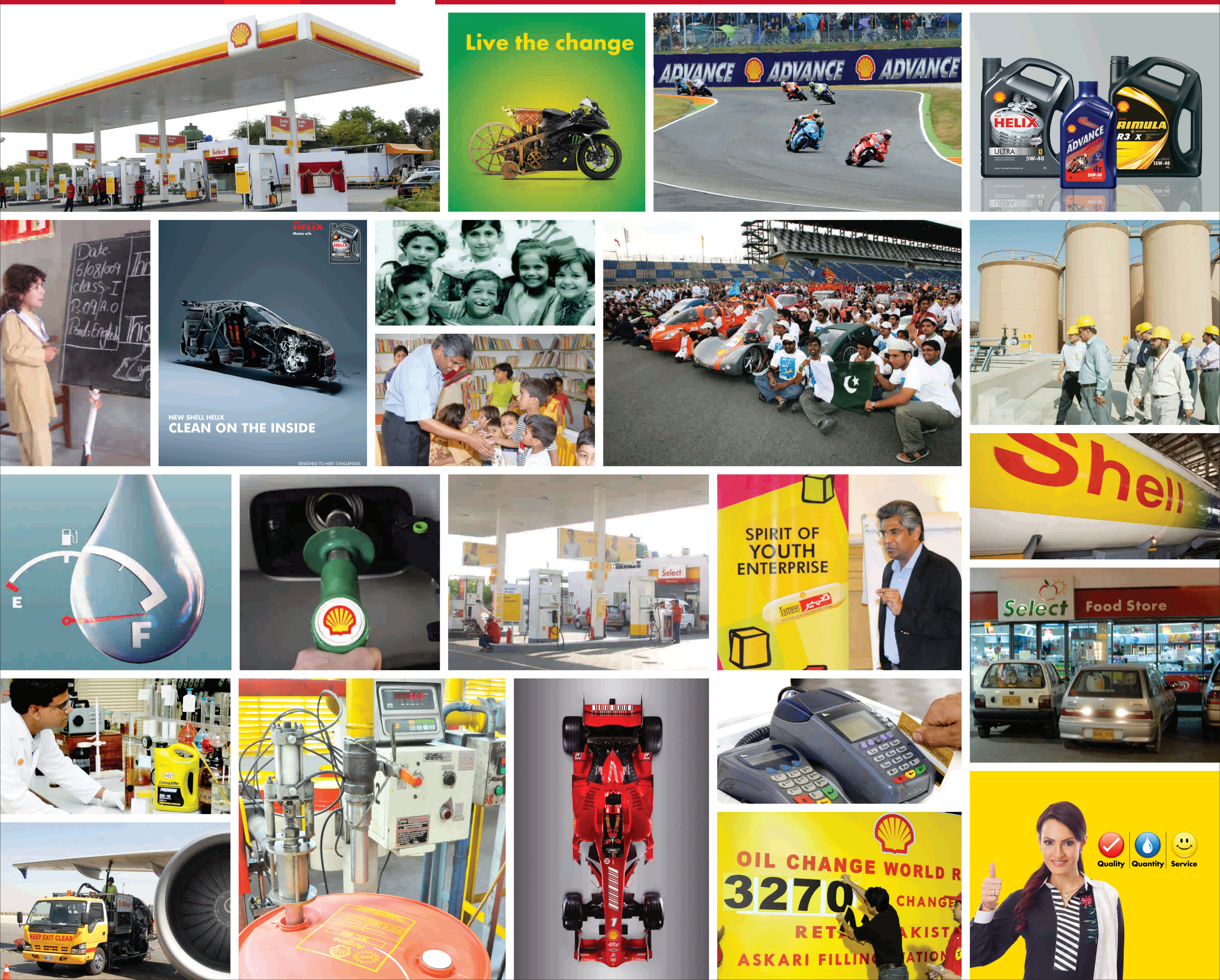
SHELL PAKISTAN LIMITED
Quarterly & Six Monthly Report
June '2010



OUR VISION

Directors' Review

For the half year ended June 30, 2010

The Country is currently going through a very challenging period and our thoughts are with people who have been impacted from the ongoing flood crises. More than 200 sites of your Company have also been effected. We are doing our utmost to ensure continued and adequate supply of oil products across the country. In addition, a number of our staff are already involved in supporting relief efforts on a voluntary basis in various parts of the country.

