Notice of Annual General Meeting

Notice is hereby given that the Thirty-Seventh Annual General Meeting of Shell Pakistan Limited will be held on Thursday, October 5, 2006 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, 2006.
2. To approve the payment of final dividend of Rs. 22.00 per share (220 %) and also the interim dividend of Rs. 8.00 per share (80%) declared on February 13, 2006 making a total of Rs. 30.00 per share for the year ended June 30, 2006.
3. To appoint Auditors for the year 2006-2007 and to fix their remuneration .

B SPECIAL BUSINESS

4. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   Resolved that the Authorised Capital of the Company be increased from Rs. 500,000,000 (rupees five hundred million) to Rs. 1,000,000,000 (rupees one thousand million) and that Clause 5 of the Memorandum of Association be and is hereby amended to read as follows:

   "5. The Share Capital of the Company is Rs. 1,000,000,000 (rupees one thousand million) divided into 100,000,000 shares of Rs. 10 each, with power to increase and reduce the Capital of the Company".

5. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   Resolved that

   a) A sum of Rs. 109,580,630 out of the free reserves of the Company to be capitalised and applied towards the issue of 10,958,063 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 21, 2006. 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, 2006.

   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.

6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "Resolved that the Company hereby sanctions the acceptance or holding of any office of profit under the Company by a director (which expression in this resolution includes an alternate director) who is in full time employment with the Company and accordingly all such directors be and are hereby authorised whilst holding the office of director in the Company to simultaneously hold that office of profit and to receive the salary, allowances, benefits and perquisites, including monetary or other benefits arising on the termination of service, in accordance with their respective entitlements under their respective contracts of service and the service rules of the Company as in force and applicable to them from time to time".

   A statement under Section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the Resolutions contained in items 4, 5 and 6 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

Karachi: August 7, 2006

(M. G. Dossa)
Secretary

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

Notes:

(i) The register of members will remain closed from September 21 to October 5, 2006 (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 20, 2006 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-Seventh Annual General Meeting of Shell Pakistan Limited to be held on Thursday, October 5, 2006 at 10:00 a.m. at which certain special business is to be transacted. The special business is to increase the authorised capital of the Company, to issue bonus shares and to authorise directors to hold offices of profit under the Company. The purpose of this statement is to set forth the material facts concerning such special business.

Item 4 of the Agenda

In order to enable the proposed issue of bonus shares and to provide for further issue of capital by issue of bonus shares or otherwise, the Board of Directors recommend that the Authorised Capital be increased from Rs. 500,000,000 to Rs.1,000,000,000.

Item 5 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.109,580,630 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.

Item 6 of the Agenda

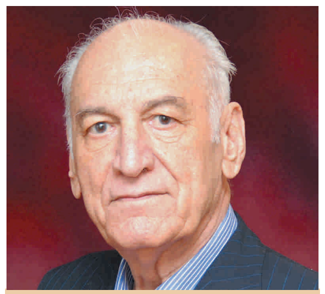
The Company in general meeting has from time to time authorised incumbents of certain offices to hold his or her office of profit under the Company and to avail of remuneration, allowances and benefits thereof whilst simultaneously holding the office of Director or alternate Director.

In view of the change in Company organisation from time to time and also change of job responsibilities and titles, it is necessary to enlarge the list of such offices and to provide for flexibility. For this purpose the following Ordinary Resolution will be moved at the meeting:

"Resolved that the Company hereby sanctions the acceptance or holding of any office of profit under the Company by a director (which expression in this resolution includes an alternate director) who is in full time employment with the Company and accordingly all such directors be and are hereby authorised whilst holding the office of director in the Company to simultaneously hold that office of profit and to receive the salary, allowances, benefits and perquisites, including monetary or other benefits arising on the termination of service, in accordance with their respective entitlements under their respective contracts of service and the service rules of the Company as in force and applicable to them from time to time".

The Directors of the Company are interested in the business to the extent of their remuneration, allowances and benefits.


Mr. Quentin D'Silva


Mr. Akber Aziz

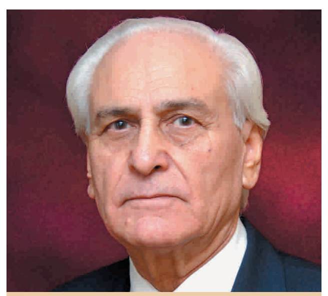

Mr. Saw Choo-Boon


Mr. Farrokh K.Captain

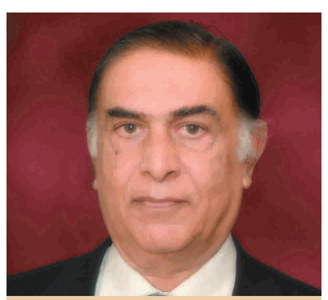

Mr. Zaiviji Ismail bin Abdullah


Mr. Leon Menezes


Mr. Ijaz Ali Khan


Mr. Azam Khan


Mr. Asif Sindhu


Mr. Manzoor Hayat Noon


Mr. Fatehali W.Vellani

Company Information

Board of Directors

Chairman	Mr. Quentin D'Silva
	Mr. Akber Aziz
	Mr. Saw Choo-Boon
	Mr. Farrokh K. Captain
	Mr. Zaiviji Ismail bin Abdullah
	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. Quentin D'Silva

Audit Committee

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

Country Coordination Team

Chairman	Mr. Quentin D'Silva
General Manager Lubricants	Mr. Yousuf Ali
General Manager Retail Sales and Operations	Mr. Zaiviji Ismail bin Abdullah
General Manager Operations	Mr. Ijaz Ali Khan
General Manager Human Resources	Mr. Leon Menezes
Finance Director	Mr. Asif Sindhu
General Manager Business Strategy	Mr. Saleem Piracha

Company Secretary

Mr. M. G. Dossa

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

Report of the Directors

	(Rupees' 000)
Profit before taxation	4,599,494
Less:Taxation	1,491,025
Profit after taxation	3,108,469
	(Rupees)
Earnings per share	70.92

At their meeting held on August 7, 2006, the Board of Directors of the company has proposed a final dividend for the year ended June 30, 2006 of Rs. 22.00 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. 30.00 per share amounting to Rs. 1,314,968 thousand. The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on October 5, 2006. The final dividend amounting to Rs. 22.00 has not been recognized as a liability in these financial statements.

The Board proposes that the Authorised Share Capital of the Company be increased from Rs. 500,000,000 (rupees five hundred million) to Rs.1,000,000,000 (rupees one thousand million) to provide for issue of further capital by way of Bonus Shares or otherwise.

Further the Board has recommended that bonus shares in the ratio of one bonus share for every four shares held be issued by capitalisation of Rs. 109,580,630 out of free reserves of the company. The said bonus shares shall not be entitled for dividend declared for the year ended June 30, 2006.

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 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 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, 2005 is included in note 32.3 to the accounts.
10. During the year 6 board meetings were held and the attendance by each director is given on page 66.
11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 67 and 68.
12. Mr. Farooq Rahmatullah resigned as Chief Executive of the Company effective close of business on April 30, 2006 after 38 years of distinguished service to the Company. He also resigned as Director and Chairman, Board of Directors effective close of business on June 30, 2006. The Board wishes to place on record its appreciation for the most valuable services rendered by Mr. Farooq Rahmatullah and welcomes Mr. Quentin D'Silva who succeeded Mr. Farooq Rahmatullah as Chief Executive and Chairman of the Board. Mr. Quentin D'Silva has served the Company as General Manager, Lubricants & Commercial Fuels from February 2000 to June 2002 and prior to joining the Company was based in Dubai as General Manager, Lubricants & Commercial Fuels, Shell Markets Middle East.

    Ms. Fawzia Kazmi resigned from the Board on April 18, 2006 after serving on the Board for three and a half years and the vacancy was filled in by the appointment of Mr. Quentin D'Silva as a Director. The Board appreciates the services rendered by Ms. Fawzia Kazmi.

    Mr. Hasnain Moochhala resigned from the Board effective June 21, 2006 and was replaced by Mr. Asif Sindhu. The Board recognized the significant contribution made by Mr. Hasnain Moochhala to the Company as Finance Director from September 1, 2002 to October 2005 and as a Director thereafter.

    The vacancy on the Board caused by the resignation of Mr. Farooq Rahmatullah was filled in by the appointment of Mr. Leon Menezes, who was appointed Director effective July 1, 2006. Mr. Leon Menezes is General Manager, Human Resources.

    The Board wishes to place on record its appreciation for the valuable services rendered to the Company by the outgoing Directors and welcomes the new Directors.
13. The Auditors M/s A. F. Ferguson & Co. retire and being eligible offer themselves for re-appointment.
14. Details of purchase/sale of shares by the directors, CEO, CFO, Company Secretary and their spouses and minor children are given on page 68.

On behalf of the Board

Quentin D'Silva
Chairman & Chief Executive

Karachi: August 7, 2006

Chairman's Review
for the year ended June 30, 2006

The Directors of Shell Pakistan Limited (SPL) are pleased to present this review of your Company's performance for the year ended June 30, 2006. The past year has been yet another good one for your Company. Shell Pakistan Limited has reported a healthy net profit after tax of 3,108 million, a 27% increase over last year. This performance reflects the progress we have made in delivering our strategy of shifting our portfolio towards higher margin products. Higher prices of oil in the international market are also a contributory factor. Despite the growth in profits, Government decision to freeze oil prices and making oil marketing companies finance the subsidy, continues to cause serious constraints on the cash flows, compromising your Company's ability to pay higher dividends. This is also resulting in higher financial charges.

