ANNUAL REPORT 2011

Shell Pakistan Limited

Our Vision

At **Shell Pakistan Limited,**

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

Statement of General Business Principles

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

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

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

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

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

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

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

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

b. To customers
To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.

c. To employees
To respect the human rights of our employees and to provide them with good and safe working conditions and competitive terms and conditions of employment.

To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents.

To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns.

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

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

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

Principle 1
Economic
Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell Pakistan Ltd. products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities.

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

Principle 2
Competition
Shell Pakistan Ltd. supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

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

Principle 4
Political Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

Contents

Notice of Annual General Meeting

Notice is hereby given that the Forty-Third Annual General Meeting of Shell Pakistan Limited will be held on Thursday, April 19, 2012 at 10:00 a.m. at Sheraton Karachi Hotel, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Report of Directors and Auditors together with audited financial statements for the year ended December 31, 2011.

2. To appoint Auditors for the financial year January 1 to December 31, 2012 and to fix their remuneration.

B. SPECIAL BUSINESS

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

Resolved that

a) A sum of Rs.171,219,730 out of the free reserves of the Company be and is hereby capitalised and applied towards the issue of 17,121,973 ordinary shares of Rs.10/- each as bonus shares in the ratio of 1:4, i.e. one share for every four shares held by the members whose names appear on the Members Register on April 4, 2012. These bonus shares shall rank pari passu in all respects with the existing shares.

b) Members entitled to fractions of shares as a result of their holding either being less than four 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 resolve any difficulties that may arise in the distribution of the said bonus shares or in the payment of the sale proceeds of the fractions.

A statement under Section 160 of the Companies Ordinance,1984 setting forth all material facts concerning the Resolution contained in item 3 above, which will be considered for adoption at the Meeting, is annexed to this Notice being sent to the Members.

By Order of the Board

Tariq Saeed
Secretary

Karachi: March 7, 2012

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

Notes:

(i) The register of members will remain closed from April 5 to April 19, 2012 (both days inclusive). Transfers received in order at the office of our Share Registrars, FAMCO Associates (Pvt) Ltd., 1st Floor, State Life Building 1-A, I. I. Chundrigar Road, Karachi by the close of business on April 4, 2012 will be in time for the purpose of issuance 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, FAMCO Associates (Pvt) Ltd., 1st Floor, State Life Building 1-A, I. I. Chundrigar Road, Karachi.

(iv) Shareholders or their proxies are required to bring with them their original National Identity Card or Passport along with the Participant's ID Number and their Account Number at the time of attending the Annual General Meeting in order to authenticate their identity.

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

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of the Forty-Third Annual General Meeting of Shell Pakistan Limited to be held on Thursday, April 19, 2012 at 10:00 a.m. at which certain special business is to be transacted. The special business is to capitalise the amount specified above from the free reserves of the Company and apply it towards the issuance of bonus shares to the shareholders. The purpose of this statement is to set forth the material facts concerning such special business.

Item 3 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 and is hereby increased from 68,487,892 shares to 85,609,865 shares by capitalisation of free reserves amounting to Rs.171,219,730 and the issuance of bonus shares in the ratio of 1:4, i.e. one share for every four shares. The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

Sarim Sheikh joined Shell in 1995 and for the last ten years has held a number of senior roles in different Shell businesses. During his most recent assignment as General Manager of Distributor Markets – Europe, Africa & Latin America, Sarim managed Shell Lubricants business in over 55 countries.

Sarim currently serves as a Director on the Board of 3 listed companies, including one in Oman. In addition, he has been on the Board of the Shell Lubricants Supply Company BV and Shell Croatia. Sarim holds a MBA degree from IBA and London Business School, which he achieved with distinction.

Sarim was appointed Chief Executive Officer and Managing Director, Shell Pakistan Ltd. in April, 2011, and Chairman of the Board of Directors on June, 2011.

Rafi H Basheer is a Chartered Accountant and a career finance professional. After completing his accountancy training in London, UK, Rafi worked for two years with PricewaterhouseCoopers in Dubai as Assistant Manager in Audit before joining Shell Pakistan in January, 2000.

At Shell, he has held a variety of roles locally and overseas ranging from Retail Finance Manager Shell Pakistan, Mergers and Acquisitions Finance for Shell Downstream Asia/Pacific, Global Governance Manager for the Downstream B2B business to most recently the role of Finance Manager East for the Commercial Fuels business. Currently he is Chief Financial Officer, Shell Pakistan Ltd.

Farrokh K Captain completed both a Bachelors and Masters degree from MIT. After graduating he joined Arthur D. Little in the USA, and went on to establish their practice in Pakistan. From 1978 to 1994 he led a major US-Pakistan joint venture chemical manufacturing business in Pakistan, Captain-PQ Chemical Industries (Pvt.) Ltd.

Farrokh is a member of the Board of the American Business Council. He now devotes much of his time to social development and is a Trustee of the Layton Rahmatulla Benevolent Trust and former Chairman of the Pakistan Human Development Fund. He is serving his eighth three-year term as Director of Shell Pakistan Ltd.

Zaffar A Khan graduated as a mechanical engineer in 1967 from Peshawar University and soon thereafter joined Esso/Exxon Chemical which became Engro Chemicals in Pakistan. He retired from the company in 2004 after serving for 35 years, the last six as President & CEO. His career with Exxon/Engro spanned all major corporate functions including Marketing, Manufacturing, and Finance & Corporate Services.

He has a certificate from the Advanced Management Program at the University of Hawaii and has completed short courses at INSEAD and Harvard Business School. Zaffar serves on a number of boards both in the private and public sector and of organisations with environmental and philanthropic focus. He is a recipient of the exalted Sitara-i-Imtiaz.

Michael Noll is the VP Finance Global Commercial for Shell's Downstream B2B business. He started his career in 1987 in Germany as deputy controller of a Shell Chemicals unit (agrochemicals). After that, he held various positions in EP, OP and Chemicals, serving in the Netherlands, UK, Singapore and Germany.

Michael has been involved in two rounds of Globalisation (Chemicals 1998–2000 and Downstream 2005 onwards) and led the Finance, IT and C&P organisation in Germany during the acquisition of the DEA business and subsequent integration of the business into Shell.

Haroon Rashid is the Supply and Distribution General Manager for the Pakistan/Middle East/India Cluster since January, 2011. He joined Shell Pakistan Ltd. in 1995. For his first five years he worked in Retail Sales, Non-Fuels Retailing and Network Planning.

In 2001 he took time off to complete a MBA at INSEAD and rejoined Shell as a Consultant in the Downstream Management Consultancy, London. In 2005 he became the Downstream Competitor Intelligence Manager and then moved to Singapore in 2008 as the Global Marketing Manager for Aviation.

Chong Keng Cheen (Nick) completed his education from Monash, Melbourne in Australia in Engineering and subsequently obtained a MBA. Nick served two and half years in the Singaporean Army followed by a position at Singapore's Public Utility Board. He joined Shell's Pulau Bukom Refinery in 1984 and has held various refinery roles in maintenance, major projects, technical advisory and change management.

Nick served as HR GM Singapore before moving on to GM Distribution for the Middle East/Asia, where he oversees a number of countries including Pakistan.

Imran R Ibrahim is a graduate from Government College, Lahore, and pursued post graduate studies at IBA in Karachi. He is an entrepreneur with 35 years of experience in diverse areas of business such as distribution of products for various multinationals as well as cotton ginning and edible oil extraction. He is also a Director of PICIC Asset Management Company Limited.

Nasser N S Jaffer holds an Associated Science Diploma in Agriculture from University of California. From 1969 to 2003 he was responsible for the chemical, insecticides and pesticides businesses at Jaffer Brothers. In 2003 he took over as Chairman and CEO.

He serves on multiple boards including The Kidney Centre. He was also the Honorary Consul of the Philippines until 2010. Nasser joined Shell Pakistan Ltd.'s Board in June, 2011.

Chong Keng Cheen

Imran R Ibrahim

Nasser N S Jaffer

Omar Y Sheikh

Badaruddin F Vellani

Omar Y Sheikh has been with Shell since 1995 and has worked in Retail, Commercial Lubricants, Downstream Strategy and Portfolio roles. Omar also worked at Shell International Ltd. in London with senior Downstream leadership on developing business strategy and implementing portfolio transactions.

Omar has MBAs from INSEAD and IBA. His last role in Pakistan was Lubricants Indirect Sales Manager. His is now GM Lubricants at Shell Pakistan Ltd.

Badaruddin F Vellani is an Honours graduate in Chemical Engineering from the Loughborough University of Technology and is also a Barrister at Law from the Middle Temple, London. Badar was called to the Bar in 1982 and began legal practice in Karachi immediately thereafter. He is an Advocate of the Supreme Court of Pakistan and is a partner at Vellani & Vellani.

In addition to his legal practice, Badar is also a member of the Board of Directors of several multinational companies covering FMCG, manufacturing, medicine and philanthropy.

Board of Directors


CNG
STOPS, SHORT TRIPS
SPEED, LONGER TRIPS
CNG
HX7G
STOPS, SHORT TRIPS
SPEED, LONGER TRIPS
STOPS, SHORT TRIPS
HELIX

Company Information

Board of Directors

Chairman | Sarim Sheikh
Rafi H Basheer
Farrokh K Captain
Chong Keng Cheen
Imran R Ibrahim
Nasser N S Jaffer
Zaffar A Khan
Michael Noll
Haroon Rashid
Omar Y Sheikh
Badaruddin F Vellani

Managing Director & Chief Executive

Sarim Sheikh

Audit Committee

Chairman | Badaruddin F Vellani
Imran R Ibrahim
Michael Noll

Company Secretary

Tariq Saeed

Registered Office

Shell House
6, Ch. Khaliquzzaman Road
Karachi-75530

Auditors

A. F. Ferguson & Co.

Legal Advisors

Vellani & Vellani
Advocates & Solicitors

Registrar & Share Registration Office

FAMCO Associates (Pvt) Ltd.
4th Floor, State Life Building 1-A
I. I. Chundrigar Road
Karachi-74000

Report of the Directors

The Directors of your Company present their Annual Report together with audited financial statements for the year ended December 31, 2011.

The profit for the year ended December 31, 2011 after providing for distribution and marketing, administrative expenses, other and financial charges amounts to:

	(Rupees in millions)
Profit before taxation	2,833
Taxation	(1,927)
Profit for the year	906
	(Rupees)
Earnings per share	13.23

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 27 of the financial statements.

At their meeting held on March 7, 2012, the Board of Directors of the Company has proposed a 25% issue of bonus shares in the ratio of one share for every four shares held by the members through capitalization of Rs. 171,219,730 out of free reseves of the Company. The approval of the members for issue of bonus shares will be obtained in the Annual General Meeting to be held on April 19, 2012. The financial statements for the year ended December 31, 2011 do not include the effect of these appropriations.

1. The financial statements, prepared by the management of Shell Pakistan Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of account of Shell Pakistan Limited have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal controls is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon Shell Pakistan Limited's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last seven years in summarized form is given on page 20. The significant deviations in the results of the Company from last year have been discussed in the chairman's review on page 15.

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, 2010 is included in note 35.4 of the financial statements.

10. During the year six Board meetings were held and the attendance by each Director is given on page 70.

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 71. The company is a subsidiary of the Shell Petroleum Company Limited, London (holding company) incorporated in the United Kingdom.

12. The Auditors M/s A. F. Ferguson & Co. retired and being eligible offer themselves for reappointment.

13. Details of purchase/sale of shares by the directors, CEO, CFO, Company Secretary and their spouses and minor children are given on page 72.

14. Details of the Corporate Social Responsibility and other activities under taken by the Company during the financial year are given on pages 11 to 12.

On behalf of the Board

Karachi: March 7, 2012

Sarim Sheikh
Chairman & Chief Executive

OUR PERFORMANCE

For Shell Pakistan, 2011 was a year of good growth for our brands into new sectors of the market. We delivered major projects and campaigns that will contribute to our continued expansion. We achieved 10 million man hours without incident through the improvement of operational safety, constant vigilance and extensive training. Activities to build communities across the country were the most aligned with our business than ever before. We continued to develop leadership by hiring young talent and investing in building skills.

2011 IN REVIEW

Shell Pakistan Limited's (SPL) organisation is made up of a number of different businesses which market and distribute a range of refined products across the country for commercial, industrial and transport use. SPL's business includes Retail, Business to Business (B2B) including Commercial Fuels and Aviation, and Lubricants. Our products include motor gasoline, diesel, fuel oil, aviation fuel and a range of lubricants.

We continue to be the market leader in lubricants with a 41% market share and have the largest network of retail sites of any private Oil Marketing Company in the country. We have further expanded our storage facilities in 2011 to have the second largest oil product storage capacity in Pakistan.

SPL's businesses faced a challenging operating environment during 2011 as a result of long outstanding government receivables of Rs. 13.8 billion which continue to impact cash positions and our ability to grow. Despite this, we continue to reinforce our position as a leader in the oil and gas industry in Pakistan.

Our efforts to resolve this issue remain an ongoing top priority. Numerous engagements with relevant Government stakeholders led to a small release of receivables in 2011. The Government also approved a slight increase in retail margins for motor gasoline and diesel. The increase, however, does not cover increasing costs of doing business in Pakistan or inflation and our margins remain the lowest the region.

DELIVERING ENERGY SAFELY

SPL continues to achieve Health, Safety, Security and Environmental (HSSE) milestones, again achieving zero recordable fatalities in 2011 and attaining the distinction of over 10 million man hours without a Lost Time Injury (LTI). Building on 2010's focus on "Doing the Right Thing", 2011 emphasised greater awareness among staff to further embed safety in their daily professional and personal lives.

According to the Pakistan Bureau of Statistics, the number of road accidents involving tank lorries on Pakistani roads in 2010 was 9,747, contributing to what Shell believes is mostly preventable loss of life. Because of this, SPL continues to prioritise its driver community's safety. To do this, SPL ensures its drivers are provided with top-of-the-line working conditions, rest stops at frequent intervals and regular training and capacity building exercises. All of these factors contribute to their ability to do their jobs safely and efficiently.

Our commitment to improving road safety through our tank lorry driver community continued to be a priority for SPL in 2011. We collaborated with the National Highway and Motorway Police to train over 280 SPL tank lorry drivers across the country in 5 day, intensive courses designed with the objective of preventing and curtailing the number of accidents involving oil tankers. This is done by focusing driver attention towards defensive driving skills to change their attitudes behind the wheel.

↓ Shell drivers undergo rigorous training to ensure they're ever-vigilant toward circumstances which could affect their safety and that of their vehicles and the traffic around them.

TAKING SAFETY PERSONALLY

At the end of 2011a Shell Pakistan tank lorry driver was en route from Shell's JIMCO Mehmood Kot Depot to the Tarru Jabba Terminal outside of Peshawar when he saw a sedan on fire on the highway. Our driver pulled over to the side of the highway and used his extinguishers to douse the fire.

Because the driver used two of his three fire extinguisher cylinders to put out this fire, he continued his journey with a convoy of other SPL lorries, fully equipped with their safety accessories, ensuring he arrived at his destination safely. At Tarru Jabba his extinguishers were replaced with extras there so that his delivery routine continued undisturbed and safely.

The entire episode was witnessed by a Motorway Police Inspector, who had been unable to help the situation because of no access to any fire fighting equipment. The Inspector recorded and reported the incident to The National Highway and Motorway Police, who sent a letter of appreciation to SPL to recognise the driver's timely display of the right behaviors in an emergency situation.

SAFEGUARDS MINIMISE THE LIKELIHOOD OF A SAFETY INCIDENT ON THE ROAD

TRAINED AND COMPETENT EMPLOYEES AND CONTRACTORS + SAFE BEHAVIOURS AND CULTURE + SAFETY CASE MANAGEMENT OF MAJOR RISKS + TECHNICAL STANDARDS AND PROCEDURES + EQUIPMENT TESTING AND CERTIFICATION = ZERO SAFETY OR ENVIRONMENTAL INCIDENTS

↑ Our network offers you friendly services, a range of quality fuels, convenient shopping and loyalty programmes

PUTTING OUR CUSTOMERS FIRST

Customer First (C1st) was launched in June 2011 to put customers at the heart of everything we do at SPL by understanding them, their business and their needs and thereby creating an exceptional customer experience. C1st and the Customer Satisfaction Index are together being used by SPL as an efficient yardstick to measure performance with customers and improve based on their feedback.

Some C1st initiatives included revising Small Order Surcharges for customers which led to a growth of 7% in sales of motor gasoline. Another project introduced Master Data Pricing Error Resolution leading to the resolution of long pending issues of high value customer invoices.

Customer feedback is gathered over the phone by our CSC team, customer satisfaction is recorded and used to target issues and promptly improve them within clearly communicated timelines.

Trainers used driving simulators and a practise track to create a disciplined and real-life-like training environment to provide for an optimal training experience. One of the outcomes of these trainings was that the number of Moving Vehicle Incidents (MVI) among Shell tank lorries went down from 2 in 2010 to 1 in 2011, with no loss of human life.

The Road Transport team successfully installed In-Vehicle Monitoring Systems (IVMS) in the entire Shell Pakistan fleet. These systems are specifically designed for driver safety through journey and fatigue management as they track vehicles in real-time. While monitoring the vehicles, IVMS also monitors conditions in the environment surrounding the vehicles. It alerts drivers to hazardous areas; allows for faster response time to emergency situations; controls speeding in defined speed limit areas, known as geo-fences; and prevents unnecessary harsh braking which could damage the vehicles. Shell is the first company in Pakistan to launch IVMS technology in its entire fleet of over 400 vehicles, making it one of the largest IVMS set-ups in Asia.

Shell supports the UN Commission for Global Road Safety's call for "A Decade of Action for Road Safety" and has focused its activities towards reducing the number of deaths caused by road accidents in 2020 by 50%. Shell realises that during the Decade of Action, it is critical to foster global and local partnerships and align our activities further to achieve this goal.

Pakistan has one of the highest road accident rate in the world. Reckless traffic and low implementation of rules causes one biker death every 62 hours in Karachi alone. Earlier in 2011, another stakeholder audience important to Shell – motorcycle drivers – were engaged at SPL retail sites in Lahore through Project Angel. Specially trained attendants spoke with motorcyclists who were refueling their bikes. Both drivers and passengers were asked to dismount from their vehicles during the refueling process while attendants explained to them why this was a necessary safety precaution.

