SHELL PAKISTAN LIMITED

ANNUAL REPORT 2014

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OUR PERFORMANCE

FINANCIALS

YOUR ENERGY PARTNER EVERY STEP OF THE WAY

Over six decades, Pakistan has developed its capability across a spectrum of areas like industry, transportation, communication and the energy sector.

With a legacy of 116 years in the region, developing and distributing energy by land, air and sea, Shell has endeavoured to support the country's developmental priorities. From providing petroleum products for the construction of mega projects like the Mangla Dam and Kotri Barrage to expanding the country's growing road infrastructure, fuelling PIA's first flights or setting industry standards in safety and quality, Shell has been there.

In the nineties, Shell transformed the retail forecourt experience for consumers in Pakistan with the introduction of its global branding, service standards and customer conveniences. Maintaining its legacy of being an energy partner, today, with a portfolio of robust businesses and international product offering, Shell continues to meet the energy needs of the nation serving over a million customers across the country every day.

1897

SHELL TRANSPORT & TRADING COMPANY

To reach remotely located Asian wells, Royal Dutch Petroleum agreed to operate the Asian arm of merchant trading company M Samuel & Co. The fleet was integral to Shell's entrance into Asia by shipping kerosene from Russia via the Suez Canal.

1899

ASIATIC PETROLEUM

Asiatic Petroleum, the far eastern marketing arm of Shell Transport Company and Royal Dutch Petroleum Company began importing kerosene oil from Azerbaijan into the Indian Subcontinent.

1928

BURMAH SHELL OIL STORAGE & DISTRIBUTING CO. OF INDIA FORMED

The Burma Shell Oil Storage and Distributing Company of India was formed to expand the importing and marketing operations and pioneer rural marketing of its products by reaching out to people in remote villages across Asia to supply kerosene.

1930

SERVICE STATION IN THE GILGIT-BALTISTAN AREA

With motor cars came canned petrol, followed by service stations which were built in the 1930s. Retail fuelling stations sprung up in remote locations like the Gilgit-Baltistan area in present day North Western Pakistan. This was, perhaps, the only filling station in the world where petroleum supplies were flown regularly.

1932

FIRST AIR MAIL SERVICE

Burmah Shell had the privilege of fuelling the initial flight when the first air mail service in the Indo Pakistan sub-continent was inaugurated in October 1932.

1947

PAKISTAN INDEPENDENCE

At independence, the company's name was changed to the Burmah Shell Oil Distribution Company of Pakistan.

1952

DISCOVERY OF SUI GAS

PPL, a subsidiary of Burmah Oil Co. Limited, discovers gas in Sui – a resource that became the energy lifeline of Pakistan.

1960

KARACHI AIRPORT

Burmah Shell quickly became the premier international oil marketing and distribution company in Pakistan, and was the choice fuel provider for a number of airlines visiting Pakistan.

1963

MANGLA DAM CONSTRUCTION

Burmah Shell supplied 286,100 tons of petroleum products to enable the construction of Mangla Dam as well as substantial supplies to nine other smaller projects of the Indus Basin Replacement Works.

1970

BURMAH SHELL BECOMES PAKISTAN BURMAH SHELL

51% Of Burmah Shell Oil Distribution Company shares were transferred to Pakistani investors. With this, the name of the Company was changed to Pakistan Burmah Shell (PBS) Limited.

1978

SHELL HOUSE BUILT

PBS offices which were housed in National Bank of Pakistan Building on I.I. Chundrigar Road moved to a newly constructed building in Karachi now known as the Shell House.

1993

PBS BECOMES SHELL PAKISTAN LIMITED

Pakistan Burmah Shell becomes Shell Pakistan Limited with Shell Petroleum Company purchasing 51% stake in the Company.

1994

SHELL BRINGS GLOBAL STANDARDS & INTERNATIONAL PORTFOLIO TO PAKISTAN

Shell Pakistan revolutionized the retail forecourt experience for customers in Pakistan by introducing global RVI standard sites in Pakistan. This was followed by launch of international Lubricant brands like Rimula in 1994, Helix in 1995 and Advance in 1998.

1999

CENTENARY

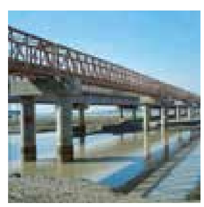
Shell celebrates 100 years in Pakistan.

2002

SHELL INCREASES STAKE IN SPL

Shell Petroleum Company invested USD 22.3 million in Shell Pakistan by purchasing 5.7 million shares and increasing its stake in the Company to 76.1%.

2005



SHELL INVESTS IN WHITE OIL PIPELINE PROJECT

The 817 km long pipeline is used to transport on average 3.5 million tonnes of High Speed Diesel (HSD) from Port Qasim on the outskirts of Karachi to Shikarpur and Mehmood Kot each year.

2010

SHELL PAKISTAN FLOOD RELIEF

SPL was awarded a certificate of appreciation from the UN on fueling 1,000 safe relief flights and other relief efforts during the devastating 2010 floods.

2013

SHELL TAMEER COMPLETES A DECADE

Shell Pakistan's flagship Social Investment program completes 10 years, engaging over 800,000 youth through business plan and enterprise generation workshops and enabling setting up and expansion of over 3,000 businesses that in turn employ over 25,000 people.

2014

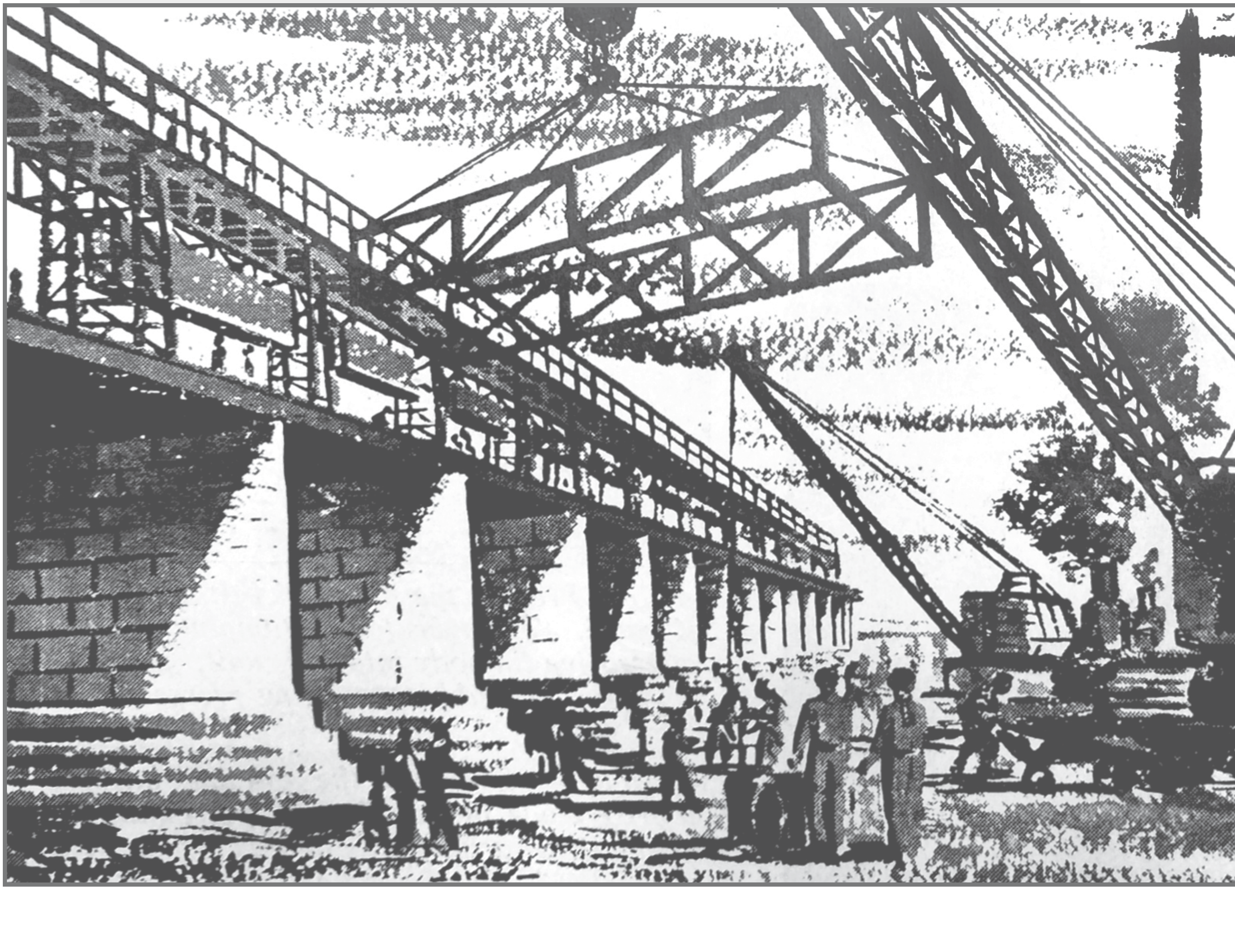
SHELL PAKISTAN OPENS ITS 787TH RETAIL STATION

As the largest International Oil Marketing Company in Pakistan, Shell continues to expand its network in the country to ensure that customers have access to Shell products in a variety of locations.

1956 Campaign

A PART OF PROGRESS IN PAKISTAN

Completed in 1955, Kotri Barrage is used to control water flow in the River Indus for irrigation and flood control. The channels deriving from it serve a cultivatable area of about 5 million acres.



GOVERNANCE & COMPLIANCE

COMPANY INFORMATION

Board of Directors
Omar Sheikh* — Chairman
Farrokh K Captain
John King Chong Lo
Soo Lim Goh*
Rahat Hussain
Imran R Ibrahim
Nasser N S Jaffer
Zaffar A Khan
Haroon Rashid
Badaruddin F Vellani
Faisal Waheed

Managing Director & Chief Executive Officer
Omar Sheikh

Audit Committee
Badaruddin F Vellani — Chairman
Soo Lim Goh*
Imran R Ibrahim

Human Resource and Remuneration Committee
Rahat Hussain — Chairman
Farrokh K Captain
Omar Sheikh

Company Secretary
Tariq Saeed

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

Auditors
A F Ferguson & Co.

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

*Michael Noll resigned from the office of Director/Chairman w.e.f. March 12, 2015 and Omar Sheikh was elected as the Chairman in his place while Soo Lim Goh was appointed Director and a member of the Audit Committee.

VISION

To be the most competitive and innovative Downstream Oil Marketing Company in Pakistan.

STATEMENT OF GENERAL BUSINESS PRINCIPLES

INTRODUCTION

Shell Pakistan Limited General Business Principles govern how Shell Pakistan Limited conducts its affairs.

The objectives of Shell Pakistan Limited 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 believe that oil and gas will be integral to the global energy needs for economic development for many decades to come. Our role is to ensure that we extract and deliver them profitably and in environmentally and socially responsible ways.

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.

OUR VALUES

Shell Pakistan Limited 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 Pakistan Limited 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 recognize 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 Pakistan Limited 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.

PRINCIPLE 2
COMPETITION

Shell Pakistan Limited supports 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 Pakistan Limited insists on honesty, integrity and fairness in all aspects of our business and expects 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 should 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 Shell Pakistan Limited 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 Pakistan Limited acts in a socially responsible manner within the laws of the country in which we operate in pursuit of our legitimate commercial objectives. Shell Pakistan Limited does not make payments to political parties, organizations or their representatives. Shell Pakistan Limited does not take part in party politics. However, when dealing with the government, Shell Pakistan Limited has 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 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 circumstance.

PRINCIPLE 5
HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

Shell Pakistan Limited has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell Pakistan Limited manages these matters as critical business activities, sets standards and targets for improvement, and measures, appraises and reports performance externally.

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

PRINCIPLE 6
LOCAL COMMUNITIES

Shell Pakistan Limited aims to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being 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 Pakistan Limited takes a constructive interest in social matters, directly or indirectly related to our business.

PRINCIPLE 7
COMMUNICATION AND ENGAGEMENT

Shell Pakistan Limited recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting our performance by providing complete 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.

LIVING BY OUR PRINCIPLES

Our shared core values of honesty, integrity and respect for people, underpin all the work we do and are the foundation of our Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in Shell Pakistan Limited in the conduct of its business at all times.

We are judged by how we act. Our reputation will be upheld if we act in accordance with the law and the Business Principles. We encourage our business partners to live by them or by equivalent principles.

We encourage our employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of Shell Pakistan Limited.

It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as with the letter of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Shell Pakistan Limited employees to report suspected breaches of the Business Principles to Shell Pakistan Limited.

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.

CHAIRMAN'S REVIEW

The net loss for the Company has arisen in the context of sharp decline in crude oil prices between July and December 2014.

During 2014, your Company further improved its operational performance, delivering market share and profitability growth in all 3 segments that the Company operates in: Retail, Lubricants and Aviation. However, the financial results were heavily impacted by exceptionally high inventory losses due to sharp decline in oil prices. The Company reported a net loss after tax of Rs 1,067 million against a profit after tax of Rs 1,061 million in the same period last year. However, as the underlying profitability of the Company was robust, the Board of Directors decided to recommend a cash dividend of Rs. 8 per share.

The net loss for the Company has arisen in the context of sharp decline in crude oil prices between July and December 2014. Your Company maintained adequate stocks of product in line with compliance requirements. The outcome of these two factors has been an inventory loss of approximately Rs. 4 billion during 2014.

Inspite of this loss, your Company paid income tax amounting to Rs. 1,244 million (Rs. 1.24 billion) for the year.

Oil marketing regulations in Pakistan need radical overhaul to ensure sustainable provision of energy to the public in Pakistan. The recent motor-gasoline supply crisis highlighted the immediate challenges that the industry faces: low regulated fuel margins that are insufficient to support infrastructure investment, supply chain fragility due to disincentives in the pricing mechanism for independent companies to import product and an onerous tax regime that discourages growth investment. We believe more needs to be done for the sustainability of the industry and we continue to request the government for increase in automotive fuels margin, providing an equitable taxation mechanism and a level playing field for all companies on supply and imports along with ensuring regulatory compliance by all industry players .

Overall market conditions remained competitive and despite the challenges, we continued to maintain our position as the second largest Oil Marketing Company in Pakistan. This was achieved by concerted efforts to increase our market share while maintaining control on costs and capital expenditure.

The Retail Business delivered growth through superior customer services and valuable customer offerings. 2014 saw the successful and safe completion of an integrated plan to turnaround 240 Prime Sites featuring the new Shell global branding along with necessary repairs and equipment installation to achieve greater customer satisfaction and continued increase in volumes. The business also rolled out a series of consumer promotions including the roll-out of the Quality Fuel Economy campaign on Motor gasoline. In the Aviation Business, 2014 was a year of many 'firsts' with alliances with international carriers and strong exports. The Lubricants business delivered a robust performance this year by concentrating on profitable growth via enhanced focus on premium segment and value selling.

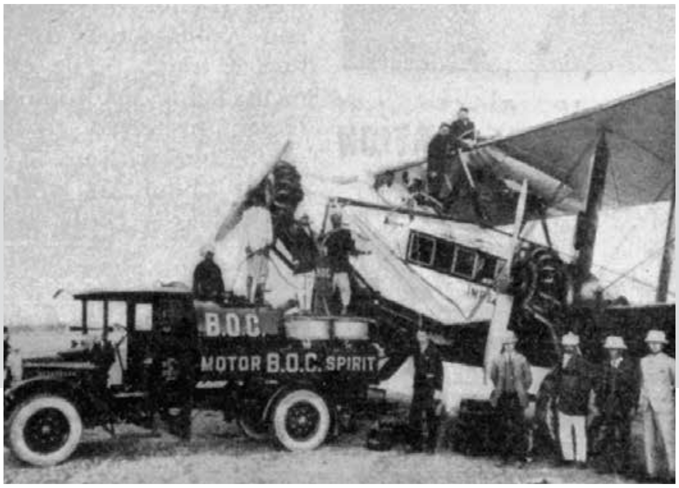
During 2014, the Company managed to collect Rs. 939 million in receivables from the Government and we are thankful to the Government for this repayment. That said, at the end of 2014, the total outstanding from the government amounts to Rs. 5,378 million. These receivables have been outstanding for periods up to 10 years and we continue to incur financing cost on bank borrowings required to fund them. The Company's management is continuously engaged with relevant Government authorities, and we look forward to support from the Government to pay the remaining amount on an expedited basis to ensure business continuity and growth.

Due to the minimum tax regime applicable to oil companies, the Company pays Corporate Tax irrespective of the level of profits earned in the period which unfairly erodes its operating profit. In 2014, we continued our discussions with tax authorities to bring the oil and gas sector in line with allowances and lower rates that are extended to other similarly regulated sectors in Pakistan. We are hopeful for a change in the taxation regime and look forward to early action by the authorities to resolve this major issue.

Your Company remains committed to be the most innovative and competitive Company in the Downstream Oil Marketing sector in Pakistan and we look forward to continued support from all our stakeholders. I would like to thank our customers, shareholders and staff for their continued support to the Company.

Michael Noll
Chairman

March 11, 2015



1927 - Refueling of the "City of Delhi" by Burmah Oil. A De Havilland 66 aircraft, christened by Lady Irwin, wife of the Viceroy of India, was an Imperial Airways mail and passenger service from London to Delhi via Malta, Baghdad and Karachi.

BOARD OF DIRECTORS

Michael Noll

Michael Noll is the VP Finance Global Manufacturing in Shell's Downstream business. He started his career in 1987 in Germany as deputy controller of a Shell Chemicals unit (agrochemicals). After that, he held various positions in EP, OP and Chemicals, serving in the Netherlands, UK, Singapore and Germany mostly in Finance and Business Development.

Over the past 15 years he has served in a number of CFO roles across Shell's global business lines and he holds several board director positions in large refinery joint ventures.

Farrokh K Captain

Farrokh K. Captain received both his Bachelors 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 lead a major US-Pakistan joint venture chemical manufacturing business in Pakistan, Captain-PQ Chemical Industries Limited.

He is also a former President of the Board of the American Business Council. Mr. Captain now devotes much of his time to the field of social work. He is Chairman of The i-Care Foundation, Pakistan's first Donor Advised Fund, a Trustee of the Layton Rehmatulla Benevolent Trust, and has served 10 years as the Founder Chairman of the Pakistan Human Development Fund. He is currently serving his eighth three-year term as Director of Shell Pakistan Ltd.

Rahat Hussain

Rahat (Moon) 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 27 years with Royal Dutch Shell group of companies. His expertise ranges from upstream exploration and production projects, 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 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. He is married with 3 children and is a keen sportsman.

