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

# Shell Pakistan Limited
## Annual Report '15

FUELLING JOURNEYS, DRIVING CONNECTIONS

# FUELLING JOURNEYS, **DRIVING CONNECTIONS**

**At Shell, we take people to their destinations by making the journey possible**

Whether it is the man who wishes to trek across Pakistan,
the woman who dreams to start her own business,
a trucker who longs to go home or
two people who have oceans between them,
Shell helps people reach their destinations.

Every day, we connect millions of people
to places they want to go by providing quality products.
Be it Shell Lubricants and Fuels that enable smooth and long journeys or
Shell Aviation that fuels carriers taking travelers across the world or
Shell Tameer, a programme designed to help people realise their goals,
Shell finds a way to get people to their destinations.

# Shell Pakistan

On a quest to fulfil journeys and connect people to their destinations.

**780+**
**sites across Pakistan** to help people reach their destinations

**Supplying**
**2.66 bn**
**litres of fuel** annually

**15+**
**lubricants -** for an efficient and smooth driving experience

**61**
**aircrafts** refuelled every day

**12**
**depots** for hassle-free distribution of fuel across the nation

**800,000+**
**youth** engaged through Shell Tameer Entrepreneurship Progamme

**30,000+**
**School children** engaged on Road Safety awareness

**Fuelling** journeys of
**1,000,000+**
**customers** every day

# CONTENTS

## Governance & Compliance



## Our Performance



## Financials

# GOVERNANCE & COMPLIANCE

## CONNECTING
## PEOPLE TO DESTINATIONS

**Every day, we connect millions of people to the places they want to go**

Truckers in Pakistan live their lives on the road, spending only a handful of days at home. The perilous routes and unpredictable conditions, none of these stand in the way of their destination. Our range of superior Lubricants protects engines, making the journey safe, comfortable and efficient. We recognise that less downtime on the road can mean more time for loved ones at home.

# COMPANY INFORMATION

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

**Managing Director & Chief Executive Officer**
Omar Sheikh

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

**Human Resource and Remuneration Committee**
Klaas Mantel
Farrokh K Captain
Omar Sheikh

**Company Secretary**
Tariq Saeed

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

**Auditors**
A. F. Ferguson & Co.

**Legal Advisors**
Vellani & Vellani
Advocates & Solicitors

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

# VISION

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

# STATEMENT OF GENERAL BUSINESS PRINCIPLES

## INTRODUCTION

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

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

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

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

## OUR VALUES

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

## SUSTAINABLE DEVELOPMENT

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

## RESPONSIBILITIES

Shell Pakistan Limited recognises five areas of responsibility. It is the duty of management to continuously 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 Pakistan Limited products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities.

## PRINCIPLE 2
## COMPETITION

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

## PRINCIPLE 3
## BUSINESS INTEGRITY

Shell Pakistan Limited insists on honesty, integrity and fairness in all aspects of our business, and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of Company business. Employees must also declare to their employing Company potential conflicts of interest.

All business transactions on behalf of Shell Pakistan Limited must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

## PRINCIPLE 4
## POLITICAL ACTIVITIES

a. Of companies
Shell Pakistan Limited acts in a socially responsible manner within the laws of the country in which we operate in pursuit of our legitimate commercial objectives. Shell Pakistan Limited does not make payments to political parties, organisations or their representatives. Shell Pakistan Limited does not take part in party politics. However, when dealing with the government, Shell Pakistan Limited has the right and the responsibility to make our position known on matters which affect us, our employees, our customers, our shareholders or local communities in a manner which is in accordance with our values and the Business Principles.

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

## PRINCIPLE 5
## HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

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

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

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

## PRINCIPLE 6
## LOCAL COMMUNITIES

Shell Pakistan Limited aims to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

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

In addition, Shell Pakistan Limited takes a constructive interest in social matters, directly or indirectly related to our business.

## PRINCIPLE 7
## COMMUNICATION AND ENGAGEMENT

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

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

## PRINCIPLE 8
## COMPLIANCE

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

## LIVING BY OUR PRINCIPLES

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

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

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

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

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

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

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

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

# BOARD OF DIRECTORS

OMAR SHEIKH

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

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

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

FARROKH K CAPTAIN

Mr. Farrokh K. Captain received both his Bachelors and Masters degrees from the Massachusetts Institute of Technology. He worked as a Management Consultant with Arthur D. Little in the USA, and then went on to establish their practice in Pakistan. Since then he has led Captain-PQ Chemical Industries Limited, a major US-Pakistan joint venture chemical manufacturing business in Pakistan, as Chairman and Managing Director. He is also a member of the Board of the American Business Council, a Director of Pakistan Refinery Limited, and the Senior Director of Shell Pakistan Limited where he is presently serving his twenty-fifth year as an elected representative of the minority shareholders.

Mr. Captain is an active member of the Pakistan Civil Society, and is a part of several humanitarian organisations. Additionally, He has served for 30 years as MIT's Regional Chairman for Pakistan, and is Chairman of the MIT Enterprise Forum of Pakistan. He is also a member of the Pakistan Board of The Acumen Fund, a novel new entrant to the Pakistani social service sector, operating in the field of social entrepreneurship. Mr Captain is President of LRBT-America, and Chairman of The i-Care Foundation Pakistan, which is Pakistan's first Donor Advised Fund.

SOO LIM GOH

Soo Lim Goh is the Chemical Global New Business Development & Ventures Finance Manager since 2012. Prior to his present role he served as the Finance Manager, Downstream Fuels and Lubricants at The Royal Dutch Shell plc from 2008. He also worked as Senior Vice President & Chief Financial Officer, Singapore Airport Terminal Services Limited since 2007. From 1997 to 2006 he held several roles with the Singapore Telecommunications Limited as Regional Director Strategic Investment, Finance Director Corporate Business Group, Chief Operating Officer, ADSB Telecoms B.V., Director International Finance and Director Sing Tel Finance. In 1995 he was Senior Vice President, Finance & Administration, Channel KTV Pte Limited.

Soo Lim holds an Executive Development Program for Senior Management from The Wharton School, University of Pennsylvania, USA and a Fellow of Certified Practicing Accountants (FCPA) and Bachelor of Business Accounting from Curtin University, Australia.

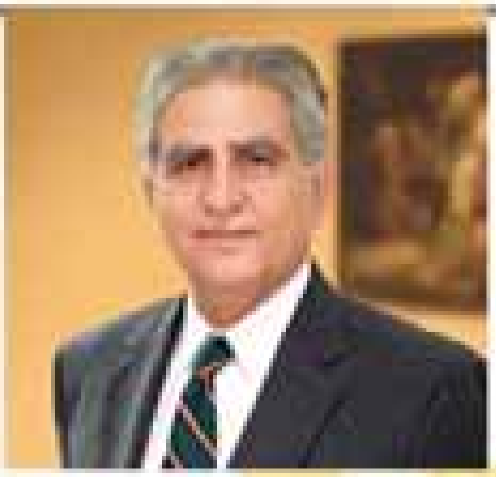
IMRAN R IBRAHIM

Imran Ibrahim is a graduate from Government College, Lahore, and pursued post graduate studies at the Institute of Business Administration in Karachi. He is an entrepreneur with 42 years of experience in diverse areas of business such as distribution of products for various multinationals as well as cotton ginning and edible oil extraction.

NASSER N S JAFFER

Nasser N S Jaffer is the Chairman at Jaffer Group of Companies where he was formerly the CEO of the company to manage the overall business to ensure growth, profitability and business satisfactory results to the stakeholders from 2003 to 2014. Mr. Jaffer was Chairman, Pakistan International Airlines from October 2014 to January 2016 as well as member on the Board of Directors to-date. He is also President of Pakistan Tunisia Friendship Association, Director of Italy Pakistan Cultural & Friendship Association and Member, Board of Governors, The Kidney Centre & Chal Foundation. Until December 2012 he was on the Executive Advisory Committee at Hong Kong Shanghai Banking Corporation.

He is on the board of other business and social associations, Honorary Secretary Modern Club and Modern Society, founder member of the Hunar Foundation and Director of Darut Tasnif (Private) Limited. He also held office of the Honorary Consul of the Philippines from 1995 to 2010.



ZAFFAR A KHAN

Zaffar Khan graduated as a mechanical engineer in 1967 from Peshawar University and soon thereafter joined Esso/Exxon Chemical which eventually became Engro Chemical in Pakistan. He retired from the Company in 2004 after serving for 35 years, the last 6 of which were as President & CEO.

During the early years of his career, he served Exxon Chemical for 10 years in Hong Kong, Singapore and USA in the petrochemical business. His career with Exxon/Engro spanned all major corporate functions i.e. Marketing, Manufacturing, Finance & Corporate Services.

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

# BOARD OF DIRECTORS

JOHN KING CHONG LO

John has over 20 years of experience in the Oil & Gas and Petrochemicals industries, and has worked in variety of Downstream positions. As General Manager of Trading & Supply Operations, John is responsible to oversee the supply and distribution of fuels to our customers in the East, as well as to manage the Commercial operations for SIETCO and SITME, including LNG operations for SILS globally.

Prior to this role, John was the General Manager Operations & Technical for Shell Aviation, where he was responsible for the operations of Shell's Global Aviation business and manages the R&D programme on aviation fuels and lubricants development.

John holds a bachelor degree in Chemical Engineering from the University of Toronto, Canada and a MBA from the University of Durham, Business School, UK.

John also serves as the development board member of the Durham Business School and runs his own charity "Read-cycling" during his personal time.

BADARUDDIN F. VELLANI

Badaruddin F Vellani is an Honours graduate in Chemical Engineering from the Leicestershire University of Technology and a Barrister at Law from Middle Temple (London). Mr. Vellani was called to the Bar in July 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, Mr. Vellani is also member of the Board of Directors in a number of multinational companies engaged in the FMCG, manufacturing, retail and pharmaceutical sectors and is on the Board of several philanthropic organisations and foundations.

KLAAS MANTEL

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. His international Shell career started with Retail business in the Netherlands and included assignments as Global Promotions Manager & Global Diesel Marketing Manager at Shell International in London, e-Business Manager for Asia Pacific, Singapore and Regional Retail Marketing Manager for Africa. From 2009 to 2011 Klaas was the General Manager for the Shell South Africa retail business. Klaas was also a member of the Shell South Africa Country Coordination Team that coordinates with various Group activities in the country.

In his current role as General Manager Global Convenience Retail, Lubricants and Alliances he is responsible for the Global Strategy and driving growth and innovation across Shell Retail.

FAISAL WAHEED

Faisal Waheed is Chief Financial Officer and Finance Director at Shell Pakistan Limited. He is a graduate of IBA, Karachi and an associate member of Chartered institute of Management Accountants, UK.

Mr. Waheed joined Shell in 2013 in his current capacity. Before this, he had an experience of 11 years in different finance and information management positions at Unilever in Pakistan and the UK. He moved to Engro Corporation in 2010, where he last served as Chief Financial Officer of one of its subsidiaries.

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

HAROON RASHID

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

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

# CHAIRMAN'S REVIEW

**On behalf of the Board of Directors of Shell Pakistan Limited, I am happy to share the results of the Company for the year ended December 31, 2015.**

During 2015, your Company further improved its operational performance, delivering volume and profitability growth in all three segments that the Company actively operates in: Retail, Lubricants and Aviation. However, like the rest of the industry, the financial results were impacted by high inventory losses due to sharp decline in oil prices. The Company reported a net profit after tax of Rs. 911 million in 2015, against a loss after tax of Rs.1,067 million in the same period last year. In acknowledgement of the solid performance of the Company, the Board of Directors decided to recommend a cash dividend of Rs. 10 per share.

In addition to delivering strong business performance, your Company was also at the forefront of working closely with the Government to manage the fuel shortages that affected many Pakistanis in 2015, leveraging our global supply chain to import extra fuel, and sharing fuel parcels with other oil marketing companies. In addition, your Company paid income tax amounting to Rs 817 million for the year, contributing to the government exchequers in spite of low fuel margins and inventory exposures.

Your Company has been tirelessly campaigning for the overhaul of oil marketing regulations in Pakistan. Low regulated fuel margins, supply chain fragility, and an onerous tax regime have been plaguing the industry for several years, and recent supply crises and safety incidents suggest more can be done to ensure sustainable provision of energy to the public in Pakistan. We continue to request the government for increase in automotive fuels margin, providing an equitable taxation mechanism and a level playing field for all companies on supply and imports, along with ensuring regulatory compliance by all industry players.

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

Your Company's Retail Business delivered growth through a continued focus on superior customer services and grew market share in motor fuels. To add more value to its customer offering, 2015 saw refreshed focus of Non Fuel Retail (NFR) offering, on sites, with the launch of 30 state of the art Lube Oil Change facilities and the first McDonalds on a Shell site. Similarly, the Lubricants business delivered a record performance this year by continued emphasis on deepening customer trust, and strong focus on key growth sectors. We continued to demonstrate our technology leadership with the launch of Shell Helix Ultra with Pureplus Technology, the worlds most advanced automotive lubricant.

During 2015, the Company managed to collect Rs. 296 million in receivables from the Government and, at the end of 2015, the total outstanding from the Government amounts to Rs. 4,379 million. These receivables have been outstanding for periods up to 10 years and we continue to incur financing cost on bank borrowings required to fund them. The Company's management is continuously engaged with the relevant authorities and we look forward to support from the Government to pay the remaining amount on an expedited basis to ensure business continuity and growth.

Due to the minimum tax regime applicable to oil companies, the Company pays Corporate Tax irrespective of the level of profits earned in the period, which unfairly erodes its operating profit. In 2015, we continued our discussions with tax authorities to bring the oil and gas sector in line with allowances and lower rates that are extended to other similarly regulated sectors in Pakistan. We are hopeful for a change in the taxation regime and look forward to early action by the authorities to resolve this major issue.

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

**Omar Sheikh**
Chairman

March 10, 2016

# چیئرمین کا تجزیہ

میں شیل پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ دسمبر ۲۰۱۵ کو اختتام پذیر ہونے والے سال کے نتائج پیش کرتے ہوئے خوشی محسوس کررہا ہوں۔

۲۰۱۵ کے دوران آپ کی کمپنی کی آپریشنل کارکردگی، کمپنی کی طرف سے عمل پذیر تینوں شعبوں: ریٹیل، لبریکینٹس اور ایوی ایشن کی فروخت کی مقداروں میں اضافے اور منافع کے نمو میں مزید بہتری آئی ہے۔ تاہم تیل کی قیمتوں میں آنے والی تیز کمی کی وجہ سے ہونے والے نقصانات باقی پوری صنعت کی طرح ہمارے مالیاتی نتائج پر بھی اثر انداز ہوئے ہیں۔ کمپنی کی جانب سے اس سال ٹیکس کی کٹوتی کے بعد ۹۱ کروڑ روپے منافع درج کیا گیا ہے جبکہ گزشتہ سال اسی دورانیے میں ٹیکس کی کٹوتی کے بعد ہونے والا نقصان ا ارب ۶ کروڑ ۷۰ لاکھ روپے تھا۔ کمپنی کی اچھی کارکردگی کو تسلیم کرتے ہوئے بورڈ آف ڈائریکٹرز نے دس روپے فی حصہ (Rs:10 per share) کو رقم کا تقسمیہ (dividend) تسلیم کرنے کا فیصلہ کیا ہے۔

بہتر کاروباری کارکردگی فراہم کرنے کے ساتھ آپ کی کمپنی 2015 میں تیل کی قلت سے متاثر پاکستانیوں کے لیے اپنے عالمی (Supply Chain) سے اضافی تیل درآمد کرکے اور تیل فروخت کرنے والی دیگر کمپنیوں کو بھی تیل کے پارسل مہیا کرتے ہوئے حکومت کے ساتھ قریبی تعاون میں بہت نمایاں رہی۔ اس کے علاوہ آپ کی کمپنی نے تیل کے کم منافع کی شرح اور تیل کی گرتی ہوئی کمی کے باوجود اس سال ۸۱ کروڑ ۷۰ لاکھ روپے کا ٹیکس ادا کرکے ملکی خزانے میں جمع کیا۔

آپ کی کمپنی پاکستان میں تیل کی سرمایہ کاری کی جانچ پڑتال کے ضابطوں پر نظر ثانی کے لیے انتھک کوشش کررہی ہے کم منافع کی شرح، کمزور (Supply Chain)، اور بھاری ٹیکس کا مسئلہ کئی برسوں سے اس صنعت کو نقصان پہنچا رہے ہیں، اور حالیہ، رسدی بحران اور حفاظتی واقعات کی وجہ سے پاکستان میں توانائی کی پائیدار فراہمی کو یقینی بنانے کے لئے مزید پیش رفت کی ضرورت ہے۔ ہم گاڑیوں کے ایندھن کے منافع کی شرح میں اضافے، ٹیکس کے معدلتی (Equitable) نظام کی موجودگی، اور رسد (Supply) اور درآمدات کے ضمن میں تمام کمپنیوں کے لیے کاروبار کے یکساں سازگار ماحول کے ساتھ تمام صنعت کاروں کے لیے ضابطوں پر عمل درآمد کو یقینی بنانے کے لیے حکومت سے مسلسل درخواست کرتے رہتے ہیں۔

مارکیٹ کی مجموعی صورت حال مسابقتی رہی اور مشکلات کے باوجود ہم پاکستان میں سرکردہ ترین انٹرنیشنل تیل مارکیٹنگ کمپنی کی اپنی حیثیت کو برقرار رکھے ہوئے ہیں۔ ہم نے یہ کامیابی اپنی لاگتوں اور اخراجات پر قابو پاتے ہوئے مارکیٹ میں اپنے حصے کو بڑھانے کی کڑی کاوشوں سے حاصل کی ہے۔

آپ کی کمپنی کے ریٹیل بزنس نے کسٹمرز کو بہترین خدمات کی فراہمی پر توجہ مرکوز کرکے کامیابی حاصل کی اور مارکیٹ میں گاڑیوں کے ایندھنوں (Motor Fuels) کی فراہمی میں اپنے حصے میں اضافہ کیا ہے۔ اپنے کسٹمرز کی خدمات میں اضافہ کے لیے ۲۰۱۵ میں ہم نے تیل کی فروخت کے علاوہ نان فیول ریٹیل (Non Fuel Retail) پر توجہ کی اور اپنے پٹرول پمپوں پر ۳۰ جدید ترین آئل چینج (Oil Change) کی سہولتیں مہیا کیں اور کسی شیل پمپ پر پہلا میکڈونلڈ قائم ہوا۔ اسی طرح لبریکینٹس کے کاروبار نے بھی اس سال ترقی کے اہم شعبوں پر بھرپور توجہ مرکوز کرتے اور کسٹمرز کے ہم پر اعتماد کو مزید بڑھانے پر زور دیتے ہوئے بھرپور کارکردگی کا مظاہرہ کیا، نیز دنیا کی سب سے جدید آٹوموٹو لبریکینٹ ٹیکنالوجی پاکستان میں متعارف کروائی۔

۲۰۱۵ کے دوران کمپنی نے حکومت کی جانب سے ۲ کروڑ ۹۶ لاکھ روپے کی وصولی کا انتظام کیا جبکہ ۲۰۱۵ کے اختتام پر حکومت کی طرف واجب الادا رقم ۴ ارب ۳۸ کروڑ روپے ہے۔ جن میں سے چند تقریباً دس سال سے زائد عرصے سے واجب الوصول ہیں، ان وصولیات پر ہم بینکوں کو مسلسل مالیاتی اخراجات ادا کررہے ہیں۔ کمپنی کی انتظامیہ متعلقہ حکام سے مسلسل رابطے میں ہے اور ہم امید کرتے ہیں کہ حکومت کاروباری ترقی اور تسلسل کو یقینی بنانے کے لیے بقایا رقم کی جلد ادائیگی کو ممکن بنائے۔

آئل کمپنیوں کے لیے نظام ٹیکس کے بھاری اطلاق کی وجہ سے منافع کی کمی بیشی کی سطح سے قطع نظر کمپنی کارپوریٹ ٹیکس ادا کرتی ہے، جو ناروا طور پر اس کے عملی منافع کو کم کردیتا ہے۔ ۲۰۱۵ میں بھی ہم تیل اور گیس کے شعبے کو پاکستان میں موجود دیگر شعبوں کی طرح مراعات کی فراہمی اور ٹیکس کی کم شرح لاگو کرنے کے لیے ٹیکس حکام سے مسلسل بات چیت کرتے رہے ہیں۔ ہم ٹیکس کے نظام میں تبدیلی کے لیے پرامید ہیں اور اس اہم مسئلے کے حل کے لیے حکام کی جانب سے فوری اقدام کی توقع کرتے ہیں۔

آپ کی کمپنی ڈاؤن اسٹریم آئل مارکیٹنگ کے شعبے میں ایک سب سے زیادہ جدت پسند اور مسابقتی کمپنی بننے کے لیے کوشاں ہے اور ہم اپنے تمام اسٹیک ہولڈرز سے مستقل معاونت کی توقع کرتے ہیں۔ میں کمپنی کے لیے ان کی مسلسل معاونت پر اپنے کسٹمرز، اسٹیک ہولڈرز اور عملے کا شکریہ ادا کرنا چاہوں گا۔

عمر شیخ
چیئرمین

10 مارچ 2016

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**For the year ended December 31, 2015**

**This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulations of the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited, in which the Lahore and Islamabad stock exchanges have merged) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.**

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

1. The Company encourages representation of independent directors, non-executive directors as well as directors representing minority interests on its Board of Directors. As at December 31, 2015 the Board comprised of the following directors:

**Independent Directors**

Zaffar A. Khan
Badaruddin F. Vellani

**Executive Directors**

Omar Y. Sheikh
Faisal Waheed
Haroon Rashid

**Non-Executive Directors**

Soo Lim Goh
Farrokh K. Captain
Klaas Mantel
Imran R. Ibrahim
Nasser N. S. Jaffer
John King Chong Lo

The independent directors meet the criteria of independence under clause i (b) of the Code. Three of the six non-executive directors namely Soo Lim Goh , Klaas Mantel and John King Chong Lo occupy executive positions in other Shell Group Companies.

