

Shell Pakistan Limited
Annual Report 2007



yes.

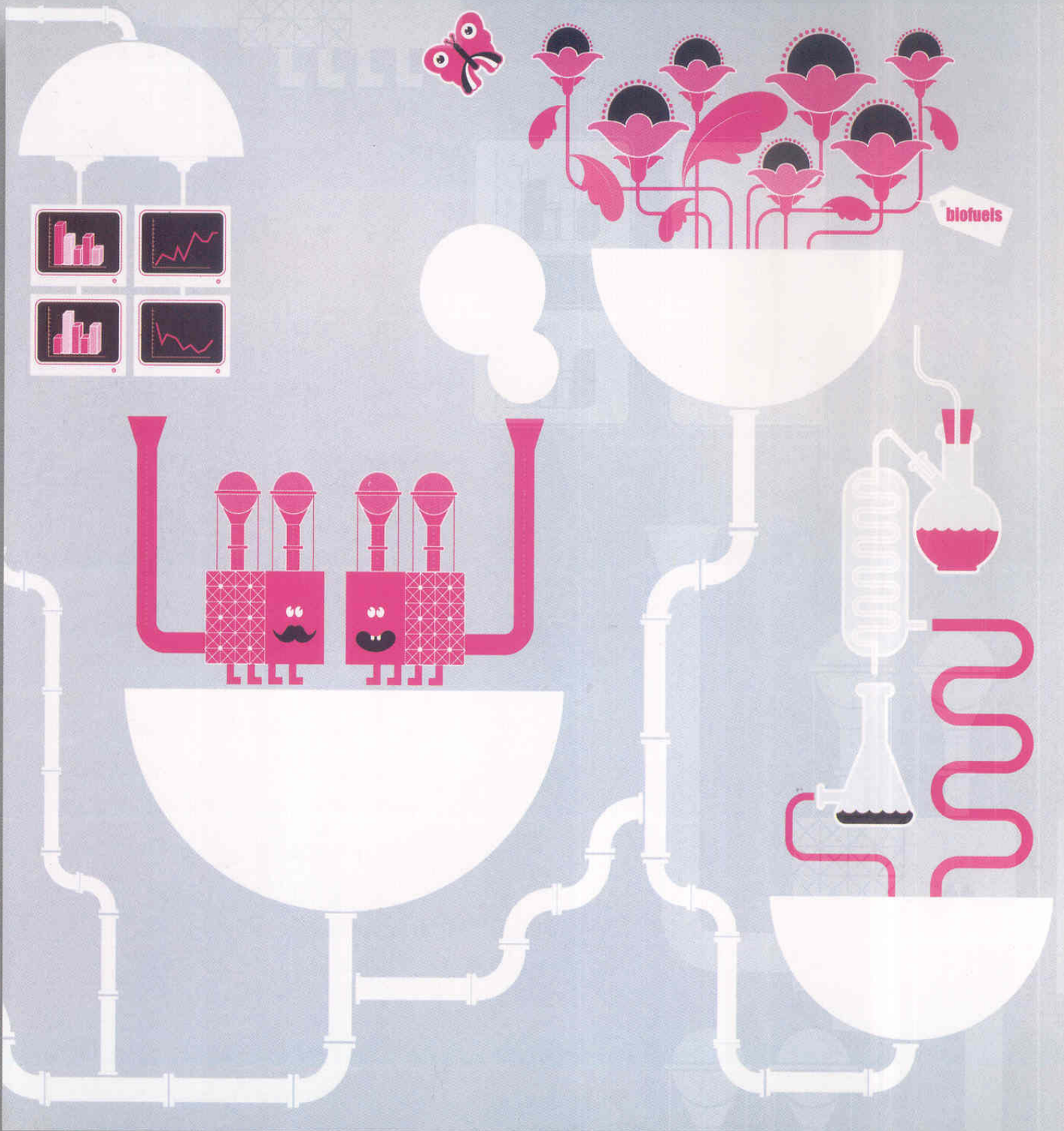


**Our Vision:
To be the top performer of first choice**





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



Promoting Business Excellence

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

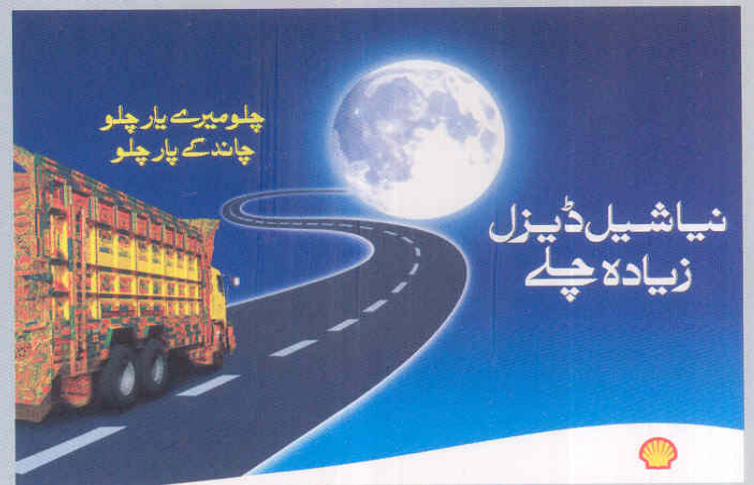
Accordingly, our drive for quality and performance is increasing.



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



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



