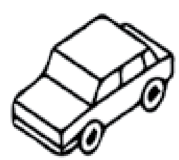
POWERING THE FUTURE

SHELL PAKISTAN LIMITED | ANNUAL REPORT 2019

OUR NATURE, OUR BRAND



Every day, some 30 million customers buy our fuel and lubricants from service stations bearing our Shell logo: the red and yellow promise of one of the world's strongest brands. And our brand is critically important to Shell's success. Any company relies on its brand to connect it to customers, but it is even more important to Shell. We sell a far greater volume of products than we produce resources from the ground, and it is the strength of our brand that allows us to do so.

CONTENTS

GOVERNANCE & COMPLIANCE

Company Information 06
Vision 07
Statement of General Business Principles 08
Chairperson's Review 12
Board of Directors 20
Report of the Directors 24
Notice of Anuual General Meeting 28
Statement of Compliance 30
Independent Auditors' Review Report 33

OUR PERFORMANCE

Retail 36
Lubricants 38
Aviation 40
HSSE Performance 42
Our People 44
Social Performance 46

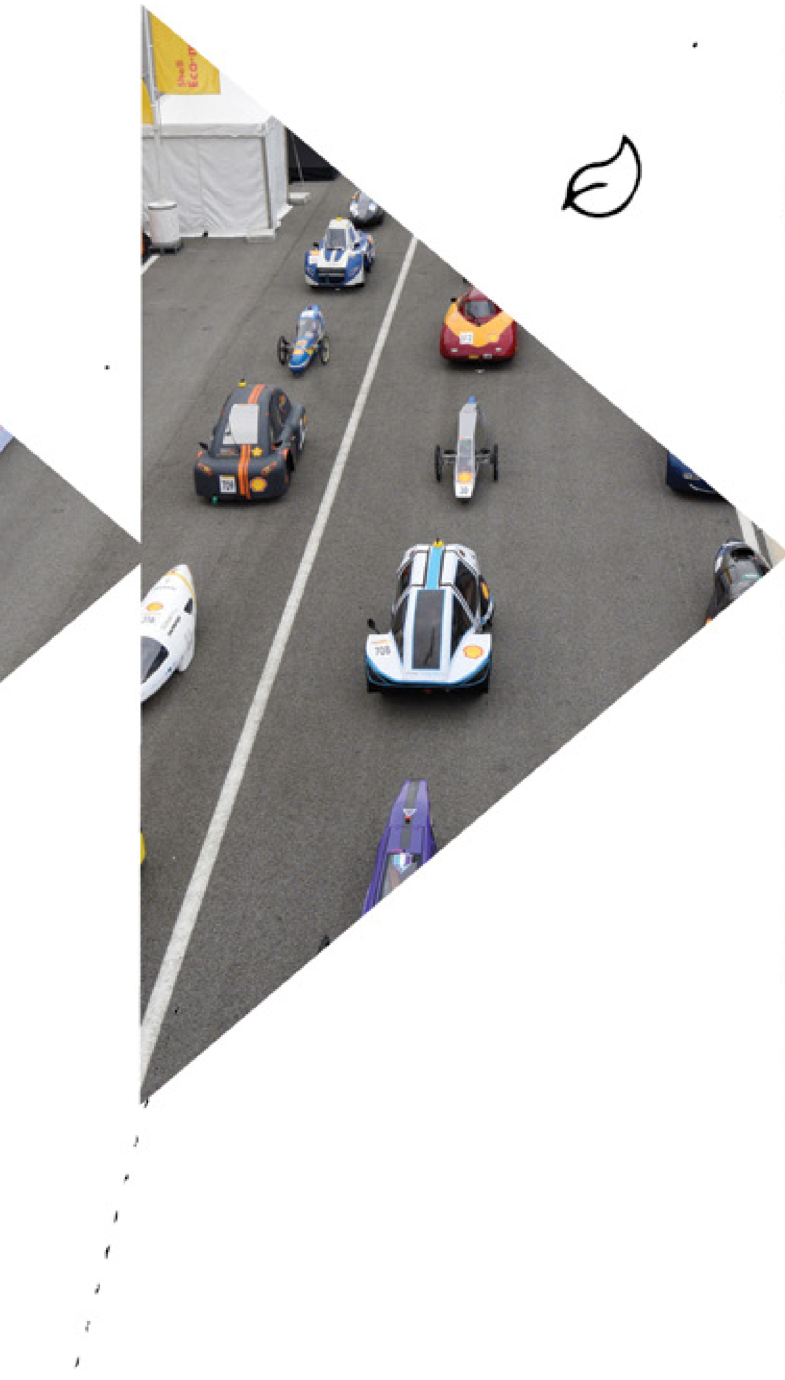
FINANCIALS

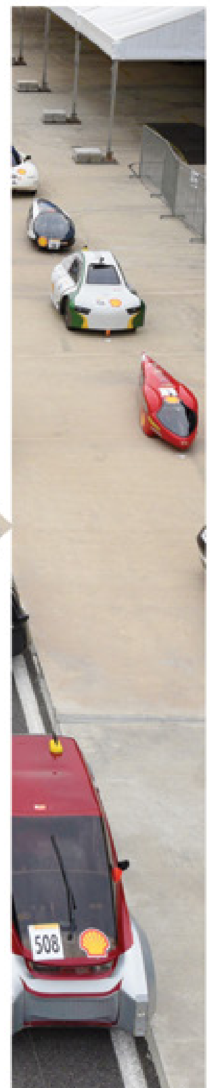
Performance at a Glance 52
Operating and Financial Highlights 54
Independent Auditors' Report 56
Statement of Financial Position 59
Statement of Profit or Loss and Other Comprehensive Income 60
Statement of Changes in Equity 61
Statement of Cash Flows 62
Notes to the Financial Statements 63
Attendance of the Board 112
Pattern of Shareholding 113
Form of Proxy 116

OUR NATURE TO INNOVATE

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

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

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COMPANY INFORMATION

BOARD OF DIRECTORS	Rafi H. Basheer (Chairperson) Haroon Rashid (Late) Farrokh K. Captain Parvez Ghias Nasser N.S. Jaffer Madiha Khalid Naz Khan Klaas Mantel Waqar Siddiqui Badaruddin F. Vellani Faisal Waheed
CHIEF EXECUTIVE	Haroon Rashid
AUDIT COMMITTEE	Naz Khan (Chairperson) Rafi H. Basheer Badaruddin F. Vellani
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Parvez Ghias (Chairperson) (Late) Farrokh K. Captain Klaas Mantel Haroon Rashid
COMPANY SECRETARY	Lalarukh Hussain – Shaikh
REGISTERED OFFICE	Shell House 6, Ch. Khaliquzzaman Road Karachi–75530 Pakistan
AUDITORS	EY Ford Rhodes
LEGAL ADVISORS	Vellani & Vellani Advocates & Solicitors
REGISTRAR & SHARE REGISTRATION OFFICE	FAMCO Associates (Pvt) Ltd. 8-F, next to Hotel Faran, Nursery Block-6, P.E.C.H.S. Shahra-e-Faisal Karachi-75400

VISION

TO BE THE NUMBER ONE ENERGY COMPANY IN PAKISTAN

STATEMENT OF GENERAL BUSINESS PRINCIPLES

INTRODUCTION

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

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

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

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

OUR CORE VALUES

HONESTY INTEGRITY RESPECT

OUR BUSINESS PRINCIPLES

- ECONOMIC
- COMPETITION
- BUSINESS INTEGRITY
- POLITICAL ACTIVITIES
- HEALTH,SAFTY,SECURITY AND THE ENVIROMENT
- LOCAL COMMUNITIES
- COMUNICATION AND ENGAGEMENT
- COMPLIANCE

OUR VALUES

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

SUSTAINABLE DEVELOPMENT

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

RESPONSIBILITIES

Shell recognizes 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 recognize that commercial success depends on the full commitment of all employees.

D. To those with whom we do business

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

E. To society

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

PRINCIPLE 1: ECONOMIC

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

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

PRINCIPLE 2: COMPETITION

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

PRINCIPLE 3: BUSINESS INTEGRITY

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

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

PRINCIPLE 4: POLITICAL ACTIVITIES

A. Of companies

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

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

B. Of employees

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

PRINCIPLE 5: HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

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

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

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

PRINCIPLE 6: LOCAL COMMUNITIES

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

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

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

PRINCIPLE 7: COMMUNICATION AND ENGAGEMENT

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

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

PRINCIPLE 8: COMPLIANCE

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

CHAIRPERSON'S REVIEW

FOR THE YEAR ENDED DECEMBER 31, 2019

Dear Shareholders,

The evolving coronavirus pandemic is causing remarkable global turmoil with an uncertain outlook. On behalf of the Board, we hope that you and your loved ones are staying safe and healthy.

Given the significant public health concerns associated with the virus, the government has placed stringent restrictions on public outings and gatherings. At the time of printing of this note, the government has banned public gatherings with strict exceptions. Given the trajectory of the pandemic, the restrictions and public health risks could extend throughout the period within which we must hold our Annual General Meeting ("AGM"). Therefore, given the uncertainty of the situation in May, we have taken the decision to hold our AGM virtually this year.

We recognise that some of our shareholders value the AGM as an opportunity to engage with the Board, and like us, they may consider the inability to do that this year as very regrettable. However, we must all put safety first, and the changes we are making in these exceptional circumstances have been made to protect our people and any attendees permitted by applicable law.

We trust that you understand and support these decisions under the unprecedented circumstances this year.

Chairperson's Review

On behalf of the Board of Directors of Shell Pakistan Limited, I present the audited financial statements for the year ended December 31, 2019.

This has been a tough year for the Company and the business in the Country as a whole. The oil industry felt the impact of some of the continued macro-economic challenges being faced by the Country primarily owing to the unprecedented devaluation of the rupee against the US dollar which further devalued by 11%. Although the Pak Rupee remained reasonably stable in the last six months, its effects were felt in the overall results of the Company. Being part of an import dependent industry where a large percentage of our costs are denominated in foreign currency, this devaluation had a great impact on our cost base and, in turn, on our financial performance. The Country also experienced a sharp increase in the policy rates by 300bps translating into a rate of 13.25% and resulting into a higher interest-rate driven finance cost for your Company. The Country further experienced high inflationary pressures where the overall Consumer Price Index (CPI) grew by 12.6% on year-on-year basis in December 2019 compared to same month last year. Your Company also felt the impact of the declining fuels market, volatility in the international oil prices and increased minimum tax rate by 0.25% applicable to the Company. Consequent to these events, your Company's financial results were heavily impacted, and your Company reported a net loss after tax of Rs 1,486 million.

Being one of the leading Oil Marketing Company (OMC) in Pakistan in terms of compliance with Health, Safety, Security and Environment (HSSE) standards, your Company continues to be at the forefront of the industry in Pakistan in ensuring safe operations across the business by continuing its relentless focus on ensuring safety at all its sites and is committed to inculcating a culture of safety through ongoing engagements, drills, and workshops with staff, business partners, and industry partners; whereby playing an industry-leading role in terms of safety advocacy.

Lubricants

Lubricants continues to deliver value for Shell Pakistan's overall business. In tough economic times and a declining lubricant market, your Company has managed to maintain its market share in all segments. Emphasis remains on maintaining and further strengthening the market leadership position in the industry.

Shell Lubricants launched HX6 in July 2019, which has further enhanced your Company's synthetic motor oil range. The new lubricant HX6 will not only help Shell Pakistan keep up with the changing market dynamics and technological needs of the modern conventional and hybrid cars but also provides as a premium product at an affordable price. For our diesel engine oil consumers, keeping in view insights and needs of our trucker community, Shell Lubricants introduced Shell Rimula 20L pails to ensure economic prices along with ease of use. Furthermore, our premium brand campaign for Shell Advance along with a country wide consumer promotion was launched for our biker consumers with a key objective to inspire and encourage usage of our brand. Shell Advance also partnered with Ride Pakistan, a renowned bikers' club to promote social cause and create awareness around various NGOs operating in Pakistan for wellbeing of people.

In 2019, a landmark partnership was signed between Hyundai Nishat and Shell Pakistan as preferred partners in fuels, lubricants and Shell cards for their vehicles. These additional new premium products and services to our industrial portfolio will help strengthen our relationships across various sectors and accelerate our premium journey.

The management of your Company welcomes the move by the Federal Board of Revenue for abolishing the 'Extra Tax' regime on lubricants and moving the same to Schedule 3 of the Sales Tax Act, 1990; which will enable easier and consistent documentation for all companies selling lubricants in Pakistan.

Retail

Your Company remains focused on making life's journeys better for its consumers by delivering an unparalleled forecourt experience in Pakistan, putting the customer at the forefront of all we are doing, leveraging continued expansion of our network, together with delivering new and exciting integrated retail offers on our key sites across the Country. Your Company launched the new generation Select stores in Pakistan and saw strong sales and margin improvements for convenience stores alongside continuing a sharp focus on driving safe Retail operations for the benefit of our retailers and customers. Your Company is further committed to provide a superior energy solution in the form of our performance fuel, Shell V-Power. We take pride in providing our customers superior quality, metal-free base fuel (which enables better fuel efficiency and economy), supplemented by performance enhancing additives which truly differentiate our fuel and provide cutting edge technology that protects a vehicle's engine and leads to lower emissions.

Your Company celebrated consumers' passion for their vehicles, engaging them through targeted marketing campaigns. Shell Pakistan launched the "Voice of Customer" to measure the overall satisfaction of our consumers and bringing improvements on our forecourts in order to consistently deliver a great experience. Your Company leads the industry in giving its valued customers several payment options on its sites. We also launched the Shell and Visa promotion which entails an amazing opportunity to own an all new Mercedes A-Class Sedan by spending Rs. 3,000 or more (be it Fuels, Lubricants, Select or any other offer) with one's Visa card at selected Shell stations. This promotion proves to be a step change, as your Company encouraged our valued customers to purchase using convenient payment options.

Your Company continues to make substantial investments to enhance its storage facilities and business offerings across Pakistan and therefore, continuous advocacy for margin enhancement is an important priority for the Company.

Social Investment

In your Company, we continue to invest in the communities where we operate. In partnership with the National Rural Support Program your Company has implemented an Access to Energy Project in Southern Punjab, where we have provided clean energy solutions to a village that we expect will positively impact income levels and lifestyles on a sustained basis. The project includes a solar powered tube well for increased uninterrupted water supply and productivity, clean cooking stoves and conversion of the local flour mill to solar power; the objective of this project is to make it financially viable on a sustained basis. The running of the project will eventually be handed over to a community-based organization, which makes this model a potential, for being replicated across other villages for a wider impact. Shell Tameer continued its mission in enabling young entrepreneurs start their own businesses. In the year, 199 aspiring entrepreneurs were trained on enterprise development, 31 formal and informal businesses from the energy and non-energy sector were supported and through these young start-ups, 36 jobs were created in the Country. A young Pakistani entrepreneur was amongst the top ten winners of the Shell Global Innovation award this year, with 19 countries participating from around the world. Through the Shell Eco-Marathon competition, eight teams from six universities in Pakistan competed in the global competition this year for science, technology, engineering and math students to design and build ultra-energy-efficient cars, and then compete on-track.

HSSE (Health Safety Security Environment)

Your Company continues to focus on ensuring safe operations across supply chain and has through the Road Transport Haulier professionalization project achieved key milestones including haulier contract renewals, fleet and technology upgrades, efficiencies in your Company's terminal and retail interfaces, capability building of your Company's partners and extensive work on Safety Leadership and demonstrating care and respect for your Company's "Captains" (fleet drivers). Retailers owned fuel transportation has been upgraded to meet OGRA standards. Your Company's efforts have resulted in OGRA accepting equivalent standards for seven different elements in road safety standards which are above and beyond the global industry standards and were difficult to apply in Pakistan. Multiple third-party terminals at strategic locations across the country have been evaluated to establish joint-ventures and shared storage facilities. This will support your Company's business footprint post go-live of the cross-country multi-grade White Oil Pipeline which will result in approximately 60% decrease in road exposure and will bring strong monetary value and asset utilization to your Company.

Your Company has assessed all terminals across Pakistan on the new HEMP Tool (Hazards & Effects Management Process) to ensure all our risks arising from terminal operations in the areas of Health, Safety, Security, and Environment are thoroughly mitigated.

In the Retail business, your Company has achieved significant improvements in managing safety of our stations by building safety competence of the organization especially the frontline. Your Company's service champions on retail stations have saved lives by executing excellent emergency response in situations emerging from traffic and customer vehicle fire incidents. Your Company continuously builds on strengthening assurances on our retail operations.

Receivables, financing costs & taxation

The finances of your Company continue to be affected by the heavy burden resulting from overdue receivables from the Government of Pakistan and the increase in State Bank of Pakistan (SBP) policy rate. The first six months of the year saw a sharp increase in the policy rate by 300bps translating to a rate of 13.25%. As at December 31, 2019, the total outstanding government receivables stand at Rs. 5,331 million on account of sales tax, Petroleum Development Levy and Price Differential Claim. Your Company's management continues its efforts of proactive and regular engagement with relevant Government authorities for the recovery of receivables to ensure we enhance shareholder returns, drive for efficient business, and ensure our ability to continue to invest in growth opportunities in Pakistan.

During the year, the Government of Pakistan through the Finance Act 2019 increased the minimum tax rate applicable to Oil Marketing Companies by 0.25%. Due to the minimum tax regime, the Company pays Corporate Tax irrespective of the level of profits earned in the period, which unfairly erodes its operating profit with no increase in the regulated margins. This minimum tax on turnover mechanism is punitive in nature for our industry and results in our effective tax rate being well in excess of the standard 29% corporate rate of income tax. We continue 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.

Going forward

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

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

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

Rafi H. Basheer
Chairperson

عزیز شیئر ہولڈرز،

کورونا وائرس کا ابھرتا ہوا وبائی مرض غیر یقینی صورتِ حال کے ساتھ عالمی سطح پر بہت زیادہ ہنگامہ برپا کر رہا ہے۔ بورڈ کی جانب سے ہم امید کرتے ہیں کہ آپ اور آپ کے اہلِ خانہ محفوظ اور صحت مند رہیں گے۔

وائرس سے متعلق عوام کی صحت کو لاحق نمایاں خدشات کے باعث حکومت نے عوام کے سیر و تفریح اور اجتماعات پر سخت پابندیاں عائد کر دی ہیں۔ ان سطور کے رقم کیے جانے تک حکومت عوامی اجتماعات پر سختی سے پابندی عائد کر چکی ہے۔ اس وبائی مرض کے پھیلاؤ میں اضافے کے رجحان کو دیکھتے ہوئے انداز ہے کہ اس مدت کے دوران، جس میں ہم اپنی سالانہ جنرل میٹنگ (اے جی ایم) کا انعقاد کریں گے، پابندیاں اور صحتِ عامہ کو درپیش خطرات بڑھ سکتے ہیں۔ چنانچہ، مئی کے دوران غیر یقینی صورتِ حال کو دیکھتے ہوئے، ہم نے اس برس سالانہ جنرل میٹنگ کا انعقاد ورچوئلی (virtually) کرنے کا فیصلہ کیا ہے۔

ہمیں اندازہ ہے کہ ہمارے کچھ اسٹیک ہولڈرز سالانہ میٹنگ کو بورڈ کے ساتھ ملاقات کے حوالے سے قدر کی نگاہ سے دیکھتے ہیں، اور ایسا نہ ہو پانے کی وجہ سے وہ ہماری طرح ہی مایوس ہیں۔ تاہم، ہم سب ہی سیفٹی کو مقدم جانتے ہیں اور ہم ان غیر معمولی حالات میں اپنے لوگوں اور شرکا کے تحفظ کے ضمن میں جو تبدیلیاں اپنا رہے ہیں وہ ملکی قوانین سے ہم آہنگ ہیں۔

ہمیں یقین ہے کہ آپ رواں برس ان عدم یقینی کے حالات میں لیے گئے ہمارے فیصلوں کو سمجھتے ہوئے ان کی تائید کریں گے۔

چیئرمین کا تجزیہ

شیل پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر 2019ء کو اختتام پذیر ہونے والے سال کے لیے آڈٹ شدہ مالی گوشوارے پیش کرنا چاہوں گا۔

یہ سال کمپنی اور بحیثیتِ مجموعی پورے ملک میں کاروبار کے لیے ایک مشکل سال رہا ہے۔ آئل کی صنعت کو ملک میں درپیش بعض مسلسل معاشی دشواریوں کے اثرات کا سامنا رہا، جن کی بنیادی وجہ ڈالر کے مقابلے میں روپے کی قدر میں انتہائی کمی تھی جس میں مزید 11 فیصد کمی آئی۔ حالانکہ پاکستانی روپیہ گزشتہ چھ مہینوں کے دوران خاصہ مستحکم رہا ہے، تاہم قدر میں کمی کے اثرات کمپنی کے مجموعی نتائج پر اثر انداز ہوئے۔ ہم درآمدات پر انحصار کرنے والی صنعت کا حصہ ہیں، جس میں لاگت کا ایک بڑا فیصدی حصہ غیر ملکی کرنسی پر مشتمل ہوتا ہے، لہٰذا قدر میں کمی نے ہماری لاگت کی اساس پر اور اس کے نتیجے میں ہماری کارکردگی پر بہت اثر ڈالا ہے۔ ملک کے پالیسی ریٹ میں بھی 300 بی پی ایس کا اضافہ ہوا جو بڑھ کر 13.25 فیصد ہو گئے جس کے نتیجے میں آپ کی کمپنی کی شرحِ سود پر مبنی مالی لاگت بلند تر ہو گئی۔ کمپنی کو مزید مہنگائی کا اضافی دباؤ بھی برداشت کرنا پڑا، جس میں صارف اشاریہ قیمت (سی پی آئی) گزشتہ برس کی اسی مدت کے مقابلے میں دسمبر 2019ء کے دوران سال بسال بنیاد پر 12.6 فیصد بڑھ گئی۔ آپ کی کمپنی کو زوال پذیر فیول مارکیٹ، تیل کی عالمی قیمتوں میں اتار چڑھاؤ، اور کمپنی پر قابلِ اطلاق کم سے کم ٹیکس ریٹ میں 0.25 فیصد اضافے کے اثرات کو بھی برداشت کرنا پڑا۔ ان تمام وجوہات کے نتیجے میں آپ کی کمپنی کے مالی نتائج بری طرح متاثر ہوئے اور آپ کی کمپنی نے 1486 ملین روپے کا بعد از ٹیکس خالص نقصان درج کیا۔

صحت، سیفٹی، سیکورٹی اور ماحول (HSSE) کے معیارات کے لحاظ سے پاکستان میں صفِ اول کی آئل مارکیٹنگ کمپنی (OMC) ہونے کے ناطے، آپ کی کمپنی نے اپنی تمام اسٹیشنز پر حفاظت کو یقینی بنانے پر مسلسل توجہ مرکوز رکھی اور پاکستان بھر میں اپنے کاروبار کے محفوظ آپریشنز کو یقینی بنانے پر اپنی توجہ مرکوز کرتے ہوئے صنعت میں ممتاز مقام برقرار رکھا، نیز اپنے عملے، کاروباری شراکت داروں، اور صنعت کے شراکت داروں کے ساتھ مستقل انتھک، مشقوں اور تربیتی ورکشاپ کے ذریعے سیکورٹی کے کلچر کو فروغ دینے کے لیے پرعزم ہے؛ اس طرح ہم تحفظ و مطابقت کے معیارات کے لحاظ سے صنعت میں نمایاں کردار ادا کر رہے ہیں۔

لبریکینٹس

لبریکینٹس نے شیل پاکستان کے مجموعی کاروبار کی معیاری ترسیل جاری رکھی۔ دشوار معاشی حالات اور زوال پذیر لبریکینٹس مارکیٹ کی صورتِ حال میں بھی آپ کی کمپنی تمام شعبوں میں اپنا مارکیٹ کا حصہ برقرار رکھنے میں

کامیاب رہی۔صنعت میں مارکیٹ کی قائدانہ حیثیت برقرار رکھنے اور اسے مزید تقویت دینے پر توجہ مرکوز رہی ہے۔

