



Driven to **Deliver**

Shell Pakistan Limited
Half Yearly Report
June 2023

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Company Information

Board of Directors

Zain K. Hak (Chairperson)
Waqar I. Siddiqui
Rafi H. Basheer
Parvez Ghias
Imran R. Ibrahim
Madiha Khalid
Zaffar A. Khan
John King Chong Lo
Zarrar Mahmud
Amir R. Paracha
Badaruddin F. Vellani

Chief Executive

Waqar I. Siddiqui

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
Zain K. Hak

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, 2023

Dear Shareholders,

The Directors of the Company present the unaudited condensed interim financial statements for the half year and quarter ended June 30, 2023.

As per the announcement made by the Company to the Pakistan Stock Exchange on June 14, 2023, Shell Petroleum Company Limited, United Kingdom (the Immediate Parent of the Company) which is a subsidiary of Shell Plc, informed the Board of Directors of its intent to sell its shareholding of 77.42% in the Company.

During the period, the Company encountered significant external disruptions, including an unprecedented devaluation of the Rupee, rising inflation and prevailing macroeconomic uncertainty. These ongoing economic difficulties throughout the year resulted in a slow-down in economic activity, significant reduction in industry fuel demand and supply security risks. Suppressed demand was witnessed primarily due to elevated prices, coupled with political and economic unrest and the widespread availability of non-custom paid products.

However, the Company continued to focus on operational excellence to ensure strong cash delivery. The results also reflect the impact of one-off technical service fee relief received from Shell International Petroleum Company.

The profit for the half year ended June 30, 2023, after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	6,038
Taxation	2,498
Net profit for the period ended June 30, 2023	3,540
	Rupees
Earnings per share – basic and diluted	16.54

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 08 of the condensed interim financial statements.

The Company continues to be at the forefront of the industry in Pakistan in ensuring safe operations across the business and playing an industry leading role in terms of safety advocacy.

Macro-economic challenges

The Company's financial results continue to be adversely impacted by the ongoing economic challenges, coupled with long overdue Government receivables of PKR 5,331 million. During the period, PKR has devalued by 27% against USD resulting in significant exchange loss for the Company. Although, the Company appreciates increase in industry margins by the Government last year, the recent PKR devaluation, coupled with historic high inflation during the period has more than offset this increase. The industry is deliberating with relevant Government authorities to reassess the industry margins to capture recent impacts.

Lubricants

Lubricants continues to deliver strong business results despite facing unprecedented economic challenges and high inflation rates. Lubricants executed a series of successful marketing initiatives, including Shell Helix brand build campaign launched through both traditional and digital channels, as well as continuous Shell Advance marketing activities and innovative Shell Rimula transport workshops in untapped markets. These initiatives have contributed to significant improvements in brand health indicators.

Shell B2B lubricants continued its dominance in the industrial space in the first half of 2023 by recording key wins in Rental Power and Captive Power sectors. While the market landscape remained turbulent, business recorded volumetric growth in Fleets and Process oil sector apart from maintaining its market share across all other industrial sectors.

Mobility (formerly Retail)

Mobility business continued to provide a best-in-class customer value proposition via promoting refuelling safety, offering great value via

promotions, and working on quick and easy payment solutions.

The safety campaign, "Ehtiyaat Bunay Hifazat" garnered 233 million impressions across digital platforms and promoted refuelling safety for 2 and 3-wheelers. The campaign trailblazed a path in the industry and was recognized by the regulatory authority and other OMCs followed suit.

We offered value and exciting promotions to customers via partnership with Multan Sultans for HBL PSL Season 8, offering the opportunity to win match tickets and merchandise via purchase of Shell V-Power.

In an effort to provide quick and easy payment options for customers and to create a one-stop payment solution for Retailers, Smart POS across 200+ Retail Stations was launched. This consolidates acceptance of bank cards and Shell Fuel Cards on one platform and will enable more efficient transaction management.