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



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

SAY NO

SAY NO TO NO

Isn't it high time someone got negative about negativity?

Yes it is.

Look around. The world is full of things that, according to nay-sayers, should never have happened.

"Impossible."

"Impractical."

"No."

And yet "yes."

Yes, continents have been found.

Yes, men have played golf on the moon.

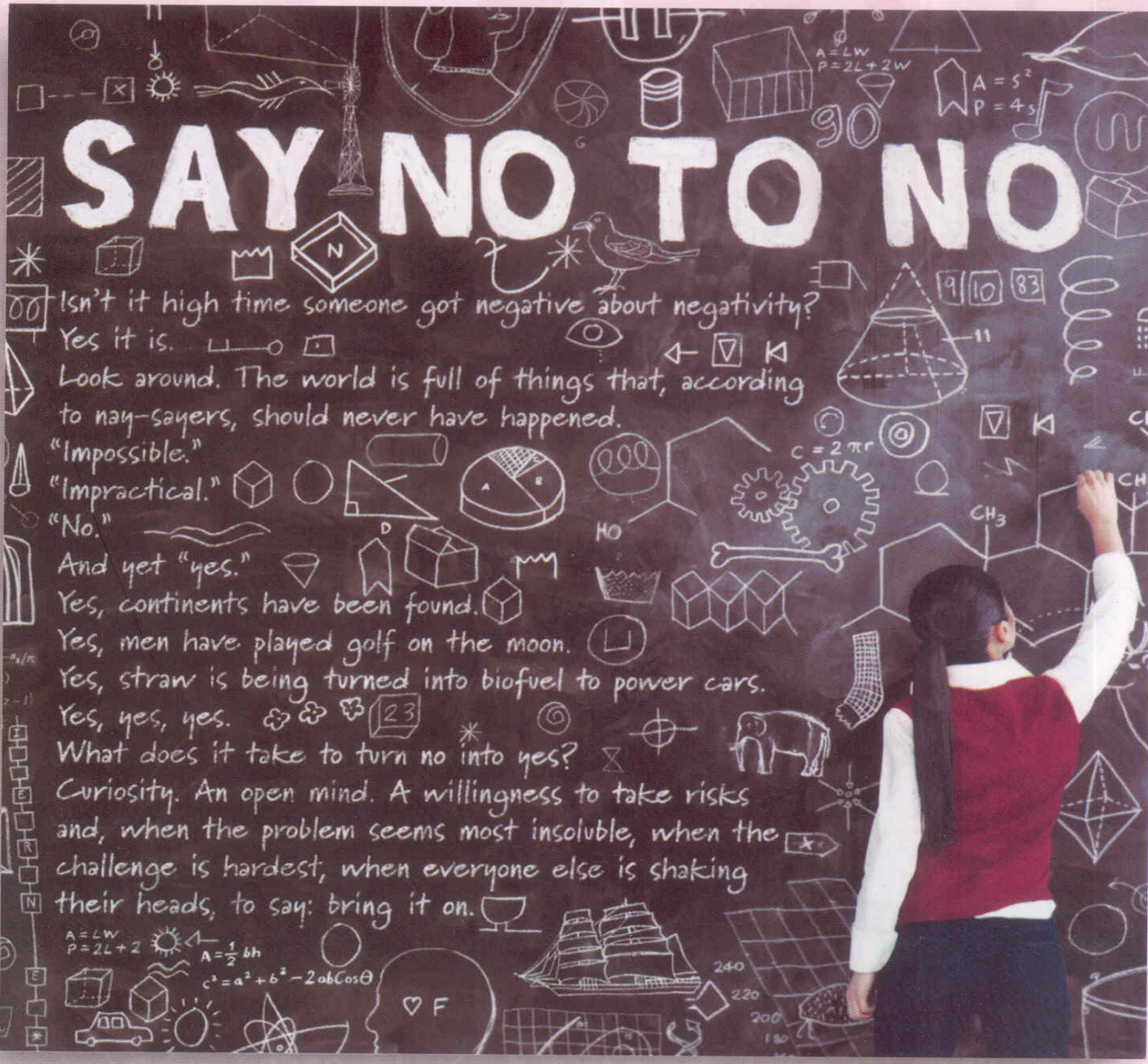
Yes, straw is being turned into biofuel to power cars.

