

Innovation in Energy

Quarterly Report
March 2024



This page is blank intentionally

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
Zain K. Hak
Waqar I. Siddiqui

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

Report of Directors

For the quarter ended March 31, 2024

Dear Shareholders,

The Directors of the Company present the unaudited condensed interim financial statements for the quarter ended March 31, 2024.

The profit for the period ended March 31, 2024, after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Profit before taxation	941
Taxation	(627)
Net Profit for the period ended March 31, 2024	314
	Rupees
Profit per share – basic and diluted	1.47

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 8 of these financial statements.

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

On October 31, 2023, SPCo informed the Company that it had entered into a Share Purchase Agreement with Wafi Energy LLC (the Acquirer) for the sale of its entire shareholding in the Company, which is currently under progress. On April 4, 2024, an Addendum to the above was posted on PSX to reflect a change in the capital ownership structure of the Acquirer, where Wafi Energy Holding Limited replaced Wafi Energy LLC as 'Acquirer'.

The completion of the transaction is subject to requisite regulatory approvals, completion of legal requirements and satisfaction of other closing formalities.

Macro-economic challenges

The period saw relatively stable conditions from a macroeconomic perspective. The industry experienced slight recovery in Rupee against the US Dollar and inflation, though high, remained stable. However, due to continued economic challenges, slowdown in economic activity and reduced fuel demand continued in the first quarter of 2024. Despite these challenges, the Company increased its market share through operational excellence and achieved a profit after tax of Rs. 314 million for the period as compared to a loss after tax of Rs. 4,762 million same period last year.

The Company continues to bear the responsibility of overdue legacy receivables of PKR 4,490 million from the Government of Pakistan. The Company's management persists to proactively engage with the Government authorities for recovery of legacy receivables and lower industry's exposure from foreign exchange fluctuations. The industry is conferring with relevant Government authorities to reassess industry margins to account for economic impacts.

The Company wishes to draw immediate attention to the influx of 4000 MT of smuggled fuel daily into Pakistan as also confirmed by the Oil and Gas Regulatory Authority, which poses a severe threat to the

oil industry and jeopardizes the stability of government revenue streams by approximately \$35.6 million per month.

This illicit trade has disrupted the entire supply chain of petroleum products, adversely affecting the profitability of OMCs, refinery health, and White Oil Pipeline operations; thereby resulting in the oil industry losing business and the government losing revenue from petroleum levy, and other duties and taxes.

The industry, via the Oil Companies Advisory Council, recommends that the following actions be implemented, without delay:

1. Implement robust enforcement measures to control the expansion of illicit sector (border control).
2. Conduct well-coordinated, regular nationwide crackdowns in collaboration with federal and provincial authorities.
3. Declare smuggling a grave crime, categorized as a punishable offence by proposing legislation for corporal punishment to deter smuggling.
4. Shut down illegal petrol pumps immediately and take punitive action against them.
5. Launch comprehensive anti-smuggling campaigns to raise public awareness and support.

Lubricants

Shell Lubricants maintains market share despite industry challenges by focusing on key principles: consistent innovations through new product offerings, continual customer initiatives and market penetration strategies.

Recent initiatives include the launch of Advance Blue, the first semi-synthetic product in the 20W40 category, accompanied by a campaign featuring Shell Advance brand ambassador Fahad Mustafa. The Company launched "HAMRAH" to celebrate mechanics' work, bringing over sixty individuals from across Pakistan to Karachi for health camps, technical sessions, and a visit to Shell's Lubricants Oil Blending Plant. Shell Helix introduced a unique "Har Seal pe Deal" consumer promotion, offering mobile balances and gold coins with its premium portfolio to enhance consumer engagement.

In the B2B sector, Shell introduced Shell Lubricant Solutions, providing end-to-end B2B lubricant services rooted in technical expertise and business collaboration to unlock potential and drive sustainable growth, under the tagline "potential-in-motion."

Mobility (formerly Retail)

The Mobility business continued its focus on enhancing offers for customers and providing superior customer experience. Emphasizing Shell's core promises to customers: right quantity, right quality and exceptional service, the campaign "Mayaar, Miqdaar aur Hamara Pyaar" was launched. Over 500 stations across Pakistan carry this brand promise, solidifying customer trust, offering quantity checks anytime.