During the period, the Company demonstrated remarkable growth in its Convenience Retail business in Pakistan, with revenue surging by 45% compared to the previous year. This success is attributed to our strategic endeavors and commitment to excellence. The Company expanded its network with twelve new Shell Select outlets, enhancing its market presence and strengthening gross margin by 1%, showcasing financial stability. Notably, the Company's key categories - snacks, beverages, and tobacco - collectively constituting 70% of sales, achieved double-digit growth, propelled by effective collaborative promotional campaigns. Geographically balanced sales across Karachi, Islamabad, Lahore, and Multan contributed to the Company's overall success. The key objective of the CR remains developing valued suppliers and loyal customers while focusing on operational excellence.

Environmental, Social and Governance

Shell Tameer sponsored a 3-day bootcamp on climate entrepreneurship and leadership organized in collaboration with Stimulus Private Limited at Arfa Software Technology Park, Lahore. Since 2019, Stimulus runs the annual Climate Launchpad Pakistan program in partnership with EIT (European Institute of Innovation and Technology) Climate-KIC. Entrepreneurs were introduced to different tools and techniques that can help quantify early-stage ventures that have an impact on environment.

Shell Tameer in collaboration with SoS Technical Trade Institute (SoS TTI), organized a grant programme - Build the Future, in which 16 participants successfully completed vocational trainings and qualified for the grant. They received equipment and tools for their respective trades to start or expand their micro businesses.

The Access to Energy program in South Punjab has been running since 2019, in collaboration with the National Rural Support Program (NRSP). Around 235 farmers spread over 370 acres of land, are benefitting from solar powered tube wells. For years, around 25 acres of land was barren, with the installation of tube wells, the land turned fertile with significant yield. Additionally, through this program, the solar-powered milk refrigeration plant serves around 40 dairy farmers, who are being supported to diversify their existing business to increase earnings.

Going forward

The macroeconomic environment remains challenging for industry in near term, owing to currency, oil price volatility and the general uncertain economic outlook of the Country.

Despite these challenges, the management and the Board of Directors remain committed in ensuring that the Company's financial position is further strengthened, a Goal-Zero approach in safety performance is maintained and that the company continues to play a responsible role in society.

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 shareholders, customers, employees and all other stakeholders for their dedication, sustained support and trust in the Company.

On behalf of the Board of Directors



Zain K. Hak
Chairperson
Karachi: August 16, 2023



Waqar I. Siddiqui
Chief Executive

Independent Auditors' Review Report

To the members of Shell Pakistan Limited
Report on review of condensed interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Shell Pakistan Limited (the Company) as at 30 June 2023 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, 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 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2023.

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 review resulting in this independent auditor's report is Omer Chughtai.



Chartered Accountants

Date: 22 August 2023

Place: Karachi

UDIN Number: RR2023101202i5SgIhb8

Condensed Interim Statement of Financial Position

As at June 30, 2023

	Note	Unaudited June 30, 2023 <u>(Rupees '000)</u>	Audited December 31, 2022
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	21,310,746	20,579,301
Right-of-use assets		6,439,416	6,453,393
Intangible assets		525	2,101
Long-term investments	6	5,453,666	5,198,192
Long-term loans		69,153	51,163
Long-term deposits and prepayments		290,743	220,100
Deferred taxation		856,815	780,010
		34,421,064	33,284,260
Current Assets			
Stock-in-trade	7	40,038,923	42,921,597
Trade debts	18.4	6,742,532	5,910,061
Loans and advances		76,606	62,784
Short-term deposits and prepayments		579,843	535,584
Other receivables	8	7,300,848	8,216,986
Bank balances	9	19,064,677	10,801,097
		73,803,429	68,448,109
TOTAL ASSETS		108,224,493	101,732,369
EQUITY AND LIABILITIES			
Equity			
Share capital	10	2,140,246	2,140,246
Share premium		11,991,012	11,991,012
General reserves		207,002	207,002
Unappropriated profit		4,349,160	807,101
Remeasurement of post-employment benefits - actuarial loss		(543,266)	(543,266)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income		(5,000)	(5,000)
Total equity		18,139,154	14,597,095
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		329,762	321,113
Long-term provisions		2,950,169	2,923,281
Long-term lease liabilities		6,136,773	5,945,991
Provision for post-retirement medical benefits		178,788	178,788
		9,595,492	9,369,173
Current Liabilities			
Trade and other payables	11	75,195,635	73,703,492
Advances received from customers (contract liabilities)		1,472,239	1,442,366
Unclaimed dividend		278,892	278,892
Unpaid dividend		504,847	508,954
Accrued mark-up		-	2,848
Taxation - net		1,711,961	882,792
Current portion of long-term provisions		603,832	236,964
Current portion of long-term lease liabilities		722,441	709,793
		80,489,847	77,766,101
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		108,224,493	101,732,369