Imran R Ibrahim

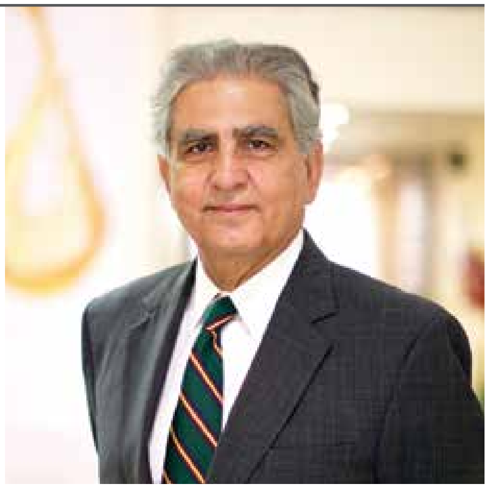
Imran Ibrahim is a graduate from Government College, Lahore, and pursued post graduate studies at the Institute of Business Administration in Karachi. He is an entrepreneur with 41 years of experience in diverse areas of business such as distribution of products for various multinationals as well as cotton ginning and edible oil extraction.

Nasser N S Jaffer

Nasser N S Jaffer holds an Associated Science Diploma program in Agriculture from University of California. He is the CEO of Jaffer Group of Companies and Chairman on its Board of Directors. 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 serves on the Boards of other business and philanthropic organizations such as PIA, Jaffer Agro Services, Jaffer Biotech, the Kidney Centre, Modern Club and Modern C.H. Society as well as being the founding member of The Hunar Foundation and the Sulaiman & Haroon Jaffer Trust. He also held office as the Honorary Consul of the Philippines till 2010.

Zaffar A Khan



Zaffar Khan graduated as a mechanical engineer in 1967 from Peshawar University and soon thereafter joined Esso/Exxon Chemical which following an employee led buyout became Engro Chemical in Pakistan. He retired from the Company in 2004 after serving for 35 years the last 6 of which were as President & CEO. During the early years of his career he served Exxon Chemical for 10 years in Hong Kong, Singapore and USA in the petrochemical business. His career with Exxon/Engro spanned all major corporate functions i.e. Marketing, Manufacturing, Finance & Corporate Services.

He has done an Advanced Management Program from the University of Hawaii and has attended short courses at INSEAD and the Harvard Business School. Mr. Khan serves on a number of diverse boards and is an Adjunct Professor at IBA. He is a recipient of the exalted Sitara-e-imtiaz.

John King Chong Lo

John King Chong Lo has over 20 years of experience in the Oil & Gas and Petrochemicals industries and has worked in variety of Downstream positions. As General Manager of Trading & Supply Operations, John is responsible to oversee the supply and distribution of fuels to our customers in the East, as well as to manage the commercial operations for SIETCO and SITME, including LNG operations for SILS globally. Prior to this role, John was the General Manager Operations & Technical for Shell Aviation, where he was responsible for the operations of Shell's Global Aviation business and manages the R&D program on aviation fuels and lubricants development.

John holds a bachelor degree in Chemical Engineering from the University of Toronto, Canada and a MBA from the University of Durham, Business School, UK. He also serves as the development board member of the Durham Business School and runs his own charity "Read-cycling" during his personal time.

Haroon Rashid

Haroon Rashid is the Distribution Operations Manager for the Shell Pakistan/India/ Middle East Cluster. He joined Shell Pakistan in 1995 and has had a variety of roles and experiences in several countries. From 1995 to 2000 he worked in Retail Sales, Non-Fuels Retailing and Network Planning.

In 2001 he took time to complete an MBA from INSEAD after which he rejoined Shell as a Consultant in the Downstream Management Consultancy, London. In 2005 he became the Downstream Competitor Intelligence Manager, also in London, before moving to Singapore in 2008 as the Global Marketing Manager for Aviation. He was GM Supply and Distribution for the Shell Pakistan/India/ Middle East cluster from 2011-2013.

Omar Sheikh

Omar Sheikh is the Cheif Executive Officer of Shell Pakistan Limited and is the Country Chairperson for Shell companies in Pakistan since August 1, 2012. He joined Shell in 1995 and has held several senior leadership roles in Retail, Commercial and Strategy & Portfolio in Pakistan and internationally within the Group.

He is a Director of Pakistan Refinery Limited and Pak Arab Pipeline Company Limited and also serves on the boards of other business, philanthropy, educational and health associations such as the Petroleum Institute of Pakistan (PIP), The Kidney Centre, The Layton Rahmatulla Benevolent Trust (LRBT), Pakistan Centre for Philanthropy (PCP) and Pakistan Human Development Fund (PHDF).

Omar is a graduate of IBA Karachi and holds an MBA from INSEAD, France.

Badaruddin F Vellani

Badaruddin F Vellani is an Honours graduate in Chemical Engineering from the Loughborough University of Technology and is also a Barrister at Law from the Middle Temple (London). Badaruddin Vellani 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, Vellani 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. Faisal is an MBA from IBA, Karachi and ACMA from CIMA, UK. He has an overall work experience of over 17 years mainly in FMCG businesses. Faisal started his career with Unilever and during 11 years of association with the company worked through various Finance, Business Partnering and Information Management roles in Pakistan and the UK. In 2010, Faisal joined Engro Corporation where he was last working as Chief Financial Officer of one of its subsidiaries.

Faisal moved to Shell in 2013 in his current capacity.

He also serves on the boards of Pakistan Refinery Limited and Pak Arab Pipeline Company Limited.

1964: GM Burmah Shell Mr. A.R Faridi receiving the President of Pakistan, Field Marshal Mohammad Ayub Khan at a local event.

REPORT OF THE DIRECTORS

The Directors of your Company are pleased to present their Annual Report together with audited financial statements for the year ended December 31, 2014.

The loss for the year ended December 31, 2014 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

	(Rupees in millions)
Profit before taxation	546
Taxation	(1,613)
Loss for the year	(1,067)
	(Rupees)
Earnings per share	(9.97)

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 46 of the Annual Report.

At its meeting held on March 11, 2015, the Board of Directors has proposed cash dividend for the year ended December 31, 2014 at the rate Rs. 8.00 per share (80%). The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on April 23, 2015. The dividend amounting to Rs. 856,099 thousand has not been recognized as a liability in these financial statements.

1. 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.

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

3. 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 2.1.4(a) to the financial statements. Accounting estimates are based on reasonable and prudent judgment.

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

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

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

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

8. Key operating and financial data for the last seven years in summarized form is disclosed on page 42. The significant deviations in operating results of the Company from last year have been discussed in the Chairman's Review on page 10.

9. A reasonable indication of future prospects is discussed in the Chairman's Review on page 10.

10. A statement as to the value of investments of provident, gratuity and pension funds on the basis of audited financial statements for the year ended December 31, 2013 is included in note 30.4 to the financial statements.

11. The number of Board and Committee meetings held during the year and attendance by each Director is disclosed on page 94.

12. The Board has arranged for the requisite training of its directors, Imran Ibrahim and Badaruddin F Vellani have already obtained certification from the Pakistan Institute of Corporate Governance (PICG), Karachi in prior years. Haroon Rashid completed the director's training course conducted by the PICG in 2014 and received certification in February 2015. The remaining directors unless exempted, will acquire the required director's training certification within the specified time.

13. The pattern of shareholding and additional information regarding pattern of shareholding is disclosed on page 96. 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.

14. The auditors have drawn attention to the following matters in their audit report:

- The classification of Government receivables due from the Government of Pakistan on account of petroleum development levy on export sales and price differential claims on imported purchases and high speed diesel as current assets; and

- The fact that the management of the Company considers the amount due from the Government of Pakistan on account of price differential on imported motor gasoline as a good debt.

  The details of the above are further explained in the relevant notes to the financial statements.

15. The retiring auditors M/s A. F. Ferguson & Co. Chartered Accountants, being eligible, offer themselves for reappointment.

16. Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children have not traded in the shares of the Company during the year.

17. Details of the Corporate Social Responsibility and other activities undertaken by the Company during the financial year are disclosed on pages 26 to 37.

On behalf of the Board

Michael Noll
Chairman

Karachi: March 11, 2015

1958: Shortly before leaving for the UK, 'Overland' – a coach running between Birmingham and Karachi being serviced at our Universal Auto Service Station.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty-Sixth Annual General Meeting of Shell Pakistan Limited will be held on Thursday, April 23, 2015 at 10:00 a.m. at Movenpick Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Report of Directors and Auditors together with the Audited Accounts for the year ended December 31, 2014.

2. To approve the payment of dividend of Rs. 8.00 per share (80%) for the year ended December 31, 2014.

3. To appoint Auditors for the financial year January 1 to December 31, 2015 and to fix their remuneration.

By Order of the Board

Tariq Saeed
Secretary

Karachi: March 11, 2015

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530

NOTES:

(i) The register of members will remain closed from April 9 to April 23, 2015 (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 by the close of business on April 8, 2015 will be in time for the purpose of payment of dividend.

(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. A proxy need not be a member of the Company.

(iii) Members 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.

(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 the Meeting being sent to the members.

(vi) Members are advised that as per the orders of the SECP inter alia vide SRO No. 831(1)/2012 dated July 5, 2012 and SRO No. 19(1)/2014 dated January 10, 2014, CNIC number of the concerned member is mandatorily required to be mentioned on Dividend Warrants, Members Register and other Statutory Returns. Members are therefore requested to submit a copy of their CNIC (if not already provided) 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 at the earliest. In case of non-receipt of the copies of valid CNICs of the Members, the Company may be constrained, under section 251(2)(a) of the Companies Ordinance 1984, to withhold dispatch of Dividend Warrants to such Members.

(vii) Deduction of Withholding Tax on the Amount on the Amount of Dividend:

The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by companies.

These tax rates are as under:-

a) For filers of Income Tax returns: 10%
b) For non-filers of Income Tax returns: 15%

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.

For any query/information, the members may contact the Company and/or the 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.

Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its 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. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

1970: First AGM of PBS. Mr. M.R Abbasy, Secretary Pakistan Burmah Shell, reads out the meeting notice convening the first AGM along with the rest of the first Board of Directors.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2014.

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in listing Regulations of the Lahore Stock Exchange 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:

1. The Company encourages representation of independent directors, non-executive directors as well as directors representing minority interests on its Board of Directors. As at December 31, 2014 the Board comprised of the following directors:

Independent Directors
Zaffar A Khan
Badaruddin F Vellani

Executive Directors
Omar Sheikh
Faisal Waheed
Haroon Rashid

Non-Executive Directors
Michael Noll
Farrokh K Captain
Rahat Hussain
Imran R Ibrahim
Nasser N S Jaffer
John King Chong Lo

The independent directors meet the criteria of independence under clause i (b) of the Code. Three of the six non-executive directors namely Michel Noll, Rahat Hussain and John King Chong Lo occupy executive positions in other Shell Group Companies.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. 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.

4. One casual vacancy occurred on the Board during the year on account of the resignation of Chong Keng Cheen (Nick Chong) which was immediately filled up by the Directors with the appointment of John King Chong Lo.

5. The Company has prepared a "Code of Conduct" defining acceptable and unacceptable behaviors to promote integrity for the Board, senior management and other employees and has ensured that appropriate steps have been taken to disseminate it through 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

6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO, other executive directors and the meeting fees payable to non-executive directors have been taken by the Board.

8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Imran R. Ibrahim and Badaruddin F. Vellani have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG). Haroon Rashid completed the directors' training course conducted by the PICG in 2014 and received certification in February 2015. The remaining directors, unless exempted, will acquire the required directors' training certification within the specified time.

10. There has been no change in the position of the Chief Financial Officer, the Company Secretary or the Head of Internal Audit during the year.

11. 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.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board had formed an Audit Committee comprising two non-executive directors and one independent director. The Chairman of the Committee is an independent director. The terms of reference of the Committee have been formulated and advised to the Committee for compliance. During the year, the Audit Committee was reconstituted and an executive director was appointed on August 13, 2014 who attended only one meeting held on October 21, 2014. Subsequent to the year end, the Board reconstituted the Audit Committee in March 2015, to fully comply with clause (xxiv) of the Code.

16. 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.

17. The Board has formed a Human Resource and Remuneration Committee comprising of three members of whom two are non-executive directors and one is an executive director. The Chairman of the Committee is a non-executive director. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

18. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis.

19. 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), 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.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board of Directors.

Omar Sheikh
Chief Executive Officer

Karachi: March 11, 2015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REVIEW REPORT

to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shell Pakistan Limited (the Company) for the year ended December 31, 2014 to comply with the Code contained in the Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in Listing Regulations of the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of 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 Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

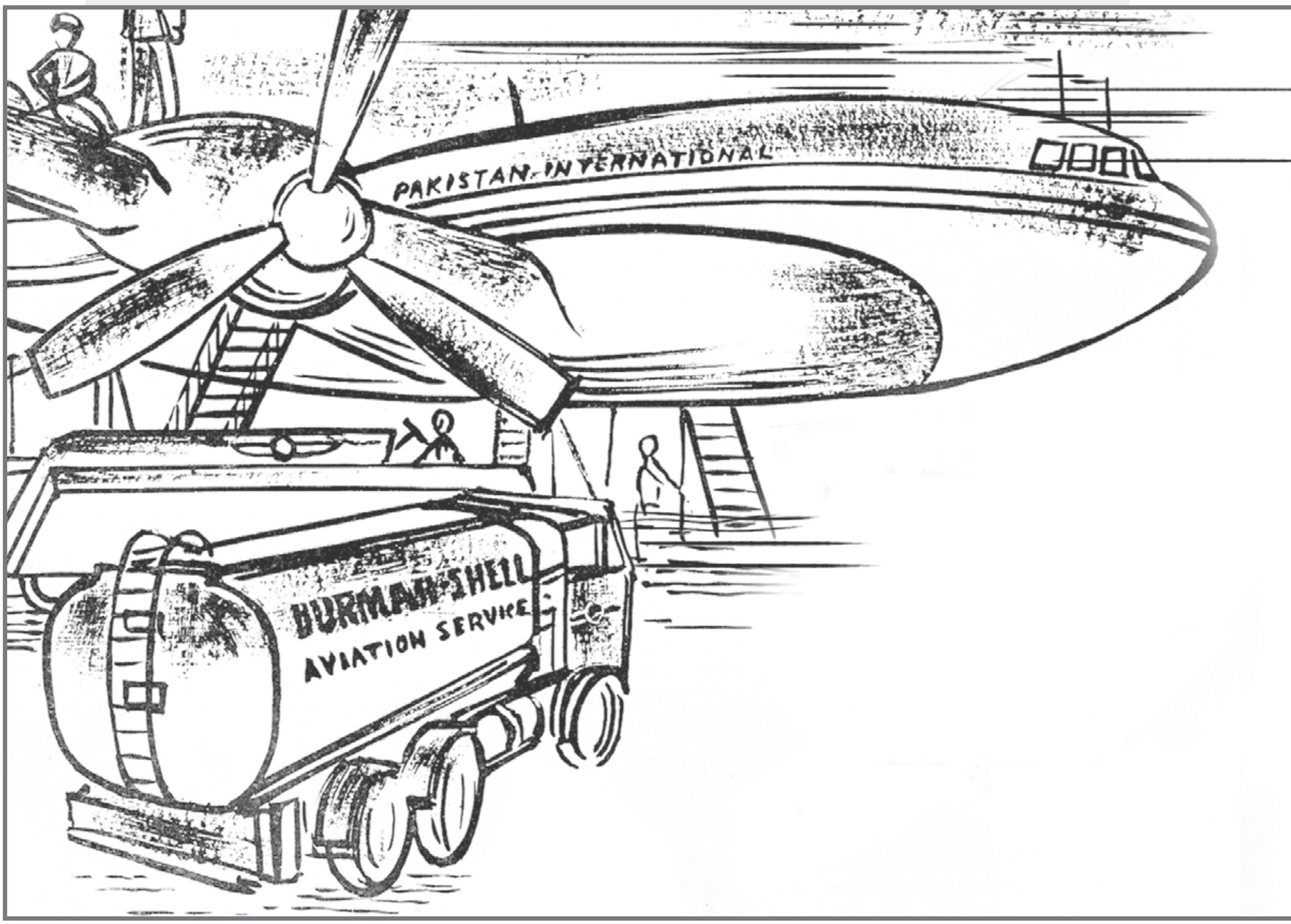
Chartered Accountants
Karachi
Date: March 27, 2015
Engagement Partner: Waqas A. Sheikh

1951: The first 6 passenger double decker buses ordered by Lahore Omnibus Service arrived at Kemari in September 1951. This was the first time where a double decker was going to be used on the regular passenger transport service. Throughout the journey, the buses used Shell Rotella Oil and Burmah Shell High Speed Diesel Oil.

1954 Campaign

THEY USE OUR PRODUCTS

For a new country, air transport was a critical need, particularly in the case of Pakistan where the country was at that time divided in two wings separated by 1,100 miles. The need for a swift and efficient mode of transport was imperative and setting up a national airline was a priority.



OUR PERFORMANCE

They use our products

One of the big events of 1954 was the inauguration of Pakistan International Airlines. 3 Lockheed Super Constellations were obtained from the U.S.A. and in June the first plane took off from Karachi airport on its first scheduled service flight to Dacca.

Such big aircraft as the new Super Constellations require very large quantities of fuel, sometimes more than 4,000 gallons at a time, but the Burmah-Shell 'Dorset' fuellers are the latest and fastest type and can give P.I.A. quick service. P.I.A. operate exclusively on Shell lubricants and fuels.

RETAIL

With over 780 retail outlets across the country, Shell Pakistan continues to drive the growth of retail business to reach more customers and continue to deliver the highest quality products and services to meet their everyday motoring needs.

We believe the key to Retail success is rooted in collaboration with staff and business partners to consistently deliver customer service excellence and world-class retail experiences.

The Shell brand is synonymous around the world with passion and expertise in developing high quality and technologically advanced fuels for the benefit of our consumers and their vehicles. In Pakistan we offer a variety of fuels like High Octane, Super Unleaded and AGO on our forecourts along with a wide array of non-fuel retailing facilities and a range of high-quality lubricants.

2014 Highlights

Retail Network Turnaround and Expansion

In 2014, our Retail Team in Pakistan successfully completed an integrated plan to turnaround 240 Prime Sites. New RVI-E branding (global standards) along with necessary repairs and equipment installation has been done for a completely revamped look and feel. All these improvements are aimed to achieve greater customer satisfaction and continued increase in volumes. The project was completed safely in a turnaround time of 6 months.

Along with this, we expanded our retail footprint in Pakistan focusing on locations where customer accessibility can be maximized. Seven new sites were added to the retail network in 2014 which include Taj 8 Petroleum Service, Burewala Express S/S, Maqbool Petroleum Service, Bright Star Filling Station, Kamber Filling Station, Khurrianwala Fuel Station and Shadman Filling Station.

