



POWERING THE FUTURE

SHELL PAKISTAN LIMITED | QUARTERLY REPORT MARCH 2020

COMPANY INFORMATION

BOARD OF DIRECTORS

Rafi H. Basheer (Chairperson)
Haroon Rashid
Parvez Ghias
Nasser N.S. Jaffer
Madiha Khalid
Naz Khan
Klaas Mantel
John King Chong Lo
Waqar Siddiqui
Badaruddin F. Vellani
Faisal Waheed

CHIEF EXECUTIVE

Haroon Rashid

AUDIT COMMITTEE

Naz Khan (Chairperson)
Rafi H. Basheer
Badaruddin F. Vellani

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Parvez Ghias (Chairperson)
Klaas Mantel
Haroon Rashid

COMPANY SECRETARY

Lalarukh Hussain – Shaikh

REGISTERED OFFICE

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

AUDITORS

EY Ford Rhodes

LEGAL ADVISORS

Vellani & Vellani
Advocates & Solicitors

REGISTRAR & SHARE REGISTRATION OFFICE

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

DIRECTOR'S REPORT

FOR THE QUARTER ENDED MARCH 31, 2020

Dear Shareholders,

The Directors of your Company present the unaudited condensed interim financial statements for the quarter ended March 31, 2020.

This quarter has been greatly affected by the impact of the unprecedented coronavirus pandemic. The pandemic led to a global economic downturn resulting in crude oil prices sharply declining from \$66/barrel in January 2020 to only \$22/barrel in March 2020, decreasing by more than 60 per cent, primarily owing to the plunge in the global demand for oil, resulting from many countries observing lockdown measures to curtail the spread of the virus. The oil industry felt the impact of this volatility in the oil prices, which also effected your Company. Shell Pakistan Limited maintains stocks of products in line with the regulatory requirements; this sharp decrease in the oil prices resulted in exceptionally high inventory losses of approximately Rs 2,427 million during the first quarter of 2020, which in turn has significantly impacted our financial performance during this period.

The oil industry also felt the impact of the declining fuels market in Pakistan owing to the nationwide lockdown measures enforced by the Government including countrywide closure of non-essential businesses, factories and public transport. Consequently, the OMCs in Pakistan experienced a reduction in oil sales as Pakistan's Motor Gasoline volumes fell by 10% while High Speed Diesel volumes fell by 29% compared to same quarter last year. This declining trend in volumes also affected your Company and had a significant impact on its financial performance during the first quarter 2020.

Shell Pakistan Limited was also affected by the continued devaluation of the Pakistan Rupee, which devalued against the US dollar by a further 7%. Being part of an import dependent industry where a large percentage of our costs are denominated in foreign currency, this devaluation had an impact on our cost base and, consequently our financial performance. The profit / loss for the quarter ended March 31, 2020, after providing for administrative, marketing and distribution expenses, financial and other charges, was as follows:

Loss before taxation

Taxation

Net Loss for the quarter ended March 31, 2020

Rupees in Million

(4,096)

(236)

(4,332)

Loss per share – basic and diluted

Rupees

(40.49)

Appropriations and movement in reserves have been disclosed in the condensed interim Statement of Changes in Equity on page 9 of these condensed interim financial statements.

Your Company continues to be at the forefront of the industry in Pakistan, in ensuring safe operations across the business. Your Company has continued to advocate for appropriate Transport Safety Standards in Pakistan and has made significant efforts to ensure that Shell Pakistan Limited's fleet is fully compliant with the Oil and Gas Regulatory Authority (OGRA) standards. As a result, Shell Pakistan Limited has made extensive investments towards expansion of its existing best-in-class logistics capabilities which are compliant with OGRA regulations. Your Company also continues its relentless focus on ensuring safety at all its sites by inculcating a culture of safety through ongoing engagements, drills, and workshops with staff, business partners, and industry partners; thereby playing an industry leading role in terms of safety advocacy.

Lubricants

Lubricants continues to deliver value for your Company's overall business. In tough economic times and a declining lubricant market, your Company has managed to deliver exceptional performance in the earlier part of the first quarter 2020 resulting in significant growth in volumes in the premium sector compared to the first quarter last year and increase in premium penetration.

