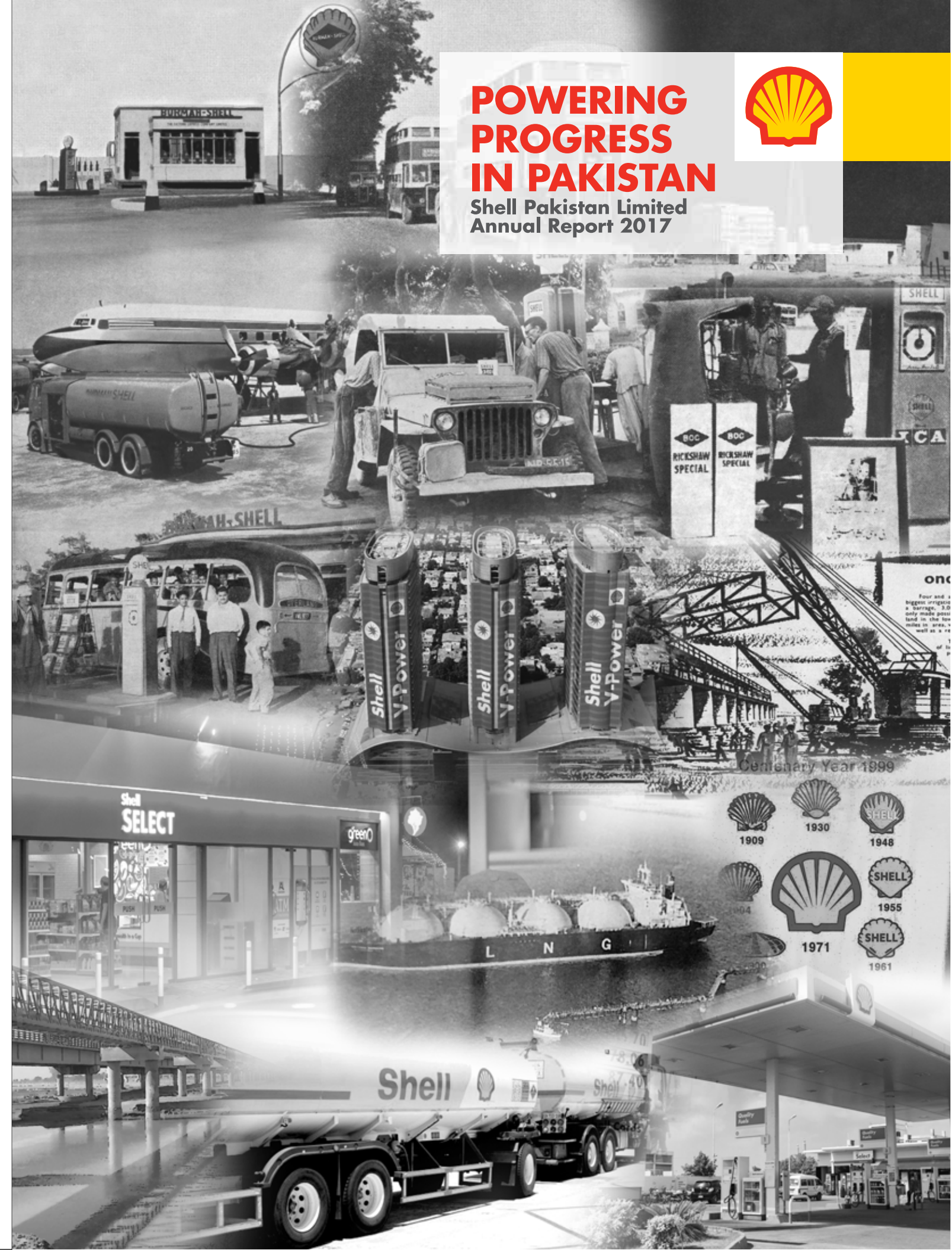


POWERING PROGRESS IN PAKISTAN

Shell Pakistan Limited
Annual Report 2017



Shell Pakistan Limited

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

A LEGACY OF INNOVATION

With its history of working towards progress and innovation, Shell and Pakistan have crossed many milestones that are evidence of the great power they harness from working together. This empowers us to provide solutions to enrich the lives of millions of people by creating a sustainable energy future for Pakistan to thrive.

790+ 
sites across Pakistan to help
 people reach their destinations

Fuelling journeys of 
1,000,000+
customers everyday

15+ 
lubricants for efficient
 and smooth running

10 
depots for hassle-free distribution
 of fuel across the nation

SHELL PAKISTAN

**PART OF JOURNEYS OF
 MILLIONS ACROSS THE NATION**

3,500 
Enterprises established
 through Shell Tameer


30,000+
School children engaged
 on Road Safety awareness


800,000+
youth engaged through Shell
 Tameer Entrepreneurship Programme

5 
Airfields across Pakistan

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GOVERNANCE & COMPLIANCE

DRIVING THE FUTURE

The establishment of Shell's fueling stations in Pakistan in the early 1950's opened portals for a revolutionary future for the nation. Being able to conveniently travel, be it on land, sea or air, made it possible for people to embark on journeys and explore new horizons.

At Shell, we are dedicated towards helping Pakistan deliver its best, and are proud to be the force that drives the nation to reach new heights.



COMPANY INFORMATION

BOARD OF DIRECTORS	Rafi H. Basheer (Chairman) Jawwad A. Cheema Farrokh K. Captain Parvez Ghias Rahat Hussain Nasser N.S. Jaffer Naz Khan Klaas Mantel Haroon Rashid Badaruddin F. Vellani Faisal Waheed
CHIEF EXECUTIVE	Jawwad A. Cheema
AUDIT COMMITTEE	Naz Khan* (Chairperson) Rafi H. Basheer Badaruddin F. Vellani* <small>*effective February 15, 2018 Ms. Naz Khan has been appointed Chairperson in place of Mr. Badaruddin F. Vellani.</small>
HUMAN RESOURCE & REMUNERATION COMMITTEE	Parvez Ghias* (Chairman) Farrokh K. Captain* Jawwad A. Cheema Klaas Mantel <small>*effective February 15, 2018 Mr. Parvez Ghias has been appointed Chairman in place of Mr. Farrokh K. Captain.</small>
COMPANY SECRETARY	Andalib Alavi
REGISTERED OFFICE	Shell House 6, Ch. Khaliqzaman Road Karachi-75530 Pakistan
AUDITORS	EY Ford Rhodes
LEGAL ADVISORS	Vellani & Vellani Advocates & Solicitors
REGISTRAR & SHARE REGISTRATION OFFICE	FAMCO Associates (Pvt) Ltd. 8-F, next to Hotel Faran, Nursery Block-6, P.E.C.H.S. Shahra-e-Faisal Karachi-75400

VISION TO BE THE NUMBER ONE ENERGY COMPANY IN PAKISTAN



STATEMENT OF GENERAL BUSINESS PRINCIPLES

INTRODUCTION

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

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

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

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

OUR VALUES

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

SUSTAINABLE DEVELOPMENT

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

RESPONSIBILITIES

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

A. TO SHAREHOLDERS

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

B. TO CUSTOMERS

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

C. TO EMPLOYEES

To respect the human rights of our employees and to provide them with good and safe working conditions and competitive terms and conditions of employment. To promote the development and best use of the talents of our employees, to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents.

To encourage the involvement of employees in the planning and direction of their work and to provide them with channels to report concerns. We recognise that commercial success depends on the full commitment of all employees.

D. TO THOSE WITH WHOM WE DO BUSINESS

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

E. TO SOCIETY

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

PRINCIPLE 1: ECONOMIC

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

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

PRINCIPLE 2: COMPETITION

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

PRINCIPLE 3: BUSINESS INTEGRITY

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

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

**PRINCIPLE 4:
POLITICAL ACTIVITIES**

A. OF COMPANIES

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

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

B. OF EMPLOYEES

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

**PRINCIPLE 5:
HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT**

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

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

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

**PRINCIPLE 6:
LOCAL COMMUNITIES**

Shell companies aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general 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 companies take a constructive interest in societal matters directly or indirectly related to our business.

**PRINCIPLE 7:
COMMUNICATION AND ENGAGEMENT**

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

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

**PRINCIPLE 8:
COMPLIANCE**

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

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED DECEMBER 31, 2017



Dear Shareholders,

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the year ended December 31, 2017. Through continued focus on its strategic priorities and operational excellence, the Company continued to achieve a strong result for this past year, with a profit after tax of Rs. 3,183 million for the year.

Your Company continues with its focus on ensuring safe operations across the supply chain. Unfortunately, an incident happened this year in Ahmedpur involving a vehicle contracted by one of the Company's hauliers. This incident remains in our thoughts and we have since then increased our efforts to improve the safety standards of fuel transport, in close conjunction with the Oil Companies Advisory Council and the relevant regulatory authorities in the country. Our efforts have been recognised positively by the Oil and Gas Regulatory Authority (OGRA), with whom we continue to work closely towards driving safer and more compliant operations in the industry.

The short-term impact of these additional measures to improve our transport safety has resulted in a period of curtailed logistics capability as we sought to embed greater rigour in our minimum transport standards. The second half of 2017 has seen a significant impact of this rebalancing of our logistics capabilities with some loss of market share through a decline in total fuel volumes sold in the second half of the year.

However, while we retool our logistics infrastructure to ensure Shell Pakistan continues to lead the industry in transport safety standards, we have a robust plan in place to ensure the lost volumes are recovered within 2018, and that your Company is well placed to capture the expected continued growth in the Pakistani fuels market. We are also working closely with OGRA to ensure an overhaul of the overall safety standards in the industry, and continue to look to the regulator to ensure a level playing field in terms of compliance to transport safety standards, for the benefit of all Pakistani consumers.

Lubricants

During 2017, lubricants continued to be a strong pillar of Shell Pakistan's overall business performance, where the business continued to consolidate and leverage its market leadership position, and delivered strong volume growth across all focus segments. Your Company also continued to invest in providing the best oil change experience at our fuel stations, with over 80 state-of-the-art Shell Helix Express oil change facilities in operation nationwide, providing customers with fast, reliable and convenient oil change experience.

Retail

Your Company continued to enhance its Retail business by providing customers with the best retail forecourt experience in Pakistan. Our most advanced motor fuel, Shell V-Power, which is also a leading fuel brand for Shell globally, is now available in over 100 fuel stations nationwide and plans are to increase its availability at more stations in 2018. Additionally, through expanding our non-fuels retail propositions, we continue to strive to make our fuel stations the most preferred location for our consumers. As part of this initiative, we introduced a number of new alliance partners at multiple retail sites across the country providing our customers with a superior experience, while also continuing with a focused network expansion opening 15 new retail sites in strategic locations across Pakistan.

Social Investment

In your Company, we continue to drive towards creating and sustaining a culture that drives our commitment to business principles, safety of people and protecting the environment. Your Company continued a strict focus on managing costs while investing in initiatives that will drive value for the Company in the future, whilst continuing to keep our customers at the heart of everything we do. As part of our ongoing commitment to the community, we continued to invest in the future entrepreneurs and innovators of Pakistan. Through the Shell Eco Marathon, nine teams from seven universities took part in a global innovation competition. Additionally, the Shell Tameer programme continued to recognise Pakistani talent through a variety of programmes, including the Shell Tameer awards.

Receivables & financing costs

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan. As at 31st December 2017, total outstanding receivables stand at Rs. 5,494 million. The Company's management continues its efforts of proactive and regular engagement with relevant Government authorities for the recovery of receivables to ensure we enhance shareholder returns, drive for efficient business, and ensure our ability to continue to invest in growth opportunities in Pakistan.

The last quarter of 2017 saw a sharp decline in the Pak Rupee, as the currency saw a 5% fall in the space of less than a month. In an import dependent industry, where a large percentage of our payables are denominated in foreign currency, this resulted in a significant negative impact on our financial performance.

Fuel specifications and margins

The Government of Pakistan made it possible for the Oil Marketing Companies to improve Main Grade Motor Gasoline specifications earlier this year and increasing import specifications of diesel to Euro II, as well as allowing imports of higher grade diesel. These are all positive steps towards providing Pakistani customers with better quality fuels.

Main Grade Motor Gasoline margins are fixed in Rupee per liter by the government. In line with the initiative to revise margins based on Consumer Price Index, the government announced a small increase in October 2017; however, comparing the margins in Pakistan with the available margins in the Asia Pacific / Middle East region, we continue to advocate for a further favourable revision to bring them in line with increasing costs of investing and operating in Pakistan.

In October 2017, the Government of Pakistan also announced the intention to de-regulate diesel margins. This is a much-awaited initiative as it will allow OMC's to offer quality services to its customers and further invest in the downstream sector. We are working with the regulator and industry bodies on a comprehensive strategy to operationalise this decision in a manner that is transparent and provides the right value for consumers, and for your Company.

Going forward

The management remains committed to maintaining sharp focus on sustained financial performance of your Company, with a baseline of driving towards attaining Goal Zero in its safety performance. Driven by renewed determination to lead the industry towards safer operating standards, as the Company continues to work with relevant stakeholders, offering the right products and services to our customers to ensure strong financial performance. The Company does recognise challenges ahead, not least arising from continued delays in receivables from the Government as well as changing market, regulatory and competitive dynamics.

Your Company is focused on driving towards credible, competitive and affordable business plans that deliver top quartile business performance, delivering better returns for our investors, positively impacting the communities we operate in and playing a key role in developing Pakistan's energy future. We thank our shareholders, customers, staff and all other stakeholders for their dedication and sustained support and trust in the Company as we continue our journey in becoming the number one energy company in Pakistan.

Rafi H. Basheer
Chairman of the Board

چیسر مین کا تجزیہ

برائے اختتام سال 31 دسمبر 2017

معزز شیئر ہولڈرز،

شیل پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر 2017 کو اختتام پذیر ہونے والے سال کے لیے کمپنی کے نتائج کا اعلان کرنا چاہوں گا۔ ہماری اسٹریٹیجک ترجیحات پر توجہ مرکوز رکھتے ہوئے اور عملی فضیلت کو آگے بڑھاتے ہوئے آپ کی کمپنی نے سال کے لیے 3,183 ملین روپے کے بعد از ٹیکس منافع کے ساتھ اس گذشتہ برس بھی مضبوط نتائج حاصل کیے ہیں۔

آپ کی کمپنی اپنی رسد زنجیر (Supply Chain) میں محفوظ آپریشنز کو یقین بنانے کے لیے اپنی توجہ مرکوز کیے ہوئے ہے۔ بد قسمتی سے، اس برس احمد پور میں کمپنی کے نقل و حمل کے ایک ادارے کی زیر استعمال گاڑی کے ساتھ حادثہ پیش آیا۔ یہ حادثہ ہماری سوچوں پر حاوی رہتا ہے اور ہم نے تب سے ملک میں آنکھ کمپنیز کی مشاورتی کمیٹی نیز دیگر ضوابطی اداروں کے ساتھ قریبی مشاورت رکھتے ہوئے ایندھن کی نقل و حمل میں سیفٹی کے معیارات کو بہتر بنانے کی اپنی کوششوں میں اضافہ کیا ہے۔ آنکھ اور گیس کے ضوابطی ادارے (اؤگرا) کی جانب سے ہماری کوششوں کو سراہا گیا ہے۔ صنعت میں محفوظ اور زیادہ مطابقت رکھنے والے آپریشنز کے لیے ہم اوگرا کے ساتھ مل کر اپنا کام جاری رکھے ہوئے ہیں۔

ہماری نقل و حمل کی سیفٹی کو بہتر بنانے کے لیے ان اضافی اقدامات کے قلیل مدتی اثر کے نتیجے میں کچھ مدت تک لاجسٹکس (نقل و حمل کے انتظام) کی صلاحیت کم رہی کیونکہ ہم نقل و حمل کے اپنے کم از کم معیارات کا سختی سے اطلاق کرنا چاہتے تھے۔ ہماری لاجسٹک کی صلاحیتوں کی اس نو توازن کاری (Rebalancing) سے 2017 کے دوسرے نصف سال پر نمایاں اثر پڑا اور سال کے دوسرے نصف میں ایندھن کی مجموعی مقدار کی فروخت میں کمی کی وجہ سے مارکیٹ میں ہمارے حصے میں کمی آئی۔

تاہم، شیل پاکستان کی جانب سے نقل و حمل کی سیفٹی کے معیارات کے حوالے سے صنعت میں اپنی قیادت جاری رکھنے کو یقینی بنانے کے لیے ہمارے لاجسٹکس انفراسٹرکچر کو نئے آلات سے لیس کرتے ہوئے ہمارے پاس ایک مستحکم منصوبہ بھی موجود ہے جو 2018 میں (فروخت) کے حجم کی بحالی کو یقینی بنائے گا، اور آپ کی کمپنی پاکستان کی ایندھن مارکیٹ میں اپنی متوقع مسلسل نمو کو حاصل کرنے کے لیے پوری طرح تیار ہے۔ صنعت میں سیفٹی کے مجموعی معیارات کی جانچ پڑتال کو یقینی بنانے کے لیے ہم اوگرا کے ساتھ اشتراک کر رہے ہیں، اور ضابطہ کار سے رابطے میں رہتے ہیں تاکہ تمام پاکستانی صارفین کے مفاد میں نقل و حمل کی سیفٹی کے معیارات کے لحاظ سے سب کے لیے مساوی مواقع کو یقینی بنایا جائے۔

لبریکیشن

2017 کے دوران بھی شیل پاکستان کے کاروبار کی مجموعی کارکردگی میں لبریکیشن ایک مضبوط ستون بنا رہا، جبکہ کاروبار نے مارکیٹ میں اپنی سرکردہ حیثیت کو استحکام دینے اور اس سے استفادہ کرنے نیز تمام مرکز حصوں (Segments) میں مضبوط نمونہ پیش کی۔ آپ کی کمپنی ملک بھر میں اپنے آپریشنز میں 80 سے زائد جدید نوعیت کی آنکھ تبدیلی کی شیل ہیکلس ایکسپریس سہولیات کے ساتھ، صارفین کو آنکھ تبدیل کرنے کی تیز، بھرپور اور آسان سہولتیں فراہم کرتے ہوئے اپنے ایندھن اسٹیشنوں پر آنکھ کی تبدیلی کا بہترین تجربہ دینے کے لیے بھی سرمایہ کاری کرتی رہی۔