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

3. All the resident directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a Banking Company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred on the Board during the year on account of the resignations of Michael Noll and Rahat Hussain. Both vacancies were immediately filled up by the Board with the appointment of Soo Lim Goh and Klaas Mantel respectively.

5. 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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. Imran R. Ibrahim, Badaruddin F. Vellani, Haroon Rashid and Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG). The remaining directors, unless exempted, will acquire the required directors' training certification within the specified time.

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

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board had formed an Audit Committee comprising of two non-executive directors and one independent director. The Chairman of the Committee is an independent director. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.

17. The Board has formed a Human Resource and Remuneration Committee comprising of three members of whom two are non-executive directors and one is from amongst the executive directors. The Chairman of the committee is from amongst the non-executive directors. The terms of reference of the Committee have been formulated and advised to the Committee for compliance. During the year a casual vacancy occurred on the Committee due to the resignation of Rahat Hussain on October 22, 2015. The casual vacancy was filled by the Board on March 10, 2016 by the appointment of Klaas Mantel as member of the Committee.

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

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through the Pakistan Unified Corporate Action Reporting System of the stock exchanges.

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

On behalf of the Board of Directors

**Omar Sheikh**
Chairman and Chief Executive
Karachi: March 10, 2016

# 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, 2015.

The profit for the year ended December 31, 2015 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

| | (Rupees in million) |
|---|---|
| Profit before taxation | 2,345 |
| Taxation | (1,434) |
| Profit for the year | 911 |
| | **Rupees** |
| Earnings per share | 8.51 |

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 42 of the Annual Report.

At its meeting held on March 10, 2016, the Board of Directors of the Company has proposed cash dividend for the year ended December 31, 2015 of Rs. 10 per share (100%). The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on April 21, 2016. The dividend amounting to Rs. 1,070,123 thousand has not been recognised as a liability in these financial statements.

1. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in note 2.1.4(a) to the financial statements. Accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departures, if any, have 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 summarized form is disclosed on page 38. The significant deviations in operating results of the Company from last year have been discussed in the Chairman's Review on pages 14 and 15.
9. A reasonable indication of future prospects is discussed in the Chairman's Review on pages 14 and 15.
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, 2015 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 pages 84 and 85.



12 The Board has arranged for the requisite training of its directors and Imran R. Ibrahim, Badaruddin F. Vellani, Haroon Rashid and Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG). The remaining directors, unless exempted, will acquire the required directors' training certification within the specified time.

13 The pattern of shareholding and additional information regarding pattern of shareholding is disclosed on pages 86 and 87. The Company is a subsidiary of Shell Petroleum Company Limited, London (immediate holding company), which is a subsidiary of Royal Dutch Shell Plc. (ultimate holding company) incorporated in the United Kingdom.

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

- The classification of Government receivables due from the Government of Pakistan on account of petroleum development levy on export sales and price differential claims on imported purchases and high speed diesel as current assets; and
- The fact that the management of the Company considers the amount due from the Government of Pakistan on account of price differential on imported motor gasoline as a good debt.

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

15 The Shell Petroleum Company Limited, a member of the Company has, through a notice under section 253 of the Companies Ordinance 1984, proposed the appointment of Ernst and Young as the statutory auditors of the Company for the financial year ending December 31, 2016 in place of the retiring auditors namely A. F. Ferguson & Co., Chartered Accountants at the Annual General Meeting of the Company to be held on April 21, 2016. The Board of Directors of the Company endorse the proposal and shall arrange to place it before the members at the said Annual General Meeting.

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

17 Details of the Corporate Social Responsibility and other activities undertaken by the Company during the financial year are disclosed on pages 32 and 33.

On behalf of the Board

**Omar Sheikh**
Chairman and Chief Executive

Karachi: March 10, 2016

# ڈائریکٹران کی رپورٹ

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2015 کو ختم ہونے والے سال کی اپنی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

انتظامی امور، مارکیٹنگ اور تقسیم کاری کے اخراجات کی ادائیگی کے بعد 31 دسمبر 2015 کو ختم ہونے والے سال کا منافع:

| | روپے، ملین میں |
|---|---|
| منافع، ٹیکس کی ادائیگی سے پہلے | 2,345 |
| ٹیکسیشن | (1,434) |
| سالانہ منافع | 911 |
| | روپے |
| آمدنی فی حصہ | 8.51 |

سالانہ رپوٹ کے صفحہ نمبر 42 پر معدلت (Equity) میں تبدیلی کے بیان کی ذیل میں ذخائر کی تجارتی کارروائی (Movement) اور تصرفات ظاہر کیے جا چکے ہیں۔

۱۰ مارچ ۲۰۱۶ کو منعقدہ مجلس مشاورت (Meeting) میں کمپنی کے ڈائریکٹران ۳۱ دسمبر ۲۰۱۵ کو ختم ہونے والے سال کے لیے ۱۰ روپے فی حصہ (۱۰۰ فیصد) کے تقسیمہ (dividend) کی تجویز دے چکے ہیں۔ ۲۱ اپریل ۲۰۱۶ کو منعقد ہونے والے سالانہ عام اجلاس میں اراکین سے اس تقسیمہ کے لیے منظوری حاصل کی جائے گی۔ ان مالیاتی دستاویزات میں (مجوزہ) تخمیہ کی رقم ۱۲۳، ۰۷۰، ۱ ہزار روپے کو بطور واجبات شامل نہیں کیا گیا ہے۔

i) کمپنی کی انتظامیہ کی طرف سے تیار کی گئی مالی گوشوارے واضح طور پر اس کے عملی نتائج، رقوم کا استعمال اور معدلت (Equity) میں تبدیلی پیش کرتے ہیں۔

ii) کمپنی کے تمام مالیاتی کھاتے باقاعدہ رکھے گئے ہیں۔

iii) مالیاتی گوشواروں کی تیاری میں مناسب حسابی طریقۂ کار کا ہمیشہ اطلاق کیا گیا ہے ماسوا مالیاتی دستاویزات کے نوٹ (ا) ۲.۱۴ میں بیان کی گئی ان تبدیلیوں کے جو معیارات کے ابتدائی اطلاق اور پہلے سے موجود معیارات میں کی گئی ترامیم اور تشریحات کے نتیجے میں عمل میں آئیں۔ حسابی تخمینے مناسب اور محتاط فیصلوں کی بنیاد پر کیے گئے ہیں۔

iv) بین الاقوامی مالیاتی رپورٹنگ کے معیارات (International Financial Reporting Standards)، جیسے 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۔

v) اندرونی کنٹرول کا نظام (System of Internal Control) اپنی طور پر بے نقص ہے اور اس پر مستعدی سے عمل کیا گیا ہے اور اس پر نظر رکھی گئی ہے۔

vi) کمپنی کے آنے والے دنوں میں کاروبار کرنے کی صلاحیت پر کوئی شبہ نہیں ہے۔

vii) کارپوریٹ گورننس (Corporate Governance) کے ضوابط، جو کہ لسٹنگ کے قوائد میں تفصیل سے درج ہیں، سے کوئی اہم انحراف نہیں کیا گیا۔

viii) گزشتہ سات سال کی اہم کارکردگی (Operations) اور مالیاتی معلومات کا خلاصہ صفحہ نمبر 38 پر ظاہر کیا گیا ہے۔ پچھلے سال کمپنی کے امور کے نتائج میں کیے گئے اہم انحراف پر تبصرہ چیئرمین کے ریویو، صفحہ نمبر 14 اور 15 میں کی گئی ہے۔

ix) چیئرمین کا تجزیہ، صفحہ نمبر 14 اور 15 میں مستقبل کے امکانات کی مناسب نشاندہی پر تبصرہ کیا گیا ہے۔

x) ۳۱ دسمبر ۲۰۱۵ کو ختم ہونے والے سال کے لیے بغیر آڈٹ شدہ مالی گوشواروں کے مطابق پراویڈنٹ، گریجوایٹی اور پینشن فنڈز کی مقدار پر سرمایہ کاری کا بیان مالیاتی دستاویزات کے نوٹ 30.4 میں شامل کیا گیا ہے۔

xi) سال بھر کے دوران منعقد ہونے والی بورڈ اور کمپنیوں کے اجلاس اور ان میں ہر ڈائریکٹر کی شرکت کی تعداد صفحہ 84 اور 85 پر درج کی گئی ہے۔

xii) بورڈ نے اپنے ڈائریکٹران کی ضروری تربیت کا اہتمام کیا ہے اور عمران ابراہیم، بدرالدین ویلانی، ہارون راشد اور فیصل وحید پہلے ہی پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس سے ڈائریکٹرز ٹریننگ سرٹیفکیشن حاصل کر چکے ہیں۔ باقی ڈائریکٹر صاحبان، مع سوائے کے جو مستثنیٰ ہیں، وہ مقررہ مدت کے اندر ضروری ڈائریکٹرز ٹریننگ سرٹیفکیشن حاصل کریں گے۔

xiii) حصص یافتگی (Shareholding) کے پیٹرن اور حصص یافتگی کے طریقہ کار سے متعلق اضافی معلومات صفحہ 86 اور 87 پر ظاہر کی گئی ہیں۔ یہ کمپنی شیل پٹرولیم کمپنی لمیٹڈ، لندن (امیڈیٹ ہولڈنگ کمپنی) کا ذیلی ادارہ ہے جو کہ رائل ڈچ شیل (الٹیمیٹ ہولڈنگ کمپنی) کا ایک ذیلی ادارہ ہے جو برطانیہ میں قائم کی گئی تھی۔

xiv) محاسبین (Auditors) نے اپنی آڈٹ رپورٹ میں درج ذیل امور کی جانب توجہ دلائی:

- حکومت پاکستان کی جانب سے پٹرولیم کی ترقی کے لیے برآمدات کی فروخت پر عائد محصول اور درآمدی خریداریوں پر قیمت میں فرق کے استحقاق اور ہائی اسپیڈ ڈیزل بطور جاری اثاثہ جات کے بارے میں حکومتی واجبات کی وصولیاں کی درجہ بندی؛ اور
- درحقیقت کمپنی کی انتظامیہ درآمدی موٹر گیسولین کی قیمتوں کے فرق کے حوالے سے حکومت کی جانب سے واجب الادا رقوم کو قابلِ قبول قرض سمجھتی ہے۔

اوپر درج کیے گئے متن کی تفصیلات مالیاتی دستاویزات کے اس سے متعلق بیانات میں مزید واضح کی گئی ہیں۔

xv) شیل پٹرولیم کمپنی کے ایک رکن نے کمپنیز آرڈیننس ۱۹۸۴ کے سیکشن ۲۵۳ کے تحت ایک نوٹس کے ذریعے ۲۱ اپریل ۲۰۱۶ کو منعقد ہونے والے سالانہ عام اجلاس میں اپنے عہدوں سے سبکدوش ہونے والے محاسبین (Auditors) اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی جگہ فورڈ روڈز سدات حیدر کو ۳۱ دسمبر ۲۰۱۶ کو اختتام پذیر ہونے والے مالی سال کے لیے قانونی محاسب (Statuary Auditors) مقرر کرنے کی تجویز پیش کی ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز اس کی توثیق کرتے ہیں اور بتائے گئے سالانہ عام اجلاس میں اس تجویز کو اراکین کے سامنے رکھنے کا انتظام کریں گے۔

xvi) ڈائریکٹران، کمپنی کے سربراہ، حساب دارِ اعلیٰ، کمپنی کے سیکریٹری، انٹرنل آڈٹ کے سربراہ، اور دیگر ملازمین اور ان کے زوجین، اور نابالغ بچوں نے اس سال کے دوران کمپنی کے حصص (شیئرز) میں تجارت نہیں کی ہے۔

xvii) مالی سال کے دوران کمپنی کی اختیار کردہ کارپوریٹ سماجی ذمہ داری اور دیگر سرگرمیاں صفحہ نمبر 32 اور 33 پر درج کی گئی ہے۔

منجانب بورڈ

عمر شیخ

چیئرمین اور چیف ایگزیکٹیو

کراچی: ۱۰ مارچ ۲۰۱۶



# REVIEW REPORT

## TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shell Pakistan Limited (the Company) for the year ended December 31, 2015 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad stock exchanges have merged), where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors, for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

**A. F. Ferguson & Co.**

**Chartered Accountants**
**Karachi**
**Date: March 28, 2016**

**Engagement Partner: Waqas A. Sheikh**

# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given that the Forty-Seventh Annual General Meeting of Shell Pakistan Limited will be held on Thursday, April 21, 2016 at 10:00 a.m. at Movenpick Hotel, Karachi to transact the following business:**

## A. 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, 2015.

2. To approve the payment of dividend of Rs.10.00 per share (100%) for the year ended December 31, 2015.

3. To appoint Auditors for the financial year January 1 to December 31, 2016 and to fix their remuneration.

## B. SPECIAL BUSINESS

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

   RESOLVED that the Articles of Association of the Company be amended by adding a new Article 56A as follows:

56A. "The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein".

By Order of the Board

Tariq Saeed
Secretary

Karachi: March 10, 2016

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530

## NOTES:

(i) The register of members will remain closed from April 7 to April 21, 2016 (both days inclusive). Transfers received in order at the office of our Share Registrars, FAMCO Associates (Pvt) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi-75400 by the close of business on April 6, 2016 will be in time for the purpose of payment of dividend.

(ii) A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the Company not later than 48 hours before the meeting. A proxy need not be a member of the Company.

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

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

(vii) Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001:

(a) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, 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-12.5%

2. Rate of tax deduction for non-filers of income tax return-17.5%

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 @ 17.5% instead of 12.5%.

(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), withholding 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 the query/information, the members may contact the Company and/or the Share Registrars, FAMCO Associates (Pvt) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi-75400.

(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 Circular No.18 of 2012 dated June 05, 2012, it is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desired, direct the Company to pay dividend through his/her/its bank account.

Further, transferee of shares may exercise the option for dividend mandate by using the revised "Form of Transfer Deed". The revised Form of Transfer Deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of the bank account which he/she/it desires to be used for credit of cash dividend.

Shareholders who hold shares in physical form may submit the required Dividend Mandate Form to our Share Registrars, while those shareholders who hold shares in Central Depository Company may submit the Dividend Mandate Form to their Participant/Investor Account Services.

## STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of the Forty-Seventh Annual General Meeting of Shell Pakistan Limited to be held on Thursday, April 21, 2016 at 10:00 a.m. at which a special business is to be transacted. The special business is to amend the Articles of Association of the Company to enable e-voting as per the Companies E-voting Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan on January 22, 2016.

### Item 4 of the Agenda

It is proposed to insert Article 56A in the Articles of Association of the Company to enable e-voting as per the Companies E-voting Regulations 2016 issued by the Securities and Exchange Commission of Pakistan on January 22, 2016.

# OUR PERFORMANCE

## CONNECTING
## PEOPLE TO PEOPLE

**Shell will help connect you to those who matter the most wherever they may be**

Shell has built forecourts in remote and challenging terrains that enable people to explore and discover. Take a trip across the country and our strategically located 780 Shell forecourts will be part of your journey, fuelling your visits to family and friends.

# SHELL RETAIL

**Shell Pakistan has an efficient retail network of strategically located 780 sites and enjoys the highest brand share of preference amongst peers. In Pakistan we offer a variety of fuels like High Octane, Super Unleaded and Diesel on our forecourts along with a wide array of non-fuel retailing facilities and a range of technologically advanced high-quality lubricants.**

## Pakistani Retailer Makes us Proud

We believe the key to Retails success is rooted in consistently delivering customer service excellence and world class retail experience. Toqeer Shahid, a second generation Retailer from Sahiwal validated our efforts by winning the coveted “Global Retailer of the Year Award” at the annual Smiling Stars event in Paris. Toqeer beat 45,000 Shell Retailers from 80 countries across the world and won the award by establishing impeccable customer service standards on his site. This is the first time Pakistan took this award home and we are very proud of the honour.

## Beyond Fuels – First McDonalds Opens at a Shell Site

We believe in delivering value to customers through differentiated offers so we have more customers preferring Shell more often. In line with this, the first McDonalds outlet opened its doors to excited customers at our flagship site, Askari Filling Station! The outlet is the first in the area and is constantly thronged with customers coming from the locality and adjoining areas for their fuel and Big Macs! We plan to have at least five more McDonald outlets across the country in 2016 along with other Alliance partnerships and offers on sites.

## Improving Standards

We invest in all levels of our workforce to help us deliver an even better on-site experience for drivers. In line with this, throughout the year, focus remained on continued investment in improving service standards at our Retail sites. 92 sites were completely upgraded including dispensing units, oil suction machines and new generation oil change facilities. In addition to this 2015 saw the commissioning of 9 new sites in our network as well.