The Board of Directors recommends a final dividend of Rs. 22.00 per share, which together with the interim dividend of Rs. 8.00 per share, declared in February 2006, will bring the total dividend for the financial year 2005 - 06 to Rs. 30.00 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. 109,580,630 out of free reserves of the Company. The said bonus shares shall not be entitled for dividend declared for the year ended June 30, 2006.

Overall, our operational performance is improving and all key initiatives remain on schedule.

Innovation, initiative and inspiration have been the trademarks of yet another exciting year for SPL. A new product, a record breaking feat, a new way of engaging customers, and even a year's supply of free fuel have been some of the attractions of the year driven by an intense customer focus and a robust commitment to HSSE. The core of our customer commitment at Shell is to provide the best on-site service delivered by a crew of professional and friendly staff - our aim is to get our service right every time and everywhere. One of the major success stories of this year was our remarkable enhancement in service delivery across our core network reflected in the improvement of our Mystery Motorist scores (an independent third party mystery shopper programme) that now stand at 80%.

The Lubricants business continues its strong showing in existing channels and is also poised to deliver incremental sales as a result of focus on to new sales channels, such as Franchised Workshops. The strong focus on new customer wins and providing improved service levels to our consumers continues; this focus has been further energised through the launch of the Sales First initiative. As a part of this effort we have revitalised the look and feel of a part of our Helix Service Center's to reflect the just serviced positioning for Shell Helix. The Global Lubricants organisation has restructured to a leaner and improved customer focused design, with the expected benefit of faster to market initiatives, improved customer centric initiatives and better efficiencies.

The Aviation business continues to show good results through focus on operational excellence and growing the customer portfolio. We have registered strong performance at all the airfields where we are present. We have also continued to meet growing export demand through better supply arrangements with our partners.

After the successful inauguration of the White Oil Pipeline in August 2005, we have seen safer and more cost-efficient transportation of oil across the country. This has been further augmented by our Supply & Distribution team's tireless efforts to ensure increased Road Transport Safety and efficient utilisation of the fleet and depot infrastructure. In the past year, fleet and contractor rationalisation has been at the top of the agenda. To date, approximately 350 vehicles and 45 contractors have been de-listed with further phased elimination plans in

progress. This will allow us to increase the utilisation of the current fleet, bring in further efficiencies and cost reductions as well as in improving the standard of the vehicles and thus improving upon the HSSE standards of your company. The ultimate goal is to increase utilisation, reduce cost and thus meet the vehicular standards of the most developed countries of the world.

At SPL, we continue to strive for operational excellence and sustainable development by improving on HSSE standards. Our efforts in promoting best practices in the industry have been recognised yet again, and this year we have received an award in recognition of our "Best Practices in Occupational Health, Safety & Environment" at a seminar organised by Employers Federation of Pakistan in collaboration with ILO/UNAIDS to commemorate the International Safety Day 2006.

In June 2006, SPL along with Global fraternity celebrated an HSSE Week across the country. All employees pledged to honour the HSSE Golden Rules, which are to: firstly comply with the law, standards and procedures, secondly Intervene in unsafe or non-compliant situations, and third respect for our neighbours (communities).

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

The Diversity & Inclusiveness focus of the company continues to pay dividends. This year we doubled the number of female Territory Managers in the Retail business. Along with a few notable MNCs, SPL recently helped in launching a women's network to support the empowerment of women in the workforce. On the recruitment front, we regularly engage with educational institutions across the country and assist with career-related events to share our knowledge and expertise.

Despite all the good news this year, it was unfortunately a year marked by a tragic national calamity – the devastating earthquake that shook Pakistan in November 2005. SPL took a leadership role amongst all oil companies in responding to the rescue and relief operations in the wake of the disaster. To date Shell Group and Shell Companies have donated US$1m to support the reconstruction work - currently our project team has commenced reconstruction of the two villages sponsored by SPL.

During the past year, we have continued our efforts to promote the environmental, cultural and educational well being of the country by undertaking various community related projects in the areas of health, education, environment and heritage with notable NGOs such as The Fatimid Foundation, Civil Hospital, The Kidney Center and LRBT, to name a few. This year we successfully sponsored the Third Sound and Light show at the Rohtas Fort aimed at raising the much needed funds for the conservation and preservation of this heritage site.

Lastly, I would like to take this opportunity to thank our shareholders, staff and customers for yet another successful year at SPL. I know that despite the challenges ahead, we have much more to look forward to and I look to all of you for your support and trust in Shell in making this Company the Top Performer of First Choice.

Quentin D'Silva
Chairman & Chief Executive

Karachi: August 7, 2006

Highlights

		Year ended June 30, 2006	Year ended June 30, 2005
Sales volume	Tonnes	**3,340,808**	3,290,768
Sales revenue	Rs / mn	**132,840**	111,495
Profit before taxation	Rs / mn	**4,599**	3,643
Profit after taxation	Rs / mn	**3,108**	2,451
New capital expenditure	Rs / mn	**725**	816
Shareholders' equity	Rs / mn	**10,114**	8,303
Dividend	Rs / mn	**1,315**	1,227
Earnings per share	Rs	**70.92**	55.92

Financial Statistical Summary

		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996*
Share capital	Rs. / mn	**438**	351	351	351	351	351	351	351	351	234	234
Reserves	Rs. / mn	**9,676**	7,952	6,781	5,501	5,470	5,039	4,421	3,701	3,258	1,590	1,238
Shareholders' equity	Rs. / mn	**10,114**	8,303	7,132	5,852	5,821	5,390	4,772	4,051	3,609	1,823	1,471
Break up value	Rs.	**231**	237	203	167	166	154	136	116	103	78	63
Dividend per share	Rs.	**30.0**	35.0	35.0	35.0	18.0	12.5	16.5	12.5	8.5	8.5	8.3
Bonus		**1 : 4**	1 : 4	-	-	-	-	-	-	-	-	-
Profit before tax	Rs. / mn	**4,599**	3,643	2,189	1,900	1,572	1,630	2,013	1,341	922	927	517
Profit after tax	Rs. / mn	**3,108**	2,451	1,508	1,255	1,063	1,056	1,299	881	592	543	316
Earnings per share of Rs.10	Rs.	**70.92**	55.92**	43.0	35.8	30.3	30.1	37.0	25.1	19.6	23.2	13.5
Price earnings ratio		**6.78**	9.89**	8.1	11.8	7.3	9.3	7.0	6.4	8.6	10.1	11.9
Working Capital												
Current assets to current liabilities		**1.13**	1.1	1.0	0.9	1.2	1.2	1.2	1.2	1.2	0.9	1.2
Number of days stock		**27**	22	22	16	24	14	18	18	15	17	19
Number of days trade debts		**14**	10	8	6	5	3	3	4	4	7	8
Performance												
Profit after tax as % of average capital employed		**33.6**	31.4	21.4	21.1	18.6	20.3	28.6	20.8	18.8	23.1	24.2
Profit after tax as % of average shareholders' equity		**33.8**	31.8	21.7	21.5	19.0	20.8	29.4	23.0	21.3	33.2	30.5
Cost of sales as % of sales		**92.9**	92.6	93.7	94.1	94.3	94.9	94.7	94.1	94.9	94.2	95.6
Profit before tax as % of sales		**3.5**	3.3	2.4	2.1	2.0	2.2	3.2	2.7	2.1	2.5	1.3
Profit after tax as % of sales		**2.3**	2.2	1.7	1.4	1.3	1.4	2.1	1.8	1.4	1.4	0.8
Total debt ratio %		**0.3**	0.8	1.4	1.7	1.7	1.9	2.5	5.2	3.3	28.3	32.8

*Based on eighteen month result

**Restated

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 DFI or an NBFI 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 as recently as June 21, 2005 after the election of new directors 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 CFO, including his remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of head of internal audit or Company Secretary.

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.

Quentin D'Silva
Chairman & Chief Executive

Karachi: August 7, 2006

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 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, 2006.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: August 9, 2006

Auditors' Report to the Members

We have audited the annexed balance sheet of **Shell Pakistan Limited** as at June 30, 2006 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;

   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, 2006 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, 2006

Balance Sheet
as at June 30, 2006

	Note	2006	2005
		(Rupees '000)	
Non-current assets			
Fixed assets	3	5,728,075	5,587,840
Long-term investments	4	1,877,001	1,877,001
Long-term loans and advances	5	139,640	84,879
Long-term deposits and prepayments	6	110,445	48,244
		7,855,161	7,597,964
Current assets			
Stores and spares	7	28,865	16,366
Stock-in-trade	8	9,979,886	6,608,167
Trade debts	9	5,235,840	3,738,128
Loans and advances	10	41,821	33,273
Trade deposits and short-term prepayments	11	167,317	144,451
Other receivables	12	3,881,795	1,690,655
Cash and bank balances	13	981,197	752,112
		20,316,721	12,983,152
Total assets		28,171,882	20,581,116
Current liabilities			
Current maturity of liabilities against assets subject to finance lease	14	26,480	50,330
Short-term running finances utilised under mark-up arrangements	15	1,779,860	3,416,350
Short-term loans	16	3,250,000	250,000
Creditors, accrued and other liabilities	17	11,938,370	7,739,836
Mark-up accrued	18	77,035	46,797
Taxation		830,632	705,767
		17,902,377	12,209,080
Non-current liabilities			
Deferred taxation	19	50,059	20,747
Liabilities against assets subject to finance lease	14	7,019	16,270
Asset retirement obligation	20	98,320	31,946
		155,398	68,963
Total liabilities		18,057,775	12,278,043
Net assets		10,114,107	8,303,073
Financed by:			
Share capital	21	438,323	350,658
Reserves		2,233,026	2,233,026
Unappropriated profit		7,442,758	5,719,389
Shareholders' equity		10,114,107	8,303,073
Contingencies and commitments	22		

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

Quentin D'Silva
Chairman & Chief Executive

Akber Aziz
Director

Profit and Loss Account
for the year ended June 30, 2006

	Note	2006	2005
		(Rupees '000)	
Sales	23	132,840,460	111,495,036
Non-fuel retail			
- Sales		124,935	118,504
- Others		19,542	25,189
Other revenue	24	413,517	300,759
		133,398,454	111,939,488
Less: Sales tax		16,135,935	13,516,798
Net revenue		117,262,519	98,422,690
Cost of products sold	25	107,301,071	89,684,584
		9,961,448	8,738,106
Administrative and marketing expenses	26	3,807,932	3,454,308
Distribution expenses	27	989,263	1,155,458
		5,164,253	4,128,340
Other operating income	28	161,564	111,196
		5,325,817	4,239,536
Workers' Profit Participation Fund	12.3	246,390	195,430
Workers' Welfare Fund		81,924	70,181
Operating profit		4,997,503	3,973,925
Financial charges	29	398,009	330,941
Profit before taxation		4,599,494	3,642,984
Taxation	30	1,491,025	1,191,914
Profit after taxation		3,108,469	2,451,070
		Rupees	Rupees
Earnings per share - basic and diluted	31	70.92	55.92

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.

