Shell Pakistan Limited
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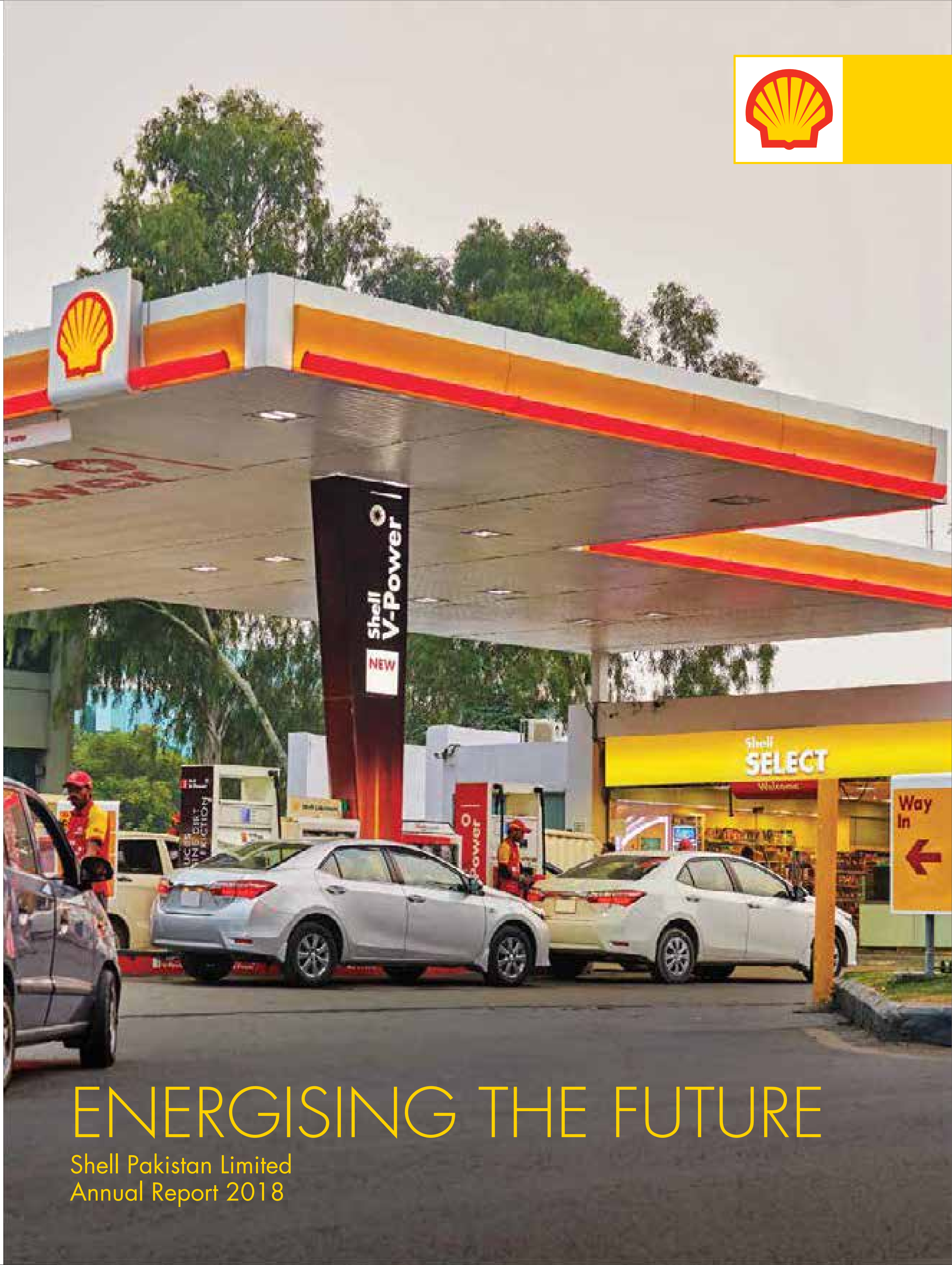

ENERGISING THE FUTURE

Shell Pakistan Limited
Annual Report 2018

ENERGY PARTNER FOR A CLEANER AND GREENER PAKISTAN

Energy is important to support growth and prosperity. Shell is committed to bringing the best to Pakistan in energy technology and innovation from across the world.

Shell believes in building a sustainable energy future for Pakistan. To reduce our carbon footprint, it is vital for us to make the shift towards developing sustainable products and services. From the introduction of efficient and environmentally friendly fuel; first of its kind gas-to-liquid (GTL) based lubricants, and reimagining the customer experience at retail forecourts, Shell has been at the forefront of powering progress in Pakistan.

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UNLOCKING THE FUTURE OF ENERGY

Shell has enabled millions to grow by providing them smarter and innovative energy solutions. From premium unleaded fuel to higher efficiency electric motors; Shell worldwide aims to reduce carbon emission, paving the way towards a cleaner and greener energy driven future. At Shell, we have already taken a step towards contributing to a greener tomorrow with our liquefied natural gas (LNG), enabling industries, constructions, homes and transport to thrive while moving towards a low carbon future.

COMPANY INFORMATION

BOARD OF DIRECTORS
Rafi H. Basheer (Chairman)
Haroon Rashid
Farrokh K. Captain
Parvez Ghias
Rahat Hussain
Nasser N.S. Jaffer
Madiha Khalid
Naz Khan
Klaas Mantel
Badaruddin F. Vellani
Faisal Waheed

CHIEF EXECUTIVE
Haroon Rashid

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

HUMAN RESOURCE & REMUNERATION COMMITTEE
Parvez Ghias (Chairman)
Farrokh K. Captain
Klaas Mantel
Haroon Rashid

COMPANY SECRETARY
Lalarukh Hussain-Shaikh

REGISTERED OFFICE
Shell House
6, Ch. Khaliquzzaman Road
Karachi–75530
Pakistan

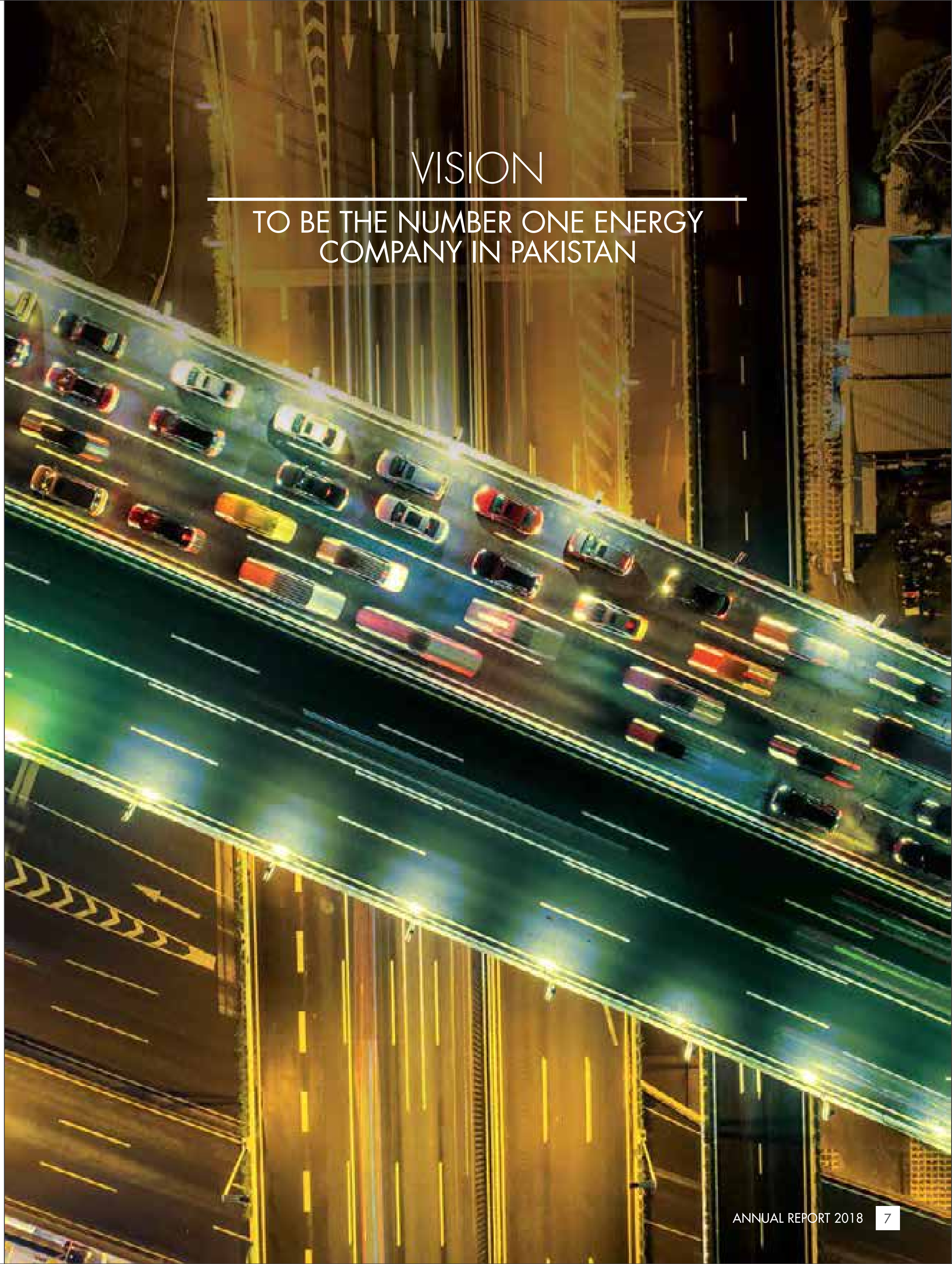
AUDITORS
EY Ford Rhodes

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

VISION

TO BE THE NUMBER ONE ENERGY COMPANY IN PAKISTAN



STATEMENT OF GENERAL BUSINESS PRINCIPLES

INTRODUCTION
Shell General Business Principles govern how the Shell Group, which includes Shell Pakistan Limited, conducts its affairs.

The objectives of each of the Shell companies which make up the Shell Group are to engage efficiently, responsibly and profitably in oil, gas, chemical and other selected businesses and to participate in the search for and development of other sources of energy to meet evolving customer needs and the world's growing demand for energy.

We seek a high standard of performance, maintaining a strong long-term and growing position in the competitive environments in which we choose to operate. We aim to work closely with our customers, partners and policy-makers to advance more efficient and sustainable use of energy and natural resources.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees and business partners understand the principles and confirm that they act in accordance with them. The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

OUR CORE VALUES

- HONESTY
- INTEGRITY
- RESPECT

OUR BUSINESS PRINCIPLES

- ECONOMIC
- BUSINESS INTEGRITY
- HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT
- COMMUNICATION AND ENGAGEMENT
- COMPETITION
- POLITICAL ACTIVITIES
- LOCAL COMMUNITITES
- COMPLIANCE

OUR VALUES
Shell employees share a set of core values – honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

SUSTAINABLE DEVELOPMENT
As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making.

RESPONSIBILITIES
Shell recognises five areas of responsibility. It is the duty of management continuously to assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

A. TO SHAREHOLDERS
To protect shareholders' investment, and provide a long-term return competitive with those of other leading companies in the industry.

B. TO CUSTOMERS
To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety, environmental and commercial expertise.

C. TO EMPLOYEES
To respect the human rights of our employees and to provide them with good and safe working conditions and competitive terms and conditions of employment. To promote the development and best use of the talents of our employees, to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work and to provide them with channels to report concerns. We recognise that commercial success depends on the full commitment of all employees.

D. TO THOSE WITH WHOM WE DO BUSINESS
To seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these Shell Pakistan Limited General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

E. TO SOCIETY
To conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

PRINCIPLE 1: ECONOMIC
Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

PRINCIPLE 2: COMPETITION

Shell companies support free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

PRINCIPLE 3: BUSINESS INTEGRITY

Shell companies insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable.

Facilitation payments are also bribes and must not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of a Shell company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

PRINCIPLE 4: POLITICAL ACTIVITIES

A. Of companies

Shell companies act in a socially responsible manner within the laws of the countries in which we operate in pursuit of our legitimate commercial objectives.

Shell companies do not make payments to political parties, organisations or their representatives. Shell companies do not take part in party politics. However, when dealing with governments, Shell companies have the right and the responsibility to make our position known on any matters which affect us, our employees, our customers, our shareholders or local communities, in a manner which is in accordance with our core values and the Business Principles.

B. Of employees

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

PRINCIPLE 5: HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

Shell companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally.

We continually look for ways to reduce the environmental impact of our operations, products and services.

PRINCIPLE 6: LOCAL COMMUNITIES

Shell companies aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general wellbeing of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities.

In addition, Shell companies take a constructive interest in societal matters directly or indirectly related to our business.

PRINCIPLE 7: COMMUNICATION AND ENGAGEMENT

Shell companies recognise that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.

PRINCIPLE 8: COMPLIANCE

We comply with all applicable laws and regulations of the countries in which we operate.

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED DECEMBER 31, 2018

Dear Shareholders,

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the fourth quarter and year ended December 31, 2018. This has been a tough quarter for the Company and business in the Country as a whole due to an unprecedented devaluation of the rupee and sharp decline in oil prices. The result of these events in the fourth quarter led to your Company reporting a net loss after tax of Rs. 3,040 million in the fourth quarter. The underlying business through the year though has been strong and we had reported profits of Rs. 1,938 million for the 9 months to September 2018; but the significant external factors for the last quarter meant that, on a full year basis, your Company has reported a net loss after tax of Rs. 1,102 million

Over the course of 2018, the Pak rupee devalued by 26% against the US dollar with a 12% decline in just the fourth quarter of 2018. Being part of an import dependent industry where a large percentage of our costs and payables are denominated in foreign currency, this devaluation had a major negative impact on our cost base and, in turn, on our financial performance, particularly in the last quarter.

Being one of the leading Oil Marketing Company (OMC) in Pakistan in terms of compliance with Health, Safety, Security and Environment (HSSE) standards, your Company continues with its focus on ensuring safe operations across the business and has made extensive investments towards extension of its existing, best in class logistics capability having brought in, since July 2017, 194 new fuel delivery vehicle trucks which are fully compliant with the standards imposed by the Oil and Gas Regulatory Authority (OGRA). This will enable us to continue to be at the forefront in the industry in terms of safety and compliance standards.

Your Company also continues to play an industry leading role in the engagement with the industry regulator, OGRA, to ensure implementation of the required safety standards across the rest of the industry players. We welcome OGRA's initiatives and drive to ensure compliance to transport safety standards for the benefit of all Pakistani consumers and the environment and look forward to a level playing field within the industry.

Lubricants

During the year, lubricants continued to be a strong pillar of your Company's overall business performance, leveraging our market leadership position in driving strong volume growth across all focus segments. In our journey towards connecting with our consumers; we launched a brand campaign for our Helix motor oil "Drive On Pakistan", bringing sustainable improvement in road safety behaviours, tying in with our objective to be safety leaders in the industry. Another campaign was launched on "Rimula -What matters Inside"; celebrating the hard working truckers and farmers of Pakistan. Both campaigns were very well received and appreciated by not only the relevant target audience but also in the advertising community overall, increasing our brand equity as well as delivering improved business results and increased market share.

In 2018 we launched a new range of premium portfolio in our passenger motor car segment; introducing high quality synthetic oils with our patent Pure Plus technology which offers complete protection of a vehicle's engine, whilst reducing carbon footprint and contributing to improving the environment in the country. Shell also hosted the industry's first Technology Leadership Conference which was a first of its kind event where more than 200 customers from various industries participated. The conference aimed to help enable our industrial customers gain meaningful insights from our global experts about the new technology breakthroughs in the Shell world across the lubricants portfolio and also enabled your Company to achieve improved business opportunities and lead generation for our premium grade industrial lubricants.

Retail

Your Company continued to enhance its Retail business by providing customers with the best retail forecourt experience in Pakistan, supported by continued expansion, with several Company operated fuel stations opened in the period which provide an unparalleled retailing experience. "Shell V-Power", our most advanced motor fuel, upgraded with the latest Dynaflex® technology, has established clear leadership in its category. We have continued our journey on expanding our network with an integrated retail offer developed through smart partnering on key sites, offering a compelling and integrated customer value proposition with customer centricity at the heart of everything we do and continue to be the leading lubricants player in the Fuels Retailing space having leveraged our existing strength with the addition of new Helix grades. As a key theme across different business segments, your Company maintained a sharp focus on driving safe retail operations for the benefit of our retailers and customers. In a changing fuels retailing market, your company is striving to make life's journeys better for our customers by enriching today and creating a more sustainable tomorrow through new site offerings and continuously enhanced customer value proposition to grow our Fuels Retailing business.

In October 2017, the Government of Pakistan announced the intention to de-regulate diesel margins. This was a much-awaited initiative as it will allow OMC's to offer quality services to its customers and further invest in the downstream sector, although implementation of this intention is still pending. We are in engagement with the regulator and industry bodies to assist where required on a comprehensive strategy to operationalize this decision in a manner that is transparent and importantly, provides the right value for consumers.

However, margins for main grade motor fuels continue to be fixed in Rupee per liter by the government regardless of change in other costs of doing business in the country. In line with the initiative to revise margins based on Consumer Price Index, the government announced a small increase in main grade margins effective July 2018. However, based comparative margins in similar operating and financial conditions in the Asia Pacific / Middle East region, we continue to advocate for a further favourable revisions to the regulated margins to bring them in line with increasing costs of investing and operating in the oil marketing business in Pakistan, which most recently has been further aggravated by the significant PKR devaluation, increasing local inflation and the need for increased working capital investment due to the need to maintain a province-wise 20 day stock cover, as mandated by OGRA. Your Company is making substantial investments to enhance its storage facilities and business offerings across Pakistan and therefore, continuous advocacy for margin enhancement is an important priority for the Company.

Social Investment

In your Company, we continue to invest in the communities where we live and operate, through programmes that enable us to share with communities the benefits that economic development brings. Shell Tameer program continued with its mission of enabling young entrepreneurs to start their own businesses and create employment in the country. Through the Shell Eco-Marathon competition, ten teams from seven universities competed in the global competition, which gives engineering students a platform to manufacture fuel efficient cars.

HSSE

Your Company continues to focus on ensuring safe operations across the supply chain and has had a clean HSSE record in 2018. We remain focused on improving our incident reporting culture and advancing the safety standards of fuel transport. The Road Transport Continuous Improvement project ensures we safely deliver product to our customers and build road transport operations in Pakistan strongly rooted in safety and safeguarded by robust assurances. Furthermore, in order to manage safe supply through the Customer-Own-Collect model, fleets are being enhanced to ensure road worthiness with an upgradation to international standards followed by Shell globally. Additionally, with the White Oil Pipeline expected to become operational in Q3 2019, the existing diesel pipeline will be converted to transport multi-grade products from Port Qasim to Mehmoodkot, which will result in approximately 60% decrease in road exposure and will bring strong monetary value and asset utilisation to your Company.

Receivables & financing costs

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan and the increase in State Bank of Pakistan (SBP) policy rate by 400bps during the year. As at December 31, 2018, total outstanding receivables stand at Rs. 5,331 million. The Company's management continues its efforts of proactive and regular engagement with relevant Government authorities for the recovery of receivables to ensure we enhance shareholder returns, drive for efficient business, and ensure our ability to continue to invest in growth opportunities in Pakistan.

Going forward

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

Challenges at the macro-economic level continue to be a significant exposure especially from the continued volatility of the Pak Rupee. The Company does recognise challenges ahead, not least arising from continued delays in receivables from the Government as well as changing market, regulatory and competitive dynamics. Our Board of Directors continue to play an active and effective role in driving the Company towards achieving the objectives; meetings were well-attended, and the board was involved both in setting the direction for the Company and also in reviewing its performance.

Your Company is focused on driving towards credible, competitive and affordable business plans that deliver top quartile business performance, delivering better returns for our investors, positively impacting the communities we operate in and playing a key role in developing Pakistan's energy future. We are also confident that your Company is well placed to capture the expected continued growth in the Pakistani fuels market. 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 energy Company in Pakistan.

Rafi H. Basheer
Chairman of the Board

ایچ ایس ایس ای (HSSE)

آپ کی کمپنی نے تمام ترسپلائی چین میں محفوظ آپریشنز کو یقینی بنانے پر توجہ مرکوز کیے رکھی اور 2018ء میں بے نقص ایچ ایس ایس ای ریکارڈ قائم کیا۔ہم نے حادثات کی اطلاع کے رویے میں بہتری اور فیول کی نقل وحمل کے سیفٹی معیارات کو جدید بنانے پر توجہ مرکوز کیے رکھی۔روڈ ٹرانسپورٹ میں مستقل بہتری کے منصوبے اس امر کو یقینی بناتے ہیں کہ ہم اپنی مصنوعات محفوظ طریقے سے اپنے صارفین کے حوالے کرتے ہیں اور مضبوط یقین دہانی کے ساتھ پاکستان میں روڈ ٹرانسپورٹ آپریشنز تیار کرتے ہیں جن کی جڑیں مستحکم طور پر سیفٹی اور حفاظت میں پیوست ہوتی ہیں۔مزید برآں، کسٹمر اون کلیکٹ ماڈل کے ذریعے محفوظ سپلائی کا انتظام کرنے کے لیے گاڑیوں (Fleet) میں اضافہ کیا جارہا ہے تاکہ شیل میں عالمی طور پر اپنائے گئے معیارات پر اپ گریڈ ہونے کے ساتھ ان کی سڑک پر روانی (Road Worthiness) کو یقینی بنایا جاسکے۔مزید یہ کہ 2019ء کی تیسری سہ ماہی میں متوقع وائٹ آئل پائپ لائن کے آپریشنل ہونے سے موجودہ ڈیزل پائپ لائن کو پورٹ قاسم سے لے کر محمود کوٹ تک ملٹی گریڈ مصنوعات کی ٹرانسپورٹ پر منتقل کردیا جائے گا،جس کے نتیجے میں براستہ سڑک نقل وحمل میں تقریباً 60 فیصد کمی آئے گی نیز آپ کی کمپنی کے لیے روپے کی اور اثاثوں کے استعمال میں خاصی کمی آئے گی۔

واجبات اور سرمایہ کاری کے اخراجات

آپ کی کمپنی کی مالیات حکومتِ پاکستان کی جانب سے واجب الادا وصولیوں کے نتیجے میں پیدا ہونے والے بھاری بوجھ اور دورانِ سال اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں 400 بی پی ایس اضافے سے سے متاثر رہی ہے۔31 دسمبر 2018ء تک مجموعی واجب الوصول واجبات 5,331 ملین روپے ہیں۔واجبات کی حصول کے لیے کمپنی کی انتظامیہ کی جانب سے متعلقہ حکام سے فعال اور مستقل رابطہ جاری رکھے ہوئے ہے،تاکہ ہم شیئر ہولڈرز کے گوشوارے بہتر بنانے،موثر انداز میں کاروبار چلانے اور پاکستان میں ترقی کے مواقع کے لیے سرمایہ کاری جاری رکھنے کو یقینی بنا سکیں۔

مستقبل کے امکانات

انتظامیہ سیفٹی کی کارکردگی میں گول زیرو کے حصول کی بنیادی سطح کے ساتھ آپ کی کمپنی کی مستحکم مالی کارکردگی پر توجہ برقرار رکھنے کے لیے پُرعزم رہتی ہے۔

خاص طور پر پاکستانی روپے کی قدر میں جاری عدم استحکام کی وجہ سے مجموعی معاشی سطح پر کافی چیلنجز موجود ہیں۔حکومت کی جانب سے واجبات کی ادائیگی میں جاری تاخیر سے پیدا ہونے والی دشواریوں ہی کو نہیں بلکہ ان کے ساتھ ساتھ بدلتی ہوئی مارکیٹ،ضوابطی ومسابقتی حرکیات کے حوالے سے بھی کمپنی مستقبل کے چیلنجز کو پہچانتی ہے۔ ہمارے بورڈ آف ڈائریکٹرز کمپنی کو ہمارے مقاصد کے حصول کی جانب لے جانے کے لیے سرگرم اور موثر کردار ادا کررہے ہیں؛میٹنگز میں سب شریک ہوتے رہے ہیں اور بورڈ کمپنی کی سمت متعین کرنے نیز کارکردگی کے جائزے دونوں ہی میں پوری طرح شامل رہا ہے۔

آپ کی کمپنی ان مستند،مسابقتی،اور قابلِ اطلاق کاروباری منصوبوں کی جانب توجہ مرکوز کیے ہوئے ہے،جو بہترین سہ ماہی کاروباری کارکردگی پیش کریں،ہمارے سرمایہ کاروں کو بہتر منافع دیتے ہوئے،جس کمیونٹی میں ہم کام کرتے ہیں،اس پر مثبت اثر ڈالیں اور پاکستان میں توانائی کے مستقبل کی تشکیل میں بنیادی کردار ادا کریں۔ہم اس امر پر بھرپور اعتماد رکھتے ہیں کہ آپ کی کمپنی پاکستانی فیول مارکیٹ میں متوقع مستقل نمو کا احاطہ کرسکتی ہے۔کمپنی کے لیے لگن،مستقل معاونت اور اعتماد کے لیے ہم اپنے شراکت داروں، صارفین، عملے اور دیگر فریقوں کے شکرگزار ہیں۔ہم پاکستان میں توانائی کی صفِ اول کی کمپنی بننے کے لیے اپنا سفر جاری رکھے ہوئے ہیں۔