## Pledge for a Fuel Efficient Pakistan

Our Retail Marketing team launched the Quality & Fuel Economy Campaign – ‘Pledging for a fuel efficient Pakistan’. The nationwide campaign set out to help customers understand that fuel economy can improve by making small changes to the way they drive and using the right fuel like Shell Super Unleaded with its unique Fuel Economy Formula which is designed to give extra kilometers.

Customers were invited to participate in the journey with us towards a more fuel efficient Pakistan by pledging via SMS. Lucky winners, selected randomly from pledge takers were awarded a year’s supply of Shell Super!

## Ready, Steady, Build!

The new LEGO campaign was launched with a lot of excitement and marketing innovations, giving customers the chance to collect limited edition LEGO Ferrari models on purchases of the Helix range of lubricants on our forecourts. Called Ready, Steady, Build, the campaign also engaged thousands of school children by linking the campaign with Road Safety messaging.

## Technology for Convenience

Staying true to our legacy of being pioneers in Pakistan’s oil marketing industry, we introduced the concept of a first of its kind, New Generation Lube Bay, using upgraded technology, this new oil change structure provides customers an exact fill with no wastage. 2015 saw 26 New Generation Lube Bays along with Biker Pods being installed across the country.


# SHELL LUBRICANTS

**As the number one Lubricants supplier in Pakistan and world over, we help customers learn and adopt best practices from across industries and through innovation; develop products that are at the cutting-edge of technology. Introduction of Gas to Liquid technology in our latest passenger car motor oil is helping Pakistani motorists save fuel and improve engine performance; while our top tier high performance synthetics and greases support our industrial customers reduce maintenance and downtime costs, giving us 42% market share in the organised sector.**

## Helix Pureplus Launch

Shell launched its next generation motor oil that has synthetic base oil extracted from natural gas. With Pureplus technology we can develop superior lubricants for the most advanced engines. This latest innovation is designed to improve performance while providing protection against wear and corrosion, reduce maintenance costs and extend engine life. A 360° approach has helped the brand gain maximum awareness using digital and broadcast media to reach over three million people. Another leg to this launch were trader events including technical workshops conducted across Pakistan engaging more than 2,000 traders in the premium focused pockets of Pakistan.

## Rimula Consumer Promotion

Shell Rimula is our heavy-duty diesel engine oil that protects and prolongs the life of your engine. In March 2015, the biggest Rimula consumer promotion was launched to create a greater connect with customers. One of the most awaited activity linked with this consumer promotion is the in-market agri gatherings for farmers, tarders and agri equipment owners. These are commonly known as Agri Baithaks (Agri sittings). A total of 140 events throughout the year were conducted in the heavy agri-belts of Pakistan. In addition to providing technical knowledge and awareness about Rimula, Agri experts were hired to educate farmers on advance farming techniques for healthier harvest to help them grow their business.

## Shell Advance

Shell is the preferrered partner for Motorcycle Oils in the OEM segment that is rapidly growing in Pakistan. Shell ran two Advance Cash Back offers for end-consumers to strengthen awareness and usage of our brand. The campaign resulted in an 11% increase in brand preference and usage over last year with a redemption rate of approx 50% significantly high in comparison to industry benchmark.

## Industrial Engagements

Sugar is one of Pakistan's most valuable exports and provides a significant share of Pakistan's GDP. The Pakistan Society of Sugar Technologists (PSST) in partnership with Shell Pakistan conducted its 49th annual convention, a platform that brings together stakeholders of one of the country's major agricultural sectors. Through this forum Shell educated over 200 participants from the general manufacturing industry on how Shell Lubricants are designed to maximize efficiency of industrial machinery as well as to protect them from depreciation.

# SHELL AVIATION

**Shell Aviation is a global supplier of aviation fuels, lubricants and technical services, serving customers across all aviation segments. Operating for over 100 years, it has built a reputation for being a trusted partner providing world-class safety and operations and supply security. With a presence at around 900 airports in 40 countries, Shell Aviation refuels a plane every 12 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. Since then, we have established ourselves as an important player in Pakistan's aviation industry, providing jet fuel and aircraft refuelling services at five key airports, including Islamabad and Karachi. We also supply aviation gasoline to the military and flying schools.

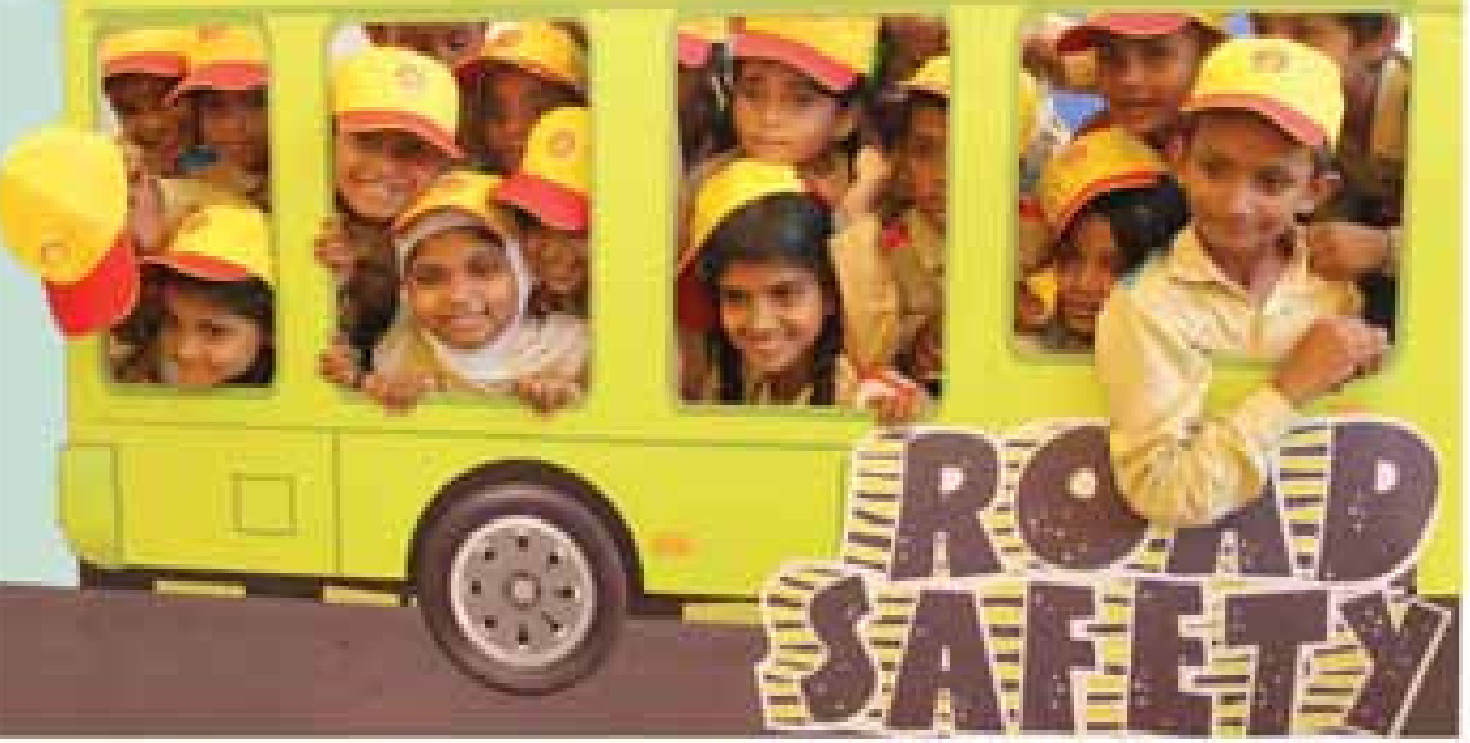
Our high quality AeroShell lubricants portfolio, including turbine engine oils, piston engine oils, fluids and greases, are also available through our distributor network.

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.

## 2015 Highlights

In 2015, we continued to be the second largest jet fuel supplier, supplying around 20 domestic and international airlines. With service and safety being a core focus, our dedicated team of account managers and technical support staff has the knowledge and operating experience to respond quickly to any technical or commercial situation our customers face.

As part of our commitment to continuous improvement and collaboration, we also partnered with Pakistan Civil Aviation Authority to organise a series of workshops on "Ramp Safety" for airlines, ground handling agencies, and various other ramp officials at Benazir Bhutto Islamabad International Airport. The workshops were a mix of presentations, round table discussions around ramp safety issues and exchange of information on safety practices resulting in best practice sharing for the participants.




# HSSE PERFORMANCE

**At Shell, we are committed to delivering energy responsibly and safely, preventing harm to our employees, contractors, local communities and the environment. We believe that long-term business success depends on valuing people and the environment and we have global operating standards and mandatory requirements that set out how we manage risks associated with health, safety, security and the environment.**

## Safety Day 2015

Safety Day, an annual Shell Global event commemorating the importance of safety in our lives, was held on May 6, 2015. In Pakistan, Safety Day 2015 was celebrated in tandem with WHO during the global UN Road Safety Week. A public awareness campaign comprising an animated song and instructional program on road safety was developed to educate children on basic road safety rules. Hundreds of school children were engaged directly while a broadcast campaign cascaded road safety messages across the country. Along with this, 285 Shell staff visited 100 retail sites across Pakistan to share our key safety message with over 25,000 customers.

## Road Safety

Road transport is a necessary part of many of our business activities. With a road exposure of 61 million kms in 2015, road safety continues to be an area of focus for SPL. Our road safety philosophy focuses on the areas of risk such as the capability of the driver, condition of the vehicle, road conditions and local environment. We continuously invest in safety trainings for our Haulier staff and ensure strict compliance of safety policies and practices. In 2015, skill development workshops were conducted engaging 1000 drivers. Safety is about inculcating the right mindsets and developing behaviours and the earlier we start, the more impactful is the intervention. Hence an important component of our Road Safety Program is a road safety Program for school children and till 2015 we have managed to engage around 30,000 school children.

## Emergency Response Mega Drill

In our efforts to equip our partners in maintaining 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 on firefighting, hazardous material handling, rescue, first aid, etc. The scenarios simulated activities ranging from Tank Lorry Roll Over to Injury, First Aid/ Medical Emergency and from Fire Fighting to Product Retrieval. Tank Lorry Recovery and Cleaning up the contaminated soil due to Spill were also a part of this list.

## Shell Health

A 'Culture of Health' describes a state where Shell's people are thriving, engaged, competent and sustainably performing at their best with a deep sense of purpose. To support this mission, a range of programmes and tools have been put in place over the years. 2015 saw a renewed focus on Health with the Be Well Program for staff being rolled out more aggressively, awareness sessions being held for various diseases and celebration of global health days like the World Heart Day and Breast Cancer Awareness Month.

# OUR PEOPLE

**People are what make our business. We believe that by crafting a collaborative culture, we encourage human ingenuity and creativity allowing people to achieve their professional career goals. We find that ideas accelerate when people with different capabilities get together and create dynamic synergy at work. To gain from this, we create an environment that values differences and enables people to work together to deliver our strategy.**

## Building the Talent Pipeline

In search of the right talent, we conducted campus drives across Pakistan in 2015. Our people are recruited, trained and compensated according to our People Strategy that is based on three priorities: assuring sources of talent now and in future; strengthening leadership and professionalism; and enhancing individual and organisational performance. 11 students were inducted in the Management Trainee Program while 45 more people were added to our workforce across corporate, commercial and technical functions. We also inducted 36 internees as part of the Summer Internship Program. These young students worked on real business challenges and projects to enable them to build their capability and have a structured work experience.

## Diversity & Inclusiveness at Shell

Shell's success depends on our ability to attract, motivate, and retain an increasingly diverse pool of talent. The aim is to make Shell an organisation where people feel involved, respected and connected. Our leaders are committed at different levels to create an environment that is inclusive and everyone has opportunity to develop skills and talents consistent with our values and business objectives. To inspire and champion the advancement of women working in SPL, Shell Women's Network for Pakistan SWN-P was formed in September 2014 as one of the first professional networks for women in Pakistan. The network provides a collaborative forum through external networking opportunities and in 2015, a number of capability sessions and panel discussion were conducted to strengthen the representation of women in leadership ranks.

## Best Place to Work

Shell Pakistan participated in the independent study "Best Place to Work' hosted by Pakistan Strategic Human Resource Management (PSHRM) and Engage Consulting. Findings of the study, contributed by the employees of the participating companies, allowed for detailed benchmarking and comparison and highlight Shell Pakistan as one of the most preferred companies to work for in the country and also as the "Best Oil & Gas Company in Pakistan."

## People Development

Every year across the globe, a week is dedicated to leadership development of Shell employees at all levels. The aim is to empower employees by creating opportunities to increase their knowledge and skills as part of their individual professional development. The theme this year was "Performing in a changing world" with topics focused around 'personal development in a changing world', 'collaboration' and 'commercial acumen'. More than 50 sessions were conducted in PDW 2015 with 450 man hours of training across seven locations.

# SOCIAL INVESTMENT

**Shell Pakistan's Social Investment portfolio comprises activities that support social priorities within the communities our businesses operate in. By partnering with local and international organisations we support community development projects that address relevant social needs and economic issues. Our social investments take many forms including financial assistance, in-kind donations, volunteering and sharing of expertise and learning.**

## Shell Tameer

As millions of young people join the workforce each year, traditional employment opportunities are limited. To address the gap, we began Shell Tameer, program designed to support business development and help younger entrepreneurs turn their ideas into established businesses. For over a decade, Shell Tameer has been working to create livelihoods and income-earning opportunities by developing entrepreneurship skills amongst Pakistan's youth. This empowers people and communities to drive and sustain their own development and build better futures. Since 2003, Shell Tameer in Pakistan has helped establish over 3,500 businesses. For more details, visit www.tameer.org.pk

Shell Tameer also partners with CARE International for a Community Infrastructure Improvement Project (CIIP) that enables women to gain confidence, experience and income working outside the home. The programme aims to benefit not only the women but also the communities they live in through the creation of employment opportunities. In 2015, 646 women entrepreneurs were identified and trained to set up enterprises through 22 customised enterprise development workshops in eight districts of Sindh and Punjab.

In 2014, Shell Tameer ran a 'Build the Future' campaign to generate funds to provide seed capital for students from SOS Technical Training Institute and The Hunar Foundation (THF) to start up their own businesses. In 2015 630 students went through basic entrepreneurship training while 48 business plans were developed and we started disbursing grants for various businesses ranging from auto and motor mechanics, to beauticians and mobile repair.

Shell Tameer is part of the international Shell LiveWire program and another edge it offers young Pakistani entrepreneurs is an international support and recognition platform.

The Shell LiveWIRE 'Lets Go Trade' (LGT) grant programme is aimed to provide international market exposures to outstanding entrepreneurs. In 2015, four Tameer entrepreneurs received the international Shell LiveWIRE Lets Go Trade funding to undertake their global trade visits while three Pakistani entrepreneurs won the global Top Ten Innovators Awards program receiving a total grant of USD 20,000.

## Shell Eco-Marathon

At Shell we are constantly finding innovative ways to address energy challenges, particularly in the area of mobility. Shell Eco-marathon is a student innovation competition that challenges students from universities across the world to design, build and race the most energy efficient cars. Held in Asia, America and Europe, every year students come together in a unique four day event to showcase, test and drive their cars on real city streets. The Asian edition of Shell Eco-marathon 2015 was held in the heart of the vibrant city of Manila, Philippines where 41 students from universities across Pakistan participated. Shell Pakistan in collaboration with our Lubricant OEM partners provided the student teams with technical guidance in building their cars. This year for the first time Pakistan's name flashed on the leadership board as Team Innova from the Pakistan Institute of Engineering and Applied Sciences clinched the runners up slot in the Shell FuelSave Gasoline, UrbanConcept category with an equivalent mileage of 58.1km/l.

## Rehabilitating Communities

Shell works closely with communities to understand their concerns and identify how to address them by bringing sustainable benefits. We do this in many ways: by creating new jobs, encouraging local businesses to be a part of our supply chain, and providing useful skills training for people. Shell believes in providing sustainable solutions to its communities by setting up programmes that change lives.

Goth Noor Muhammad, a settlement 25 KMs from Karachi, where 25 percent of the city's trash is being dumped, had residents settled there since the past 30 years. The area was not just off grid but also lacked access to basic facilities like health, education and clean drinking water. In 2010, a project was undertaken to help residents of this area to transform their lives for the better. Shell Pakistan contributed Rs. 14.3 million for housing, infrastructure, health, livelihood/vocational training and providing much needed access to clean drinking water. As many as 133 housing and 34 sanitation units were constructed; solar lights were installed and a state of the art clean drinking water plant was also installed. The project was completed in 2015 and Dutch Ambassador Jeannette Seppen inaugurated the village.

## Disaster Relief and Emergency Response

In June 2015, Southern Pakistan faced an unprecedented heat wave with temperatures rising to as high as 49 °C (120 °F). The severity of the heat surge and its suddenness led to approximately 2,000 people losing their lives from dehydration and heat strokes in a matter of days. The Sindh province declared a state of emergency and activated relief efforts to combat the massive scale of the crisis. As Government hospitals struggled to cope with the unprecedented mass of patients and the situation worsened, Shell staff decided to get into action. The team concentrated their efforts to collect funds and raised enough to renovate a 20 bed Intensive Care Unit (ICU) in one of the emergency wards of Karachi's largest Government hospital "Jinnah Postgraduate Medical Center" (JPMC). This ward was not in use for the past three years and now serves over 60 critically ill patients every day.


## Eye Camps for Truck Drivers

Safe driving is an integral part of Road Safety. Eye testing, being a major part of driving safe, is now becoming an important part of our outreach programmes. In 2015, as part of Rimula engagement, free eye-checkups for truck drivers and mechanics in main trucking hubs in Karachi, Lahore and Islamabad was arranged where a total of 141 drivers were tested.



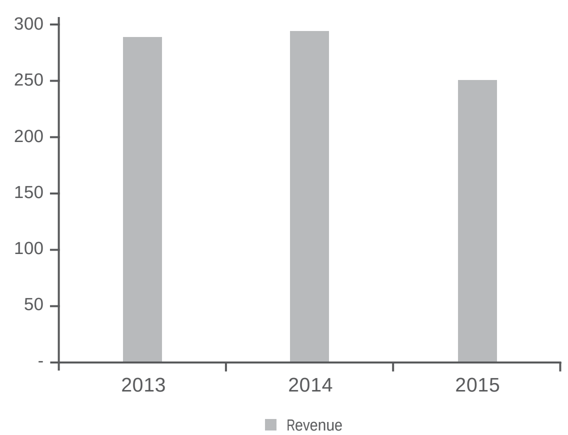
## CONNECTING
## **People to Dreams**

**We are determined to help people reach their promising future by providing the right opportunities and platforms**

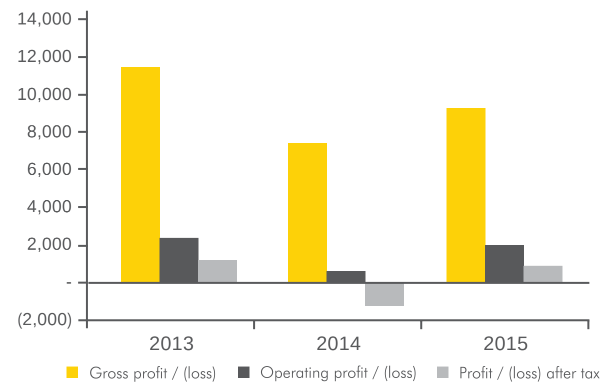
23 year old engineering student Sanwal Muneer from Pakistan was recognised as Shell Tameer's top Young Entrepreneur and was given the opportunity to enter global markets through Shell LiveWIRE our international platform. Today he is the founder and CEO of Capture Mobility, a green energy firm in the UK. Along the Dundee Highway in Scotland, the landscape is dotted with micro turbines that capture solar and wind energy to generate power while at the same time reduce pollution. The turbine is the brainchild of Sanwal, an idea that is taking him places now.

