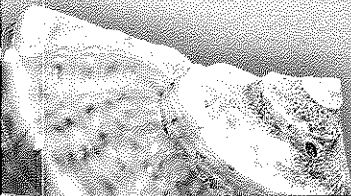


Shell in Pakistan
Over 100 Years of Excellence



**FOR THE SIX MONTHS ENDED
DECEMBER 31, 2008**



Notice of Annual General Meeting

Notice is hereby given that the Fortieth Annual General Meeting of Shell Pakistan Limited will be held on Wednesday, April 15, 2009 at 2:30 p.m. at the 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 six months (transitional period) ended December 31, 2008.
2. To appoint Auditors for the financial year January 1 to December 31, 2009 and to fix their remuneration.

By Order of the Board

(Tariq Saeed)
Secretary

Karachi: March 4, 2009.

Shell House
6-Ch. Khaliquzzaman Road
Karachi-75530.

NOTES:

- (i) The register of members will remain closed from Wednesday, April 1, 2009 to Wednesday, April 15, 2009 (both days inclusive). Transfers received in order at the office of our Share Registrars, FAMCO Associates (Pvt) Ltd., State Life Building 2-A, I. I. Chundrigar Road, Karachi by the close of business on March 31, 2009 will be in time for the purpose of attending the Annual General Meeting.
- (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. A proxy shall be required to produce his/her original CNIC or passport for authentication of his/her identity.
- (iii) Shareholders are requested to notify any change in their addresses immediately to our Share Registrars, FAMCO Associates (Pvt) Ltd., State Life Building 2-A, I. I. Chundrigar Road, Karachi
- (iv) CDC Shareholders or their Proxies are required to present their Original CNIC or Passport along with the Participant's I. D. and account numbers at the time of attending the Annual General Meeting in order to authenticate their identity.
- (v) A Form of Proxy is enclosed with the Notice of the Meeting being sent to the members.

Company Information

Chairman

Managing Director & Chief Executive

Chairman

Chairman

Country Programme Manager Downstream-One
General Manager Distribution
General Manager Lubricants
National Sales Manager
General Manager External Affairs
General Manager Human Resources
General Manager Supply
General Manager Business Strategy
Company Secretary & Head of Legal
Finance Director / Chief Financial Officer
General Manager Commercial Fuels

Board of Directors

Mr. Zaiviji Ismail bin Abdullah
Ms. Shahnaz Wazir Ali
Mr. Yousuf Ali
Mr. Farrokh K. Captain
Mr. Imran R. Ibrahim
Ms. Fawzia Kazmi
Mr. Zaffar A. Khan
Mr. Leon Menezes
Mr. Michael Noll
Mr. Asif Sindhu
Mr. Badaruddin F. Vellani

Chief Executive

Mr. Zaiviji Ismail bin Abdullah

Audit Committee

Mr. Badaruddin F. Vellani
Mr. Michael Noll
Mr. Imran R. Ibrahim

Country Leadership Team

Mr. Zaiviji Ismail bin Abdullah
Ms. Seema Adil
Mr. Amr Ahmed
Mr. Yousuf Ali
Mr. Zain K. Hak
Mr. Abid S. Ibrahim
Mr. Leon Menezes
Mr. Shehzad Mohsin
Mr. Saleem Piracha
Mr. Tariq Saeed
Mr. Asif Sindhu
Mr. Bilal Virk

Company Secretary

Mr. Tariq Saeed

Registered Office

Shell House,
6, Ch. Khaliqzaman Road,
Karachi - 75530

Auditors

A. F. Ferguson & Co.

Legal Advisors

Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.,
4th Floor, State Life Building 2-A,
I. I. Chundrigar Road,
Karachi - 74000

Report of the Directors

The Directors of your Company present their Report together with Audited Accounts for the six months ended December 31, 2008.

The loss for the period ended December 31, 2008 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

	(Rupees in millions)
Loss before taxation	(8,420)
Taxation	3,256
Loss after taxation	<u>(5,164)</u>
	Rupees
Loss per share	<u>(75.41)</u>

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 23 of 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, and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of 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.
8. Key operating and financial data for the last decade in summarized form is given on page 15. The unprecedented loss incurred by the Company is driven by the sharp decline in the international oil prices resulting in heavy inventory losses during the period. Looking ahead, notwithstanding the oil price volatility and local economic challenges, the fundamentals of the Company are strong and, more importantly, the core profitability on a normalized basis continues to improve. This positions the Company well for the future.
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, 2007 is included in note 35.4 to the accounts.

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10. During the period 3 board meetings were held and the attendance by each director is given on page 64.
 11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 66. The company is a subsidiary of Shell Petroleum Company Limited (holding company) incorporated in the United Kingdom.
 12. The following changes have occurred on the Board to date:
 - a) Mr. Saw Choo-Boon resigned from the office of Director and Ms. Fawzia B. Kazmi was appointed in his place with effect from October 28, 2008.
 - b) Mrs. Trudy Bovay resigned from the office of Director and Mr Michael Noll was appointed in her place with effect from March 4, 2009.
 13. The Auditors M/s A. F. Ferguson & Co. retired and being eligible offer themselves for re-appointment.
 14. The Directors, CEO, CFO, Company Secretary and their spouses / minor children did not sell / purchase or take any position in the shares of the Company during the period.