Moreover, during the quarter, Shell Lubricants successfully launched Advance AX Star to penetrate the lower tier Motorcycle Oil market. The Lubricants business has also grown significantly in the Passenger Car Motor Oil (PCMO) sector as compared to last year. On the B2B front, Shell Lubricants has won Diesel Engine oil business with Hutchison Ports, Pakistan Petroleum and KPT.

The COVID crises and countrywide lockdown has severely impacted business in March, however, the business is determined to recoup volume losses in the coming months when the situation in the country settles.

Retail

Your Company continued to make efforts to focus on making life's journeys better for our customers while growing the network and delivering an unparalleled forecourt experience. We took various initiatives to provide the best-in-class customer value proposition and enhance the overall offerings at the retail forecourt thereby ensuring an outstanding customer experience. Your Company is committed to provide a superior energy offerings in the form of our Performance Fuel, Shell V-Power, and has recently launched our Specialist Motor Oils, Shell Helix POWER and Shell Helix PROTECT, co-engineered with Shell V-Power, to retain power and revitalize engines. Your Company further built on its strong foundation of convenience retailing through new and exciting integrated offers and developing alliance partnerships on key sites. We continue to face substantial exposure in a challenging macro-economic environment due to unprecedented currency depreciation, high inflation and volatility in international crude oil prices, but remain focused on driving key strategic priorities and remaining competitive in the market. As a key lynchpin, sharp focus remains on driving safe Retail operations for the benefit of our retailers and customers.

Social Investment

During this global pandemic, everybody has to play their part diligently. Your Company's efforts have been focused on ensuring the health, safety and well-being of our people, customers and community. To ensure the safety and well-being of our country's youth, Shell Tameer's advanced business acceleration program "Tameer se Takmeel" in collaboration with the School of Leadership, has been postponed. A new date will be communicated on the website www.shell.com.pk. The aim of the program is to help build start-ups around Shell Tameer's focus areas of Energy, Technology innovation, Empowering Women and Social Change. The program was launched in Karachi and Lahore and comprised of a 3-day boot camp followed by a Business Plan Challenge that was to conclude at an investor pitching event to attract funding.

Last year, Pakistani teams participating in Shell Eco-marathon 2020 were provided an opportunity to pitch their ideas and strategies to the judging panel for sponsorship by your Company. Shell Eco-marathon is a unique global programme, for science, technology, engineering and maths students to design and build ultra-energy-efficient cars, and then take them out on the track in competition. This quarter the results of the pitch were announced and the top 3 teams, Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), National University of Sciences & Technology (NUST) and National University of Sciences and Technology – Pakistan Navy Engineering College (NUST PNEC) received PKR 650,000 each to invest in their vehicles. SEM Asia 2020 has now been postponed, giving our student teams sufficient time to design winning cars for the next race.

Receivables, financing costs & taxation

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. The Company continues to incur financing costs on bank borrowing required to fund these receivables. However, we appreciate the State Bank of Pakistan's initiative to reduce the interest rates to ease the impact on businesses (the monetary policy announced at the end of March 2020 reduced the policy rate by 225 bps to 11%). As at March 31, 2020, total outstanding receivables stands at Rs. 5,331 million. Your Company's management continues its efforts to proactively and regularly engage with relevant Government authorities for the recovery of receivables, to drive for efficient business, and to ensure our ability to continue to invest in growth opportunities in Pakistan.

The Government of Pakistan, through the Finance Act 2019, increased the minimum tax rate applicable to Oil Marketing Companies by 0.25%. Due to the minimum tax regime, your Company pays Corporate Tax irrespective of the level of profits earned in the period, which unfairly erodes its operating profit with no increase in the regulated margins. This minimum tax on turnover mechanism is punitive in nature for our industry and results in our effective tax rate being well in excess of the standard 29% corporate rate of income tax. We continue our discussions with tax authorities to bring the oil and gas sector in line with allowances and lower rates that are extended to other similarly regulated sectors in Pakistan. We are hopeful for a change in the taxation regime and look forward to early action by the authorities to resolve this major issue.

