
- prior year	(533,289)	50,847	-	50,847
	249,100	1,004,393	352,153	341,038
Deferred	(306,188)	-	(174,174)	(258,162)
	(57,088)	1,004,393	177,979	82,876

	Note	Unaudited September 30, 2020	Unaudited September 30, 2019
		----- (Rupees '000) -----	
14 CASH GENERATED FROM OPERATIONS			
Loss before taxation		(6,118,266)	126,879
Adjustment for non-cash charges and other items:			
Depreciation for the period on operating assets		926,920	791,338
Depreciation for the period on right-of-use assets		474,420	405,004
Amortisation		2,364	2,364
Accretion expense in respect of asset retirement obligation		2,984	5,870
Reversal of liability in respect of asset retirement obligation		(685)	-
Reversal of impairment of stock-in-trade – net		(173,822)	(15,638)
Stock-in-trade written off		118,562	-
Provision / (reversal) of provision for impairment of trade debts		77,024	(103,878)
Reversal of provision for impairment of other receivables		(10,266)	(32,484)
Trade debts written off		-	318
Reversal of provision for impairment of operating assets		(56,354)	(2,066)
Provision for post-retirement medical benefits		10,453	-
Write off of operating assets		-	916
Gain on disposal of operating assets		(12,795)	(442)
Share of profit of associate – net of tax		(809,101)	(656,140)
Interest on short-term deposits		(21,672)	(26,309)
Mark-up on short term borrowings		789,053	733,127
Interest on lease liability		343,156	246,934
Working capital changes	14.1	3,908,117	4,146,798
		(549,908)	5,622,591

14.1 Working capital changes

(Increase) / decrease in current assets

Stock-in-trade	4,253,088	(5,028,052)
Trade debts	1,265,201	(1,004,008)
Loans and advances	72,196	(25,361)
Short-term prepayments	56,217	(503,851)
Other receivables	911,493	1,555,009
	6,558,195	(5,006,263)

Increase in current liabilities

Trade and other payables	(2,650,078)	9,153,061
	3,908,117	4,146,798

15 RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	Unaudited Nine months ended	
			September 30, 2020	September 30, 2019
			------(Rupees '000) -----	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		158,999	180,250
	Others		12,501	9,077
	Dividend received		760,439	-
Staff retirement benefit / contribution funds				
Pension funds	Contribution		144,122	132,860
Gratuity funds	Contribution		91,417	6,343
Provident funds	Contribution		60,741	54,119
Key management Personnel				
	Salaries and other short term employee benefits	15.1	55,497	57,367
	Post-employment benefits		6,474	5,684
	Medical		1,583	-
	Loan to Executive Director		3,492	16,352
Directors				
	Fee for attending meetings		3,218	3,396
Other related parties				
	Purchases		50,122,000	76,244,391
	Sales		320,349	161,843
	Collection for sales made in Pakistan to customers of the parent and its associates		748,320	2,206,839
	Technical service fee Charged	15.2	1,897,565	1,828,093
	Trademarks and manifestations license fee charged		406,769	303,316
	Expenses recovered from related parties		135,527	229,223
	Other expenses charged by related parties	15.3	759,844	934,876
	Donations		2,784	655
	Legal charges		542	4,856
	Commission income - net		2,886	8,054

15.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive, Company Secretary, Executive Directors and Chief Financial Officer to be key management personnel.

15.2 Technical services include advice and assistance to the Company in its operations. The fee for these services has been determined on the basis of an agreement between the Company and a related Shell Group company based on an agreed methodology.

15.3 These include charges net of reversals amounting to Rs. 235,448 thousand (September 30, 2019: Rs. 251,275 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

16 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements of the Company as at December 31, 2019. There has been no change in any risk management policies since the year end.

17 FAIR VALUES OF ASSETS AND LIABILITIES

There were no transfers amongst levels during the period.

18 OPERATING SEGMENTS

18.1 These condensed interim financial statements have been prepared on the basis of a single reportable segment.

18.2 As described in note 1.2 to these condensed interim financial statements, the Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils. Revenues (inclusive of sales tax) from external customers for petroleum products amounts to Rs. 135,664,015 thousand (September 30, 2019: Rs. 171,380,281 thousand) and others amounts to Rs. 138,190 thousand (September 30, 2019: Rs. 333,648 thousand).

18.3 Total sales of the Company relating to customers in Pakistan were 100% during the period ended September 30, 2020 (September 30, 2019: 100%).

18.4 All non-current assets of the Company as at September 30, 2020 and 2019 are located in Pakistan.

18.5 Sales to twenty major customers of the Company are around 14% during the nine months ended September 30, 2020 (September 30, 2019: 11%).

19 GENERAL

Figures have been rounded off to the nearest thousand, unless otherwise stated.

20 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on October 28, 2020 by the Board of Directors of the Company.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

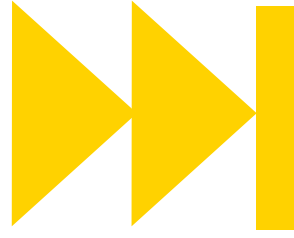
Imran R. Ibrahim
Director

Trade in shares of the Company by Directors / Executives

Nine months ended September 30, 2020

Name	Category	Date of Transaction	Number of Shares	Price per Shares (Rs.)	Nature of Transaction
Mr. Usman Khalid	Executive	March 9, 2020	500	156.00	Bought
Mr. Usman Khalid	Executive	July 14, 2020	200	193.00	Bought
Mr. Haroon Rashid	Chief Executive	July 21, 2020	20,000	193.01	Bought
Mr. Usman Khalid	Executive	July 30, 2020	200	241.50	Sold
Mr. Usman Khalid	Executive	August 25, 2020	100	259.20	Sold
Mr. Usman Khalid	Executive	August 25, 2020	100	262.91	Sold
Mr. Usman Khalid	Executive	August 28, 2020	100	280.00	Sold

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