Yes, yes, yes.

What does it take to turn no into yes?

Curiosity. An open mind. A willingness to take risks and, when the problem seems most insoluble, when the challenge is hardest, when everyone else is shaking their heads, to say: bring it on.

$A=LW$
 $P=2L+2W$
 $A=\frac{1}{2}bh$
 $c^2=a^2+b^2-2ab\cos\theta$



Yes, yes, yes.

What does it take to turn no into yes?

Committing Ourselves to Innovation

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

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



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

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

Shell Pakistan has maintained its position as one of the foremost providers of CNG in the country. Consumers trust Shell CNG because we promise the right quantity, as well as the best quality. We have introduced a New CNG cleaning system at 145 of our CNG stations to further deliver on our promise of quality to the customer. This cleaning system is the result of innovative technology and has an advanced system of valves which provide a constant gas supply. The New Shell CNG cleaning system separates dust

and oil particles from CNG, and the resulting New Shell CNG keeps car engines clean and enhances performance, helping to reduce maintenance costs so that our consumers can enjoy smooth driving.

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

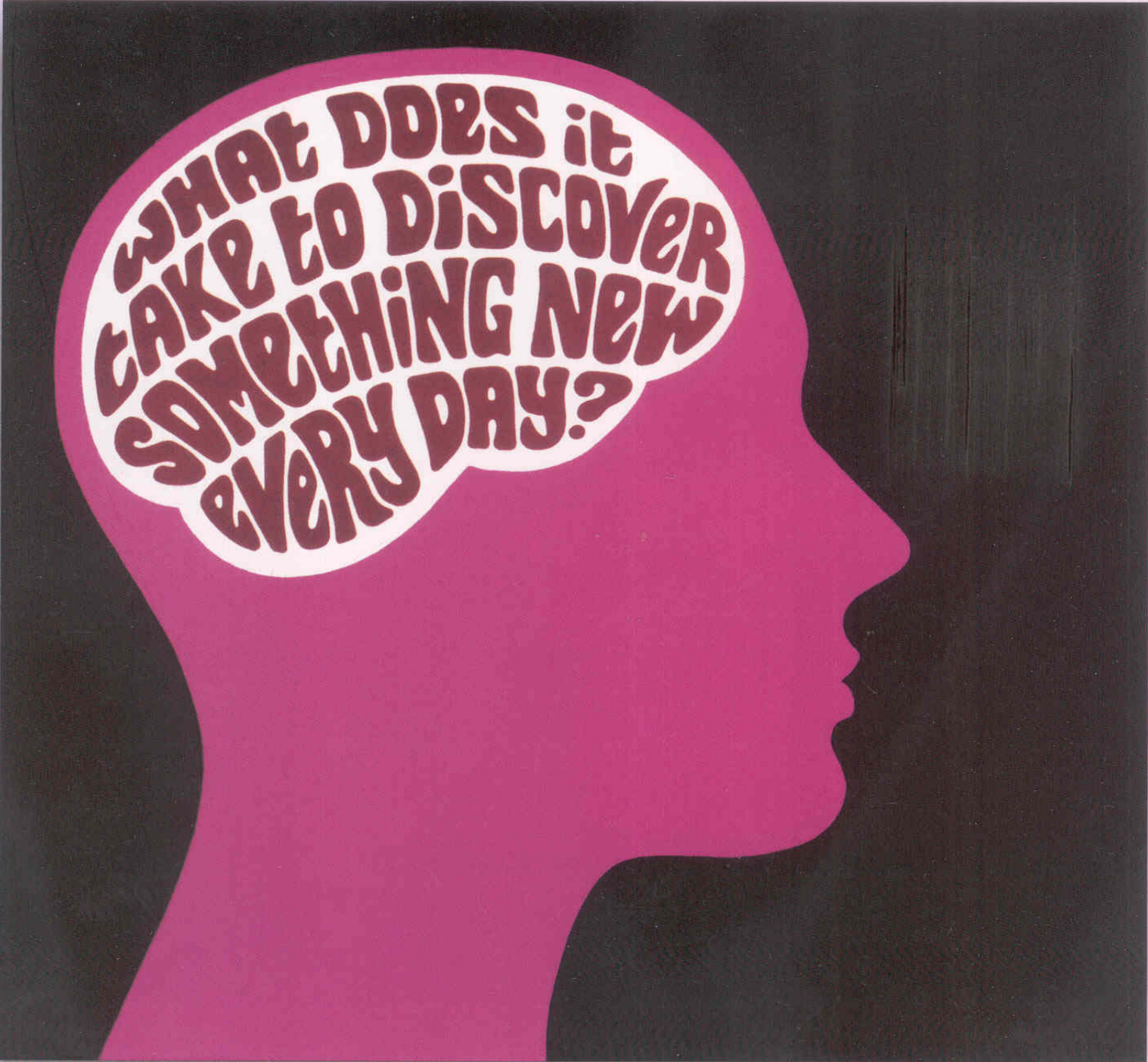


Within Lubricants, an Industry All-In-Plant campaign was also launched in June 2007. The campaign recognised that Shell has a strong, broad product portfolio of Factory Plant Maintenance Oils and Greases tailored for various sectors in the industry. The objectives of the launch will be accomplished by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



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

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

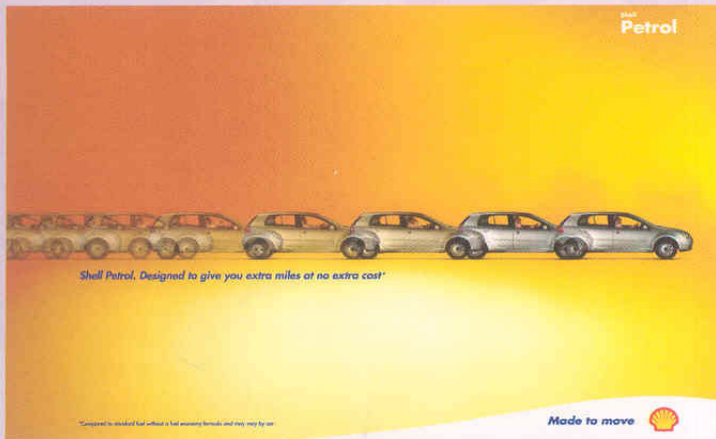


WHAT DOES it
TAKE TO DISCOVER
SOMETHING NEW
EVERY DAY?

Delivering on Our Promises

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

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



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

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

In December 2006, a successful consumer promotion for Shell Advance Motorcycle Oils was launched. This promotion helped strengthen market share and brand