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



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
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, 2023

	Note	Half year ended		Quarter ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
(Rupees '000)					
Sales		215,417,531	198,484,216	105,811,374	114,103,090
Other revenue		641,137	324,916	258,718	183,486
		216,058,668	198,809,132	106,070,092	114,286,576
Sales tax		(3,964,881)	(3,716,171)	(2,609,477)	(1,901,783)
Net revenue		212,093,787	195,092,961	103,460,615	112,384,793
Cost of products sold		(193,902,561)	(167,161,488)	(97,467,634)	(93,806,600)
Gross profit		18,191,226	27,931,473	5,992,981	18,578,193
Distribution and marketing expenses		(5,513,142)	(4,297,076)	(2,833,988)	(1,916,414)
Administrative expenses		(4,993,346)	(3,536,344)	(2,685,312)	(2,006,470)
Other expenses	13	(12,946,685)	(8,841,569)	(1,810,275)	(6,313,148)
Other income	14	12,218,609	1,083,387	11,742,231	942,264
Operating profit		6,956,662	12,339,871	10,405,637	9,284,425
Finance costs	15	(1,172,434)	(484,746)	(434,667)	(267,842)
		5,784,228	11,855,125	9,970,970	9,016,583
Share of profit of associate - net of tax	6	253,366	604,022	140,492	412,075
Profit before taxation		6,037,594	12,459,147	10,111,462	9,428,658
Taxation	16	(2,497,643)	(4,951,117)	(1,809,635)	(4,000,044)
Net profit for the period		3,539,951	7,508,030	8,301,827	5,428,614
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income of associate - net of tax	6	2,108	(38,914)	-	-
Total comprehensive income for the period		3,542,059	7,469,116	8,301,827	5,428,614
(Rupees '000)					
Earnings per share - basic and diluted		16.54	35.08	38.79	25.36

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



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the half year ended June 30, 2023

	Capital reserve		Revenue reserve				Total
	Share capital	Share premium	General reserves	Unappropriated profit	Remeasurement of post-employment benefits - actuarial loss	Unrealised loss on remeasurement of equity investments	
(Rupees '000)							
Balance as at December 31, 2021 (Audited)	2,140,246	11,991,012	207,002	1,587,146	(598,930)	(5,000)	15,321,476
Net profit for the period	-	-	-	7,508,030	-	-	7,508,030
Other comprehensive income for the period	-	-	-	(38,914)	-	-	(38,914)
	-	-	-	7,469,116	-	-	7,469,116
Balance as at June 30, 2022 (Unaudited)	<u>2,140,246</u>	<u>11,991,012</u>	<u>207,002</u>	<u>9,056,262</u>	<u>(598,930)</u>	<u>(5,000)</u>	<u>22,790,592</u>
Balance as at December 31, 2022 (Audited)	2,140,246	11,991,012	207,002	807,101	(543,266)	(5,000)	14,597,095
Net profit for the period	-	-	-	3,539,951	-	-	3,539,951
Other comprehensive income for the period	-	-	-	2,108	-	-	2,108
	-	-	-	3,542,059	-	-	3,542,059
Balance as at June 30, 2023 (Unaudited)	<u>2,140,246</u>	<u>11,991,012</u>	<u>207,002</u>	<u>4,349,160</u>	<u>(543,266)</u>	<u>(5,000)</u>	<u>18,139,154</u>

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



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Condensed Interim Statement of Cash Flows (Unaudited)