رفیع بشیر
چیئرمین آف دی بورڈ

چیئرمین کا تجزیہ

برائے اختتام سال 31 دسمبر 2018

عزیز شیئر ہولڈرز،

شیل پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، میں چوتھی سہ ماہی اور 31 دسمبر 2018ء کو اختتام پذیر ہونے والے سال کے لیے کمپنی کے نتائج کا اعلان کرنا چاہوں گا۔ روپے کی قدر میں غیر متوقع کمی اور تیل کی قیمتوں میں تیز کمی کی وجہ سے یہ سہ ماہی بحیثیت مجموعی کمپنی اور ملک بھر میں موجود ہمارے کاروبار کے لیے دشوار ترین ثابت ہوئی۔ چوتھی سہ ماہی میں ان واقعات کے نتیجے میں آپ کی کمپنی کے لیے چوتھی سہ ماہی میں 3,040 ملین روپے کا خسارہ بعد از ٹیکس درج کیا گیا۔ گوکہ پورے سال ہمارا کاروبار مستحکم رہا اور ستمبر 2018ء تک نو مہینوں میں 1,938 ملین روپوں کا منافع درج کیا گیا تھا؛ لیکن آخری سہ ماہی میں ان نمایاں بیرونی عوامل کی بنا پر پورے سال کی بنیاد پر آپ کی کمپنی نے 1,102 ملین روپے کا خسارہ بعد از ٹیکس درج کیا گیا ہے۔

2018ء کے دوران امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 26 فیصد کمی آئی جبکہ 2018ء کی صرف چوتھی سہ ماہی کے دوران یہ کمی صرف 12 فیصد تھی۔ درآمدات پر انحصار کرنے والی ایک صنعت کا حصہ ہونے کے طور پر، جہاں ہماری لاگت اور ادائیگیوں کا بڑا فیصدی حصہ فارن کرنسی پر مشتمل ہے، روپے کی قدر میں کمی سے ہماری لاگتی بنیاد پر اس کا انتہائی منفی اثر پڑا جس کے نتیجے میں، بالخصوص چوتھی سہ ماہی میں ہماری مالی کارکردگی متاثر ہوئی۔

صحت، سیفٹی، سیکورٹی اور ماحول (HSSE) کے معیارات کے لحاظ سے پاکستان میں صفِ اول کی آئل مارکیٹنگ کمپنی (OMC) ہونے کے طور پر آپ کی کمپنی اپنے کاروبار کے محفوظ آپریشنز کو یقینی بنانے پر اپنی توجہ مرکوز کیے ہوئے ہے اور اپنی موجودہ بہترین لاجسٹکس صلاحیتوں میں اضافے کے لیے کمپنی نے فیول کی ترسیل کے لیے نئے 194 ٹرکوں کی خریداری پر بھاری سرمایہ کاری کی ہے جو آئل اینڈ گیس ریگولیٹری اتھارٹی (اوگرا) کے عائد کردہ معیارات سے پوری طرح مطابقت رکھتے ہیں۔ اس طرح ہم سیفٹی اور مطابقت کے معیارات کے لحاظ سے ہم صنعت میں نمایاں حیثیت کے حامل ہیں۔

صنعت کے ضابطہ کار، اوگرا کے ساتھ اشتراک سے آپ کی کمپنی نمایاں کردار ادا کر رہی ہے تاکہ صنعت کے دیگر فریقوں میں سیفٹی کے درکار معیارات کے نفاذ کو یقینی بنایا جاسکے۔ ہم اوگرا کے اقدامات کا خیر مقدم کرتے ہیں اور تمام پاکستانی صارفین نیز ماحول کے مفاد میں ٹرانسپورٹ سیفٹی کے معیارات پر عمل درآمد کرتے ہیں اور صنعت میں سب کے لیے مساوی مواقع کی توقع کرتے ہیں۔

لبریکینٹس

دورانِ سال آپ کی کمپنی کے کاروبار کی مجموعی کارکردگی، مارکیٹ میں ہماری سرکردہ حیثیت کو استحکام دینے اور اس سے استفادہ کرنے نیز تمام مرکوز اجزا میں مضبوط نمو پیش کرنے میں لبریکینٹس ایک مضبوط ستون بنے رہے۔ اپنے صارفین کے ساتھ رابطے مضبوط رکھنے کے سفر میں ہم نے اپنے ہیلکس موٹر آئل کی " ڈرائیو آن پاکستان" کی برانڈ کمپین کا آغاز کیا تاکہ روڈ سیفٹی کے رویے میں پائیدار بہتری لائی جاسکے، جو صنعت میں سیفٹی کے حوالے سے قیادت کے ہمارے مقصد سے ہم آہنگ ہے۔ ایک اور کمپین "ریملا_واٹ میٹران سائیڈ" کا بھی آغاز کیا گیا جو پاکستان کے محنتی کاشت کاروں اور ٹرک ڈرائیورز سے منسوب تھی۔ دونوں کمپینز کا خوب خیر مقدم کیا گیا اور نہ صرف انھیں متعلقہ افراد نے ہی پسند کیا بلکہ مجموعی طور پر ایڈورٹائزنگ کمیونٹی نے بھی سراہا، اس سے ہماری برانڈ کی ایکویٹی (Equity) میں بھی اضافہ ہوا اور اس کے ساتھ ساتھ مارکیٹ میں ہمارے حصے میں اضافے سے کاروبار پر بھی اس کے بہتر نتائج سامنے آئے۔

2018ء میں ہمارے مسافر موٹر کار (Passenger Motor Car) کے جز میں ہم نے پریمیم پورٹ فولیو کی نئی رینج کا آغاز کیا؛ ہماری پیٹنٹ پیور پلس ٹیکنالوجی کے ساتھ اعلیٰ معیار کے سنتھیٹک آئلز متعارف کروائے گئے، جو گاڑی کے انجن کو مکمل تحفظ فراہم کرتے ہیں، کاربن کے اثرات کو کم کرتے ہیں اور ملک میں ماحولیات کو بہتر بنانے میں حصہ لیتے ہیں۔ شیل نے صنعت کی پہلی ٹیکنالوجی لیڈرشپ کانفرنس کی بھی قیادت کی، جو اپنی نوعیت کی اولین تقریب تھی، جس میں مختلف صنعتوں سے 200 سے زائد صارفین نے شرکت کی۔ اس کانفرنس کا مقصد تھا کہ ہمارے صنعتی صارفین کو ہمارے عالمی ماہرین کی جانب سے شیل کی دنیا میں لبریکینٹس کے پورٹ فولیو میں نئی ٹیکنالوجی کی دریافت سے روشناس کروایا جائے، اور آپ کی کمپنی کو بہتر کاروباری مواقع نیز ہمارے پریمیم گریڈ صنعتی لبریکینٹس کے لیے نمایاں پیداوار کے حصول بہم پہنچائے جائیں۔

ریٹیل

آپ کی کمپنی پاکستان میں صارفین کو بہترین ریٹیل فورکورٹ کا تجربہ فراہم کرتے ہوئے، کمپنی کی جانب سے چلائے جانے والے کئی فیول اسٹیشنوں کی تعداد میں مسلسل اضافے، جو بے مثال ریٹیلنگ تجربہ فراہم کرنے کے ساتھ اپنے ریٹیل کاروبار کو آگے بڑھاتی رہی۔ ہمارے سب سے زیادہ جدید موٹر فیول " شیل وی پاور" نے جسے جدید ترین ڈائنافلیکس (رجسٹرڈ) (Dynaflex®) ٹیکنالوجی سے اپ گریڈ کیا گیا ہے، اپنے زمرے میں واضح برتری حاصل کرچکا ہے۔ بنیادی سائٹوں پر سرگرم شراکت اور مربوط ریٹیل پیش کش کے ساتھ ہم اپنے نیٹ ورک میں اضافے کے سفر کو جاری رکھے ہوئے ہیں؛ ہم جو بھی کرتے ہیں اس کی بنیاد میں صارفین کی مرکزیت کے ساتھ پرکشش اور مربوط صارفی اقدار کی پیش کش کرتے ہیں اور ہماری موجودہ مصنوعات میں نئے ہیلکس گریڈز کے اضافے سے فیولز ریٹیلنگ کے زمرے میں سرفہرست لبریکینٹ کمپنی بنے ہوئے ہیں۔ مختلف کاروباری زمروں کی بنیادی تقسیم کے طور پر آپ کی کمپنی نے ریٹیلرز اور صارفین کے فائدے کے لیے محفوظ ریٹیل آپریشنز پر فوری توجہ مرکوز کی ہے۔ ہر پل بدلتی فیولز ریٹیلنگ مارکیٹ میں، آپ کی کمپنی آج کو بھرپور بنا کر اور نئی سائٹوں کی پیش کشوں سے پائیدار کل کی تخلیق سے ہمارے فیولز ریٹیلنگ کاروبار کو ترقی اور صارفی اقدار میں مسلسل بہتری سے اپنے صارفین کے لیے زندگی کے سفر کو بہتر بنانے کے لیے کوششیں کر رہی ہے۔

اکتوبر 2017ء میں حکومتِ پاکستان نے ڈیزل کے مارجنز کو ڈی ریگولیٹ کرنے کے عزم کا اعلان کیا۔ یہ ایک ایسا اقدام ہے جس کا کافی عرصے سے انتظار کیا جارہا تھا، کیونکہ اس اقدام سے تمام او ایم سیز کو اپنے صارفین کے لیے معیاری خدمات پیش کرنے نیز ڈاؤن اسٹریم سیکٹر میں مزید سرمایہ کاری کا موقع ملے گا؛ تاہم اس اقدام کا نفاذ اب بھی ملتوی ہے۔ ہم ضابطہ کار (ریگولیٹر) اور صنعت کے اہم اداروں کے ساتھ رابطے میں ہیں اور تاکہ اس فیصلے کو شفاف طریقے سے، بالخصوص آپ کے صارفین اور ملک کے لیے بھی درست قدر فراہم کرتے ہوئے، نافذ کرنے میں جہاں ضروری ہو، معاونت کرسکیں۔

تاہم ملک میں کاروبار کی دیگر لاگتوں میں تبدیلی سے قطع نظر، مین گریڈ موٹر فیولز کے مارجنز حکومت کی جانب سے معین رہے۔ صارف اشاریہ قیمت پر مبنی نظرِ ثانی شدہ مارجنز کے فیصلے کے مطابق حکومت نے جولائی 2018ء سے مین گریڈز کے مارجنز میں معمولی اضافے کا اعلان کیا تھا۔ تاہم، ایشیا پیسیفک/ وسط مشرقی خطے کی آپریٹنگ اور مالی صورت حال میں مسابقتی (Comparative) مارجنز کی بنیاد پر ہم ریگولیٹڈ سمارجنز میں مزید اضافے کے لیے بات چیت کر رہے ہیں تاکہ انھیں سرمایہ کاری اور پاکستان میں آئل مارکیٹنگ کے کاروبار کو چلانے کی بڑھتی ہوئی لاگتوں سے ہم آہنگ کیا جاسکے، جو حال ہی میں پاکستانی روپے کی قدر میں نمایاں کمی، بڑھتی ہوئی مقامی مہنگائی، اور اوگرا کی جانب سے لازمی قرار دی گئی صوبہ وار 20 دن کے اسٹاک کو برقرار رکھنے کی شرط کے باعث جاری سرمایہ کاری کی بڑھتی ہوئی ضرورت کی وجہ سے مزید سنگین ہوچکی ہیں۔ آپ کی کمپنی پاکستان بھر میں اپنی ذخیرہ کاری کی سہولیات اور کاروباری پیش کشوں کو بڑھانے کے لیے خاصی سرمایہ کاریاں کر رہی ہے، اور اس لیے مارجنز میں اضافے کے لیے مسلسل بات چیت کمپنی کے لیے اہم ترجیح ہے۔

سماجی سرمایہ کاری

آپ کی کمپنی میں، ہم جن کمیونٹیز میں رہتے اور جن کے ساتھ کام کرتے ہیں، ان کے لیے ایسے پروگراموں کے ذریعے سرمایہ کاری کرتے ہیں جو کمیونٹیز کے لیے اقتصادی ترقی سے ملنے والے فائدے بہم پہنچائیں۔ شیل تعمیر پروگرام اپنے اسی مشن کے ساتھ جاری ہے جو ملک بھر میں نوجوان کاروباری افراد کو ان کے کاروبار کا آغاز کرنے نیز ملازمتوں کی تخلیق کا اہل بناتا ہے۔ شیل کی ایکو میراتھن کے ذریعے 7 جامعات سے 10 ٹیموں نے ایک عالمی اختراعی مقابلے میں حصہ لیا، جو انجینئرنگ کے طلبا کو فیول کی بچت کی حامل کاریں تیار کرنے کے لیے پلیٹ فارم کرتی ہے۔

BOARD OF DIRECTORS

RAFI H. BASHEER

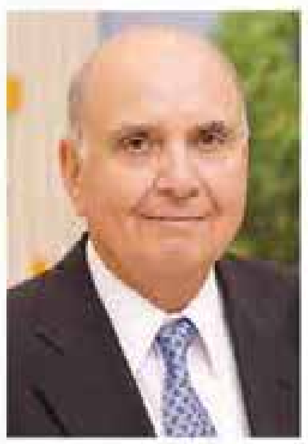
Rafi Basheer is the Chairman of the Board of Directors of Shell Pakistan Limited. He is a Chartered Accountant and a finance professional. After completing his accountancy training in London, UK, Rafi worked for two years with PricewaterhouseCoopers in Dubai as Assistant Manager in Audit before joining Shell Pakistan in January 2000.

At Shell, he has held a variety of roles locally and overseas ranging from Retail Finance Manager Shell Pakistan, Mergers and Acquisitions Finance for Shell Downstream Asia/Pacific, Global Governance, Asia Pacific regional Finance Manager, Finance Director for Shell Pakistan Limited, and most recently Global Finance Managers for Shell's Bitumen and Sulphur businesses. He is currently based in Singapore in the role of Global Planning & Appraisal Manager for Shell's Retail, Lubricants, Aviation and Specialties businesses.

FARROKH K. CAPTAIN

Farrokh Captain received both his Bachelor and Master degrees from the Massachusetts Institute of Technology where he was a member of the class of 1966. After completing his education, he joined Arthur D. Little, a major management consulting company in the USA, and then went on to establish their practice in Pakistan. Since 1978 he has led a major US-Pakistan joint venture chemical manufacturing business in Pakistan, Captain-PQ Chemical Industries Limited. He is also a former Director of Pakistan Refinery Ltd.

He is a past President of the Board of the American Business Council and he now devotes much of his time in the field of social work. He is Chairman of The i-Care Foundation, Pakistan's first Donor Advised Fund, a Trustee of the Layton Rahmatulla Benevolent Trust and Mobilink Foundation as well as Chairman of the MIT Enterprise Forum of Pakistan, a member of MIT Presidents Council, and has served 10 years as Founder Chairman of the Pakistan Human Development Fund. He is currently serving his eighth three-year term as Director of Shell Pakistan Limited.



PARVEZ GHIAS

Parvez Ghias is the Chief Executive Officer and Director at the Habib University Foundation (HUF) since January 2017 and Vice Chairman – Automotive at the House of Habib. Prior to joining HUF, Parvez Ghias was CEO of Indus Motor Co., Limited from August 2005 to December 2016.

Parvez Ghias is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Bachelor's degree in Economics and Statistics.

He serves as non-executive director at Indus Motor and Dawood Hercules Corporation and as independent director on the board of Shell Pakistan Limited.

RAHAT HUSSAIN

Rahat Hussain is responsible for Shell's upstream commercial activities in the Middle East, North Africa and South Asia based in Dubai. He has extensive experience in the oil and gas sector during a career spanning 30 years with Royal Dutch Shell group of companies. His expertise ranges from upstream exploration and production ventures, through midstream JV operations to end customer marketing.

Prior to his current role in Dubai, Rahat was responsible for Shell's LNG business in Qatar. He has worked in the Netherlands, USA, Oman, UK, Brunei and Pakistan, where he was the commercial manager for Shell's upstream business. He is also a member of Shell's Global Commercial Leadership Team. He is also a Director of the Qatargas4 LNG Venture.

Rahat was born in Pakistan and moved with his family to the UK at an early age. He completed his education as a chartered Mechanical Engineer at the University of Manchester and has since participated in executive education programs at IMD and Harvard.

NASSER N S JAFFER

Nasser N S Jaffer holds an Associated Science Diploma programme in Agriculture from University of California. He is the Chairman of Jaffer Group of Companies. He was Director of Jaffer Brothers (Private) Ltd. from 1969 to 2003, responsible for the chemical and pesticides businesses, as well as the fertilizer and machinery business from time to time.

In 2003 he took over as Chairman and CEO of the company to manage the overall business to ensure growth, profitability and business satisfactory results to the stakeholders.

He is on the boards of other business, philanthropic, social and health associations such as The Kidney Centre and Honorary Secretary Modern Club and Modern Society. He also held office as the Honorary Consul of the Philippines until 2010.

MADIHA KHALID

Madiha Khalid is the Head of Human Resources at Shell Pakistan Limited (SPL). She joined Shell in 2006 and has held a variety of local and regional roles ranging from Recruitment, Business Partnering for corporate and commercial business, Middle East and Central Asia Commercial Business Partner, and Head of Human Resources for SPL since 2012. Prior to Shell, she worked with ABN AMRO bank for a short duration.

Madiha is a Chartered Member from the Chartered Institute of Personnel and Development (CIPD) UK, and she holds an MBA degree in Human Resources.

NAZ KHAN

Naz Khan is currently the Managing Director of X-Petroleum Limited. Prior to this, she was the Chief Financial Officer of Engro Corporation Ltd. During this period, she was part of the team at Corp that implemented a successful turn-around through several transactions including restructurings, listings and new projects.

Previously, Naz has been involved with the financial and capital markets for over 18 years on the asset management, investment banking and broking sides.

Naz has also served on the Boards of Mutual Fund Association of Pakistan (MUFAP), Young Presidents' Organization (YPO) and several company boards, which currently include The Pakistan Stock Exchange, UBL Fund Managers Limited and IGI Life Insurance.

Naz holds a B.A. in Economics from Mount Holyoke College, MA, USA and has attended leadership and management courses at INSEAD, Harvard University and Georgetown University.

KLAAS MANTEL

As General Manager Global Convenience Retail, Lubricants & Alliances at Shell International, Klaas is responsible for the Strategy, Marketing, Capability development, Innovation, Analytics and External supplier and partners relationships for Shell's $ 6bn 'Non Fuels' business with direct operations across 8000 service stations in 25 markets and license/partnership agreements covering a further 25 markets. Klaas is Director on the NACS International Board, the US based Global Association for Convenience and Fuels retailing.

Prior to this role Klaas was General Manager with bottom line accountability for the Shell South Africa retail business (700 Service stations, 400 Company owned stores). His international Shell career also included assignments as Global Promotions Manager & Global Diesel Marketing Manager at Shell International in London, eBusiness Manager for Asia Pacific based in Singapore and Regional Retail Marketing Manager, and Fuels Marketing Manager for Africa based in South Africa.

Klaas joined Shell in the Netherlands in 1995 in the Retail business after completing his Master in Economics degree at the University of Amsterdam and studying in the USA and Japan.

HAROON RASHID

Haroon Rashid is the Chief Executive & Managing Director of Shell Pakistan Limited (SPL). Haroon has been a Director on the Board of SPL since 2011.

He joined SPL in 1995 and has held several senior leadership roles in Downstream across Marketing, Consultancy and Aviation for Royal Dutch Shell before returning to Pakistan as the General Manager Supply & Distribution for the Middle East South Asia Region.

Haroon is an alumnus of Lahore University of Management Sciences and INSEAD.

BADARUDDIN F VELLANI

Badaruddin F. Vellani is an Honours graduate in Chemical Engineering from the Loughborough University of Technology, Leicestershire and a Barrister-at-Law from the Middle Temple (London). He was called to the Bar in 1982 and commenced legal practice in Karachi immediately thereafter.

He is enrolled as an Advocate of the Supreme Court of Pakistan and is the Senior Partner at the law firm, Vellani & Vellani. In addition to his legal practice, he is also member of the Board of Directors in a number of multinational companies engaged in the FMCG, manufacturing, retail and pharmaceutical sectors and is on the Board of several philanthropic organisations and foundations.

FAISAL WAHEED

Faisal Waheed is Chief Financial Officer and Finance Director at Shell Pakistan Limited. He is a graduate of Institute of Business Administration, Karachi and an Associate member of Chartered Institute of Management Accountants, UK and Association of Corporate Treasurers, UK.

Faisal joined Shell Pakistan Limited in 2013 with an external experience of over 15 years. Prior to SPL, he worked in various finance roles with Unilever in Pakistan and UK and later with Engro Corporation where he last served as Chief Financial Officer of one of its subsidiaries.

He also serves on the boards of Shell Pakistan Limited, Pak Arab Pipeline Company Limited and Shell Oman Marketing Limited.

REPORT OF THE DIRECTORS

The Directors of your Company present their Annual Report together with audited financial statements for the year ended December 31, 2018.

The loss for the year ended December 31, 2018 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

	Rupees in Million
Loss before taxation	**(60)**
Taxation	**(1,042)**
Loss after taxation	**(1,102)**
	Rupees
Loss per share – basic and diluted	**(10.30)**

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 60 of the Annual Report.

The Directors confirm that:

1. The Board constitutes of 11 members, including the Chief Executive, who is a deemed director. The Board composition comprises of two female and nine male members. Mr. Jawwad A. Cheema moved to an overseas role during the year and Mr. Haroon Rashid was appointed as the Chief Executive of the Company effective July 1, 2018. Consequent to the appointment of Mr. Haroon Rashid as the Chief Executive (deemed director) of the Company; a casual vacancy occurred during the year upon his resignation as the elected director. The casual vacancy was immediately filled by the Board and Ms. Madiha Khalid was co-opted as a director of the Company. The constitution of the Board and its committees are mentioned on page 6 of these financial statements.

2. The 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.

3. Proper books of account of the Company have been maintained.

4. Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in note 3.3.1 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.

5. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departures, if any, has been adequately disclosed.

6. The system of internal control is sound in design and has been effectively implemented and monitored.

7. There are no significant doubts upon the Company's ability to continue as a going concern.

8. There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.

9. Key operating and financial data for the last seven years in summarized form is disclosed on page 53. The reasons for loss during the year and significant deviations in operating results of the Company from last year have been discussed in the Chairman's Review on page 12.

10. A reasonable indication of the principal risks and uncertainties as well as the future prospects is discussed in the Chairman's Review on page 12.

11. A statement as to the value of investments of provident, gratuity and pension funds on the basis of un-audited financial statements for the year ended December 31, 2018 is included in note 31.4 to the financial statements.

12. The number of Board and Committees' meetings held during the year and attendance by each Director is disclosed on page 106.

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 during the year. The evaluation was 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), while Mr. Farrokh Captain is exempted. The Company shall continue to comply with the requirements of the Code of Corporate Governance 2017 to ensure that the required number of directors are duly certified.

16. The pattern of shareholding and additional information regarding pattern of shareholding is disclosed on page 107. 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. Subsequent to the adoption by SECP of the revised auditing standards in April 2018, the auditors are required to communicate key audit matters as part of the auditors' report. These key audit matters are mentioned on page 54 of these financial statements.

18. The Board, on the recommendation of the Board Audit Committee, has recommended M/S EY Ford Rhodes to be retained as external auditors of the Company for the year ended December 31, 2019.

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 108.

20. Details of the Company's Corporate Social Responsibility and other activities undertaken by the Company during the financial year are disclosed on pages 44 to 47.