Going forward

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

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

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

The Directors confirm that:

1. The Board constitutes of 11 members, including the Chief Executive, who is a deemed director. The Board composition as at March 31, 2020 is as follows:

Female Members:

1. Ms. Naz Khan
2. Ms. Madiha Khalid

Male Members:

1. Mr. Rafi H. Basheer
2. Mr. John Lo
3. Mr. Parvez Ghias
4. Mr. Waqar Siddiqui
5. Mr. Haroon Rashid
6. Mr. Nasser N. S. Jaffer
7. Mr. Klaas Mantel
8. Mr. Badaruddin F. Vellani
9. Mr. Faisal Waheed

Independent Directors:

1. Mr. Parvez Ghias
2. Ms. Naz Khan

Non-Executive Directors:

1. Mr. Rafi H. Basheer
2. Mr. Waqar Siddiqui
3. Mr. Nasser N. S. Jaffer
4. Mr. Klaas Mantel
5. Mr. Badaruddin F. Vellani
6. Mr. John Lo

Executive Directors:

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

2. A casual vacancy occurred during the period upon the sad demise of Mr. Farrokh Captain. The casual vacancy was filled by the Board within the prescribed period; and Mr. John Lo was co-opted as a director of the Company.
3. The Board has formed committees comprising of members given below:

A. Audit Committee

- a. Ms. Naz Khan (Chairperson)
- b. Mr. Badaruddin F. Vellani
- c. Mr. Rafi H. Basheer

B. Human Resource & Remuneration Committee

- a. Mr. Parvez Ghias (Chairperson)
- b. Mr. Haroon Rashid
- c. Mr. Klaas Mantel

4. The condensed interim financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
5. Proper books of account of the Company have been maintained.
6. Appropriate accounting policies have been consistently applied in preparation of these financial statements. Accounting estimates are based on reasonable and prudent judgment.
7. International Financial Reporting Standards, as applicable in Pakistan for interim reporting, have been followed in preparation of these condensed interim financial statements and departures, if any, have been adequately disclosed.
8. The system of internal control is sound in design and has been effectively implemented and monitored.
9. There are no significant doubts upon the Company's ability to continue as a going concern.
10. There has been no departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.
11. The Board and Audit Committee met once during the quarter.
12. A reasonable indication of the principle risks and uncertainties as well as the future prospects is discussed in the aforesaid paragraphs.
13. The non-executive/independent directors, other than those occupying executive positions in other Shell Group Companies are paid a fee to attend meetings of the board and its committees.
14. A formal self-evaluation of the Board and its committees' performance was carried out for the year 2019, facilitated by KPMG Taseer Hadi & Co. – Chartered Accountants.
15. Mr. Rafi H. Basheer, Mr. Parvez Ghias, Mr. Nasser N.S. Jaffer, Ms. Naz Khan, Mr. Badaruddin F. Vellani, Mr. Haroon Rashid and Mr. Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG). The Company shall continue to comply with the requirements of the Code of Corporate Governance 2019 to ensure that the required number of directors are duly certified.
16. The Company is a subsidiary of Shell Petroleum Company Limited, London (immediate holding Company) which is a subsidiary of Royal Dutch Shell Plc. (ultimate holding Company) incorporated in the United Kingdom.
17. The figures in the condensed interim financial statements for the quarter ended March 31, 2020 and March 31, 2019 are unaudited.
18. The Board, on the recommendation of the Board Audit Committee, recommended M/S EY Ford Rhodes to be retained as external auditors of the Company for the year ended December 31, 2020.
19. Details of trades in shares of the Company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on page 19.

We thank our shareholders, customers, staff and all other stakeholders for their dedication, sustained support and trust in the Company as we continue our journey in becoming the number one oil marketing company in Pakistan.