ریشیل

آپ کی کمپنی پاکستان میں صارفین کو بہترین ریشیل فورکورت کا تجربہ فراہم کرتے ہوئے اپنے ریشیل کاروبار کو آگے بڑھاتی رہی۔ ہمارے سب سے زیادہ جدید موٹر فیول، وی پاور، جو عالمی طور پر بھی شیل کا نمایاں برانڈ ہے، اب ملک بھر میں 100 سے زائد فیول اسٹیشنوں پر دستیاب ہے، نیز ہمارا ارادہ ہے کہ 2018 میں اس کی دستیابی مزید فیول اسٹیشنوں تک بڑھائی جائے۔ مزید برآں، اپنی غیر فیول ریشیل پیش کشوں میں اضافہ کر کے ہم اپنے فیول اسٹیشنوں کو صارفین کے لیے ترجیحی مقام بنانے کے حوالے سے کوشاں ہیں۔ اس اقدام کے طور پر، ہم نے ملک بھر میں اپنی بہت سے ریشیل سٹائنس پر نئے مشترکہ پارٹنرز متعارف کروائے ہیں جو صارفین کو بہترین تجربہ فراہم کر رہے ہیں، اسی دوران پاکستان بھر میں اسٹریٹیجک علاقوں میں 15 نئی ریشیل سٹائنس کے قیام کے ساتھ ہم اپنے نیٹ ورک کی توسیع پر بھی توجہ مرکوز کر رہے ہیں۔

سماجی سرمایہ کاری

آپ کی کمپنی میں، ہم اس روایت کو قائم کرتے اور برقرار رکھتے ہیں جو ہمارے کاروباری اصولوں، لوگوں کی سیفٹی اور ماحول کے تحفظ کے ہمارے عہد کی پاسداری کی طرف لے جائے۔ آپ کی کمپنی اپنے لیے دور رس نتائج کے حامل اقدامات پر سرمایہ کاری کرتے ہوئے انتظامی اخراجات پر سختی سے توجہ جاری رکھی، جبکہ ہم جو کچھ بھی کرتے ہیں اس کا مرکزی نقطہ ہمارے صارفین ہی رہے ہیں۔ کمپنی سے ہمارے مستقل عہد کا حصہ ہونے کے طور پر، ہم نے مستقبل کے مہم جو کاروباری (Entrepreneurs) اور اختراعات لانے والے افراد پر سرمایہ کاری جاری رکھی۔ شیل کی ایکویٹی ہونے کے ذریعے 7 جامعات سے 9 ٹیوں نے ایک عالمی اختراعی مقابلے میں حصہ لیا۔ اس کے علاوہ شیل تعمیر پروگرام میں، شیل تعمیر ایوارڈ سمیت مختلف پروگراموں کے ذریعے پاکستانی باہنر افراد کو سامنے لایا گیا۔

واجبات اور سرمایہ کاری کے اخراجات

آپ کی کمپنی کی مالیت حکومت پاکستان کی جانب سے واجب الادا وصولیوں کے نتیجے میں پیدا ہونے والے بھاری بوجھ سے متاثر رہی ہے۔ 31 دسمبر 2017 تک مجموعی واجب الوصول واجبات 5,494 ملین روپے ہیں۔ واجبات کی بازیابی کے لیے کمپنی کی انتظامیہ کی جانب سے متعلقہ حکام سے فعال اور مستقل رابطہ جاری رکھے ہوئے ہے، تاکہ ہم شیئر ہولڈرز کے گوشوارے بہتر بنانے، موثر انداز میں کاروبار چلانے اور پاکستان میں ترقی کے مواقع کے لیے سرمایہ کاری جاری رکھنے کو یقینی بناسکیں۔

2017 کی آخری سہ ماہی میں پاکستانی روپے کی قدر میں تیزی سے کمی آئی اور کرنسی میں ایک مہینے سے کم مدت تک 5 فیصد کمی رہی۔ درآمدات پر انحصار کرنے والے ملک میں، ہماری ادائیگیوں کا غالب حصہ غیر ملکی کرنسی پر مشتمل ہے جس کے نتیجے میں ہماری مالی کارکردگی پر خاص منفی اثر پڑا۔

فیول کی تخصیصات اور مارجنز

اس سال کے اوائل میں حکومت پاکستان نے ہائی گریڈ ڈیزل کی درآمدات کی اجازت دینے کے ساتھ ساتھ آنکھ مارکیٹنگ کمپنیوں کے لیے ان کے مین گریڈ موٹر گیسولین کی تخصیصات کو بہتر بنانا اور ڈیزل تا پوروا II کی درآمداتی تخصیصات بڑھانا ممکن بنایا۔ پاکستانی صارفین کو بہتر معیار کے فیول فراہم کرنے کی جانب یہ سب مثبت اقدامات ہیں۔

مین گریڈ موٹر گیسولین کے مارجن فی لٹر روپے حکومت کی جانب سے معین ہیں۔ صارف اشاریہ قیمت کی بنیاد پر مارجنز پر نظر ثانی کے اقدام کے مطابق اکتوبر 2017 میں حکومت نے معمولی اضافے کا اعلان کیا، تاہم، پاکستان میں دستیاب مارجنز اور ایشیا پیسیفک / مشرق وسطیٰ کے خطے کے مارجنز کا موازنہ کرتے ہوئے، ہم نے پاکستان میں سرمایہ کاری اور آپریٹنگ کی بڑھتی ہوئی لاگت سے ہم آہنگ مزید اضافے کی کوشش جاری رکھی ہوئی ہے۔

اکتوبر 2017 میں حکومت پاکستان نے ڈیزل کے مارجنز کو ڈی ریگولیت کرنے کے عزم کا اعلان کیا۔ اس اقدام کا ایک عرصے سے انتظار تھا کیونکہ اس سے آنکھ مارکیٹنگ کمپنیز کو اپنے صارفین کو معیاری خدمات فراہم کرنے اور ڈاؤن اسٹریم (Downstream) کے شعبے میں مزید سرمایہ کاری کرنے کا موقع ملے گا۔ ہم اس فیصلے پر عمل درآمد کے لیے ضابطہ کار اور صنعت کے اہم اداروں کے اشتراک سے جامع حکمت عملی پر کام کر رہے ہیں جو شفاف ہو اور آپ کے صارفین اور آپ کی کمپنی کو درست اہمیت دیتی ہو۔

مستقبل کے امکانات

انتظامیہ سیفٹی کی کارکردگی میں گول زیرو (Goal Zero) کے حصول کی بنیادی سطح کے ساتھ آپ کی کمپنی کی مستحکم مالی کارکردگی پر توجہ برقرار رکھنے کے لیے پرعزم رہتی ہے۔ محفوظ حفاظتی معیارات کی جانب صنعت کی قیادت کے ہمارے عزم کی تجدید نو پر عمل درآمد کرتے ہوئے کمپنی متعلقہ فریقوں کے ساتھ مل کر کام جاری رکھے ہوئے ہے اور مضبوط مالی کارکردگی کو یقینی بنانے کے لیے ہمارے صارفین کو درست مصنوعات اور خدمات پیش کر رہی ہے۔ حکومت کی جانب سے واجبات کی ادائیگی میں جاری تاخیر سے پیدا ہونے والی دشواریوں ہی کو نہیں بلکہ ان کے ساتھ ساتھ بدلتی ہوئی مارکیٹ، ضوابطی و مسابقتی حرکیات کے حوالے سے بھی کمپنی مستقبل کے چیلنجز کو پہچانتی ہے۔

آپ کی کمپنی ان مستند، مسابقتی، اور قابل اطلاق کاروباری منصوبوں کی جانب توجہ مرکوز کیے ہوئے ہے، جو بہترین سہ ماہی کاروباری کارکردگی پیش کریں، ہمارے سرمایہ کاروں کو بہتر منافع دیتے ہوئے کمپنی، جس میں ہم کام کرتے ہیں، پر مثبت اثر ڈالیں اور پاکستان میں توانائی کے مستقبل کی تشکیل میں بنیادی کردار ادا کریں۔ کمپنی کے لیے لگن، مستقل معاونت اور اعتماد کے لیے ہم اپنے حصے داروں، صارفین، عملے اور دیگر فریقوں کے شکرگزار ہیں۔ ہم پاکستان میں توانائی کی صف اول کی کمپنی بننے کے لیے اپنا سفر جاری رکھے ہوئے ہیں۔

رفیع بشیر

چیسر مین آف بورڈ

BOARD OF DIRECTORS



RAFI H. BASHEER

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

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



JAWWAD A. CHEEMA

Jawwad Cheema is the Chief Executive of Shell Pakistan Limited. Jawwad is also the Vice President for Royal Dutch Shell Business Operations globally including custodian of Shell Group's strategy for seven off-shored business operations. He joined Shell in 1997 in Pakistan and worked in the Retail Business for almost eight years in various specialisations before moving to global roles outside Pakistan.

Jawwad has held several senior leadership roles within the Shell Group including Consultancy Manager in Downstream Strategy, Customer Experience Manager and Retail General Manager in Indonesia managing Retail's entry into this new market.

He is a Director of Pakistan Refinery Limited and Pak Arab Pipeline Company Limited. Jawwad holds a post-graduate degree in Political Science and an MBA from the UK.



FARROKH K. CAPTAIN

Farrokh 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 led a major US-Pakistan joint venture chemical manufacturing business in Pakistan, Captain-PQ Chemical Industries Limited. He is also a Director of Pakistan Refinery Ltd.

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

PARVEZ GHIAS

Parvez Ghias is the Chief Executive Officer of Habib University Foundation since January 2017 and Vice Chairman - Automotive, House of Habib. Prior to this he was the CEO of Indus Motor Company Limited for 11 years. His initiatives in the social development areas have been well recognised at both, domestic and international UN level.

Prior to assuming the CEO position at Indus Motor Company Limited, he held the Vice President, CFO and Director's position at Engro Chemical Pakistan Limited (formerly an Exxon Mobil Corporation affiliate) where his career spanned 25 years with various positions held; Controller/Treasurer, IT and HR assignments in Pakistan, Hong Kong and Canada.

Parvez serves as a non-executive director at Indus Motor Company Limited and as an independent director on the Boards of Standard Chartered Bank (Pakistan) Limited and Dawood Hercules Corporation. He held twice the Member position of the Task Force commissioned by the Securities and Exchange Commission of Pakistan to revamp the Code of Corporate Governance in 2012 and 2016.

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



RAHAT HUSSAIN

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

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

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



NASSER N.S. JAFFER

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

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

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



**NAZ KHAN**

Naz Khan has worked as the Chief Financial Officer of Engro Corporation Ltd. During this period Engro Corp implemented a successful turn-around through several transactions including restructurings, listings and new projects, which resulted in a tripling of the market cap of the company. Prior to her last role at Engro Corporation she was the CFO of Engro Fertilizers.

Previously, Naz has been involved with the financial markets for over 18 years on the asset management, investment banking and brokering sides. She was CEO of KASB Funds from 2005 to August 2010 and earlier has been actively involved in primary as well as secondary markets for both debt and equity securities.

Naz has also served on the Boards of Mutual Fund Association of Pakistan (MUFAP), Young Presidents' Organization (YPO) and several of the Engro company boards, including public listed companies, as well as the recent project companies of Thar and LNG.

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

**KLAAS MANTEL**

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

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

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

HAROON RASHID

Haroon Rashid is the General Manager Lubricants for Shell Pakistan Limited. 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 the Retail business in Pakistan.

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 the fuels Supply Chain General Manager for Shell Pakistan from 2011-2016.

**BADARUDDIN F. VELLANI**

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

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

**FAISAL WAHEED**

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

Mr. Waheed joined Shell in 2013 with an external experience of over 15 years. During this period, he worked in various finance roles with Unilever in Pakistan and UK and later with Engro Corporation where he last served as Chief Financial Officer of one of its subsidiaries. He also serves on the boards of Pakistan Refinery Limited, Pak Arab Pipeline Company Limited and Shell Oman Marketing Limited.



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, 2017.

The profit for the year ended December 31, 2017 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

Profit before taxation	Rupees in Million
Taxation	4,323
Profit for the year	(1,140)
	3,183
	Rupees
Earnings per share – basic and diluted	29.74

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 58 of the Annual Report.

At its meeting held on March 8, 2018, the Board of Directors of the Company has proposed a final cash dividend for the year ended December 31, 2017 of Rs. 17 per share (170%). The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on April 24, 2018. The dividend amounting to Rs. 1,819,210 thousand has not been recognised as a liability in these financial statements.

The Directors confirm that:

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 2.3.1 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, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant 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 summarised form is disclosed on page 52. The significant deviations in operating results of the Company from last year have been discussed in the Chairman's Review on page 12.
9. A reasonable indication of future prospects is discussed in the Chairman's Review on page 12.
10. A statement as to the value of investments of provident, gratuity and pension funds on the basis of un-audited financial statements for the year ended December 31, 2017 is included in note 30.4 to the financial statements.
11. The number of Board and Committees' meetings held during the year and attendance by each Director is disclosed on page 100.
12. Mr. Rafi H. Basheer, Mr. Parvez Ghias, Mr. Nasser N.S. Jaffer, Ms. Naz Khan, Mr. Badaruddin F. Vellani, Mr. Haroon Rashid and Mr. Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG), while Mr. Farrokh Captain is exempted. The Company shall comply with the requirements of the Code of Corporate Governance 2017 to ensure that the directors are duly certified.
13. The pattern of shareholding and additional information regarding pattern of shareholding is disclosed on page 101. 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 contents of note 13.1, 13.2, 13.3 and 13.4 to the financial statements in respect of receivable against petroleum development levy and price differential claims due from the Government of Pakistan.

The details of the above are further explained in the relevant notes to the financial statements.
15. The Board has recommended M/S EY Ford Rhodes to be retained as external auditors of the Company for the year ending December 31, 2018.
16. Details of trades in shares of the company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on page 103.
17. Details of the Corporate Social Responsibility and other activities undertaken by the Company during the financial year are disclosed on pages 44 to 47.

On behalf of the Board of Directors

Rafi H. Basheer
Chairman

Karachi: March 8, 2018

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والے سال کی اپنی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

انتظامی امور، مارکیٹنگ اور تقسیم کاری کے اخراجات، مالیاتی اور دیگر واجبات کی ادائیگی کے بعد 31 دسمبر 2017 کو ختم ہونے والے سال کا منافع:

منافع قبل از ٹیکس	(روپے، ملین میں)
ٹیکس	4,323
منافع بعد از ٹیکس	(1,140)
	3,183
	روپے
آمدنی فی حصہ دار - بنیادی اور سیال (Diluted)	29.74

سالانہ رپورٹ کے صفحہ نمبر 58 پر معدلت (Equity) میں تبدیلیوں کے بیان کی ذیل میں ذخائر کی کارروائی (Movement) اور تصرفات ظاہر کیے گئے ہیں۔

8 مارچ 2018 کو منعقد ہونے والی اپنی مجلس مشاورت (Meeting) میں کمپنی کے بورڈ آف ڈائریکٹرز نے 31 دسمبر 2017 کو اختتام پذیر ہونے والے سال کے لیے 17 روپے فی حصہ (170 فیصد) کے منافع منقسمہ (Dividend) کی تجویز دی ہے۔ 24 اپریل 2018 کو منعقد ہونے والے سالانہ عام اجلاس میں اراکین سے اس منافع منقسمہ کے لیے منظوری حاصل کی جائے گی۔ ان مالیاتی گوشواروں میں منافع منقسمہ کی رقم 1,819,210 ہزار روپے کو بطور واجبات شامل نہیں کیا گیا ہے۔

ڈائریکٹرز تصدیق کرتے ہیں کہ:

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کیے گئے مالی گوشوارے واضح طور پر اس کے معاملات، اس کے امور کے نتائج، رقوم کا بہاؤ اور معدلت (equity) میں تبدیلیوں کو واضح طور پر پیش کرتے ہیں۔
- 2- کمپنی کے تمام مالیاتی کھاتے برقرار رکھے گئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں مناسب حسابی طریقہ کار کا ہمیشہ اطلاق کیا گیا ہے ماسوا مالیاتی دستاویزات کے نوٹ 2.3.1 میں بیان کی گئی ان تبدیلیوں کے جو مالیاتی رپورٹنگ کے معیارات کے ابتدائی اطلاق اور پہلے سے موجود معیارات میں کی گئی ترامیم اور تشریحات کے نتیجے میں عمل میں آئیں۔ حسابی تخمینے مناسب اور محتاط فیصلوں کی بنیاد پر کیے گئے ہیں۔
- 4- بین الاقوامی مالیاتی رپورٹنگ کے معیار (International Financial Reporting Standards)، جیسا کہ ان کا پاکستان میں اطلاق ہے، ان مالیاتی دستاویزات کی تیاری میں ان پر عمل کیا گیا ہے اور اگر کچھ ترک بھی کیے گئے ہیں تو ان کو ظاہر کیا گیا ہے۔
- 5- اندرونی کنٹرول کا نظام (System of Internal Control) اپنے طور پر بہتر ہے اور اس پر مستعدی سے عمل درآمد کروایا گیا اور اس کی نگرانی کی گئی ہے۔
- 6- بلاشبہ کمپنی ایک منافع بخش کاروبار کی حیثیت سے جاری رہنے کی صلاحیت رکھتی ہے۔
- 7- کارپوریٹ گورننس (Corporate Governance) کے ضابطوں پر مکمل عمل کیا گیا ہے، جو اس کے ضابطوں کی فہرست میں تفصیل سے درج ہیں۔
- 8- گزشتہ سات سال کے اہم امور (Operations) اور مالیاتی ڈیٹا کا خلاصہ صفحہ نمبر 52 پر ظاہر کیا گیا ہے۔ پچھلے سال کمپنی کے امور کے نتائج میں کیے گئے اہم انحراف پر بحث چیئرمین کا تجزیہ، صفحہ نمبر 12 پر موجود ہے۔

9- مستقبل کے امکانات کی مناسب نشاندہی (Reasonable Indication) پر چیئرمین کا تجزیہ، صفحہ نمبر 12 پر تبادلہ خیال کیا گیا ہے۔

