



Shell Pakistan Limited

Annual Report 2005



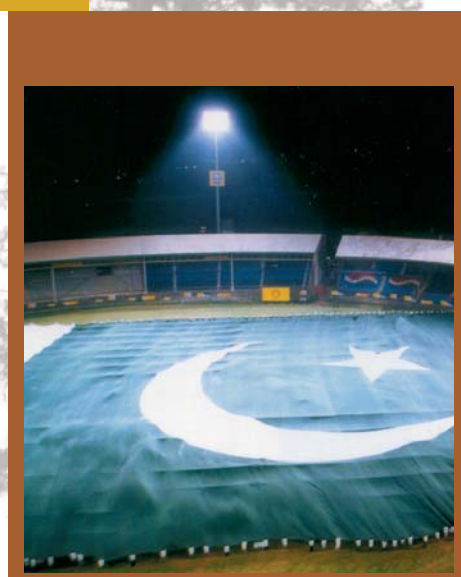
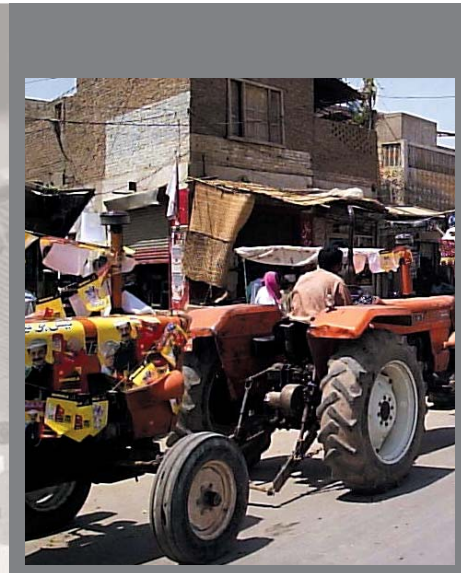
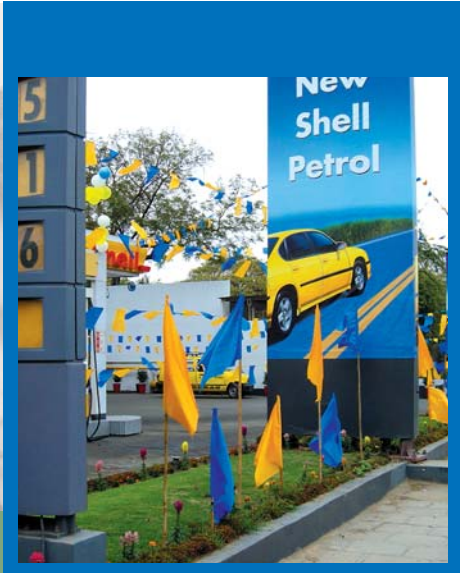


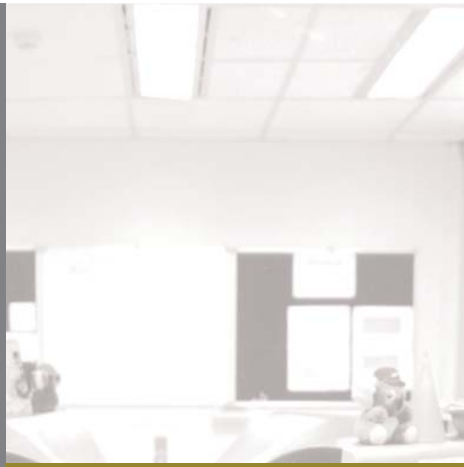
Vision



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.