On behalf of the Board of Directors

Rafi H. Basheer

Chairperson

Haroon Rashid

Chief Executive

Karachi: May 20, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Unaudited March 31, 2020 ----- (Rupees '000) -----	Audited December 31, 2019 -----
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	13,453,018	13,176,996
Right-of-use assets	6	4,821,561	4,861,724
Intangible asset	7	10,769	11,557
Long-term investments	8	4,879,480	4,631,252
Long-term loans	9	78,021	33,585
Long-term deposits and prepayments		219,820	159,759
Deferred taxation – net		453,252	425,467
		23,915,921	23,300,340
Current Assets			
Stock-in-trade	10	16,626,438	17,413,439
Trade debts		3,751,602	4,544,062
Loans and advances	11	102,704	131,099
Short-term prepayments		598,226	544,129
Other receivables	12	8,412,704	7,922,392
Cash and bank balances		2,591,083	2,319,546
		32,082,757	32,874,667
TOTAL ASSETS		55,998,678	56,175,007
EQUITY AND LIABILITIES			
Equity			
Share capital		1,070,125	1,070,125
Share premium		1,503,803	1,503,803
General reserves		207,002	207,002
Unappropriated (loss)/profit		(2,337,186)	1,995,276
Remeasurement of post-employment benefits - actuarial loss		(485,073)	(485,073)
Total equity		(41,329)	4,291,133
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		140,378	138,322
Long-term lease liabilities		3,690,909	3,718,614
Long-term borrowing	13	600,000	-
Provision for postretirement medical benefits		173,067	173,067
		4,604,354	4,030,003
Current Liabilities			
Trade and other payables	14	38,359,122	38,401,649
Unclaimed dividend		164,316	165,094
Unpaid dividend		153,615	154,623
Accrued mark-up		17,302	11,747
Short term borrowings		11,563,530	8,154,343
Taxation – net		667,374	559,652
Current portion of long-term lease liabilities		510,394	406,763
		51,435,653	47,853,871
Contingencies and commitments	15		
TOTAL EQUITY AND LIABILITIES		55,998,678	56,175,007

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Naz Khan
Director

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

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Quarter ended	
		March 31, 2020	March 31, 2019
		----- Rupees in 000's -----	
Sales		49,309,716	53,283,294
Other revenue		104,724	236,835
		49,414,440	53,520,129
Sales tax		(7,504,663)	(7,939,819)
Net revenue		41,909,777	45,580,310
Cost of products sold		(41,163,967)	(42,460,043)
Gross profit		745,810	3,120,267
Distribution and marketing expenses		(1,747,045)	(1,606,267)
Administrative expenses		(1,315,789)	(764,246)
		(2,317,024)	749,754
Other expenses	16	(1,667,284)	(400,000)
		(3,984,308)	349,754
Other income		72,784	279,818
Operating (loss) / profit		(3,911,524)	629,572
Finance costs	17	(432,451)	(330,508)
		(4,343,975)	299,064
Share of profit of associate - net of tax	8	248,228	215,496
(Loss) / Profit before taxation		(4,095,747)	514,560
Taxation	18	(236,715)	(257,666)
Net (loss) / profit for the period		(4,332,462)	256,894
Other comprehensive income		-	-
Total comprehensive (loss) / profit for the period		(4,332,462)	256,894
		----- Rupees -----	
(Loss) / Earnings per share - basic and diluted		(40.49)	2.40

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Naz Khan
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Quarter ended	
		March 31, 2020	March 31, 2019
		----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	19	(2,467,426)	2,427,336
Finance costs paid		(282,637)	(226,897)
Income tax paid		(156,778)	(56,687)
Long-term loans		(44,436)	3,416
Long-term deposits and prepayments		(60,061)	(61,520)
Net cash (utilized in) / generated from operating activities		(3,011,338)	2,085,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(571,457)	(513,018)
Interest received on short-term deposits / saving accounts		6,246	8,651
Net cash utilized in investing activities		(565,211)	(504,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		600,000	-
Lease rentals paid		(159,315)	(90,914)
Dividends paid		(1,786)	-
Net cash generated from / (utilized in) financing activities		438,899	(90,914)
Net (decrease) / increase in cash and cash equivalents		(3,137,650)	1,490,367
Cash and cash equivalents at the beginning of the period		(5,834,797)	(6,079,565)
Cash and cash equivalents at the end of the period		(8,972,447)	(4,589,198)
Cash and cash equivalents comprise of:			
Cash and bank balances		2,591,083	3,950,802
Short term borrowings		(11,563,530)	(8,540,000)
		(8,972,447)	(4,589,198)

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Naz Khan
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	Capital reserve		Revenue reserve			Total
	Share capital	Share premium	General reserve	Unappropriated (loss) / profit	Actuarial loss on post-employment benefits	
	----- (Rupees '000) -----					
Balance as at December 31, 2018 (Audited)	1,070,125	1,503,803	207,002	4,068,450	(496,058)	6,353,322
Adjustment on initial application of IFRS 9 – net of tax	-	-	-	(587,407)	-	(587,407)
Balance as at January 01, 2019 (Adjusted)	1,070,125	1,503,803	207,002	3,481,043	(496,058)	5,765,915
Total comprehensive income for the quarter ended March 31, 2019	-	-	-	256,894	-	256,894
Balance as at March 31, 2019 (Unaudited)	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>3,737,937</u>	<u>(496,058)</u>	<u>6,022,809</u>
Balance as at December 31, 2019 (Audited)	1,070,125	1,503,803	207,002	1,995,276	(485,073)	4,291,133
Total comprehensive loss for the quarter ended March 31, 2020	-	-	-	(4,332,462)	-	(4,332,462)
Balance as at March 31, 2020 (Unaudited)	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>(2,337,186)</u>	<u>(485,073)</u>	<u>(41,329)</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Naz Khan
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