On behalf of the Board of Directors

Rafi H. Basheer
Chairman

Haroon Rashid
Chief Executive

Karachi: March 6, 2019

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2018ء کو ختم ہونے والے سال کی اپنی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

انتظامی امور، مارکیٹنگ اور تقسیم کاری کے اخراجات، مالیاتی اور دیگر واجبات کی ادائیگی کے بعد 31 دسمبر 2018ء کو ختم ہونے والے سال کا خسارہ:

	(روپے ملین میں)
خسارہ قبل از ٹیکس	**(60)**
ٹیکس	**(1,042)**
سالانہ خسارہ	**(1,102)**
	روپے
خسارہ فی حصہ دار۔ بنیادی اور سیال **(Diluted)**	**(10.30)**

سالانہ رپورٹ کے صفحہ نمبر 60 پر ایکویٹی (Equity) میں تبدیلیوں کے بیان کی ذیل میں ذخائر کی کارروائی (Movement) اور تصرفات (Appropriations) ظاہر کیے گئے ہیں۔

ڈائریکٹر تصدیق کرتے ہیں کہ:

1۔ بورڈ بشمول چیف ایگزیکٹو، جو قائم مقام ڈائریکٹر ہیں، 11 ارکان پر مشتمل ہے۔ بورڈ میں 2 خواتین جبکہ نو مرد ارکان ہیں۔ دورانِ سال جناب جواد اے چیمہ بسلسلہ ملازمت بیرونِ ملک منتقل ہو گئے اور ان کی جگہ یکم جولائی 2018ء سے جناب ہارون راشد کو بطور چیف ایگزیکٹو تعینات کیا گیا۔ جناب ہارون راشد کی کمپنی کے چیف ایگزیکٹو (قائم مقام ڈائریکٹر) کے طور پر تعیناتی کے نتیجے میں بطور ڈائریکٹران کے استعفیٰ دینے کے باعث دورانِ سال ایک خالی آسامی پیدا ہوئی۔ بورڈ کی یہ خالی آسامی جلد ہی پُر کر لی گئی اور محترمہ مدیحہ خالد کو دیگر ارکان کی ایما پر کمپنی کی ڈائریکٹر کے طور پر تعینات کر لیا گیا۔ بورڈ اور اس کی کمیٹیز میں شامل ممبران کی تفصیلات کا ذکر ان مالیاتی گوشواروں کے صفحہ 6 پر بیان کیا گیا ہے۔

2۔ کمپنی کی انتظامیہ کی طرف سے تیار کیے گئے مالیاتی گوشوارے واضح طور پر اس کے معاملات، امور کے نتائج، رقوم کا بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتے ہیں۔

3۔ کمپنی کے تمام مالیاتی کھاتے برقرار رکھے گئے ہیں۔

4۔ مالیاتی گوشواروں کی تیاری میں مناسب حسابی طریقہ کار کا ہمیشہ اطلاق کیا گیا ہے ماسوا مالیاتی دستاویزات کے نوٹ 3.3.1 میں بیان کی گئی ان تبدیلیوں کے جو معیارات کے ابتدائی اطلاق اور پہلے سے موجود معیارات میں کی گئی ترامیم اور تشریحات کے نتیجے میں عمل میں آئیں۔ حسابی تخمینے مناسب اور محتاط فیصلوں کی بنیاد پر کیے گئے ہیں۔

5۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ ان کا پاکستان میں اطلاق ہے، ان مالیاتی دستاویزات کی تیاری میں ان پر عمل کیا گیا ہے اور اگر کچھ ترک بھی کیے گئے ہیں تو ان کو ظاہر کیا گیا ہے۔

6۔ داخلی کنٹرول کا نظام (سسٹم آف انٹرنل کنٹرول) اپنے طور پر بے نقص ہے اور اس پر مستعدی سے عمل درآمد کروایا گیا اور اس کی نگرانی کی گئی ہے۔

7۔ بلاشبہ کمپنی ایک منافع بخش کاروبار کی حیثیت سے جاری رہنے کی صلاحیت رکھتی ہے۔

8۔ کارپوریٹ گورننس (Corporate Governance) کے ضابطوں پر مکمل عمل کیا گیا ہے، جو اس کے ضابطوں کی فہرست میں تفصیل سے درج ہیں۔

9۔ گزشتہ سات سال کے اہم آپریشنز اور مالیاتی ڈیٹا کا خلاصہ صفحہ نمبر 53 پر ظاہر کیا گیا ہے۔ دورانِ سال خسارے اور گذشتہ برس کمپنی کے امور کے نتائج میں کیے گئے اہم انحراف پر بحث چیئرمین کا تجزیہ، صفحہ نمبر 12 پر کی گئی ہے۔

10۔ بنیادی خطرات اور غیر یقینی صورتِ حال کے ساتھ ساتھ مستقبل کے امکانات کی مناسب نشاندہی (ریزن ایبل انڈیکیشن) پر چیئرمین کا تجزیہ، صفحہ نمبر 12 پر پیش کیا گیا ہے۔

11۔ 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے بغیر آڈٹ شدہ مالی گوشواروں کی بنیاد پر پراویڈنٹ، گریچوایٹی اور پینشن فنڈز کی مقدار پر سرمایہ کاری کا بیان مالیاتی دستاویزات کے نوٹ 31.4 میں شامل کیا گیا ہے۔

12۔ سال بھر کے دوران منعقد ہونے والی بورڈ اور کمیٹیوں کے اجلاس اور ان میں ہر ڈائریکٹر کی شرکت کی تعداد صفحہ 106 پر ظاہر کی گئی ہے۔

13۔ نان ایگزیکٹو/خودمختار ڈائریکٹرز، جو دیگر شیل گروپ آف کمپنیز میں ایگزیکٹو عہدوں پر فائز نہیں ہیں، ان کو بورڈ اور اس کی کمیٹیوں کی میٹنگز میں شرکت کے لیے فیس کی ادائیگی کی جاتی ہے۔

14۔ دورانِ سال بورڈ اور اس کی کمیٹیوں کی کارکردگی کا رسمی جائزہ لیا گیا۔ اس جائزے میں کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کو۔ چارٹرڈ اکاؤنٹنٹس سے مدد لی گئی۔

15۔ جناب رفیع بشیر، جناب پرویز غیاث، جناب نصیر جعفر، مس ناز خان، جناب بدرالدین ویلانی، جناب ہارون راشد اور جناب فیصل وحید پہلے ہی پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) سے ڈائریکٹرز ٹریننگ سرٹیفکیشن حاصل کر چکے ہیں جبکہ جناب فرخ کیپٹن اس سے مستثنیٰ ہیں۔ کمپنی ڈائریکٹرز کی سرٹیفکیشن کو یقینی بنانے کے لیے کوڈ آف کارپوریٹ گورننس 2017ء کے تقاضوں کی پابندی کرے گی۔

16۔ حصص یافتگی شیئر ہولڈنگ (کے طریقہ کار) پیٹرن (اور حصص یافتگی کے طریقہ کار سے متعلق اضافی معلومات صفحہ 107 پر ظاہر کی گئی ہیں۔ یہ کمپنی شیل پیٹرولیم کمپنی لمیٹڈ، لندن) امیڈیٹ ہولڈنگ کمپنی (کا ذیلی ادارہ ہے جو کہ رائل ڈچ شیل) الٹیمیٹ ہولڈنگ کمپنی (کا ایک ذیلی ادارہ ہے جو برطانیہ میں قائم کی گئی تھی۔

17۔ اپریل 2018ء میں سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) کے نظرِ ثانی شدہ آڈیٹنگ کے معیارات کے نتیجے میں آڈیٹرز کے لیے ضروری ہے کہ وہ آڈٹ کے کلیدی (بنیادی) معاملات اپنی آڈیٹرز رپورٹ کے حصے کے طور بیان کریں۔ یہ آڈٹ کے بنیادی معاملات مالیاتی دستاویزات کے صفحہ 54 پر بیان کی گئی ہیں۔

18۔ بورڈ نے، بورڈ آڈٹ کمیٹی کی سفارش پر 31 دسمبر 2019ء کو اختتام پذیر ہونے والے مالی سال کے لیے ایم/ایس ای وائے فورڈ روڈز کو بطور ایکسٹرنل آڈیٹر برقرار رکھنے کی سفارش کی ہے۔

19۔ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکریٹری، انٹرنل آڈٹ کے سربراہ، دیگر ملازمین اور ان کے زوجین، اور نابالغ بچوں کی کمپنی کے حصص (شیئرز) میں تجارت کی تفصیل صفحہ 108 پر درج کی گئی ہے۔

20۔ مالی سال کے دوران کمپنی کی اختیار کردہ کارپوریٹ سماجی ذمہ داری اور دیگر سرگرمیاں صفحہ نمبر 44 تا 47 پر ظاہر کی گئی ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

رفیع بشیر	ہارون راشد
چیئرمین	چیف ایگزیکٹو

کراچی: 6 مارچ 2019ء

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 50th Annual General Meeting of Shell Pakistan Limited will be held on Tuesday, April 23, 2019 at 10:30 a.m. at Movenpick Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, adopt and approve the Report of Directors and Auditors together with the Audited Accounts for the year ended December 31, 2018.

2. To appoint Auditors for the financial year January 1 to December 31, 2018 and to fix their remuneration.

By Order of the Board

Lalarukh Hussain-Shaikh
Secretary

Karachi: March 6, 2019

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530

NOTES:

(i) The register of members will remain closed from April 9, 2019 to April 23 ,2019 (both days inclusive). Transfers received in order at the office of our Share Registrars, FAMCO Associates (Pvt) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi-75400 by the close of business on April 8, 2019 will be in time for the purpose of attending the annual general meeting.

(ii) A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies, in order to be effective must be received at the registered office of the Company not later than 48 hours before the meeting. However, as the meeting is on Tuesday the 23rd of April 2019, and in view of the provisions of S.137(6) of the Companies Act, 2017, the proxies, in order to be accepted and effective, must be filed no later than 10:30 am on Friday, 19th April, 2019. A proxy need not be a member of the Company.

(iii) Members holding physical shares are requested to notify any change in their addresses immediately to our Share Registrars, FAMCO Associates (Pvt) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi-75400.

(iv) Members or their proxies are required to present their original CNIC or Passport along with the Participant's I.D. and Account Number(s) at the time of attending the Annual General Meeting in order to authenticate their identity.

(v) A form of Proxy is enclosed with the Notice of Meeting being sent to the members.

(vi) Members holding in aggregate 10% or more shareholding residing at a geographical location other than Karachi, may participate in the meeting through video conference by submitting their application to the Company Secretary at least seven days prior to the date of the meeting. The Company will arrange video conference facility in the requested city subject to availability of such facility in that city. The Company will intimate members regarding venue of the video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access such facility.

(vii) Members who have provided email addresses in the required consent form will receive the Annual Report by email. Members who would like to receive the Annual Report by email should provide their email addresses to the Company. A consent form for this purpose may be downloaded from the Company's website.

(viii) Members can also exercise their right of E-Voting subject to the requirements of S.143-145 of the Companies Act, 2017 and the applicable clauses of the Companies (Postal ballot) Regulations 2018.

STATEMENT OF COMPLIANCE
WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Shell Pakistan Limited for the year ended December 31, 2018.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Code) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

The Company encourages representation of independent directors, non-executive directors as well as directors representing minority interests on its Board of Directors (the Board). As at December 31, 2018 the Board comprised of the following directors:

Category	**Name**
Independent Directors	Mr. Parvez Ghias Ms. Naz Khan
Executive Directors	Ms. Madiha Khalid Mr. Faisal Waheed
CEO	Mr. Haroon Rashid
Other Non-Executive Directors	Mr. Rafi H. Basheer Mr. Farrokh K. Captain Mr. Rahat Hussain Mr. Nasser N. S. Jaffer Mr. Klaas Mantel Mr. Badaruddin F. Vellani

Three of the six non-executive directors namely Mr. Rafi H. Basheer, Mr. Klaas Mantel as well as Mr. Rahat Hussain occupy executive positions in other Shell Group Companies.

The total number of Directors on the Board, including the Chief Executive, is 11; the composition of which is as follows:

Female Members:
1. Ms. Naz Khan
2. Ms. Madiha Khalid

Male Members:
1. Mr. Rafi H. Basheer
2. Mr. Farrokh K. Captain
3. Mr. Parvez Ghias
4. Mr. Rahat Hussain
5. Mr. Haroon Rashid
6. Mr. Nasser N. S. Jaffer
7. Mr. Klaas Mantel
8. Mr. Badaruddin F. Vellani
9. Mr. Faisal Waheed

- The directors have confirmed that none of them is serving as a director of more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a Banking Company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Consequent to the appointment of Mr. Haroon Rashid as the Chief Executive (deemed director) of the Company; a casual vacancy occurred during the year upon his resignation as the elected director. The casual vacancy was immediately filled by the Board and Ms. Madiha Khalid was appointed as a director of the Company.
- The Company has prepared a "Code of Conduct" defining acceptable and unacceptable behaviours to promote integrity for the Board, senior management and other employees and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. The Code of Conduct is available on the website of the Company: www.shell.com.pk
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the regulations with respect to frequency, recording and circulating minutes of the meetings of the Board.
- The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the act and the regulations.
- No Directors' Training Program was conducted during the year.
- The board has approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of appointment and complied with the relevant requirements of the regulation.
- The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the Code.
- 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 (Chairman)
b. Mr. Farrokh K. Captain
c. Mr. Haroon Rashid
d. Mr. Klaas Mantel

- The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance.

- The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The meetings of the Human Resource & Remuneration Committee were held twice during the year.

- The Board has outsourced the internal audit function to BDO Ebrahim & Co. who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board of Director

Haroon Rashid
Chief Executive

Naz Khan
Director

Karachi: March 6, 2019

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF SHELL PAKISTAN LIMITED (THE COMPANY)

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017.

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shell Pakistan Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Chartered Accountants
Place: Karachi
Date: March 6, 2019

ENVISIONING A BRIGHTER TOMORROW

With the growing needs of the world for better quality of life, the energy system also needs to evolve. Shell is actively researching and developing energy driven solutions that aspire to be effective and affordable for all, enabling a cleaner future equitable for generations to come. More energy is needed to meet growing demand and cleaner energy to help tackle climate change and pollution. This means transforming the way energy is produced, distributed and used.

SHELL RETAIL

Shell Pakistan's retail network comprises over 780 sites located across the country, providing an array of high quality products and services to our customers. In addition to offering a wide variety of fuels such as Super Unleaded and Diesel, advanced premium fuels like Shell V-Power, and high-quality lubricant products, our retail sites also provide a range of non-fuel retailing facilities that bring greater convenience to our customers.

BRINGING NEW SHELL V-POWER TO MORE CUSTOMERS

Shell has a long history, spanning over 100 years of developing fuels with scientists and specialists who work tirelessly on fuels innovation across the globe. This experience has helped Shell emerge as a brand that is known for bringing technologically advanced fuels for the benefit of consumers and their vehicles. In June 2018, we brought new Shell V-Power in Pakistan by introducing a new premium formulation with Dynaflex® Technology that has five times the level of technology to reduce engine dirt and friction. We also continued this journey of offering our best to customers by increasing the number of sites which offer new Shell V-Power, taking them up to 160 sites across multiple cities.

IMPROVING SITES' STANDARDS AND GROWING OUR NETWORK REACH

We continue our quest to offer superior on-site experience and understand the importance of improving the 'look and feel' of our retail sites. As a result, we continued to invest in and upgrade our sites' standards by ensuring maintenance of operational standards, Retail Visual Identity upgrades and installation of new-generation lube bays. In addition to improving our existing retail sites, we also expanded our network by commissioning 26 new retail sites to provide our customers greater access to Shell facilities on their journeys.

KEEPING CUSTOMERS AT THE HEART OF OUR OPERATIONS

Shell is committed to offering a wide selection of products and services at our retail sites to cater to the multiple needs of our customers. In 2018, we continued to expand the range of choices to our customers through Shell Select convenience stores as well as popular brands of eateries, delis and ice cream parlors at our retail sites. In addition to these facilities, our retail sites also offered facilities such as car-wash areas, tyre shops, ATMs and a world-class Shell Helix Oil-Change+ facility, with several retail sites providing a one-stop shop for our customers.

OFFERING EXCITING PRIZES AT OUR RETAIL SITES

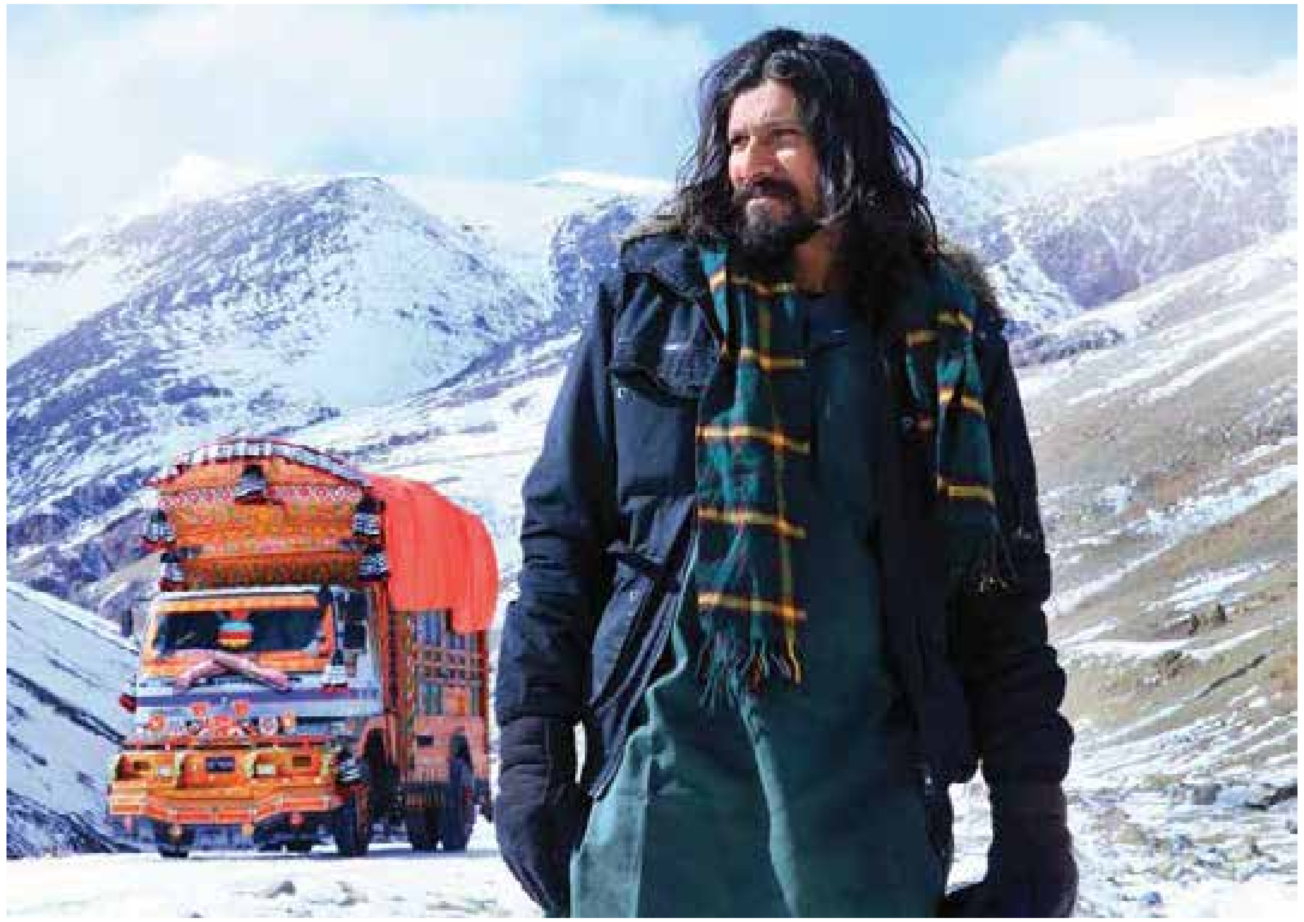
In addition to bringing high quality products and services, in 2018, we provided our customers multiple opportunities to win valuable prizes via exciting marketing promotions at our retail sites. Through these campaigns and promotions, our customers won free trips to Ferrari World, Abu Dhabi, witnessed the Formula 1 Race in Abu Dhabi, entered a raffle for free luxury cars and won several other exciting prizes!

TRAINING SITE STAFF TO TREAT OUR CUSTOMERS LIKE GUESTS

Shell continues to invest in the training and development of Service Champions who play a vital role in keeping our customers happy at retail sites. Our one-of-a-kind training program provides Service Champions with technical know-how and soft-skills and offers them benefits in the form of cash rewards and free health and medical insurance, to encourage and motivate them to continue their hard work on every site, for every customer, every day!

SHELL LUBRICANTS

Shell Lubricants continues to mark its success by being the number one lubricants supplier globally for the twelfth consecutive year. This is driven by the organisation working continuously towards improving its customers experience by putting them first and investing in cutting-edge technology, brand and marketing excellence.



BUSINESS PERFORMANCE

2018 was a relatively slower year for the entire Lubricants category, primarily impacted by overall lower economic indicators. Despite that, Shell Lubricants portfolio managed to retain its market share in a declining market keeping its position as the seventh largest in Rimula and third biggest in Advance portfolios. Key brand building campaigns across the portfolio helped both industrial and consumer brands experience an increase in brand share of preference and recommendation.

SHELL HELIX – DRIVE ON CAMPAIGN

Shell Helix launched the global Drive On campaign in February 2018, adapting it to a localised version of #DRIVEONPAKISTAN. The campaign centred around improving passenger car drivers' experience and encouraging safe driving habits while on the road, through messages endorsed by celebrities in Pakistan from different walks of life. The campaign took on the task of painting and making speed breakers in Pakistan more visible.

SHELL RIMULA -"WHAT MATTERS IS INSIDE"

Shell uses cutting edge technology that creates superior products designed for the vehicle and our road infrastructure requirement. This year we honoured truckers and farmers in Pakistan by celebrating the people that matter in their lives and recognise them as doting fathers, hardworking sons and primary breadwinners for their families. We recognise their hardships as their journey is not easy, and the hard work put in by the people at the heart of our economy. Shell Rimula diesel engine oil is designed for them, so it takes care of their vehicle's engine and helps them concentrate on what matters most to them.

SHELL TECHNOLOGY CONFERENCE

Shell Lubricants conducted the first of its kind technology leadership conference in September 2018. The purpose of this conference was to bring forth a platform for Shell Lubricants' Business to Business (B2B) customers to connect with Shell's global technical experts and learn how Shell's fuels and lubricants technology has evolved over the years to address consumers and the industry's growing challenges. Around 200 customers from various industries including Power, Cement, Oil & Gas, Textiles, Fertilizers, General Manufacturing, Fleets, Construction, Industrial and Auto OEMs actively participated in the conference and took counsel from Shell's global lubricants technology experts to discuss industry specific growth opportunities and challenges.

SHELL AVIATION

Shell Aviation is a global supplier of aviation fuels, lubricants and technical services, serving customers across all aviation segments. Over 100 years, it has built a reputation for being a trusted partner providing world-class safety and operations and supply security, with a presence at 850 airports in 32 countries refueling a plane every14 seconds.

SHELL AVIATION IN PAKISTAN

Shell Aviation's heritage in Pakistan dates back to1932, when Burmah Shell had the privilege of refuelling the inaugural flight of the first air mail service in the Indo-Pakistan subcontinent. It has since established itself as an important player in Pakistan's aviation industry, providing jet fuel and aircraft refueling services at five of its key airports, including Islamabad and Karachi, as well as aviation gasoline to the military and flying schools. The business also offers high quality Aero Shell Lubricants portfolio, including turbine engine oils, piston engine oils, fluids and greases in Pakistan. Underpinning Shell Aviation's success in Pakistan are the global expertise and local experience that we offer. Industry stakeholders and customers benefit from best practices and continued innovation in fuel safety and operations, while having direct access to a team of sales, supply and operations specialists who are dedicated to serving the local market.

2018 HIGHLIGHTS

In 2018, we continued performing well, being the second largest jet fuel supplier in the country, supplying around 20 domestic and international airlines. We also won new local & international businesses in 2018 and all our customers renewed our contracts at the current locations which is further testimony of our customer focus and operational excellence.

With its relentless focus on safety, Shell Aviation maintained a strong track record of no significant safety incidents at any of our airport sites in Pakistan. Our commitment to achieve Goal Zero is a journey built on our reputation in achieving operational excellence through continuous improvement and collaboration across the countries where we operate. We strive to maintain International Standards at all our locations through various infrastructural and operational upgrading projects during the year. As part of our digital journey we pioneered and introduced Skypad, a mobile platform and data capture system capable of transmitting real-time refuelling data from the apron into Shell's ERP system. New Supply source was also added for Jet which will help in further strengthening our supply chain for our customers.

HSSE PERFORMANCE

HSSE IN PAKISTAN

Shell Pakistan has an integrated approach towards health, safety, security and environment (HSSE). We believe a safe business is a good business. Despite a difficult external environment, we believe in delivering Goal Zero for which compliance with the HSSE & Social Performance control framework are table stakes for our license to operate and future growth strategy. To accomplish this, we focus on three areas of safety with the highest risks in our activities: personal, process and transport safety.

ROAD SAFETY

Transportation of hazardous hydrocarbons by road remains a high risk. Throughout the year we added approximately 194 new and safety compliant vehicles while we increased our on-route efficiency. Our exposure reduced by 20% from 50 million to 40 million kilometers driven mainly through optimised product sourcing and more effective utilisation of the fleet. We have also adapted our road transport operations organisation allowing us to be more agile in managing our road transport hauliers through these improved structures and processes.

EMERGENCY RESPONSE DRILL

Developing and maintaining emergency response procedures is an important element of building a robust safety culture. We develop plans, and make sure we have the necessary resources to deal with incidents. We review our emergency response plans, testing them in safety exercises or in drills with local services and regulatory agencies that would be involved if an incident took place. This year, we strengthened our emergency response by introducing state-of-the-art ICS (Incident Command System) and conducted emergency drills in collaboration with Armed Forces and Government agencies. We focused on road transport and driver safety where our flag-ship project 'Pasbaan' steered valuable tangible and intangible actions across the organisation to help bring about a mindset shift. We embarked upon our legal and control framework compliance journey to help ensure sustainability in our plans.

SAFETY DAY 2018

Safety Day is run globally as a focused effort for both Shell staff and contractors to reaffirm their commitment to safety and to drive our Goal Zero vision. Goal Zero is a clear statement of Shell's intent to build a strong safety culture.

On May 3rd, 2018 Safety Day engagements were held across the country. Smaller safety engagements are more effective in driving a safety mindset and our reserch tells us that a 1% increase in safety engagement can lead to a 4% decrease in overall accident rates, consequently informal leader-led discussions on the three main themes of risk normalisation, dilemmas, and care took place with employees, distributors, retailers, contractors, and customers everywhere.

Shell Pakistan will continue to drive the importance of safety internally and externally through our various programmes and initiatives to support employees, partners, contactors, and community in their safety journey.

SHELL HEALTH

In 2018, Shell Health Pakistan focused largely on reinforcing the culture of care at Shell Pakistan Limited. The aim was to promote an environment of care which would lead to increased human performance enabling individuals, teams and organisations to utilise their potentials to the fullest and perform their best. Care Ambassadors from across business functions were identified and trained to equip them with tools and ideas to lead the human performance and care initiative within their teams.

Shell Health collaborated with other departments to carry out programmes such as; the relaunch of resilience (Think Well) modules, change support initiatives for employees and departments undergoing restructuring, benzene exposure monitoring and awareness building with haulier drivers on fatigue risks.

OUR PEOPLE

To be the most competitive and innovative energy company, our people are central to the delivery of our strategy and driving progress. We recruit, train and reward people to maintain a productive organisation, deploying talent across the business effectively; accelerating development of our people; growing and strengthening our leadership capabilities; and enhancing employee performance through strong engagement.

DIVERSITY AND INCLUSION

Our intention is to sustain a diverse workforce and an inclusive environment that respects and shows care for all our people and helps improve our business performance. Our diversity and inclusion (D&I) approach focuses on talent acquisition, progression and retention, leadership visibility, inclusive culture and on differentiating our external reputation. Our leaders aim to be role models for D&I and assume accountability for continuous progress. We believe that diverse teams led by inclusive leaders are more engaged, and therefore deliver better safety and business performance. By embedding D&I into our operations, we have a better understanding of the needs of our employees as well as the needs of our varied customers, partners and stakeholders throughout the world.