شیل لبریکینٹس نے جولائی 2019ء میں ایچ ایکس 6 کا آغاز کیا جس نے آپ کی کمپنی کی سنتھیٹک موٹر آئل کی رینج میں مزید اضافہ کیا۔ نیا لبریکینٹ ایچ ایکس 6 نا صرف شیل پاکستان کو جدید، روایتی اور ہائبرڈ کاروں کی بدلتی ہوئی مارکیٹ کی محرکات اور تکنیکی ضروریات کو برقرار رکھنے میں مدد فراہم کرے گا بلکہ ایک پریمیم پراڈکٹ کو سستی قیمتوں پر بھی فراہم کرے گا۔ ہماری ٹرک والی کمیونٹی کے تقاضوں اور ضروریات کو مدِنظر رکھتے ہوئے ہمارے ڈیزل انجن آئل کے صارفین کے لیے شیل لبریکینٹس نے شیل ریمُلا کا 20 لٹر کی بالٹی کا آغاز کیا تا کہ آسان استعمال کے ساتھ سستی قیمتوں کو یقینی بنایا جاسکے۔ مزید برآں، ہمارے بائیک چلانے والے صارفین کے لیے ملک گیر صارفی پروموشن کے ساتھ ساتھ شیل ایڈوانس کے لیے ہمارے پریمیم برانڈ کی بھی مہم چلائی گئی، جس کا بنیادی مقصد ہماری برانڈ کی خوبیوں کا اظہار اور اس کے استعمال کا فروغ ہے۔ شیل ایڈوانس نے سماجی مقصد کے فروغ اور فلاحِ عامہ کے لیے پاکستان میں کام کرنے والی مختلف این جی اوز میں آگاہی کے لیے رائیڈ پاکستان، جو بائیک چلانے والوں کا معروف کلب ہے، کے ساتھ بھی شراکت داری کی۔

2019ء کے دوران گاڑیوں کے لیے فیولز، لبریکینٹس اور شیل کارڈز میں بطور ترجیحی شراکت دار ہنڈائی نشاط اور شیل پاکستان کے مابین ایک شراکت داری معاہدے پر دستخط کیے گئے۔ یہ اضافی نئی پریمیم پراڈکٹس اور ہمارے صنعتی پورٹ فولیو کی خدمات مختلف شعبوں میں ہمارے تعلقات کو مضبوط بنانے اور ہمارے پریمیم سفر کی رفتار بڑھانے میں مددگار رہوں گی۔

آپ کی کمپنی کی انتظامیہ لبریکینٹس پر 'اضافی ٹیکس' کے نظام کو ختم کرنے اور اسے سیلز ٹیکس ایکٹ 1990ء کے شیڈول 3 میں منتقل کرنے کے فیڈرل بورڈ آف ریونیو کے اقدام کا خیر مقدم کرتی ہے؛ جس سے پاکستان میں لبریکینٹس فروخت کرنے والی تمام کمپنیوں کے لیے آسان اور مستقل دستاویزات میں مدد ملے گی۔

ریٹیل

آپ کی کمپنی پاکستان میں صارفین کو بہترین ریٹیل فورکورٹ کے تجربے کی فراہمی اور سرگرمیوں میں صارف کو مرکزی اہمیت دینے، ہمارے نیٹ ورک میں مسلسل اضافے کے ساتھ ساتھ ملک بھر میں ہماری بنیادی اسٹیشنز پرنئی اور پہلے سے مربوط ریٹیل آفرز سے اپنے صارفین کے لیے زندگی کے سفر کو بہتر بنانے پر توجہ مرکوز رکھتی ہے۔ آپ کی کمپنی نے پاکستان میں Select اسٹورز کی نئی جنریشن کا آغاز کیا اور ہمارے ریٹیلرز اور صارفین کے مفاد میں محفوظ ریٹیل آپریشنز پر مسلسل توجہ دینے کے ساتھ ساتھ convenience اسٹورز کے لیے مضبوط فروخت اور منافع میں بہتری حاصل کی۔ آپ کی کمپنی اب ہمارے پرفارمنس فیول، شیل وی پاور کی شکل میں بہترین انرجی سولیوشن فراہم کرنے کے عزم پر کاربند ہے۔ ہم اپنے صارفین کو بہترین معیار، دھاتی اجزا سے پاک بنیادی فیول (جو فیول کی بہتر استعداد اور بچت فراہم کرتا ہے)، کے ساتھ کارکردگی بڑھانے والے اضافی اجزا کی فراہمی پر فخر محسوس کرتے ہیں، جو ہمارے فیول کو حقیقی طور پر منفرد بناتے ہیں اور جدید ترین ٹیکنالوجی فراہم کرتے ہیں، جو گاڑیوں کے انجن کی حفاظت کرتی اور آلودگی کا اخراج کم کرتی ہے۔

آپ کی کمپنی نے ہدف ساز تشہیری مہمات سے صارفین کو منسلک کرتے ہوئے ان کی گاڑیوں کے لیے ان کی محبت کا خیر مقدم کیا۔ شیل پاکستان نے "صارف کی آواز" کا آغاز کیا ہے تا کہ ہمارے صارفین کے مجموعی اطمینان کو جانچ کر کے ہمارے فورکورٹس پر مستقل زبردست تجربہ فراہم کرنے کے لیے اصلاحات لائی جاسکیں۔ آپ کی کمپنی نے اپنی اسٹیشنز پر اپنے معزز صارفین کو ادائیگی کے متعدد طریقوں کی فراہمی کے حوالے سے بھی صنعت میں سبقت کی حاصل ہے۔ ہم نے شیل اینڈ ویزا پروموشن کا بھی آغاز کیا جو منتخب شیل اسٹیشنوں پر ویزا کارڈ کے ذریعے (بی اِٹ فیول، لبریکینٹس، سلیکٹ یا کسی اور آفر پر) 3000 یا زائد کی خریداری پر بالکل نئی اے کلاس سیڈان حاصل کرنے کا حیران کن موقع فراہم کرتی ہے۔ یہ پروموشن تبدیلی کی طرف ایک قدم ثابت ہوئی، کیونکہ آپ کی کمپنی اپنے قیمتی صارفین کے لیے ادائیگی کے آسان طریقے استعمال کرتے ہوئے خریداری کی حوصلہ افزائی کرتی ہے۔

آپ کی کمپنی پورے پاکستان میں اپنی اسٹوریج کی سہولیات اور کاروباری پیش کشوں کو بڑھانے کے لیے خاطر خواہ سرمایہ کاری کرتی رہتی ہے، لہٰذا، مارجن میں اضافے کے ضمن میں مسلسل تائید کمپنی کے لیے ایک اہم ترجیح ہے۔

سماجی سرمایہ کاری

آپ کی کمپنی میں، ہم جن کمیونٹیز کے ساتھ کام کرتے ہیں، ان کے لیے سرمایہ کاری کرتے رہتے ہیں۔ نیشنل رورل سپورٹ پروگرام کی شراکت سے آپ کی کمپنی نے جنوبی پنجاب میں توانائی کے منصوبے تک رسائی (Access to Energy Project) کا نفاذ کیا ہے، جس میں ہم نے ایک گاؤں کو کلین انرجی سولیوشنز فراہم کیے ہیں، اور ہمیں توقع ہے کہ یہ ان کی آمدنی میں اضافہ اور طرزِ زندگی پر پائیدار بنیادوں پر مثبت اثرات ڈالیں گے۔ اس منصوبے میں پانی کی مسلسل فراہمی اور پیداواریت کے لیے شمسی توانائی سے چلنے والا ٹیوب ویل، صاف چولھے اور مقامی آٹا چکی کو شمسی توانائی پر منتقلی شامل ہیں؛ اس منصوبے کا مقصد اسے مستقل بنیادوں پر معاشی طور پر قابل عمل بنانا ہے۔ پراجیکٹ کو چلانے کا کام بالآخر ایک کمیونٹی پر مبنی تنظیم کے حوالے کر دیا جائے گا، جو وسیع تر اثرات کے ضمن میں دیگر دیہاتوں میں اسی نوعیت کی اصلاحات کے لیے ممکنہ ماڈل کا کام کرے گی۔ شیل تعمیر پروگرام ملک بھر میں نوجوان افراد کو ان کے کاروبار کا آغاز کرنے کا اہل بنانے کے مشن کے ساتھ جاری ہے۔ دوران سال 199 کاروباری امیدواروں کو کاروباری پیش رفت کے حوالے سے

تربیت دی گئی، توانائی اور غیر توانائی شعبوں سے 31 رسمی و غیر رسمی کاروبار کی معاونت کی گئی ان نوجوان اسٹارٹ اپس کے ذریعے ملک میں 36 نوکریاں تخلیق کی گئیں۔ رواں برس شیل گلوبل انوویشن ایوارڈز، جس میں دنیا بھر کے 19 ممالک شریک تھے، میں صف اول کے 10 امیدواروں میں سے ایک نوجوان پاکستانی کاروباری بھی شامل تھا۔ شیل ایکومیراتھن کے ذریعے 6 جامعات سے 8 ٹیموں نے الٹرا انرجی ایفی شنٹ کاریں ڈیزائن اور تیار کرنے اور انھیں مقابلے میں شامل کرنے کے سائنس، ٹیکنالوجی، انجینئرنگ اور ریاضی کے طلبا کے عالمی مقابلے میں حصہ لیا۔

ایچ ایس ایس ای (صحت، تحفظ، سلامتی کا ماحول)

آپ کی کمپنی نے تمام ترسپلائی چین میں محفوظ آپریشنز کو یقینی بنانے پر توجہ مرکوز کیے رکھی اور روڈ ٹرانسپورٹ ہاؤلیئر پروفیشنلائزیشن پراجیکٹ کے ذریعے ہاؤلیئر معاہدے کی تجدید، بیڑے (فلیٹ) اور ٹیکنالوجی کی جدت کاری، کمپنی کے ٹرمینل اور ریٹیل انٹرفیس میں مستعدی، کمپنی کے شراکت داروں کی استعداد کاری اور سیفٹی کی قیادت پر توسیعی کام نیز کمپنی کے '' کیپٹنز '' (فلیٹ کے ڈرائیوروں) کی تعظیم اور دیکھ بھال کے اظہار میں کئی کلیدی سنگِ میل عبور کیے۔ ریٹیلرز کے زیرِ ملکیت فیول کی منتقلی کو بھی اپ گریڈ کیا گیا ہے تا کہ وہ اوگرا کے معیارات پر پورے اتر سکیں۔ آپ کی کمپنی کی کاوشوں کے نتیجے میں اوگرا نے سڑک کے حفاظتی معیارات کے سات مختلف عناصر کے مساوی معیارات کو قبول کیا ہے جو عالمی صنعت کے معیارات سے بالاتر ہیں اور پاکستان میں ان کا اطلاق مشکل تھا۔ مشترکہ منصوبوں اور مشترکہ اسٹوریج کی سہولیات کے قیام کے لیے ملک بھر میں اسٹریٹجک مقامات پر متعدد تھرڈ پارٹی ٹرمینلز کا جائزہ لیا گیا ہے۔ اس سے ملک کے باہر ملٹی گریڈ وائٹ آئل پائپ لائن کے فعال ہوجانے کے بعد آپ کی کمپنی کی کاروباری چھاپ کو گہرا کرنے میں مدد ملے گی جس کے نتیجے میں فیول کی براستہ سڑک منتقلی میں تقریباً 60 فیصد کمی واقع ہوگی اور جو آپ کی کمپنی کے لیے مضبوط مالیاتی قدر اور اثاثے میں استفادہ لائی گی۔

آپ کی کمپنی نے پاکستان بھر میں تمام نئے ٹرمینلز کا نئے ایچ ای ایم پی ٹول (خطرات اور اثرات کے انتظام کا عمل) پر جائزہ لیا ہے تا کہ صحت، تحفظ، سلامتی اور ماحول کے شعبوں میں ٹرمینل آپریشنز سے ابھرنے والے تمام خطرات کی پوری طرح تخفیف کو یقینی بنایا جا سکے۔

ریٹیل کاروبار میں آپ کی کمپنی، بالخصوص فرنٹ لائن میں تنظیم کی تحفظ کی استعداد کاری کے ذریعے ہمارے اسٹیشنوں کے تحفظ کے انتظام میں نمایاں بہتری لائی ہے۔ ریٹیل اسٹیشنوں پر آپ کی کمپنی کے سروس چیمپینز اسٹیشنز پر ٹریفک حادثات اور صارفین کی گاڑیوں میں آگ لگنے کے واقعات میں ہنگامی ردِعمل کے بہترین عمل درآمد کے ذریعے بہت سی زندگیاں بچا چکے ہیں۔ آپ کی کمپنی ہمارے ریٹیل آپریشنز میں یقین و بھروسے کو مضبوط بنانے کے لیے کوشاں رہتی ہے۔

واجبات، مالی لاگتیں اور ٹیکس کا نظام

آپ کی کمپنی کی مالیات حکومتِ پاکستان کی جانب سے واجب الادا وصولیوں کے نتیجے میں پیدا ہونے والے بھاری بوجھ اور دورانِ سال اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں اضافے سے متاثر رہی ہے۔ سال کے پہلے چھ مہینوں کے دوران پالیسی ریٹ میں 300 بی پی ایس اضافہ ہوا جس سے پالیسی ریٹ بڑھ کر 13.25 فیصد ہوگیا۔ 31 دسمبر 2019ء تک سیلز ٹیکس، پیٹرولیم ڈویلپمنٹ لیوی اور قیمت کے تفرق کے دعووں کی بنا پر حکومت کی جانب سے مجموعی واجب الوصول واجبات 5331 ملین روپے ہیں۔ واجبات کی وصولی کے لیے کمپنی کی انتظامیہ کی جانب سے متعلقہ حکام سے فعال اور مستقل رابطہ جاری رکھے ہوئے ہے، تا کہ ہم شیئر ہولڈرز کے گوشوارے بہتر بنانے، موثر انداز میں کاروبار چلانے اور پاکستان میں ترقی کے مواقع کے لیے سرمایہ کاری جاری رکھنے کی ہماری اہلیت کو یقینی بنا سکیں۔

دورانِ سال حکومتِ پاکستان نے مالیات ایکٹ 2019ء کے ذریعے آئل مارکیٹنگ کمپنیوں پر قابلِ اطلاق کم سے کم ریٹ میں 0.25 فیصد اضافہ کیا۔ کم از کم ٹیکس کے نظام کی وجہ سے کمپنی اس مدت میں حاصل کیے گئے منافعوں کی سطح کے باوجود کارپوریٹ ٹیکس ادا کرتی ہے، جو غیر منصفانہ طور پر اس کے آپریٹنگ سود کو بڑھا دیتی ہے جبکہ باقاعدہ مارجنز میں کوئی اضافہ نہیں ہوتا۔ ٹرن اوور پر یہ کم از کم ٹیکس ہماری صنعت کے لیے کسی سزا سے کم نہیں اور اس کے نتیجے میں انکم ٹیکس 29 فیصد کے معیاری کارپوریٹ ریٹ سے بہت بڑھ جاتا ہے۔ ہم آئل اور گیس کے شعبے ان کو الاؤنسز اور کم شرح کے مطابق لانے کے لیے ٹیکس حکام سے بات چیت جاری رکھے ہوئے ہیں جو پاکستان میں ان سے ملتے جلتے دیگر باضابطہ (ریگولیٹڈ) شعبوں کو حاصل ہیں۔ ہم ٹیکس کے نظام میں تبدیلی کے لیے پُر امید ہیں اور ہمیں توقع ہے کہ حکام اس اہم مسئلے کو حل کرنے کے لیے فوری اقدام کریں گے۔

مستقبل کے امکانات

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

بالخصوص پاکستانی روپے کی قدر میں جاری عدم استحکام کی وجہ سے مجموعی معاشی سطح پر کافی چیلنجز موجود ہیں۔ کمپنی کرنسی کی قدر میں کمی، معاشی عدم یقینی کی صورتِ حال، اور حکومت کی جانب سے واجبات کی ادائیگی میں جاری تاخیر سے پیدا ہونے والی دشواریوں ہی کو نہیں بلکہ ان کے ساتھ ساتھ بدلتی ہوئی مارکیٹ، ضوابطی و مسابقتی حرکیات کے حوالے سے بھی کمپنی مستقبل کے چیلنجز کو پہچانتی ہے۔ ہمارے بورڈ آف ڈائریکٹرز کمپنی کو

ہمارے مقاصد کے حصول کی جانب لے جانے کے لیے سرگرم اور موثر کردار ادا کرتے ہیں؛ اور بورڈ کمپنی کی سمت متعین کرنے نیز کارکردگی کے جائزے دونوں ہی میں پوری طرح شامل رہے ہیں۔

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

رفیع ایچ بشیر
چیئرمین آف دی بورڈ

BOARD OF DIRECTORS

Rafi H Basheer

Rafi Basheer is the Chairperson of the Board of Directors of Shell Pakistan Limited (SPL). He is a member of the Institute of Chartered Accountants in England and Wales and is currently the Asia Finance Manager for Shell's Lubricants and Retail business. Rafi has held a variety of roles locally and overseas ranging from Retail Finance Manager SPL, Mergers and Acquisitions Finance for Shell Downstream Asia/Pacific, Global Governance, Asia Pacific Regional Finance Manager, Finance Director for SPL, Global Finance Managers for Shell's Bitumen and Sulphur businesses and most recently the role of Global Planning & Appraisal Manager for Shell's Retail, Lubricants, Aviation and Specialties businesses.

Haroon Rashid

Haroon Rashid is the Chief Executive & Managing Director of Shell Pakistan Limited (SPL). Haroon has been a Director on the Board of SPL since 2011. He is also the General Manager Lubricants for SPL. He joined SPL in 1995 and has held several senior leadership roles in Downstream across Marketing, Consultancy and Aviation for Royal Dutch Shell before returning to Pakistan as the General Manager Supply & Distribution for the Middle East South Asia Region. Haroon is a graduate from INSEAD and The Lahore University of Management Sciences.

Parvez Ghias

Parvez Ghias is the Chief Executive Officer and Director at the Habib University Foundation (HUF) since January 2017. Prior to joining HUF, he was CEO of Indus Motor Co., Limited from August 2005 to December 2016. Parvez is a fellow of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Economics and Statistics.

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

Nasser N S Jaffer

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

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

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

Madiha Khalid

Madiha Khalid is the Head of Human Resources at Shell Pakistan Limited (SPL). She started her career with ABN AMRO Bank in 2005. She joined SPL in 2006 and has held a variety of local and regional roles ranging from Recruitment, Business Partnering, Change management and Talent. She has been the Head of Human Resources for SPL since 2012 and is the organizational effectiveness HR partner to all businesses in Pakistan, leading a team of HR professionals to provide full range of strategic HR support.

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

Naz Khan

Naz Khan is currently the Managing Director of X-Petroleum Limited. She is a seasoned professional with over 25 years of experience across both, financial services and industry. Prior to X-Petroleum, she was the Chief Financial Officer of Engro Corporation during which period the company undertook restructurings, divestitures and IPOs of its subsidiaries as well as growth through two landmark projects of LNG Terminal and Thar Coal and Power. Prior to Engro, Naz was the Chief Executive Officer of KASB Funds Limited. Her association with Pakistan's capital markets spans over 20 years where she was actively involved in the primary and secondary markets for debt and equity. She currently serves on the Boards of the Pakistan Stock Exchange, Fauji Fertilizer Bin Qasim and UBL Fund Managers amongst others.

Klaas Mantel

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

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

He 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.

Waqar I. Siddiqui

Waqar I Siddiqui is an internationally experienced board level executive with sustained record of business transformation achievement for Shell and other oil majors. In his 24 years of petroleum downstream experience, he has successfully guided multi-million-dollar commercial entities through business delivery, organizational change, strategy development, joint ventures and mergers/acquisitions.

Waqar joined Shell Pakistan Limited in June 2001. Within Shell he has done variety of roles locally and internationally at senior leadership positions in various business divisions. Currently he is serving as Managing Director of Shell Downstream Retail in PT Shell Indonesia. He has a solid track record of exemplary stakeholder management experience; recognized as a trusted advisor to government regulator and is regularly consulted on high level business and sustainable development programs.

He holds BS degree in Chemical Engineering and MBA in Marketing. In addition, he holds academic and professional accreditations from Harvard Business School and University of British Columbia.

Badaruddin F Vellani

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

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

Faisal Waheed

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

Faisal has an overall work experience of 22 years having worked in various finance roles with Unilever in Pakistan and UK and with Engro Corporation before joining SPL in 2013. He also serves on the boards of Pak Arab Pipeline Company Limited and Shell Oman Marketing Limited.

REPORT OF THE DIRECTORS

The Directors of your Company present their Annual Report together with audited financial statements for the year ended December 31, 2019.

The loss for the year ended December 31, 2019 after providing for administrative, marketing and distribution expenses, financial and other charges amount to:

	Rupees in Million
Loss before taxation	**(140)**
Taxation	**(1,346)**
Net loss for the year ended December 31, 2019	**(1,486)**
	Rupees
Loss per share – basic and diluted	**(13.88)**

Appropriations and movement in reserves have been disclosed in Statement of Changes in Equity on page 61 of these financial statements.

The Directors confirm that:

1. The Board constitutes of 11 members, including the Chief Executive, who is a deemed director. One of our elected non-independent director's Mr. Farrokh Captain sadly passed away on November 16th, 2019. Following the demise of Mr. Farrokh Captain, the Board composition as at December 31st, 2019 is as follows:

   Female Members:
   1. Madiha Khalid
   2. Naz Khan

   Male Members:
   1. Rafi H. Basheer
   2. Haroon Rashid
   3. Parvez Ghias
   4. Nasser N. S. Jaffer
   5. Klaas Mantel
   6. Waqar Siddiqui
   7. Badaruddin F. Vellani
   8. Faisal Waheed

   Independent Directors:
   1. Parvez Ghias
   2. Naz Khan

   Non-Executive Directors:
   1. Rafi H. Basheer
   2. Nasser N. S. Jaffer
   3. Klaas Mantel
   4. Waqar Siddiqui
   5. Badaruddin F. Vellani

   Executive Directors:
   1. Haroon Rashid
   2. Madiha Khalid
   3. Faisal Waheed

2. The Board has formed committees comprising of members given below:

   A. Audit Committee

   a. Naz Khan (Chairperson)
   b. Rafi H. Basheer
   c. Badaruddin F. Vellani

   B. Human Resource & Remuneration Committee

   a. Parvez Ghias (Chairman)
   b. Haroon Rashid
   c. Klaas Mantel

3. 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.

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

5. Appropriate accounting policies have been consistently applied in preparation of these financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards, as stated in note 2.3.2 to these financial statements. Accounting estimates are based on reasonable and prudent judgment

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

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

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

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

10. Key operating and financial data for the last seven years in summarized form is disclosed on page 55. The reasons for loss during the year and significant deviation in operating results of the Company from last year have been discussed in the Chairperson's Review on page 12.

11. A reasonable indication of the principle risks and uncertainties as well as the future prospects is discussed in the Chairperson's Review on page 12.

12. 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, 2019 is included in note 32.4 to the financial statements.

13. The number of Board and Committees' meetings held during the year and attendance by each Director is disclosed on page 112.

14. The non-executive/independent directors, other than those occupying executive positions in other Shell Group Companies are paid a fee to attend meetings of the board and its committees.

15. A formal self-evaluation of the Board and its committees' performance was carried out for the year 2019, facilitated by KPMG Taseer Hadi & Co. – Chartered Accountants.

16. Rafi H. Basheer, Parvez Ghias, Nasser N.S. Jaffer, Naz Khan, Badaruddin F. Vellani, Haroon Rashid and Faisal Waheed have already obtained directors' training certification from the Pakistan Institute of Corporate Governance (PICG). Klaas Mantel has successfully completed the INSEAD International Directors Programmes from INSEAD (France) and the Company has applied for an exemption for Klaas Mantel on the basis of the same. The Company shall continue to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 to ensure that the required number of directors are duly certified.

17. The pattern of shareholding and additional information regarding pattern of shareholding is disclosed on page 113. 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.

18. Subsequent to the adaptation by SECP of the revised auditing standards, the auditors are required to communicate key audit matters as part of the auditors' report. These key audit matters are mentioned on page 56 of these financial statements.

19. The figures in the financial statements for the year ended December 31, 2019 have been audited by external auditors of the Company.

