



Driven to **Deliver**

Shell Pakistan Limited
Quarterly Report

September 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 the nine months ended September 30, 2023

Dear Shareholders,

The Directors of the Company are pleased to present the unaudited condensed interim financial statements for the third quarter and nine months ended September 30, 2023.

Since last year, the Company has been facing significant disruptions from external factors, such as unprecedented Rupee devaluation, rising inflation, and ongoing macroeconomic instability. These economic challenges resulted in a slow-down in economic activity, significant reduction in industry fuel demand and heightened risks to supply security. Demand was suppressed primarily due to elevated prices, coupled with political and economic unrest and the widespread availability of smuggled products.

Despite the ongoing macroeconomic challenges in the country, the Company successfully delivered a profit after tax of PKR 6,450 million for the nine months ended September 30, 2023. The Company continued its focus on business performance, safety of people and protection of the environment and remained committed towards operational excellence, while keeping costs at a manageable level. The financial result also reflects the impact of one-off technical service fee relief received from Shell International Petroleum Company.

The profit for the nine months ended September 30, 2023, after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	11,587
Taxation	(5,137)
Net profit for the period ended September 30, 2023	6,450
	Rupees
Earnings per share – basic and diluted	30.14

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.

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. SPL has been informed that SPCo is carrying out a targeted sales process which will require further due diligence and discussions with potential buyers, and at this stage is seeing strong interest from both international and domestic parties. Any sale by SPCo of its shares in SPL remains subject to the execution of binding documentation and the subsequent receipt of regulatory approvals.

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 nine months period, PKR has devalued by ~27% against USD resulting in significant exchange loss for the Company.

Despite these challenges, the Company acknowledges and welcomes the Government's recent decision to increase industry margins and take robust measures to combat black market activities, which are aimed at stabilizing the currency. The Company looks forward to further proactive steps from the Government to support the recovery of the industry and contribute to the overall stabilization of the economy.

Lubricants

Shell Lubricants continues to perform well in a highly challenging environment, as is evident via consistent market shares in a declining industry. Focusing on building business in consumer, mechanic and trade - segments, Lubricants launched multifold brand campaigns – including a partnership with KFC on Helix, the celebration of mechanics around the World Mechanics Day, Advance workshops for motorcycle mechanics and Rimula's campaign at trucking hubs across the country. In the B2B ambit, the Company recorded milestones in sectors like fleet, construction, sugar and tapped into new sectors such as cosmetics; with a keen look at opportunities which can further boost the pipeline.

Mobility (formerly Retail)

The Mobility business continues to lead in providing best-in-class customer value proposition for more customers across the country by introducing 19 new sites and modernizing its existing network, while promoting safe refueling, easy payment solutions and introducing customer-centric programs.

Shell became the first in the industry to introduce Voice of Customer program in Pakistan which enables customers to provide real time feedback through QR codes placed on the sites. So far more than 30,000+ responses have been received that gives Shell valuable insights to continuously keep improving customer service.

Mobility Visual Identify (MVI) is the visual experience for our customers that is being introduced globally and our teams are proud to introduce the latest brand identity in Pakistan. MVI is developed to reflect the evolution of the Shell brand through innovation & improved services, it modernizes the sites and conveys a more welcoming guest-centric mindset while also emphasizing our industry leading Non-Fuel Retailing offers.

Shell's safety initiative "Ehtiyat Bunay Hifazat" received nearly 82 million views on television, along with 230 million+ views on social media in what was an industry-leading campaign on safety. OGRA recognized the industry efforts in promoting refuelling safety among two and three wheelers, trailblazed by Shell's initiative.

The campaign, "Keep Driving, Keep Winning" was launched for Shell V-Power and Shell Helix customers across the top 97 retail stations in Pakistan, rewarding our customers for choosing Shell.

Shell Pakistan joined hands with Jazz Cash & Easypaisa to enable quick and easy payments to accelerate digital payments.

Mobility also demonstrated remarkable growth in its Convenience Retail (CR) business in Pakistan. This success is attributed to our strategic endeavors and commitment to excellence. The Company expanded its network with 14 new Shell Select stores, while further developing its On-Demand Delivery to deliver two times growth versus last year, showcasing relevance and scalability of the CR business in the quick-commerce space. The CR business's focus remains towards developing new value streams for the business and delivering worldclass customer journeys.