As part of our journey of developing D&I capability and awareness in Shell Pakistan, we have engaged 80% employees through various learning sessions. Our efforts to induct a diverse workforce reached a new milestone as 40% of our total recruits were female. Family friendly policies were also introduced to further strengthen our Employee Value Proposition for attracting and retaining talent. Every day we work to provide an environment where all employees feel valued and included, able to nurture their talent as individuals and as part of a collaborative team.

PEOPLE DEVELOPMENT & EMPLOYEE ENGAGEMENT

Shell is committed to creating and maintaining a high-performance culture. To enable our people, we focus on developing and supporting our employees through intensive engagement, while rewarding their contributions. Shell Pakistan's People Survey scores remained in the top quartile for Employee Engagement in 2018. Throughout their career with Shell we set clear, focused goals to improve operational performance, their professional development and our bottom line. As part of developing people through international assignments, Shell Pakistan continued to export talent to various Shell countries in 2018. Blended learning programs upskilled 100+ individual performers and line managers in Shell Pakistan with the aim of developing their functional and leadership competences that are required to enhance their performance.

BUILDING THE TALENT PIPELINE

Shell Pakistan strives to develop strong and diverse talent pipelines through effective and efficient recruitment strategies for experienced professionals and graduates. Our people are recruited, developed and retained according to our People Strategy that is required to support our long-term business strategy and deliver more energy in a more sustainable way.

In 2018, we have recruited over 45 new joiners across graduate & experienced roles. Furthermore, we have refreshed our onboarding and induction plan and incorporated Shell's global career portal to our local application process. Shell Pakistan maintained an attrition rate of 8%, well below the average market attrition rate.

SOCIAL PERFORMANCE

Shell invests in the communities where we live and operate. Shell's social investment programmes are managed by our Social Performance team and these programmes enable us to share with communities the benefits that economic development brings while creating a sustainable business environment. Investment in local communities is both tailored to the needs of the community and aligned with Shell's business objectives and skills.

CREATING VALUE THROUGH SHELL TAMEER

Shell LiveWIRE is one of Shell´s global social investment programmes, which enables young people to start their own business and create employment. Launched in Pakistan in 2003, named "Tameer", the programme has reached out to 0.8 million young people (aged 18-35) and engaged 12,000 young entrepreneurs through enterprise trainings resulting in over 1,000 start-ups and business expansions. To learn more about Shell Tameer, visit: www.shell.com.pk

BUILD THE FUTURE CAMPAIGN

In 2014, Shell Tameer started the 'Build the Future' campaign to generate funds to provide seed capital for students from the SOS Technical Training Institute and The Hunar Foundation (THF) to start up their own businesses. In 2018, the fifth batch of 15 students from these institutions were trained through five Build the Future workshops. In total, 15 business plans were developed for a diverse group of skilled entrepreneurs. 14 female entrepreneurs successfully qualified to receive overall grants worth PKR 367,000 ($ 3,058).

BUSINESS FORMALISATION WORKSHOP FOR START UPS

Shell Tameer, in collaboration with the Institute of Business Administration, organised a workshop on "Business Formalisation for Start-Ups" to encourage young start-ups to formally register their businesses and help them understand the legal aspects and benefits of business formalisation. 17 start-ups from IBA's incubation centre were trained by two subject matter experts.

INTRODUCTION TO SOCIAL ENTERPRISE

Shell Tameer organised a workshop on "Introduction to Social Enterprise" in collaboration with SEED Ventures and the Social Enterprise Academy, Scotland to create awareness around social entrepreneurship for entrepreneurs and partners from different enterprise support platforms. 19 participants including Shell Tameer alumni, partners from industry, academia, incubation platforms and students participated in the workshop. They were provided insights on social enterprise, its fit in the economy, types of legal structures and attracting finance from mixed income streams.

SHELL TAMEER DICE SHARK

Shell Tameer, organised a business plan competition, 'Tameer DICE Shark' in collaboration with NED University of Engineering & Technology and the DICE Foundation, a USA based not for profit, aimed at fostering innovation and entrepreneurship culture in Pakistan.

The objective of the competition was to encourage water and energy innovators from renowned engineering universities of Pakistan to showcase their final year projects to industry and venture capitalists to help them transform these ideas into reality.

The Tameer DICE Shark contestants were initially trained through a day-long Shell Tameer Workshop, "How to Pitch Your Ideas" to help them prepare to present to a panel of judges. 35 students pitched their innovative ideas of which the top five winners were altogether awarded PKR 250,000 (USD 1880) as seed money for their start-ups.

SHELL MICROMENTOR NETWORK

Leveraging the power of mentoring to help small businesses and nonprofit organisations thrive, ShellLiveWire teamed up with MicroMentor, a nonprofit organisation specialising in facilitating online mentoring relationships.The programme brings together an exclusive group of Shell LiveWIRE entrepreneurs and Shell staff who are invited to build mentoring relationships that best fit their needs. Through Shell Tameer, three Pakistani alumni were matched with global mentors through this platform.

SHELL ECO-MARATHON

In 2018, the Shell Eco-marathon in its ninth year challenged students from 120 universities across Asia and the Middle East who are passionate about developing innovative mobility solutions to design, build and drive the most energy efficient cars. Student teams participated in either of two categories: Prototype: Futuristic and highly aerodynamic vehicles, or Urban Concept: highly economical and innovative vehicles that resemble today's cars.

Held from March 08 -11 in Singapore, the competition was part of the Make the Future Festival, one of Shell's flagship programmes, a platform for conversation about collaboration and innovation around the global energy challenge. The festival housed an interactive display allowing visitors to create energy through dance, sports and gravity.

Nine teams from Pakistan participated, with NUST Islamabad's Team Eco-motive winning hearts at the event by helping their competitors when they were unable to compete themselves. The young students were successful in winning the off-track Perseverance Award for donating their engine, tyres, battery and other vehicle parts to help 20 other competing teams.

EYE CAMPS FOR TRUCK DRIVERS

Shell Pakistan, in partnership with the Layton Rahmatulla Benevolent Trust (LRBT), offers eye testing for truck drivers as a part of its road safety outreach programme. During Ramzan in 2018, Shell offered free eye check-ups at four of its installations across the country. The camp was open to the local community at two locations as well. A total of 380 people were offered eye checks out of which 240 people were given medications to address eye ailments without any cost to the patients. Since 2012, Shell Pakistan, through its partnership with LRBT, has offered free eye checks to 6,621 people.

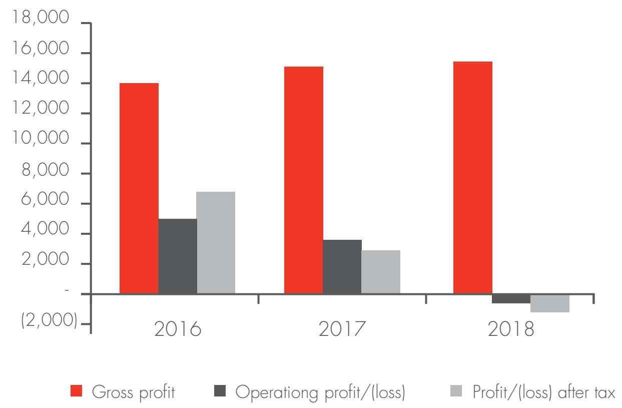
HARNESSING THE POWER OF PEOPLE

Energy sustains our daily lives and powers progress around the globe. Sustainable development for Shell means working with governments, partners, communities and others to deliver more energy in economically socially and environmentally responsible ways. This approach enables Shell to operate with care for people and the environment and shape the business decisions we make.

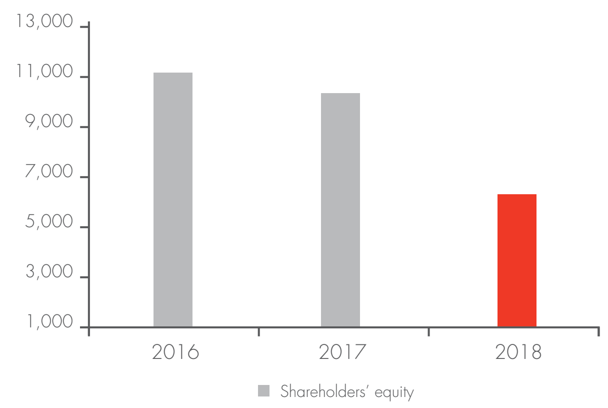
PERFORMANCE AT A GLANCE

YEAR ENDED DECEMBER 31, 2018

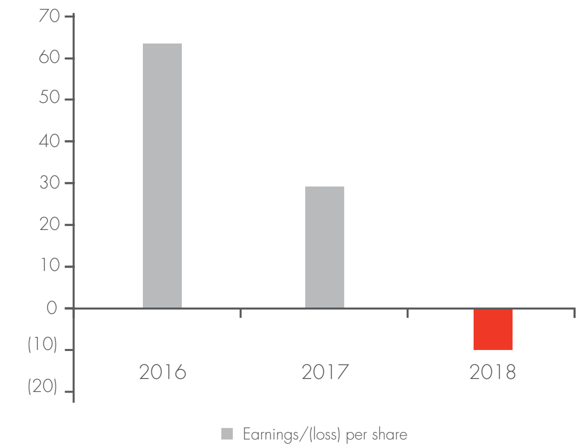
PROFITABILITY (Rs. in million)



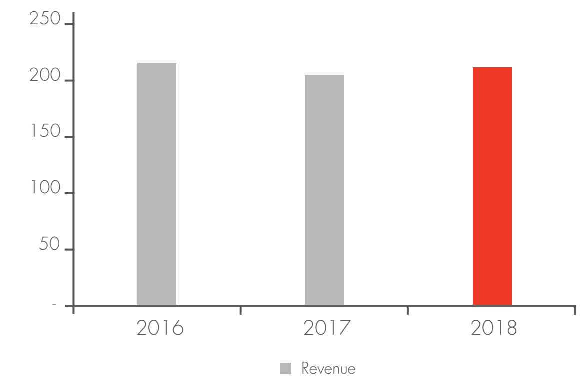
SHAREHOLDERS' EQUITY (Rs. in million)



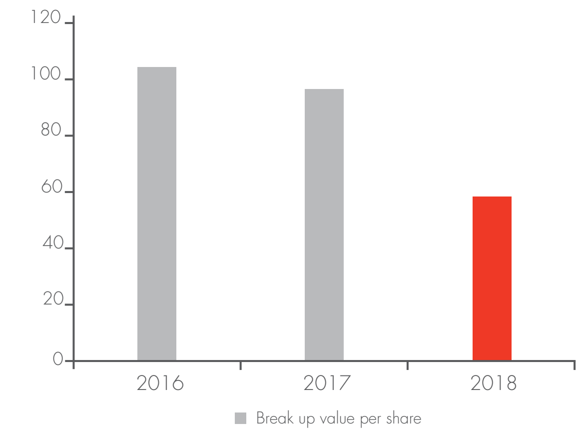
EARNINGS/(LOSS) PER SHARE (Rs. per share)



REVENUE (Rs. in billion)



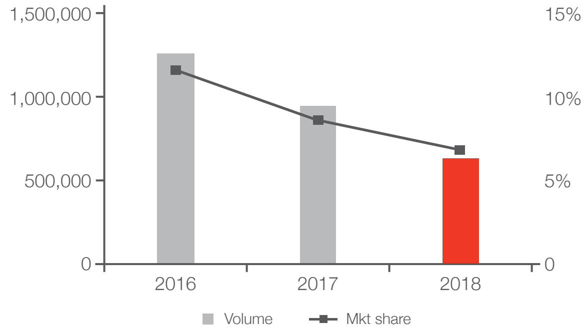
BREAK UP VALUE PER SHARE (Rs.)



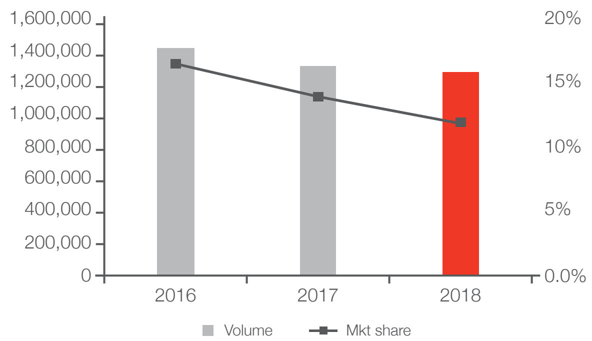
OPERATING AND FINANCIAL HIGHLIGHTS

PRODUCT-WISE VOLUME (MTs) AND MARKET SHARE (%)

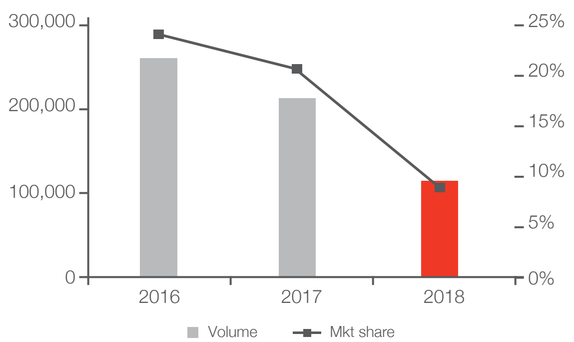
HIGH SPEED DIESEL VOLUME



MOTOR GASOLINE VOLUME



JET A-1 VOLUME



Year ended December 31, 2018

Highlights		2018	2017
Sales Volume	Tonnes	2,172,500	2,684,806
Sales Revenue	Rs. mn	186,204	168,848
Profit / (Loss) before taxation	Rs. mn	(60)	4,323
Profit / (Loss) after taxation	Rs. mn	(1,102)	3,183
Fixed Capital Expenditure	Rs. mn	2,695	1,716
Shareholders' equity	Rs. mn	6,353	10,198
Earnings / (Loss) per share - basic	Rs.	(10.30)	29.74

		Year ended December 31						
Financial Statistical Summary		2018	2017	2016	2015	2014	2013	2012
Share capital	Rs. mn	1,070	1,070	1,070	1,070	1,070	856	856
Reserves	Rs. mn	5,283	9,128	10,040	4,911	4,825	6,367	5,022
Shareholders' equity	Rs. mn	6,353	10,198	11,110	5,981	5,895	7,223	5,878
Break up value	Rs.	59	95	104	56	55	84	69
Dividend per share	Rs.	7	24	34	10	8	4	-
Bonus	Ratio	-	-	-	-	-	1:4	-
Profit / (loss) before tax	Rs. mn	(60)	4,323	5,706	2,345	546	2,424	5
Profit / (loss) after tax	Rs. mn	(1,102)	3,183	6,764	911	(1,067)	1,061	(1,935)
Earnings / (loss) per share of Rs. 10	Rs.	(10.30)	29.74	63.22	8.51	(9.97)	12.39	(22.60)
Working capital								
Current assets to current liabilities	Times	0.7	0.8	0.9	0.8	0.9	0.9	0.9
Number of days stock	Days	32	23	25	26	23	23	27
Number of days trade debts	Days	6	7	4	2	2	3	3
Performance								
Profit / (loss) after tax as % of average shareholders' equity	%	(13.3)	29.9	79.2	15.3	(16.3)	16.2	(27.3)
Cost of Sales as % of sales	%	91.7	91.2	71.5	75.0	83.5	82.6	83.3
Profit / (loss) before tax as % of sales	%	(0.03)	2.6	2.7	0.9	0.2	0.8	0.0
Profit / (loss) after tax as % of sales	%	(0.6)	1.5	3.1	0.4	(0.4)	0.4	(0.8)
Total debt ratio	Ratio	0.6	0.04	-	0.3	0.6	0.9	2.1

INDEPENDENT AUDITORS' REPORT

To the members of Shell Pakistan Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Shell Pakistan Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Contingent liabilities	
As disclosed in note 21 to the financial statements, the Company has contingent liabilities in respect of income tax, sales tax and other levies which are pending adjudication before various taxation authorities and Courts of law. Contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies in accordance with the applicable financial reporting framework. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered this as a key audit matter.	Our audit procedures among others included obtaining an understanding of the process and controls on this area relevant to our audit. Further, we have: - obtained and reviewed details of the pending tax matters and discussed the same with the Company's management; - circularized confirmations to the Company's external legal and tax counsels for their views on open tax assessments; - reviewed correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - involved internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and - reviewed disclosures made in respect of such contingent liabilities.
2. Recoverability and recognition of deferred tax asset	
As disclosed in note 10, the Company has recognized deferred tax asset on minimum tax carry forward amounting to Rs. 896,259 thousand. In order to ascertain that sufficient future taxable profit will be available, the management has prepared future projections of taxable profit by taking into account various assumptions mainly comprising of future commodity price, average inflation and exchange rates, growth rate and timing of reversals. The analysis of the recognition and recoverability of the deferred tax asset was significant to our audit because of the significant value of deferred tax asset and the assessment of future taxable income involves significant management judgement about future business and economic factors.	Our audit procedures among others included obtaining an understanding of the process and controls in this area relevant to our audit. We evaluated the appropriateness of the components on which the company have recognized deferred tax asset in light of the requirements of the income tax ordinance, 2001, considering the factors including age and the expiry of the deferred tax asset and tax rates enacted. For this purpose, we involved our internal tax specialist to assist us. We evaluated the Company's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. For this purpose, we involved internal specialists to support us in performing these procedures. We have also assessed the adequacy of the Company's disclosures in accordance with relevant laws as applicable in Pakistan.
3. Receivable from the Government of Pakistan (GoP)	
As disclosed in note 14 to the financial statements, as at December 31, 2018 the Company has receivables from GoP on account of petroleum development levy and other duties and price differential claims amounting to Rs. 1,380,029 thousand and Rs. 2,600,528 thousand, respectively, recoverable from the GoP against export sales and supply of petroleum products at subsidized rates to various customers. These balances are long outstanding with no substantial recoveries made in last few years' despite follow-ups by the Company with relevant ministries. In view of the above matter, the aforesaid receivable balances being significant to the financial statements, have been considered as a key audit matter.	In our consideration of the recoverability of these balances and their expected timing, we evaluated the appropriateness of management's judgments in light of the given circumstances through the following audit procedures: - reviewed related correspondence between the Company and relevant authorities, and held discussions at appropriate level of management to critically assess their views on the recoverability and timing of settlement of relevant receivables; - obtaining latest correspondences, audited reports submitted by the Company and sanction orders where said claims were settled by the authorities; and - reviewed related disclosures in the financial statements.
4. New Companies Act, 2017 (the Act) and its impact on the financial statements	
As disclosed in note 3 to the financial statements, the Act became applicable for the first time for the preparation of the Company's financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as disclosed in note 3.1 to the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Riaz A. Rehman Chamdia.

Chartered Accountants
Place: Karachi
Date: 06 March 2019

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**11,767,843**	10,000,115
Intangible assets	6	**14,709**	-
Long-term investments	7	**4,436,561**	4,051,815
Long-term loans	8	**25,076**	17,820
Long-term deposits and prepayments	9	**883,177**	289,045
Deferred taxation	10	**178,456**	1,214,351
		17,305,822	15,573,146
Current Assets			
Stock-in-trade	11	**14,884,111**	9,500,585
Trade debts	12	**3,264,207**	3,069,541
Loans and advances	13	**109,668**	48,403
Short-term prepayments		**782,165**	304,673
Other receivables	14	**10,797,182**	7,804,901
Cash and bank balances	15	**1,973,413**	2,591,864
		31,810,746	23,319,967
TOTAL ASSETS		**49,116,568**	38,893,113
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,070,125**	1,070,125
Share premium		**1,503,803**	1,503,803
General reserves		**207,002**	207,002
Unappropriated profit		**4,068,450**	7,738,731
Remeasurement of post-employment benefits – actuarial loss		**(496,058)**	(321,601)
Total equity		**6,353,322**	10,198,060
Liabilities			
Non-Current Liabilities			
Asset retirement obligation	17	**130,983**	93,809
Current Liabilities			
Trade and other payables	18	**33,766,676**	26,884,157
Unclaimed dividend		**142,960**	121,509
Unpaid dividend		**190,081**	148,786
Accrued mark-up	19	**3,110**	431
Short term borrowings - secured	20	**8,052,978**	395,000
Taxation - net		**476,458**	1,051,361
		42,632,263	28,601,244
		42,763,246	28,695,053
Contingencies and commitments	21		
TOTAL EQUITY AND LIABILITIES		**49,116,568**	38,893,113

The annexed notes from 1 to 45 form an integral part of these financial statements.

Naz Khan	**Haroon Rashid**	**Faisal Waheed**
Director	Chief Executive	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
Sales	22	**214,211,920**	205,791,893
Other revenue		**941,091**	965,737
		215,153,011	206,757,630
Sales tax		**(28,949,456)**	(37,909,193)
Net revenue		**186,203,555**	168,848,437
Cost of products sold	23	**(170,779,180)**	(153,972,023)
Gross profit		**15,424,375**	14,876,414
Distribution and marketing expenses	24	**(6,482,137)**	(6,018,105)
Administrative expenses	25	**(5,028,800)**	(4,146,166)
Other expenses	26	**(5,084,078)**	(1,425,023)
Other income	27	**507,050**	433,113
Operating (loss)/profit		**(663,590)**	3,720,233
Finance costs	28	**(370,159)**	(235,049)
		(1,033,749)	3,485,184
Share of profit of associate - net of tax	7	**974,075**	837,776
(Loss)/profit before taxation		**(59,674)**	4,322,960
Taxation	29	**(1,042,311)**	(1,140,258)
Net (loss)/profit for the year		**(1,101,985)**	3,182,702
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial loss on post-employment benefits		**(174,457)**	(348,993)
Total comprehensive income for the year		**(1,276,442)**	2,833,709
		(Rupees)	
(Loss)/earnings per share – basic and diluted	30	**(10.30)**	29.74

The annexed notes from 1 to 45 form an integral part of these financial statements.

Naz Khan	**Haroon Rashid**	**Faisal Waheed**
Director	Chief Executive	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappropriated profit	Actuarial (loss) / gain on post-employment benefits	Total
	(Rupees '000)					
Balance as at January 1, 2017	1,070,125	1,503,803	207,002	8,301,460	27,392	11,109,782
Final dividend for the year ended December 31, 2016 at the rate of Rs.28/- per share	-	-	-	(2,996,345)	-	(2,996,345)
Interim dividend for the year ended December 31, 2017 at the rate of Rs.7/- per share	-	-	-	(749,086)	-	(749,086)
Net profit for the year	-	-	-	3,182,702	-	3,182,702
Other comprehensive income for the year	-	-	-	-	(348,993)	(348,993)
Total comprehensive income for the year	-	-	-	3,182,702	(348,993)	2,833,709
Balance as at December 31, 2017	1,070,125	1,503,803	207,002	7,738,731	(321,601)	10,198,060
Final dividend for the year ended December 31, 2017 at the rate of Rs.17/- per share	-	-	-	(1,819,210)	-	(1,819,210)
Interim dividend for the year ended December 31, 2018 at the rate of Rs.7/- per share	-	-	-	(749,086)	-	(749,086)
Net loss for the year	-	-	-	(1,101,985)	-	(1,101,985)
Other comprehensive income for the year	-	-	-	-	(174,457)	(174,457)
Total comprehensive income for the year	-	-	-	(1,101,985)	(174,457)	(1,276,442)
Balance as at December 31, 2018	**1,070,125**	**1,503,803**	**207,002**	**4,068,450**	**(496,058)**	**6,353,322**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Naz Khan
Director

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	34	**(2,372,077)**	1,991,410
Finance costs paid		**(202,351)**	(52,396)
Income tax paid		**(581,319)**	(359,956)
Long-term loans		**(7,256)**	(14,729)
Long-term deposits and prepayments		**(594,132)**	(128,728)
Interest received on short-term deposits/saving accounts		**92,118**	115,419
Net cash (used in)/generated from operating activities		**(3,665,017)**	1,551,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(2,695,297)**	(1,715,562)
Proceeds from disposal of operating assets		**106**	5,391
Dividend received from associate		**589,329**	521,521
Net cash used in investing activities		**(2,105,862)**	(1,188,650)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(2,505,550)**	(4,153,911)
Net decrease in cash and cash equivalents		**(8,276,429)**	(3,791,541)
Cash and cash equivalents at the beginning of the year		**2,196,864**	5,988,405
Cash and cash equivalents at the end of the year	35	**(6,079,565)**	2,196,864

The annexed notes from 1 to 45 form an integral part of these financial statements.

Naz Khan
Director

Haroon Rashid
Chief Executive

Faisal Waheed
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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. Khaliquzzaman Road, Karachi.

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

1.3 Geographical location and address of business units

Head Office	Shell House, 6, Ch. Khaliquzzaman Road, Karachi
Lube Oil Blending Plant	Plot No. 22, Oil Installation Area, Kemari, Karachi

Regional marketing, sales offices and invoicing points are located across the country. The Company owns retail operation sites and sites operated through dealers across Pakistan and Northern areas, the details of which is impracticable to disclose in these financial statements as required under paragraph 1 (i) of Part I of the Fourth Schedule to the Companies Act, 2017 (the Act).

2. Summary of significant transactions and events

Summary of significant transactions and events that have affected the Company's financial position and performance during the year are as follows:

2.1 Devaluation of the Pakistani rupee against the dollar

The Pakistani rupee remained under pressure during the year against the dollar and lost 10% and 15% of its value in the first and second half of the year respectively. This resulted in an exchange loss of Rs. 5,008,315 thousand incurred during the year.

2.2 Write-down of Inventory to Net Realizable Value (NRV)

Subsequent to the year end, the selling price of motor fuels declined significantly which resulted in a write-down of stocks to its NRV. Resultantly, the Company recognized an un-realized loss of Rs. 797,073 thousand and accordingly, adjusted the carrying value of stock in trade by the same amount.

