



BUILDING AN ENERGY FUTURE TOGETHER

HALF YEARLY REPORT - JUNE 2021
SHELL PAKISTAN LIMITED

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

Haroon Rashid

Waqar I. Siddiqui

COMPANY SECRETARY

Lalarukh Hussain – Shaikh

REGISTERED OFFICE

Shell House

6, Ch. Khaliqzaman 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 Review Report

FOR THE HALF YEAR ENDED JUNE 30, 2021

Dear Shareholders,

The Directors of your Company present the condensed interim financial statements for the half year ended June 30, 2021.

Your Company's performance has witnessed a significant recovery compared to a very tough last year and your Company was able to successfully deliver a profit after tax of Rs. 2,151 million for the first half of 2021, as compared to a loss after tax of Rs. 7,873 million for the same period last year. This encouraging turnaround is mainly driven by improved business performance as your Company continued focus on its strategic priorities e.g., selling more differentiated fuels and lubricants, cost reduction, running safe and efficient fuel operations in the half year despite the continued restrictions in the country due to COVID-19. This success was also supported by increasing international oil prices during the period. We continue to be at the forefront of the industry in Pakistan in ensuring safe operations across the business and focus on inculcating a culture of safety, and workshops with staff, business partners, and industry, playing an industry leading role in terms of safety advocacy.

The profit / loss for the period ended June 30, 2021 after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	2,777
Taxation	(626)
Net Profit for the period ended June 30, 2021	2,151
	Rupees
Earnings per share – basic and diluted	11.07

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 7 of the condensed interim financial statements.

Lubricants

The lubricant business continues to deliver strong return to the overall performance of your Company. We have been powering Pakistan's progress in construction, textile and mining through uninterrupted supply of high-quality lubricants even in these tough times. We continue to build our premium brands and have launched a new premium product in Motorcycle Engine Oil, Advance Fuel Save 10W-30.

Retail

Your Company delivered a strong performance in the first half of 2021 from its retail business, with robust volumes and stable margins post changes in the pricing mechanism. Furthermore, your Company signed a Memorandum of Understanding (MoU) with K-Electric Limited, to jointly pilot Electric-Vehicle Charging Stations across Karachi and its connecting highways. Your Company maintained focus on premiumization across Shell V-Power, our differentiated fuel, and lubricants, while expanding our convenience retail offering in Pakistan and capitalizing on digital platforms for site staff and customers to provide the best-in-class customer value proposition.

Social Investment

We continue to work with CARE Foundation to provide quality education and with National Rural Support Program, where we have positively impacted communities through energy access and a fully equipped vocational training center for women.

Shell Tameer in collaboration with Bahria University held a virtual bootcamp for 28 young entrepreneurs; successful graduates pitched their business idea to a panel of industry experts to improve their business models. In collaboration with SMEDA (Small and Medium Enterprise Development Authority), Shell Tameer offered 6 grants to outstanding start-up ideas. The grant included legal consultancy to formally register their business and assistance in taxation and Intellectual Property rights to help secure business ideas. This quarter "Essentials of E-commerce" was facilitated by a local Industry expert and an International consultant, the webinar was open to public for registration with over 40 registrations.

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 June 30, 2021, total outstanding receivables stand at Rs. 5,331 million. Your Company's management is in continuous discussions with the Government authorities for the recovery of these receivables.

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 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 endeavor to capture future opportunities to ensure the company plays a key role in developing Pakistan's energy future.

Composition of the Board

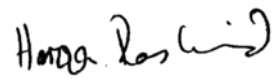
Total Number of Directors	Male: 10	Female: 01
Independent Directors	04	
Non-Executive Directors	04	
Executive Directors	03	

We would like to take the opportunity to thank our shareholders, customers, employees 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: August 26, 2021

Independent Auditor's Review Report

TO THE MEMBERS OF SHELL PAKISTAN LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Dear Shareholders,

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Shell Pakistan Limited** (the Company) as at **30 June 2021** and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income and the notes forming part thereof for the three months period ended 30 June 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2021.