# PERFORMANCE AT A GLANCE

### REVENUE (Rs. in billion)

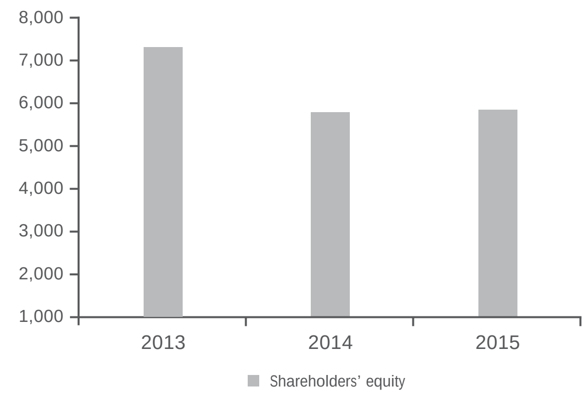



### PROFITABILITY (Rs. in million)

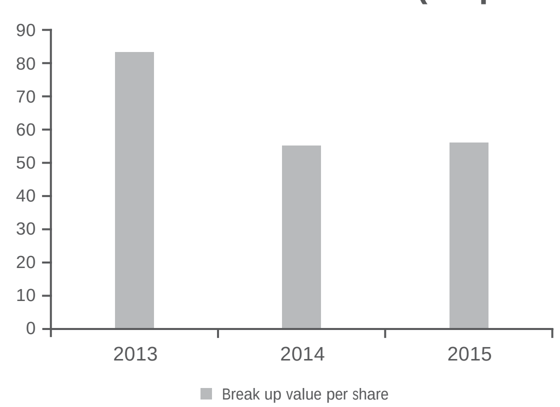



### EARNINGS / (LOSS) PER SHARE (Rs. per share)


### SHAREHOLDERS’ EQUITY (Rs. in million)




### BREAK UP VALUE PER SHARE (Rs. per share)

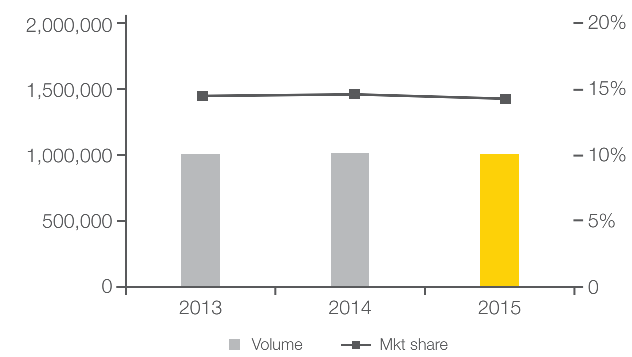




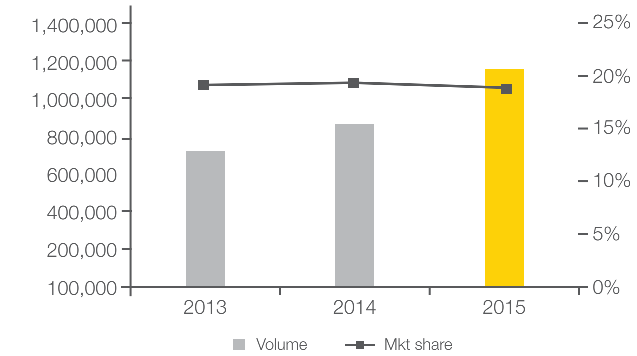

# OPERATING AND FINANCIAL HIGHLIGHTS

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

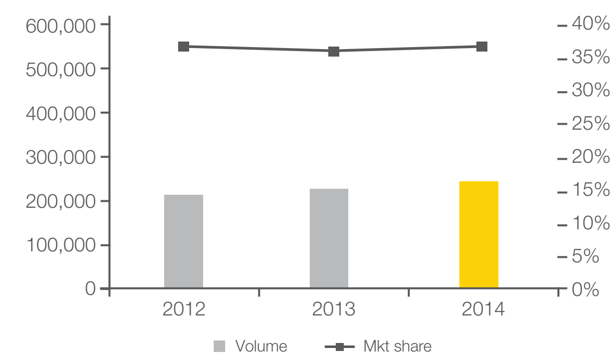
### HIGH SPEED DIESEL



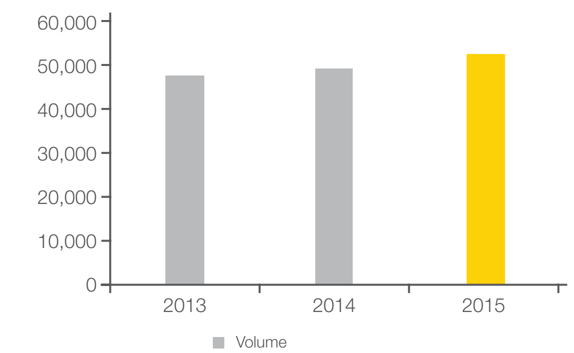

### MOTOR GASOLINE




### JET FUELS




### LUBRICANTS




| | | 2015 | 2014 |
|---|---|---|---|
| Sales Volume | Tonnes | 2,547,818 | 2,216,010 |
| Sales Revenue | Rs. mn | 248,571 | 291,363 |
| Profit before taxation | Rs. mn | 2,345 | 546 |
| Profit / (loss) after taxation | Rs. mn | 911 | (1,067) |
| New capital expenditure | Rs. mn | 1,730 | 1,652 |
| Shareholders' equity | Rs. mn | 5,981 | 5,895 |
| Earnings / (loss) per share - basic and diluted | Rs. | 8.51 | (9.97) |

# OPERATING AND FINANCIAL HIGHLIGHTS

| | | Year ended December 31 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Share capital | Rs. mn | 1,070 | 1,070 | 856 | 856 | 685 | 685 | 685 |
| Reserves | Rs. mn | 4,911 | 4,825 | 6,367 | 5,022 | 7,592 | 7,215 | 7,586 |
| Shareholders' equity | Rs. mn | 5,981 | 5,895 | 7,223 | 5,878 | 8,277 | 7,900 | 8,271 |
| Break up value per share | Rs. | 56 | 55 | 84 | 69 | 121 | 115 | 121 |
| Dividend per share | Rs. | 10 | 8 | 4 | - | - | 10 | 26 |
| Bonus | Ratio | - | - | 1:4 | - | 1:4 | - | - |
| Profit / (loss) before tax | Rs. mn | 2,345 | 546 | 2,424 | 5 | 2,833 | 3,910 | (3,048) |
| Profit / (loss) after tax | Rs. mn | 911 | (1,067) | 1,061 | (1,935) | 906 | 1,616 | 2,563 |
| Earnings / (loss) per share Rs. 10 | Rs. | 8.51 | (9.97) | 12.4 | (22.6) | 10.6 | 18.9 | 29.9 |
| **Working capital** | | | | | | | | |
| Current assets to current liabilities | Times | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.9 |
| Number of days stock | Days | 26 | 23 | 27 | 32 | 27 | 23 | 26 |
| Number of days trade debts | Days | 2 | 3 | 3 | 3 | 4 | 3 | 3 |
| **Performance** | | | | | | | | |
| Profit / (loss) after tax as % of average shareholders' equity | % | 15.3 | (16.3) | 16.2 | (27.3) | 11.2 | 20.0 | 35.3 |
| Cost of sales as a % of sales | % | 75.0 | 83.5 | 82.6 | 83.3 | 83.5 | 82.8 | 80.8 |
| Profit / (loss) before tax as % of sales | % | 0.9 | 0.2 | 0.8 | 0.0 | 1.1 | 1.4 | 2.2 |
| Profit / (loss) after tax as % of sales | % | 0.4 | (0.4) | 0.4 | (0.8) | 0.4 | 0.7 | 1.5 |
| Total debt ratio | Times | 0.3 | 0.6 | 0.9 | 2.1 | 1.9 | 1.3 | 1.0 |



# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shell Pakistan Limited (the Company) as at December 31, 2015 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; and

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

We draw attention to the following matters:

- Notes 13.1, 13.2 and 13.3 to the financial statements. The Company considers the amount of Rs. 1,364,069 thousand, Rs. 295,733 thousand and Rs. 343,584 thousand due from the Government of Pakistan in respect of petroleum development levy and price differential on imported purchases and high speed diesel, respectively, as current assets. The expected timing of recoverability of these receivables and its consequential impact on their classification in the balance sheet cannot presently be determined; and

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

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

**A. F. Ferguson & Co.**

**Chartered Accountants**
**Karachi**
**Date: March 28, 2016**

**Engagement Partner: Waqas A. Sheikh**

# BALANCE SHEET

## As at December 31, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees '000) | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **8,089,022** | 7,059,726 |
| Intangible assets | 5 | **-** | 185,706 |
| Long-term investments | 6 | **3,436,508** | 3,276,116 |
| Long-term loans and advances | 7 | **5,712** | 20,640 |
| Long-term deposits and prepayments | 8 | **167,416** | 186,022 |
| Deferred taxation - net | 9 | **-** | 225,872 |
| | | **11,698,658** | 10,954,082 |
| **Current assets** | | | |
| Stock-in-trade | 10 | **13,281,189** | 13,086,285 |
| Trade debts | 11 | **1,600,632** | 1,991,381 |
| Loans and advances | 12 | **67,716** | 70,227 |
| Short-term prepayments | | **584,063** | 252,630 |
| Other receivables | 13 | **8,598,668** | 11,028,527 |
| Cash and bank balances | 14 | **2,103,517** | 1,295,633 |
| | | **26,235,785** | 27,724,683 |
| TOTAL ASSETS | | **37,934,443** | 38,678,765 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | **1,070,125** | 1,070,125 |
| Share premium | | **1,503,803** | 1,503,803 |
| General reserve | | **207,002** | 207,002 |
| Unappropriated profit | | **3,248,749** | 3,193,878 |
| Remeasurement of post employment benefits - Actuarial loss | | **(48,857)** | (79,743) |
| **Total equity** | | **5,980,822** | 5,895,065 |
| **Liabilities** | | | |
| **Non-current liability** | | | |
| Asset retirement obligation | 16 | **117,861** | 141,610 |
| Deferred taxation - net | 9 | **347,605** | - |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **29,030,718** | 28,487,894 |
| Accrued mark-up / interest | 18 | **10,476** | 10,064 |
| Short-term borrowings - secured | 19 | **2,025,448** | 3,765,762 |
| Taxation | | **421,513** | 378,370 |
| | | **31,488,155** | 32,642,090 |
| **Total liabilities** | | **31,953,621** | 32,783,700 |
| **Contingencies and commitments** | 20 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **37,934,443** | 38,678,765 |

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

**Omar Sheikh**
Chairman and Chief Executive

**Badaruddin F. Vellani**
Director



# STATEMENT OF COMPREHENSIVE INCOME

## For the year ended December 31, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees '000) | |
| Sales | 21 | **248,570,957** | 291,362,990 |
| Other revenue | | **824,840** | 759,802 |
| | | **249,395,797** | 292,122,792 |
| Sales tax | | **(52,267,446)** | (41,338,051) |
| Net revenue | | **197,128,351** | 250,784,741 |
| Cost of products sold | 22 | **(186,533,476)** | (243,203,242) |
| **Gross profit** | | **10,594,875** | 7,581,499 |
| Distribution and marketing expenses | 23 | **(4,965,781)** | (4,363,677) |
| Administrative expenses | 24 | **(2,995,215)** | (3,828,215) |
| Other operating expenses | 25 | **(998,218)** | (216,430) |
| Other income | 26 | **424,349** | 1,278,764 |
| **Operating profit** | | **2,060,010** | 451,941 |
| Finance costs | 27 | **(299,146)** | (447,109) |
| | | **1,760,864** | 4,832 |
| Share of profit of associate - net of tax | 6 | **583,961** | 541,552 |
| **Profit before taxation** | | **2,344,825** | 546,384 |
| Taxation | 28 | **(1,433,855)** | (1,613,517) |
| **Profit / (loss) for the year** | | **910,970** | (1,067,133) |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss | | | |
| - Remeasurement of post employment benefits obligation - Actuarial gain | | **30,886** | 82,111 |
| **Total comprehensive income / (loss) for the year** | | **941,856** | (985,022) |
| | | (Rupees) | |
| **Earnings / (loss) per share** | 29 | **8.51** | (9.97) |

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

**Omar Sheikh**
Chairman and Chief Executive

**Badaruddin F. Vellani**
Director

# STATEMENT OF CHANGES IN EQUITY

## For the year ended December 31, 2015

| | | Capital reserve | Revenue reserve | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Share premium | General reserve | Unappropriated profit | Remeasurement of post employment benefits obligation - Actuarial (loss) / gain | Total |
| | (Rupees '000) | | | | | |
| **Balance as at January 1, 2014** | 856,100 | 1,717,828 | 207,002 | 4,603,450 | (161,854) | 7,222,526 |
| Loss for the year | - | - | - | (1,067,133) | - | (1,067,133) |
| Other comprehensive income for the year | - | - | - | - | 82,111 | 82,111 |
| **Transactions with owners** | | | | | | |
| Bonus shares issued in the ratio of 1 share for every 4 shares held | 214,025 | (214,025) | - | - | - | - |
| Final dividend for the year ended December 31, 2013 at the rate of Rs. 4 per share | - | - | - | (342,439) | - | (342,439) |
| | 214,025 | (214,025) | - | (342,439) | - | (342,439) |
| **Balance as at December 31, 2014** | 1,070,125 | 1,503,803 | 207,002 | 3,193,878 | (79,743) | 5,895,065 |
| Profit for the year | - | - | - | 910,970 | - | 910,970 |
| Other comprehensive income for the year | - | - | - | - | 30,886 | 30,886 |
| **Transactions with owners** | | | | | | |
| Final dividend for the year ended December 31, 2014 at the rate of Rs. 8 per share | - | - | - | (856,099) | - | (856,099) |
| **Balance as at December 31, 2015** | 1,070,125 | 1,503,803 | 207,002 | 3,248,749 | (48,857) | 5,980,822 |

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

**Omar Sheikh**
Chairman and Chief Executive

**Badaruddin F. Vellani**
Director

# STATEMENT OF CASH FLOWS

## For the year ended December 31, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 33 | **5,417,956** | 5,749,719 |
| Finance costs paid | | **(80,706)** | (201,216) |
| Income tax paid | | **(817,235)** | (1,244,492) |
| Long-term loans and advances | | **14,928** | 22,503 |
| Long-term deposits and prepayments | | **18,606** | 11,133 |
| Mark-up / interest received on short-term deposits | | **77,482** | 115,635 |
| **Net cash generated from operating activities** | | **4,631,031** | 4,453,282 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(1,730,448)** | (1,651,556) |
| Proceeds from disposal of operating assets | | **55,788** | 23,049 |
| Dividend received from associate | | **423,569** | 335,722 |
| Net cash used in investing activities | | **(1,251,091)** | (1,292,785) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(831,742)** | (330,996) |
| **Net increase in cash and cash equivalents** | | **2,548,198** | 2,829,501 |
| Cash and cash equivalents at beginning of the year | | **(2,470,129)** | (5,299,630) |
| **Cash and cash equivalents at end of the year** | 34 | **78,069** | (2,470,129) |

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

**Omar Sheikh**
Chairman and Chief Executive

**Badaruddin F. Vellani**
Director

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**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 (formerly Karachi Stock Exchange, into which the Lahore and Islamabad Stock Exchanges have merged). The Company was previously listed on the Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Shell Petroleum Company Limited, United Kingdom (immediate parent), which is a subsidiary of Royal Dutch Shell Plc. (ultimate parent). The registered office of the Company is at Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

1.2 The Company markets petroleum products and Compressed Natural Gas. It also blends and markets various kinds of lubricating oils.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

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

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

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

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

***a) Standards, amendments to published standards and interpretations that are effective in 2015***

The following standards and amendments to published standards are mandatory for the financial year beginning January 1, 2015 and are relevant for the Company:

- IFRS 12 'Disclosure of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's current disclosures are already in line with the requirements of the standard.

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

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

- IAS 24 (Amendment) 'Related party disclosures'. The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The Company's current accounting treatment is already in line with this amendment.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

- IAS 27 (revised) 'Separate financial statements'. This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard does not have any significant impact on the Company's financial statements.

- IAS 28 (revised) 'Investment in associates and joint ventures'. This standard replaces the current IAS 28 'Investment in Associates' (as amended in 2003). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Company's current accounting treatment is already in line with the standard.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following amendments to published standards are not effective for the financial year beginning on January 1, 2015 and have not been early adopted by the Company:

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

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

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

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

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2016). There are two amendments:

  • Servicing contracts – If an entity transfers a financial assets to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

  • Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

It is unlikely that these amendments will have any significant impact on the Company's financial statements.

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

**2.2 Property, plant and equipment**

Property, plant and equipment are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress which are stated at cost less accumulated

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

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

Depreciation is charged to profit or loss in the statement of comprehensive income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

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

**2.3 Intangible assets – Computer software**

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

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

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

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

**2.4 Investment in associates**

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

The Company's share of an associate's post acquisition profits or losses is recognised in the profit or loss in the statement of comprehensive income, and its share in the post acquisition movement of other comprehensive income is recognised in the statement of comprehensive income. The cumulative post acquisition movements are adjusted against the carrying value of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise future losses, unless it has incurred obligations or made payments on behalf of the associate.

The investment in associates’ carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

**2.5 Financial instruments**

**2.5.1 Financial assets**

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

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

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the fair values of investments on the basis of market information of similar types of companies, i.e. level 3 inputs less impairment in value, if any.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

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

**2.5.2 Financial liabilities**

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

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

**2.5.3 Offsetting of financial assets and liabilities**

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

**2.6 Stock-in-trade**

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable 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 realisable 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 recognised in the profit or loss in the statement of comprehensive income.

**2.7 Impairment of non-financial assets**

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

**2.8 Trade debts and other receivables**

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

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



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

**2.9 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, balances with banks net of short-term loans and short-term running finances utilised under mark-up arrangements.

**2.10 Share capital**

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

**2.11 Provisions**

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

Provision for asset retirement obligation is based on current requirements, technology and price levels and the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognised (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.

**2.12 Operating leases**

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

**2.13 Trade and other payables**

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

**2.14 Retirement and other service benefits**

**2.14.1 Retirement benefits**

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

**i) Approved funded gratuity and pension schemes**

The Company operates approved funded gratuity schemes for management and unionised staff and contributory pension scheme for management and non-contributory pension scheme for unionised 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 recognised 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 unionised staff. The amount contributed is charged in the statement of comprehensive income.

**iii) Approved defined contributory pension fund**

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**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 recognised in 'Other Comprehensive Income' as these arise.