20. The Board, on the recommendation of the Board Audit Committee, has recommended M/S EY Ford Rhodes to be retained as external auditors of the Company for the year ended December 31, 2020;

21. Details of trades in shares of the Company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported on page 115.

22. Details of the Company's Corporate Social Responsibility and other activities undertaken by the Company during the financial year are disclosed on pages 46 to 49

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

On behalf of the Board of Directors

Rafi H. Basheer **Chairperson**	**Haroon Rashid** **Chief Executive**

Karachi: March 4, 2020

عزیز شیئر ہولڈرز،

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2019ء کو ختم ہونے والے سال کی اپنی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

انتظامی امور، مارکیٹنگ اور تقسیم کاری کے اخراجات، مالیاتی اور دیگر واجبات کی ادائیگی کے بعد 31 دسمبر 2019ء کو ختم ہونے والے سال کا نقصان:

	روپے ملین میں
نقصان قبل از ٹیکس	(140)
ٹیکس	(1,346)
31 دسمبر 2019ء کو ختم ہونے والے سال کا سالانہ نقصان	(1,486)
	روپے
نقصان فی حصہ دار - بنیادی اور سیال **(Diluted)**	(13.88)

سالانہ گوشواروں کے صفحہ 61 پر ایکویٹی میں تبدیلیوں کے بیان کی ذیل میں ذخائر کی کارروائی (موومنٹ) اور تصرفات ظاہر کیے گئے ہیں۔

1۔ بورڈ 11 ارکان پر مشتمل ہے، جس میں چیف ایگزیکٹو شامل ہیں، جنھیں ڈائریکٹر سمجھا گیا ہے۔ ہمارے ایک منتخب شدہ غیر خودمختار ڈائریکٹر جناب کیپٹن فرخ 16 دسمبر 2019ء کو وفات پا گئے تھے۔ جناب کیپٹن فرخ کی وفات کے بعد 31 دسمبر 2019ء کو ہمارے بورڈ کی ہیئتِ ترکیبی یہ تھی:

خواتین ارکان:

1. محترمہ ناز خان
2. محترمہ مدیحہ خالد

مرد اراکین:

1. جناب رفیع ایچ بشیر
2. جناب پرویز غیاث
3. جناب وقار صدیقی
4. جناب ہارون راشد
5. جناب نصر این ایس جعفر
6. جناب کلاس مینٹل
7. جناب بدرالدین ایف ویلانی
8. جناب فیصل وحید

خودمختار ڈائریکٹران:

1. جناب پرویز غیاث
2. محترمہ ناز خان

نان ایگزیکٹو ڈائریکٹران:

1. جناب رفیع ایچ بشیر
2. جناب وقار صدیقی
3. جناب نصر این ایس جعفر
4. جناب کلاس مینٹل
5. جناب بدرالدین ایف ویلانی

ایگزیکٹو ڈائریکٹران:

1. جناب ہارون راشد
2. محترمہ مدیحہ خالد
3. جناب فیصل وحید

2۔ بورڈ تصدیق کرتا ہے کہ کمیٹیاں درج ذیل اراکین پر مشتمل ہیں:

الف۔ آڈٹ کمیٹی

ا۔ محترمہ ناز خان (چیئر پرسن)
ب۔ جناب بدر ایف ویلانی
ج۔ جناب رفیع ایچ بشیر

ب۔ کمیٹی برائے افرادی وسائل و معاوضے

ا۔ جناب پرویز غیاث (چیئر مین)
ب۔ جناب ہارون راشد
ج۔ جناب کلاس مینٹل

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

4. کمپنی کے تمام مالیاتی کھاتے برقرار رکھے گئے ہیں۔

5. مالیاتی گوشواروں کی تیاری میں مناسب حسابی طریقہ کار کا ہمیشہ اطلاق کیا گیا ہے ماسوا مالیاتی دستاویزات کے نوٹ 2.3.1 میں بیان کی گئی ان تبدیلیوں کے جو 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۔

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

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

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

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

10. گزشتہ سات سال کے اہم آپریٹنگز اور مالیاتی ڈیٹا کا خلاصہ صفحہ 55 پر ظاہر کیا گیا ہے۔ دورانِ سال نقصان کی وجوہات اور پچھلے سال کمپنی کے امور کے نتائج میں کیے گئے اہم انحراف پر بحث مذکورہ بالا پیراگرافس صفحہ 12 میں کی گئی ہے۔

11. مستقبل کے امکانات کی مناسب نشاندہی (ریزن ایبل انڈیکیشن) کے بارے میں مذکورہ بالا پیراگرافس صفحہ 12 پر تبادلہ خیال کیا گیا ہے۔

12. 31 دسمبر 2019ء کو ختم ہونے والے سال کے لیے بغیر آڈٹ شدہ مالی گوشواروں کی بنیاد پر پراویڈنٹ، گریجوایٹی اور پینشن فنڈز کی مقدار پر سرمایہ کاری کا بیان مالیاتی دستاویزات کے نوٹ 32.4 میں شامل کیا گیا ہے۔

13. سال بھر کے دوران منعقد ہونے والی بورڈ اور کمیٹیوں کے اجلاس اور ان میں ہر ڈائریکٹر کی شرکت کی تعداد صفحہ 112 پر ظاہر کی گئی ہے۔

14. نان ایگزیکٹو/خودمختار ڈائریکٹران، ماسوا ان کے جو شیل گروپ کی کمپنیوں میں ایگزیکٹو عہدوں پر فائز ہیں، کو بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت پر ادائیگی کی جاتی ہے۔

15. 2019ء کے لیے کے پی ایم جی تاثیر ہادی اینڈ کو- چارٹرڈ اکاؤنٹنٹس کی جانب سے دورانِ سال بورڈ اور اس کی کمیٹیوں کی کارکردگی کا ایک رسمی جائزہ لیا گیا۔

16. جناب رفیع ایچ بشیر، جناب پرویز غیاث، جناب نصر این ایس جعفر، مس ناز خان، جناب بدرالدین ایف ویلانی، جناب ہارون راشد اور جناب فیصل وحید پہلے ہی پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) سے ڈائریکٹرز ٹریننگ سرٹیفیکیشن حاصل کر چکے ہیں۔ جناب کلاس مینٹل انسیڈ (INSEAD)، فرانس سے انسیڈ انٹرنیشنل ڈائریکٹرز پروگرام کا کورس کامیابی سے مکمل کر چکے ہیں اسی لیے کمپنی نے جناب کلاس مینٹل کو استثنیٰ دے دیا ہے۔ کمپنی ڈائریکٹرز کی سرٹیفیکیشن کو یقینی بنانے کے لیے فہرستی کمپنیوں کے ضوابط 2019ء (کوڈ آف کارپوریٹ گورننس) کے تقاضوں کی پابندی کرتی رہے گی تاکہ ڈائریکٹران کی مطلوبہ تعداد سند یافتہ ہو۔

17. حصص یافتگی (شیئر ہولڈنگ) کے طریقہ کار (پیٹرن) اور حصص یافتگی کے طریقہ کار سے متعلق اضافی معلومات صفحہ 113 پر ظاہر کی گئی ہیں۔ یہ کمپنی شیل پیٹرولیم کمپنی لمیٹڈ، لندن (امیڈیٹ ہولڈنگ کمپنی) کا ذیلی ادارہ ہے جو کہ رائل ڈچ شیل (الٹیمیٹ ہولڈنگ کمپنی) کا ایک ذیلی ادارہ ہے جو برطانیہ میں قائم کی گئی تھی۔

18. ایس ای سی پی کی جانب سے گذشتہ برس جاری کیے گئے نظرثانی شدہ آڈیٹنگ کے معیارات کے نفاذ کے بعد آڈیٹرز کے لیے ضروری ہے کہ وہ آڈٹ کے اہم معاملات کا اپنی آڈیٹرز رپورٹ میں بیان کریں۔ یہ اہم آڈٹ معاملات ان مالیاتی گوشواروں کے صفحہ نمبر 56 پر بیان کیے گئے ہیں۔

19. 31 دسمبر 2019ء کو اختتام پذیر ہونے والے سال کے لیے مالیاتی گوشواروں کے اعداد و شمار کا کمپنی کے بیرونی آڈیٹرز کی جانب سے آڈٹ کیا جا چکا ہے۔

20. بورڈ نے بورڈ آڈٹ کمیٹی کی ہدایت پر دسمبر 2020ء کو اختتام پذیر ہونے والے مالی سال کے لیے ایم/ایس ای وائے فورڈ روڈز کو بطور ایکسٹرنل آڈیٹر برقرار رکھنے کی سفارش کی ہے۔

21. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکریٹری، انٹرنل آڈٹ کے سربراہ، دیگر ملازمین اور ان کے زوجین، اور نابالغ بچوں کی کمپنی کے حصص (شیئرز) میں تجارت کی تفصیل صفحہ 115 پر درج کی گئی ہے۔

22. مالی سال کے دوران کمپنی کی اختیار کردہ کارپوریٹ سماجی ذمہ داری اور دیگر سرگرمیاں صفحہ نمبر 46 سے 49 پر ظاہر کی گئی ہیں۔

23. جذبے، مستقل معاونت اور کمپنی پر اعتماد کے لیے ہم اپنے شیئر ہولڈرز، کسٹمرز، عملے اور دیگر فریقوں کے شکرگزار ہیں، اور ہم پاکستان کی سب سے بڑی انرجی کمپنی بننے کا اپنا سفر جاری رکھیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے

رفیع ایچ بشیر
چیئرپرسن

ہارون راشد
چیف ایگزیکٹو

کراچی: 4 مارچ 2020ء

NOTICE OF ANNUAL GENERAL MEETING THROUGH VIDEO-CONFERENCE

Notice is hereby given that the 51st Annual General Meeting of Shell Pakistan Limited will be held on Wednesday, May 20, 2020 at 10:30 a.m. through video-conference facility to transact the following 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, 2019.

2. To appoint Auditors for the financial year January 1 to December 31, 2020 and to fix their remuneration.

3. To elect ten (10) Directors in accordance with the Companies Act, 2017 for a period of three years commencing from June 13, 2020.

   The names of the retiring Directors are:

   Mr. Rafi H Basheer
   Mr. Parvez Ghias
   Mr. Nasser N S Jaffar
   Mr. Badaruddin Fatehali Vellani
   Ms. Madiha Khalid
   Ms. Naz Khan
   Mr. John King Chong Lo
   Mr. Haroon Rashid
   Mr. Faisal Waheed
   Mr. Waqar Siddiqui

4. To authorise the Executive Directors who are whole time working directors of the Company to hold their respective offices of profit as executives of the Company.

By Order of the Board

Karachi: April 27, 2020

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530

Lalarukh Hussain-Shaikh
Secretary

NOTES:

(i) The register of members will remain closed from Wednesday, May 6, 2020 to Wednesday, May 20, 2020 (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 May 5, 2020 will be in time for the purpose of attending the annual general meeting.

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

(iii) For attending the meeting, members are required to e-mail their name, folio number, valid e-mail address and number of shares held in their name to SHELLPK-AGM2020@shell.com. with the subject "Registration for SPL's AGM".

(iv) Video-link and login credentials will be shared with only those member/proxies whose e-mails containing all the required particulars are received at the given e-mail address by or before the close of business hours on May 18, 2020. The shareholders can also provide their comments and questions for the agenda items of the AGM on SHELLPK-AGM2020@ shell.com.

(v) 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. Proxies may also be appointed by e-mailing a scanned copy of signed letter by shareholder authorising proxy along with e-mail address of proxy and the relevant details (as below) to SHELLPK-AGM2020@shell.com. A proxy need not be a member of the Company.

(vi) 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 through video-conference in order to authenticate their identity.

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

(viii) Audited Accounts and the Annual Report of the Company for the year ended December 31, 2019 have been provided on the Company's website.

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

(x) Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the date of the said meeting his/her intension to office himself/herself for the election of the Directors in terms of section 159 (3) of the Companies Act, 2017 together with:

  (a) Consent to act as Director in form 28, as required under section 167 (1) of the Companies Act, 2017.

  (b) Detailed profile along with the office address for placement onto the Company's website seven days prior to the date of election in terms of SRO 634 (1) 2014 of July 10, 2014, and

  (c) Declaration in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies Act, 2017 to act as a Director of a listed Company.

Statement of Material Facts

Holding of Office of Profit by Executive Directors

As required by section 171(1)(c)(i) of the Companies Act 2017, the Members in General Meeting are required to authorise the holding of office of profit by the Executive Directors. For this purpose it is proposed that the following resolution be considered and passed as an ordinary resolution:

RESOLVED THAT the Executive Directors (including Alternate Directors) of the Company be and are hereby authorized to hold their respective offices of profit as executives of the Company under their respective contracts of service and that they be allowed benefits arising under their respective contracts of service and the applicable service rules of the Company.

RESOLVED FURTHER THAT in the event of any of the aforesaid offices of profit falling vacant, the approval hereby given shall be equally applicable to any other person appointed to fill such vacancy.

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS 2019 (the Regulations)

Shell Pakistan Limited (the Company) for the year ended December 31,2019.

The Company has complied with the requirements of the Regulations in the following manner: -

- The total number of directors is 10 as per the following:

  a) Male: Eight (8)

  b) Female: Two (2)

- The composition of the Board is as follows:

Category	Name
Independent directors	Parvez Ghias Naz Khan
Executive directors	Haroon Rashid Madiha Khalid Faisal Waheed
Non-executive directors	Rafi H. Basheer Nasser N. S. Jaffer Klaas Mantel Waqar Siddiqui Badaruddin F. Vellani
Female directors	Madiha Khalid Naz Khan

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

- The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations;

- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

- The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.

- The Board consists of ten (10) directors, out of which following seven (7) are certified under the Directors Training Program:
  - Rafi H. Basheer
  - Haroon Rashid
  - Parvez Ghias
  - Nasser N. S. Jaffer
  - Naz Khan
  - Badaruddin F. Vellani
  - Faisal Waheed

- The Board has approved appointment of the chief financial officer, company secretary and head of internal audit including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations;

- The financial statements of the Company were duly endorsed by the chief executive officer and the chief financial officer before approval of the Board;

- The Board has formed committees comprising of members given below:

Audit Committee

1. Naz Khan (Chairperson)
2. Rafi H. Basheer
3. Badaruddin F. Vellani

Human Recourse Remuneration Committee

1. Mr. Parvez Ghias (Chairperson)
2. Mr. Haroon Rashid
3. Mr. Klaas Mantel

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

- The frequency of meetings (quarterly / half yearly/ yearly) of the committee were as follows:

1. **Audit Committee:** Four (4) meetings held during the year.

2. **HR and Remuneration Committee:** Two (2) meetings held during the year.

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

- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

- The statutory auditors or the persons associated with them have not been appointed to provide other services expect in accordance with the Act, there Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

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

Rafi H. Basheer
Chairperson

Date: March 4, 2020

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF SHELL PAKISTAN LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'the Regulations'), prepared by the Board of Directors of Shell Pakistan Limited (the Company) for the year ended 31 December 2019 in accordance with the requirements of the Regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes

Chartered Accountants

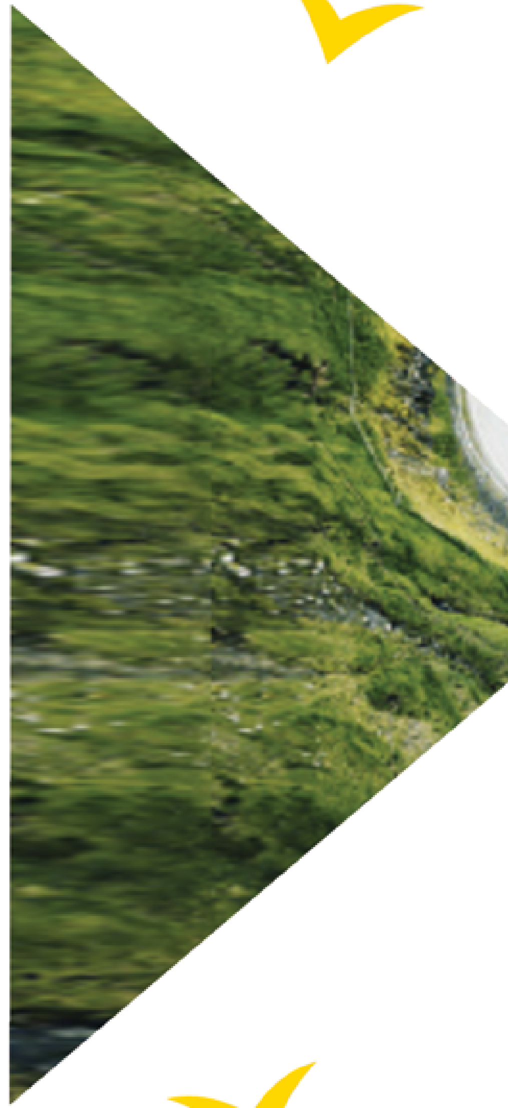
Place: Karachi

Date: 18 March 2020

OUR NATURE TO ADAPT

Customers will need oil and gas for many decades to come, but as the energy system changes, our customers' needs are changing. Shell will continue to help provide the oil and gas the world needs, but the company must move in step with society. Our track record of using our business ingenuity to serve our customers, of collaboration and of technical achievement point to our ability to adapt and thrive in the coming decades.

And our company purpose is in tune with this time of change: to power progress together by providing more and cleaner energy solutions. This means more energy to meet growing demand and cleaner energy to help tackle climate change and pollution.



SHELL RETAIL

Shell Pakistan's retail network comprises over 760 sites located across the country, providing an array of high-quality products and services to our customers. In addition to offering a wide variety of fuels such as Super Unleaded and Diesel, advanced premium fuels like Shell V-Power – with Dynaflex Technology, and high-quality lubricant products, our retail sites also provide a range of non-fuel retailing facilities that bring greater convenience to our customers.

EXCITING OFFERS AT OUR RETAIL SITES

In our journey towards connecting with our consumers we launched exciting brand campaigns - "Shell Helix Free Fuel" and "Love Takes You Places" that focused on penetration of our premium products; and a collaboration with Visa, to promote new payment solutions for our customers. Through these campaigns and promotions, our consumers won free trips to Paris, had an opportunity to win luxury cars and won several other exciting prizes.

BUILDING A STRONG FOUNDATION OF CONVENIENCE STORES

Select, a global brand, is present in over 25 countries worldwide. In 1994, Pakistan launched its first Select store; to date we have expanded and serve our valued customers at 130 stores nationwide. We continue to invest in space efficient convenience retailing at our Select stores, making it possible to offer more products and services in the dedicated space.

To enhance overall Select value proposition for our customers, Shell Pakistan is working with leading partners in the fast-moving consumer goods business to bring high quality brands for our customers at Select Stores. We have upgraded the Select brand offer across Pakistan through our alliance partners, including Unilever for ice creams, PepsiCo and Kellogg's for crisps, Coca Cola and Red Bull for beverages, and British American Tobacco for tobacco products. We have also successfully onboarded alliance partners for bakery goods, coffee and juices to cater to the needs of customers visiting Shell Pakistan retail sites.

DRIVING SAFE RETAIL OPERATIONS

Shell Pakistan has always maintained a sharp focus on driving safe operations at our stations, for the wellbeing of our customers, staff and communities. It continues to invest in the development of our Service Champions. During the year, we have witnessed our Service Champions exhibit great presence of mind and demonstrate excellent emergency responses at the forecourts, in times of unavoidable emergency situations; playing a vital role in safe operations.

Our Service Champions go through an in-depth training program developed to standardize service across Shell Pakistan locations; providing them technical know-how and the skill to make customers feel welcomed and happy.

LISTENING TO THE "VOICE OF CUSTOMER"

Shell Pakistan is driven towards improving its customers experience at the forecourts by investing in digitalization. We successfully launched "Voice of Customer" – a global program designed to gather customer feedback directly at the forecourt and channel it into actionable insights that bring value for our customers. This helps us measure overall satisfaction of our consumers and improve their experience. 'Voice of customer' has been launched at various sites across Pakistan, with an aim to expand it on every forecourt in the upcoming years.

SHELL LUBRICANTS

Shell Lubricants continues to mark its success by being the leading global supplier of finished lubricants for 13 consecutive years. This is driven by the organisation working continuously towards improving its customers experience by putting them first and investing in cutting-edge technology, brand and marketing excellence.

BUSINESS PERFORMANCE

The Lubricants business maintained its market share both in the consumer and industrial business, despite a challenging economic backdrop. From our efforts to connect with our consumers and bring quality products to the market, we experienced an increase in brand share of preference across our top consumer brands, with Helix standing at 32% amongst motorists, Rimula at 30% amongst truckers and Advance at 27% amongst bikers*.

To provide value for customers, Shell Pakistan embarked on a partnership with Hyundai Nishat. Bringing this global partnership between Shell and Hyundai to Pakistan, Shell Pakistan will be providing exclusive aftermarket services to Hyundai customers, as preferred partners in fuels, lubricants and Shell cards for their vehicles.

The Lubricants business has also started collaborating with Pakistan's highly trusted websites, to engage its online visitor base by disseminating relevant information through digital platforms to a highly targeted audience. Shell Pakistan has partnered with PakWheels to provide a holistic gateway offering authentic and relevant information for lubricants consumers.

*H1 2019 results by Global Kantar

SHELL ADVANCE

Shell Advance launched its 'Na Mumkin Sey Agey' country wide promotion for our biker consumers with an objective to inspire and encourage the use of Shell Advance. Consumers got to avail discounts on packs and an exciting opportunity to win Harley Davidson heavy bikes and 125cc motorcycles. Prizes were also offered to the winning distributor partners who were instrumental in the success of this campaign.

Shell Advance partnered with Ride Pakistan, a renowned bikers' club, to promote social causes and create awareness around various NGOs operating in Pakistan for the wellbeing of citizens.

SHELL HELIX

Shell Helix successfully launched Shell Helix HX6, formulated with synthetic technology, that is designed to help protect against sludge and wear. For the passenger car segment, we were able to successfully shift the mineral based Helix HX5 to synthetic grade HX6 at an affordable price.

SHELL RIMULA

Keeping in view insights and needs of our trucker community, we introduced Shell Rimula 20L pails to ensure economy and ease of use. This is a unique offering especially for the owner and driver of 18-wheelers and long haulers where the average sump size ranges between 14-20L to address their carrying and storage requirements. We connected with Shell Rimula's farmer community, by leveraging 'What Matters Is Inside' marketing campaign, that has been localised for each region.

SHELL AVIATION

Shell Aviation is a global supplier of aviation fuels, lubricants and technical services, serving customers across all aviation segments. Over more than 100 years, it has built a reputation for being a trusted partner providing world-class safety and operations and supply security, with a presence in 60 countries refueling a plane every14 seconds.

SHELL AVIATION IN PAKISTAN

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

2019 HIGHLIGHTS

We continued performing well, being the second largest jet fuel supplier in the country, supplying over 25 domestic and international customers. With its relentless focus on safety, Shell Aviation maintained a strong safety track record at our airport sites in Pakistan. Our commitment to achieve Goal Zero is a journey built on our reputation in achieving operational excellence through continuous improvement and collaboration across the countries where we operate. We strive to maintain international standards at all our locations through various infrastructural and operational upgradation projects during the year. In 2019, we have invested in major infrastructural upgrades and asset integrity projects at the airports we operate at. We introduced E-Permit to work that effectively supports the frontline, in creating safe working environment, bringing standardization and time efficiency.

HSSE PERFORMANCE

HSSE IN PAKISTAN

Shell Pakistan has an integrated approach towards Health, Safety, Security and Environment (HSSE). We believe a safe business is a good business. We believe that conducting business safely and ethically, and compliance with local and internal safety standards, is necessary to maintain our license to operate and for future growth strategy. To accomplish this, we focus on three areas of safety with the highest risks in our activities: personal, process and transport safety.

ROAD SAFETY

Even though the motorway system in Pakistan is rapidly expanding, transportation of hazardous hydrocarbons by road remains a high risk. In 2019, Shell Pakistan introduced technology, such as electronic braking systems, roll over prevention devices to their contracted tank lorries to become safer. We focused on road transport and driver safety with our flagship project 'Pasbaan', that steered valuable tangible and intangible actions across the organisation to help bring about a mindset shift. Many key milestones were achieved through 'Pasbaan', including fleet and technology upgrades, efficiencies in our terminal and retail interfaces, capability building of road transport partners, and extensive work on safety leadership, and care and respect for the haulier fleet drivers. Our efforts aim to lead towards superior road transport operations in Pakistan.