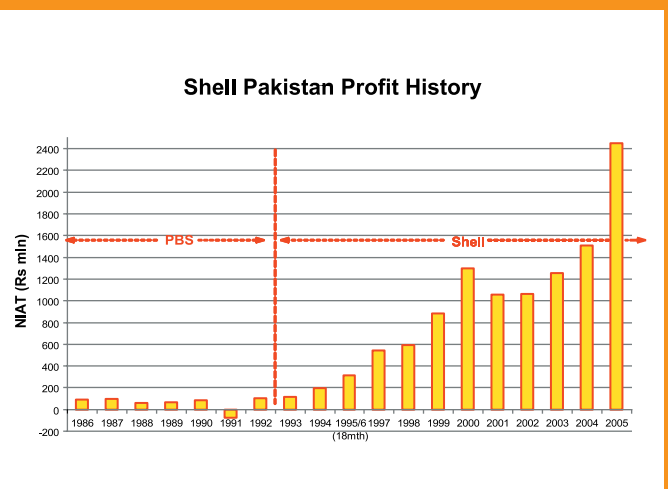
at a
Glance



Generate robust profitability

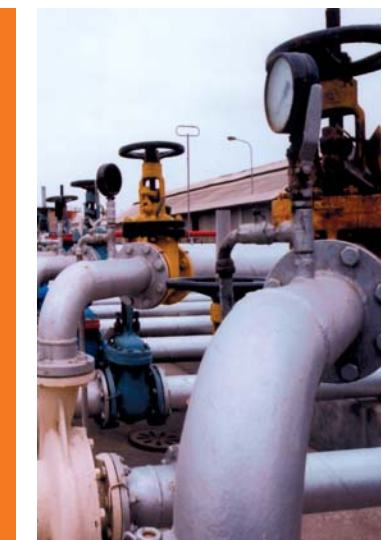
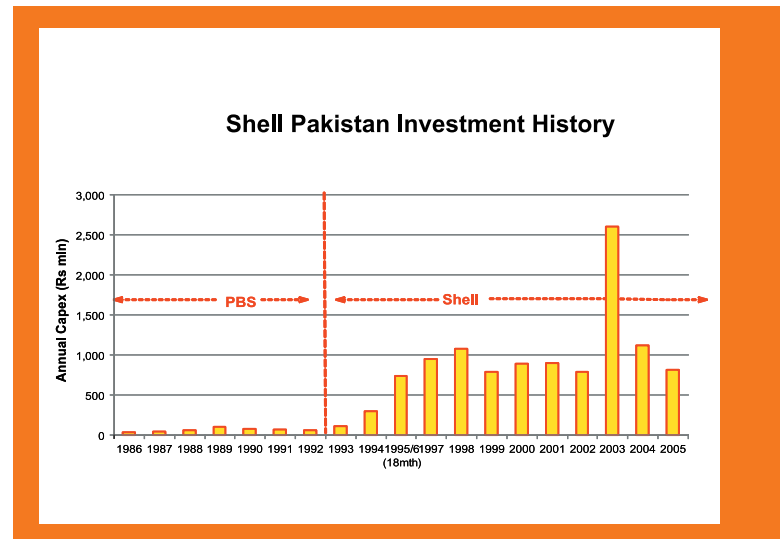
For Shell Pakistan Limited (SPL), successful financial performance is essential to a sustainable future and contributes to the prosperity of society. In the past decade SPL has seen phenomenal growth in its profitability with annual profits increasing from Rs.195 million in 1994 to Rs. 2,451 million for the year ended June 30th, 2005. In the past financial year, the company has been incurring continuous capital expenditure to achieve operational excellence and improve its profit stream. SPL has also been steadily increasing its network strength to bring more convenient locations for customers across the country. There has also been

considerable increase in the RVI network and CNG sites which have grown to 826 and 90 sites respectively. SPL continues to focus on value-added products that deliver better performance and value to the shareholders by moving away from



volume oriented to a profit oriented business model. This is demonstrated by Shell's achievement of the highest throughput per site amongst major competitors. According to a recent survey, the Shell Brand is the most preferred brand amongst motorists across Pakistan.

In the Lubricants business the company continues to strengthen its strong position in the market by increasing focus on value added activities and building increased brand preference for its high quality products. The launch of the Shell Helix 'Revive, Rejuvenate and Refresh' (RRR) repositioning campaign last year, followed by other marketing



initiatives during the year has resulted in dramatic improvements in Shell Helix's brand share of preference (BSP). Furthermore, an agreement between Pak Suzuki and Shell Pakistan has been signed, under which Pak Suzuki has recommended Shell Helix as the preferred engine oil for all of its cars being sold in Pakistan. The new year also saw the roll out of the 'Sunrise Project' for the Lubricants business which is expected to deliver significant savings through various cost cutting and efficiency measures.

In December 2004, a three-year Fuels and Lubricants supply agreement was signed with China International Water & Electric Corporation (CWE) for the Mangla Raising Project, which is one of the largest infrastructure projects in Pakistan. SPL also secured the tender for the supply of lubricants to MRDL Company of China, a subsidiary of Metallurgical Construction Company of China (MCC)

operating in Balochistan. This is a project of vital national importance and gives Shell an opportunity to play its role in efficient operation of this important project and hence contributing to its success.

The company's Aviation business has continued its strong performance in the current financial year and has once again contributed significantly to the overall profitability. The business has positioned itself as the supplier of first choice amongst all major foreign airlines visiting Pakistan. Volumes from major local airlines such as Pakistan International Airlines, Airblue and Aero Asia have continued to grow on the back of increased flights, both on the domestic and international segments. The Aviation business has also benefited from the creation and implementation of specific customer value propositions in all segments such as electronic invoicing and guaranteed turn around time for airlines.



Deliver value to customers

SPL is committed to the delivery of top quality, right quantity and superior service wherever it operates across the country. Electronic pumps, calibrated and sealed dispensers and regular checks by the Quality Control Units ensure maximum value to the customers, every time, everywhere.

As an international company, SPL is constantly striving to create the best fuels for its customers. In March 2005, the company successfully launched the Better Mileage petrol in Pakistan. This 'New Shell Petrol' enhanced with the Better Mileage Formula helps provide better fuel economy, engine cleanliness and reduced friction in the engine. Shell International has invested millions of dollars and years of research in developing this new fuel at their ISO 9001 quality accredited labs in the United Kingdom and Germany. This superior fuel has been developed and proven through extensive fleet tests. The Pakistan launch saw a blitz campaign across print, television, radio as well as a range of direct marketing activities. Following the campaign, a research study was conducted to assess awareness and trial of the New Petrol. The study revealed that 88% of all those who had tried the New Petrol got the benefit of better mileage.

A significant milestone for Pakistan's fuels marketing industry has been the launch of the UGT (Underground Tank) seals by SPL. Internationally acclaimed to be a secure and cost effective sealing method for underground fuel storage tanks, customers now

have the added confidence that the quality of fuel being sold from our forecourts meets the highest Shell standards. To provide customers further assurance on the quantity of fuel dispensed, a nationwide campaign emphasized the clear display of a zero-meter reading before and after fueling.

official gala event held in April 2005. Winners were assessed and selected on the basis of evaluations conducted on site.