3. Basis of preparation

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

The fourth schedule to the Act became applicable to the Company for the first time for the preparation of these financial statements. The Act (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst other, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of additional / amended disclosures as mentioned in notes 1.3, 2, 5.5, 5.6, 8.1, 12.2, 14.7, 16.2, 18.2, 18.3, 18.3.1, 18.3.2, 20.1, 29.2, 32.5, 33.6, 33.7 and 42.1.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain staff retirement benefits at present value and certain financial assets and financial liabilities at fair value.

3.3 New and amended standards

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

3.3.1 New Standards and Amendments

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 2	-	Share-based Payments: Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	-	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
IAS 40	-	Investment property: Transfers of Investment Property
IFRIC 22	-	Foreign Currency Transactions and Advance Consideration

3.3.2 Improvements to Accounting Standards Issued by the IASB in December 2016

IFRS 1	-	First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters
IAS 28	-	Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any material effect on these financial statements.

3.3.3 Standards not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards and amendments			Effective date (annual periods beginning on or after)
IFRS 9	-	Financial Instruments	01 July 2018
IFRS 15	-	Revenue from Contracts with Customers	01 July 2018
IFRS 16	-	Leases	01 January 2019
IAS 19	-	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28	-	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	-	Uncertainty over income tax treatments	01 January 2019
IFRS 9	-	Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 3	-	Definition of a Business (Amendments)	01 January 2020
IAS 1/IAS 8	-	Definition of Material (Amendments)	01 January 2020
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 9 - 'Financial Instruments', IFRS 15 – 'Revenue from Contracts with Customers' and IFRS 16 - 'Leases' which are as follows:

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the complete version of IFRS 9 Financial Instruments and replaced IAS 39 Financial Instruments: Recognition and Measurement which is effective for annual periods beginning on or after January 01, 2018, however, SECP vide S.R.O 1007(I)/2017 dated October 04, 2017 had notified the adoption of IFRS 9 for annual periods beginning on or after July 01, 2018. However, subsequent to the year end, Securities & Exchange Commission of Pakistan (SECP) via S.R.O 229 (I)/2019 dated February 14, 2019 has made IFRS 9 applicable from the reporting period/year ending on or after June 30, 2019 with earlier application permitted.

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in OCI, not recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model of IAS 39. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after January 01, 2018, however, SECP vide S.R.O. 1007(1)/2017 dated October 04, 2017, had notified the adoption of IFRS 15 for annual periods beginning on or after July 01, 2018.

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The Company will apply IFRS 15 from January 1, 2019 and has elected to apply the modified retrospective transition approach. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has assessed that significant performance obligations in contracts with customers, is based on transfer of control of related goods and is discharged at that point of time. The transfer of goods takes place upon delivery of goods to customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Based on the above, the Company considers that its existing accounting policies are substantially in compliance with the requirements of IFRS 15. This standard also requires disclosure of contract assets and contract liabilities as separate line items and qualitative disclosures.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 Leases which replaced IAS 17 Leases and is effective for annual reporting periods beginning on or after January 1, 2019 which is the same date as notified by the SECP vide S.R.O 434(I)/2018 dated April 9, 2018.

IFRS 16 – Leases replaces the previous lease standard IAS 17 – Leases. Under the new standard, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions of leases with a lease term of 12 months or less or leases where the underlying asset has a low value, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities. The Company will apply the modified retrospective approach and the cumulative effect of initial application will be recognized at the date of initial application with no restatement of comparative information. Compared with the existing accounting for operating leases, application of the standard will have a significant impact on the classification of expenditures and consequently the classification of cash flow from operating activities and cash flow from financing activities. It will also impact the timing of expenses recognized in the statement of profit or loss and other comprehensive income.

The Company has carried out an extensive exercise to evaluate the impacts of these standards which will be disclosed in the condensed interim financial statements of the Company for the first quarter of the year 2019.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Conceptual Framework for Financial Reporting

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard			**IASB effective date (annual periods beginning on or after)**
IFRS 14	-	Regulatory Deferral Accounts	01 January 2016
IFRS 17	-	Insurance Contracts	01 January 2021

3.4 Critical accounting estimates, assumptions and judgments

The preparation of these 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.

Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

i. Determination of useful lives of property, plant and equipment and intangible assets (notes 4.1, 4.2, 5.1 and 6);
ii. Review of impairment against financial and non-financial assets (notes 4.3 and 5.8);
iii. Review of net realizable value of stock-in-trade for diminution in the carrying values and review of stock-in-trade for obsolescence (notes 4.6 and 11);
iv. Provision for doubtful debts and other receivables (notes 4.7, 12 and 14);
v. Review of asset retirement obligation (notes 4.10 and 17);
vi. Estimates of receivable and payables in respect of retirement and other service benefits (notes 4.13 and 31);
vii. Provision for current and deferred taxation (notes 4.14, 10 and 29); and
viii. Determination of contingent liabilities (notes 4.17 and 21).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

These are carried at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress, which are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

Subsequent costs are not recognized as assets unless it is probable that future economic benefits associated with these costs will flow to the Company and the cost can be measured reliably. Maintenance and normal repairs are charged to statement of profit or loss and other comprehensive income as and when incurred.

Depreciation is charged to statement of profit or loss and other comprehensive income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 5.1 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month in which an asset is available for use while no depreciation is charged for the month in which an asset is disposed.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of an asset is recognized in the statement of profit or loss and other comprehensive income in the period of disposal.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.2 Intangible assets – Computer software

These are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is charged to statement of comprehensive income on straight line basis over its economic useful life at the rate given in note 6 to these financial statements. Amortization on additions is charged from the month in which an intangible asset is available for use while no amortization is charged for the month in which an intangible asset is disposed-off.

The gain or loss on disposal or retirement of an intangible asset represented by the difference between the sale proceeds and the carrying amount is recognized in the statement of profit or loss and other comprehensive income in the period of disposal.

An intangible asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

4.3 Impairment of financial and non-financial assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

4.4 Investment in associates

These are accounted for using the equity method of accounting and are initially recognized at cost and adjusted thereafter for the post acquisition share of profits of the associate and dividends received.

The cumulative post acquisition movements are adjusted against the carrying value of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate.

The investment in associate's carrying amount is written down to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

4.5 Financial instruments

4.5.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognized when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the statement of profit or loss and other comprehensive income of the current period.

4.5.2 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

4.6 Stock-in-trade

These are valued at the lower of cost, calculated on a first-in first-out basis, and net realizable value except for stock-in-transit. Cost comprises invoice value, charges like custom duties and similar levies and other direct costs but excludes borrowing cost. Cost for bonded stock of finished goods comprises invoice value and costs incurred to date.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon till the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to make the sale.

Provision is made for obsolete and slow moving stock-in-trade based on management's best estimate and is recognized in the statement of profit or loss and other comprehensive income.

4.7 Trade debts and other receivables

These are recognized and carried at original invoice amount, being the fair value, less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection is no longer probable. Bad debts are written-off when identified.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

4.8 Loans, advances and short-term prepayments

These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition, assessment is made at each statement of financial position date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

4.9 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, balances with banks net of short-term borrowings.

4.10 Provisions

4.10.1 These are recognized in the statement of financial position where the Company has a legal or constructive obligation as a result of past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

4.10.2 Provision for asset retirement obligation is based on current requirements, technology and price levels and the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognized (together with a corresponding amount as part of the related property, plant and equipment) once an obligation crystallizes in the period when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are incorporated on a prospective basis.

4.11 Operating leases

Payments made under operating leases are recognized as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

4.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.13 Retirement and other service benefits

4.13.1 Retirement benefits

Except for certain expatriates for whom benefits are provided by membership of their respective Shell retirement benefit funds, staff retirement benefits include:

i) Approved funded gratuity and pension schemes

The Company operates approved funded gratuity schemes for management and unionized staff and contributory pension scheme for management and non-contributory pension scheme for unionized staff. Contributions are made to these schemes on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (re-measurements) are recognized in 'Other Comprehensive Income' as these arise.

ii) Approved defined contributory provident funds

The Company operates approved defined contributory provident funds for all employees. Equal monthly contributions are made both by the Company and the employee at the rate of 4.5% of basic salary for management employees and 10% of basic salary and cost of living allowances for non-management employees. The amount contributed is charged in the statement of profit or loss and other comprehensive income.

iii) Approved defined contributory pension fund

The Company introduced an approved defined contributory pension fund during 2013 for management employees who opted for transfer from defined benefit pension and gratuity fund to defined contributory pension fund and for all new employees joining thereafter. The Company contributes at the rate of 10.5% of basic salary of the employee which is charged to statement of profit or loss and other comprehensive income.

iv) Un-funded post-retirement medical benefits

The Company offers un-funded post-retirement medical benefits for all management staff. Annual provision is made for the scheme on the basis of actuarial recommendations. The actuarial valuation is carried out annually using the Projected Unit Credit Method. Actuarial gains or losses (re-measurements) are recognized in 'Other Comprehensive Income' as these arise.

Retirement benefits are payable to staff on completion of prescribed qualifying periods of service under these schemes.

4.13.2 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligation under the scheme is made based on the current leave entitlements of employees and by using the current salary levels of employees.

4.14 Taxation

4.14.1 Current

The charge for current taxation is computed in accordance with Income Tax Ordinance, 2001.

4.14.2 Deferred

Deferred tax is recognized using the statement of financial position liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognized on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

4.15 Foreign currencies

Transactions in foreign currencies are accounted for in Pakistan Rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange which approximate those prevailing at the statement of financial position date. Exchange differences are recognized in the statement of profit or loss and other comprehensive income.

4.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recorded on the delivery of goods to customers.
- Other revenue (including license fee) is recognized on accrual basis.
- Profit from bank accounts and return on investments is recognized on a time proportionate basis.
- Interest on short-term deposits and shell card income is recognized on accrual basis.
- Dividend income is recognized when the Company's right to receive the dividend is established.

4.17 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

4.18 Operating segments

For management purposes, the activities of the Company are organized into one reportable operating segment i.e. marketing of petroleum products including lubricating oils. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

4.19 Share-based compensation

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

4.20 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.22 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

4.23 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

4.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5. Property, Plant and Equipment

	Note	2018	2017
		(Rupees '000)	
Operating assets – at net book value		**9,659,775**	8,810,682
Provision for impairment	5.8	**(359,289)**	(358,423)
	5.1	**9,300,486**	8,452,259
Capital work-in-progress	5.7	**2,467,357**	1,547,856
		11,767,843	10,000,115

5.1 Operating assets

	Note	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air conditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipments	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Total
		(Rupees '000)														
As at January 01, 2018																
Cost		97,009	424,719	189,885	3,433,499	2,721,541	1,905,715	36,082	25,118	1,325,038	576,828	3,353,050	2,942,927	159,228	7	17,190,646
Accumulated depreciation and impairment		-	98,867	74,352	2,318,396	1,327,166	461,709	34,892	5,553	649,210	476,958	1,905,939	1,237,209	148,129	7	8,738,387
Net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
Year ended December 31, 2018																
Opening net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
Additions		-	96,668	3,372	46,841	365,593	102,428	153	23,305	254,543	67,034	314,574	507,291	21,890	-	1,803,692
Less: Disposals / write offs / revision of asset retirement obligation																
Cost		-	-	-	457	270	-	65	-	-	23,029	2,603	139	-	-	26,563
Accumulated depreciation		-	-	-	(457)	(220)	-	(65)	-	-	(22,898)	(2,603)	(139)	-	-	(26,382)
		-	-	-	-	50	-	-	-	-	131	-	-	-	-	181
Less: Depreciation charge for the year	5.3	-	19,522	3,099	139,144	111,141	96,832	1,343	1,997	69,109	49,167	188,108	274,348	608	-	954,418
Less: Impairment for the year	5.8	-	52	-	129	156	215	-	4	32	-	263	15	-	-	866
Closing net book value		97,009	402,946	115,806	1,022,671	1,648,621	1,449,387	-	40,869	861,230	117,606	1,573,314	1,938,646	32,381	-	9,300,486
As at December 31, 2018																
Cost		97,009	521,387	193,257	3,479,883	3,086,864	2,008,143	36,170	48,423	1,579,581	620,833	3,665,021	3,450,079	181,118	7	18,967,775
Accumulated depreciation and impairment		-	118,441	77,451	2,457,212	1,438,243	558,756	36,170	7,554	718,351	503,227	2,091,707	1,511,433	148,737	7	9,667,289
Net book value		97,009	402,946	115,806	1,022,671	1,648,621	1,449,387	-	40,869	861,230	117,606	1,573,314	1,938,646	32,381	-	9,300,486
As at January 01, 2017																
Cost		97,009	308,339	188,247	3,395,825	2,559,157	1,669,729	37,459	11,162	1,067,801	588,466	3,205,800	2,151,167	171,042	38,393	15,489,596
Accumulated depreciation and impairment		-	84,424	71,878	2,206,276	1,231,835	423,901	36,655	4,474	602,322	469,112	1,766,822	1,037,857	158,994	35,884	8,130,434
Net book value		97,009	223,915	116,369	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162
Year ended December 31, 2017																
Opening net book value		97,009	223,915	116,369	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162
Additions		-	116,502	1,638	91,101	170,820	285,363	3,375	13,956	265,985	32,846	184,943	797,919	-	-	1,964,448
Less: Disposals / write offs / revision of asset retirement obligation																
Cost		-	122	-	53,427	8,436	49,377	4,752	-	8,748	44,484	37,693	6,159	11,814	38,386	263,398
Accumulated depreciation		-	(13)	-	(44,614)	(7,406)	(49,079)	(4,216)	-	(8,621)	(43,305)	(34,511)	(5,758)	(11,814)	(38,386)	(247,723)
		-	109	-	8,813	1,030	298	536	-	127	1,179	3,182	401	-	-	15,675
Less: Depreciation charge for the year	5.3	-	14,796	3,147	156,734	103,587	88,829	2,453	1,079	55,858	51,151	176,052	205,119	949	2,509	862,263
Impairment reversal for the year	5.8	-	340	673	-	850	1,942	-	-	349	-	2,424	9	-	-	6,587
Closing net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
As at December 31, 2017																
Cost		97,009	424,719	189,885	3,433,499	2,721,541	1,905,715	36,082	25,118	1,325,038	576,828	3,353,050	2,942,927	159,228	7	17,190,646
Accumulated depreciation and impairment		-	98,867	74,352	2,318,396	1,327,166	461,709	34,892	5,553	649,210	476,958	1,905,939	1,237,209	148,129	7	8,738,387
Net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
Depreciation rate % per annum		-	4 to 5	2.50	5	3 to 4	3 to 10 & 20	6.67	6.67	5 to 20	5 to 10 & 20	5 to 10	5 to 20	20 to 25	25	

5.2 Operating assets include items having an aggregate cost of Rs. 5,087,406 thousand (2017: Rs.4,660,517 thousand) which have been fully depreciated and are still in use of the Company.

5.3 Depreciation charge for the year has been allocated as follows:

	Note	2018	2017
		(Rupees '000)	
Cost of products sold	23.1	**107,042**	96,792
Distribution and marketing expenses	24	**718,049**	661,591
Administrative expenses	25	**129,327**	103,880
		954,418	862,263

5.4 The Company's assets include assets having a cost of Rs. 9,129,530 thousand (2017: Rs. 8,032,300 thousand) located at dealer operated sites. Although the Fourth Schedule to the Act requires the disclosure of particulars of assets owned by the Company but not in its possession, the same has not been reproduced here due to the practical difficulties of disclosing the same as there are significant number of dealers and assets involved.

5.5 **Particulars of immovable fixed assets of the Company are as follows:**

Location	Address	Unit of measurement	Total Area
Oil depot/terminals/plant			
Kemari Oil Terminal	Oil Installation Area, Plot No. 1, 3, 4, 7, 8 and 9, Kemari, Karachi.	Sq. yards	143,979
Daulatpur Oil Depot	Shell Pakistan Daulatpur Terminal, Shaheed Benazirabad.	Sq. yards	38,720
Shikarpur Oil Terminal	10km from Khanpur, Opposite PARCO PS-3, Kandhkot Road, District Shikarpur.	Sq. yards	58,080
Machike Oil Terminal	Machike Terminal, 7KM Sheikhupura Sargodha Road, Village Dhantpura, Sheikhupura.	Sq. yards	87,120
Shershah Oil Depot	Shell Shershah Depot, Multan.	Sq. yards	17,424
Vehari Oil Depot	Shell Bulk Oil Depot, Vehari.	Sq. yards	6,675
Sahiwal Oil Depot	Sahiwal Depot, Near railway station, Sahiwal.	Sq. yards	3,649
Bhakkar Oil Depot	Shell Bhakkar Depot, Near WAPDA Complaint Office, Bhakkar.	Sq. yards	6,110
Chaklala Oil Terminal	Shell Oil Terminal, Chaklala, Rawalpindi.	Sq. yards	58,080
Tarujabba Oil Depot	Shell Oil Depot, GT Road, Peshawar.	Sq. yards	53,240
Lube Oil Blending Plant	Plot No. 22, Oil Installation area, Kemari.	Sq. yards	100,118
Aviation stations			
Islamabad Aviation station	Old Islamabad airport.	Sq. yards	3,154
Karachi Aviation Station	Karachi airport.	Sq. yards	4,500
Nawabshah Aviation Station	Nawabshah airport.	Sq. yards	1,621
Quetta Aviation Station	Quetta airport.	Sq. yards	1,667
Sukkur Aviation Station	Sukkur airport.	Sq. yards	778
Service stations			
Marine Drive Service Station	Plot No. DC 5, Block 8, Clifton, Karachi.	Sq. meters	873
Amil Service Station	Plot No. 234, Opposite Mazar-e-Qaid, M.A. Jinnah Road, Karachi.	Sq. meters	1,045
Karachi Service Station	SC-18, Sector 11-H, North Karachi, Karachi.	Sq. meters	836
Central Service Station	ST-1-A, Block 2, Sub block B, Nazimabad, Karachi.	Sq. meters	1,003
Shell Safari Service Station	Abul Hassan Esphahani Road, Plot No. L-1, KDA Scheme 24, Block 7, Gulshan-e-Iqbal, Karachi.	Sq. meters	773
Crescent Petroleum Service Station	Plot No. 6/1, Ghulam Hussain Qasim Quarters, Haris Road, Kharadar, Karachi.	Sq. meters	935

Location	Address	Unit of measurement	Total Area
Popular Service Station	Plot No. PP-1, Near Sea Breeze Plaza, Shahrah-e-Faisal, Karachi.	Sq. meters	892
Nawaz Petroleum Service Station	Jhang Shorkot Road, Jhang.	Sq. meters	506
Satellite Town Filling Station	Satellite College Road, Rawalpindi.	Sq. meters	1,587
General			
Head Office	Shell House, 6, Chaudhary Khaliquzzaman Road, Karachi.	Sq. yards	4,907
Cannaught House	Unit No. C-V-119, Plot No. 16/F.T.4 Frere Town Quarters, Mary Road, Karachi.	Sq. yards	5,066

As disclosed in note 5.4, several Company owned buildings are located on dealer operated sites. Due to a significant number of such sites, it is impracticable to disclose the particulars as required under Paragraph 1(ii) of Part I of the 4th Schedule to the Act.

5.6 There were no disposals of operating fixed assets having written down value in excess of five hundred thousand.

5.7 **Capital work-in-progress**

	2018	2017
	(Rupees '000)	
Buildings on leasehold land	**1,527,069**	967,881
Tanks and pipelines	**104,834**	144,848
Plant and machinery	**722,009**	314,092
Electrical, mechanical and fire-fighting equipment	**71,258**	117,856
Furniture, office equipment and other assets	**12,800**	3,179
Rolling stock and vehicles	**29,387**	-
	2,467,357	1,547,856

5.8 **Provision for impairment**

In previous years, based on a review for impairment on its operating assets, the Company identified that carrying values of certain operating assets exceeded their estimated recoverable amounts. Accordingly, provision for impairment was recognized there against. The assets included CNG assets and assets installed at the retail sites under an approved divestment plan.

During the year, the Company reassessed its operating assets for impairment and based on the revised projected cash flows, the Company established that no further charge or reversal of impairment is required on CNG assets. However, the reassessment of assets installed at the retail sites under an approved divestment plan resulted in a net impairment of Rs. 866 thousand which has been recorded in 'other expenses' in the statement of profit or loss and other comprehensive income. Management has determined the recoverable amount by assessing the fair value less cost of disposal of the underlying assets which is based on the historical experience of the net recovery proceeds on similar nature of assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation (refer to note 39 to these financial statements).

The movement of provision for impairment is as follows:

	Note	2018	2017
		(Rupees '000)	
Balance at beginning of the year		**358,423**	365,010
Provision made during the year		**12,178**	-
Reversals during the year		**(11,312)**	(6,587)
	26/27	**866**	(6,587)
Balance at end of the year		**359,289**	358,423

6. **Intangible asset**

Computer softwares	Cost: As at January 01,	Cost: Additions	Cost: As at December 31,	Accumulated amortization: As at January 01,	Accumulated amortization: For the Year	Accumulated amortization: As at December 31,	Net book value: As at December 31,	Amortisation rate per annum
	(Rupees '000)							
2018	**1,912,571**	**15,760**	**1,928,331**	**1,912,571**	**1,051**	**1,913,622**	**14,709**	**20%**
2017	1,912,571	-	1,912,571	1,912,571	-	1,912,571	-	

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.

7. Long-term investments

	Note	2018	2017	2018	2017
		% Holding		(Rupees '000)	
Investment in associate – unquoted					
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2017: 18,720,000) ordinary shares of Rs. 100/- each	7.1 / 7.2	**26**	26	**4,431,561**	4,046,815
Others - held as available-for-sale - at cost					
Arabian Sea Country Club Limited 500,000 (2017: 500,000) ordinary shares of Rs. 10/- each		**5**	5	**5,000**	5,000
				4,436,561	4,051,815

7.1 Movement of investment in associate

	2018	2017
Balance at beginning of the year	**4,046,815**	3,730,560
Share of profit before taxation	**1,399,141**	1,242,946
Share of taxation	**(425,066)**	(405,170)
	974,075	837,776
Dividend received	**(589,329)**	(521,521)
Balance at end of the year	**4,431,561**	4,046,815

7.1.1 PAPCO is a joint venture between Pak-Arab Refinery Limited (PARCO) and oil marketing companies to provide transportation services of petroleum products through the white oil pipeline.

7.2 Financial details / position of associate

	2018	2017
	(Rupees '000)	
Non-Current Assets	**18,240,680**	11,839,418
Current Assets	**14,957,655**	12,447,002
Non-Current Liabilities	**6,646,188**	2,299,728
Current Liabilities	**9,518,462**	6,432,799
Revenue	**6,442,808**	6,541,425
Gross Profit	**4,545,605**	4,705,399
Profit after tax	**3,746,442**	3,222,216
Other comprehensive income	**-**	-
Total comprehensive income	**3,746,442**	3,222,216

The financial year end for PAPCO is June 30. Assets and liabilities disclosed above are based on unaudited condensed interim financial statements for the half year ended December 31, 2018, whereas revenue, profits and total comprehensive income disclosed above is based on audited financial statements for the years ended June 30, 2018 and June 30, 2017 and unaudited financial statements for the half years ended December 31, 2018, December 31, 2017 and December 31, 2016.

Share of contingent liabilities based on the latest unaudited condensed interim financial statements of PAPCO for the half year ended December 31, 2018 amounts to Rs. 13,195 thousand (2017: Rs. 15,151 thousand).

8. LONG-TERM LOANS - considered good, unsecured

	Note	2018	2017
		(Rupees '000)	
Due from:			
- Executive Directors	8.1	**7,757**	-
- Executives	8.2	**62,177**	44,138
- Employees		**12,800**	9,114
	8.3	**82,734**	53,252
Less: receivable within one year			
- Executive Directors		**4,768**	-
- Executives		**44,090**	27,473
- Employees		**8,800**	7,959
	13	**57,658**	35,432
		25,076	17,820

8.1 The loan to Executive Directors have been made in compliance with the provisions of section 182 of the Act. The maximum aggregate amounts due from executive directors at the end of any month during the year were Rs.8,154 thousand (2017: Nil).

	2018	2017
	(Rupees '000)	
The reconciliation of the carrying amount of loans to Executive Directors:		
Balance at beginning of the year	**-**	-
Reclassification from Executives to Executive Directors	**3,968**	-
Disbursements	**5,000**	-
Repayments	**(1,211)**	-
Balance at end of the year	**7,757**	-

8.2 The maximum aggregate amounts due from executives at the end of any month during the year were Rs. 62,963 thousand (2017: Rs. 90,307 thousand). The reconciliation of the carrying amount of loans to executives:

	2018	2017
	(Rupees '000)	
Balance at beginning of the year	**44,138**	22,520
Reclassification from Executives to Executive Directors	**(3,968)**	-
Disbursements	**70,481**	65,890
Repayments	**(48,474)**	(44,272)
Balance at end of the year	**62,177**	44,138

8.3 Represents interest free emergency / general purpose loans and loans for purchase of motorcycle in accordance with the Company's policy and are repayable over a period of two to five years.

9. long-term deposits and prepayments

	Note	2018	2017
		(Rupees '000)	
Deposits	9.1	**147,144**	137,125
Prepayments		**736,033**	151,920
		883,177	289,045

9.1 These are carried at cost as the financial impact of carrying at amortized cost is not material.

	Note	2018	2017
		(Rupees '000)	
10. DEFERRED TAXATION			
Taxable temporary difference arising in respect of:			
- accelerated tax depreciation		**(1,008,069)**	(958,546)
- investment in associate		**(383,934)**	(326,222)
		(1,392,003)	(1,284,768)
Deductible temporary difference arising in respect of:			
- provisions		**674,200**	595,873
- minimum tax carry forward	10.1	**896,259**	1,903,246
		1,570,459	2,499,119
		178,456	1,214,351

10.1 In view of the order of the High Court of Sindh, as fully explained in note 21.1.2.1 to these financial statements, the Company has not recognized deferred tax asset on minimum tax carry forward amounting to Rs. 1,793,560 thousand.

