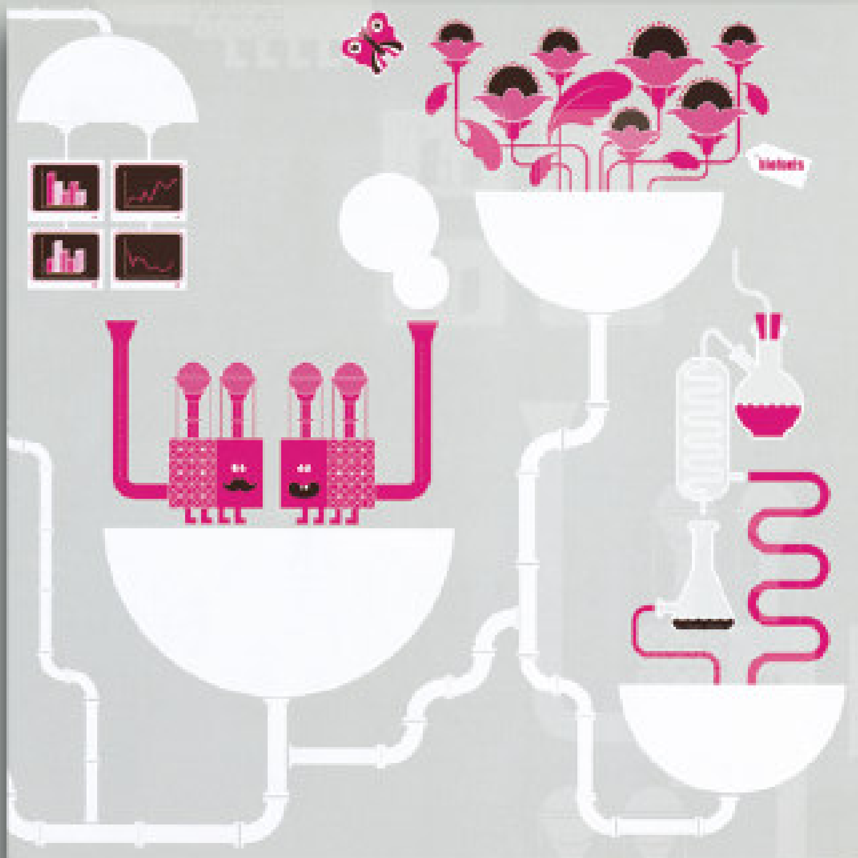
Shell Pakistan Limited
Shell House, 6 Ch. Khaliquzzaman Road
Karachi-75530, Pakistan.
shell.com.pk

Shell Pakistan Limited

Annual Report 2007

Our Vision:
To be the top performer of first choice

At Shell Pakistan Limited, we strive to deliver results, perform to the highest standards, develop our people, provide quality customer service and actively pursue consistent safety improvements. A firm foundation based on performance enables us to deliver strong returns and value growth for our shareholders, greater and better choices for our customers and opportunities and improvements in the quality of life of our communities. In an unsettled world, our commitment to performance at every level continues to be both the challenge and the aspiration.



Promoting Business Excellence

Shell has a long history of innovation and product development to fulfill a vast range of customer demands. We at Shell Pakistan acknowledge that the world is developing, populations are growing, and that consumer demands are becoming more complex and diversified. This means that striking the right balance between meeting growing energy needs and managing resources and environmental impact needs even greater commitment.

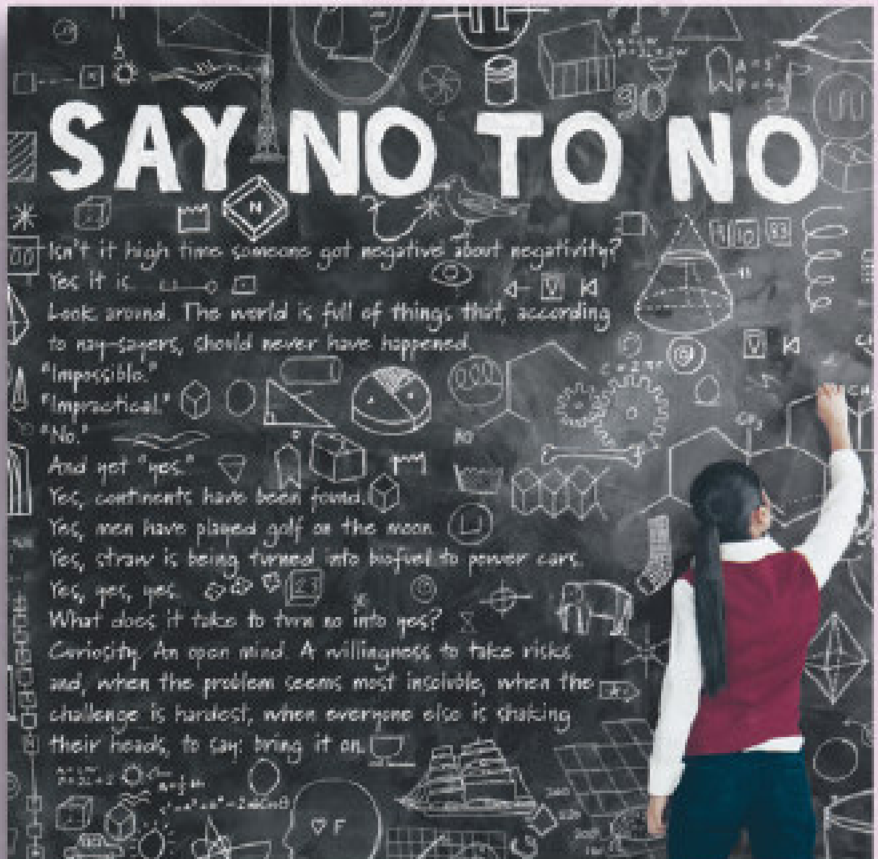
Accordingly, our drive for quality and performance is increasing.

It took a great deal of perseverance for us to work out solutions to difficulties we faced in our business environment, but we did. We were faced with the challenge to offer motorists a real choice of differentiated fuel. We came up to this challenge, and continue to deliver on our promises through new innovations such as CNG quantity testing and filters for cleaner CNG. We were faced with the immense responsibility of transporting fuel safely across the country. We proved ourselves by bringing mindset and behavioural change amongst our drivers and transporters, and by introducing global vehicular standards into the industry.

In our view, the most precious resource on this planet is the kind of person who is prepared to take small steps and great leaps of imagination, to fall down, pick themselves up, and prepare to leap again. And this is precisely the quality that embodies Shell people. Our people develop and use technology that makes the difference. Anybody who works with or for Shell has a particular drive for excellence. It is that drive which is key to the way we operate. As global and domestic business environments become more challenging, we rely increasingly on a spirit of business excellence and creativity, on new ideas and on professional discipline to secure a responsible energy future and to fulfill customer demands.

We abide by the Shell Pakistan Limited General Business Principles to conduct our affairs efficiently, responsibly and profitably. Our business behaviour ethics are governed by the Shell Code of Conduct, which crystallises the Shell General Business Principles into a strong moral code of action.

As Shell people, we think laterally about how to solve problems, we encourage initiative and we have vast reserves of optimism. And we do this to deliver genuine progress to our stakeholders.



Committing Ourselves to Innovation

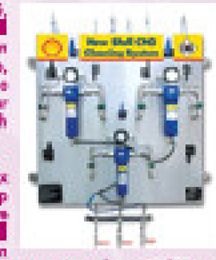
Shell has over 100 years of experience in developing the technology and services that make us a leading provider of innovative and new fuels today. Shell is whole-heartedly committed to providing its customers with the best differentiated fuels, and has invested heavily in the research and development of its fuels. Shell Pakistan makes full use of this global pool of expertise. Our 'Better Mileage' fuel helps to deliver improved engine efficiency to our petrol consumers, while 'Diesel Fuel Economy' helps to improve engine efficiency for our diesel consumers. Hence, we offer fuels that are designed to give extra miles to our consumers at no extra cost.

Furthering our commitment to innovate in order to make the Shell experience truly outstanding for our customers, Shell Pakistan has introduced a new look for its retail outlets. Our current Retail Visual Identity (RVI) was successfully

introduced in the early 1990's and created a clear competitive edge for Shell. Today, in order to stay ahead of the competition and in line with our aspiration to become the best fuels retailer in the world, we have introduced, as per Shell Global guidelines, Retail Visual Identity-Evolution (RVI-Evolution). Two RVI-Evolution flagship sites, PAF Nawaz Petroleum Service and Airways Petroleum Service, are now operational in Karachi.

RVI Evolution will make filling-up a better experience for our customers. This new Retail Visual Identity will allow us to refresh and modernise the look of our stations, rationalise and improve the effectiveness of our communications on the forecourt, and also help us to improve efficiencies.

Shell Pakistan has maintained its position as one of the foremost providers of CNG in the country. Consumers trust Shell CNG because we promise the right quantity, as well as the best quality. We have introduced a New CNG cleaning system at 145 of our CNG stations to further deliver on our promise of quality to the customer. This cleaning system is the result of innovative technology and has an advanced system of valves which provide a constant gas supply. The New Shell CNG cleaning system separates dust and oil particles from CNG, and the resulting New Shell CNG keeps car engines clean and enhances performance, helping to reduce maintenance costs so that our consumers can enjoy smooth driving.

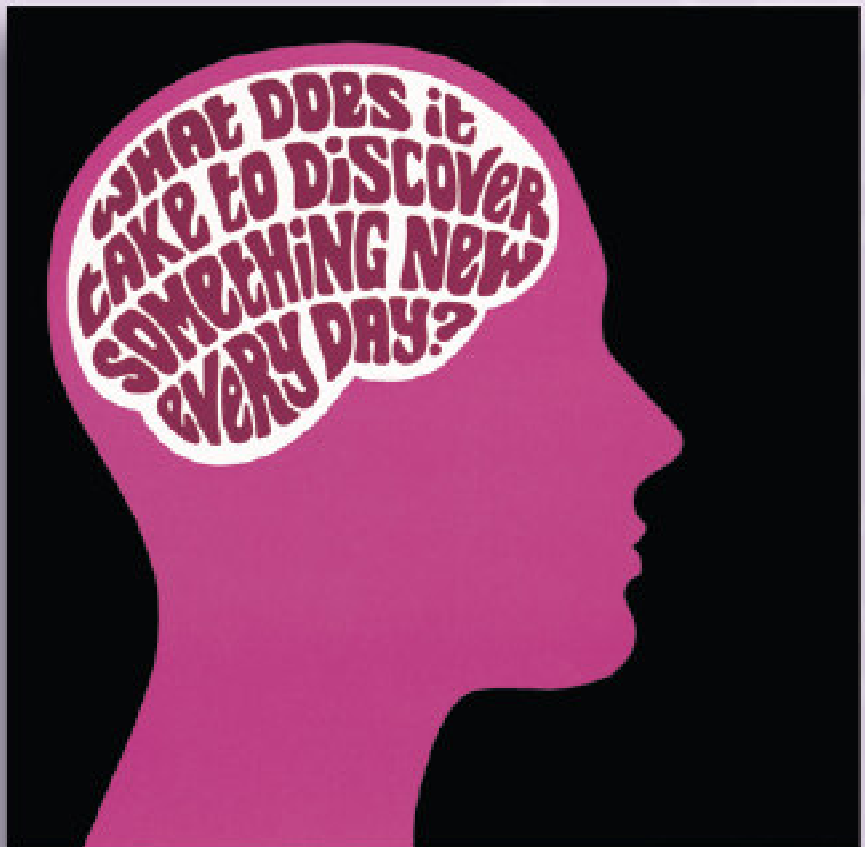


The past year saw Shell Helix maintaining its leadership position in both, market-share and technology. The Shell Helix portfolio has seen upward migration between viscosity grades over the past few years as the top-tier variants of the portfolio have grown. In 2006-07 there was continued growth in the Helix Plus (semi synthetic) category in the Retail and franchise workshops channel as the premier grade was established in all marketing communications.

Within Lubricants, an Industry All-In-Plant campaign was also launched in June 2007. The campaign recognised that Shell has a strong, broad product portfolio of Factory Plant Maintenance Oils and Greases tailored for various sectors in the industry. The objectives of the launch will be accomplished by delivering sales training and tools to help our sales team identify more opportunities in various industries, and shall act as a further step in making Shell Pakistan the number one lubricants retailer in Pakistan.

Shell Pakistan's IT department contributed to the overall bottom line of the organisation in 2006-07 with many strategic initiatives, including the challenging task of a Trust Domain audit conducted on the latest infrastructure security baselines. This re-emphasises our commitment to information security and the need to protect our digital assets in today's information age to add value to the organisation.

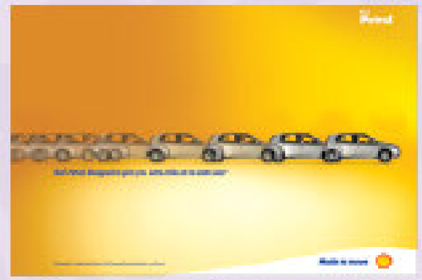
IT contributed significantly to the rollout of 'Shell People', a SAP-based HR system, which aligns Shell HR processes globally and integrates Shell Pakistan with Shell's global human resource management functions.



Delivering on Our Promises

Shell's product and service range has evolved along with the company, growing steadily in its commitment through its long history. At Shell we are determined to drive forward our strategy of 'making the difference real' for our customers with the help of our leadership team, our sales force, our dealers and ultimately their site staff.

We at Shell Pakistan understand how the rising cost of motoring is affecting our customers. That is why we are committed to providing our customers with the best value for money through



our fuel economy products. Following the successful launch of Better Mileage petrol in 2005, we introduced Diesel Fuel Economy in 2006 and now in 2007, we continue this through a revived focus on our main grade fuel (petrol and diesel), which is designed to give customers exactly what they want: extra miles at no extra cost, helping them go further.

The Shell Fleet Card has continued to deliver value and service to our corporate customers by providing the benefits of saving, security and service. The Shell Card offers what we call 'Smarter Fuel Management' by essentially giving customers more control over fuel expense and helps manage fuel-invoicing systems in an efficient and consolidated way. A key element of the Shell Card is a unique 4-digit PIN code which offers enhanced security and the Card's advanced MIS features include a provision for Odometer reading, which enables tracking and monitoring of card usage and is unique to the Shell card. In addition, the month of April saw the launch of the Shell Card Employee Referral Programme enabling employees to contribute to the business's success through a programme of incentives and rewards.

In December 2006, a successful consumer promotion for Shell Advance Motorcycle Oils was launched. This promotion helped strengthen market share and brand equity. This was supplemented by the launch of the Shell advance Motorcycle Oils 'Flowing Bike' communication campaign in February 2007, which successfully established Shell Advance as the market leader in Motorcycle Oils. This was an achievement in entering a previously untapped market which has helped the Shell Advance brand increase market share in 2006-07. Additionally, our lubricants business is also a part of the fuel economy offer. Our Shell Helix loyalty promotion gives customers the chance to win free fuel with the purchase of any Shell Helix pack. This campaign is an important step in realising our ambition to become the number one fuels and lubricants retailer in Pakistan.

Our flagship brand, Shell Rimula, continues to be the largest selling diesel engine oil, and drivers the world over rely on Shell Rimula for protecting their diesel engines. Our Pennzoil Quaker State brand of Lubricants, too, has grown substantially and is fast becoming a trusted brand in major agricultural markets.