EMERGENCY RESPONSE DRILL

Developing and maintaining emergency response procedures is an important element of building a robust safety culture. We continue to maintain emergency response plans, and make sure we have the necessary resources to deal with spills, leaks, fires or explosions. We review our emergency response plans, testing them in safety exercises or in drills with local services and regulatory agencies that would be involved if an incident took place. We continue to use ICS (Incident Command System), the globally standardised approach to command, control and coordinate an emergency response. In 2019, we conducted emergency drills in collaboration with Armed Forces and Government Agencies. Our hauliers and road transport team conducted over 200 emergency response drills, including three mega-drills that involved authorities, regulators and other industry players.

SAFETY DAY 2019

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

On March 27th, Safety Day engagements were held across the country. We believe that smaller safety engagements can be more effective in driving a safety mindset. We have centered Safety Day around everyone, all employees and contractors, coming together in teams to engage personally with each other and have a focused conversation about how they can keep themselves and the people they work with safe. Topics of our engagements were informal leader-led conversations on tackling risk normalisation, surfacing dilemmas, and demonstrating care with employees, distributors, retailers, contractors, and customers at those events.

Shell Pakistan continues to drive the importance of safety internally and externally through our various programmes and initiatives to support employees, partners, contractors, and communities in their safety journey.

SHELL HEALTH

Shell Health Pakistan focused largely on reinforcing the culture of care at Shell Pakistan. The aim was to promote an environment of care which would lead to increased human performance enabling individuals, teams and organisation to utilise their potentials to the fullest and perform their best. The physical and emotional wellbeing of employees was promoted through health screenings, physician and dietary consultations, and interactive sessions on mental health.

Shell Health collaborated with other departments to carry out programs such as distributor engagements on 'self-care and care for others' and awareness building with haulier drivers on fitness to work, heat and fatigue risks.

OUR PEOPLE

To be the most competitive and innovative energy company, our people are central to the delivery of our strategy and driving progress. Performing competitively in the evolving energy landscape requires competent and empowered people working safely together across Shell Pakistan. We believe that by crafting a collaborative culture, we encourage human ingenuity and creativity. Our focus is to recruit, train and recompense people according to a strategy that aims to encourage healthy competition, maintain a productive organisation; accelerate development of our people, grow and strengthen our leadership capabilities, and enhance employee performance through strong engagement.

CREATING A HIGH PERFORMING WORKFORCE

Shell is committed to creating and maintaining a high-performance culture. To enable our people, we focus on developing and supporting our employees through intensive engagement, while rewarding their contributions. Throughout their career with Shell we set clear, focused goals to improve operational performance, their professional development and our bottom line. Leaders are continuously provided counselling and guidance on driving performance amongst their team.

Shell Pakistan strives to develop high performing and diverse talent pipelines through effective and efficient recruitment strategies for experienced professionals and graduates. Our people are recruited, developed and retained according to our People Strategy that is required to support our long-term business strategy and deliver more energy in a more sustainable way. In 2019, our search for remarkable talent spanned across Pakistan. Over 30 graduates and experienced professionals were recruited at different locations across Pakistan.

As part of developing people through international assignments, Shell Pakistan continued to export talent to various Shell countries in 2019. Furthermore, we have refreshed our onboarding and induction plan and incorporated Shell's global career portal to our local application process. Shell Pakistan maintained an attrition rate of 8%, well below the average market attrition rate.

BUILDING AND SUSTAINING A DIVERSE AND INCLUSIVE (D&I) ENVIRONEMNT

People are what make our business. Our success depends on our ability to attract, motivate, and retain an increasingly diverse pool of talent. We aspire for a diverse workforce and an inclusive environment that respects and supports all our people and helps improve our business performance. Our D&I approach focuses on talent acquisition, progression and retention, leadership visibility, inclusive culture and on differentiating our external reputation. Our leaders aim to be role models for D&I and assume accountability for continuous progress. We believe that diverse teams led by inclusive leaders are more engaged, and therefore deliver better safety and business performance. By embedding D&I into our operations, we have a better understanding of the needs of our employees as well as the needs of our varied customers, partners and stakeholders throughout the world.

As part of our journey of developing D&I capability and awareness in Shell Pakistan, we have engaged 80% employees through various learning sessions. Our efforts to induct a diverse workforce reached a new milestone as 55% of our total recruits were female.

To inspire and champion advancement of women working in Shell Pakistan, Shell Women's Network for Pakistan was formed in 2014 as one of the first professional networks for women in Pakistan. The network provides a collaborative forum through external networking opportunities, and in 2019, several capability sessions and panel discussions were conducted to strengthen the representation of women in leadership ranks.

MAKING SHELL A GREAT PLACE TO WORK

Making Shell Pakistan as the employer-of-choice is one of the top priorities. Shell Pakistan aims to attract the best talent. We work to provide an environment where employees feel valued and included, able to nurture their talent as individuals and as part of a collaborative team. Family friendly policies are in place to further strengthen our Employee Value Proposition for attracting and retaining talent. Hosting 'Kids Day at Work', celebrating International Women's Day, reveling employees' milestone are few of the initiatives taken in Shell Pakistan to make itself one of the best employers in the market. Building on that, the Shell Pakistan employee survey results for employee engagement remained in the top quartile for 2019.

SOCIAL PERFORMANCE

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

POWERING LIVES THROUGH ENERGY

Energy is critical to economic and social development and can improve the lives and livelihoods of people across the world. Shell, together with local partners, designs and implements self-sustaining access to energy projects that help unlock local markets for energy products and services.

Shell Pakistan has initiated an Access to Energy Programme in partnership with National Rural Support Program (NRSP) in Southern Punjab. We provided clean energy solutions to a village, with the aim of positively impacting income levels and lifestyles. It includes a solar powered tube well for uninterrupted water supply with increased output, thereby reducing irrigation time per acre to one-third the time and cost; clean cooking stoves; and the conversion of the local flour mill from traditional sources to solar power. The aim is to hand over the running of the project to a community-based organization to sustain its benefit to the community.

CREATING VALUE THROUGH SHELL TAMEER

Shell LiveWIRE is one of Shell's global social investment programmes which enables young people to start their own business and create employment. Launched in Pakistan in 2003, named "Tameer", the programme has reached out to 0.8 million young people (aged 18-35) and engaged 12,500 young entrepreneurs through enterprise trainings resulting in over 1,000 start-ups and business expansions. To learn more about Shell Tameer, visit: https://tameer.shell.com.pk

BUILD THE FUTURE CAMPAIGN

In 2014, Shell Tameer started the 'Build the Future' campaign to generate funds to provide seed capital for students from the SOS Technical Training Institute and The Hunar Foundation (THF) to start up their own businesses. As of December 2019, 300 students from these institutions have been trained through five Build the Future workshops. In total, 100 business plans were developed for a diverse group of skilled entrepreneurs of which 79 successfully qualified to receive funding through tools and grants worth PKR 3,500,000 (Rupees three million, five hundred thousand only) in total.

INTERNATIONAL WOMEN´S DAY CELEBRATION

Shell Tameer celebrated International Women's Day by hosting mentoring circles for female led start-ups at the SOS Technical Training Institute (SOS-TTI) in Karachi Pakistan.

The programme proved to be a networking opportunity with 14 Shell Tameer women alumni who were trained through Tameer's "Build the Future Workshops". The female batch were coached by trailblazing women from different sectors, including Tameer's own alumni, Humaira Bachal. She runs two education centric NGOs in Sindh that have helped empower and motivate women towards self-sufficiency.

SHELL LIVEWIRE TOP TEN INNOVATORS AWARD

The Top Ten Innovators is a worldwide competition open to the alumni of Shell LiveWIRE. This year the competition focused on building a circular economy. Rewards were granted to entrepreneurs that help move the world away from the linear economy model – taking, using, and disposing of products – and towards an economy that designs waste out of the system.

In 2019, Greenovation, a Shell Tameer alumnus from Pakistan, that produces clean energy from recycled plastic waste, won the Runners up award in the "Sustainable future" category at this global competition, receiving US $10,000 as prize money.

HELPING BUILD SUCCESSFUL ENTREPRENEURS

Shell Tameer trained over 200 aspiring entrepreneurs in 2019 through the advanced "Become a Successful Owner Manager" modules offered to the students of NED University of Engineering & Technology and Bahria University, and start-ups at Plan X in Karachi, Lahore and Islamabad.

Shell Tameer invited subject matter experts from Shell Pakistan, industry and academia to facilitate sessions on digital marketing, business legalities, financial management and idea pitching techniques to professionalise their startups.

STRATEGIC COLLABORATIONS

In 2019, Shell Tameer built strategic collaborations with key stakeholders to leverage resources from academia, industry and enterprise development agencies towards a sustainable entrepreneurial ecosystem.

Through our partnerships with the Institute of Business Administration (IBA), NED University of Engineering & Technology, National Incubation Centre Karachi and ClimateLaunchpad Pakistan, we engaged over 200 aspiring entrepreneurs to help them convert their green business ideas and final year university projects into a commercial venture.

SHELL MAKE THE FUTURE LIVE

In 2019, the Shell Eco-marathon in its tenth year brought together over 100 student teams from 18 countries across Asia Pacific and the Middle East to test which vehicle can go the farthest using the least amount of energy. One of the world's longest-running student competitions, Shell Eco-marathon is a global Shell programme that challenges bright student minds to design and build ultra-energy-efficient vehicles, and then put them to the test in competition. Student teams participated in either of two categories: Prototype category for futuristic and highly aerodynamic vehicles, or Urban Concept category for vehicles that resemble today's cars.

The competition was held from April 29th to May 2nd in Malaysia, as part of Shell's Make the Future Live event, a platform for collaboration and innovation around the global energy challenge. Eight teams from Pakistan participated, with a team from National University of Sciences & Technology (NUST) College of EME, Rawalpindi, completing a run with a mileage of 72 km/liter, effectively beating their own performance from 2018.

OUR NATURE TO THRIVE

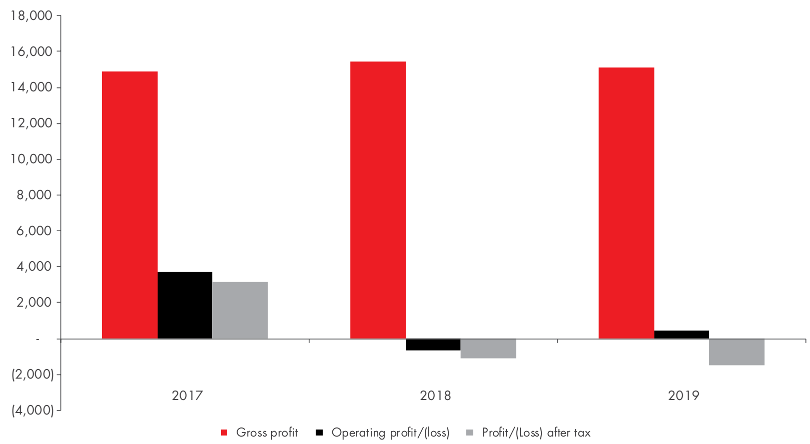
Creating a successful business from providing energy to those who do not have a reliable modern supply today is a part of Shell's strategy.

Shell has become the company we are by listening to customers, providing what they need and being in step with society. Shell will keep to these principles and continue to act in collaboration with governments, partners, customers and local communities. In a time of change, following our purpose and strategy can ensure we succeed.

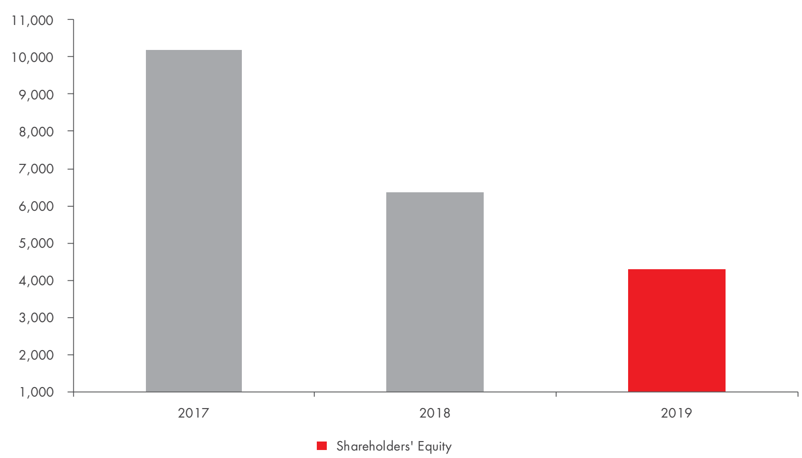
PERFORMANCE AT A GLANCE

YEAR ENDED DECEMBER 31, 2019

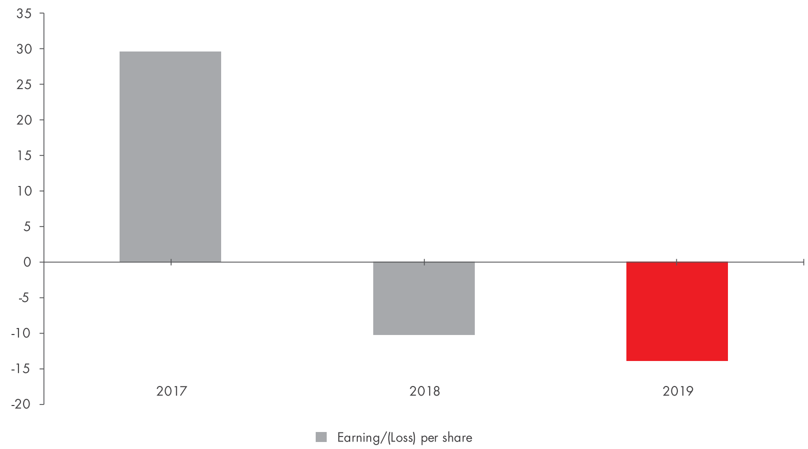
PROFITABILITY (Rs. million)



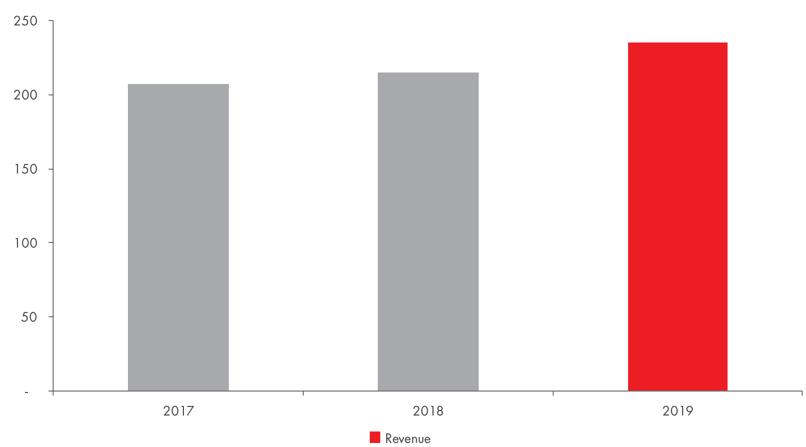
Shareholders' Equity (Rs. million)



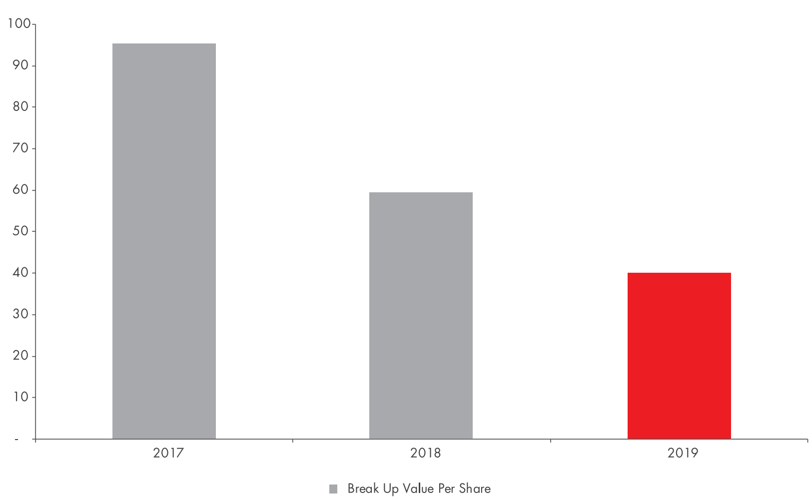
EARNINGS / (LOSS) PER SHARE (Rs. per share)



REVENUE (Rs. in billion)



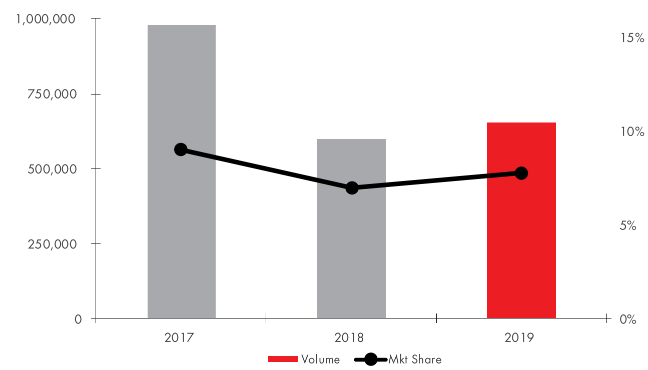
BREAK UP VALUE PER SHARE (Rs.)



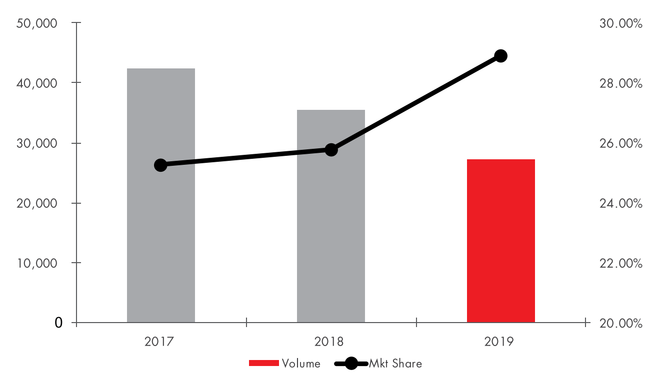
OPERATING AND FINANCIAL HIGHLIGHTS

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

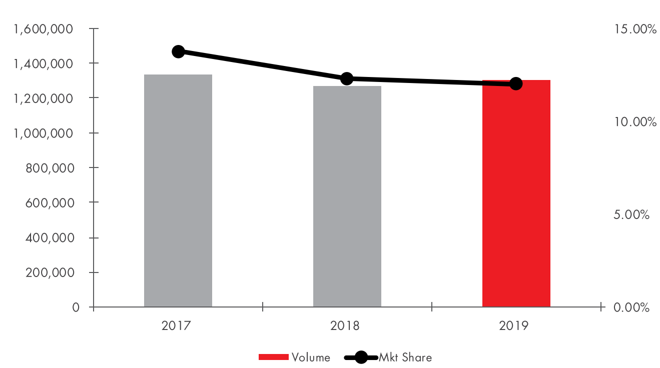
HIGH SPEED DIESEL VOLUME



DIFFERENTIATED FUELS VOLUME



MOTOR GASOLINE VOLUME



YEAR ENDED DECEMBER 31, 2019

Highlights		2019	2018
Sales volume	Tonnes	**2,093,700**	2,172,500
Sales revenue	Rs. mn	**199,719**	186,204
Loss before taxation	Rs. mn	**(140)**	(60)
Loss after taxation	Rs. mn	**(1,486)**	(1,102)
Fixed capital expenditure	Rs. mn	**2,501**	2,695
Shareholders' equity	Rs. mn	**4,291**	6,353
Loss per share - basic	Rs.	**(13.88)**	(10.30)

		Year ended December 31						
Financial Statistical Summary		**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Share capital	Rs. mn	**1070**	1,070	1,070	1,070	1,070	1,070	856
Reserves	Rs. mn	**3,221**	5,283	9,128	10,040	4,911	4,825	6,367
Shareholders' equity	Rs. mn	**4,291**	6,353	10,198	11,110	5,981	5,895	7,223
Break up value	Rs.	**40**	59	95	104	56	55	84
Dividend per share	Rs.	**-**	7	24	34	10	8	4
Bonus	Ratio	**-**	-	-	-	-	-	1:4
Profit / (Loss) before tax	Rs. mn	**(140)**	(60)	4,323	5,706	2,345	546	2,424
Profit / (Loss) after Tax	Rs. mn	**(1,486)**	(1,102)	3,183	6,764	911	(1,067)	1,061
Earnings / (Loss) per share of Rs. 10	Rs.	**(13.88)**	(10.30)	29.74	63.22	8.51	(9.97)	12.39
Working capital								
Current assets to current liabilities	Times	**0.7**	0.7	0.8	0.9	0.8	0.9	0.9
Number of days stock	Days	**34**	32	23	25	26	23	27
Number of days trade debts	Days	**8**	6	7	4	2	3	3
Performance								
Profit / (Loss) after tax as % of average shareholders' equity	%	**(27.9)**	(13.3)	29.9	79.2	15.3	(16.3)	16.2
Cost of Sales as a % of sales	%	**92.4**	91.7	91.2	71.5	75.0	83.5	82.6
Profit / (Loss) before tax as % of sales	%	**(0.07)**	(0.03)	2.6	2.7	0.9	0.2	0.8
Profit / (Loss) after tax as % of sales	%	**(0.7)**	(0.6)	1.5	3.1	0.4	(0.4)	0.4
Total debt ratio	Ratio	**0.7**	0.6	0.04	-	0.3	0.6	0.9

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the annexed financial statements of Shell Pakistan Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Receivable from the Government of Pakistan (GoP)	
As disclosed in note 14 to the financial statements, as at 31 December 2019 the Company has receivables from GoP on account of petroleum development levy and other duties and price differential claims amounting to Rs.1,380,029 thousand and Rs.2,600,528 thousand, respectively, recoverable from the GoP against export sales and supply of petroleum products at subsidized rates to various customers. These balances are long outstanding with no substantial recoveries made in last few years' despite follow-ups by the Company with relevant ministries. In view of the above matter, the aforesaid receivable balances being significant to the financial statements, have been considered as a key audit matter.	In our consideration of the recoverability of these balances and their expected timing, we evaluated the appropriateness of management's judgments in light of the given circumstances through the following audit procedures: • reviewed related correspondence between the Company and relevant authorities, and held discussions at appropriate level of management to critically assess their views on the recoverability and timing of settlement of relevant receivables; • considered management's process for impairment assessment of receivables, discussed judgment exercised by them and checked the approval of the Board of Directors in this regard; • reviewed the minutes of the Board of Directors and Board Audit Committee and discussed at the appropriate level of management, events during the year and steps taken by management for recoverability of these receivables; and • assessed the adequacy and appropriateness of disclosures for compliance with the requirements of applicable financial reporting framework.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">2. Adoption of IFRS 9 - ‘Financial Instruments’ (IFRS 9)</td></tr>
<tr><td>As disclosed in note 2.3.2 to the financial statements, IFRS 9 became effective during the year for the Company which replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’.

Management has determined that the most significant impact of the new standard on the Company’s financial statements relates to application of Expected Credit Losses (ECL) model for impairment of financial assets.

The Company has applied the requirements of IFRS 9 from January 01, 2019, on the financial assets, the financial impacts of which are detailed in note 2.3.2 to the financial statements.

We considered the above as key audit matter due to first time application of IFRS 9 on the financial statements, which included use of significant judgements and estimates by the management.</td><td>Our audit procedures among others included obtaining an understanding of the process and controls on this area relevant to our audit. Further, we have:

• reviewed management’s process for compliance with the requirements of IFRS 9;
• evaluated key decisions made by the Company with respect to accounting policies, estimates and judgements in relation to adoption of IFRS 9 and assessed its appropriateness based on our understanding of the Company’s business and its operations;
• reviewed impairment models for determining ECL prepared by the management. As part of the review, we tested key inputs in the models and assessed the reasonableness of assumptions used such as future cash flows and discount rates; and
• assessed the adequacy and appropriateness of disclosures for compliance with the requirements of applicable financial reporting framework.</td></tr>
<tr><td colspan="2">3. Adoption of IFRS 16 - ‘Leases’ (IFRS 16)</td></tr>
<tr><td>As disclosed in note 2.3.2 to the financial statements, IFRS 16 ‘Leases’ has become effective for the current year. The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Company is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.