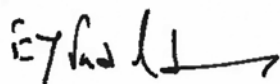
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



Chartered Accountants

Place: Karachi

Date: 27 August 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

		Unaudited June 30, 2021	Audited December 31, 2020
	Note	----- (Rupees '000) -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,354,015	14,958,627
Right-of-use assets		5,652,081	5,174,286
Intangible asset		6,829	8,405
Long-term investments	6	5,333,217	4,936,422
Long-term loans and advances		6,652	29,131
Long-term deposits and prepayments		165,449	158,799
Deferred taxation – net		1,127,760	1,020,840
		28,646,003	26,286,510
Current Assets			
Stock-in-trade	7	21,997,241	13,510,164
Trade debts		4,416,229	3,971,807
Loans and advances		84,343	98,893
Short-term deposits and prepayments		625,577	618,934
Other receivables	8	7,962,489	7,616,623
Cash and bank balances		3,580,547	2,542,876
		38,666,426	28,359,297
TOTAL ASSETS		67,312,429	54,645,807
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,140,248	1,070,125
Share premium		11,991,012	1,503,803
General reserves		207,002	207,002
Unappropriated loss		(733,308)	(2,829,185)
Remeasurement of post-employment benefits - actuarial loss		(597,904)	(597,904)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income (FVOCI)	6.2	(5,000)	(5,000)
Total equity		13,002,050	(651,159)
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		161,208	157,748
Long-term financing	10	-	4,000,000
Long-term lease liabilities		4,815,022	4,209,046
Provision for post-retirement medical benefits		180,585	171,566
		5,156,815	8,538,360
Current Liabilities			
Trade and other payables	11	47,480,819	39,023,387
Unclaimed dividend		255,705	257,548
Unpaid dividend		59,396	59,396
Accrued mark-up		1,052	1,936
Short term borrowings – secured		-	6,150,510
Taxation – net		545,166	522,870
Current portion of long-term lease liabilities		811,426	742,959
		49,153,564	46,758,606
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		67,312,429	54,645,807

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
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 HALF YEAR ENDED JUNE 30, 2021

	Note	Half year ended		Quarter ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		----- (Rupees '000) -----			
Sales		126,223,021	84,398,699	65,876,300	35,088,983
Other revenue		332,532	151,408	146,240	46,684
		126,555,553	84,550,107	66,022,540	35,135,667
Sales tax		(19,423,126)	(13,004,816)	(10,133,075)	(5,500,153)
Net revenue		107,132,427	71,545,291	55,889,465	29,635,514
Cost of products sold		(98,310,050)	(72,797,420)	(51,055,773)	(31,633,453)
Gross profit / (loss)		8,822,377	(1,252,129)	4,833,692	(1,997,939)
Distribution and marketing expenses		(3,450,975)	(3,030,144)	(1,726,230)	(1,283,099)
Administrative expenses		(2,964,743)	(2,794,676)	(1,651,214)	(1,478,887)
Other expenses	13	(212,154)	(1,123,796)	(1,057,503)	(16,428)
Other income	14	644,561	401,761	190,250	888,893
Operating profit / (loss)		2,839,066	(7,798,984)	588,995	(3,887,460)
Finance costs		(455,542)	(858,983)	(181,279)	(426,532)
		2,383,524	(8,657,967)	407,716	(4,313,992)
Share of profit of associate - net of tax	6.1	393,707	549,855	208,440	301,627
Profit / (Loss) before taxation		2,777,231	(8,108,112)	616,156	(4,012,365)
Taxation	15	(626,385)	235,067	(413,747)	471,782
Net profit / (loss) for the period		2,150,846	(7,873,045)	202,409	(3,540,583)
Other Comprehensive Income					
Items that will not be subsequently reclassified to profit or loss					
Loss on equity instrument at fair value through other comprehensive income		-	(5,000)	-	(5,000)
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income of associate - net of tax	6.1	3,088	-	-	-
Total comprehensive income / (loss) for the period		2,153,934	(7,878,045)	202,409	(3,545,583)
		----- (Rupees) -----			
Earning / (Loss) per share - basic and diluted		11.07	Restated (50.93)	1.04	Restated (22.90)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
Chief Financial Officer