10- 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے بغیر آڈٹ شدہ مالی گوشواروں کی بنیاد پر پراویڈنٹ (Provident)، گریجویٹی (Gratuity) اور پنشن (Pension) فنڈز کی رقم پر سرمایہ کاری کا بیان مالیاتی دستاویزات کے نوٹ 30.4 میں شامل کیا گیا ہے۔

11- سال بھر کے دوران منعقد ہونے والے بورڈ اور کمیٹیوں کے اجلاس اور ان میں ہر ڈائریکٹر کی شرکت کی تعداد صفحہ 100 پر ظاہر کی گئی ہے۔

12- جناب رفیع بشیر، جناب پرویز غیاث، جناب ناصر جعفر، محترمہ ناز خان، جناب بدرالدین ایف ویلانی، جناب ہارون رشید اور جناب فیصل وحید پہلے ہی پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) سے ڈائریکٹرز ٹریننگ سرٹیفیکیشن حاصل کر چکے ہیں جبکہ جناب فرخ کینٹن اس سے مستثنیٰ ہیں۔ کمپنی ڈائریکٹرز کی سرٹیفیکیشن کو یقینی بنانے کے لیے کوڈ آف کارپوریٹ گورننس کے تقاضوں کی پابندی کرے گی۔

13- حصص یافتگی (Shareholding) کے طریقہ کار (Pattern) اور حصص یافتگی کے طریقہ کار سے متعلق اضافی معلومات صفحہ 101 پر ظاہر کی گئی ہیں۔ یہ کمپنی شیل پیٹرولیم کمپنی لمیٹڈ، لندن (Immediate Holding Company) کا ذیلی ادارہ ہے جو کہ رائل ڈچ شیل (Ultimate Holding Company) کا ایک ذیلی ادارہ ہے جو برطانیہ میں قائم کی گئی تھی۔

14- محاسبین (Auditors) پیٹرولیم کی ترقی پر عائد شدہ اخراجات کے واجبات اور حکومت پاکستان کی جانب سے عائد قیمتوں کی فرق کے دعوں کے لحاظ سے مالی گوشواروں کے نوٹ 13.1، 13.2، 13.3 اور 13.4 کے متون کی طرف توجہ دلائی۔

مذکورہ بالا متون کی مزید تفصیلات کی وضاحت مالی گوشواروں کے متعلقہ نوٹ میں موجود ہے۔

15- بورڈ نے دسمبر 2018 کو اختتام پذیر ہونے والے مالی سال کے لیے میسرز ای وائے فورڈ روڈز (M/S EY Ford Rhodes) کو بطور بیرونی محاسب (External Auditor) برقرار رکھنے کی سفارش کی ہے۔

16- ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکریٹری، انٹرنل آڈٹ کے سربراہ، دیگر ملازمین اور ان کے زوجین، اور نابالغ بچوں کی کمپنی کے حصص (Shares) میں تجارت کی تفصیل صفحہ 103 پر درج کی گئی ہے۔

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

بورڈ آف ڈائریکٹرز کی جانب سے

رفیع بشیر

چیئرمین

کراچی: 8 مارچ 2018

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty-Ninth Annual General Meeting of Shell Pakistan Limited will be held on Tuesday, April 24, 2018 at 10:30 a.m. at Movenpick Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, adopt and approve the Report of Directors and Auditors together with the Audited Accounts for the year ended December 31, 2017.
2. To approve the payment of final dividend of Rs.17 per share (170%) for the year ended December 31, 2017.
3. To appoint Auditors for the financial year January 1 to December 31, 2018 and to fix their remuneration.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED that the Company may make Emergency and any other loans/advances to any of its Executive Directors, where such loans are available to be availed by other employees as well, on terms and conditions identical to what is available to such other employees”.

5. To consider and if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED that the existing Articles of Association of the Company be and are hereby amended to bring them in conformity with the Companies Act 2017 and for that purpose, the revised Articles of Association of the Company, as initialed by the Chairman for the purpose of identification, be and are hereby adopted as Articles of Association of the Company, in substitution of and to the exclusion of the existing Articles of Association”.

By Order of the Board

Andalib Alavi
Secretary

Karachi: March 8, 2018

Shell House
6, Ch. Khaliqzaman Road
Karachi-75530

NOTES:

- (i) The register of members will remain closed from April 10, 2018 to April 24, 2018 (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., Shakra-e-Faisal, Karachi-75400 by the close of business on April 09, 2018 will be in time for the purpose of attending the meeting and 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. However, as the meeting is on Tuesday April 24, 2018, and in view of the provisions of S.137(6) of the Companies Act, 2017, the proxies, in order to be accepted and effective, must be filed no later than 10:30 am on Friday, April 20, 2018. A proxy need not be a member of the Company.
- (iii) Members holding physical shares are requested to notify any change in their addresses immediately to our Share Registrars, FAMCO Associates (Pvt) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi-75400.
- (iv) Members or their proxies are required to present their original CNIC or Passport along with the Participant's I.D. and Account Number(s) at the time of attending the Annual General Meeting in order to authenticate their identity.
- (v) A form of Proxy is enclosed with the Notice of Meeting being sent to the members.
- (vi) Members 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, Member's Register and other Statutory Returns. Members are therefore requested to submit a copy of their CNIC (if not already provided) to our Share Registrars at the earliest. In case of non-receipt of the copies of valid CNICs of the Members, the Company may be constrained, under section 243(3) of the Companies Act 2017, to withhold dispatch of the Dividend to such Members.
- (vii) Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001:
 - a) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rate of deduction of income tax from dividend payments has been revised as follows:
 1. Rate of tax deduction for filers of income tax return 15%
 2. Rate of tax deduction for non-filers of income tax return 20%

Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.
 - (b) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrars by the first day of Book Closure.
 - (c) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-holder(s) based on their shareholding proportions.

In this regard, all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them (if not already provided) to our Share Registrars, in writing as follows:

COMPANY NAME	FOLIO/ CDS ACCOUNT #	TOTAL SHARES	PRINCIPAL SHAREHOLDER		JOINT SHAREHOLDER	
			NAME AND CNIC #	SHAREHOLDING PROPORTION (NO. OF SHARES)	NAME AND CNIC #	SHAREHOLDING PROPORTION (NO. OF SHARES)

The required information must reach our Share Registrars within 10 days of this notice; otherwise it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

- (d) 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., Shakra-e-Faisal, Karachi-75400.
- (e) The 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 FAMCO Associates (Pvt) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.
- (viii) In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 114 5(I)/2017 dated November 6, 2017, every Member has to provide information relating to the designated bank account where the dividend is required to be deposited, including name and address of the bank/branch and the IBAN number. Such bank account shall be of the title holder of the shares or account title in the CDC. Dividends can consequently only be paid by the Company by depositing the same in such bank account through electronic mode. In case this information is not provided by April 9, 2018 the Company shall have to withhold the dividend. Members who hold physical share certificates shall submit the required information (in the form available from the Company's website to our Share Registrars and Members who hold shares in the CDC may submit the same to their participant/Investor Account Services of the CDC in both cases, by April 9, 2018.
- (ix) Members holding in aggregate 10% or more shareholding residing at a geographical location other than Karachi, may participate in the meeting through video conference by submitting their application to the Company Secretary at least seven days prior to the date of the meeting. The Company will arrange video conference facility in the requested city subject to availability of such facility in that city. The Company will intimate members regarding venue of the video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access such facility.
- (x) Members who have provided email addresses in the required consent form will receive the Annual Report by email. Members who would like to receive the Annual Report by email should provide their email addresses to the Company. A consent form for this purpose may be downloaded from the Company's website.
- (xi) Members can also exercise their right of E-Voting subject to the requirements of S.143-145 of the Companies Act 2017 and the applicable clauses of the Companies (Postal Ballot) Regulations 2018.

STATEMENT UNDER SECTION 134 (3) AND 140 OF THE COMPANIES ACT 2017

Ordinary Resolution

The Ordinary Resolutions related to:

- (1) Adoption and approval of the Accounts for the year 2017 as well as the Auditors' & Directors' Reports and
- (2) Approval for payment of a final dividend of Rs.17 per share as recommended by the directors and
- (3) To appoint auditors for the financial year 2018 and to fix their remuneration.

Special Resolution

- (4) The Company makes available Emergency loans/advances to all its permanent employees to meet unforeseen requirements. The maximum amount of the loan is the equivalent of six months basic salary and is repayable without any interest or mark up, in 24 equal instalments after the loan is drawn. It is proposed that the SPL's Executive Directors who are also full-time employees, should also be able to avail the same benefit that is available to other employees of the Company and should not be in a disadvantageous position compared to such other employees. It is also proposed that if the Company introduces any other loan/advance facilities for the benefit of employees generally, the then Executive Directors should also be entitled to avail the benefit of such facilities. The Executive directors of the Company are interested in this Resolution as they shall, subject to approval of the SECP, be entitled to avail of the loan/advance facility.
- (5) The Companies Act 2017 has replaced the Company's Ordinance 1984 and it is desirable to amend the Articles of Association of the Company to reflect the provisions and sections of the new 2017 Act. As the amendments are numerous, it is proposed to adopt the revised version as a whole in substitution of the existing Articles of Association. The revised version is being sent to the Members along with this Notice.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Shell Pakistan Limited for the year ended December 31, 2017.

This statement is being presented to comply with the Code of Corporate Governance (the Code) 2012 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- The Company encourages representation of independent directors, non-executive directors as well as directors representing minority interests on its Board of Directors. As at December 31, 2017 the Board comprised of the following directors:

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

The independent directors meet the criteria of independence under clause i (b) of the Code. Three of the six non-executive directors namely Mr. Rafi H. Basheer, Mr. Klaas Mantel as well as Mr. Rahat Hussain occupy executive positions in other Shell Group Companies.

- The 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).
- 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.
- No casual vacancies occurred on the Board during the year.
- The Company has prepared a "Code of Conduct" defining acceptable and unacceptable behaviours to promote integrity for the Board, senior management and other employees and has ensured that appropriate steps have been taken to disseminate it 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
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on 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.
- 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.
- Mr. Rafi H. Basheer, Mr. Parvez Ghias, Mr. Nasser N.S. Jaffer, Ms. Naz Khan, Mr. Badaruddin F. Vellani, Mr. Haroon Rashid and Mr. Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG), while Mr. Farrokh Captain is exempted. The Company shall comply with the requirements of the Code of Corporate Governance 2017 to ensure that the directors are duly certified.
- The board has approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit including approval of their remuneration and terms and conditions of appointment.
- The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the Code.
- The Board has formed an Audit Committee comprising two non-executive directors and one independent director. The Chairman of the Committee was a non-executive director, however in February 2018 the composition of the Committee was changed and an independent director has been appointed as the Chairperson. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
- The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- The Board has formed a Human Resource and Remuneration Committee comprising of four members of whom one is an independent director, two are non-executive directors and one is an executive director. The Chairman of the Committee was a non-executive director, however in February 2018 the composition of the Committee was changed and an independent director has been appointed as the Chairperson. The terms of reference for the Committee have been formulated and advised for compliance.
- The Board has outsourced the internal audit function to BDO Ebrahim & Co. who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 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.

- Material/price sensitive information has been disseminated amongst all market participants through the Pakistan Unified Corporate Action Reporting System of the stock exchanges.
- The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by a designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

On behalf of the Board of Directors

Jawwad A. Cheema
Chief Executive

Karachi: March 8, 2018

REVIEW REPORT

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 31 December 2017 to comply with the requirements of the Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 of the Code of Corporate Governance, 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The 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 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 31 December 2017.

Chartered Accountants
Place: Karachi

Date: March 8, 2018

OUR PERFORMANCE

THE FOUNDATION FOR GROWTH

After partition, Pakistan was faced with many challenges of building a sustainable growth platform for the nation with inadequate resources and infrastructure.

The nation began its uphill journey towards economic and industrial growth. Shell's technical expertise and consultancy helped improve the efficiency and output of numerous industries, enabling Pakistan to grow and show the world with pride its true potential.



SHELL RETAIL

Shell Pakistan's retail network comprises over 790 sites which are located across the country. These retail sites provide the highest quality products and services to our customers. In addition to offering a wide variety of fuels such as Super Unleaded and Diesel, advanced premium fuels like Shell V-Power and high-quality lubricants, our retail sites also offer an array of non-fuel retailing facilities to offer convenience to our customers and to cater to their multiple needs.



2017 HIGHLIGHTS

CUSTOMER NEEDS AT THE HEART OF OUR OPERATIONS

Shell's commitment to enhance customer offerings at our sites has led to the launch of several ecosystems in the last several months; these ecosystems comprise Shell Select convenience stores, several of which house popular brands of eateries, delis and ice cream parlour. These customer choices at sites are in addition to other facilities such as car-wash areas, tyre shops, ATMs and a world-class Shell Helix Oil-Change+ facility, making several of our sites a one-stop shop for our customers.

MAKING SHELL V-POWER AVAILABLE TO MORE CUSTOMERS

Shell has a rich experience spanning over 100 years, of developing fuels with scientists and specialists who work tirelessly on fuels innovation across the globe. This expertise has helped Shell emerge as a brand that is known for bringing technologically advanced fuels for the benefit of consumers and their vehicles. In December 2016, Shell launched its premium fuel from the global fuels portfolio in Pakistan, Shell V-Power. In 2017, we continued this journey of offering our best to customers by increasing the number of sites which offer Shell V-Power, taking it up to 100 sites across multiple cities.

PUTTING 'SERVICE' BACK IN CUSTOMER SERVICE

Shell continues to invest in the training and development of Service Champions as they play a key role in offering a superior on-site experience to our customers. These trainings not only provide Service Champions with technical product knowledge, but also focus on improving their soft-skills to help us deliver our customer promises. It is equally important to keep the Service Champions happy and driven to deliver the desired customer service at retail sites. Thus, these training programmes are also structured to offer benefits to Service Champions to keep them motivated to work hard on every site for every customer every day!

IMPROVING THE LOOK AND FEEL OF OUR SITES

We understand the importance of investing in the 'look and feel' of our sites for better on-site customer experience. As a result, we continued to invest in our sites to upgrade our sites' standards by ensuring maintenance of operational standards, Retail Visual Identity site upgrades and installation of new-generation lube bays; these investments help to maintain sites' infrastructure to provide a superior customer experience. Additionally, we also grew our customer reach by commissioning 15 new sites enabling greater access to retail forecourts.



SHELL LUBRICANTS

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



BUSINESS PERFORMANCE

Shell Lubricants portfolio achieved the highest ever volume numbers, both within B2C & B2B portfolios making the Lubricants' Pakistan business seventh largest in Rimula and third biggest in Advance portfolios in the global market. These achievements emanate from the strong brand pull from Shell Rimula's Real Destinations & Shell Advance's Once Upon a Bike campaigns that also managed to win a Gold award each in the integrated campaign category at the Lisbon International Advertising Festival 2017.

Shell Advance diversified its portfolio by adding AX5 (comes in 20W40 viscosity) that has made the portfolio even more competitive. Alongside extensive and effective ground activations for all brands across the country have helped create a strong connect between customers and their rides.

Within B2B, Shell Lubricants has worked extensively with key Original Equipment Manufacturers to help manage the increasing production levels of automobiles. The business is strategically expanding its portfolio in line with the overall country's growth opportunities by partnering closely with CPEC project owners.

KEY ACCOUNT PLAN - PROJECT H

Independent workshops (IWS), is the fastest emerging channel in Pakistan. In 2016, a programme was launched to increase our customer awareness, reach and product penetration by branding select IWS across Pakistan. It gained even more traction during 2017, being a key contributor to the success of Shell's consumer grades in Pakistan. Project H has resulted in 20% growth in Helix compared to the industry's benchmark growth. This has resulted in improved brand visibility and increased market penetration.



SHELL AVIATION

Shell Aviation is a global supplier of aviation fuels, lubricants and technical services, serving customers across all aviation segments. For more than a 100 years, it has built a reputation for being a trusted partner providing world-class safety, operations and supply security, with a presence at 850 airports in 32 countries refueling a plane every 14 seconds.



SHELL AVIATION IN PAKISTAN

Shell Aviation's heritage in Pakistan dates back to 1932, when Burmah Shell had the privilege of refueling the inaugural flight of the first air mail service in the Indo-Pakistan subcontinent. It has since established itself as an important player in Pakistan's aviation industry, providing jet fuel and aircraft refueling services at five of its key airports, including Islamabad and Karachi, as well as aviation gasoline to the military and flying schools. The business also offers high quality AeroShell Lubricants portfolio, including turbine engine oils, piston engine oils, fluids and greases in Pakistan. Underpinning Shell Aviation's success in Pakistan are the global expertise and local experience that we offer. Industry stakeholders and customers benefit from best practices and continued innovation in fuel safety and operations, while having direct access to a team of sales, supply and operations specialists who are dedicated to serving the local market.

2017 HIGHLIGHTS

In 2017, we continued performing well, being the second largest jet fuel supplier in the country, supplying around 20 domestic and international airlines. We also won new local & international businesses during the year that is testimony of our customer focus.

With relentless focus on safety, Shell Aviation maintained a strong track record of no significant safety incidents at any of our airport sites. Our commitment to achieve Goal Zero is a journey built on our reputation in achieving operational excellence through continuous improvement and collaboration across the countries where we operate. We strive to maintain International Standards at all our locations through various infrastructural and operational upgrading projects during the year. We took another stride forward in our technology and innovation journey to improve operational efficiency for customers by creating a mobile platform and data capture system capable of transmitting real-time refueling data from the apron into Shell's Enterprise Resource Planning (ERP) system.

HSSE PERFORMANCE

At Shell, we aim to help meet the energy needs of society in ways that are economically, environmentally and socially responsible. To manage the impact of our operations and projects on the environment and society we have a comprehensive set of business principles and rigorous standards in place that cover health, safety, security, environment and social performance aspects.



HSSE IN PAKISTAN

Shell Pakistan applies an integrated approach for managing health, safety, security and environment (HSSE) in our operations. We believe that a safe business requires a safety culture built on preparedness and constant vigilance. Shell's Goal Zero ambition is to achieve no harm and no leaks across our operations. To accomplish this, we focus on three areas of safety with the highest risks in our activities: personal, process and transport.