The impacts of the adoption of the standard are disclosed in note 2.3.2 to the financial statements.

The application of the new standard requires management to make significant estimates and judgements in relation to determination of lease term and appropriate discount rate for measurement of lease liability.

We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</td><td>Our audit procedures among others included obtaining an understanding of the process and controls on this area relevant to our audit. Further, we have:

• evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements;
• corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of filling stations in the use of the Company and reviewing the rent expense ledgers for the year;
• performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts;
• evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and
• evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the financial statements of the Company for the year.</td></tr>
</table>

Information Other than the Financial Statements and Auditors’ Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 18 March 2020

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019	2018
		----------- (Rupees '000)	-----------
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**13,176,996**	11,767,843
Right-of-use assets	5	**4,861,724**	-
Intangible assets	6	**11,557**	14,709
Long-term investments	7	**4,631,252**	4,436,561
Long-term loans	8	**33,585**	25,076
Long-term deposits and prepayments	9	**159,759**	883,177
Deferred taxation	10	**425,467**	178,456
		23,300,340	17,305,822
Current Assets			
Stock-in-trade	11	**17,413,439**	14,884,111
Trade debts	12	**4,544,062**	3,264,207
Loans and advances	13	**131,099**	109,668
Short-term deposits and prepayments		**544,129**	782,165
Other receivables	14	**7,922,392**	10,797,182
Cash and bank balances	15	**2,319,546**	1,973,413
		32,874,667	31,810,746
TOTAL ASSETS		**56,175,007**	49,116,568
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,070,125**	1,070,125
Share premium		**1,503,803**	1,503,803
General reserves		**207,002**	207,002
Unappropriated profit		**1,995,276**	4,068,450
Remeasurement of post-employment benefits – actuarial loss		**(485,073)**	(496,058)
Total equity		**4,291,133**	6,353,322
Liabilities			
Non-Current Liabilities			
Asset retirement obligation	17	**138,322**	130,983
Long-term lease liabilities	18	**3,718,614**	-
Provision for post-retirement medical benefits	32	**173,067**	97,987
		4,030,003	228,970
Current Liabilities			
Trade and other payables	19	**38,401,649**	33,668,689
Unclaimed dividend		**165,094**	142,960
Unpaid dividend		**154,623**	190,081
Accrued mark-up	20	**11,747**	3,110
Short term borrowings	21	**8,154,343**	8,052,978
Taxation - net		**559,652**	476,458
Current portion of long-term lease liabilities	18	**406,763**	-
		47,853,871	42,534,276
Contingencies and commitments	22		
TOTAL EQUITY AND LIABILITIES		**56,175,007**	49,116,568

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		----------- (Rupees '000) -----------	
Sales	23	**234,040,872**	214,211,920
Other revenue		**765,436**	941,091
		234,806,308	215,153,011
Sales tax		**(35,087,707)**	(28,949,456)
Net revenue		**199,718,601**	186,203,555
Cost of products sold	24	**(184,621,127)**	(170,779,180)
Gross profit		**15,097,474**	15,424,375
Distribution and marketing expenses	25	**(7,388,212)**	(6,482,137)
Administrative expenses	26	**(5,042,971)**	(5,028,800)
Other expenses	27	**(2,791,907)**	(5,084,078)
Other income	28	**557,612**	507,050
Operating profit / (loss)		**431,996**	(663,590)
Finance costs	29	**(1,522,768)**	(370,159)
		(1,090,772)	(1,033,749)
Share of profit of associate - net of tax	7	**950,806**	974,075
Loss before taxation		**(139,966)**	(59,674)
Taxation	30	**(1,345,801)**	(1,042,311)
Net loss for the year		**(1,485,767)**	(1,101,985)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial gain / (loss) on post-employment benefits - net of tax		**10,985**	(174,457)
Total comprehensive loss for the year		**(1,474,782)**	(1,276,442)
		----------- (Rupees) -----------	
Loss per share – basic and diluted	31	**(13.88)**	(10.30)

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

		Capital reserve	Revenue reserve			
	Share capital	Share premium	General reserve	Unappropriated profit	Actuarial (loss) / gain on post-employment benefits	Total
	------------------------------------- (Rupees '000) -------------------------------------					
Balance as at January 01, 2018	1,070,125	1,503,803	207,002	7,738,731	(321,601)	10,198,060
Final dividend for the year ended December 31, 2017 at the rate of Rs.17/- per share	-	-	-	(1,819,210)	-	(1,819,210)
Interim dividend for the year ended December 31, 2018 at the rate of Rs.7/- per share	-	-	-	(749,086)	-	(749,086)
Net loss for the year	-	-	-	(1,101,985)	-	(1,101,985)
Other comprehensive loss for the year	-	-	-	-	(174,457)	(174,457)
Total comprehensive loss for the year	-	-	-	(1,101,985)	(174,457)	(1,276,442)
Balance as at December 31, 2018	**1,070,125**	**1,503,803**	**207,002**	**4,068,450**	**(496,058)**	**6,353,322**
Effect of change in accounting policy - net of tax (note 2.3.2)	-	-	-	(587,407)	-	(587,407)
Balance as at January 01, 2019 - restated	**1,070,125**	**1,503,803**	**207,002**	**3,481,043**	**(496,058)**	**5,765,915**
Net loss for the year	-	-	-	(1,485,767)	-	(1,485,767)
Other comprehensive income for the year	-	-	-	-	10,985	10,985
Total comprehensive (loss) / income for the year	-	-	-	(1,485,767)	10,985	(1,474,782)
Balance as at December 31, 2019	**1,070,125**	**1,503,803**	**207,002**	**1,995,276**	**(485,073)**	**4,291,133**

The annexed notes from 1 to 44 form an integral part of these financial statements.

Faisal Waheed
Chief Financial Officer

Haroon Rashid
Chief Executive

Naz Khan
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		----------- (Rupees '000) -----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	**4,499,953**	(2,362,435)
Finance costs paid		**(921,901)**	(202,351)
Income tax paid		**(1,332,366)**	(581,319)
Long-term loans		**(8,509)**	(7,256)
Long-term deposits and prepayments		**723,418**	(594,132)
Post-retirement medical benefits paid during the year		**(11,013)**	(9,642)
Net cash generated from / (used in) operating activities		**2,949,582**	(3,757,135)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(2,500,938)**	(2,695,297)
Proceeds from disposal of operating assets		**500**	106
Dividend received from associate		**613,657**	589,329
Interest received on short-term deposits / saving accounts		**35,021**	92,118
Net cash used in investing activities		**(1,851,760)**	(2,013,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		**(839,730)**	-
Dividends paid		**(13,324)**	(2,505,550)
Net cash used in financing activities		**(853,054)**	(2,505,550)
Net increase / (decrease) in cash and cash equivalents		**244,768**	(8,276,429)
Cash and cash equivalents at the beginning of the year		**(6,079,565)**	2,196,864
Cash and cash equivalents at the end of the year	36	**(5,834,797)**	(6,079,565)

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1 THE COMPANY AND ITS OPERATIONS

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

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

1.3 Geographical location and address of business units

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Act; and

- Provisions of and directives issued under the Act.

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except where otherwise specifically stated.

2.3 Initial application of standards, amendments or an interpretation to existing standards

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

2.3.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year

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

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation – (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

IAS 19	Plan Amendment, Curtailment or Settlement – (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures – (Amendments)
IFRIC 23	Uncertainty over income tax treatments

2.3.2 Improvements to Accounting Standards Issued by the IASB in December 2017

IFRS 3	Business Combinations - Previously held interests in a joint operation
IFRS 11	Joint Arrangements - Previously held interests in a joint operation
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements except for IFRS 9, IFRS 15 and IFRS 16 which are as follows:

IFRS 9 - 'Financial Instruments'

IFRS 9 replaces IAS 39, bringing together aspects of the accounting for financial instruments: classification, measurement and impairment.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognised in unappropriated profit as of January 01, 2019 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

Classification and measurement

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9 'Financial Instruments' are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

At transition date to IFRS 9, the Company had financial assets measured at amortized cost and equity instruments at cost. The new classification and measurement of the Company's financial assets are as follows:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its unquoted equity instruments as equity instruments at FVOCI. Under IAS 39, the Company's unquoted equity instruments were classified as available for sale financial assets.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECL for all financial assets other than debt instruments classified as FVPL and equity instruments classified as FVPL or FVOCI.

The Company has applied the ECL approach in accordance with the new accounting policy for impairment of financial assets as mentioned in note 3.4.1 of these financial statements.

The adoption of IFRS 9 resulted in following:

	Note	(Rupees '000)
Unappropriated profit		
As at December 31, 2019		**4,068,450**
IFRS 9 impact:		
Decrease due to change in retained earnings of associate		**(142,458)**
Decrease due to impairment charge against trade debts	12.3	**(67,763)**
Decrease due to impairment charge against other receivables	14.8	**(558,925)**
Related tax impact		**181,739**
		(444,949)
As at January 01, 2019 - restated		**3,481,043**
Long-term investments		
As at December 31, 2019		**4,436,561**
IFRS 9 impact:		
Decrease due to change in retained earnings of associate	7.1	**(142,458)**
As at January 01, 2019 - restated		**4,294,103**
Trade debts		
As at December 31, 2019		**3,264,207**
IFRS 9 impact:		
Decrease due to impairment charge against trade debts	12.3	**(67,763)**
As at January 01, 2019 - restated		**3,196,444**
Other receivables		
As at December 31, 2019		**10,797,182**
IFRS 9 impact:		
Decrease due to impairment charge against other receivables	14.8	**(558,925)**
As at January 01, 2019 - restated		**10,238,257**
Deferred taxation		
As at December 31, 2019		**178,456**
IFRS 9 impact:		
Deferred tax income on impairment charge against trade debts		**19,651**
Deferred tax income on impairment charge against other receivables		**162,088**
		181,739
As at January 01, 2019 - restated		**360,195**

IFRS 15 - 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related Interpretations and it applies to all revenue arising from contracts with customers unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method of adoption with the date of initial application of January 01, 2019. The Company is engaged in the procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils. The Company has assessed that significant performance obligations in contracts with customers is based on transfer of control of related goods and is discharged at that point of time. The transfer of goods takes place upon delivery of goods to customers.

Based on the above assessment, the Company considers that its existing accounting policies are substantially in compliance with the requirements of IFRS 15.

IFRS 16 - 'Leases'

IFRS 16 'Leases' supersedes IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and 'SIC-27' Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions, will be recognised in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over lands and office premises.

The Company adopted IFRS 16 with effect from January 01, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with similar characteristics.

IFRS 16 allows two options for transition under the modified retrospective method as follows:

- recognize the lease liability at the date of initial application for operating leases at the present value of remaining lease payments and a right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases, or;

- recognize the lease liability at the date of initial application for operating leases at the present value of remaining lease payments and a right-of-use asset at its carrying value as if the new standard had always been applied.

In applying the standard, the Company has recognised lease liability at the date of initial application as present value of remaining lease payments and a right-of-use asset equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments previously recognised. The present value has been determined using a single discount rate for portfolio of leases exhibiting similar characteristics based on practical expedient provided in the standard.

Lease term is the non-cancelable period for which the Company has right to use the underlying asset in line with the lease contract together with the periods covered by an option to extend which the Company is reasonably certain to exercise and option to terminate which the Company is not reasonably certain to exercise.

The impact of adoption of IFRS 16 as at January 01, 2019 [increase / (decrease)] is as follows:

	Note	(Rupees '000)
Right-of-use assets	5	**3,575,736**
Prepayments		**(859,510)**
Total Assets		**2,716,226**
Lease liabilities	18	**2,716,226**
Deferred taxation		**249,258**

The lease liabilities as at January 01, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	(Rupees '000)
Operating lease commitments as at December 31, 2018	**5,217,504**
Impact of discounting	**(2,384,298)**
Short-term leases	**(12,051)**
Other reconciling items	**(104,929)**
Total lease liability at January 01, 2019	**2,716,226**
Weighted average incremental borrowing rate as at January 01, 2019	**10%**

2.3.3 Standards and amendments to approved accounting standards that are not yet effective

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

Standards and amendments		Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
IFRS 3	Definition of a Business (Amendments)	January 01, 2020
IAS 1/IAS 8	Definition of Material (Amendments)	January 01, 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised

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

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

Standard		IASB effective date (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2021

2.4 Critical accounting estimates, assumptions and judgments

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

The estimates, assumptions and judgements made by the management that are subject to risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

i. Determination of useful lives, method of depreciation / ammortization and residual value of property, plant and equipment and intangible assets (notes 3.1, 3.3, 4.1 and 6);
ii. Impairment against financial and non-financial assets (notes 3.4, 4.8, 12.3 and 14.8);
iii. Review of net realizable value of stock-in-trade for diminution in the carrying values and review of stock-in-trade for obsolescence (notes 3.9 and 11);
iv. Provision of asset retirement obligation (notes 3.13.2 and 17);
v. Estimates of receivable and payables in respect of retirement and other service benefits (notes 3.12 and 32);
vi. Provision for current and deferred taxation (notes 3.8, 10 and 30);
vii. Determination of contingent liabilities (notes 3.17 and 22);

viii. Determining the lease term of contracts with renewal and termination options (notes 3.14 and 18);
ix. Leases - Estimating the incremental borrowing rate (notes 3.14 and 18); and
x. Valuation of unquoted equity investments other than in associates (notes 3.6 and 7).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are carried at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land which is stated at cost less accumulated impairment losses, if any.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific categories of property, plant and equipment as and when these are available for use.

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

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

Depreciation on additions is charged from the month in which an asset is available for use while no depreciation is charged for the month in which an asset is disposed 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 as an income or expense in the statement of profit or loss and other 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.

3.2 Right-of-use assets

The Company recognises a right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

3.3 Intangible assets – Computer software

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

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

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

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

3.4 Impairment

3.4.1 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be at a risk of default when contractual payments are 90 days past due, unless there are factors that might indicate otherwise. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.4.2 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in statement of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of profit or loss and other comprehensive income.

3.5 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% or more but less than 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies and decision of investees. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post acquisition profits or losses is recognised in profit or loss and its share in associates' post acquisition comprehensive income is recognised in other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. Dividends received from associates reduce the carrying amount of the investment. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

b) Subsequent measurement

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss and other comprehensive income.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset at FVPL.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.6.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

b) Subsequent measurement

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at FVPL.

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and other comprehensive income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss and other comprehensive income.

3.6.3 Offsetting of financial instruments

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

3.7 Deposits, advances, prepayments and other receivables excluding financial assets

These are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Exchange gains or losses arising in respect of deposits, advances and other receivables in foreign currency are added to their respective carrying amounts and charged to statement of profit or loss and other comprehensive income.

3.8 Taxation

3.8.1 Current

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

3.8.2 Deferred

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

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

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

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

3.9 Stock-in-trade

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

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

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

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

3.10 Cash and cash equivalents

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

3.11 Share capital

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

3.12 Retirement and other service benefits

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

3.12.1 Defined benefit plans

i) Approved funded gratuity schemes

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

ii) Approved funded pension schemes

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

iii) 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.

3.12.2 Defined contribution plans

i) 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 for non-management employees. The amount contributed is charged in the statement of profit or loss and other comprehensive income.

ii) Approved defined contributory pension fund

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

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

3.12.3 Employees' compensated absences

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

3.13 Provisions

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

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

3.14 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.14.1 Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.14.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.14.3 Determination of the lease term for lease contracts with extension and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

3.14.4 Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3.15 Unclaimed and unpaid dividend

Dividend declared by the Company, in the preceding three years, which remains unclaimed or unpaid as on the statement of financial position date is recognized as unpaid dividend. Dividend declared and payable prior to the preceding three years from the statement of financial position date are recognized as unclaimed dividend.

3.16 Borrowings

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

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

3.17 Contingent liabilities

Contingent liability is disclosed when:

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

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

3.18 Revenue recognition

The Company recognises revenue at a point in time when control of product is transferred to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from terminal or when it is delivered by the Company at customer premises.

The Company generally enters into an agreement with its customers for supply of petroleum products, including delivery of product. As the transportation of product coincides with actual delivery, sale of product and transportation is considered as a single performance obligation. The credit limits in contract with customers ranges from 2 to 90 days.

Other revenue and other income 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. Other revenue and other income is measured at the fair value of consideration received or receivable on the following basis:

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

3.19 Foreign currencies

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

3.20 Operating segments

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

3.21 Earnings per share

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

3.22 Contract liabilities

Contract liability is an obligation of the Company to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when payment is made or due whichever is earlier. Contract liabilities are recognised in revenue when Company fulfils the performance obligation under the contract.

3.23 Functional and presentation currency

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

3.24 Dividend and appropriation to reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		------ (Rupees '000) ------	
Operating assets – at net book value		**10,502,075**	9,659,775
Provision for impairment	4.8	**(355,392)**	(359,289)
	4.1	**10,146,683**	9,300,486
Capital work-in-progress	4.7	**3,030,313**	2,467,357
		13,176,996	11,767,843

4.1 Operating assets

	Note	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air conditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipments	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Total
		(Rupees '000)														
As at January 01, 2019																
Cost		**97,009**	**521,387**	**193,257**	**3,479,883**	**3,086,864**	**2,008,143**	**36,170**	**48,423**	**1,579,581**	**620,833**	**3,665,021**	**3,450,079**	**181,118**	**7**	**18,967,775**
Accumulated depreciation and impairment		**-**	**118,441**	**77,451**	**2,457,212**	**1,438,243**	**558,756**	**36,170**	**7,554**	**718,351**	**503,227**	**2,091,707**	**1,511,433**	**148,737**	**7**	**9,667,289**
Net book value		**97,009**	**402,946**	**115,806**	**1,022,671**	**1,648,621**	**1,449,387**	**-**	**40,869**	**861,230**	**117,606**	**1,573,314**	**1,938,646**	**32,381**	**-**	**9,300,486**
Year ended December 31, 2019																
Opening net book value		**97,009**	**402,946**	**115,806**	**1,022,671**	**1,648,621**	**1,449,387**	**-**	**40,869**	**861,230**	**117,606**	**1,573,314**	**1,938,646**	**32,381**	**-**	**9,300,486**
Additions		**-**	**88,617**	**4,378**	**286,631**	**127,856**	**162,576**	**6,795**	**10,921**	**188,796**	**77,240**	**451,099**	**383,794**	**146,694**	**-**	**1,935,397**
Less: Disposals / write offs / revision of asset retirement obligation																
Cost		**-**	**-**	**-**	**15,298**	**44,676**	**6,519**	**137**	**-**	**450**	**41,027**	**21,640**	**1,202**	**65**	**-**	**131,014**
Accumulated depreciation		**-**	**-**	**-**	**(14,348)**	**(34,880)**	**(4,567)**	**(75)**	**-**	**(450)**	**(41,027)**	**(17,243)**	**(630)**	**(65)**	**-**	**(113,285)**
	4.6	**-**	**-**	**-**	**950**	**9,796**	**1,952**	**62**	**-**	**-**	**-**	**4,397**	**572**	**-**	**-**	**17,729**
Less: Depreciation charge for the year	4.3	**-**	**23,408**	**3,194**	**133,538**	**123,004**	**102,706**	**1,381**	**3,716**	**80,428**	**50,212**	**214,088**	**323,891**	**15,802**	**-**	**1,075,368**
Less: Impairment reversal for the year	4.8	**-**	**(250)**	**-**	**(561)**	**(797)**	**(1,011)**	**-**	**(22)**	**(128)**	**-**	**(1,058)**	**(70)**	**-**	**-**	**(3,897)**
Closing net book value		**97,009**	**468,405**	**116,990**	**1,175,375**	**1,644,474**	**1,508,316**	**5,352**	**48,096**	**969,726**	**144,634**	**1,806,986**	**1,998,047**	**163,273**	**-**	**10,146,683**
As at December 31, 2019																
Cost		**97,009**	**610,004**	**197,635**	**3,751,216**	**3,170,044**	**2,164,200**	**42,828**	**59,344**	**1,767,927**	**657,046**	**4,094,480**	**3,832,671**	**327,747**	**7**	**20,772,158**
Accumulated depreciation and impairment		**-**	**141,599**	**80,645**	**2,575,841**	**1,525,570**	**655,884**	**37,476**	**11,248**	**798,201**	**512,412**	**2,287,494**	**1,834,624**	**164,474**	**7**	**10,625,475**
Net book value		**97,009**	**468,405**	**116,990**	**1,175,375**	**1,644,474**	**1,508,316**	**5,352**	**48,096**	**969,726**	**144,634**	**1,806,986**	**1,998,047**	**163,273**	**-**	**10,146,683**
As at January 01, 2018																
Cost		97,009	424,719	189,885	3,433,499	2,721,541	1,905,715	36,082	25,118	1,325,038	576,828	3,353,050	2,942,927	159,228	7	17,190,646
Accumulated depreciation and impairment		-	98,867	74,352	2,318,396	1,327,166	461,709	34,892	5,553	649,210	476,958	1,905,939	1,237,209	148,129	7	8,738,387
Net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
Year ended December 31, 2018																
Opening net book value		97,009	325,852	115,533	1,115,103	1,394,375	1,444,006	1,190	19,565	675,828	99,870	1,447,111	1,705,718	11,099	-	8,452,259
Additions		-	96,668	3,372	46,841	365,593	102,428	153	23,305	254,543	67,034	314,574	507,291	21,890	-	1,803,692
Less: Disposals / write offs / revision of asset retirement obligation																
Cost		-	-	-	457	270	-	65	-	-	23,029	2,603	139	-	-	26,563
Accumulated depreciation		-	-	-	(457)	(220)	-	(65)	-	-	(22,898)	(2,603)	(139)	-	-	(26,382)
	4.6	-	-	-	-	50	-	-	-	-	131	-	-	-	-	181
Less: Depreciation charge for the year	4.3	-	19,522	3,099	139,144	111,141	96,832	1,343	1,997	69,109	49,167	188,108	274,348	608	-	954,418
Less: Impairment provision for the year	4.8	-	52	-	129	156	215	-	4	32	-	263	15	-	-	866
Closing net book value		97,009	402,946	115,806	1,022,671	1,648,621	1,449,387	-	40,869	861,230	117,606	1,573,314	1,938,646	32,381	-	9,300,486
As at December 31, 2018																
Cost		97,009	521,387	193,257	3,479,883	3,086,864	2,008,143	36,170	48,423	1,579,581	620,833	3,665,021	3,450,079	181,118	7	18,967,775
Accumulated depreciation and impairment		-	118,441	77,451	2,457,212	1,438,243	558,756	36,170	7,554	718,351	503,227	2,091,707	1,511,433	148,737	7	9,667,289
Net book value		97,009	402,946	115,806	1,022,671	1,648,621	1,449,387	-	40,869	861,230	117,606	1,573,314	1,938,646	32,381	-	9,300,486
Depreciation rate % per annum		-	4 to 5	2.5	5	3 to 4	3 to 10 & 20	6.67	6.67	5 to 20	5 to 10 &20	5 to 10	5 to 20	20 to 25	25	

4.2 Operating assets include items having an aggregate cost of Rs.3,669,403 thousand (2018: Rs.3,304,966 thousand) which have been fully depreciated and are still in use of the Company.

4.3 Depreciation charge for the year on operating assets has been allocated as follows:

	Note	2019	2018
		------ (Rupees '000) ------	
Cost of products sold	24.1	**113,334**	107,042
Distribution and marketing expenses	25	**851,536**	718,049
Administrative expenses	26	**110,498**	129,327
		1,075,368	954,418

4.4 The Company's assets include assets having a cost of Rs.9,746,435 thousand (2018: Rs.9,129,530 thousand) located at dealer operated sites. Although the Fourth Schedule to the Act requires the disclosure of particulars of assets owned by the Company but not in its possession, the same has not been reproduced here due to the practical difficulties of disclosing the same as there are significant number of dealers and assets involved.