The events of the last few weeks are indeed very unfortunate. To help with the relief and rehabilitation efforts, the Company and its employees are jointly making a total contribution of Rs 5 million. In addition to this, our parent company, Royal Dutch Shell, has also committed a further Rs10 million bringing our total initial contribution to Rs15 million. Inshallah, we are confident that the country will get through this difficult situation very soon.

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of the Company for the half year ended June 30, 2010.

During the first half of current year the Company has achieved significant growth in its pre-tax earnings, achieving Rs 1.762 billion in comparison to Rs 962 million earned in the same period last year. This improvement in profitability is mainly on the back of continued volume growth in key business segments, better product mix towards higher margin products and favorable movements in the international price of oil during the period.

However, after tax earnings declined to Rs 720 million as against a Rs 1.014 billion in the same period last year due to an exceptional increase in Income Tax following the re-introduction of turnover tax in the previous year's budget and the subsequent increase in the rate of tax from 0.5% to 1% in this year's budget.

It is pertinent to note that the Company is now being taxed at an extraordinarily high effective tax rate of 70% due to the recent increase in turnover tax rates. This has significantly increased the cost of doing business for the Company and added further pressure on its bottom line and the robustness of any future investments. The management of the Company is pursuing this matter with relevant fiscal authorities with a view to rationalize the applicable income tax rates.

The Board has declared an interim dividend of Rs 4 per share against the historical norm of Rs 8 per share.

The 50% reduction in shareholder returns is primarily due to the imposition of the increase in turnover tax and the long outstanding government receivables, a situation that is causing serious concerns amongst shareholders. We still have approximately Rs 5 billion outstanding Government Receivables, comprising of Price Differential Claims and Sales Tax / Petroleum Development Levy (PDL) refunds. The sooner these outstandings are settled, the better it would be for all key stakeholders. Your management team is vigorously following up the matter with the concerned Government authorities.

Looking forward to the rest of the year, we see some new challenges on the business front in the aftermath of the crises from the flood damage faced by most parts of the Country. Nonetheless, we are confident that the Country will overcome these challenges and create a more friendly environment for businesses to prosper and in this spirit, we continue to look beyond 2010 positively.

We thank our shareholders, customers and staff for their sustained support in ensuring the continued success of our Company and trusting Shell as their brand of first choice.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

August 17, 2010

Independent Auditors' Report

to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Shell Pakistan Limited** as at June 30, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended June 30, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2010.

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 information 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 information as of and for the half year ended June 30, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our review report, we draw attention to:

- Note 9.4 to the interim financial information. The Company considers the aggregate amount of Rs 1,314,522 thousand, receivable from the Government of Pakistan in respect of price differential on imported motor gasoline as a good debt for reasons given in the note. The ultimate outcome of the matter cannot presently be determined.
- Notes 9.1 and 9.2 to the interim financial information. The Company considers the amount of Rs 1,512,925 thousand and Rs 295,733 thousand due from the Government of Pakistan in respect of petroleum development levy and price differential on imported purchases respectively as current assets. The expected timing of the recoverability of these receivables and its consequential impact on their classification in the balance sheet cannot presently be determined.