Quentin D'Silva
Chairman & Chief Executive

Akber Aziz
Director

Cash Flow Statement
for the year ended June 30, 2006

	Note	2006	2005
		(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**2,581,820**	705,132
Mark-up on short-term finances and short-term loans paid		**(235,819)**	(85,741)
Taxes paid		**(1,336,848)**	(599,548)
Long-term loans and advances (net)		**(54,761)**	(6,365)
Long-term deposits and prepayments (net)		**(62,201)**	28,456
Mark-up received on short-term deposits		**10,388**	6,108
Net cash inflow from operating activities		**902,579**	48,042
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(724,924)**	(816,319)
Proceeds from sale of property, plant and equipment		**43,700**	29,674
Net cash used in investing activities		**(681,224)**	(786,645)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		**(1,285,490)**	(1,271,990)
Repayment of liability under finance lease		**(70,290)**	(74,060)
Net cash used in financing activities		**(1,355,780)**	(1,346,050)
Net decrease in cash and cash equivalents		**(1,134,425)**	(2,084,653)
Cash and cash equivalents at July 1		**(2,914,238)**	(829,585)
Cash and cash equivalents at June 30	36	**(4,048,663)**	(2,914,238)

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

Quentin D'Silva
Chairman & Chief Executive

Akber Aziz
Director

Statement of Changes in Equity
for the year ended June 30, 2006

	Issued, Subscribed and paid-up capital	Reserve for issue of bonus shares	Capital reserves-share premium	General revenue reserves	Unappro-priated profit	Total
	(Rupees '000)					
Balance as at June 30, 2004	350,658	–	2,026,024	207,002	4,548,220	7,131,904
Final dividend for the year ended June 30, 2004 declared subsequent to the year end	–	–	–	–	(999,375)	(999,375)
Profit after taxation for the year ended June 30, 2005	–	–	–	–	2,451,070	2,451,070
Interim dividend declared for the year ended June 30, 2005	–	–	–	–	(280,526)	(280,526)
Balance as at June 30, 2005	350,658	–	2,026,024	207,002	5,719,389	8,303,073
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	–	–	–	–	3,108,469	3,108,469
Interim dividend declared for the year ended June 30, 2006	–	–	–	–	(350,658)	(350,658)
Balance as at June 30, 2006	438,323	–	2,026,024	207,002	7,442,758	10,114,107

Appropriations made by the Directors subsequent to the year ended June 30, 2006 are disclosed in note 41 of these financial statements.

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

Quentin D'Silva
Chairman & Chief Executive

Akber Aziz
Director

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, petrochemical products and compressed natural gas. It also blends and markets various kinds of lubricating oils.

The Company has two non-trading subsidiaries, namely Shell Pakistan Provident Trust (Private) Limited and Shell Pakistan Pension Trust (Private) Limited. During the year, the management has decided to liquidate these subsidiary companies and the liquidation process is expected to be completed within the next twelve months. In view of this, the Company applied to the Securities and Exchange Commission of Pakistan (SECP) 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/233/411/2002-11298 dated June 5, 2006. The audited financial statements of the subsidiaries will be annexed in the annual report of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Accounting Standards (IASs) 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) Basis of preparation

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.

The preparation of financial statements in conformity with International Accounting Standards requires the use of certain accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 40 to these financial statements.

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

Amendments to the following existing standards have been published that are mandatory to the financial statements of the Company covering accounting periods beginning on or after January 1, 2006 or later periods:

i. IAS 1 Presentation of Financial Statements - Capital Disclosures	effective from January 1, 2007
ii. IAS 19 (Amendments) - Employee Benefits	effective from January 1, 2006
iii. IAS 39 Financial Instruments: Recognition and Measurements - Fair Value Option	effective from January 1, 2006

Adoption of the above amendments would only result in an impact on the extent of disclosures presented in the future financial statements of the Company.

d) Property, plant & equipment and depreciation

Tangible

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss except freehold land and capital work-in-progress which are stated at cost less impairment loss.

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.

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.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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.

e) Investments

Investments in associated companies, 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.

f) 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 management estimate.

g) 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 estimate.

h) 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.

i) 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.

j) Trade and other payables

Short-term liabilities for trade and other payables are carried at amortised cost.

k) 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.

Deferred

Deferred taxation is recognised on all major 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.

l) 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.

m) 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.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Non-fuel retail income and other revenue (including franchise fee) is recognised on an accrual basis.

n) Dividend distribution

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

o) 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.

p) Staff retirement benefits

Except for certain expatriates for whom benefits are provided by membership of their respective Shell Pension 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.

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

Notes to the Financial Statements
for the year ended June 30, 2006

q) Foreign currencies

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

r) Cash and cash equivalents

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

s) 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, creditors, accrued and other liabilities 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.

t) 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.

u) 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.

3. FIXED ASSETS

	Note	2006	2005
		(Rupees '000)	
Operating assets	3.1	5,008,463	4,904,929
Capital work-in-progress	3.5	681,723	656,480
Property, plant and equipment		5,690,186	5,561,409
Intangible assets	3.1	37,889	26,431
		5,728,075	5,587,840

3.1 The following is a statement of operating fixed assets:

Year ended June 30, 2006

	Owned assets														Leased assets			Intangible
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Airconditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipment	Furniture, office equipment and other assets	Computers auxiliaries	Main frame	Plant and Machinery	Vehicles	Total operating assets	Computer software
	(Rupees in '000)																	
At July 1, 2005																		
Cost	98,125	62,538	106,218	2,625,218	1,458,948	222,288	39,393	8,181	1,186,587	217,774	1,235,506	1,075,060	324,995	69,206	151,278	289,005	9,170,320	267,597
Accumulated depreciation	–	30,391	49,133	738,831	678,087	181,631	28,457	3,960	631,124	191,506	522,050	604,012	297,380	68,709	33,858	206,262	4,265,391	241,166
Net book value	98,125	32,147	57,085	1,886,387	780,861	40,657	10,936	4,221	555,463	26,268	713,456	471,048	27,615	497	117,420	82,743	4,904,929	26,431
Year ended June 30, 2006																		
Opening net book value	98,125	32,147	57,085	1,886,387	780,861	40,657	10,936	4,221	555,463	26,268	713,456	471,048	27,615	497	117,420	82,743	4,904,929	26,431
Additions	–	–	–	253,187	41,416	8,686	–	–	104,871	18,191	207,006	82,290	11,386	15,496	1,093	36,096	779,718	23,526
Disposals																		
Cost	–	–	–	17,453	151	–	–	–	–	37,755	902	882	365	–	–	37,840	95,348	–
Depreciation	–	–	–	7,037	93	–	–	–	–	35,944	534	436	365	–	–	30,492	74,901	–
	–	–	–	10,416	58	–	–	–	–	1,811	368	446	–	–	–	7,348	20,447	–
Depreciation / amortisation charge for the year	–	3,051	3,470	136,600	61,433	6,580	1,910	425	78,288	12,459	99,621	180,233	21,980	3,586	14,810	31,291	655,737	12,068
Closing net book value	98,125	29,096	53,615	1,992,558	760,786	42,763	9,026	3,796	582,046	30,189	820,473	372,659	17,021	12,407	103,703	80,200	5,008,463	37,889
At June 30, 2006																		
Cost	98,125	62,538	106,218	2,860,952	1,500,213	230,974	39,393	8,181	1,291,458	198,210	1,441,610	1,156,468	336,016	84,702	152,371	287,261	9,854,690	291,123
Accumulated depreciation / amortisation	–	33,442	52,603	868,394	739,427	188,211	30,367	4,385	709,412	168,021	621,137	783,809	318,995	72,295	48,668	207,061	4,846,227	253,234
Net book value	98,125	29,096	53,615	1,992,558	760,786	42,763	9,026	3,796	582,046	30,189	820,473	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