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

**2.14.2 Employees' compensated absences**

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

**2.15 Taxation**

**2.15.1 Current**

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

**2.15.2 Deferred**

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

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

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

**2.16 Foreign currencies**

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

**2.17 Revenue recognition**

Revenue is recognised 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 recognised on accrual basis.
- Dividend income is recognised when the Company's right to receive the dividend is established.

**2.18 Functional and presentation currency**

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



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

**2.19 Dividend distribution and appropriation to reserves**

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

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**3.1 Property, plant and equipment and intangible assets**

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

**3.2 Stock-in-trade**

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

**3.3 Income taxes**

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

**3.4 Provision for retirement and other service benefit obligations**

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

**3.5 Provision for impairment of trade debts and other receivables**

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

**3.6 Asset retirement obligation**

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **4. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets, at net book value - note 4.1 | | |
| - Operating assets | **7,304,355** | 6,063,938 |
| - Provision for impairment - note 4.8 | **(378,281)** | (462,357) |
| | **6,926,074** | 5,601,581 |
| Capital work-in-progress - note 4.7 | **1,162,948** | 1,458,145 |
| | **8,089,022** | 7,059,726 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended December 31, 2015

### 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees '000) | | | | | | | | | | | | | | |
| **At January 01, 2015** | | | | | | | | | | | | | | | |
| Cost | 97,009 | 119,952 | 183,530 | 3,436,801 | 2,311,867 | 839,883 | 32,283 | 10,216 | 900,269 | 561,737 | 2,853,773 | 1,365,350 | 168,274 | 38,393 | 12,919,337 |
| Accumulated depreciation and impairment | - | 69,977 | 65,696 | 2,001,930 | 1,085,331 | 323,159 | 31,795 | 3,397 | 659,321 | 396,335 | 1,602,858 | 891,498 | 150,575 | 35,884 | 7,317,756 |
| Net book value | 97,009 | 49,975 | 117,834 | 1,434,871 | 1,226,536 | 516,724 | 488 | 6,819 | 240,948 | 165,402 | 1,250,915 | 473,852 | 17,699 | 2,509 | 5,601,581 |
| **Year ended December 31, 2015** | | | | | | | | | | | | | | | |
| Opening net book value | 97,009 | 49,975 | 117,834 | 1,434,871 | 1,226,536 | 516,724 | 488 | 6,819 | 240,948 | 165,402 | 1,250,915 | 473,852 | 17,699 | 2,509 | 5,601,581 |
| Additions | - | 137,637 | 4,717 | 59,563 | 62,593 | 608,359 | 2,609 | 730 | 251,548 | 37,243 | 73,329 | 763,389 | 2,768 | - | 2,004,485 |
| Disposals / write offs - notes 4.4 and 4.6 | | | | | | | | | | | | | | | |
| Cost | - | 83 | - | 108,275 | 33,999 | 16,752 | 228 | - | 109,072 | 27,371 | 63,804 | 141,548 | - | - | 501,132 |
| Accumulated depreciation | - | - | - | (62,683) | (13,838) | (13,508) | (72) | - | (102,931) | (27,038) | (36,608) | (140,372) | - | - | (397,050) |
| | - | 83 | - | 45,592 | 20,161 | 3,244 | 156 | - | 6,141 | 333 | 27,196 | 1,176 | - | - | 104,082 |
| Depreciation charge - note 4.2 | - | 3,837 | 3,047 | 159,390 | 88,785 | 54,468 | 2,459 | 529 | 48,661 | 50,174 | 68,808 | 173,361 | 6,467 | - | 659,986 |
| Impairment reversal - note 4.8 | - | - | - | (16,965) | (15,851) | (14,352) | - | - | (5,842) | - | (15,613) | (15,453) | - | - | (84,076) |
| Closing net book value | 97,009 | 183,692 | 119,504 | 1,306,417 | 1,196,034 | 1,081,723 | 482 | 7,020 | 443,536 | 152,138 | 1,243,853 | 1,078,157 | 14,000 | 2,509 | 6,926,074 |
| **At December 31, 2015** | | | | | | | | | | | | | | | |
| Cost | 97,009 | 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 | 34,182 | 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 | 119,504 | 1,306,417 | 1,196,034 | 1,081,723 | 482 | 7,020 | 443,536 | 152,138 | 1,243,853 | 1,078,157 | 14,000 | 2,509 | 6,926,074 |
| **At January 01, 2014** | | | | | | | | | | | | | | | |
| Cost | 97,009 | 87,766 | 183,530 | 3,473,871 | 2,260,858 | 702,047 | 29,587 | 10,216 | 795,287 | 472,016 | 2,786,693 | 1,252,523 | 168,274 | 38,393 | 12,358,070 |
| Accumulated depreciation and impairment | - | 64,945 | 62,659 | 1,855,800 | 1,055,807 | 283,875 | 29,479 | 2,812 | 654,744 | 373,739 | 1,478,087 | 832,230 | 131,944 | 35,884 | 6,862,005 |
| Net book value | 97,009 | 22,821 | 120,871 | 1,618,071 | 1,205,051 | 418,172 | 108 | 7,404 | 140,543 | 98,277 | 1,308,606 | 420,293 | 36,330 | 2,509 | 5,496,065 |
| **Year ended December 31, 2014** | | | | | | | | | | | | | | | |
| Opening net book value | 97,009 | 22,821 | 120,871 | 1,618,071 | 1,205,051 | 418,172 | 108 | 7,404 | 140,543 | 98,277 | 1,308,606 | 420,293 | 36,330 | 2,509 | 5,496,065 |
| Additions | - | 32,186 | - | 13,353 | 294,224 | 139,150 | 2,790 | - | 173,452 | 108,141 | 95,409 | 121,607 | - | - | 980,312 |
| Disposals / write offs - notes 4.4 and 4.6 | | | | | | | | | | | | | | | |
| Cost | - | - | - | 50,423 | 243,215 | 1,314 | 94 | - | 68,470 | 18,420 | 28,329 | 8,780 | - | - | 419,045 |
| Accumulated depreciation | - | - | - | (32,078) | (66,866) | (51) | (87) | - | (63,932) | (18,179) | (14,718) | (8,344) | - | - | (204,255) |
| | - | - | - | 18,345 | 176,349 | 1,263 | 7 | - | 4,538 | 241 | 13,611 | 436 | - | - | 214,790 |
| Depreciation charge - note 4.2 | - | 5,032 | 3,037 | 178,208 | 96,390 | 39,335 | 2,403 | 585 | 68,509 | 40,775 | 139,489 | 67,612 | 18,631 | - | 660,006 |
| Closing net book value | 97,009 | 49,975 | 117,834 | 1,434,871 | 1,226,536 | 516,724 | 488 | 6,819 | 240,948 | 165,402 | 1,250,915 | 473,852 | 17,699 | 2,509 | 5,601,581 |
| **At December 31, 2014** | | | | | | | | | | | | | | | |
| Cost | 97,009 | 119,952 | 183,530 | 3,436,801 | 2,311,867 | 839,883 | 32,283 | 10,216 | 900,269 | 561,737 | 2,853,773 | 1,365,350 | 168,274 | 38,393 | 12,919,337 |
| Accumulated depreciation and impairment | - | 69,977 | 65,696 | 2,001,930 | 1,085,331 | 323,159 | 31,795 | 3,397 | 659,321 | 396,335 | 1,602,858 | 891,498 | 150,575 | 35,884 | 7,317,756 |
| Net book value | 97,009 | 49,975 | 117,834 | 1,434,871 | 1,226,536 | 516,724 | 488 | 6,819 | 240,948 | 165,402 | 1,250,915 | 473,852 | 17,699 | 2,509 | 5,601,581 |
| Annual rate of depreciation (% ) | - | 5 | 2.50 | 5 | 3 to 4 | 3 to 10 | 6.67 | 5 | 6.67 and 20 | 5 to 20 | 5 to 10 | 5 to 20 | 20 to 25 | 25 | |



# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **4.2** The depreciation charge for the year has been allocated as follows: | | |
| Cost of products sold | **70,412** | 43,672 |
| Distribution and marketing expenses - note 23 | **498,986** | 549,270 |
| Administrative expenses - note 24 | **90,588** | 67,064 |
| | **659,986** | 660,006 |

**4.3** The Company's assets include tanks, dispensing pumps and electrical equipment having a cost of Rs. 3,420,092 thousand (2014: Rs. 3,367,774 thousand) which have been installed at dealer sites. Although the Fourth Schedule of the Companies Ordinance, 1984 requires the disclosure of particulars of assets owned by the Company but not in its possession, the same has not been reproduced here due to the significant number of dealers and assets involved.

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

| | Cost | Accumulated depreciation | Net book value | Sales proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | (Rupees '000) | | | | | | |
| Buildings on leasehold land | 21,949 | 11,530 | 10,419 | 8,360 | (2,059) | Negotiation | Note 4.5 |
| Tanks and pipelines | 12,537 | 5,473 | 7,064 | 2,025 | (5,039) | Negotiation | Note 4.5 |
| Dispensing pumps | 5,697 | 3,406 | 2,291 | 1,034 | (1,257) | Negotiation | Note 4.5 |
| Rolling stocks and vehicles | 3,327 | 2,994 | 333 | 1,780 | 1,447 | By Company Policy to existing / separating employees | Adnan Umar / Yasir Nawaz / Rehan Zaki |
| Electrical, mechanical and fire fighting equipment | 12,322 | 6,283 | 6,039 | 1,193 | (4,846) | Negotiation | Note 4.5 |
| Furniture, office equipment and other assets | 553 | 222 | 331 | 1,885 | 1,554 | Negotiation | Note 4.5 |

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

**4.6** Disposals / write offs of operating assets include assets written off having a cost of Rs. 324,641 thousand (2014: Rs. 295,380 thousand) and a net book value of Rs. 74,375 thousand (2014: Rs. 178,979 thousand).

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **4.7 Capital work-in-progress** | | |
| Buildings on leasehold land | **395,285** | 714,456 |
| Tanks and pipelines | **305,544** | 26,204 |
| Plant and machinery | **88,901** | 483,427 |
| Rolling stocks and vehicles | **5,205** | 20,483 |
| Electrical, mechanical and fire fighting equipment | **362,656** | 203,350 |
| Furniture, office equipment and other assets | **3,157** | 10,225 |
| Dispensing pumps | **2,200** | - |
| | **1,162,948** | 1,458,145 |

**4.8 Provision for impairment**

In previous years, based on a review for impairment on its operating assets, the Company identified that carrying values of certain operating assets exceeded their estimated recoverable amounts. Accordingly, provision for impairment was recognised thereagainst. 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. 84,076 thousand which has been recorded in 'other income' in the statement of comprehensive income. Management has determined the recoverable amount by assessing the fair value less cost of disposal of the underlying assets which is based on the historical experience of the net recovery proceeds on similar nature of assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The movement of provision for impairment is as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Balance at beginning of the year | **462,357** | 462,357 |
| Reversals during the year | **(84,076)** | - |
| Balance at end of the year | **378,281** | 462,357 |

**5. INTANGIBLE ASSETS – Computer software**

| | 2015 | 2014 |
|---|---|---|
| **As at January 1** | | |
| Cost | **1,912,571** | 1,912,571 |
| Accumulated amortisation | **(1,726,865)** | (1,354,221) |
| Net book value | **185,706** | 558,350 |
| **Year ended December 31** | | |
| Opening net book value | **185,706** | 558,350 |
| Amortisation charge - notes 5.1 and 24 | **(185,706)** | (372,644) |
| Closing net book value | **-** | 185,706 |
| **As at December 31** | | |
| Cost | **1,912,571** | 1,912,571 |
| Accumulated amortisation | **(1,912,571)** | (1,726,865) |
| Net book value | **-** | 185,706 |

**5.1** The cost has been amortised over a period of 5 years.




# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended December 31, 2015


**6. LONG-TERM INVESTMENTS**

| | 2015 Percentage Holding | 2015 Amount Rupees '000 | 2014 Percentage Holding | 2014 Amount Rupees '000 |
|---|---|---|---|---|
| **Investment in associate - unquoted** | | | | |
| Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2014: 18,720,000) ordinary shares of Rs. 100 each- note 6.1 and 6.2 | **26** | **3,431,508** | 26 | 3,271,116 |
| **Others - held as available-for-sale - at cost** | | | | |
| Arabian Sea Country Club Limited 500,000 (2014: 500,000) ordinary shares of Rs. 10 each | **5** | **5,000** | 5 | 5,000 |
| | | **3,436,508** | | 3,276,116 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **6.1 Movement of investment in associate** | | |
| Balance at beginning of the year | **3,271,116** | 3,065,286 |
| Share of profit | **832,027** | 811,876 |
| Share of taxation | **(248,066)** | (270,324) |
| | **583,961** | 541,552 |
| Dividend received | **(423,569)** | (335,722) |
| Balance at end of the year | **3,431,508** | 3,271,116 |

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **6.2 Financial details / position of associate** | | |
| Total assets | **21,085,606** | 20,456,930 |
| Total liabilities | **7,898,279** | 7,886,494 |
| Revenues | **5,350,186** | 5,310,205 |
| Total comprehensive income | **2,246,005** | 2,084,520 |

The financial year end for PAPCO is June 30. Total assets and liabilities disclosed above are based on unaudited condensed interim financial information for the half year ended December 31, 2015, whereas revenues and total comprehensive income disclosed above is based on audited financial statements for the years ended June 30, 2015 and June 30, 2014 and unaudited financial information for the half years ended December 31, 2015, December 31, 2014 and December 31, 2013.

Share of contingent liabilities based on the latest unaudited financial information of PAPCO for the half year ended December 31, 2015 amounts to Rs. 21,496 thousand (December 31, 2014: Rs. 21,496 thousand).

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **7. LONG-TERM LOANS AND ADVANCES - Considered good** | | |
| Due from Executives - notes 7.1, 7.2 and 7.3 | **24,847** | 40,691 |
| Receivable within one year - note 12 | **(21,151)** | (23,755) |
| | **3,696** | 16,936 |
| Due from Employees - note 7.2 | **6,165** | 12,543 |
| Receivable within one year - note 12 | **(4,149)** | (8,839) |

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

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | **40,691** | 81,854 |
| Disbursements | **19,395** | 12,003 |
| Repayments | **(35,239)** | (53,166) |
| Balance at end of the year | **24,847** | 40,691 |

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

**7.3** The maximum aggregate amounts due from Executives at the end of any month during the year were Rs. 37,046 thousand (2014: Rs. 85,772 thousand).

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **8. LONG-TERM DEPOSITS AND PREPAYMENTS** | | |
| Deposits | **131,212** | 130,783 |
| **9. DEFERRED TAXATION** | | |
| This is composed of the following: | | |
| Taxable temporary difference arising in respect of: | | |
| - accelerated tax depreciation | **(880,325)** | (843,629) |
| - investment in associate | **(194,938)** | (139,912) |
| | **(1,075,263)** | (983,541) |
| Deductible temporary difference arising in respect of: | | |
| - other provisions | **648,876** | 541,726 |
| - carry forward tax losses - note 9.1 | **78,782** | 667,687 |
| | **727,658** | 1,209,413 |
| | **(347,605)** | 225,872 |

**9.1** Deferred income tax asset, recognised on tax losses available for carry-forward, has been restricted to the extent for which the realisation of the related tax benefit is probable through future taxable profits. The aggregate unutilised tax losses as at December 31, 2015 amount to Rs. 254,137 thousand (2014: Rs. 2,023,295 thousand).




# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015


| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **10. STOCK-IN-TRADE** | | |
| Raw and packing materials - note 10.1 | **1,433,715** | 1,164,898 |
| Provision for impairment - note 10.5 | **(51,445)** | (19,500) |
| | **1,382,270** | 1,145,398 |
| Finished products | | |
| - in hand and in pipeline system - notes 10.1, 10.3 and 10.4 | **10,069,868** | 8,779,432 |
| - in White Oil Pipeline - notes 10.2 and 10.4 | **1,886,105** | 3,214,186 |
| | **11,955,973** | 11,993,618 |
| Provision for impairment - note 10.5 | **(57,054)** | (52,731) |

**10.1** Includes stock-in-transit amounting to Rs. 1,169,505 thousand (2014: Rs. 222,152 thousand).

**10.2** Stock in White Oil Pipeline includes High Speed Diesel amounting to Rs. 1,563,648 thousand (2014: Rs. 2,525,167 thousand) which has been maintained as line fill necessary for the pipeline to operate.

**10.3** Finished products include bonded stock amounting to Rs. 1,323,752 thousand (2014: Rs. 2,141,727 thousand).

**10.4** Includes items costing Rs. 6,039,883 thousand (2014: Rs. 10,340,878 thousand) which have been valued at their net realisable value of Rs. 5,621,630 thousand (2014: Rs. 9,203,883 thousand).

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Balance at beginning of the year | **72,231** | 68,871 |
| Provision made during the year | **88,999** | 72,231 |
| Reversals during the year | **(52,731)** | (68,871) |
| Balance at end of the year | **108,499** | 72,231 |
| **11. TRADE DEBTS** | | |
| Considered good | | |
| - Secured - notes 11.1 and 11.2 | **431,738** | 610,687 |
| - Unsecured - note 11.2 | **1,168,894** | 1,380,694 |
| | **1,600,632** | 1,991,381 |
| Considered doubtful | **752,947** | 631,776 |
| | **2,353,579** | 2,623,157 |
| Provision for impairment - notes 11.3 and 11.5 | **(752,947)** | (631,776) |
| | **1,600,632** | 1,991,381 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**11.2** Includes trade debts due from following related parties:

| | Neither past due nor impaired | Past due: Upto 1 month | Past due: More than 6 month | 2015 | 2014 |
|---|---|---|---|---|---|
| | (Rupees '000) | | | | |
| Askari Bank Limited | 294 | - | - | **294** | 1,470 |
| Engro Polymer and Chemicals Limited | 709 | - | - | **709** | - |
| Jaffer Agro Services | 93 | - | - | **93** | 121 |
| Jaffer Brothers (Pvt.) Limited | 1,734 | - | - | **1,734** | 1,786 |
| Novartis Pharma (Pakistan) Limited | 214 | - | - | **214** | 245 |
| Pakistan International Airline Corporation | - | 32,831 | - | **32,831** | 27,910 |
| Pakistan Refinery Limited | 2,270 | - | - | **2,270** | 1,395 |
| Roche Pakistan Limited | 137 | - | - | **137** | 101 |
| The American Business Council | 32 | - | - | **32** | 33 |
| Unilever Pakistan Foods Limited | - | - | 50 | **50** | - |
| Wyeth Pakistan Limited | - | - | 91 | **91** | 91 |
| | 5,483 | 32,831 | 141 | **38,455** | 33,152 |
| Less : Provision for impairment | | | | **(95)** | (105) |
| Net receivable from related parties | | | | **38,360** | 33,047 |

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.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **11.3 Provision for impairment** | | |
| Balance at beginning of the year | **631,776** | 633,566 |
| Provision made during the year - note 25 | **126,202** | 3,989 |
| Reversals during the year - note 26 | **(5,031)** | (5,779) |
| Balance at end of the year | **752,947** | 631,776 |

**11.4** As at December 31, 2015, trade debts aggregating to Rs. 43,137 thousand (2014: Rs. 288,464 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no or some recent history of default, however, no losses. The ageing analysis of these trade debts is as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Upto 1 month | **6,963** | 43,291 |
| 1 to 6 months | **36,174** | 175,124 |
| More than 6 months | **-** | 70,049 |
| | **43,137** | 288,464 |



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**11.5** As at December 31, 2015, trade debts of Rs. 752,947 thousand (2014: Rs. 631,776 thousand) were impaired and provided for. The ageing of these trade debts is as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Upto 6 months | **25,330** | 716 |
| More than 6 months | **727,617** | 631,060 |
| | **752,947** | 631,776 |

**12. LOANS AND ADVANCES - Considered good**

| | 2015 | 2014 |
|---|---|---|
| Current portion of long-term loans due from - note 7 | | |
| - Executives | **21,151** | 23,755 |
| - Employees | **4,149** | 8,839 |
| | **25,300** | 32,594 |
| Loans and advances to directors - notes 12.1 and 12.2 | **964** | - |
| Advances to employees | **41,452** | 37,633 |
| | **67,716** | 70,227 |

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

| | 2015 | 2014 |
|---|---|---|
| Disbursements | **2,892** | 2,347 |
| Repayments | **(1,928)** | (2,347) |
| Balance at end of the year | **964** | - |

**12.2** The maximum aggregate amount due from directors at the end of any month during the year was Rs. 2,651 thousand (2014: Rs. 2,152 thousand).