ROAD SAFETY

Moving large numbers of people, products and equipment by road, rail, sea and air brings safety risks with it. Transportation of hazardous hydrocarbons by road forms the backbone of the oil distribution business in Pakistan. Shell Pakistan has been working with the local authorities to improve overall industry standards for vehicle safety. Through our contracted hauliers, vehicles compliant with our road safety standards are being introduced in their fleet to mitigate safety risks. Shell Pakistan has an average annual road exposure of over 50 million kilometers driven and we are working hard to protect our staff, contract partners, and communities.

SAFETY DAY 2017

We continually reinforce our safety culture through events such as Shell's annual global Safety Day. This gives our employees and contractors the opportunity to learn how they can manage the safety hazards in their work and share ideas and good practice with each other. In 2017, Safety Day was dedicated to engaging staff and contractors on three key areas: caring for each other's safety, recognising a safety dilemma and intervening effectively and raising the awareness for risks in day to day operations. A behavioural safety workshop was organised in collaboration with the global HSSE experts to further develop safety leadership behaviours in the organisation.

EMERGENCY RESPONSE DRILL

Developing and maintaining emergency response procedures is an important element of building a robust safety culture. We develop plans, and make sure that we have the necessary resources to deal with spills, leaks, fires or explosions. We review our emergency response plans, testing them in safety exercises or in drills with local services and regulatory agencies that would be involved if an incident took place. In our efforts to include our partners in maintaining an agile emergency response, Mega Emergency Response Drills were organised for our staff and hauliers in collaboration with Rescue 1122 and National Highway & Motorways Police authorities in Pakistan. The drills covered emergency management through a variety of incident scenarios that enabled hands on training of fire-fighting, hazardous material handling, rescue and first aid. The scenarios simulated activities ranging from tank lorry roll over to injury, first aid and medical emergency, and from fire-fighting to product retrieval.

SHELL HEALTH

In 2017, the Shell Health team focused on 'Human Performance and Care' to enable individuals and teams to utilise their potentials to the fullest and perform at their best. Our Shell Care programmes targeted the well-being of employees including yoga sessions, boot camps, annual health screening, and breast cancer awareness. Shell Health also arranged a workshop on Care to help employees demonstrate care for their fellow colleagues, and overall improve collaboration through a motivated and healthy workforce.

OUR PEOPLE

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



DIVERSITY & INCLUSION AT SHELL

A diverse workforce and an inclusive work environment are vital to our success, leading to greater innovation and better solutions. Striving to attract and retain people from all walks of life is good business. Diversity is a driver of new ideas and gives us new perspectives. Inclusion strengthens teamwork, enhances decision making and boosts resilience. We are committed to promoting a diverse workforce that reflects the world in which we operate and an inclusive culture where all our people can excel.

As part of our journey of developing Diversity and Inclusion Capability and Awareness in Shell Pakistan, we have engaged 400 employees through various learning sessions. Our efforts to induct a diverse workforce reached a new milestone as the female talent representation grew to 18% in the organisation. Family friendly policies were also introduced to further strength our Employee Value Proposition for attracting and retaining talent.

PEOPLE DEVELOPMENT & EMPLOYEE ENGAGEMENT

Shell is committed to creating and maintaining a high-performance culture. To enable our people, we focus on developing and supporting our employees through intensive engagement, while rewarding their contributions. Throughout their career with Shell, we set clear, focused goals to improve operational performance, their professional development and our bottom line. As part of developing people through International Assignments, Shell Pakistan continued to export talent to various Shell countries in 2017. A Learning Programme titled "Foundational Leadership for Individual Performers" was conducted to upskill 60 employees in SPL with the aim of developing the leadership attributes that are required to enhance their performance and development. Shell Pakistan maintained an attrition rate of 7%, well below the average market attrition rate.

BUILDING THE TALENT PIPELINE

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

In 2017, our search for remarkable students & graduates spanned across 25 universities across Pakistan, with on-campus drives in five leading universities. Four graduates were recruited from a pool of 5,000+ applicants on technical and commercial roles. Furthermore, 30+ Internees were inducted as part of the Summer Internship Programme to gain experience on business challenges and projects. Recruiting with focus on gender balance remained a key feature of 2017 as 34% of our total recruits were females.

SOCIAL PERFORMANCE

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



CREATING VALUE THROUGH SHELL TAMEER

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

SHELL TAMEER ACHIEVEMENTS IN 2017

In 2017, the Shell Tameer Awards event took place at the British Deputy High Commission in a ceremony attended by prominent industry and business leaders, as well as young entrepreneurs of the country. Shell Tameer Awards is a nationwide, biennial competition that recognises and rewards the entrepreneurial creativity and talent of young Pakistani entrepreneurs and provides them with a platform to further their business ideas. Hosted by Shell Tameer, the Awards recognise and reward the brightest business ideas. A total of PKR 2 million (\$ 19,048) was distributed amongst the winners and finalists as seed capital to help them to sustain and develop their businesses.

The winners of each category were:

Bright Energy Ideas Award - Khizr Imran, Founder & CEO, Jaan Pakistan: an energy innovator, researching and producing clean cooking stoves for low-income communities across Pakistan. These affordable cooking stoves reduce harmful emissions by 80%, enhance combustion efficiencies by 60% and thereby resulting in fuel savings.

Empowering Women Award - Zarak Shah, Founder & CEO, HomeStoves: a tech start-up, aimed at empowering housewives through a mobile food delivery app. The app has created a network of 100 home-based female cooks looking to generate income by selling home cooked meals.

Sustainable Social Change Award - Muhammad Qasim, Founder & CEO, AMDEN: a social enterprise providing a livelihood funding model to marginalised communities through an innovative revolving fund. The fund provides affordable access to credit to start businesses in areas of goat and poultry farming and kitchen gardening. Since its inception in 2014 AMDEN has positively impacted 425 chronically poor households in Southern Punjab province.

Technology Innovation Award - Muhammad Waqas, CEO, Wonder Tree: a technology innovator that has developed a gaming platform, which promotes learning and therapy for autistic children through games in the comfort of their homes. The games' content may be personalised for children aged five and above, for their varying needs. Since it was founded in 2016, Wonder Tree has been helping over 400 children by offering their product to eight schools across Pakistan.

SHELL LIVEWIRE TOP TEN INNOVATORS AWARD

The Top Ten Innovators is a worldwide competition open to the alumni of Shell LiveWIRE. Its objective is to reward exceptional examples of innovation within businesses supported by the programme and to create a cohort of role models to inspire young entrepreneurs across the globe.

In 2017, two entrepreneurs from Pakistan won the Runners up awards at this global competition.: Hira Batool, CEO of She'Kab, and Mohammad Waqas, CEO of Wonder Tree each received US \$10,0000 as prize money.

She'Kab, a Shell Tameer Award finalist in 2017 in the Empowering Women category, is a subscription based carpooling service, connecting women with a safe, affordable and reliable transport option.

Wonder Tree, a Shell Tameer Award Winner in 2017 in the Technology Innovation category, uses technology to provide a cost-effective education tool for teaching children with special education needs.

SHELL LIVEWIRE LET'S GO TRADE GRANT IN 2018

Shell LiveWIRE's Let's Go Trade (LGT) grant is an exciting opportunity for Shell LiveWIRE programme alumni to explore innovation through pursuing international trade. The grant provides funding for the costs of travel, as well as useful information and guidance to help the entrepreneurs identify their business potential in international markets.

Two Shell Tameer alumni were among the 25 successful candidates from the nine countries that offer the Shell LiveWIRE programme: Zohair Ali Khan, CEO of CARiger, an automobile entrepreneur providing repair and maintenance services through technology; and Muhammad Shehryar, Founder & Managing Director of Harness Energy, a clean energy entrepreneur providing access to energy and improved livelihood through an innovative micro finance model. They received a total of \$ 3,150 to carry out their trade trips to Japan and China to meet potential product suppliers to expand their respective businesses and contribute to the benefit of communities in Pakistan.

BUILD THE FUTURE CAMPAIGN

In 2014, Shell Tameer started the 'Build the Future' campaign to generate funds to provide seed capital for students from the SOS Technical Training Institute and The Hunar Foundation (THF) to start up their own businesses. In 2017, the fourth batch of 68 students from these institutions were trained through ten Build the Future workshops. In total, 16 business plans were developed for a diverse group of skilled entrepreneurs. Eight entrepreneurs successfully qualified to receive overall grants worth PKR 244,000 (\$ 2,330).

SHELL MAKE THE FUTURE FESTIVAL

In 2017, the Shell Eco-marathon in its eighth year challenged students from universities across the Asian region who are passionate about developing innovative mobility solutions to design, build and drive the most energy efficient cars. Student teams participated in either of two categories: Prototype: Futuristic and highly aerodynamic vehicles, or Urban Concept: highly economical and innovative vehicles that resemble today's cars.

Team Hammerhead from Ghulam Ishaq Khan Institute (GIKI) achieved 6th place at the Shell Eco-marathon 2017, held from March 16-19 in Singapore. In 2017, the competition was part of the Make the Future Festival, one of Shell's flagship programmes, a platform for conversation about collaboration and innovation around the global energy challenge. The festival housed an interactive display allowing visitors to create energy through movement, gravity and sports. At the event, 15 young entrepreneurs from across the globe presented how their ideas could create a world that can produce much more energy with less CO2 emissions. Sanwal Muneer, CEO of Capture Mobility and a Shell Tameer alumni, also presented his enterprise which produces wind turbines with solar panels that power street lights and traffic signals. In addition, the wind turbines are fitted with filters that capture hazardous particles from the air and contribute to a healthier environment.

Another accolade the young students brought home was by the Pakistan Navy Engineering College, National University of Science & Technology (PNEC NUST) team who was successful in winning the off-track Communication Award for their enthusiastic and engaging public campaign to promote Shell Eco-marathon.

EYE CAMPS FOR TRUCK DRIVERS

Shell Pakistan, in partnership with the Layton Rahmatulla Benevolent Trust (LRBT), offers eye testing for truck drivers as a part of its road safety outreach programme. During Ramzan in 2017, Shell offered free eye check-ups at 12 retail stations alongside major trucking routes across the country. A total of 809 people were offered eye checks out of which 428 people were given medications to address eye ailments without any cost to the patients. Since 2012, Shell Pakistan through its partnership with LRBT has offered free eye checks to 6,241 people.

GLOBAL ENTREPRENEURSHIP WEEK

To mark the celebration of Global Entrepreneurship Week in 2017, Shell Tameer, in collaboration with the Institute of Business Management (IoBM), Karachi, organised a special panel discussion on "Entrepreneurship, a tool for social change".

The panel members were a mix of four experienced and young social entrepreneurship experts including Ms. Xiaowei Liu, Vice President External Relations – Shell Asia Pacific; Mr. Faraz Khan, CEO – SEED ventures; Dr. Sara Saeed, Co-Founder & CEO – SehatKahani (Shell Tameer alumni); and Mr. Muhammad Waqas, CEO, Wonder Tree (Shell Tameer alumni). The panelists created a healthy debate around how entrepreneurship acts as a driver of change in society. They shared their inspiring stories and illuminated how Pakistan's social entrepreneurship eco-system has immense potential for youth employment.



FINANCIALS



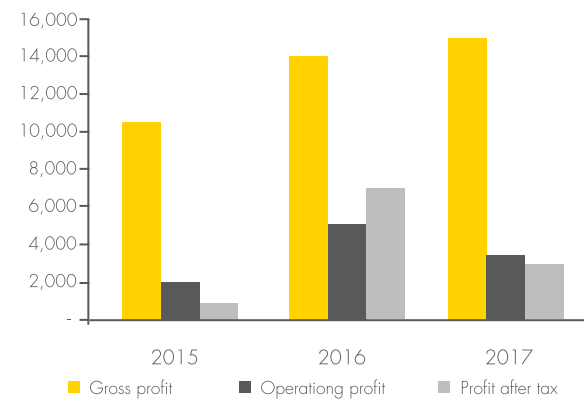
DISCOVERING NEW OPPORTUNITIES

In 1952 when Pakistan Petroleum Limited, a subsidiary of Burmah Shell discovered gas at Sui, a wave of possibilities was presented to the nation. Even today, energy demand continues to grow driven by economic growth and improved quality of life. Shell recognises this futuristic source of energy is a critical component in the energy transition of meeting growing demand while lowering greenhouse gas emissions and improving air quality. Shell continues to diversify its portfolio, with solar, LNG and other forms of energy, bringing the people of Pakistan closer to a life of convenience.

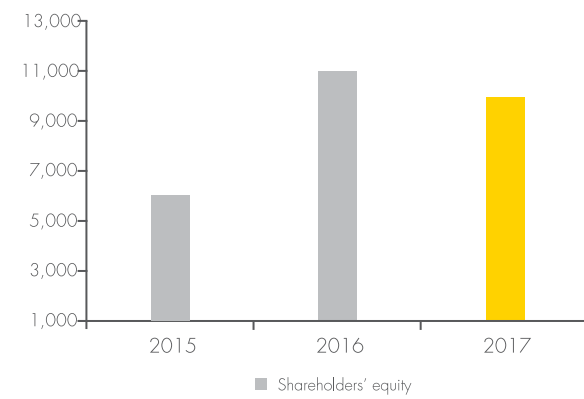
PERFORMANCE AT A GLANCE

YEAR ENDED DECEMBER 31, 2017

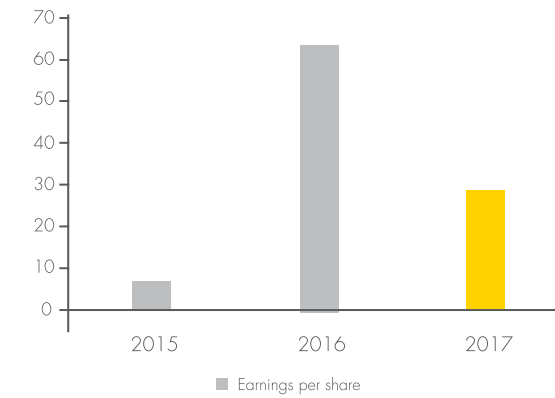
PROFITABILITY (Rs. in million)



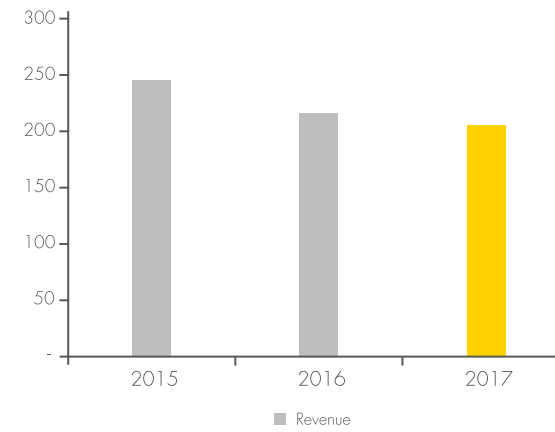
SHAREHOLDERS' EQUITY (Rs. in million)



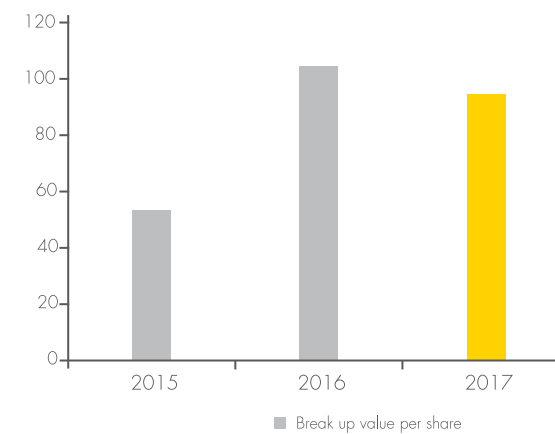
EARNINGS PER SHARE (Rs. per share)



REVENUE (Rs. in billion)



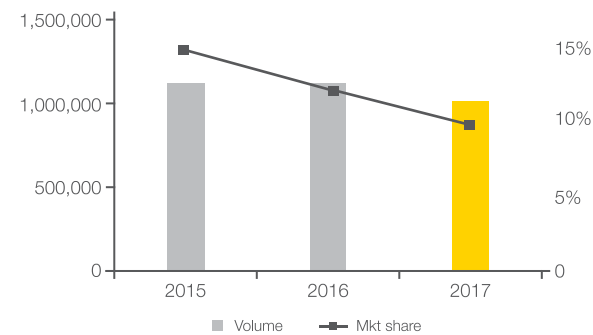
BREAK UP VALUE PER SHARE (Rs.)