1. THE COMPANY AND ITS OPERATIONS

1.1 Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of Shell Petroleum Company Limited, United Kingdom (immediate parent) which is a subsidiary of Royal Dutch Shell Plc. (ultimate parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliqzaman Road, Karachi-75530, Pakistan.

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

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; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements of the Company for the quarter ended March 31, 2020 are unaudited.

2.2 These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.

2.3 These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017 and Pakistan Stock Exchange Regulations.

3. ACCOUNTING POLICIES

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

3.2 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.

3.3 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 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. 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. However, actual results may differ from these 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, 2019, except as disclosed otherwise.

5. PROPERTY, PLANT AND EQUIPMENT	Note	Unaudited	Audited
		March 31, 2020	December 31, 2019
		------(Rupees '000) -----	
Operating assets - at net book value	5.1 & 5.2	10,555,817	10,502,075
Provision for impairment		(353,987)	(355,392)
		10,201,830	10,146,683
Capital work-in-progress	5.3	3,251,188	3,030,313
		13,453,018	13,176,996

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

	Unaudited	
	Quarter ended	March 31, 2019
	March 31, 2020	March 31, 2019
------(Rupees '000) -----		
Leasehold land	6,459	14,944
Buildings on freehold land	105	81
Buildings on leasehold land	42,162	51,392
Tanks and pipelines	10,233	33,501
Plant and machinery	22,977	37,415
Air conditioning plant	61	-
Lifts	4,555	2,356
Dispensing pumps	10,637	40,854
Computer auxiliaries	58,108	121
Rolling stock and vehicles	67,577	2,259
Electrical, mechanical and firefighting equipment	38,942	261,407
Furniture, office equipment and other assets	88,767	52,216
	350,583	496,546

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

	Cost	Accumulated depreciation	Net book value
	------(Rupees '000) -----		
March 31, 2020 (Unaudited)			
Rolling stock and vehicles	7,984	7,984	-
	7,984	7,984	-
March 31, 2019 (Unaudited)	-	-	-

5.3 Capital work-in-progress	Note	Unaudited	Audited
		March 31, 2020	December 31, 2019
		------(Rupees '000) -----	
Buildings on leasehold land		1,546,605	1,440,440
Tanks and pipelines		229,301	164,655
Plant and machinery		1,375,251	1,363,171
Electrical, mechanical and fire-fighting equipment		60,140	56,965
Furniture, office equipment and other assets		1,210	1,212
Rolling stock and vehicles		38,614	3,803
Computer auxiliaries		67	67
	5.3.1	3,251,188	3,030,313

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 503,879 thousand (March 31, 2019: Rs. 513,018 thousand).

		Unaudited March 31, 2020	Audited December 31, 2019
	Note	------(Rupees '000) -----	
6. RIGHT-OF-USE ASSETS			
Opening net book value		4,861,724	3,575,736
Additions		128,058	1,836,278
Depreciation charge for the period / year		(168,221)	(550,290)
Closing net book value	6.1	<u>4,821,561</u>	<u>4,861,724</u>

6.1 The right-of-use assets comprise of lands and office premises acquired on lease by the Company for its operations.

7. INTANGIBLE ASSET

Includes intangible assets at a cost of Rs.1,912,571 thousand incurred by the Company in respect of implementation and deployment of its Enterprise Resource Planning (ERP) system as part of its business process transformation and streamline project. The Company's ERP was fully amortized during the year ended 31 December 2015; however, it is still in active use.