For the half year ended June 30, 2023

	Note	Half year ended	
		June 30, 2023	June 30, 2022
		———— (Rupees '000) ————	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	17	11,393,624	(138,362)
Finance costs paid		(14,722)	(66,664)
Interest portion of lease liabilities paid		(353,417)	(106,404)
Income tax paid		(1,745,281)	(1,737,180)
Long-term loans and advances		(17,990)	(22,747)
Long-term deposits and prepayments		(70,643)	(1,074)
Net cash generated from / (used in) operating activities		9,191,571	(2,072,431)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,752,621)	(1,804,008)
Proceeds from disposal of operating fixed assets		328,521	23,221
Interest received on short-term deposits and saving accounts		737,682	68,605
Net cash used in investing activities		(686,418)	(1,712,182)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liabilities paid		(237,466)	(395,639)
Dividends paid		(4,107)	-
Net cash used in financing activities		(241,573)	(395,639)
Net increase / (decrease) in cash and cash equivalents		8,263,580	(4,180,252)
Cash and cash equivalents at the beginning of the period		10,801,097	4,973,417
Cash and cash equivalents at the end of the period		19,064,677	793,165
Cash and cash equivalents comprise of:			
Bank balances		19,064,677	2,293,165
Short term borrowings - secured		-	(1,500,000)
		19,064,677	793,165

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


Zarrar Mahmud
Chief Financial Officer


Waqar I. Siddiqui
Chief Executive


Imran R. Ibrahim
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended June 30, 2023

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 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** During the period, the Immediate Parent of the Company informed the Board of Directors of its intent to sell its entire shareholding in the Company. The same has been communicated to the shareholders through a public announcement. However, no significant development has been made upto the authorisation date of the condensed interim financial statements in the sale process.

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, 2023 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, 2023 and 2022 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, 2023 and June 30, 2022. 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, 2022.
- 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, 2022.
- 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 the estimates.

- 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, 2022.

5	PROPERTY, PLANT AND EQUIPMENT	Note	Unaudited	Audited
			June 30, 2023	December 31, 2022
			———— (Rupees '000) ————	
	Operating assets - at net book value		16,790,127	16,329,276
	Provision for impairment		(141,700)	(355,725)
		5.1	16,648,427	15,973,551
	Capital work-in-progress		4,662,319	4,605,750
		5.2	21,310,746	20,579,301
5.1	Operating Fixed Assets			
	Balance at the beginning of the period / year		15,973,551	13,288,480
	Additions during the period / year		1,696,053	4,901,601
		5.1.1	17,669,604	18,190,081
	Disposals / write-offs during the period / year - Net Book Value (NBV)		(283,623)	(212,946)
	Depreciation charge / impairment reversal during the period / year - net		(737,554)	(2,003,584)
		5.1.2	(1,021,177)	(2,216,530)
	Balance at the end of the period / year		16,648,427	15,973,551

- 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, 2023	June 30, 2022
———— (Rupees '000) ————		
Leasehold land	130,242	-
Buildings on freehold land	-	9,405
Buildings on leasehold land	414,956	470,850
Tanks and pipelines	109,901	1,370,395
Plant and machinery	586,411	230,814
Air conditioning plant	56,763	11,635
Lifts	2,546	345
Dispensing pumps	73,953	127,595
Rolling stock and vehicles	-	3,523
Electrical, mechanical and firefighting equipment	40,350	366,342
Furniture, office equipment and other assets	218,363	199,304
Computer auxiliaries	62,568	20,381
	1,696,053	2,810,589

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

	Cost	Accumulated depreciation (Rupees '000)	Net book value
June 30, 2023 (Unaudited)			
Leasehold land	8,466	539	7,927
Building on leasehold land	86,564	65,789	20,775
Tanks and pipelines	66,341	56,805	9,536
Plant and Machinery	161,364	58,600	102,764
Air conditioning plant	1,597	1,314	283
Dispensing pumps	133,934	86,420	47,514
Rolling stocks and vehicles	157,334	156,065	1,269
Electrical, mechanical and fire fighting equipment	501,398	409,055	92,343
Furniture, office equipment and other assets	6,159	4,947	1,212
Computer auxiliaries	163	163	-
	<u>1,123,320</u>	<u>839,697</u>	<u>283,623</u>
June 30, 2022 (Unaudited)			
Building on leasehold land	9,269	1,465	7,804
Tanks and pipelines	2,160	830	1,330
Plant and Machinery	354	41	313
Dispensing pumps	6,404	3,374	3,030
Rolling stocks and vehicles	22,949	12,865	10,084
Electrical, mechanical and fire fighting equipment	1,573	1,130	443
Furniture, office equipment and other assets	9,221	6,309	2,912
Computer auxiliaries	1,397	272	1,125
	<u>53,327</u>	<u>26,286</u>	<u>27,041</u>