With a view to providing more value added services to customers, this year saw the launch of the Shell Card. The Card is designed to provide fleet

To raise the bar on service delivery even further, a Mystery Motorist program was initiated earlier this year focusing on incentivising and rewarding staff on the forecourts by continuously monitoring service levels and training them on various service aspects. With this initiative in place, SPL aims



At SPL, service remains a key competitive differentiator and an integral driver of the customer's fueling experience. To inspire SPL dealers to strive for excellence in all aspects of service delivery, the Dealers' Royal Club was launched across Pakistan in August 2004. The Club provides an exclusive forum for the dealers to share best practices on better housekeeping and customer service standards. It also gives the company a platform to recognize and reward its top performing dealers. This year, 93 dealers qualified as members of this exclusive Club and were recognized through the first

owners and managers an effective, economical, state-of-the-art Fleet Management System to meet their growing business needs. This System meets the challenge of providing value added propositions to customers such as fleet cards and corporate cards.

For the trucker customer segment, SPL has brought a unique branded one-stop facility offering a host of services ranging from parking area to restaurant. The 'Truckport' as it is known is the first of its kind for Pakistan's oil marketing sector. Currently, 8 truck ports have been set up.

to be the best in service in Pakistan's oil marketing industry.

The current year also witnessed strong growth in the Power sector. The key brands benefited from investment in customer technical workshops and launch of innovative customer focused services. The business continues to enhance its market competitiveness by investing in training and development of the sales and technical support team.



Protecting the environment

This year several safety initiatives and measures were implemented on SPL's CNG and retail forecourts as part of the company's all encompassing HSSE commitment and policy. As part of the company's commitment to HSSE, extensive efforts have been made to maintain and promote CNG safety across the country. In September 2004, a "CNG Safety Convention" was organized to emphasize the importance of safe CNG operations. This two-day event was the first of its kind and comprised of a series of presentations and exhibitions. The participants included Government regulatory authorities, Oil Marketing Companies and members of the CNG Association of Pakistan. In addition to increasing CNG safety awareness, the convention was also designed to assess the current situation of CNG safety in the country and propose a future outline for improvements of CNG safety standards in Pakistan

SPL has a long and impressive history of helping to conserve environmental resources, and of protecting environmental habitats. Examples of projects taken up by the company include the conservation of Mangrove Ecosystem with WWF Pakistan in Korangi-Phitti Creek System, and its Forest Conservation project with UNDP around the Ayubia National Park.



SPL has signed a joint partnership with UNDP for the roll out of a \$600,000 project to prevent deforestation in the Galliat areas and provide an alternate fuel, Liquid Petroleum Gas (LPG). The aspiration of this project is to reduce reliance on forest wood as a source of energy.

SPL, being the leader in protecting marine pollution, has purchased Tier-I oil spill equipment along with Pakistan Refinery Limited and regularly carries out hands-on training for other Oil Industry members on the use of such

equipment. In addition, a Memorandum of Understanding has been signed by the major oil industry members for the formation of a joint industry Marine Oil Spill Resource Center (MOSReC) for combating Tier I/II oil spills.

SPL is currently working on raising the industry awareness on improving local Shipping Standards as per the International Ship Quality Assurance Systems for the safe operations of marine oil cargoes.



Managing Resources

For SPL, efficient and effective management of resources is an important component of superior financial performance, and a strong contributor to the prosperity of society on a whole. In the current year, a number of projects have been initiated which will deliver standardised and simplified business processes and systems. The successful commissioning of the White Oil Pipeline (WOPP) on 1st March 2005 is a significant milestone in this regard. WOPP is a \$ 480 million project, in which SPL owns a 26 % equity share. The pipeline transports imported diesel up-country from Port Qasim and thereby eliminates inefficient transport through tank lorries.

Earlier this year, SPL and Standard Chartered Bank (SCB) joined hands to offer dealers credit facilities for the purchase of fuel. This is the first fully automated dealer finance solution based on an electronic card payment system. Dealers will be able to obtain competitive financing from SCB, whilst SPL will enjoy instant conversion of receivables in addition to simplified account reconciliations. SPL has also entered into a Cash Management agreement with MCB that delivers a Day Zero credit into the company's account.

This initiative will reduce the company's daily borrowings from quicker realization of sales proceeds.



A Centralized Scheduling Centre was inaugurated in August 2004 with a view to realizing greater efficiencies in Supply and Distribution, through easier alignment and restructuring of the order fulfillment process.

At an industry level, SPL, Pakistan State Oil and Caltex formally signed the JIMCO Joint Venture Agreement for the existing Mahmoodkot Terminal. The agreement aims at guaranteeing throughput rights and efficient utilization of resources for all partners and paves the way for upgrading HSSE standards at the installation.

Substantial progress has been achieved in the area of SPL's Information Technology (IT) security and compliance. Certification audits by international auditors have been successfully completed. The audit findings prove the high level of compliance of the company's IT infrastructure with international standards. This compliance ensures that the local networks and electronic information are secure and well protected against Global viruses and hacking.



Respect & safeguard people

Shell Pakistan aspires to be an organization where people feel involved, respected, and connected; where the richness of ideas, backgrounds and perspectives are harnessed to create business value.