Our Aviation business introduced 12 new refueling vehicles, the largest replacement programme undertaken by Shell Aviation in Pakistan. This replacement plan began in late 2004 and will culminate in end of 2007 and is a part of our commitment to supply the customer using the safest and most efficient equipment. In all, this replacement plan will see a total of 17 new vehicles being added to the fleet. We also invested in increasing the storage capacity at our Chaklala depot (which services the Islamabad airport) so as to effectively meet the surge in demand during the Haj and Umrah season.

The past year has also seen Commercial Fuels reorganise itself to put in place a team focused on fuel-based opportunities. The team is focusing on delivering promises to its customers and increasing customer base through supply-reliability and by delivering quality products and services according to customer expectations. Commercial Fuels has also signed Fuel Supply Agreements with two independent power plants. During the last year we recorded substantial business turnaround by focusing on Commercial Road Transport (CRT), Industry, Agriculture and other profitable segments. The growth was possible as a result of recognising customer requirements and by fulfilling our promises in the market place.

Ensuring Safety in Business

At Shell Pakistan the health and safety of people remains our top priority. We operate our facilities with the goal of assuring safety to the people who are on our sites and in surrounding locations. We utilise Health, Safety, Security and Environment (HSSE) Management Systems to manage our facilities and ensure safety on a day-to-day basis.

We continue to strengthen the safety culture of our company through focusing on personal responsibility, individual consequences and proactive interventions. To reinforce HSSE messages and actions we have rolled-out and implemented a global initiative of 'Managing Safety in Business' and 'Hearts and Minds' programmes. These programmes seek to inform our staff, dealers, fleet drivers and third-party contractors of the importance of HSSE compliance, and seek to engage them so that they share their own personal HSSE experiences.

In the past year, we initiated a few significant measures to increase safety compliance on our retail forecourts. We have installed 198 new CCTV cameras on our forecourts to strengthen security, taken measures to improve cash-handling procedures, and have also stepped up traffic management, CNG safety and electrical safety on our sites. Our 'Hearts and Minds' sessions further help to engage dealers and site staff on HSSE in order to ensure safe business on our retail sites.

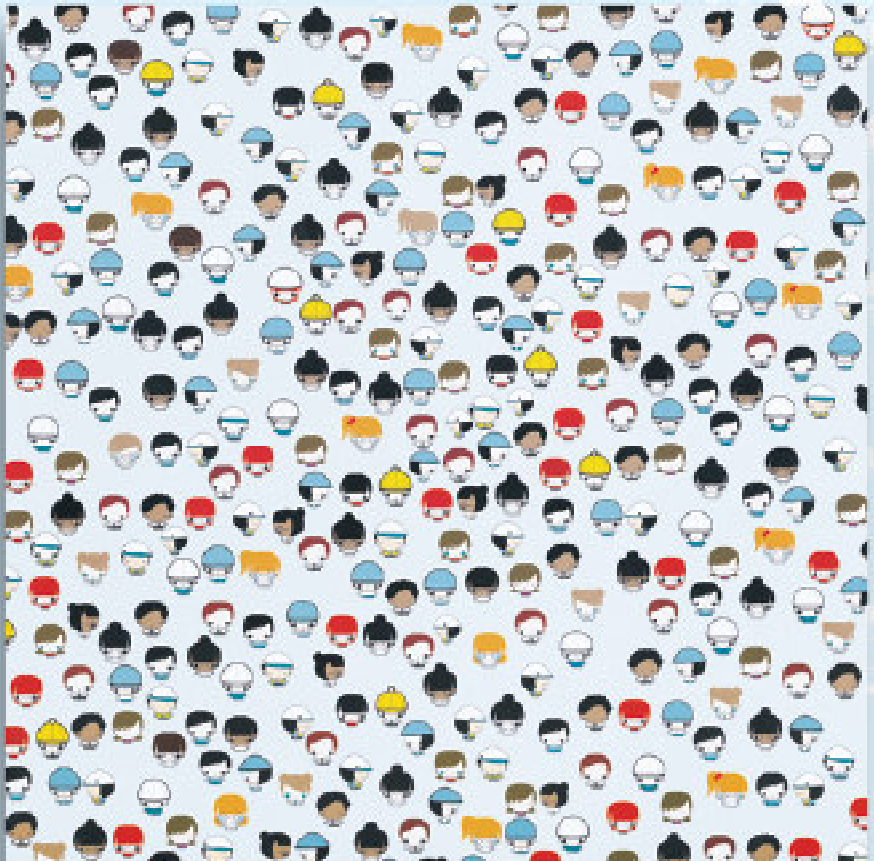
Shell Pakistan provides its drivers with rest facilities at installations and along main highway routes where drivers are instructed to stop, rest, and freshen up in accordance with our maximum driving hours rule. The drivers are also given free medical check-ups by Shell retainer doctors and provided with a clean, hygienic atmosphere and subsidised meals. These facilities are a conduit for driver training of en-route hazards through Route Hazard Maps. This year a new Mid Way Rest Station was inaugurated at Lakki Marwat.

Our robust Friends of Drivers Programme (FoDs) brings our staff into personal contact with drivers every day, and enables us to emphasise Shell's HSSE messages. FoDs are dedicated staff who patrol the main highways and city roads to monitor the on-the-road performance of the tank lorry drivers and to set up wayside safety kiosks.

The past year saw Shell Pakistan concentrating its HSSE efforts in the area of Road Safety awareness and education. The first ever United Nations Global Road Safety Week was observed with great enthusiasm, and activities within this week were aimed at young road users. Shell Pakistan also participated in the 'National Road Safety Conference' held by the National Highway Authority & Motorway Police, and was given a recognition shield at the 'Seminar for Road Safety' from the National Highway Authority for its efforts in road transport compliance. Shell Pakistan also played a more direct role in the dissemination of the traffic safety message by conducting educational sessions in local schools in Karachi and Hyderabad.

Shell Pakistan celebrated 'Safety Day' on 5th June 2007 by engaging our dealers, fleet drivers and distributors to

strengthen their commitment to safety in business. For its success in setting new standards of HSSE compliance, Shell Pakistan has been given the 'Health & Environment National Excellence Award' for the second year in a row by the National Forum for Environment and Health (NFEH) in January 2007.



Investing in Our People

Building skills, capabilities and organisational effectiveness remain key priorities for Shell Pakistan. We believe that people are the key to our success, and to sustaining a unique and dynamic organisation.

The attention paid to individual development is best reflected in our efforts to institute the use of competence frameworks across businesses and functions. We not only strive to develop our employees through various learning tools, we also provide them with guidance and mentoring. Our competence frameworks are based on best practices, and are used as a means of constant evaluation and development.

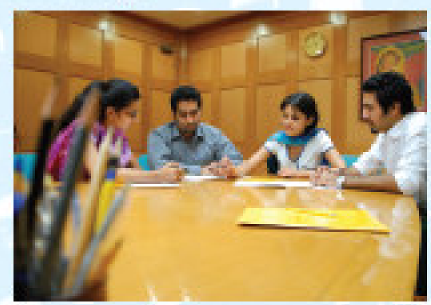
A number of our staff are now managing regional portfolios, enriching themselves as well as adding to the overall expertise of Shell Pakistan. We also offer our employees the chance to apply for, and to be recruited to Shell businesses overseas, and nearly 30 employees who started out from Shell Pakistan now occupy managerial positions abroad, acting as great ambassadors for Shell Pakistan as well as for our country as a whole.

Our continuing integration of diversity and inclusiveness into Shell Pakistan's operations and culture helps attract and retain the best people, increases creativity and improves decision-making. The D&I theme for this year was 'Let's DRIVE D&I', and its focus was on developing relationships, and on involving and valuing everyone. We have continued our focus on recruiting female talent into non-traditional roles. The past year saw us recruiting up to 4 graduates in frontline sales positions. We continue to attract employees from all pools of expertise to make Shell Pakistan the preferred employer of diverse human talent.

As part of our commitment to diversity, Shell Pakistan is a founder member of 'Dia', a women's network founded by Shell and other multinational corporations that aims to promote empowerment of career-oriented women.

Our journey to develop the future talent of Shell Pakistan continues through a recent mentoring programme called 'Leaders Develop Leaders'. The concept of mentoring is an essential component of the Employee Value Proposition that is included in our Graduate Scheme. Aside from the obvious benefits to mentors and mentees, Shell Pakistan will benefit from better business performance by having more competent staff with a clearer understanding of their goals and increased trust in the ability of the organisation to support them.

Shell Pakistan's Summer Internship Programme enables final-year students to undertake 'Assessed Internships' that potentially lead to a job offer with no need for additional interview or selection processes. Our target every year is to ensure that 50% of interns are capable of being hired at the end of their internship. This year alone Shell Pakistan received 700 applications for the Internship Programme, out of which 25 students were short-listed for the programme. The programme is therefore hugely valuable to both company and students alike.



Cultivating Partnerships & Leading the Way

Shell Pakistan has always led the industry when it comes to sharing of best practices and global technical and safety standards through partnerships with various stakeholders, including hauliers, members of the oil and gas community, and government bodies.

The Karachi Stock Exchange selected Shell Pakistan as one of Pakistan's Top 25 companies of 2005 for the tenth consecutive year for its overall financial performance and efforts in the area of corporate social responsibility.

This year saw the company participating in a number of collective initiatives and conferences to facilitate an understanding of industry issues and solutions. Amongst these events was the 3rd Oil & Gas Conference organised by the Petroleum Institute of Pakistan in February 2007. Shell Pakistan made presentations on 'Growing CNG & LPG Market', 'Meeting the South Asian Energy Challenge', and 'Challenges in the Changing Fuel Market'. The company also facilitated the participation of prominent speakers to elaborate on critical issues concerning the local and international oil, gas and energy sector.

Shell Pakistan has also continued its efforts in improving ship-to-shore standards. A team from Shell International conducted the Shell Marine Business Review, which will help improve marine safety in the industry.

Concurrently, we strive to improve road transport standards in alliance with other industry players and partners. Road Transport Standards developed by Shell Pakistan and jointly agreed with all OMCs have been presented to the Oil and Gas Regulatory Authority (OGRA) Technical Committee. Implementation of these standards would ensure a proactive approach towards road safety for petroleum product movement.

Our Haulier Professionalisation Programme, a flagship project with significant social and civic impact, has successfully managed to change the mindset of our contractors to effectively commit themselves to invest in professional offices, equipment and qualified staff. The Haulier Professionalisation Programme, based on the 7 pillars of Organisation, Finance, Driver Management, Vehicle Management, Journey Management, HSSE and Customer Service, offers training and software to our contractor and hauliers to update their business practices.

Shell Pakistan Limited also reiterated its commitment to support the Pakistani Government's initiative in the power sector by organising our first-ever workshop on 'Fuel Solutions for the Power Sector' to share Shell's global experience and knowledge with these stakeholders. The forum included representation from the Private Power and Infrastructure Board (PPIB), Independent Power Producers, equipment manufacturers and Shell's global representatives.

Building a Better World

At Shell Pakistan, we believe that winning hearts and minds is as important as winning markets.

We partner with communities and social development organisations to support projects on education, health and environmental preservation.

Some of our flagship projects include our partnership with the Layton Rahmatullah Benevolent Trust (LRBT), through which patients with refractive errors or simple eye problems are treated free of cost.

In addition, we sponsor a home for orphan children in the SOS Children's Villages, and we will soon be initiating a programme to provide support to the SOS Technical Center for Auto-workshop training.

Shell Pakistan continues to assist with the rehabilitation of the October 2005 Earthquake affectees. We are providing funds to build a Primary School in the remote village of Kalaban for 300 school children who were left without a

functional school building in the tragic aftermath of the calamity. We also plan to build three more primary schools at Batal with the help of The Citizens Foundation. Shell Pakistan's flagship project 'Tameer' has also been extremely active in the past year and has been conducting its activities nationally. Since its inception, the Shell Tameer programme has engaged more than 27,000 young people through workshops, seminars, meetings and through our website. Within this programme, 30 workshops have been conducted for 1,000 young people, and 55 seminars have provided awareness to over 11,000 students.

As a responsible neighbour, Shell Pakistan believes in creating an environment that benefits the entire community. For this reason, we have embarked on the 'Neighbourhood Beautification Project' in conjunction with the City District Government to improve the infrastructure of the area around our head office.

Shell Pakistan has more recently entered into a partnership with the Marie Stopes Society. This project aims to support the 'Shell HIV/AIDS Workplace Intervention Programme' through the implementation of an HIV/AIDS Awareness, Education and Prevention Project termed 'Awareness for Life'.

We at Shell Pakistan appreciate that social investment must not be perceived as one-off projects, but must be lived as a way of life. In order to keep our commitment to society at a more personal level, we have refreshed our 'Volunteer Programme' in Karachi, with the idea of encouraging Shell staff to get involved in the various social investment projects sponsored by us.

Statement of General Business Principles

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

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

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

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

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

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

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

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

b. To customers
To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, 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; to provide them with channels to report concerns.

We recognise that commercial success depends on the full commitment of all employees.

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

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

Principle 1
Economic
Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell Pakistan Ltd. 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 Pakistan Ltd. supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

Principle 3
Business Integrity
Shell Pakistan Ltd. insists on honesty, integrity and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of Shell Pakistan Ltd. must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

Principle 4
Political Activities

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

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

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

Principle 5
Health, Safety, Security and the Environment
Shell Pakistan Ltd. has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

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

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

Principle 6
Local Communities
Shell Pakistan Ltd. aims to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general wellbeing of the communities within which we work.

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

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

Principle 7
Communication and Engagement
Shell Pakistan Ltd. recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting our performance by providing complete relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

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

Principle 8
Compliance
We comply with all applicable laws and regulations of the countries in which we operate.

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

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

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

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

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

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

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

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.

Year 2006 - 07 in pictures

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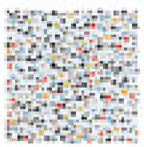
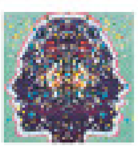




Notice of Annual General Meeting

Notice is hereby given that the Thirty-Eighth Annual General Meeting of Shell Pakistan Limited will be held on Wednesday, September 19, 2007 at 10:00 a.m. at Karachi Sheraton Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Report of Directors and Auditors together with Audited Accounts for the year ended June 30, 2007.
2. To approve the payment of final dividend of Rs.8.00 per share (80 %) and also the interim dividend of Rs.8.00 per share (80%) declared on February 14, 2007 making a total of Rs. 16.00 per share (160%) for the year ended June 30, 2007.
3. To appoint Auditors for the year 2007-2008 and to fix their remuneration .

By Order of the Board

Karachi: August 6, 2007

(Tariq Saeed)
Secretary

Shell House
6, ch. Khaliquzzaman Road
Karachi-75530.

Notes:

(i) The register of members will remain closed from September 5 to September 19, 2007 (both days inclusive). Transfers received in order at the office of our Share Registrars, Ferguson Associates (Pvt.) Ltd., 4th Floor, State Life Building 2-A, I.I. Chundrigar Road, Karachi-74000 by the close of business on September 4, 2007 will be in time for the purpose of payment of final dividend to the transferees.

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

(iii) Shareholders are requested to notify any change in their addresses immediately to our Share Registrars, Ferguson Associates (Pvt.) Ltd.