A.F. Ferguson & Co.
Chartered Accountants

Karachi: August 25, 2010
Audit engagement partner: Sohail Hasan

Condensed Interim Balance Sheet
as at June 30, 2010

	Note	(Unaudited) June 30, 2010	(Audited) December 31, 2009
		---------- (Rupees `000)	----------
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	6,665,275	7,024,787
Intangibles	6	1,869,809	289,573
Long term investments	7	2,607,947	2,312,806
Long term loans and advances		88,774	101,058
Long term deposits and prepayments		172,844	206,542
Long term debtors		21,931	20,919
Deferred taxation - net		2,112,528	2,334,798
		13,539,108	12,290,483
Current Assets			
Stores and spares		17,612	15,719
Stock-in-trade	8	13,867,726	13,076,718
Trade debts		1,540,641	1,239,213
Loans and advances		67,606	60,283
Trade deposits and short term prepayments		171,118	250,050
Other receivables	9	6,412,971	5,851,644
Cash and bank balances		1,113,923	869,623
		23,191,597	21,363,250
TOTAL ASSETS		36,730,705	33,653,733
EQUITY AND LIABILITIES			
EQUITY			
Share capital		684,880	684,880
Reserves		2,096,050	2,096,050
Unappropriated profit		4,497,685	5,489,673
		7,278,615	8,270,603
LIABILITIES			
Non-Current Liabilities			
Liabilities against assets subject to finance lease		2,652	1,790
Asset retirement obligation		207,025	212,038
		209,677	213,828
Current Liabilities			
Current maturity of liabilities against assets subject to finance lease		23,699	38,808
Trade and other payables		20,129,851	15,970,996
Accrued mark-up		111,700	200,038
Short term running finances utilised under mark-up arrangements - secured		1,350,463	2,453,001
Short term loans - secured		7,000,000	6,000,000
Taxation		626,700	506,459
		29,242,413	25,169,302
TOTAL EQUITY AND LIABILITIES		36,730,705	33,653,733
Contingencies and commitments	10		

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Profit and Loss Account (Unaudited)

for the half year ended June 30, 2010

	Note	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
		(Rupees `000)			
Sales		**102,015,257**	82,002,311	**53,509,344**	44,420,861
Non-fuel retail					
- Sales		**-**	5,356	**-**	-
- Others		**1,255**	6,127	**-**	3,925
Other revenue		**205,671**	229,960	**101,833**	84,360
		102,222,183	82,243,754	**53,611,177**	44,509,146
Less: Sales tax		**12,070,457**	10,287,281	**6,311,299**	5,631,863
Net revenue		**90,151,726**	71,956,473	**47,299,878**	38,877,283
Cost of products sold		**84,422,177**	66,750,311	**44,059,720**	35,805,095
Gross profit		**5,729,549**	5,206,162	**3,240,158**	3,072,188
Distribution expenses		**1,787,802**	1,486,590	**1,106,719**	751,017
Administrative and marketing expenses		**1,952,339**	1,829,737	**887,998**	888,882
		1,989,408	1,889,835	**1,245,441**	1,432,289
Other operating income		**387,206**	156,315	**115,550**	72,743
		2,376,614	2,046,150	**1,360,991**	1,505,032
Other operating expenses		**340,338**	381,543	**241,947**	348,472
Operating profit		**2,036,276**	1,664,607	**1,119,044**	1,156,560
Finance cost		**568,983**	902,273	**305,513**	357,112
		1,467,293	762,334	**813,531**	799,448
Share of profit of associate - net of tax		**295,141**	199,879	**201,865**	119,836
Profit before taxation		**1,762,434**	962,213	**1,015,396**	919,284
Taxation	11	**1,042,224**	(51,749)	**697,223**	279,462
Profit for the period		**720,210**	1,013,962	**318,173**	639,822
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the period		**720,210**	1,013,962	**318,173**	639,822
		Rupees	**Rupees**	**Rupees**	**Rupees**
Earnings per share - basic and diluted		**10.52**	14.80	**4.65**	9.34