To achieve this, the company recognizes the importance of maintaining focus on both, the diversity of its workforce, as well as giving everyone the opportunity to develop their individual talents. This has taken the form of the extensive 'Diversity and Inclusiveness' (D&I) program that actively supports attraction, development, retention and promotion of diverse talent. Part of SPL's approach to D&I involves the celebration of an annual D&I week, which has been observed annually since 2003.

As an equal opportunities employer, SPL has introduced family-friendly policies such as career breaks and flexible office hours. For the convenience of working parents, the company inaugurated its first Child Day Care Centre at the head office in March 2005.

SPL is committed to the pursuance of no harm to people. The company's Haulier Professionalization Program continues to change the mindset of third-party Hauliers and motivates them to effectively commit themselves to investing in professional offices, equipment



and qualified staff. The successful implementation of this program will revamp the industry to function as a proper and professional organization, with real international standards, and structured business and HSSE practices. This year, SPL has organized several emergency response drills to deal with the issues of medical emergencies, vehicle/product recovery and soil treatment. These drills are conducted jointly with SPL transport staff, professional haulier staff, and external stakeholders such as the Motor Way Police and other Oil Marketing Companies.

For the safety and security of company assets and staff, CCTV systems have been installed at 3 main installations (Chaklala, Machike and Keamari). This has resulted in better controls, monitoring and adherence to safety and security measures and lower operating costs due to reduction in number of security guards. In addition, CCTVs have been installed at 200 Retail sites to help improve performance and reduce pilferage. In the past year highly trained guards have been hired at the sites which has led to a reduction of incidence of armed robberies.



Work with stakeholders

In April this year, SPL hosted a colorful two-day Business Opportunities Workshop in Lahore. Eminent speakers at the workshop included top government officials and Shell participants from Global businesses such as Exploration and Production, Oil Products, Gas & Power, Shell Global Solutions, Shell Finance and the International Directorate. The consensus at the end of the workshop was that this had given an excellent opportunity for the Shell participants to see the rapid growth and development that was taking place in Pakistan, and guide them in future investment decisions within the country.

As a goodwill gesture, SPL joined hands with a local NGO, 'Waste Busters' in December 2004 to carry out a waste management project in the dhok munshi area around the company's Chaklala Installation. The project is a community service aimed at introducing proper waste management to the residents of the low income area. This effort has been appreciated by the community and local authorities, and is being used as a best practice for other areas suffering from similar problems.



SPL has a robust safety plan for its road transport operations which involves working directly with the hauliers and drivers for ensuring road safety. The company's Road Safety program ranges from installation of seat belts and side guards for all company-owned

vehicles to the setting up of driver rest facilities at installations and main highway routes. Regular Defensive Driving courses are also held through out the year to train drivers on important safety and driving techniques.



Benefit Communities

Over the last decade, SPL has developed a robust programme of social investment which supports organizations and initiatives in the areas of health, education, welfare, community development, heritage and environment.

In the health sector, SPL has continued its support to organizations such as Layton Rahmatulla Benevolent Trust (LRBT), The Kidney Center, Marie Stopes Society, Marie Adelaide Leprosy Center, Karvan-e-Hayat and Civil Hospital. Some significant highlights this year include free eye camps with LRBT around SPL's installations in Machike and Mehmoodkot and inauguration of a Shell-Marie Stopes mini-clinic in Multan. The mini-clinic will extend free reproductive health services to the poor and needy residing in the rural areas of the city. The company also offered free mobile medical camps in the Northern areas to help the affectees of the floods caused by the heavy rains and snowfall during the winter season.

In education, the company continued its support to organizations such as The Behbud Association of Pakistan, SOS Children's Villages, Human Rights Education Programme, Alif Laila Book Bus Society and The Book Group, to name a few.



Due to the recent rise in temperature and unprecedented rains in the Northern Areas of the country, many areas along the rivers in NWFP have been inundated, causing heavy losses and widespread displacement of population. Taking note of the grave situation, SPL has joined hands with the Red Crescent Society to ensure timely supply of relief items to the affected families who were forced to leave their homes.

SPL's youth empowerment program 'Tameer' has been running successfully since its introduction in Pakistan in January 2003. The

program has been adapted from Shell LiveWIRE International recognizing the need to promote youth enterprise in Pakistan. To date, Tameer has forged partnerships with, SMEDA, IBA, SME Bank, and Rotaract. Since its commencement, Tameer has held entrepreneurship awareness sessions for over 10,000 students in polytechnic, business and professional schools. The Tameer Entrepreneurship Club, one of Tameer's newer initiatives this year, allows budding entrepreneurs to receive training and advice from mentors and successful entrepreneurs.

Statement of General Business Principles

Objectives

The objective of Shell Pakistan Limited is to engage efficiently, responsibly and profitably in the oil and chemicals businesses. Shell Pakistan Limited seeks a high standard of performance and aims to maintain a long term position in its competitive environment.

Responsibilities

Shell Pakistan Limited recognises five areas of responsibility:

a. To Shareholders

To protect shareholders' investment, and provide an acceptable return.

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 its employees, to provide its employees with good and safe conditions of work, and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of its work, and in the application of these principles within the company. It is recognised that commercial success depends on the full commitment of all employees.

d. To those with whom it does business, to seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these principles in so doing. 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 a responsible corporate member of society, to observe the laws of Pakistan, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistent with its commitment to contribute to sustainable development.

These five areas of responsibility are seen as inseparable. Therefore it is the duty of management continuously to assess the priorities and discharge its responsibilities as best it can on the basis of that assessment.