5.2 Capital work-in-progress

	Note	Unaudited June 30, 2023 (Rupees '000)	Audited December 31, 2022
Buildings on leasehold land		2,449,439	2,487,709
Tanks and pipelines		1,223,082	1,095,270
Plant and machinery		429,716	473,821
Air conditioning plant		-	44,062
Rolling stock and vehicles		90,520	49,057
Electrical, mechanical and fire-fighting equipment		341,669	324,137
Furniture, office equipment and other assets		127,893	131,694
	5.2.1	<u>4,662,319</u>	<u>4,605,750</u>

5.2.1 Additions to capital work-in-progress during the period amounted to Rs. 1,752,621 thousand (June 30, 2022: Rs.1,804,008 thousand).

6 LONG-TERM INVESTMENT

Includes 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, 2023 (Rupees '000)	Audited December 31, 2022
Balance at the beginning of the period / year	5,198,192	4,970,295
Share of profit before taxation	606,189	1,553,225
Share of taxation	(352,823)	(554,320)
	253,366	998,905
Share of other comprehensive gain / (loss) before taxation	3,456	(91,507)
Share of taxation	(1,348)	25,849
	2,108	(65,658)
Dividend received	-	(705,350)
Balance at the end of the period / year	<u>5,453,666</u>	<u>5,198,192</u>

7 STOCK-IN-TRADE	Note	Unaudited June 30, 2023	Audited December 31, 2022
		———— (Rupees '000) ————	
Raw and packing materials		6,596,664	5,853,973
Provision for obsolete and slow moving stock		(43,651)	(50,577)
		6,553,013	5,803,396
Finished products	7.1	34,245,829	37,502,553
Provision for obsolete and slow moving stock		(759,919)	(384,352)
		33,485,910	37,118,201
		40,038,923	42,921,597

7.1 Includes petroleum products held with PAPCO (an associate) amounting to Rs. 10,341,294 thousand (December 31, 2022: Rs. 8,721,501 thousand).

8 OTHER RECEIVABLES		Unaudited June 30, 2023	Audited December 31, 2022
		———— (Rupees '000) ————	
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		2,200,924	2,020,988
Inland freight equalisation mechanism		506,315	414,687
Receivable from related parties		2,218,781	1,749,834
Service cost receivable from PAPCO – an associated company		21,972	18,386
Workers' profits participation fund		-	94,500
Receivable from Oil Marketing Companies		49,196	96,350
Taxes recoverable		1,297,979	1,020,214
Margin held against letter of credit		115,645	211,517
Others		994,725	720,729
		11,430,507	10,372,175
Provision for impairment	8.1	(4,129,659)	(2,155,189)
		7,300,848	8,216,986

8.1 Provision for impairment

Balance at the beginning of the period / year	2,155,189	1,112,254
Provision made during the period / year	1,974,470	1,300,428
Reversal made during the period / year	-	(257,493)
	1,974,470	1,042,935
Balance at the end of the period / year	4,129,659	2,155,189

9 BANK BALANCES

Includes term deposit receipts amounting to Rs. 4,000,000 thousand (December 31, 2022: Nil) which carries interest at the rate of 19.5% (December 31, 2022: Nil) per annum, having maturity upto July 04, 2023.