8. LONG-TERM INVESTMENTS

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 March 31, 2020	Audited December 31, 2019
	------(Rupees '000) -----	
Balance at the beginning of the period / year	4,626,252	4,431,561
Impact of initial application of IFRS 9 - net of tax	-	(142,458)
	<u>4,626,252</u>	<u>4,289,103</u>
Share of profit before taxation	351,749	1,399,235
Share of taxation	(103,521)	(448,429)
	248,228	950,806
Dividend received	-	(613,657)
Balance at the end of the period / year	<u>4,874,480</u>	<u>4,626,252</u>

9. LONG-TERM LOANS

Includes amount due from loans to executive directors amounting to Rs. 4,221 thousand (December 31, 2019: Rs. 6,890 thousand).

		Unaudited March 31, 2020	Audited December 31, 2019
	Note	----- (Rupees '000) -----	
10. STOCK-IN-TRADE			
Raw and packing materials		1,468,181	1,204,911
Provision for obsolete and slow-moving stock	10.2	(35,954)	(30,910)
		<u>1,432,227</u>	<u>1,174,001</u>
Finished products	10.1	15,439,909	16,481,908
Provision for obsolete and slow-moving stock	10.2	(245,698)	(242,470)
		<u>15,194,211</u>	<u>16,239,438</u>
		<u>16,626,438</u>	<u>17,413,439</u>

10.1 Includes items costing Rs. 15,105,275 thousand (December 31, 2019: Rs. Nil) which have been valued at their net realizable value of Rs. 13,767,991 thousand (December 31, 2019: Rs. Nil).

	Unaudited March 31, 2020	Audited December 31, 2019
	------(Rupees '000) -----	
10.2 Provision for impairment is as follows:		
Balance at the beginning of the period / year	273,380	172,707
Provision made during the period / year	69,084	161,703
Reversals during the period / year	(60,812)	(61,030)
	8,272	100,673
Balance at end of the period / year	281,652	273,380

11. LOANS AND ADVANCES

Includes amount due from loan to executive directors amounting to Rs. 10,673 thousand (December 31, 2019: Rs. 10,673 thousand).

		Unaudited March 31, 2020	Audited December 31, 2019
		------(Rupees '000) -----	
12. OTHER RECEIVABLES	Note		
Petroleum development levy and other duties	12.1	1,380,029	1,380,029
Price differential claims			
- on imported purchases	12.2	295,733	295,733
- on high speed diesel (HSD)	12.3	343,584	343,584
- on imported motor gasoline	12.4	1,961,211	1,961,211
Customs duty receivable	12.5	44,413	44,413
Sales tax refundable	12.6	578,570	-
Inland freight equalisation mechanism		557,352	447,295
Receivable from related parties	12.7	844,489	924,666
Service cost receivable from PAPCO – an associated company		12,750	11,346
Workers' profits participation fund		15,185	15,185
Staff retirement benefit schemes		89,440	-
Receivable from Oil Marketing Companies		1,741,852	1,944,059
Taxes recoverable	12.8	1,020,214	1,020,214
Margin held against letter of credit		32,279	59,076
Others		488,275	468,253
		9,405,376	8,915,064
Provision for impairment		(992,672)	(992,672)
		8,412,704	7,922,392

12.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (2019: Rs. 1,369,560 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales from June 2007. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, refund cheques against which were received in 2014. During 2015, verification exercise of claims amounting to Rs. 182,004 thousand was completed by the authorities, however, the payment has not been released yet. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs. 851,330 thousand. However, the same has not yet been sanctioned by the FBR as of the date of statement of financial position. Furthermore, the remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by the FBR.

12.2 Represents amount receivable from GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.

12.3 Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidise petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers. The Company is actively following up the matter with GoP and is confident of recovering the amount in full.

12.4 Represents the Company's share of price differential claims on account of import of motor gasoline by the Company, being the difference between the landed cost and ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other Oil Marketing Companies (OMCs) were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs approached the Ministry of Petroleum and Natural Resources (MoPNR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Despite no response from the MoPNR, the Company along with another OMC continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

In 2009, the Company along with other OMCs approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 02, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs. 2,411,661 thousand. Subsequently, the Company received an amount of Rs. 454,000 thousand from GoP on account of these claims. The remaining claims amounting to Rs. 1,957,661 thousand are still outstanding as on the statement of financial position date.

The Company along with other OMCs and Oil Companies Advisory Council (OCAC) continues to follow up this matter with MoPNR and is confident of recovering the amounts in full.