A second initiative targeting motorcycle drivers in partnership with the Traffic Police and Road and Traffic Injury Research & Prevention Centre was a helmet-wearing awareness pilot campaign. Motorcyclist refueling their bikes at SPL retail sites in Karachi were engaged while refueling their vehicles by site staff who asked them to dismount from their bikes and encouraged them to purchase and wear helmets. Select retail sites also organized booths where helmets were available for purchase at discounted rates for bikers.

While ensuring the safety of people is our top priority, SPL constantly extends its activities to make certain our assets are safe and efficient. SPL's Supply & Distribution (S&D) team conducted a complete survey of its maintenance systems to optimise the resources being invested in the up-keep of our assets over time. The Survey's findings saved SPL over Rs. 12 million in the form of redundant maintenance contracts over a period of 3 years which have been done away with.

↓ SPL driver trainings use a curriculum focusing on changing attitudes and behaviours of those behind the wheel.

OUR PEOPLE

Building Diverse Talent

SPL resumed its graduate recruitment programme and internships in 2011 after a three-year gap. The response was outstanding and resulted in our recruitment of eight graduates from two Assessment Centers. We were joined by 18 interns who worked at SPL over the year and who had opportunities to be involved in challenging projects across our businesses and functions.

We connected with student groups at 15 different events held at institutions for higher education. These sessions were valuable opportunities to meet with university and professional students to discuss our expertise and opportunities available at Shell.

Our new employees recruited in 2011 come from a variety of excellent local and foreign institutions of higher education, adding to the diversity that we pride our working environment on. One major highlight was the new female talent we inducted this year – 30% of all recruits, many of them in frontline business roles, and 33% of our interns.

Employee Communication

SPL continued to score well in its annual staff People Surveys, ranking higher than other Shell companies and Top-Quartile corporations around the world in several areas. Specific items in which SPL scored well include Employee Engagement, Values, Leadership Behavior and Taking Personal Responsibility for Safety.

RESPONSIBLE BUSINESS

Shell Aviation continued as the preferred supplier for both domestic and foreign airlines visiting Pakistan during 2011. It expanded its customer base for both inland and export sales for jet fuel and aviation gasoline.

All SPL's Aviation sites exhibited excellent safety performance and compliance throughout 2011 and achieved Goal Zero for a fourth year in a row. This was the best country-wide performance throughout the Middle East, South Asia & Africa region. Some of our sites have gone beyond this and achieved 14 years of operation without recordable injury or spill as of 2011.

SOCIAL INVESTMENT

LiveWIRE is a Royal Dutch Shell Social Investment programme operating in 20 countries. It aims to help young people explore starting their own business as a viable career option. LiveWIRE was launched in Pakistan in 2003 by the name Tameer. Shell Tameer supports young people between the ages of 18 and 32 by offering them counseling and training services on becoming an entrepreneur and starting a business. Tameer also hosts an Award Ceremony to recognise 10 young entrepreneurs' business success for which it accepts applications from across Pakistan.

In 2011 Tameer developed partnerships with the British Council and Small and Medium Enterprise Development Authority (SMEDA) to reach out to rural and student communities. It also introduced an internship programme, Tameer Information Desk for Entrepreneurs (TIDE) at two local Universities in Karachi to expose and develop entrepreneurial skills among university student groups.

TIDE had 73 student interns who worked at Shell's office in Karachi for 6 weeks over the summer. During this time they successfully conducted enterprise development workshops at Shell's model village outside Karachi, where they trained the villagers in enterprise development and livelihood improvement techniques. The interns also conducted and analysed a market study for SPL's Lubricant business and made recommendations according to their findings to the team.

Fueling Education

SPL partnered with The Citizens Foundation (TCF) to build 6 schools in earthquake and flood ravaged parts of Pakistan, three of which were completed and opened in 2011. To take this partnership further, we also developed a scholarship programme with TCF for the children of our forecourt, installation and truck driver staff. The scholarship allows them to apply at any TCF school in Pakistan, and if accepted attend school for only Rs. 10 a month.

Further demonstrating our commitment to youth in Pakistan, SPL mentored student teams from local universities preparing for the Shell Eco-marathon Asia competition. Over a dozen teams registered and proceeded to design and fabricate their own vehicles to compete in Malaysia in July. In a rapid improvement from 2010, almost half the teams who passed initial

Pakistani Shell Eco-marathon teams had a chance to showcase their vehicles among industrial and media stakeholders at the British High Commission in Islamabad.

Before

After

↑ Shell is investing Rs. 12 million to develop housing infrastructure and give enterprise training at Goth Noor Mohammad over period of 3 years.

REBUILDING LIVES

Located almost 25 kilometres outside of Karachi where 25% of the city's waste is dumped, Goth Noor Muhammad is an ultra-poor squatter settlement. Most of its 800 residents live well below the poverty line with no access to housing or amenities of any kind. They make their livings by sifting through garbage, burning off the bio-debris, and sorting and selling any glass or metal which remains.

Most of the refuse is sorted by women and children who have smaller fingers and can work faster – but because of the constant exposure to pollutants, skin and upper respiratory disease is rampant in the village. Homes are constructed from whatever villagers can collect from the dump sites, and until SPL and its partners intervened, very few children had ever attended school or visited a doctor.

Leading by example, SPL partnered with Pakistan Poverty Alleviation Fund (PPAF) and Health and Nutrition Development Society (HANDS) to develop a model village at Goth Noor Muhammad. The 'new' village has been designed with basic infrastructure, housing with insulation against the scorching summer heat, with high ceilings, ventilation and screens to keep insects out. Each group of homes has its own courtyard and vegetable garden along with a communal kitchen fully equipped with smoke-free energy efficient stoves. When completed, the village will also have a network of brick-finished walkways, a drainage system and covered water storage tanks, a basic health clinic and school for primary and secondary education.

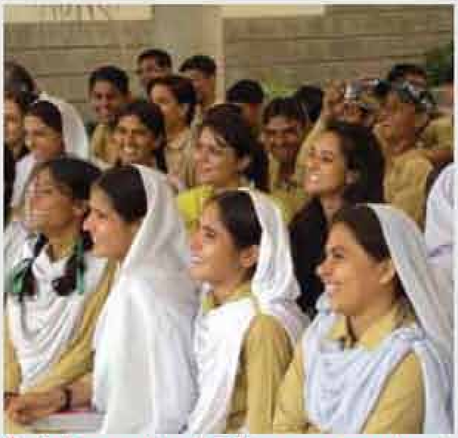
Almost half-way through this project, change is becoming apparent. Children take great care to come to school clean and showered every day with their hair combed and nails cleaned. Women know how important it is for them to visit the female health worker at the clinic to discuss their families' health concerns, and men are involved in community mobilisation groups to discuss issues and gain access to basic amenities like land titles, water lines and electricity.

technical requirments also passed safety tests on inspection at the track. Qualification gave them a chance to race their vehicles on the track at Sepang to see how far they could go on just one litre of fuel.

Community Focus

Holding true to our commitment to being a responsible member of the communities in which we operate, SPL staff contributed towards relief efforts after the flash floods that whipped through Sindh due to heavy rainfall. The Shell Aviation team worked around the clock to ensure smooth provision of fuel supplies to over 160 Pakistan Army and relief agency flights engaged in rescue and aid operations.

Staff members in Karachi raised and collected funds which the company matched to purchase rations and hygiene supplies. Staff bought, packed, loaded goods into trucks and accompanied them into Sindh. Each bag, which weighed over 30 kg, was enough to feed a family of 8 for over 3 weeks. Bags were distributed to families who hadn't received aid before, who were living in makeshift camps on sand dunes in remote areas outside Umerkot and Sanghar.



↑ Shell's partnership with TCF has grown into a dynamic one with staff Rahbar volunteers, scholarships and schools across the country.

↑ Shell's Omoré campaign was the first of its kind customer offer.

RETAIL

A great deal of focus is being given to concentrate our large Retail network to ensure every customer visiting our Retail sites leaves satisfied. Our Retail team completed remodelling 21 former RVI sites in 2011 to RVI-E sites with an upgraded and more visible image. Maintenance and upkeep of all of our sites is a constant process and a high priority for our Retail business. We are happy to report that our teams worked around the clock together to ensure that supplies of motor gasoline, diesel and CNG were continuous despite serious country-wide shortages and load shedding in 2011.

Our network buzzed with activity throughout the year with a number of exciting promotions and customer offerings. SPL's partnership with Omoré created a great deal of excitement amongst motorist customers, clearly visible from increased sales during and after the campaign. Shell Lubricants also received boosts at Retail sites through numerous promotions like the Helix oil change which promised more than just an oil change. It offered an opportunity for customers to avail the expertise of lubricants specialists while having their car checked and serviced.

SPL also restarted its Trucker's Club campaign in 2011 to expand and enhance our loyal customer base among truck drivers by creating valuable on-the-job offers for them such as meal packages throughout the year. The impact of this campaign was a 213% growth in the sale of Rimula and 23% growth in diesel sales.

LUBRICANTS

For a fifth consecutive year, Shell has been named the world's lubricants market share leader. We sold more lubricants for the fifth year in a row than any of our competitors according to independent worldwide consulting and research firm, Kline & Company. Kline reported that we secured more than 13% of the market by volume, a 2% lead over our nearest competitor.

Shell Lubricants continues leading in local markets despite rising fuel prices in the country and disastrous floods which ravaged parts of the agricultural heartland for the second year in a row. The Lubricants team partnered with their Retail colleagues, Shell Global Lubricants and a leading telecommunications company to structure, organise and execute 50 Rimula agriculture sector events to reach out to new customers – farmers, land owners and tractor drivers. On-pack promotions for customers included exciting prizes like new tractors and motorcycles for lucky draw winners.

Melas held at Retail sites promoted Rimula to a wider customer audience, raising customer awareness of the benefits of using this product. These events resulted in a 17% increase in sales at SPL Retail sites.

Rapid growth in market share in the agri-sector was a clear result of these cross-business efforts to undertake and successfully execute a goliath campaign which lasted over three months and covered multiple towns.

Another Shell Helix promotion, the "Fastest 48 Hours of Your Life" offered three lucky winners who answered a series of radio broadcasted questions about Shell Helix correctly a trip to Abu Dhabi. Winners toured the city for three days visiting Ferrari World and Shell's Track Lab. They also met with Formula One drivers and rode the world's fastest roller coaster at break-neck speeds of 240 km/h.

↓ Helix is one engine oil that scientists have in mind when they design automobile engines.

The new tanks at Keamari were completed in December 2011 without a single safety incident.

OUR INVESTMENTS

While activities to strengthen customer loyalty continued at full speed, so did the expansion of our business investments. A multi-functional team led by S&D completed the construction of two fuel tanks at our Keamari installation, with a combined storage capacity of 20,000 metric tonnes. The project was executed over 550,000 man hours without a single LTI. The tanks are a huge boost to the storage capacity at one of our busiest facilities in Pakistan, and will save future demurrage costs.

Facilities like Keamari and others across Pakistan require constant maintenance and technological overhauls to ensure quality assurance. Benzene exposure detectors were installed at the Lubricant testing laboratory at Keamari and on top of 18 loading arms at 3 of SPL's installations where motor gasoline-carrying lorries are filled before transporting fuel to our network of over 800 retail sites and other customers across the country.

ENERGISING THE FUTURE

As we continue to invest in Pakistan by expanding our business, through technological and commercial innovation, consistent efforts in improving safety and working with communities in which we operate, we are helping create an energy system that is secure, affordable and sustainable.

SPL will continue to partner with stakeholders in the industry to ensure its operations continue safely as we supply energy to fuel Pakistan's economic growth. Both providers and the consumers of energy stand to gain from this continued commitment to Pakistan and our business here – and so will our shareholders.

No matter how hot, steep, dusty, muddy or extended your operations, Shell Rimula will protect your engine under all conditions.

Chairman's Review

for the year ended December 31, 2011

On behalf of the Board of Directors of Shell Pakistan Limited, I share the results of the Company for the year ended December 31, 2011.

During 2011 the Company earned a profit after tax of Rs. 906 million against a profit after tax of Rs. 1,616 million in 2010.

In the past, your Company has consistently maintained a reasonable dividend payout policy to its shareholders. This year, keeping in view the difficult cash flow position due to government receivables, the Board has recommended the issuance of bonus shares in the ratio of one bonus share for every four shares held, through the capitalisation of Rs. 171.22 million from the Company's reserves. The Board is confident that your Company will overcome the current challenges and will allow us to restore dividend payout in future years.

Your Company remains committed to help meet Pakistan's energy demands while making good on your investment and continued confidence in our performance. 2011 has been a year of trying circumstances. High inflation, increasing cumulative Government receivables to the Company, rising costs of oil, heightened security concerns and growing costs of doing business have all had an impact on our bottom line.

We were successful in growing our net revenue by 11% and our gross profits by 3% over the previous year. The improvement is primarily due to favourable movements in international oil prices during the year, supported by improved performance in the first half of the year by our export business.

Our persistent engagement of Government stakeholders also resulted in a small increase in price margins for both motor gasoline and diesel, but these were insufficient to cover cost increases due to inflation. Oil Marketing Company margins in Pakistan continue to be the lowest in the region. We continue to work with relevant stakeholders to convince them to review margins as committed.

Despite a high inflation environment, your Company has successfully reduced its distribution, marketing and administration costs by 7%. This resulted in the delivery of an operating profit growth of over 16% over the previous year.

Government receivables continue to be your Company's toughest challenge. These dues are on account of price differential claims, sales tax and petroleum development levy, and are at an all time high of Rs. 13,900 million at the end of 2011 compared to Rs. 9,002 million at the end of 2010. Our persistent efforts to recover these long overdue receivables resulted in the refund of only Rs. 1,151 million in 2011. Due to delays in the receipt of these receivables, your Company suffered approximately Rs. 1,700 million in additional financing costs in 2011 to run day-to-day operations. This had a negative impact on our bottom line and eroded the operating profit gains that were made. An immediate settlement of these dues is and continues to be critical and our top priority.

Your Company continues to bear the impact of minimum tax on turnover which has now raised our effective tax rate to 68% for 2011. Margins on our main products, i.e. motor gasoline and diesel, are regulated by the Government at around 2% of the selling prices. However, the minimum tax regime charges us income tax based on the selling price of the product. In a rising price environment, as seen over the last few years, this has led to increased income tax liability with a limited increase in regulated margins. As a result our effective tax rate is well in excess of the standard 35% corporate rate of income tax and has eroded the operating profit growth. We are in continuous discussion with tax authorities to remove this anomaly for our industry and bring us in line with exemptions and allowance on turnover tax already given to other sectors with similar challenges.

The high interest costs due to delayed Government receivables and a higher tax on earnings continue to impact Company profitability, with money lent to the Government reducing our profitability and the Government minimum tax regime continuing to extract higher taxes in a high price environment. The combination of these factors means the Company lost over Rs. 2,000 million to the Government on account of interest and higher taxes in 2011.

Rather than slowing us down, these challenges have created an opportunity for your Company to increase our focus on our operations while simultaneously ensuring that our safety performance is maintained and improved in our new investments and ventures in Pakistan.

Your Company continued its leadership in Health, Safety, Security and Environment (HSSE) performance, achieving 10 million man hours without a single incident or injury. We introduced In-Vehicle Monitoring Systems (IVMS) to our entire fleet to increase our vigilance on circumstances that could affect the safety of our drivers and the products they transport thousands of miles around the country. Your Company also began inducting its drivers in advanced courses on safety which resulted in a reduction of Moving Vehicle Incidents (MVI) involving Shell Pakistan tank lorries by half in 2011.

Our core values of honesty, integrity and respect for people are the driving force behind ensuring that our staff, our contractors and our partners understand and reflect how we do business. As we invest in our network supplying energy to Pakistan and harness new opportunities in the market, we envision these values transforming the way in which the industry operates.

This year your Company focused its efforts on reinforcing its market leadership in the Lubricants business by meeting with and engaging over 4,500 opinion makers in the agriculture sector. The goal was to introduce them to the benefits of using our top-of-the-line products for their heavy-duty machinery requirments.

It is these kinds of campaigns combined with other smaller scale activities throughout 2011 that sustained our standing as the World's Number 1 Lubricants Supplier according to Kline & Company, an independent research firm.

We completed the upgrade of our storage terminal at Keamari in 2011, continuing our investment in top-of-the-line facilities to enhance our business capabilities in Pakistan. These upgrades have resulted in a combined storage capacity of 20,000 tonnes and will help the Company save demurrage charges at Karachi port.

This year saw the consolidation of our Retail network in an effort to ensure that every site our customers visit in Pakistan provides a customer experience that our shareholders and this Company would be proud of. The Retail team worked hard to revamp and convert another batch of sites to RVI-Evolution sites which communicate our brand, products, services and prices in a more clear and concise manner.

Your Company has continued its commitment to the communities it works in through a Social Investment portfolio which is evolving from a charity-driven model to a sustainable development-focused one. Our new themes of Enterprise Development, Access to Energy and Road Safety are the broad categories in which our activities are now being aligned.

Three of the six The Citizens Foundation (TCF) schools we sponsored in earthquake and flood devastated areas were completed and inaugurated in 2011. Through a combined total investment of Rs. 100 million from your Company and our ultimate parent company, Royal Dutch Shell PLC, we created an education endowment for the children of our retail, forecourt, depot and driver staff at TCF schools around the country.

We also inaugurated the first housing compound completed at Goth Noor Mohammad, a model village on the outskirts of Karachi. There we've committed Rs. 12 million to develop houses built with indigenous materials with the help of the village community.

Your Company ran two pilot road safety projects in 2011. The first was with the Traffic Police of Sindh targeting motorcycle drivers in Karachi to raise awareness and encourage them to wear helmets. The second campaign is being run at schools throughout the country by our Transportation team along with the National Highway & Motorway Police to educate children on road safety.