4.5 Particulars of immovable fixed assets of the Company are as follows:

Location	Address	Unit of measurement	Total area
Oil depot / terminals / plant			
Kemari Oil Terminal	Oil Installation Area, Plot No. 1, 3, 4, 7, 8 and 9, Kemari, Karachi.	Sq. yards	143,979
Daulatpur Oil Depot	Shell Pakistan Daulatpur Terminal, Shaheed Benazirabad.	Sq. yards	38,720
Shikarpur Oil Terminal	10km from Khanpur, Opposite PARCO PS-3, Kandhkot Road, District Shikarpur.	Sq. yards	58,080
Machike Oil Terminal	Machike Terminal, 7KM Sheikhupura Sargodha Road, Village Dhantpura, Sheikhupura.	Sq. yards	87,120
Shershah Oil Depot	Shell Shershah Depot, Multan.	Sq. yards	17,424
Vehari Oil Depot	Shell Bulk Oil Depot, Vehari.	Sq. yards	6,675
Sahiwal Oil Depot	Sahiwal Depot, Near railway station, Sahiwal.	Sq. yards	3,649
Bhakkar Oil Depot	Shell Bhakkar Depot, Near WAPDA Complaint Office, Bhakkar.	Sq. yards	6,110
Chaklala Oil Terminal	Shell Oil Terminal, Chaklala, Rawalpindi.	Sq. yards	58,080
Tarujabba Oil Depot	Shell Oil Depot, GT Road, Peshawar.	Sq. yards	53,240
Lube Oil Blending Plant	Plot No. 22, Oil Installation area, Kemari.	Sq. yards	100,118
Aviation stations			
Karachi Aviation Station	Karachi airport.	Sq. yards	4,500
Nawabshah Aviation Station	Nawabshah airport.	Sq. yards	1,621
Quetta Aviation Station	Quetta airport.	Sq. yards	1,667
Sukkur Aviation Station	Sukkur airport.	Sq. yards	778

Location	Address	Unit of measurement	Total area
Service stations			
Marine Drive Service Station	Plot No. DC 5, Block 8, Clifton, Karachi.	Sq. meters	873
Amil Service Station	Plot No. 234, Opposite Mazar-e-Qaid, M.A. Jinnah Road, Karachi.	Sq. meters	1,045
Karachi Service Station	SC-18, Sector 11-H, North Karachi, Karachi.	Sq. meters	836
Central Service Station	ST-1-A, Block 2, Sub block B, Nazimabad, Karachi.	Sq. meters	1,003
Shell Safari Service Station	Abul Hassan Esphahani Road, Plot No. L-1, KDA Scheme 24, Block 7, Gulshan-e-Iqbal, Karachi.	Sq. meters	773
Crescent Petroleum Station	Plot No. 6/1, Ghulam Hussain Qasim Quarters, Haris Road, Kharadar, Karachi.	Sq. meters	935
Popular Service Station	Plot No. PP-1, Near Sea Breeze Plaza, Shahrah-e-Faisal, Karachi.	Sq. meters	892
Nawaz Petroleum Service Station	Jhang Shorkot Road, Jhang.	Sq. meters	506
Satellite Town Filling Station	Satellite College Road, Rawalpindi.	Sq. meters	1,587
General			
Head Office	Shell House, 6, Chaudhary Khaliquzzaman Road, Karachi.	Sq. yards	4,907
Cannaught House	Unit No. C-V-119, Plot No. 16/F.T.4 Frere Town Quarters, Mary Road, Karachi.	Sq. yards	5,066

As disclosed in note 4.4, several Company owned buildings are located on dealer operated sites. Due to a significant number of such sites, it is impracticable to disclose the particulars as required under 4th Schedule to the Act.

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Loss	Mode of disposal
	(Rupees '000)					
Tanks and pipelines	**8,086**	**3,157**	**4,929**	**-**	**4,929**	Write off
	3,947	**2,350**	**1,597**	**-**	**1,597**	Write off
	4,212	**2,970**	**1,242**	**-**	**1,242**	Write off
	994	**438**	**556**	**-**	**556**	Write off
	17,239	**8,915**	**8,324**	**-**	**8,324**	
Plant and machinery	**2,580**	**710**	**1,870**	**-**	**1,870**	Write off
Electrical, mechanical and fire fighting equipment	**3,193**	**1,304**	**1,889**	**-**	**1,889**	Write off
	2,573	**1,715**	**858**	**-**	**858**	Write off
	5,766	**3,019**	**2,747**	**-**	**2,747**	
Furniture, office equipment and other assets	**688**	**183**	**505**	**-**	**505**	Write off
Items having book value of less than Rs. 500,000	**104,741**	**100,458**	**4,283**	**500**	**3,783**	
December 31, 2019	**131,014**	**113,285**	**17,729**	**500**	**17,229**	
December 31, 2018	26,563	26,382	181	106	75	

		Note	2019	2018
			------ (Rupees '000) ------	
4.7	**Capital work-in-progress**			
	Buildings on leasehold land		**1,440,440**	1,527,069
	Tanks and pipelines		**164,655**	104,834
	Plant and machinery		**1,363,171**	722,009
	Electrical, mechanical and fire-fighting equipment		**56,965**	71,258
	Furniture, office equipment and other assets		**1,212**	12,800
	Rolling stock and vehicles		**3,803**	29,387
	Computer auxiliaries		**67**	-
		4.7.1	**3,030,313**	2,467,357
4.7.1	Movement in capital work-in-progress during the year is as follows:			
	Balance at beginning of the year		**2,467,357**	1,547,856
	Additions during the year		**2,425,958**	2,628,368
	Transfers during the year		**(1,863,002)**	(1,708,867)
	Balance at end of the year		**3,030,313**	2,467,357

4.8 Provision for impairment

During the year, the Company in accordance with its accounting policy, reassessed the adequacy of provision for impairment against property, plant and equipment and recorded reversal of provision for impairment of Rs. 3,897 thousand net. The assets included CNG assets and assets installed at the retail sites.

		Note	2019	2018
			------ (Rupees '000) ------	
	The movement of provision for impairment is as follows:			
	Balance at beginning of the year		**359,289**	358,423
	Provision made during the year		**588**	12,178
	Reversals during the year		**(4,485)**	(11,312)
		28	**(3,897)**	866
	Balance at end of the year		**355,392**	359,289
5.	**RIGHT-OF-USE ASSETS**			
	As at January 01, 2019			
	Cost (Impact of initial application of IFRS 16)	2.3.2	**3,575,736**	-
	Accumulated depreciation		**-**	-
	Net book value		**3,575,736**	-
	Year ended December 31, 2019			
	Opening net book value		**3,575,736**	-
	Additions		**1,836,278**	-
	Less: Depreciation charge for the year	5.2	**550,290**	-
	Closing net book value		**4,861,724**	-
	As at December 31, 2019			
	Cost		**5,412,014**	-
	Accumulated depreciation		**550,290**	-
	Net book value		**4,861,724**	-

5.1 The right-of-use assets are depreciated on straight line basis over the remaining lease term.

5.2 Depreciation charge for the year on right-of-use assets has been allocated as follows:

	Note	2019	2018
		------ (Rupees '000) ------	
Cost of products sold	24.1	**24,054**	-
Distribution and marketing expenses	25	**505,222**	-
Administrative expenses	26	**21,014**	-
		550,290	-

5.3 The right-of-use assets comprise of lands and office premises acquired on lease by the Company for its operations.

6. INTANGIBLE ASSETS

Computer Softwares	Cost			Accumulated amortization			Net book value	Amortization rate per annum
	As at January 01,	Additions	As at December 31,	As at January 01,	For the Year	As at December 31,	As at December 31,	
	(Rupees '000)							
2019	**1,928,331**	**-**	**1,928,331**	**1,913,622**	**3,152**	**1,916,774**	**11,557**	**20%**
2018	1,912,571	15,760	1,928,331	1,912,571	1,051	1,913,622	14,709	

Includes intangible assets at a cost of Rs.1,912,571 thousand in respect of implementation and deployment of Enterprise Resource Planning (ERP) system as part of its business process transformation and streamline project. The Company's ERP was fully amortized, however, it is still in active use.

7. LONG-TERM INVESTMENTS

	Note	2019	2018	2019	2018
		% Holding		------ (Rupees '000) ------	
Investment in associate – unquoted					
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2018: 18,720,000) ordinary shares of Rs. 100/- each	7.1 / 7.2	**26**	26	**4,626,252**	4,431,561
At fair value through other comprehensive income					
Arabian Sea Country Club Limited 500,000 (2018: 500,000) ordinary shares of Rs. 10/- each		**5**	5	**5,000**	5,000
				4,631,252	4,436,561

7.1 Movement of investment in associate

	Note	2019	2018
Balance at beginning of the year		**4,431,561**	4,046,815
Impact of initial application of IFRS 9 - net of tax	2.3.2/7.1.2	**(142,458)**	-
		4,289,103	4,046,815
Share of profit before taxation		**1,399,235**	1,399,141
Share of taxation		**(448,429)**	(425,066)
		950,806	974,075
Dividend received		**(613,657)**	(589,329)
Balance at end of the year		**4,626,252**	4,431,561

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

7.1.2 This represents an impact of initial application of IFRS 9 in the financial statements of associate which resulted in a change in the retained earnings as at July 01, 2018 in the financial statements for the year ended June 30, 2019.

7.2 Financial details / position of associate	**2019**	**2018**
	------ (Rupees '000) ------	
Non-current assets	**22,755,183**	18,240,680
Current assets	**18,325,440**	14,968,435
Non-current liabilities	**13,206,242**	6,646,188
Current liabilities	**10,081,104**	9,518,462
Revenue	**6,459,893**	6,442,808
Gross profit	**4,281,788**	4,545,605
Profit after tax	**3,656,947**	3,746,442
Other comprehensive income	**-**	-
Total comprehensive income	**3,656,947**	3,746,442

The financial year end for PAPCO is June 30. Assets and liabilities disclosed above are based on unaudited condensed interim financial statements for the half year ended December 31, 2019 and December 31, 2018, whereas revenue, profits and total comprehensive income disclosed above is based on audited financial statements for the years ended June 30, 2019 and June 30, 2018 and unaudited financial statements for the half years ended December 31, 2019, December 31, 2018 and December 31, 2017.

Share of contingent liabilities based on the latest unaudited condensed interim financial statements of PAPCO for the half year ended December 31, 2019 amounts to Rs.13,010 thousand (2018: Rs.13,195 thousand).

7.3 The principal place of business of all the investees is Karachi.

7.4 Reconciliation of carrying amount of investment	**Note**	**2019**	**2018**
		------ (Rupees '000) ------	
Net assets (Note 7.2)		**17,793,278**	17,044,465
Company's Holding in % (Note 7)		**26%**	26%
Company's share of investment in associate		**4,626,252**	4,431,561

8. LONG-TERM LOANS - considered good, unsecured

	Note	2019	2018
Due from:			
- Directors	8.1	**17,563**	7,757
- Executives	8.2	**73,360**	62,177
- Employees		**11,618**	12,800
	8.3	**102,541**	82,734
Less: Receivable within one year			
- Directors		**10,673**	4,768
- Executives		**48,332**	44,090
- Employees		**9,951**	8,800
	13	**68,956**	57,658
		33,585	25,076

8.1 The loan to Directors have been made in compliance with the provisions of section 182 of the Act. The maximum aggregate amounts due from directors at the end of any month during the year were Rs.20,231 thousand (2018: Rs.8,154 thousand).

	2019	2018
	------ (Rupees '000) ------	
The reconciliation of the carrying amount of loans to Directors:		
Balance at beginning of the year	**7,757**	-
Reclassification from Executives to Directors	**-**	3,968
Disbursements	**16,352**	5,000
Repayments	**(6,546)**	(1,211)
Balance at end of the year	**17,563**	7,757

8.2 The maximum aggregate amounts due from executives at the end of any month during the year were Rs.97,093 thousand (2018: Rs.62,963 thousand). The reconciliation of the carrying amount of loans to executives:

	2019	2018
	------ (Rupees '000) ------	
Balance at beginning of the year	**62,177**	44,138
Reclassification from Executives to Directors	**-**	(3,968)
Disbursements	**65,868**	70,481
Repayments	**(54,685)**	(48,474)
Balance at end of the year	**73,360**	62,177

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

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

9. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2019	2018
		------ (Rupees '000) ------	
Deposits	9.1	**151,799**	147,144
Prepayments		**7,960**	736,033
		159,759	883,177

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

10. DEFERRED TAXATION

	2019	2018
Taxable temporary difference arising in respect of:		
- accelerated tax depreciation	**(1,085,794)**	(1,008,069)
- investment in associate	**(413,138)**	(383,934)
- right-of-use assets - net	**(213,541)**	-
	(1,712,473)	(1,392,003)
Deductible temporary difference arising in respect of:		
- provisions	**857,669**	674,200
- unabsorbed tax depreciation and recoupable tax credits	**1,280,271**	896,259
	2,137,940	1,570,459
	425,467	178,456

10.1 Deferred tax asset is recognised for tax losses, tax credits and depreciation available for carry forward to the extent of the realization of the related tax benefit through future taxable profits, based on the projections, is probable. As of the date of statement of financial position, deferred tax asset amounting to Rs. 2,067,990 thousand in respect of unused tax losses and tax credits has not been recognised in these financial statements. Further, in view of the order of the High Court of Sindh, as fully explained in note 22.1.2.1 to these financial statements, the Company has not recognised deferred tax asset on minimum tax carry forward amounting to Rs.838,594 thousand.

		Note	2019	2018
			------ (Rupees '000) ------	

11. STOCK-IN-TRADE

	Note	2019	2018
Raw and packing materials	11.2	**1,204,911**	1,607,620
Provision for obsolete and slow moving stock	11.6	**(30,910)**	(38,838)
	24	**1,174,001**	1,568,782
Finished products			
- in hand and in pipeline system	11.3 / 11.4	**15,278,655**	12,434,999
- in White Oil Pipeline	11.5	**1,203,253**	1,014,199
	11.1 / 11.2	**16,481,908**	13,449,198
Provision for obsolete and slow moving stock	11.6	**(242,470)**	(133,869)
	24	**16,239,438**	13,315,329
		17,413,439	14,884,111

11.1 Includes items costing Rs.Nil (2018: Rs.12,386,627 thousand) which have been valued at their net realizable value of Rs.Nil (2018: Rs.11,589,554 thousand).

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

	2019	2018
	------ (Rupees '000) ------	
Petroleum products		
- PAPCO - an associated company	**1,203,253**	1,014,199
- PARCO	**1,254,591**	639,479
Lubricants		
- Union Chemical Industries	**32,155**	35,508
- Target Lubricants	**7,995**	-
	2,497,994	1,689,186

11.3 Includes stock-in-transit amounting to Rs.6,239,818 thousand (2018: Rs.2,930,456 thousand).

11.4 Includes bonded stock amounting to Rs.6,877,901 thousand (2018: Rs.3,585,385 thousand).

11.5 Represents High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate.

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

	2019	2018
	------ (Rupees '000) ------	
Balance at beginning of the year	**172,707**	101,183
Provision made during the year	**161,703**	153,207
Reversals during the year	**(61,030)**	(81,683)
	100,673	71,524
Balance at end of the year	**273,380**	172,707

		Note	2019	2018
			------ (Rupees '000) ------	
12.	**TRADE DEBTS**			
	Considered good			
	- Secured	12.1 / 12.2	**459,175**	320,117
	- Unsecured	12.2	**4,084,887**	2,944,090
			4,544,062	3,264,207
	Considered doubtful		**822,192**	847,780
			5,366,254	4,111,987
	Provision for impairment	12.3 / 12.4	**(822,192)**	(847,780)
			4,544,062	3,264,207

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

12.2 Includes due from the following associated companies:

	Maximum aggregate outstanding at the end of any month	Neither past due nor impaired	Past due: Upto 1 month	Past due: 1 to 6 months	Past due: More than 6 months	2019	2018
	-----	-----	-----	(Rupees '000)	-----	-----	-----
Dawood Hercules Corporation Limited	**279**	262	-	-	-	**262**	223
Jaffer Brothers (Private) Limited	**22,996**	2,280	8,056	9,373	6	**19,715**	1,483
Jaffer Business Systems (Private) Limited	**1,336**	1,213	-	-	-	**1,213**	1,073
Vellani & Vellani	**847**	782	-	-	-	**782**	331
Unilever Pakistan Foods Limited	**7,318**	1,634	1,648	3,378	-	**6,660**	1,956
Wyeth Pakistan Limited	**92**	-	-	-	92	**92**	92
Novartis Pharma (Pakistan) Limited	**385**	385	-	-	-	**385**	484
The Aga Khan Hospital and Medical College Foundation	**18,729**	11,550	-	-	5	**11,555**	7,993
UBL Fund Managers Limited	**1,429**	1,300	-	-	-	**1,300**	1,113
Jaffer Agro Services Private Limited	**322**	313	-	-	-	**313**	-
	53,733	19,719	9,704	12,751	103	**42,277**	14,748
Less: Provision for impairment						**(92)**	(110)
Net receivable from associated companies						**42,185**	14,638

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

		Note	2019	2018
			---- (Rupees '000) ----	
12.3	Provision for impairment			
	Balance at beginning of the year		**847,780**	827,654
	Impact of initial application of IFRS 9		**67,763**	-
			915,543	827,654
	Allowance for the year		**58,928**	24,156
	Reversals during the year		**(152,279)**	(4,030)
		28	**(93,351)**	20,126
	Balance at end of the year		**822,192**	847,780

12.4 As at December 31, 2019, trade debts of Rs.822,192 thousand (2018: Rs.847,780 thousand) were impaired and provided for. The ageing of these trade debts is as follows:

	2019	2018
	------ (Rupees '000) ------	
Upto 6 months	**19,373**	22,194
More than 6 months	**802,819**	825,586
	822,192	847,780

12.5 As at December 31, 2019, trade debts aggregating to Rs.1,626,909 thousand (2018: Rs.1,110,915 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no or some recent history of default, however, no losses have incurred. The ageing analysis of these trade debts is as follows:

	Note	2019	2018
		------ (Rupees '000) ------	
Upto 1 month		**786,438**	687,708
1 to 6 months		**490,577**	279,259
More than 6 months		**349,894**	143,948
		1,626,909	1,110,915

13. LOANS AND ADVANCES - considered good, secured

	Note	2019	2018
Current portion of long-term loans	8	**68,956**	57,658
Advances to employees	13.1	**62,143**	52,010
		131,099	109,668

13.1 Represents advances given to employees against expenses.

14. OTHER RECEIVABLES

	Note	2019	2018
Petroleum development levy and other duties	14.1	**1,380,029**	1,380,029
Price differential claims			
- on imported purchases	14.2	**295,733**	295,733
- on high speed diesel (HSD)	14.3	**343,584**	343,584
- on imported motor gasoline	14.4	**1,961,211**	1,961,211
Customs duty receivable	14.5	**44,413**	44,413
Sales tax refundable	19.5	**-**	2,907,560
Inland freight equalization mechanism		**447,295**	467,207
Receivable from related parties	14.6	**924,666**	463,869
Service cost receivable from PAPCO – an associated company		**11,346**	14,500
Workers' profits participation fund		**15,185**	15,185
Receivable from Oil Marketing Companies		**1,944,059**	1,983,481
Taxes recoverable	14.7 / 22.1.2	**1,020,214**	1,020,214
Margin held against letter of credit		**59,076**	83,646
Others		**468,253**	221,775
		8,915,064	11,202,407
Provision for impairment	14.8	**(992,672)**	(405,225)
		7,922,392	10,797,182

14.1 Includes petroleum development levy amounting to Rs.1,369,560 thousand (2018: Rs.1,369,560 thousand) recoverable from the Government of Pakistan (GoP) on account of export sales from June 2007. In 2011, the Company approached the GoP and Federal Board of Revenue (FBR) for settlement thereof. The GoP sought certain information which was duly provided by the Company. The FBR through the Large Taxpayers Unit (LTU) completed the verification exercise for claims amounting to Rs. 938,866 thousand, refund cheques against which were received in 2014. During 2015, verification exercise of claims amounting to Rs.182,004 thousand was completed by the authorities, however, the payment has not been released yet. Further, during 2016, FBR through Customs station Torkham completed verification exercise of claims amounting to Rs. 851,330 thousand. However, the same has not yet been sanctioned by the FBR as of the date of statement of financial position. Furthermore, the remaining claims are under verification and the Company is confident of recovery of the amount in full on completion of the verification exercise by the FBR.

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

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

14.4 Represents the Company's share of price differential claims on account of import of motor gasoline by the Company, being the difference between the landed cost and ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other Oil Marketing Companies (OMCs) were asked in a meeting chaired by the Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, OMCs approached the Ministry of Petroleum and Natural Resources (MoPNR) with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Despite no response from the MoPNR, the Company along with another OMC continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoPNR instructions.

In 2009, the Company along with other OMCs approached MoPNR through letter dated July 23, 2009 requesting to expedite settlement of these claims. On October 02, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. Accordingly, the Company submitted audit reports for claims till May 31, 2011 amounting to Rs.2,411,661 thousand. Subsequently, the Company received an amount of Rs.454,000 thousand from GoP on account of these claims. The remaining claims amounting to Rs.1,957,661 thousand are still outstanding as on the statement of financial position date

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

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

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

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

	Maximum aggregate outstanding at the end of any month	Neither past due nor impaired	Past due: Upto 1 month	Past due: 1 to 6 months	Past due: More than 6 months	2019	2018
	(Rupees '000)						
Shell Aviation Limited (note 14.6.1)	**223,374**	145,765	28,560	-	675	**175,000**	167,983
Shell International Petroleum Company Limited	**660,088**	104,822	-	112,575	442,691	**660,088**	268,832
Shell International Limited	**51,438**	4,345	-	39,843	5,544	**49,732**	8,528
Shell Nederland B.V.	**467**	-	-	-	467	**467**	467
Shell International B.V.	**18,210**	18,210	-	-	-	**18,210**	-
Pilipinas Shell Petroleum Corp	**3,760**	3,760	-	-	-	**3,760**	-
Oil Companies Advisory Council	**17,460**	-	-	16,480	929	**17,409**	18,059
		276,902	8,560	168,898	450,306	**924,666**	463,869

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

14.7 In 2013, the Deputy Commissioner Inland Revenue (DCIR) in compliance with the directions of Appellate Tribunal Inland Revenue (ATIR), completed denovo proceedings in respect of tax year 2006 and raised a demand of Rs.425,514 thousand. The demand primarily relates to disallowance of a pricing component paid to Shell International Trading Middle East (SITME) on imports of high speed diesel while treating the same as payment to non-resident on which the Company failed to deduct tax under section 152 of the Income Tax Ordinance, 2001. The Company in response to the aforementioned order deposited an amount of Rs.301,167 thousand while an amount of Rs.111,785 thousand was adjusted against sales tax refund. In addition, a rectification application was also filed for correction of certain mistakes apparent in the order which has been accepted and given effect. The Company also filed an appeal against the aforementioned order before CIR (Appeals) which in its order dated February 02, 2015 has upheld the order passed by the DCIR. The Company has filed an appeal there against before the ATIR which is pending for hearing. The Company, based on the advice of its tax consultant expects a favorable outcome of appellate levels and considers the possibility of any liability arising under the aforementioned order to be remote.

14.8 Provision for impairment

	Note	2019	2018
		------ (Rupees '000)------	
Balance at beginning of the year		**405,225**	405,225
Impact of initial application of IFRS 9		**558,925**	-
		964,150	405,225
Provision made during the year	27	**28,522**	-
Balance at end of the year		**992,672**	405,225

15. CASH AND BANK BALANCES

	Note	2019	2018
Cash in hand		**10,395**	15,312
Bank balances			
- current account		**2,164,731**	1,059,624
- savings account	15.1	**144,420**	898,477
		2,309,151	1,958,101
		2,319,546	1,973,413

15.1 These carry interest rates ranging from 11.25% to 11.35% (2018: 8% to 8.13%) per annum.

16. SHARE CAPITAL

Authorized share capital

2019	2018		2019	2018
(Number of shares)			------- (Rupees '000) -------	
150,000,000	150,000,000	Ordinary shares of Rs. 10/- each	**1,500,000**	1,500,000

Issued, subscribed and paid-up share capital

2019	2018			
(Number of shares)		Ordinary shares of Rs. 10/- each		
23,481,000	23,481,000	Fully paid in cash	**234,810**	234,810
83,531,331	83,531,331	Issued as fully paid bonus shares	**835,315**	835,315
107,012,331	107,012,331		**1,070,125**	1,070,125

16.1 The immediate parent held 81,443,702 (2018: 81,443,702) ordinary shares as at the date of statement of financial position.