	Note	2018	2017
		(Rupees '000)	
11. STOCK-IN-TRADE			
Raw and packing materials	11.2	**1,607,620**	1,690,379
Provision for obsolete and slow moving stock	11.6	**(38,838)**	(45,205)
		1,568,782	1,645,174
Finished products			
- in hand and in pipeline system	11.4 / 11.3	**12,434,999**	6,513,244
- in White Oil Pipeline	11.5	**1,014,199**	1,398,145
	11.1 / 11.2	**13,449,198**	7,911,389
Provision for obsolete and slow moving stock	11.6	**(133,869)**	(55,978)
		13,315,329	7,855,411
		14,884,111	9,500,585

11.1 Includes items costing Rs. 12,386,627 thousand (2017: Nil) which have been valued at their net realizable value of Rs. 11,589,554 thousand (2017: Nil).

11.2 Details of petroleum products and lubricants held with third parties is as follows:

	2018	2017
	(Rupees '000)	
Petroleum products		
- PAPCO - an associated company	**1,014,199**	1,398,145
- PARCO	**639,479**	528,671
Lubricants		
- Union Chemical Industries	**35,508**	50,528
	1,689,186	1,977,344

11.3 Includes stock-in-transit amounting to Rs. 2,930,456 thousand (2017: Rs. 1,985,240 thousand).

11.4 Includes bonded stock amounting to Rs. 3,585,385 thousand (2017: Rs. 4,220,564 thousand).

11.5 Includes High Speed Diesel amounting to Rs. 1,014,199 thousand (2017: Rs. 1,398,145 thousand) which has been maintained as line fill, necessary for the pipeline to operate.

11.6 Provision for obsolete and slow moving stock is as follows:

	Note	2018	2017
		(Rupees '000)	
Balance at beginning of the year		**101,183**	89,632
Provision made during the year		**153,207**	126,760
Reversals during the year		**(81,683)**	(115,209)
		71,524	11,551
Balance at end of the year		**172,707**	101,183

	Note	2018	2017
		(Rupees '000)	
12. TRADE DEBTS			
Considered good			
- Secured	12.1 / 12.2	**320,117**	476,842
- Unsecured	12.2	**2,944,090**	2,592,699
		3,264,207	3,069,541
Considered doubtful		**847,780**	827,654
		4,111,987	3,897,195
Provision for doubtful debts	12.3 / 12.4	**(847,780)**	(827,654)
		3,264,207	3,069,541

12.1 These debts are secured by way of bank guarantees and security deposits.

12.2 Includes due from the following associated companies:

	Maximum aggregate outstanding at the end of any month	Neither past due nor impaired	Past due: Upto 1 month	Past due: 1 to 6 months	Past due: More than 6 months	2018	2017
	(Rupees '000)						
Indus Motor Company Limited	2,128	4,866	1,818	-	-	**6,684**	2,914
Captain – PQ Chemical Industries	992	661	37	-	-	**698**	476
Dawood Hercules Corporation Limited	223	223	-	-	-	**223**	-
Jaffer Brothers (Private) Limited	2,579	1,473	7	2	1	**1,483**	1,880
Jaffer Business Systems (Private) Limited	1,117	1,073	-	-	-	**1,073**	-
Vellani & Vellani	341	331	-	-	-	**331**	223
Unilever Pakistan Foods Limited	4,421	1,956	-	-	-	**1,956**	3,442
Wyeth Pakistan Limited	92	-	-	-	92	**92**	92
Novartis Pharma (Pakistan) Limited	484	210	274	-	-	**484**	174
The Aga Khan Hospital and Medical College Foundation	11,667	7,973	-	3	17	**7,993**	6,848
Standard Chartered bank (Pakistan) Limited	-	-	-	-	-	**-**	112
UBL Fund Managers Limited	1,215	1,113	-	-	-	**1,113**	
	25,259	19,879	2,136	5	110	**22,130**	16,161
Less: Provision for doubtful debts						**(110)**	(95)
Net receivable from associated companies						**22,020**	16,066

Based on past experience, past track record and recoveries, the Company believes that the above past due trade debts, do not require any provision for impairment except as provided for at December 31, 2018.

	Note	2018	2017
		(Rupees '000)	

12.3 Provision for impairment

	Note	2018	2017
Balance at beginning of the year		**827,654**	758,775
Provision made during the year		**24,156**	97,007
Reversals during the year		**(4,030)**	(28,128)
	26	**20,126**	68,879
Balance at end of the year		**847,780**	827,654

12.4 As at December 31, 2018, trade debts of Rs. 847,780 thousand (2017: Rs. 827,654 thousand) were impaired and provided for. The ageing of these trade debts is as follows:

	2018	2017
	(Rupees '000)	
Up to 6 months	**22,194**	78,853
More than 6 months	**825,586**	748,801
	847,780	827,654

12.5 As at December 31, 2018, trade debts aggregating to Rs. 1,110,915 thousand (2017: Rs. 998,232 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no or some recent history of default, however, no losses have incurred. The ageing analysis of these trade debts is as follows:

	Note	2018	2017
		(Rupees '000)	
Upto 1 month		**687,708**	774,852
1 to 6 months		**279,259**	213,286
More than 6 months		**143,948**	10,094
		1,110,915	998,232

13. LOANS AND ADVANCES - considered good

	Note	2018	2017
Current portion of long-term loans	8	**57,658**	35,432
Advances to employees	13.1	**52,010**	12,971
		109,668	48,403

13.1 Represents advances given to employees against expenses.

14. OTHER RECEIVABLES

	Note	2018	2017
Petroleum development levy and other duties	14.1	**1,380,029**	1,380,029
Price differential claims			
- on imported purchases	14.2	**295,733**	295,733
- on high speed diesel (HSD)	14.3	**343,584**	343,584
- on imported motor gasoline	14.4	**1,961,211**	1,999,263
Regulatory and customs duty receivable	14.5	**44,413**	169,632
Sales tax refundable	14.6	**2,907,560**	98,949
Inland freight equalization mechanism		**467,207**	928,489
Receivable from related parties	14.7	**463,869**	284,450
Service cost receivable from PAPCO – an associated company		**14,500**	9,081
Staff retirement benefit schemes	31.1.12	**-**	273,411
Workers' profits participation fund	14.8	**15,185**	-
Receivable from Oil Marketing Companies		**1,983,481**	1,329,960
Taxes recoverable	14.9 / 21.1.2	**1,020,214**	976,009
Margin held against letter of credit		**83,646**	-
Others		**221,775**	121,536
		11,202,407	8,210,126
Provision for impairment		**(405,225)**	(405,225)
		10,797,182	7,804,901

14.1 Includes petroleum development levy amounting to Rs. 1,369,560 thousand (2017: 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.

14.2 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.

14.3 Represents price differential claim receivable 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.

14.4 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, 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. Despite no response from the MoPNR, the Company along with other OMCs 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 oil marketing companies approached MoPNR through letter dated July 23, 2009 requesting to expedite 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. 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.

In 2012, to meet the increasing local demand, oil marketing companies again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with oil marketing companies 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 mechanism.

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 6, 2013, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit report in respect of this claim.

In 2017, claims aggregating to Rs. 71,844 thousand were adjusted through the IFEM mechanism as per the directive of MoPNR stated above.

During the year, further claims amounting to Rs. 38,052 thousand were adjusted through the IFEM mechanism.

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

14.5 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 through OCAC to demand recovery of the aforesaid balance from the GoP and expects to receive the amount in due course.

This also included receivable in respect of regulatory duty imposed by the Ministry of Finance (MoF), Economic Affairs, Statistics and Revenue, GoP through S.R.O. 392(I)/2015 dated April 30, 2015 on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the Oil Marketing Companies (OMCs) were required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. Since the notification of regulatory duty was received on May 02, 2015, the impact of the regulatory duty could not be incorporated in the prices effective from May 01, 2015, which were announced on April 30, 2015. Therefore, the recovery of regulatory duty was to be made through subsequent month's prices of petroleum products. However, through S.R.O 603(I)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty from the GoP. During the period, the petroleum division submitted a summary to the Economic Coordination Committee (ECC) – Cabinet Division for recovery of Regulatory duty. ECC in its meeting held on March 07, 2018, approved the summary and directed OGRA to carryout requisite recovery of net claims in three months effective from July 01, 2018. Accordingly, the Company received the entire recoverable amount of Rs. 125,219 thousand in full during the year.

14.6 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. During the year, the tax authorities completed further verification of refunds amounting to Rs. 75,389 thousand against which Refund Payment Orders (RPO) have been issued. For the remaining refund claims, the Company is actively pursuing for their recovery.

14.7 The maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month end balances and the aging of receivables from related parties are as follows:

	Maximum aggregate outstanding at the end of any month	Neither past due nor impaired	Past due: Upto 1 month	Past due: 1 to 6 months	Past due: More than 6 months	2018	2017
	(Rupees '000)						
Shell Aviation Limited (Note 14.7.1)	**262,930**	141,581	25,727	-	675	**167,983**	168,882
Shell International Petroleum Company Limited	**268,832**	555	45,020	121,076	102,181	**268,832**	77,359
Shell International Limited	**8,528**	-	2,984	-	5,544	**8,528**	6,101
Shell Nederland B.V.	**467**	-	-	-	467	**467**	467
Oil Companies Advisory Council	**18,059**	-	9,404	-	8,655	**18,059**	31,641
		142,136	83,135	121,076	117,522	**463,869**	284,450

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

	Note	2018	2017
		(Rupees '000)	
14.8 Workers' profits participation fund			
Balance at beginning of the year		**(79,387)**	(358,145)
Allocation for the year and return thereon	26	**-**	(318,128)
Reversals made during the year	27	**94,572**	-
		15,185	(676,273)
Amount paid during the year		**-**	596,886
Balance at end of the year		**15,185**	(79,387)

14.9 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 premium 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 2, 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.

	Note	2018	2017
		(Rupees '000)	
15. CASH AND BANK BALANCES			
Cash in hand		**15,312**	15,379
Bank balances			
- current account		**1,059,624**	1,070,589
- savings account	15.1	**898,477**	1,505,896
		1,958,101	2,576,485
		1,973,413	2,591,864

15.1 These carry interest rates ranging from 8% to 8.13% (2017: 4% to 5.5%) per annum.

16. SHARE CAPITAL

Authorized share capital

2018	2017		2018	2017
(Number of shares)			(Rupees '000)	
150,000,000	150,000,000	Ordinary shares of Rs. 10/- each	**1,500,000**	1,500,000

Issued, subscribed and paid-up share capital

2018	2017		2018	2017
(Number of shares)		Ordinary shares of Rs. 10/- each		
23,481,000	23,481,000	Fully paid in cash	**234,810**	234,810
83,531,331	83,531,331	Issued as fully paid bonus shares	**835,315**	835,315
107,012,331	107,012,331		**1,070,125**	1,070,125

16.1 The immediate parent held 81,443,702 (2017: 81,443,702) ordinary shares as at the date of statement of financial position.

16.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

	Note	2018	2017
		(Rupees '000)	
17. ASSET RETIREMENT OBLIGATION			
Balance at beginning of the year		**93,809**	83,892
Obligation recognized during the year		**9,195**	-
Reversal of liability	27	**(13,355)**	(1,777)
Change in estimate	17.1	**34,461**	5,795
Accretion expense	28	**6,873**	5,899
		41,334	11,694
Balance at end of the year		**130,983**	93,809

17.1 Change in estimate represents the effect of adjustment in discount and inflation rate used for estimating the future outflows of resources required to settle asset retirement obligation.

	Note	2018	2017
		(Rupees '000)	
18. TRADE AND OTHER PAYABLES			
Creditors	18.1	**21,754,296**	18,536,541
Accrued liabilities	18.2	**9,876,108**	6,729,762
Security deposits	18.3	**368,726**	328,902
Advances received from customers		**990,872**	617,180
Provision for post-retirement medical benefits	31.2.2	**97,987**	91,578
Staff retirement benefit schemes	31.1.12	**96,902**	-
Workers' Welfare Fund		**323,088**	321,908
Workers' Profits Participation Fund	14.8	**-**	79,387
Provision for staff redundancy plan	18.4	**154,837**	79,445
Other liabilities		**103,860**	99,454
		33,766,676	26,884,157

18.1 Includes amounts due to the following associated companies:

	2018	2017
Shell Global Solutions (Malaysia) Sdn. Bhd.	**2,867**	1,543
Shell Markets (Middle East) Limited	**17,639**	14,024
Shell Polska Sp. Z o.o. Oddzial w Krakowie	**2,906**	79,057
Shell Treasury Centre East (Pte) Ltd	**5,552**	4,414
The Shell Company of Thailand Limited	**17,416**	6,722
Shell Global Solutions International B.V.	**41,476**	14,206
Shell Malaysia Trading Sendirian Berhad	**22,542**	449
Brunei Shell Petroleum Company Sendirian Berhad	**364**	289
Saudi Arabian Markets Shell	**769**	612
Shell Canada Products Limited	**1,264**	1,005
PT. Shell Indonesia	**3**	3
Shell Downstream South Africa (Pty) Ltd	**1,561**	1,241
Shell Nederland Verkoopmaatschappij B.V.	**5,505**	4,377
Shell Oman Marketing Company SAOG	**2,143**	2,543
Euroshell Cards B.V.	**75,567**	156,128
Shell Brands International AG	**335,458**	266,699
Shell Eastern Trading (Pte) Ltd	**521,948**	597,196
Shell Information Technology International B.V.	**207,519**	661,252
Shell International B.V.	**80,359**	417,132
Shell International Exploration and Production B.V.	**695**	-
Shell International Limited	**16,230**	-
Shell International Petroleum Company Limited	**9,105,289**	7,513,593
Shell Lubricants Egypt	**2,707**	-
Shell People Services Asia Sdn. Bhd.	**62,070**	55,366
Shell Shared Services (Asia) B.V.	**26,831**	13,333
Shell & Turcas Petrol A.S.	**21,257**	25,719
Shell International Trading Middle East Limited	**6,071,217**	4,029,960
Shell Lubricants Supply Company B.V.	**166,552**	539,346
Shell India Markets Private Limited	**13,543**	-
Shell Shared Service Centre - Glasgow Limited	**9,625**	-
Shell Deutschland Oil Gmbh	**-**	7,314
Shell Hong Kong Limited	**-**	21,333
Petroleum Institute of Pakistan	**-**	35
Shell Information Technology International Sdn. Bhd.	**-**	1,339
Aga Khan Hospital & Medical College Foundation	**127**	-
Indus Motor Company Limited	**45,204**	-
	16,884,205	14,436,230

18.2 Includes Rs. 3,394,065 thousand (2017: Rs. 2,285,218 thousand) accrued in respect of associated companies.

18.3 The security deposits are non-interest bearing and are refundable on termination of contracts and include deposits received by the Company under the terms of related agreements and are as follows:

	Note	2018	2017
		(Rupees '000)	
Dealers on retail sites	18.3.1	**177,301**	182,518
Shell card holders	18.3.2	**191,425**	146,384
		368,726	328,902

18.3.1 As per the terms of the agreement, the Company can utilise the deposits in the normal course of business in terms of section 217 of the Act.

18.3.2 The amount is kept in a separate bank account with a scheduled bank as per terms of agreement.

18.4 Represents redundancy benefits payable to employees under a staff redundancy plan finalized during 2009.

	Note	2018	2017
		(Rupees '000)	
19. ACCRUED MARK-UP			
Running finances under mark-up arrangements		**994**	232
Short-term loans		**2,116**	199
		3,110	431
20. SHORT-TERM BORROWINGS – secured			
Short-term loans	20.1	**7,900,000**	395,000
Running finances under mark-up arrangements	20.2	**152,978**	-
		8,052,978	395,000

20.1 Represents loans obtained from two commercial banks aggregating to Rs. 7,900,000 thousand (2017: Rs. 395,000 thousand) and carries mark-up at the rates of 10.04% and 10.45% per annum (2017: 6.12 % per annum). The loans, secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables. Subsequent to the year end, the Company has repaid the amount in full.

20.2 Represents amounts outstanding against facilities from various commercial banks aggregating to Rs. 22,600,000 thousand (2017: Rs. 22,600,000 thousand). The short-term loans outstanding as at year end were also obtained under the same facility. These carry mark-up ranging from 1 month KIBOR plus 0.10% to 1.50% (2017: 1 month KIBOR plus 0.10% to 1.50%). These arrangements are secured by hypothecation of the Company's present and future stock-in-trade, trade debts and other receivables.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 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. Subsequently, Sindh Assembly has amended the Sindh Finance Act, 1994 through legislation of Sindh Finance Act, 2013 according to which infrastructure fee will range from 0.90% to 0.95% of total value of goods against various slabs of net weight of goods as assessed by the Customs Authorities plus one paisa per kilometer.

The Company and several others challenged the levy in constitutional petitions before the High Court of Sindh (the High Court). 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 filed civil suits in the High Court of Sindh challenging the amended 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 Honorable Supreme Court of Pakistan (the Supreme Court).

In 2011, the Government of Sindh unconditionally withdrew its appeals on the plea that the Sindh Assembly had legislated the Sindh Finance (Amendment) Act, 2009, levying infrastructure fee with retrospective effect from 1994. However, the Supreme Court, in view of the new legislation, directed the Company and others to file fresh petitions to challenge the same before the High Court and set aside the earlier order of the High Court.

The High Court on fresh petitions filed, passed an interim order directing that any bank guarantee / security furnished for consignments cleared upto December 27, 2006 are to be returned and for period thereafter guarantees or securities furnished for consignments cleared are to be encashed to the extent of 50% and the remaining balance is to be retained till the disposal of petitions. For future clearances, the Company is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount.

In 2017, Sindh Assembly passed the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the SDMI Act) with retrospective effect from July 01, 1994. Through this SDMI Act, the range of infrastructure fee was increased to 1.10% to 1.15% on the value of goods against various slabs of net weight as assessed by the Custom Authorities plus one paisa per kilometer. The SDMI Act replaced the infrastructure cess levied under the Sindh Finance Act, 1994 and subsequent amendments thereof. To comply with the earlier interim order of the High Court granted against the cess as levied through the Sindh Finance Act 1994 and its amendments, the Company continues to pay 50% of the cess amount involved and furnishes bank guarantee for the balance amount.

During the year, the Company filed a writ petition before the High Court of Sindh to challenge the levy of cess under the SDMI Act, against which a stay order has been granted.

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 December 31, 2018 at Rs. 129,493 thousand (December 31, 2017: Rs. 111,493 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.

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.

21.1.2 Taxation

21.1.2.1 In 2011, the Company received a demand order from the tax authorities in respect of tax year 2008 amounting to Rs. 735,109 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses and taxing the reversal of provision for impairment in trade and other receivables. Further, assessing officer had also disallowed the credit for minimum tax amounting to Rs. 482,685 thousand paid in earlier year and set-off against tax liability for the tax year 2008. The Company thereafter filed an application against the order for rectification of certain mistakes apparent from the record. The tax officer rectified the order accepting the Company's contention and reduced the demand to Rs. 527,150 thousand. The Company in response to the demand deposited an amount of Rs. 120,000 thousand under protest and filed an appeal with the Commissioner Inland Revenue (CIR Appeals) and thereafter with ATIR. The remaining demand has been adjusted by the taxation authorities from sales tax refundable. In 2012, both CIR Appeals and ATIR have decided the case against the Company. The Company in response to this order of ATIR filed an appeal before the High Court of Sindh which is pending for hearing.

In 2013, the High Court of Sindh, in respect of another Company, overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that the minimum tax could not be carried forward where there was no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the opinion of its legal advisor that the above order is not correct and would not be maintained by the Supreme Court of Pakistan which the Company intends to approach, if same decision is awarded to the Company in its appeal to the High Court of Sindh. Therefore, the Company has continued to consider the adjustment made against the demand and the deposit of Rs. 120,000 thousand as recoverable and the same is included in 'Other receivables'.

21.1.2.2 In 2012, the Company received a demand order from the tax authorities in respect of tax year 2004 amounting to Rs. 161,057 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses, disallowance of software cost claimed as revenue expenditure and credit disallowed in respect of income derived from Azad Kashmir. The Company in response to the order deposited an amount of Rs. 29,106 thousand and filed a rectification application and an appeal with CIR Appeals. The tax officer rectified the order allowing Azad Kashmir tax credit and partial relief on amortisation of software cost reducing the tax demand to Rs. 109,895 thousand, after taking into consideration Rs. 29,106 thousand already deposited on this account.

Thereafter, the Company made a payment of Rs. 100,000 thousand under protest against the rectified order and filed another rectification application and appeal before CIR Appeals. The tax officer provided further relief in the revised rectified order on account of software cost which resulted in a net tax refund of Rs. 733 thousand after taking into consideration the payments already made in this regard. The revised rectified order still contains certain mistakes for which the Company filed another rectification application which is still pending.

In 2013, CIR Appeals upheld the basis used by tax officer in respect of allocation of expenses and had directed the tax authorities to work out correct figures, in order to determine the allocation ratio. The CIR Appeals in respect of disallowance of software cost had directed tax authorities to give consequential effect to the subsequent years. The Company filed an appeal against the CIR Appeals order before the ATIR which through an order dated December 07, 2015 confirmed the decision of the CIR Appeals on the issue of allocation of expenses.

The Company filed a reference before the High Court of Sindh against the ATIR order. Simultaneously, a miscellaneous application was filed before ATIR to review its earlier judgement. The ATIR vide order dated December 22, 2016 re-visited its decision and agreed that the judgement of the Supreme Court of Pakistan in respect of civil petition no. 1306 of 2014 had been overlooked. However, it also gave directions to rehear the department's contentions and re-fix the hearing.

The Company, based on the advice of its tax consultant expects a favorable outcome, however, an amount of Rs. 19,068 thousand has been provided representing the best estimate of potential liability arising therefrom. The payment made against the demand to the extent considered recoverable has been included in 'Other receivables'.

21.1.2.3 In 2015, the tax authorities after finalizing the income tax audit for the tax year 2011 raised a demand of Rs. 1,694,921 thousand. The demand principally arose due to the disallowance of premium paid to SITME on imports, disallowance of technical service fee and other associated company payments for alleged non-withholding of tax and allocation of expenses. Additionally, unutilized tax losses of previous years were not adjusted in computing the tax liability. The Company in response to order filed a rectification application and an appeal with the CIR Appeals. The tax officer rectified the order allowing the unutilized tax losses for previous years thereby reducing the demand to Rs. 250,144 thousand. The revised rectified order still contained certain mistakes for which the Company filed another rectification application with the authorities which was rejected by the authorities. However, on the Company's appeal, CIR Appeals vide appellate order dated September 9, 2015 has decided most of the issues including disallowance of premium paid to SITME and technical service fee in favor of the Company, whereas disallowance of bad debts written off was confirmed. The Company and the department both have filed appeals against CIR Appeals decision. The ATIR vide its judgement dated April 6, 2017 disposed off both the appeals maintaining the issue of allocation of expenses while setting aside the issue of premium paid to SITME on imports and loss on disposal of fixed assets. A reference application against the said judgment has been filed by the company before the High Court.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on the aforementioned matter and accordingly, no provision in this respect has been made in these financial statements.

21.1.2.4 In 2016, the tax authorities after finalizing the income tax audit for the tax year 2010 raised a demand of Rs. 2,212,170 thousand. The demand principally arose due to the disallowance of premium paid to SITME on imports, disallowance on account of allocation of expenses & disallowance of technical service fee due to non-withholding of tax. Additionally, unutilized tax losses of previous years have not been adjusted in computing the tax liability. The Company in response to order has filed a rectification application and an appeal with the CIR Appeals. The CIR Appeals vide appellate order dated August 31, 2016 has given a favorable decision on most of the issues except for bad debts written off and legal issues against which appeal before the ATIR has been filed by the Company.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on these matters and accordingly, no provision in this respect has been made in these financial statements.

21.1.2.5 In 2017, the tax authorities after finalizing the income tax audit for the tax year 2015 raised a demand of Rs. 5,126 thousand. The demand principally arose due to the allocation of expenses and disallowance of tax loss on disposal of fixed assets. The Company in response to the order has filed an appeal with the CIR Appeals and has also obtained stay from the High Court of Sindh on the demand raised. The CIR Appeals issued an appellate order dated January 3, 2018, deleting the demand created due to allocation of Cost of sales to FTR income, however, the CIR(A) maintained the levy of Super Tax and WWF. The appeal before ATIR has been filed by the company.

The Company based on the merits of the aforementioned matter and as per the advice of its tax consultants expects a favorable outcome on these matters and accordingly no provision in this respect has been made in these financial statements.

21.1.3 Sales tax and federal excise duty (FED)

21.1.3.1 In 2011, the tax authorities after conducting sales tax and FED audit for the period July 2008 to June 2009 and post refund audit for the period September and October 2008 raised sales tax and FED demands amounting to Rs. 1,843,529 thousand including penalty through several orders. In 2012 and 2013, the tax authorities also conducted sales tax and FED audit for period July 2009 to December 2009 and January to December 2011 and raised additional sales tax and FED demands amounting to Rs. 1,093,370 thousand and Rs. 2,902,486 thousand including penalty, respectively.

These demands primarily arose on account of (i) disallowing input tax against zero rated supplies; (ii) levying FED on license fee, group service fee and trademarks and manifestation fee; (iii) levying sales tax on difference in output sales tax as per return and financial statements; (iv) sales tax on lubricants paid on the value of supply instead of retail price as mentioned on packs; and (v) unlawful adjustment of input sales tax.