Haroon Rashid
Chief Executive


Imran R. Ibrahim
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Capital reserve		Revenue reserve		Actuarial loss on post-employment benefits	Unrealised (loss) on revaluation of investments	Total
	Share capital	Share premium	General reserve	Unappropriated (loss) / profit			
----- (Rupees '000) -----							
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	-	-	-	(7,873,045)	-	-	(7,873,045)
Other comprehensive loss for the period	-	-	-	-	-	(5,000)	(5,000)
	-	-	-	(7,873,045)	-	(5,000)	(7,878,045)
Balance as at June 30, 2020 (Unaudited)	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>(5,877,769)</u>	<u>(485,073)</u>	<u>(5,000)</u>	<u>(3,586,912)</u>
Balance as at December 31, 2020 (Audited)	1,070,125	1,503,803	207,002	(2,829,185)	(597,904)	(5,000)	(651,159)
Net profit for the period	-	-	-	2,150,846	-	-	2,150,846
Other comprehensive income for the period	-	-	-	3,088	-	-	3,088
	-	-	-	2,153,934	-	-	2,153,934
Issue of Right Shares	1,070,123	10,487,209	-	-	-	-	11,557,332
Issue cost of Right Shares	-	-	-	(58,057)	-	-	(58,057)
Balance as at 30 June 2021 (Unaudited)	<u>2,140,248</u>	<u>11,991,012</u>	<u>207,002</u>	<u>(733,308)</u>	<u>(597,904)</u>	<u>(5,000)</u>	<u>13,002,050</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
 Chief Financial Officer


Haroon Rashid
 Chief Executive


Imran R. Ibrahim
 Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	Half year ended	
		June 30, 2021	June 30, 2020
		----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	2,762,036	251,752
Finance costs paid		(114,132)	(364,945)
Interest portion of lease liabilities paid		(17,370)	-
Income tax paid		(711,009)	(200,046)
Long-term loans and advances		22,479	(33,375)
Long-term deposits and prepayments		(6,650)	2,460
Net cash generated from / (used in) operating activities		1,935,354	(344,154)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,912,342)	(1,042,119)
Proceeds from disposal of property, plant and equipment		10,736	-
Interest received on short-term deposits and saving accounts		51,677	14,114
Net cash used in investing activities		(1,849,929)	(1,028,005)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		11,557,332	-
Share issuance cost		(58,057)	-
Principal portion of lease liabilities paid		(394,676)	(340,004)
Proceeds from long-term loan		-	3,600,000
Repayment of long-term loan		(4,000,000)	-
Dividends paid		(1,843)	(1,786)
Net cash generated from financing activities		7,102,756	3,258,210
Net increase in cash and cash equivalents		7,188,181	1,886,051
Cash and cash equivalents at the beginning of the period		(3,607,634)	(5,834,797)
Cash and cash equivalents at the end of the period		3,580,547	(3,948,746)
Cash and cash equivalents comprise of:			
Cash and bank balances		3,580,547	1,854,154
Short term borrowings – secured		-	(5,802,900)
		3,580,547	(3,948,746)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Zarrar Mahmud
 Chief Financial Officer


Haroon Rashid
 Chief Executive


Imran R. Ibrahim
 Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2021

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.

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 half year ended June 30, 2021 are unaudited but subject to limited scope review by the statutory auditors as required by section 237 of the Act.

2.2 The figures of the condensed interim statement of comprehensive income for the quarters ended June 30, 2021 and 2020 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended June 30, 2021. 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, 2020.

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, 2020, except as follows:

New / Revised Standards, Interpretations and Amendments

IFRS 9 / IAS 39 / Interest Rate Benchmark Reform – Phase 2 – Amendments
IFRS 7 / IFRS 4 /
IFRS 16

These amendments had no impact on the condensed interim financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3.2 The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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, 2020, except as disclosed otherwise.