(iv) CDC Shareholders or their Proxies are required to bring with them their Original National Identity Card or Passport along with the Participant's I.D. number and their account number at the time of attending the Annual General Meeting in order to authenticate their identity.

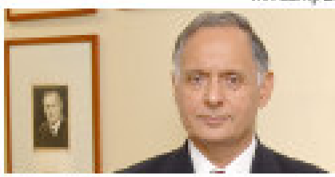
Board of Directors

Mr. Farrokh K. Captain, Mr. Akbar Aziz, Mr. Asif Sindhu, Mr. Ijaz Ali Khan, Mr. M. Azam Khan, Mr. Yousuf Ali

Mr. Zaiviji Ismail bin Abdullah, Mr. Fatehali W. Vellani, Mr. Leon Menezes, Mr. Saw Choo-Boon, Mr. Mahmud G. Dossa (Ex Company Secretary) and Mr. Manzoor Hayat Noon

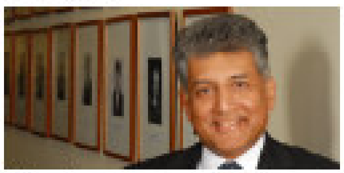
Country Leadership Team

Mr. Zaiviji Ismail bin Abdullah



Mr. Ijaz Ali Khan

Mr. Asif Sindhu

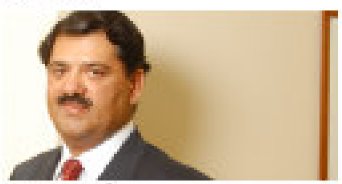


Mr. Leon Menezes

Mr. Saleem Piracha

Mr. Yousuf Ali

Mr. Abid Ibrahim



Mr. Tariq Saeed

Mr. Zain K. Hak

Company Information

Board of Directors

Chairman	Mr. Zaiviji Ismail bin Abdullah
	Mr. Yousuf Ali
	Mr. Akber Aziz
	Mr. Saw Choo-Boon
	Mr. Farrokh K. Captain
	Mr. Ijaz Ali Khan
	Mr. M. Azam Khan
	Mr. Leon Menezes
	Mr. Manzoor Hayat Noon
	Mr. Asif Sindhu
	Mr. Fatehali W. Vellani

Chief Executive

Managing Director & Chief Executive	Mr. Zaiviji Ismail bin Abdullah

Audit Committee

Chairman	Mr. Fatehali W. Vellani
	Mr. Akber Aziz
	Mr. Saw Choo-Boon
	Mr. Manzoor Hayat Noon
	Mr. Asif Sindhu

Country Leadership Team

Chairman and Managing Director	Mr. Zaiviji Ismail bin Abdullah
General Manager Operations	Mr. Ijaz Ali Khan
Finance Director & CFO	Mr. Asif Sindhu
General Manager Human Resources	Mr. Leon Menezes
General Manager Business Strategy	Mr. Saleem Piracha
General Manager Lubricants	Mr. Yousuf Ali
National Sales Manager - Retail	Mr. Zain K. Hak
General Manager External Affairs	Mr. Abid Saeed Ibrahim
Company Secretary & Legal Affairs Manager	Mr. Tariq Saeed

Company Secretary

Mr. Tariq Saeed

Registered Office

Shell House,
6, Ch. Khaliquzzaman Road,
Karachi – 75530

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office

Ferguson Associates (Private) Limited
4th Floor, State Life Building 2-A,
I.I.Chundrigar Road,
Karachi – 74000

Report of the Directors

The Directors of your Company present their Annual Report together with Audited Accounts for the year ended June 30, 2007.

The profit for the year ended June 30, 2007 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

	(Rupees' 000)
Profit before taxation	378,736
Less:Taxation	(327,923)
Profit after taxation	706,659
	(Rupees)
Earnings per share	12.90

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 37 of these financial statements.

At their meeting held on August 6, 2007, the Board of Directors of the Company has proposed a final dividend for the year ended June 30, 2007 of Rs 8.00 per share (80%). This is in addition to the interim dividend of Rs 8.00 per share (80%) resulting in a total dividend for the year of Rs 16.00 per share (160%) amounting to Rs 876,645 thousand. The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on September 19, 2007. The final dividend amounting to Rs 438,323 thousand has not been recognised as a liability in these financial statements.

1. The financial statements, prepared by the management of Shell Pakistan Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of Shell Pakistan Limited have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for the change as stated in note 2.3 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon Shell Pakistan Limited's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.

SAY NO TO NO

8. Key operating and financial data for the last decade in summarised form is given on page 29. Reduced profitability for the year is mainly due to declining international oil prices witnessed during the year as against last year when they were mostly on the rise. Additionally, Government decision to subsidise oil prices and calling upon oil marketing companies to finance the subsidy has resulted in further strain on the current year profits.
9. A statement as to the value of investments of Provident, Gratuity and Pension Funds on the basis of audited accounts as at December 31, 2006 is included in note 32.3 to the accounts.
10. During the year 5 board meetings were held and the attendance by each director is given on page 74.
11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 75 & 76. The company is a subsidiary of Shell Petroleum Company Limited (holding company) incorporated in the United Kingdom.
12. Mr. Quentin D'Silva resigned as Chairman, Director and Chief Executive of the Company effective close of business on August 31, 2006. Mr. Zaiviji Ismail bin Abdullah succeeded Mr. Quentin D'Silva as Chairman of the Board and Chief Executive of Shell Pakistan Limited. The vacancy caused by the resignation of Mr. Quentin D'Silva was filled up by the appointment of Mr. Yousuf Ali, General Manager Lubricants, who was appointed as a Director effective September 1, 2006. The Board wishes to place on record its appreciation for the valuable services rendered to the Company by Mr. Quentin D'Silva and welcomes the new Director.
13. The Auditors M/s A. F. Ferguson & Co. retired and being eligible offer themselves for re-appointment.
14. Detail of purchase/sale of shares by the directors, CEO, CFO, Company Secretary and their spouses and minor children are given on page 76.

On behalf of the Board

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Karachi: August 6, 2007

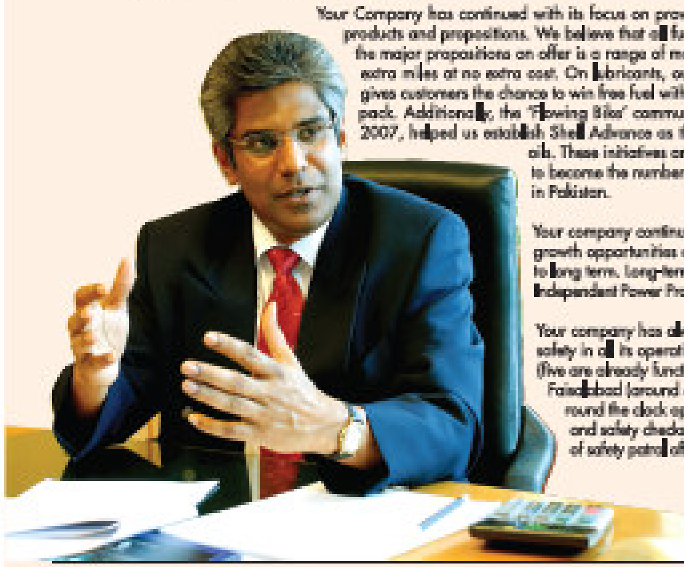
Chairman's Review
for the year ended June 30, 2007

The Directors of Shell Pakistan Limited (SPL) present this review of your Company's performance for the year ended June 30, 2007. The company posted a profit of Rs 707 million as against Rs 3,147 million last year. The industry went through its most challenging period during this year. International oil prices dropped significantly having an adverse impact on our results. Margin reduction on account of revision in the Government's pricing formula in May 2006 unfavourably impacted our profitability. Financial charges of approximately Rs. 500 million on Government receivables, which stand at Rs 4.7 billion at the end of the current year, led to further erosion of earnings.

Performance for the last quarter however showed a significant improvement over the past quarters of the current financial year mainly on the back of higher sales volumes recorded during this period translating into a profit after tax of Rs 927 million for the quarter.

The Board of Directors recommends a final dividend of Rs 8 per share, which together with the interim dividend of Rs 8 per share declared in February 2007 will bring the total dividend for the financial year 2006-07 to Rs 16 per share.

Your company continues to lead the market in terms of innovation. A new Retail Visual Identity program (RVIE) was launched in two of our flagship forecourts, that is expected to give customers even better service experience on our sites. The current year also saw the induction of 12 new Aviation refueling vehicles, which has been the largest replacement program undertaken any time by the Aviation business in Pakistan. With the introduction of these state of art refuellers and customer focused value propositions, the business is fully geared to earn our due share of future growth in the Aviation business in Pakistan. We are also the first in the Shell Group to develop and launch the unique CNG clearing system. Our customers will be able to experience reduced maintenance, better mileage and a smoother drive with this new proposition.



Your Company has continued with its focus on providing the customers with better products and propositions. We believe that all fuels are not the same and one of the major propositions on offer is a range of main grade fuels designed to give extra miles at no extra cost. On lubricants, our Shell Helix loyalty promotion gives customers the chance to win free fuel with the purchase of any Shell Helix pack. Additionally, the 'Flowing Bike' communication campaign in February 2007, helped us establish Shell Advance as the market leader in Motorcycle oils. These initiatives are vital in achieving our ambition to become the number one fuels and lubricants retailer in Pakistan.

Your company continues its focus in exploring the fuels growth opportunities expected to come in the medium to long term. Long-term contracts were signed with two Independent Power Producers (IPPs) for supply of Diesel.

Your company has always been committed to ensuring safety in all its operations. A new Midway Rest Station (five are already functional) en-route Mehmoodkot and Faisalabad (around 400 km) has recently commenced round the clock operation. In addition, driver issues and safety checks are managed through a network of safety patrol officers termed as Friends of Drivers.

Your company also initiated significant measures to increase safety compliance on the retail forecourts. 198 new CCTV cameras have been installed on our forecourts to strengthen security, measures have been taken to improve cash-handling procedures and CNG and electrical safety has been improved. Through the 'Hearts and Minds' sessions dealers and site staff were apprised on the significance of Health Safety Security and Environment (HSSE) in our Retail operations. As a recognition of our commitment in this direction, this year we were awarded the Health & Environment National Excellence Award by the National Forum for Environment and Health (NFEH) for the second year in a row.

Our quest to remain the Employer of Choice continues with various initiatives to attract and retain top talent. Shell Pakistan has a vigorous Summer Internship program that is the best in the country, where students from top Pakistani and overseas colleges compete on merit for a place. During their stay with us, they work on projects that make best use of their academics while providing sufficient stretch to their overall capabilities. The Internships now provide us with fifty percent of our Graduate intake.

The leadership and professional dimensions of employees are enhanced through Individual Development Plans and Mid-year Reviews. Each employee has to complete a Competence Profile from which his or her development needs are identified and addressed. This focus allows our staff to compete for international assignments within the Shell world.

Compliance with Shell General Business Principles continues to be high priority as we endeavour to embed these in all the businesses that we carry out. This year also saw the launch of Shell Global 'Code of Conduct' Principles, which re-emphasises a strong moral code of action, and provides Shell people with a practical guide to living by the Shell General Business Principles.

Your company believes that the prospects of this country are inextricably linked with the people of Pakistan. Our commitment to society, its past and present, continues with the hope of securing a better future for all. In line with our commitment, your company has recently constructed a school for 300 children in the earthquake struck northern areas. We have signed new agreements with NGOs in the areas of education and health and have refreshed our Volunteers Program by encouraging our staff to participate in these projects.

Your company was also selected by the Karachi Stock Exchange as one of Pakistan's Top 25 companies of 2005 for the tenth consecutive year for its overall financial performance.

The cash flow constraints resulting from overdue government receivables is the greatest challenge faced by your company. The timely recovery of these receivables is paramount to sustaining the viability of this company.

Your company continues to play a pivotal role in meeting the energy challenges in the country. We have assisted the government in developing a 15-years Energy Outlook highlighting areas that need to be addressed.

I take this opportunity to thank our shareholders, staff and customers for their continued support in ensuring the success of the company and making Shell their brand of first choice.

Karachi: August 6, 2007

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

SAY NO TO NO

Highlights

		Year ended June 30, 2007	Year ended June 30, 2006 (Restated)
Sales volume	Tonnes	**2,644,857**	2,886,730
Sales revenue	Rs / mn	**130,130**	132,840
Profit before taxation	Rs / mn	**379**	4,640
Profit after taxation	Rs / mn	**707**	3,147
New capital expenditure	Rs / mn	**1,383**	729
Shareholders' equity	Rs / mn	**9,461**	10,157
Dividend	Rs / mn	**877**	1,315
Earnings per share	Rs	**12.90**	57.44

SAY NO TO NO

Financial Statistical Summary

		2007	2006 (Restated)	2005	2004	2003	2002	2001	2000	1999	1998	1997
Share capital	Rs. / mn	**548**	438	351	351	351	351	351	351	351	351	234
Reserves	Rs. / mn	**8,913**	9,718	7,952	6,781	5,501	5,470	5,039	4,421	3,701	3,258	1,590
Shareholders' equity	Rs. / mn	**9,461**	10,157	8,303	7,132	5,852	5,821	5,390	4,772	4,051	3,609	1,823
Break up value	Rs.	**173**	232	237	203	167	166	154	136	116	103	78
Dividend per share	Rs.	**16.0**	30.0	35.0	35.0	35.0	18.0	12.5	16.5	12.5	8.5	8.5
Bonus		**–**	1 : 4	1 : 4	▪	▪	▪	▪	▪	▪	▪	▪
Profit before tax	Rs. / mn	**379**	4,640	3,643	2,189	1,900	1,572	1,630	2,013	1,341	922	927
Profit after tax	Rs. / mn	**707**	3,147	2,451	1,508	1,255	1,063	1,056	1,299	881	592	543
Earnings per share of Rs.10	Rs.	**12.90**	57.44	55.92	43.0	35.8	30.3	30.1	37.0	25.1	19.6	23.2
Price earnings ratio		**31.78**	8.38	9.89	8.1	11.8	7.3	9.3	7.0	4.4	8.4	10.1
Working Capital												
Current assets to current liabilities		**1.02**	1.13	1.1	1.0	0.9	1.2	1.2	1.2	1.2	1.2	0.9
Number of days stock		**31**	28	22	22	16	24	14	18	18	15	17
Number of days trade debts		**13**	14	10	8	6	5	3	3	4	4	7
Performance												
Profit after tax as % of average capital employed		**7.18**	33.91	31.4	21.4	21.1	18.6	20.3	28.4	20.8	18.8	23.1
Profit after tax as % of average shareholders' equity		**7.30**	34.10	31.8	21.7	21.5	19.0	20.8	29.4	23.0	21.3	33.2
Cost of sales as % of sales		**94.5**	91.5	91.0	92.2	94.1	94.3	94.9	94.7	94.1	94.9	94.2
Profit before tax as % of sales		**0.30**	3.9	3.7	2.8	2.1	2.0	2.2	3.2	2.7	2.1	2.5
Profit after tax as % of sales		**0.6**	2.7	2.5	1.9	1.4	1.3	1.4	2.1	1.8	1.4	1.4
Total debt ratio %		**0.3**	0.3	0.8	1.4	1.7	1.7	1.9	2.5	5.2	3.3	28.3

Statement of Compliance with the Code of Corporate Governance and Best Practices on Transfer Pricing

A. Statement of Compliance with the Code of Corporate Governance
(As required by the Listing Regulations)

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes 4 independent non-executive Directors and 2 Directors representing minority shareholders.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. To the best of our knowledge all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or an Non-Banking Financial Institution or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. All casual vacancies occurring in the Board were filled up by the Directors within 30 days thereof.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other Executive Directors, have been taken by the Board.