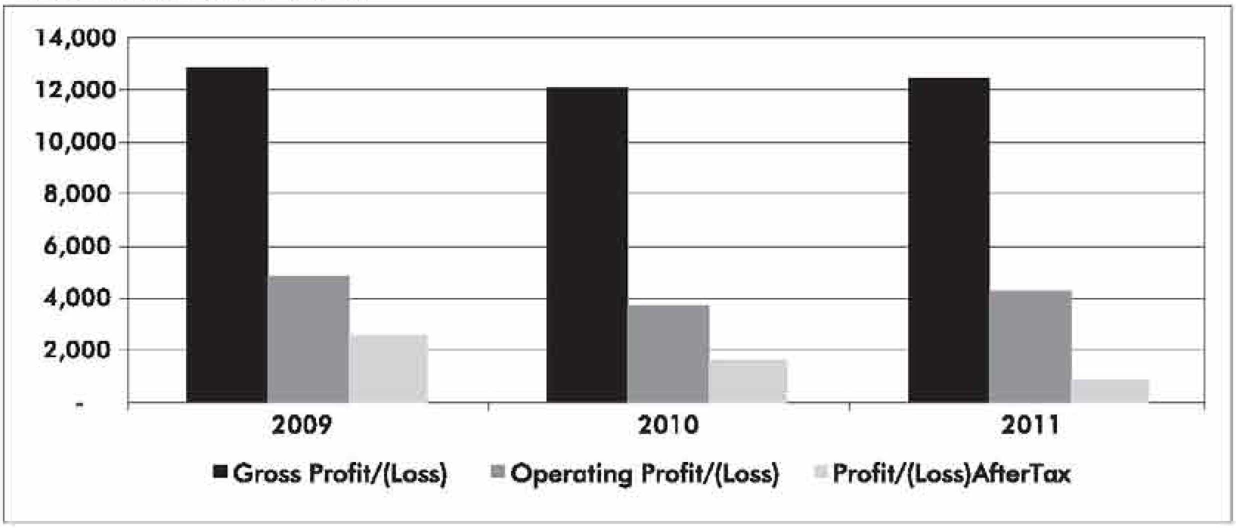
Shell has a long history in Pakistan, and we enjoy a strong relationship with stakeholders here and in the region, that we will continue to strengthen. As Pakistan progresses both economically and technologically, your Company will continue to be a major player in the development of this country by supplying its growing energy requirements in responsible and innovative ways.

We thank our shareholders, customers, partners and staff for their support and commitment to our work in Pakistan. It is through this dedication and the relationships built on trust and performance that Shell continues as your brand of first choice.

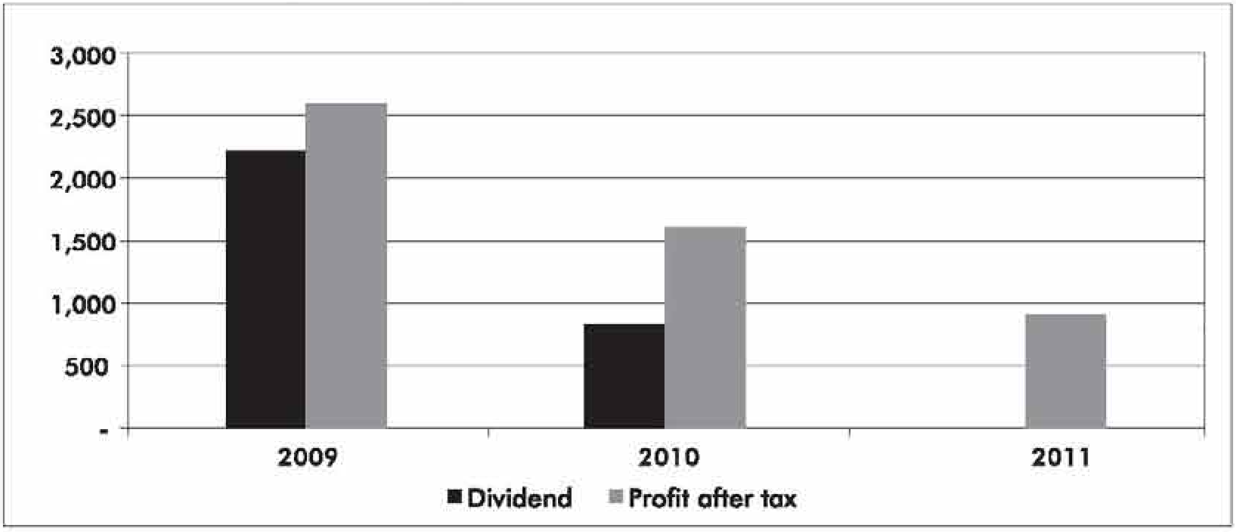
Sarim Sheikh
Chairman & Chief Executive

Performance at a Glance

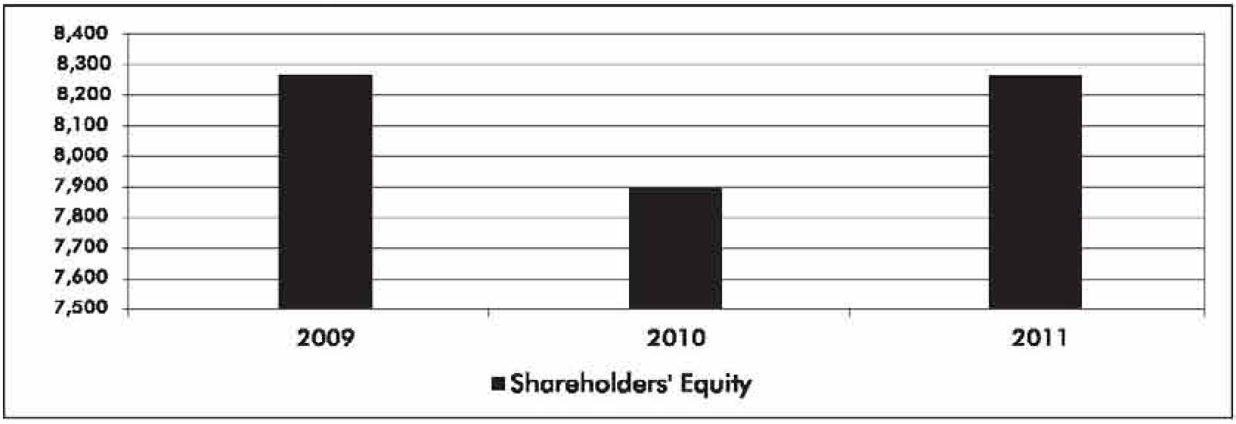
PROFITABILITY (Rs. in million)



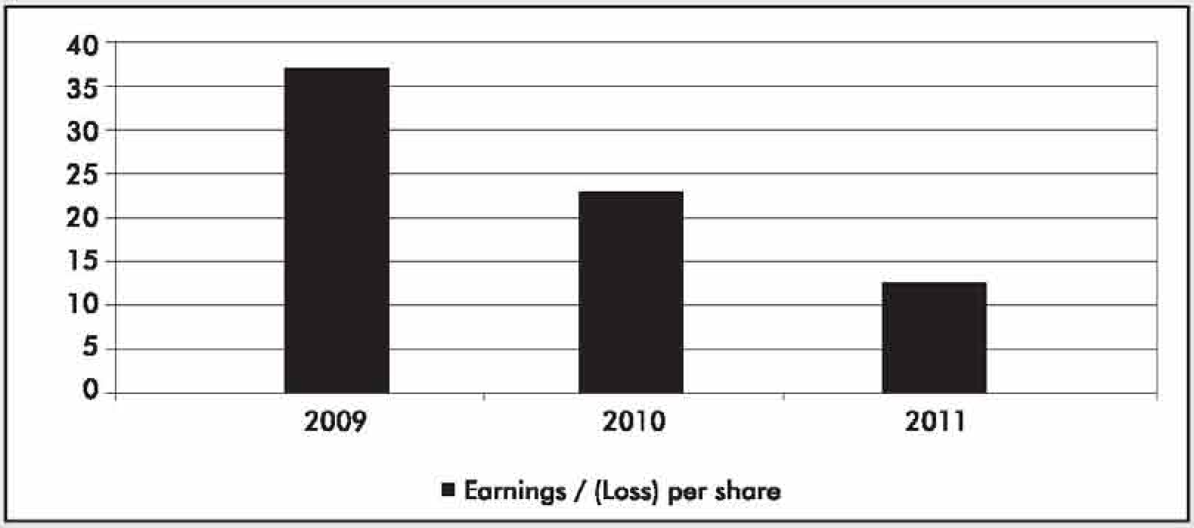
DIVIDEND DECLARED (Rs. in million)



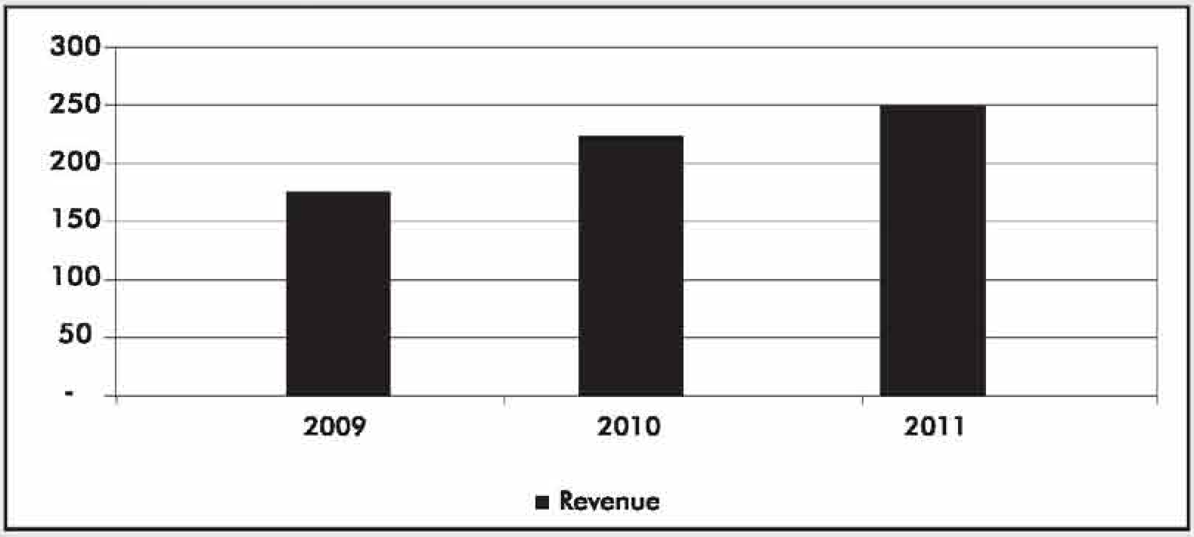
SHAREHOLDERS EQUITY (Rs. in million)



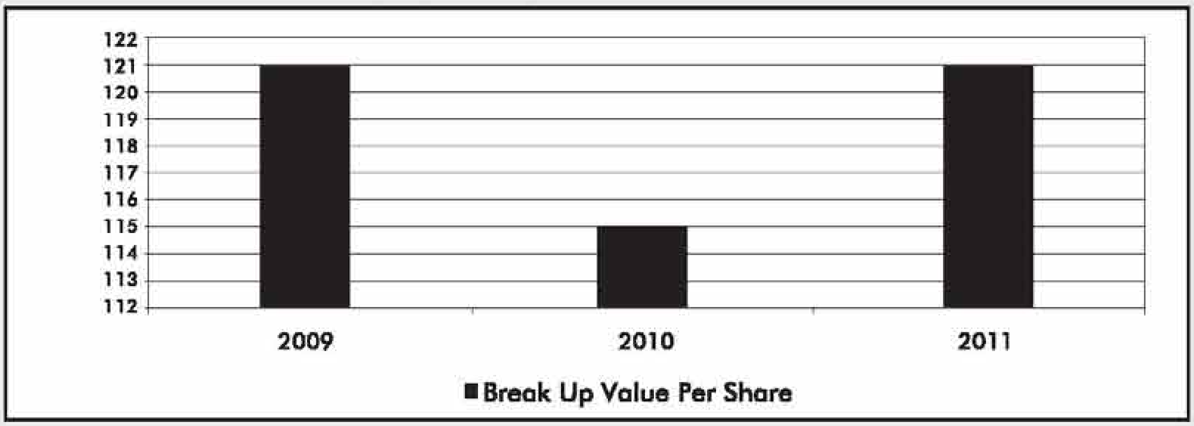
EARNINGS PER SHARE (Rs. per share)



REVENUE (Rs. in billion)



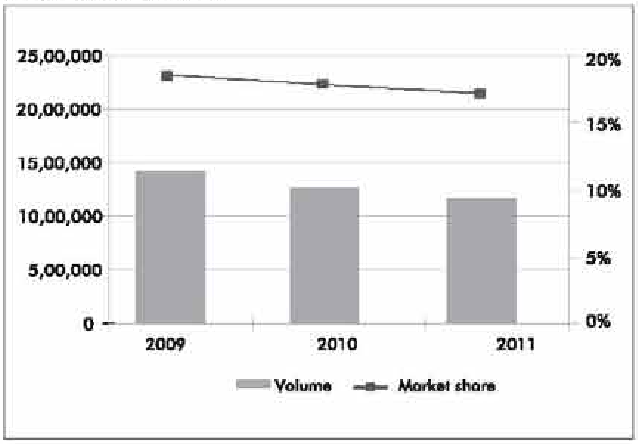
BREAK UP VALUE PER SHARE (Rs. per share)



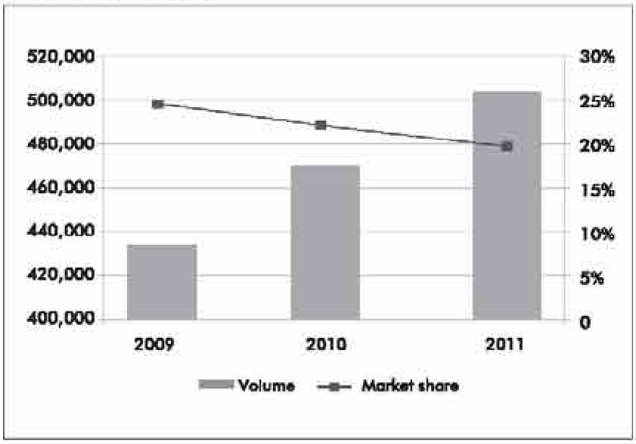
Operating and financial highlights

PRODUCT-WISE VOLUME METRIC TONS AND ESTIMATED MARKET SHARE (%)

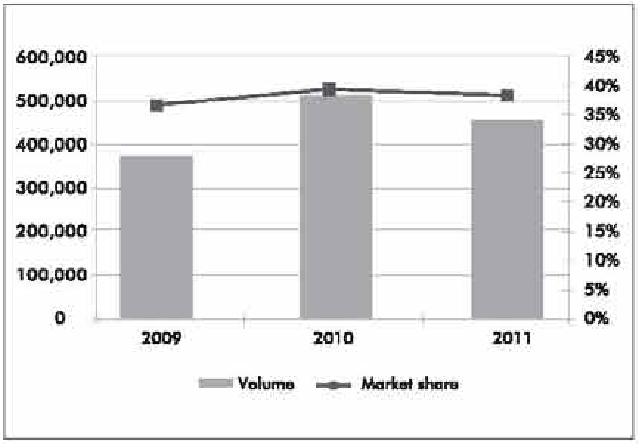
HIGH SPEED DIESEL



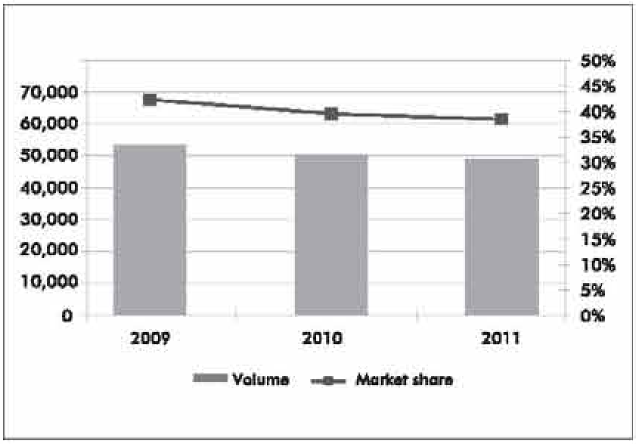
MOTOR GASOLINE



JET FUELS



LUBRICANTS



		2011	2010
Sales volume	Tonnes	**2,373,944**	2,762,889
Sales revenue	Rs. / mn	**247,507**	223,814
Profit before taxation	Rs. / mn	**2,833**	3,044
Profit after taxation	Rs. / mn	**906**	1,616
New capital expenditure	Rs. / mn	**1,110**	2,019
Shareholders' equity	Rs. / mn	**8,258**	7,900
Dividend	Rs. / mn	**-**	822
Earnings per share - basic	Rs.	**13.23**	23.59

Operating and financial highlights

		Year ended Dec 31				July - Dec	Year ended June 30		
		2011	2010	2009	2008	2008	2008	2007	2006
Share capital	Rs. /mn	**685**	685	685	685	685	548	548	438
Reserves	Rs. /mn	**7,573**	7,215	7,586	5,571	5,571	13,064	8,913	9,719
Shareholders' equity	Rs. /mn	**8,258**	7,900	8,271	6,256	6,256	13,612	9,461	10,157
Break up value per share	Rs.	**121**	115	121	91	91	199	138	148
Dividend per share	Rs.	**-**	12	33	-	-	50	16	30
Bonus		**1:4**	-	-	-	-	1:4	-	1:4
Profit / (loss) before tax	Rs. /mn	**2,833**	3,044	3,910	(3,048)	(8,420)	7,723	379	4,640
Profit / (loss) after tax	Rs. /mn	**906**	1,616	2,563	(1,726)	(5,164)	5,137	707	3,147
Earnings / (loss) per share	Rs.	**13.23**	23.59	37.42	(25.20)	(75.41)	75.01	10.32	45.95
Price earnings ratio		**14.4**	8.8	6.7	(12.3)	(4.1)	5.6	39.8	10.5
Working Capital									
Current assets to current liabilities		**0.9**	0.8	0.9	0.9	0.9	1.3	1.0	1.1
Number of days stock		**25**	23	26	22	26	39	31	28
Number of days trade debts		**4**	3	3	6	6	12	13	14
Performance									
Profit / (loss) after tax as % of average shareholders' equity		**11.2**	20.0	35.3	(20.3)	(52.0)	44.5	7.2	34.1
Cost of sales as % of sales		**83.5**	82.8	80.8	85.1	91.4	79.1	94.5	91.5
Profit / (loss) before tax as % of sales		**1.1**	1.4	2.2	(1.7)	(8.8)	4.9	0.3	3.9
Profit / (loss) after tax as % of sales		**0.4**	0.7	1.5	(0.9)	(5.4)	3.3	0.6	2.7
Total debt ratio		**1.9**	1.3	1.0	2.6	2.6	0.6	0.8	0.5

Statement of Compliance with the Code of Corporate Governance

1. The Company continues to encourage effective representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present, the Board includes five independent non-executive Directors, two of whom represent minority shareholders.