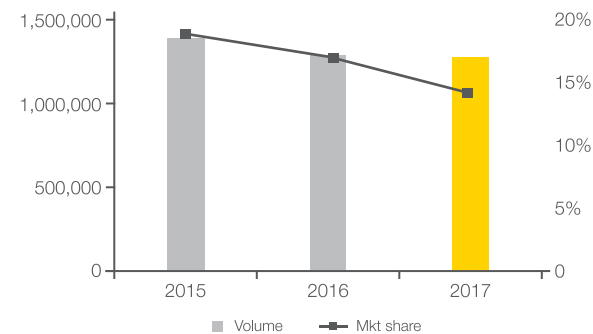
OPERATING AND FINANCIAL HIGHLIGHTS

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

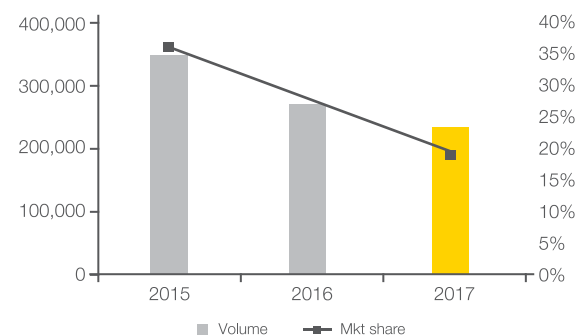
HIGH SPEED DIESEL



MOTOR GASOLINE VOLUME



JET A-1 VOLUME



		2017	2016
Sales volume	Tonnes	2,410,059	2,526,602
Sales revenue	Rs. mn	206,758	214,853
Profit before taxation	Rs. mn	4,323	5,706
Profit after taxation	Rs. mn	3,183	6,764
Fixed Capital Expenditure	Rs. mn	1,716	1,880
Shareholders' equity	Rs. mn	10,198	11,110
Earnings per share - basic and diluted	Rs.	29.74	63.22

		Year ended December 31						
		2017	2016	2015	2014	2013	2012	2011
Share capital	Rs. mn	1,070	1,070	1,070	1,070	856	856	685
Reserves	Rs. mn	9,128	10,040	4,911	4,825	6,367	5,022	7,592
Shareholders' equity	Rs. mn	10,198	11,110	5,981	5,895	7,223	5,878	8,277
Break up value	Rs.	95	104	56	55	84	69	121
Dividend per share	Rs.	24	34	10	8	4	-	-
Bonus	Ratio	-	-	-	-	1:4	-	1:4
Profit before tax	Rs. mn	4,323	5,706	2,345	546	2,424	5	2,833
Profit / (loss) after tax	Rs. mn	3,183	6,764	911	(1,067)	1,061	(1,935)	906
Earnings / (loss) per share of Rs. 10	Rs.	29.74	63.22	8.51	(9.97)	12.39	(22.60)	10.60

Working capital

		2017	2016	2015	2014	2013	2012	2011
Current assets to current liabilities	Times	0.8	0.9	0.8	0.9	0.9	0.9	0.9
Number of days stock	Days	23	25	26	23	27	32	27
Number of days trade debts	Days	6	4	2	3	3	3	4

Performance

		2017	2016	2015	2014	2013	2012	2011
Profit / (loss) after tax as % of average shareholders' equity	%	29.4	79.2	15.3	(16.3)	16.2	(27.3)	11.2
Cost of Sales as % of sales	%	74.8	71.5	75.0	83.5	82.6	83.3	83.5
Profit before tax as % of sales	%	2.1	2.7	0.9	0.2	0.8	0.0	1.1
Profit / (loss) after tax as % of sales	%	1.5	3.1	0.4	(0.4)	0.4	(0.8)	0.4
Total debt ratio %	Times	0.03	-	0.3	0.6	0.9	2.1	1.9

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shell Pakistan Limited (the Company) as at 31 December 2017 and the related profit and loss account, cash flow statement and statement of changes in equity 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 repealed 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 account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- b) in our opinion:
- i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.3 to the financial statements with which we concur;
- 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, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, gives the information required by the repealed 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 31 December 2017 and of the profit, its comprehensive income, cash flows and changes in equity 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.

Emphasis of matter

We draw attention to the contents of notes 13.1, 13.2, 13.3 and 13.4 to the financial statements in respect of receivable against petroleum development levy and price differential claims due from the Government of Pakistan. Our opinion is not qualified in respect of this matter.

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: March 8, 2018

Place: Karachi

BALANCE SHEET

AS AT DECEMBER 31, 2017

	Note	2017	2016
		(Rupees '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,000,115	9,150,109
Intangible asset	5	-	-
Long-term investments	6	4,051,815	3,735,560
Long-term loans	7	17,820	3,091
Long-term deposits and prepayments	8	289,045	160,317
Deferred taxation – net	9	1,214,351	2,221,599
		15,573,146	15,270,676
Current Assets			
Stock-in-trade	10	9,500,585	10,366,172
Trade debts	11	3,101,181	2,122,335
Loans and advances	12	48,403	63,767
Short-term prepayments		304,673	281,246
Other receivables	13	7,773,261	8,417,830
Cash and bank balances	14	2,591,864	5,988,405
		23,319,967	27,239,755
TOTAL ASSETS		38,893,113	42,510,431
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,070,125	1,070,125
Share premium		1,503,803	1,503,803
General reserves		207,002	207,002
Unappropriated profit		7,738,731	8,301,460
Remeasurement of post-employment benefits - actuarial (loss) / gain		(321,601)	27,392
Total equity		10,198,060	11,109,782
Liabilities			
Non-Current Liabilities			
Asset retirement obligation	16	93,809	83,892
Current Liabilities			
Trade and other payables	17	27,154,452	30,037,827
Accrued mark-up	18	431	623
Short term borrowings - secured	19	395,000	-
Taxation - net		1,051,361	1,278,307
		28,601,244	31,316,757
		28,695,053	31,400,649
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		38,893,113	42,510,431

The annexed notes from 1 to 42 form an integral part of these financial statements

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees '000)	2016
Sales	21	205,791,893	214,852,746
Other revenue		965,737	1,049,709
		206,757,630	215,902,455
Sales tax		(37,909,193)	(48,260,853)
Net revenue		168,848,437	167,641,602
Cost of products sold	22	(153,972,023)	(153,638,427)
Gross profit		14,876,414	14,003,175
Distribution and marketing expenses	23	(6,018,105)	(5,441,546)
Administrative expenses	24	(4,146,166)	(3,585,894)
Other expenses	25	(1,411,469)	(584,902)
Other income	26	419,559	767,045
Operating profit		3,720,233	5,157,878
Finance costs	27	(235,049)	(203,896)
		3,485,184	4,953,982
Share of profit of associate - net of tax	6	837,776	751,840
Profit before taxation		4,322,960	5,705,822
Taxation	28	(1,140,258)	1,059,085
Profit for the year		3,182,702	6,764,907
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on post-employment benefits		(348,993)	76,249
Total comprehensive income for the year		2,833,709	6,841,156
		(Rupees)	
Earnings per share – basic and diluted	29	29.74	63.22

The annexed notes from 1 to 42 form an integral part of these financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees '000)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	1,991,410	8,979,545
Finance costs paid		(52,396)	(21,241)
Income tax paid		(359,956)	(653,326)
Long-term loans and advances		(14,729)	2,621
Long-term deposits and prepayments		(128,728)	7,099
Interest received on short-term deposits		115,419	188,030
Net cash generated from operating activities		1,551,020	8,502,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,715,562)	(1,880,006)
Proceeds from disposal of operating assets		5,391	11,396
Dividend received from associate		521,521	452,788
Net cash used in investing activities		(1,188,650)	(1,415,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,153,911)	(1,176,570)
Net (decrease)/increase in cash and cash equivalents		(3,791,541)	5,910,336
Cash and cash equivalents at the beginning of the year		5,988,405	78,069
Cash and cash equivalents at the end of the year	34	2,196,864	5,988,405

The annexed notes from 1 to 42 form an integral part of these financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital	Capital reserve	Revenue reserve			Total
		Share premium	General reserve	Unappropriated profit	Actuarial (loss) / gain on post-employment benefits	
(Rupees '000)						
Balance as at January 1, 2016	1,070,125	1,503,803	207,002	3,248,749	(48,857)	5,980,822
Final dividend for the year ended December 31, 2015 at the rate of Rs.10/- per share	-	-	-	(1,070,122)	-	(1,070,122)
Interim dividend for the year ended December 31, 2016 at the rate of Rs.6/- per share	-	-	-	(642,074)	-	(642,074)
Profit for the year	-	-	-	6,764,907	-	6,764,907
Other comprehensive income for the year	-	-	-	-	76,249	76,249
Total comprehensive income for the year	-	-	-	6,764,907	76,249	6,841,156
Balance as at December 31, 2016	1,070,125	1,503,803	207,002	8,301,460	27,392	11,109,782
Final dividend for the year ended December 31, 2016 at the rate of Rs.28/- per share	-	-	-	(2,996,345)	-	(2,996,345)
Interim dividend for the year ended December 31, 2017 at the rate of Rs.7/- per share	-	-	-	(749,086)	-	(749,086)
Profit for the year	-	-	-	3,182,702	-	3,182,702
Other comprehensive income for the year	-	-	-	-	(348,993)	(348,993)
Total comprehensive income for the year	-	-	-	3,182,702	(348,993)	2,833,709
Balance as at December 31, 2017	<u>1,070,125</u>	<u>1,503,803</u>	<u>207,002</u>	<u>7,738,731</u>	<u>(321,601)</u>	<u>10,198,060</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. THE COMPANY AND ITS OPERATIONS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. 23/2017 dated October 04, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance, provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of or directives under the repealed Ordinance shall prevail.

2.2 Accounting convention

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

2.3 New and amended standards

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

2.3.1 New Standards, Interpretations and Amendments

The following amendments in the standards became effective for the current year:

IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

2.3.2 Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

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

2.3.3 Standards not yet effective

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

Standards or Interpretations	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 and IAS 28 - Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 - Financial Instruments: Classification and Measurement	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above amendments and interpretations are not expected to have any material effect on the Company's financial statements in the year of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

Standard	IASB effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 16 - Leases	01 January 2019
IFRS 17 - Insurance Contracts	01 January 2021

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers which will be effective for annual periods beginning on or after January 1, 2018, however, early application is permitted. During the year ended December 31, 2017, SECP vide S.R.O. 007(1) / 2017 dated October 4, 2017, has also notified the adoption of IFRS 15 for annual periods beginning on or after July 1, 2018.

According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. Currently, it is expected that the changes, if any, in the total amount of revenue to be recognized for a customer contract will be very limited. Besides, changes to the Balance Sheet are expected, e.g. separate line items for contract assets and contract liabilities are required, and qualitative disclosures are added.

The Company is in the process of assessing the impact of the adoption of these standards.

2.4 Significant accounting judgments and estimates

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

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

- Determination of useful lives of property, plant and equipment (note 3.1 and 4.1);
- Review of impairment against financial and non-financial assets (note 3.3 and 4.7);
- Review of net realizable value of stock-in-trade for diminution in the carrying values and review of stock-in-trade for obsolescence (note 3.6 and 10);
- Provision for doubtful debts and other receivables (note 3.7, 11 and 13);
- Review of asset retirement obligation (note 3.10 and 16)
- Estimates of receivable and payables in respect of retirement and other service benefits (note 3.13 and 30);
- Provision for current and deferred taxation (note 3.14, 9 and 28); and
- Determination of contingent liabilities (note 3.18 and 20)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

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

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

Depreciation is charged to profit and loss account 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 to the financial statements. 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 and loss account 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.

3.2 Intangible assets – Computer software

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

Amortization on additions is charged from the month in which an intangible asset is available for use while no amortization is charged for the month in which an intangible asset is disposed-off.

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

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

3.3 Impairment of financial and 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 and loss account.

3.4 Investment in associates

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

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

The investment in associate's carrying amount is written down 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.

3.5 Financial instruments

3.5.1 Financial assets and financial liabilities

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

3.5.2 Offsetting

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

3.6 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 and loss account.

3.7 Trade debts and other receivables

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

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

3.8 Loans, advances and short term prepayments

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

3.9 Cash and cash equivalents

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

3.10 Provisions

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

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

3.11 Operating leases

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

3.12 Trade and other payables

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

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

3.13 Retirement and other service benefits

3.13.1 Retirement benefits

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

i) Approved funded gratuity and pension schemes

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

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 and loss account.

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.

3.13.2 Employees' compensated absences

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

3.14 Taxation

3.14.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

3.14.2 Deferred

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account.

3.15 Foreign currencies

Transactions in foreign currencies are accounted for in Pakistan Rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Exchange differences are recognized in the profit and loss account.

3.16 Revenue recognition

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

- Sales are recorded 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.
- Profit from bank accounts and return on investments is recognized on a time proportionate basis.
- Interest on short-term deposits and shell card income is recognized on accrual basis.
- Dividend income is recognized when the Company's right to receive the dividend is established.

3.17 Operating segments

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

3.18 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

3.19 Functional and presentation currency

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

3.20 Dividend and appropriation to reserves

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

	Note	2017	2016
		(Rupees '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets – at net book value		8,810,682	7,724,172
Provision for impairment	4.7	(358,423)	(365,010)
	4.1	8,452,259	7,359,162
Capital work-in-progress	4.6	1,547,856	1,790,947
		10,000,115	9,150,109

4.1 Operating assets

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air conditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipments	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Total
As at January 01, 2017															
Cost	308,339	188,247	3,395,825	2,559,157	1,669,729	37,459	11,162	1,067,801	588,466	3,205,800	2,151,167	171,042	38,393	15,489,596	
Accumulated depreciation and impairment	-	84,424	2,206,276	1,231,835	423,901	36,655	4,474	602,322	469,112	1,766,822	1,037,857	158,994	35,884	8,130,434	
Net book value	97,009	223,915	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162	
Year ended December 31, 2017															
Opening net book value	97,009	223,915	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162	
Additions	-	116,502	91,101	170,820	285,363	3,375	13,956	265,985	32,846	184,943	797,919	-	-	1,964,448	
Less: Disposals / write offs / revision of asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	122	53,427	8,436	49,377	4,752	-	8,748	8,748	44,484	37,693	6,159	11,814	263,398	
Accumulated depreciation	-	(13)	(44,614)	(7,406)	(49,079)	(4,216)	-	(8,621)	(8,621)	(43,305)	(34,511)	(5,758)	(11,814)	(38,386)	
Net book value	-	109	8,813	1,030	298	536	-	127	1,179	1,179	3,182	401	-	15,675	
Less: Depreciation charge for the year	-	14,796	3,147	156,734	103,587	88,829	2,453	1,079	55,858	51,151	176,052	205,119	949	2,509	
Impairment reversal for the year	-	340	673	-	850	1,942	-	-	349	-	2,424	9	-	-	
Closing net book value	97,009	325,852	1,115,533	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	2,509	8,452,259	
As at December 31, 2017															
Cost	97,009	424,719	189,885	3,433,499	2,721,541	1,905,715	36,082	25,118	1,325,038	576,828	3,353,050	2,942,927	159,228	7	17,190,646
Accumulated depreciation and impairment	-	98,867	74,352	2,318,396	1,327,166	461,709	34,892	5,553	649,210	476,958	1,905,939	1,237,209	148,129	7	8,738,387
Net book value	97,009	325,852	1,115,533	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	2,509	8,452,259	
As at January 01, 2016															
Cost	257,506	188,247	3,388,089	2,340,461	1,431,490	34,664	10,946	1,042,745	571,609	2,863,298	1,987,191	171,042	38,393	14,422,690	
Accumulated depreciation and impairment	-	73,814	68,743	2,081,672	1,144,427	349,767	3,182	3,926	599,209	419,471	1,619,445	909,034	157,042	35,884	7,496,616
Net book value	97,009	183,692	1,196,034	1,306,417	1,081,723	482	7,020	443,536	152,138	1,243,853	1,078,157	14,000	2,509	6,926,074	
Year ended December 31, 2016															
Opening net book value	97,009	183,692	1,196,034	1,306,417	1,081,723	482	7,020	443,536	152,138	1,243,853	1,078,157	14,000	2,509	6,926,074	
Additions	-	51,726	-	49,513	270,792	242,358	2,795	216	83,992	16,857	353,758	180,000	-	-	
Less: Disposals / write offs / revision of asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	893	41,777	52,096	4,119	4,119	-	58,936	58,936	-	11,256	16,024	-	185,101	
Accumulated depreciation	-	(24)	(30,614)	(6,658)	(824)	(824)	-	(56,751)	(56,751)	-	(7,327)	(12,264)	-	(114,462)	
Net book value	-	869	11,163	45,438	3,295	3,295	-	2,185	2,185	-	3,929	3,760	-	70,639	
Less: Depreciation charge for the year	-	11,258	156,655	95,863	78,601	2,473	548	60,629	49,641	159,691	141,105	1,952	-	761,551	
Impairment reversal for the year	-	624	1,437	1,797	3,643	-	-	765	-	4,987	-	-	-	13,271	
Closing net book value	97,009	223,915	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162	
As at December 31, 2016															
Cost	97,009	308,339	188,247	3,395,825	2,559,157	1,669,729	37,459	1,067,801	588,466	3,205,800	2,151,167	171,042	38,393	15,489,596	
Accumulated depreciation and impairment	-	84,424	2,206,276	1,231,835	423,901	36,655	4,474	602,322	469,112	1,766,822	1,037,857	158,994	35,884	8,130,434	
Net book value	97,009	223,915	1,189,549	1,327,322	1,245,828	804	6,688	465,479	119,354	1,438,978	1,113,310	12,048	2,509	7,359,162	
Depreciation rate % per annum	-	4 to 5	2.50	5	3 to 4	3 to 10 & 20	6.67	6.67	5 to 20	5 to 10 & 20	5 to 10	5 to 20	20 to 25	25	

4.2 Operating assets include items having an aggregate cost of Rs. 4,660,517 thousand (2016: Rs 4,420,741 thousand) which have been fully depreciated and are still in use of the Company.

	Note	2017	2016
(Rupees '000)			
4.3 Depreciation charge for the year has been allocated as follows:			
Cost of products sold	22.1	96,792	87,522
Distribution and marketing expenses	23	661,591	588,593
Administrative expenses	24	103,880	85,436
		862,263	761,551

4.4 The Company's assets include tanks, dispensing pumps and electrical equipment having a cost of Rs. 3,539,517 thousand (2016: Rs. 3,222,182 thousand) which have been installed at dealer sites. Although the Fourth Schedule of the Ordinance requires the disclosure of particulars of assets owned by the Company but not in its possession, the same has not been reproduced here due to the practical difficulties of disclosing the same as there are significant number of dealers and assets involved.