More 'One-Stop-Shop' Experience

Shell Pakistan joined hands with McDonalds to build Quick Serve Restaurants (with Drive Through and Delivery) at selected sites across the Shell network along with pursuing joint marketing campaigns. This move will add to the 'one-stop-shop' experience we offer to our retail consumers.

Shell Super Fuel Economy

After a period of 8 years, the Retail Marketing team launched the biggest brand campaign on fuel, very aptly called "The Shell Super Fuel Economy campaign." The campaign was developed to improve brand awareness of Shell Super Unleaded and to communicate the technological superiority of our fuel. Shell Super's unique Fuel Economy Formula is designed to give extra kilometers by preventing build-up of deposits that can damage engine performance over time.

Improving Standards

We invest in all levels of our workforce to help us deliver an even better on-site experience for drivers. In line with this, throughout the year, focus remained on continued investment in improving service standards on retail sites. Site Staff Training Pilot project in partnership with Carnelian continued on 145 forecourts allowing staff to work on bridging service gaps and ensuring we deliver our promises to our customers.

1954: In September 1954, Peter Pennarts and J. Glisinaar arrived in Karachi on their jeep from Afghanistan as a part of their world tour. In the photograph, they can be seen refueling at the Reliance Motor Co., service station, Bundar Road, Karachi.

LUBRICANTS

Shell is the number one global lubricant supplier, delivering market-leading lubricants to consumers in over 100 countries. Shell Lubricants brings world-class technological insights to its products, offering the best formulations for vehicles and provides a full range of lubricants including synthetic high-performance products. With strong customer preference and over 42% market share in the organized sector in Pakistan, our product range includes key brands like Rimula, Helix and Advance for high street traders and transport sector along with heavy-duty brands for industrial and power sector customers.

2014 Highlights:

Rimula Jeet Double Hai

To create a greater connect with customers, Shell Pakistan's Rimula "Jeet Double Hai" campaign was launched in March 2014. An SMS based campaign, the offer engaged customers by inviting them to scratch a code printed on the Shell Rimula bottle and submit it to win Rs. 100 of mobile airtime and have their names included in a lucky draw for a chance to win one of 20 Toyota corollas, 30 tractors and 150 motor cycles. Along with this, 88 Rimula Baithaks (stakeholder engagements) and 11 Aik Shaam Rimula Ke Naam mega events were held across agriculturally intensive territories. These events began end of March and lasted through the major part of April engaging 9,802 agri customers. The campaign was a huge success with a response rate of 70 percent. One of the winners of a Toyota Corolla, Mohammad Arshad from Kotri Hyderabad said, "This is the first time any company has fulfilled their promises on such an amazing offer."

Shell Helix - Formula One University Drive

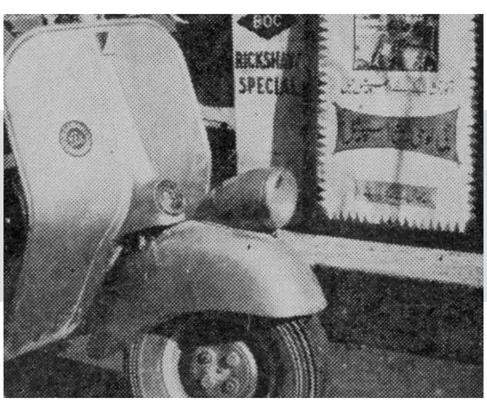
The Shell Helix University Drive invited nine leading universities across Pakistan to participate in an exclusive F1 simulation competition for a once in a life time chance to attend the Malaysian Grand Prix. As our qualifying top nine teams battled it out in the national challenge, the campaign spread like wild fire creating a buzz amongst hundreds of university students. The fastest team was from GIKI who got the chance to visit Sepang Circuit at the F1 Grand Prix where they not only met the race drivers but also experienced the actual track lab and Shell's world class technical partnership with Ferrari.

Shell Rimula PAS Award

The Shell Rimula 'engine oil jo app ki tarah mehnati' commercial which was produced with an accompanying signature soundtrack by Ustad Rahat Fateh Ali Khan was amongst 200 entries in 32 product categories considered for a PAS Award in 2014. The brand, beating a number of other campaigns, won the PAS Award Winner in the Petroleum & Lubricants category at the Pakistan Advertising Society (PAS) Awards 2014. The famous campaign showcased Rimula as the preferred choice for heavy duty vehicles and created an emotional connect with one of our major audience group who are rarely highlighted - The Truck Drivers of Pakistan. By including these life-elements into the campaign and raising the profile of truck drivers, Shell Rimula's position as a brand of first choice was heightened in a more meaningful and locally relevant manner. The success of the campaign in Pakistan was even more evident when it was adopted by Shell in India for the first time, to be tailored to that market as well.

Industrial Engagements

In 2014, a major focus of the lubricants team was to engage industries and other relevant stakeholders. As a part of this, Shell joined hands with Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM) for the first time to organize Pakistan's largest automotive show in Lahore which was inaugurated by the Prime Minister of Pakistan. More than 250 large and medium industries participated in the event with consumer footfall of around 5,000 people. Shell Pakistan and Pakistan Society of Sugar Technologists (PSST) also joined hands to conduct the 48th annual convention bringing together stakeholders in one of the country's key agricultural and technical forum. The event was held in Rawalpindi gathering 200 industry stakeholders who attended sessions conducted on the technical and agricultural growth of the industry.



1959: Burmah Shell introduced BOC Rickshaw Special Motor Oil which gave more miles to a gallon, kept the engine cooler and readily mixed with oil. This was one of the first steps taken by Burmah Shell to customize their portfolio offering to cater to the local needs of a rapidly developing Pakistan.

AVIATION

Shell, with nearly 33% market share, is the second largest jet-fuel supplier in Pakistan. With a presence at five major airfields across the country, Shell supplies jet fuel to both domestic and foreign airline carriers. We also cater to the military segment by supplying jet fuel, as well as aviation gasoline.

2014 Highlights

New Business Opportunities

2014 saw a substantial increase in the core inland business for Aviation. This growth was primarily driven by entering into contracts with Emirates, Etihad and Qatar Airways at Islamabad and winning fuelling contract for Emirates and Sri Lankan Airline at Karachi Airport.

For PIA, in their 2014 offshore location tender, Shell continued as the supplier of first choice at key locations like Birmingham, Toronto, Jeddah, Oslo and Kuala Lumpur. Air Blue is also being fuelled by Shell domestically at Karachi and Islamabad.

Additionally, at all key international locations Air Blue flies, Shell Aviation is their jet fuel supplier. Shaheen Air is also being fuelled by Shell domestically at Quetta Airport while Shell is the key fuel supplier at their major international locations.

After a slowdown since 2011, in April 2014, the Aviation team identified a significant opportunity for regional export and restarted the jet fuel export business. Along with this, the Business continued its efforts to further penetrate into the local military jet fuel and aviation gasoline segment.

Operational Safety

With renewed focus and training interventions in safety area, there was no major HSSE or product quality related incident in 2014. At the end of 2014, Shell Aviation Pakistan team completed 803 days with ‘no harm’ and 894 days with ‘no leak’ at Pakistan sites.

All five airports received the Goal Zero Award for 2014 with Sukkur Airport receiving the Double Platinum Award in 2014. IATA inspections and airline audits were held for our fuelling facilities at Islamabad and Karachi and all were cleared successfully.

1976: PIA’s first Boeing 747 Jumbo Jet, which arrived in Karachi from London via Islamabad, being refueled by Pakistan Burmah Shell staff at the Karachi Airport.


Shell Aviation
LS-OTH

DEVELOPING PEOPLE

People are what make our business. We believe that by crafting a collaborative culture, we encourage human ingenuity and creativity, allowing people to not only develop personally but also assist them in achieving their professional career goals. We find that ideas accelerate when people with different capabilities get together and create dynamic synergy at work. To gain from this, we create an environment that values differences and enables people to work together to deliver our strategy.

Career Growth

We encourage creativity and innovative thinking by giving employees the opportunity to take on increased responsibility through a spectrum of opportunities locally and internationally. In 2014, we continued to help diversify staff experience and expertise through several cross business moves and 18 cross border export to Shell Group.

Building the Talent Pipeline

Our people are recruited, trained and compensated according to a People Strategy that is based on three priorities: assuring sources of talent now and in future; strengthening leadership and professionalism; and enhancing individual and organizational performance. In 2014, we recruited 11 students into the Management Trainee Program and overall added 45 more people to our workforce. Shell Pakistan also arranged the biggest summer internship program where 29 students worked on real business challenges and projects.

People Development

Working in an international environment allows our staff to explore new insights and knowledge. Apart from professional training and development programs, the staff is also offered leadership development programs, giving the workforce a well-rounded development experience.

In 2014, nearly 250 employees received a combination of classroom events, virtual trainings, projects, stretching roles and mentoring support. Shell Pakistan celebrated a week of development activities with more than 300 staff participating in different sessions and events designed to support their learning.

Engagement

The Shell People Survey is one of the principal tools used to measure employee engagement and the degree of affiliation and commitment to Shell. It provides valuable insights into employees' views and has had a consistently high response rate. Shell People Survey (SPS) results for Pakistan remained strong with an engagement score of 86% and receiving the highest scores in being a responsible business, clarity of roles and team leadership.

1953: Participants of the 'Supervisors Course' held from April 07 to 16, 1953 in Karachi. Burmah Shell established one of the country's first dedicated training centres to impart trainings on management techniques for staff as well as officers of the Pakistan Government and Defence Services.

Advance Oil Change Kiryana Corner

Innovation is not just about introducing breakthrough ideas and out of the box solutions. Sometimes, just being creative with what is around us, understanding market needs and seizing the opportunity can bring about impressive results. In a small village in Kot Adu, after having saved PKR 25,000, Rukhsana Parveen decided to start a micro merchandise shop in her village. She received enterprise development training through the Shell Tameer Program and was excited to start her own business and apply the learning to make much needed money for herself and her family.

Starting off as a small kiryana store in 2011, Rukhsana now runs a full-fledged multipurpose general store selling grocery items, cosmetics, bangle, electrical items, solar lights, fuel and Shell Advance Lubricant. She also offers the first Motor Cycle Oil Change facility in her village which sets her apart from other general stores in the area as motorcycles are a commonly used and growing transport in the area. Another edge her business offers is home delivery service so customers can simply place orders via mobile phones and have products delivered at their doorsteps. From her small savings of PKR 25,000, Rukhsana today has a turnover of over PKR 1 million – a sum enough to change the fortunes of her family.

SOCIAL PERFORMANCE

In Pakistan, we work with communities and stakeholders on projects that address issues affecting our fenceline communities and over time, our programs have helped provide opportunities and improve many lives around us. We support a variety of community development projects, understanding local needs and addressing relevant social and economic issues. Our social investments take many forms including financial assistance, in-kind donations, volunteering and sharing of expertise and learning.

Enterprise Development through Shell Tameer

Creating livelihoods and income-earning opportunities is a long-term investment in the society. It empowers people and communities to drive and sustain their own development and build better futures for themselves. For over ten years now, Shell Tameer has been working to develop entrepreneurship skills amongst Pakistan's youth. Shell Tameer offers a number of options, including conceptual development of business ideas, training to help with enterprise skills and starting a business, networking with expert organizations, start-up finance and follow-up support to help entrepreneurs sustain their businesses. The program has so far helped create 3500 businesses which in turn have generated employment for over 25,000 people across the country. For more details, visit www.tameer.org.pk

Build the Future Campaign

In Ramazan 2014, we partnered with SOS Children's Villages and The Hunar Foundation to create enterprise development funds for students graduating from their vocational centres. Besides assisting these young entrepreneurs with skills and training to develop their business ideas, the enterprise generation fund will also give them start-up capital to implement their plans.

Through a matching public offer, 'Build the Future' Campaign helped raise enough seed capital to establish 200 new businesses for graduating students of SOS and the Huner Foundation.

Entrepreneurship Awards

In November 2014, Shell Tameer Awards were organized which are a platform to recognize successful young entrepreneurs who have excelled in business innovation and made a significant difference to the lives of people around them. The platform is open to all and entrepreneurs across the country are invited to showcase and celebrate their business success in front of an audience of industry representatives, business community, academia, media and other entrepreneurs. We received a total of 250 entries of which 12 business ideas were shortlisted for final judging by a panel of experts from media, industry, business owners and trade body leads. The winners are now being profiled internationally through the LiveWire global platforms of 'Go and Trade Grant Program' and the 'Shell LiveWire International Hall of Fame'.

Clean Drinking Water

With over a hundred children dying everyday due to diarrhoea and related diseases, access to safe drinking water still remains a dream to many Pakistanis. In 2014, Shell Pakistan launched the 'Saaf Paani' project to set up clean drinking water facilities for fenceline communities around our installations across the country. Through this program, six state-of-the-art water filtration systems are being installed across the country which will enable over 25,000 people to have access to clean drinking water every day.

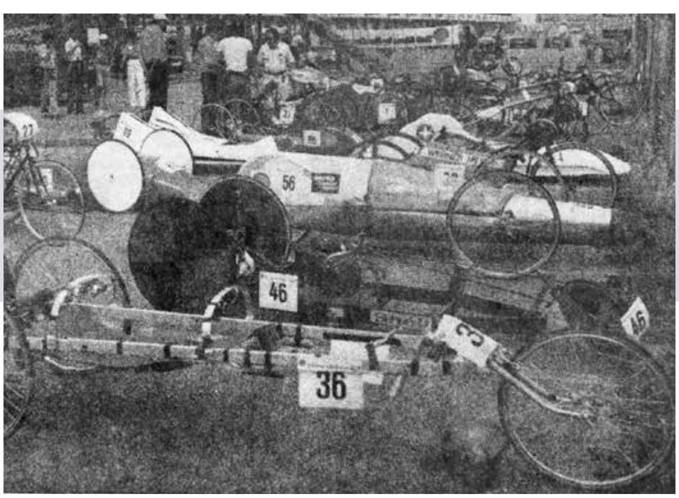

Shell
Eco-marathon®
515

Shell Eco-Marathon

Shell Eco-marathon challenges student teams from around the world to design, build and test ultra-energy efficient vehicles. With annual events first in the Americas, then Europe and now Asia, the winners are the teams that go the furthest using the least amount of energy. The events spark debate about the future of mobility and inspire young engineers to push the boundaries of fuel efficiency.

Every year, student teams from colleges across Pakistan participate in the Asia event now held in the Philippines. As Shell Eco-marathon entered its 29th year globally, the fifth Asian edition of the student innovation competition welcomed six student teams from Pakistan. These included two teams from Pakistan Institute of Engineering & Applied Sciences (PIEAS), two teams from NUST Karachi and one team each from the Air University Islamabad and GIK. Held in February 2014 in Manila, the competition challenged teams to stretch the boundaries of fuel efficiency in a real world urban environment with winners being determined by the mileage achieved on a litre of fuel, rather than speed.

For the first time, a team from NUST Karachi bagged the Off-Track Communications award while GIK finished sixth in the battery electric prototype category.



1979: The then world mileage record broken in Deutsche Shell Marathon held in Netherlands by Eindhoven Technical University who achieved more than 2000 miles to a gallon.

HSSE PERFORMANCE

Health, safety, security and environment compliance is a core value in the way we do business at Shell. We believe that our long term business success is positively correlated with valuing our people and the environment we operate in. Shell, through its global operating standards and mandatory compliance requirements, is a benchmark in the industry with regards to managing risks associated with the same.

Goal Zero

We witnessed a remarkable HSSE performance of contributing towards the Goal Zero vision for our people. In 2014, Shell Pakistan completed another year without lost time injury (LTI). Visible leadership commitments and wholehearted participation by Shell staff and contractors are responsible for this achievement.

Safety Day 2014

Safety Day, an annual Shell Global event commemorating the importance of safety in our lives, was held on June 17, 2015. "Achieving Goal Zero: No Harm, No Leaks" was kept as the theme this year and all activities revolved around the same. Safety Day provides a platform to all Shell staff to share ideas and best case practices to deliver continuous improvement in safety performance and to reflect on personal and collective commitment to safety.

Safety Day was observed at all SPL locations for employees, hauliers, distributors, retailers, forecourt staff and customers. More than 138 Shell staff and 431 Site staff at 31 sites were engaged on the theme for the year. To add more value to the society we operate in, teams from different functions engaged 11,900 customers and engaged them on the danger of using mobile phones while driving. Our Terminal Network also celebrated Safety Day where 537 people were engaged by the Terminal Teams to refresh our commitment towards Goal Zero and Safety.

Road Safety

Safe road transportation is critical to Shell, whether it is transporting fuel to our customers, delivering equipment to construction projects or travelling to meetings. Our global road safety programme focuses on improving the safety of our drivers – staff and contractors – and contributing to road safety in the communities where we operate. The Shell Pakistan School Children Road Safety Awareness Program is a focused campaign for educating school children on road hazards and traffic rules. Last year our team, along with the National Highway and Motorway Police, conducted safety awareness sessions in more than 60 schools across the country engaging over 2000 children. This year we reached out to 20 schools engaging over 850 students.

Arrive Alive

The 'Arrive Alive' campaign was launched in 2014 which comprised a series of toolbox talks on various topics identified and clubbed under four different quarterly themes - Safe Driving Safer World, Think of Others, Be Aware and Be Prepared and Stay Alert. All the quarterly themes were introduced with engaging communication campaigns depicting the theme and every month a new toolbox talk related to the specific theme was delivered.

Defensive Driving Trainings

We have successfully completed "International Diploma in Advance Driving Instructions" from Rospa (Royal Society for Prevention of Accidents - UK) in Pakistan for our light vehicle drivers - staff using job-allocated cars for company business. The course was stretched over a period of ten days and six cross business and functional staff were trained. At the end of the course the participants were assessed through written test, on-road test, and presentation skills (required for becoming Defensive Driving Trainers). After receiving course completion certificates these people have been delivering Defensive Driving Courses to colleagues in their respective businesses. Driver Behaviour Indicator tool was also launched for light vehicle drivers to mitigate the on road risk of staff driving on company business.

Emergency Response Drills

Mega Emergency Response Drills were conducted across Pakistan in collaboration with hauliers, Rescue 1122, Police authorities and Bomb disposal squads covering emergency management through a variety of incident scenarios which were simulated through hands on training on firefighting, hazardous material handling, rescue, first aid, etc. The scenarios were simulated in activities ranging from Tank Lorry Roll Over to Injury, First Aid/Medical Emergency and from Fire Fighting to Product Retrieval. Tank Lorry Recovery and Cleaning up the contaminated soil due to Spill were also a part of this list.