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

9. Comprehensive courses were held on June 21, 2005 and November 15, 2006 to apprise the directors of their duties and responsibilities. The course was conducted by one of the leading lawyers of the country and was actively participated in by the directors.

10. The Board has approved the appointment of the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive. There was no change in the position of the Chief Financial Officer during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed. Matters relating to the risks and uncertainties surrounding the company and significant deviations, if any, in the financial statements from the prior year have been highlighted in the Chairman's Review.

12. The financial statements of the Company were duly endorsed by the Chief Executive and the Chief Financial Officer before approval by the Board.

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

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

15. The Board has formed an Audit Committee. It comprises 5 members, of whom 4 are non-executive Directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

17. The Board has set-up an effective Internal Audit function.

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

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

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

B. Statement of Compliance with the Best Practices on Transfer Pricing
(As required by the Listing Regulations)

The Company has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulations of the Stock Exchange.

Karachi: August 6, 2007

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shell Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XI of the Lahore Stock Exchange where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: August 9, 2007

Auditors' Report to the Members

We have audited the annexed balance sheet of **Shell Pakistan Limited** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion :

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.3 to the financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi: August 9, 2007

Balance Sheet
as at June 30, 2007

Assets	Note	2007	2006 (Restated)
		(Rupees '000)	
Non-current assets			
Property, plant and equipment	3	6,579,993	5,728,075
Long-term investments	4	2,015,535	1,921,885
Long-term loans and advances	5	182,579	139,640
Long-term deposits and prepayments	6	110,994	110,445
Deferred taxation - net	7	280,967	–
		9,170,068	7,900,045
Current assets			
Stores and spares	8	30,286	28,865
Stock-in-trade	9	8,244,054	9,979,886
Trade debts	10	4,579,552	5,231,727
Loans and advances	11	42,720	41,821
Trade deposits and short-term prepayments	12	140,239	167,317
Other receivables	13	5,970,763	3,961,541
Taxation		219,715	–
Cash and bank balances	14	814,530	981,197
		20,041,859	20,392,354
Total assets		29,211,927	28,292,399
Liabilities			
Current liabilities			
Current maturity of liabilities against assets subject to finance lease	15	33,303	26,480
Short-term running finances utilised under mark-up arrangements	16	725,836	1,779,860
Short-term loans	17	6,810,000	3,250,000
Trade and other payables	18	11,912,496	12,014,003
Mark-up accrued	19	131,580	77,035
Taxation		–	830,632
		19,612,115	17,978,010
Non-current liabilities			
Deferred taxation - net	7	–	52,304
Liabilities against assets subject to finance lease	15	547	7,019
Asset retirement obligation	20	138,494	98,320
		139,041	157,643
Total liabilities		19,751,156	18,135,653
Net assets		9,460,771	10,156,746
Financed by:			
Share capital	21	547,904	438,323
Reserves		2,233,026	2,233,026
Unappropriated profit		6,679,841	7,485,397
Shareholders' equity		9,460,771	10,156,746
Contingencies and commitments	22		

The annexed notes 1 to 43 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Akber Aziz
Director

Profit and Loss Account
for the year ended June 30, 2007

	Note	2007	2006 (Restated)
		(Rupees '000)	
Sales	23	130,129,844	132,840,460
Non-fuel retail			
- Sales		141,615	124,935
- Others		17,909	19,542
Other revenue	24	447,517	413,517
		130,736,885	133,398,454
Less: Sales tax		15,691,451	16,135,935
Net revenue		115,045,434	117,262,519
Cost of products sold	25	108,664,932	107,301,071
		6,380,502	9,961,448
Administrative and marketing expenses	26	2,036,574	2,086,416
Distribution expenses	27	3,366,555	2,710,779
		977,373	5,164,253
Other operating income	28	215,322	158,681
		1,192,695	5,322,934
Workers' Profit Participation Fund	13.3	15,569	246,390
Workers' Welfare Fund		10,721	81,924
Operating profit		1,166,405	4,994,620
Finance cost	29	909,919	398,009
		256,486	4,596,611
Share of profit of associate - net of tax	4.2	122,250	43,573
Profit before taxation		378,736	4,640,184
Taxation	30	(327,923)	1,493,060
Profit after taxation		706,659	3,147,124
		Rupees	Rupees
Earnings per share - basic and diluted	31	12.90	57.44

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 43 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Akber Aziz
Director

Cash Flow Statement
for the year ended June 30, 2007

	Note	2007	2006 (Restated)
		(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	1,960,081	2,586,000
Mark-up on short-term finances and short-term loans paid		(739,776)	(235,819)
Taxes paid		(1,055,695)	(1,336,848)
Long-term loans and advances (net)		(42,939)	(54,761)
Long-term deposits and prepayments (net)		(549)	(62,201)
Mark-up received on short-term deposits		5,807	10,388
Net cash inflow from operating activities		136,929	906,759
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,383,390)	(729,104)
Proceeds from sale of property, plant and equipment		21,080	43,700
Net cash used in investing activities		(1,362,310)	(685,404)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(1,387,277)	(1,285,490)
Repayment of liability under finance lease		(59,985)	(70,290)
Net cash used in financing activities		(1,447,262)	(1,355,780)
Net decrease in cash and cash equivalents		(2,672,643)	(1,134,425)
Cash and cash equivalents at July 1		(4,048,663)	(2,914,238)
Cash and cash equivalents at June 30	36	(6,721,306)	(4,048,663)

The annexed notes 1 to 43 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Akbar Aziz
Director

Statement of Changes in Equity
for the year ended June 30, 2007

	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Capital reserves-share premium	General revenue reserves	Unappropriated profit	Total
	(Rupees '000)					
Balance as at June 30, 2005	350,658	–	2,026,024	207,002	5,719,389	8,303,073
Effect of change in accounting policy note 2.3	–	–	–	–	3,984	3,984
Balance as at June 30, 2005 – restated	350,658	–	2,026,024	207,002	5,723,373	8,307,057
Final dividend for the year ended June 30, 2005 declared subsequent to the year end	–	–	–	–	(946,777)	(946,777)
Transfer to reserve for issue of bonus shares in respect of stock dividend for the year ended June 30, 2005 declared subsequent to the year end	–	87,665	–	–	(87,665)	–
Issue of bonus shares	87,665	(87,665)	–	–	–	–
Profit after taxation for the year ended June 30, 2006 – restated	–	–	–	–	3,147,124	3,147,124
Interim dividend declared for the year ended June 30, 2006	–	–	–	–	(350,658)	(350,658)
Balance as at June 30, 2006 – restated	438,323	–	2,026,024	207,002	7,485,397	10,156,746
Final dividend for the year ended June 30, 2006 declared subsequent to the year end	–	–	–	–	(964,311)	(964,311)
Transfer to reserve for issue of bonus shares in respect of stock dividend for the year ended June 30, 2006 declared subsequent to the year end	–	109,581	–	–	(109,581)	–
Issue of bonus shares	109,581	(109,581)	–	–	–	–
Interim dividend declared for the year ended June 30, 2007	–	–	–	–	(438,323)	(438,323)
Profit after taxation for the year ended June 30, 2007	–	–	–	–	706,659	706,659
Balance as at June 30, 2007	547,904	–	2,026,024	207,002	6,679,841	9,460,771

Appropriations made by the Directors subsequent to the year ended June 30, 2007 are disclosed in note 41 of these financial statements.

The annexed notes 1 to 43 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Akbar Aziz
Director

Notes to the Financial Statements
for the year ended June 30, 2007

1. THE COMPANY AND ITS OPERATIONS

The Company is a limited liability Company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The address of its registered office is Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

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

The Company has an investment in two non-trading subsidiaries, namely Shell Pakistan Provident Trust (Private) Limited and Shell Pakistan Pension Trust (Private) Limited and in an associate company – Pak Arab Pipeline Company Limited (PAPCO). The management has decided to liquidate the subsidiary companies and the process of liquidation in this respect has already commenced. In view of the liquidation process, the Company applied to the Securities and Exchange Commission of Pakistan (SECP) requesting for exemption from preparation of the consolidated financial statements as required under Section 237 of the Companies Ordinance, 1984. The exemption was granted by the SECP vide their letter No. EMD/233/407/2002-263 dated July 17, 2007 subject to the condition that the Company will account for its investment in associates using the equity method in stand alone financial statements. Accordingly, the Company has changed its policy with regard to accounting for investment in associates as disclosed in note 2.3. The audited financial statements of the subsidiaries will be annexed in the annual report of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except for the change as stated in note 2.3.

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except that obligations in respect of certain employee benefit schemes and asset retirement are measured at their present value.

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with the International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38 to these financial statements.

Notes to the Financial Statements
for the year ended June 30, 2007

d) Amendments to published accounting standards that are effective in the current period

International Accounting Standard (IAS) 19 (Amendment), Employee benefits, is mandatory for the Company's accounting period beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Company has not changed the accounting policy adopted for recognition of actuarial gains and losses, application of this amendment only impacts the format and extent of disclosures presented in these financial statements.

The other standards, amendments and interpretations that are effective in the current period but are considered not to be relevant or to have any significant effect to the Company's operations are not detailed here.

e) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning July 1, 2007:

i.	IAS 1 – Presentation of Financial Statements – Capital Disclosures	effective from January 1, 2007
ii.	IFRS 2 – Share-based payment	effective from January 1, 2007
iii.	IFRS 3 – Business combinations	effective from January 1, 2007
iv.	IFRS 5 – Non-current assets held for sale and discontinued operations	effective from January 1, 2007
v.	IFRS 6 – Exploration for and evaluation of mineral resources	effective from January 1, 2007
vi.	IFRIC 10 – Interim financial reporting and impairment	effective from November 1, 2006
vii.	IFRIC 11 – Group and treasury share transactions	effective from March 1, 2007
viii.	IFRIC 12 - Services concession arrangements	effective from January 1, 2008

These standards are either not relevant to the Company's operations or are not expected to have a material impact on the Company's financial statements other than increase in disclosures in certain cases.

2.2 Property, plant & equipment and depreciation

Tangible

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

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to the Financial Statements
for the year ended June 30, 2007

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

Repairs and maintenance are charged to income as and when incurred.

Profit and loss arising on disposal of property, plant and equipment is included in income in the year of disposal.

Provision for asset retirement obligation is based on current requirements, technology and price levels and is stated at fair value. The associated asset retirement costs are capitalised as part of the carrying amount of the related property, plant and equipment. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the liability are incorporated on a prospective basis.

Intangible

Costs that are clearly associated with an identifiable asset, which has a probable economic benefit beyond one year, are recognised as intangible assets. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and useful lives is recognised as a capital improvement and added to the original cost of the software.

Intangible assets are amortised using the straight-line method over their estimated useful lives.

2.3 **Investments**

Available for sale

Investments in subsidiaries and non-listed equity securities classified as available for sale are stated at cost less provision for diminution in value. In arriving at the provision in respect of any diminution in their long-term investments, consideration is given only if there is a permanent impairment in the value of the investment.

Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of between 20% to 50% of the voting right.

The Company was previously accounting for investments in associates by stating them at cost less provision for diminution in fair value. In the consolidated financial statements investments in associates were accounted for using the equity method. As mentioned in note 1, the Company is in the process of winding up its subsidiary companies and the requirement to prepare consolidated financial statements will not be applicable to the Company after the completion of this process. For the current year, the Company has obtained exemption from the SECP regarding preparation of the consolidated financial statements. However, the letter from the SECP specifies that investments in associates should be accounted for using the equity method. Accordingly, the Company has changed its accounting policy and has decided to account for investments in associates using the equity method.

Notes to the Financial Statements
for the year ended June 30, 2007

Under the new policy, the Company's share of its associates' post acquisition profits or losses is recognised in income and its share in post acquisition movement of reserves is recognised in reserves. Cumulative post acquisition movements are adjusted against the carrying value of the investments. 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 future losses, unless it has incurred obligations or made payments on behalf of the associate. Gain on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

The new policy of the Company is in line with the requirements of IAS 28, Investments in associates, which specifies that investments in associates should be accounted for using equity method for all companies which are not preparing consolidated accounts.

This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Error, and accordingly the comparative figures have been restated. The effects of change in accounting policy on the current and prior year financial statements have been summarised below:

	2007	2006
	(Rupees '000)	
Increase in long-term investments	138,534	44,884
Increase in deferred tax liability	13,853	2,245
Increase in net equity	124,681	42,639
Increase in profit after taxation for the year	82,042	38,655
Increase in the opening balance of retained earnings	42,639	3,984
	(Rupees)	
Increase in earnings per share - basic and diluted	1.50	0.71

2.4 **Stores and spares**

Stores are valued at the lower of average cost and net realisable value whereas spares are valued at the lower of cost worked out on a first-in first-out basis and net realisable value. Items in transit are stated at cost incurred to date.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stores and spares based on the management's best estimate.

2.5 **Stock-in-trade**

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Charges such as excise and customs duties and similar levies on unsold stock of products are added to the value of the stock and carried forward.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's best estimate.

Notes to the Financial Statements
for the year ended June 30, 2007

2.6 **Trade debts**

Trade debts are carried at original invoice amount less provision for impairment. Provision for impairment is based on a review of outstanding amounts at the balance sheet date. Bad debts are written off to the profit and loss account when identified.

2.7 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, balances with banks in current accounts and short-term finances.

2.8 **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as an expense in the profit and loss account.

2.9 **Provisions**

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

2.10 **Trade and other payables**

Short-term liabilities for trade and other payables are recognised initially at fair value and subsequently carried at amortised cost.

2.11 **Taxation**

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current taxation also includes adjustments where necessary, relating to prior years which arise from assessments framed/finalised during the year.

Deferred

Deferred taxation is recognised on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. A net deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes to the Financial Statements
for the year ended June 30, 2007

2.12 **Liabilities against assets subject to finance lease**

Liabilities against assets subject to finance lease are accounted for at the net present value of minimum payments under the lease arrangements.

Finance charges under lease arrangements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

2.13 **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which such dividends are declared by the Company.

2.14 **Revenue recognition**

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

- Sales are recorded on despatch of goods to customers.
- Non-fuel retail income and other revenue (including franchise fee) is recognised on an accrual basis.
- Dividend income is recognised when the Company's right to receive the dividend is established.

2.15 **Operating leases**

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

2.16 **Staff retirement benefits**

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

i) Approved funded gratuity schemes for management and unionised staff and contributory pension scheme for management and non-contributory pension scheme for unionised staff. Contributions are made to these schemes on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains and losses are amortised over the expected future service of the current members;

ii) Approved contributory provident funds for all employees; and

iii) Un-funded post retirement medical benefits for all management staff. Annual provision is made in the financial statements for this scheme based on actuarial recommendation. Actuarial gains and losses are amortised over the expected future service of the current employees.

Notes to the Financial Statements
for the year ended June 30, 2007

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

2.17 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 the employees and by using the current salary levels of employees.