Year ended June 30, 2005

	Owned assets														Leased assets			Intangible
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Airconditioning plant	Lifts	Dispensing pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipment	Furniture, office equipment and other assets	Computers auxiliaries	Main frame	Plant and Machinery	Vehicles	Total operating assets	Computer software
	(Rupees in '000)																	
At July 1, 2004																		
Cost	98,125	62,538	106,218	2,376,040	1,411,444	222,288	38,753	4,767	1,065,319	235,945	1,080,750	968,487	314,337	69,206	137,955	272,792	8,464,964	243,088
Accumulated depreciation	–	27,309	43,909	609,720	614,921	169,171	25,666	4,082	541,829	200,605	413,164	466,541	238,182	67,848	19,040	186,207	3,628,194	224,641
Net book value	98,125	35,229	62,309	1,766,320	796,523	53,117	13,087	685	523,490	35,340	667,586	501,946	76,155	1,358	118,915	86,585	4,836,770	18,447
Year ended June 30, 2005																		
Opening net book value	98,125	35,229	62,309	1,766,320	796,523	53,117	13,087	685	523,490	35,340	667,586	501,946	76,155	1,358	118,915	86,585	4,836,770	18,447
Additions	–	–	–	250,950	47,558	–	640	4,160	122,409	13,103	155,290	106,573	10,658	-	13,323	26,278	750,942	24,509
Disposals																		
Cost	–	–	–	1,772	54	–	–	746	1,141	31,274	534	–	–	–	–	10,065	45,586	–
Depreciation	–	–	–	546	36	–	–	572	873	26,145	330	–	–	–	–	8,477	36,979	–
	–	–	–	1,226	18	–	–	174	268	5,129	204	–	–	–	–	1,588	8,607	–
Depreciation / amortisation charge for the year	–	3,082	5,224	129,657	63,202	12,460	2,791	450	90,168	17,046	109,216	137,471	59,198	861	14,818	28,532	674,176	16,525
Closing net book value	98,125	32,147	57,085	1,886,387	780,861	40,657	10,936	4,221	555,463	26,268	713,456	471,048	27,615	497	117,420	82,743	4,904,929	26,431
At June 30, 2005																		
Cost	98,125	62,538	106,218	2,625,218	1,458,948	222,288	39,393	8,181	1,186,587	217,774	1,235,506	1,075,060	324,995	69,206	151,278	289,005	9,170,320	267,597
Accumulated depreciation / amortisation	–	30,391	49,133	738,831	678,087	181,631	28,457	3,960	631,124	191,506	522,050	604,012	297,380	68,709	33,858	206,262	4,265,391	241,166
Net book value	98,125	32,147	57,085	1,886,387	780,861	40,657	10,936	4,221	555,463	26,268	713,456	471,048	27,615	497	117,420	82,743	4,904,929	26,431
Depreciation rate % per annum	–	5	5	5	5	10	10	10	10	5 to 25	10	15	33.33	25	10	20		33.33

Notes to the Financial Statements
for the year ended June 30, 2006

3.2 With effect from January 1, 2006, the management has revised the depreciation and amortisation rates per annum of operating assets and computer software as follows:

Class	Revised	Old
	%	
Buildings on freehold land	2.50	5.00
Tanks and pipelines	4.00	5.00
Plant and machinery	5.00	10.00
Airconditioning plant	6.67	10.00
Lifts	6.67	10.00
Dispensing pumps	6.67	10.00
Rolling stock and vehicles	5 to 20	5 to 25
Electrical, mechanical and fire fighting equipment	5 to 10	10.00
Furniture, office equipment and other assets	5 to 20	15.00
Leased assets - Plant and machinery	5.00	10.00
Computer software	20.00	33.33

In the opinion of the management the revision would result in a more accurate reflection of the depreciation charge over the useful lives of the related assets. The above change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard (IAS) 8, "Accounting Policies, changes in Accounting Estimate and Error" and the effect of the change has been recognised in the profit and loss account of the current year. Had there been no change in accounting estimate the profit before taxation for the year would have been lower by Rs. 31.769 million.

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

	Note	2006	2005
		(Rupees '000)	
Cost of products sold		**16,605**	17,803
Administrative and marketing expenses			
- Depreciation - Tangible assets	26	**639,132**	656,373
- Amortisation - Intangible assets	26	**12,068**	16,525
		651,200	672,898
		667,805	690,701

Notes to the Financial Statements
for the year ended June 30, 2006

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

	Cost	Accumulated Depreciation	Book Value	Sales Proceeds	Mode of Disposal	Particulars of Buyers
	(Rupees '000)					
Tanks and pipelines	151	93	58	531	Tender	Attock Petroleum Limited (Rawalpindi)
Rolling stock and vehicles	210	–	210	325	Company Policy	Iftikhar-uddin (Employee)
	167	44	123	510	Company Policy	Zulfiqar Shaikh (Employee)
	201	56	145	485	Press Advertisement	Abdul Rehman (Karachi)
	277	–	277	388	Company Policy	Asif Sindhu (Employee)
	210	–	210	286	Company Policy	Maheen Fatima (Employee)
	663	535	128	225	Press Advertisement	Apex Marketing Services (Karachi)
	354	286	68	100	Press Advertisement	Apex Marketing Services (Karachi)
	1,198	586	612	758	Company Policy	Iqtidar Siddiqui (Employee)
Assets held under finance lease						
Vehicles	574	–	574	693	Company Policy	Sabah-uz-zaman (Employee)
	210	–	210	286	Company Policy	Muneeza Kassim (Employee)
	210	–	210	286	Company Policy	Gulzar Khoja (Employee)
	278	–	278	370	Company Policy	Mukhtar A.Khan (Employee)
	277	–	277	370	Company Policy	Irfan Ali Haider (Employee)
	277	–	277	370	Company Policy	Rashid Ahmed (Employee)
	210	3	207	286	Company Policy	Badruddin Hilal (Employee)
	221	–	221	286	Company Policy	Omar Motiwala (Employee)
	638	298	340	350	Press Advertisement	Pioneer Distribution Services (Hyderabad)
	638	298	340	340	Press Advertisement	Vertex Distribution Services (Karachi)
	638	298	340	225	Press Advertisement	Apex Marketing Services (Karachi)
	1,273	1,019	254	350	Press Advertisement	Pioneer Distribution Services (Hyderabad)
	390	–	390	442	Company Policy	Murtaza Gondalwala (Employee)
	269	–	269	606	Tender	Mohd. Ali Abbasi (Hyderabad)
	331	–	331	454	Company Policy	S.A.Salahuddin (Employee)
	4,257	1,703	2,554	1,577	Tender	Nisar Ahmed Luqman (Karachi)
	282	6	276	730	Tender	Agha Abid Majeed (Karachi)

		2006	2005
		(Rupees '000)	
3.5	**Capital work-in-progress**		
	Buildings on leasehold land	**130,458**	84,359
	Tanks and pipelines	**74,462**	26,983
	Plant and machinery	**1,646**	10,255
	Air-conditioning plant	**162**	162
	Dispensing pumps	**5,485**	13,110
	Rolling stock and vehicles	**64,050**	44,836
	Electrical, mechanical and fire fighting equipment	**244,321**	196,480
	Furniture, office equipment and other assets	**37,959**	55,542
	Computer auxiliaries	**1,847**	18,022
	Computer software and consultancy costs	**8,462**	52,898
	Capital stores and spares	**112,871**	153,833
		681,723	656,480

4. LONG-TERM INVESTMENTS

	Note	2006 Percentage Holding	2006 Amount (Rupees '000)	2005 Percentage Holding	2005 Amount (Rupees '000)
Subsidiaries and associates - at cost					
Pak Arab Pipeline Company Limited (PAPCO) 18,720,000 (2005: 18,720,000) ordinary shares of Rs 100 each.	4.1	**26**	**1,872,000**	26	1,872,000
Non-trading subsidiaries	4.2	**100**	**1**	100	1
Others - held as available for sale					
Arabian Sea Country Club Limited 500,000 (2005: 500,000) ordinary shares of Rs 10 each.		**-**	**5,000**	–	5,000
			1,877,001		1,877,001

4.1 PAPCO commenced its commercial operations in March 2005. The Company's share of the post-tax profit as per the unaudited financial statements of PAPCO for the year ended June 30, 2006 amounted to Rs. 51.531 million (2005: Rs. 9.791 million). The Company's share of the net assets of PAPCO, based on the unaudited balance sheet as at June 30, 2006, was Rs. 1,930.438 million (2005: Rs. 1,881.791 million).

4.2 **Investments in non-trading subsidiaries consist of:**

- Shell Pakistan Provident Trust (Private) Limited - 2 (2005: 2) fully paid ordinary shares of Rs. 100 each.
- Shell Pakistan Pensions Trust (Private) Limited - 2 (2005: 2) fully paid ordinary shares of Rs. 100 each.

The subsidiaries have not commenced operations to date and the Company intends to wind them in the next twelve months (refer note 1).