Mobility continues to grow its network with 5 new sites commissioned in Q1 and refreshed 13 sites, including 3 Knock Down Rebuilds (KDR). Additionally, the Company added 13 non-fuel retail facilities across the network.

The Convenience Retail Portfolio achieved strong double-digit revenue growth, with the Quick Commerce channel experiencing remarkable 2x growth in sales through footprint expansion and operational excellence. The flagship Ramadan campaign, "Fast, Feast, and Refuel," rewarded Shell Select customers with Shell V-Power fuel.

To enhance site operations excellence, business implemented rigorous Service Champion and Retailer training initiatives. These efforts included the launch of a comprehensive Site Ownership Training Model (SOTM) and innovative Retailer and Site Manager onboarding programs. These programs represent pioneering industry initiatives designed to systematically train and empower new partners, ensuring they are equipped with the skills and knowledge needed for success in their roles.

Environmental, Social and Governance

In collaboration with Layton Rahmatulla Benevolent Trust (LRBT), the Company organised an eye camp for mechanics, to provide free eye screening to ensure healthy eyesight and contribute to the well-being of our communities. Mechanics are an important part of our lubricants partner community. The eye tests, conducted by a team of ophthalmologists from LRBT, also included dispensing medicine for eye ailments. Patients requiring further treatment were referred to the nearest LRBT hospital, where additional free treatment was provided.

The Tameer program is steadfast in its support of the entrepreneurial ecosystem in Pakistan. The team trained around 280 young entrepreneurs from eight institutes across Karachi, Hyderabad, Islamabad, and Peshawar on modules of business model canvas and entrepreneurship. In addition, entrepreneurs were given opportunities to explore sustainable value chain integration with Shell Pakistan through smart waste management solutions.

To commemorate International Women's Day 2024, Shell Pakistan women leaders engaged and interacted with students at the Institute of Business Management. Exploring the theme 'Inspire Inclusion' the senior leaders shared their insights and personal experience on navigating careers, resilience and understanding the professional landscape in country.

Going Forward

The macroeconomic environment remains a daunting challenge for the energy industry and the Company in near term. Global oil prices have steadily increased in recent weeks, spurred by concerns over supplies and geopolitical reasons. Uncertainty surrounding future demand for oil continues to weigh on prices. Moreover, there are lingering concerns about the pace and extent of the economic recovery.

Despite the hardships, the management and the Board of Directors remain steadfast in ensuring that the Company's financial position is strong, a Goal-Zero approach in safety performance is maintained and that the company continues to play a responsible role in society. The Company aims to be a trusted and innovative partner, collaboratively building a sustainable energy future for Pakistan.

Composition of Board

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

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

On behalf of the Board of Directors



Zain K. Hak
Chairperson



Waqar I. Siddiqui
Chief Executive

Karachi: April 25, 2024

Condensed Interim Statement of Financial Position

As at March 31, 2024

	Note	Unaudited March 31, 2024 ———— (Rupees '000) ————	Audited December 31, 2023 ————
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	23,218,667	23,143,446
Right-of-use assets		6,744,451	6,696,781
Intangible assets		-	-
Long-term investments	6	6,208,312	5,680,940
Long-term loans		72,957	30,653
Long-term deposits and prepayments		313,237	255,871
Deferred taxation		415,706	558,665
		36,973,330	36,366,356
Current Assets			
Stock-in-trade	7	48,173,668	48,051,486
Trade debts		7,659,511	6,491,679
Loans and advances		81,264	76,836
Short-term deposits and prepayments		309,062	573,899
Other receivables	8	5,883,989	7,081,188
Taxation - net		897,156	1,154,999
Bank balances		16,518,709	6,552,223
		79,523,359	69,982,310
TOTAL ASSETS		116,496,689	106,348,666
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,140,246	2,140,246
Share premium		11,991,012	11,991,012
General reserves		207,002	207,002
Unappropriated profit		6,087,552	5,773,614
Remeasurement of post-employment benefits - actuarial loss		(369,884)	(369,884)
Unrealized loss on remeasurement of equity investment classified as fair value through other comprehensive income	6.2	(5,000)	(5,000)
Total equity		20,050,928	19,736,990
Liabilities			
Non-Current Liabilities			
Asset retirement obligation		369,229	361,826
Long-term provisions		2,790,571	2,790,571
Long-term lease liabilities		6,578,994	6,564,770
Provision for post-retirement medical benefits		213,190	213,190
		9,951,984	9,930,357
Current Liabilities			
Trade and other payables	10	83,021,651	71,898,733
Advances received from customers (contract liabilities)		621,480	1,857,237
Unpaid dividend		1,332,150	1,340,138
Unclaimed dividend		238,712	238,848
Accrued mark-up		-	1,552
Taxation - net		-	-
Current portion of asset retirement obligation		45,361	45,361
Current portion of long term provisions		668,144	733,171
Current portion of long-term lease liabilities		566,279	566,279
		86,493,777	76,681,319
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		116,496,689	106,348,666