2.18 Foreign currencies

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

2.19 Financial instruments

Financial instruments carried on the balance sheet include investments, loans and advances, deposits, trade debts, other receivables, cash and bank balances, liabilities against assets subject to finance lease, short-term running finances utilised under mark-up arrangements, short-term loans, trade and other payables and mark-up accrued. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of consideration given or received for it. The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment loss is recognised in the profit and loss account.

2.20 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

2.21 Functional and presentation currency

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

	Note	2007	2006
		(Rupees '000)	
3. PROPERTY, PLANT AND EQUIPMENT			
Tangible			
Operating fixed assets	3.1	5,496,543	5,008,463
Capital work-in-progress	3.5	1,064,265	681,723
		6,560,808	5,690,186
Intangible assets	3.1	19,185	37,889
		6,579,993	5,728,075

3.1 The following is a statement of operating tangible and intangible fixed assets:

Year ended June 30, 2007

	Owned assets: Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air-conditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipment	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Leased assets: Plant and Machinery	Vehicles	Total operating fixed assets	Intangible: Computer software
	(Rupees in '000)																	
At July 1, 2006																		
Cost	98,135	62,538	106,218	2,860,902	1,500,213	232,974	39,393	8,181	1,291,408	198,210	1,441,613	1,156,468	236,016	84,702	152,371	387,261	9,866,690	291,123
Accumulated depreciation	-	33,442	42,603	868,394	739,427	189,211	30,367	4,385	709,412	168,821	611,140	783,809	218,995	72,295	48,668	307,061	4,858,227	253,234
Net book value	98,135	29,096	63,615	1,992,508	760,786	43,763	9,026	3,796	582,046	29,389	830,473	372,659	17,021	12,407	103,703	80,200	5,008,463	37,889
Year ended June 30, 2007																		
Opening net book value	98,135	29,096	63,615	1,992,508	760,786	43,763	9,026	3,796	582,046	29,389	830,473	372,659	17,021	12,407	103,703	80,200	5,008,463	37,889
Additions	-	-	-	256,131	79,107	3	1,166	-	98,489	66,367	442,204	108,728	1,248	-	331	28,680	1,102,944	-
Disposals																		
Cost	-	-	48	2,810	3,164	1,093	-	-	49,098	5,739	5,156	2,095	-	-	-	16,617	105,817	10,102
Depreciation	-	-	28	1,811	1,747	645	-	-	40,785	4,711	3,956	1,195	-	-	-	14,060	89,032	1,776
	-	-	20	999	1,417	448	-	-	28,313	1,028	1,200	900	-	-	-	2,557	36,885	8,326
Depreciation / amortisation charge for the year	-	3,020	1,714	146,483	48,989	3,833	1,058	294	65,868	11,829	110,886	136,428	6,385	4,014	14,837	34,011	579,296	10,378
Closing net book value	98,135	26,076	61,881	2,102,197	789,317	39,489	9,134	3,502	586,357	83,899	1,120,661	344,064	11,884	8,393	89,197	101,617	5,496,543	19,185
At June 30, 2007																		
Cost	98,135	62,538	106,174	3,114,243	1,576,186	231,887	40,559	8,181	1,290,869	259,838	1,878,708	1,263,109	237,264	84,702	152,952	339,329	10,851,834	281,021
Accumulated depreciation / amortisation	-	36,462	44,293	1,012,046	786,869	192,398	31,425	4,679	704,512	175,939	758,047	919,045	225,380	76,309	63,755	237,712	5,355,291	261,836
Net book value	98,135	26,076	61,881	2,102,197	789,317	39,489	9,134	3,502	586,357	83,899	1,120,661	344,064	11,884	8,393	89,197	101,617	5,496,543	19,185
Depreciation rate % per annum	-	5	2.50	5	4	5	6.67	6.67	6.67	5 to 20	5 to 10	5 to 20	33.33	25	5	20		20

Year ended June 30, 2006

	Owned assets: Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air-conditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipment	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Leased assets: Plant and Machinery	Vehicles	Total operating fixed assets	Intangible: Computer software
	(Rupees in '000)																	
At July 1, 2005																		
Cost	98,135	62,538	106,218	2,625,218	1,458,948	222,288	39,393	8,181	1,186,087	217,774	1,235,506	1,075,060	224,995	69,206	151,278	299,055	9,170,295	267,597
Accumulated depreciation	-	30,391	49,133	728,831	678,087	181,431	28,437	3,960	631,124	191,206	522,050	604,012	207,380	68,709	33,878	238,312	4,265,291	241,166
Net book value	98,135	32,147	57,085	1,896,387	780,861	40,857	10,956	4,221	555,463	26,568	713,456	471,048	17,615	497	117,400	60,743	4,904,939	26,431
Year ended June 30, 2006																		
Opening net book value	98,135	32,147	57,085	1,896,387	780,861	40,857	10,956	4,221	555,463	26,568	713,456	471,048	17,615	497	117,400	60,743	4,904,939	26,431
Additions	-	-	-	253,187	41,414	8,686	-	-	104,871	18,191	207,006	92,290	11,586	15,496	1,093	36,094	779,718	23,526
Disposals																		
Cost	-	-	-	17,503	181	-	-	-	-	37,783	900	882	268	-	-	27,882	85,398	-
Depreciation	-	-	-	7,089	95	-	-	-	-	35,946	550	436	268	-	-	20,483	64,961	-
	-	-	-	10,414	26	-	-	-	-	1,811	350	446	-	-	-	7,349	20,437	-
Depreciation / amortisation charge for the year	-	3,051	3,470	136,652	61,463	5,780	1,930	425	78,288	15,429	89,639	190,233	11,930	3,586	14,810	21,271	633,737	12,068
Closing net book value	98,135	29,096	63,615	1,992,508	760,786	43,763	9,026	3,796	582,046	29,389	830,473	372,659	17,021	12,407	103,703	80,200	5,008,463	37,889
At June 30, 2006																		
Cost	98,135	62,538	106,218	2,860,902	1,500,213	232,974	39,393	8,181	1,291,408	198,210	1,441,613	1,156,468	236,016	84,702	152,371	387,261	9,866,690	291,123
Accumulated depreciation / amortisation	-	33,442	42,603	868,394	739,427	189,211	30,367	4,385	709,412	168,821	611,140	783,809	218,995	72,295	48,668	307,061	4,858,227	253,234
Net book value	98,135	29,096	63,615	1,992,508	760,786	43,763	9,026	3,796	582,046	29,389	830,473	372,659	17,021	12,407	103,703	80,200	5,008,463	37,889
Depreciation rate % per annum	-	5	2.50	5	4	5	6.67	6.67	6.67	5 to 20	5 to 10	5 to 20	33.33	25	5	20		20

Notes to the Financial Statements
for the year ended June 30, 2007

3.2 The depreciation and amortisation charge for the year has been allocated as follows:

	Note	2007	2006
		(Rupees '000)	
Cost of products sold		13,890	16,605
Administrative and marketing expenses			
• Depreciation - tangible assets	26	564,406	639,132
• Amortisation - intangible assets	26	10,378	12,068
		574,784	651,200
		588,674	667,805

3.3 Company assets include tanks and dispensing pumps having a cost of Rs 788.981 million (2006: Rs 699.659 million) which have been installed at dealer sites. Due to the significant number of dealers involved, the particulars of the assets not in the possession of the Company as required by the Fourth Schedule to the Companies Ordinance, 1984 have not been disclosed here.

3.4 The following assets with book value exceeding Rs.50,000 were disposed of during the year:

	Cost	Accumulated Depreciation	Book Value	Sales Proceeds	Mode of Disposal	Particulars of Buyers
	---------- (Rupees '000) ----------					
Tanks and pipelines	622	315	307	35	Press Advertisement	M/s Gulzar & Company, Karachi
Dispensing pumps	46,512	21,669	24,843	1,226	Press Advertisement	M/s Gulzar & Company, Karachi
Rolling stock and vehicles	795	451	344	497	Company Policy	Haseeb Khan (Employee)
	795	585	210	585	Tender	Athar Gulzar, Karachi
	795	599	196	578	Tender	Athar Gulzar, Karachi
	795	517	278	477	Company Policy	Kashif Rashid (Employee)
Assets held under finance lease						
Vehicles	324	13	311	432	Company Policy	Saleem Butt (Ex-Executive)
	879	18	861	877	Insurance Claim	EFU General Insurance Company Limited
	282	12	270	376	Company Policy	Salman Pervaiz (Employee)
	1,178	648	530	727	Tender	M.Hayat Khan, Karachi
	394	107	287	376	Company Policy	Tariq Saeed (Executive)

Notes to the Financial Statements
for the year ended June 30, 2007

	2007	2006
	(Rupees '000)	
3.5 Capital work-in-progress		
Buildings on leasehold land	145,968	130,458
Tanks and pipelines	82,438	74,462
Plant and machinery	1,641	1,646
Air-conditioning plant	162	162
Dispensing pumps	9,292	5,485
Rolling stock and vehicles	104,656	64,050
Electrical, mechanical and fire fighting equipment	493,802	244,321
Furniture, office equipment and other assets	38,576	37,959
Computer auxiliaries	111	1,847
Computer software and consultancy costs	6,556	8,462
Capital stores and spares	181,063	112,871
	1,064,265	681,723

4. LONG-TERM INVESTMENTS

	Note	2007 Percentage Holding	2007 Amount (Rupees '000)	2006 (Restated) Percentage Holding	2006 (Restated) Amount (Rupees '000)
Others - held as available for sale - at cost					
Non-trading subsidiaries	4.1	100	1	100	1
Arabian Sea Country Club Limited 500,000 (2006: 500,000) ordinary shares of Rs 10 each		-	5,000	-	5,000
Investment in associate - unquoted					
Pak Arab Pipeline Company Limited (PAPCO) 18,720,000 (2006: 18,720,000) ordinary shares of Rs 100 each	4.2	26	2,010,534	26	1,916,884
			2,015,535		1,921,885

4.1 Investments in non-trading subsidiaries consist of:

- Shell Pakistan Provident Trust (Private) Limited - 2 (2006: 2) fully paid ordinary shares of Rs 100 each.
- Shell Pakistan Pensions Trust (Private) Limited - 2 (2006: 2) fully paid ordinary shares of Rs 100 each.

The subsidiaries have not commenced operations to date and the Company is in the process of liquidating these companies (as disclosed in note 1).

Notes to the Financial Statements
for the year ended June 30, 2007

	Note	2007	2006 (Restated)
4.2 Movement of investment in associate		(Rupees '000)	
Beginning of the year		1,916,884	1,876,194
Share of profits		188,231	62,535
Share of taxation		(65,981)	(18,962)
Dividend received		(28,600)	(2,883)
End of the year		2,010,534	1,916,884

The summarised financial information of the Pak Arab Pipeline Company Limited (PAPCO), based on the financial statements for the year ended June 30, 2007, is as follows:

	Note	2007	2006
		(Rupees '000)	
Total assets		34,631,263	26,512,697
Total liabilities		16,713,448	19,081,046
Revenues		4,352,199	3,957,388
Profit after taxation		596,164	220,559

5. LONG-TERM LOANS AND ADVANCES - Considered good

	Note	2007	2006
Due from Directors		1,303	-
Less: Receivable within one year	11	(680)	–
		623	-
Due from Executives		69,971	59,776
Less: Receivable within one year	11	(30,532)	(26,511)
		39,439	33,265
Due from Employees		34,244	43,826
Less: Receivable within one year	11	(11,508)	(14,659)
		22,736	29,167
Advances to contractors	5.2	119,781	77,208
		182,579	139,640

Notes to the Financial Statements
for the year ended June 30, 2007

Reconciliation of loans and advances (long-term and short-term)

	2007 Directors	2007 Executives	2006 Directors	2006 Executives
	(Rupees '000)			
Opening balance	–	59,776	199	32,317
Disbursements	4,800	50,255	-	58,081
Repayments	3,497	40,060	199	30,622
Closing balance	1,303	69,971	-	59,776

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

The maximum aggregate amounts due from the Chief Executive, Directors and Executives at the end of any month during the year were Rs Nil, Rs 2.997 million and Rs 69.971 million respectively (2006: Rs Nil, Rs 0.166 million and Rs 59.776 million).

5.2 These represent advances in respect of various Company operated outlets which are primarily given in the form of petroleum products for meeting the working capital requirements of these sites.

	Note	2007	2006 (Restated)
6. LONG-TERM DEPOSITS AND PREPAYMENTS		(Rupees '000)	
Deposits		29,390	28,466
Prepayments		81,604	81,979
		110,994	110,445

	Note	2007	2006
7. DEFERRED TAXATION - NET		(Rupees '000)	
This is composed of the following:			
Taxable temporary difference arising in respect of			
- accelerated tax depreciation		451,305	246,566
- investment in associate		13,853	2,245
Deductible temporary difference arising in respect of			
- short-term provisions		(383,978)	(119,159)
- carry forward tax losses	7.1	(384,799)	-
- add backs to taxable income expected to be reversed in future periods		(77,348)	(77,348)
		(380,967)	52,304

7.1 The Company has an aggregate amount of Rs 1,099.426 million in respect of unabsorbed tax losses as at June 30, 2007 on which the Company has recognised deferred tax debit balance amounting to Rs 384.799 million.

Notes to the Financial Statements
for the year ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
8. STORES AND SPARES			
Stores		34,755	31,480
Spares		1,409	3,263
Less: Provision for obsolete stores		(5,878)	(5,878)
		30,286	28,865
9. STOCK-IN-TRADE			
Raw and packing materials		581,580	552,963
Finished goods			
In hand and in pipeline system		3,706,394	4,119,762
In White Oil Pipeline	9.1	3,962,799	5,313,880
		7,669,193	9,433,642
Less: Provision for impairment		(6,719)	(6,719)
		8,244,054	9,979,886

9.1 Stock in White Oil Pipeline includes 65,167 MT (2006: 65,167 MT) in respect of initial fill.

	Note	2007	2006
		(Rupees '000)	
10. TRADE DEBTS			
Considered good			
- Secured		304,355	213,807
- Unsecured	10.1	4,275,197	5,017,920
		4,579,552	5,231,727
Considered doubtful		517,173	234,784
		5,096,725	5,466,511
Less: Provision for impairment	10.2	(517,173)	(234,784)
		4,579,552	5,231,727

10.1 This includes amounts due from other related parties at the year end amounting to Rs 953.968 million (2006: Rs 1,190.193 million). Particulars of the amounts due from other related parties are as follows:

	Note	2007	2006
		(Rupees '000)	
Shell Aviation Limited		946,084	1,187,893
Pakistan Refinery Limited		–	2,300
Shell Gas LPG (Pakistan) Limited		4,690	–
Shell Development & Offshore Pakistan		3,194	–
		953,968	1,190,193

Notes to the Financial Statements
for the year ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
10.2 Provision for impairment			
Balance at July 1		234,784	76,874
Provision made during the year	26	282,389	171,026
Amount reversed during the year	28	–	(13,116)
Balance at June 30		517,173	234,784
11. LOANS AND ADVANCES - Considered good			
Loans due from			
- Directors	5	680	–
- Executives	5	30,532	26,511
- Employees	5	11,508	14,659
		42,720	41,170
Advances to			
- Executives		–	451
- Employees		–	200
		–	651
		42,720	41,821

The maximum aggregate amount of advances due from the Chief Executive, Directors and Executives at the end of any month during the year were Rs Nil, Rs 167 thousand and Rs 234 thousand respectively (2006: Rs 900 thousand, Rs Nil and Rs 451 thousand).