Economic Principles

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and of the value that customers place on Shell products and services. It is essential to the allocation of the necessary corporate resources and to support the continuing investment required to develop and produce future energy supplies to meet consumer needs. Without profits and a strong financial foundation it would not be possible to fulfill the responsibilities outlined above.

In general Shell Pakistan Limited believes that the interest of the community can be served most efficiently by a market economy.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations and an appraisal of the security of the investment.

Business Integrity

Shell Pakistan Limited insists on honesty, integrity and fairness in all aspects of its business and expects the same in its relationships

with all those with whom it does business. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflicts of interest between their private financial activities and their part in the conduct of company business. All business transactions on behalf of Shell Pakistan Limited must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and be subject to audit.

Political Activities

a. Of the Company

Shell Pakistan Limited acts in a socially responsible manner within the laws of Pakistan in pursuit of its legitimate commercial objectives.

Shell Pakistan Limited does not make payments to political parties, organisations or their representatives or take any part in party politics. However, when dealing with governments, Shell Pakistan has the right and the responsibility to make its position known on any matter, which affects itself, its employees, its customers, or its shareholders. It also has the right to make its position known on matters affecting the community, where it has a contribution to make.

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.

Health, Safety and the Environment

Consistent with its commitment to contribute to sustainable development, Shell Pakistan Limited has a systematic approach to health, safety and environmental management in order to achieve continuous performance improvement.

To this end Shell Pakistan Limited manages these matters and any other critical business activity, sets targets for improvement, and measures, appraises and reports performance.

The Community

The most important contribution that Shell Pakistan Limited can make to the social and material progress of Pakistan is in performing its basic activities as effectively as possible. In addition Shell Pakistan Limited takes a constructive interest in societal matters which may not be directly related to the business opportunities for involvement-for example through community, educational or donations programmes - will vary depending upon the scope for useful private initiatives.

Competition

Shell Pakistan Limited supports free enterprise. It seeks to compete fairly and ethically and within the framework of applicable competition laws; the company will not prevent others from competing freely with it.

Communication

Shell Pakistan Limited recognises that in view of the importance of its activities in which it is engaged and its impact on national economies and individuals, open communication is essential. To this end, Shell Pakistan Limited has comprehensive corporate information programmes and provides full relevant information about its activities to legitimately interested parties, subject to any overriding considerations of business confidentiality and cost.

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Notice of Annual General Meeting

Notice is hereby given that the Thirty-sixth Annual General Meeting of Shell Pakistan Limited will be held on Thursday, September 22, 2005 at 10:00 a.m. at Karachi Sheraton Hotel, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive and adopt the Report of Directors and Auditors together with Audited Accounts for the year ended June 30, 2005.
2. To approve the payment of final dividend of Rs.27.00 per share (270 %) and also the interim dividend of Rs.8.00 per share (80%) declared on January 19, 2005 making a total of Rs. 35.00 per share for the year ended June 30, 2005.
3. To appoint Auditors and to fix their remuneration for the year 2005-2006.

B. SPECIAL BUSINESS

4. To consider, an if thought fit, to pass the following resolution as an Ordinary Resolution:
"Resolved that"
 - a) A sum of Rs 87,664,500 out of the free reserves of the Company to be capitalised and applied towards the issue of 8,766,450 ordinary shares of Rs 10/- each as bonus shares in the ratio of 1:4 i.e. one bonus share for every four ordinary shares held by the members whose names appear on the Members Register on September 8, 2005. These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the dividend declared for the year ended June 30, 2005.
 - b) Members entitled to fractions of shares as a result of their holding either being less than four ordinary shares or in excess of an exact multiple of four ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.
 - c) For the purpose of giving effect to the foregoing, the Directors be and are hereby authorised to give such directions as they deem fit to settle any question or any difficulties that may arise in the distribution of the said bonus shares or in the payment of the sale proceeds of the fractions.

A statement under Section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the Resolution contained in item (4) of the Notice which will be considered for adoption at the Meeting is annexed to this Notice of Meeting being sent to the Members.

By Order of the Board

(M. G. Dossa)
Secretary

Karachi: August 4, 2005

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

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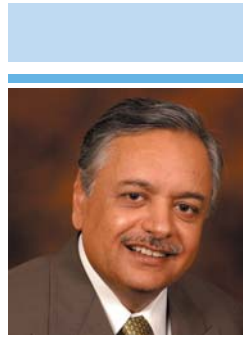
- (i) The register of members will remain closed from September 8 to September 22, 2005 (both days inclusive). Transfers received in order at the office of our Share Registrars, Ferguson Associates (Pvt) Ltd., Ground Floor, State Life Building 1-A, I. I. Chundrigar Road, Karachi-74000 by the close of business on September 7, 2005 will be in time for the purpose of payment of final dividend and issue of bonus shares 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.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of the Thirty-sixth Annual General Meeting of Shell Pakistan Limited to be held on Thursday, September 22, 2005 at 10:00 a.m. at which certain special business is to be transacted. The special business is to issue bonus shares. The purpose of this statement is to set forth the material facts concerning such special business.

Item (4) of the Agenda

The Board of Directors recommend that taking into account the financial position of the Company the issued capital of the Company be increased by capitalisation of free reserves amounting to Rs 87,664,500 and the issue of bonus shares in the ratio of 1:4 i.e. one share for every four ordinary shares. The Directors of the Company are interested in the business to the extent of their shareholding in the Company.