The annexed notes 1 to 19 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 quarter ended March 31, 2024

	Note	Quarter ended	
		March 31, 2024	March 31, 2023
Sales		109,034,165	110,419,663
Other revenue		240,443	382,419
		109,274,608	110,802,082
Sales tax		(1,884,057)	(2,168,910)
Net revenue		107,390,551	108,633,172
Cost of products sold		(100,908,462)	(96,434,927)
Gross profit		6,482,089	12,198,245
Distribution and marketing expenses		(2,969,979)	(2,679,154)
Administrative expenses		(3,167,650)	(2,308,034)
Other expenses		(93,445)	(11,136,410)
Other income		693,479	476,378
Operating profit / (loss)		944,494	(3,448,975)
Finance costs		(531,038)	(737,767)
		413,456	(4,186,742)
Share of profit of associate - net of tax	6.1	527,372	112,874
Profit / (loss) before taxation		940,828	(4,073,868)
Taxation	12	(626,890)	(688,008)
Net profit / (loss) for the period		313,938	(4,761,876)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		313,938	(4,761,876)
		(Rupees '000)	
Earnings / (Loss) per share - basic and diluted		1.47	(22.25)

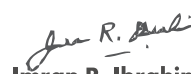
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended March 31, 2024

	Capital reserve		Revenue reserve				Total
	Share capital	Share premium	General reserves	Accumulated (loss) / Unappropriated profit	Actuarial loss on post-employment benefits	Unrealised (loss) on revaluation of investments	
(Rupees '000)							
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 loss for the period	-	-	-	(4,761,876)	-	-	(4,761,876)
Other comprehensive income for the period	-	-	-	(4,761,876)	-	-	(4,761,876)
Balance as at March 31, 2023 (Unaudited)	2,140,246	11,991,012	207,002	(3,954,775)	(543,266)	(5,000)	9,835,219
Balance as at December 31, 2023 (Audited)	2,140,246	11,991,012	207,002	5,773,614	(369,884)	(5,000)	19,736,990
Net profit for the period	-	-	-	313,938	-	-	313,938
Other comprehensive income for the period	-	-	-	313,938	-	-	313,938
Balance as at March 31, 2024 (Unaudited)	2,140,246	11,991,012	207,002	6,087,552	(369,884)	(5,000)	20,050,928

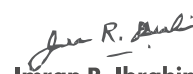
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Condensed Interim Statement of Cash Flows (Unaudited)

For the quarter ended March 31, 2024

	Note	Quarter ended	
		March 31, 2024	March 31, 2023
		— (Rupees '000) —	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	11,208,442	714,117
Finance costs paid		(1,552)	(7,176)
Interest portion of lease liabilities paid		(141,724)	(107,731)
Income tax paid		(226,088)	(531,381)
Long-term loans		(42,304)	2,515
Long-term deposits and prepayments		(57,366)	(6,800)
Net cash generated from operating activities		10,739,408	63,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(675,185)	(845,094)
Proceeds from disposal of property, plant and equipment		2,736	-
Interest received on short-term deposits and saving accounts		238,368	419,879
Net cash used in investing activities		(434,081)	(425,215)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liabilities paid		(330,717)	(251,392)
Dividends paid		(8,124)	-
Net cash used in financing activities		(338,841)	(251,392)
Net increase / (decrease) in cash and cash equivalents		9,966,486	(613,064)
Cash and cash equivalents at the beginning of the period		6,552,223	10,801,097
Cash and cash equivalents at the end of the period		16,518,709	10,188,033