10 SHARE CAPITAL

Authorized share capital

Unaudited June 30, 2023 —— (Number of shares) ——	Audited December 31, 2022		Unaudited June 30, 2023 —— (Rupees '000) ——	Audited December 31, 2022
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs. 10/- each	<u>3,000,000</u>	<u>3,000,000</u>

Issued, subscribed and paid-up share capital

Unaudited June 30, 2023 —— (Number of shares) ——	Audited December 31, 2022		Note	Unaudited June 30, 2023 —— (Rupees '000) ——	Audited December 31, 2022
		Ordinary shares of Rs. 10/- each			
<u>130,493,331</u>	130,493,331	Fully paid in cash	10.1	<u>1,304,933</u>	1,304,933
<u>83,531,331</u>	83,531,331	Issued as fully paid bonus shares		<u>835,313</u>	835,313
<u>214,024,662</u>	<u>214,024,662</u>			<u>2,140,246</u>	<u>2,140,246</u>

10.1 The immediate parent held 165,700,304 (December 31, 2022: 165,700,304) ordinary shares as at the date of condensed interim statement of financial position.

11 TRADE AND OTHER PAYABLES	Note	Unaudited June 30, 2023 —— (Rupees '000) ——	Audited December 31, 2022
Creditors	11.1	67,339,557	65,036,991
Accrued liabilities	11.2	6,521,784	7,407,648
Security deposits		487,581	470,820
Provision for staff retirement benefit schemes		22,607	70,529
Workers' Welfare Fund		490,856	554,693
Workers' profits participation fund		249,450	-
Provision for staff redundancy plan		75,653	155,071
Others		8,147	7,740
		<u>75,195,635</u>	<u>73,703,492</u>

11.1 Includes amounts due to related parties aggregating to Rs. 48,841,056 thousand (December 31, 2022: Rs 56,010,107 thousand).

11.2 Includes Rs. 1,057,227 thousand (December 31, 2022: Rs. 1,009,768 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, 2022.

12.2 Commitments

12.2.1 Capital expenditure contracted for but not incurred as at June 30, 2023 amounted to approximately Rs. 1,681,414 thousand (December 31, 2022: Rs. 2,214,706 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, 2023, the value of these cheques amounted to Rs. 18,779,585 thousand (December 31, 2022: Rs. 24,529,122 thousand). The maturity dates of these cheques extend to December 14, 2023.

12.2.3 Letters of credit, bank guarantees and bank contracts outstanding at June 30, 2023 amount to Rs. 15,110,942 thousand (December 31, 2022: Rs. 10,950,213 thousand).

13 OTHER EXPENSES

Includes exchange loss amounting to Rs. 10,442,832 thousand (June 30, 2022: Rs. 6,587,454).

14 OTHER INCOME

Includes Rs. 10,699,550 thousand in respect of credit notes issued by Shell International Petroleum Company Limited for waiver of technical service fee and other costs.

	Unaudited			
	Half year ended		Quarter ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
16 TAXATION	(Rupees '000)			
Current	2,574,448	2,754,109	2,111,103	2,439,750
- for the year	-	697,010	-	613,779
- prior year	2,574,448	3,451,119	2,111,103	3,053,529
	(76,805)	1,499,998	(301,468)	709,548
Deferred	2,497,643	4,951,117	1,809,635	3,763,077

17 CASH GENERATED FROM / (USED IN) OPERATIONS	Note	Unaudited June 30, 2023	Unaudited June 30, 2022
		(Rupees '000)	
Profit before taxation		6,037,594	12,459,147
Adjustment for non-cash charges and other items:			
Depreciation charge for the period on operating assets		951,579	859,472
Depreciation charge for the period on right-of-use assets		454,874	381,484
Amortization charge for the period		1,576	1,576
Accretion expense in respect of asset retirement obligation		8,649	3,754
Provision for obsolete and slow moving stock - net		368,641	15,866
Provision for / (reversal of) impairment of trade debts - net		5,132	(12,027)
Write off of trade debts		16,690	-
Provision for soil and ground water remediation		393,756	-
Provision for impairment on other receivables	8.1	1,974,470	1,300,428
Reversal of impairment of operating assets		(214,025)	(771)
Provision for post-retirement medical benefits		-	10,548
(Gain) / loss on disposal of operating assets		(44,898)	3,820
Share of profit of associate - net of tax	6	(253,366)	(604,022)
Interest received on short-term deposits and saving accounts		(737,682)	(68,605)
Liabilities no longer required written back		(11,089,530)	-
Mark-up on short-term borrowings and running finance		11,874	84,282
Accretion of interest on lease liabilities		353,417	292,266
Working capital changes	17.1	13,154,873	(14,865,580)
		11,393,623	(138,362)