	Unaudited June 30, 2021	Audited December 31, 2020
Note	----- (Rupees '000) -----	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating assets - at net book value	10,741,791	10,405,079
Provision for impairment	(219,605)	(297,659)
5.1	10,522,186	10,107,420
Capital work-in-progress	5,831,829	4,851,207
5.2	16,354,015	14,958,627

5.1 Operating Fixed Assets

Balance at the beginning of the period / year	10,107,420	10,146,683
Additions during the period / year	983,570	1,297,581
	11,090,990	11,444,264
Disposals / write-offs during the period / year - Net Book Value (NBV)	(11,908)	(148,486)
Depreciation charge / impairment reversal during the period / year - net	(556,896)	(1,188,358)
	(568,804)	(1,336,844)
Balance at the end of the period / year	10,522,186	10,107,420

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

	Unaudited Half year ended	
	June 30, 2021	June 30, 2020
	----- (Rupees '000) -----	
Leasehold land	29,129	7,585
Buildings on freehold land	41	132
Buildings on leasehold land	292,644	84,854
Tanks and pipelines	123,003	50,413
Plant and machinery	81,397	33,798
Air conditioning plant	1,731	68
Lifts	3,411	9,091
Dispensing pumps	105,751	118,860
Computer auxiliaries	94,000	144,596
Rolling stock and vehicles	-	67,577
Electrical, mechanical and firefighting equipment	108,196	64,004
Furniture, office equipment and other assets	144,267	215,276
	983,570	796,254

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

	Cost	Accumulated depreciation	Net book value
	-----	(Rupees '000)	-----
June 30, 2021 (Unaudited)			
Building on leasehold land	15,535	11,939	3,596
Dispensing pumps	4,630	3,881	749
Electrical, mechanical and fire fighting equipment	12,681	9,745	2,936
Furniture, office equipment and other assets	6,888	5,331	1,557
Plant and Machinery	1,637	1,264	373
Rolling stocks and vehicles	63,638	63,638	-
Tanks and pipelines	5,196	2,499	2,697
	<u>110,205</u>	<u>98,297</u>	<u>11,908</u>
June 30, 2020 (Unaudited)			
Rolling stock and vehicles	7,984	7,984	-

5.2 Capital work-in-progress

Note	Unaudited June 30, 2021	Audited December 31, 2020
	-----	-----
	(Rupees '000)	(Rupees '000)
Buildings on leasehold land	2,390,737	1,750,558
Tanks and pipelines	1,394,585	1,201,709
Plant and machinery	1,641,760	1,654,602
Air conditioning plant	102,995	25,619
Electrical, mechanical and fire-fighting equipment	199,784	169,769
Furniture, office equipment and other assets	10,971	10,500
Rolling stock and vehicles	90,997	38,450
5.2.1	<u>5,831,829</u>	<u>4,851,207</u>

5.2.1 Additions to capital work-in-progress during the period amounted to Rs. 1,912,342 thousand (June 30, 2020: Rs. 974,542 thousand).

6 LONG-TERM INVESTMENTS

Note	Unaudited June 30, 2021	Audited December 31, 2020
	-----	-----
	(Rupees '000)	(Rupees '000)
Investment in associate - unquoted	5,333,217	4,936,422
At fair value through other comprehensive income	-	-
	<u>5,333,217</u>	<u>4,936,422</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 June 30, 2021	Audited December 31, 2020
	-----	-----
	(Rupees '000)	(Rupees '000)
Balance at the beginning of the period / year	4,936,422	4,626,252
Share of profit before taxation	593,677	1,482,422
Share of taxation	(199,970)	(408,379)
	393,707	1,074,043
Share of other comprehensive income/(loss) before taxation	4,349	(4,837)
Share of taxation	(1,261)	1,403
	3,088	(3,434)
Dividend received	-	(760,439)
Balance at the end of the period / year	<u>5,333,217</u>	<u>4,936,422</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:

		Unaudited June 30, 2021	Audited December 31, 2020
	Note	------(Rupees '000) -----	
Balance at the beginning of the period / year		-	5,000
Loss on remeasurement of equity instrument at fair value through other comprehensive income		-	(5,000)
Balance at the end of the period / year		<u>-</u>	<u>-</u>

7 STOCK-IN-TRADE

Raw and packing materials		3,310,384	2,334,516
Provision for obsolete and slow moving stock	7.2	(52,747)	(67,308)
		3,257,637	2,267,208
Finished products	7.1	18,806,107	11,348,925
Provision for obsolete and slow moving stock	7.2	(66,503)	(105,969)
		18,739,604	11,242,956
		21,997,241	13,510,164

- 7.1** Includes items costing Rs. Nil thousand (December 31, 2020: Rs. 7,698,953 thousand) which have been valued at their net realizable value of Rs. Nil (December 31, 2020: Rs. 7,698,581 thousand).