Shell Health

At Shell Pakistan, we encourage a 'Culture of Health' - a working environment where our people are thriving, engaged, competent and sustainably performing at their best with a deep sense of purpose.

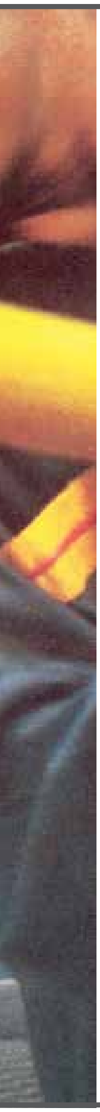
To support this mission, a range of programs and tools have been put in place in the past. 2014 saw the re-launch of Shell Health Pakistan 'Be Well' program with a major focus on Be Well Check - an online health assessment tool that offers employees the opportunity to identify and act on their health change priorities. The response rate from Pakistan to using the online tool was one of the highest in the region. Global Corporate Challenge (GCC) 2014 also witnessed a participation of nine teams (63 members) from Shell Pakistan in a challenge amongst teams from other companies and countries to walk the most steps in 100 days.

1995 Campaign

YOU CAN BE SURE OF SHELL

In 1994, Shell Pakistan transformed the retail forecourt experience for customers in Pakistan by introducing global RVI standard sites offering customer value propositions such as Select Stores, Oil Change facilities and other conveniences. This was followed by the launch of international lubricant brands like Rimula, Helix and Advance which went on to make Shell the largest lubricant marketing company in Pakistan.

FINANCIALS

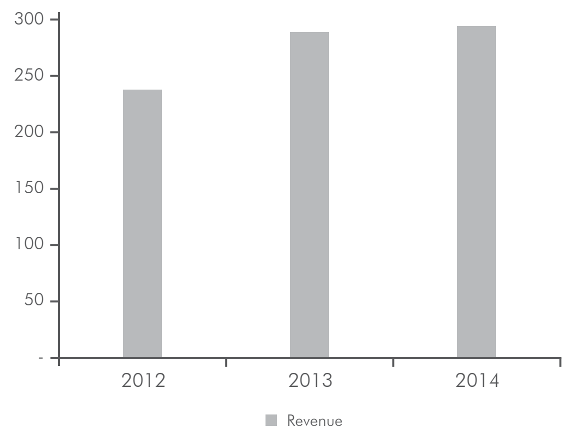


"Shell Pakistan has really changed the fuelling experience for us. From wiper service by friendly smart attendants to convenience shopping - it's no longer a chore."

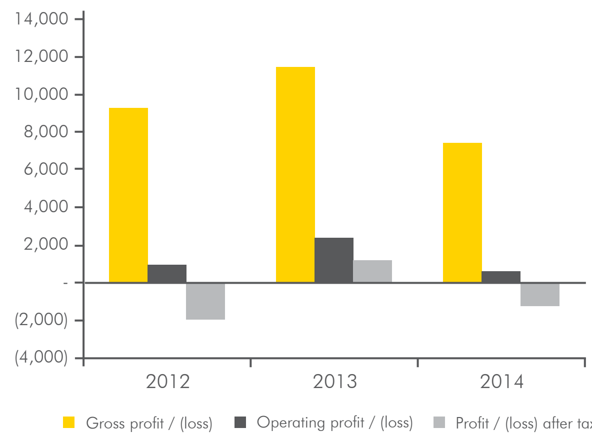
Abdul Hameed
Customer
Shell Crystal Service Station, Karachi

PERFORMANCE AT A GLANCE

REVENUE (Rs. in billion)

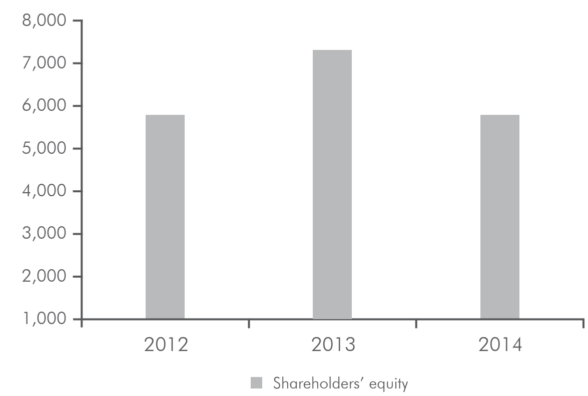


PROFITABILITY (Rs. in million)

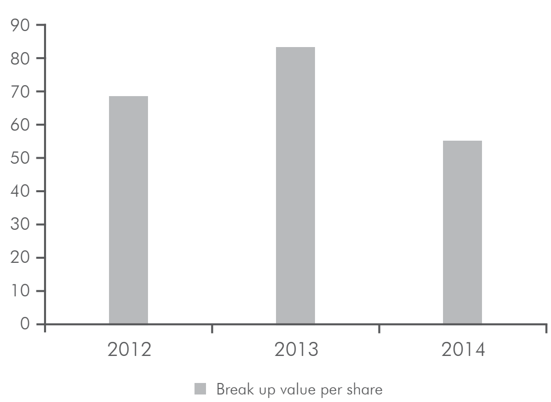


(LOSS) / EARNINGS PER SHARE (Rs. per share)

SHAREHOLDERS' EQUITY (Rs. in million)



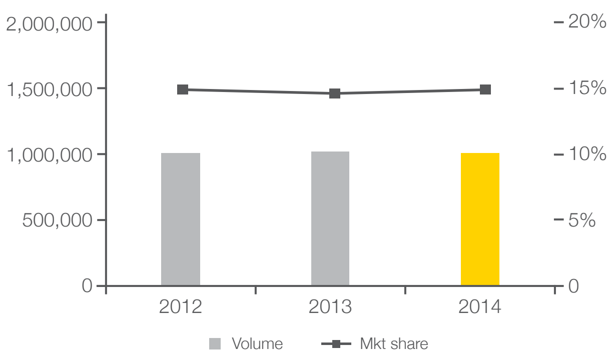
BREAK UP VALUE PER SHARE (Rs. per share)



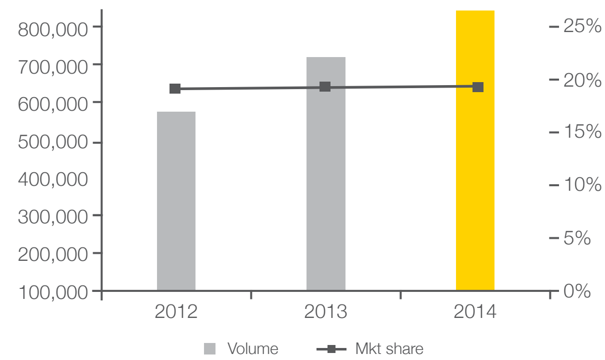
OPERATING AND FINANCIAL HIGHLIGHTS

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

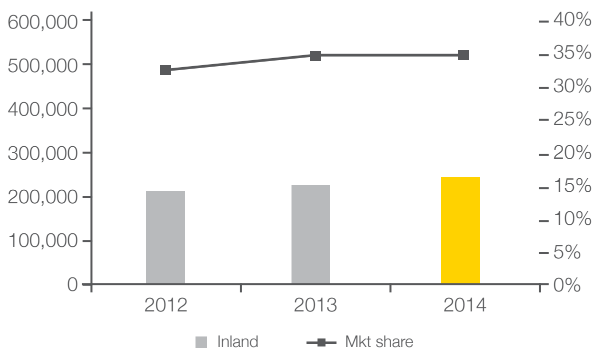
HIGH SPEED DIESEL



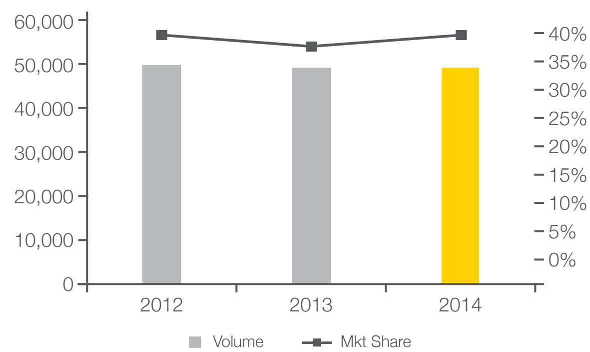
MOTOR GASOLINE



JET FUELS



LUBRICANTS



		2014	2013
Sales volume	Tonnes	2,216,010	2,185,137
Sales revenue	Rs. mn	291,363	287,992
Profit before taxation	Rs. mn	546	2,424
(Loss) / Profit after taxation	Rs. mn	(1,067)	1,061
New capital expenditure	Rs. mn	1,652	733
Shareholders' equity	Rs. mn	5,895	7,223
(Loss) / Earnings per share - basic and diluted	Rs.	(9.97)	9.92

OPERATING AND FINANCIAL HIGHLIGHTS

		Year ended December 31						
		2014	2013	2012	2011	2010	2009	2008
Share capital	Rs. mn	1,070	856	856	685	685	685	685
Reserves	Rs. mn	4,825	6,367	5,022	7,592	7,215	7,586	5,571
Shareholders' equity	Rs. mn	5,895	7,223	5,878	8,277	7,900	8,271	6,256
Break up value per share	Rs.	55	84	69	121	115	121	91
Dividend per share	Rs.	8	4	-	-	10	26	-
Bonus	Ratio	-	1:4	-	1:4	-	-	-
Profit / (loss) before tax	Rs. mn	546	2,424	5	2,833	3,044	3,910	(3,048)
(Loss) / profit after tax	Rs. mn	(1,067)	1,061	(1,935)	906	1,616	2,563	(1,726)
(Loss) / earnings per share of Rs. 10	Rs.	(9.97)	9.92	(18.08)	8.47	15.10	23.95	(16.13)
Working capital								
Current assets to current liabilities	Times	0.9	0.9	0.9	0.9	0.8	0.9	0.9
Number of days stock	Days	23	27	32	27	23	26	22
Number of days trade debts	Days	3	3	3	4	3	3	6
Performance								
(Loss) / profit after tax as % of average shareholders' equity	%	(16.3)	16.2	(27.3)	11.2	20.0	35.3	(20.3)
Cost of sales as a % of sales	%	83.5	82.6	83.3	83.5	82.8	80.8	85.1
Profit / (loss) before tax as % age of sales	%	0.2	0.8	0.0	1.1	1.4	2.2	(1.7)
(Loss) / profit after tax as % age of sales	%	(0.4)	0.4	(0.8)	0.4	0.7	1.5	(0.9)
Total debt ratio	Times	0.6	0.9	2.1	1.9	1.3	1.0	2.6

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shell Pakistan Limited (the Company) as at December 31, 2014 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

 (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

 (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the total comprehensive loss, changes in equity and its cash flows for the year then ended; and

 (d) in our opinion, 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.

We draw attention to the following matters:

- Notes 13.1, 13.2 and 13.3 to the financial statements. The Company considers the amount of Rs. 1,357,013 thousand, Rs. 295,733 thousand and Rs. 343,584 thousand due from the Government of Pakistan in respect of petroleum development levy and price differential on imported purchases and high speed diesel, respectively, as current assets. The expected timing of the recoverability of these receivables and its consequential impact on their classification in the balance sheet cannot presently be determined; and

- Note 13.4 to the financial statements. The Company considers the aggregate amount of Rs. 2,071,107 thousand, receivable from the Government of Pakistan in respect of price differential on imported motor gasoline as a good debt for reasons given in the note. The ultimate outcome of the matter cannot presently be determined.

Our report is not qualified in respect of the above mentioned matters.

Chartered Accountants
Karachi
Date: March 27, 2015

Engagement Partner: Waqas A. Sheikh

BALANCE SHEET
As at December 31, 2014

	Note	2014	2013
		(Rupees '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7,059,726**	6,226,651
Intangible assets	5	**185,706**	558,350
Long-term investments	6	**3,276,116**	3,070,286
Long-term loans and advances	7	**20,640**	43,143
Long-term deposits and prepayments	8	**186,022**	197,155
Deferred taxation - net	9	**225,872**	632,636
		10,954,082	10,728,221
Current assets			
Stores		**-**	14,845
Stock-in-trade	10	**13,086,285**	17,818,412
Trade debts	11	**2,626,021**	2,259,170
Loans and advances	12	**70,227**	131,412
Short-term prepayments		**252,630**	190,840
Other receivables	13	**10,393,887**	8,594,635
Cash and bank balances	14	**1,295,633**	858,390
		27,724,683	29,867,704
TOTAL ASSETS		**38,678,765**	40,595,925
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**1,070,125**	856,100
Share premium		**1,503,803**	1,717,828
General reserve		**207,002**	207,002
Unappropriated profit		**3,193,878**	4,603,450
Remeasurement of post employment benefits - Actuarial loss		**(79,743)**	(161,854)
Total equity		**5,895,065**	7,222,526
Liabilities			
Non-current liability			
Asset retirement obligation	16	**141,610**	334,091
Current liabilities			
Trade and other payables	17	**28,487,894**	26,448,442
Accrued mark-up / interest	18	**10,064**	16,737
Short-term borrowings - secured	19	**3,765,762**	6,158,020
Taxation		**378,370**	416,109
		32,642,090	33,039,308
Total liabilities		**32,783,700**	33,373,399
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		**38,678,765**	40,595,925

The annexed notes 1 to 40 form an integral part of these financial statements.

Omar Sheikh
Chief Executive Officer

Badaruddin F Vellani
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
Sales	21	**291,362,990**	287,991,922
Other revenue		**759,802**	721,652
		292,122,792	288,713,574
Sales tax		**(41,338,051)**	(39,499,583)
Net revenue		**250,784,741**	249,213,991
Cost of products sold	22	**(243,203,242)**	(237,837,485)
Gross profit		**7,581,499**	11,376,506
Distribution and marketing expenses	23	**(3,814,407)**	(3,366,012)
Administrative expenses	24	**(4,377,485)**	(4,141,201)
Other operating expenses	25	**(216,430)**	(1,767,474)
Other income	26	**1,278,764**	300,037
Operating profit		**451,941**	2,401,856
Finance costs	27	**(447,109)**	(532,151)
		4,832	1,869,705
Share of profit of associate - net of tax	6	**541,552**	554,788
Profit before taxation		**546,384**	2,424,493
Taxation	28	**(1,613,517)**	(1,363,332)
(Loss) / Profit for the year		**(1,067,133)**	1,061,161
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Remeasurement of post employment benefits obligation - Actuarial gain		**82,111**	283,227
Total comprehensive (loss) / income for the year		**(985,022)**	1,344,388
		(Rupees)	
			Restated
(Loss) / Earnings per share	29	**(9.97)**	9.92

The annexed notes 1 to 40 form an integral part of these financial statements.

Omar Sheikh
Chief Executive Officer

Badaruddin F Vellani
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

		Capital reserve	Revenue reserve			
	Share Capital	Share premium	General reserve	Unappropiated profit	Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	Total
	(Rupees '000)					
Balance as at January 1, 2013	856,100	1,717,828	207,002	3,542,289	(445,081)	5,878,138
Profit for the year	-	-	-	1,061,161	-	1,061,161
Other comprehensive income for the year	-	-	-	-	283,227	283,227
Balance as at December 31, 2013	856,100	1,717,828	207,002	4,603,450	(161,854)	7,222,526
Profit for the year	-	-	-	(1,067,133)	-	(1,067,133)
Other comprehensive income for the year	-	-	-	-	82,111	82,111
Transactions with owners						
Bonus shares issued in the ratio of 1 share for every 4 shares held - note 15.2	214,025	(214,025)	-	-	-	-
Final dividend for the year ended December 31, 2013 at the rate of Rs. 4 per share	-	-	-	(342,439)	-	(342,439)
	214,025	(214,025)	-	(342,439)	-	(342,439)
Balance as at December 31, 2014	1,070,125	1,503,803	207,002	3,193,878	(79,743)	5,895,065

The annexed notes 1 to 40 form an integral part of these financial statements.

Omar Sheikh
Chief Executive Officer

Badaruddin F Vellani
Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**5,749,719**	5,468,085
Finance costs paid		**(201,216)**	(353,671)
Income tax paid		**(1,244,492)**	(1,564,209)
Long-term loans and advances		**22,503**	55,710
Long-term deposits and prepayments		**11,133**	2,796
Mark-up / interest received on short-term deposits		**115,635**	58,472
Long-term debtors		**-**	1,795
Net cash generated from operating activities		**4,453,282**	3,668,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,651,556)**	(733,110)
Proceeds from disposal of operating assets		**23,049**	72,219
Dividend received from associate		**335,722**	473,852
Net cash used in investing activities		**(1,292,785)**	(187,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(330,996)**	(54)
Net increase in cash and cash equivalents		**2,829,501**	3,481,885
Cash and cash equivalents at beginning of the year		**(5,299,630)**	(8,781,515)
Cash and cash equivalents at end of the year	34	**(2,470,129)**	(5,299,630)

The annexed notes 1 to 40 form an integral part of these financial statements.

Omar Sheikh
Chief Executive Officer

Badaruddin F Vellani
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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 the Karachi and Lahore Stock Exchanges. 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-75530, Pakistan.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention, as modified by remeasurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other service benefits at present value.

2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) Standards, amendments to published standards and interpretations that are effective in 2014

The following amendments to published standards and interpretation are mandatory for the financial year beginning January 1, 2014 and are relevant for the Company:

- IAS 32 (Amendment), 'Financial instruments: Presentation'. This amendment updates the application guidance in IAS 32 ' Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The amendment clarifies that right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The Company's current accounting treatment is already in line with this amendment.

- IAS 36 (Amendment) 'Impairment of assets'. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment presently has no effect on disclosures in the Company's financial statements.

- IFRIC 21 'Levies'. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company's current accounting policy is substantially in line with this amendment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2014 and have not been early adopted by the Company:

- IFRS 12 'Disclosure of interests in other entities' (effective for periods beginning on or after January 1, 2015). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company is yet to assess the full impact of the standard.

- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2015). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the standard.

- IAS 19 (Amendment) 'Employee benefits' (effective for annual periods beginning on or after July 1, 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives. The Company is yet to assess the full impact of the amendment.

- IAS 27 (revised) 'Separate financial statements' (effective for periods beginning on or after January 1, 2015). This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- IAS 27 (Amendment) 'Separate financial statements' (effective for periods beginning on or after January 1, 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IAS 28 (revised) 'Investment in associates and joint ventures' (effective for periods beginning on or after January 1, 2015). This standard replaces the current IAS 28 'Investment in Associates' (as amended in 2003). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. It is unlikely that the standard will have any significant impact on the Company's financial statements.