Environmental, Social and Governance

Shell Pakistan initiated two eco-friendly and sustainable solutions on plastic reusability. By recycling discarded Shell lubricant bottles, Shell Pakistan constructed a plastic infused road, 730 feet long and 60 feet wide on which Shell House is located in Karachi. This is a purpose-built solution which benefits neighboring residents, schools, church community and Shell. The initiative was covered by local and international media. The other initiative is a collaboration with a Shell Tameer alumni, Concept Loop, a tech-based start-up converting plastic waste into building materials, who deployed pavers at a Shell retail site in Karachi. This successful initiative can be replicated at other retail sites planned for renovation and construction.

Crop stubble burning is one of the biggest contributor of smog in South Asia. UN reported agricultural waste burning contributes to 20% of air pollution emissions (2018). Our economy too, is heavily dependent on traditional agricultural technology. Shell Pakistan worked with local farmers in collaboration with National Rural Support Programme (NRSP), to transform agricultural waste into valuable biochar – a product that can potentially improve soil health. Biochar is produced through the process of pyrolysis - thermal decomposition of biomass in an oxygen-controlled environment. This process releases little to no contaminating fumes and is a sustainable way to get rid of agricultural waste. The results of the pilot project are optimistic. The soil characteristic such as PH levels, organic matter, potassium and phosphorus improved substantially, which led to an increase in land yield by a significant 50%. Through this project, biochar technology presents an opportunity to significantly reduce emissions associated with agricultural waste burning, as well as benefit soil health.

Shell Tameer continues to play a keen role in upskilling and recognizing young entrepreneurs. Tameer completed 22 sessions across Pakistan engaging universities and incubation centers, training over 700 individuals which included 560 startups. Students were trained on the basics of entrepreneurship and were invited to participate in the 10th Tameer Award 2023. This year, the awards expanded reach and tapped Gilgit Baltistan, welcoming bright talent into the pool of entrepreneurs, and to compete with students of metro cities.

Shell Pakistan engaged with fence line community schools of Kemari and Chaklala to share concepts of road safety. Students were engaged in a series of fun activities - story telling, art contest, quiz competition, distribution of 'Once upon a Road,' a book for young readers published by Shell Pakistan, to raise awareness on road safety. The school management found the engagements highly valuable to raise basic civic sense among young minds.

Going forward

The macroeconomic environment remains challenging for the industry in near term, owing to currency fluctuation, 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: October 18, 2023



Waqar I. Siddiqui
Chief Executive

Condensed Interim Statement of Financial Position

As at September 30, 2023

	Note	Unaudited September 30, 2023 <u>(Rupees '000)</u>	Audited December 31, 2022
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	22,228,554	20,579,301
Right-of-use assets		6,429,427	6,453,393
Intangible assets		-	2,101
Long-term investments	6	5,599,869	5,198,192
Long-term loans		69,135	51,163
Long-term deposits and prepayments		320,239	220,100
Deferred taxation		843,529	780,010
		35,490,753	33,284,260
Current Assets			
Stock-in-trade	7	61,208,022	42,921,597
Trade debts	18.4	6,430,738	5,910,061
Loans and advances		77,155	62,784
Short-term deposits and prepayments		84,973	535,584
Other receivables	8	6,615,736	8,216,986
Bank balances	9	15,156,611	10,801,097
		89,573,235	68,448,109
TOTAL ASSETS		125,063,988	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		7,259,579	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		21,049,573	14,597,095
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		367,087	321,113
Long-term provisions		2,950,169	2,923,281
Long-term lease liabilities		6,274,463	5,945,991
Provision for post-retirement medical benefits		178,788	178,788
		9,770,507	9,369,173
Current Liabilities			
Trade and other payables	11	85,820,550	73,703,492
Advances received from customers (contract liabilities)		2,566,147	1,442,366
Unclaimed dividend		250,187	278,892
Unpaid dividend		454,565	508,954
Accrued mark-up		-	2,848
Taxation - net		3,826,186	882,792
Current portion of long-term provisions		603,832	236,964
Current portion of long-term lease liabilities		722,441	709,793
	12	94,243,908	77,766,101
Contingencies and commitments			
TOTAL EQUITY AND LIABILITIES		125,063,988	101,732,369