12.5 This includes receivable in respect of increase in rate of customs duty effective June 25, 2016, imposed by the MoF through Finance Act, 2016 dated June 24, 2016, on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the OMCs are required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. However, impact of increase in rate of customs duty was not incorporated in the price notification issued by OGRA for July 2016 which resulted in a receivable balance on customs duty to be recovered from the GoP. The Company has taken up this matter with OCAC to demand recovery of the aforesaid balance from the GoP and expects to receive the amount in due course.

12.6 Includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 642,996 thousand respectively. In 2017, the tax authorities completed verification of refunds amounting to Rs. 440,378 thousand which have been received. For the remaining refund claims, the Company is actively pursuing for their recovery.

12.7 Includes net receivable on account of recoveries from customers by Shell Aviation Limited on behalf of the Company.

12.8 In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of Appellate Tribunal Inland Revenue (ATIR), completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs. 425,514 thousand. The demand primarily relates to disallowance of a pricing component paid to Shell International Trading Middle East (SITME) on imports of high-speed diesel while treating the same as payment to non-resident on which the Company failed to deduct tax under section 152 of the Income Tax Ordinance, 2001. The Company in response to the aforementioned order deposited an amount of Rs. 301,167 thousand while an amount of Rs. 111,785 thousand was adjusted against sales tax refund. In addition, a rectification application was also filed for correction of certain mistakes apparent in the order which has been accepted and given effect. The Company also filed an appeal against the aforementioned order before CIR (Appeals) which in its order dated February 02, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome of appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

13. LONG-TERM BORROWING	Note	Unaudited March 31, 2020	Audited December 31, 2019
		----- (Rupees '000) -----	
Long-term loan	13.1	600,000	-
Less: Current portion of long-term loan		-	-
		<u>600,000</u>	<u>-</u>

13.1 Represents long-term loan obtained during the period against a total facility of Rs. 4,000,000 thousand (2019: Nil) from a commercial bank at an interest rate of 3 months KIBOR + 0.05% repayable over a period of 5 years. The loan is secured by hypothecation of the company's present and future current assets.

14. TRADE AND OTHER PAYABLES	Note	Unaudited March 31, 2020	Audited December 31, 2019
		------(Rupees '000) -----	
Creditors	14.1	28,258,198	26,281,704
Accrued liabilities	14.2	8,697,275	10,281,935
Security deposits		381,045	396,442
Advances received from customers (contract liabilities)		588,088	543,942
Provision for staff retirement benefit schemes		-	20,878
Workers' Welfare Fund		335,361	335,361
Provision for staff redundancy plan		28,392	19,972
Sales tax payable	12.6	-	319,330
Other liabilities		70,763	202,085
		<u>38,359,122</u>	<u>38,401,649</u>

14.1 Includes amounts due to associated companies aggregating to Rs. 24,030,569 thousand (December 31, 2019: Rs. 19,550,664 thousand).

14.2 Includes Rs. 1,614,576 thousand (December 31, 2019: Rs. 2,684,345 thousand) accrued in respect of associated companies.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 22.1 to the annual audited financial statements for the year ended December 31, 2019 except for the contingencies disclosed in notes 21.1.1 and 21.1.3.4 of that financial statements which have been updated as follows:

15.1.1 Infrastructure fee

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

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

15.1.2 Taxation

During the period, the tax officer has issued show cause notice to the company for verification of data in line with directions of Commissioner Appeals.

15.2 Commitments

15.2.1 Capital expenditure contracted for but not incurred as at March 31, 2020 amounted to approximately Rs. 1,673,081 thousand (December 31, 2019: Rs. 2,750,744 thousand).

15.2.2 Post-dated cheques have been deposited with the Collector of Customs Karachi and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at March 31, 2020, the value of these cheques amounted to Rs. 16,967,230 thousand (December 31, 2019: Rs. 14,203,008 thousand). The maturity dates of these cheques extend to October 01, 2020.

15.2.3 Letters of credit and bank guarantees outstanding as at March 31, 2020 amount to Rs. 10,708,605 thousand (December 31, 2019: Rs. 11,448,257 thousand).

16. OTHER EXPENSES

Includes exchange loss amounting to Rs. 1,619,346 thousand (March 31, 2019: Rs. 327,637 thousand).