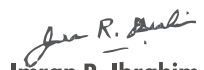
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended March 31, 2024

1 THE COMPANY AND ITS OPERATIONS

1.1 Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan on June 28, 1969 under the repealed Companies Act, VII of 1913 (now Companies Act, 2017 (the Act)) 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 (formerly known as Royal Dutch Shell Plc.) (Ultimate Parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliqzaman Road, Karachi.

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

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

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

These condensed interim financial statements of the Company for the quarter ended March 31, 2024 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, 2023.

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, 2023.

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 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

4.1 The preparation of these condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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, 2023, except as disclosed otherwise.

5	PROPERTY, PLANT AND EQUIPMENT	Note	Unaudited	Audited
			March 31, 2024	December 31, 2023
			(Rupees '000)	
	Operating assets - at net book value	5.1 & 5.2	19,712,018	18,553,441
	Provision for impairment		(245,527)	(250,145)
			<u>19,466,491</u>	<u>18,303,296</u>
	Capital work-in-progress	5.3	3,752,176	4,840,150
			<u>23,218,667</u>	<u>23,143,446</u>

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

	Unaudited	
	Quarter ended	
	March 31, 2024	March 31, 2023
(Rupees '000)		
Buildings on leasehold land	429,511	304,155
Tanks and pipelines	186,417	44,454
Plant and machinery	39,646	4,937
Air conditioning plant	27,206	4,195
Lifts	7,766	2,158
Dispensing pumps	94,516	35,082
Computer auxiliaries	194,853	55,967
Rolling stock and vehicles	15,911	-
Electrical, mechanical and firefighting equipment	369,892	21,721
Furniture, office equipment and other assets	397,439	84,683
	<u>1,763,157</u>	<u>557,352</u>

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

	Cost	Accumulated depreciation	Net book value
(Rupees '000)			
March 31, 2024 (Unaudited)			
Rolling stock and vehicles	8,014	7,121	893

There were no disposals/ write-offs of assets during the quarter ended March 31, 2023.

5.3	Capital work-in-progress	Note	Unaudited	Audited
			March 31, 2024	December 31, 2023
			(Rupees '000)	
	Buildings on leasehold land		2,076,408	2,863,388
	Tanks and pipelines		1,236,332	1,442,815
	Plant and machinery		212,821	258,358
	Rolling stock and vehicles		16,142	168
	Electrical, mechanical and fire-fighting equipments		87,973	180,655
	Furniture, office equipment and other assets		122,500	94,766
		5.3.1	<u>3,752,176</u>	<u>4,840,150</u>

5.3.1 Additions to capital work-in-progress during the period amounted to Rs. 675,185 thousand (March 31, 2023: Rs. 845,094 thousand).

6	LONG-TERM INVESTMENTS	Note	Unaudited	Audited
			March 31, 2024	December 31, 2023
			(Rupees '000)	
	Investment in associate - unquoted	6.1	6,208,312	5,680,940
	At fair value through other comprehensive income	6.2	-	-
			<u>6,208,312</u>	<u>5,680,940</u>

- 6.1** Represents 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, 2024	Audited December 31, 2023
	———— (Rupees '000) ————	
Balance at the beginning of the period / year	5,680,940	5,198,192
Share of profit before taxation	833,886	1,379,024
Share of taxation	(306,514)	(660,157)
	527,372	718,867
Share of other comprehensive loss before taxation	-	303,677
Share of taxation	-	(118,434)
	-	185,243
Dividend received	-	(421,362)
Balance at the end of the period / year	6,208,312	5,680,940

- 6.2** Represents investment in an unquoted company "Arabian Sea Country Club Limited (ASSCL)", which is carried at fair value through other comprehensive income.