4.5 The details of operating assets disposed / written-off, excluding asset retirement obligation, during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (loss)	Mode of disposal
(Rupees '000)						
Leasehold land	122	13	109	-	(109)	Write off
Buildings on leaseholdland	45	45	-	111	111	Negotiation
	53,382	44,569	8,813	-	(8,813)	Write off
	53,427	44,614	8,813	111	(8,702)	
Tanks and pipelines	5	5	-	176	176	Negotiation
	8,431	7,401	1,030	-	(1,030)	Write off
	8,436	7,406	1,030	176	(854)	
Plant and Machinery	130	130	-	41	41	Negotiation
	49,247	48,949	298	-	(298)	Write off
	49,377	49,079	298	41	(257)	
Air conditioning plant	4,752	4,216	536	-	(536)	Write off
Dispensing pumps	6,253	6,242	11	3,041	3,030	Negotiation
	2,495	2,379	116	-	(116)	Write off
	8,748	8,621	127	3,041	2,914	
Rolling stocks and vehicles	44,484	43,305	1,179	-	(1,179)	Write off
Electrical, mechanical and fire-fighting equipment	5,453	5,438	15	2,022	2,007	Negotiation
	32,240	29,073	3,167	-	(3,167)	Write off
	37,693	34,511	3,182	2,022	(1,160)	
Furniture, office equipment and other assets	6,159	5,758	401	-	(401)	Write off
Computer auxiliaries	11,814	11,814	-	-	-	Write off
Main frame	38,386	38,386	-	-	-	Write off

4.6 Capital work-in-progress	2017	2016
	(Rupees '000)	
Buildings on leasehold land	967,881	1,104,306
Tanks and pipelines	144,848	268,308
Plant and machinery	314,092	302,647
Electrical, mechanical and fire-fighting equipment	117,856	80,163
Furniture, office equipment and other assets	3,179	35,523
	1,547,856	1,790,947

4.7 Provision for impairment

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

During the year, the Company reassessed its operating assets for impairment and based on the revised projected cash flows, the Company established that no further charge or reversal of impairment is required on CNG assets. However, the reassessment of assets installed at the retail sites under an approved divestment plan resulted in reversal of impairment of Rs. 6,587 thousand which has been recorded in 'other income' in the profit and loss account. Management has determined the recoverable amount by assessing the fair value less cost of disposal of the underlying assets which is based on the historical experience of the net recovery proceeds on similar nature of assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The movement of provision for impairment is as follows:

	Note	2017	2016
		(Rupees '000)	
Balance at beginning of the year		365,010	378,281
Reversals during the year	26	(6,587)	(13,271)
Balance at end of the year		358,423	365,010

5. INTANGIBLE ASSET – computer software

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

6. LONG-TERM INVESTMENTS

	Note	2017	2016	2017	2016
		% Holding		(Rupees '000)	
Investment in associate – unquoted					
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2016: 18,720,000) ordinary shares of Rs. 100/- each	6.1 / 6.2	26	26	4,046,815	3,730,560
Others - held as available-for-sale - at cost					
Arabian Sea Country Club Limited 500,000 (2016: 500,000) ordinary shares of Rs. 10/- each	5	5		5,000	5,000
				4,051,815	3,735,560

6.1 Movement of investment in associate	2017	2016
	(Rupees '000)	
Balance at beginning of the year	3,730,560	3,431,508
Share of profit before taxation	1,242,946	1,087,381
Share of taxation	(405,170)	(335,541)
	837,776	751,840
Dividend received	(521,521)	(452,788)
Balance at end of the year	4,046,815	3,730,560

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

	2017	2016
	(Rupees '000)	
Non-Current Assets	11,839,418	12,819,859
Current Assets	12,447,002	9,667,861
Non-Current Liabilities	2,299,728	2,991,514
Current Liabilities	6,432,799	5,158,680
Revenues	4,705,399	5,146,154
Profits	3,222,216	2,891,690
Other comprehensive income	-	-
Total comprehensive income	3,222,216	2,891,690

The financial year end for PAPCO is June 30. Assets and liabilities disclosed above are based on unaudited condensed interim financial statements for the half year ended December 31, 2017, whereas revenues, profits and total comprehensive income disclosed above is based on audited financial statements for the years ended June 30, 2017 and June 30, 2016 and unaudited financial statements for the half years ended December 31, 2017, December 31, 2016 and December 31, 2015.

Share of contingent liabilities based on the latest unaudited condensed interim financial statements of PAPCO for the half year ended December 31, 2017 amounts to Rs. 15,151 thousand (2016: Rs. 21,197 thousand).

7. LONG-TERM LOANS - considered good, unsecured	Note	2017	2016
		(Rupees '000)	
Due from:			
- Executives	7.1 / 7.3	44,138	22,520
- Employees		9,114	5,253
	7.2	53,252	27,773
Less: receivable within one year			
- Executives		27,473	21,058
- Employees	12	7,959	3,624
		35,432	24,682
		17,820	3,091

	2017	2016
	(Rupees '000)	
7.1 Reconciliation of the carrying amount of loans to executives:		
Balance at beginning of the year	22,520	24,847
Disbursements	65,890	29,457
Repayments	(44,272)	(31,784)
Balance at end of the year	44,138	22,520

7.2 Represents loans to staff 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. 90,307 thousand (2016: Rs. 22,524 thousand).

	Note	2017	2016
		(Rupees '000)	
8. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits	8.1	137,125	133,042
Prepayments		151,920	27,275
		289,045	160,317

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

	Note	2017	2016
		(Rupees '000)	
9. DEFERRED TAXATION			
Taxable temporary difference arising in respect of:			
- accelerated tax depreciation		(958,546)	(892,178)
- investment in associate		(326,222)	(229,994)
		(1,284,768)	(1,122,172)
Deductible temporary difference arising in respect of:			
- provisions		595,873	580,771
- minimum tax carry forward	9.1	1,903,246	2,763,000
		2,499,119	3,343,771
		1,214,351	2,221,599

9.1 In view of the order of the High Court of Sindh, as fully explained in note 20.1.2.1 to the financial statements, the Company has not recognized deferred tax asset on minimum tax carry forward amounting to Rs. 2,051,898 thousand.

	Note	2017	2016
		(Rupees '000)	
10. STOCK-IN-TRADE			
Raw and packing materials	10.4	1,690,379	1,098,456
Provision for obsolete and slow moving stock	10.5	(45,205)	(57,138)
		1,645,174	1,041,318
Finished products			
- in hand and in pipeline system	10.1 / 10.3 / 10.4	6,513,244	6,334,553
- in White Oil Pipeline	10.2 / 10.4	1,398,145	3,022,795
		7,911,389	9,357,348
Provision for obsolete and slow moving stock	10.5	(55,978)	(32,494)
		7,855,411	9,324,854
		9,500,585	10,366,172

10.1 Includes stock-in-transit amounting to Rs. 1,985,240 thousand (2016: Nil).

10.2 Stock in White Oil Pipeline includes High Speed Diesel amounting to Rs. 1,398,145 thousand (2016: Rs. 1,793,393 thousand) which has been maintained as line fill, necessary for the pipeline to operate.

10.3 Finished products include bonded stock amounting to Rs. 4,220,564 thousand (2016: Rs. 1,291,719 thousand).

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

	Note	2017	2016
		(Rupees '000)	
Petroleum products			
- PAPCO - a related party		1,398,145	3,022,795
- PARCO		528,671	516,289
Lubricants			
- Union Chemical Industries		50,528	159,159
		1,977,344	3,698,243
10.5 Provision for obsolete and slow moving stock is as follows:			
Balance at beginning of the year		89,632	108,499
Provision made during the year		126,760	38,186
Reversals during the year		(115,209)	(57,053)
		11,551	(18,867)
Balance at end of the year		101,183	89,632

11. TRADE DEBTS

Considered good			
- Secured	11.1 / 11.2	476,842	485,820
- Unsecured	11.2	2,624,339	1,636,515
		3,101,181	2,122,335
Considered doubtful			
		827,654	758,775
		3,928,835	2,881,110
Provision for doubtful debts	11.3 / 11.4	(827,654)	(758,775)
		3,101,181	2,122,335

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

11.2 Includes due from the following related parties:

	Neither past due nor impaired	Past due			2017	2016
		Upto 1 month	1 to 6 months	More than 6 months		
Captain – PQ Chemical Industries	476	-	-	-	476	646
Jaffer Brothers (Private) Limited	1,877	-	-	3	1,880	1,448
Vellani & Vellani	223	-	-	-	223	-
Unilever Pakistan Foods Limited	1,043	930	1,469	-	3,442	2,216
Wyeth Pakistan Limited	-	-	-	92	92	92
Novartis Pharma (Pakistan) Limited	174	-	-	-	174	112
The Aga Khan Hospital and Medical College Foundation	6,814	-	21	13	6,848	-
Pakistan Refinery Limited	23	-	-	-	23	-
Indus Motor Company Limited	2,914	-	-	-	2,914	3,140
Standard Chartered Bank (Pakistan) Limited	-	4	108	-	112	-
	<u>13,544</u>	<u>934</u>	<u>1,598</u>	<u>108</u>	<u>16,184</u>	<u>7,654</u>
Less : Provision for doubtful debts					(95)	(95)
Net receivable from related parties					<u>16,089</u>	<u>7,559</u>

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

	Note	2017	2016
		(Rupees '000)	
11.3 Provision for impairment			
Balance at beginning of the year		758,775	752,947
Provision made during the year		97,007	36,662
Reversals during the year	25	(28,128)	(30,834)
		68,879	5,828
Balance at end of the year		<u>827,654</u>	<u>758,775</u>

11.4 As at December 31, 2017, trade debts of Rs. 827,654 thousand (2016: Rs.758,775 thousand) were impaired and provided for. The ageing of these trade debts is as follows:

	2017	2016
	(Rupees '000)	
Up to 6 months	78,853	5,035
More than 6 months	748,801	753,740
	<u>827,654</u>	<u>758,775</u>

11.5 As at December 31, 2017, trade debts aggregating to Rs. 998,232 thousand (2016: Rs. 406,797 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no or some recent history of default, however, no losses have incurred. The ageing analysis of these trade debts is as follows:

	Note	2017	2016
		(Rupees '000)	
Upto 1 month		774,852	257,030
1 to 6 months		213,286	149,767
More than 6 months		10,094	-
		<u>998,232</u>	<u>406,797</u>

12. LOANS AND ADVANCES - considered good

	Note	2017	2016
Current portion of long-term loans	7	35,432	24,682
Loans and advances to directors	12.1 / 12.2	-	3,982
Advances to employees		12,971	35,103
		<u>48,403</u>	<u>63,767</u>

12.1 Reconciliation of the carrying amount of loans and advances to directors:

	2017	2016
	(Rupees '000)	
Balance at beginning of the year	3,982	964
Disbursements	-	6,021
Repayments	(3,982)	(3,003)
Balance at end of the year	-	<u>3,982</u>

12.2 The maximum aggregate amount due from directors at the end of any month during the year were Rs. 3,480 thousand (2016: Rs. 4,986 thousand).

	Note	2017	2016
		(Rupees '000)	
13. OTHER RECEIVABLES			
Petroleum development levy and other duties	13.1	1,380,029	1,380,029
Price differential claims			
- on imported purchases	13.2	295,733	295,733
- on high speed diesel (HSD)	13.3	343,584	343,584
- on imported motor gasoline	13.4	1,999,263	2,071,107
Regulatory and customs duty receivable	13.5	169,632	169,632
Sales tax refundable	13.6	98,949	463,753
Inland freight equalization mechanism		928,489	1,023,957
Receivable from related parties	13.7	272,211	735,763
Service cost receivable from PAPCO – an associated company		9,081	8,958
Staff retirement benefit schemes	30.1.12	273,411	420,704
Receivable from Oil Marketing Companies		1,329,960	867,631
Taxes recoverable	13.8 / 20.1.2	976,009	976,009
Others		102,135	66,195
		<u>8,178,486</u>	<u>8,823,055</u>
Provision for impairment	13.9	(405,225)	(405,225)
		<u>7,773,261</u>	<u>8,417,830</u>

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

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

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

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 to expedite settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs. 2,411,661 thousand. Subsequently, the Company received an amount of Rs. 454,000 thousand from GoP in respect of these claims.

In 2012, to meet the increasing local demand, oil marketing companies again resorted to import motor gasoline on the instruction of MoPNR. The Company again along with oil marketing companies approached the GoP with a proposal to include the high premium on the gallop cargo in the pricing mechanism. MoPNR accepted the oil marketing companies' proposal and directed OGRA through its directive PL-3 (457) / 2012 - 43 dated June 30, 2012 to adjust the actual premium differential of the imported motor gasoline through the IFEM mechanism.

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

During the current year, claims aggregating to Rs. 71,844 thousand has been adjusted through the IFEM mechanism as per the directive of MoPNR stated above.

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

13.5 This includes receivable in respect of regulatory duty imposed by the Ministry of Finance (MoF), Economic Affairs, Statistics and Revenue, GoP through S.R.O. 392(I)/2015 dated April 30, 2015 on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the Oil Marketing Companies (OMCs) were required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. Since the notification

of regulatory duty was received on May 2, 2015, the impact of the regulatory duty could not be incorporated in the prices effective from May 1, 2015, which were announced on April 30, 2015. Therefore, the recovery of regulatory duty was to be made through subsequent month's prices of petroleum products. However, through SRO 603(II)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty from the GoP. The Company is currently engaged with the MoPNR and is actively pursuing recovery thereagainst. MoPNR, in accordance with the decision of Economic Coordination Committee (ECC) dated July 8, 2015, has requested OGRA to develop a comprehensive recovery mechanism of regulatory duty based on the principle that there should be no gain or loss to OMCs.

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

13.6 Includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs. 663,045 thousand and Rs. 642,996 thousand respectively. During the year the tax authorities completed further verification of refunds amounting to Rs. 440,378 thousand which have been received. For the remaining refund claims amounting to Rs. 1,306,041 thousand, the Company is actively pursuing for their recovery.

	Note	2017	2016
		(Rupees '000)	
13.7	Receivable from related parties:		
	Shell Aviation Limited	13.7.1	168,882
	Shell International Petroleum Company Limited		77,359
	Shell International Exploration and Production B.V.		-
	Shell Business Service Centre SDN BHD		-
	Shell International B.V.		-
	Others		25,970
			<u>272,211</u>
			<u>363,831</u>
			<u>286,934</u>
			<u>598</u>
			<u>2,540</u>
			<u>62,271</u>
			<u>19,589</u>
			<u>735,763</u>

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

13.8 In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of Appellate Tribunal Inland Revenue (ATIR), completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs. 425,514 thousand. The demand primarily relates to disallowance of premium paid to Shell International Trading Middle East (SITME) on imports of high speed diesel while treating the same as payment to non-resident on which the Company failed to deduct tax under section 152 of the Income Tax Ordinance, 2001. The Company in response to the aforementioned order deposited an amount of Rs. 301,167 thousand while an amount of Rs. 111,785 thousand was adjusted against sales tax refund. In addition, a rectification application was also filed for correction of certain mistakes apparent in the order which has been accepted and given effect. The Company also filed an appeal against the aforementioned order before CIR (Appeals) which in its order dated February 2, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome of appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

	Note	2017	2016
		(Rupees '000)	
13.9	Provision for impairment		
	Balance at beginning of the year	405,225	223,225
	Provision made during the year	-	182,000
	Balance at end of the year	<u>405,225</u>	<u>405,225</u>
14.	CASH AND BANK BALANCES		
	Cash in hand	15,379	15,854
	Bank balances		
	- current account	1,070,589	1,220,083
	- savings account	1,505,896	2,552,468
	- term deposit receipt	-	2,200,000
		<u>2,576,485</u>	<u>5,972,551</u>
		<u>2,591,864</u>	<u>5,988,405</u>

14.1 These carry interest rates ranging from 4% to 5.5% (2016: 3.9% to 5.5%) per annum.

15. SHARE CAPITAL

Authorized share capital

2017	2016		2017	2016
(Number of shares)			(Rupees '000)	
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10/- each	<u>1,500,000</u>	<u>1,500,000</u>

Issued, subscribed and paid-up share capital

2017	2016		2017	2016
(Number of shares)				
<u>23,481,000</u>	<u>23,481,000</u>	Fully paid in cash	<u>234,810</u>	<u>234,810</u>
<u>83,531,331</u>	<u>83,531,331</u>	Issued as fully paid bonus shares	<u>835,315</u>	<u>835,315</u>
<u>107,012,331</u>	<u>107,012,331</u>		<u>1,070,125</u>	<u>1,070,125</u>

15.1 The immediate parent held 81,443,702 (2016: 81,443,702) ordinary shares as at the balance sheet date.

	Note	2017	2016
		(Rupees '000)	
16.	ASSET RETIREMENT OBLIGATION		
	Balance at beginning of the year	83,892	117,861
	Reversal of liability	(1,777)	(3,130)
	Change in estimate	5,795	(38,920)
	Accretion expense	5,899	8,081
		<u>11,694</u>	<u>(30,839)</u>
	Balance at end of the year	<u>93,809</u>	<u>83,892</u>

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.

	Note	2017	2016
		(Rupees '000)	
17.	TRADE AND OTHER PAYABLES		
	Creditors	17.1	18,536,541
	Accrued liabilities		20,011,261
	Dealers' and customers' security deposits	17.2	6,729,762
	Advances received from customers		7,063,306
	Provision for post-retirement medical benefits	30.2.2	328,902
	Workers' welfare fund		520,295
	Workers' profits participation fund	17.3	617,180
	Unclaimed dividends		931,460
	Provision for staff redundancy plan	17.4	91,578
	Other liabilities		83,537
			248,588
			358,145
			678,775
			119,030
			23,430
			<u>27,154,452</u>
			<u>30,037,827</u>

17.1 Includes amounts due to the following related parties:

	2017	2016
	(Rupees '000)	
Shell International Trading Middle East	4,029,960	4,087,867
Shell International Petroleum Company Limited	7,513,593	5,420,989
Pakistan Refinery Limited	395,764	1,410,326
Shell Lubricants Supply Company	539,346	726,792
Shell International B.V.	417,132	429,180
Shell Information Technology	661,252	458,182
Shell Eastern Trading (Pte) Limited	597,196	81,082
Shell Deutschland Oil GmbH	7,314	6,984
Shell Business Service Centre SDN BHD	-	587,212
Shell Hong Kong Limited	21,333	16,454
Shell Shared Services (Asia) B.V.	13,333	530,321
Shell & Turcas Petrol A.S.	25,719	12,316
Shell People Services Asia SDN BHD	55,366	50,773
Euroshell cards B.V.	156,128	91,540
Shell Brands International AG	266,699	-
SBSC Glasgow	-	346,178
Other related parties	170,480	164,786
	<u>14,870,615</u>	<u>14,420,982</u>

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

	Note	2017	2016
		(Rupees '000)	
17.3	Workers' profits participation fund		
	Balance at beginning of the year	358,145	115,958
	Allocation for the year and return thereon	25	318,128
		<u>676,273</u>	<u>260,735</u>
			376,693
	Amount paid during the year	<u>(596,886)</u>	<u>(18,548)</u>
	Balance at end of the year	<u>79,387</u>	<u>358,145</u>

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

	Note	2017	2016
(Rupees '000)			
18. ACCRUED MARK-UP			
Short-term running finances utilized under mark-up arrangements		232	623
Short term loan		199	-
		<u>431</u>	<u>623</u>
19. SHORT-TERM BORROWINGS - secured			
Short term loan	19.1	<u>395,000</u>	-
		<u>395,000</u>	<u>-</u>

19.1 Represents loan obtained from a commercial bank and carries mark-up at the rate of 6.12% per annum. The loan, secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables, was repaid on January 2, 2018.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Infrastructure fee

The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. Subsequently, Sindh Assembly has amended the Sindh Finance Act, 1994 through legislation of Sindh Finance Act, 2013 according to which infrastructure fee will range from 0.90% to 0.95% of total value of goods against various slabs of net weight of goods as assessed by the Customs Authorities, plus one paisa per kilometer.