The annexed notes 1 to 23 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)

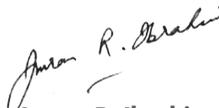
For the nine months ended September 30, 2023

	Note	Nine months ended		Quarter ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(Rupees '000)					
Sales		325,665,500	307,921,601	110,247,969	109,437,385
Other revenue		897,120	535,687	255,983	210,771
		326,562,620	308,457,288	110,503,952	109,648,156
Sales tax		(5,390,835)	(5,248,092)	(1,425,954)	(1,531,921)
Net revenue		321,171,785	303,209,196	109,077,998	108,116,235
Cost of products sold		(291,563,388)	(270,053,828)	(97,660,827)	(102,892,340)
Gross profit		29,608,397	33,155,368	11,417,171	5,223,895
Distribution and marketing expenses		(8,798,132)	(10,107,157)	(3,284,990)	(5,810,081)
Administrative expenses		(6,916,045)	(5,664,629)	(1,922,699)	(2,128,285)
Other expenses	13	(13,492,211)	(12,315,539)	(545,526)	(3,473,970)
Other income	14	12,740,424	973,480	521,815	(109,907)
Operating profit / (loss)		13,142,433	6,041,523	6,185,771	(6,298,348)
Finance costs	15	(1,954,502)	(1,043,801)	(782,068)	(559,055)
		11,187,931	4,997,722	5,403,703	(6,857,403)
Share of profit of associate - net of tax	6	399,570	617,546	146,204	13,524
Profit/ (loss) before taxation		11,587,501	5,615,268	5,549,907	(6,843,879)
Taxation	16	(5,137,131)	(2,751,371)	(2,639,488)	2,199,746
Net profit/ (loss) for the period		6,450,370	2,863,897	2,910,419	(4,644,133)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income / (loss) of associate - net of tax	6	2,108	(38,914)	-	-
Total comprehensive income / (loss) for the period		6,452,478	2,824,983	2,910,419	(4,644,133)
(Rupees '000)					
Earnings / (loss) per share - basic and diluted		30.14	13.38	13.60	(21.70)

The annexed notes 1 to 23 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 nine months ended September 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	-	-	-	2,863,897	-	-	2,863,897
Other comprehensive income for the period	-	-	-	(38,914)	-	-	(38,914)
	-	-	-	2,824,983	-	-	2,824,983
Balance as at September 30, 2022 (Unaudited)	<u>2,140,246</u>	<u>11,991,012</u>	<u>207,002</u>	<u>4,412,129</u>	<u>(598,930)</u>	<u>(5,000)</u>	<u>18,146,459</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	-	-	-	6,450,370	-	-	6,450,370
Other comprehensive income for the period	-	-	-	2,108	-	-	2,108
	-	-	-	6,452,478	-	-	6,452,478
Balance as at September 30, 2023 (Unaudited)	<u>2,140,246</u>	<u>11,991,012</u>	<u>207,002</u>	<u>7,259,579</u>	<u>(543,266)</u>	<u>(5,000)</u>	<u>21,049,573</u>

The annexed notes 1 to 23 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)

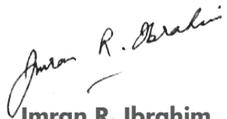
For the nine months ended September 30, 2023

	Note	Nine months ended	
		September 30, 2023	September 30, 2022
		———— (Rupees '000) ————	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	17	9,343,591	(4,318,498)
Finance costs paid		(18,883)	(291,513)
Interest portion of lease liabilities paid		(583,158)	(162,209)
Income tax paid		(2,257,256)	(2,066,009)
Long-term loans and advances		(17,972)	(13,877)
Long-term deposits and prepayments		(100,139)	24,068
Net cash generated from / (used in) operating activities		6,366,183	(6,828,038)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,183,998)	(3,155,821)
Proceeds from disposal of operating fixed assets		385,151	705,350
Dividend received from associate		-	23,221
Interest received on short-term deposits and saving accounts		1,198,278	98,477
Net cash used in investing activities		(1,600,569)	(2,328,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liabilities paid		(327,006)	(778,728)
Dividends paid		(83,094)	-
Net cash used in financing activities		(410,100)	(778,728)
Net increase / (decrease) in cash and cash equivalents		4,355,514	(9,935,539)
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		15,156,611	(4,962,122)
Cash and cash equivalents comprise of:			
Bank balances		15,156,611	737,878
Short term borrowings – secured		-	(5,700,000)
		15,156,611	(4,962,122)