   The following changes occurred on the Board of the Company during the year under review:

   - Mr. Rafi Haroon Basheer resigned and Mr. Sarim Sheikh was appointed Director in his place with effect from January 19, 2011.

   - Mr. Zaiviji Ismail bin Abdullah resigned and Mr. Sarim Sheikh was appointed Chief Executive Officer and Managing Director in his place with effect from April 1, 2011.

   - The term of office of the incumbent Directors expired on June 12, 2011. Therefore, an Extraordinary General Meeting of the Company was held at Karachi on May 26, 2011 to elect eleven directors in accordance with the provisions of the Companies Ordinance, 1984 for a term of three years commencing from June 13, 2011. The names of the retiring Directors and of those elected at the said Extraordinary General Meeting are as follows:

Retired on June 12, 2011	Elected with effect from June 13, 2011
Mr. Zaiviji Ismail bin Abdullah	Mr. Zaiviji Ismail bin Abdullah
Ms. Shahnaz Wazir Ali	Mr. Farrokh K. Captain
Mr. Farrokh K. Captain	Mr. Chong Keng Cheen
Mr. Chong Keng Cheen	Mr. Gary Fisher
Mr. Gary Fisher	Mr. Imran R. Ibrahim
Mr. Imran R. Ibrahim	Mr. Nasser N. S. Jaffer
Mr. Zaffar A. Khan	Mr. Zaffar A. Khan
Mr. Michael Noll	Mr. Michael Noll
Mr. Sarim Sheikh	Mr. Sarim Sheikh
Mr. Omar Y. Sheikh	Mr. Omar Y. Sheikh
Mr. Badaruddin F. Vellani	Mr. Badaruddin F. Vellani

   - Mr. Zaiviji Ismail bin Abdullah resigned and Mr. Rafi Haroon Basheer was appointed Director in his place with effect from June 17, 2011.

   - Mr. Sarim Sheikh was elected Chairman with effect from June 17, 2011.

   - Mr. Gary Fisher resigned and Mr. Haroon Rashid was appointed Director in his place with effect from October 20, 2011.

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 resident Directors of the Company are registered 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. None of the Directors or their spouses are engaged in the business of stock brokerage.

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 received and acknowledged by the Directors and employees of the Company.

6. The Board has adopted a vision/mission statement and overall corporate strategy and has formulated significant policies of the Company. A record of the 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 Board met at least once in every quarter and all its meetings were presided over by the Chairman. 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 Directors were apprised of their duties and responsibilities through in-house orientation courses. A refresher briefing was delivered in October 2011. Further, one Director has enrolled for the Corporate Governance Leadership Skills (CGLS) program conducted by the Pakistan Institute of Corporate Governance, Karachi.

10. No change occurred in the office of the Chief Financial Officer and the Company Secretary during the year under review.

11. The Directors' Report for the year ended December 31, 2011 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed. Matters relating to the risks and uncertainties surrounding the Company and significant deviations, if any, in the financial statements from the previous year have been highlighted in the Chairman's review.

12. The financial statements of the Company were presented by the CEO and the CFO, duly endorsed under their respective signatures, for consideration and approval of 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 of three members, all of whom including the Chairman are non-executive Directors.

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 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. The reports for various internal audits conducted during the year under review were provided to the external auditors and discussed with the Audit Committee.

18. All related party transactions were placed before the Audit Committee and have been reviewed and approved by the Board of Directors in accordance with the requirement of the Code.

19. 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.

20. 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.

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

Sarim Sheikh
Chairman & Chief Executive

Karachi: March 7, 2012

Review Report

To the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices prepared by the Board of Directors of Shell Pakistan Limited for the year ended December 31, 2011 to comply with the requirements of the Code of Corporate Governance, as contained in the Listing Regulations of Karachi and Lahore Stock Exchanges, issued by the Securities and Exchange Commission of Pakistan.

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 22, 2012

Engagement Partner: **Sohail Hasan**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shell Pakistan Limited as at December 31, 2011 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.1.4 (a) to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2011 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; 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 10.1 to the financial statements. As explained in note, the Company has recognised deferred tax asset on unutilized tax losses based on projections of future taxable profits of the Company. The realisability of this asset is dependant on the underlying assumptions and business drivers materializing as projected.

- Notes 15.1, 15.2 and 15.3 to the financial statements. The Company considers the amount of Rs. 2,274,308 thousand, Rs. 295,733 thousand and Rs. 747,490 thousand due from the Government of Pakistan in respect of petroleum development levy and price differential on imported purchases and high speed diesel, respectively, as current assets. The expected timing of the recoverability of these receivables and its consequential impact on their classification in the balance sheet cannot presently be determined.

- Note 15.4 to the financial statements. The Company considers the aggregate amount of Rs. 1,961,211 thousand, receivable from the Government of Pakistan in respect of price differential on imported motor gasoline as a good debt for reasons given in the note. The ultimate outcome of the matter cannot presently be determined.

A. F. Ferguson & Co.
Chartered Accountants
Date: March 16, 2012
Karachi

Engagement Partner: **Sohail Hasan**

Balance Sheet

as at December 31, 2011

	Note	2011	2010
		(Rupees '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**6,652,020**	6,502,773
Intangible assets	5	**1,321,105**	1,679,707
Long-term investments	6	**2,749,610**	2,547,853
Long-term loans and advances	7	**93,914**	81,960
Long-term deposits and prepayments	8	**194,242**	190,666
Long-term debtors	9	**3,732**	11,442
Deferred taxation - net	10	**1,383,816**	1,993,350
		12,398,439	13,007,751
Current assets			
Stores and spares	11	**15,143**	14,502
Stock-in-trade	12	**17,847,222**	12,348,438
Trade debts	13	**2,488,910**	2,013,358
Loans and advances	14	**66,532**	76,187
Short-term prepayments		**271,133**	305,384
Other receivables	15	**14,633,255**	9,686,866
Cash and bank balances	16	**1,438,447**	1,045,025
		36,760,642	25,489,760
TOTAL ASSETS		**49,159,081**	38,497,511
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**684,880**	684,880
Reserves		**2,096,050**	2,096,050
Unappropriated profit		**5,477,191**	5,119,105
Total equity		**8,258,121**	7,900,035
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance lease	18	**-**	2,662
Asset retirement obligation	19	**189,351**	187,104
		189,351	189,766
Current liabilities			
Trade and other payables	20	**24,495,103**	19,936,550
Accrued mark-up	21	**217,645**	86,350
Current maturity of liabilities against assets subject to finance lease	18	**-**	15,550
Short-term running finances utilised under mark-up arrangements - secured	22	**7,866,032**	1,586,438
Short-term loans - secured	23	**7,879,000**	8,400,000
Taxation		**253,829**	382,822
		40,711,609	30,407,710
Total liabilities		**40,900,960**	30,597,476
TOTAL EQUITY AND LIABILITIES		**49,159,081**	38,497,511
Contingencies and commitments	24		

The annexed notes 1 to 45 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Statement of Comprehensive Income

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
Sales	25	**247,506,537**	223,813,592
Non-fuel retail - others		**-**	1,255
Other revenue	26	**550,168**	406,520
		248,056,705	224,221,367
Sales tax		**(28,907,356)**	(26,690,456)
Net revenue		**219,149,349**	197,530,911
Cost of products sold	27	**(206,668,670)**	(185,403,153)
Gross profit		**12,480,679**	12,127,758
Distribution and marketing expenses	28	**(4,141,036)**	(4,524,058)
Administrative expenses	29	**(3,471,447)**	(3,679,805)
		4,868,196	3,923,895
Other operating expenses	30	**(745,931)**	(738,589)
		4,122,265	3,185,306
Other operating income	31	**171,144**	527,448
Operating profit		**4,293,409**	3,712,754
Finance costs	32	**(2,095,883)**	(1,264,677)
		2,197,526	2,448,077
Share of profit of associate - net of tax	6	**635,191**	596,008
Profit before taxation		**2,832,717**	3,044,085
Taxation	33	**(1,926,727)**	(1,428,503)
Profit for the year		**905,990**	1,615,582
Other comprehensive income		**-**	-
Total comprehensive income for the year		**905,990**	1,615,582
		(Rupees)	
Earnings per share	34	**13.23**	23.59

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

The annexed notes 1 to 45 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Statement of Changes in Equity

for the year ended December 31, 2011

	Share capital	Capital reserves - share premium	General revenue reserves	Unappropriated profit	Total
	(Rupees '000)				
Balance as at January 1, 2010	684,880	1,889,048	207,002	5,489,673	8,270,603
Final dividend for the year ended December 31, 2009 at Rs. 25 per share	-	-	-	(1,712,198)	(1,712,198)
Interim dividend for the year ended December 31, 2010 at Rs. 4 per share	-	-	-	(273,952)	(273,952)
Profit for the year	-	-	-	1,615,582	1,615,582
Other comprehensive income for the year	-	-	-	-	-
Balance as at December 31, 2010	684,880	1,889,048	207,002	5,119,105	7,900,035
Final dividend for the year ended December 31, 2010 at Rs. 8 per share	**-**	**-**	**-**	**(547,904)**	**(547,904)**
Profit for the year	**-**	**-**	**-**	**905,990**	**905,990**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Balance as at December 31, 2011	**684,880**	**1,889,048**	**207,002**	**5,477,191**	**8,258,121**

The annexed notes 1 to 45 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Statement of Cash flows

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	39	**(1,014,463)**	4,514,858
Finance costs paid		**(1,736,854)**	(1,179,132)
Taxes paid		**(1,446,186)**	(1,210,692)
Long-term loans and advances		**(11,954)**	19,098
Long-term deposits and prepayments		**(3,576)**	15,876
Mark-up received on short-term deposits		**28,310**	50,380
Long-term debtors		**11,323**	28,117
Net cash (used in) / generated from operating activities		**(4,173,400)**	2,238,505
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,110,469)**	(2,019,278)
Proceeds from disposal of operating assets		**56,446**	100,007
Dividend received from associate		**433,434**	360,961
Net cash used in investing activities		**(620,589)**	(1,558,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(552,971)**	(1,970,324)
Repayment of liability under finance lease		**(18,212)**	(67,906)
Repayment of long term loan		**-**	(2,500,000)
Net cash used in financing activities		**(571,183)**	(4,538,230)
Net decrease in cash and cash equivalents		**(5,365,172)**	(3,858,035)
Cash and cash equivalents at beginning of the year		**(8,941,413)**	(5,083,378)
Cash and cash equivalents at end of the year	40	**(14,306,585)**	(8,941,413)

The annexed notes 1 to 45 form an integral part of these financial statements.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Notes to the Financial Statements

for the year ended December 31, 2011

1. THE COMPANY AND ITS OPERATIONS

1.1 Shell Pakistan Limited (the Company) is a limited liability Company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Shell Petroleum Company Limited, United Kingdom (immediate parent) which is a subsidiary of Royal Dutch Shell Plc. (ultimate parent). The registered office of the Company is located at Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention, as modified by remeasurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other service benefits at present value.

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

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a standard, amendment or interpretation to an existing standard

a) Standards, amendments to published standards and interpretations effective in 2011 and relevant

The following new standards, amendments to published standard and interpretations are mandatory for the financial year beginning on or after January 1, 2011:

- IAS 24 (Revised), 'Related party disclosures'. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard removes the requirements for government related entities to disclose details of transactions with government and other government related entities and it clarifies and simplifies the definition of a related party. The application of this revised standard does not have any impact on these financial statements.

- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities were not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The Company's retirement benefit funds are not subject to any minimum funding requirement, hence, these amendments have no impact on the Company's financial statements.

- Amendments to following standards as a result of improvements to IFRS 2010, issued by IASB in May 2010:

  - IFRS 7 (Amendment), 'Financial instruments: Disclosures'. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instrument. The amendment only affects the disclosures which have been made.

  - IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment only affects the disclosures which have been made.

  - IAS 34 (Amendment), 'Interim financial reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment only affects the disclosures in the Company's condensed interim financial information.

b) Standards, amendments to published standards and interpretations effective in 2011 but not relevant

The other new standards, amendments to published standards and interpretations which are mandatory for accounting periods beginning on or after January 1, 2011 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations.

c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards have been issued but are not effective for the accounting period beginning on or after January 1, 2011 and have not been early adopted by the Company:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective for periods beginning on or after July 1, 2011). The amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment will only affect the disclosures in the Company's financial statements.

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. The Company is yet to assess the full impact of IFRS 9.

- IFRS 12, 'Disclosures of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12.

- IFRS 13, 'Fair value measurement' (effective for periods beginning on or after January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of IFRS 13.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for periods beginning on or after July 1, 2012). The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially recycled to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment is not likely to have a significant effect on the Company's financial statements.

- IAS 19 (Revised), 'Employee benefits' (effective for periods beginning on or after January 1, 2013). This amendment makes significant changes to the recognition and measurement of defined benefits pension expense and termination benefits and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19. They could significantly change a number of performance indicators and might also significantly increase the volume of disclosures.

- IAS 27 (Revised), 'Separate financial statements' (effective for periods beginning on or after January 1, 2013). The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in new IFRS 10, 'Consolidated financial statements'. The revised standard is already applied in principle by the Company and therefore will have no further consequences.

- IAS 28 (Revised), 'Associates and joint ventures' (effective for periods beginning on or after January 1, 2013). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11, 'Joint arrangements'. The Company is yet to assess the full impact of IAS 28.

There are a number of other new standards, minor amendments to standards and interpretations to other published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

2.2 Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the profit or loss in the statement of comprehensive income as and when incurred.

Depreciation is charged to profit or loss in the statement of comprehensive income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. 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 available for use while no depreciation is charged for the month in which an asset is disposed off.
The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of an asset is recognised in the profit or loss in the statement of comprehensive income in the period of disposal.

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

2.3 Intangible assets – Computer software

Intangible assets are initially stated at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Costs associated with maintaining computer software programmes are recognised as an expense in the profit or loss in the statement of comprehensive income as incurred. Costs directly associated with acquiring software that have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Subsequent directly attributable costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Computer software costs are amortised from the month when such assets are available for use on a straight-line basis at a rate mentioned in note 5.1.

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

2.4 Investments in associates

Associates are all entities over which the Company has significant influence but no control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost in accordance with the requirements of IAS 28, 'Investments in Associates'.

The Company's share of an associate's post acquisition profits or losses is recognised in the profit or loss in the statement of comprehensive income, and its share in the post acquisition movement of other comprehensive income is recognised in the statement of comprehensive income. The cumulative post acquisition movements are adjusted against the carrying value of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise future losses, unless it has incurred obligations or made payments on behalf of the associate.

The investments in associates' carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

2.5 Financial instruments

2.5.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans', 'deposits', 'other receivables' and 'cash and bank balances' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investments within twelve months of the balance sheet date.

All financial assets are recognised at the time when the Company becomes a party to the contractual position of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the profit or loss in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in the profit or loss in the statement of comprehensive income within 'other operating income / expenses' in the period in which they arise. Dividend income from financial assets at 'fair value through profit or loss' is recognised in the profit or loss in the statement of comprehensive income as part of 'other operating income' when the Company's right to receive payment is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognised in the profit or loss in the statement of comprehensive income as 'gains and losses from investment securities'.

Gains or losses from changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are taken to profit or loss in the statement of comprehensive income as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss in the statement of comprehensive income as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognised in the profit or loss in the statement of comprehensive income as part of 'other operating income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the profit or loss in the statement of comprehensive income. Impairment losses recognised in the profit or loss in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed. Impairment testing of trade debts and other receivables is described in note 2.8.

2.5.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss in the statement of comprehensive income.

2.5.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6 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. Cost comprises invoice value, charges like customs duties and similar levies and other direct costs but excludes borrowing cost. Cost for bonded stock of finished goods comprises invoice value and costs incurred to date.

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

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Provision is made for obsolete and slow moving stock-in-trade based on management's best estimate and is recognised in the profit or loss in the statement of comprehensive income.

2.7 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognised in the profit or loss in the statement of comprehensive income.

2.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired. The amount of provision is charged to profit or loss in the statement of comprehensive income. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

2.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, balances with banks, short-term loans and short-term running finances utilised under mark-up arrangements.

2.10 Share capital

Ordinary shares are classified as equity and recognised at their face value.

2.11 Provisions

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

Provision for asset retirement obligation is based on current requirements, technology and price levels and the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognised (together with a corresponding amount as part of the related property, plant and equipment) once an obligation crystallizes in the period when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are incorporated on a prospective basis.

2.12 Leases

2.12.1 Finance leases

Liabilities against assets subject to finance lease are accounted for at the lower of present value of minimum lease payments and fair value of the assets acquired on lease. Outstanding obligations under the lease less finance costs allocated to future periods are shown under liability.

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

2.12.2 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 recognised in the profit or loss in the statement of comprehensive income on a straight-line basis over the period of the lease.

2.13 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognised in the profit or loss in the statement of comprehensive income in the period in which they arise.

2.15 Retirement and other service benefits

2.15.1 Retirement benefits

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

i) Approved funded gratuity and pension schemes

Approved funded gratuity schemes for management and unionized staff and contributory pension scheme for management and non-contributory pension scheme for unionized staff. Contributions are made to these schemes on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan.

ii) Approved contributory provident fund

Approved contributory provident funds for all employees. Equal monthly contributions are made both by the Company and the employee at the rate of 4.5% of basic salary and charged to profit or loss in the statement of comprehensive income.

iii) Un-funded post retirement medical benefits

Un-funded post retirement medical benefits for all management staff. Annual provision is made in the financial statements for this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out annually using the Projected Unit Credit Method. Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan.