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

		Unaudited June 30, 2021	Audited December 31, 2020
		------(Rupees '000) -----	
Balance at the beginning of the period / year		173,277	273,380
Provision made during the period / year		119,250	173,278
Reversals during the period / year		(173,277)	(273,381)
		(54,027)	(100,103)
Balance at end of the period / year		119,250	173,277

8 OTHER RECEIVABLES

Petroleum development levy and other duties		1,380,029	1,380,029
Price differential claims			
- on imported purchases		295,733	295,733
- on high speed diesel (HSD)		343,584	343,584
- on imported motor gasoline		1,961,211	1,961,211
Customs duty receivable		44,413	44,413
Sales tax refundable		671,580	104,616
Inland freight equalisation mechanism		566,785	802,899
Receivable from related parties		1,151,492	1,095,008
Service cost receivable from PAPCO – an associated company		26,427	18,712
Workers' profits participation fund		-	15,185
Receivable from Oil Marketing Companies		815,793	915,189
Taxes recoverable		1,020,214	1,020,214
Margin held against letter of credit		156,220	162,992
Others		487,852	415,682
		8,921,333	8,575,467
Provision for impairment		(958,844)	(958,844)
		7,962,489	7,616,623

9 SHARE CAPITAL

Authorized share capital

Unaudited June 30, 2021 (Number of shares)	Audited December 31, 2020		Unaudited June 30, 2021	Audited December 31, 2020
		Ordinary shares of Rs. 10/- each		
<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000</u>	<u>3,000,000</u>

Issued, subscribed and paid-up share capital

Unaudited June 30, 2021 (Number of shares)	Audited December 31, 2020			
		Ordinary shares of Rs. 10/- each		
<u>130,493,331</u>	<u>23,481,000</u>	Fully paid in cash	9.2	<u>1,304,933</u>
<u>83,531,331</u>	<u>83,531,331</u>	Issued as fully paid bonus shares		<u>835,315</u>
<u>214,024,662</u>	<u>107,012,331</u>			<u>1,070,125</u>

Reconciliation between the issued, subscribed and paid-up share capital at the beginning and end of the period / year is as follows:

<u>107,012,331</u>	<u>107,012,331</u>	Opening shares outstanding		<u>1,070,125</u>
<u>107,012,331</u>	<u>-</u>	Shares issued during the period	9.2	<u>1,070,123</u>
<u>214,024,662</u>	<u>107,012,331</u>			<u>1,070,125</u>

9.1 The immediate parent held 165,700,304 (December 31, 2020: 81,443,702) ordinary shares as at the date of condensed interim statement of financial position.

9.2 The Board of Directors in their meeting held on December 9, 2020 approved to raise further capital by issuance of right shares at a value of Rs. 108 per share (premium of Rs. 98 per share) to its existing shareholders in the proportion of 1 right share for every 1 ordinary share held. The process of rights issue was completed during the period and a total of 107,012,331 shares were issued. Through this issue, an amount of Rs. 11,557,332 thousand was raised comprising of Rs. 1,070,123 thousand and Rs. 10,487,209 thousand in respect of ordinary share capital and share premium, respectively.

10 LONG-TERM FINANCING

During the period, the loan was repaid in full.

		Unaudited June 30, 2021	Audited December 31, 2020
	Note	------(Rupees '000)	-----
11 TRADE AND OTHER PAYABLES			
Creditors	11.1	38,179,216	30,741,316
Accrued liabilities	11.2	7,881,308	6,984,682
Security deposits		339,792	341,037
Advances received from customers (contract liabilities)		475,618	477,997
Provision for Staff retirement benefit schemes		126,926	87,919
Workers' Welfare Fund		316,220	316,220
Workers' profits participation fund		110,738	-
Provision for staff redundancy plan		22,138	59,800
Others		28,863	14,416
		<u>47,480,819</u>	<u>39,023,387</u>

11.1 Includes amounts due to related parties aggregating to Rs. 32,710,352 thousand (December 31, 2020: Rs. 23,466,697 thousand).