	Unaudited March 31, 2024	Audited December 31, 2023
	———— (Rupees '000) ————	

7 STOCK-IN-TRADE

	Note	Unaudited March 31, 2024	Audited December 31, 2023
		———— (Rupees '000) ————	
Raw and packing materials		5,368,833	6,338,124
Provision for obsolete and slow moving stock	7.1	(66,597)	(52,891)
		5,302,236	6,285,233
Finished products		42,914,462	41,775,029
Provision for obsolete and slow moving stock	7.2	(43,030)	(8,776)
		42,871,432	41,766,253
		48,173,668	48,051,486

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

Balance at the beginning of the period / year	61,667	434,929
Provision made during the period / year	47,960	95,921
Reversals during the period / year	-	(469,183)
	47,960	(373,262)
Balance at end of the period / year	109,627	61,667

8 OTHER RECEIVABLES

Petroleum development levy and other duties	8.1	1,380,029	1,380,029
Price differential claims			
- on imported purchases	8.2	295,733	295,733
- on high speed diesel (HSD)	8.3 / 8.5	343,584	343,584
- on imported motor gasoline	8.4 / 8.5	1,961,211	1,961,211
Customs duty receivable	8.6	44,413	44,413
Sales tax refundable		950,993	1,689,029
Inland freight equalisation mechanism		-	60,365
Receivable from related parties		2,842,610	2,990,515
Service cost receivable from associate company - PAPCO		3,918	30,707
Workers' profits participation fund		59,145	81,385
Staff retirement benefit schemes		165,655	130,743
Receivable from Oil Marketing Companies		45,483	45,483
Taxes recoverable	8.7	1,297,979	1,297,979
Margin held against letter of credit		-	375
Others		811,168	996,606
		10,201,921	11,348,157
Provision for impairment		(4,317,932)	(4,266,969)
		5,883,989	7,081,188

- 8.1** Includes petroleum development levy amounting to Rs.1,369,560 thousand (December 31, 2022: 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, which was then paid in the year 2014. During 2015, verification exercise of claims amounting to Rs.182,004 thousand was completed by the authorities. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs.851,330 thousand. 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.
- 8.2** 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.
- 8.3** Represents price differential claim from GoP on local / imported purchases of HSD which was based on rates notified by GoP to subsidize petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers.
- 8.4** 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.

The Company submitted audit reports for claims till May 31, 2011 amounting to Rs.2,411,661 thousand against which the Company received an amount of Rs.454,000 thousand. The remaining claims amounting to Rs.1,957,661 thousand are still outstanding as on the statement of financial position date.

In 2012, to meet the increasing local demand, OMCs again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with OMCs approached the GoP with a proposal to include the high premium on the gallop cargo in the pricing mechanism. MoPNR accepted the oil marketing companies' proposal and directed OGRA through its directive PL-3 (457) / 2012 - 43 dated June 30, 2012 to adjust the actual premium differential of the imported motor gasoline through the IFEM. In 2013, the Company approached MoPNR through letter dated May 20, 2013 requesting to expedite settlement of the claim amounting to Rs. 109,896 thousand in respect of the above import. On June 06, 2013, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit report thereafter in respect of this claim. In 2017 and 2018, claims aggregating to Rs.71,844 thousand and Rs.38,052 thousand were adjusted through the IFEM respectively, as per the directive of MoPNR stated above.

- 8.5** The Company along with other OMCs and Oil Companies Advisory Council (OCAC) continues to follow up the aforementioned matters (note 8.1 to 8.4) with MoPNR and is confident of recovering these balances.
- 8.6** 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.
- 8.7** 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.