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

2.15.2 Employees' compensated absences

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

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.16.2 Deferred

Deferred income tax is recognised using the liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

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

2.17 Foreign currencies

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

2.18 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 when significant risks and rewards of ownership of goods have passed to customers which coincides with dispatch of goods to customers.
- Non-fuel retail income and other revenue (including license fee) is recognised on an accrual basis.
- Dividend income is recognised when the Company's right to receive the dividend is established.

2.19 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.

2.20 Dividend distribution and appropriation to reserves

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Property, plant and equipment and intangible assets

The Company reviews appropriateness of the rates of depreciation / amortisation, useful lives and residual values used in the calculation of depreciation / amortisation on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Stock-in-trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

3.3 Income taxes

In making the estimates for income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Further, the Company uses financial projections, which are prepared using assumptions for key economic and business drivers, to assess realisability of deferred tax assets.

3.4 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 35.1.1 and 35.2.1 respectively.

3.5 Provision for impairment of trade debts and other receivables

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

3.6 Asset retirement obligation

The Company reviews the timing and amount of future expenditures annually together with the interest rate to be used to discount the future cash flows. The estimated future expenditure is determined in accordance with local conditions and requirements and on the basis of estimates provided by the Parent Company's technical staff.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees '000)	
Operating assets, at net book value	4.1	**5,606,489**	6,202,640
Capital work-in-progress	4.7	**1,128,102**	344,304
		6,734,591	6,546,944
Provision for impairment	4.8	**(82,571)**	(44,171)
		6,652,020	6,502,773

4.1 Operating assets

	Owned assets														Leased assets		
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air Conditioning plant	Lifts	Dispensing Pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipments	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Plant and machinery	Vehicles	Total
	(Rupees '000)																
At January 01, 2011																	
Cost	97,009	73,523	105,125	3,778,485	1,571,684	395,941	29,587	4,333	1,022,516	345,730	2,469,818	1,212,711	152,017	38,393	-	242,501	11,539,373
Accumulated depreciation	-	54,077	53,817	1,425,340	818,547	166,533	25,478	1,762	684,910	218,909	889,358	721,662	111,927	35,884	-	128,529	5,336,733
Net book value	97,009	19,446	51,308	2,353,145	753,137	229,408	4,109	2,571	337,606	126,821	1,580,460	491,049	40,090	2,509	-	113,972	6,202,640
Year ended December 31, 2011																	
Opening net book value	97,009	19,446	51,308	2,353,145	753,137	229,408	4,109	2,571	337,606	126,821	1,580,460	491,049	40,090	2,509	-	113,972	6,202,640
Additions	-	-	53,882	-	1,580	86,479	-	-	2,091	31,679	146,420	618	3,922	-	-	-	326,671
Transfers in / (out)	-	-	-	-	-	-	-	-	-	113,972	-	-	-	-	-	(113,972)	-
Adjustments	-	-	-	(631)	-	(14,959)	-	-	(66)	-	(90)	(5)	-	-	-	-	(15,751)
Disposals / write offs - note 4.6																	
Cost	-	-	-	120,521	41,156	-	-	-	125,663	96,523	49,847	79,997	569	-	-	-	514,276
Accumulated depreciation	-	-	-	(51,874)	(17,184)	-	-	-	(104,611)	(57,486)	(29,220)	(73,034)	(569)	-	-	-	(333,978)
	-	-	-	68,647	23,972	-	-	-	21,052	39,037	20,627	6,963	-	-	-	-	180,298
Depreciation charge for the year - note 4.2	-	3,234	2,778	180,878	57,043	27,073	4,001	192	86,892	102,967	142,817	106,190	12,708	-	-	-	726,773
Closing net book value	97,009	16,212	102,412	2,102,989	673,702	273,855	108	2,379	231,687	130,468	1,563,346	378,509	31,304	2,509	-	-	5,606,489
At December 31, 2011																	
Cost	97,009	73,523	159,007	3,657,964	1,532,108	482,420	29,587	4,333	898,944	523,387	2,566,391	1,133,332	155,370	38,393	-	-	11,351,768
Accumulated depreciation	-	57,311	56,595	1,554,975	858,406	208,565	29,479	1,954	667,257	392,919	1,003,045	754,823	124,066	35,884	-	-	5,745,279
Net book value	97,009	16,212	102,412	2,102,989	673,702	273,855	108	2,379	231,687	130,468	1,563,346	378,509	31,304	2,509	-	-	5,606,489

	Owned assets														Leased assets		
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Tanks and pipelines	Plant and machinery	Air Conditioning plant	Lifts	Dispensing Pumps	Rolling stock and vehicles	Electrical, mechanical and fire fighting equipments	Furniture, office equipment and other assets	Computer auxiliaries	Main frame	Plant and machinery	Vehicles	Total
	(Rupees '000)																
At January 01, 2010																	
Cost	97,009	69,556	97,528	3,607,494	1,576,629	140,772	28,053	4,333	1,067,816	370,695	2,519,531	1,010,314	135,359	38,393	116,197	255,019	11,134,698
Accumulated depreciation	-	49,604	51,330	1,257,009	796,966	92,646	21,806	1,569	566,488	170,044	804,034	632,127	102,663	35,488	60,732	119,502	4,762,008
Net book value	97,009	19,952	46,198	2,350,485	779,663	48,126	6,247	2,764	501,328	200,651	1,715,497	378,187	32,696	2,905	55,465	135,517	6,372,690
Year ended December 31, 2010																	
Opening net book value	97,009	19,952	46,198	2,350,485	779,663	48,126	6,247	2,764	501,328	200,651	1,715,497	378,187	32,696	2,905	55,465	135,517	6,372,690
Additions	-	3,967	7,597	209,605	71,989	162,969	1,534	-	22,095	19,535	92,217	227,787	16,658	-	-	40,794	876,747
Transfers in / (out)	-	-	-	-	-	55,465	-	-	-	-	-	-	-	-	(55,465)	-	-
Disposals / write offs - note 4.6																	
Cost	-	-	-	38,614	76,934	23,997	-	-	67,395	44,500	141,930	25,390	-	-	-	53,312	472,072
Accumulated depreciation	-	-	-	(10,946)	(34,266)	(8,853)	-	-	(37,740)	(12,578)	(57,220)	(18,070)	-	-	-	(44,778)	(224,451)
	-	-	-	27,668	42,668	15,144	-	-	29,655	31,922	84,710	7,320	-	-	-	8,534	247,621
Depreciation charge for the year - note 4.2	-	4,473	2,487	179,277	55,847	22,008	3,672	193	156,162	61,443	142,544	107,605	9,264	396	-	53,805	799,176
Closing net book value	97,009	19,446	51,308	2,353,145	753,137	229,408	4,109	2,571	337,606	126,821	1,580,460	491,049	40,090	2,509	-	113,972	6,202,640
At December 31, 2010																	
Cost	97,009	73,523	105,125	3,778,485	1,571,684	395,941	29,587	4,333	1,022,516	345,730	2,469,818	1,212,711	152,017	38,393	-	242,501	11,539,373
Accumulated depreciation	-	54,077	53,817	1,425,340	818,547	166,533	25,478	1,762	684,910	218,909	889,358	721,662	111,927	35,884	-	128,529	5,336,733
Net book value	97,009	19,446	51,308	2,353,145	753,137	229,408	4,109	2,571	337,606	126,821	1,580,460	491,049	40,090	2,509	-	113,972	6,202,640
Depreciation rate % per annum	-	5	2.50	5	3 to 4	3 to 10	6.67	5	6.67 and 20	5 to 20	5 to 10	5 to 20	20 to 25	25	5	20	

Notes to the Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
4.2	The depreciation charge for the year has been allocated as follows:			
	Cost of products sold		**25,327**	21,759
	Administrative expenses	29	**701,446**	777,417
			726,773	799,176

4.3 Company's assets include tanks, dispensing pumps and electrical equipments having a cost of Rs. 1,089,636 thousand (2010: Rs. 1,193,092 thousand) which have been installed at dealer sites. Due to the significant number of dealers involved, the particulars of the assets not in the possession of the Company as required by the Fourth Schedule to the Companies Ordinance, 1984 have not been disclosed here.

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

	Cost	Accumulated depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of buyers
	(Rupees '000)					
Buildings on leasehold land	310	166	144	144	Negotiation	Note 4.5
Tanks and pipelines	4,720	1,641	3,079	3,080	Negotiation	Note 4.5
Dispensing pumps	11,405	7,145	4,260	4,262	Negotiation	Note 4.5
Rolling stock and vehicles	1,354	427	927	1,066	Company policy	Adnan Moosa (Executive)
	1,354	569	785	982	Company policy	Zarak Khan (Executive)
	1,354	569	785	982	Company policy	Rashid Ahmad (Executive)
	1,239	325	914	1,007	Company policy	Azdiar Mobed (Executive)
	1,239	325	914	1,038	Company policy	Aamir Faiz (Executive)
	1,209	317	892	1,013	Company policy	Maheen Fatima (Executive)
	2,750	2,477	273	1,623	Company policy	Amr Ahmed (Executive)
	1,005	813	192	503	Company policy	Khalid Siddiq (Executive)
	925	603	322	590	Company policy	Zulfikar K. Shaikh (Executive)
	796	607	189	698	Company policy	Syed Muddabir Abbas Zaidi (Executive)
	1,725	1,036	689	1,132	Company policy	Shahzad Mohsin (Executive)
	1,269	900	369	730	Company policy	Iqrar Hussain (Executive)
	1,269	693	576	857	Company policy	Arsheela Malik (Executive)
	1,269	693	576	888	Company policy	Sybtain Badami (Executive)
	1,389	883	506	868	Company policy	Zeeshan Uqaily (Executive)
	1,269	668	601	857	Company policy	Erum Khaja (Executive)
	1,389	905	484	868	Company policy	Javed Akhtar (Executive)
	1,809	1,028	781	1,153	Company policy	Gary John Fisher (Executive)
	1,259	252	1,007	1,064	Company policy	Syed Hassan Raza Bokhari (Executive)
	1,270	106	1,164	1,207	Company policy	Aban C. Tengra (Executive)
Electrical, mechanical and fire fighting equipments	8,959	4,483	4,476	4,480	Negotiation	Note 4.5
Furniture, office equipment and other assets	240	86	154	154	Negotiation	Note 4.5

4.5 These represent disposals to various retail site dealers. Due to the significant number of dealers involved, particulars of the disposal above Rs. 50,000 as required by the Fourth Schedule of the Companies Ordinance, 1984 have not been disclosed here.

Notes to the Financial Statements

for the year ended December 31, 2011

4.6 Disposals / write offs of fixed assets include assets written off having a cost of Rs. 434,708 thousand (2010: Rs. 285,163 thousand) and a net book value of Rs. 148,104 thousand (2010: Rs. 143,447 thousand). Due to the significant number of line items involved, particulars of the write offs, above Rs. 50,000 as required by the Fourth Schedule of the Companies Ordinance, 1984 have not been disclosed here.

		Note	2011	2010
			(Rupees '000)	
4.7	**Capital work-in-progress**			
	Buildings on leasehold land		**587,451**	50,252
	Tanks and pipelines		**338,305**	126,333
	Plant and machinery		**175,269**	7,545
	Dispensing pumps		-	2,091
	Rolling stock and vehicles		-	17,975
	Electrical, mechanical and fire fighting equipments		**26,466**	136,883
	Furniture, office equipment and other assets		**611**	1,221
	Capital stores and spares		-	2,004
			1,128,102	344,304
4.8	**Provision for impairment**			
	Balance at the beginning of the year		**44,171**	88,811
	Provision made during the year	30	**38,400**	-
	Amounts written off during the year		-	(44,640)
	Balance at the end of the year		**82,571**	44,171

		Note	2011	2010
5.	**INTANGIBLE ASSETS - Computer software**			
	As at January 1			
	Cost		**1,933,497**	353,568
	Accumulated amortisation		**(253,790)**	(63,995)
	Net book value		**1,679,707**	289,573
	Year ended December 31			
	Opening net book value		**1,679,707**	289,573
	Additions at cost	5.2	-	1,579,929
	Amortisation charge	5.1 and 29	**(358,602)**	(189,795)
	Closing net book value		**1,321,105**	1,679,707
	As at December 31			
	Cost		**1,933,497**	1,933,497
	Accumulated amortisation		**(612,392)**	(253,790)
	Net book value		**1,321,105**	1,679,707

5.1 The cost is being amortised over a period of 5 years. The remaining amortisation period of computer software is 2 to 4 years.

5.2 This represents amounts incurred by the Company in respect of implementation and deployment of its Enterprise Resource Planning (ERP) system as part of its business process transformation and streamline project.

6. LONG - TERM INVESTMENTS

	2011		2010	
	Percentage Holding	Amount (Rupees '000)	Percentage Holding	Amount (Rupees '000)
Investment in associate - unquoted				
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2010: 18,720,000) ordinary shares of Rs. 100 each - note 6.1	**26**	**2,744,610**	26	2,542,853
Others - held as available-for-sale - at cost				
Arabian Sea Country Club Limited 500,000 (2010: 500,000) ordinary shares of Rs. 10 each	**5**	**5,000**	5	5,000
		2,749,610		2,547,853

6.1 Movement of investment in associate

	2011	2010
	(Rupees '000)	
Balance at the beginning of the year	**2,542,853**	2,307,806
Share of profit	**981,817**	916,887
Share of taxation	**(346,626)**	(320,879)
	635,191	596,008
Dividend received	**(433,434)**	(360,961)
Balance at the end of the year	**2,744,610**	2,542,853

Pak-Arab Pipeline Company Limited (PAPCO) commenced its commercial operations in Pakistan in March 2005 as a joint venture between PARCO and oil marketing companies to provide transportation services of petroleum products through the white oil pipeline.

The financial year end for PAPCO is June 30. Summarised financial information of PAPCO based on the latest unaudited financial statements for the six months ended December 31, 2011 and the six months ended December 31, 2010, is as follows:

	2011	2010
	(Rupees '000)	
Total assets	**22,010,759**	22,408,175
Total liabilities	**11,454,568**	12,627,974

Share of contingent liabilities based on the latest financial statements of PAPCO for the six months ended December 31, 2011 amounts to Rs. 18,505 thousand (December 31, 2010: Rs. 10,061 thousand).

	Six months ended December 31, 2011	Six months ended December 31, 2010
	(Rupees '000)	
Revenues	**3,391,373**	3,192,712
Total comprehensive income for the period	**1,259,608**	1,198,070

7. LONG-TERM LOANS AND ADVANCES - Considered good	Note	2011	2010
		(Rupees '000)	
Due from Directors	7.1, 7.2 and 7.3	**2,681**	-
Receivable within one year	14	**(1,399)**	-
		1,282	-
Due from Executives	7.1, 7.2 and 7.3	**129,725**	126,005
Receivable within one year	14	**(50,122)**	(48,759)
		79,603	77,246
Due from Employees	7.2	**14,682**	4,067
Receivable within one year	14	**(6,228)**	(3,928)
		8,454	139
Advances to contractors		**4,575**	4,575
		93,914	81,960

7.1 Reconciliation of the carrying amount of loans and advances to executives and directors

	2011		2010	
	Directors	Executives	Directors	Executives
	(Rupees '000)			
Balance at the beginning of the year	**-**	**126,005**	465	135,222
Disbursements	**3,497**	**86,716**	-	195,360
Repayments	**(816)**	**(82,996)**	(465)	(204,577)
Balance at the end of the year	**2,681**	**129,725**	-	126,005

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

7.3 The maximum aggregate amounts due from Chief Executive, Directors and Executives at the end of any month during the year were Nil (2010: Nil), Rs. 2,914 thousand (2010: Rs. 465 thousand) and Rs. 135,880 thousand (2010: Rs. 126,005 thousand) respectively. The loans to Directors represent key management personnel loans outstanding at year end.

	Note	2011	2010
		(Rupees '000)	
8. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits		**97,145**	75,564
Prepayments		**97,097**	115,102
		194,242	190,666
9. LONG-TERM DEBTORS			
Long-term debtors	9.1 and 13	**3,732**	11,442

9.1 These represent amounts due from customers in respect of which the Company has entered into agreements for recovery of outstanding balances over a period of 1 to 3 years.

		Note	2011	2010
			(Rupees '000)	
10.	**DEFERRED TAXATION**			
	This is composed of the following:			
	Taxable temporary difference arising in respect of:			
	- accelerated tax depreciation		**(719,540)**	(748,048)
	- investment in associate		**(87,261)**	(66,605)
	- assets subject to finance lease		**-**	(45,872)
	Deductible temporary difference arising in respect of:			
	- short-term provisions		**400,066**	410,416
	- carry forward tax losses	10.1	**1,790,551**	2,438,707
	- liabilities against assets subject to finance lease		**-**	4,752
			1,383,816	1,993,350

10.1 Deferred income tax asset is recognised for tax losses available for carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The aggregate unutilized tax losses as at December 31, 2011 amount to Rs. 5,444,606 thousand (2010: Rs. 7,296,481 thousand), out of which deferred income tax asset has been recognised on tax losses amounting to Rs. 5,115,860 thousand (2010: Rs. 6,967,734 thousand), based on projections of future taxable profits of the Company. Tax losses are available for utilization against future taxable profits till December 31, 2014.

		Note	2011	2010
			(Rupees '000)	
11.	**STORES AND SPARES**			
	Stores		**15,143**	20,328
	Spares		**-**	52
			15,143	20,380
	Provision for obsolete stores		**-**	(5,878)
			15,143	14,502
12.	**STOCK-IN-TRADE**			
	Raw and packing materials		**889,352**	1,000,955
	Provision for impairment	12.6	**(25,000)**	-
			864,352	1,000,955
	Finished products			
	- in hand and in pipeline system	12.1, 12.2 and 12.4	**12,204,462**	5,813,090
	- in White Oil Pipeline	12.3 and 12.4	**4,780,013**	5,542,310
			16,984,475	11,355,400
	Provision for impairment	12.6	**(1,605)**	(7,917)
			16,982,870	11,347,483
			17,847,222	12,348,438

12.1 Includes, Rs. 3,181,508 thousand (2010: Rs. 797,375 thousand) in respect of stock-in-transit as at December 31, 2011.

12.2 During the year, expired lubricants amounting to Rs. 2,378 thousand (2010: Rs. 1,134 thousand) were written-off.

12.3 Stock in White Oil Pipeline includes 49,465 MT (2010: 43,750 MT) of High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate.