In 2012, the tax authorities adjusted sales tax demand of Rs. 173,799 thousand pertaining to September 2008 against sales tax refundable. The Company in response to the aforementioned orders filed appeals and sought stay against the demands with the CIR Appeals, ATIR and High Court of Sindh. The appeals for September and October 2008 were decided in favor of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 were decided in favor of the Company by CIR Appeals except for issue of FED on dealers joining fee and income from Company Owned Company Operated (COCO) sites. Appeal on such issue was filed by the Company with the ATIR which remanded back the matter to the tax authorities for fresh adjudication. During 2015, the ATIR also decided the appeal filed by the tax authorities for the period July 2009 to December 2009 wherein all issues involved in the appeal were once again remanded back to the authorities for fresh examination.

The CIR (Appeals) whilst deciding sales tax appeal for the period January 2011 to December 2011 set-aside all matters involved in appeal and directed the tax authorities to re-examine the same in line with his directives. The Company filed an appeal on the matter before the ATIR, which in its order, has maintained the stance taken by CIR (Appeals). The Company in response to the order of ATIR, filed a reference application with the High Court of Sindh, which through an ad-interim order restrained tax authorities from passing an order.

In 2014, the tax authorities issued a notice proposing to levy sales tax on the value of supply of jet fuel to various airlines during the period July 2012 to June 2013 thereby proposing to raise tax demand of Rs. 2,558,997 thousand. The Company filed an application with the High Court of Sindh, which passed an ad-interim order restraining the tax authorities from passing an order.

In 2015, the tax authorities whilst finalizing sales tax audit for the period January 2012 to December 2012 issued a show cause notice inter alia proposing to levy sales tax on the value of supply of jet fuel during the period January 2012 to June 2012, thereby proposing to raise a demand of Rs. 1,046,760 thousand. Further, FED amounting to Rs. 186,201 thousand in respect of trade mark and manifestation fee and group fee is also being demanded. The Company filed an application with the High Court of Sindh, which passed an order restraining the tax authorities from passing an order.

The Company based on the merits of the aforementioned matters and as per the advice of its tax consultant and legal advisor, expects a favorable outcome on these matters and accordingly, no provision has been made in this respect in these financial statements.

21.1.3.2 In 2012, the Company received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, on imported goods, without specifying the basis of computation by levying further sales tax @ 2% representing minimum value addition under Sub-section 5 of Section 3 read with Section 7A of the Sales Tax Act, 1990 and Chapter X of the Sales Tax Special Procedure Rules, 2007. Further, the Company received show cause notices from Model Customs Collectorates Faisalabad, Lahore and Multan with a potential aggregate demand of Rs. 4,775,814 thousand, the basis of computation of which has not been specified. The Company is of the view that the sales tax on minimum value addition is not applicable as OMCs are manufacturers of lubricants and other products and the prices of POL products imported by them for sale in the country are administered under a special pricing arrangement agreed with the GoP.

The FBR has issued directives restricting Collectorates from any recovery actions and has also issued a notification dated February 10, 2012 confirming that value addition sales tax was not to be charged on POL products whose prices are regulated under special pricing arrangement by the GoP or regulatory authority working under the GoP. Further, Model Customs Adjudication quashed the show cause notices of Faisalabad, Lahore and Multan Collectorates based on the notification. The Company is also of the view that OMCs will not be required to pay the tax on deregulated products / exports retrospectively since directive of FBR was available at that time and is confident that revised notification in this respect will be issued by FBR if considered necessary. Furthermore, in the event the Company is required to make a payment in this respect, it is Company's contention that it will be able to claim the amount paid as input tax except for default surcharge, which cannot be computed at this stage. Accordingly, no provision has been made in this respect in these financial statements.

21.1.3.3 During the year, the Company received a show cause notice vide letter no. PRA/18/0251 from Additional Commissioner Punjab Revenue Authority (PRA) against taxable services received by the Company for the period from July 2015 to June 2016 attracting provincial sales tax as per Punjab Sales Tax on Services Act, 2012 (the Services Act) based on the audited financial statements of the Company for the year ended December 31, 2015 and 2016. The Company in response to the above referred notice, contended that the provisions of the Services Act became effective from July 1, 2016 and that the notice was issued without requiring information and ascertaining the facts. However, the Additional Commissioner, PRA raised a demand order dated July 23, 2018 amounting to Rs. 813,520 thousand including penalty of Rs. 38,739 thousand. On September 24, 2018, the Company filed an appeal before the Commissioner (Appeals), PRA against the aforesaid order which is pending for hearing. Further, the Company obtained a stay order from Lahore High Court against the recovery of the impugned demand order.

The Company based on the merits of the aforementioned matters and as per the advice of its tax consultant and legal advisor, expects a favorable outcome on these matters and accordingly, no provision has been made in this respect in these financial statements.

21.1.3.4 During the year, the Company received a show cause notice from Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue, against discrepancy in Annexure-J of the sales tax returns for the period from November 2016 to February 2018. The Company in response to the above notice, contended that the DCIR is neither empowered nor has the jurisdiction to issue show cause notice. Further, a reconciliation was provided to reconcile the discrepancies in the sales tax returns filed by the Company during the aforesaid period. The Company further contended that the discrepancies did not result in loss of revenue for the tax department as the sales tax was discharged on correct sales reported in Annexure-C of the sales tax return for the aforesaid period. However, the DCIR issued an order dated October 15, 2018 raising a demand amounting to Rs. 2,077,912 thousand including penalty of Rs. 384,229 thousand and default surcharge of Rs. 233,611 thousand. On October 25, 2018, the Company filed an appeal before the Commissioner (Appeals), Inland Revenue against the aforesaid order which is pending for hearing. Further, the Company obtained a stay order from the High Court of Sindh against the recovery of the impugned demand order.

The Company based on the merits of the aforementioned matters and as per the advice of its tax consultant and legal advisor, expects a favorable outcome on these matters and accordingly, no provision has been made in this respect in these financial statements.

21.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at December 31, 2018 aggregate to approximately Rs. 3,138,848 thousand (2017: Rs. 2,907,659 thousand). This includes claims by refineries, amounting to Rs. 1,094,149 thousand (2017: Rs. 1,094,149 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.

21.2 Commitments

21.2.1 Capital expenditure contracted for but not incurred as at December 31, 2018 amounted to approximately Rs. 1,330,785 thousand (2017: Rs. 493,354 thousand).

21.2.2 Commitments for rentals of assets under operating lease agreements as at December 31, 2018 amounted to Rs. 5,217,504 thousand (2017: Rs. 4,411,715 thousand) payable as follows:

	2018	2017
	(Rupees '000)	
Not later than one year	**382,184**	328,107
Later than one year and not later than five years	**1,520,952**	1,374,328
Later than five years	**3,314,368**	2,709,280
	5,217,504	4,411,715

21.2.3 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 Act, 2005. As at December 31, 2018, the value of these cheques amounted to Rs. 8,422,015 thousand (2017: Rs. 20,285,218 thousand). The maturity dates of these cheques extend to July 03, 2019.

21.2.4 Letters of credit and bank guarantees outstanding at December 31, 2018 amount to Rs. 6,241,134 thousand (2017: Rs. 10,134,156 thousand).

	Note	2018	2017
		(Rupees '000)	
22. SALES			
Gross sales, inclusive of sales tax		**217,019,760**	208,393,562
Less: Trade discounts and rebates		**2,807,840**	2,601,669
	22.1	**214,211,920**	205,791,893

22.1 As described in note 1 to these 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 products of the Company are as follows:

	2018	2017
	(Rupees '000)	
- Petroleum products	**213,801,205**	205,359,919
- Others	**410,715**	431,974
	214,211,920	205,791,893

	Note	2018	2017
		(Rupees '000)	
23. COST OF PRODUCTS SOLD			
Opening stock of raw and packing materials		**1,645,174**	1,041,318
Raw and packing materials purchased		**8,126,634**	8,211,675
Manufacturing expenses	23.1	**504,507**	552,085
Closing stock of raw and packing materials	11	**(1,568,782)**	(1,645,174)
Cost of products manufactured		**8,707,533**	8,159,904
Opening stock of finished products		**7,855,411**	9,324,854
Finished products purchased		**139,866,835**	114,006,911
Duties, levies and freight	23.2	**27,664,730**	30,335,765
Closing stock of finished products	11	**(13,315,329)**	(7,855,411)
Cost of finished products sold		**162,071,647**	145,812,119
		170,779,180	153,972,023

23.1 Includes depreciation charge of Rs. 107,042 thousand (2017: Rs. 96,792 thousand) and charge in respect of staff retirement benefits amounting to Rs. 9,444 thousand (2017: Rs. 4,424 thousand).

	2018	2017
	(Rupees '000)	
23.2 Duties, levies and freight		
Petroleum development levy	**17,735,783**	21,170,804
Customs and excise duty	**3,819,653**	3,388,656
Inland freight equalization margin	**5,738,899**	5,196,626
Freight on non-equalized products	**273,263**	310,699
Others	**97,132**	268,980
	27,664,730	30,335,765

	Note	2018	2017
		(Rupees '000)	
24. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and benefits	24.1	**1,906,291**	1,628,378
Staff training		**14,772**	13,493
Stores and materials		**15,737**	13,619
Fuel and power		**61,950**	55,824
Rent, taxes and utilities		**517,926**	510,522
Repairs and maintenance		**707,575**	560,875
Depreciation	5.3	**718,049**	661,591
Insurance		**16,214**	30,035
Travelling		**269,837**	206,073
Advertising and publicity		**922,408**	847,523
Legal and professional charges		**294,047**	755,656
Communication and stationery		**23,167**	34,492
Computer expenses		**106,067**	19,340
Storage and other charges		**160,509**	144,542
Others		**49,627**	103,526
		5,784,176	5,585,489
Handling and storage charges recovered		**(92,753)**	(80,898)
Secondary transportation expenses		**790,714**	513,514
		6,482,137	6,018,105

24.1 Includes charge of Rs. 169,178 thousand (2017: Rs. 70,656 thousand) in respect of staff retirement benefits.

	Note	2018	2017
		(Rupees '000)	
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	25.1	**638,290**	405,436
Staff training		**3,745**	44,382
Stores and materials		**11,471**	1,118
Fuel and power		**34,260**	34,397
Rent, taxes and utilities		**45,555**	150,807
Repairs and maintenance		**98,343**	46,394
Insurance		**12,328**	2,700
Travelling		**132,483**	76,091
Advertising and publicity		**17,084**	106,974
Technical service fee		**1,955,162**	1,801,802
Trade-marks and manifestations license fee	25.2	**1,029,774**	329,593
Legal and professional charges		**397,097**	501,672
Communication and stationery		**378,891**	233,495
Computer expenses		**150,260**	312,916
Depreciation	5.3	**129,327**	103,880
Amortization	6	**1,051**	-
		5,035,121	4,151,657
Costs recovered under Service Level Agreement from related parties		**(6,321)**	(5,491)
		5,028,800	4,146,166

25.1 Includes charge of Rs. 56,646 thousand (2017: Rs. 17,592 thousand) in respect of staff retirement benefits.

25.2 The Company has a trademarks and manifestation license agreement with Shell Brands International AG (SBI) – a Group Company; incorporated and having its registered office in Switzerland.

	Note	2018	2017
		(Rupees '000)	
26. OTHER EXPENSES			
Workers' profits participation fund	14.8	**-**	318,128
Workers' welfare fund		**1,180**	73,320
Exchange loss		**5,008,315**	901,929
Provision for doubtful debts – net	12.3	**20,126**	68,879
Trade debts written off		**39**	3,313
Write off of operating assets	5.1	**181**	15,649
Provision for impairment on operating assets - net	5.8	**866**	-
Auditors' remuneration	26.1	**6,451**	6,236
Donations	26.2	**41,679**	24,015
Commission – net		**5,241**	13,554
		5,084,078	1,425,023

26.1 Auditors' remuneration

	2018	2017
Fee for audit, half yearly review and review of compliance with code of corporate governance	**4,400**	4,100
Audit of retirement benefit funds	**631**	725
Special certifications and sundry advisory services	**652**	831
Out of pocket expenses	**768**	580
	6,451	6,236

26.2 Interest of the Directors or their spouses in the donations made during the year is as follows:

Name of donee and address	Names of interested directors and nature of interesta	2018	2017
		(Rupees '000)	
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Naseer N.S. Jaffer - Member Board of Governors	**-**	500
Shell LiveWIRE Trust (Shell House, 6, Ch.Khaliquzzaman Road, Karachi)	Mr. Haroon Rashid - Trustee	**4,150**	1,400
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No.4, DHA, Karachi)	Mr. Farrokh K. Captain - Trustee	**704**	1,233

	Note	2018	2017
		(Rupees '000)	
27. OTHER INCOME			
Income from financial assets			
Interest on short-term deposits/savings accounts		**92,118**	115,419
Income from non-financial assets			
Gain on disposal of operating assets		**106**	5,365
Reversal of provision for Workers' profits participation fund	14.8	**94,572**	-
Reversal of impairment on operating assets		**-**	6,587
Reversal of asset retirement obligation	17	**13,355**	1,777
Shell card income		**106,861**	91,446
Others		**200,038**	212,519
		414,932	317,694
		507,050	433,113

	Note	2018	2017
		(Rupees '000)	
28. FINANCE COSTS			
Bank charges		**158,256**	176,946
Accretion expense	17	**6,873**	5,899
Mark-up on short-term borrowings		**205,030**	52,204
		370,159	235,049
29. TAXATION			
Current			
- for the year		**856,576**	884,906
- for prior year		**156,827**	107,858
		1,013,403	992,764
Deferred		**28,908**	147,494
		1,042,311	1,140,258

29.1 The return of income for the tax year 2018 has been filed by the Company. The said return, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 has been deemed to be an assessment order passed by the Commissioner of Inland Revenue. During the year, provision for current tax is based on minimum tax and final tax regime. Accordingly, tax reconciliation has not been presented in these financial statements.

29.2 Managements' assessment of Tax Provision

The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

Tax Year	Provision for taxation	Tax assessed	Excess/(short)
	(Rupees '000)		
2018	1,041,733	1,041,733	-
2017	1,562,185	1,562,185	-
2016	916,170	916,170	-

	2018	2017
	(Rupees '000)	
30. EARNINGS PER SHARE – basic and diluted		
Net (loss)/profit for the year	**(1,101,986)**	3,182,702
	(Number of shares)	
Weighted average number of ordinary shares	**107,012,331**	107,012,331
	(Rupees)	
(Loss)/earnings per share	**(10.30)**	29.74

30.1 There is no dilutive effect on the basic earnings per share of the Company.

31. EMPLOYEE BENEFITS

31.1 Pension and Gratuity

As mentioned in note 4.13 to the financial statements, the Company operates staff retirement benefit schemes for all its employees. These include 4 defined benefit gratuity and pension schemes and 1 defined contribution pension fund. Contributions are made to the defined benefit schemes on the basis of actuarial recommendations. The latest actuarial valuation was carried out as at December 31, 2018.

31.1.1 Actuarial assumptions

The following significant assumptions were used in the valuation of these schemes:

	2018	2017
	% per annum	
- Expected rate of increase in future salaries	**12.25**	7.50
- Discount rate	**13.25**	8.50
- Expected rate of increase in pensions	**7.25**	2.75
- Expected rate of return on plan assets	**13.25**	8.50
- Medical cost trend	**7.25**	2.75

31.1.2 Statement of financial position reconciliation

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets - note 31.1.3	1,673,192	(833)	23,344	83,476	1,779,179	1,712,751	22,842	21,791	104,385	1,861,769
Present value of defined benefit obligation - note 31.1.4	(1,574,034)	(101,131)	-	(197,215)	(1,872,380)	(1,534,136	(100,199)	-	(129,388)	(1,763,723)
Asset / (liability) in respect of staff retirement benefit schemes	99,158	(101,964)	23,344	(113,739)	(93,201)	178,615	(77,357)	21,791	(25,003)	98,046

31.1.3 Movement in the fair value of plan assets

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets at the beginning of the year	1,712,751	22,842	21,791	104,385	1,861,769	1,881,131	47,910	21,013	125,231	2,075,285
Expected return on plan assets	139,026	1,511	1,852	7,467	149,856	153,944	3,754	1,785	10,042	169,525
Contribution by the Company	-	-	-	2,206	2,206	-	-	-	-	-
Contribution by the employees	3,223	-	-	-	3,223	3,240	-	-	-	3,240
Benefits paid during the year	(153,230)	(14,425)	-	(35,310)	(202,965)	(138,967)	(11,817)	-	(14,174)	(164,958)
Interfund transfer	(4,297)	4,297	-	-	-	(4,321)	4,321	-	-	-
Remeasurement of plan assets	(24,281)	(15,058)	(299)	4,728	(34,910)	(182,276)	(21,326)	(1,007)	(16,714)	(221,323)
Fair value of plan assets at the end of the year	1,673,192	(833)	23,344	83,476	1,779,179	1,712,751	22,842	21,791	104,385	1,861,769

31.1.4 Movement in the present value of defined benefit obligations

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Present value of obligation at the beginning of the year	1,534,136	100,199	-	129,388	1,763,723	1,419,044	91,453	-	131,118	1,641,615
Current service cost	28,199	5,762	-	3,713	37,674	26,578	5,605	-	3,790	35,973
Past service cost	-	-	-	-	-	-	-	-	-	-
Interest cost	123,889	7,904	-	9,497	141,290	114,712	7,272	-	10,543	132,527
Benefits paid during the year	(153,230)	(14,425)	-	(35,310)	(202,965)	(138,967)	(11,817)	-	(14,174)	(164,958)
Remeasurement on obligation	41,040	1,691	-	89,927	132,658	112,769	7,686	-	(1,889)	118,566
Curtailments loss / (gain)	-	-	-	-	-	-	-	-	-	-
Inter fund transfer	-	-	-	-	-	-	-	-	-	-
Present value of obligation at the end of the year	1,574,034	101,131	-	197,215	1,872,380	1,534,136	100,199	-	129,388	1,763,723

31.1.5 Amount recognized in profit or loss

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	28,199	5,762	-	3,713	37,674	26,578	5,605	-	3,790	35,973
Past service cost	-	-	-	-	-	-	-	-	-	-
Interest cost	123,889	7,904	-	9,497	141,290	114,712	7,272	-	10,543	132,527
Expected return on plan assets	(139,026)	(1,511)	(1,852)	(7,467)	(149,856)	(153,944)	(3,754)	(1,785)	(10,042)	(169,525)
Curtailments loss / (gain)	-	-	-	-	-	-	-	-	-	-
Employee contributions	(3,223)	-	-	-	(3,223)	(3,240)	-	-	-	(3,240)
(Reversal) / expense for the year	9,839	12,155	(1,852)	5,743	25,885	(15,894)	9,123	(1,785)	4,291	(4,265)

31.1.6 Remeasurement recognized in other comprehensive income

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Loss / (gain) from changes in demographic assumptions	-	-	-	-	-	-	-	-	-	-
Loss / (gain) from changes in financial assumptions	-	-	-	-	-	-	-	-	-	-
Experience loss / (gain)	41,040	1,691	-	89,927	132,658	112,769	7,686	-	(1,889)	118,566
Remeasurement of defined benefit Obligation	41,040	1,691	-	89,927	132,658	112,769	7,686	-	(1,889)	118,566
Loss / (gain) due to remeasurement of investment return	24,281	15,058	299	(4,728)	34,910	182,276	21,326	1,007	16,714	221,323
	65,321	16,749	299	85,199	167,568	295,045	29,012	1,007	14,825	339,889

31.1.7 Movement in the asset / (liability) recognized in the statement of financial position

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at the beginning of year	178,615	(77,357)	21,791	(25,003)	98,046	462,087	(43,543)	21,013	(5,887)	433,670
Net reversal / (charge) for the year	(75,160)	(28,904)	1,553	(90,942)	(193,453)	(279,151)	(38,135)	778	(19,116)	(335,624)
Contributions by the Company	-	-	-	2,206	2,206	-	-	-	-	-
Inter-fund transfers	(4,297)	4,297	-	-	-	(4,321)	4,321	-	-	-
Asset / (liability) in respect of staff retirement benefit schemes	99,158	(101,964)	23,344	(113,739)	(93,201)	178,615	(77,357)	21,791	(25,003)	98,046
Current account balance with funds	-	-	-	-	-	115,154	(13,104)	49	8,744	110,843
	99,158	(101,964)	23,344	(113,739)	(93,201)	293,769	(90,461)	21,840	(16,259)	208,889

31.1.8 Plan assets comprised the following:

	2018					2017				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
PIB's, TFC's etc.	1,370,568	295,064	23,083	89,375	1,778,090	1,511,024	308,465	21,771	116,270	1,957,530
Bank deposits	14,210	1,943	285	2,718	19,156	23,593	1,427	93	515	25,628
Inter-fund dues	294,841	(294,841)	-	-	-	294,841	(294,841)	-	-	-
Benefits due	(6,427)	(2,999)	(24)	(8,617)	(18,067)	(1,553)	(5,314)	(24)	(3,655)	(10,546)
Due to DC Pension Fund	-	-	-	-	-	-	-	-	-	-
Due to Shell Pakistan Limited	-	-	-	-	-	(115,154)	13,104	(49)	(8,744)	(110,843)
	1,673,192	(833)	23,344	83,476	1,779,179	1,712,751	22,841	21,791	104,386	1,861,769

31.1.9 Expected contributions to the above schemes for the year ending December 31, 2019 is Rs. 3,259 thousand.

31.1.10 The effect of a 1% movement in the cost trend rate in staff retirement benefits scheme is as follows:

	Increase of 1%	Decrease of 1%
	(Rupees '000)	
- Effect of change in discount rate	**(145,755)**	170,556
- Effect of change in salaries	**50,713**	(46,259)
- Effect of change in pension	**110,430**	(97,560)

31.1.11 The balances due to Shell Pakistan Limited from the funds are interest free and repayable on demand.

31.1.12 The break-up of balance receivable from / (payable to) staff retirement benefit schemes are:

	2018	2017
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	**(93,201)**	208,889
Total balance receivable / (payable) in respect of defined contribution schemes	**(3,701)**	64,522
	(96,902)	273,411

31.2 Post-retirement medical benefits

The Company also provides post-retirement medical benefits to its management staff. Actuarial valuation of the scheme is carried out annually. The amount recognized in the statement of financial position is based on a valuation carried out as at the statement of financial position date and is as follows:

31.2.1 Actuarial assumptions

The following significant assumptions were used in the valuation of this scheme:

	2018	2017
	% per annum	
- Discount rate	**13.25**	8.50
- Medical cost trend rate	**7.25**	2.75

31.2.2 Amount recognized in the statement of financial position

	Note	2018	2017
		(Rupees '000)	
Present value of defined benefit obligation	31.2.3	**97,987**	91,578
Fair value of plan assets		**-**	-
Liability recognized at end of the year		**97,987**	91,578

31.2.3 Movement in the present value of defined benefit obligation

	2018	2017
Present value of obligation at beginning of the year	**91,578**	83,537
Current service cost	**1,787**	1,662
Interest cost	**7,375**	6,700
Benefits paid during the year	**(9,642)**	(9,425)
Remeasurement on obligation	**6,889**	9,104
Present value of obligation at end of the year	**97,987**	91,578

31.2.4 Movement in the liability recognized in the statement of financial position

	Note	2018	2017
Balance at beginning of the year		**91,578**	83,537
Charge for the year	31.2.5/31.2.6	**16,051**	17,466
Payments during the year		**(9,642)**	(9,425)
Balance at end of the year		**97,987**	91,578

31.2.5 Amount recognized in profit or loss

	2018	2017
Current service cost	**1,787**	1,662
Interest cost	**7,375**	6,700
	9,162	8,362

31.2.6 Remeasurement recognized in other comprehensive income

	2018	2017
	(Rupees '000)	
Experience loss / (gain)	**6,889**	9,104

31.2.7 The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase of 1%	Decrease of 1%
	(Rupees '000)	
- Effect on the aggregate of the current service cost and interest cost for the year	**10,572**	(8,880)

31.3 Five-year data on surplus / (deficit) of the plans

The following table shows the total pension, gratuity and post-retirement medical benefit obligation and the total pension and gratuity plan assets at the end of each year.

	2018	2017	2016	2015	2014
			(Rupees '000)		
Fair value of plan assets	1,779,179	1,861,769	2,075,285	1,965,578	1,808,453
Present value of defined benefit obligation	(1,970,367)	(1,855,301)	(1,725,152)	(1,713,571)	(1,613,970)
Surplus / (Deficit)	(191,188)	6,468	350,133	252,007	194,483

31.4 The value of investments made by the staff retirement funds operated by the Company as per their last audited financial statements as at December 31, 2017 and unaudited financial statements as at December 31, 2018 are as follows:

	2018	2017
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	**997,100**	1,031,010
Shell Pakistan Staff Provident Fund	**4,865**	4,552
Shell Pakistan Labour Provident Fund	**162,672**	199,248
Shell Pakistan Management Staff Gratuity Fund	**287,878**	310,403
Shell Pakistan Labour and Clerical Staff Gratuity Fund	**88,697**	117,480
Shell Pakistan Management Staff Pension Fund	**1,356,560**	1,522,412
Shell Pakistan Staff Pension Fund	**21,110**	21,846
Shell Pakistan DC Pension Fund	**1,546,994**	1,541,465
	4,465,876	4,748,416

31.5 Aggregate amount charged in these financial statements in respect of the staff retirement benefit schemes is as follows:

	2018	2017
	(Rupees '000)	
in respect of:		
- pension and gratuity scheme	**25,885**	(4,265)
- defined contribution funds	**200,222**	88,575
- post-retirement medical benefit scheme	**9,161**	8,362
	235,268	92,672

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Short-term benefits						
Director's fee	**-**	**4,668**	**-**	-	4,969	-
Managerial remuneration (including bonus)	**62,829**	**47,430**	**1,679,133**	52,353	48,313	1,603,872
- House rent	**3,575**	**-**	**-**	10,214	-	-
- Fuel	**207**	**515**	**58,739**	542	432	24,939
Medical expenses	**274**	**6,024**	**45,724**	102	2,421	33,645
	66,885	**58,637**	**1,783,596**	63,211	56,135	1,662,456
Post-employment Benefits						
Company's contribution to pension, gratuity and provident fund	**1,852**	**3,372**	**138,875**	1,239	3,904	130,355
	68,737	**62,009**	**1,922,471**	64,450	60,039	1,792,811
Number of persons including those who worked part of the year	**2**	**8**	**377**	1	12	440

32.1 As at December 31, 2018, the total number of Directors were 11 (2017: 11), including Chief Executive.

32.2 Includes Rs. 119,284 thousand (2017: Rs. 98,784 thousand) in respect of Performance Share Plan and Rs. 15,776 thousand (2017: Nil) in respect of Global Employee Share Purchase Plan.