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

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

Subsequent to the orders of the court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to December 31, 2017 at Rs. 111,493 thousand (2016: Rs. 93,493 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

During the current year, Sindh Assembly passed the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 with retrospective effect from July 1, 1994. Through this Act, the range of infrastructure fee was increased to 1.10% to 1.15% on the value of goods against various slabs of net weight as assessed by the Custom Authorities, plus one paisa per kilometer. The Act replaced the infrastructure cess levied under the Sindh Finance Act, 1994 and subsequent amendments thereof. To comply with the earlier interim order of the High Court granted against the cess as levied through the Sindh Finance Act 1994 and its amendments, the Company continues to pay 50% of the cess amount involved and furnishes bank guarantee for the balance amount. Subsequent to the year end, the Company has sought legal advice to file a fresh petition in the High Court against the levy of cess under the new Act.

Management is confident of a favorable outcome and accordingly no provision has been made in these financial statements against the levy.

20.1.2 Taxation

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

In 2013, the High Court of Sindh, in respect of another Company, overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that the minimum tax could not be carried forward where there was no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court of Pakistan which the Company intends to approach, if same decision is awarded to the Company in 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'.

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

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

In 2013, CIR Appeals upheld the basis used by tax officer in respect of allocation of expenses and had directed the tax authorities to work out correct figures, in order to determine the allocation ratio. The CIR Appeals in respect of disallowance of software cost had directed tax authorities to give consequential effect to the subsequent years. The Company filed an appeal against the CIR Appeals order before the ATIR which through an order dated December 7, 2015 confirmed the decision of the CIR Appeals on the issue of allocation of expenses. The Company in response to this order of ATIR filed an appeal before the High Court of Sindh which is pending for hearing.

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

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

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

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

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

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

20.1.2.5 During the year, the tax authorities after finalizing the income tax audit for the tax year 2015 raised a demand of Rs. 5,126 thousand. The demand principally arose due to the allocation of expenses and disallowance of tax loss on disposal of fixed assets. The Company in response to the order has filed an appeal with the CIR Appeals.

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

20.1.3 Sales tax and federal excise duty (FED)

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

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

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

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

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

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

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

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

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

20.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at December 31, 2017 aggregate to approximately Rs. 2,907,659 thousand (2016: Rs.2,908,139 thousand). This includes claims by refineries, amounting to Rs. 1,094,149 thousand (2016: Rs. 1,094,149 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

20.2 Commitments

20.2.1 Capital expenditure contracted for but not incurred as at December 31, 2017 amounted to approximately Rs. 493,354 thousand (2016: Rs. 578,500 thousand).

20.2.2 Commitments for rentals of assets under operating lease agreements as at December 31, 2017 amounted to Rs. 3,449,240 thousand (2016: Rs. 2,699,019 thousand) payable as follows:

	2017	2016
	(Rupees '000)	
Not later than one year	252,951	182,624
Later than one year and not later than five years	987,413	724,696
Later than five years	2,208,876	1,791,699
	3,449,240	2,699,019

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, 2017, the value of these cheques amounted to Rs. 20,285,218 thousand (2016: Rs. 15,067,113 thousand). The maturity dates of these cheques extend to July 29, 2018.

20.2.4 Letters of credit and bank guarantees outstanding at December 31, 2017 amount to Rs. 10,134,156 thousand (2016: Rs. 1,130,365 thousand).

21. SALES

	2017	2016
	(Rupees '000)	
Gross sales, inclusive of sales tax		
- Local	207,537,763	215,013,736
- Export	-	1,210,425
	207,537,763	216,224,161
Less: Trade discounts and rebates	1,745,870	1,371,415
	205,791,893	214,852,746

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:

	Note	2017	2016
		(Rupees '000)	
Motor Gasoline		94,980,079	92,578,974
High Speed Diesel		76,546,478	87,341,951
Jet Fuels		10,394,243	11,603,797
Lubricants		19,966,086	18,663,481
Others		3,905,007	4,664,543
		205,791,893	214,852,746

22. COST OF PRODUCTS SOLD

Opening stock of raw and packing materials		1,041,318	1,382,270
Raw and packing materials purchased		8,211,675	5,933,939
Manufacturing expenses	22.1	552,085	486,114
Closing stock of raw and packing materials	10	(1,645,174)	(1,041,318)
Cost of products manufactured		8,159,904	6,761,005
Opening stock of finished products		9,324,854	11,898,919
Finished products purchased		114,006,911	110,974,179
Duties, levies and freight	22.2	30,335,765	33,329,178
Closing stock of finished products	10	(7,855,411)	(9,324,854)
Cost of finished products sold		145,812,119	146,877,422
		153,972,023	153,638,427

22.1 Includes depreciation charge of Rs. 96,792 thousand (2016: Rs. 87,522 thousand) and charge in respect of staff retirement benefits amounting to Rs. 4,424 thousand (2016: Rs. 6,845 thousand).

22.2 Duties, levies and freight

	2017	2016
	(Rupees '000)	
Petroleum development levy	21,170,804	23,895,156
Customs and excise duty	3,388,656	2,716,565
Inland freight equalization margin	5,196,626	6,347,602
Freight on non-equalized products	310,699	228,490
Others	268,980	141,365
	30,335,765	33,329,178

	Note	2017	2016
		(Rupees '000)	
23. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and benefits	23.1	1,628,378	1,538,347
Staff training		13,493	9,706
Stores and materials		13,619	20,035
Fuel and power		55,824	68,393
Rent, taxes and utilities		510,522	524,425
Repairs and maintenance		560,875	526,282
Depreciation	4.3	661,591	588,593
Insurance		30,035	32,762
Travelling		206,073	214,363
Advertising and publicity		847,523	758,228
Legal and professional charges		755,656	177,271
Communication and stationery		34,492	29,410
Computer expenses		19,340	140,824
Storage and other charges		144,542	168,434
Others		103,526	85,580
		5,585,489	4,882,653
Handling and storage charges recovered		(80,898)	(98,019)
Secondary transportation expenses		513,514	656,912
		6,018,105	5,441,546

23.1 Salaries, wages and benefits include charge of Rs. 70,656 thousand (2016: Rs. 114,995 thousand) in respect of staff retirement benefits.

	Note	2017	2016
		(Rupees '000)	
24. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	24.1	405,436	433,353
Staff training		44,382	4,975
Stores and materials		1,118	2,352
Fuel and power		34,397	34,548
Rent, taxes and utilities		150,807	21,102
Repairs and maintenance		46,394	47,285
Insurance		2,700	3,510
Travelling		76,091	55,645
Advertising and publicity		106,974	9,177
Technical service fee		1,801,802	1,659,727
Trade-marks and manifestations license fee		329,593	283,712
Legal and professional charges		501,672	444,369
Communication and stationery		233,495	352,113
Computer expenses		312,916	152,640
Depreciation	4.3	103,880	85,436
		4,151,657	3,589,944
Costs recovered under Service Level Agreement from related parties		(5,491)	(4,050)
		4,146,166	3,585,894

24.1 Salaries, wages and benefits include charge of Rs. 17,592 thousand (2016: Rs. 32,394 thousand) in respect of staff retirement benefits.

	Note	2017	2016
		(Rupees '000)	
25. OTHER EXPENSES			
Workers' profits participation fund	17.3	318,128	260,735
Workers' welfare fund		73,320	95,359
Exchange loss		901,929	-
Provision for doubtful debts – net	11.3	68,879	5,828
Trade debts written off		3,313	280
Provision for impairment of other receivables	13.9	-	182,000
Other receivables written off		-	330
Write off of operating assets		15,649	27,017
Auditors' remuneration	25.1	6,236	5,518
Donations	25.2	24,015	7,835
		1,411,469	584,902
25.1 Auditors' remuneration			
Fee for audit, half yearly review and review of compliance with code of corporate governance		4,100	3,800
Audit of retirement benefit funds		725	725
Special certifications and sundry advisory services		831	465
Out of pocket expenses		580	528
		6,236	5,518
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	2017	2016
		(Rupees '000)	
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqi Shaheed Road, Karachi)	Mr. Nasser N.S.Jaffer - Member Board of Governors	500	500
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Mr. Farrokh K. Captain - Trustee	1,233	830

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

	Note	2017	2016
		(Rupees '000)	
26. OTHER INCOME			
Income from financial assets			
Interest on short-term deposits		115,419	188,030
Income from non-financial assets			
Gain on disposal of operating assets		5,365	6,694
Reversal of impairment on operating assets	4.7	6,587	13,271
Reversal of asset retirement obligation	16	1,777	3,130
Shell card income		91,446	70,625
Exchange gain		-	304,063
Others		198,965	181,232
		304,140	579,015
		419,559	767,045

	Note	2017	2016
		(Rupees '000)	
27. FINANCE COSTS			
Bank charges		176,946	184,426
Accretion expense	16	5,899	8,081
Mark-up on short-term borrowings		52,204	11,389
		<u>235,049</u>	<u>203,896</u>

28. TAXATION

Current

- for the year		884,906	1,454,327
- for prior year		107,858	55,792
		<u>992,764</u>	<u>1,510,119</u>

Deferred

		147,494	(2,569,204)
		<u>1,140,258</u>	<u>(1,059,085)</u>

28.1 The return of income for the tax year 2017 has been filed by the Company. The said return, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 has been deemed to be an assessment order passed by the Commissioner of Inland Revenue.

	2017	2016
	(Rupees '000)	

28.2 Relationship between tax expense and accounting profit

Accounting profit before taxation	4,322,960	5,705,822
Tax at the applicable tax rate of 30% (2016: 31%)	1,296,888	1,768,805
Tax effect of income under final tax regime	8,463	(46,103)
Tax impact on account of lower tax rate on share of profit of associate	(173,105)	(176,472)
Prior year charge	107,858	55,792
Reversal / (Recognition) of deferred tax asset on minimum tax carry forward - net	-	(2,684,218)
Impact of change in tax rate	71,664	(10,863)
Tax effect of rebates	(92,444)	(95,391)
Others	(79,066)	129,365
Tax expense for the year	<u>1,140,258</u>	<u>(1,059,085)</u>

29. EARNINGS PER SHARE – basic and diluted

Profit for the year	3,182,702	6,764,907
	(Number of shares)	
Weighted average number of ordinary shares	107,012,331	107,012,331
	(Rupees)	
Earnings per share	29.74	63.22

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

30. EMPLOYEE BENEFITS

30.1 Pension and Gratuity

As mentioned in note 3.13 to the financial statements, the Company operates staff retirement benefit schemes for all its employees. These include 4 defined benefit gratuity and pension schemes and 1 defined contribution pension fund. Contributions are made to the defined benefit schemes on the basis of actuarial recommendations. The latest actuarial valuation was carried out as at December 31, 2017.

30.1.1 Actuarial assumptions

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

	2017	2016
	----- % per annum -----	
- Expected rate of increase in future salaries	7.50	7.50
- Discount rate	8.50	8.50
- Expected rate of increase in pensions	2.75	2.75
- Expected rate of return on plan assets	8.50	8.50
- Medical cost trend	2.75	2.75

30.1.2 Balance sheet reconciliation

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets - note 30.1.3	1,712,751	22,842	21,791	104,385	1,861,769	1,881,131	47,910	21,013	125,231	2,075,285
Present value of defined benefit obligation - note 30.1.4	(1,534,136)	(100,199)	-	(129,388)	(1,763,723)	(1,419,044)	(91,453)	-	(131,118)	(1,641,615)
Asset / (liability) in respect of staff retirement benefit schemes	<u>178,615</u>	<u>(77,357)</u>	<u>21,791</u>	<u>(25,003)</u>	<u>98,046</u>	<u>462,087</u>	<u>(43,543)</u>	<u>21,013</u>	<u>(5,887)</u>	<u>433,670</u>

30.1.3 Movement in the fair value of plan assets

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets at the beginning of the year	1,881,131	47,910	21,013	125,231	2,075,285	2,104,835	(286,784)	17,993	129,534	1,965,578
Expected return on plan assets	153,944	3,754	1,785	10,042	169,525	171,042	(11,128)	1,664	10,830	172,408
Contribution by the Company	-	-	-	-	-	19,358	4,836	-	-	24,194
Contribution by the employees	3,240	-	-	-	3,240	3,376	-	-	-	3,376
Benefits paid during the year	(138,967)	(11,817)	-	(14,174)	(164,958)	(148,920)	(57,150)	-	(24,902)	(230,972)
Interfund transfer	(4,321)	4,321	-	-	-	(385,274)	385,274	-	-	-
Remeasurement of plan assets	(182,276)	(21,326)	(1,007)	(16,714)	(221,323)	116,714	12,862	1,356	9,769	140,701
Fair value of plan assets at the end of the year	<u>1,712,751</u>	<u>22,842</u>	<u>21,791</u>	<u>104,385</u>	<u>1,861,769</u>	<u>1,881,131</u>	<u>47,910</u>	<u>21,013</u>	<u>125,231</u>	<u>2,075,285</u>

30.1.4 Movement in the present value of defined benefit obligations

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Present value of obligation at the beginning of the year	1,419,044	91,453	-	131,118	1,641,615	1,394,479	99,055	-	135,840	1,629,374
Current service cost	26,578	5,605	-	3,790	35,973	28,267	6,039	-	4,229	38,535
Past service cost	-	-	-	-	-	-	-	-	-	-
Interest cost	114,712	7,272	-	10,543	132,527	122,102	6,520	-	11,413	140,035
Benefits paid during the year	(138,967)	(11,817)	-	(14,174)	(164,958)	(148,920)	(57,150)	-	(24,902)	(230,972)
Remeasurement on obligation	112,769	7,686	-	(1,889)	118,566	23,116	36,989	-	4,538	64,643
Curtailments loss / (gain)	-	-	-	-	-	-	-	-	-	-
Inter fund transfer	-	-	-	-	-	-	-	-	-	-
Present value of obligation at the end of the year	<u>1,534,136</u>	<u>100,199</u>	<u>-</u>	<u>129,388</u>	<u>1,763,723</u>	<u>1,419,044</u>	<u>91,453</u>	<u>-</u>	<u>131,118</u>	<u>1,641,615</u>

30.1.5 Amount recognized in profit and loss

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	26,578	5,605	-	3,790	35,973	28,267	6,039	-	4,229	38,535
Past service cost	-	-	-	-	-	-	-	-	-	-
Interest cost	114,712	7,272	-	10,543	132,527	122,102	6,520	-	11,413	140,035
Expected return on plan assets	(153,944)	(3,754)	(1,785)	(10,042)	(169,525)	(171,042)	11,128	(1,664)	(10,830)	(172,408)
Curtailments loss / (gain)	-	-	-	-	-	-	-	-	-	-
Employee contributions	(3,240)	-	-	-	(3,240)	(3,376)	-	-	-	(3,376)
(Reversal) / expense for the year	(15,894)	9,123	(1,785)	4,291	(4,265)	(24,049)	23,687	(1,664)	4,812	2,786

30.1.6 Remeasurement recognized in other comprehensive income

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Loss / (gain) from changes in demographic assumptions	-	-	-	-	-	-	-	-	-	-
Loss / (gain) from changes in financial assumptions	-	-	-	-	-	-	-	-	-	-
Experience loss / (gain)	112,769	7,686	-	(1,889)	118,566	23,116	36,989	-	4,538	64,643
Remeasurement of defined benefit obligation	112,769	7,686	-	(1,889)	118,566	23,116	36,989	-	4,538	64,643
Loss / (gain) due to remeasurement of investment return	182,276	21,326	1,007	16,714	221,323	(116,714)	(12,862)	(1,356)	(9,769)	(140,701)
	295,045	29,012	1,007	14,825	339,889	(93,598)	24,127	(1,356)	(5,231)	(76,058)

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

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at the beginning of year	462,087	(43,543)	21,013	(5,887)	433,670	710,356	(385,839)	17,993	(6,306)	336,204
Net reversal / (charge) for the year	(279,151)	(38,135)	778	(19,116)	(335,624)	117,647	(47,814)	3,020	419	73,272
Contributions by the Company	-	-	-	-	-	19,358	4,836	-	-	24,194
Inter-fund transfers	(4,321)	4,321	-	-	-	(385,274)	385,274	-	-	-
Asset / (liability) in respect of staff retirement benefit schemes	178,615	(77,357)	21,791	(25,003)	98,046	462,087	(43,543)	21,013	(5,887)	433,670
Current account balance with funds	115,154	(13,104)	49	8,744	110,843	(24,707)	(46,496)	49	(1,202)	(72,356)
	293,769	(90,461)	21,840	(16,259)	208,889	437,380	(90,039)	21,062	(7,089)	361,314

30.1.8 Plan assets comprised the following:

	2017				Total	2016				Total
	Management		Non-Management			Management		Non-Management		
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
PIB's, TFC's etc.	1,511,024	308,465	21,771	116,270	1,957,530	1,551,765	350,744	20,133	130,610	2,053,252
Bank deposits	23,593	1,427	93	515	25,628	15,412	2,479	953	1,109	19,953
Inter-fund dues	294,841	(294,841)	-	-	-	323,847	(323,847)	-	-	-
Benefits due	(1,553)	(5,314)	(24)	(3,655)	(10,546)	(12,055)	(22,647)	(24)	(7,690)	(42,416)
Due to DC Pension Fund	-	-	-	-	-	(22,545)	(5,315)	-	-	(27,860)
Due to Shell Pakistan Limited	(115,154)	13,104	(49)	(8,744)	(110,843)	24,707	46,496	(49)	1,202	72,356
	1,712,751	22,841	21,791	104,386	1,861,769	1,881,131	47,910	21,013	125,231	2,075,285

30.1.9 Expected contributions to the above schemes for the year ending December 31, 2018 is Rs. 3,250 thousand.

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

	Increase of 1%	Decrease of 1%
	(Rupees '000)	
- Effect of change in discount rate	(150,841)	178,192
- Effect of change in salaries	53,899	(48,982)
- Effect of change in pension	114,433	(100,701)

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 are:

	2017	2016
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	208,889	361,314
Total balance receivable / (payable) in respect of defined contribution schemes	64,522	59,390
	273,411	420,704

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

	Note	2017	2016
		(% per annum)	

30.2.1 Actuarial assumptions

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

- Discount rate	8.50	8.50
- Medical cost trend rate	2.75	2.75

30.2.2 Amount recognized in the balance sheet

	Note	2017	2016
		(Rupees '000)	
Present value of defined benefit obligation	30.2.3	91,578	83,537
Fair value of plan assets		-	-
Liability recognized at end of the year		91,578	83,537

30.2.3 Movement in the present value of defined benefit obligation

Present value of obligation at beginning of the year	83,537	84,197
Current service cost	1,662	1,411
Interest cost	6,700	7,361
Benefits paid during the year	(9,425)	(9,240)
Remeasurement on obligation	9,104	(192)
Present value of obligation at end of the year	91,578	83,537

30.2.4 Movement in the liability recognized in the balance sheet

Balance at beginning of the year	83,537	84,197
Charge for the year	17,466	8,580
Payments during the year	(9,425)	(9,240)
	91,578	83,537

	2017	2016
	(Rupees '000)	
30.2.5 Amount recognized in profit and loss		
Current service cost	1,662	1,411
Interest cost	6,700	7,361
	<u>8,362</u>	<u>8,772</u>

30.2.6 Remeasurement recognized in other comprehensive income

Experience loss / (gain)	<u>9,104</u>	<u>(192)</u>
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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	10,465	(8,721)

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.