12.4 Finished goods include debonded inventory amounting to Rs. 9,979,516 thousand (2010: Rs. 8,333,932 thousand).

12.5 The above balance includes items costing Nil (2010: Rs. 1,441,913 thousand) which have been valued at their net realisable value amounting to Nil (2010: Rs. 1,426,142 thousand).

12.6 The movement in the provision for expired / obsolete stock is as follows:

	Note	2011	2010
		(Rupees '000)	
Balance at the beginning of the year		**7,917**	11,779
Provision made during the year		**26,605**	7,917
Amounts reversed / utilised during the year		**(7,917)**	(11,779)
Balance at the end of the year		**26,605**	7,917

13. TRADE DEBTS

	Note	2011	2010
Considered good			
- Secured	13.1	**606,516**	255,269
- Unsecured	13.2	**1,886,126**	1,769,531
		2,492,642	2,024,800
Considered doubtful		**671,251**	671,389
Trade debts - gross		**3,163,893**	2,696,189
Provision for impairment	13.3	**(671,251)**	(671,389)
Trade debts - net		**2,492,642**	2,024,800

The above trade debts are classified as follows:

	Note	2011 Long-term (note 9)	2011 Short-term	2011 Total
		(Rupees '000)		
Trade debts - gross		**16,594**	**3,147,299**	**3,163,893**
Provision for impairment	13.3	**(12,862)**	**(658,389)**	**(671,251)**
		3,732	**2,488,910**	**2,492,642**

	Note	2010 Long-term (note 9)	2010 Short-term	2010 Total
		(Rupees '000)		
Trade debts - gross		27,917	2,668,272	2,696,189
Provision for impairment	13.3	(16,475)	(654,914)	(671,389)
		11,442	2,013,358	2,024,800

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

13.2 Amount due from related party, included in trade debts, is as follows:

	Note	2011	2010
		(Rupees '000)	
Shell Aviation		**190,668**	101,235

13.3 Provision for impairment

	Note	2011	2010
Balance at the beginning of the year		**671,389**	655,172
Provision made during the year	30	**52,679**	173,712
Amounts reversed during the year	31	**(36,702)**	(79,571)
Amounts written off during the year		**(16,115)**	(77,924)
Balance at the end of the year		**671,251**	671,389

13.4 As at December 31, 2011, trade receivables aggregating to Rs. 133,901 thousand (2010: Rs. 525,770 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no or some recent history of default, however, no losses. The ageing analysis of these trade receivables is as follows:

	2011	2010
	(Rupees '000)	
Upto 1 month	**48,410**	386,394
1 to 6 months	**35,582**	69,409
More than 6 months	**49,909**	69,967
	133,901	525,770

13.5 As at December 31, 2011, trade receivables of Rs. 671,251 thousand (2010: Rs. 671,389 thousand) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2011	2010
		(Rupees '000)	
Upto 6 months		**16,303**	17,832
More than 6 months		**654,948**	653,557
		671,251	671,389

14. LOANS AND ADVANCES - Considered good

	Note	2011	2010
Current portion of long-term loans due from			
- Directors	7	**1,399**	-
- Executives	7	**50,122**	48,759
- Employees	7	**6,228**	3,928
		57,749	52,687
Advances to employees		**8,783**	23,500
		66,532	76,187

15. OTHER RECEIVABLES	Note	2011	2010
		(Rupees '000)	
Petroleum development levy and other duties	15.1	**2,364,502**	2,143,552
Price differential claims			
- on imported purchases	15.2	**295,733**	295,733
- on high speed diesel (HSD)	15.3	**747,490**	747,490
- on imported motor gasoline	15.4	**1,961,211**	1,991,916
Sales tax refundable	15.5	**8,530,611**	3,823,001
Inland freight equalisation mechanism		**339,063**	481,900
Service cost receivable from related parties	15.6	**74,787**	129,604
Service cost receivable from associate company - PAPCO		**4,712**	3,495
Staff retirement benefit schemes	35.1.10	**229,702**	192,658
Mark-up receivable on short-term deposits		**1,576**	2,955
Taxes recoverable	24.1.2	**288,896**	-
Others		**978**	80,568
		14,839,261	9,892,872
Provision for impairment		**(206,006)**	(206,006)
		14,633,255	9,686,866

15.1 This includes petroleum development levy recoverable amounting to Rs. 2,274,308 thousand (2010: Rs. 2,070,888 thousand) from the Federal Board of Revenue (FBR) on account of export sales. During the year, the Company has approached the Government of Pakistan (GoP) and FBR for settlement of this receivable. The GoP has sought certain information which the Company has provided and is currently being verified by FBR. The Company is confident of recovery of the amount in full on completion of the verification exercise by FBR.

15.2 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.

15.3 This represents price differential on local / imported purchases of HSD which was based on rates notified by GoP to subsidise petroleum prices by restricting the increase in prices in order to reduce the burden of oil prices on the end consumers. Although the Company has been actively pursuing the matter for clearance of this receivable, it has been delayed by GoP on account of certain observations made in respect of it and settlement of the PARCO pipeline fill claim as referred to in note 24.1.4.

The Company contends that the observations are not related to the Company whereas the matter regarding PARCO's pipeline fill is independent of this claim and therefore is confident of recovering the amount in full in due course.

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

In 2009, oil marketing companies approached the MoPNR requesting an expeditious settlement of these claims. Further, the Company along with the industry also approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. The Company has accordingly submitted audit reports thereafter and for claims till May 31, 2011.

During the year, the Company has received an amount of Rs. 454,000 thousand from GoP in respect of these claims. The Company along with the industry and Oil Companies Advisory Committee (OCAC) continues to follow up this matter with MoPNR and is confident of recovering this amount in full.

15.5 This principally represents sales tax refundable on account of export sales for which the Company has filed claims with the FBR and is actively pursuing for its recovery.

15.6 Amounts due from related parties, included in other receivables, are as follows:

	Note	2011	2010
		(Rupees '000)	
Shell International Petroleum Company Limited		-	14,037
Shell International Limited		**33**	17,054
Shell Netherlands BV		-	31,208
Shell Development & Offshore Pakistan BV		**4,246**	7,216
Shell Markets (Middle East) Limited		**9,227**	3,235
Shell Eastern Petroleum (Pte) Limited		**7,416**	16,024
Shell Marketing (Oman)		-	3,976
Shell Gas and Power International BV		-	7,108
Shell Polska Limited		**4,880**	4,239
Shell and Turcas Petrol A.S.		-	4,987
Shell China Limited		**17,353**	10,041
Shell Malaysia Trading SDN		**11,835**	1,995
Others		**19,797**	8,484
		74,787	129,604

16. CASH AND BANK BALANCES

	Note	2011	2010
Balances with banks			
- current account		**1,379,652**	985,847
- savings account	16.1	**49,996**	43,903
		1,429,648	1,029,750
Cash in hand		**8,799**	15,275
		1,438,447	1,045,025

16.1 Balances with banks carry interest at the rate of 5.5% (2010: 5.5%) per annum.

17. SHARE CAPITAL

17.1 Authorised capital

2011	2010		2011	2010
(Number of Shares)			(Rupees '000)	
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	**1,000,000**	1,000,000

17.2 Issued, subscribed and paid-up capital

2011			2010				2011	2010
Issued for Cash	Issued as bouns share	Total	Issued for Cash	Issued as bouns share	Total			
(Number of shares)							(Rupees '000)	
23,481,000	**-**	**23,481,000**	23,481,000	-	23,481,000	Fully paid in cash	**234,810**	234,810
-	**45,006,913**	**45,006,913**	-	45,006,913	45,006,913	Issued as fully paid bonus shares	**450,070**	450,070
23,481,000	**45,006,913**	**68,487,913**	23,481,000	45,006,913	68,487,913	Closing balance	**684,880**	684,880

17.3 The Shell Petroleum Company Limited, United Kingdom (immediate parent), a subsidiary of Royal Dutch Shell Plc. (ultimate parent), held 52,123,970 (2010: 52,123,970) ordinary shares of Rs. 10 each at December 31, 2011.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

18.1 The Company has entered into lease agreements with various leasing companies for lease of motor vehicles including transport vans. Liabilities under these agreements were payable by the year 2013 and were subject to finance charge at rates ranging from 12.75% to 19.84% (2010: 12.75% to 19.84%) per annum.

18.2 During the year, the Company has settled all the liabilities through accelerated payments and has exercised its option to purchase the leased assets for Rs. 4,548 thousand.

19. ASSET RETIREMENT OBLIGATION

	Note	2011	2010
		(Rupees '000)	
Balance at the beginning of the year		**187,104**	212,038
Obligation booked		**178**	-
Reversal of liability	31	**(8,638)**	(32,651)
Accretion expense	32	**10,707**	7,717
		2,069	(24,934)
Balance at the end of the year		**189,351**	187,104

20. TRADE AND OTHER PAYABLES

	Note	2011	2010
Creditors	20.1	**18,782,851**	14,031,120
Oil marketing companies		**7,607**	7,607
Accrued liabilities		**2,539,936**	2,247,815
Excise and customs duties and development surcharge		**80,743**	106,586
Dealers' and customers' security deposits	20.2	**663,949**	651,140
Advances received from customers		**1,917,721**	2,340,451
Provision for post retirement medical benefits	35.2.2	**41,558**	36,873
Workers' welfare fund		**265,463**	201,025
Workers' profits participation fund	20.3	**11,441**	4,193
Unclaimed dividends		**107,572**	112,639
Payable to the Earthquake Relief Fund		**948**	948
Other liabilities	20.4	**75,314**	196,153
		24,495,103	19,936,550

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20.1 This includes amounts due to related parties aggregating to Rs. 13,930,294 thousand (2010: Rs. 9,232,627 thousand). Particulars of the amounts due are as follows:

	2011	2010
	(Rupees '000)	
Pak-Arab Pipeline Company Limited (Associated Company)	-	35,490
Pakistan Refinery Limited	**1,092,366**	1,439,637
Shell International Petroleum Company Limited	**4,913,082**	3,772,932
Shell International Trading Middle East	**6,543,749**	2,345,283
Shell Lubricants Supply Company	**469,940**	946,061
Shell Brands International AG	-	292,086
Shell International Limited	**68,214**	7,181
Shell International BV	**151,462**	139,445
Shell Information Technology	**285,180**	111,242
Shell Eastern Trading (Pte) Limited	**48,005**	5,394
Shell Deutschland Oil GmbH	**10,819**	2,448
Shell Business Service Centre	**94,507**	45,264
Shell International Limited - SRES	**48,722**	39,809
Shell Shared Services (Asia) BV	**125,940**	15,150
Shell & Turcas Petrol A.S.	**16,060**	12,141
Shell People Services Asia SDN BHD	**16,974**	9,475
Other related parties	**45,274**	13,589
	13,930,294	9,232,627

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

20.3 Workers' profits participation fund	**Note**	**2011**	**2010**
		(Rupees '000)	
Balance at the beginning of the year		**4,193**	9,909
Allocation for the year	30	**119,051**	131,476
		123,244	141,385
Amount paid during the year		**(111,803)**	(137,192)
Balance at the end of the year		**11,441**	4,193

20.4 Other liabilities include Rs. 49,044 thousand (2010: Rs. 130,421 thousand) in respect of termination benefits payable to employees under a staff redundancy plan finalised during 2009. Termination benefits to be paid through post retirement benefit funds have been accounted for in the funds valuation as disclosed in note 35 to the financial statements.

21. ACCRUED MARK-UP	**2011**	**2010**
	(Rupees '000)	
Mark-up accrued on:		
- short-term running finances utilised under mark-up arrangements	**207,151**	54,576
- short-term loans	**10,494**	31,774
	217,645	86,350

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

22.1 The facilities for short-term running finances available from various banks aggregate to Rs. 19,480,000 thousand (2010: Rs. 19,890,000 thousand). The rates of mark-up range from Re. 0.3433 to Re. 0.4216 per Rs. 1,000 per day (2010: Re. 0.3937 to Re. 0.4485 per Rs. 1,000 per day). The purchase prices are payable on various dates by October 30, 2012. These arrangements are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

23. SHORT-TERM LOANS – Secured

23.1 The loans have been obtained from various banks and carry mark-up at rates ranging from 12.33% to 13.27% (2010: 13.70% to 14.00%) per annum. The loans are repayable by January 13, 2012. These loans are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 Infrastructure fee

The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air.

The Company and several others challenged the levy in constitutional petitions before the High Court of Sindh. These petitions were dismissed as, during their pendency, the nature of the levy was changed by the Government of Sindh through an Ordinance. The Company and others therefore filed civil suits in the High Court of Sindh challenging the amended Ordinance. However, these suits were also dismissed in October 2003. All the plaintiffs preferred intra-court appeals against the dismissal. The intra-court appeals were decided by the High Court in September 2008 wherein it was held that the levy is valid and collectable only from December 12, 2006 onwards and not prior to this date. Being aggrieved by the said judgment, both the Company and the Government of Sindh filed separate appeals before the Supreme Court of Pakistan. During the year the Government of Sindh, unconditionally withdrew its appeals on the plea that the Sindh Assembly had legislated the Sindh Finance (Amendment) Act, 2009, levying infrastructure fee with retrospective effect from 1994. However, the Supreme Court of Pakistan, in view of the new legislation, directed the Company and others to file fresh petitions to challenge the same before the High Court and set aside the earlier order of the High Court.

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

Subsequent to the orders of the court the Company has reviewed its position and without acknowledging it as a debt now estimates the accumulated levy up to December 31, 2011 at Rs. 30,993 thousand (2010: Rs. 53,300 thousand). However, the eventual obligation on account of the aggregate fee, if any, cannot be ascertained presently because of uncertainty in relation to the extent of its application to the Company. For these reasons based on legal advice obtained, no provision has been made in the financial statements against the levy as the Company's management expects a favourable outcome.

24.1.2 Taxation

24.1.2.1 During the year, the Company received orders for the tax years 2004 to 2007, 2009 and 2010 raising a demand of Rs. 294,233 thousand (including default surcharge amounting to Rs. 114,924 thousand) in respect of these years by holding the Company as an assessee in default for not withholding tax on rebates given to pump operators, dealers and non-dealers on sales made to them during these years on the grounds that the rebates given were in the nature of prize for promotion of sales by the Company on which the Company failed to withhold tax as required under Section 156 of the Income Tax Ordinance, 2001 (ITO 2001). Against this demand the Company, based on the advice of its tax consultant, has paid an amount of Rs. 179,309 thousand under the tax amnesty scheme announced by the FBR through SRO 647(I)/2011 dated June 25, 2011 to avoid default surcharge and penalties.

The Company has filed appeals against these demands with the Commissioner Inland Revenue (CIR) (Appeals) where the initial hearings have been completed and decision from CIR is pending. Further, for tax year 2008 the Company received a show cause notice on similar grounds. The Company has filed a constitutional petition with the High Court for this year and has obtained a stay from further proceedings by depositing an amount of Rs. 16,388 thousand and furnishing a guarantee of Rs. 7,867 thousand.

However, the Company, based on the merits of the case and on the advice of its tax consultant, out of the above demand has provided an amount of Rs. 19,854 thousand in the financial statements, representing its best estimate of the liability @ 10% under Section 156 A of the ITO 2001, on rebates to pump operators. Under Section 156 A of the ITO 2001, tax is required to be withheld at 10% of the amount of any commission or discount allowed on petroleum products sold to pump operators. The management is confident that the eventual outcome of the matter will be in its favour, accordingly no provision has been made against the remaining balance of Rs. 159,455 thousand. The payments made against the demand to the extent considered recoverable have been included in other receivables as reflected on the balance sheet in the financial statements.

24.1.2.2 During the year, the Company received a demand from tax authorities in respect of tax year 2008 amounting to Rs. 735,109 thousand. The demand principally arose due to addition made by assessing officer in respect of allocation of common expenses and taxing the reversal of provision for impairment in trade and other receivables. Further, assessing officer has also disallowed the credit for minimum tax amounting to Rs. 482,685 thousand paid in earlier year and set-off against tax liability for the tax year 2008. The Company in response to the demands has deposited an amount of Rs. 120,000 thousand and has filed an appeal with the Commissioner Inland Revenue (CIR) (Appeals) where the Company, based on the advice of its tax consultant expects a favourable outcome and as such has not made any provision there against. The payments made against the demand have been included in other receivables as reflected on the balance sheet in the financial statement.

24.1.3 Sales tax and federal excise duty (FED)

24.1.3.1 During the year, the tax authorities after conducting sales tax and federal excise audit for period July 2008 to June 2009 and post refund audit for period September and October 2008 raised sales tax and federal excise duty demands amounting to Rs. 1,843,529 thousand through several orders. The demands primarily arose on account of (i) disallowing input tax against zero rated supplies; (ii) levying FED on license fee, group service fee and trade mark and manifestation fee; (iii) levying sales tax on difference in output sales tax as per return and financial statements; and (iv) sales tax on lubricants paid on the value of supply instead of retail price as mentioned on packs. The Company in response to the aforementioned orders has filed appeals and sought stay against the demands with the Appellate Tribunal Inland Revenue (ATIR) and Commissioner Inland Revenue (Appeals) [CIR(A)] where one of the appeals has been heard by the ATIR and order is awaited. Further, ATIR has also granted stay against recovery of the demands. The appeal and stay application filed with CIR(A) is pending hearing.

The Company with respect to the merits of the case based on the advice of its tax consultant and legal opinion obtained, expects a favourable outcome on the matter and accordingly no provision has been made in this respect in these financial statements.

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

The FBR has issued directives restricting collectorates from any recovery actions and has also issued a notification dated February 10, 2012 confirming that value addition sales tax is not to be charged on POL products whose prices are regulated under special pricing arrangement by the GoP or regulatory authority working under the GoP. The Company is of the opinion that OMCs are also not required to charge value addition sales tax on unregulated products and is confident that revised notification in this respect will be issued for which it will be approaching FBR along with the industry. Further, in the event the Company is required to make a payment in this respect, it is Company's contention that it will be able to claim the amount paid as input tax except for default surcharge which cannot be computed at this stage. Accordingly, no provision has been made in this respect in these financial statements.

24.1.4 PARCO pipeline fill

The MoPNR has made a claim relating to the loan arranged by the Government of Pakistan to the Company to finance the initial fill of the Pak-Arab Refinery Limited (PARCO) Pipeline. MoPNR has calculated the Company's liability by applying the price prevailing on August 11, 2000 to the quantity of fuel supplied at the time of initial fill.