32.3 Aggregate amount charged in the financial statements in respect of fee to Non-Executive Directors amount to Rs. 4,668 thousand (2017: Rs. 4,969 thousand).

32.4 In addition, the Chief Executive and some of the Executives were also provided with free use of Company maintained job related cars.

32.5 As per the Act, an executive now means an employee, other than the chief executive and director, whose salary exceeds twelve hundred thousand rupees in a financial year. However, the corresponding figures have not been restated.

33. 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	2018	2017
		(Rupees '000)	
Immediate parent	Dividend paid	**1,954,649**	2,850,648
Associate	Pipeline charges	**201,263**	420,595
	Dividend	**589,329**	521,521
	Others	**17,990**	22,965
Employees' retirement funds			
Pension Funds	Contribution	**2,206**	-
Defined Contribution Pension Fund	Contribution	**130,522**	86,038
Provident Funds	Contribution	**69,700**	59,242
Key management personnel	Salaries and other short term employee benefits	**135,548**	125,559
	Post-employment benefits	**5,297**	5,143
	Loan to Director	**5,000**	-
Directors	Dividend paid	**19,409**	27,904
	Fee for attending meetings	**4,668**	4,969
Other related parties	Purchases	**105,653,665**	92,695,232
	Sales	**7,559**	57,535
	Collection for sales made in Pakistan from customers of the parent company and its associates	**3,395,237**	3,813,950
	Technical service fee charged – note 33.1	**1,955,162**	1,801,802
	Trade-marks and manifestations license fee charged – note 25.2	**1,029,774**	329,593
	Computer expenses charged (Global Infrastructure Desktop charges) – note 33.2	**89,660**	66,363
	Expenses recovered from related parties	**192,243**	196,318
	Other expenses charged by related parties - note 33.3	**806,465**	920,387
	Donations	**4,854**	3,133
	Legal charges	**582**	12,476
	Commission expense – net	**5,241**	13,554

33.1 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.

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

33.3 These includes charges net of reversals amounting to Rs. 127,249 thousand (2017: Rs. 326,440 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

33.4 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. Particulars of transactions entered into with key management personnel are as per their terms of employment as are disclosed in notes 8, 13 and 32 to these financial statements. Key management personnel remuneration corresponding figures have been revised in light with the new definition of key management personnel under directive issued by the SECP.

33.5 Amounts recoverable from / payable to related parties have been disclosed in relevant notes to these financial statements.

33.6 Following are the associated companies incorporated outside Pakistan with whom the Company had entered into transactions or have arrangement / agreement in place:

S.No.	Company Name	Basis of association	Country of Incorporation
1	Royal Dutch Shell Plc.	Ultimate parent	United Kingdom
2	The Shell Petroleum Company Limited	Immediate Parent	United Kingdom
3	Shell Deutschland Oil GmbH	Group Company	Germany
4	Shell Lubricants Egypt	Group Company	Egypt
5	Société des Pétroles Shell SAS	Group Company	France
6	The Shell Company of Thailand Limited	Group Company	United Kingdom
7	Shell International Petroleum Company Limited	Group Company	United Kingdom
8	Shell Aviation Limited	Group Company	United Kingdom
9	Shell Hong Kong Limited	Group Company	Hong Kong
10	Shell Global Solutions (Malaysia) Sdn. Bhd.	Group Company	Malaysia
11	Shell Global Solutions International B.V.	Group Company	Netherlands
12	Shell Lubricants Supply Company B.V.	Group Company	Netherlands
13	Euroshell Cards B.V.	Group Company	Netherlands
14	Pilipinas Shell Petroleum Corporation	Group Company	Philippines
15	Shell Polska Sp. Z o.o. Oddzial w Krakowie	Group Company	Poland
16	Shell Eastern Trading (Pte) Ltd	Group Company	Singapore
17	Shell & Turcas Petrol A.S.	Group Company	Turkey
18	Shell Shared Services (Asia) B.V.	Group Company	Netherlands
19	Shell People Services Asia Sdn. Bhd.	Group Company	Malaysia
20	Shell Shared Service Centre - Glasgow Limited	Group Company	United Kingdom
21	Shell Information Technology International B.V.	Group Company	Netherlands
22	Shell International Trading Middle East Limited	Group Company	Bermuda
23	Shell International Limited	Group Company	United Kingdom
24	Shell International B.V.	Group Company	Netherlands
25	Shell Business Service Centre Sdn. Bhd.	Group Company	Malaysia
26	Shell Brands International AG	Group Company	Switzerland
27	Solen Versicherungen AG	Group Company	Switzerland
28	Shell Markets (Middle East) Limited	Group Company	Bermuda
29	Shell Oman Marketing Company SAOG	Group Company	Oman
30	Shell India Markets Private Limited	Group Company	India
31	Shell Treasury Centre East (Pte) Ltd	Group Company	Singapore
32	Shell Malaysia Trading Sendirian Berhad	Group Company	Malaysia

The Company has no shareholding in these group companies. Further, information relating to the registered addresses, names of Chief Executive Officers or Principal Officer or Authorized Agent, operational status and auditors' opinion has not been disclosed under the specific relaxation granted by the SECP to the Company for the year ended December 31, 2018.

33.7 Following are the associated companies incorporated in Pakistan with whom the Company had entered into transactions or have arrangement / agreement in place:

S.No.	Company Name	Basis of association
1	Indus Motor Company Limited	Common Directorship
2	Dawood Hercules Corporation	Common Directorship
3	Standard Chartered Bank (Pakistan) Limited	Common Directorship
4	Jaffer Brothers (Pvt.) Ltd	Common Directorship
5	Jaffer Business Systems(Pvt.) Ltd	Common Directorship
6	Captain PQ Chemical Industries (Pvt) Limited	Common Directorship
7	The Layton Rehmatulla Benevolent Trust	Common Directorship
8	UBL Fund Managers Limited	Common Directorship
9	Pakistan Stock Exchange Limited	Common Directorship
10	IGI Life Insurance Limited	Common Directorship
11	Wyeth Pakistan Limited	Common Directorship
12	Roche Pakistan Limited	Common Directorship
13	Novartis Pharma (Pakistan) Limited	Common Directorship
14	Pakistan Centre for Philanthropy	Common Directorship
15	The Aga Khan Hospital and Medical College Foundation	Common Directorship
16	Vellani & Vellani	Common Directorship
17	Unilever Pakistan Foods Limited	Common Directorship
18	Arabian Sea Country Club	Common Directorship
19	Petroleum Institute of Pakistan	Common Directorship
20	Oil Companies Advisory Council	Common Directorship
21	Shell LiveWire Trust	Common Directorship
22	The Kidney Center Post graduate training school	Common Directorship
23	Pakistan Institute of Corporate Governance	Common Directorship
24	Overseas Investors Chamber of Commerce	Common Directorship
25	Pak-Arab Pipeline Company Limited	Associate (Refer note:7)

34. CASH GENERATED FROM OPERATIONS

	Note	2018 (Rupees '000)	2017 (Rupees '000)
(Loss) / profit before taxation		**(59,674)**	4,322,960
Adjustment for non-cash charges and other items:			
Depreciation charge		**954,418**	862,263
Amortization		**1,051**	-
Accretion expense in respect of asset retirement obligation		**6,873**	5,899
Reversal of liability in respect of asset retirement obligation		**(13,355)**	(1,777)
Provision for impairment of stock-in-trade - net		**71,524**	11,551
Provision for doubtful debts - net		**20,126**	68,879
Reversal of provision for Workers' profits participation fund		**(94,572)**	-
Trade debts written off		**39**	3,313
Provision / (reversal of provision) for impairment of operating assets		**866**	(6,587)
Write off of operating assets		**181**	15,649
Gain on disposal of operating assets		**(106)**	(5,365)
Share of profit of associate		**(974,075)**	(837,776)
Interest on short-term deposits / savings accounts		**(92,118)**	(115,419)
Mark-up on short-term borrowings		**205,030**	52,204
Working capital changes	34.1	**(2,398,285)**	(2,384,384)
		(2,372,077)	1,991,410

		Note	2018	2017
			(Rupees '000)	
34.1	**Working capital changes**			
	(Increase) / decrease in current assets			
	Stock-in-trade		**(5,455,050)**	854,036
	Trade debts		**(214,831)**	(1,051,038)
	Loans and advances		**(61,265)**	15,364
	Short-term prepayments		**(477,492)**	(23,427)
	Other receivables		**(2,897,709)**	295,576
			(9,106,347)	90,511
	Increase / (decrease) in current liabilities			
	Trade and other payables		**6,708,062**	(2,474,895)
			(2,398,285)	(2,384,384)

35. CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	15	**1,973,413**	2,591,864
Short-term borrowings	20	**(8,052,978)**	(395,000)
		(6,079,565)	2,196,864

36. PROVIDENT FUND RELATED DISCLOSURES

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

37. SHARE BASED COMPENSATION

Share-based compensation plans

As at December 31, 2018, the Company's equity settled share-based compensation plans (here-in-after referred to as compensation plans) include Performance Share Plan (PSP) and Global Employee Share Purchase Plan (GESPP). Both the plans involve full recharge arrangement with the Royal Dutch Shell Plc.

In accordance with IFRS-2 (Share-based Payment), services received from employees as consideration for compensation plans are recognized as an expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity as a contribution from the ultimate parent. However, on account of recharge arrangement with the ultimate parent, the Company recognizes a recharge liability with a corresponding reversal from equity.

Performance Share Plan (PSP)

Royal Dutch Shell Plc. (RDS) – ultimate parent, operates a Performance Share Plan (PSP) for all its subsidiaries' employees. Under the plan, Company's employees' are awarded with conditional shares based on their sustained performance. The extent to which the awards vest is determined over a three year performance period. 50% of the award is linked to financial performance conditions which includes a set of three comparative performance conditions measured on a relative basis and free cash flows. The remaining 50% of the award is subject to the average of the declared Group Business Performance Factor (BPF) relating to the performance period.

A Monte Carlo option pricing model is used to estimate the fair value of the share-based compensation expense arising from PSP. The model projects and averages the results for a range of potential outcomes for the vesting conditions, the principal assumptions for which are the share price volatility and dividend yields for RDS and four of its main competitors over the last three years and the last ten years respectively.

A summary of shares outstanding and weighted average remaining contractual life in respect of PSP is as follows:

Particulars	Class A (Number)	Class B (Number)	Class A ADRs (Number)	Weighted average remaining contractual life (years)
At January 01, 2018	**74,830**	**-**	**-**	1.02
Granted	26,270	**-**	**-**	-
Vested	(26,265)	**-**	**-**	-
Expired / forfeited	(3,850)	**-**	**-**	-
At December 31, 2018	**70,985**	**-**	**-**	1.05

During the year, the company changed the delivery mechanism of PSP whereby the vested shares were delivered to eligible employees in the form of shares as against cash in the prior years.

An expense of Rs. 119,284 thousand (2017: Rs. 98,784 thousand) has been recognized in these financial statements in respect of PSP with a corresponding increase in liability.

Global Employee Share Purchase Plan (GESPP)

GESPP is a global plan which enables eligible employees of participating countries to make contributions from their net pay towards the purchase of RDS shares at a 15% discount to the market price, either at the start or at the end of an annual cycle, whichever date offers the lower market price. The Company rolled out this plan to its eligible employees during the year.

An expense of Rs. 15,776 thousand (2017: Nil) has been recognized in these financial statements in respect of GESPP with a corresponding increase in liability.

38. FINANCIAL ASSETS AND LIABILITIES

38.1 The Company's exposure to interest rate risk on its financial assets and liabilities as at the statement of financial position date is summarized as follows:

	2018						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial assets							
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans	-	-	-	57,658	25,076	82,734	82,734
Deposits	-	-	-	-	147,144	147,144	147,144
Trade debts	-	-	-	3,264,207	-	3,264,207	3,264,207
Other receivables	-	-	-	2,755,591	-	2,755,591	2,755,591
Cash and bank balances	898,477	-	898,477	1,074,936	-	1,074,936	1,973,413
	898,477	-	898,477	7,152,392	177,220	7,329,612	8,228,089
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	32,621,275	-	32,621,275	32,621,275
Unclaimed dividend	142,960	-	142,960	-	-	-	142,960
Unpaid dividend	190,081	-	190,081	-	-	-	190,081
Accrued mark-up	-	-	-	3,111	-	3,111	3,111
Short-term borrowings	8,052,978	-	8,052,978	-	-	-	8,052,978
	8,386,019	-	8,386,019	32,624,386	-	32,624,386	41,010,405

	2017						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial assets							
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans	8,226	-	8,226	40,177	17,820	57,997	66,223
Deposits	-	-	-	-	137,125	137,125	137,125
Trade debts	-	-	-	3,069,541	-	3,069,541	3,069,541
Other receivables	-	-	-	1,745,027	-	1,745,027	1,745,027
Cash and bank balances	1,505,896	-	1,505,896	1,085,968	-	1,085,968	2,591,864
	1,514,122	-	1,514,122	5,940,713	159,945	6,100,658	7,614,780
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	25,883,894	-	25,883,894	25,883,894
Unclaimed dividend	121,509	-	121,509	-	-	-	121,509
Unpaid dividend	148,786	-	148,786	-	-	-	148,786
Accrued mark-up	-	-	-	431	-	431	431
Short-term borrowings	395,000	-	395,000		-	-	395,000
	665,295	-	665,295	25,884,325	-	25,884,325	26,549,620

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in the respective notes to these financial statements.

38.2 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk and provide maximum return to shareholders.

38.2.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. The maximum credit risk is equal to the carrying amount of financial assets. Out of the financial assets aggregating Rs. 8,373,813 thousand (2017: Rs. 7,614,780 thousand) the financial assets subject to credit risk amount to Rs. 8,353,501 thousand (2017: Rs. 7,594,401 thousand). For banks and financial institutions, only independently rated parties with reasonably high credit rating are accepted. For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The most significant financial assets exposed to credit risk are trade debts and other receivables of the Company. The utilization of credit limits is regularly monitored.

The carrying values of financial assets which are neither past due nor impaired are as under:

	2018	2017
	(Rupees '000)	
Loans	**134,744**	66,223
Deposits	**147,144**	137,125
Trade debts	**2,153,292**	2,102,949
Other receivables	**2,849,305**	1,713,387
Bank balances	**1,958,101**	2,576,485
	7,242,586	6,596,169

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

BANK	Rating agency	Rating	
		Short-term	Long-term
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
Habib Bank Limited	JCR-VIS	A1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AAA
Citibank N.A.	Moody's	P-1	A1
Deutsche Bank AG	Moody's	P-2	Baa2
Industrial and Commercial Bank of China	Moody's	P-1	A1
Askari Commercial Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Meezan Bank Limited	JCR-VIS	A1+	AA+

38.2.2 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where payables exist due to imports of goods and transactions with foreign related parties as well as trade receivables from foreign related parties. The Company primarily has foreign currency exposures in US Dollar (USD), Great Britain Pounds (GBP) and Euro (EUR).

As at December 31, 2018, had the exchange rates of USD, GBP and EUR appreciated or depreciated against the currency with all other variables held constant, the change in post-tax profit / loss would have been as follows:

		2018		2017	
Currency	Profit / Loss	%	Rs. '000	%	Rs. '000
USD	lower / higher	**5%**	**804,716**	5%	**458,486**
GBP	lower / higher	**5%**	**14,116**	5%	**8,398**
EUR	lower / higher	**5%**	**7,353**	5%	**13,166**

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises primarily from short-term loans and running finance facilities. Loans and running finance obtained at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

At December 31, 2018, had interest rates on Company's borrowings been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 2,117 thousand (2017: Rs. 2,726 thousand).

iii) Equity price risk

Price risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as currently the Company has no investments in listed securities.

38.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Through its treasury function, the Company continually monitors its liquidity position and ensures availability of funds by maintaining flexibility in funding by keeping committed credit lines available.

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 38.1 to these financial statements.

38.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

During the year, the Company's strategy was to minimize leveraged gearing. The Company finances its expansion projects through borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. As of the date of statement of financial position, the Company was financed through equity.

39. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The different levels of fair valuation method have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of all assets and liabilities reflected in these financial statements approximate their fair values.

There were no changes in the valuation techniques during the year.

40. OPERATING SEGMENTS

These 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 year ended December 31, 2018 (December 31, 2017: 100%).

All non-current assets of the Company as at December 31, 2018 and 2017 are located in Pakistan.

Sales to twenty major customers of the Company are around 13% during the year ended December 31, 2018 (December 31, 2017: 13%).

41. CAPACITY AND ACTUAL PERFORMANCE

	Metric Ton
Available capacity	94,870
Actual production	60,636

The above pertains to lube manufacturing plant of the Company and the production is carried out as per sales demand.

42. NUMBER OF EMPLOYEES

	Note	**2018**	**2017**
Total employees as at December 31	42.1	**434**	415
Average number of employees during the year		**436**	413

42.1 Included herein are 39 employees of Lubes Manufacturing Terminal as of December 31, 2018 (2017: 39) and average number of these employees during the year is 40 (2017: 40).

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year in line with the requirements of Fourth schedule to the Companies Act, 2017:

Reclassification from component	**Reclassification to component**	**(Rupees '000)**
Current liabilities		
- Trade and other payables	- Unclaimed dividend	121,509
- Trade and other payables	- Unpaid dividend	148,786

44. GENERAL

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

45. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 06, 2019 by the Board of Directors of the Company.

Naz Khan	**Haroon Rashid**	**Faisal Waheed**
Director	Chief Executive	Chief Financial Officer

ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

FOR THE YEAR ENDED DECEMBER 31, 2018

Board of Directors

During the year, four meetings of the Board of Directors were held and the attendance of each director is given below:

Name of Director	Number of Meetings*	Number of meetings attended
Rafi H. Basheer	4	4
Jawwad A. Cheema	2	2
Haroon Rashid	4	4
Farrokh K. Captain	4	3
Parvez Ghias	4	4
Rahat Hussain	4	4
Nasser N.S. Jaffer	4	4
Madiha Khalid	1	1
Naz Khan	4	4
Klaas Mantel	4	4
Badaruddin F. Vellani	4	4
Faisal Waheed	4	4

Board Audit Committee

During the year, four meetings of the Board Audit Committee were held and the attendance of each director is given below:

Name of Director	Number of Meetings*	Number of meetings attended
Rafi H. Basheer	4	4
Badaruddin F. Vellani	4	4
Naz Khan	4	4

Human Resource and Remuneration Committee

During the year, two meetings of the Human Resource and Remuneration Committee were held and the attendance of each director is given below:

Name of Director	Number of Meetings*	Number of meetings attended
Farrokh K. Captain	2	2
Parvez Ghias	2	2
Jawwad A. Cheema	1	1
Haroon Rashid	1	1
Klaas Mantel	2	2

*Held during the period when the concerned Director was on the Board.

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

Shareholding

Number of Shareholders		From		To	Total Number of Shares Held
1,920	-	1	-	100	75,463
1,675	-	101	-	500	470,635
1,243	-	501	-	1,000	892,181
1,317	-	1,001	-	5,000	2,908,512
257	-	5,001	-	10,000	1,829,631
95	-	10,001	-	15,000	1,161,101
49	-	15,001	-	20,000	857,845
26	-	20,001	-	25,000	581,493
15	-	25,001	-	30,000	413,164
14	-	30,001	-	35,000	460,167
10	-	35,001	-	40,000	382,836
9	-	40,001	-	45,000	380,327
8	-	45,001	-	50,000	382,073
5	-	50,001	-	55,000	259,135
5	-	55,001	-	60,000	287,470
6	-	60,001	-	65,000	375,116
2	-	65,001	-	70,000	139,000
2	-	70,001	-	75,000	141,809
1	-	75,001	-	80,000	78,808
1	-	80,001	-	85,000	82,600
2	-	85,001	-	90,000	173,997
1	-	90,001	-	95,000	91,542
1	-	115,001	-	120,000	118,000
1	-	125,001	-	130,000	126,953
1	-	130,001	-	135,000	134,600
1	-	135,001	-	140,000	135,200
1	-	165,001	-	170,000	166,015
1	-	170,001	-	175,000	175,000
1	-	185,001	-	190,000	188,901
1	-	205,001	-	210,000	207,250
1	-	225,001	-	230,000	225,800
1	-	265,001	-	270,000	268,600
1	-	320,001	-	325,000	325,000
1	-	325,001	-	330,000	326,440
1	-	480,001	-	485,000	481,700
1	-	520,001	-	525,000	523,200
1	-	540,001	-	545,000	540,647
1	-	575,001	-	580,000	578,796
1	-	605,001	-	610,000	605,400
1	-	775,001	-	780,000	778,866
1	-	805,001	-	810,000	805,516
1	-	830,001	-	835,000	830,293
1	-	835,001	-	840,000	837,100
1	-	1,070,001	-	1,075,000	1,072,200
1	-	3,690,001	-	3,695,000	3,692,247
1	-	81,440,001	-	81,445,000	81,443,702
6,687					107,012,331

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (name wise details)			
The Shell Petroleum Company Limited, London	1	81,443,702	76.11
NIT AND ICP			
National Bank of Pakistan.	1	102	0.00
Mutual Funds (name wise details)			
CDC - Trustee Akd Index Tracker Fund	1	4,751	0.00
CDC - Trustee Apf-equity Sub Fund	1	4,000	0.00
CDC - Trustee Apif - Equity Sub Fund	1	4,000	0.00
CDC - Trustee Atlas Islamic Stock Fund	1	11,300	0.01
CDC - Trustee Js Islamic Dedicated Equity Fund (jsidef)	1	44,450	0.04
CDC - Trustee Js Islamic Fund	1	29,800	0.03
CDC - Trustee Js Islamic Pension Savings Fund-equity Account	1	8,300	0.01
CDC - Trustee Js Large Cap. Fund	1	57,812	0.05
CDC - Trustee Js Pension Savings Fund - Equity Account	1	12,700	0.01
CDC - Trustee Kse Meezan Index Fund	1	40,000	0.04
CDC - Trustee Mcb Pakistan Stock Market Fund	1	21,900	0.02
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	300	0.00
CDC - Trustee Nafa Islamic Active Allocation Equity Fund	1	4,050	0.00
CDC - Trustee Nafa Islamic Asset Allocation Fund	1	135,200	0.13
CDC - Trustee Nafa Islamic Energy Fund	1	85,400	0.08
CDC - Trustee Nafa Stock Fund	1	225,800	0.21
CDC - Trustee National Investment (unit) Trust	1	25	0.00
CDC - Trustee Unit Trust Of Pakistan	1	20,000	0.02
Mc Fsl - Trustee Js Growth Fund	1	63,300	0.06
Mcbfsl - Trustee Js Value Fund	1	32,200	0.03
Tri-star Mutual Fund Limited	1	158	0.00
Directors			
Farrokh K. Captain	1	* 840,096	0.79
Badaruddin F. Vellani	1	195	0.00
Nasser N. S. Jaffer	1	125	0.00
Naz Khan	1	100	0.00
Parvez Ghias	1	100	0.00
Directors' spouse	-	-	-
Executives	2	4,991	0.00
Public Sector Companies and Corporations	1	3,692,247	3.45
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	26	1,386,757	1.30
General Public			
a. Local	6,504	13,296,720	12.43
b. Foreign	3	16,966	0.02
Others	123	5,524,784	5.16
	6,687	**107,012,331**	**100.00**
Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)			
The Shell Petroleum Company Limited , London.	1	81,443,702	76.11

* Mr. Farrokh K. Captain received 61,010 shares as a gift from his mother and 45,000 shares as a gift from his sister.

FORM OF PROXY

The Secretary
Shell Pakistan Limited
Shell House
6, Ch. Khaliquzzaman Road
P. O. Box No.3901
Karachi - 75530

I/We ____

of ______________________ in the district of ______________________

being a member of Shell Pakistan Limited and holder of ______________________

______________________ Ordinary Shares as per Share Register Folio
(No. of Shares)

No. ______________ and/or CDC Participant I.D. No. ______________________

and Sub Account No. ______________ hereby appoint ______________________

of ______________________ in the district of ______________________

or failing him/her ______________________ of ______________________

as my/our proxy to vote for me/us and on my/our behalf at the 50th Annual General Meeting of the Company to be held on April 23, 2019 at 10:30 a.m. at the Movenpick Hotel, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2019.

WITNESSES:

Signature ______________________
Name ______________________
Address ______________________
____
CNIC or
Passport No. ______________________

Signature
(Signature should agree with the specimen signature registered with the Company)

Signature ______________________
Name ______________________
Address ______________________
____
CNIC or
Passport No. ______________________

Notes:

1. A member entitled to attend and vote at the meeting may appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxies in order to be effective must be received at the registered office of the Company not later than 48 hours before the meeting. However, as the meeting is on Tuesday the 23th of April 2019, and in view of the provisions of S.137(6) of the Companies Act, 2017, the proxies, in order to be accepted and effective, must be filed no later than 10:30 am on Friday, 19th April, 2019.
3. A Proxy need not be a member of the Company.
4. Shareholders and their proxies must attach an attested photocopy of their CNIC or Passport with this Proxy Form. A Proxy shall be required to produce his/her original CNIC or passport at the venue of the meeting for authentication of his/her identity.