Amendments to following standards as a result of annual improvements to International Financial Reporting Standards, issued by IASB:

- IFRS 2 'Share based payments' (Amendment) (effective for annual periods beginning on or after July 1, 2014). This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after July 1, 2016). Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

- IAS 19 'Employee benefits' (effective for annual periods beginning on or after July 1, 2016). The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IAS 24 'Related party disclosures' (effective for annual periods beginning on or after July 1, 2014). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IAS 34 'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.2 Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently 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 included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognized in the profit or loss in the statement of comprehensive income as and when incurred.

Depreciation is charged to profit or loss in the statement of 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 4.1. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet 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 off.

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 profit or loss in the statement of comprehensive income in the period of disposal.

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

2.3 Intangible assets – Computer software

Intangible assets are initially stated at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

Costs associated with maintaining computer software programs are recognized as an expense in the profit or loss in the statement of comprehensive income as incurred. Costs directly associated with acquiring software that have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Subsequent directly attributable costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Computer software costs are amortized from the month when such assets are available for use on a straight-line basis at a rate mentioned in note 5.1.

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

2.4 Investment in associates

Associates are all entities over which the Company has significant influence but no control. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's share of an associate's post acquisition profits or losses is recognized in the profit or loss in the statement of comprehensive income, and its share in the post acquisition movement of other comprehensive income is recognized in the statement of comprehensive income. 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 associates' carrying amount is written down immediately 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.

2.5 Financial instruments

2.5.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans', 'deposits', 'other receivables' and 'cash and bank balances' in the balance sheet.

c) Held to maturity

Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investments within twelve months of the balance sheet date.

All financial assets are recognized at the time when the Company becomes a party to the contractual position of the instrument. Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed to the profit or loss in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit or loss in the statement of comprehensive income within 'other income / expenses' in the period in which they arise. Dividend income from financial assets at 'fair value through profit or loss' is recognized in the profit or loss in the statement of comprehensive income as part of 'other income' when the Company's right to receive dividend is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognized in the profit or loss in the statement of comprehensive income as 'gains and losses from investment securities'.

Gains or losses from changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are taken to profit or loss in the statement of comprehensive income as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit or loss in the statement of comprehensive income as part of 'other income'. Dividend on available-for-sale equity instruments is recognized in the profit or loss in the statement of comprehensive income as part of 'other income' when the Company's right to receive dividend is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in equity is removed from equity and recognized in the profit or loss in the statement of comprehensive income. Impairment losses recognized in the profit or loss in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed. Impairment testing of trade debts and other receivables is described in note 2.8.

2.5.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit or loss in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

2.5.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realizable value. Cost comprises invoice value, charges like customs 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.

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

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Provision is made for obsolete and slow moving stock-in-trade based on management's best estimate and is recognized in the profit or loss in the statement of comprehensive income.

2.7 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 profit or loss in the statement of comprehensive income.

2.8 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired. The amount of provision is charged to profit or loss in the statement of comprehensive income. Trade debts and other receivables considered irrecoverable are written-off.

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.

2.9 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 loans and short-term running finances utilized under mark-up arrangements.

2.10 Share capital

Ordinary shares are classified as equity and recognized at their face value.

2.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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.

2.12 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the profit or loss in the statement of comprehensive income on a straight-line basis over the period of the lease.

2.13 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.14 Retirement and other service benefits

2.14.1 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 immediately 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 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 profit or loss in the statement of 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 immediately 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.

2.14.2 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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.

2.15 Taxation

2.15.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.15.2 Deferred

Deferred income tax is recognized using the liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all the taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit or loss in the statement of comprehensive income.

2.16 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 balance sheet date. Exchange differences are recognized in the profit or loss in the statement of comprehensive income.

2.17 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 when significant risks and rewards of ownership of goods have passed to customers which coincides with dispatch of goods to customers.

- Other revenue (including license fee) is recognized on accrual basis.

- Dividend income is recognized when the Company's right to receive the dividend is established.

2.18 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional currency.

2.19 Dividend distribution and appropriation to reserves

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Property, plant and equipment and intangible assets

The Company reviews appropriateness of the rates of depreciation / amortization, useful lives and residual values used in the calculation of depreciation / amortization on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Stock-in-trade

The Company reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

3.3 Income taxes

In making the estimates for income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Further, the Company uses financial projections, which are prepared using assumptions for key economic and business drivers, to assess realizability of deferred tax assets.

3.4 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 30.

3.5 Provision for impairment of trade debts and other receivables

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

3.6 Asset retirement obligation

The Company reviews the timing and amount of future expenditure annually together with the interest rate to be used to discount the future cash flows. The estimated future expenditure is determined in accordance with local conditions and requirements and on the basis of estimates provided by the Parent Company's technical staff.

4. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	(Rupees '000)	
Operating assets, at net book value - note 4.1		
- Operating assets	**6,063,938**	5,958,422
- Provision for impairment - note 4.8	**(462,357)**	(462,357)
	5,601,581	5,496,065
Capital work-in-progress - note 4.7	**1,458,145**	730,586
	7,059,726	6,226,651

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

4.1 Operating assets

	Owned assets														
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plants 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)														
At January 01, 2014															
Cost	97,009	87,766	183,530	3,473,871	2,260,858	702,047	29,587	10,216	795,287	472,016	2,786,693	1,252,523	168,274	38,393	12,358,070
Accumulated depreciation and impairment	-	64,945	62,659	1,855,800	1,055,807	283,875	29,479	2,812	654,744	373,739	1,478,087	832,230	131,944	35,884	6,862,005
Net book value	97,009	22,821	120,871	1,618,071	1,205,051	418,172	108	7,404	140,543	98,277	1,308,606	420,293	36,330	2,509	5,496,065
Year ended December 31, 2014															
Opening net book value	97,009	22,821	120,871	1,618,071	1,205,051	418,172	108	7,404	140,543	98,277	1,308,606	420,293	36,330	2,509	5,496,065
Additions	-	32,186	-	13,353	294,224	139,150	2,790	-	173,452	108,141	95,409	121,607	-	-	980,312
Disposals / write offs - note 4.4 and 4.6															
Cost	-	-	-	50,423	243,215	1,314	94	-	68,470	18,420	28,329	8,780	-	-	419,045
Accumulated depreciation	-	-	-	(32,078)	(66,866)	(51)	(87)	-	(63,932)	(18,179)	(14,718)	(8,344)	-	-	(204,255)
	-	-	-	18,345	176,349	1,263	7	-	4,538	241	13,611	436	-	-	214,790
Depreciation charge - note 4.2	-	5,032	3,037	178,208	96,390	39,335	2,403	585	68,509	40,775	139,489	67,612	18,631	-	660,006
Closing net book value	97,009	49,975	117,834	1,434,871	1,226,536	516,724	488	6,819	240,948	165,402	1,250,915	473,852	17,699	2,509	5,601,581
At December 31, 2014															
Cost	97,009	119,952	183,530	3,436,801	2,311,867	839,883	32,283	10,216	900,269	561,737	2,853,773	1,365,350	168,274	38,393	12,919,337
Accumulated depreciation and impairment	-	69,977	65,696	2,001,930	1,085,331	323,159	31,795	3,397	659,321	396,335	1,602,858	891,498	150,575	35,884	7,317,756
Net book value	97,009	49,975	117,834	1,434,871	1,226,536	516,724	488	6,819	240,948	165,402	1,250,915	473,852	17,699	2,509	5,601,581
At January 01, 2013															
Cost	97,009	73,523	175,339	3,594,853	2,097,956	661,242	29,587	7,933	881,740	474,215	2,818,091	1,216,196	159,007	38,393	12,325,084
Accumulated depreciation and impairment	-	60,871	59,622	1,730,028	969,048	246,366	29,479	2,227	710,685	400,802	1,356,692	827,604	131,125	35,884	6,560,433
Net book value	97,009	12,652	115,717	1,864,825	1,128,908	414,876	108	5,706	171,055	73,413	1,461,399	388,592	27,882	2,509	5,764,651
Year ended December 31, 2013															
Opening net book value	97,009	12,652	115,717	1,864,825	1,128,908	414,876	108	5,706	171,055	73,413	1,461,399	388,592	27,882	2,509	5,764,651
Additions	-	14,243	8,191	-	203,997	41,701	-	2,283	30,447	70,071	37,764	126,482	28,996	-	564,175
Disposals / write offs - note 4.6															
Cost	-	-	-	120,982	41,095	896	-	-	116,900	72,270	69,162	90,155	19,729	-	531,189
Accumulated depreciation	-	-	-	(74,534)	(19,515)	(282)	-	-	(106,948)	(62,076)	(41,982)	(82,375)	(19,669)	-	(407,381)
	-	-	-	46,448	21,580	614	-	-	9,952	10,194	27,180	7,780	60	-	123,808
Depreciation charge - note 4.2	-	4,074	3,037	172,482	85,447	30,559	-	585	48,581	35,013	140,855	79,688	20,488	-	620,809
Impairment - note 4.8	-	-	-	27,824	20,827	7,232	-	-	2,426	-	22,522	7,313	-	-	88,144
Closing net book value	97,009	22,821	120,871	1,618,071	1,205,051	418,172	108	7,404	140,543	98,277	1,308,606	420,293	36,330	2,509	5,496,065
At December 31, 2013															
Cost	97,009	87,766	183,530	3,473,871	2,260,858	702,047	29,587	10,216	795,287	472,016	2,786,693	1,252,523	168,274	38,393	12,358,070
Accumulated depreciation and impairment	-	64,945	62,659	1,855,800	1,055,807	283,875	29,479	2,812	654,744	373,739	1,478,087	832,230	131,944	35,884	6,862,005
Net book value	97,009	22,821	120,871	1,618,071	1,205,051	418,172	108	7,404	140,543	98,277	1,308,606	420,293	36,330	2,509	5,496,065
		-													
Annual rate of depreciation (%)	-	5	2.50	5	3 to 4	3 to 10	6.67	5	6.67 and 20	5 to 20	5 to 10	5 to 20	20 to 25	25	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		2014	2013
		(Rupees '000)	
4.2	The depreciation charge for the year has been allocated as follows:		
	Cost of products sold - note 22	**43,672**	32,222
	Administrative expenses - note 24	**616,334**	588,587
		660,006	620,809

4.3 The Company's assets include tanks, dispensing pumps and electrical equipments having a cost of Rs. 2,265,585 thousand (2013: Rs. 2,794,488 thousand) which have been installed at dealer sites. Although the Fourth Schedule of the Companies Ordinance, 1984 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 significant number of dealers and assets involved.

4.4 The following assets with a net book value exceeding Rs. 50,000 were disposed off during the year:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	(Rupees '000)						
Building on leasehold land	14,228	8,089	6,139	3,125	(3,014)	Negotiation	Note 4.5
Tanks and pipelines	19,727	7,081	12,646	4,817	(7,829)	Negotiation	Note 4.5
Plant and machinery	1,286	49	1,237	281	(956)	Negotiation	Note 4.5
Dispensing pumps	9,715	6,658	3,057	1,582	(1,475)	Negotiation	Note 4.5
Rolling stocks and vehicles	1,384	1,165	219	709	490	By Company Policy to existing / separating employees	Azhar Kashif
Electrical, mechanical and fire fighting equipment	15,643	6,987	8,656	4,402	(4,254)	Negotiation	Note 4.5
Furniture, office equipment and other assets	897	361	536	335	(201)	Negotiation	Note 4.5

4.5 These represent disposals to various retail site dealers. Although the Fourth Schedule of the Companies Ordinance, 1984 requires the disclosure of particulars of disposals above Rs. 50,000, the same has not been reproduced here due to the significant number of dealers and assets involved.

4.6 Disposals / write offs of operating assets include assets written off having a cost of Rs. 295,380 thousand (2013: Rs. 318,957 thousand) and a net book value of Rs. 178,979 thousand (2013: Rs. 77,606 thousand). Although the Fourth Schedule of the Companies Ordinance, 1984 requires the disclosure of particulars of assets written off, the same has not been reproduced here due to the significant number of assets involved.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

4.7 Capital work-in-progress

	2014	2013
	(Rupees '000)	
Buildings on leasehold land	**714,456**	450,253
Tanks and pipelines	**26,204**	1,486
Plant and machinery	**483,427**	239,387
Rolling stocks & vehicles	**20,483**	449
Electrical, mechanical and fire fighting equipments	**203,350**	35,479
Furniture, office equipment and other assets	**10,225**	3,532
	1,458,145	730,586

4.8 Provision for impairment

Last year based on a review for impairment on its operating assets, the Company identified that carrying values of certain operating assets exceed their estimated recoverable amounts. Accordingly, provision for impairment of Rs. 88,144 thousand, net of reversals, was recognized. The movement of provision for impairment is as follows:

	2014	2013
	(Rupees '000)	
Balance at beginning of the year	**462,357**	374,213
Provision made during the year		
- CNG assets - note 4.8.1	**-**	144,015
- Other than CNG assets - note 4.8.2	**-**	53,823
	-	197,838
Reversals during the year	**-**	(109,694)
	-	88,144
Balance at the end of the year	**462,357**	462,357

4.8.1 Last year, CNG assets were tested for impairment due to prevailing load shedding of gas and reduced CNG margins which affect the consumption of CNG by transport sector. The projected cash flows from the CNG business were consequently revised which resulted in an impairment of approximately Rs. 144,015 thousand. It also included impairment of those CNG assets which were idle and were not generating any cash flows to the Company. During the year, the Company reassessed CNG and related assets for impairment and, based on the assessment, the Company established that no further charge or reversal of impairment is required.

4.8.2 These include impairment recorded on different assets installed at the retail sites under an approved divestment plan.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
5. INTANGIBLE ASSETS – Computer software		
As at January 1		
Cost	**1,912,571**	1,933,497
Accumulated amortization	**(1,354,221)**	(1,001,630)
Net book value	**558,350**	931,867
Year ended December 31		
Opening net book value	**558,350**	931,867
Write offs:		
- Cost	**-**	20,926
- Accumulated amortization	**-**	(20,926)
	-	-
Amortization charge - notes 5.1 and 24	**(372,644)**	(373,517)
Closing net book value	**185,706**	558,350
As at December 31		
Cost	**1,912,571**	1,912,571
Accumulated amortization	**(1,726,865)**	(1,354,221)
Net book value	**185,706**	558,350

5.1 The cost is being amortized over a period of 5 years.

6. LONG-TERM INVESTMENTS

	2014		2013	
	Percentage Holding	Amount (Rupees '000)	Percentage Holding	Amount (Rupees '000)
Investment in associate - unquoted				
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2013: 18,720,000) ordinary shares of Rs. 100 each - note 6.1 and 6.2	**26**	**3,271,116**	26	3,065,286
Others - held as available-for-sale - at cost				
Arabian Sea Country Club Limited 500,000 (2013: 500,000) ordinary shares of Rs. 10 each	**5**	**5,000**	5	5,000
		3,276,116		3,070,286

6.1 Movement of investment in associate	2014	2013
	(Rupees '000)	
Balance at the beginning of the year	**3,065,286**	2,984,350
Share of profit	**720,876**	845,897
Share of taxation	**(179,324)**	(291,109)
	541,552	554,788
Dividend received	**(335,722)**	(473,852)
Balance at end of the year	**3,271,116**	3,065,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

Pak-Arab Pipeline Company Limited (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.

6.2 Financial details / position of associate

	2014	2013
	(Rupees '000)	
Total assets	**20,456,930**	20,576,965
Total liabilities	**7,886,494**	8,799,809
Revenues	**5,310,205**	5,846,902
Total comprehensive income	**2,084,520**	2,133,798

The financial year end for PAPCO is June 30. Total assets and liabilities disclosed above are based on unaudited condensed interim financial information for the half year ended December 31, 2014, whereas revenues and total comprehensive income disclosed above is based on audited financial statements for the years ended June 30, 2014 and June 30, 2013 and unaudited financial information for the half years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Share of contingent liabilities based on the latest unaudited financial information of PAPCO for the half year ended December 31, 2014 amounts to Rs. 21,496 thousand (December 31, 2013: Rs. 18,328 thousand).

7. LONG-TERM LOANS AND ADVANCES - Considered good

	2014	2013
	(Rupees '000)	
Due from Executives - notes 7.1, 7.2 and 7.3	**40,691**	81,854
Receivable within one year - note 12	**(23,755)**	(46,055)
	16,936	35,799
Due from Employees - note 7.2	**12,543**	14,254
Receivable within one year - note 12	**(8,839)**	(6,910)
	3,704	7,344
	20,640	43,143

7.1 Reconciliation of the carrying amount of loans and advances to executives

	2014	2013
	(Rupees '000)	
Balance at beginning of the year	**81,854**	160,160
Disbursements	**12,003**	4,877
Repayments	**(53,166)**	(83,183)
Balance at end of the year	**40,691**	81,854

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

7.2 Loans to staff are unsecured and are given for housing, purchase of motor cars / motorcycles and for other general purpose in accordance with the Company's policy and are repayable over a period of two to five years. Interest is charged on loans given for housing and purchase of motor cars at 1% per annum.

7.3 The maximum aggregate amounts due from Executives at the end of any month during the year were Rs. 85,772 thousand (2013: Rs. 145,369 thousand).

8. LONG-TERM DEPOSITS AND PREPAYMENTS

	2014	2013
	(Rupees '000)	
Deposits	**130,783**	124,195
Prepayments	**55,239**	72,960
	186,022	197,155

9. DEFERRED TAXATION

This is composed of the following:

	2014	2013
Taxable temporary difference arising in respect of:		
- accelerated tax depreciation	**(843,629)**	(842,889)
- investment in associate	**(139,912)**	(119,329)
	(983,541)	(962,218)
Deductible temporary difference arising in respect of:		
- other provisions	**541,726**	636,498
- carry forward tax losses - note 9.1	**667,687**	958,356
	1,209,413	1,594,854
	225,872	632,636

9.1 Deferred income tax asset, recognized on tax losses available for carry-forward, has been restricted to the extent for which the realization of the related tax benefit is probable through future taxable profits. The aggregate unutilized tax losses as at December 31, 2014 amount to Rs. 2,023,295 thousand (2013: Rs. 4,865,464 thousand), inclusive of business loss of Nil (2013: Rs. 3,050,913 thousand).