11.2 Includes Rs. 1,154,841 thousand (December 31, 2020: Rs. 601,809 thousand) accrued in respect of related parties.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 23.1 to the annual audited financial statements for the year ended December 31, 2020 except as follows:

12.1.1 Infrastructure fee

Reference to note 23.1.1 of the annual audited financial statements for the year ended December 31, 2020, during the year, the High Court of Sindh dismissed all connected petitions, vacating the stay orders granted earlier. The High Court in its judgement held that the imposition and collection of the impugned levy with effect from July 01, 1994 is valid and provided an exemption to Companies who were a party to the earlier case wherein the first four versions of the law were struck down by the High Court. The High Court directed that all bank guarantees furnished by the petitioners up to December 27, 2006 who were appellants in the earlier case shall stand discharged; whereas those furnished on or after December 28, 2006 shall be en-cashed and paid. The High Court also decided that the judgment would remain suspended for a period of ninety days (September 2021) and the interim arrangement of paying 50% of the cess and furnishing bank guarantee for the balance amount would continue. The Company intends to file appeals before the Honorable Supreme Court of Pakistan within this period.

The Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to June 30, 2021 at Rs. 165,493 thousand (December 31, 2020: Rs.153,493 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.

Management, based on the opinion of its legal advisor, is confident of a favorable outcome and accordingly no provision has been made in these condensed interim financial statements against the levy.

12.1.2 During the year, the Company received a demand order from the tax authorities in respect of tax year 2017 amounting to Rs. 1,296,007 thousand. The demand principally arose due to disallowance of technical fee and other associated company payments as well as disallowance of depreciation on dealer operated retail sites. Further, the assessing officer also disallowed the credit for minimum tax amounting to Rs. 533,288 thousand paid in earlier years alongwith disallowance of outstanding liabilities which have been unpaid for more than three years. The Company, in response to the order, filed an appeal with the CIR Appeals where the matter is pending.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultant, expects a favorable outcome and accordingly no provision has been made in this respect in these condensed interim financial statements.

12.2 Commitments

12.2.1 Capital expenditure contracted for but not incurred as at June 30, 2021 amounted to approximately Rs. 1,660,274 thousand (December 31, 2020: Rs. Rs.1,790,844 thousand).

12.2.2 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at June 30, 2021, the value of these cheques amounted to Rs. 15,928,693 thousand (December 31, 2020: Rs.18,675,659 thousand). The maturity dates of these cheques extend to December 24, 2021.

12.2.3 Letters of credit, bank guarantees and bank contracts outstanding at June 30, 2021 amount to Rs. 13,561,005 thousand (December 31, 2020: Rs.8,683,703 thousand).

13 OTHER EXPENSES

Includes exchange loss amounting to Rs. Nil (June 30, 2020: Rs. 1,059,430 thousand).

14 OTHER INCOME

Includes exchange gain amounting to Rs. 281,416 thousand (June 30, 2020: Rs. Nil).