	Note	2007	2006
		(Rupees '000)	
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Balances with statutory authorities			
- Customs duty		47,937	93,859
- Excise duty		3,133	5,447
		51,070	99,306
Short-term prepayments		89,169	68,011
		140,239	167,317
13. OTHER RECEIVABLES			
Excise and customs duties		197,342	158,538
Price differential on imported purchases	13.1	295,733	295,733
Price differential claim	13.2	3,391,837	2,465,627
Due from related parties		123,994	79,076
Advances to suppliers		38,017	25,030
Inland freight equalisation mechanism		450,009	98,463
Staff retirement benefit schemes	32.1.12	197,174	113,133
Mark-up receivable on short-term deposits		291	390
Sales tax		1,367,855	716,930
Workers' profit participation fund	13.3	4,963	532
Others		11,360	21,285
		5,978,565	3,974,737
Less: Provision for impairment		(7,802)	(13,196)
		5,970,763	3,961,541

Notes to the Financial Statements
for the year ended June 30, 2007

13.1 This represents amount receivable on account of price differential on imports and the ex-refinery price on direct and retail sales during the period 1990-2002.

13.2 This represents claims for price differential receivable from the Government of Pakistan (GoP). From time to time the GoP agrees to subsidise the petroleum prices by restricting the increase in prices of various petroleum products in order to reduce the burden of rising oil prices on the end consumers. The Company, together with other oil marketing companies, is actively pursuing the matter with the concerned ministries for early settlement of the above claims.

	2007	2006
	(Rupees '000)	
13.3 Workers' profit participation fund		
Balance at July 1	532	21,492
Allocation for the year	(15,569)	(246,390)
	(15,037)	(224,898)
Add: Amount received	-	(24,570)
Less: Amount paid	20,000	250,000
Balance at June 30	4,963	532

14. CASH AND BANK BALANCES

	2007	2006
With banks on interest bearing current accounts	770,408	940,472
Cash in hand	44,122	40,725
	814,530	981,197

14.1 Current accounts with banks carry interest ranging from 0.7 % to 5.5 % per annum (2006: 0.7 % to 5 % per annum).

14.2 Included in cash and bank balances is an amount of Rs 44.260 million (2006: Rs 45.553 million) in respect of contributions received for Earthquake Relief Fund.

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into lease agreements with various leasing companies for lease of motor vehicles including transport vans and forklift trucks and Compressed Natural Gas (CNG) equipment. The liability under these agreements are payable by the year 2010 and is subject to finance charge at rates ranging from 5.50 % to 15.03 % per annum (2006: 5.50 % to 15.03 % per annum). An additional charge of 20% is also leviable on overdue rentals.

The Company intends to exercise its options to purchase the leased assets for Rs 1.01 million (2006: Rs. 0.422 million) upon completion of the lease period.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

Notes to the Financial Statements
for the year ended June 30, 2007

	2007	2006
	(Rupees '000)	
Year		
2006 – 2007	-	31,059
2007 – 2008	33,593	7,075
2008 – 2009	241	2,489
2009 – 2010	593	167
	34,427	40,790
Less: Finance charge not due	(1,677)	(7,291)
Present value of minimum lease payments	32,750	33,499
Less: Current maturity shown under current liabilities	(32,203)	(26,480)
	547	7,019

16. SHORT-TERM RUNNING FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS – Secured

	2007	2006
Short-term running finances utilised under mark-up arrangements	725,836	1,779,860

The facilities for short-term running finances available from various banks aggregate to Rs 13,700 million (2006: Rs 7,395 million). The rates of mark-up range from Re 0.2661 to Re 0.2986 per Rs 1,000 per day (2006: Re 0.2550 to Re 0.2858 per Rs 1,000 per day). The purchase prices are payable on various dates by June 30, 2008. These arrangements are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

	2007	2006
	(Rupees '000)	
17. SHORT-TERM LOANS - Secured	6,810,000	3,250,000

The above loans have been obtained from various banks and carry mark-up at varying rates ranging from 9.16 % to 9.44 % per annum (2006: 9.06 % to 9.37 % per annum) and the loan amounts are payable on various dates by July 28, 2007. These loans are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

Notes to the Financial Statements
for the year ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
18. TRADE AND OTHER PAYABLES			
Creditors		3,984,599	4,917,382
Bills payable		5,050,803	4,134,093
Oil marketing companies		287,703	304,288
Accrued liabilities		1,046,341	1,319,497
Excise and customs duties and development surcharge		725,951	715,408
Dealers' and cartage contractors' security deposits	18.2	218,752	190,460
Provision for post retirement medical benefits	32.2	25,901	24,025
Workers' Welfare Fund		34,217	105,370
Unclaimed dividends		71,163	55,806
Payable to the Earthquake Relief Fund		44,260	45,553
Advances received from customers		337,334	–
Other liabilities	18.3	98,473	202,121
		11,912,496	12,014,003

18.1 Amounts due to related parties at the year end aggregated to Rs 7,048.931 million (2006: Rs 5,841.454 million). Particulars of the amount due to related parties are as follows:

	Note	2007	2006
		(Rupees '000)	
Associate company		81,612	36,413
Other related parties		6,967,319	5,805,041
		7,048,931	5,841,454

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

18.3 This includes Rs. Nil million (2006: Rs. 78.164 million) payable to the Government of Pakistan in respect of the initial fill of the Pak Arab Refinery Company Limited (PARCO) pipeline. Refer to note 22.1.2 for details in respect of the related contingent liability.

	Note	2007	2006
		(Rupees '000)	
19. MARK-UP ACCRUED			
Mark-up accrued on:			
- short-term running finances utilised under mark-up arrangements		28,288	30,271
- short-term loans		103,292	46,764
		131,580	77,035

Notes to the Financial Statements
for the year ended June 30, 2007

	2007	2006
	(Rupees '000)	
20. ASSET RETIREMENT OBLIGATION		
Balance as at July 1	98,320	31,946
Liabilities incurred	34,551	62,194
Liabilities settled	–	–
Accretion expense	5,623	4,180
Balance as at June 30	138,494	98,320

21. SHARE CAPITAL

Authorised capital

2007	2006		2007	2006
(Number of shares)				
100,000,000	50,000,000	Ordinary shares of Rs. 10 each	1,000,000	500,000

Issued, subscribed and paid-up capital

2007 Issued for cash	2007 Issued as bonus	2007 Total	2006 Issued for cash	2006 Issued as bonus	2006 Total		2007	2006
(Number of shares)								
23,481,000	–	23,481,000	23,481,000	–	23,481,000	Fully paid in cash	234,810	234,810
–	20,351,250	20,351,250	–	11,584,800	11,584,800	Issued as fully paid bonus shares	203,513	115,848
23,481,000	20,351,250	43,832,250	23,481,000	11,584,800	35,065,800		438,323	350,658
–	10,958,063	10,958,063	–	8,766,450	8,766,450	Issued during the year as fully paid bonus shares	109,581	87,665
23,481,000	31,309,313	54,790,313	23,481,000	20,351,250	43,832,250	Closing balance	547,904	438,323

21.1 The Shell Petroleum Company Limited, United Kingdom, a subsidiary of Royal Dutch Shell Plc., held 41,699,176 (2006: 33,359,341) ordinary shares of Rs 10 each at June 30, 2007.

22. CONTINGENCIES AND COMMITMENTS

22.1 **Contingencies**

22.1.1 **Infrastructure fee**

Through the Sindh Finance Act 1994, the Government of Sindh imposed a fee, for services rendered in respect of development and maintenance of infrastructure, on goods entering or leaving the Province from or for outside the Country through sea or air.

Notes to the Financial Statements
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The Company (SPL) and several others challenged the levy of the said infrastructure fee in constitutional petitions before the High Court of Sindh. However, certain amendments were made to the impugned legislation on three occasions during the pendency of the petitions. In 2001 the said "fee" was changed to a "cess". Consequently the petitions filed by SPL and others were dismissed by the High Court as having become infructuous.

Subsequently, SPL and others filed civil suits in the High Court of Sindh challenging the amending Ordinance. These suits were dismissed by a single Judge in October 2003. Being aggrieved, SPL and others filed intra-court appeals against the said Judgement on, inter alia, the ground that the import, export, customs duty and highways are exclusive Federal Subjects and therefore levy of the infrastructure tax/fee/cess by the Government of Sindh is ultra virus the Constitution. These appeals are currently pending adjudication.

In December 2006 the Government of Sindh changed the method of calculation of the infrastructure cess and based it on the weight, C&F value and distance covered by the goods rather than on cost of goods only.

The accumulated levy up to June 30, 2007 comes to Rs 699.836 million (2006: Rs 578.892 million). No provision has been made in these financial statements against the levy as SPL management expects a favourable outcome.

22.1.2 **PARCO pipeline fill**

The Ministry of Petroleum and Natural Resources (MOPNR) has made a claim relating to the loan arranged by the Government of Pakistan (GoP) to the Company to finance the initial fill of the PARCO Pipeline. MOPNR has calculated the Company's liability by applying the price prevailing on August 11, 2000 to the quantity of fuel supplied at the time of initial fill.

The Company maintains that its liability is limited only to the extent of Rs 78.164 million (2006: Rs 78.164 million) which has been fully paid in March 2007.

The claim if calculated on the August 11, 2000 price as indicated by MOPNR would amount to Rs 294 million. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs 78.164 million and consequently no provision has been made for the additional demand raised by MOPNR.

22.1.3 **Others**

The aggregate amount of other claims against the Company not acknowledged as debt as at June 30, 2007 were approximately Rs 533.570 million (2006: Rs 521.312 million).

22.2 **Commitments**

a) Capital expenditure contracted for but not incurred as at June 30, 2007 amounted to approximately Rs. 276.964 million (2006: Rs 515.738 million).

b) Commitments for rentals of assets under operating lease agreements as at June 30, 2007 amounted to Rs 1,150.256 million (2006: Rs 589.997 million) payable as follows:

Notes to the Financial Statements
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	2007	2006
	(Rupees '000)	
Not later than one year	41,669	23,822
Later than one year and not later than five years	173,097	103,901
Later than five years	935,490	462,274
	1,150,256	589,997

c) 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 Bill 2005. As at June 30, 2007 the value of these cheques amounts to Rs 4,820.228 million (2006: Rs 4,666.261 million). The maturity dates of these cheques extend to December 16, 2007.

	Note	2007	2006
		(Rupees '000)	
23. SALES			
Gross sales		131,040,241	133,636,584
Less: Trade discounts and rebates		910,397	796,124
		130,129,844	132,840,460
24. OTHER REVENUE			
License/franchise fee charged to dealers		447,517	413,517
25. COST OF PRODUCTS SOLD			
Opening stock of raw and packing materials		553,963	495,827
Raw and packing materials purchased		3,840,029	3,267,297
Less: Closing stock of raw and packing materials	9	(581,580)	(552,963)
Raw and packing materials consumed		3,811,412	3,210,161
Add: Manufacturing expenses		119,487	94,868
Cost of products manufactured		3,930,899	3,305,029
Non-fuel retail purchases		138,953	113,339
Opening stock of finished products		9,426,923	6,112,340
Finished products purchased		88,072,996	92,181,578
Duties and levies	25.1	14,757,635	15,015,708
Less: Closing stock of finished products	9	(7,662,474)	(9,426,923)
		108,664,933	107,301,071

Notes to the Financial Statements
for the year ended June 30, 2007

	Note	2007	2006
		(Rupees '000)	
25.1 Duties and levies			
Petroleum development levy		6,035,675	5,555,733
Customs and excise duty		5,284,344	5,120,196
Inland freight equalisation margin		3,401,640	4,301,528
Wharfage		35,976	38,251
		14,757,635	15,015,708

26. ADMINISTRATIVE AND MARKETING EXPENSES

	Note	2007	2006
Salaries, wages and benefits	27.1	221,027	179,213
Staff training		5,349	3,462
Stores and materials		307	626
Fuel and power		14,945	14,273
Rent, taxes and utilities		9,111	10,478
Lease rentals and charges		416	129
Repairs and maintenance		13,494	6,384
Insurance		2,265	4,690
Travelling		34,542	22,989
Advertising and publicity		16,717	14,689
Technical service fee	34	539,682	452,904
Trade marks and manifestations licence fee	34	65,342	245,257
Legal and professional charges		40,365	15,232
Communication and stationery		63,014	122,771
Computer expenses		123,376	79,815
Depreciation - tangible assets	3.2	564,406	639,132
Amortisation - intangible assets	3.2	10,378	12,068
Bad debts written off		834	26,601
Provision for impairment of trade debts	10.2	283,289	171,026
Others		-	20,376
		2,006,859	2,042,115
Less: Costs recovered under Service Level Agreement from related parties		(6,929)	(5,490)
		1,999,930	2,036,625
Other charges			
Auditors' remuneration	26.1	3,448	7,190
Loss on disposal of property, plant and equipment		15,505	-
Donations	26.2	17,691	42,601
		36,644	49,791
		2,036,574	2,086,416

Notes to the Financial Statements
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	2007	2006
	(Rupees '000)	
26.1 Auditors' remuneration		
Audit fee	1,800	1,600
Fee for substantiating inland freight equalisation margin	364	762
Audit of Provident, Pension, Gratuity and Workers' Profit Participation Funds	125	125
Tax services	-	3,025
Special certifications, HSSE assurance audits and sundry advisory services	781	1,277
Out of pocket expenses	378	401
	3,448	7,190

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

Name of Donee and address	Names of interested Directors and nature of interest	2007	2006
Shell LiveWIRE Trust (Shell House, 6, Ch. Khaliquzzaman Road, Karachi)	Mr. Quentin D'Silva - Ex-Chairman Board of Trustees Mr. Zaivilji Ismail bin Abdullah - Chairman Board of Trustees Mr. Yousuf Ali - Trustee Mr. Asif Sindhu - Trustee (2006: Mr. Farooq Rahmatullah - Chairman Board of Trustees Mr. Asif Sindhu - Trustee Mr. Hasnain Moochhala - Trustee)	2,000	2,075
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Mr. Quentin D'Silva - Ex-Trustee Mr. Zaivilji Ismail bin Abdullah - Trustee Mr. Farrokh K. Captain - Trustee (2006: Mr. Farooq Rahmatullah - Trustee Mr. Farrokh K. Captain - Trustee)	4,500	3,000
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Quentin D'Silva - Ex-Member, Board of Governors Mr. Zaivilji Ismail bin Abdullah - Member, Board of Governors (2006: Mr. Farooq Rahmatullah - Member, Board of Governors)	4,200	4,800
The Aga Khan University Hospital (Stadium Road, Karachi)	Mr. Quentin D'Silva - Ex-Member, The Resource Development Committee Mr. Zaivilji Ismail bin Abdullah - Member, The Resource Development Committee (2006: Mr. Farooq Rahmatullah - Member, The Resource Development Committee)	100	1,600
Himalayan Wildlife Foundation (01, Park Road, F-8/1, Islamabad)	(2006: Mr. Farooq Rahmatullah - Director)	-	1,700
Mohatta Palace Gallery Trust (Room No. 402, Tughlaq House, Karachi)	(2006: Mr. Farooq Rahmatullah - Trustee)	-	1,075
Society for Sustainable Development (Mansehra Road, Nathiagali)	(2006: Mr. Fotehal W. Villani - Member Executive Committee)	-	750
SOS Children's Villages of Pakistan (Ferozepur Road, Lahore)	Mr. Manzoor H. Noon - Vice President	500	-

Notes to the Financial Statements
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27. DISTRIBUTION EXPENSES

	Note	2007	2006
		(Rupees '000)	
Salaries, wages and benefits	27.1	782,511	613,669
Staff training		18,333	8,072
Stores and materials		30,335	28,245
Fuel and power		64,553	73,108
Rent, taxes and utilities		332,112	211,732
Lease rentals and charges		2,085	3,323
Repairs and maintenance		235,346	162,491
Insurance		60,946	55,993
Travelling		159,413	134,846
Advertising and publicity		450,700	313,958
Legal and professional charges		3,517	35,823
Communication and stationery		21,536	17,985
Computer expenses		11,659	5,546
Storage and other charges		18,325	66,776
Others		21,888	41,270
		2,213,259	1,772,837
Less: Handling and storage charges recovered		(28,197)	(51,321)
Secondary transportation expenses		1,181,493	989,263
		3,366,555	2,710,779

27.1 Salaries, wages and benefits include Rs 92.626 million (2006: Rs 81.716 million) in respect of staff retirement benefits.