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Cash Flow Statement (Unaudited)

for the half year ended June 30, 2010

	Note	Half year ended June 30, 2010	Half year ended June 30, 2009
		(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	**3,380,961**	4,972,522
Finance costs paid		**(554,066)**	(1,184,389)
Taxes paid		**(699,713)**	(94,468)
Long term loans and advances - net		**12,284**	8,001
Long term deposits and prepayments - net		**33,698**	60,561
Mark up received on short term deposits		**17,250**	65,812
Long term debtors - net		**21,449**	15,216
Net cash generated from operating activities		**2,211,863**	3,843,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(148,351)**	(411,796)
Proceeds from disposal of property, plant and equipment		**7,808**	23,340
Net cash used in investing activities		**(140,543)**	(388,456)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,701,666)**	(5,792)
Repayment of liability under finance lease		**(22,816)**	(69,884)
Net cash used in financing activities		**(1,724,482)**	(75,676)
Net increase in cash and cash equivalents		**346,838**	3,379,123
Cash and cash equivalents at beginning of the period		**(5,083,378)**	(7,283,579)
Cash and cash equivalents at end of the period		**(4,736,540)**	(3,904,456)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2010

	Share Capital	Capital reserves - share premium	General revenue reserves	Unappro-priated profit	Total
	(Rupees '000)				
Balance as at January 1, 2009	684,880	1,889,048	207,002	3,474,628	6,255,558
Total comprehensive income for the half year ended June 30, 2009	-	-	-	1,013,962	1,013,962
Balance as at June 30, 2009	684,880	1,889,048	207,002	4,488,590	7,269,520
Interim dividend for the year ended December 31, 2009 at Rs 8 per share	-	-	-	(547,903)	(547,903)
Total comprehensive income for the half year ended December 31, 2009	-	-	-	1,548,986	1,548,986
Balance as at December 31, 2009	684,880	1,889,048	207,002	5,489,673	8,270,603
Final dividend for the year ended December 31, 2009 at Rs 25 per share	**-**	**-**	**-**	**(1,712,198)**	**(1,712,198)**
Total comprehensive income for the half year ended June 30, 2010	**-**	**-**	**-**	**720,210**	**720,210**
Balance as at June 30, 2010	**684,880**	**1,889,048**	**207,002**	**4,497,685**	**7,278,615**

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)

for the half year ended June 30, 2010

1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited (the Company) is a limited liability company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is located at Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

The Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended June 30, 2010 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance.

This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2009.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2009.

3.2 Following new standards and amendments and interpretations to existing standards are mandatory for the financial year beginning on or after January 1, 2010, but are either not currently relevant to the Company or do not have any significant effect on the Company's current financial information:

- IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions';
- IFRS 3 (Revised), 'Business combinations';
- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale';
- IFRS 8 (Amendment), 'Disclosure of information about segment assets';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 27 (Amendment), 'Consolidated and separate financial statements';
- IAS 28 (Amendment), 'Investments in associates';
- IAS 38 (Amendment), 'Intangible assets';
- IFRIC 17 'Distribution of non-cash assets to owners';
- IFRIC 18 'Transfers of assets from customers'; and

- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standard Board's (IASB's) annual improvement project, published in April 2009.

3.3 Following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted by the Company:

- IFRS 9, 'Financial Instruments' (effective from January 1, 2013). IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- IAS 24 (Revised), 'Related party disclosures' (effective from January 1, 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- IAS 32 (Amendment), 'Classification of rights issues' (effective for annual periods beginning on or after February 1, 2010). The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment currently has no effect on the Company's financial statements.

- IFRIC 19 (interpretation), 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after July 1, 2010). The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered any of its shares to its creditors. Therefore, this interpretation has no impact on the Company's financial statements.

- Improvements to International Financial Reporting Standards 2010, issued in May 2010.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to annual audited financial statements for the year ended December 31, 2009, except for the change in depreciation rates as mentioned in note 4.1.

4.1 Change in estimates

Effective from current period, the Company has revised the annual rates of depreciation for certain operating assets as it would result in a more accurate reflection of depreciation charge over the useful lives of the related assets. Such revision is summarized as follows:

Asset category	**Rates - %**	
	Revised	**Previous**
Tanks and pipelines	3-4	4
Lifts	5	6.67
Dispensing pumps	10	6.67
Computers auxiliaries	20-25	33.3
Plant and machinery-leased	10-15	5

The aforementioned change has been accounted for as a change in accounting estimate in accordance with the provisions of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" by adjusting the depreciation charge for current and future periods. Had there been no change in the accounting estimates, the profit after tax for the period would have been higher by Rs 41,384 thousand.