10. STOCK-IN-TRADE

	2014	2013
	(Rupees '000)	
Raw and packing materials	**1,164,898**	1,560,300
Provision for impairment - note 10.5	**(19,500)**	(19,500)
	1,145,398	1,540,800
Finished products		
- in hand and in pipeline system - notes 10.1, 10.3 and 10.4	**8,779,432**	10,964,410
- in White Oil Pipeline - notes 10.2 and 10.4	**3,214,186**	5,362,573
	11,993,618	16,326,983
Provision for impairment - note 10.5	**(52,731)**	(49,371)
	11,940,887	16,277,612
	13,086,285	17,818,412

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

10.1 Includes stock-in-transit amounting to Rs. 222,152 thousand (2013: Rs. 248,685 thousand).

10.2 Stock in White Oil Pipeline includes High Speed Diesel amounting to Rs. 2,525,167 thousand (2013: Rs. 3,542,715 thousand) which has been maintained as line fill necessary for the pipeline to operate.

10.3 Finished products include bonded stock amounting to Rs. 2,141,727 thousand (2013: Rs. 1,225,558 thousand).

10.4 Includes items costing Rs. 10,340,878 thousand (2013: Rs. 118,891 thousand) which have been valued at their net realizable value of Rs. 9,203,883 thousand (2013: Rs. 116,142 thousand).

10.5 The movement in the provision for impairment of stock is as follows:

	2014	2013
	(Rupees '000)	
Balance at beginning of the year	**68,871**	47,711
Provision made during the year	**72,231**	68,871
Reversals during the year	**(68,871)**	(47,711)
Balance at end of the year	**72,231**	68,871

11. TRADE DEBTS

	2014	2013
Considered good		
- Secured - note 11.1	**610,687**	522,902
- Unsecured	**2,015,334**	1,736,268
	2,626,021	2,259,170
Considered doubtful	**631,776**	633,566
	3,257,797	2,892,736
Provision for impairment - notes 11.3 and 11.5	**(631,776)**	(633,566)
	2,626,021	2,259,170

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

11.2 Trade debts include due from following related parties:

	Neither past due nor impaired	Past due: Upto 1 month	Past due: 1 to 6 month	Past due: More than 6 month	2014	2013
	(Rupees '000)					
Askari Bank Limited	1,470	-	-	-	**1,470**	-
Jaffer Agro Services	121	-	-	-	**121**	-
Jaffer Brothers (Pvt) Limited	1,786	-	-	-	**1,786**	-
Novartis Pharma (Pakistan) Limited	245	-	-	-	**245**	231
Pak Arab Refinery Limited	1,182	-	-	-	**1,182**	-
Pakistan International Airline Corporation	12,015	15,895	-	-	**27,910**	-
Roche Pakistan Limited	101	-	-	-	**101**	41
The Aga Khan University	12	-	-	-	**12**	-
The American Business Council	33	-	-	-	**33**	28
Unilever Pakistan Foods Limited	-	-	-	-	**-**	3,345
Unilever Pakistan Limited	28,868	2,013	-	-	**30,881**	25,361
Wyeth Pakistan Limited	-	-	-	91	**91**	91
	45,833	17,908	-	91	**63,832**	29,097
Less : Provision for impairment					**(105)**	(91)
Net receivable from related parties					**63,727**	29,006

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 as at December 31, 2014.

11.3 **Provision for impairment**

	2014	2013
	(Rupees '000)	
Balance at beginning of the year	**633,566**	633,102
Provision made during the year - note 25	**3,989**	8,661
Reversals during the year - note 26	**(5,779)**	(7,495)
Write offs during the year	**-**	(702)
Balance at end of the year	**631,776**	633,566

11.4 As at December 31, 2014, trade debts aggregating to Rs. 288,464 thousand (2013: Rs. 393,239 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. The ageing analysis of these trade debts is as follows:

	2014	2013
	(Rupees '000)	
Upto 1 month	**43,291**	279,678
1 to 6 months	**175,124**	92,367
More than 6 months	**70,049**	21,194
	288,464	393,239

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

11.5 As at December 31, 2014, trade debts amounting to Rs. 631,776 thousand (2013: Rs. 633,566 thousand) were impaired and provided for. The ageing of these trade debts is as follows:

	2014	2013
	(Rupees '000)	
Upto 6 months	**716**	8,098
More than 6 months	**631,060**	625,468
	631,776	633,566

12. LOANS AND ADVANCES - Considered good

	2014	2013
Current portion of long-term loans due from - note 7		
- Executives	**23,755**	46,055
- Employees	**8,839**	6,910
	32,594	52,965
Advances to employees		
- Directors - note 12.1	**-**	-
- Employees	**37,633**	78,447
	37,633	78,447
	70,227	131,412

12.1 Reconciliation of the carrying amount of advances to directors

	2014	2013
Balance at beginning of the year	**-**	1,282
Disbursements	**2,347**	-
Repayments	**(2,347)**	(1,282)
Balance at end of the year	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

13. OTHER RECEIVABLES	**2014**	**2013**
	(Rupees '000)	
Petroleum development levy and other duties - note 13.1	**1,367,956**	2,305,669
Price differential claims on:		
- imported purchases - note 13.2	**295,733**	295,733
- high speed diesel (HSD) - note 13.3	**343,584**	343,584
- imported motor gasoline - note 13.4	**2,071,107**	2,071,107
Sales tax refundable - note 13.5	**1,299,263**	1,655,379
Receivable under inland freight equalisation mechanism	**980,903**	271,501
Receivable from related parties - note 13.6	**2,000,064**	74,632
Service cost receivable from associated company - PAPCO	**9,955**	12,083
Staff retirement benefit schemes	**1,226,448**	751,489
Taxes recoverable - note 13.7 and 20.1.2	**968,073**	949,742
Others	**54,026**	86,941
	10,617,112	8,817,860
Less:		
Provision for impairment	**(223,225)**	(223,225)
	10,393,887	8,594,635

13.1 Includes petroleum development levy amounting to Rs. 1,357,013 thousand (2013: Rs. 2,295,879 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales. 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, a refund of which has been received during the year. 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 FBR.

13.2 Represents receivable from the GoP on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2001.

13.3 Represents price differential claim from the GoP on local / imported purchases of HSD which was based on rates notified by the GoP to subsidize petroleum prices by restricting the increase in prices in order to reduce the burden of rising oil prices on the end consumers.

13.4 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 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 another oil marketing company continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

In 2009, the Company along with other oil marketing companies approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. The Company accordingly submitted audit reports thereafter for claims till May 31, 2011. In 2011, the Company received an amount of Rs. 454,000 thousand from GoP in respect of these claims.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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.

Further in 2013, the Company approached MoPNR through letter dated May 20, 2013 requesting an early settlement of the claim amounting to Rs. 109,896 thousand in respect of this import. On June 6, 2013, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. The Company accordingly submitted an audit report thereafter in respect of this claim.

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

13.5 This principally represents sales tax refundable on account of export sales for which the Company has filed claims with FBR and is actively pursuing for its recovery.

13.6 Represents due from following related parties:

	2014	**2013**
	(Rupees '000)	
Shell Nigeria Exploration and Production Company Limited	**-**	1,529
Shell Aviation Limited - note 13.6.1	**1,850,096**	1,173
Euroshell International B.V.	**-**	1,784
Shell International Petroleum Company Limited	**95,874**	29,896
Shell International Limited	**850**	-
Shell Markets (Middle East) Limited	**1,680**	-
Shell Malaysia Trading SDN	**60**	126
Superkad Services SDN BHD	**-**	10,042
Shell EP International Limited	**-**	3,202
Shell International Exploration and Production B.V.	**9,085**	-
Shell Oman Marketing Company Saog	**1,325**	-
Shell Business Service Centre SDN BHD	**721**	-
Others	**40,373**	26,880
	2,000,064	74,632

13.6.1 This represents net receivable on account of recoveries from customers by Shell Aviation Limited on behalf of the Company.

13.7 In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of 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. The Company has filed an appeal against the aforementioned order before CIR (Appeals) which has been heard and the appellate order is awaited. 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, based on the advice of its tax consultant expects a favourable outcome at appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

13.8 As at December 31, 2014, receivables aggregating to Rs. 2,710,424 thousand (2013: Rs. 2,710,424 thousand) were past due but not impaired. These relate to receivable from the Government of Pakistan

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

14. CASH AND BANK BALANCES

	2014	2013
	(Rupees '000)	
Balances with banks		
- current account	**1,260,641**	803,941
- savings account - note 14.1	**19,988**	40,212
	1,280,629	844,153
Cash in hand	**15,004**	14,237
	1,295,633	858,390

14.1 Balances with banks carry interest at the rate of 6.5% (2013: 7%) per annum.

15. SHARE CAPITAL

Authorised capital

2014	2013		2014	2013
(Number of shares)			(Rupees '000)	
150,000,000	100,000,000	Ordinary shares of Rs. 10 each	**1,500,000**	1,000,000

Issued, subscribed and paid-up capital

2014	2013		2014	2013
(Number of shares)				
23,481,000	23,481,000	Fully paid in cash	**234,810**	234,810
83,531,331	62,128,865	Issued as fully paid bonus shares	**835,315**	621,290
107,012,331	85,609,865		**1,070,125**	856,100

15.1 During the year, the Company increased its authorized capital by 50,000,000 ordinary shares of Rs. 10 each.

15.2 During the year, a 25% issue of bonus i.e. in the ratio of one share for every four shares held by shareholders was proposed in the 284th meeting of the Board of Directors of the Company held on March 11, 2014. The approval of the members for issue of bonus shares was obtained in the 45th Annual General Meeting of the Company held on April 23, 2014 and the Company issued additional 21,402,466 bonus shares of Rs. 10 each.

15.3 The Shell Petroleum Company Limited, United Kingdom (immediate parent), a subsidiary of Royal Dutch Shell Plc. (ultimate parent), held 81,443,702 (2013: 65,154,962) ordinary shares of Rs. 10 each at December 31, 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

15.4 Movement in issued, subscribed and paid-up capital

2014	2013		2014	2013
(Number of shares)			(Rupees '000)	
85,609,865	85,609,865	At beginning of the year	**856,100**	856,100
21,402,466	-	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**214,025**	-
107,012,331	85,609,865		**1,070,125**	856,100

16. ASSET RETIREMENT OBLIGATION

	2014	2013
	(Rupees '000)	
Balance at the beginning of the year	**334,091**	339,596
Obligation recognized in respect of:		
- change in estimate - note 16.1	**54,508**	(4,263)
- additions	**1,807**	-
	56,315	(4,263)
Reversal of liability - note 26	**(264,271)**	(20,596)
Accretion expense - note 27	**15,475**	19,354
	(248,796)	(1,242)
Balance at the end of the year	**141,610**	334,091

16.1 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.

17. TRADE AND OTHER PAYABLES

	2014	2013
	(Rupees '000)	
Creditors - note 17.1	**21,205,158**	20,990,907
Oil marketing companies	**-**	7,607
Accrued liabilities	**4,086,359**	3,061,333
Excise, customs duties and development surcharge	**11,939**	18,508
Dealers' and customers' security deposits - note 17.2	**533,295**	546,018
Advances received from customers	**2,154,738**	1,334,588
Provision for post retirement medical benefits - note 30.2.2	**80,479**	79,840
Workers' welfare fund	**195,684**	229,543
Workers' profits participation fund - note 17.3	**48,245**	24,518
Unclaimed dividends	**118,790**	107,347
Other liabilities - note 17.4	**53,207**	48,233
	28,487,894	26,448,442

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

17.1 Includes amounts due to the following related parties:

	2014	2013
	(Rupees '000)	
Pakistan Refinery Limited	**827,964**	1,191,646
Shell International Petroleum Company Limited	**10,137,972**	8,724,489
Shell International Trading Middle East	**3,288,974**	735,881
Shell Lubricants Supply Company	**171,156**	366,323
Shell International B.V.	**332,226**	372,813
Shell Information Technology	**868,558**	757,844
Shell Eastern Trading (Pte) Limited	**51,623**	53,024
Shell Deutschland Oil GmbH	**16,572**	8,619
Shell Business Service Centre SDN BHD	**425,764**	330,894
Shell Hong Kong Limited	**15,891**	-
Shell Shared Services (Asia) B.V.	**394,133**	339,811
Shell & Turcas Petrol A.S.	**11,797**	10,736
Shell People Services Asia SDN BHD	**37,667**	41,088
Shell Aviation Limited	**-**	928,350
Euroshell cards B.V.	**5,626**	44,278
Shell Brands International AG	**484,047**	239,933
SBSC Glasgow	**276,799**	238,322
Others	**137,841**	107,532
	17,484,610	14,491,583

17.2 The security deposits are non-interest bearing and are refundable on termination of contracts.

17.3 Workers' profits participation fund

	2014	2013
	(Rupees '000)	
Balance at beginning of the year	**24,518**	1,940
Allocation for the year - note 25	**785**	100,630
	25,303	102,570
Amount refund / (paid) during the year	**22,942**	(78,052)
Balance at end of the year	**48,245**	24,518

17.4 Other liabilities include Rs. 20,294 thousand (2013: Rs. 35,316 thousand) in respect of termination benefits payable to employees under a staff redundancy plan finalized during 2009. Termination benefits to be paid through post retirement benefit funds have been accounted for in the funds valuation as disclosed in note 30 to the financial statements.

18. ACCRUED MARK-UP / INTEREST

	2014	2013
	(Rupees '000)	
Mark-up / interest accrued on:		
- short-term running finances utilized under mark-up arrangements	**9,220**	16,247
- short-term loans	**844**	490
	10,064	16,737

NOTES TO THE FINANCIAL STATEMENTS

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19. SHORT-TERM BORROWINGS - Secured

	2014	2013
	(Rupees '000)	
Running finances utilized under mark-up arrangements - note 19.1	**605,762**	4,448,020
Loans - note 19.2	**3,160,000**	1,710,000
	3,765,762	6,158,020

19.1 The facilities for short-term running finances available from various banks aggregate to Rs. 34,300,000 thousand (2013: Rs. 38,405,000 thousand). The rates of mark-up range from Re. 0.2726 to Re. 0.3010 (2013: Re. 0.2641 to Re. 0.2918) per Rs. 1,000 per day. These arrangements are secured by hypothecation of the Company's present and future stock-in-trade, trade debts and other receivables.

19.2 Represents loan obtained from banks and carries mark-up at the rate of 9.75% (2013: 10.46%) per annum. The loan, secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables, was repaid on January 2, 2015.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Infrastructure fee

The Sindh Finance Act, 1994, prescribed imposition of 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. On July 1, 2013, Sindh Assembly 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 alongwith several other companies challenged the levy in constitutional petitions before the High Court of Sindh. These petitions were dismissed as, during their pendency, the nature of the levy was changed by the Government of Sindh through an Ordinance. The Company and others therefore 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 of Sindh in September 2008 wherein it was held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to this date. Being aggrieved by the said judgment, both the Company and the Government of Sindh filed separate appeals before the Supreme Court of Pakistan.

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 of Pakistan, in view of the new legislation, directed the Company and others to file fresh petitions to challenge the same before the High Court of Sindh and set aside the earlier order of the High Court of Sindh.

The High Court of Sindh on fresh petitions filed, passed an interim order directing that any bank guarantee / security furnished for consignments cleared up to 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.

Subsequent to the orders of the High Court of Sindh, the Company has reviewed its position and, without acknowledging it as a debt, estimates the accumulated levy up to December 31, 2014 to be Rs. 61,993 thousand (2013: Rs. 52,993 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. For these reasons and based on legal advice obtained, no provision has been made in these financial statements against the levy as the management expects a favourable outcome.

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For the year ended December 31, 2014

20.1.2 Taxation

20.1.2.1 In 2011, the Company received a demand from 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 an 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 and filed an appeal with the Commissioner Inland Revenue (CIR) (Appeals) and thereafter with Appellate Tribunal Inland Revenue (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 has filed an appeal before High Court of Sindh which is pending 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 is 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 legal advisor that the above order is not correct and would not be maintained by the Supreme Court which the Company intends to approach, if similar 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 (note 13).

20.1.2.2 In 2012, the Company received a demand from 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 amortization 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 has 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 has 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 has 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 is pending.

The Company, based on the advice of its tax consultant expects a favourable outcome, however, an amount of Rs. 19,068 thousand has been provided for 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 (note 13).

20.1.3 Sales tax and federal excise duty (FED)

20.1.3.1 In 2011, the tax authorities after conducting sales tax and federal excise duty audit for the period July 2008 to June 2009 and post refund audit for the period September and October 2008 raised sales tax and federal excise duty 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 federal excise duty audit for period July 2009 to December 2009 and January 2011 and December 2011 and raised additional sales tax and federal excise duty 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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 have been decided in favour of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 were decided on most of the grounds in favour 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.

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 High Court of Sindh, which through an ad-interim order restrained tax authority from passing an order.

During the year, 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.

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

20.1.3.2 In 2012, the Company received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, without specifying the basis of computation, on goods imported 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 has also received show cause notices from other Model Customs Collectorates with a potential 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 Oil Marketing Companies (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 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 Petroleum (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 opinion that OMCs cannot be required to pay the tax on unregulated products / exports retrospectively since clarification of FBR was in field at that time and is confident that revised notification in this respect will be issued by FBR, if required. Further, 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.

20.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at December 31, 2014 aggregate to approximately Rs. 3,181,879 thousand (2013: Rs. 2,543,293 thousand). This includes claims by refineries, amounting to Rs. 1,094,021 thousand (2013: Rs. 1,093,733 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.

20.2 Commitments

20.2.1 Capital expenditure contracted for but not incurred as at December 31, 2014 amounts to approximately Rs. 361,694 thousand (2013: Rs. 340,555 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

20.2.2 Commitments for rentals of assets under operating lease agreements as at December 31, 2014 amounts to Rs. 2,731,934 thousand (2013: Rs. 2,843,019 thousand) payable as follows:

	2014	2013
	(Rupees '000)	
Not later than one year	**169,186**	164,621
Later than one year and not later than five years	**653,131**	639,735
Later than five years	**1,909,617**	2,038,663
	2,731,934	2,843,019

20.2.3 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, 2014, the value of these cheques amounted to Rs. 8,909,134 thousand (2013: Rs. 5,603,246 thousand). The maturity dates of these cheques extend to June 22, 2015 (2013: June 28, 2014).

20.2.4 Letters of credit and bank guarantees outstanding as at December 31, 2014 amount to Rs. 4,579,015 thousand (2013: Rs. 3,907,215 thousand).