The annexed notes 1 to 23 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 nine months ended September 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** In June 2023, the Immediate Parent of the Company informed the Board of Directors of its intent to sell its entire shareholding in the Company. The same was 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 nine months ended September 30, 2023 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, 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
			September 30, 2023	December 31, 2022
			———— (Rupees '000) ————	
	Operating assets - at net book value		17,971,064	16,329,276
	Provision for impairment		(131,539)	(355,725)
		5.1	17,839,525	15,973,551
	Capital work-in-progress		4,389,029	4,605,750
		5.2	22,228,554	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		3,400,719	4,901,601
		5.1.1	19,374,270	18,190,081
	Disposals / write-offs during the period / year - Net Book Value (NBV)		(321,791)	(212,946)
	Depreciation charge / impairment reversal during the period / year - net		(1,212,954)	(2,003,584)
		5.1.2	(1,534,745)	(2,216,530)
	Balance at the end of the period / year		17,839,525	15,973,551

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

	Unaudited	
	September 30, 2023	September 30, 2022
———— (Rupees '000) ————		
Leasehold land	189,556	-
Buildings on freehold land	-	9,405
Buildings on leasehold land	705,557	578,064
Tanks and pipelines	901,349	1,425,922
Plant and machinery	782,296	385,937
Air conditioning plant	65,748	16,383
Lifts	10,148	2,113
Dispensing pumps	142,728	199,397
Rolling stock and vehicles	-	44,581
Electrical, mechanical and firefighting equipment	188,343	22,541
Furniture, office equipment and other assets	341,543	454,341
Computer auxiliaries	73,451	342,980
	3,400,719	3,481,664

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

	Cost	Accumulated depreciation (Rupees '000)	Net book value
September 30, 2023 (Unaudited)			
Leasehold land	8,833	629	8,204
Building on leasehold land	93,446	71,384	22,062
Lifts	73,672	61,438	12,234
Tanks and pipelines	596	214	382
Plant and Machinery	178,059	68,346	109,713
Air conditioning plant	1,597	1,314	283
Dispensing pumps	164,246	105,774	58,472
Rolling stocks and vehicles	179,642	175,236	4,406
Electrical, mechanical and fire fighting equipment	645,022	542,821	102,201
Furniture, office equipment and other assets	18,883	15,049	3,834
Computer auxiliaries	19,882	19,882	-
	<u>1,383,878</u>	<u>1,062,087</u>	<u>321,791</u>
September 30, 2022 (Unaudited)			
Building on leasehold land	9,269	1,465	7,804
Dispensing pumps	6,404	3,374	3,030
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
Plant and Machinery	354	41	313
Rolling stocks and vehicles	22,949	12,865	10,084
Tanks and pipelines	2,160	830	1,330
	<u>53,327</u>	<u>26,286</u>	<u>27,041</u>

5.2 Capital work-in-progress	Note	Unaudited September 30, 2023 (Rupees '000)	Audited December 31, 2022
Buildings on leasehold land		2,373,077	2,487,709
Tanks and pipelines		1,138,382	1,095,270
Plant and machinery		406,734	473,821
Air conditioning plant		-	44,062
Rolling stock and vehicles		192,621	49,057
Electrical, mechanical and fire-fighting equipment		175,061	324,137
Furniture, office equipment and other assets		103,154	131,694
	5.2.1	<u>4,389,029</u>	<u>4,605,750</u>

5.2.1 Additions to capital work-in-progress during the period amounted to Rs. 3,183,998 thousand (September 30, 2022: Rs.3,155,823 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 September 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	869,906	1,553,225
Share of taxation	(470,337)	(554,320)
	399,569	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>5,599,869</u>	<u>5,198,192</u>