		Unaudited			
		Half Year ended		Quarter ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		----- (Rupees '000) -----			
15	TAXATION				
	Current				
	- for the period	733,305	430,236	411,388	165,736
	- prior year	-	(533,289)	-	(533,289)
		733,305	(103,053)	411,388	(367,553)
	Deferred	(106,920)	(132,014)	2,359	(104,229)
		626,385	(235,067)	413,747	(471,782)
				Unaudited	Unaudited
				June 30,	June 30,
				2021	2020
				----- (Rupees '000) -----	
16	CASH GENERATED FROM OPERATIONS				
	Profit / (loss) before taxation			2,777,231	(8,108,112)
	Adjustment for non-cash charges and other items:				
	Depreciation for the period on operating assets			634,950	606,010
	Depreciation for the period on right-of-use assets			346,336	315,534
	Amortisation			1,576	1,576
	Accretion expense in respect of asset retirement obligation			3,460	1,223
	Reversal of liability in respect of asset retirement obligation			-	(685)
	Reversal of impairment of stock-in-trade – net		7.2	(54,027)	(407)
	(Reversal) / Provision for impairment of trade debts			(89,142)	50,627
	Trade debts written-off			48,123	-
	Reversal of provision for impairment of other receivables			-	(10,266)
	Reversal of provision for impairment of operating assets		5	(78,054)	(55,580)
	Provision for post-retirement medical benefits			9,019	10,451
	Write off of operating assets			3,305	-
	Write in of operating assets			(51,850)	-
	Gain on disposal of operating assets			(2,133)	-
	Share of profit of associate – net of tax		6.1	(393,707)	(549,855)
	Interest on short-term deposits			(51,677)	(14,114)
	Mark-up on short term borrowings			113,248	582,983
	Interest on lease liability			262,358	221,287
	Working capital changes		16.1	(716,980)	7,201,080
				2,762,036	251,752

	Unaudited June 30, 2021	Unaudited June 30, 2020
	----- (Rupees '000) -----	
16.1 Working capital changes		
(Increase) / Decrease in current assets		
Stock-in-trade	(8,433,050)	5,878,620
Trade debts	(403,403)	1,657,236
Loans and advances	14,550	66,239
Short-term prepayments	(6,643)	(18,591)
Other receivables	(345,866)	350,652
	<u>(9,174,412)</u>	<u>7,934,156</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	<u>8,457,432</u>	<u>(733,076)</u>
	<u>(716,980)</u>	<u>7,201,080</u>

17 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 Half year ended	
			June 30, 2021	June 30, 2020
			----- (Rupees '000) -----	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges Others		120,292 7,715	84,471 9,476
Staff retirement benefit / contribution funds				
Pension funds	Contribution		90,050	95,449
Gratuity funds	Contribution		3,526	89,380
Provident funds	Contribution		38,475	42,039
Key management Personnel	Salaries and other short term employee benefits	17.1	31,956	39,519
	Post-employment benefits		4,375	4,286
	Medical		1,913	922
	Loan to Executive Director		6,619	3,492
Directors	Fee for attending meetings		2,681	2,145
Other related parties	Purchases		52,951,341	42,662,262
	Sales		107,347	113,667
	Collection for sales made in Pakistan to customers of the parent and its associates		475,685	491,421
	Technical service fee charged	17.2	1,336,925	1,209,070
	Trademarks and manifestations license fee charged		230,837	304,572
	Expenses recovered from related parties		66,517	71,209
	Other expenses charged by related parties	17.3	540,134	459,152
	Donations		11,690	2,784
	Legal charges		773	542
	Commission income - net		-	1,734
	Commission expense - net		320	-
	Subscription		300	-

- 17.1** 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.
- 17.2** 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.
- 17.3** These include charges net of reversals amounting to Rs. 153,220 thousand (June 30, 2020: Rs. 141,996 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

18 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, 2020. There has been no change in any risk management policies since the year end.

19 FAIR VALUES OF ASSETS AND LIABILITIES

There were no transfers amongst levels during the period.

20 OPERATING SEGMENTS

- 20.1** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 20.2** 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. 126,130,438 thousand (June 30, 2020: Rs. 84,307,437 thousand) and others amounts to Rs. 92,583 thousand (June 30, 2020: Rs. 91,262 thousand).
- 20.3** Total sales of the Company relating to customers in Pakistan were 100% during the period ended June 30, 2021 (June 30, 2020: 100%).
- 20.4** All non-current assets of the Company as at June 30, 2021 and 2020 are located in Pakistan.
- 20.5** Sales to twenty major customers of the Company are around 17% during the half year ended June 30, 2021 (June 30, 2020: 14%).

21 GENERAL

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

22 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on August 26, 2021 by the Board of Directors of the Company.