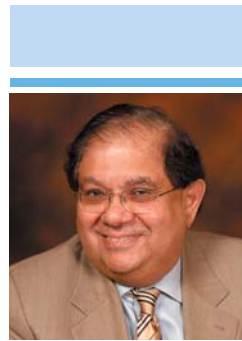
Mr. Farooq Rahmatullah



Mr. Akber Aziz



Mr. Saw Choo-Boon



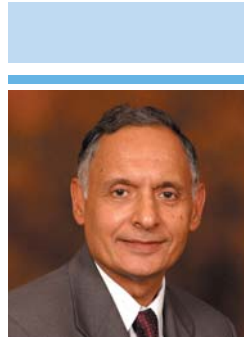
Mr. Farrokh K. Captain



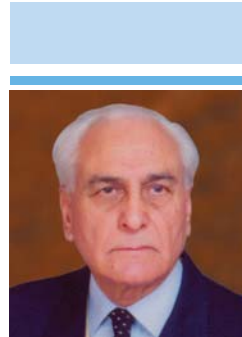
Mr. Zaiviji Ismail bin Abdullah



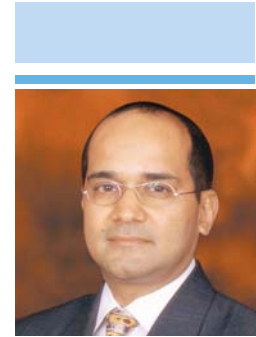
Ms Fawzia Kazmi



Mr. Ijaz Ali Khan



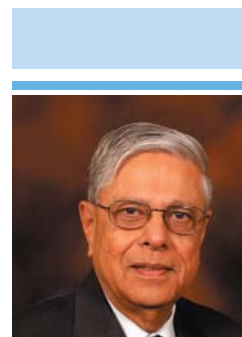
Mr. M. Azam Khan



Mr. Hasnain Moochhala



Mr. Manzoor Hayat Noon



Mr. Fatehali W. Vellani

Company Information

Board of Directors

Mr. Farooq Rahmatullah	Chairman
Mr. Akber Aziz	
Mr. Saw Choo-Boon	
Mr. Farrokh K. Captain	
Mr. Zaiviji Ismail bin Abdullah	
Ms. Fawzia Kazmi	
Mr. Ijaz Ali Khan	
Mr. M. Azam Khan	
Mr. Hasnain Moochhala	
Mr. Manzoor Hayat Noon	
Mr. Fatehali W. Vellani	

Chief Executive

Mr. Farooq Rahmatullah	Managing Director & Chief Executive
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Audit Committee

Mr. Fatehali W. Vellani	Chairman
Mr. Akber Aziz	
Mr. Saw Choo-Boon	
Mr. Hasnain Moochhala	
Mr. Manzoor Hayat Noon	

Country Coordination Team

Mr. Farooq Rahmatullah	Chairman
Mr. Yousuf Ali	General Manager Lubricants
Mr. Zaiviji Ismail bin Abdullah	General Manager Retail Sales and Operations
Mr. Ijaz Ali Khan	General Manager Operations
Mr. Leon Menezes	General Manager Human Resources
Mr. Hasnain Moochhala	Finance Director
Mr. Saleem Piracha	General Manager Business Strategy

Company Secretary

Mr. M. G. Dossa

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

Ferguson Associates (Pvt) Ltd.
State Life Building 1-A,
I. I. Chundrigar Road,
Karachi - 74000.

Report of the Directors

		(Rupees' 000)
The profit for the year ended June 30, 2005 after providing for administrative, marketing, distribution expenses, financial and other charges amounts to		3,908,595
Less : Provision for		
Workers' Profits Participation Fund	195,430	
Workers' Welfare Fund	<u>70,181</u>	
Profit before taxation		<u>3,642,984</u>
Less : Taxation		
For the year	1,281,385	
For prior periods	16,200	
Deferred tax	<u>(105,671)</u>	
Profit after taxation		<u><u>2,451,070</u></u>
Earnings per share		<u><u>69.90</u></u>

At their meeting held on August 4, 2005, the Board of Directors of the company has proposed a final dividend for the year ended June 30, 2005 of Rs 27.00 per share. This is in addition to the interim dividend of Rs 8.00 per share resulting in a total dividend for the year of Rs 35.00 per share amounting to Rs 1,227,303 thousand. The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on September 22, 2005. The final dividend amounting to Rs 27.00 has not been recognised as a liability in these financial statements as explained in note 2 c.

Further the Board has recommended that bonus shares in the ratio of one bonus share for every four shares held be issued by capitalization of Rs 87,664,500 out of free reserves of the company. The said bonus shares shall not be entitled for dividend declared for the year ended June 30, 2005.