	Note	2006	2005
		(Rupees '000)	
5. LONG-TERM LOANS AND ADVANCES - Considered good			
Due from Chief Executive		**-**	–
Less: Receivable within one year	10	**-**	–
		-	–
Due from Directors		**-**	199
Less: Receivable within one year	10	**-**	(199)
		-	–
Due from Executives		**59,776**	32,317
Less: Receivable within one year	10	**(26,511)**	(14,504)
		33,265	17,813
Due from Employees		**43,826**	54,256
Less: Receivable within one year	10	**(14,659)**	(17,873)
		29,167	36,383
Advances to contractors	5.2	**77,208**	30,683
		139,640	84,879

Reconciliation of loans and advances (Long-term and Short-term)

	2006 Chief Executive	2006 Directors	2006 Executives	2005 Chief Executive	2005 Directors	2005 Executives
	(Rupees '000)					
Opening balance	**-**	**199**	**32,317**	416	624	22,186
Disbursements	**-**	**-**	**58,081**	–	–	35,586
Repayments	**-**	**199**	**30,622**	416	425	25,455
Closing balance	**-**	**-**	**59,776**	–	199	32,317

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. Loans for housing and purchase of motor cars are charged interest 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. 0.166 million and Rs. 59.776 million respectively (2005: Chief Executive Rs. 0.333 million, Directors Rs. 0.565 million and Executives Rs. 54.105 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	2006	2005
		(Rupees '000)	
6. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits		28,466	22,802
Prepayments		81,979	25,442
		110,445	48,244
7. STORES AND SPARES			
Stores		31,480	18,776
Spares		3,263	3,468
Less: Provision for obsolete stores		(5,878)	(5,878)
		28,865	16,366
8. STOCK-IN-TRADE			
Raw and packing materials		552,963	495,827
Finished goods			
In hand and in pipeline system		4,113,043	3,877,975
In White Oil Pipeline	8.1	5,313,880	2,234,365
		9,426,923	6,112,340
		9,979,886	6,608,167

8.1 Stock in White Oil Pipeline includes 65,167 MT (2005: 65,167 MT) in respect of initial fill.

	Note	2006	2005
		(Rupees '000)	
9. TRADE DEBTS			
Considered good			
- Secured		213,807	162,427
- Unsecured	9.1	5,022,033	3,575,701
		5,235,840	3,738,128
Considered doubtful		234,784	76,874
		5,470,624	3,815,002
Less: Provision for impairment	9.2	(234,784)	(76,874)
		5,235,840	3,738,128

9.1 This includes amounts due from related parties at the year-end amounting to Rs. 1,190.193 million (2005: Rs.1,370.991 million). Particulars of the amounts due from related parties are as follows:

	Note	2006	2005
		(Rupees '000)	
Shell Aviation Limited (SAL)		1,187,893	1,369,875
Pakistan Refinery Limited		2,300	1,116
		1,190,193	1,370,991
9.2 Provision for impairment			
Balance at July 1		76,874	107,672
Provision made during the year	26	171,026	16,171
Amount written off		-	(14,490)
Amount reversed during the year	28	(13,116)	(32,479)
Balance at June 30		234,784	76,874
10. LOANS AND ADVANCES - Considered good			
Loans due from			
- Chief Executive	5	-	-
- Directors	5	-	199
- Executives	5	26,511	14,504
- Employees	5	14,659	17,873
		41,170	32,576
Advances to			
- Executives		451	99
- Employees		200	598
		651	697
		41,821	33,273

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. 900 thousand , Rs. nil and Rs. 451 thousand respectively (2005: Chief Executive Rs. 20 thousand, Directors Rs. 25 thousand and Executives Rs. 166 thousand).

	2006	2005
	(Rupees '000)	
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Balances with statutory authorities		
- Customs duty	71,946	65,102
- Excise duty	5,447	4,571
- Petroleum development levy	21,913	23,275
	99,306	92,948
Short-term prepayments	68,011	51,503
	167,317	144,451

Notes to the Financial Statements
for the year ended June 30, 2006

	Note	2006	2005
		(Rupees '000)	
12. OTHER RECEIVABLES			
Excise and customs duties		**158,538**	84,805
Price differential on imported purchases	12.1	**295,733**	259,565
Price differential claim	12.2	**2,465,627**	727,314
Due from related parties		**79,076**	114,321
Advances to suppliers		**25,030**	11,706
Inland freight equalisation mechanism		**98,463**	–
Staff retirement benefit funds	32	**113,133**	105,992
Mark-up receivable on short-term deposits		**390**	56
Sales tax		**641,297**	309,570
Workers' Profit Participation Fund	12.3	**532**	21,492
Others		**17,172**	69,030
		3,894,991	1,703,851
Less: Provision for impairment		**(13,196)**	(13,196)
		3,881,795	1,690,655

12.1 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.

12.2 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.

	2006	2005
	(Rupees '000)	
12.3 Workers' Profit Participation Fund		
Balance at July 1	**21,492**	(2,771)
Allocation for the year	**(246,390)**	(195,430)
	(224,898)	(198,201)
Add: Amount received	**(24,570)**	–
Add: Interest on the funds utilised in the company's business	**–**	(307)
Less: Amount paid	**250,000**	220,000
Balance at June 30	**532**	21,492

13. CASH AND BANK BALANCES

	2006	2005
With banks on interest bearing current accounts	**940,472**	712,850
Cash in hand	**40,725**	39,262
	981,197	752,112

Current accounts with banks carry interest ranging from 0.7 % to 5 % per annum (2005: 0.7 % to 2 % per annum).

Notes to the Financial Statements
for the year ended June 30, 2006

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into lease agreements with various leasing companies for the lease of motor vehicles, including tank lorries, fork lift trucks, mobile training units, transport vans and Compressed Natural Gas (CNG) equipment. The liabilities under these agreements are payable by the year 2009 and are subject to finance charge at rates ranging from 5.50 % to 15.03 % per annum (2005: 5.50 % to 17.27 % per annum). An additional charge of 8 % is also leviable on overdue rentals.

The Company intends to exercise its option to purchase the leased assets for Rs. 0.422 million (2005: Rs. 8.284 million) upon completion of the lease periods.

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

	2006	2005
	(Rupees '000)	
Year		
2005 – 2006	**–**	53,688
2006 – 2007	**31,059**	10,439
2007 – 2008	**7,075**	7,014
2008 – 2009	**2,489**	–
2009 – 2010	**167**	–
	40,790	71,141
Less: Finance charge not due	**(7,291)**	(4,541)
Present value of minimum lease payments	**33,499**	66,600
Less: Current maturity shown under current liabilities	**(26,480)**	(50,330)
	7,019	16,270

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

	2006	2005
Short-term running finances utilised under mark-up arrangements	**1,779,860**	3,416,350

The facilities for short-term running finances available from various banks aggregate to Rs. 7,395 million (2005: Rs. 6,615 million). The rates of mark-up on these facilities range from Re 0.2550 to Re 0.2858 per Rs. 1,000 per day (2005: Re 0.0594 to Re 0.2314 per Rs. 1,000 per day). The purchase prices are payable on various dates by June 30, 2007. These arrangements are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

	2006	2005
	(Rupees '000)	
16. SHORT-TERM LOANS - Secured	**3,250,000**	250,000

The above loans have been obtained from various banks and carry mark-up at varying rates ranging from 9.06 % to 9.37 % per annum (2005: 7.72 % per annum) and the loan amounts are payable on various dates by July 29, 2006. These loans are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

	Note	2006	2005
		(Rupees '000)	
17. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		**4,852,902**	3,631,984
Bills payable		**4,134,093**	1,640,074
Oil marketing companies		**293,135**	258,021
Inland freight equalisation mechanism		**-**	122,190
Accrued liabilities		**1,265,343**	1,083,751
Excise and customs duties and development surcharge		**715,408**	413,344
Dealers' and cartage contractors' security deposits	17.1	**190,460**	175,350
Provision for post retirement medical benefits	32.2	**24,025**	23,283
Workers' welfare fund		**105,370**	84,991
Unclaimed dividends		**55,806**	43,861
Payable to the Earthquake Relief Fund		**45,553**	-
Other liabilities	17.2	**256,275**	262,987
		11,938,370	7,739,836

Amounts due to related parties at the year-end aggregated to Rs. 5,841.454 million (2005: Rs. 2,919.850 million).

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

17.2 This includes Rs. 78.164 million (2005: Rs. 78.164 million) payable to the Government of Pakistan in respect of the initial fill of the Pak Arab Refinery Company Limited pipeline. Refer to note 22.1.2 for details in respect of a related contingent liability.

	2006	2005
18. MARK-UP ACCRUED		
	(Rupees '000)	
Mark-up accrued on:		
- short-term running finances utilised under mark-up arrangements	**30,271**	45,618
- short-term loans	**46,764**	1,179
	77,035	46,797

	2006	2005
	(Rupees '000)	
19. DEFERRED TAXATION		
This is composed of the following:		
Deferred tax liability arising in respect of tax depreciation allowances	**246,566**	155,845
Deferred tax asset in respect of short-term provisions	**(119,159)**	(57,750)
Deferred tax asset in respect of add backs to taxable income expected to be reversed in future periods	**(77,348)**	(77,348)
	50,059	20,747

	2006	2005
20. ASSET RETIREMENT OBLIGATION		
Balance as at July 1	**31,946**	24,300
Liabilities incurred	**62,194**	6,215
Liabilities settled	**-**	-
Accretion expense	**4,180**	1,431
Balance as at June 30	**98,320**	31,946

21. SHARE CAPITAL

Authorised capital

2006	2005		2006	2005
(Number of shares)				
50,000,000	50,000,000	Ordinary shares of Rs.10 each	**500,000**	500,000

Issued, subscribed and paid-up capital

23,481,000	23,481,000	Ordinary shares of Rs.10 each fully paid in cash	**234,810**	234,810
20,351,250	11,584,800	Ordinary shares of Rs.10 each issued as fully paid bonus	**203,513**	115,848
43,832,250	35,065,800		**438,323**	350,658

The Shell Petroleum Company Limited, United Kingdom, a subsidiary of Royal Dutch Shell Plc., held 33,359,341 (2005: 26,687,473) ordinary shares of Rs.10 each at June 30, 2006.

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.

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 Judgment on, inter alia, the ground that the import, export, custom duty and highways are exclusive Federal Subjects and therefore levy of the infrastructure tax/fee/cess by the Government of Sindh is ultra vires the Constitution. These appeals are currently pending adjudication.

The accumulated levy up to June 30, 2006 comes to Rs. 578.892 million (2005: Rs. 358.114 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 for the initial fill at the time that it was supplied.

The Company maintains that its liability is limited only to the extent of Rs. 78.164 million (2005: Rs. 78.164 million) which is payable at the time that the agreement is terminated. Consequently the amount of Rs. 78.164 million has been recognised as the liability in this respect as disclosed in note 17.2.

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 would not exceed the recognised amount of Rs. 78.164 million and consequently no provision has been made for the additional amount demanded by MOPNR.