	(Unaudited) June 30, 2010	(Audited) December 31, 2009
	(Rupees `000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	**5,991,572**	6,372,690
Capital work-in-progress - note 5.3	**717,874**	740,908
	6,709,446	7,113,598
Less: Provision for impairment	**44,171**	88,811
	6,665,275	7,024,787
5.1 Additions to operating assets during the period / year were as follows:		
Owned assets		
Buildings on leasehold land	**67,617**	415,766
Tanks and piplines	**2,892**	68,964
Plant and machinery	**-**	18,378
Air conditioning plant	**89**	-
Dispensing pumps	**2,708**	42,418
Rolling stock and vechiles	**10,875**	55,809
Electrical, mechanical and fire fighting equipment	**33,792**	490,105
Funrniture, office equipment and other assets	**50,626**	203,770
Computer auxiliaries	**1,245**	16,656
Leased assets		
Plant and machinery	**-**	4,096
Vehicles	**8,569**	37,237
	178,413	1,353,199

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)

for the half year ended June 30, 2010

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

	Cost	Accumulated depreciation	Net Book Value
	(Rupees `000)		
Owned assets			
Building on leasehold land	15,770	7,973	7,797
Tanks and pipelines	28,543	10,966	17,577
Plant and machinery	1,897	1,892	5
Dispensing pumps	67,354	37,737	29,617
Rolling stock and vehicles	40,008	11,293	28,715
Electrical, mechanical and fire fighting equipment	68,518	37,529	30,989
Furniture, office equipment and other assets	25,391	18,067	7,324
Leased assets			
Plants & machinery	1,597	704	893
Vehicles	7,720	4,846	2,874
	256,798	131,007	125,791
December 31, 2009 (Audited)	2,385,465	2,022,405	363,060

5.3 Capital work-in-progress comprises of:

	(Unaudited) June 30, 2010	(Audited) December 31, 2009
	(Rupees `000)	
Buildings on leasehold land	228,544	253,671
Tanks and pipelines	45,865	38,637
Plant and machinery	1,621	1,620
Air conditioning plant	3,939	4,028
Dispensing pumps	13,844	6,650
Rolling stock and vehicles	27,411	37,238
Electrical, mechanical and fire fighting equipment	303,503	299,233
Furniture, office equipment and other assets	78,638	83,915
Computer auxiliaries	12,505	11,630
Capital stores and spares	2,004	4,286
	717,874	740,908

6. INTANGIBLES

This includes an amount of Rs 1,862,790 thousand (December 31, 2009: Rs 283,295 thousand) incurred by the Company in respect of implementation and deployment of its Enterprise Resource Planning (ERP) system as part of its business transformation and streamline project.

7. LONG TERM INVESTMENTS

This includes investment in an associate "Pak Arab Pipeline Company Limited (PAPCO)", which is carried at carrying value under equity method of accounting amounting to Rs 2,602,947 thousand (December 31, 2009: Rs 2,307,806 thousand) as follows:

	(Unaudited) June 30, 2010	(Audited) December 31, 2009
	(Rupees `000)	
Movement of investment in associate		
Beginning of the period / year	2,307,806	2,013,198
Share of profits	454,063	655,621
Share of taxation	(158,922)	(231,036)
	295,141	424,585
Dividend received	-	(129,977)
End of the period / year	2,602,947	2,307,806

8. STOCK-IN-TRADE

Includes finished product costing Rs 10,263,847 thousand (December 31, 2009: Rs 577,441 thousand) carried at net realizable value amounting to Rs 9,898,413 thousand (December 31, 2009: 564,386 thousand).

9. OTHER RECEIVABLES

Includes receivables aggregating Rs 3,870,670 thousand (December 31, 2009: Rs 3,417,026 thousand) from the Government of Pakistan (GoP) on account of the following:

9.1 Petroleum development levy recoverable amounting to Rs 1,512,925 thousand (December 31, 2009: Rs 1,332,207 thousand) from the Federal Board of Revenue on account of export sales. The Company has not received any settlement against this receivable during the period and is actively pursuing the matter with the Federal Board of Revenue.