The Company maintains that its liability is limited only to the extent of Rs. 78,164 thousand (2010: Rs. 78,164 thousand) which is based on the price prevailing at the time of the initial fill and has been fully paid in March 2007.

The claim, if calculated on August 11, 2000 price as indicated by MoPNR, would amount to an additional liability of Rs. 215,836 thousand. Based on legal advice obtained, the management is confident that its liability in this respect amounted to Rs. 78,164 thousand which has been paid and consequently no provision has been made for the additional demand raised by MoPNR.

24.1.5 Others

The amount of other claims against the Company not acknowledged as debt as at December 31, 2011 aggregate approximately Rs. 2,402,630 thousand (2010: Rs. 1,921,096 thousand). This includes claims by refineries, amounting to Rs. 996,554 thousand (2010: Rs. 996,554 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

24.2 Commitments

24.2.1 Capital expenditure contracted for but not incurred as at December 31, 2011 amounted to approximately Rs. 308,517 thousand (2010: Rs. 196,710 thousand).

24.2.2 Commitments for rentals of assets under operating lease agreements as at December 31, 2011 amounted to Rs. 2,822,905 thousand (2010: Rs. 2,361,356 thousand) payable as follows:

	2011	2010
	(Rupees '000)	
Not later than one year	**152,284**	147,548
Later than one year and not later than five years	**638,394**	584,816
Later than five years	**2,032,227**	1,628,992
	2,822,905	2,361,356

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24.2.3 Post-dated cheques have been deposited with the Collector of Customs Port Qasim and Karachi Port Trust in accordance with the Customs' Act, 1969 as an indemnity to adequately discharge the liability for the duties and taxes leviable on imports, as required under the Finance Act, 2005. As at December 31, 2011, the value of these cheques amounted to Rs. 4,927,938 thousand (2010: Rs. 6,657,745 thousand). The maturity dates of these cheques extend to June 29, 2012 (2010: June 27, 2011).

24.2.4 Letters of credit and bank guarantees outstanding at December 31, 2011 amount to Rs. 4,441,046 thousand (2010: Rs. 4,220,825 thousand).

		Note	2011	2010
			(Rupees '000)	
25.	**SALES (INCLUSIVE OF SALES TAX)**			
	Local sales		**217,147,625**	197,597,008
	Export sale		**31,324,480**	27,313,827
	Gross sales		**248,472,105**	224,910,835
	Trade discounts and rebates		**(965,568)**	(1,097,243)
			247,506,537	223,813,592
26.	**OTHER REVENUE**			
	Licence fee charged to dealers		**550,168**	406,520
27.	**COST OF PRODUCTS SOLD**			
	Opening stock of raw and packing materials		**1,000,955**	818,939
	Raw and packing materials purchased		**7,049,537**	6,117,414
	Closing stock of raw and packing materials	12	**(864,352)**	(1,000,955)
	Raw and packing materials consumed		**7,186,140**	5,935,398
	Manufacturing expenses		**230,927**	201,654
	Cost of products manufactured		**7,417,067**	6,137,052
	Opening stock of finished products		**11,347,483**	12,257,779
	Finished products purchased		**190,444,859**	153,358,681
	Duties and levies	27.1	**14,442,131**	24,997,124
	Closing stock of finished products	12	**(16,982,870)**	(11,347,483)
			206,668,670	185,403,153
27.1	**Duties and levies**			
	Petroleum development levy		**7,285,712**	17,744,710
	Customs and excise duty		**2,176,507**	1,886,442
	Inland freight equalisation margin		**4,890,945**	5,321,917
	Others		**88,967**	44,055
			14,442,131	24,997,124

28. DISTRIBUTION AND MARKETING EXPENSES	Note	2011	2010
		(Rupees '000)	
Salaries, wages and benefits	28.1	**1,213,495**	1,160,149
Staff training		**7,100**	9,802
Stores and materials		**31,082**	44,271
Fuel and power		**60,052**	63,218
Rent, taxes and utilities		**283,516**	291,192
Repairs and maintenance		**331,694**	293,193
Insurance		**87,266**	91,791
Travelling		**219,013**	182,578
Advertising and publicity		**329,815**	185,485
Legal and professional charges		**136,335**	107,303
Communication and stationery		**38,890**	24,929
Computer expenses		**44,694**	21,050
Storage and other charges		**181,756**	98,529
Others		**67,294**	41,174
		3,032,002	2,614,664
Handling and storage charges recovered		**(46,498)**	(30,968)
Secondary transportation expenses		**1,155,532**	1,940,362
		4,141,036	4,524,058

28.1 Salaries, wages and benefits include Rs. 138,003 thousand (2010: Rs. 151,067 thousand) in respect of staff retirement benefits.

29. ADMINISTRATIVE EXPENSES	Note	2011	2010
		(Rupees '000)	
Salaries, wages and benefits	29.1	**245,235**	556,974
Staff training		**8,916**	3,978
Stores and materials		**6,832**	19,088
Fuel and power		**29,788**	33,584
Rent, taxes and utilities		**8,468**	18,592
Repairs and maintenance		**18,334**	33,014
Insurance		**4,941**	5,278
Travelling		**54,488**	41,228
Advertising and publicity		**7,684**	2,419
Technical service fee		**1,037,354**	1,032,223
Trade marks and manifestations licence fee		**222,815**	183,880
Legal and professional charges		**253,941**	232,214
Communication and stationery		**384,102**	378,314
Computer expenses		**199,488**	187,717
Depreciation - operating assets	4.2	**701,446**	777,417
Amortisation - intangible assets	5	**358,602**	189,795
		3,542,434	3,695,715
Costs recovered under Service Level Agreement from related parties		**(70,987)**	(15,910)
		3,471,447	3,679,805

29.1 Salaries, wages and benefits include Rs. 33,021 thousand (2010: Rs. 72,526 thousand) in respect of staff retirement benefits.

30. OTHER OPERATING EXPENSES	Note	2011 (Rupees '000)	2010 (Rupees '000)
Workers' profits participation fund	20.3	**119,051**	131,476
Workers' welfare fund		**64,438**	49,961
Exchange loss		**296,305**	245,078
Provision for impairment of trade debts	13.3	**52,679**	173,712
Provision for impairment of operating assets	4.8	**38,400**	-
Loss on disposal of operating assets		**-**	4,052
Write off of operating assets		**148,104**	98,922
Auditors' remuneration	30.1	**4,617**	4,693
Donations	30.2	**22,337**	30,695
		745,931	738,589

30.1 Auditors' remuneration

	2011	2010
Audit fee	**2,970**	2,700
Fee for substantiating Inland Freight Equalisation Margin	**492**	540
Audit of retirement benefit funds	**275**	190
Special certifications and sundry advisory services	**452**	903
Out of pocket expenses	**428**	360
	4,617	4,693

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

Name of Donee and address	Names of interested Directors and nature of interest	2011 (Rupees '000)	2010 (Rupees '000)
Shell LiveWIRE Trust (Shell House, 6 Ch. Khaliquzzaman Road, Karachi)	Mr. Sarim Sheikh / Mr. Zaiviji Ismail bin Abdullah - Chairman Board of Trustees Mr. Rafi H. Basheer - Trustee (2010: Mr. Zaiviji Ismail bin Abdullah - Chairman Board of Trustees Mr. Gary Fisher - Trustee Mr. Rafi H. Basheer - Trustee)	**2,000**	2,000
The Layton Rahmatulla Benevolent Trust (37-C, Phase II, Sunset Lane No. 4, DHA, Karachi)	Mr. Zaiviji Ismail bin Abdullah - Trustee Mr. Farrokh K. Captain - Trustee (2010: Mr. Zaiviji Ismail bin Abdullah - Trustee Mr. Farrokh K. Captain - Trustee)	**2,000**	3,000
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Sarim Sheikh / Mr. Zaiviji Ismail bin Abdullah - Member, Board of Governors Mr. Nasser N. S. Jaffer - Member, Board of Governors (2010: Mr. Zaiviji Ismail bin Abdullah - Member, Board of Governors)	**1,000**	6,000

Notes to the Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
31.	**OTHER OPERATING INCOME**			
	Income from financial assets / liabilities			
	Reversal of provision for impairment of trade debts	13.3	**36,702**	79,571
	Liabilities no longer payable written back		**-**	213,355
	Mark-up on short-term deposits		**26,931**	52,471
	Income from non-financial assets			
	Gain on disposal of operating assets		**24,252**	-
	Reversal of asset retirement obligation	19	**8,638**	32,651
	Sundries		**74,621**	149,400
			171,144	527,448
32.	**FINANCE COSTS**			
	Bank charges		**217,027**	186,790
	Accretion expense	19	**10,707**	7,717
	Mark-up on short-term running finances, short-term loans and long-term loans		**1,866,644**	1,065,444
	Finance charge on liabilities against assets subject to finance lease		**1,505**	4,726
			2,095,883	1,264,677
33.	**TAXATION**			
	Current			
	for the year			
	- final tax		**394,688**	336,044
	- minimum turnover tax		**895,704**	751,011
			1,290,392	1,087,055
	for prior years		**26,801**	-
	Deferred		**609,534**	341,448
			1,926,727	1,428,503
33.1	**Relationship between tax expense and accounting profit**			
	Accounting profit before taxation		**2,832,717**	3,044,085
	Tax rate		**35%**	35%
	Tax on accounting profit		**991,451**	1,065,430
	Tax effect of income under final tax regime		**169,464**	(353,998)
	Tax impact on account of lower tax rate on share of profit of associate		**(158,798)**	(149,002)
	Prior years charge		**26,801**	-
	Minimum tax		**895,704**	751,011
	Write off of carry-forward losses		**-**	115,062
	Others		**2,105**	-
	Tax expense for the year		**1,926,727**	1,428,503

Notes to the Financial Statements

for the year ended December 31, 2011

		2011	2010
34.	**EARNINGS PER SHARE**	(Rupees '000)	
34.1	**Basic**		
	Profit after taxation attributable to ordinary shareholders	**905,990**	1,615,582
		No. of Shares	
	Weighted average number of ordinary shares in issue during the year	**68,487,913**	68,487,913
		Rupees	
	Earnings per share	**13.23**	23.59

34.2 Diluted

There were no convertible potential ordinary shares in issue as at December 31, 2011 and December 31, 2010.

35. EMPLOYEE BENEFITS

35.1 Pension & Gratuity

As mentioned in note 2.15, the Company operates funded gratuity and pension schemes for all its employees. Contributions are made to these schemes on the basis of actuarial recommendations. The latest actuarial valuation was carried out as at December 31, 2011.

35.1.1 Actuarial assumptions

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

	2011	2010
	% per annum	
- Expected rate of increase in future salaries	**10.75**	12.00
- Discount rate	**13.00**	14.25
- Expected rate of return on plan assets	**13.00**	14.25

35.1.2 Balance sheet reconciliation

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets - note 35.1.3	**2,083,112**	**(132,408)**	**11,701**	**83,158**	**2,045,563**	1,805,018	(22,202)	10,036	85,266	1,878,118
Present value of defined benefit obligation - note 35.1.4	**(1,624,845)**	**(303,367)**	**-**	**(71,026)**	**(1,999,238)**	(1,639,691)	(312,376)	(4)	(61,081)	(2,013,152)
Surplus / (deficit)	**458,267**	**(435,775)**	**11,701**	**12,132**	**46,325**	165,327	(334,578)	10,032	24,185	(135,034)
Actuarial (gains) / losses to be recognised in future periods in accordance with the Company's accounting policy	**(121,262)**	**57,177**	**(681)**	**6,513**	**(58,253)**	74,012	37,719	(285)	(3,250)	108,196
Asset / (liability) in respect of staff retirement benefit schemes	**337,005**	**(378,598)**	**11,020**	**18,645**	**(11,928)**	239,339	(296,859)	9,747	20,935	(26,838)

Notes to the Financial Statements

for the year ended December 31, 2011

35.1.3 Movement in the fair value of plan assets

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Fair value of plan assets at the beginning of the year	1,805,018	(22,202)	10,036	85,266	1,878,118	1,611,406	73,814	8,700	83,741	1,777,661
Expected return on plan assets	234,627	(10,773)	1,240	10,799	235,893	176,140	1,900	1,051	9,747	188,838
Contribution by the Company	95,696	23,446	-	-	119,142	98,018	22,467	-	69	120,554
Contribution by the employees	11,322	-	-	-	11,322	11,772	-	-	-	11,772
Benefits paid during the year	(101,519)	(141,070)	-	(16,325)	(258,914)	(115,583)	(146,231)	(3)	(2,406)	(264,223)
Actuarial gains / (losses) on plan assets	37,968	18,191	425	3,418	60,002	23,265	25,848	288	(5,885)	43,516
Fair value of plan assets at the end of the year	2,083,112	(132,408)	11,701	83,158	2,045,563	1,805,018	(22,202)	10,036	85,266	1,878,118

35.1.4 Movement in the present value of defined benefit obligations

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Present value of obligation at the beginning of the year	1,639,691	312,376	4	61,081	2,013,152	1,504,137	347,424	4	52,298	1,903,863
Current service cost	88,936	17,715	-	2,452	109,103	88,787	17,250	-	2,177	108,214
Interest cost	226,302	24,236	-	8,633	259,171	193,138	21,270	-	6,519	220,927
Benefits paid during the year	(101,519)	(141,070)	-	(16,325)	(258,914)	(115,583)	(146,231)	(3)	(2,406)	(264,223)
Past service cost	-	-		-	-	-	-	-	1,970	1,970
Actuarial (gains) / losses on obligation	(148,319)	43,869	(4)	12,342	(92,112)	8,045	7,633	3	523	16,204
Curtailments	(80,246)	46,241	-	2,843	(31,162)	(38,833)	65,030	-	-	26,197
Present value of obligation at the end of the year	1,624,845	303,367	-	71,026	1,999,238	1,639,691	312,376	4	61,081	2,013,152

35.1.5 Amount recognised in the profit and loss account

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	88,936	17,715	-	2,452	109,103	88,787	17,250	-	2,177	108,214
Interest cost	226,302	24,236	-	8,633	259,171	193,138	21,270	-	6,519	220,927
Expected return on plan assets	(234,627)	10,773	(1,240)	(10,799)	(235,893)	(176,140)	(1,900)	(1,051)	(9,747)	(188,838)
Past service cost	-	-	-	-	-	-	-	-	1,970	1,970
Curtailment (gain) / loss	(80,246)	46,241	-	2,843	(31,162)	(38,833)	65,030	-	-	26,197
Net actuarial loss / (gain) recognised during the year	8,987	6,220	(33)	(839)	14,335	13,576	11,844	-	(1,136)	24,284
Employee contributions	(11,322)	-	-	-	(11,322)	(11,772)	-	-	-	(11,772)
(Reversal) / expense for the year	(1,970)	105,185	(1,273)	2,290	104,232	68,756	113,494	(1,051)	(217)	180,982
Actual return on plan assets	272,595	7,418	1,665	14,217	295,895	199,405	27,748	1,339	3,862	232,354

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

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at the beginning of year	239,339	(296,859)	9,747	20,935	(26,838)	210,077	(205,837)	8,696	20,649	33,590
Net reversal / (charge) for the year	1,970	(105,185)	1,273	(2,290)	(104,232)	(68,756)	(113,494)	1,051	217	(180,982)
Contributions by the Company	95,696	23,446	-	-	119,142	98,018	22,467	-	69	120,554
Asset / (liability) in respect of staff retirement benefit schemes	337,005	(378,598)	11,020	18,645	(11,928)	239,339	(296,859)	9,747	20,935	(26,838)
Current account balance with funds	31,281	182,661	-	-	213,942	37,181	104,946	-	-	142,127
	368,286	(195,937)	11,020	18,645	202,014	276,520	(191,913)	9,747	20,935	115,289

Notes to the Financial Statements

for the year ended December 31, 2011

35.1.7 Plan assets comprised of the following:

	2011					2010				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
PIB's, TFC's etc	**1,583,964**	**89,543**	**5,857**	**45,642**	**1,725,006**	970,792	38,898	5,958	40,344	1,055,992
Mutual Fund Units	**-**	**-**	**-**	**-**	**-**	141,346	43,033	697	11,413	196,489
Bank deposits	**522,538**	**2,954**	**15,578**	**53,294**	**594,364**	730,061	813	3,381	33,509	767,764
Interfund dues	**9,734**	**-**	**(9,734)**	**-**	**-**	-	-	-	-	-
Benefits due	**(1,843)**	**(42,244)**	**-**	**(15,778)**	**(59,865)**	-	-	-	-	-
Due to Shell Pakistan Limited	**(31,281)**	**(182,661)**	**-**	**-**	**(213,942)**	(37,181)	(104,946)	-	-	(142,127)
	2,083,112	**(132,408)**	**11,701**	**83,158**	**2,045,563**	1,805,018	(22,207)	10,036	85,266	1,878,118

35.1.8 Expected contributions to the above schemes for the year ending December 31, 2012 are Rs. 38,000 thousand.

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

35.1.10 The break-up of balance receivable from staff retirement benefit schemes is:

	2011	2010
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	**202,014**	115,289
Total balance receivable in respect of defined contribution schemes	**27,688**	77,369
	229,702	192,658

35.2 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:

35.2.1 Actuarial assumptions

	2011	2010
	% per annum	
The following significant assumptions were used in the valuation of this scheme:		
- Discount rate	**13.00**	14.25
- Medical cost trend rate	**7.50**	8.75

35.2.2 Amount recognised in the balance sheet

	Note	2011	2010
		(Rupees '000)	
Present value of defined benefit obligation	35.2.3	**71,122**	58,302
Fair value of plan assets		**-**	-
		71,122	58,302
Actuarial losses to be recognised in future periods in accordance with the Company's accounting policy		**(29,564)**	(21,429)
Liability recognised at the end of the year		**41,558**	36,873

		Note	2011	2010
			(Rupees '000)	
35.2.3	**Movement in the present value of defined benefit obligation**			
	Present value of obligation at the beginning of the year		**58,302**	53,814
	Current service cost		**1,451**	1,315
	Interest cost		**7,900**	6,576
	Benefits paid during the year		**(5,776)**	(4,621)
	Acturial losses on obligation		**9,245**	1,218
	Present value of obligation at the end of the year		**71,122**	58,302
35.2.4	**Movement in the liability recognised in the balance sheet**			
	Balance at the beginning of the year		**36,873**	31,107
	Charge for the year	35.2.5	**10,461**	10,387
	Payments during the year		**(5,776)**	(4,621)
	Balance at the end of the year		**41,558**	36,873
35.2.5	**Amount recognised in the profit and loss account**			
	Current service cost		**1,451**	1,315
	Interest cost		**7,900**	6,576
	Actuarial loss recognised during the year		**1,110**	2,496
			10,461	10,387

35.2.6 The effect of a 1% movement in the assumed medical cost trend rate is as follows:

Additional expense	**Increase of 1%**	**Decrease of 1%**
	(Rupees '000)	
- Effect on the aggregate of the current service cost and interest cost for the year	1,657	1,319
- Effect on the defined benefit obligation at the end of the year	8,596	7,085

35.3 Five year data on surplus / deficit of the plans and experience adjustments

The Company amortizes gains and losses over the expected remaining service of current plan members. The following table shows the total pension, gratuity and post retirement medical benefit obligation at the end of each year and the proportion thereof resulting from experience loss during the year, similarly, it shows the total pension and gratuity plan assets at the end of each year and the proportion thereof resulting from experience gain during the year.