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **13. OTHER RECEIVABLES** | | |
| Petroleum development levy and other duties - note 13.1 | **1,381,970** | 1,374,289 |
| Price differential claims | | |
| - on imported purchases - note 13.2 | **295,733** | 295,733 |
| - on high speed diesel (HSD) - note 13.3 | **343,584** | 343,584 |
| - on imported motor gasoline - note 13.4 | **2,071,107** | 2,071,107 |
| Regulatory duty receivable - note 13.5 | **118,404** | - |
| Sales tax refundable - note 13.6 | **168,324** | 1,299,263 |
| Inland freight equalisation mechanism | **971,734** | 980,903 |
| Receivable from related parties - note 13.7 | **305,236** | 2,000,064 |
| Service cost receivable from associated company - PAPCO | **11,136** | 9,955 |
| Staff retirement benefit schemes - note 30.1.12 | **250,814** | 1,226,448 |
| Receivable from Oil Marketing Companies | **1,862,207** | 634,640 |
| Taxes recoverable - notes 13.8 and 20.1.2 | **968,073** | 968,073 |
| Others | **73,571** | 47,693 |
| | **8,821,893** | 11,251,752 |
| Provision for impairment | **(223,225)** | (223,225) |
| | **8,598,668** | 11,028,527 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**13.1** Includes petroleum development levy amounting to Rs.1,364,069 thousand (December 31, 2014: Rs. 1,357,013 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, a refund of which was received last year. During the year, verification exercise by the authorities of further claims amounting to Rs 182,004 thousand has been completed. The remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by FBR.

**13.2** Represents 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.

**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.

**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 their 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 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 OMC's approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. The Company accordingly submitted audit reports thereafter for claims till May 31, 2011. In 2011, the Company received an amount of Rs. 454,000 thousand from GoP as a partial settlement 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 along with other OMC's approached the GoP with a proposal to include the high premium on the gallop cargo in the pricing mechanism. MoPNR accepted the OMC's proposal and directed OGRA through its directive PL-3 (457) / 2012 - 43 dated June 30, 2012 to adjust the actual premium differential of the imported motor gasoline through the IFEM mechanism.

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

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

**13.5** This represents receivable in respect of regulatory duty imposed by the Ministry of Finance, Economic Affairs, Statistics and Revenue, GoP through SRO 392(I)/2015 dated April 30, 2015 on import of crude oil, high speed diesel and motor gasoline. Under the product pricing formula, the 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(I)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty. 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.

**13.6** This principally represents sales tax refundable on account of export sales. During the year, the tax authorities completed verification exercise of refunds worth Rs. 483,861 thousand against which refund cheques amounting to Rs. 295,654 thousand were received during the year. For the remaining amount, the Company has filed claims with FBR and is actively pursuing for its recovery.



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**13.7** Represents dues from following related parties:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Shell Aviation Limited - note 13.7.1 | **93,236** | 1,850,096 |
| Shell International Petroleum Company Limited | **131,925** | 95,874 |
| Shell International Limited | **-** | 850 |
| Shell Markets (Middle East) Limited | **933** | 1,680 |
| Shell Malaysia Trading SDN | **60** | 60 |
| Shell International Exploration And Production B.V. | **-** | 9,085 |
| Shell Oman Marketing Company Saog | **849** | 1,325 |
| Shell Business Service Centre SDN BHD | **1,317** | 721 |
| Shell International B.V. | **38,107** | - |
| Others | **38,809** | 40,373 |
| | **305,236** | 2,000,064 |

**13.7.1** This 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 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 thereagainst before the ATIR which is pending to be heard. The Company, based on the advice of its tax consultant expects a favourable outcome at appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

**13.9** As at December 31, 2015, receivables aggregating to Rs. 2,710,424 thousand (2014: Rs. 2,710,424 thousand) were past due but not impaired. These relate to receivable from Government of Pakistan.

### 14. CASH AND BANK BALANCES

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Balances with banks | | |
| - current account | **1,752,093** | 1,260,641 |
| - savings account - note 14.1 | **335,866** | 19,988 |
| | **2,087,959** | 1,280,629 |
| Cash in hand | **15,558** | 15,004 |
| | **2,103,517** | 1,295,633 |

**14.1** Balances with banks carry interest at the rate of 4% to 6.5% (2014: 6.5% to 7%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**15. SHARE CAPITAL**

**Authorised capital**

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees '000) | |
| **150,000,000** | 150,000,000 | Ordinary shares of Rs. 10 each | **1,500,000** | 1,500,000 |

**Issued, subscribed and paid-up capital**

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees '000) | |
| **107,012,331** | 23,481,000 | Fully paid in cash | **1,070,125** | 234,810 |
| **-** | 83,531,331 | Issued as fully paid bonus shares | **-** | 835,315 |
| **107,012,331** | 107,012,331 | | **1,070,125** | 1,070,125 |

**15.1** The Shell Petroleum Company Limited, United Kingdom (immediate parent), a subsidiary of Royal Dutch Shell Plc. (ultimate parent), held 81,443,702 (2014: 81,443,702) ordinary shares of Rs. 10 each at December 31, 2015.

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**16. ASSET RETIREMENT OBLIGATION**

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Balance at beginning of the year | **141,610** | 334,091 |
| Obligation recognised in respect of: | | |
| - change in estimate - note 16.1 | **(21,160)** | 54,508 |
| - additions | **-** | 1,807 |
| | **(21,160)** | 56,315 |
| Reversal of liability - note 26 | **(8,616)** | (264,271) |
| Accretion expense - note 27 | **6,027** | 15,475 |
| | **(2,589)** | (248,796) |
| Balance at end of the year | **117,861** | 141,610 |

**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.



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**17. TRADE AND OTHER PAYABLES**

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Creditors - note 17.1 | **21,156,857** | 21,205,158 |
| Accrued liabilities | **5,001,774** | 4,086,359 |
| Dealers' and customers' security deposits - note 17.2 | **499,507** | 533,295 |
| Advances received from customers | **1,763,309** | 2,154,738 |
| Provision for post retirement medical benefits - note 30.2.2 | **84,197** | 80,479 |
| Workers' welfare fund | **153,229** | 195,684 |
| Workers' profits participation fund - note 17.3 | **115,958** | 48,245 |
| Unclaimed dividends | **143,147** | 118,790 |
| Other liabilities - note 17.4 | **112,740** | 65,146 |
| | **29,030,718** | 28,487,894 |

**17.1** Includes amounts due to following related parties:

| | 2015 | 2014 |
|---|---|---|
| Pakistan Refinery Limited | **794,609** | 827,964 |
| Shell International Petroleum Company Limited | **9,042,482** | 10,137,972 |
| Shell International Trading Middle East | **4,280,031** | 3,288,974 |
| Shell Lubricants Supply Company | **451,511** | 171,156 |
| Shell International B.V. | **371,264** | 332,226 |
| Shell Information Technology | **320,796** | 868,558 |
| Shell Eastern Trading (Pte) Limited | **52,538** | 51,623 |
| Shell Deutschland Oil GmbH | **9,087** | 16,572 |
| Shell Business Service Centre SDN BHD | **509,699** | 425,764 |
| Shell Hong Kong Limited | **2,755** | 15,891 |
| Shell Shared Services (Asia) B.V. | **464,502** | 394,133 |
| Shell & Turcas Petrol A.S. | **19,334** | 11,797 |
| Shell People Services Asia SDN BHD | **47,625** | 37,667 |
| Euroshell cards B.V. | **44,054** | 5,626 |
| Shell Brands International AG | **255,894** | 484,047 |
| SBSC Glasgow | **341,028** | 276,799 |
| Other related parties | **131,007** | 137,841 |
| | **17,138,216** | 17,484,610 |

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

**17.3 Workers' profits participation fund**

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Balance at beginning of the year | **48,245** | 24,518 |
| Allocation for the year - note 25 | **94,713** | 785 |
| | **142,958** | 25,303 |
| Amount (paid) / refunded during the year | **(27,000)** | 22,942 |
| Balance at end of the year | **115,958** | 48,245 |

**17.4** Other liabilities include Rs. 73,318 thousand (2014: Rs. 20,294 thousand) in respect of termination benefits payable to employees under a staff redundancy plan finalised during 2009. Termination benefits to be paid through post retirement benefit funds have been accounted for in the funds valuation as disclosed in note 30 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **18. ACCRUED MARK-UP / INTEREST** | | |
| Mark-up / interest accrued on: | | |
| - short-term running finances utilised under mark-up arrangements | **10,336** | 9,220 |
| - short-term loans | **140** | 844 |
| | **10,476** | 10,064 |
| **19. SHORT-TERM BORROWINGS - Secured** | | |
| Running finances utilised under mark-up arrangements - note 19.1 | **1,235,448** | 605,762 |
| Loans - note 19.2 | **790,000** | 3,160,000 |
| | **2,025,448** | 3,765,762 |

**19.1** The facilities for short term running finances available from various banks aggregate to Rs. 23,600,000 thousand (2014: Rs. 34,300,000 thousand). The rates of markup range from Re 0.1787 to Re. 0.2057 (2014: Re 0.2726 to Re 0.3010) per Rs. 1,000 per day. These arrangements are secured by hypothecation of the Company's present and future stock in trade, trade debts and other receivables.

**19.2** As at December 31, 2015, the amount represents loan obtained from Habib Bank Limited and carries mark-up at the rate of 6.47% (2014: 9.75%) per annum. The loan, secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables, was repaid on January 4, 2016.

**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. On July 1, 2013, Sindh Assembly amended the Sindh Finance Act, 1994 through legislation of Sindh Finance Act, 2013 according to which infrastructure fee will range from 0.90% to 0.95% of total value of goods against various slabs of net weight of goods as assessed by the Customs Authorities plus one paisa per kilometer.

The Company 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 of Sindh and set aside the earlier order of the High Court of Sindh.

The High Court of Sindh on fresh petitions filed, passed an interim order directing that any bank guarantee / security furnished for consignments cleared 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 High Court of Sindh, the Company has reviewed its position and without acknowledging it as a debt estimates the accumulated levy up to December 31, 2015 at Rs. 75,493 thousand (2014: Rs. 61,993 thousand). However,



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company. For these reasons and based on legal advice obtained, no provision has been made in these financial statements against the levy as the management expects a favourable outcome.

**20.1.2 Taxation**

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

In 2013, the High Court of Sindh, in respect of another Company, overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that the minimum tax could not be carried forward where there 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 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 from tax authorities in respect of tax year 2004 amounting to Rs. 161,057 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses, disallowance of software cost claimed as revenue expenditure and credit disallowed in respect of income derived from Azad Kashmir. The Company in response to the order deposited an amount of Rs. 29,106 thousand and filed a rectification application and an appeal with CIR (Appeals). The tax officer rectified the order allowing Azad Kashmir tax credit and partial relief on 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 has filed another rectification application which is still pending.

In 2013, CIR (Appeals) upheld the basis used by tax officer in respect of allocation of expenses and 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 has filed an appeal against the CIR (Appeals) order before the ATIR. During the year, the ATIR passed an order dated December 7, 2015 whereby the decision of the CIR (Appeals) on the issue of allocation of expenses has been confirmed. The Company intends to file an appeal against the order of ATIR to the High Court of Sindh.

The Company, based on the advice of its tax consultant expects a favourable outcome, however, an amount of Rs. 19,068 thousand has been provided 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** During the year, the tax authorities after finalising 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, unutilised tax losses of previous years were not adjusted in computing the tax liability. The Company in response to order filed a rectification application and an appeal with the CIR (Appeals). The tax officer rectified the order allowing the unutilised tax losses for previous years thereby reducing the demand to Rs. 250,144 thousand. The revised rectified order still contains 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 favour of the Company, whereas disallowance of bad debts written off was confirmed. The Company and the department both have filed appeals against CIR (Appeals)'s decision.

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 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 2011 and 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 favour of the Company by the ATIR whereas appeals for July 2008 to June 2009 and July 2009 to December 2009 were decided on most of the grounds in favour of the Company by CIR (Appeals) except for issue of FED on dealers joining fee and income from Company Owned Company Operated (COCO) sites. Appeal on such issue was filed by the Company with the ATIR which remanded back the matter to the tax authorities for fresh adjudication. Subsequent to the year end, 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.

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

During the year, the tax authorities whilst finalising 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 favourable outcome on these matters and accordingly no provision has been made in this respect in these financial statements.

20.1.3.2 In 2012, the Company received an order from Model Customs Collectorate, Hyderabad raising sales tax demand of Rs. 46,838 thousand, 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 has also received show cause notices from other Model Customs Collectorates with a potential demand of Rs. 4,775,814 thousand, the basis of computation of which has not been specified. The Company is of the view that the sales tax on minimum value addition is not applicable as 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 cannot be required to pay the tax on unregulated products / exports retrospectively since clarification of FBR was available at that time and is confident that revised notification in this respect will be issued by FBR if required. Further, in the event the Company is required to make a payment in this respect, it is Company's contention that it will be able to claim the amount paid as input tax except for default surcharge, which cannot be computed at this stage. Accordingly, no provision has been made in this respect in these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 20.1.4 Others

The amount of other claims against the Company not acknowledged as debt as at December 31, 2015 aggregate to approximately Rs. 3,152,249 thousand (2014: Rs. 3,181,879 thousand). This includes claims by refineries, amounting to Rs. 1,094,149 thousand (2014: Rs. 1,094,021 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, 2015 amounted to approximately Rs. 242,599 thousand (2014: Rs. 361,694 thousand).

20.2.2 Commitments for rentals of assets under operating lease agreements as at December 31, 2015 amounted to Rs. 2,562,699 thousand (2014: Rs. 2,731,934 thousand) payable as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Not later than one year | **170,322** | 169,186 |
| Later than one year and not later than five years | **644,171** | 653,131 |
| Later than five years | **1,748,206** | 1,909,617 |
| | **2,562,699** | 2,731,934 |

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, 2015, the value of these cheques amounted to Rs. 9,426,870 thousand (2014: Rs. 8,909,134 thousand). The maturity dates of these cheques extend to July 07, 2016 (2014: June 22, 2015).

20.2.4 Letters of credit and bank guarantees outstanding at December 31, 2015 amount to Rs. 4,570,213 thousand (2014: Rs. 4,579,015 thousand).

### 21. SALES

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Gross sales, inclusive of sales tax | | |
| - Local | **248,002,044** | 286,777,692 |
| - Export | **1,776,474** | 5,623,930 |
| | **249,778,518** | 292,401,622 |
| Less: Trade discounts and rebates | **1,207,561** | 1,038,632 |
| | **248,570,957** | 291,362,990 |

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:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Motor Gasoline | **103,318,250** | 109,790,399 |
| High Speed Diesel | **104,747,720** | 126,112,595 |
| Jet Fuels | **18,306,228** | 28,796,786 |
| Lubricants | **17,717,644** | 17,934,475 |
| Others | **4,481,115** | 8,728,735 |
| | **248,570,957** | 291,362,990 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 22. COST OF PRODUCTS SOLD

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Opening stock of raw and packing materials | **1,145,398** | 1,540,800 |
| Raw and packing materials purchased | **7,491,357** | 8,523,741 |
| Closing stock of raw and packing materials - note 10 | **(1,382,270)** | (1,145,398) |
| Raw and packing materials consumed | **7,254,485** | 8,919,143 |
| Manufacturing expenses - note 22.1 | **811,011** | 359,132 |
| Cost of products manufactured | **8,065,496** | 9,278,275 |
| Opening stock of finished products | **11,940,887** | 16,277,612 |
| Finished products purchased | **145,827,075** | 204,371,931 |
| Duties, levies and freight - note 22.2 | **32,598,937** | 25,216,311 |
| Closing stock of finished products - note 10 | **(11,898,919)** | (11,940,887) |
| | **186,533,476** | 243,203,242 |

22.1 Includes charge of Rs. 5,892 thousand (2014: Rs. 4,923 thousand) in respect of staff retirement benefits.

### 22.2 Duties, levies and freight

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Petroleum development levy | **23,847,629** | 18,257,132 |
| Customs and excise duty | **1,647,241** | 706,500 |
| Inland freight equalisation margin | **6,783,737** | 5,806,060 |
| Freight on non-equalised products | **128,564** | 242,838 |
| Others | **191,766** | 203,781 |
| | **32,598,937** | 25,216,311 |

### 23. DISTRIBUTION AND MARKETING EXPENSES

| | 2015 | 2014 |
|---|---|---|
| Salaries, wages and benefits - note 23.1 | **1,374,275** | 1,184,445 |
| Staff training | **25,308** | 10,629 |
| Stores and materials | **28,178** | 19,658 |
| Fuel and power | **68,214** | 72,614 |
| Rent, taxes and utilities | **469,311** | 422,763 |
| Repairs and maintenance | **466,429** | 485,648 |
| Depreciation - note 4.2 | **498,986** | 549,270 |
| Insurance | **8,596** | 9,150 |
| Travelling | **237,584** | 137,481 |
| Advertising and publicity | **668,257** | 609,778 |
| Legal and professional charges | **222,917** | 192,556 |
| Communication and stationery | **35,479** | 45,500 |
| Computer expenses | **51,965** | 30,863 |
| Storage and other charges | **194,839** | 121,456 |
| Others | **68,866** | 67,116 |
| | **4,419,204** | 3,958,927 |
| Handling and storage charges recovered | **(47,389)** | (41,769) |
| Secondary transportation expenses | **593,966** | 446,519 |
| | **4,965,781** | 4,363,677 |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

23.1 Salaries, wages and benefits include charge of Rs. 88,749 thousand (2014: Rs. 75,691 thousand) in respect of staff retirement benefits.