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

		Note	2019	2018
			------- (Rupees '000) -------	
17.	**ASSET RETIREMENT OBLIGATION**			
	Balance at beginning of the year		**130,983**	93,809
	Obligation recognised during the year		**-**	9,195
	Reversal of liability	28	**(342)**	(13,355)
	Estimates adjustments	17.1	**(2,585)**	34,461
	Accretion expense	29	**10,266**	6,873
			7,681	41,334
	Balance at end of the year		**138,322**	130,983

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

		Note	2019	2018
			------- (Rupees '000) -------	
18.	**LONG-TERM LEASE LIABILITIES**			
	Impact of initial application of IFRS 16		**2,716,226**	-
	Additions during the year		**1,836,278**	-
	Accretion of interest	29	**412,603**	-
	Less: Lease rentals paid		**839,730**	-
	Balance at end of the year		**4,125,377**	-
	Current portion of long-term lease liabilities		**406,763**	-
	Long-term lease liabilities		**3,718,614**	-
19.	**TRADE AND OTHER PAYABLES**			
	Creditors	19.1	**26,281,704**	21,754,296
	Accrued liabilities	19.2	**10,281,935**	9,876,108
	Security deposits	19.3	**396,442**	368,726
	Advances received from customers (contract liabilities)		**543,942**	990,872
	Provision for staff retirement benefit schemes	32.1.12	**20,878**	96,902
	Workers' Welfare Fund		**335,361**	323,088
	Provision for staff redundancy plan	19.4	**19,972**	154,837
	Sales tax payable	19.5	**319,330**	-
	Other liabilities		**202,085**	103,860
			38,401,649	33,668,689

19.1 Includes amounts due to the following associated companies:

	2019	2018
Shell Global Solutions (Malaysia) Sdn. Bhd.	**41,852**	2,867
Shell Markets (Middle East) Limited	**14,278**	17,639
Shell Polska Sp. Z o.o. Oddzial w Krakowie	**3,180**	2,906
Shell Treasury Centre East (Pte) Ltd	**6,193**	5,552
The Shell Company of Thailand Limited	**4,957**	17,416
Shell Global Solutions International B.V.	**22,603**	41,476
Shell Malaysia Trading Sendirian Berhad	**33,971**	22,542
Brunei Shell Petroleum Company Sendirian Berhad	**406**	364
Saudi Arabian Markets Shell	**858**	769
Shell Canada Products Limited	**1,410**	1,264
Shell Companies of Indonesia	**3**	3
Shell Downstream South Africa (Pty) Ltd	**1,742**	1,561
Shell Nederland Verkoopmaatschappij B.V.	**6,141**	5,505

	2019	2018
	------- (Rupees '000) -------	
Shell Oman Marketing Company SAOG	**3,498**	2,143
Euroshell Cards B.V.	**194,933**	75,567
Shell Brands International AG	**1,687,482**	335,458
Shell Eastern Trading (Pte) Ltd	**418,872**	521,948
Shell Information Technology International B.V.	**465,681**	207,519
Shell International B.V.	**782,144**	80,359
Shell International Exploration and Production B.V.	**775**	695
Shell International Limited	**67,152**	16,230
Shell International Petroleum Company Limited	**7,617,063**	9,105,289
Shell Lubricants Egypt	**3,019**	2,707
Shell People Services Asia Sdn. Bhd.	**91,790**	62,070
Shell Shared Services (Asia) B.V.	**29,931**	26,831
Shell & Turcas Petrol A.S.	**6,247**	21,257
Shell International Trading Middle East Limited	**7,717,091**	6,071,217
Shell Lubricants Supply Company B.V.	**261,661**	166,552
Shell India Markets Private Limited	**3,444**	13,543
Shell Shared Service Centre - Glasgow Limited	**-**	9,625
Shell Hong Kong Limited	**34,098**	-
Shell Information Technology International Sdn. Bhd.	**1,879**	-
Pilipinas Shell Petroleum Corp	**447**	-
Shell Oil Company	**25,758**	-
Aga Khan Hospital & Medical College Foundation	**105**	127
	19,550,664	16,839,001

19.2 Includes Rs.2,684,345 thousand (2018: Rs.3,394,065 thousand) accrued in respect of associated companies.

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

	Note	2019	2018
		----- (Rupees '000) -----	
Dealers on retail sites		**211,074**	177,301
Shell card holders		**185,368**	191,425
	19.3.1	**396,442**	368,726

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

19.4 This is based on management assessment of staff redundancy provision.

19.5 This includes sales tax payable amounting to Rs. 1,625,371 thousand and also includes sales tax refundable on account of export sales pertaining to period October 2005 to September 2006 and January 2008 to August 2011 amounting to Rs.663,045 thousand and Rs.642,996 thousand respectively. The Company is actively pursuing for the recovery of these claims.

20. ACCRUED MARK-UP

	2019	2018
	------ (Rupees '000) ------	
Running finances under mark-up arrangements	**8,760**	994
Short-term loans	**2,987**	2,116
	11,747	3,110

	Note	2019	2018
		------ (Rupees '000) ------	
21. SHORT-TERM BORROWINGS – secured			
Short-term loans	21.1	**7,940,000**	7,900,000
Running finances under mark-up arrangements	21.2	**214,343**	152,978
		8,154,343	8,052,978

21.1 Represents two loans obtained from commercial banks aggregating to Rs.7,940,000 thousand (2018: Rs.7,900,000 thousand) and carries mark-up at the rates of 13.70% and 13.95% per annum (2018: 10.04% and 10.45% per annum). The loans, secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables. Subsequent to the year end, the Company has repaid the amount in full.

21.2 Represents facilities obtained from various commercial banks aggregating to Rs.19,100,000 thousand (2018: Rs.22,600,000 thousand). The short-term loans obtained during the year and outstanding as at year end were also obtained under the same facility. These carry mark-up ranging from 1 month KIBOR plus 0.10% to 0.95% (2018: 1 month KIBOR plus 0.10% to 1.50%). These arrangements are secured by hypothecation of the Company's present and future stock-in-trade, trade debts and other receivables.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Infrastructure fee

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

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

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

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

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

In 2018, the Company filed a writ petition before the High Court of Sindh to challenge the levy of cess under the SDMI Act, against which a stay order has been granted.

Subsequent to the stay granted by the Court, the Company has reviewed its position and without acknowledging it as a debt, estimates the accumulated levy up to December 31, 2019 at Rs.141,493 thousand (2018: Rs.129,493 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company.

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

22.1.2 Taxation

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

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

22.1.2.2 In 2012, the Company received a demand order from the tax authorities in respect of tax year 2004 amounting to Rs.161,057 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses, disallowance of software cost claimed as revenue expenditure and credit disallowed in respect of income derived from Azad Kashmir. The Company in response to the order deposited an amount of Rs.129,106 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.129,106 thousand already deposited on this account.

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

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

During the year, the ATIR vide order dated February 27, 2019 has decided the case in favour of the Company by declaring the proceedings as void ab-initio, illegal and not sustainable due to time limitation. Further, an appeal effect order dated April 05, 2019 giving effect to this ATIR order has been passed by the tax department, thereby confirming the refund of Rs. 130,000 thousand.

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

The Company and the department both have filed appeals against CIR Appeals decision. The ATIR vide its judgement dated April 6, 2017 disposed off both the appeals maintaining the issue of allocation of expenses while setting aside the issue of premium paid to SITME on imports and loss on disposal of fixed assets. A reference application against the said judgment has been filed by the company before the High Court.

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

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

22.1.2.6 DCIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 dated January 26, 2019 for tax year 2013 increasing the tax liability by Rs. 471,493 thousand by disallowing certain expenses. The Company filed an application for rectification before DCIR and an appeal with the CIR Appeals against the order of DCIR. CIR Appeals vide order dated October 04, 2019 has decided the case in favour of the Company allowing certain expenses. Thereafter, the DCIR filed an appeal before ATIR against the order of CIR Appeals which is still pending.

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

22.1.3 Sales tax and federal excise duty (FED)

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

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

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

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

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

In 2015, the tax authorities whilst finalizing sales tax audit for the period January 2012 to December 2012 issued a show cause notice inter alia proposing to levy sales tax on the value of supply of jet fuel during the period January 2012 to June 2012, thereby proposing to raise a demand of Rs. 1,046,760 thousand. The Company filed an application with the High Court of Sindh, which passed an order restraining the tax authorities from passing an order.

During the year, Assistant Commissioner – Inland Revenue (ACIR) whilst finalizing the sales tax audit for the financial year ended 2014 passed an order dated February 20, 2019, raising a demand of Rs. 5,656,135 thousand primarily disallowing input tax adjustment on zero rated supplies of Jet Fuel to international flights and levy of FED on trademarks and manifestation fee and group fee. The Company filed a rectification application before the ACIR for correction of some apparent errors in the aforesaid order. The ACIR passed a rectification order reducing the aforesaid demand to Rs. 3,118,389 thousand. The Company being aggrieved, filed an appeal with the Commissioner Inland Revenue (CIR), where the hearing is pending adjudication. However, CIR has granted stay against the recovery of the rectified order. Further, the Company simultaneously obtained stay order from the Sindh High Court.

Further, the Commissioner finalised the audit for financial year ended 2012 and raised a demand of Rs.4,531,352 thousand primarily disallowing input tax adjustment on zero-rated supplies of jet fuel to international flights and levied FED on group fee. The company being aggrieved, filed an appeal with the CIR Appeals. The CIR Appeals passed an order dated September 18, 2019 deciding the matter of zero-rating of jet fuels amounting to Rs. 4,345,152 thousand in favour of the company, whilst maintaining the Commissioner's position on FED amounting to Rs. 186,201 thousand on group fee. The company has filed an appeal with the Tribunal on the latter.

Furthermore, the Commissioner issued a show cause notice dated November 11, 2019 raising sales tax demand on Price Differential Claims for the tax periods 2004 to 2011 amounting to Rs. 8,800,143 thousand which was taken up in appeal by the company with the High Court, which has duly granted a stay against the recovery of such demand.

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

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

22.1.3.3 In 2018, the Company received a show cause notice vide letter no. PRA/18/0251 from Additional Commissioner Punjab Revenue Authority (PRA) against taxable services received by the Company for the period from July 2015 to June 2016 attracting provincial sales tax as per Punjab Sales Tax on Services Act, 2012 (the Services Act) based on the audited financial statements of the Company for the year ended December 31, 2015 and 2016. The Company in response to the above referred notice, contended that the provisions of the Services Act became effective from July 01, 2016 and that the notice was issued without requiring information and ascertaining the facts. However, the Additional Commissioner, PRA raised a demand order dated July 23, 2018 amounting to Rs.813,520 thousand. On September 24, 2018, the Company filed an appeal before the Commissioner (Appeals), PRA against the aforesaid order which is pending for hearing and no related recovery notice has been received thereagainst till date.

22.1.3.4 In 2018, the Company received a show cause notice from Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue, against discrepancy in Annexure-J of the sales tax returns for the period from November 2016 to February 2018. The Company in response to the above notice, contended that the DCIR is neither empowered nor has the jurisdiction to issue show cause notice. Further, a reconciliation was provided to reconcile the discrepancies in the sales tax returns filed by the Company during the aforesaid period. The Company further contended that the discrepancies did not result in loss of revenue of the tax department as the sales tax was discharged on correct sales reported in Annexure-C of the sales tax return for the aforesaid period. However, the DCIR issued an order dated October 15, 2018 raising a demand amounting to Rs.2,077,912 thousand. On October 25, 2018, the Company filed an appeal before the Commissioner (Appeals), Inland Revenue who passed an order during the year setting aside the matter with specific directions to the tax department for verification of the facts of the case.

22.1.3.5 During the year, the company received a show cause notice from the Punjab Revenue Authority requiring explanation of non-payment of sales tax of Rs.1,857,097 thousand imposed by the authority on the Inland Freight Equalization Margin, OMC's margin and Dealer's margin for the period July 2017 to June 2018. The company challenged the notice in the Lahore High Court against which a stay has been granted by the Court.

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

22.1.4 Others

Claims against the Company not acknowledged as debt as at December 31, 2019 amounted to Rs.2,750,744 thousand (2018: Rs.3,138,848 thousand) comprising of various legal claims.

22.2 Commitments

22.2.1 Capital expenditure contracted for but not incurred as at December 31, 2019 amounted to approximately Rs.1,125,160 thousand (2018: Rs.1,330,785 thousand).

22.2.2 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, 2019, the value of these cheques amounted to Rs.14,203,008 thousand (2018: Rs.8,422,015 thousand). The maturity dates of these cheques extend to July 06, 2020.

22.2.3 Letters of credit and bank guarantees outstanding at December 31, 2019 amount to Rs.11,448,257 thousand (2018: Rs.6,241,134 thousand).

23. SALES

	Note	2019	2018
		------- (Rupees '000) -------	
Gross sales, inclusive of sales tax		**236,996,613**	217,019,760
Less: Trade discounts and rebates		**2,955,741**	2,807,840
	23.1	**234,040,872**	214,211,920

23.1 As described in note 1 to these financial statements, the Company markets petroleum products and compressed natural gas. It also blends and markets various kinds of lubricating oils. Revenues (inclusive of sales tax) from external customers for products of the Company are as follows:

	Note	2019	2018
		------- (Rupees '000) -------	
- Petroleum products		**233,604,693**	213,801,205
- Others		**436,179**	410,715
		234,040,872	214,211,920

24. COST OF PRODUCTS SOLD

	Note	2019	2018
Opening stock of raw and packing materials		**1,568,782**	1,645,174
Raw and packing materials purchased		**6,652,893**	8,126,634
Manufacturing expenses	24.1	**627,490**	504,507
Closing stock of raw and packing materials	11	**(1,174,001)**	(1,568,782)
Cost of products manufactured		**7,675,164**	8,707,533
Opening stock of finished products		**13,315,329**	7,855,411
Finished products purchased		**139,932,371**	139,866,835
Duties, levies and freight	24.2	**39,937,701**	27,664,730
Closing stock of finished products	11	**(16,239,438)**	(13,315,329)
Cost of finished products sold		**176,945,963**	162,071,647
		184,621,127	170,779,180

24.1 Includes depreciation charge on operating assets of Rs.113,334 thousand (2018: Rs.107,042 thousand), depreciation charge on right-of-use assets of Rs.24,054 thousand (2018: Nil) and charge in respect of staff retirement benefits amounting to Rs.21,717 thousand (2018: Rs.9,444 thousand).

	Note	2019	2018
		------- (Rupees '000) -------	
24.2 Duties, levies and freight			
Petroleum development levy		**29,402,389**	17,735,783
Customs and excise duty		**4,600,264**	3,819,653
Inland freight equalization margin		**5,474,645**	5,738,899
Freight on non-equalized products		**211,414**	273,263
Others		**248,989**	97,132
		39,937,701	27,664,730

25. DISTRIBUTION AND MARKETING EXPENSES

	Note	2019	2018
Salaries, wages and benefits	25.1	**1,848,137**	1,906,291
Stores and materials		**14,150**	15,737
Fuel and power		**81,529**	61,950
Rent, taxes and utilities		**541,753**	517,926
Repairs and maintenance		**949,860**	707,575
Depreciation on operating assets	4.3	**851,536**	718,049
Depreciation on right-of-use assets	5.2	**505,222**	-
Insurance		**23,178**	16,214
Training and travelling		**306,686**	284,609
Advertising and publicity		**809,901**	922,408
Legal and professional charges		**167,387**	294,047
Communication and stationery		**53,805**	23,167
Computer expenses		**105,464**	106,067
Storage and other charges		**157,529**	160,509
Others		**145,150**	49,627
		6,561,287	5,784,176
Handling and storage charges recovered		**(77,837)**	(92,753)
Secondary transportation expenses		**904,762**	790,714
		7,388,212	6,482,137

25.1 Includes charge of Rs.201,984 thousand (2018: Rs.169,178 thousand) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		------- (Rupees '000) -------	
Salaries, wages and benefits	26.1	**502,336**	631,969
Stores and materials		**5,866**	11,471
Fuel and power		**19,115**	34,260
Rent, taxes and utilities		**33,946**	45,555
Repairs and maintenance		**113,338**	98,343
Insurance		**16,054**	12,328
Training and travelling		**91,588**	136,228
Advertising and publicity		**62,801**	17,084
Technical service fee		**2,448,630**	1,955,162
Trade-marks and manifestations license fee	26.2	**435,342**	1,029,774
Legal and professional charges		**615,820**	397,097
Communication and stationery		**321,238**	378,891
Computer expenses		**242,233**	150,260
Depreciation on operating assets	4.3	**110,498**	129,327
Depreciation on right-of-use assets	5.2	**21,014**	-
Amortization	6	**3,152**	1,051
		5,042,971	5,028,800

26.1 Includes charge of Rs.60,803 thousand (2018: Rs.56,646 thousand) in respect of staff retirement benefits.

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

27. OTHER EXPENSES

	Note	2019	2018
		------- (Rupees '000) -------	
Workers' Welfare Fund		**12,273**	1,180
Exchange loss		**2,715,230**	5,008,315
Provision for impairment on trade debts – net		**-**	20,126
Provision for impairment on other receivables – net	14.8	**28,522**	-
Trade debts written off		**-**	39
Write off of operating assets	4.6	**17,672**	181
Provision for impairment on operating assets - net		**-**	866
Auditors' remuneration	27.1	**6,842**	6,451
Donations	27.2	**11,368**	41,679
Commission – net		**-**	5,241
		2,791,907	5,084,078

27.1 Auditors' remuneration

	2019	2018
Fee for audit, half yearly review and review of compliance with code of corporate governance	**5,000**	4,400
Audit of retirement benefit funds	**689**	631
Special certifications and sundry advisory services	**303**	652
Out of pocket expenses	**850**	768
	6,842	6,451

27.2 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	2019	2018
		------ (Rupees '000) ------	
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Naseer N.S. Jaffer - Member Board of Governors	**1,800**	-
Shell LiveWIRE Trust (Shell House, 6 Ch. Khaliquzzaman Road, Karachi)	Mr. Haroon Rashid - Trustee	**2,673**	4,150
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Mr. Farrokh K. Captain - Trustee	**155**	704

	Note	2019	2018
		------- (Rupees '000) -------	

28. OTHER INCOME

	Note	2019	2018
Income from financial assets			
Interest on short-term deposits / savings accounts		**35,021**	92,118
Income from non-financial assets			
Gain on disposal of operating assets		**443**	106
Scrap sales		**72,913**	-
Reversal of provision for Workers' profits participation fund		**-**	94,572
Reversal of impairment on operating assets - net	4.8	**3,897**	-
Reversal of asset retirement obligation - net	17	**342**	13,355
Shell card income		**99,255**	106,861
Reversal of provision for impairment on trade debts - net	12.3	**93,351**	-
Commission - net		**12,399**	-
Others		**239,991**	200,038
		522,591	414,932
		557,612	507,050

29. FINANCE COSTS

	Note	2019	2018
Bank charges		**169,361**	158,256
Accretion expense	17	**10,266**	6,873
Mark-up on short-term borrowings		**930,538**	205,030
Accretion of interest on lease liabilities	18	**412,603**	-
		1,522,768	370,159

30. TAXATION

	2019	2018
Current		
- for the year	**1,363,702**	856,576
- for prior year	**51,858**	156,827
	1,415,560	1,013,403
Deferred	**(69,759)**	28,908
	1,345,801	1,042,311

30.1 The return of income for the tax year 2019 has been filed by the Company. The said return, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 has been deemed to be an assessment order passed by the Commissioner of Inland Revenue. During the year, provision for current tax is based on minimum tax and final tax regime. Accordingly, tax reconciliation has not been presented in these financial statements.

31. EARNINGS PER SHARE – basic and diluted

	2019	2018
	------- (Rupees '000) -------	
Net loss for the year	**(1,485,767)**	(1,101,986)
	---- (Number of shares) ----	
Weighted average number of ordinary shares	**107,012,331**	107,012,331
	------- (Rupees) -------	
Loss per share	**(13.88)**	(10.30)

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

32. EMPLOYEE BENEFITS

32.1 Pension and Gratuity

As mentioned in note 3.12 to the financial statements, 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, 2019.

32.1.1 Actuarial assumptions

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

	2019	2018
	------ % per annum ------	
- Expected rate of increase in future salaries	**9.25**	12.25
- Discount rate	**11.25**	13.25
- Expected rate of increase in pensions	**3.00**	7.25
- Expected rate of return on plan assets	**11.25**	13.25

32.1.2 Statement of financial position reconciliation

	2019					2018				
	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 32.1.3	**1,741,205**	**-**	**28,204**	**44,696**	**1,814,105**	1,673,192	(833)	23,344	83,476	1,779,179
Present value of defined benefit obligation - note 32.1.4	**(1,566,856)**	**(87,679)**	**-**	**(176,764)**	**(1,831,299)**	(1,574,034)	(101,131)	-	(197,215)	(1,872,380)
Asset / (liability) in respect of staff retirement benefit schemes	**174,349**	**(87,679)**	**28,204**	**(132,068)**	**(17,194)**	99,158	(101,964)	23,344	(113,739)	(93,201)

32.1.3 Movement in the fair value of plan assets

	2019					2018				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets at the beginning of the year	**1,673,192**	**(833)**	**23,344**	**83,476**	**1,779,179**	1,712,751	22,842	21,791	104,385	1,861,769
Expected return on plan assets	**212,828**	**-**	**3,093**	**7,982**	**223,903**	139,026	1,511	1,852	7,467	149,856
Contribution by the Company	**25,441**	**5,836**	**-**	**2,540**	**33,817**	-	-	-	2,206	2,206
Contribution by the employees	**3,207**	**-**	**-**	**-**	**3,207**	3,223	-	-	-	3,223
Benefits due but not paid during the year	**-**	**(26,326)**	**-**	**-**	**(26,326)**	-	-	-	-	-
Benefits paid during the year	**(162,537)**	**(8,853)**	**-**	**(49,014)**	**(220,404)**	(153,230)	(14,425)	-	(35,310)	(202,965)
Interfund transfer	**(30,176)**	**30,176**	**-**	**-**	**-**	(4,297)	4,297	-	-	-
Remeasurement of plan assets	**19,250**	**-**	**1,767**	**(288)**	**20,729**	(24,281)	(15,058)	(299)	4,728	(34,910)
Fair value of plan assets at the end of the year	**1,741,205**	**-**	**28,204**	**44,696**	**1,814,105**	1,673,192	(833)	23,344	83,476	1,779,179

32.1.4 Movement in the present value of defined benefit obligations

	2019					2018				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Present value of obligation at the beginning of the year	**1,574,034**	**101,131**	**-**	**197,215**	**1,872,380**	1,534,136	100,199	-	129,388	1,763,723
Current service cost	**29,184**	**5,952**	**-**	**5,482**	**40,618**	28,199	5,762	-	3,713	37,674
Interest cost	**197,791**	**11,069**	**-**	**22,884**	**231,744**	123,889	7,904	-	9,497	141,290
Benefits due but not paid	**-**	**(26,326)**	**-**	**-**	**(26,326)**	-	-	-	-	-
Benefits paid during the year	**(162,537)**	**(8,853)**	**-**	**(49,014)**	**(220,404)**	(153,230)	(14,425)	-	(35,310)	(202,965)
Remeasurement on obligation	**(71,616)**	**4,706**	**-**	**197**	**(66,713)**	41,040	1,691	-	89,927	132,658
Present value of obligation at the end of the year	**1,566,856**	**87,679**	**-**	**176,764**	**1,831,299**	1,574,034	101,131	-	197,215	1,872,380

32.1.5 Amount recognised in profit or loss

	2019					2018				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	**29,184**	**5,952**	**-**	**5,482**	**40,618**	28,199	5,762	-	3,713	37,674
Interest cost	**197,791**	**11,069**	**-**	**22,884**	**231,744**	123,889	7,904	-	9,497	141,290
Expected return on plan assets	**(212,828)**	**-**	**(3,093)**	**(7,982)**	**(223,903)**	(139,026)	(1,511)	(1,852)	(7,467)	(149,856)
Curtailments loss / (gain)	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Employee contributions	**(3,207)**	**-**	**-**	**-**	**(3,207)**	(3,223)	-	-	-	(3,223)
(Reversal) /expense for the year	**10,940**	**17,021**	**(3,093)**	**20,384**	**45,252**	9,839	12,155	(1,852)	5,743	25,885