1. The financial statements, prepared by the management of Shell Pakistan Ltd., 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 Ltd. have been maintained.
3. Appropriate accounting policies have been consistently applied, except for the change as stated in note 2(c) to the financial statements, 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 Ltd.'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 annexed.
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, 2004 is included in note 31.3 to the accounts.
10. During the year 5 board meetings were held and the attendance by each director is given on page 67.
11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 68 and 69.
12. At the Extraordinary General Meeting of the Company held on June 9, 2005 Mr. Farooq Rahmatullah, Mr. Akber Aziz, Mr. Saw Choo Boon, Mr. Farrokh K. Captain, Mr. Zaiviji Ismail bin Abdullah, Ms. Fawzia Kazmi, Mr. Ijaz Ali Khan, Mr. M Azam Khan, Mr. Hasnain Moochhala, Mr. Manzoor H. Noon and Mr. Fatehali W. Vellani were elected directors of the company for a period of three years commencing from June 13, 2005. The board places on record its appreciation to the outgoing director, Mr. Taufique Habib for the valuable services he has rendered to the company and welcomes back Mr. Farrokh K. Captain to the Board.
13. The Auditors M/s A. F. Ferguson & Co. retire and being eligible offer themselves for re-appointment.
14. No trades in the shares of the listed company were carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

On behalf of the Board

Farooq Rahmatullah
Chairman & Chief Executive

Karachi : August 4, 2005

Chairman's Review

For the year to June 30, 2005



The Directors of Shell Pakistan Limited are pleased to present this review of your Company's performance for the year ended June 30, 2005. Following the past trend, your Company continues to deliver a robust and encouraging performance, achieving a 63 % increase in after tax profits to Rs. 2.451 billion from Rs. 1.508 billion last year. The improvement in profits is mainly at the back of better product mix and increasing international oil prices. Despite the healthy increase in profits, the year saw an unfavorable cash flow of Rs 2 billion caused mainly by increased product costs that were not fully recovered as a consequence of the government's decision to freeze prices, and by the requirement to invest in the initial line fill of the new White Oil Pipeline.

The Board of Directors recommends a final dividend of Rs. 27.00 per share, which together with the interim dividend of Rs 8.00 per share, declared in January 2005, will bring the total dividend for the financial year 2004 - 05 to Rs. 35.00 per share.

Further the Board has recommended that bonus shares in the ratio of one bonus share for every four shares held be issued by capitalization of Rs 87,664,500 out of free reserves of the company. The said bonus shares shall not be entitled for dividend declared for the year ended June 30, 2005.

In terms of our Business operations, we have been steadily increasing our network strength to bring more convenient locations for customers across the country. This year the Retail Visual Identity (RVI) network grew from 760 sites to 826 sites. Meanwhile, as the number of CNG users continues to rise, we have been focusing on expanding our CNG network from last year's 77 sites to 96 sites currently. We continue to focus on value-added products that deliver better performance and value to our shareholders by moving away from volume oriented to a profit oriented business model. This is demonstrated by Shell's achievement of the highest throughput per site amongst major competitors. Our significant Brand presence can be measured by the fact that the Shell Brand is the most preferred brand amongst motorists across Pakistan. We are constantly improving our relationship with our Dealers through initiatives such as the Royal Dealers Club which recognizes and awards dealers performance.

The year saw a number of initiatives in our Retail business to further excel in the delivery of Quality, Quantity and Service; as well as new product and service offerings designed to bring customers an unrivalled fuelling experience. With the launch of initiatives such as the New Shell Petrol, Shell Card and Under Ground Tank (UGT) seals, customers have the added confidence that the quality of fuel being sold from our petrol stations meets the highest Shell standards.

In our Lubricants business, we have increased focus on activities that have added value to customers. The year has seen some significant achievements, at the top of which is the partnership agreement between Pak Suzuki and Shell Pakistan, in which Pak Suzuki has recommended Shell Helix as the preferred engine oil for all of its cars being sold in Pakistan. The business continues to enhance its market competitiveness by investing in training and development of the sales and technical support teams.

Our Aviation business has continued its strong performance in the past financial year and has once again contributed significantly to the company profitability. Aviation has positioned itself as the supplier of first choice for all major foreign airlines visiting Pakistan and has benefited from the creation and implementation of specific Customer Value Propositions in all segments such as electronic invoicing and guaranteed turn around time for airlines.

This year saw the successful commissioning of the White Oil Pipeline (PAPCO) which commenced its commercial operations from March 2005. The pipeline is transporting imported diesel from Port Qasim to our installations in Shikarpur and Mehmoodkot .

At SPL, we believe that embedding a safety conscious culture and behaviour is the foundation for an effective HSSE policy. Our Haulier Professionalization Program continues to change the mindset of third-party Hauliers and encourages them to operate in an organized and professional manner with real international standards and road safety practices. Your company has also been instrumental in raising industry awareness on safe shipping operation through various forums and has recently carried out a vetting exercise of three PNSC vessels by STASCO (Shell International Trading & Shipping Company). This move has successfully facilitated the government's decision on enhancing local shipping standards to an international level.

To further embed our HSSE policy, we have successfully fostered public-private partnership on HIV/AIDS prevention and awareness with key stakeholders like UNAID, Pakistan Aids Control Programme and Family Health International.

One of the priorities in the area of HSSE has been to bring further improvement in the safety and security of company assets and staff. This year we have installed CCTV systems at our main installations, thereby ensuring better controls and lower operating costs due to reduction in number of security guards.

Substantial progress has been achieved in the area of our Information Technology (IT) Security and Compliance. In the last quarter, Certification audits by international auditors have been successfully completed proving that our IT infrastructure complies with International Standards. This compliance ensures that our networks and electronic information are secure.