7	STOCK-IN-TRADE	Note	Unaudited September 30, 2023 ———— (Rupees '000) ————	Audited December 31, 2022
	Raw and packing materials		6,383,175	5,853,973
	Provision for obsolete and slow moving stock		(45,990)	(50,577)
			6,337,185	5,803,396
	Finished products	7.1	55,633,501	37,502,553
	Provision for obsolete and slow moving stock		(762,664)	(384,352)
			54,870,837	37,118,201
			61,208,022	42,921,597
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		1,903,262	2,020,988
	Inland freight equalisation mechanism		201,236	414,687
	Receivable from related parties		2,278,997	1,749,834
	Service cost receivable from PAPCO – an associated company		26,845	18,386
	Workers' profits participation fund		-	94,500
	Receivable from Oil Marketing Companies		45,483	96,350
	Taxes recoverable		1,297,979	1,020,214
	Margin held against letter of credit		30,369	211,517
	Others		936,254	720,729
			10,745,395	10,372,175
	Provision for impairment	8.1	(4,129,659)	(2,155,189)
			6,615,736	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 20.5% (December 31, 2022: Nil) per annum, having maturity upto October 05, 2023.

10 SHARE CAPITAL

Authorized share capital

Unaudited September 30, 2023 —— (Number of shares) ——	Audited December 31, 2022		Unaudited September 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 September 30, 2023 —— (Number of shares) ——	Audited December 31, 2022		Note	Unaudited September 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 September 30, 2023 —— (Rupees '000) ——	Audited December 31, 2022
	Creditors	11.1	<u>77,108,707</u>	65,036,991
	Accrued liabilities	11.2	<u>6,735,519</u>	7,407,648
	Security deposits		<u>522,554</u>	470,820
	Provision for staff retirement benefit schemes		<u>22,607</u>	70,529
	Workers' Welfare Fund		<u>785,133</u>	554,693
	Workers' profits participation fund		<u>564,434</u>	-
	Provision for staff redundancy plan		<u>75,653</u>	155,071
	Others		<u>5,943</u>	7,740
			<u>85,820,550</u>	<u>73,703,492</u>

11.1 Includes amounts due to related parties aggregating to Rs. 59,431,224 thousand (December 31, 2022: Rs 56,010,107 thousand).

11.2 Includes Rs. 2,431,763 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 September 30, 2023 amounted to approximately Rs. 1,902,507 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 September 30, 2023, the value of these cheques amounted to Rs. 33,354,600 thousand (December 31, 2022: Rs. 24,529,122 thousand). The maturity dates of these cheques extend to March 13, 2024.

12.2.3 Letters of credit, bank guarantees and bank contracts outstanding at September 30, 2023 amount to Rs. 14,773,091 thousand (December 31, 2022: Rs. 10,950,213 thousand).

13 OTHER EXPENSES

Includes exchange loss amounting to Rs. 10,569,053 thousand (September 30, 2022: Rs. 10,389,486).

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.

15 FINANCE COST

Includes bank charges amounting to Rs. 1,309,335 thousand (September 30, 2022: Rs. 241,772 thousand).

	Unaudited			
	Nine months ended		Quarter ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Rupees '000)			
16 TAXATION				
Current	4,953,257	1,880,268	2,378,809	(873,841)
- for the year	247,393	697,010	247,393	-
- prior year	5,200,650	2,577,278	2,626,202	(873,841)
	(63,519)	174,093	13,286	(1,325,905)
Deferred	5,137,131	2,751,371	2,639,488	(2,199,746)
17 CASH GENERATED FROM / (USED IN) OPERATIONS	Note	Unaudited September 30, 2023	Unaudited September 30, 2022	
		(Rupees '000)		
Profit before taxation		11,587,501	5,615,268	
Adjustment for non-cash charges and other items:				
Depreciation charge for the period on operating assets		1,437,140	1,320,005	
Depreciation charge for the period on right-of-use assets		692,093	533,550	
Amortization charge for the period		2,101	2,364	
Accretion expense in respect of asset retirement obligation		45,974	5,633	
Provision for obsolete and slow moving stock - net		373,725	36,436	
Provision for / (reversal of) impairment of trade debts - net		5,145	(21,171)	
Write off of trade debts		17,288	107,668	
Provision for soil and ground water remediation		393,756	3,081,577	
Provision for impairment on other receivables	8.1	1,974,470	1,300,428	
(Reversal of)/ provision for impairment of operating assets		(224,186)	315,368	
Provision for post-retirement medical benefits		-	10,548	
(Gain) / loss on disposal of operating assets		(63,360)	3,820	
Share of profit of associate - net of tax	6	(399,569)	(617,546)	
Interest received on short-term deposits and saving accounts		(1,198,278)	(98,477)	
Liabilities no longer required written back		(11,089,530)	-	
Mark-up on short-term borrowings and running finance		16,036	349,540	
Accretion of interest on lease liabilities		583,158	446,856	
Working capital changes	17.1	5,190,127	(16,710,365)	
		9,343,591	(4,318,498)	