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

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

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



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



Ensuring Safety in Business

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

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

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

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

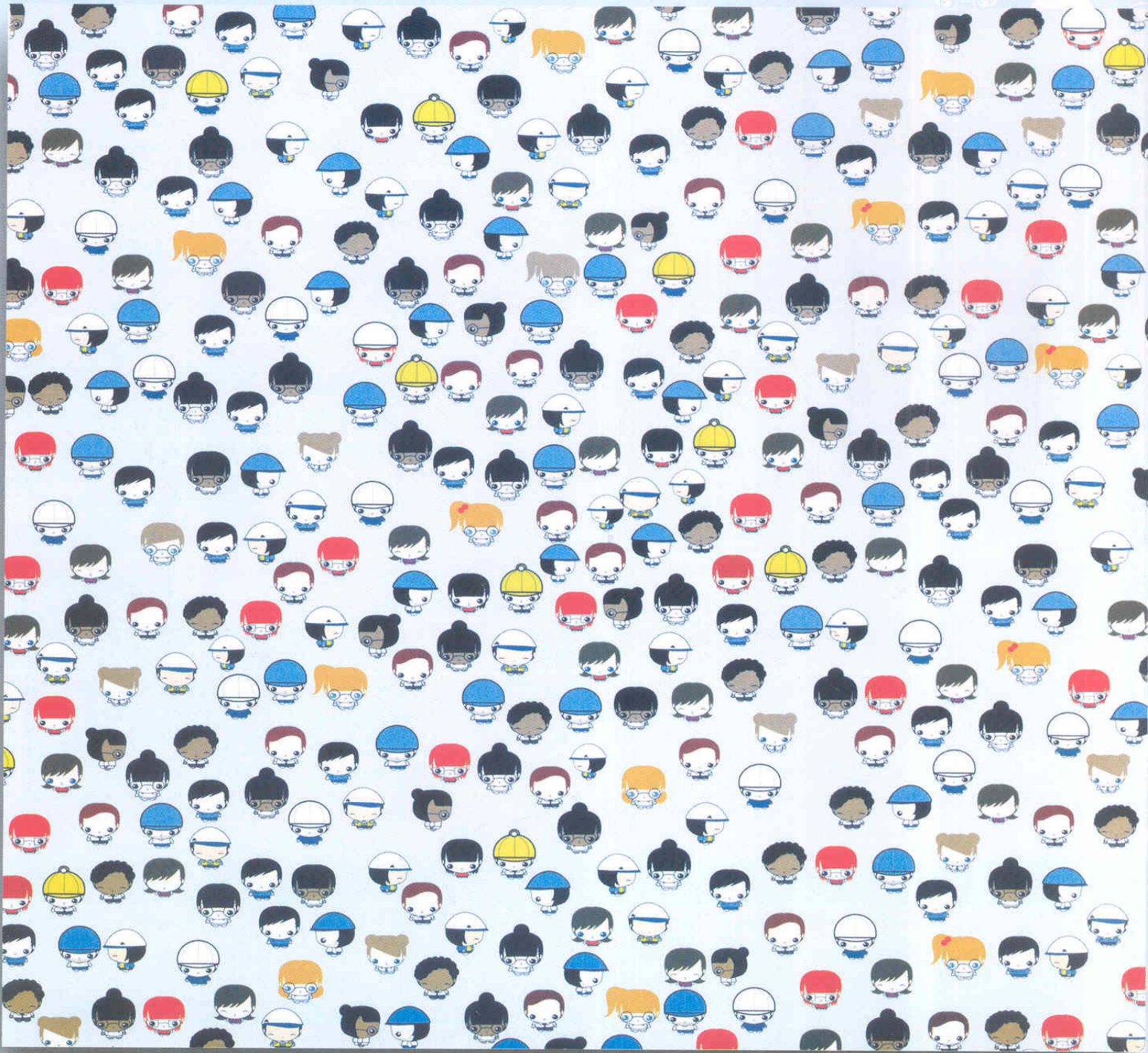
The past year saw Shell Pakistan concentrating its HSSE efforts in the area of Road Safety awareness and education. The first ever United Nations Global Road Safety Week was observed with great enthusiasm, and activities within this week were aimed at young road users. Shell Pakistan also participated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

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



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

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



Investing in Our People

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

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



A number of our staff are now managing regional portfolios, enriching themselves as well as adding to the overall expertise of Shell Pakistan. We also offer our employees the chance to apply for, and to be recruited to Shell businesses overseas, and nearly 50 employees who started out from Shell Pakistan now occupy managerial positions abroad, acting as great ambassadors for Shell Pakistan as well as for our country as a whole.

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



from all pools of expertise to make Shell Pakistan the preferred employer of diverse human talent.