22.1.3 **Others**

The aggregate amount of other claims against the Company not acknowledged as debt as at June 30, 2006 were approximately Rs. 521.312 million (2005: Rs. 649.211 million).

Notes to the Financial Statements
for the year ended June 30, 2006

22.2 **Commitments**

a) Capital expenditure contracted for but not incurred as at June 30, 2006 amounted to approximately Rs. 515.738 million (2005: Rs. 431.775 million).

b) Commitments for rentals of assets under operating lease agreements as at June 30, 2006 amounted to Rs. 1.153 million (2005: Rs. 5.019 million) payable as follows:

Year	**2006**	2005
	(Rupees '000)	
2005 - 2006	–	3,864
2006 - 2007	**1,153**	1,155
	1,153	5,019

c) Post-dated cheques have been deposited with the Collector of Customs Port Qasim 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, 2006, the value of these cheques amounts to Rs. 4,666.261 million (2005: Rs. nil). The maturity dates of these cheques extend to December 19, 2006.

	Note	**2006**	2005
		(Rupees '000)	
23. SALES			
Gross sales		**133,636,584**	112,083,409
Less: Trade discounts		**796,124**	588,373
		132,840,460	111,495,036
24. OTHER REVENUE			
License/franchise fee charged to dealers		**413,517**	300,759
25. COST OF PRODUCTS SOLD			
Opening stock of raw and packing materials		**495,827**	158,878
Raw and packing materials purchased		**3,267,297**	2,684,416
Less: Closing stock of raw and packing materials	8	**(552,963)**	(495,827)
Raw and packing materials consumed		**3,210,161**	2,347,467
Add: Manufacturing expenses		**94,868**	67,125
Cost of products manufactured		**3,305,029**	2,414,592
Non-fuel retail purchases		**113,339**	100,522
Opening stock of finished products		**6,112,340**	4,378,087
Finished products purchased		**92,181,578**	77,590,822
Duties and levies	25.1	**15,015,708**	11,312,901
Less: Closing stock of finished products	8	**(9,426,923)**	(6,112,340)
		107,301,071	89,684,584

Notes to the Financial Statements
for the year ended June 30, 2006

	Note	2006	2005
		(Rupees '000)	
25.1 Duties and levies			
Petroleum development levy		**5,555,733**	1,714,514
Customs and excise duty		**5,120,196**	4,411,889
Inland freight equalisation margin		**4,301,528**	5,138,022
Wharfage		**38,251**	48,476
		15,015,708	11,312,901

26. ADMINISTRATIVE AND MARKETING EXPENSES

	Note	2006	2005
Salaries, wages and benefits	26.1	**792,882**	794,015
Staff training		**11,534**	12,181
Stores and materials		**28,871**	17,925
Fuel and power		**87,381**	69,238
Rent, taxes and utilities		**222,210**	181,132
Lease rentals and charges		**3,452**	7,922
Repairs and maintenance		**168,875**	207,057
Insurance		**60,683**	56,318
Travelling		**157,835**	149,468
Advertising and publicity		**328,647**	373,614
Technical service fee	34	**452,904**	430,942
Trade marks and manifestations licence fee	34	**245,257**	127,046
Legal and professional charges		**51,055**	25,495
Communication and stationery		**140,756**	123,446
Computer expenses		**85,361**	94,375
Depreciation - tangible assets	3.3	**639,132**	656,373
Amortisation - intangible assets	3.3	**12,068**	16,525
Bad debts written off		**26,601**	–
Provision for impairment of trade debts	9.2	**171,026**	16,171
Handling and storage charges		**66,776**	77,716
Others		**61,646**	47,481
		3,814,952	3,484,440
Less: Costs recovered under Service Level Agreement from related parties		**(5,490)**	(14,458)
Less: Handling and storage charges recovered		**(51,321)**	(41,821)
		3,758,141	3,428,161
Other charges			
Auditors' remuneration	26.2	**7,190**	5,276
Donations	26.3	**42,601**	20,871
		49,791	26,147
		3,807,932	3,454,308

Notes to the Financial Statements
for the year ended June 30, 2006

26.1 Salaries, wages and benefits include Rs. 81.716 million (2005: Rs. 50.702 million) in respect of staff retirement benefits.

	2006	2005
	(Rupees '000)	
26.2 Auditors' remuneration		
Audit fee	**1,600**	1,400
Fee for substantiating inland freight equalisation margin	**762**	460
Audit of provident, pension, gratuity and workers' profit participation funds	**125**	125
Tax services	**3,025**	2,662
Special certifications, HSSE assurance audits and sundry advisory services	**1,277**	314
Out of pocket expenses	**401**	315
	7,190	5,276

26.3 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**	2006	2005
		(Rupees '000)	
Shell LiveWIRE Trust (Shell House 6-Ch. Khaliquzzaman Road Karachi)	Mr. Farooq Rahmatullah - Chairman Board of Trustees Mr. Asif Sindhu - Trustee Mr. Hasnain Moochhala - Trustee (2005: Mr. Farooq Rahmatullah - Chairman Board of Trustees Mr. Saleemuddin Ahmed - Trustee Ms. Fawzia Kazmi - Trustee Mr. Hasnain Moochhala - Trustee)	**2,075**	1,300
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Mr. Farooq Rahmatullah - Trustee Mr. Farrokh K. Captain - Trustee (2005: Mr. Farooq Rahmatullah - Trustee Mr. Farrokh K. Captain - Trustee)	**3,000**	3,000
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Farooq Rahmatullah - Member, Board of Governors (2005: Mr. Farooq Rahmatullah - Member, Board of Governors)	**4,800**	3,020
The Aga Khan University Hospital (Stadium Road, Karachi)	Mr. Farooq Rahmatullah - Member The Resource Development Committee (2005: Mr. Farooq Rahmatullah - Member The Resource Development Committee)	**1,600**	1,700
Himalayan Wildlife Foundation (01, Park Road, F-8/1, Islamabad)	Mr. Farooq Rahmatullah - Director	**1,700**	–
Mohatta Palace Gallery Trust (Room No. 402, Tughlaq House, Karachi)	Mr. Farooq Rahmatullah - Trustee	**1,075**	–
Society for Sustainable Development (Mansehra Road, Nathiagali)	Mr. Fatehali W. Vellani - Member Executive Committee	**750**	–
SOS Children's Villages of Pakistan (Ferozepur Road, Lahore)	(2005: Mr. Manzoor H. Noon - Vice President)	**–**	1,000

	Note	2006	2005
		(Rupees '000)	

27. DISTRIBUTION EXPENSES

Gross expenditure		3,925,220	4,039,359
Less: Recoverable against inland freight equalisation mechanism		(2,935,957)	(2,883,901)
		989,263	1,155,458

28. OTHER OPERATING INCOME

Liabilities no longer payable written back		77,286	35,937
Dividend income from associate (PAPCO) and Arabian Sea Country Club		3,134	–
Insurance commission		2,074	–
Reversal of provision for impairment of trade debts	9.2	13,116	32,479
Scrap sales		17,150	2,361
Profit on disposal of property, plant and equipment		23,253	21,067
Mark-up on short-term deposits		10,722	5,226
Mark-up on delayed payments		826	2,044
Sundries		14,003	12,082
		161,564	111,196

29. FINANCIAL CHARGES

Bank charges		71,453	63,950
Interest on Workers' Profit Participation Fund	12.3	-	307
Interest paid to credit customers for early payments		8,804	8,652
Mark-up on short-term running finances and short-term loans		266,057	128,940
Finance charge on liabilities against assets subject to finance lease		4,699	8,369
Exchange loss		46,996	120,723
		398,009	330,941

30. TAXATION

Current			
- for the year		1,461,713	1,281,385
- for prior periods		-	16,200
Deferred		29,312	(105,671)
		1,491,025	1,191,914

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

	2006	2005
	(Rupees '000)	
Accounting profit before taxation	4,599,494	3,642,984
Tax rate	35%	35%
Tax on accounting profit	1,609,823	1,275,044
Tax effect of differences relating to		
- excess perquisites	11,105	7,000
- depreciation charged in the financial statements on leasehold land	-	449
Net tax charge on turnover arising in Azad Kashmir	3,050	5,850
Effect of applicability of lower tax rates on certain income	(138,425)	(84,061)
Current tax charged in respect of prior years	-	16,200
Others	5,472	(28,568)
Tax expense for the current year	1,491,025	1,191,914

31. EARNINGS PER SHARE

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

	2006	2005
	(Rupees '000)	
Profit after taxation	3,108,469	2,451,070
	No. of Shares	
Average number of ordinary shares in issue during the year	43,832,250	43,832,250
	Rupees	
Earnings per share	70.92	55.92

32. STAFF RETIREMENT BENEFIT SCHEMES

32.1 **Pension & Gratuity**

As mentioned in note 2(p), the Company operates funded gratuity and contributory pension schemes for all its employees. Contributions are made to these schemes on the basis of actuarial recommendations.