### 24. ADMINISTRATIVE EXPENSES

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Salaries, wages and benefits - note 24.1 | **440,538** | 429,035 |
| Staff training | **32,645** | 33,701 |
| Stores and materials | **2,892** | 1,650 |
| Fuel and power | **34,250** | 35,002 |
| Rent, taxes and utilities | **49,255** | 24,681 |
| Repairs and maintenance | **17,579** | 26,654 |
| Insurance | **29,680** | 31,609 |
| Travelling | **69,962** | 71,251 |
| Advertising and publicity | **31,086** | 6,126 |
| Technical service fee | **1,064,898** | 1,479,917 |
| Trade marks and manifestations license fee | **320,869** | 274,281 |
| Legal and professional charges | **178,218** | 416,721 |
| Communication and stationery | **312,602** | 322,268 |
| Computer expenses | **143,101** | 242,625 |
| Depreciation - note 4.2 | **90,588** | 67,064 |
| Amortisation - note 5 | **185,706** | 372,644 |
| | **3,003,869** | 3,835,229 |
| Costs recovered under Service Level Agreement from related parties | **(8,654)** | (7,014) |
| | **2,995,215** | 3,828,215 |

24.1 Salaries, wages and benefits include charge of Rs. 28,449 thousand (2014: Rs. 27,417 thousand) in respect of staff retirement benefits.

### 25. OTHER OPERATING EXPENSES

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Workers' profits participation fund - note 17.3 | **94,713** | 785 |
| Workers' welfare fund | **38,689** | 5,176 |
| Exchange loss | **655,725** | - |
| Provision for impairment of trade debts - note 11.3 | **126,202** | 3,989 |
| Write off of operating assets - note 4.6 | **74,375** | 178,979 |
| Loss on disposal of operating assets | **-** | 12,762 |
| Auditors' remuneration - note 25.1 | **5,710** | 5,370 |
| Donations - note 25.2 | **2,804** | 9,369 |
| | **998,218** | 216,430 |

### 25.1 Auditors' remuneration

| | 2015 | 2014 |
|---|---|---|
| Fee for audit and reviews | **3,800** | 3,550 |
| Audit of retirement benefit funds | **810** | 745 |
| Special certifications and sundry advisory services | **465** | 491 |
| Out of pocket expenses | **635** | 584 |
| | **5,710** | 5,370 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended December 31, 2015

**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 | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees '000) | |
| The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi) | Omar Sheikh - Member Board of Governors (2014: Omar Sheikh - Member Board of Governors Nasser N.S. Jaffer, Member Board of Governors) | **500** | 300 |
| Shell LiveWIRE Trust (Shell House, 6 Ch. Khaliquzzaman Road, Karachi) | Omar Sheikh - Chairman, Board of Trustees | **2,000** | - |
| The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi) | Omar Sheikh - Trustee Farrokh K Captain - Trustee | **245** | - |

**26. OTHER INCOME**

| | 2015 | 2014 |
|---|---|---|
| **Income from financial assets** | | |
| Reversal of provision for impairment of trade debts - note 11.3 | **5,031** | 5,779 |
| Mark-up / interest on short-term deposits | **77,482** | 115,635 |
| **Income from non-financial assets** | | |
| Gain on disposal of operating assets | **26,081** | - |
| Reversal of impairment on operating assets - note 4.1 | **84,076** | - |
| Reversal of asset retirement obligation - note 16 | **8,616** | 264,271 |
| Liabilites no longer payable written back | **37,866** | 297,378 |
| Shell card income | **64,645** | 67,732 |
| Exchange gain | **-** | 470,290 |
| Sundries | **120,552** | 57,679 |
| | **424,349** | 1,278,764 |

**27. FINANCE COSTS**

| | 2015 | 2014 |
|---|---|---|
| Bank charges | **212,001** | 237,091 |
| Accretion expense - note 16 | **6,027** | 15,475 |
| Mark-up / interest on short-term borrowings | **81,118** | 194,543 |
| | **299,146** | 447,109 |

**28. TAXATION**

| | 2015 | 2014 |
|---|---|---|
| Current | | |
| - for the year | | |
| - final tax | **109,389** | 121,049 |
| - minimum turnover tax - note 28.1 | **750,989** | 1,070,715 |
| - for prior years | **-** | 14,989 |
| | **860,378** | 1,206,753 |
| Deferred | **573,477** | 406,764 |
| | **1,433,855** | 1,613,517 |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

**28.1** This represents minimum tax @ 0.5% of taxable turnover. Minimum tax is adjustable against the tax liability of succeeding five years. The Company however, on prudence, has not recognised the related deferred tax asset in view of unutilised tax losses and uncertainty around recoupability. As at December 31, 2015, minimum tax which is available for adjustment against the future tax liability and not recognised as tax asset aggregates to Rs. 4,814,898 thousand (2014: Rs. 4,816,248 thousand).

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **28.2 Relationship between tax expense and accounting profit** | | |
| Accounting profit before taxation | **2,344,825** | 546,384 |
| Tax at the applicable tax rate of 32% (2014: 33%) | **750,344** | 180,307 |
| Tax effect of income under final tax regime | **(20,894)** | 78,382 |
| Tax impact on account of lower tax rate on share of profit of associate | **(133,921)** | (145,140) |
| Prior years charge | **-** | 14,989 |
| Minimum turnover tax | **750,989** | 1,070,715 |
| Reversal of deferred tax asset - net | **-** | 384,647 |
| Impact of change in tax rate | **29,479** | 22,117 |
| Others | **57,858** | 7,500 |
| Tax expense for the year | **1,433,855** | 1,613,517 |

**29. EARNINGS / (LOSS) PER SHARE**

**29.1 Basic / Diluted**

| | 2015 | 2014 |
|---|---|---|
| Profit / (loss) after taxation attributable to ordinary shareholders | **910,970** | (1,067,133) |
| | (No. of Shares) | |
| Weighted average number of ordinary shares in issue during the year | **107,012,331** | 107,012,331 |
| | (Rupees) | |
| Earnings / (loss) per share | **8.51** | (9.97) |

**30. EMPLOYEE BENEFITS**

**30.1 Pension and Gratuity**

As mentioned in note 2.14, the Company operates funded gratuity and pension schemes for all its employees. Contributions are made to these schemes on the basis of actuarial recommendations. The latest actuarial valuation was carried out as at December 31, 2015.

**30.1.1 Actuarial assumptions**

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

| | 2015 | 2014 |
|---|---|---|
| | (% per annum ) | |
| - Expected rate of increase in future salaries | **8.25** | 10.00 |
| - Discount rate | **9.25** | 11.00 |
| - Expected rate of increase in pensions | **3.45** | 5.10 |
| - Expected rate of return on plan assets | **9.25** | 11.00 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**30.1.2 Balance sheet reconciliation**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Fair value of plan assets - note 30.1.3 | 2,104,835 | (286,784) | 17,993 | 129,534 | 1,965,578 | 1,931,402 | (264,588) | 15,982 | 125,658 | 1,808,454 |
| Present value of defined benefit obligation - note 30.1.4 | (1,394,479) | (99,055) | - | (135,840) | (1,629,374) | (1,334,115) | (95,588) | - | (103,788) | (1,533,491) |
| Asset / (liability) in respect of staff retirement benefit schemes | 710,356 | (385,839) | 17,993 | (6,306) | 336,204 | 597,287 | (360,176) | 15,982 | 21,870 | 274,963 |

**30.1.3 Movement in the fair value of plan assets**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Fair value of plan assets at beginning of the year | 1,931,402 | (264,588) | 15,982 | 125,658 | 1,808,454 | 1,657,252 | (244,796) | 13,306 | 105,778 | 1,531,540 |
| Expected return on plan assets | 207,657 | (30,731) | 1,758 | 13,288 | 191,972 | 207,489 | (31,655) | 1,730 | 13,491 | 191,055 |
| Contribution by the Company | 30,213 | 7,556 | - | - | 37,769 | 27,692 | 6,918 | - | - | 34,610 |
| Contribution by the employees | 3,571 | - | - | - | 3,571 | 3,273 | - | - | - | 3,273 |
| Benefits paid during the year | (121,000) | (37,116) | - | (9,719) | (167,835) | (99,485) | (4,324) | - | (4,009) | (107,818) |
| Interfund transfer | - | - | - | - | - | (53,847) | - | - | - | (53,847) |
| Remeasurement of plan assets | 52,992 | 38,095 | 253 | 307 | 91,647 | 189,028 | 9,269 | 946 | 10,398 | 209,641 |
| Fair value of plan assets at end of the year | 2,104,835 | (286,784) | 17,993 | 129,534 | 1,965,578 | 1,931,402 | (264,588) | 15,982 | 125,658 | 1,808,454 |

**30.1.4 Movement in the present value of defined benefit obligations**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Present value of obligation at beginning of the year | 1,334,115 | 95,588 | - | 103,788 | 1,533,491 | 1,169,806 | 73,013 | - | 72,892 | 1,315,711 |
| Current service cost | 26,104 | 5,679 | - | 3,092 | 34,875 | 22,060 | 5,119 | - | 2,524 | 29,703 |
| Past service cost | - | - | - | 10,157 | 10,157 | - | - | - | - | - |
| Interest cost | 140,098 | 8,473 | - | 10,882 | 159,453 | 145,608 | 9,211 | - | 9,215 | 164,034 |
| Benefits paid during the year | (121,000) | (37,116) | - | (9,719) | (167,835) | (99,485) | (4,324) | - | (4,009) | (107,818) |
| Remeasurement on obligation | 15,162 | 26,431 | - | 17,640 | 59,233 | 96,126 | 12,569 | - | 23,166 | 131,861 |
| Present value of obligation at end of the year | 1,394,479 | 99,055 | - | 135,840 | 1,629,374 | 1,334,115 | 95,588 | - | 103,788 | 1,533,491 |

**30.1.5 Amount recognised in profit and loss**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Current service cost | 26,104 | 5,679 | - | 3,092 | 34,875 | 22,060 | 5,119 | - | 2,524 | 29,703 |
| Past service cost | - | - | - | 10,157 | 10,157 | - | - | - | - | - |
| Interest cost | 140,098 | 8,473 | - | 10,882 | 159,453 | 145,608 | 9,211 | - | 9,215 | 164,034 |
| Expected return on plan assets | (207,657) | 30,731 | (1,758) | (13,288) | (191,972) | (207,489) | 31,655 | (1,730) | (13,491) | (191,055) |
| Employee contributions | (3,571) | - | - | - | (3,571) | (3,273) | - | - | - | (3,273) |
| (Reversal) / expense for the year | (45,026) | 44,883 | (1,758) | 10,843 | 8,942 | (43,094) | 45,985 | (1,730) | (1,752) | (591) |

**30.1.6 Remeasurement recognized in other comprehensive income**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Loss from changes in financial assumptions | - | - | - | - | - | 72,267 | 13,677 | - | 8,234 | 94,178 |
| Experience loss / (gain) | 15,162 | 26,431 | - | 17,640 | 59,233 | 23,859 | (1,108) | - | 14,932 | 37,683 |
| Remeasurement of defined benefit obligation | 15,162 | 26,431 | - | 17,640 | 59,233 | 96,126 | 12,569 | - | 23,166 | 131,861 |
| Gain due to remeasurement of investment return | (52,992) | (38,095) | (253) | (307) | (91,647) | (189,028) | (9,269) | (946) | (10,398) | (209,641) |
| | (37,830) | (11,664) | (253) | 17,333 | (32,414) | (92,902) | 3,300 | (946) | 12,768 | (77,780) |



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

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

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| Balance at beginning of year | 597,287 | (360,176) | 15,982 | 21,870 | 274,963 | 487,446 | (317,809) | 13,306 | 32,886 | 215,829 |
| Net reversal / (charge) for the year | 82,856 | (33,219) | 2,011 | (28,176) | 23,472 | 135,996 | (49,285) | 2,676 | (11,016) | 78,371 |
| Contributions by the Company | 30,213 | 7,556 | - | - | 37,769 | 27,692 | 6,918 | - | - | 34,610 |
| Inter-fund transfers | - | - | - | - | - | (53,847) | - | - | - | (53,847) |
| Asset / (liability) in respect of staff retirement benefit schemes | 710,356 | (385,839) | 17,993 | (6,306) | 336,204 | 597,287 | (360,176) | 15,982 | 21,870 | 274,963 |
| Current account balance with funds | (20,760) | 2,892 | (9) | - | (17,877) | 260,419 | 318,918 | (9) | 12,004 | 591,332 |
| | 689,596 | (382,947) | 17,984 | (6,306) | 318,327 | 857,706 | (41,258) | 15,973 | 33,874 | 866,295 |

**30.1.8 Plan assets comprised the following:**

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Management | | Non-Management | | Total | Management | | Non-Management | | Total |
| | Pension | Gratuity | Pension | Gratuity | | Pension | Gratuity | Pension | Gratuity | |
| | | | (Rupees '000) | | | | | (Rupees '000) | | |
| PIB's, TFC's etc. | 1,780,641 | 51,323 | 17,517 | 128,288 | 1,977,769 | 2,172,651 | 56,992 | 15,622 | 128,114 | 2,373,379 |
| Bank deposits | 17,689 | 1,478 | 491 | 2,544 | 22,202 | 35,863 | 10,807 | 351 | 9,548 | 56,569 |
| Inter-fund dues | 323,847 | (323,847) | - | - | - | 5,852 | (5,852) | - | - | - |
| Benefits due | (15,557) | (7,531) | (24) | (1,298) | (24,410) | - | (2,302) | - | - | (2,302) |
| Due to DC Pension Fund | (22,545) | (5,315) | - | - | (27,860) | (22,545) | (5,315) | - | - | (27,860) |
| Due to Shell Pakistan Limited | 20,760 | (2,892) | 9 | - | 17,877 | (260,419) | (318,918) | 9 | (12,004) | (591,332) |
| | 2,104,835 | (286,784) | 17,993 | 129,534 | 1,965,578 | 1,931,402 | (264,588) | 15,982 | 125,658 | 1,808,454 |

**30.1.9** Expected contribution to the above schemes for the year ending December 31, 2015 is Rs. 14,184 thousand.

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

| | Increase of 1% | Decrease of 1% |
|---|---|---|
| | (Rupees '000) | |
| - Effect of change in discount rate | (145,711) | 172,842 |
| - Effect of change in salaries | 58,419 | (52,822) |
| - Effect of change in pension | 104,689 | (92,050) |

**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 / (payable to) staff retirement benefit schemes is:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Total balance receivable in respect of defined benefit schemes | 318,327 | 866,295 |
| Total balance (payable) / receivable in respect of defined contribution schemes | (67,513) | 360,153 |
| | 250,814 | 1,226,448 |

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

**30.2.1 Actuarial assumptions**

| | 2015 | 2014 |
|---|---|---|
| The following significant assumptions were used in the valuation of this scheme: | (% per annum) | |
| - Discount rate | 9.25 | 11.00 |
| - Medical cost trend rate | 3.45 | 5.10 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **30.2.2 Amount recognised in the balance sheet** | | |
| Present value of defined benefit obligation - note 30.2.3 | **84,197** | 80,479 |
| Fair value of plan assets | **-** | - |
| Liability recognised at end of the year | **84,197** | 80,479 |
| **30.2.3 Movement in the present value of defined benefit obligation** | | |
| Present value of obligation at beginning of the year | **80,479** | 79,840 |
| Current service cost | **1,211** | 1,541 |
| Interest cost | **8,442** | 9,762 |
| Benefits paid during the year | **(7,463)** | (6,333) |
| Remeasurement on obligation | **1,528** | (4,331) |
| Present value of obligation at end of the year | **84,197** | 80,479 |
| **30.2.4 Movement in the liability recognised in the balance sheet** | | |
| Balance at beginning of the year | **80,479** | 79,840 |
| Charge for the year - notes 30.2.5 and 30.2.6 | **11,181** | 6,972 |
| Payments during the year | **(7,463)** | (6,333) |
| Balance at end of the year | **84,197** | 80,479 |
| **30.2.5 Amount recognised in profit and loss** | | |
| Current service cost | **1,211** | 1,541 |
| Interest cost | **8,442** | 9,762 |
| | **9,653** | 11,303 |
| **30.2.6 Remeasurement recognised in other comprehensive income** | | |
| Experience loss / (gain) | **1,528** | (4,331) |

**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 | **9,702** | **(8,125)** |

**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.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | | | (Rupees '000) | | |
| Present value of defined benefit obligation | **1,713,571** | 1,613,970 | 1,395,551 | 2,687,875 | 2,070,360 |
| Fair value of plan assets | **(1,965,578)** | (1,808,453) | (1,531,540) | (2,206,250) | (2,045,563) |
| Surplus / (Deficit) | **252,007** | 194,483 | 135,989 | (481,625) | (24,797) |




# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015


**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, 2014 and unaudited financial statements as at December 31, 2015 are as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Shell Pakistan Management Staff Provident Fund | **916,059** | 1,014,588 |
| Shell Pakistan Staff Provident Fund | **6,291** | 5,584 |
| Shell Pakistan Labour Provident Fund | **200,360** | 193,018 |
| Shell Pakistan Management Staff Gratuity Fund | **49,957** | 55,071 |
| Shell Pakistan Labour and Clerical Staff Gratuity Fund | **124,414** | 124,647 |
| Shell Pakistan Management Staff Pension Fund | **1,734,631** | 2,114,105 |
| Shell Pakistan Staff Pension Fund | **17,045** | 15,168 |
| Shell Pakistan DC Pension Fund | **1,260,823** | 1,242,029 |
| | **4,309,580** | 4,764,210 |

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| - in respect of: | | |
| - pension and gratuity scheme | **8,942** | (591) |
| - defined contribution funds | **104,495** | 97,319 |
| - post retirement medical benefit scheme | **9,653** | 11,303 |
| | **123,090** | 108,031 |

**31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| | | | (Rupees '000) | | | |
| **Short-term benefits** | | | | | | |
| Director's fee | **-** | **2,800** | **-** | - | 4,400 | - |
| Managerial remuneration (including bonus) - note 31.2 | **34,031** | **45,301** | **1,236,470** | 25,340 | 39,655 | 966,585 |
| Housing: | | | | | | |
| - Rent | **5,763** | **-** | **-** | 5,457 | - | - |
| - Utilities | **270** | **495** | **16,174** | 379 | 696 | 23,333 |
| Medical expenses | **80** | **2,333** | **27,101** | 126 | 1,530 | 30,602 |
| | **40,144** | **50,929** | **1,279,745** | 31,302 | 46,281 | 1,020,520 |
| **Post-employment benefits** | | | | | | |
| Company's contribution to pension, gratuity and provident fund | **2,580** | **3,203** | **124,129** | 2,285 | 2,861 | 106,138 |
| | **42,724** | **54,132** | **1,403,874** | 33,587 | 49,142 | 1,126,658 |
| Number of persons including those who worked part of the year | **1** | **12** | **376** | 1 | 11 | 364 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**31.1** As at December 31, 2015 and 2014, the total number of Directors was 10, excluding Chief Executive Officer.