17.1 Working capital changes	Unaudited September 30, 2023	Unaudited September 30, 2022
	(Rupees '000)	
(Increase)/ Decrease in current assets		
Stock-in-trade	(18,660,150)	(19,504,141)
Trade debts	(543,110)	(997,066)
Loans and advances	(14,371)	87,844
Short-term deposits and prepayments	450,611	(562,036)
Other receivables	(373,220)	(525,480)
	(19,140,240)	(21,500,879)
Increase in current liabilities		
Trade and other payables	24,330,367	4,790,514
	5,190,127	(16,710,365)

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 at 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 Nine months ended	
			September 30, 2023	September 30, 2022
(Rupees '000)				
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		475,686	702,016
	Others		12,142	10,281
	Dividend received		-	705,350
Staff retirement benefit / contribution funds				
Pension funds	Contribution		109,831	96,239
Gratuity funds	Contribution		3,688	3,196
Provident funds	Contribution		33,979	16,572
Key management Personnel				
	Salaries and other short term employee benefits	18.1	103,264	88,011
	Post-employment benefits		9,723	8,053
	Medical		2,221	948
	Loan to Executive Director		-	-
Directors	Fee for attending meetings		9,030	5,750
Other related parties				
	Purchases		115,903,211	170,931,967
	Sales		373,089	323,421
	Collection for sales made in Pakistan to customers of the parent and its associates		273,698	2,324,956
	Technical service fee charged	18.2	3,818,631	2,541,239
	Trademarks and manifestations license fee charged - net		368,298	394,261
	Expenses recovered from related parties		10,823,946	148,065
	Other expenses charged by related parties	18.3	2,103,001	1,379,741
	Donations		23,169	11,750
	Legal charges		1,256	1,044
	Commission income - net		715	33,128
	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. 409,287 thousand (September 30, 2022: Rs.293,927 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. 23,667 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 nine months ended September 30, 2023 (September 30, 2022: 100%).

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

Sales to twenty major customers of the Company are around 17% during the nine months ended September 30, 2023 (September 30, 2022: 16%).

21 NON-ADJUSTING EVENT AFTER REPORTING DATE

- 21.1** The Board of Directors, in its meeting held on October 18, 2023, has proposed and approved an interim cash dividend of Rs. 5 per share for the nine months ended September 30, 2023.

22 GENERAL

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

23 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on October 18, 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 the period January 1, 2023 September 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
Mr. Asif Zahoor	Executive	25-07-2023	1000	Bought	137.92
Mr. Asif Zahoor	Executive	26-07-2023	1000	Sold	143.30
Mohammad Aamir	Executive	27-07-2023	2000	Bought	147.25
Mohammad Aamir	Executive	04-08-2023	2000	Sold	148.00
M. Ahmed Saleem	Executive	26-07-2023	810	Bought	136.50
M. Ahmed Saleem	Executive	30-08-2023	200	Bought	133.00
M. Ahmed Saleem	Executive	31-08-2023	200	Bought	131.00
M. Ahmed Saleem	Executive	31-08-2023	300	Bought	129.00
M. Ahmed Saleem	Executive	31-08-2023	10	Bought	125.75
M. Ahmed Saleem	Executive	31-08-2023	5	Bought	126.00
M. Ahmed Saleem	Executive	31-08-2023	50	Bought	128.00

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