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	June 30, 2008
	(Rupees '000)				
Present value of defined benefit obligation	**2,070,360**	2,071,454	1,957,677	1,559,628	1,481,487
Fair value of plan assets	**(2,045,563)**	(1,878,118)	(1,777,661)	(1,460,480)	(1,500,515)
(Deficit) / surplus	**(24,797)**	(193,336)	(180,016)	(99,148)	19,028
	(Percentage)				
Experience adjustments:					
Loss / (gain) on obligation	2	1	(3)	-	1
Gain / (loss) on plan assets	3	2	5	(9)	(2)

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

	2010	2009
	(Rupees '000)	
Shell Pakistan Management Staff Provident Fund	**559,916**	499,357
Shell Pakistan Staff Provident Fund	**3,462**	3,691
Shell Pakistan Labour Provident Fund	**107,765**	90,981
Shell Pakistan Management Staff Gratuity Fund	**79,274**	76,386
Shell Pakistan Labour and Clerical Staff Gratuity Fund	**84,340**	82,029
Shell Pakistan Management Staff Pension Fund	**1,746,359**	1,570,307
Shell Pakistan Staff Pension Fund	**9,255**	8,197
	2,590,371	2,330,948

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

	2011	2010
	(Rupees '000)	
- in respect of pension and gratuity scheme	**104,232**	180,982
- in respect of provident funds	**56,331**	32,224
- in respect of post retirement medical benefit scheme	**10,461**	10,387
	171,024	223,593

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)			(Rupees '000)		
Short-term employee benefits						
Managerial remuneration (including bonus)	**35,769**	**51,922**	**866,922**	30,802	29,293	934,421
Housing:						
- Rent	**5,540**	**-**	**-**	4,650	-	-
- Utilities	**847**	**1,032**	**24,144**	1,123	498	23,511
- Other items	**108**	**270**	**6,468**	72	144	6,900
Medical expenses	**95**	**262**	**22,836**	54	421	26,593
	42,359	**53,486**	**920,370**	36,701	30,356	991,425
Post-employment benefits						
Company's contribution to pension, gratuity and provident fund	**1,675**	**2,563**	**115,484**	-	4,210	119,037
	44,034	**56,049**	**1,035,854**	36,701	34,566	1,110,462
Number of person(s) at year end	**1**	**3**	**389**	1	4	467

36.1 Aggregate amount charged in the financial statements for the year for fee to 6 Non-Executive Directors was Rs. 1,120 thousand (2010: 5 Non-Executive Directors Rs. 1,080 thousand).

36.2 In addition, the Chief Executive, Executive Directors and some of the Executives were also provided with free use of Company maintained cars and are entitled to certain benefits from Shell Group. The Chief Executive was also provided with Company furnished accommodation.

37. RELATED PARTY TRANSACTIONS

Significant transactions entered by the Company with related parties are as follows:

Nature of relationship	Nature of transactions	Note	2011 (Rupees '000)	2010 (Rupees '000)
Associate				
Pak-Arab Pipeline Company Limited	Pipeline charges		**705,204**	813,495
Staff retirement benefit / contribution funds				
Pension Funds	Contribution		**95,696**	98,018
Gratuity Funds	Contribution		**23,446**	22,536
Provident Funds	Contribution		**43,175**	30,353
Other related parties	Purchases		**89,490,290**	88,527,179
	Sales		**2,161,446**	1,113,071
	Technical service fee charged	37.1	**1,037,354**	1,032,223
	Trade marks and manifestations license fee charged	37.2	**222,815**	183,880
	Computer expenses charged (Global Infrastruture Desktop charges)	37.2	**174,879**	146,482
	ERP implementation charges	37.3	**-**	1,270,668
	Expenses recovered from related parties		**288,344**	352,075
	Other expenses charged by related parties	37.4	**510,330**	503,284
	Legal charges		**342**	38
	Gain on disposal of operating assets to key management personnel		**372**	1,705

37.1 Technical services include advice and assistance to the Company in its operations. The fee for these services have been determined on the basis of an agreement between the Company and a related Shell Group company based on an agreed methodology.

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

37.3 These represent charges in respect of implementation of Company's Enterprise Resource Planning (ERP) system as mentioned in note 5.2 to these financial statements.

37.4 These includes charges amounting to Rs. 197,432 thousand (2010: 216,897 thousand) in respect of services obtained from Shell Shared Business Service Centre companies under agreement entered into with them by the Company.

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37.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive and Executive Directors to be key management personnel. Particulars of transactions entered into with key management personnel are as per their terms of employment as are disclosed in notes 4.4, 7 and 36 to these financial statements.

37.6 Transactions and outstanding balance in respect of the workers' profits participation fund are disclosed in note 20.3 to these financial statements.

37.7 Expenses recovered from / charged by related parties are based on actuals. The related outstanding balances have been disclosed in notes 13.2, 15.6 and 20.1 to these financial statements.

38. INFORMATION ABOUT PRODUCTS

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

Product	Note	2011	2010
		(Rupees '000)	
Motor Gasoline		**56,512,773**	44,716,399
High Speed Diesel		**122,688,886**	107,341,188
Jet Fuels		**43,245,007**	37,662,539
Lubricants		**12,954,767**	11,837,802
Others		**12,105,104**	22,255,664
	25	**247,506,537**	223,813,592

39. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
Profit before taxation		**2,832,717**	3,044,085
Adjustment for non-cash charges and other items:			
Depreciation and amortisation charge		**1,085,375**	988,971
Provision for asset retirement obligation	19	**178**	-
Accretion expense in respect of asset retirement obligation	32	**10,707**	7,717
Reversal of liability in respect of asset retirement obligation	31	**(8,638)**	(32,651)
Provision for impairment of trade debts	30	**52,679**	173,712
Reversal of provision for impairment of trade debts	31	**(36,702)**	(79,571)
Provision for impairment of operating assets	30	**38,400**	-
Write off of operating assets	30	**148,104**	98,922
(Gain) / Loss on disposal of operating assets	31 and 30	**(24,252)**	4,052
Adjustments in operating assets	4.1	**15,751**	-
Share of profit of associate	6.1	**(635,191)**	(596,008)
Mark-up on short-term deposits	31	**(26,931)**	(52,471)
Mark-up on short-term running finances, short-term loans and long-term loans	32	**1,866,644**	1,065,444
Finance charge on liabilities against assets subject to finance lease	32	**1,505**	4,726
Working capital changes	39.1	**(6,334,809)**	(112,070)
		(1,014,463)	4,514,858

39.1 Working capital changes	Note	2011	2010
		(Rupees '000)	
(Increase) / decrease in current assets			
Stores and spares		**(641)**	1,217
Stock-in-trade		**(5,498,784)**	728,280
Trade debts		**(495,142)**	(886,926)
Loans and advances		**9,655**	(15,904)
Short-term prepayments		**34,251**	(55,334)
Other receivables		**(4,947,768)**	(3,833,131)
		(10,898,429)	(4,061,798)
Increase in current liabilities			
Trade and other payables		**4,563,620**	3,949,728
		(6,334,809)	(112,070)

40. CASH AND CASH EQUIVALENTS

	Note	2011	2010
Cash and bank balances	16	**1,438,447**	1,045,025
Short-term running finances utilised under mark-up arrangements		**(7,866,032)**	(1,586,438)
Short-term loans		**(7,879,000)**	(8,400,000)
		(14,306,585)	(8,941,413)

41. FINANCIAL ASSETS AND LIABILITIES

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

	2011						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial assets							
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans	56,913	88,240	145,153	836	1,099	1,935	147,088
Deposits	-	-	-	-	97,145	97,145	97,145
Trade debts	-	-	-	2,488,910	3,732	2,492,642	2,492,642
Other receivables	-	-	-	3,329,412	-	3,329,412	3,329,412
Cash and bank balances	49,996	-	49,996	1,388,451	-	1,388,451	1,438,447
	106,909	88,240	195,149	7,207,609	106,976	7,314,585	7,509,734
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	22,178,177	-	22,178,177	22,178,177
Accrued mark-up	-	-	-	217,645	-	217,645	217,645
Short-term running finance utilised under mark-up arrangements	7,866,032	-	7,866,032	-	-	-	7,866,032
Short-term loans	7,879,000	-	7,879,000	-	-	-	7,879,000
	15,745,032	-	15,745,032	22,395,822	-	22,395,822	38,140,854
On balance sheet gap	(15,638,123)	88,240	(15,549,883)	(15,188,213)	106,976	(15,081,237)	(30,631,120)

	2010						
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial assets							
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans	51,664	76,359	128,023	1,023	1,026	2,049	130,072
Deposits	-	-	-	-	75,564	75,564	75,564
Trade debts	-	-	-	2,013,358	11,442	2,024,800	2,024,800
Other receivables	-	-	-	3,637,526	-	3,637,526	3,637,526
Cash and bank balances	43,903	-	43,903	1,001,122	-	1,001,122	1,045,025
	95,567	76,359	171,926	6,653,029	93,032	6,746,061	6,917,987
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	-	-	-	17,247,422	-	17,247,422	17,247,422
Accrued mark up	-	-	-	86,350	-	86,350	86,350
Liabilities against assets subject to finance lease	15,550	2,662	18,212	-	-	-	18,212
Short-term running finance utilised under mark-up arrangements	1,586,438	-	1,586,438	-	-	-	1,586,438
Short-term loans	8,400,000	-	8,400,000	-	-	-	8,400,000
	10,001,988	2,662	10,004,650	17,333,772	-	17,333,772	27,338,422
On balance sheet gap	(9,906,421)	73,697	(9,832,724)	(10,680,743)	93,032	(10,587,711)	(20,420,435)

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 the respective notes to the financial statements.

41.2 Financial risk management objectives and policies

The Company's activities are exposed to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimise risk and provide maximum return to shareholders.

41.2.1 Credit risk

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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. The maximum credit risk is equal to the carrying amount of financial assets. Out of the financial assets aggregating Rs. 7,509,734 thousand (2010: Rs. 6,917,987 thousand) the financial assets subject to credit risk amount to Rs. 7,495,935 thousand (2010: Rs. 6,897,712 thousand). For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted. For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

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

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

	2011	2010
	(Rupees '000)	
Loans	**147,088**	130,072
Deposits	**97,145**	75,564
Trade debts	**2,358,741**	1,499,030
Other receivables	**3,329,412**	3,637,526
Cash and bank balances	**1,438,447**	1,045,025
	7,370,833	6,387,217

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	**Rating agency**	**Rating** Short term	**Rating** Long term
National Bank of Pakistan	JCR-VIS	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
Citibank N.A.	S&P	A1	A+
Deutsche Bank AG	S&P	A1	A+
Bank of Tokyo Mitsubishi UFJ Limited Pakistan	S&P	A1	A+
HSBC Bank Middle East Limited	Moody's	P1	A1

41.2.2 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where payables exist due to imports of goods and transactions with foreign related parties as well as trade receivables from foreign related parties. The Company primarily has foreign currency exposures in US Dollar (USD), Great Britain Pounds (GBP) and Euro (EUR).

As at December 31, 2011, had the exchange rates of USD, GBP and EUR appreciated or depreciated against the currency with all other variables held constant, the change in post-tax profit would have been as follows:

Currency	Profit	2011		2010	
		%	Rs. '000	%	Rs. '000
USD	lower / higher	10%	513,444	10%	424,607
GBP	lower / higher	10%	91,019	10%	82,785
EUR	lower / higher	10%	18,796	10%	8,848

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

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

At December 31, 2011, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 102,343 thousand (2010: Rs. 64,912 thousand) mainly as a result of higher / lower interest exposure on variable rate borrowings.

iii)Price risk

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

41.2.3Liquidity 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.

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 41.1 to these financial statements.

41.3 Capital Risk Management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	Note	2011	2010
		(Rupees '000)	
Total borrowings		**15,745,032**	10,004,650
Cash and bank balances	16	**(1,438,447)**	(1,045,025)
Net Debt		**14,306,585**	8,959,625
Total Equity		**8,258,121**	7,900,035
Total Capital		**22,564,706**	16,859,660
Gearing Ratio		**63.40%**	53.14%

41.4 Fair value of financial instruments

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

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the year end, the Board of Directors of the Company in their meeting held on March 7, 2012 have proposed a 25% issue of bonus shares in the ratio of one share for every four shares held by shareholders. The approval of the members for issue of bonus shares will be obtained in the Annual General Meeting to be held on April 19, 2012. The financial statements for the year ended December 31, 2011 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2012.

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

44. GENERAL

Figures have been rounded off to the nearest thousand.

45. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 7, 2012 by the Board of Directors of the Company.

Sarim Sheikh
Chairman & Chief Executive

Badaruddin F. Vellani
Director

Attendance at Board Meetings

for the year ended December 31, 2011

Name of Director	**Total No. of Board Meetings***	**No. of Board Meetings Attended**
Mr. Zaiviji Ismail bin Abdullah	4	4
Ms. Shahnaz Wazir Ali	3	3
Mr. Rafi H. Basheer	4	4
Mr. Farrokh K. Captain	6	6
Mr. Chong Keng Cheen	6	4
Mr. Gary Fisher	5	5
Mr. Imran R. Ibrahim	6	6
Mr. Nasser N.S. Jaffer	3	2
Mr. Zaffar A.Khan	6	6
Mr. Micheal Noll	6	4
Mr. Haroon Rashid	1	1
Mr. Sarim Sheikh	6	6
Mr. Omar Y. Sheikh	6	6
Mr. Badaruddin F. Vellani	6	5

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

Pattern of Shareholding

for the year ended December 31, 2011

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
1,575	1	-	100	62,698
1,976	101	-	500	573,936
958	501	-	1,000	719,793
1,064	1,001	-	5,000	2,351,545
186	5,001	-	10,000	1,314,525
68	10,001	-	15,000	835,565
25	15,001	-	20,000	453,917
14	20,001	-	25,000	330,168
13	25,001	-	30,000	355,819
10	30,001	-	35,000	329,391
8	35,001	-	40,000	299,566
1	40,001	-	45,000	40,125
4	45,001	-	50,000	187,976
2	50,001	-	55,000	101,288
2	55,001	-	60,000	112,328
1	60,001	-	65,000	60,576
3	75,001	-	80,000	234,672
3	80,001	-	85,000	246,376
1	90,001	-	95,000	95,000
2	95,001	-	100,000	200,000
1	100,001	-	105,000	100,200
1	105,001	-	110,000	106,672
1	120,001	-	125,000	120,897
2	125,001	-	130,000	251,963
1	155,001	-	160,000	157,171
1	165,001	-	170,000	167,227
1	175,001	-	180,000	177,631
1	215,001	-	220,000	216,250
1	295,001	-	300,000	300,000
1	340,001	-	345,000	343,606
1	345,001	-	350,000	346,015
1	350,001	-	355,000	352,954
1	465,001	-	470,000	469,675
1	620,001	-	625,000	624,359
1	675,001	-	680,000	675,531
1	685,001	-	690,000	685,468
1	2,360,001	-	2,365,000	2,363,039
1	52,120,001	-	52,125,000	52,123,970
5,935				68,487,892

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	5,804	9,683,790	14.14
Investment Companies	14	1,404,810	2.05
Insurance Companies	7	2,840,019	4.15
Joint Stock Companies	56	342,337	0.50
Modaraba Companies	4	18,518	0.03
Financial Institutions	11	410,708	0.60
Associated Companies*	1	52,123,970	76.11
Abandoned Properties**	1	150	0.00
Others	37	1,663,590	2.43
	5,935	68,487,892	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 December 31, 2011

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated companies		
The Shell Petroleum Company Limited, London	1	52,123,970
NIT and ICP		
National Investment Trust	1	59
National Bank of Pakistan Trustee Department	1	2,305
Investment Corporation of Pakistan	-	-
Directors		
Mr. Farrokh K. Captain	1	469,816
Mr. Imran R. Ibrahim	1	45,084
Mr. Zaffar A. Khan	1	5,156
Mr. Badaruddin F. Vellani	1	125
Chief Executive Officer	-	-
Directors' / CEO's spouses		
Mrs. Samina Ibrahim w/o. Mr. Imran R. Ibrahim	1	17,864
Executives	3	2,435
Public sector companies and corporations	3	3,048,727
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds	32	2,308,432
Shareholders holding 10% or more voting interest		
The Shell Petroleum Company Limited, London	1	52,123,970

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 Forty-Third Annual General Meeting of the Company to be held on April 19, 2012 at 10:00 a.m. at the Sheraton Karachi Hotel, Karachi and at any adjournment thereof.

Signed this ____________ day of ____________ 2012.

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

WITNESSES:

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

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

Notes:

1. A member entitled to attend and vote at the meeting may appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxies in order to be effective must be received at the registered office of the Company not later than 48 hours before the meeting.
3. A Proxy need not be a member of the Company.
4. Shareholders and their proxies must attach an attested photocopy of their CNIC or Passport with this Proxy Form. A Proxy shall be required to produce his/her original CNIC or passport at the venue of the meeting for authentication of his/her identity.

Shell Pakistan Limited
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