Actuarial valuation of the schemes are carried out annually. The amounts recognised in the balance sheet are based on a valuation carried out as at the balance sheet date and are as follows:

	2006				2005			
	Management		**Non-Management**		Management		Non-Management	
	Pension	**Gratuity**	**Pension**	**Gratuity**	Pension	Gratuity	Pension	Gratuity
	(Rupees '000)				(Rupees '000)			
Fair value of plan assets	**1,089,853**	**89,789**	**6,520**	**59,173**	969,288	68,622	6,624	54,532
Less: Present value of defined benefit obligation	**(1,030,062)**	**(139,141)**	**(4)**	**(27,971)**	(908,938)	(112,582)	(4)	(28,513)
Surplus/(deficit)	**59,791**	**(49,352)**	**6,516**	**31,202**	60,350	(43,960)	6,620	26,019
Actuarial losses / (gains) to be recognised in future periods in accordance with the Company's accounting policy	**5,986**	**69,375**	**–**	**(17,888)**	5,549	74,611	–	(16,120)
Asset in respect of staff retirement benefits	**65,777**	**20,023**	**6,516**	**13,314**	65,899	30,651	6,620	9,899

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

	2006				2005			
	Management		**Non-Management**		Management		Non-Management	
	Pension	**Gratuity**	**Pension**	**Gratuity**	Pension	Gratuity	Pension	Gratuity
	(Rupees '000)				(Rupees '000)			
Current service cost	**56,178**	**12,130**	**–**	**1,486**	46,633	10,090	–	986
Interest cost	**103,800**	**12,092**	**–**	**3,189**	62,529	6,615	–	1,462
Expected return on plan assets	**(113,475)**	**(7,540)**	**(772)**	**(6,257)**	(76,165)	(7,218)	(579)	(4,152)
Actuarial loss / (gain) recognised during the year	**297**	**3,990**	**876**	**(1,185)**	(5,536)	1,562	1,199	(1,983)
Employee contributions	**(5,850)**	**–**	**–**	**–**	(6,059)	–	–	–
Expense / (reversal) for the year	**40,950**	**20,672**	**104**	**(2,767)**	21,402	11,049	620	(3,687)

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

	2006				2005			
	Management		**Non-Management**		Management		Non-Management	
	Pension	**Gratuity**	**Pension**	**Gratuity**	Pension	Gratuity	Pension	Gratuity
	(Rupees '000)				(Rupees '000)			
Balance at July 1	**65,899**	**30,651**	**6,620**	**9,899**	41,492	31,990	7,240	5,193
Net (charge) / reversal for the year	**(40,950)**	**(20,672)**	**(104)**	**2,767**	(21,402)	(11,049)	(620)	3,625
Contributions by the Company	**40,828**	**10,044**	**–**	**648**	45,809	9,710	–	1,081
Transfers between funds	**–**	**–**	**–**	**–**	–	–	–	–
Asset in respect of staff retirement benefits	**65,777**	**20,023**	**6,516**	**13,314**	65,899	30,651	6,620	9,899
Current account balance with funds	**34,096**	**(3,895)**	**1,628**	**2,422**	18,866	(8,944)	1,628	500
Balance in respect of seconded staff	**(25,634)**	**(6,204)**	**–**	**–**	(18,057)	(3,629)	–	–
	74,239	**9,924**	**8,144**	**15,736**	66,708	18,078	8,248	10,399

	2006	2005
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	**108,043**	103,433
Total balance receivable in respect of defined contribution schemes	**5,090**	2,559
	113,133	105,992

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

	2006	2005
	% per annum	
- Expected long-term rate of increase in salary level	**8.66**	9.52
- Discount rate	**10.78**	11.65
- Expected long-term rate of interest	**5.50**	6.33

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

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:

	2006	2005
	(Rupees '000)	
Present value of defined benefit obligation	**36,209**	26,530
Less: Fair value of plan assets	**–**	–
	36,209	26,530
Actuarial losses to be recognised in future periods in accordance with the Company's accounting policy	**12,184**	3,247
Liability recognised at June 30	**24,025**	23,283

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

	2006	2005
	(Rupees '000)	
Current service cost	**703**	841
Interest cost	**2,918**	2,586
Recognition of transitional liability	**–**	–
Actuarial loss recognised during the year	**163**	599
	3,784	4,026

Movement in the liability recognised in the balance sheet:

	2006	2005
Balance at July 1	**23,283**	21,512
Add: Charge for the year	**3,784**	4,026
Less: Payments during the year	**(3,042)**	(2,255)
Balance at June 30	**24,025**	23,283

Notes to the Financial Statements
for the year ended June 30, 2006

	2006	2005
	% per annum	
The following significant assumptions were used in the valuation of this scheme:		
- Discount rate	**10.78**	11.65
- Expected long-term rate of increase in medical cost	**5.50**	6.33

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

	Dec 31, 2005	Dec 31, 2004
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	**322,807**	251,895
Shell Pakistan Staff Provident Fund	**11,865**	10,052
Shell Pakistan Labour Provident Fund	**60,305**	50,926
Shell Pakistan Management Staff Gratuity Fund	**67,191**	50,534
Shell Pakistan Labour and Clerical Staff Gratuity Fund	**76,376**	65,397
Shell Pakistan Management Staff Pension Fund	**967,546**	802,078
Shell Pakistan Staff Pension Fund	**6,075**	2,404

32.4 Aggregate amount charged in these financial statements in respect of the Company's contribution towards the funds are as follows:

	2006	2005
	(Rupees '000)	
- in respect of pension and gratuity schemes	**58,959**	29,384
- in respect of provident funds	**18,973**	17,292
- in respect of post retirement medical benefit schemes	**3,784**	4,026
	81,716	50,702

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2006			2005		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Managerial remuneration (including bonus)	**12,012**	**19,385**	**367,523**	10,464	20,727	236,552
Company's contribution to pension, gratuity and provident fund	**210**	**2,520**	**50,789**	465	3,428	34,014
Housing:						
- Rent	**1,207**	**1,083**	**–**	1,260	840	–
- Utilities	**2,148**	**1,120**	**20,901**	1,839	1,168	14,351
- Other items	**233**	**216**	**4,113**	1,607	440	–
Leave passage	**–**	**–**	**–**	–	–	–
Medical expenses	**1,329**	**141**	**8,047**	62	195	5,661
	17,139	**24,465**	**451,373**	15,697	26,798	290,578
Number of persons at year end	**1**	**4**	**218**	1	4	163

Notes to the Financial Statements
for the year ended June 30, 2006

During the year Mr. Farooq Rahmatullah retired as Chief Executive Officer of the Company with effect from May 1, 2006 and was succeeded by Mr. Quentin D'Silva who took office from the same date.

Aggregate amount charged in the financial statements for the year for fee to 6 Directors was Rs.125,000 (2005: 6 Directors Rs.100,000).

In addition, the Chief Executive, 4 Directors and some of the Executives were also provided with free use of Company cars.

34. RELATED PARTY TRANSACTIONS

	Parent company		Other related parties	
	2006	2005	2006	2005
	(Rupees '000)			
(i) Purchases	**–**	–	**52,453,978**	42,016,660
(ii) Sales	**–**	–	**1,963,607**	5,375,712
(iii) Other items				
- Technical service fee charged	**452,904**	250,000	**–**	180,942
- Trade marks and manifestations license fee charged	**–**	67,341	**245,257**	59,705
- Computer expenses charged (Global Infrastructure Desktop charges)	**–**	–	**53,160**	75,730
- Expenses recovered from related parties	**73,721**	–	**78,199**	85,655
- Other expenses charged by related parties	**–**	–	**62,336**	24,795

In addition to this, the Company also paid pipeline transportation expenses amounting to Rs. 948.161 million (2005: Rs. 375.695 million) to PAPCO which is an associate company.

Purchases from / sales to related parties are made on commercially agreed terms negotiated by the Company.

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.

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

Expenses recovered from / charged by related parties are based on actuals.

In addition to the above, the Company also has related party relationships with the Chief Executive and Directors as 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 of these financial statements.

	Note	2006	2005
		(Rupees '000)	

35. CASH GENERATED FROM OPERATIONS

	Note	2006	2005
Profit before taxation		**4,599,494**	3,642,984
Adjustment for non-cash charges and other items:			
Depreciation / amortisation expense charged to the profit and loss account	3.3	**667,805**	690,701
Provision for impairment of trade debts	26	**171,026**	16,171
Bad debts written off	26	**26,601**	-
Reversal of provision for impairment of trade debts	28	**(13,116)**	(32,479)
Profit on disposal of property, plant and equipment	28	**(23,253)**	(21,067)
Mark-up on short-term deposits	28	**(10,722)**	(5,226)
Mark-up on short-term running finances and short-term loans	29	**266,057**	128,940
Working capital changes	35.1	**(3,102,072)**	(3,714,892)
		2,581,820	705,132

35.1 **Working capital changes**

	2006	2005
(Increase) / decrease in current assets		
Stores and spares	**(12,499)**	5,818
Stock-in-trade	**(3,371,719)**	(2,071,202)
Trade debts	**(1,682,223)**	(998,229)
Loans and advances (net)	**(8,548)**	250
Trade deposits and short-term prepayments (net)	**(22,866)**	(66,373)
Other receivables (net)	**(2,190,806)**	(1,481,862)
	(7,288,661)	(4,611,598)
Increase in current liabilities		
Creditors, accrued and other liabilities (excluding unclaimed dividends)	**4,186,589**	896,706
	(3,102,072)	(3,714,892)

36. CASH AND CASH EQUIVALENTS

	Note	2006	2005
Cash and bank balances	13	**981,197**	752,112
Short-term running finances utilised under mark-up arrangements	15	**(1,779,860)**	(3,416,350)
Short-term loans	16	**(3,250,000)**	(250,000)
		(4,048,663)	(2,914,238)

37. FINANCIAL ASSETS AND LIABILITIES

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

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	–	–	–	–	1,877,001	1,877,001	1,877,001
Loans and advances	35,337	66,349	101,686	6,484	73,291	79,775	181,461
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
	975,809	66,349	1,042,158	8,254,780	1,950,292	10,205,072	11,247,230
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 loan	3,250,000	–	3,250,000	–	–	–	3,250,000
Creditors, accrued and other liabilities	–	–	–	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)	(4,080,531)	59,330	(4,021,201)	(2,841,026)	1,950,292	(890,734)	(4,911,935)