	2017	2016	2015	2014	2013
	(Rupees '000)				
Present value of defined benefit obligation	1,855,302	1,725,152	1,713,571	1,613,970	1,395,551
Fair value of plan assets	(1,861,769)	(2,075,285)	(1,965,578)	(1,808,453)	(1,531,540)
Surplus / (Deficit)	<u>6,467</u>	<u>350,133</u>	<u>252,007</u>	<u>194,483</u>	<u>135,989</u>

30.4 The value of investments made by the staff retirement funds operated by the Company as per their last audited financial statements as at December 31, 2016 and unaudited financial statements as at December 31, 2017 are as follows:

	2017	2016
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	1,003,236	1,039,145
Shell Pakistan Staff Provident Fund	4,395	3,715
Shell Pakistan Labour Provident Fund	193,720	200,917
Shell Pakistan Management Staff Gratuity Fund	302,618	342,019
Shell Pakistan Labour and Clerical Staff Gratuity Fund	114,504	127,717
Shell Pakistan Management Staff Pension Fund	1,486,127	1,522,782
Shell Pakistan Staff Pension Fund	21,272	19,628
Shell Pakistan DC Pension Fund	1,497,956	1,476,971
	<u>4,623,828</u>	<u>4,732,894</u>

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

	2017	2016
	(Rupees '000)	
in respect of:		
- pension and gratuity scheme	(4,265)	2,784
- defined contribution funds	88,575	142,678
- post-retirement medical benefit scheme	8,362	8,772
	<u>92,672</u>	<u>154,234</u>

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Short-term benefits						
Director's fee	-	4,969	-	-	3,750	-
Managerial remuneration (including bonus)	37,557	36,473	1,529,385	45,456	34,512	1,279,933
Housing:						
- Rent	10,214	-	-	7,644	-	-
- Utilities	542	432	24,939	266	402	19,894
Medical expenses	102	2,421	33,645	125	2,130	29,117
	<u>48,415</u>	<u>44,295</u>	<u>1,587,969</u>	<u>53,491</u>	<u>40,794</u>	<u>1,328,944</u>
Post-employment Benefits						
Company's contribution to pension, gratuity and provident fund	1,239	3,904	130,355	2,571	3,581	130,977
	<u>49,654</u>	<u>48,199</u>	<u>1,718,324</u>	<u>56,062</u>	<u>44,375</u>	<u>1,459,921</u>
Number of persons including those who worked part of the year	<u>1</u>	<u>12</u>	<u>440</u>	<u>2</u>	<u>13</u>	<u>425</u>

31.1 As at December 31, 2017, the total number of Directors were 10 (2016: 10), excluding Chief Executive.

31.2 Includes Rs. 98,784 thousand (2016: Rs. 62,763 thousand) in respect of Performance Share Plan.

31.3 Aggregate amount charged in the financial statements in respect of fee to Non-Executive Directors amount to Rs. 4,969 thousand (2016: Rs. 3,750 thousand).

31.4 In addition, the Chief Executive 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 the Company furnished accommodation.

32. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of ultimate and immediate parents, associated undertakings, entities with common directorships, employees' retirement funds, directors and key management personnel. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Nature of relationship	Nature of transactions	2017	2016
		(Rupees '000)	
Immediate parent	Dividend paid	2,850,648	814,437
Associate	Pipeline charges	420,595	642,377
	Dividend	521,521	452,788
	Others	22,965	13,393
Employees' retirement funds			
Pension Funds	Contribution	-	19,358
Defined Contribution			
Pension Fund	Contribution	86,038	114,184
Gratuity Funds	Contribution	-	4,835
Provident Funds	Contribution	59,242	61,758
Key management personnel			
	Salaries and other short term employee benefits	87,741	90,133
	Post-employment benefits	5,143	6,152
Directors			
	Dividend paid	27,904	13,453
	Fee for attending meetings	4,969	3,750
Other related parties			
	Purchases	92,695,232	101,056,315
	Sales	57,535	1,023,132
	Collection for sales made in Pakistan from customers of the parent company and its associates	3,813,950	3,607,040
	Technical service fee charged – note 32.1	1,801,802	1,659,727
	Trade-marks and manifestations license fee charged – note 32.2	329,593	283,712
	Computer expenses charged (Global Infrastructure Desktop charges) – note 32.2	66,363	120,324
	Expenses recovered from related parties	196,318	144,591
	Other expenses charged by related parties - note 32.3	920,387	953,317
	Donations	3,133	3,330
	Legal charges	12,476	66
	Interest paid	385	-
	Interest received	14,739	-
	Other bank charges	125,937	-

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.

32.2 Trademarks 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. 326,440 thousand (2016: Rs. 323,127 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements 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 are disclosed in notes 7, 12 and 31 to these financial statements.

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

Note	2017	2016
	(Rupees '000)	
33. CASH GENERATED FROM OPERATIONS		
Profit before taxation	4,322,960	5,705,822
Adjustment for non-cash charges and other items:		
Depreciation charge	862,263	761,551
Accretion expense in respect of asset retirement obligation	5,899	8,081
Reversal of liability in respect of asset retirement obligation	(1,777)	(3,130)
Provision / (reversal of) for obsolete and slow moving stock-in-trade - net	11,551	(18,867)
Provision for doubtful debts	68,879	5,828
Trade debts written off	3,313	280
Provision for impairment of other receivables	-	182,000
Other receivables written off	-	330
Reversal of provision for impairment of operating assets	(6,587)	(13,271)
Write off of operating assets	15,649	27,017
Gain on disposal of operating assets	(5,365)	(6,694)
Share of profit of associate	(837,776)	(751,840)
Interest on short-term deposits	(115,419)	(188,030)
Mark-up on short-term borrowings	52,204	11,389
Working capital changes	33.1 (2,384,384)	3,259,079
	1,991,410	8,979,545

33.1 Working capital changes

Decrease / (Increase) in current assets

Stock-in-trade	854,036	2,933,884
Trade debts	(1,051,038)	(527,811)
Loans and advances	15,364	3,950
Short term prepayments	(23,427)	302,817
Other receivables	295,576	74,565
	90,511	2,787,405

(Decrease) / Increase in current liabilities

Trade and other payables	(2,474,895)	471,674
	(2,384,384)	3,259,079

	Note	2017	2016
		(Rupees '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	2,591,864	5,988,405
Short-term borrowings	19	(395,000)	-
		<u>2,196,864</u>	<u>5,988,405</u>

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest audited financial statements of the fund as at December 31, 2016 and unaudited financial statements as at December 31, 2017:

	2017	2016	
		(Rupees '000)	
Size of the fund - total assets	<u>1,420,462</u>	<u>1,319,839</u>	
Fair value of investments	<u>1,209,974</u>	<u>1,258,734</u>	
Cost of investments	<u>1,207,393</u>	<u>1,089,341</u>	
Percentage of investment made	<u>85%</u>	<u>83%</u>	

35.1 The break-up of fair value of investment is as follows:

	2017		2016	
	Investments (Rupees '000)	Percentage of investment made	Investments (Rupees '000)	Percentage of investment made
Treasury Bills	-	-	68,098	6
Pakistan Investment Bonds	596,161	49	615,294	49
Regular Income Certificates	417,700	35	417,700	33
Equity investments	187,490	15	142,685	11
Saving bank accounts	8,623	1	14,957	1
	<u>1,209,974</u>	<u>100</u>	<u>1,258,734</u>	<u>100</u>

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

35.3 An amount of Rs. 59,242 thousand (2016: Rs. 62,625 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:

	2017					
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing		
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal
	(Rupees '000)					
Financial assets						
Available-for-sale						
Investments	-	-	-	-	5,000	5,000
Loans and receivables						
Loans	8,226	-	8,226	40,177	17,820	57,997
Deposits	-	-	-	-	137,125	137,125
Trade debts	-	-	-	3,101,181	-	3,101,181
Other receivables	-	-	-	1,713,387	-	1,713,387
Cash and bank balances	1,505,896	-	1,505,896	1,085,968	-	1,085,968
	<u>1,514,122</u>	<u>-</u>	<u>1,514,122</u>	<u>5,940,713</u>	<u>159,945</u>	<u>6,100,658</u>
Financial liabilities						
Financial liabilities at amortised cost						
Trade and other payables	-	-	-	25,883,894	-	25,883,894
Accrued mark-up	-	-	-	431	-	431
Short-term borrowings	395,000	-	395,000	-	-	395,000
	<u>395,000</u>	<u>-</u>	<u>395,000</u>	<u>25,884,325</u>	<u>-</u>	<u>26,279,325</u>

	2016					
	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
	(Rupees '000)					
Financial assets						
Available-for-sale						
Investments	-	-	-	-	5,000	5,000
Loans and receivables						
Loans	6,068	3,625	9,693	18,884	3,178	22,062
Deposits	-	-	-	-	133,042	133,042
Trade debts	-	-	-	2,122,335	-	2,122,335
Other receivables	-	-	-	1,678,547	-	1,678,547
Cash and bank balances	4,752,468	-	4,752,468	1,235,937	-	1,235,937
	<u>4,758,536</u>	<u>3,625</u>	<u>4,762,161</u>	<u>5,055,703</u>	<u>141,220</u>	<u>5,196,923</u>
Financial liabilities						
Financial liabilities at amortised cost						
Trade and other payables	-	-	-	27,742,975	-	27,742,975
Accrued mark-up	-	-	-	623	-	623
	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,743,598</u>	<u>-</u>	<u>27,743,598</u>

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

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. 7,614,780 thousand (2016: Rs. 9,959,084 thousand) the financial assets subject to credit risk amount to Rs. 7,594,401 thousand (2016: Rs. 9,938,231 thousand). For banks and financial institutions, only independently rated parties with reasonably high credit rating are accepted. For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

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

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

	2017	2016
	(Rupees '000)	
Loans	66,223	31,755
Deposits	137,125	133,042
Trade debts	2,102,949	1,715,538
Other receivables	1,713,387	1,678,547
Bank balances	2,576,485	5,972,551
	6,596,169	9,531,433

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short-term	Long-term
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
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	A1
Deutsche Bank AG	Moody's	P-2	Baa2
The Bank of Tokyo-Mitsubishi-UFJ, Limited	Standard & Poor's	A-1	A+
Industrial and Commercial Bank of China	Moody's	P-1	A1

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, 2017, had the exchange rates of USD, GBP and EUR appreciated or depreciated against the currency with all other variables held constant, the change in post-tax profit / loss would have been as follows:

Currency	Profit / Loss	2017		2016	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	5%	458,486	5%	419,249
GBP	lower / higher	5%	8,398	5%	9,912
EUR	lower / higher	5%	13,166	5%	13,775

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 finance obtained at variable rates expose the Company to cash flow interest rate risk.

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

At December 31, 2017, had interest rates on Company's borrowings been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 2,726 thousand (2016: Rs. Nil).

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, maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

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

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

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

37. FAIR VALUE MEASUREMENT

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

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

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

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

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

38. OPERATING SEGMENTS

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

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

Total sales of the Company relating to customers in Pakistan were 100% during the year ended December 31, 2017 (December 31, 2016: 99.44%).

All non-current assets of the Company as at December 31, 2017 and 2016 are located in Pakistan.

Sales to twenty major customers of the Company are around 13% during the year ended December 31, 2017 (December 31, 2016: 15%).

39. NUMBER OF EMPLOYEES`

	Number of employees as at		Average number of employees	
	2017	2016	2017	2016
Management employees	380	383	376	378
Non-management employees	35	42	37	44
	415	425	413	422

40. SUBSEQUENT EVENT

40.1 The Board of Directors in its meeting held on March 08, 2018 has proposed a cash dividend of Rs. 17/- per share for the year ended December 31, 2017 for approval of the members at the Annual General Meeting to be held on April 24, 2018.

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, 2018.

40.2 The Finance Act, 2017 introduced tax on every public company at the rate of 7.5% of accounting income before tax. However, this tax shall not be applied in case of a public company which distributes profit equal to 40% of its after tax profits within six months from the end of the year.

Based on the fact the Board of Directors of the Company has proposed 170% dividend for the year ended December 31, 2017 which exceeds the above prescribed minimum dividend requirement. The Company believes that it would not eventually be liable to pay tax on its undistributed profits as of December 31, 2017.

41. GENERAL

41.1 For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation.

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

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 08, 2018 by the Board of Directors of the Company.

Jawwad A. Cheema
Chief Executive

Faisal Waheed
Chief Financial Officer

Rafi H. Basheer
Director

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (name wise details)			
The Shell Petroleum Company Limited, London.	1	81,443,702	76.11
NIT AND ICP			
National Bank of Pakistan.	1	102	0.00
Mutual Funds (name wise details)			
CDC - Trustee Akd Index Tracker Fund	1	4,751	0.00
CDC - Trustee Al Meezan Mutual Fund	1	2,000	0.00
CDC - Trustee Alfalah Ghp Islamic Dedicated Equity Fund	1	2,279	0.00
CDC - Trustee Alfalah Ghp Islamic Stock Fund	1	2,471	0.00
CDC - Trustee Alfalah Ghp Stock Fund	1	2,050	0.00
CDC - Trustee Mcb Pakistan Stock Market Fund	1	22,200	0.02
CDC - Trustee Meezan Balanced Fund	1	300	0.00
CDC - Trustee Meezan Energy Fund	1	68,000	0.06
CDC - Trustee Meezan Islamic Fund	1	20,000	0.02
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	10,000	0.01
CDC - Trustee Nafa Islamic Active Allocation Equity Fund	1	94,950	0.09
CDC - Trustee Nafa Islamic Asset Allocation Fund	1	444,000	0.41
CDC - Trustee Nafa Islamic Energy Fund	1	367,100	0.34
CDC - Trustee Nafa Islamic Stock Fund	1	216,550	0.20
CDC - Trustee Nafa Multi Asset Fund	1	62,300	0.06
CDC - Trustee Nafa Stock Fund	1	484,300	0.45
CDC - Trustee National Investment (unit) Trust	1	25	0.00
CDC - Trustee Piml Asset Allocation Fund	1	12,050	0.01
CDC - Trustee Nafa Asset Allocation Fund	1	102,400	0.10
Tri. Star Mutual Fund Ltd.	1	158	0.00
Directors			
Farrokh K. Captain	1	734,086	0.69
Nasser N. S. Jaffer	1	125	0.00
Badaruddin F. Vellani	1	195	0.00
Parvez Ghias	1	100	0.00
Naz Khan	1	100	0.00
Directors' spouse			
	-	-	-
Executives			
	3	39,991	0.04
Public Sector Companies and Corporations			
	1	3,692,247	3.45
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds			
	22	580,240	0.54
General Public			
a. Local	6,317	12,435,351	11.63
b. Foreign	3	16,966	0.02
Others			
	106	6,151,242	5.75
	6,479	107,012,331	100.00

Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)

The Shell Petroleum Company Limited, London.	1	81,443,702	76.11
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PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

Trade in shares by Directors, Executives, their spouses and minor children during the year 2017

SALE

Name	Category	Date of Transaction	Price per Share (Rs.)	No. of Shares Sold
Badrul Hassan	Executive	10-04-2017	Rs. 646.00	600

PURCHASE

Name	Category	Date of Transaction	Price per Share (Rs.)	No. of Shares Purchased
Andalib Alavi	Company Secretary	06-12-2017 07-12-2017	Rs. 302.50 Rs. 301.62	4,400 30,600
Badrul Hassan	Executive	29-12-2017	Rs. 307.99	1,100

FORM OF PROXY

The Secretary
Shell Pakistan Limited
Shell House
6, Ch. Khaliqzaman 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-Ninth Annual General Meeting of the Company to be held on
April 24, 2018 at 10:30 a.m. at the Movenpick Hotel, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2018.

WITNESSES:

1. Signature _____

Name _____
Address _____

CNIC or
Passport No. _____

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

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. However, as the meeting is on Tuesday the 24th of April 2018, and in view of the provisions of S.137(6) of the Companies Act, 2017, the proxies, in order to be accepted and effective, must be filed no later than 10:30 am on Friday, 20th April, 2018.
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.