17. FINANCE COSTS

Includes mark-up on short term borrowings amounting to Rs. 288,192 thousand (March 31, 2019: Rs. 240,177 thousand) and interest on lease liabilities amounting to Rs. 107,183 thousand (March 31, 2019: Rs. 43,020 thousand).

18. TAXATION	Note	Unaudited	Unaudited
		March 31, 2020	March 31, 2019
		------(Rupees '000) -----	
Current			
– for the period		264,500	159,650
– for prior year		-	-
		264,500	159,650
Deferred		(27,785)	98,016
		236,715	257,666

19. CASH GENERATED FROM OPERATIONS

(Loss) / Profit before taxation		(4,095,747)	514,560
Adjustment for non-cash charges and other items:			
Depreciation on operating assets & Amortization charge		297,628	256,007
Depreciation on right-of-use assets		168,221	85,226
Accretion expense in respect of asset retirement obligation		2,056	1,956
(Reversal) / Provision for impairment of stock-in-trade – net		8,272	(8,832)
Provision / (Reversal) for impairment of trade debts		44,514	(78,511)
Reversal of provision for impairment of operating assets		(1,405)	(1,741)
Share of profit of associate – net of tax		(248,228)	(215,496)
Interest on short-term deposits		(6,246)	(8,651)
Mark-up on short term borrowings		288,192	240,177
Interest on lease liability		107,183	43,020
Working capital changes	19.1	968,134	1,599,621
		(2,467,426)	2,427,336

19.1 Working capital changes

(Increase) / decrease in current assets

Stock-in-trade		778,729	(6,100,576)
Trade debts		747,946	(543,048)
Loans and advances		28,395	2,222
Short-term prepayments		(54,097)	(25,270)
Other receivables		(490,312)	1,884,102
		1,010,661	(4,782,570)

Increase in current liabilities

Trade and other payables		(42,527)	6,382,191
		968,134	1,599,621

20. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	Unaudited Quarter ended	
			March 31, 2020 ----- (Rupees '000) -----	March 31, 2019
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		68,721	44,846
	Others		6,452	6,415
Employees' retirement funds				
Pension funds	Contribution		47,492	36,978
Gratuity funds	Contribution		87,290	579
Provident funds	Contribution		20,056	20,022
Key management Personnel				
	Salaries and other short term employee benefits	20.1	23,541	29,042
	Post-employment benefits		2,099	1,857
Directors				
	Fee for attending meetings		1,073	1,073
Other related parties				
	Purchases		27,227,655	26,753,795
	Sales		78,418	16,157
	Collection for sales made in Pakistan to customers of the parent and its associates		446,424	593,691
	Technical service fee Charged	20.2	604,115	589,052
	Trademarks and manifestations license fee charged		165,144	109,908
	Computer expenses charged (Global Infrastructure Desktop charges)	20.3	5,993	121,688
	Expenses recovered from related parties		37,298	139,060
	Other expenses charged by related parties	20.4	143,752	118,143
	Donations		600	-
	Legal charges		19	-
	Commission income - net		1,966	1,408

20.1 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.

20.2 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.

20.3 Global Infrastructure Desktop charges are based on the agreement entered into by the Company with Shell Group Company.

20.4 These includes services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

21. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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

22. FAIR VALUES OF ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities are estimated to approximate their fair values. There were no transfers amongst levels during the period.

23. OPERATING SEGMENTS

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

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

Total sales of the Company relating to customers in Pakistan were 100% during the period ended March 31, 2020 (March 31, 2019: 100%).

All non-current assets of the Company as at March 31, 2020 and 2019 are located in Pakistan.

Sales to twenty major customers of the Company are around 14% during the quarter ended March 31, 2020 (March 31, 2019: 13%).

24. GENERAL

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

24.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

25. DATE OF AUTHORIZATION

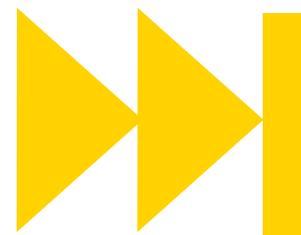
These condensed interim financial statements were authorized for issue on May 20, 2020 by the Board of Directors of the Company.

Trade in shares of the Company by Directors / Executives

Quarter ended March 31, 2020

Name	Category	Date of Transaction	Number of Shares	Price per Shares (Rs.)	Nature of Transaction
Usman Khalid	Executive	March 09, 2020	500	Rs. 156/-	Bought

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