21. SALES

	2014	2013
	(Rupees '000)	
Gross sales, inclusive of sales tax		
- Local	**286,777,692**	287,888,127
- Export	**5,623,930**	1,301,337
	292,401,622	289,189,464
Less: Trade discounts and rebates	**1,038,632**	1,197,542
	291,362,990	287,991,922

21.1 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:

	2014	2013
	(Rupees '000)	
Motor Gasoline	**109,790,399**	102,460,414
High Speed Diesel	**126,112,595**	133,088,207
Jet Fuels	**28,796,786**	27,217,099
Lubricants	**17,934,475**	15,975,013
Others	**8,728,735**	9,251,189
	291,362,990	287,991,922

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

22. COST OF PRODUCTS SOLD

	2014	2013
	(Rupees '000)	
Opening stock of raw and packing materials	**1,540,800**	1,372,142
Raw and packing materials purchased	**8,523,741**	7,894,009
Closing stock of raw and packing materials - note 10	**(1,145,398)**	(1,540,800)
Raw and packing materials consumed	**8,919,143**	7,725,351
Manufacturing expenses	**359,132**	272,221
Cost of products manufactured	**9,278,275**	7,997,572
Opening stock of finished products	**16,277,612**	15,981,372
Finished products purchased	**204,371,931**	206,367,033
Duties and levies - note 22.1	**25,216,311**	23,769,120
Closing stock of finished products - note 10	**(11,940,887)**	(16,277,612)
	243,203,242	237,837,485

22.1 Duties and levies

	2014	2013
Petroleum development levy	**18,257,132**	17,547,843
Customs and excise duty	**706,500**	380,940
Inland freight equalization margin	**5,806,060**	5,431,556
Freight on non-equalized products	**242,838**	170,537
Others	**203,781**	238,244
	25,216,311	23,769,120

23. DISTRIBUTION AND MARKETING EXPENSES

	2014	2013
Salaries, wages and benefits - note 23.1	**1,184,445**	861,588
Staff training	**10,629**	17,575
Stores and materials	**19,658**	12,111
Fuel and power	**72,614**	66,553
Rent, taxes and utilities	**422,763**	381,880
Repairs and maintenance	**485,648**	417,368
Insurance	**9,150**	8,768
Travelling	**137,481**	182,810
Advertising and publicity	**609,778**	412,214
Legal and professional charges	**192,556**	115,530
Communication and stationery	**45,500**	38,116
Computer expenses	**30,863**	85,165
Storage and other charges	**121,456**	169,615
Others	**67,116**	46,860
	3,409,657	2,816,153
Handling and storage charges recovered	**(41,769)**	(40,129)
Secondary transportation expenses	**446,519**	589,988
	3,814,407	3,366,012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

23.1 Salaries, wages and benefits include charge of Rs. 79,305 thousand and curtailment gain of Nil (2013: charge of Rs. 106,047 thousand and curtailment gain of Rs. 195,323 thousand) in respect of staff retirement benefits.

24. ADMINISTRATIVE EXPENSES

	2014	2013
	(Rupees '000)	
Salaries, wages and benefits - note 24.1	**429,035**	374,627
Staff training	**33,701**	44,755
Stores and materials	**1,650**	5,930
Fuel and power	**35,002**	16,346
Rent, taxes and utilities	**24,681**	22,798
Repairs and maintenance	**26,654**	24,833
Insurance	**31,609**	38,042
Travelling	**71,251**	42,858
Advertising and publicity	**6,126**	14,215
Technical service fee	**1,479,917**	1,484,300
Trade marks and manifestations license fee	**274,281**	281,392
Legal and professional charges	**416,721**	350,395
Communication and stationery	**322,268**	380,298
Computer expenses	**242,625**	110,308
Depreciation - note 4.2	**616,334**	588,587
Amortization - note 5	**372,644**	373,517
	4,384,499	4,153,201
Less:		
Costs recovered under Service Level Agreement from related parties	**(7,014)**	(12,000)
	4,377,485	4,141,201

24.1 Salaries, wages and benefits include charge of Rs. 28,726 thousand and curtailment gain of Nil (2013: charge of Rs. 46,110 thousand and curtailment gain of Rs. 84,928 thousand) in respect of staff retirement benefits.

25. OTHER OPERATING EXPENSES

	2014	2013
	(Rupees '000)	
Workers' profits participation fund - note 17.3	**785**	100,630
Workers' welfare fund	**5,176**	42,280
Exchange loss	**-**	1,414,008
Provision for impairment of trade debts - note 11.3	**3,989**	8,661
Trade debts written off directly	**-**	22,298
Provision for impairment of operating assets - note 4.8	**-**	88,144
Operating assets write-off - note 4.6	**178,979**	77,606
Loss on disposal of operating assets	**12,762**	-
Auditors' remuneration - note 25.1	**5,370**	4,454
Donations - note 25.2	**9,369**	9,393
	216,430	1,767,474

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For the year ended December 31, 2014

25.1 Auditor's remuneration

	2014	2013
	(Rupees '000)	
Fee for audit and reviews	**3,550**	3,360
Audit of retirement benefit funds	**745**	455
Special certifications and other assurance services	**491**	250
Out of pocket expenses	**584**	389
	5,370	4,454

25.2 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 interest	2014	2013
		(Rupees '000)	
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Omar Sheikh - Member, Board of Governors Nasser N S Jaffer - Member, Board of Governors	**300**	1,000
Shell LiveWIRE Trust (Shell House, 6 Ch. Khaliquzzaman Road, Karachi)	Omar Sheikh - Chairman, Board of Trustees (2013: Omar Sheikh - Chairman, Board of Trustees Rafi H Basheer - Trustees)	**-**	2,000
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Omar Sheikh - Trustee Farrokh K Captain - Trustee	**-**	2,000

26. OTHER INCOME

	2014	2013
	(Rupees '000)	
Income from financial assets		
Reversal of provision for impairment of trade debts - note 11.3	**5,779**	7,495
Mark-up / interest on short-term deposits	**115,635**	58,472
Income from non-financial assets		
Gain on disposal of operating assets	**-**	26,017
Reversal of asset retirement obligation - note 16	**264,271**	20,596
Liabilites no longer payable written back	**297,378**	88,876
Shell card income	**67,732**	64,350
Exchange gain	**470,290**	-
Sundries	**57,679**	34,231
	1,278,764	300,037

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

27. FINANCE COSTS

	2014	2013
	(Rupees '000)	
Bank charges	**237,091**	194,838
Accretion expense - note 16	**15,475**	19,354
Mark-up / interest on short-term borrowings	**194,543**	317,959
	447,109	532,151

28. TAXATION

	2014	2013
	(Rupees '000)	
Current		
- for the year		
- final tax	**121,049**	95,029
- minimum turnover tax - note 28.1	**1,070,715**	1,116,016
- for prior years	**14,989**	47,366
	1,206,753	1,258,411
Deferred	**406,764**	104,921
	1,613,517	1,363,332

28.1 This represents minimum tax @ 0.5% of taxable turnover. Minimum tax is adjustable against the tax liability of succeeding five years. The Company however, on prudence, has not recognized the related deferred tax asset in view of unutilized tax losses available for set off against future taxable income, as explained in note 9.1. As at December 31, 2014, minimum tax which is available for adjustment against the future tax liability and not recognized as tax asset aggregates to Rs. 4,816,248 thousand (2013: Rs. 4,067,710 thousand).

28.2 Relationship between tax expense and accounting profit

	2014	2013
	(Rupees '000)	
Accounting profit before taxation	**546,384**	2,424,493
Tax at the applicable tax rate of 33% (2013: 34%)	**180,307**	824,328
Tax effect of income under final tax regime	**78,382**	(48,269)
Tax impact on account of lower tax rate on share of profit of associate	**(145,140)**	(141,243)
Prior years charge	**14,989**	47,366
Minimum turnover tax	**1,070,715**	1,116,016
Reversal / (Recognition) of deferred tax asset - net	**384,647**	(477,677)
Impact of change in tax rate	**22,117**	24,251
Others	**7,500**	18,560
Tax expense for the year	**1,613,517**	1,363,332

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

29. (LOSS) / EARNINGS PER SHARE

29.1 Basic / Diluted

	2014	2013
	(Rupees '000)	
(Loss) / Profit after taxation attributable to ordinary shareholders	**(1,067,133)**	1,061,161
	No. of Shares	
		(Restated)
Weighted average number of ordinary shares in issue during the year	**107,012,331**	107,012,331
	(Rupees)	
		(Restated)
(Loss) / Earnings per share	**(9.97)**	9.92

30. EMPLOYEE BENEFITS

30.1 Pension and Gratuity

As mentioned in note 2.14, the Company operates funded gratuity and pension schemes for all its employees. Contributions are made to these schemes on the basis of actuarial recommendations. The latest actuarial valuation was carried out as at December 31, 2014.

30.1.1 Actuarial assumptions

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

	2014	2013
	% per annum	
- Expected rate of increase in future salaries	**10.00**	10.00
- Discount rate	**11.00**	13.00
- Expected rate of increase in pensions	**5.10**	7.00
- Expected rate of return on plan assets	**11.00**	13.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

30.1.2 Balance sheet reconciliation

	2014					2013				
	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 30.1.3	**1,931,402**	**(264,588)**	**15,982**	**125,658**	**1,808,454**	1,657,252	(244,796)	13,306	105,778	1,531,540
Present value of defined benefit obligation - note 30.1.4	**(1,334,115)**	**(95,588)**	**-**	**(103,788)**	**(1,533,491)**	(1,169,806)	(73,013)	-	(72,892)	(1,315,711)
Asset / (liability) in respect of staff retirement benefit schemes	**597,287**	**(360,176)**	**15,982**	**21,870**	**274,963**	487,446	(317,809)	13,306	32,886	215,829

30.1.3 Movement in the fair value of plan assets

	2014					2013				
	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	**1,657,252**	**(244,796)**	**13,306**	**105,778**	**1,531,540**	2,275,470	(170,966)	12,162	89,584	2,206,250
Expected return on plan assets	**207,489**	**(31,655)**	**1,730**	**13,491**	**191,055**	182,394	(37,362)	1,399	9,943	156,374
Contribution by the Company	**27,692**	**6,918**	**-**	**-**	**34,610**	81,627	20,393	-	-	102,020
Contribution by the employees	**3,273**	**-**	**-**	**-**	**3,273**	9,613	-	-	-	9,613
Benefits paid during the year	**(99,485)**	**(4,324)**	**-**	**(4,009)**	**(107,818)**	(99,131)	(18,943)	-	(7,334)	(125,408)
Interfund transfer	**(53,847)**	**-**	**-**	**-**	**(53,847)**	(760,105)	(80,576)	-	1,086	(839,595)
Remeasurement of plan assets	**189,028**	**9,269**	**946**	**10,398**	**209,641**	(32,616)	42,658	(255)	12,499	22,286
Fair value of plan assets at the end of the year	**1,931,402**	**(264,588)**	**15,982**	**125,658**	**1,808,454**	1,657,252	(244,796)	13,306	105,778	1,531,540

30.1.4 Movement in the present value of defined benefit obligations

	2014					2013				
	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	**1,169,806**	**73,013**	**-**	**72,892**	**1,315,711**	2,156,804	372,508	-	81,019	2,610,331
Current service cost	**22,060**	**5,119**	**-**	**2,524**	**29,703**	33,323	9,425	-	2,886	45,634
Interest cost	**145,608**	**9,211**	**-**	**9,215**	**164,034**	143,673	11,564	-	8,958	164,195
Benefits paid during the year	**(99,485)**	**(4,324)**	**-**	**(4,009)**	**(107,818)**	(99,131)	(18,943)	-	(7,334)	(125,408)
Remeasurement on obligation	**96,126**	**12,569**	**-**	**23,166**	**131,861**	(206,953)	(38,519)	-	(13,723)	(259,195)
Curtailments loss / (gain)	**-**	**-**	**-**	**-**	**-**	(225,717)	(54,534)	-	-	(280,251)
Inter fund transfer	**-**	**-**	**-**	**-**	**-**	(632,193)	(208,488)	-	1,086	(839,595)
Present value of obligation at the end of the year	**1,334,115**	**95,588**	**-**	**103,788**	**1,533,491**	1,169,806	73,013	-	72,892	1,315,711

30.1.5 Amount recognised in the profit and loss

	2014					2013				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	**22,060**	**5,119**	**-**	**2,524**	**29,703**	33,323	9,425	-	2,886	45,634
Interest cost	**145,608**	**9,211**	**-**	**9,215**	**164,034**	143,673	11,564	-	8,958	164,195
Expected return on plan assets	**(207,489)**	**31,655**	**(1,730)**	**(13,491)**	**(191,055)**	(182,394)	37,362	(1,399)	(9,943)	(156,374)
Curtailments loss / (gain)	**-**	**-**	**-**	**-**	**-**	(225,717)	(54,534)	-	-	(280,251)
Employee contributions	**(3,273)**	**-**	**-**	**-**	**(3,273)**	(9,613)	-	-	-	(9,613)
(Reversal) / expense for the year	**(43,094)**	**45,985**	**(1,730)**	**(1,752)**	**(591)**	(240,728)	3,817	(1,399)	1,901	(236,409)

30.1.6 Remeasurement recognized in other comprehensive income

	2014					2013				
	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	**-**	**-**	**-**	**-**	**-**	30,556	(6,371)	-	67	24,252
Loss / (gain) from changes in financial assumptions	**72,267**	**13,677**	**-**	**8,234**	**94,178**	(159,850)	(18,941)	-	(10,416)	(189,207)
Experience loss / (gain)	**23,859**	**(1,108)**	**-**	**14,932**	**37,683**	(77,659)	(13,207)	-	(3,374)	(94,240)
Remeasurement of defined benefit obligation	**96,126**	**12,569**	**-**	**23,166**	**131,861**	(206,953)	(38,519)	-	(13,723)	(259,195)
Gain / (loss) due to remeasurement of investment return	**189,028**	**9,269**	**946**	**10,398**	**209,641**	(32,616)	42,658	(255)	12,499	22,286
	(92,902)	**3,300**	**(946)**	**12,768**	**(77,780)**	(174,337)	(81,177)	255	(26,222)	(281,481)

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30.1.7 Movement in the asset / (liability) recognized in the balance sheet

	2014					2013				
	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	**487,446**	**(317,809)**	**13,306**	**32,886**	**215,829**	118,666	(543,474)	12,162	8,565	(404,081)
Net reversal / (charge) for the year	**135,996**	**(49,285)**	**2,676**	**(11,016)**	**78,371**	415,065	77,360	1,144	24,321	517,890
Contributions by the Company	**27,692**	**6,918**	**-**	**-**	**34,610**	81,627	20,393	-	-	102,020
Inter-fund transfers	**(53,847)**	**-**	**-**	**-**	**(53,847)**	(127,912)	127,912	-	-	-
Asset / (liability) in respect of staff retirement benefit schemes	**597,287**	**(360,176)**	**15,982**	**21,870**	**274,963**	487,446	(317,809)	13,306	32,886	215,829
Current account balance with funds	**260,419**	**318,918**	**(9)**	**12,004**	**591,332**	212,427	279,990	-	4,275	496,692
	857,706	**(41,258)**	**15,973**	**33,874**	**866,295**	699,873	(37,819)	13,306	37,161	712,521

30.1.8 Plan assets comprised the following:

	2014					2013				
	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.	**2,172,651**	**56,992**	**15,622**	**128,114**	**2,373,379**	1,906,129	50,046	13,219	112,571	2,081,965
Bank deposits	**35,863**	**10,807**	**351**	**9,548**	**56,569**	7,898	1,727	87	2,324	12,036
Inter-fund dues	**5,852**	**(5,852)**	**-**	**-**	**-**	(43,368)	(14,228)	-	-	(57,596)
Benefits due	**-**	**(2,302)**	**-**	**-**	**(2,302)**	(980)	(2,351)	-	(4,842)	(8,173)
Due to DC Fund	**(22,545)**	**(5,315)**	**-**	**-**	**(27,860)**	-	-	-	-	-
Due to Shell Pakistan Limited	**(260,419)**	**(318,918)**	**9**	**(12,004)**	**(591,332)**	(212,427)	(279,990)	-	(4,275)	(496,692)
	1,931,402	**(264,588)**	**15,982**	**125,658**	**1,808,454**	1,657,252	(244,796)	13,306	105,778	1,531,540

30.1.9 Expected contribution to the above schemes for the year ending December 31, 2015 is Rs. 16,645 thousand.

30.1.10 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	**(137,351)**	162,938
- Effect of change in salaries	**54,841**	(49,352)
- Effect of change in pension	**99,346**	(87,434)

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

30.1.12 The break-up of balance receivable from staff retirement benefit schemes is:

	2014	2013
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	**866,293**	712,521
Total balance receivable in respect of defined contribution schemes	**360,155**	38,968
	1,226,448	751,489

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

30.2 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 balance sheet is based on a valuation carried out as at the balance sheet date and is as follows:

30.2.1 Actuarial assumptions

	2014	2013
	% per annum	
The following significant assumptions were used in the valuation of this scheme:		
- Discount rate	**11.00**	13.00
- Medical cost trend rate	**5.10**	7.00

30.2.2 Amount recognised in the balance sheet

	2014	2013
	(Rupees '000)	
Present value of defined benefit obligation - note 30.2.3	**80,479**	79,840
Fair value of plan assets	**-**	-
Liability recognised at the end of the year	**80,479**	79,840

30.2.3 Movement in the present value of defined benefit obligation

	2014	2013
Present value of obligation at the beginning of the year	**79,840**	77,544
Current service cost	**1,541**	1,383
Interest cost	**9,762**	8,577
Benefits paid during the year	**(6,333)**	(5,918)
Remeasurement on obligation	**(4,331)**	(1,746)
Present value of obligation at the end of the year	**80,479**	79,840

30.2.4 Movement in the liability recognised in the balance sheet

	2014	2013
Balance at the beginning of the year	**79,840**	77,544
Charge for the year - notes 30.2.5 and 30.2.6	**6,972**	8,214
Payments during the year	**(6,333)**	(5,918)
Balance at the end of the year	**80,479**	79,840

30.2.5 Amount recognized in profit and loss

	2014	2013
Current service cost	**1,541**	1,383
Interest cost	**9,762**	8,577
	11,303	9,960

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

30.2.6 Remeasurement recognized in other comprehensive income

	2014	2013
	(Rupees '000)	
Loss / (gain) from changes in financial assumptions	**-**	343
Experience loss / (gain)	**(4,331)**	(2,089)
	(4,331)	(1,746)

30.2.7 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	**8,867**	(7,433)

30.3 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.