9 SHARE CAPITAL

Authorized share capital

Unaudited March 31, 2024 —— (Number of shares) ——	Audited December 31, 2023	Note	Unaudited March 31, 2024 —— (Rupees '000) ——	Audited December 31, 2023
<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 March 31, 2024 —— (Number of shares) ——	Audited December 31, 2023		Unaudited September 30, 2023 —— (Rupees '000) ——	Audited December 31, 2022
		Ordinary shares of Rs. 10/- each		
<u>130,493,331</u>	<u>130,493,331</u>	Fully paid in cash	<u>1,304,933</u>	<u>1,304,933</u>
<u>83,531,331</u>	<u>83,531,331</u>	Issued as fully paid bonus shares	<u>835,313</u>	<u>835,313</u>
<u>214,024,662</u>	<u>214,024,662</u>		<u>2,140,246</u>	<u>2,140,246</u>
<u>321,036,993</u>	<u>214,024,662</u>	Opening shares outstanding	<u>3,210,369</u>	<u>2,140,246</u>
-	<u>107,012,331</u>	Shares issued during the period	<u>-</u>	<u>1,070,123</u>
<u>321,036,993</u>	<u>321,036,993</u>		<u>3,210,369</u>	<u>3,210,369</u>

9.1 The Immediate Parent held 165,700,304 (December 31, 2023: 165,700,304) ordinary shares of Rs. 10/- each, constituting 77.42% (2023: 77.42%) of issued share capital of the Company, as at the date of condensed interim statement of financial position.

10 TRADE AND OTHER PAYABLES	Note	Unaudited March 31, 2024 —— (Rupees '000) ——	Audited December 31, 2023
Creditors	10.1	<u>69,887,388</u>	60,611,234
Accrued liabilities	10.2	<u>8,046,737</u>	9,823,795
Inland freight equalisation mechanism		<u>3,840,055</u>	-
Security deposits		<u>539,732</u>	532,552
Workers' Welfare Fund		<u>420,675</u>	411,561
Provision for staff redundancy plan		<u>283,271</u>	511,228
Other liabilities		<u>3,793</u>	8,363
		<u>83,021,651</u>	<u>71,898,733</u>

10.1 Includes amounts due to related parties aggregating to Rs. 60,177,530 thousand (December 31, 2023: Rs. 51,038,370 thousand).

10.2 Includes Rs. 1,161,233 thousand (December 31, 2023: Rs. 4,014,552 thousand) accrued in respect of related parties.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There is no material change in the status of contingencies from what is disclosed in note 24.1 to the annual audited financial statements for the year ended December 31, 2023 except as follows:

11.1.1 Infrastructure fee

Reference to note 24.1.1 of the annual audited financial statements for the year ended December 31, 2023, subsequent to the stay granted by the Honorable Supreme Court of Pakistan against the order of High Court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to March 31, 2024 at Rs. 446,793 thousand (December 31, 2023: Rs. 446,793 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

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

11.2 Commitments	Note	Unaudited	Audited
		March 31, 2024	December 31, 2023
		(Rupees '000)	
Commitments for capital expenditure		1,933,343	2,063,961
Outstanding letters of credit	11.2.1	16,377,426	12,667,447
Outstanding bank guarantees	11.2.1	3,885,793	3,353,286
Outstanding bank contracts		3,617,615	2,092,703
Post-dated cheques	11.2.2	51,961,803	56,437,060

11.2.1 Total facilities for letters of credit amount to Rs. 20,835,982 thousand (December 31, 2023: Rs. 68,865,125 thousand) and for bank guarantees and contracts amount to Rs. 14,363,661 thousand (December 31, 2023: Rs. 28,367,463 thousand).

11.2.2 These 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. The maturity dates of these cheques extend to October 3, 2024.

12 TAXATION	Unaudited Quarter ended	
	March 31, 2024	March 31, 2023
(Rupees '000)		
Current	483,931	463,345
Deferred	142,959	224,663
	626,890	688,008