**31.2** This includes Rs. 68,230 thousand (2014: Rs. 73,626 thousand) in respect of Performance Share Plan.

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

**32. RELATED PARTY TRANSACTIONS**

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

| Nature of relationship | Nature of transactions | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees '000) | |
| **Holding Company** | Dividend paid | **651,550** | 260,620 |
| **Associate** | Pipeline charges | **724,893** | 579,401 |
| | Others | **18,240** | 9,790 |
| | Dividend received | **423,569** | 335,722 |
| **Staff retirement benefit / contribution funds** | | | |
| Pension Funds | Contribution | **30,213** | 27,692 |
| Defined Contribution Pension Fund | Contribution | **101,564** | 93,066 |
| Gratuity Funds | Contribution | **7,556** | 6,918 |
| Provident Funds | Contribution | **56,234** | 52,487 |
| **Key management personnel** | Salaries and other short term employee benefits | **88,273** | 73,183 |
| | Post-employment benefits | **5,783** | 5,146 |
| **Directors** | Fee for attending meetings | **2,800** | 4,400 |
| | Dividend paid | **6,727** | 2,691 |
| **Other related parties** | Purchases | **120,285,017** | 93,615,341 |
| | Sales | **5,709,109** | 9,750,942 |
| | Collection for sales made in Pakistan from customers of the parent company and its associates | **3,911,903** | 5,747,500 |
| | Technical service fee charged - note 32.1 | **1,064,898** | 1,479,917 |
| | Trade marks and manifestations license fee charged - note 32.2 | **320,869** | 274,281 |
| | Computer expenses charged (Global Infrastructure Desktop charges) - note 32.2 | **142,425** | 146,718 |
| | Expenses recovered from related parties | **196,414** | 113,923 |
| | Other expenses charged by related parties - note 32.3 | **511,397** | 571,799 |
| | Donations | **2,745** | 300 |
| | Legal charges | **214** | - |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**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. 149,668 thousand (2014: Rs. 360,156 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 notes 11.2, 13.7 and 17.1 to these financial statements.

**33. CASH GENERATED FROM OPERATIONS**

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **Profit before taxation** | **2,344,825** | 546,384 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation and amortisation charge | **845,692** | 1,032,650 |
| Accretion expense in respect of asset retirement obligation - note 27 | **6,027** | 15,475 |
| Reversal of liability in respect of asset retirement obligation - note 26 | **(8,616)** | (264,271) |
| Provision for impairment of stock-in-trade - note 10.5 | **88,999** | 72,231 |
| Reversal of provision for impairment of stock-in-trade - note 10.5 | **(52,731)** | (68,871) |
| Provision for impairment of trade debts - note 25 | **126,202** | 3,989 |
| Reversal of provision for impairment of trade debts - note 26 | **(5,031)** | (5,779) |
| Write off of operating assets - note 25 | **74,375** | 178,979 |
| Reversal of provision for impairment of operating assets - note 26 | **(84,076)** | - |
| Write off of stores | **-** | 14,845 |
| (Gain) / Loss on disposal of operating assets - notes 25 and 26 | **(26,081)** | 12,762 |
| Share of profit of associate - note 6.1 | **(583,961)** | (541,552) |
| Mark-up / interest on short-term deposits - note 26 | **(77,482)** | (115,635) |
| Mark-up / interest on short-term borrowings - note 27 | **81,118** | 194,543 |
| Working capital changes - note 33.1 | **2,688,696** | 4,673,969 |
| | **5,417,956** | 5,749,719 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| **33.1 Working capital changes** | | |
| **Decrease / (increase) in current assets** | | |
| Stock-in-trade | **(231,172)** | 4,728,767 |
| Trade debts | **269,578** | 269,579 |
| Loans and advances | **2,511** | 61,185 |
| Short term prepayments | **(331,433)** | (61,790) |
| Other receivables | **2,462,273** | (2,356,112) |
| | **2,171,757** | 2,641,629 |
| **Increase in current liability** | | |
| Trade and other payables | **516,939** | 2,032,340 |
| | **2,688,696** | 4,673,969 |

### 34. CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|---|---|---|
| Cash and bank balances - note 14 | **2,103,517** | 1,295,633 |
| Short-term borrowings - note 19 | **(2,025,448)** | (3,765,762) |
| | **78,069** | (2,470,129) |

### 35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest audited financial statements of the fund as at December 31, 2014 and unaudited financial statements as at December 31, 2015:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Size of the fund - Total assets | **1,243,876** | 1,296,682 |
| Fair value of investments | **1,149,881** | 1,249,846 |
| Percentage of investment made | **92%** | 96% |

**35.1** The cost of the above investment amounted to Rs. 1,104,614 thousand (2014: Rs. 1,120,689 thousand).

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Investments (Rupees '000) | Percentage of investment made | Investments (Rupees '000) | Percentage of investment made |
| Treasury Bills | **54,986** | 5 | 53,494 | 4 |
| Pakistan Investment Bonds | **541,022** | 47 | 695,418 | 56 |
| Regular Income Certificates | **417,700** | 36 | 362,400 | 29 |
| Equity investments | **109,674** | 10 | 102,645 | 8 |
| Savings bank accounts | **26,499** | 2 | 35,889 | 3 |
| | **1,149,881** | | 1,249,846 | |

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

**35.4** An amount of Rs. 56,234 thousand (2014: Rs. 52,487 thousand) has been contributed during the year to the provident fund.



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 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 summarised as follows:

| 2015 | Interest / Mark-up bearing | | | Non-Interest / Mark-up bearing | | | |
|---|---|---|---|---|---|---|---|
| | Maturity up to one year | Maturity after one year | Subtotal | Maturity up to one year | Maturity after one year | Subtotal | Total |
| | (Rupees '000) | | | | | | |
| **Financial assets** | | | | | | | |
| **Available-for-sale** | | | | | | | |
| Investments | - | - | - | - | 5,000 | 5,000 | 5,000 |
| **Loans and receivables** | | | | | | | |
| Loans | 14,379 | 4,101 | 18,480 | 11,885 | 1,611 | 13,496 | 31,976 |
| Deposits | - | - | - | - | 131,212 | 131,212 | 131,212 |
| Trade debts | - | - | - | 1,600,632 | - | 1,600,632 | 1,600,632 |
| Other receivables | - | - | - | 4,962,574 | - | 4,962,574 | 4,962,574 |
| Cash and bank balances | 335,866 | - | 335,866 | 1,767,651 | - | 1,767,651 | 2,103,517 |
| | 350,245 | 4,101 | 354,346 | 8,342,742 | 137,823 | 8,480,565 | 8,834,911 |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | | |
| Trade and other payables | - | - | - | 26,770,406 | - | 26,770,406 | 26,770,406 |
| Accrued mark-up | - | - | - | 10,476 | - | 10,476 | 10,476 |
| Short-term borrowings | 2,025,448 | - | 2,025,448 | - | - | - | 2,025,448 |
| | 2,025,448 | - | 2,025,448 | 26,780,882 | - | 26,780,882 | 28,806,330 |

| 2014 | Interest / Mark-up bearing | | | Non-Interest / Mark-up bearing | | | |
|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | Total |
| | (Rupees '000) | | | | | | |
| **Financial assets** | | | | | | | |
| **Available-for-sale** | | | | | | | |
| Investments | - | - | - | - | 5,000 | 5,000 | 5,000 |
| **Loans and receivables** | | | | | | | |
| Loans | 31,764 | 19,562 | 51,326 | 830 | 1,078 | 1,908 | 53,234 |
| Deposits | - | - | - | - | 130,783 | 130,783 | 130,783 |
| Trade debts | - | - | - | 1,991,381 | - | 1,991,381 | 1,991,381 |
| Other receivables | - | - | - | 5,402,776 | - | 5,402,776 | 5,402,776 |
| Cash and bank balances | 19,988 | - | 19,988 | 1,275,645 | - | 1,275,645 | 1,295,633 |
| | 51,752 | 19,562 | 71,314 | 8,670,632 | 136,861 | 8,807,493 | 8,878,807 |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | | |
| Trade and other payables | - | - | - | 25,878,019 | - | 25,878,019 | 25,878,019 |
| Accrued mark-up | - | - | - | 10,064 | - | 10,064 | 10,064 |
| Short-term borrowings | 3,765,762 | - | 3,765,762 | - | - | - | 3,765,762 |
| | 3,765,762 | - | 3,765,762 | 25,888,083 | - | 25,888,083 | 29,653,845 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**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 minimise risk and provide maximum return to shareholders.

**36.2.1 Credit risk**

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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. The maximum credit risk is equal to the carrying amount of financial assets. Out of the financial assets aggregating Rs. 8,834,911 thousand (2014: Rs. 8,878,807 thousand) the financial assets subject to credit risk amount to Rs. 8,814,353 thousand (2014: Rs. 8,858,803 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 utilisation 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 utilisation of credit limits is regularly monitored.

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Loans | **31,976** | 53,234 |
| Deposits | **131,212** | 130,783 |
| Trade debts | **1,557,495** | 1,702,917 |
| Other receivables | **2,252,150** | 2,692,352 |
| Bank balances | **2,087,959** | 1,280,629 |
| | **6,060,792** | 5,859,915 |

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 | Rating Long-term |
|---|---|---|---|
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA |
| United Bank Limited | JCR-VIS | A-1+ | AA+ |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| Askari Bank Limited | JCR-VIS | A-1+ | AA |
| Faysal Bank Limited | PACRA | A1+ | AA |
| Bank Alfalah Limited | PACRA | A1+ | AA |
| MCB Bank Limited | PACRA | A1+ | AAA |
| Allied Bank Limited | PACRA | A1+ | AA+ |
| Citibank N.A. | Moody's | P-1 | A2 |
| Deutsche Bank AG | Moody's | P-2 | A3 |
| Bank of Tokyo Mitsubishi UFJ, Pakistan Limited | Standard & Poor's | A-1 | A+ |
| Industrial and Commercial Bank of China | Moody's | P-1 | A1 |



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**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, 2015, 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 | 2015 % | 2015 Rs. '000 | 2014 % | 2014 Rs. '000 |
|---|---|---|---|---|---|
| USD | lower / higher | **5%** | **464,158** | 5% | 418,676 |
| GBP | lower / higher | **5%** | **64,269** | 5% | 57,042 |
| EUR | lower / higher | **5%** | **11,129** | 5% | 14,308 |

**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, 2015, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 13,773 thousand (2014: Rs. 25,231 thousand) mainly as a result of higher / lower interest exposure on variable rate borrowings.

**iii) Price risk**

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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**36.2.3 Liquidity risk**

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

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

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 36.1 to these financial statements.

**36.3 Capital risk management**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees '000) | |
| Total borrowings - note 19 | **2,025,448** | 3,765,762 |
| Cash and bank balances - note 14 | **(2,103,517)** | (1,295,633) |
| Net (funds) / debt | **(78,069)** | 2,470,129 |
| Total equity | **5,980,822** | 5,895,065 |
| Total capital | **5,902,753** | 8,365,194 |
| Gearing ratio | **0%** | 29.53% |

**36.4 Fair value of estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (level 3).

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

**37. NUMBER OF EMPLOYEES**

| | Number of employees as at | | Average number of employees | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Management employees | **378** | 361 | **370** | 357 |
| Non - management employees | **47** | 52 | **50** | 52 |
| | **425** | 413 | **420** | 409 |



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**38. CORRESPONDING FIGURES**

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

| Description | Head of account in financial statements for the year ended December 31, 2014 | Head of account in financial statements for the year ended December 31, 2015 | Rupees '000 |
|---|---|---|---|
| **Balance Sheet** | | | |
| Receivable from Oil Marketing Companies | Trade debts | Other receivables | 634,640 |
| **Statement of Comprehensive Income** | | | |
| Depreciation | Administrative Expenses | Distribution and marketing expenses | 549,270 |

The effects of other rearrangements and reclassifications are not material.

**39. POST BALANCE SHEET EVENT**

The Board of Directors in its meeting held on March 10, 2016 has proposed a cash dividend of Rs. 10 per share for the year ended December 31, 2015 for approval of the members at the Annual General Meeting to be held on April 21, 2016.

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, 2016.

**40. DATE OF AUTHORISATION**

These financial statements were authorised for issue on March 10, 2016 by the Board of Directors of the Company.

**Omar Sheikh**
Chairman and Chief Executive

**Badaruddin F. Vellani**
Director

# ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

**For the year ended December 31, 2015**

**Board of Directors**

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

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

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

**Board Audit Committee**

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

| Name of Director | Total No. of Meetings* | No of Meetings attended |
|---|---|---|
| Imran R. Ibrahim | 4 | 4 |
| Soo Lim Goh | 3 | 3 |
| Rahat Hussain | 1 | 0 |
| Badaruddin F. Vellani | 4 | 4 |

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



# ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

**For the year ended December 31, 2015**

**Human Resource and Remuneration Committee**

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

| Name of Director | Total No. of Meetings | No of Meetings attended |
|---|---|---|
| Farrokh K. Captain | 1 | 1 |
| Rahat Hussain | 1 | 0 |
| Omar Sheikh | 1 | 1 |

# PATTERN OF SHAREHOLDING

as at December 31, 2015

| Number of Shareholders | Shareholding From | | Shareholding To | Total Number of Shares Held |
|---|---|---|---|---|
| 1,753 | 1 | - | 100 | 66,999 |
| 1,811 | 101 | - | 500 | 515,042 |
| 1,350 | 501 | - | 1,000 | 977,576 |
| 1,520 | 1,001 | - | 5,000 | 3,357,543 |
| 290 | 5,001 | - | 10,000 | 2,077,701 |
| 93 | 10,001 | - | 15,000 | 1,127,283 |
| 65 | 15,001 | - | 20,000 | 1,142,949 |
| 29 | 20,001 | - | 25,000 | 668,147 |
| 13 | 25,001 | - | 30,000 | 357,741 |
| 9 | 30,001 | - | 35,000 | 292,336 |
| 9 | 35,001 | - | 40,000 | 337,472 |
| 10 | 40,001 | - | 45,000 | 420,834 |
| 7 | 45,001 | - | 50,000 | 334,928 |
| 6 | 50,001 | - | 55,000 | 313,222 |
| 6 | 55,001 | - | 60,000 | 342,024 |
| 3 | 60,001 | - | 65,000 | 185,462 |
| 1 | 65,001 | - | 70,000 | 66,600 |
| 3 | 70,001 | - | 75,000 | 216,809 |
| 2 | 75,001 | - | 80,000 | 155,101 |
| 3 | 80,001 | - | 85,000 | 245,852 |
| 2 | 85,001 | - | 90,000 | 175,510 |
| 2 | 90,001 | - | 95,000 | 185,142 |
| 1 | 95,001 | - | 100,000 | 100,000 |
| 3 | 105,001 | - | 110,000 | 321,300 |
| 2 | 115,001 | - | 120,000 | 231,500 |
| 2 | 125,001 | - | 130,000 | 252,148 |
| 1 | 130,001 | - | 135,000 | 135,000 |
| 1 | 135,001 | - | 140,000 | 136,250 |
| 1 | 145,001 | - | 150,000 | 147,000 |
| 2 | 165,001 | - | 170,000 | 333,615 |
| 1 | 175,001 | - | 180,000 | 176,400 |
| 2 | 185,001 | - | 190,000 | 376,401 |
| 1 | 190,001 | - | 195,000 | 194,000 |
| 1 | 200,001 | - | 205,000 | 201,100 |
| 1 | 215,001 | - | 220,000 | 218,750 |
| 1 | 245,001 | - | 250,000 | 245,400 |
| 1 | 315,001 | - | 320,000 | 317,500 |
| 1 | 335,001 | - | 340,000 | 335,140 |
| 1 | 370,001 | - | 375,000 | 375,000 |
| 1 | 375,001 | - | 380,000 | 377,400 |
| 1 | 420,001 | - | 425,000 | 424,750 |
| 1 | 535,001 | - | 540,000 | 536,883 |
| 1 | 540,001 | - | 545,000 | 540,647 |
| 1 | 545,001 | - | 550,000 | 548,543 |
| 1 | 730,001 | - | 735,000 | 733,866 |
| 1 | 1,055,001 | - | 1,060,000 | 1,055,516 |
| 1 | 3,690,001 | - | 3,695,000 | 3,692,247 |
| 1 | 81,440,001 | - | 81,445,000 | 81,443,702 |
| 7,019 | | | | 107,012,331 |



# PATTERN OF SHAREHOLDING

as at December 31, 2015

| Shareholders' Category | Number of Shareholders | Number of Shares Held | Percentage |
|---|---|---|---|
| **Associated companies, undertakings and related parties** | | | |
| 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 Picic Energy Fund | 1 | 424,750 | 0.40 |
| CDC - Trustee Akd Index Tracker Fund | 1 | 4,451 | 0.00 |
| CDC - Trustee First Capital Mutual Fund | 1 | 7,500 | 0.01 |
| CDC - Trustee Kse Meezan Index Fund | 1 | 23,122 | 0.02 |
| CDC - Trustee Meezan Islamic Fund | 1 | 52,500 | 0.05 |
| CDC - Trustee Nafa Islamic Asset Allocation Fund | 1 | 106,100 | 0.10 |
| CDC - Trustee Nafa Islamic Principal Protected Fund - I | 1 | 55,600 | 0.05 |
| CDC - Trustee Nafa Islamic Principal Protected Fund - II | 1 | 93,600 | 0.09 |
| CDC - Trustee Nafa Islamic Stock Fund | 1 | 167,600 | 0.16 |
| CDC - Trustee Nafa Stock Fund | 1 | 245,400 | 0.23 |
| CDC - Trustee National Investment (unit) Trust | 1 | 25 | 0.00 |
| CDC - Trustee Nafa Asset Allocation Fund | 1 | 700 | 0.00 |
| Tri Star Mutual Fund Ltd. | 1 | 158 | 0.00 |
| **Directors** | | | |
| Farrokh K. Captain | 1 | 734,086 | 0.69 |
| Imran R. Ibrahim | 1 | 70,443 | 0.07 |
| Nasser N. S. Jaffer | 1 | 125 | 0.00 |
| Zaffar A. Khan | 1 | 8,056 | 0.01 |
| Badaruddin F. Vellani | 1 | 195 | 0.00 |
| **Director's spouse** | | | |
| Mrs. Samina Ibrahim w/o Imran R. Ibrahim | 1 | 27,912 | 0.03 |
| **Executives** | - | - | - |
| **Public sector companies and corporations** | 2 | 4,240,790 | 3.94 |
| **Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds** | 28 | 1,379,547 | 1.29 |
| **General Public** | | | |
| a. Local | 6,863 | 14,821,190 | 13.84 |
| b. Foreign | 3 | 16,966 | 0.02 |
| **Others** | 102 | 3,087,711 | 2.89 |
| | **7,019** | **107,012,331** | **100.00** |

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

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# FORM OF PROXY

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

I/We_______________________________________________

of ____________________in the district of____________________

being a member of Shell Pakistan Limited and holder of ____________________

________________________________Ordinary Shares as per Share Register Folio

(No. of Shares)

No. ______________and/or CDC Participant I. D. No. ____________________

and Sub Account No. __________ hereby appoint ____________________

of ________________ in the district of ____________________

or failing him/her ________________________of ______________

as my/our proxy to vote for me/us and on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held on April 21, 2016 at 10:00 a.m. at the Movenpick Hotel, Karachi and at any adjournment thereof.

Signed this __________ day of ________ 2016.

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

**WITNESSES:**

1. **Signature**
   Name __________
   Address __________

   CNIC or
   Passport No. __________

2. **Signature**
   Name __________
   Address __________

   CNIC or
   Passport No. __________

**Notes:**

1. A member entitled to attend and vote at the meeting may appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxies in order to be effective must be received at the registered office of the Company not later than 48 hours before the meeting.
3. A Proxy need not be a member of the Company.
4. Shareholders and their proxies must attach an attested photocopy of their CNIC or Passport with this Proxy Form. A Proxy shall be required to produce his/her original CNIC or Passport at the venue of the meeting for authentication of his/her identity.