On behalf of the Board

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Karachi: March 4, 2009

Chairman's Review

for the six months ended December 31, 2008

The Directors of Shell Pakistan Limited (SPL) present their review of the affairs of the Company for the six months ended December 31, 2008. During this period the Company incurred a loss after tax of Rs 5.16 billion as compared to a profit of Rs 1.69 billion in the corresponding period last year. This loss was primarily due to unprecedented decline in international oil prices resulting in huge inventory losses of Rs 8.6 billion. The price of crude oil experienced a very sharp decline globally and touched its lowest level of US\$ 33 per barrel in December 2008 against a high of US\$ 147 per barrel in July 2008. The Company also had to bear major exchange losses of Rs 1.2 billion due to the significant devaluation of the Pak Rupee during the period. Moreover, your company continues to finance sizeable receivables of over Rs 7 billion from the Government and public sector entities, which carried a financing cost of around Rs 350 million during the period. These uncontrollable external factors had a serious impact on the bottom line of your Company.

In view of the earnings and cashflow constraints, the directors have considered it prudent not to recommend any dividend for this period.

The economy of the country went through a difficult phase where, on one side, the foreign exchange liquidity crisis forced GoP to obtain funding lines from the IMF and on the other side, to curb inflation, the discount rate was further hiked to 15%, thus increasing the cost of doing business. The country's credit rating and other macro economic indicators remained unfavourable and GDP growth targets were revised downwards twice to 2.5%. All these have had an impact on the oil industry and its growth, which remained negative.

On the positive side, lower oil prices are helping the country in improving its current account and budgetary deficit, which enabled the Government to roll back the subsidies on fuel prices, thus reducing the pressure on the national exchequer. However, this fall in prices has had an adverse impact on the OMC margins, which came down significantly during the period. These low margins alongwith increasing inflation and interest rates has put tremendous pressure on the profitability of OMC business.

On business developments, your Company continues to invest in its network coverage to address consumer demand. 12 new Retail outlets and 11 CNG facilities were commissioned during this period. To re-enforce its position as the market leader and most preferred brand, Shell Lubricants has launched one of the largest initiatives in the last quarter of 2008 whereby we saw a new packaging design and brand campaign for each of the Helix, Rimula and Advance range of lubricants. We are also focusing on leading business houses, power utilities, agriculture, transportation and other industrial sectors to grow our commercial fuels portfolio.

Your Company continues to lead the industry in terms of Health, Safety, Security and Environment (HSSE) initiatives. Shell Pakistan Limited has completed 10 million man-hours without any lost-time injury, an achievement that was made possible through dedication and commitment shown by our employees and our business partners. In order to further emphasize our commitment to HSSE, a Contractor Safety Council has been established to monitor compliance with policies and carry out health overviews.

Maintaining its position as the Employer of Choice, your Company was awarded the Excellence Award in Industrial Relations Practices 2008 by the Employers' Federation of Pakistan in collaboration with the International Labour Organisation. In pursuit of sustaining our

as a top talent organization, we are continuing with our in-house competence development initiatives and are in the process of implementing 'Frontline Leadership Development' programs.

On the social investment front, your Company continues its focus on educational initiatives. Our Road Safety program targeted at young drivers reached out to over 6,000 schoolchildren across 35 schools throughout Karachi. Our Shell Tameer Livewire program, currently in its sixth year, has been successfully revamped to take its operations to the next level in aiding the youth of the country to become successful entrepreneurs.

Looking ahead, notwithstanding the oil price volatility and local economic challenges, the fundamentals of the Company are strong and, more importantly, the core profitability on a normalized basis continues to improve. This positions the Company well for the future.

We thank our shareholders, customers and staff for their sustained support in ensuring the continued viability of the Company and making Shell their brand of first choice.

March 4, 2009

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of **Shell Pakistan Limited** as at December 31, 2008 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 period from July 1, 2008 to December 31, 2008 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;
 - (ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the period 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 December 31, 2008 and of the loss, its cash flows and changes in equity for the period then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 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: March 11, 2009
Audit engagement partner: Rashid A. Jafar

Profit and Loss Account

for the six months ended December 31, 2008

	Note	(Audited) Six months ended December 31, 2008	(Audited) Year ended June 30, 2008 (Rupees `000)	(Unaudited) Six months ended December 31, 2007
Sales	25	96,111,547	157,626,491	69,563,835
Non-fuel retail				
- Sales		35,628	119,915	62,149
- Others		7,100	20,205	9,707
Other revenue	26	295,622	341,349	99,117
		<u>96,449,897</u>	158,107,960	69,734,808
Less: Sales tax		11,549,125	18,263,271	8,140,265
Net revenue		84,900,772	139,844,689	61,594,543
Cost of products sold	27	87,849,668	124,694,471	55,844,714
Gross (loss) / profit		(2,948,896)	15,150,218	5,749,829
Distribution expenses	28	1,842,433	2,950,422	1,588,321
Administrative and marketing expenses	29	1,663,376	2,109,289	986,741
		<u>(6,454,705)</u>	10,090,507	3,174,767
Other operating income	30	337,885	306,453	41,567
		<u>(6,116,820)</u>	10,396,960	3,216,334
Other operating expenses	31	1,333,226	1,915,601	550,879
Operating (loss) / profit		(7,450,046)	8,481,359	2,665,455
Finance cost	32	976,838	970,267	424,982
		<u>(8,426,884)</u>	7,511,092	2,240,473
Share of profit of associate - net of tax	4.1	6,530	212,248	102,077
(Loss) / Profit before taxation		(8,420,354)	7,723,340	2,342,550
Taxation	33	(3,255,887)	2,586,246	653,507
(Loss) / Profit after taxation		(5,164,467)	5,137,094	1,689,043
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
(Loss) / Earnings per share	34	(75.41)	75.01	24.66

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

Badaruddin F. Vellani
Director