13 CASH GENERATED FROM / (USED IN) OPERATIONS	Note	March 31, 2024	March 31, 2023
		(Rupees '000)	
Profit / (loss) before taxation		940,828	(4,073,868)
Adjustment for non-cash charges and other items:			
Depreciation charge for the period on operating assets		603,688	490,610
Depreciation charge for the period on right-of-use assets		223,545	215,830
Amortization charge for the period		-	788
Accretion expense in respect of asset retirement obligation		7,403	4,324
Reversal of impairment of trade debts		(2,121)	(1,600)
Provision for impairment of other receivables	8	50,963	-
Reversal of provision for obsolete and slow moving stock	7.1	47,960	(191,200)
Reversal of impairment of operating assets	5	(4,618)	(3,613)
Gain on disposal of operating assets		(1,843)	-
Share of profit of associate - net of tax	6.1	(527,372)	(112,874)
Interest on term deposits and saving accounts		(238,368)	(419,879)
Mark-up on borrowings and running finance		-	4,328
Accretion of interest on lease liabilities		215,451	176,893
Working capital changes	13.1	9,892,926	4,624,378
		11,208,442	714,117
13.1 Working capital changes (Increase) / decrease in current assets		(170,142)	(19,504,796)
Stock-in-trade		(1,165,711)	(619,986)
Trade debts		(4,428)	37,383
Loans and advances		264,837	(642,337)
Short-term deposits and prepayments		1,146,236	(455,423)
Other receivables		70,792	(21,185,159)
Increase in current liabilities		9,822,134	25,809,537
Trade and other payables		9,892,926	4,624,378

14 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. Transactions with related parties other than those disclosed elsewhere in these condensed interim financial statements are as follows:

Nature of relationship	Nature of transactions	Note	Unaudited Nine months ended	
			March 31, 2024	March 31, 2023
———— (Rupees '000) ————				
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		161,674	130,897
	Others		3,441	3,587
Employees' retirement funds				
Defined benefit pension funds	Contribution		3,326	2,906
Defined contribution pension fund	Contribution		37,102	33,699
Defined benefit gratuity funds	Contribution		1,032	965
Provident funds	Contribution		17,291	6,444
Key management personnel				
	Salaries and other short term employee benefits	14.1	89,227	61,353
	Post-employment benefits		3,659	3,144
	Medical		881	403
	Loan to Director		3,000	1,787
Directors				
	Fee for attending meetings		1,989	2,474
Others				
	Purchases		44,287,999	41,619,698
	Sales		53,945	117,469
	Collection for sales made in Pakistan to customers of the parent company and its associates		-	173,304
	Technical service fee charged Trademarks and manifestations license fee charged	14.2	1,385,735	1,325,970
	Bank charges		167,339	82,371
	Interest on saving accounts		58,097	73,157
	Expenses recovered from related parties - net		20,084	38,931
	Other expenses charged by related parties		41,797	47,509
	Donations		497,248	337,813
	Legal charges		10,700	10,150
	Commission income - net		315	846
			-	846

14.1 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.

14.2 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.

15 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, 2023. There has been no change in any risk management policies since the year end.

16 FAIR VALUES OF ASSETS AND LIABILITIES

There were no transfers amongst levels during the period.

17 OPERATING SEGMENTS

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

17.2 As described in note 1.2 to these condensed interim financial statements, the Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils. Revenues (inclusive of sales tax) from external customers for petroleum products amounts to Rs. 109,034,165 thousand (March 31, 2023: Rs. 110,419,663 thousand) and others amounts to Rs. Nil (March 31, 2023: Rs. Nil).

17.3 Total sales of the Company relating to customers in Pakistan were 100% during the period ended March 31, 2024 (March 31, 2023: 100%).

17.4 All non-current assets of the Company as at March 31, 2024 and 2023 are located in Pakistan.

17.5 Sales to twenty major customers of the Company are around 15% during the quarter ended March 31, 2024 (March 31, 2023: 17%).

18 GENERAL

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

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

19 DATE OF AUTHORIZATION

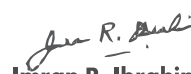
These condensed interim financial statements were authorized for issue on **April 25, 2024** by the Board of Directors of the Company.



Zarrar Mahmud
Chief Financial Officer



Waqar I. Siddiqui
Chief Executive



Imran R. Ibrahim
Director

Trade in Shares by Executive through CDC

During January 01 to March 31, 2024

Name	Category	Transaction's date	No. of Shares	Nature	Rate (Rs.)
Danish Mukarram	Executive	March 29, 2024	100	Bought	151.00



Shell Pakistan Limited
Shell House, 6 Ch. Khaliqzaman Road,
Karachi - 75530, Pakistan.
www.shell.com.pk