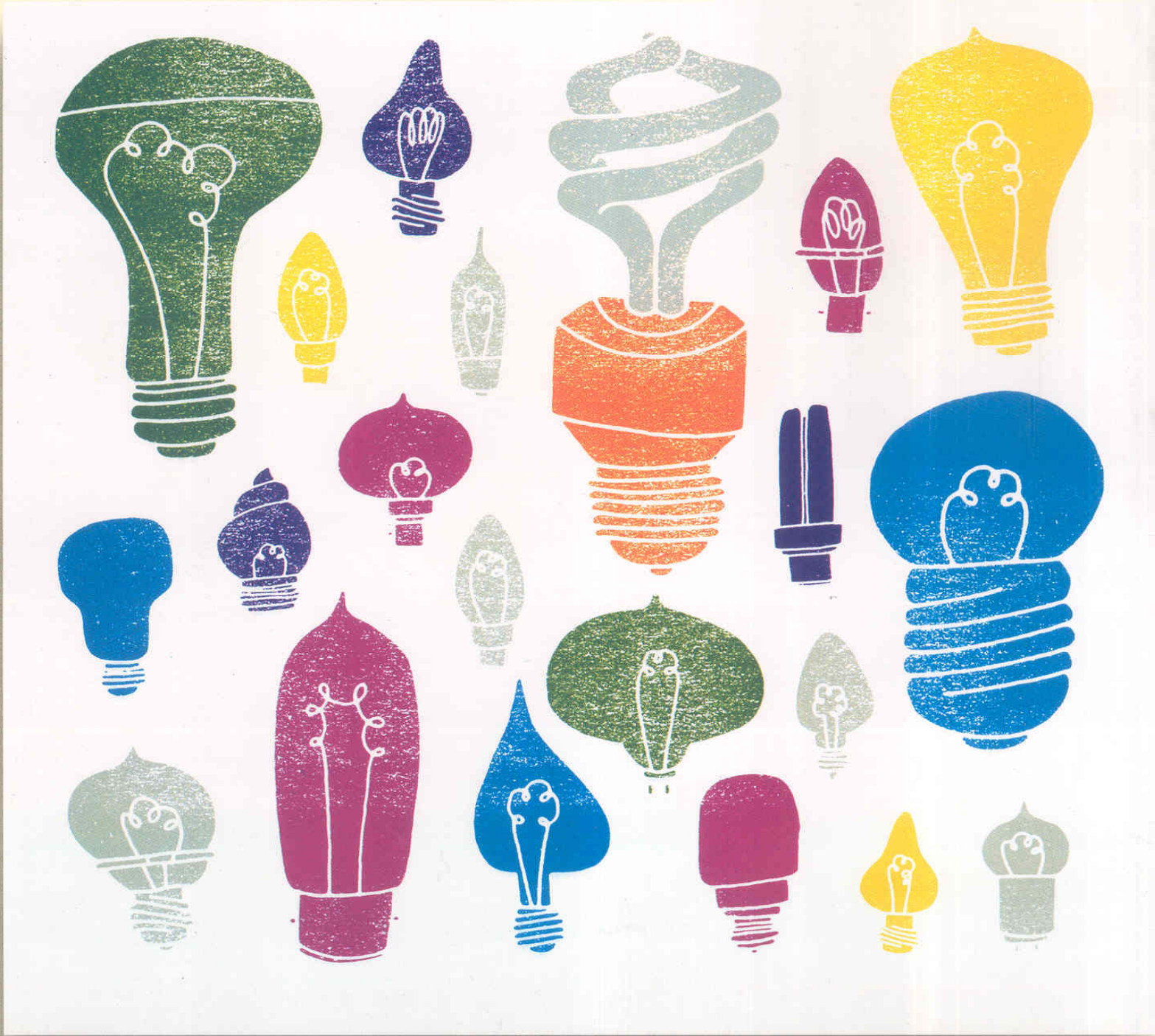
As part of our commitment to diversity, Shell Pakistan is a founder member of 'Dia', a women's network founded by Shell and other multinational corporations that aims to promote empowerment of career-oriented women.

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



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





Cultivating Partnerships & Leading the Way

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

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



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



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

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



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

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



Building a Better World

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

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

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



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

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



functional school building in the tragic aftermath of the calamity. We also plan to build three more primary schools at Batal with the help of The Citizens Foundation. Shell Pakistan's flagship project 'Tameer' has also been extremely active in the past year and has been conducting its activities nationally. Since its inception, the Shell Tameer programme has engaged more than 27,000 young people

through workshops, seminars, meetings and through our website. Within this programme, 30 workshops have been conducted for 1,000 young people, and 55 seminars have provided awareness to over 11,000 students.