32.1.6 Remeasurement recognised in other comprehensive income

	2019					2018				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Loss / (gain) from changes in demographic assumptions	**66,673**	**7**	**-**	**(8)**	**66,672**	-	-	-	-	-
Loss / (gain) from changes in financial assumptions	**(480,343)**	**(23,348)**	**-**	**(251)**	**(503,942)**	-	-	-	-	-
Experience loss / (gain)	**342,054**	**28,047**	**-**	**456**	**370,557**	41,040	1,691	-	89,927	132,658
Remeasurement of defined benefit Obligation	**(71,616)**	**4,706**	**-**	**197**	**(66,713)**	41,040	1,691	-	89,927	132,658
Loss / (gain) due to remeasurement of investment return	**(19,250)**	**-**	**(1,767)**	**288**	**(20,729)**	24,281	15,058	299	(4,728)	34,910
	(90,866)	**4,706**	**(1,767)**	**485**	**(87,442)**	65,321	16,749	299	85,199	167,568

32.1.7 Movement in the asset / (liability) recognised in the statement of financial position

	2019					2018				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at the beginning of year	**99,158**	**(101,964)**	**23,344**	**(113,739)**	**(93,201)**	178,615	(77,357)	21,791	(25,003)	98,046
Net reversal / (charge) for the year	**79,926**	**(21,727)**	**4,860**	**(20,869)**	**42,190**	(75,160)	(28,904)	1,553	(90,942)	(193,453)
Contributions by the Company	**25,441**	**5,836**	**-**	**2,540**	**33,817**	-	-	-	2,206	2,206
Inter-fund transfers	**(30,176)**	**30,176**	**-**	**-**	**-**	(4,297)	4,297	-	-	-
Asset / (liability) in respect of staff retirement benefit schemes	**174,349**	**(87,679)**	**28,204**	**(132,068)**	**(17,194)**	99,158	(101,964)	23,344	(113,739)	(93,201)

32.1.8 Plan assets comprised the following:

	2019					2018				
	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.	**1,424,531**	**339,979**	**27,735**	**44,115**	**1,836,360**	1,370,568	295,064	23,083	89,375	1,778,090
Bank deposits	**3,029**	**1,283**	**469**	**581**	**5,362**	14,210	1,943	285	2,718	19,156
Inter-fund dues	**314,502**	**(314,502)**	**-**	**-**	**-**	294,841	(294,841)	-	-	-
Benefits due	**(858)**	**(26,760)**	**-**	**-**	**(27,618)**	(6,427)	(2,999)	(24)	(8,617)	(18,067)
Due to DC Pension Fund	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
	1,741,204	**-**	**28,204**	**44,696**	**1,814,104**	1,673,192	(833)	23,344	83,476	1,779,179

32.1.9 Expected contributions to the above schemes for the year ending December 31, 2020 is Rs.40,678 thousand.

32.1.10 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	**(131,257)**	152,800
- Effect of change in salaries	**38,495**	(35,419)
- Effect of change in pension	**129,350**	(114,552)

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

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

	2019	2018
	------ (Rupees '000) ------	
Total balance receivable in respect of defined benefit schemes	**(17,194)**	(93,201)
Total balance receivable / (payable) in respect of defined contribution schemes	**(3,684)**	(3,701)
	(20,878)	(96,902)

32.2 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 statement of financial position is based on a valuation carried out as at the statement of financial position date and is as follows:

32.2.1 Actuarial assumptions

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

	2019	2018
	------ % per annum ------	
- Discount rate	**11.25**	13.25
- Medical cost trend rate	**7.25**	7.25

32.2.2 Amount recognised in the statement of financial position

	Note	2019	2018
		------ (Rupees '000) ------	
Present value of defined benefit obligation	32.2.3	**173,067**	97,987
Fair value of plan assets		**-**	-
Liability recognised at end of the year		**173,067**	97,987

32.2.3 Movement in the present value of defined benefit obligation

		2019	2018
Present value of obligation at beginning of the year		**97,987**	91,578
Current service cost		**1,869**	1,787
Interest cost		**12,254**	7,375
Benefits paid during the year		**(11,013)**	(9,642)
Remeasurement on obligation		**71,970**	6,889
Present value of obligation at end of the year		**173,067**	97,987

32.2.4 Movement in the liability recognised in the statement of financial position

		2019	2018
Balance at beginning of the year		**97,987**	91,578
Charge for the year	32.2.5/ 32.2.6	**86,093**	16,051
Benefits paid during the year		**(11,013)**	(9,642)
Balance at end of the year		**173,067**	97,987

32.2.5 Amount recognised in profit or loss

		2019	2018
Current service cost		**1,869**	1,787
Interest cost		**12,254**	7,375
		14,123	9,162

32.2.6	**Remeasurement recognised in other comprehensive income**	Note	**2019**	**2018**
			------ (Rupees '000) ------	
	Gain from changes in demographic assumptions		**(7,013)**	-
	Loss from changes in financial assumptions		**29,840**	-
	Experience loss / (gain)		**49,143**	6,889
			71,970	6,889

32.2.7 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	**(16,216)**	**19,524**

32.3 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.

	2019	**2018**	**2017**	**2016**	**2015**
	---------	---------	(Rupees '000)	---------	---------
Fair value of plan assets	**1,814,105**	1,779,179	1,861,769	2,075,285	1,965,578
Present value of defined benefit obligation	**(2,004,368)**	(1,970,367)	(1,855,301)	(1,725,152)	(1,713,571)
Surplus / (deficit)	**(190,263)**	(191,188)	6,468	350,133	252,007

32.4 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, 2018 and unaudited financial statements as at December 31, 2019 are as follows:

	2019	**2018**
	------ (Rupees '000) ------	
Shell Pakistan Management Staff Provident Fund	**989,994**	1,021,912
Shell Pakistan Staff Provident Fund	**-**	4,957
Shell Pakistan Labour Provident Fund	**167,340**	166,268
Shell Pakistan Management Staff Gratuity Fund	**341,262**	295,485
Shell Pakistan Labour and Clerical Staff Gratuity Fund	**44,696**	90,062
Shell Pakistan Management Staff Pension Fund	**1,427,720**	1,380,247
Shell Pakistan Staff Pension Fund	**28,204**	21,656
Shell Pakistan DC Pension Fund	**1,809,581**	1,589,278
	4,808,797	4,569,865

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

	2019	**2018**
	------ (Rupees '000) ------	
in respect of:		
- pension and gratuity scheme	**45,252**	25,885
- defined contribution funds	**225,129**	200,222
- post-retirement medical benefit scheme	**14,123**	9,161
	284,504	235,268

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	------ (Rupees '000) ------					
Short-term benefits						
Director's fee	**-**	**4,648**	**-**	-	4,668	-
Managerial remuneration (including bonus)	**40,020**	**56,160**	**1,924,219**	62,829	47,430	1,679,133
- House rent	**5,924**	**-**	**-**	3,575	-	-
- Fuel	**277**	**594**	**63,513**	207	515	58,739
Medical expenses	**221**	**3,644**	**58,355**	274	6,024	45,724
	46,442	**65,046**	**2,046,087**	66,885	58,637	1,783,596
Post-employment Benefits						
Company's contribution to pension, gratuity and provident fund	**2,660**	**3,751**	**254,241**	1,852	3,372	138,875
	49,102	**68,797**	**2,300,328**	68,737	62,009	1,922,471
Number of persons including those who worked part of the year	**1**	**7**	**386**	2	8	377

33.1 As at December 31, 2019, the total number of Directors were 9 (2018: 10), excluding Chief Executive.

33.2 Aggregate amount charged in the financial statements in respect of fee to Non-Executive Directors amount to Rs.4,648 thousand (2018: Rs.4,668 thousand).

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

33.4 As per the Act, an executive means an employee, other than the chief executive and director, whose salary exceeds twelve hundred thousand rupees in a financial year.

34. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of ultimate and immediate parent and its subsidiaries, associates and other companies with common directorship with significant influence on other companies, its associates, employees' retirement funds, directors and key management personnel. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Nature of relationship	Nature of transactions	2019	2018
		------ (Rupees '000) ------	
Immediate parent	Dividend paid	**-**	1,954,649
Associate	Pipeline charges	**225,745**	201,263
	Dividend received	**613,658**	589,329
	Others	**11,714**	17,990

Nature of relationship	Nature of transactions	2019	2018
		------ (Rupees '000) ------	
Employees' retirement funds			
Pension Funds	Contribution	**28,341**	3,223
Defined Contribution Pension Fund	Contribution	**149,418**	130,522
Gratuity Funds	Contribution	**8,377**	6,503
Provident Funds	Contribution	**75,710**	69,700
Key management Personnel	Salaries and other short term employee benefits	**71,553**	135,548
	Post-employment benefits	**7,606**	5,297
	Medical	**4,062**	-
	Loan to Director	**16,352**	5,000
Directors	Dividend paid	**-**	19,409
	Fee for attending meetings	**4,648**	4,668
Others	Purchases	**99,403,095**	105,653,665
	Sales	**436,843**	7,559
	Collection for sales made in Pakistan from customers of the parent company and its associates	**3,364,872**	3,395,237
	Technical service fee charged – note 34.1	**2,448,630**	1,955,162
	Trade-marks and manifestations license fee charged – note 26.2	**435,342**	1,029,774
	Computer expenses charged (Global Infrastructure Desktop charges) – note 34.2	**175,323**	89,660
	Expenses recovered from related parties	**272,720**	192,243
	Other expenses charged by related parties - note 34.3	**908,285**	806,465
	Donations	**4,628**	4,854
	Legal charges	**7,046**	582
	Commission expense – net	**12,399**	5,241

34.1 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.

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

34.3 These includes charges net of reversals amounting to Rs.322,861 thousand (2018: Rs.127,249 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreements entered into with them by the Company.

34.4 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive, Company Secretary, Executive Directors and Chief Financial Officer to be key management personnel. Particulars of transactions entered into with key management personnel are as per their terms of employment as are disclosed in notes 8, 13 and 33 to these financial statements.

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

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

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

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

S.No.	Company Name	Basis of association
1	Jaffer Brothers (Private) Limited	Common Directorship
2	Jaffer Agro Services (Private) Limited	Common Directorship
3	Jaffer Business Systems (Private) Limited	Common Directorship
4	Captain PQ Chemical Industries (Private) Limited	Common Directorship
5	The Layton Rehmatulla Benevolent Trust	Common Directorship
6	Indus Motor Company Limited	Common Directorship
7	Dawood Hercules Corporation	Common Directorship
8	UBL Fund Managers	Common Directorship
9	Fauji Fertilizer Bin Qasim Limited	Common Directorship
10	Pakistan Stock Exchange Limited	Common Directorship
11	Pakistan Centre for Philanthropy	Common Directorship

S.No.	Company Name	Basis of association
12	The Aga Khan Hospital and Medical College Foundation	Common Directorship
13	Vellani & Vellani	Common Directorship
14	Petroleum Institute of Pakistan	Common Directorship
15	Oil Companies Advisory Council	Common Directorship
16	Shell LiveWire Trust	Common Directorship
17	The Kidney Center Post graduate training school	Common Directorship
18	IGI Life Insurance Limited	Common Directorship
19	Unilever Pakistan Foods Limited	Common Directorship
20	Pak-Arab Pipeline Company Limited	Associate (Refer note 7)

35. CASH GENERATED FROM OPERATIONS

	Note	2019	2018
		------ (Rupees '000) ------	
Loss before taxation		**(139,966)**	(59,674)
Adjustment for non-cash charges and other items:			
Depreciation for the year on operating assets	4.3	**1,075,368**	954,418
Depreciation for the year on right-of-use assets	5.2	**550,290**	-
Amortization charge for the year	6	**3,152**	1,051
Accretion expense in respect of asset retirement obligation	17	**10,266**	6,873
Reversal of liability in respect of asset retirement obligation	17	**(342)**	(13,355)
(Reversal) / provision for impairment of trade debts	12.3	**(93,351)**	20,126
Provision for impairment of other receivables	14.8	**28,522**	-
Provision for impairment of stock-in-trade - net	11.6	**100,673**	71,524
Reversal of provision for Workers' Profits Participation Fund	14.7	**-**	(94,572)
Trade debts written off	27	**-**	39
Write off of operating assets	27	**17,672**	181
(Reversal) / provision for impairment of operating assets	4.8	**(3,897)**	866
Gain on disposal of operating assets		**(443)**	(106)
Share of profit of associate	7.1	**(950,806)**	(974,075)
Interest on short-term deposits / savings accounts	28	**(35,021)**	(92,118)
Mark-up on short-term borrowings	29	**930,538**	205,030
Accretion of interest on lease liabilities	18	**412,603**	-
Provision for post-retirement medical benefits	32.2.4	**14,123**	9,162
Working capital changes	35.1	**2,580,572**	(2,397,805)
		4,499,953	(2,362,435)

35.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets		
Stock-in-trade	**(2,630,001)**	(5,455,050)
Trade debts	**(1,254,267)**	(214,831)
Loans and advances	**(21,431)**	(61,265)
Short-term deposits and prepayments	**(621,474)**	(477,492)
Other receivables	**2,287,343**	(2,897,709)
	(2,239,830)	(9,106,347)
Increase in current liabilities		
Trade and other payables	**4,820,402**	6,708,542
	2,580,572	(2,397,805)

	Note	2019	2018
		------ (Rupees '000) ------	

36. CASH AND CASH EQUIVALENTS

	Note	2019	2018
Cash and bank balances	15	**2,319,546**	1,973,413
Short-term borrowings	21	**(8,154,343)**	(8,052,978)
		(5,834,797)	(6,079,565)

37. PROVIDENT FUND RELATED DISCLOSURES

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

38. FINANCIAL ASSETS AND LIABILITIES

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

	2019						
	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							
Fair value through OCI							
Investments	-	-	-	-	5,000	5,000	5,000
Amortized cost							
Loans	-	-	-	68,956	33,585	102,541	102,541
Deposits	-	-	-	-	151,799	151,799	151,799
Trade debts	-	-	-	4,544,062	-	4,544,062	4,544,062
Other receivables	-	-	-	5,492,700	-	5,492,700	5,492,700
Cash and bank balances	144,420	-	144,420	2,175,126	-	2,175,126	2,319,546
	144,420	-	144,420	12,280,844	190,384	12,471,228	12,615,648
Financial liabilities							
Amortized cost							
Trade and other payables	-	-	-	37,162,166	-	37,162,166	37,162,166
Unclaimed dividend	-	-	-	165,094	-	165,094	165,094
Unpaid dividend	-	-	-	154,623	-	154,623	154,623
Accrued mark-up	-	-	-	11,747	-	11,747	11,747
Short-term borrowings	8,154,343	-	8,154,343	-	-	-	8,154,343
	8,154,343	-	8,154,343	37,493,630	-	37,493,630	45,647,973

	2018						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial assets							
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans	-	-	-	57,658	25,076	82,734	82,734
Deposits	-	-	-	-	147,144	147,144	147,144
Trade debts	-	-	-	3,264,207	-	3,264,207	3,264,207

	2018						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Other receivables	-	-	-	5,474,194	-	5,474,194	5,474,194
Cash and bank balances	898,477	-	898,477	1,074,936	-	1,074,936	1,973,413
	898,477	-	898,477	9,870,995	177,220	10,048,215	10,946,692
Financial liabilities							
Amortized cost							
Trade and other payables	-	-	-	32,102,990	-	32,102,990	32,102,990
Unclaimed dividend	142,960	-	142,960	-	-	-	142,960
Unpaid dividend	190,081	-	190,081	-	-	-	190,081
Accrued mark-up	-	-	-	3,111	-	3,111	3,111
Short-term borrowings	8,052,978	-	8,052,978	-	-	-	8,052,978
	8,386,019	-	8,386,019	32,106,101	-	32,106,101	40,492,120

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

38.2 Financial risk management objectives and policies

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

38.2.1 Credit risk

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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. The maximum credit risk is equal to the carrying amount of financial assets. Out of the financial assets aggregating Rs.12,615,648 thousand (2018: Rs.10,946,692 thousand) the financial assets subject to credit risk amount to Rs.12,610,648 thousand (2018: Rs.10,941,692 thousand). For banks and financial institutions, only independently rated parties with reasonably high credit rating are accepted. For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

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

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

	2019	2018
	(Rupees '000)	
Loans	**102,541**	82,734
Deposits	**151,799**	147,144
Trade debts	**2,917,153**	2,153,292
Other receivables	**5,492,700**	5,474,194
Bank balances	**2,319,546**	1,973,413
	10,983,739	9,830,777

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	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1	A
Allied Bank Limited	PACRA	A-1+	AAA
Citibank N.A.	Moody's	P-1	Aa3
Deutsche Bank AG	Moody's	P-2	Baa3
Industrial and Commercial Bank of China	Moody's	P-1	A1
Askari Commercial Bank Limited	PACRA	A-1+	AA+
Faysal Bank Limited	PACRA	A-1+	AA

38.2.2 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market currency rates, interest 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. There has been no change in the Company's exposure to market risk or the manner in which this risk is managed and measured except for the fair valuation of the Company's Investment in Arabian Sea Country Club Limited.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

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), Euro (EUR) and Japanese Yen (JPY).

As at December 31, 2019, had the exchange rates of USD, GBP, EUR and JPY 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	2019 %	2019 Rs. '000	2018 %	2018 Rs. '000
USD	lower / higher	**5%**	**1,005,073**	5%	804,716
GBP	lower / higher	**5%**	**17,354**	5%	14,116
EUR	lower / higher	**5%**	**15,399**	5%	7,353
JPY	lower / higher	**5%**	**54**	5%	-

The Company manages its currency risk by close monitoring of currency markets. As per State Bank of Pakistan regulations, the Company cannot hedge its currency risk exposure.

ii) Interest rate risk

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

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

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

At December 31, 2019, had interest rates on Company's borrowings been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs.435 thousand (2018: Rs.443 thousand).

iii) Equity price risk

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

As at December 31, 2019, the Company's investment in Arabian Sea Country Club Limited is measured at fair value. Sensitivity related to this risk is not material to these financial statements.

38.2.3 Liquidity risk

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

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

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

38.3 Capital risk management

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

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

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

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

39. FAIR VALUE MEASUREMENT

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2019, except for the Company's investment in Arabian Sea Country Club Limited (which is valued under level 3), none of the financial instruments are carried at fair value.

40. OPERATING SEGMENTS

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

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

Total sales of the Company relating to customers in Pakistan were 100% during the year ended December 31, 2019 (December 31, 2018: 100%).

All non-current assets of the Company as at December 31, 2019 and 2018 are located in Pakistan.

Sales to twenty major customers of the Company are around 12% during the year ended December 31, 2019 (December 31, 2018: 13%).

41. CAPACITY AND ACTUAL PERFORMANCE

	2019	2018
	---------- Metric Ton ----------	
Available capacity	94,870	94,870
Actual production	51,821	60,636

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

42. NUMBER OF EMPLOYEES

	2019	2018
Total employees as at December 31	**413**	434
Average number of employees during the year	**418**	436

43. GENERAL

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

43.2 Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions.

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 04, 2020 by the Board of Directors of the Company.

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

ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

FOR THE YEAR ENDED DECEMBER 31, 2019

Board of Directors

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

Board of Directors	Number of Meetings Held	Number of meetings attended
Rafi H. Basheer	4	3
Haroon Rashid	4	4
Farrokh K. Captain	4	2
Parvez Ghias	4	4
Nasser N.S. Jaffer	4	4
Madiha Khalid	4	4
Naz Khan	4	4
Klaas Mantel	4	4
Waqar Siddiqui	4	3
Badaruddin F. Vellani	4	4
Faisal Waheed	4	4

Board Audit Committee

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

Name of Director	Number of Meetings Held	Number of meetings attended
Naz Khan	4	4
Rafi H. Basheer	4	3
Badaruddin F. Vellani	4	4

Human Resource and Remuneration Committee

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

Board of Directors	Number of Meetings Held	Number of meetings attended
Parvez Ghias	2	2
Farrokh K. Captain	2	1
Haroon Rashid	2	2
Klaas Mantel	2	2

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2019

Number of Shareholders		Shareholding From	Shareholding To		Total Number of Shares Held
1,923	-	1	100	-	76,937
1,734	-	101	500	-	495,469
1,300	-	501	1,000	-	948,642
1,402	-	1,001	5,000	-	3,124,749
238	-	5,001	10,000	-	1,707,905
82	-	10,001	15,000	-	977,739
40	-	15,001	20,000	-	690,779
26	-	20,001	25,000	-	587,523
15	-	25,001	30,000	-	410,609
8	-	30,001	35,000	-	261,898
9	-	35,001	40,000	-	344,258
9	-	40,001	45,000	-	382,809
6	-	45,001	50,000	-	282,622
6	-	50,001	55,000	-	311,922
5	-	55,001	60,000	-	289,658
3	-	60,001	65,000	-	188,209
1	-	65,001	70,000	-	69,500
2	-	70,001	75,000	-	141,809
2	-	75,001	80,000	-	154,808
3	-	90,001	95,000	-	272,375
1	-	95,001	100,000	-	100,000
1	-	105,001	110,000	-	109,900
1	-	125,001	130,000	-	126,953
1	-	130,001	135,000	-	135,000
1	-	170,001	175,000	-	175,000
1	-	185,001	190,000	-	188,901
1	-	190,001	195,000	-	193,927
1	-	310,001	315,000	-	312,700
1	-	345,001	350,000	-	349,700
1	-	455,001	460,000	-	458,940
1	-	480,001	485,000	-	481,700
1	-	495,001	500,000	-	496,400
1	-	540,001	545,000	-	540,647
1	-	605,001	610,000	-	605,400
1	-	630,001	635,000	-	632,793
1	-	640,001	645,000	-	641,393
1	-	680,001	685,000	-	682,716
1	-	805,001	810,000	-	805,516
1	-	835,001	840,000	-	839,876
1	-	1,070,001	1,075,000	-	1,071,500
1	-	1,205,001	1,210,000	-	1,207,200
1	-	3,690,001	3,695,000	-	3,692,247
1	-	81,440,001	81,445,000	-	81,443,702
6,837					107,012,331

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2019

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (name wise details)			
The Shell Petroleum Company Limited , London.	1	81,443,702	76.11
NIT AND ICP			
National Bank Of Pakistan.	1	102	0.00
Mutual Funds (name wise details)			
CDC - Trustee AKD Index Tracker Fund	1	5,351	0.01
CDC - Trustee National Investment (Unit) Trust	1	25	0.00
CDC - Trustee NBP Stock Fund	1	109,900	0.10
Tri-Star Mutual Fund Limited	1	158	0.00
Directors			
Badaruddin F. Vellani	1	195	0.00
Nasser N. S. Jaffer	1	125	0.00
Naz Khan	1	100	0.00
Parvez Ghias	1	50	0.00
Directors' spouse			
Ayesha Zeba Ghias w/o. Parvez Ghias	1	50	0.00
Executives	5	5,391	0.01
Public Sector Companies and Corporations	1	3,692,247	3.45
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	16	1,164,376	1.09
General Public			
a. Local	6,708	15,905,350	14.86
b. Foreign	3	16,966	0.02
Others	93	4,668,243	4.36
	6,837	**107,012,331**	**100.00**

Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)			
The Shell Petroleum Company Limited, London	1	81,443,702	76.11

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

Trade in Shares by Directors, Executives, their spouses and minor children during the year 2019:

Name	Category	Date of Transaction	Number of Shares	Price per Shares (Rs.)	Nature of Transaction
Usman Khalid	Executive	01-04-2019	100	Rs. 266/50	Bought
Wajahatullah Khan	Executive	20-06-2019	200	Rs. 199/24	Bought
Mir Hassan Ali Talpur	Executive	16-10-2019	100	Rs. 160/01	Bought

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 51st Annual General Meeting of the Company to be held on May 20, 2020 at 10:30 a.m. through video-conference facility.

Signed this __________________ day of ___________________ 2020.

WITNESSES

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

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

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

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. Proxies may also be appointed by e-mailing a scanned copy of signed letter by shareholder authorising proxy along with e-mail address of proxy and the relevant details (as mentioned in the Notice) to SHELLPK-AGM2020@shell.com.
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.

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