	2014	2013	2012	2011	2010
			(Rupees '000)		
Present value of defined benefit obligation	**1,613,970**	1,395,551	2,687,875	2,070,360	2,071,454
Fair value of plan assets	**(1,808,453)**	(1,531,540)	(2,206,250)	(2,045,563)	(1,878,118)
Surplus / (Deficit)	**194,483**	135,989	(481,625)	(24,797)	(193,336)

30.4 The value of investments made by the staff retirement funds operated by the Company as per their last audited financial statements are as follows:

	2013	2012
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	759,045	586,670
Shell Pakistan Staff Provident Fund	4,622	4,192
Shell Pakistan Labour Provident Fund	157,546	137,406
Shell Pakistan Management Staff Gratuity Fund	49,512	95,797
Shell Pakistan Labour and Clerical Staff Gratuity Fund	110,356	102,727
Shell Pakistan Management Staff Pension Fund	1,859,589	2,303,142
Shell Pakistan Staff Pension Fund	12,953	9,812
Shell Pakistan DC Pension Fund	862,040	-
	3,815,663	3,239,746

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

30.5 Aggregate amount charged / (credited) in these financial statements in respect of the staff retirement benefit schemes is as follows:

	2014	2013
	(Rupees '000)	
- pension and gratuity scheme	**(591)**	(236,409)
- defined contribution funds	**97,319**	98,355
- post retirement medical benefit scheme	**11,303**	9,960
	108,031	(128,094)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Short-term benefits						
Director's fee	**-**	**4,400**	**-**	-	1,277	-
Managerial remuneration (including bonus) - note 31.2	**25,340**	**39,655**	**966,585**	27,163	57,312	953,521
Housing:						
- Rent	**5,457**	**-**	**-**	4,981	-	-
- Utilities	**379**	**696**	**23,333**	347	693	26,208
Medical expenses	**126**	**1,530**	**30,602**	86	514	25,395
	31,302	**46,281**	**1,020,520**	32,577	59,796	1,005,124
Post-employment benefits						
Company's contribution to pension, gratuity and provident fund	**2,285**	**2,861**	**106,138**	3,299	4,329	146,972
	33,587	**49,142**	**1,126,658**	35,876	64,125	1,152,096
Number of persons including those who worked part of the year	**1**	**11**	**364**	1	11	363

31.1 As at December 31, 2014 and 2013, the total number of Directors was 10, excluding Chief Executive Officer.

31.2 This includes Rs. 73,626 thousand (2013: Rs. 127,140 thousand) in respect of Performance Share Plan.

31.3 In addition, the Chief Executive, Executive Directors and some of the Executives were also provided with free use of Company maintained cars and are entitled to certain benefits from Shell Group. The Chief Executive has also been provided with Company furnished accommodation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

32. RELATED PARTY TRANSACTIONS

Transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transactions	2014	2013
		(Rupees '000)	
Holding Company	Dividend paid	**260,620**	-
Associate	Pipeline charges	**579,401**	456,384
	Others	**9,790**	8,963
	Dividend received	**302,150**	426,467
Staff retirement benefit / contribution funds			
Pension Funds	Contribution	**27,692**	81,627
Defined Contribution Pension Funds	Contribution	**93,066**	81,564
Gratuity Funds	Contribution	**6,918**	20,393
Provident Funds	Contribution	**52,487**	45,751
Key management personnel	Salaries and other short-term employee benefits	**73,183**	91,096
	Post-employment benefits	**5,146**	7,628
Director	Fee for attending meetings	**4,400**	1,277
	Dividend paid	**2,691**	-
Other related parties	Purchases	**93,615,341**	69,762,814
	Sales	**9,750,942**	28,475
	Collection for sales made in Pakistan to customers of the parent Company and its associates	**5,747,500**	5,158,486
	Technical service fee charged - note 32.1	**1,479,917**	1,484,300
	Trade marks and manifestations license fee charged - note 32.2	**274,281**	281,392
	Computer expenses charged (Global Infrastructure Desktop charges) - note 32.2	**146,718**	173,326
	Expenses recovered from related parties	**113,923**	142,704
	Other expenses charged by related parties - note 32.3	**571,799**	755,969
	Donations	**300**	5,000
	Legal charges	**-**	491

32.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

32.2 Trade marks and manifestations license fee and Global Infrastructure Desktop charges are based on the agreements entered into by the Company with Shell Group companies.

32.3 These includes charges amounting to Rs. 360,156 thousand (2013: Rs. 317,408 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreement entered into with them by the Company.

32.4 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 and Executive Directors to be key management personnel. Particulars of transactions entered into with key management personnel are as per their terms of employment as disclosed in notes 7, 12 and 31 to these financial statements.

32.5 The outstanding balances receivable from / charged by related parties have been disclosed in notes 11.2, 13.6 and 17.1 to these financial statements.

33. CASH GENERATED FROM OPERATIONS

	2014	2013
	(Rupees '000)	
Profit before taxation	**546,384**	2,424,493
Adjustment for non-cash charges and other items:		
Depreciation and amortization charge	**1,032,650**	994,326
Accretion expense in respect of asset retirement obligation - note 27	**15,475**	19,354
Reversal of liability in respect of asset retirement obligation - note 26	**(264,271)**	(20,596)
Provision for impairment of stock-in-trade - note 10.5	**72,231**	68,871
Reversal of provision for impairment of stock-in-trade - note 10.5	**(68,871)**	(47,711)
Provision for impairment of trade debts - note 25	**3,989**	8,661
Trade debts written off directly - note 25	**-**	22,298
Reversal of provision for impairment of trade debts - note 26	**(5,779)**	(7,495)
Provision for impairment of other receivables	**-**	554
Provision for impairment of operating assets - note 25	**-**	88,144
Write off of operating assets - note 25	**178,979**	77,606
Write off of stores	**14,845**	-
Loss / (Gain) on disposal of operating assets - note 25 and 26	**12,762**	(26,017)
Share of profit of associate - note 6.1	**(541,552)**	(554,788)
Mark-up / interest on short-term deposits - note 26	**(115,635)**	(58,472)
Mark-up / interest on short-term borrowings - note 27	**194,543**	317,959
Working capital changes - note 33.1	**4,673,969**	2,160,898
	5,749,719	5,468,085

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

33.1 Working capital changes

	2014	2013
	(Rupees '000)	
Decrease / (increase) in current assets		
Stock-in-trade	**4,728,767**	(486,058)
Trade debts	**(365,061)**	(276,652)
Loans and advances	**61,185**	(50,351)
Short-term prepayments	**(61,790)**	19,494
Other receivables	**(1,721,472)**	2,656,321
	2,641,629	1,862,754
Increase in current liability		
Trade and other payables	**2,032,340**	298,144
	4,673,969	2,160,898

34. CASH AND CASH EQUIVALENTS

	2014	2013
Cash and bank balances - note 14	**1,295,633**	858,390
Short-term borrowings - note 19	**(3,765,762)**	(6,158,020)
	(2,470,129)	(5,299,630)

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund:

	2014	2013
	(Rupees '000)	
Size of the fund - Total assets	**1,296,693**	975,814
Fair value of investments	**1,285,654**	922,920
Percentage of investment made	**99%**	95%

35.1 The cost of the above investment amounted to Rs. 1,128,543 thousand (2013: Rs. 922,791 thousand).

35.2 The break-up of fair value of investments is as follows:

	2014		2013	
	Investments (Rupees '000)	Percentage of investment made	Investments (Rupees '000)	Percentage of investment made
Treasury Bills	**53,506**	4%	898,087	97%
Pakistan Investment Bonds	**730,233**	57%	-	-
Regular Income Certificates	**363,421**	28%	-	-
Equity investments	**102,645**	8%	-	-
Saving bank accounts	**35,849**	3%	-	-
Government securities	**-**	-	18,229	2%
Term Finance Certificates	**-**	-	6,604	1%
	1,285,654		922,920	

NOTES TO THE FINANCIAL STATEMENTS

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35.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

35.4 An amount of Rs. 52,487 thousand (2013: Rs. 45,751 thousand) has been contributed during the year to the provident fund.

36. FINANCIAL ASSETS AND LIABILITIES

36.1 The Company's exposure to interest rate risk on its financial assets and liabilities as at the balance sheet date is summarized as follows:

	2014						
	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	31,764	19,562	51,326	830	1,078	1,908	53,234
Deposits	-	-	-	-	130,783	130,783	130,783
Trade debts	-	-	-	2,626,021	-	2,626,021	2,626,021
Other receivables	-	-	-	4,774,469	-	4,774,469	4,774,469
Cash and bank balances	19,988	-	19,988	1,275,645	-	1,275,645	1,295,633
	51,752	19,562	71,314	8,676,965	136,861	8,813,826	8,885,140
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	25,996,809	-	25,996,809	25,996,809
Accrued mark-up / Interest	-	-	-	10,064	-	10,064	10,064
Short-term borrowings	3,765,762	-	3,765,762	-	-	-	3,765,762
	3,765,762	-	3,765,762	26,006,873	-	26,006,873	29,772,635

	2013						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity up to one year	Maturity after one year	Subtotal	Maturity up to 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	52,009	41,765	93,774	956	1,378	2,334	96,108
Deposits	-	-	-	-	124,195	124,195	124,195
Trade debts	-	-	-	2,259,170	-	2,259,170	2,259,170
Other receivables	-	-	-	2,884,080	-	2,884,080	2,884,080
Cash and bank balances	40,212	-	40,212	818,178	-	818,178	858,390
	92,221	41,765	133,986	5,962,384	130,573	6,092,957	6,226,943
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	24,761,445	-	24,761,445	24,761,445
Accrued mark-up / Interest	-	-	-	16,737	-	16,737	16,737
Short-term borrowings	6,158,020	-	6,158,020	-	-	-	6,158,020
	6,158,020	-	6,158,020	24,778,182	-	24,778,182	30,936,202

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

36.2 Financial risk management objectives and policies

The Company's activities exposes 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 to maintain an appropriate mix between various sources of finance to minimize risk and provide maximum return to shareholders.

36.2.1 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. 8,885,140 thousand (2013: Rs. 6,226,943 thousand) the financial assets subject to credit risk amount to Rs. 8,865,136 thousand (2013: Rs. 6,207,706 thousand). For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted. For trade receivables, internal risk assessment process determines the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set, based on internal or external ratings. 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:

	2014	2013
	(Rupees '000)	
Loans	**53,234**	96,108
Deposits	**130,783**	124,195
Trade debts	**2,337,557**	1,865,931
Other receivables	**2,064,045**	173,656
Bank balances	**1,280,629**	844,153
	5,866,248	3,104,043

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:

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Bank	Rating agency	Rating	
		Short-term	Long-term
National Bank of Pakistan	JCR-VIS	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	JCR-VIS	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+
Citibank N.A.	Moody's	P-1	A2
Deutsche Bank AG	Moody's	P-1	A3
Bank of Tokyo Mitsubishi UFJ Limited Pakistan	S&P	A1	A+
HSBC Bank Middle East Limited	Moody's	P-1	A2

36.2.2 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, 2014, had the exchange rates of USD, GBP and EUR appreciated or depreciated against the Pakistan Rupee with all other variables held constant, the change in post-tax loss / profit would have been as follows:

Currency	Loss / Profit	2014		2013	
		%	Rs. '000	%	Rs. '000
USD	higher / lower	10%	837,351	10%	769,855
GBP	higher / lower	10%	114,084	10%	122,103
EUR	higher / lower	10%	28,615	10%	33,309

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. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short-term loans and running finance facilities. Loans and running finances 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.

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At December 31, 2014, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax loss for the year would have been lower / higher by Rs. 25,231 thousand (2013: Rs. 40,643 thousand) mainly as a result of higher / lower interest exposure on variable rate borrowings.

iii) 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 securities price risk as currently the Company has no investments in listed securities.

36.2.3 Liquidity risk

Liquidity risk is the risk that an enterprise 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 36.1 to these financial statements.

36.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to 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 balance sheet plus net debt.

	2014	2013
	(Rupees '000)	
Total borrowings - note 19	**3,765,762**	6,158,020
Cash and bank balances - note 14	**(1,295,633)**	(858,390)
Net debt	**2,470,129**	5,299,630
Total equity	**5,895,065**	7,222,526
Total capital	**8,365,194**	12,522,156
Gearing ratio	**29.53%**	42.32%

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37. NUMBER OF EMPLOYEES

	Number of employees as at		Average Number of employees	
	2014	**2013**	**2014**	**2013**
Management employees	**361**	**357**	**357**	**358**
Non - management employees	**52**	**53**	**52**	**54**
	413	**410**	**409**	**412**

38. CORRESPONDING FIGURES

During the year, for better presentation, the following reclassifications have been made:

Description	Head of account in financial statements for the year ended December 31, 2013	Head of account in financial statements for the year ended December 31, 2014	Rupees '000
Balance Sheet			
Worker's welfare fund	Trade and other payables	Taxation	78,200
Statement of Comprehensive Income			
Fuel and power	Distribution and marketing expenses	Administrative Expenses	9,847
Repairs and maintenance	Administrative Expenses	Distribution and marketing expenses	7,575

The effects of other rearrangements and reclassifications are not material.

39. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on March 11, 2015 has proposed a cash dividend of Rs. 8 per share for the year ended December 31, 2014 for approval of the members at the Annual General Meeting to be held on April 23, 2015.

These financial statements do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending December 31, 2015.

40. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 11, 2015 by the Board of Directors of the Company.

Omar Sheikh
Chief Executive Officer

Badaruddin F Vellani
Director

ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

For the year ended December 31, 2014

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	Total No. of Meetings*	No. of Meetings attended
Omar Sheikh	4	4
Farrokh K Captain	4	4
Chong Keng Cheen	3	1
Rahat Hussain	4	4
Imran R Ibrahim	4	4
Nasser N S Jaffer	4	4
Zaffar A Khan	4	3
John King Chong Lo	1	1
Michael Noll	4	3
Haroon Rashid	4	4
Badaruddin F Vellani	4	4
Faisal Waheed	4	4

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

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	Total No. of Meetings*	No. of Meetings attended
Imran R Ibrahim	4	4
Michael Noll	3	1
Badaruddin F Vellani	4	4
Haroon Rashid	1	1

*Held during the period when the concerned Director was a member of the committee.

ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

For the year ended December 31, 2014

Board Remuneration Committee

During the year, one meeting of the Board Remuneration Committee was held and the attendance of each director is given below:

Name of Director	Total No. of Meetings*	No. of Meetings attended
Farrokh K Captain	1	1
Rahat Hussain	1	1
Omar Sheikh	1	1

*Held during the period when the concerned Director was a member of the committee.

PATTERN OF SHAREHOLDING

as at December 31, 2014

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
1,829	1	-	100	77,392
2,085	101	-	500	606,304
1,500	501	-	1,000	1,107,454
1,698	1,001	-	5,000	3,792,946
305	5,001	-	10,000	2,193,422
97	10,001	-	15,000	1,196,163
59	15,001	-	20,000	1,030,056
33	20,001	-	25,000	756,692
15	25,001	-	30,000	419,400
10	30,001	-	35,000	321,084
9	35,001	-	40,000	339,216
12	40,001	-	45,000	504,734
12	45,001	-	50,000	582,928
5	50,001	-	55,000	260,722
7	55,001	-	60,000	403,174
5	60,001	-	65,000	308,262
1	65,001	-	70,000	65,600
2	70,001	-	75,000	141,809
3	75,001	-	80,000	231,734
3	80,001	-	85,000	243,077
2	85,001	-	90,000	175,510
2	90,001	-	95,000	186,542
1	100,001	-	105,000	103,302
1	105,001	-	110,000	105,500
2	120,001	-	125,000	250,000
2	125,001	-	130,000	252,148
1	135,001	-	140,000	136,250
1	155,001	-	160,000	156,250
1	165,001	-	170,000	166,015
1	170,001	-	175,000	170,100
1	175,001	-	180,000	179,600
2	185,001	-	190,000	376,401
1	215,001	-	220,000	218,750
1	315,001	-	320,000	317,500
1	335,001	-	340,000	335,140
2	370,001	-	375,000	749,750
1	535,001	-	540,000	536,883
1	540,001	-	545,000	540,647
1	545,001	-	550,000	548,543
1	730,001	-	735,000	733,866
1	1,055,001	-	1,060,000	1,055,516
1	3,690,001	-	3,695,000	3,692,247
1	81,440,001	-	81,445,000	81,443,702
7,719				**107,012,331**

PATTERN OF SHAREHOLDING

as at December 31, 2014

Shareholders' Category	Number of Shareholders	Number of Share Held	Percentage
Associated companies, undertakings and related parties			
The Shell Petroleum Company Limited, London	1	81,443,702	76.11
NIT AND ICP			
Investment Corporation of Pakistan	1	2,371	0.00
National Bank of Pakistan	1	102	0.00
Mutual Funds (name wise details)			
CDC - Trustee Picic Energy Fund	1	374,750	0.35
CDC - Trustee AKD Index Tracker Fund	1	4,951	0.00
CDC - Trustee Alfalah GHP Islamic Fund	1	8,000	0.01
CDC - Trustee KSE Meezan Index Fund	1	40,622	0.04
CDC - Trustee Meezan Islamic Fund	1	76,500	0.07
CDC - Trustee Nafa Islamic Asset Allocation Fund	1	17,200	0.02
CDC - Trustee Nafa Islamic Principal Protected Fund - I	1	30,500	0.03
CDC - Trustee Nafa Islamic Principal Protected Fund - II	1	23,500	0.02
CDC - Trustee Nafa Multi Asset Fund	1	22,500	0.02
CDC - Trustee Nafa Stock Fund	1	58,600	0.05
CDC - Trustee Nafa Asset Allocation Fund	1	41,000	0.04
CDC - Trustee National Investment (unit) Trust	1	25	0.00
Mc Fsl - Trustee Js Kse-30 Index Fund	1	889	0.00
Tri Star Mutual Fund Ltd.	1	158	0.00
Directors			
Farrokh K Captain	1	734,086	0.69
Imran R Ibrahim	1	70,443	0.07
Nasser N S Jaffer	1	125	0.00
Zaffar A Khan	1	8,056	0.01
Badaruddin F Vellani	1	195	0.00
Director's spouse			
Mrs. Samina Ibrahim w/o Imran R Ibrahim	1	27,912	0.03
Executives	1	2,891	0.00
Public sector companies and corporations	2	4,240,790	3.95
Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	32	1,066,905	1.00
General Public			
a. Local	7,554	16,049,098	15.00
b. Foreign	4	14,608	0.01
Others	103	2,651,852	2.48
	7,719	**107,012,331**	**100.00**

Shareholders holding five percent or more voting rights			
The Shell Petroleum Company Limited, London	1	81,443,702	76.11

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 Forty-Sixth Annual General Meeting of the Company to be held on April 23, 2015 at 10:00 a.m. at the Movenpick Hotel, Karachi and at any adjournment thereof.

Signed this ______________ day of ____________ 2015.

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

WITNESSES:

1. **Signature**
   Name ________________
   Address ________________

   CNIC or
   Passport No. ________________

2. **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.
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.

Shell Pakistan Limited
Shell House
6 Ch. Khaliquzzaman Road
Karachi – 75530
Pakistan

www.shell.com.pk