9.2 Price differential on imports and the ex-refinery price amounting to Rs 295,733 thousand (December 31, 2009: Rs 295,733 thousand) on direct and retail sales during the period 1990-2002.

9.3 Price differential claims receivable from the GoP amounting to Rs 747,490 thousand (December 31, 2009: Rs 910,958 thousand). From time to time the GoP agrees to subsidise the petroleum prices by restricting the increase in prices of various petroleum products in order to reduce the burden of rising oil prices on the end consumers.

9.4 Price differential claim amounting to Rs 1,314,522 thousand (December 31, 2009: Rs 878,128 thousand) on account of import of motor gasoline by the Company, being the difference between their landed cost and ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other oil marketing companies were asked in a meeting chaired by Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, oil marketing companies approached the Ministry of Petroleum and Natural Resources (MoPNR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Although no response was received from the MoPNR, the Company alongwith another oil marketing company continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

During 2009, oil marketing companies approached the MoPNR requesting an expeditious settlement of these claims. Further, the Company along with other affected oil marketing companies also approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. In December 2009 and March 2010, audits covering the claims for the period October 2007 to September 2009 and October 2009 to December 2009 respectively were completed and the audit reports were forwarded to MoPNR as per their request.

Pending related notification by MoPNR and settlement thereof the Company along with other oil marketing companies and Oil Companies Advisory Committee (OCAC) continues to follow up this matter with MoPNR and is confident of recovering this amount in full. The receivable represents the Company's share of differential claim on shared import cargoes of motor gasoline.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Infrastructure fee

The Sindh Finance Act 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air.

The Company and several others challenged the levy in constitutional petitions before the High Court of Sindh. These petitions were dismissed as, during their pendency, the nature of the levy was changed by the Government of Sindh through an Ordinance. The Company and others therefore filled civil suits in the High Court of Sindh challenging the amending Ordinance. However, these suits were also dismissed in October 2003. All the plaintiffs preferred intra-court appeals against the dismissal. The intra-court appeals were decided by the High Court in September 2008 wherein it was held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to this date. Being aggrieved by the said judgment, both the Company and the Government of Sindh filed separate appeals before the Supreme Court of Pakistan.

The accumulated levy upto December 12, 2006 (held to be invalid by the High Court) amounts to Rs 603,000 thousand and from then onwards upto June 30, 2010 amounts to Rs 968,616 thousand (Total Rs 1,571,616 thousand) (December 31, 2009: Rs 1,432,721 thousand). However, based on the legal advice obtained, no provision has been made in this condensed interim financial information against the levy as the Company's management expects a favourable outcome.

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)
for the half year ended June 30, 2010

10.1.2 PARCO pipeline fill

The MoPNR has made a claim relating to the loan arranged by the Government of Pakistan to the Company to finance the initial fill of the Pak-Arab Refinery Limited (PARCO) Pipeline. MoPNR has calculated the Company's liability by applying the price prevailing on August 11, 2000 to the quantity of fuel supplied at the time of initial fill.

The Company maintains that its liability is limited only to the extent of Rs 78,164 thousand (December 31, 2009: Rs 78,164 thousand) which is based on the price prevailing at the time of the initial fill and has been fully paid in March 2007.

The claim, if calculated on August 11, 2000 price as indicated by MoPNR, would amount to Rs 294,000 thousand. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs 78,164 thousand and consequently no provision has been made for the additional demand raised by MoPNR.

10.1.3 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at June 30, 2010 amount to approximately Rs 1,662,103 thousand (December 31, 2009: Rs 1,777,315 thousand). This includes claims by refineries, amounting to Rs 996,554 thousand (December 31, 2009: Rs 991,566 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

10.2 Commitments

10.2.1 Capital expenditure contracted for but not incurred as at June 30, 2010 amounted to approximately Rs 175,452 thousand (December 31, 2009: Rs 2,372,504 thousand).