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

2005	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	–	–	–	–	1,877,001	1,877,001	1,877,001
Loans and advances	31,839	53,230	85,069	1,434	31,649	33,083	118,152
Deposits	–	–	–	22,802	–	22,802	22,802
Trade debts	–	–	–	3,738,128	–	3,738,128	3,738,128
Other receivables	–	–	–	1,157,090	–	1,157,090	1,157,090
Cash and bank balances	712,850	–	712,850	39,262	–	39,262	752,112
	744,689	53,230	797,919	4,958,716	1,908,650	6,867,366	7,665,285
Financial liabilities							
Liabilities against assets subject to finance lease	50,330	16,270	66,600	–	–	–	66,600
Short-term running finance utilised under mark-up arrangements	3,416,350	–	3,416,350	–	–	–	3,416,350
Short-term loan	250,000	–	250,000	–	–	–	250,000
Creditors, accrued and other liabilities	–	–	–	7,143,908	–	7,143,908	7,143,908
Mark-up accrued	–	–	–	46,797	–	46,797	46,797
	3,716,680	16,270	3,732,950	7,190,705	–	7,190,705	10,923,655
On balance sheet gap (a)	(2,971,991)	36,960	(2,935,031)	(2,231,989)	1,908,650	(323,339)	(3,258,370)

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

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

Notes to the Financial Statements
for the year ended June 30, 2006

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. 11,235.101 million (2005: Rs. 7,665.285 million) the financial assets subject to credit risk amount to Rs. 11,194.376 million (2005: Rs. 7,626.023 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.

38. NUMBER OF EMPLOYEES

	2006	2005
Total number of employees at June 30	536	520

Notes to the Financial Statements
for the year ended June 30, 2006

39. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant re-classifications for better presentation and consistency with the requirements of the Companies Ordinance 1984, include:

- Other receivables have been re-classified by a net amount of Rs. 427.554 million, with Rs. 685.575 million being shown under trade debts and Rs. 258.021 million being classified under Creditors, Accrued and other liabilities.
- Other income amounting to Rs. 7.270 million in 2005 was shown below operating profit in the comparative period. This head has been re-classified to other operating income.
- Operating income items amounting to Rs. 103.926 million in 2005 were shown as other revenue in the comparative period. This amount has been re-classified in other operating income.

40. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments 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 judgment was exercised in application of accounting policies are as follows:

i) Provision for impairment of trade debts and other receivables (note 9.2 and note 12)
ii) Provision for obsolete inventory and stores and spares (note 7 and note 8)
iii) Estimates of receivables and payables in respect of staff retirement benefit schemes (note 32)
iv) Taxation (note 30); and
v) Asset retirement obligations (Note 20)

41. DIVIDENDS

In their meeting held on 7th August 2006, the Board of Directors of the Company have proposed a final cash dividend for the year ended June 30, 2006 of Rs. 22.00 per share (220 %). This is in addition to the interim dividend of Rs. 8.00 per share resulting in a total cash dividend for the year of Rs. 30.00 per share (2005: Rs. 35.00 per share) amounting to Rs. 1,314.968 million (2005: Rs. 1,227.303 million). The Directors have also recommended a stock dividend through the issue of bonus shares in the proportion of 1 share for every 4 shares held - 25% (2005: 25%). The bonus shares, so issued shall not be eligible for the final cash dividend declared for the year ended June 30, 2006. The approval of the members for the final cash dividend and the proposed bonus issue will be obtained in the Annual General Meeting to be held on October 5, 2006. The financial statements for the year ended June 30, 2006 do not include the effect of the final dividend which will be accounted for in the financial statements for the year ending June 30, 2007.

42. GENERAL

Figures have been rounded off to the nearest thousand.

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on 7th August 2006 by the Board of Directors of the Company.

Quentin D'Silva Chairman & Chief Executive	**Akber Aziz** Director

Attendance at Board Meetings
for the year ended June 30, 2006

Name of Directors	Total No. of Board Meetings*	No. of Board Meetings Attended*
Mr. Farooq Rahmatullah	6	6
Mr. Quentin D'Silva	2	2
Mr. Akber Aziz	6	6
Mr. Saw Choo-Boon	6	4
Mr. Farrokh K. Captain	6	6
Mr. Zaiviji Ismail bin Abdullah	6	5
Mr. Ijaz Ali Khan	6	6
Ms. Fawzia Kazmi	5	5
Mr. M. Azam Khan	6	3
Mr. Hasnain Moochhala	6	4
Mr. Manzoor H. Noon	6	4
Mr. Asif Sindhu	1	1
Mr. Fatehali W. Vellani	6	6

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

Pattern of Shareholding
for the year ended June 30, 2006

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
1,560	1	–	100	62,415
2,021	101	–	500	547,072
734	501	–	1,000	511,843
746	1,001	–	5,000	1,600,161
101	5,001	–	10,000	699,492
25	10,001	–	15,000	317,247
22	15,001	–	20,000	369,778
12	20,001	–	25,000	264,613
5	25,001	–	30,000	135,282
6	30,001	–	35,000	191,731
4	35,001	–	40,000	151,521
4	40,001	–	45,000	174,054
3	45,001	–	50,000	144,675
1	50,001	–	55,000	52,001
1	55,001	–	60,000	58,175
1	60,001	–	65,000	62,062
2	65,001	–	70,000	136,850
1	75,001	–	80,000	77,375
1	80,001	–	85,000	82,046
1	90,001	–	95,000	93,987
2	95,001	–	100,000	200,000
2	100,001	–	105,000	204,137
1	105,001	–	110,000	106,500
2	110,001	–	115,000	226,061
1	120,001	–	125,000	122,250
2	140,001	–	145,000	285,375
1	165,001	–	170,000	168,750
1	170,001	–	175,000	175,000
1	210,001	–	215,000	210,575
1	225,001	–	230,000	226,621
1	250,001	–	255,000	251,020
1	275,001	–	280,000	275,462
1	280,001	–	285,000	283,500
1	580,001	–	585,000	580,600
1	1,420,001	–	1,425,000	1,424,678
1	33,355,001	–	33,360,000	33,359,341
5,271				43,832,250

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	5,143	6,005,567	13.70
Investment Companies	15	876,735	2.00
Insurance Companies	12	1,996,245	4.55
Joint Stock Companies	51	269,484	0.61
Modaraba Companies	3	61,028	0.14
Financial Institutions	14	858,289	1.96
Associated Companies*	1	33,359,341	76.11
Abandoned Properties**	1	113,716	0.26
Others	31	291,845	0.67
	5,271	43,832,250	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, 2006

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated companies		
The Shell Petroleum Company Limited, London	1	33,359,341
NIT and ICP		
National Investment Trust	–	–
National Bank of Pakistan Trustee Deptt.	1	3,064
Investment Corpn. of Pakistan	1	2,147
Directors :		
Farooq Rahmatullah	1	1, 087
Akber Aziz	1	36,291
Farrokh K. Captain	1	288,184
Manzoor Hayat Noon	1	2,431
Fatehali W. Vellani	1	5,468
Chief Executive Officer		
Farooq Rahmatullah	1	1, 087
Directors' / CEO's spouses		
Mrs. Shahida Farooq W/o. Mr. Farooq Rahmatullah	1	1, 087
Mrs. Yasmeen Akbar W/o. Mr. Akber Aziz	1	32,281
Executives	9	2,899
Public sector companies and corporations	4	1,988,851
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarbas and Mutual Funds	39	1,803,446
Shareholders holding 10% or more voting interest		
The Shell Petroleum Company Limited, London	1	33,359,341

Details of Purchase / Sale of shares by Directors, CEO, CFO, Company Secretary and their spouses or minor children during the period from July 1, 2005 to June 30, 2006.

Name of Director	Date of purchase	No. of shares	Rate Rs. / per share
Mr. Farrokh K. Captain	30-5-2006	4,000	497.29

Shell Pakistan Limited
Accounts of Subsidiary Companies
as of December 31, 2005

Shell Pakistan Provident Trust (Pvt.) Ltd.

Balance Sheet as at December 31, 2005

	2005 (Rupees)	2004 (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 necessary steps are being initiated in this respect.

Note 2: As there were no transactions during the year, no profit and loss account has been prepared. The above statement was authorised for issue on August 7, 2006 by Board of Directors of Shell Pakistan Provident Trust (Pvt.) Ltd.

Quentin D'Silva
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, 2005 together with the notes thereon (here-in-after referred to as statement), 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 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, 2005; 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 financial statements of the company which states that the Board of Directors of the company has decided to liquidate the company. Accordingly, under the present circumstances, the company is no longer considered to be a 'going concern' and the assets appearing in the financial statements are stated at their realisable amount.

A. F. Ferguson & Co.
Chartered Accountants
Karachi: August 9, 2006

Shell Pakistan Pensions Trust (Pvt.) Ltd.

Balance Sheet as at December 31, 2005

	2005 (Rupees)	2004 (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 necessary steps are being initiated in this respect.

Note 2: As there were no transactions during the year, no profit and loss account has been prepared. The above statement was authorised for issue on August 7, 2006 by Board of Directors of Shell Pakistan Pensions Trust (Pvt.) Ltd.

Quentin D'Silva
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, 2005 together with the notes thereon (here-in-after referred to as statement), 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 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, 2005; 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 financial statements of the company which states that the Board of Directors of the company has decided to liquidate the company. Accordingly, under the present circumstances, the company is no longer considered to be a 'going concern' and the assets appearing in the financial statements are stated at their realisable amount.

A. F. Ferguson & Co.
Chartered Accountants
Karachi: August 9, 2006

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-Seventh Annual General Meeting of the Company to be held on October 5, 2006 at 10 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2006.

WITNESSES:

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

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

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

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. 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.