28. OTHER OPERATING INCOME

	Note	2007	2006 (Restated)
		(Rupees '000)	
Income from financial assets / liabilities			
Liabilities no longer payable written back		173,580	77,286
Dividend income from Arabian Sea Country Club Limited		-	251
Mark-up on short-term deposits		5,708	10,722
Mark-up on delayed payments		2,246	826
Income from non-financial assets			
Reversal of provision for impairment of trade debts	10.2	-	13,116
Insurance commission		-	2,074
Scrap sales		7,902	17,150
Profit on disposal of property, plant and equipment		-	23,253
Sundries		25,886	14,003
		215,322	158,681

Notes to the Financial Statements
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29. FINANCE COST

	2007	2006
	(Rupees '000)	
Bank charges	85,529	71,453
Interest paid to credit customers for early payments	4,913	8,804
Mark-up on short-term running finances and short-term loans	784,321	266,057
Finance charge on liabilities against assets subject to finance lease	3,335	4,699
Exchange loss	31,821	46,996
	909,919	398,009

30. TAXATION

	2007	2006
Current		
- for the year	89,779	1,461,713
- for prior periods	(84,432)	–
Deferred	(333,270)	31,347
	(327,923)	1,493,060

30.1 **Relationship between tax expense and accounting profit**

	2007	2006
Accounting profit before taxation (excluding share of associate)	256,486	4,596,611
Tax rate	35%	35%
Tax on accounting profit	89,770	1,608,814
Tax effect of differences relating to excess perquisites	–	11,105
Tax effect of lower tax on certain income of the Company	(340,706)	(134,366)
Reversal in respect of prior years	(84,432)	–
Tax on share of profit of associate	11,608	2,035
Others	(4,163)	5,472
Tax expense for the current year	(327,923)	1,493,060

31. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2007	2006 (Restated)
	(Rupees '000)	
Profit after taxation	706,659	3,147,124
	No. of Shares	
Average number of ordinary shares in issue during the year	54,790,313	54,790,313
	Rupees	
Earnings per share	12.90	57.44

Notes to the Financial Statements
for the year ended June 30, 2007

32. STAFF RETIREMENT BENEFIT SCHEMES

32.1 Pension & Gratuity

As mentioned in note 2.16, 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 June 30, 2007 using the Projected Unit Credit Method.

The information provided in notes 32.1.1 to 32.1.10 has been obtained from the actuarial valuations carried out as at June 30, 2007.

32.1.1 Actuarial assumptions:

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

	2007	2006
	% per annum	
- Expected long-term rate of increase in salary level	8.90	8.66
- Discount rate	11.00	10.78
- Expected long-term rate of interest	11.00	5.50

32.1.2 Amount recognised in the balance sheet

	2007					2006				
	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	1,215,336	83,631	6,844	65,388	1,371,199	1,089,853	89,789	6,620	59,173	1,245,335
Less: Present value of defined benefit obligation	(1,110,397)	(148,145)	-	(31,781)	(1,287,223)	(1,030,062)	(139,141)	(4)	(27,971)	(1,197,178)
Surplus / (deficit)	105,939	(64,514)	6,844	33,607	83,976	59,791	(49,352)	6,616	31,202	48,157
Unrecognised past service cost	-	-	-	1,096	1,096	-	-	-	-	-
Actuarial (gains) / losses to be recognised in future periods in accordance with the Company's accounting policy	(24,633)	76,843	-	(17,088)	34,831	5,986	69,375	-	(17,888)	57,473
Asset in respect of staff retirement benefit schemes	83,416	12,318	6,844	17,615	119,893	65,777	20,023	6,616	13,314	105,630

Notes to the Financial Statements
for the year ended June 30, 2007

32.1.3 Movement in the present value of defined benefit obligation

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Present value of obligation as at July 1	1,030,062	139,141	4	27,971	1,197,178	908,938	112,582	4	28,513	1,050,037
Current service cost	65,829	14,188	-	1,315	81,332	56,178	12,130	-	1,486	69,794
Interest cost	106,973	13,281	-	2,989	123,243	103,808	13,093	-	3,189	119,081
Benefits paid	(77,443)	(33,713)	-	(500)	(111,656)	(36,918)	(18,070)	(2)	(2,346)	(57,336)
Past service cost	-	-	-	1,096	1,096	-	-	-	-	-
Actuarial (gains) / losses on obligation	(15,155)	11,547	(4)	(1,088)	(5,000)	(1,936)	20,407	2	(2,871)	15,602
Present value of obligation as at June 30	1,110,397	148,145	-	31,781	1,287,223	1,030,062	139,141	4	27,971	1,197,178

32.1.4 Movement in the fair value of plan assets

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Total plan assets as at July 1	1,089,853	89,789	6,620	59,173	1,245,335	969,398	68,652	6,604	54,532	1,099,066
Expected return on plan assets	117,130	8,471	703	6,381	132,685	113,478	7,540	773	6,287	128,044
Contribution by the company	61,937	17,333	-	340	79,610	40,828	10,044	-	648	51,520
Contribution by the employees	8,736	-	-	-	8,736	5,850	-	-	-	5,850
Benefits paid	(77,443)	(33,713)	-	(500)	(111,656)	(36,918)	(18,070)	(2)	(2,346)	(57,336)
Inter fund transfer	-	-	(330)	330	-	-	-	-	-	-
Actuarial gains / (losses) on plan assets	15,133	380	(149)	(434)	14,930	(2,470)	21,623	(874)	82	18,191
Total plan assets as at June 30	1,215,336	83,631	6,844	65,388	1,371,199	1,089,853	89,789	6,620	59,173	1,245,335

SAY NO TO NO

Notes to the Financial Statements
for the year ended June 30, 2007

32.1.5 Amount recognised in the profit and loss account

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	65,839	14,188	–	1,315	81,342	56,178	12,130	–	1,486	69,794
Interest cost	106,973	13,281	–	3,989	123,243	103,803	12,092	–	3,189	119,081
Expected return on plan assets	(117,150)	(8,871)	(705)	(6,881)	(133,605)	(113,475)	(7,540)	(772)	(6,257)	(128,044)
Actuarial loss / (gain) recognised during the year	325	2,730	145	(1,454)	3,748	297	3,990	876	(1,185)	3,978
Employee contributions	(8,736)	–	–	–	(8,736)	(5,850)	–	–	–	(5,850)
Expense / (reversal) for the year	47,398	23,238	(548)	(3,831)	66,257	40,950	20,672	104	(3,767)	58,959
Actual return on plan assets	133,363	9,331	554	3,957	147,994	118,805	39,193	(103)	6,309	146,235

32.1.6 Movement in the asset / (liability) recognised in the balance sheet

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at July 1	65,777	20,023	6,516	13,314	105,630	65,899	30,651	6,620	9,899	113,069
Net (charge) / reversal for the year	(47,398)	(23,238)	548	3,831	(66,257)	(40,950)	(20,672)	(104)	3,767	(58,959)
Contributions by the Company	61,937	17,233	–	540	79,800	40,828	10,044	–	648	51,520
Transfers between funds	–	–	(330)	330	–	–	–	–	–	–
Asset in respect of staff retirement benefit schemes	80,416	15,018	6,844	17,415	119,693	65,777	20,023	6,516	13,314	105,630
Current account balance with funds	37,835	17,374	(15,060)	(7,061)	33,088	34,096	(3,895)	1,628	3,422	34,251
Balance in respect of seconded staff	(17,323)	(4,380)	–	–	(21,503)	(25,434)	(6,204)	–	–	(31,638)
	100,929	28,022	(8,216)	10,354	134,299	74,339	9,924	8,144	16,736	108,243

SAY NO TO NO

Notes to the Financial Statements
for the year ended June 30, 2007

32.1.7 Plan assets comprised of the following

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Defence Saving Certificates (DSC's)	647,104	13,133	2,473	38,922	701,634	931,629	33,058	2,199	84,020	1,050,936
Others (PIB's,TFC's etc)	135,056	34,816	3,268	–	174,150	30,625	17,400	2,249	–	50,274
Mutual Fund Units	65,300	26,443	1,999	–	93,742	46,538	19,425	–	–	65,963
Cash	409,578	37,134	381	28,749	476,742	81,217	1,227	2,339	1	84,684
Receivable and (payable)	(33,732)	(17,907)	(187)	(3,373)	(55,089)	(156)	16,669	(157)	(24,848)	(8,322)
	1,213,306	93,621	6,044	65,296	1,371,199	1,089,853	87,789	6,520	59,173	1,243,335

	2007					2006				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Percentage Composition)					(Percentage Composition)				
Defence Saving Certificates (DSC's)	53%	16%	36%	60%	51%	85%	37%	34%	142%	84%
Others (PIB's,TFC's etc)	11%	38%	33%	0%	11%	3%	19%	34%	0%	4%
Mutual Fund Units	5%	33%	29%	0%	7%	4%	22%	0%	0%	5%
Cash	34%	44%	4%	45%	35%	7%	1%	34%	0%	7%
Receivable and (payable)	(3%)	(22%)	(2%)	(5%)	(4%)	(1%)	21%	(2%)	(42%)	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

32.1.8 Five year data on surplus / deficit of the plan and experience adjustments

The Company amortises gains and losses over the expected remaining service of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of each year and the proportion thereof resulting from experience gain during the year.

	2007	2006	2005	2004	2003
	(Rupees '000)				
Present value of defined benefit obligation	1,287,223	1,197,178	1,050,037	922,921	815,298
Fair value of plan assets	1,371,199	1,243,335	1,099,066	1,111,049	951,608
Surplus	83,976	46,157	49,029	188,128	136,310
Experience adjustments:	(Percentage)				
Loss on obligation	–	2	7	2	8
Gain / (loss) on plan assets	1	1	(7)	3	8

Notes to the Financial Statements
for the year ended June 30, 2007

32.1.9 The expected return on plan assets was taken as 11%, which is representative of yields on long-term Government bonds and term deposits with banks. Due to the increased volatility in the equity prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches that on debt.

32.1.10 Expected contributions to the above scheme for the year ending June 30, 2008 is Rs 84 million.

32.1.11 The balances due from / payable to the funds are interest free and repayable on demand.

32.1.12 The breakup of balance receivable from staff retirement benefit schemes is:

	2007	2006
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	134,299	108,043
Total balance receivable in respect of defined contribution schemes	62,875	5,090
	197,174	113,133

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

	2007	2006
	(Rupees '000)	
Present value of defined benefit obligation	38,304	36,209
Less: Fair value of plan assets	–	–
	38,304	36,209
Actuarial losses to be recognised in future periods in accordance with the Company's accounting policy	12,403	12,184
Liability recognised at June 30	25,901	24,025

Notes to the Financial Statements
for the year ended June 30, 2007

The following amounts have been charged to the profit and loss account during the current year in respect of this scheme:

	2007	2006
	(Rupees '000)	
Current service cost	907	703
Interest cost	3,726	2,918
Actuarial loss recognised during the year	622	163
	5,255	3,784

Movement in the liability recognised in the balance sheet:

	2007	2006
Balance at July 1	24,025	23,283
Add: Charge for the year	5,255	3,784
Less: Payments during the year	(3,379)	(3,042)
Balance at June 30	25,901	24,025

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

	2007	2006
- Discount rate	11.0%	10.8%
- Expected long-term rate of increase in medical cost	5.7%	5.5%

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

	December 31	
	2006	2005
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	391,791	322,807
Shell Pakistan Staff Provident Fund	14,005	11,865
Shell Pakistan Labour Provident Fund	73,418	60,305
Shell Pakistan Management Staff Gratuity Fund	85,098	67,191
Shell Pakistan Labour and Clerical Staff Gratuity Fund	62,409	76,376
Shell Pakistan Management Staff Pension Fund	1,099,001	967,546
Shell Pakistan Staff Pension Fund	6,470	6,075

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

	2007	2006
	(Rupees '000)	
- in respect of pension and gratuity schemes	65,537	58,959
- in respect of provident funds	21,834	18,973
- in respect of post retirement medical benefit schemes	5,255	3,784
	92,626	81,716

Notes to the Financial Statements
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33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2007			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Short-term employee benefits						
Managerial remuneration (including bonus)	11,451	22,032	476,024	12,012	19,385	367,523
Housing:						
- Rent	1,912	-	-	1,207	1,083	-
- Utilities	916	753	13,598	2,148	1,120	20,901
- Other Items	2,569	228	4,821	233	216	4,113
Medical expenses	509	237	11,021	1,329	141	8,047
	17,357	23,250	505,464	16,929	21,945	400,584
Post-employment benefits						
Company's contribution to pension, gratuity and provident fund	210	2,279	64,307	210	2,520	50,789
	17,567	25,529	569,771	17,139	24,465	451,373
Number of persons at year end	1	4	271	1	4	218

33.1 During the year Mr. Quentin D'Silva resigned as Chief Executive Officer of the Company with effect from August 31, 2006 and was succeeded by Mr. Zaiviji Ismail bin Abdullah.

33.2 Aggregate amount charged in the financial statements for the year for fee to 5 Non-Executive Directors was Rs 175,000 (2006: 5 Non-Executive Directors Rs 125,000).

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

Notes to the Financial Statements
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34. RELATED PARTY TRANSACTIONS

	Parent company		Other related parties	
	2007	2006	2007	2006
	(Rupees '000)			
(i) Purchases	-	-	49,986,635	52,459,218
(ii) Sales	-	-	6,792,163	5,898,434
(iii) Other items				
- Technical service fee charged	539,682	452,904	-	-
- Trade marks and manifestations license fee charged	-	-	65,242	245,257
- Computer expenses charged (Global Infrastructure Desktop charges)	-	-	87,869	53,160
- Expenses recovered from related parties	150,798	73,721	53,021	78,199
- Other expenses charged by related parties	-	-	115,098	137,146

34.1 In addition to this, the Company also paid pipeline transportation expenses amounting to Rs 1,012.743 million (2006: Rs 930.411 million) to PAPCO which is an associate company.