17.1 Working capital changes	Unaudited June 30, 2023	Unaudited June 30, 2022
	———— (Rupees '000) ————	
Decrease / (increase) in current assets		
Stock-in-trade	2,514,033	(28,742,677)
Trade debts	(854,293)	(1,419,703)
Loans and advances	(13,822)	40,289
Short-term deposits and prepayments	(44,259)	(215,982)
Other receivables	(1,058,332)	632,459
	543,327	(29,705,614)
Increase in current liabilities		
Trade and other payables	12,611,546	14,840,034
	13,154,873	(14,865,580)

18 RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of ultimate and immediate parent and its subsidiaries, companies with common directorship, associates, employees' retirement funds, directors and key management personnel. All transactions with related parties are executed into agreed terms duly approved by the Board of Directors of the Company. Transactions with related parties other than those disclosed elsewhere in the condensed interim financial statements are as follows:

Nature of relationship	Nature of transactions	Note	Unaudited June 30, 2023	Unaudited June 30, 2022
			———— (Rupees '000) ————	
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges Others		322,372 3,587	492,489 7,562
Staff retirement benefit / contribution funds				
Pension funds	Contribution		72,725	64,919
Gratuity funds	Contribution		1,884	2,199
Provident funds	Contribution		13,040	10,914
Key management Personnel				
	Salaries and other short term employee benefits	18.1	82,289	64,768
	Post-employment benefits		6,433	5,338
	Medical		900	698
	Loan to Executive Director		1,787	-
Directors	Fee for attending meetings		6,047	2,796
Other related parties				
	Purchases		59,636,509	140,301,576
	Sales		241,272	180,912
	Collection for sales made in Pakistan to customers of the parent and its associates		273,698	1,377,334
	Technical service fee charged	18.2	2,709,945	1,624,888
	Trademarks and manifestations license fee charged - net		213,895	24,933
	Expenses recovered from related parties		10,770,164	76,370
	Other expenses charged by related parties	18.3	961,022	584,581
	Donations		10,150	11,750
	Legal charges		1,256	50
	Commission income - net		715	19,934
	Subscription		360	360

- 18.1** 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.
- 18.2** 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.
- 18.3** These include charges net of reversals amounting to Rs. 296,796 thousand (June 30, 2022: Rs.187,315 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.
- 18.4** As at the reporting date, trade debts amounting to Rs. 28,653 thousand (December 31, 2022: Rs. 21,720 thousand) were due from associated companies.

19 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, 2022. There has been no change in any risk management policies since the year end.

20 OPERATING SEGMENTS

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

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. All the sales of the Company from external customers relate to petroleum products including lubricating oils.

Total sales of the Company relating to customers in Pakistan were 100% during the half year ended June 30, 2023 (June 30, 2022: 100%).

All non-current assets of the Company as at June 30, 2023 and 2022 are located in Pakistan.

Sales to twenty major customers of the Company are around 17% during the half year ended June 30, 2023 (June 30, 2022: 16%).

21 GENERAL

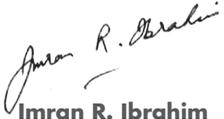
- 21.1** Figures have been rounded off to the nearest thousand, unless otherwise stated.
- 21.2** Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions.

22 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on **August 16, 2023** by the Board of Directors of the Company.


Zarrar Mahmud
Chief Financial Officer


Waqar I. Siddiqui
Chief Executive


Imran R. Ibrahim
Director

Trade in shares by Executives through CDC

During January 01 to June 30, 2023

Name	Category	Transaction's date	No. of Shares	Nature	Rate (Rs.)
Mr. Hamza Kholia	Executive	19-01-2023	1000	Sold	103.04
Mr. Zarrar Jamali	Executive	17-08-2022	32	Bought	127.00
Mr. Hamza Kholia	Executive	14-06-2023	9500	Bought	84.35
Mr. Hamza Kholia	Executive	14-06-2023	9500	Sold	87.00

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Shell Pakistan Limited

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

www.shell.com.pk