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

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



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

Statement of General Business Principles

Introduction

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

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

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

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

Our Values

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

Sustainable Development

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

Responsibilities

Shell Pakistan Ltd. recognizes 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 recognize 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 relationship.

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 value 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. recognizes that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting our performance by providing complete relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

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

Principle 8

Compliance

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

Living by our Principles

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

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

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

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

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

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

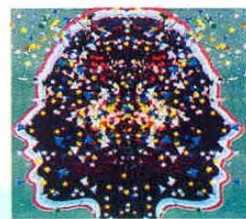
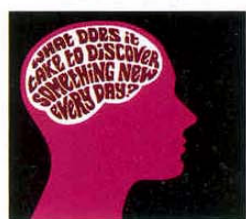
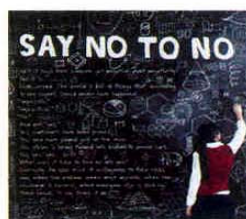
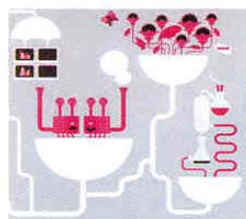
As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Shell Pakistan Ltd. employees to report suspected breaches of the Business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

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

Year 2006 - 07 at a glance



Contents



Notice of Annual General Meeting	19
Company Information	23
Report of the Directors	24
Chairman's Review	26
Highlights	28
Financial Statistical Summary	29
Statement of Compliance with the Code of Corporate Governance and Best Practices on Transfer Pricing	30
Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance	32
Auditors' Report to the Members	33
Balance Sheet	34
Profit and Loss Account	35
Cash Flow Statement	36
Statement of Changes in Equity	37
Notes to the Financial Statements	38
Attendance at Board Meetings	74
Pattern of Shareholding	75
Accounts of Subsidiary Companies	77
Form of Proxy	

Notice of Annual General Meeting

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

ORDINARY BUSINESS

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

By Order of the Board

Karachi: August 6, 2007

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

(Tariq Saeed)
Secretary

Notes:

- (i) The register of members will remain closed from September 5 to September 19, 2007 (both days inclusive). Transfers received in order at the office of our Share Registrars, Ferguson Associates (Pvt.) Ltd., 4th Floor, State Life Building 2-A, I. I. Chundrigar Road, Karachi by the close of business on September 4, 2007 will be in time for the purpose of payment of final dividend to the transferees.
- (ii) A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting. A proxy need not be a member of the Company.
- (iii) Shareholders are requested to notify any change in their addresses immediately to our Share Registrars, Ferguson Associates (Pvt.) Ltd.
- (iv) CDC Shareholders or their Proxies are required to bring with them their Original National Identity Card or Passport along with the Participant's I. D. number and their account number at the time of attending the Annual General Meeting in order to authenticate their identity.

Board of Directors



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



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

Country Leadership Team



Mr. Zaiviji Ismail bin Abdullah



Mr. Ijaz Ali Khan



Mr. Asif Sindhu



Mr. Leon Menezes



Mr. Saleem Piracha



Mr. Yousuf Ali



Mr. Abid Ibrahim



Mr. Zain K. Hak



Mr. Tariq Saeed

Company Information

Chairman

Board of Directors

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

Managing Director & Chief Executive

Chief Executive

Mr. Zaiviji Ismail bin Abdullah

Chairman

Audit Committee

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

Chairman and Managing Director
 General Manager Distribution
 Finance Director & CFO
 General Manager Human Resources
 General Manager Business Strategy
 General Manager Lubricants
 General Manager External Affairs
 National Sales Manager - Retail
 Company Secretary & Head of Legal

Country Leadership Team

Mr. Zaiviji Ismail bin Abdullah
 Mr. Ijaz Ali Khan
 Mr. Asif Sindhu
 Mr. Leon Menezes
 Mr. Saleem Piracha
 Mr. Yousuf Ali
 Mr. Abid Saeed Ibrahim
 Mr. Zain K. Hak
 Mr. Tariq Saeed

Company Secretary

Mr. Tariq Saeed

Registered Office

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

Auditors

A.F. Ferguson & Co.
 Chartered Accountants

Legal Advisors

Vellani & Vellani
 Advocates & Solicitors

Registrars & Share Registration Office

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

Report of the Directors

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

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

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

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

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

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

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

On behalf of the Board

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Karachi: August 6, 2007