34.2 Purchases from / sales to related parties are made on commercially agreed terms negotiated by the Company. The related outstanding balances have been disclosed in notes 10.1, 13 and 18.1 to these financial statements.

34.3 Technical services include advice and assistance on the implementation of strategies and in the Company's operations. The costs for these services and the fees have been determined on the basis of agreements between the Company and related Shell Group companies based on an agreed methodology.

34.4 Trade marks and manifestations licence fee and Global Infrastructure Desktop charges are based on the agreements entered into by the Company.

34.5 Transactions and balances with staff retirement benefit schemes are disclosed in note 32 to these financial statements.

34.6 Transactions and outstanding balance in respect of the Workers' Profits Participation Fund are disclosed in note 13.3 to these financial statements.

34.7 Expenses recovered from / charged by related parties are based on actuals. The related outstanding balances have been disclosed in notes 13 and 18.1 to these financial statements.

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

Notes to the Financial Statements
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	Note	2007	2006 (Restated)
35. CASH GENERATED FROM OPERATIONS		(Rupees '000)	
Profit before taxation		378,736	4,640,184
Adjustment for non-cash charges and other items:			
Depreciation / amortisation expense charged to the profit and loss account	3.2	588,674	667,805
Accretion expense in respect of asset retirement obligation	20	5,623	4,180
Provision for impairment of trade debts	26	282,389	171,026
Reversal of provision for impairment of trade debts	28	–	(13,116)
Loss / (profit) on disposal of property, plant and equipment	26 & 28	15,505	(23,253)
Share of profit of associate	4.2	(93,650)	(40,690)
Mark-up on short-term deposits	28	(5,708)	(10,722)
Mark-up on short-term running finances and short-term loans	29	784,321	266,057
Working capital changes	35.1	4,191	(3,075,471)
		1,960,081	2,586,000

35.1 **Working capital changes**

	2007	2006
Decrease / (increase) in current assets		
Stores and spares	(1,421)	(12,499)
Stock-in-trade	1,735,832	(3,371,719)
Trade debts	369,786	(1,651,509)
Loans and advances (net)	(899)	(8,548)
Trade deposits and short-term prepayments (net)	27,078	(22,866)
Other receivables (net)	(2,009,321)	(2,270,552)
	121,055	(7,337,693)
(Decrease) / increase in current liabilities		
Trade and other payables (excluding unclaimed dividends)	(116,864)	4,262,222
	4,191	(3,075,471)

36. CASH AND CASH EQUIVALENTS

	Note	2007	2006
Cash and bank balances	14	814,530	981,197
Short-term running finances utilised under mark-up arrangements	16	(725,836)	(1,779,860)
Short-term loans	17	(6,810,000)	(3,250,000)
		(6,721,306)	(4,048,663)

Notes to the Financial Statements
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37. FINANCIAL ASSETS AND LIABILITIES

37.1 The Company's exposure to interest rate risk on its financial assets and liabilities at the balance sheet date are summarised as follows:

2007	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							
Investments	–	–	–	–	5,000	5,000	5,000
Loans and advances	41,883	61,580	103,463	837	123,999	124,836	228,299
Deposits	–	–	–	99,390	–	99,390	99,390
Trade debts	–	–	–	4,579,883	–	4,579,883	4,579,883
Other receivables	–	–	–	4,166,413	–	4,166,413	4,166,413
Cash and bank balances	770,408	–	770,408	44,122	–	44,122	814,530
	812,291	61,580	873,871	8,819,313	128,999	8,948,312	9,822,183
Financial liabilities							
Liabilities against assets subject to finance lease	33,203	547	33,750	–	–	–	33,750
Short-term running finance utilised under mark-up arrangements	725,836	–	725,836	–	–	–	725,836
Short-term loans	6,810,000	–	6,810,000	–	–	–	6,810,000
Trade and other payables	–	–	–	11,126,457	–	11,126,457	11,126,457
Mark-up accrued	–	–	–	131,550	–	131,550	131,550
	7,569,039	547	7,569,586	11,258,007	–	11,258,007	18,827,593
On balance sheet gap (a)	(6,756,748)	61,033	(6,695,715)	(2,438,694)	128,999	(2,309,695)	(9,005,410)

2006	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							
Investments	–	–	–	–	5,000	5,000	5,000
Loans and advances	35,357	66,349	101,706	6,484	73,291	79,775	181,481
Deposits	–	–	–	28,466	–	28,466	28,466
Trade debts	–	–	–	5,235,840	–	5,235,840	5,235,840
Other receivables	–	–	–	2,943,265	–	2,943,265	2,943,265
Cash and bank balances	940,472	–	940,472	40,725	–	40,725	981,197
	975,829	66,349	1,042,178	8,254,780	78,291	8,333,071	9,375,249
Financial liabilities							
Liabilities against assets subject to finance lease	26,480	7,019	33,499	–	–	–	33,499
Short-term running finance utilised under mark-up arrangements	1,779,860	–	1,779,860	–	–	–	1,779,860
Short-term loans	3,250,000	–	3,250,000	–	–	–	3,250,000
Trade and other payables	–	–	–	11,018,771	–	11,018,771	11,018,771
Mark-up accrued	–	–	–	77,035	–	77,035	77,035
	5,056,340	7,019	5,063,359	11,095,806	–	11,095,806	16,159,165
On balance sheet gap (a)	(4,080,511)	59,330	(4,021,181)	(2,841,026)	78,291	(2,762,735)	(6,783,916)

a) The on balance sheet gap represents the net amounts of on-balance sheet items.

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

37.2 **Financial risk management objectives and policies**

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

37.2.1 **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.

The Company's credit risk is primarily attributable to its receivables. Out of the financial assets aggregating Rs. 9,819.183 million (2006: Rs 9,375.299 million) the financial assets subject to credit risk amount to Rs 8,999.653 million (2006: Rs 8,389.032 million). The Company manages credit risk of receivables through the monitoring of credit exposures, limiting transactions with customers and continuing assessment of the credit worthiness of customers. Credit risk for balances at bank is limited by dealing with various banks with reasonably high credit rating.

Significant receivable balances relate to the balances due from the Government of Pakistan (including its related agencies) and balances due from related parties. The Company believes that it is not exposed to any specific credit risk in respect of these balances.

37.2.2 **Currency risk**

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 obtains forward exchange cover, where necessary and permissible, to hedge foreign currency exposure.

37.2.3 **Liquidity risk**

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

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

37.3 **Fair value of financial instruments**

The carrying value of financial instruments reflected in the financial statements approximate their fair values.

SAY NO TO NO

Notes to the Financial Statements
for the year ended June 30, 2007

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved financial reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

i) Provision for impairment of trade debts and other receivables (note 10.2 and note 13);
ii) Estimates of receivables and payables in respect of staff retirement benefit schemes (note 32);
iii) Taxation (note 30) ; and
iv) Asset retirement obligations (note 20)

39. CORRESPONDING FIGURES

Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. Significant reclassifications for better presentation and consistency with the requirements of the Companies Ordinance, 1984 were as follows:

i) Expenses relating to the distribution function amounting to Rs 1,819.098 million have been reclassified from 'administrative and marketing expenses' to 'distribution expenses'. Previously the Company was only classifying transportation cost as 'distribution expenses'.

ii) Comparative information has also been restated in order to comply with the change in accounting policy in respect of recognition and accounting for investments in associates under the equity method as explained in note 2.3 to these financial statements.

40. NUMBER OF EMPLOYEES

	2007	2006
Total number of employees at June 30	534	536

41. DIVIDENDS

In their meeting held on August 06, 2007, the Board of Directors of the Company have proposed a final cash dividend for the year ended June 30, 2007 of Rs 8 per share (80%). This is in addition to the interim dividend of Rs 8.00 per share (80%) resulting in a total cash dividend for the year of Rs 16 per share (2006: Rs 30.00 per share) amounting to Rs 876.645 million (2006: Rs 1,314.969 million). The approval of the members for the final cash dividend will be obtained at the Annual General Meeting to be held on September 19, 2007. The financial statements for the year ended June 30, 2007 do not include the effect of the final cash dividend, which will be accounted for in the financial statements for the year ending June 30, 2008.

42. GENERAL

Figures have been rounded off to the nearest thousand.

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 06, 2007 by the Board of Directors of the Company.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Akber Aziz
Director

Attendance at Board Meetings
for the year ended June 30, 2007

Name of Directors	Total No. of Board Meetings*	No. of Board Meetings Attended
Mr. Zaiviji Ismail bin Abdullah	5	5
Mr. Yousuf Ali	4	4
Mr. Akber Aziz	5	4
Mr. Saw Choo-Boon	5	2
Mr. Farrokh K. Captain	5	3
Mr. Ijaz A. Khan	5	4
Mr. M. Azam Khan	5	2
Mr. Leon Menezes	5	5
Mr. Manzoor H. Noon	5	3
Mr. Asif Sindhu	5	5
Mr. Fatehali W. Vellani	5	5
Mr. Quentin D'Silva	1	1

*held during the period concerned Director was on the Board.

Pattern of Shareholding
for the year ended June 30, 2007

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
1,559	1	-	100	66,050
2,147	101	-	500	612,230
915	501	-	1,000	672,911
947	1,001	-	5,000	2,071,098
139	5,001	-	10,000	968,671
43	10,001	-	15,000	518,367
18	15,001	-	20,000	325,243
15	20,001	-	25,000	333,387
12	25,001	-	30,000	328,621
3	30,001	-	35,000	97,820
4	35,001	-	40,000	155,459
5	40,001	-	45,000	208,709
3	45,001	-	50,000	138,906
1	50,001	-	55,000	51,562
3	55,001	-	60,000	174,250
3	60,001	-	65,000	190,112
2	65,001	-	70,000	133,501
1	70,001	-	75,000	75,000
1	75,001	-	80,000	77,577
1	85,001	-	90,000	85,937
1	95,001	-	100,000	96,718
1	100,001	-	105,000	102,312
1	110,001	-	115,000	115,000
1	125,001	-	130,000	129,687
1	135,001	-	140,000	139,183
2	140,001	-	145,000	284,520
2	215,001	-	220,000	435,562
1	235,001	-	240,000	237,902
1	240,001	-	245,000	240,025
1	270,001	-	275,000	274,774
1	280,001	-	285,000	283,276
1	375,001	-	380,000	375,577
1	545,001	-	550,000	548,375
1	760,001	-	765,000	761,968
1	1,780,001	-	1,785,000	1,780,847
1	41,695,001	-	41,700,000	41,699,176
5,840				54,790,313

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	5,692	8,254,111	15.06
Investment Companies	22	598,151	1.09
Insurance Companies	13	2,432,584	4.44
Joint Stock Companies	61	366,470	0.67
Modaraba Companies	4	75,882	0.14
Financial Institutions	9	392,665	0.72
Associated Companies*	1	41,699,176	76.11
Abandoned Properties**	1	142,145	0.26
Others	37	829,129	1.51
	5,840	54,790,313	100.00

* This category represents the foreign shareholding of The Shell Petroleum Company Ltd., London.

** This category represents shareholders of Bangladesh, whose dividend is paid to the Administrator, Abandoned Properties Organisation, Government of Pakistan.

Pattern of Shareholding
for the year ended June 30, 2007

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated companies		
The Shell Petroleum Company Limited, London	1	41,699,176
NIT and ICP		
National Investment Trust	-	-
National Bank of Pakistan Trustee Department	1	3,829
Investment Corporation of Pakistan	-	-
Directors		
Mr. Akber Aziz	1	45,363
Mr. Farrokh K. Captain	1	375,853
Mr. Manzoor Hayat Noon	1	3,038
Mr. Fatehali W. Vellani	1	6,835
Chief Executive Officer	–	–
Directors' / CEO's spouses		
Mrs. Yasmeen Akber w/o. Mr. Akber Aziz	1	40,351
Executives	7	3,121
Public sector companies and corporations	3	2,570,953
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	43	1,476,704
Shareholders holding 10% or more voting interest		
The Shell Petroleum Company Limited, London	1	41,699,176

Details of Purchase / Sale of shares by Directors, CEO, CFO, Company Secretary and their spouses or minor children during the period from July 1, 2006 to June 30, 2007.

Name of Director	Date of purchase	No. of shares	Rate Rs. / per share
Mr. Farrokh K. Captain	13-9-2006	12,500	600.67

Shell Pakistan Limited

Accounts of Subsidiary Companies

as of December 31, 2006

Shell Pakistan Provident Trust (Pvt.) Ltd.
Balance Sheet as at December 31, 2006

	2006 (Rupees)	2005 (Rupees)
AUTHORISED CAPITAL		
10 ordinary shares of Rs 100 each	1,000	1,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
ASSETS		
Cash in hand	200	200

Note 1: The Board of Directors of the company has decided to liquidate the company and the process of liquidation has commenced.

Note 2: As there were no transactions during the year, no profit and loss account has been prepared.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Leon Menezes
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Shell Pakistan Provident Trust (Private) Limited** as at December 31, 2006 together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

i) the balance sheet together with the notes thereon has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account;
ii) no business was conducted, expenditure incurred or investments made during the year;

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes thereon conforms with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, in the manner so required and gives a true and fair view of the state of the company's affairs as at December 31, 2006; and

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

Without qualifying our opinion we draw attention to note 1 to the balance sheet of the company which states that the Board of Directors of the company is in the process of liquidating the company. Accordingly, under the present circumstances, the company is no longer considered to be a 'going concern' and the assets appearing in the balance sheet are stated at their realisable amount.

A.F.Ferguson & Co.
Chartered Accountants
Karachi: August 9, 2007

Shell Pakistan Pensions Trust (Pvt.) Ltd.
Balance Sheet as at December 31, 2006

	2006 (Rupees)	2005 (Rupees)
AUTHORISED CAPITAL		
10 ordinary shares of Rs 100 each	1,000	1,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
ASSETS		
Cash in hand	200	200

Note 1: The Board of Directors of the company has decided to liquidate the company and the process of liquidation has commenced.

Note 2: As there were no transactions during the year, no profit and loss account has been prepared.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Leon Menezes
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Shell Pakistan Pensions Trust (Private) Limited** as at December 31, 2006 together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

i) the balance sheet together with the notes thereon has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account;
ii) no business was conducted, expenditure incurred or investments made during the year;

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes thereon conforms with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, in the manner so required and gives a true and fair view of the state of the Company's affairs as at December 31, 2006; and

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

Without qualifying our opinion we draw attention to note 1 to the balance sheet of the company which states that the Board of Directors of the company is in the process of liquidating the company. Accordingly, under the present circumstances, the company is no longer considered to be a 'going concern' and the assets appearing in the balance sheet are stated at their realisable amount.

A.F.Ferguson & Co.
Chartered Accountants
Karachi: August 9, 2007

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 ______________ of ______________

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held on September 19, 2007 at 10 a.m. and at any adjournment thereof.

Signed this ______________ day of ______________ 2007.

WITNESSES:

1. **Signature** ______________
   Name ______________
   Address ______________
   ____
   NIC or
   Passport No. ______________

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

2. **Signature** ______________
   Name ______________
   Address ______________
   ____
   NIC or
   Passport No. ______________

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend. A proxy is entitled to speak, vote, demand or join in demanding a poll. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. **CDC Shareholders and their Proxies** must each attach an attested photocopy of their National Identity Card or Passport with this proxy form.