10.2.2 Commitments for rentals of assets under operating lease agreements as at June 30, 2010 amounted to Rs 2,437,512 thousand (December 31, 2009: Rs 2,500,559 thousand) payable as follows:

	(Unaudited) June 30, 2010	(Audited) December 31, 2009
	(Rupees `000)	
Not later than one year	150,180	151,042
Later than one year and not later than five years	584,433	581,997
Later than five years	1,702,899	1,767,520
	2,437,512	2,500,559

10.2.3 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Bill 2005. As at June 30, 2010, the value of these cheques amounted to Rs 6,787,151 thousand (December 31, 2009: Rs 9,718,828 thousand). The maturity dates of these cheques extend to January 10, 2011 (December 31, 2009: June 19, 2010).

10.2.4 Letters of credit and bank guarantees outstanding as at June 30, 2010 amount to Rs 6,551,901 thousand (December 31, 2009: Rs 2,851,360 thousand).

	(Unaudited)			
	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Rupees `000)			
11. TAXATION				
Current - note 11.1				
- for the period	819,954	72,608	542,032	37,092
- for prior periods	-	(187,172)	-	(27,172)
Deferred - note 11.1	222,270	62,815	155,191	269,542
	1,042,224	(51,749)	697,223	279,462

11.1 This includes Rs 696,541 thousand (June 30, 2009: Nil) charged in respect of minimum tax @ 1% under section 113 of the Income Tax Ordinance, 2001. The Company however, on prudence, has not recognised the related deferred tax asset in view of the prior year's unutilized tax losses available to be set off against future taxable income.

Further, the Company, along with others in industry, has filed a representation with the Federal Board of Revenue (FBR) for reduction in the minimum tax rate of 1% to the previous rate of 0.5%. The decision of FBR in this regard is pending to date.

	(Unaudited) Half year ended	
	June 30, 2010	June 30, 2009
	(Rupees `000)	
12. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**1,762,434**	962,213
Adjustment for non-cash charges and other items:		
Depreciation / amortisation expense charged to the profit and loss account	**432,376**	361,324
Accretion expense / (reversal) in respect of asset retirement obligation - net	**(5,012)**	21,941
Provision for impairment of trade debts	**23,754**	54,529
Reversal of provision for impairment of trade debts	**(66,081)**	(93,990)
Write offs previously provided	**-**	(36,591)
Property, plant and equipment written-off	**74,110**	-
(Profit) / loss on disposal of property, plant and equipment	**(767)**	54,277
Share of profit of associate	**(295,141)**	(199,879)
Mark-up on short-term deposits	**(20,059)**	(21,790)
Mark-up on short-term running finances and loans	**465,728**	818,968
Provision for stock-in-trade written back	**(11,155)**	-
Working capital changes - note 12.1	**1,020,774**	3,051,520
	3,380,961	4,972,522

12.1 Working capital changes		
Decrease / (increase) in current assets		
Stores and spares	**389**	10,989
Stock-in-trade (net)	**(779,229)**	(349,081)
Trade debts	**(281,563)**	1,448,007
Loans and advances (net)	**(7,323)**	(7,940)
Trade deposits and short-term prepayments (net)	**78,932**	(26,697)
Other receivables (net)	**(558,519)**	1,790,570
	(1,547,313)	2,865,848
Increase in current liabilities		
Trade and other payables (excluding unclaimed dividends)	**2,568,087**	185,672
	1,020,774	3,051,520

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)
for the half year ended June 30, 2010

13. RELATED PARTY TRANSACTIONS

Significant transactions entered by the Company with related parties are as follows:

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2010	Unaudited Half year ended June 30, 2009
		(Rupees `000)	
Associate			
Pak Arab Pipeline Company Ltd.	Pipeline charges	**341,295**	553,376
Contribution to staff retirement benefits	Pension Fund	**40,099**	30,876
	Gratuity Fund	**9,526**	9,107
	Provident Fund	**15,643**	14,448
Key management personnel	Remuneration	**32,484**	23,346
Other related parties	Purchases	**30,506,188**	29,086,418
	Sales	**995,115**	579,974
	Technical service fee charged - note 13.1	**851,952**	714,678
	Trade marks and manifestations license fee charged - note 13.2	**68,617**	102,608
	Computer expenses charged (Global Infrastruture Desktop charges)	**67,237**	35,101
	ERP implementation charges - note 13.3	**1,270,668**	–
	Expenses recovered from related parties - note 13.4	**183,481**	112,440
	Other expenses charged by related parties - note 13.4	**48,721**	23,237
	Legal charges	**38**	554

13.1 Technical services include advice and assistance on the implementation of strategies and in the Company's operations. The costs for these services and the fees have been determined on the basis of agreements between the Company and related Shell Group companies based on an agreed methodology.

13.2 Trade mark and manifestations license fee and Global Infrastructure Desktop charges are based on the agreements entered into by the Company.

13.3 These represent charges in respect of implementation of Company's Enterprise Resource Planning (ERP) system as mentioned in note 6 to this condensed interim financial information.

13.4 Expenses recovered from / charged by related parties are based on actuals.

14. CORRESPONDING FIGURES

14.1 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Company for the year ended December 31, 2009 and the corresponding figures in the condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement comprise of balances of comparable period as per the condensed interim financial information of the Company for the half year ended June 30, 2009.

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)
for the half year ended June 30, 2010

14.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications made during the period are as under:

Description	Head of account of the financial statements for the year ended December 31, 2009	Head of account of the condensed interim financial information for the half year ended June 30, 2010	Rupees '000
Operating fixed assets	Fixed assets	Property, plant & equipment	6,283,879
Capital work-in-progress	Fixed assets	Property, plant & equipment	740,908
Intangibles	Fixed assets	Intangibles	289,573

The effect of other reclassifications is not material.

15. GENERAL

Figures have been rounded off to the nearest thousand.

16. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 17, 2010 has approved an interim cash dividend of Rs 4 per share for the half year ended June 30, 2010 amounting to Rs 273,952 thousand (December 31, 2009: Final cash dividend Rs 25 per share amounting to Rs 1,712,198 thousand). This condensed interim financial information does not reflect the divided payable.

17. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on 17th August 2010 by the Board of Directors of the Company.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Company Information

Board of Directors

Chairman	Mr. Zaiviji Ismail bin Abdullah
	Mr. Zaffar A. Khan
	Mr. Yousuf Ali
	Ms. Shahnaz Wazir Ali
	Mr. Rafi H. Basheer
	Mr. Michael Noll
	Mr. Leon Menezes
	Mr. Imran R. Ibrahim
	Mr. Farrokh K. Captain
	Mr. Chong Keng Cheen
	Mr. Badaruddin F. Vellani

Chief Executive

Managing Director & Chief Executive	Mr. Zaiviji Ismail bin Abdullah

Audit Committee

Chairman	Mr. Badaruddin F. Vellani
	Mr. Imran R. Ibrahim
	Mr. Michael Noll

Country Leadership Team

Chairman	Mr. Zaiviji Ismail bin Abdullah
General Manager External Affairs	Mr. Abid S. Ibrahim
General Manager Distribution	Mr. Amr Ahmed
General Manager Commercial Fuels	Mr. Bilal Virk
Cluster General Manager Retail - Pakistan & Oman	Mr. Gary Fisher
General Manager Human Resources	Mr. Leon Menezes
Finance Director / Chief Financial Officer	Mr. Rafi H. Basheer
General Manager Business Strategy	Mr. Saleem Piracha
Country Programme Manager Downstream-One	Ms. Seema Adil
General Manager Supply	Mr. Shehzad Mohsin
Company Secretary & Head of Legal	Mr. Tariq Saeed
General Manager Lubricants	Mr. Yousuf Ali

Company Secretary

Mr. Tariq Saeed

Registered Office

Shell House,
6, Ch. Khaliquzzaman Road,
Karachi – 75530

Auditors

A. F. Ferguson & Co.

Legal Advisors

Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.,
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Karachi - 74000

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