Zarrar Mahmud
Chief Financial Officer



Haroon Rashid
Chief Executive



Imran R. Ibrahim
Director

Trade in Shares of the Company by CEO/ Directors/Executives

FOR THE HALF YEAR ENDED JUNE 30, 2021

Name	Category	Transaction's date	No. of Shares	Nature	Rate Rs.
Mr. Usman Khalid	Executive	01-01-2021	100	Sold	285.50
Mr. Usman Khalid	Executive	19-01-2021	500	RAL-Out	96.25
Mr. Usman Khalid	Executive	22-01-2021	100	RAL-In	92.00
Mr. Usman Khalid	Executive	25-01-2021	100	RAL-In	86.54
Mr. Usman Khalid	Executive	25-01-2021	100	Sold	201.05
Mr. Usman Khalid	Executive	01-02-2021	100	Sold	208.00
Mr. Usman Khalid	Executive	01-02-2021	100	Sold	210.00
Mr. Usman Khalid	Executive	01-02-2021	100	RAL-Out	90.60
Mr. Usman Khalid	Executive	01-02-2021	100	RAL-Out	92.60
Mr. Sohail Kamran	Executive	09-02-2021	100	RAL-In	83.56
Mr. Sohail Kamran	Executive	09-02-2021	100	Sold	205.40
Mr. Usman Khalid	Executive	09-03-2021	100	Bought	180.49
Mr. Usman Khalid	Executive	10-03-2021	100	Bought	173.50
Mr. Usman Khalid	Executive	15-03-2021	100	Bought	165.00
Mr. Usman Khalid	Executive	15-03-2021	100	Bought	167.00
Mr. Usman Khalid	Executive	22-03-2021	100	Bought	161.58
Mr. Usman Khalid	Executive	29-03-2021	100	Bought	156.43
Mr. Usman Khalid	Executive	29-03-2021	100	Bought	154.50
Mr. Charles Harris	Executive	23-04-2021	400	Sold	158.00
Mr. Usman Khalid	Executive	04-05-2021	100	Bought	150.05
Mr. Usman Khalid	Executive	20-05-2021	100	Bought	156.00
Mr. Usman Khalid	Executive	25-05-2021	100	Bought	156.27
Mr. Usman Khalid	Executive	28-05-2021	100	Sold	164.00
Mr. Usman Khalid	Executive	31-05-2021	100	Sold	169.85
Mr. Usman Khalid	Executive	31-05-2021	100	Sold	174.50
Mr. Usman Khalid	Executive	03-06-2021	100	Sold	183.00
Mr. Usman Khalid	Executive	08-06-2021	100	Sold	191.00
Mr. Hamza Kholia	Executive	30-06-2021	100	Bought	175.00

Rights Shares subscribed by Directors/Executives/ Spouses & Substantial Shareholder

FOR THE HALF YEAR ENDED JUNE 30, 2021

Name	Category	Date of credit	No. of Shares	Nature	Rate
The Shell Petroleum Company Limited (London)	Substantial shareholder	09-03-2021	84,256,602	Rights shares	108.00
Mr. Haroon Rashid	CEO/Director	09-03-2021	20,000	Rights shares	108.00
Mr. Imran R. Ibrahim	Director	09-03-2021	70,443	Rights shares	108.00
Mr. Badaruddin F. Vellani	Director	09-03-2021	195	Rights shares	108.00
Mr. Zaffar A. Khan	Director	09-03-2021	100	Rights shares	108.00
Mr. Amir R. Paracha	Director	09-03-2021	81	Rights shares	108.00
Mr. Parvez Ghias	Director	09-03-2021	50	Rights shares	108.00
Mr. Abid S. Ibrahim	Senior management	09-03-2021	3,391	Rights shares	108.00
Mr. Mir Hassan Ali Talpur	Executive	09-03-2021	100	Rights shares	108.00
Mr. Wajahatullah Khan	Executive	09-03-2021	200	Rights shares	108.00
Mrs. Samina Ibrahim	Spouse	09-03-2021	193,927	Rights shares	108.00
Mrs. Ayesha Zeba Ghias	Spouse	09-03-2021	50	Rights shares	108.00

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Pakistan



BUILDING AN ENERGY FUTURE TOGETHER

HALF YEARLY REPORT - JUNE 2021
SHELL PAKISTAN LIMITED