SPL as an organization is the first choice as an employer for young men and women. The company follows a strict criteria of merit in selection and growth of its staff. At present we have 50 employees working on international assignments from places stretching as far as United Kingdom to the Far East. As an 'equal opportunities employer' we continue to introduce family-friendly policies such as career breaks and flexible office hours. A major highlight for this year has been the inauguration of the first Child Day Care Centre at the head office for the children of working parents.

Your company recognizes the importance of maintaining focus on both the diversity of its workforce, as well as giving everyone the opportunity to develop their individual talents. This has taken the form of the extensive 'Diversity and Inclusiveness' (D&I) program that actively supports attraction, development, retention and promotion of diverse talent. To further our commitment to D&I, we have inducted more female staff into our businesses.

Over the last decade, your company has developed a robust programme of social investment which supports organizations and initiatives in the areas of health, education, welfare, community development, heritage and environment. Some significant highlights this year include the inauguration of the first Shell-Marie Stopes clinic in Multan for the provision of free reproductive health services, and free eye camps with Layton Rahmatulla Benevolent Trust (LRBT) at our installations in Mehmoodkot and Machike. Recently, SPL has joined hands with the Red Crescent Society to ensure timely supply of relief items to the affected families of the heavy floods in the Northern Areas of the country.

In an increasingly competitive business environment, exacerbated by a proliferation of unbranded retailers and counterfeit products, there is a growing need for us to maintain our drive to operational excellence by delivering standardised and simplified business processes and systems, and ensure top quality, right quantity and superior service to all customers across the country.

Despite these challenges, the past year was a successful year for us and I would like to take this opportunity to thank all our customers, staff and shareholders for their continued loyalty and trust in our brand, and seek your support in making Shell the Top Performer of First Choice.

Farooq Rahmatullah
Chairman & Chief Executive

Karachi : August 4, 2005

Highlights

		Year ended June 30, 2005	Year ended June 30, 2004
Sales volume	Tonnes	3,290,768	3,229,554
Sales revenue	Rs / mn	111,495	90,108
Profit before tax	Rs / mn	3,643	2,189
Profit after tax	Rs / mn	2,451	1,508
New capital expenditure	Rs / mn	816	1,118
Shareholders' equity	Rs / mn	8,303	7,132
Dividend	Rs / mn	1,464	1,227
Earnings per share	Rs	69.90	43.01

Financial Statistical Summary

		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996*	1994
			(Restated)									
Share capital	Rs./ mn	351	351	351	351	351	351	351	351	234	234	136
Reserves	Rs./ mn	7,952	6,781	5,501	5,470	5,039	4,421	3,701	3,258	1,590	1,238	468
Shareholders' equity	Rs./ mn	8,303	7,132	5,852	5,821	5,390	4,772	4,051	3,609	1,823	1,471	604
Break up value	Rs.	237	203	167	166	154	136	116	103	78	63	45
Dividend per share	Rs.	35.0	35.0	35.0	18.0	12.5	16.5	12.5	8.5	8.5	8.3	4.0
Bonus		1:4	-	-	-	-	-	-	-	-	-	3:20
Profit before tax	Rs./ mn	3,643	2,189	1,900	1,572	1,630	2,013	1,341	922	927	517	312
Profit after tax	Rs./ mn	2,451	1,508	1,255	1,063	1,056	1,299	881	592	543	316	195
Earnings per share of Rs. 10	Rs.	69.9	43.0	35.8	30.3	30.1	37.0	25.1	19.6	23.2	13.5	14.4
Price earnings ratio		7.9	8.1	11.8	7.3	9.3	7.0	6.4	8.6	10.1	11.9	19.4

Working Capital

Current assets to current liabilities	1.1	1.0	0.9	1.2	1.2	1.2	1.2	1.2	0.9	1.2	1.1
Number of days stock	21	22	16	24	14	18	18	15	17	19	14
Number of days trade debts	10	8	6	5	3	3	4	4	7	8	8

Performance

Profit after tax as % of average capital employed	31.4	23.0	21.1	18.6	20.3	28.6	20.8	18.8	23.1	24.2	31.7
Profit after tax as % of average shareholders' equity	34.0	22.6	21.5	19.0	20.8	29.4	23.0	21.3	33.2	30.5	36.6
Cost of sales as % of sales	92.6	93.7	94.1	94.3	94.9	94.7	94.1	94.9	94.2	95.6	96.1
Profit before tax as % of sales	3.3	2.4	2.1	2.0	2.2	3.2	2.7	2.1	2.5	1.3	1.4
Profit after tax as % of sales	2.2	1.7	1.4	1.3	1.4	2.1	1.8	1.4	1.4	0.8	0.9
Total debt ratio %	1.2	1.4	1.7	1.7	1.9	2.5	5.2	3.3	28.3	32.8	37.4

* Based on eighteen months result

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 5 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 DFI or an NBFII 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 CEO 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. The new Board of Directors took office on June 13, 2005. A comprehensive course was held on June 21, 2005, after the election of new directors, to appraise 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 CFO and the internal auditor, including their remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of Company Secretary after the application of Code of Corporate Governance.
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 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 CEO and the CFO before approval by the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board 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.

Farooq Rahmatullah
Chairman & Chief Executive

Karachi : August 4, 2005

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 XIII 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 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, 2005.

A.F. Ferguson & Co.
Chartered Accountants

Karachi : August 4, 2005

Auditors' Report to the Members

We have audited the annexed balance sheet of Shell Pakistan Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the 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 2c 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, 2005 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 4, 2005