Report of the Directors

The Directors of your Company present their Annual Report together with Audited Accounts for the year ended December 31, 2010.

The profit for the year ended December 31, 2010 after providing for administrative, marketing and distribution expenses, financial and other charges amounts to:

		(Rupees in millions)
Profit before taxation		3,044
Less:Taxation		1,428
Profit after taxation		1,616
Earnings per share	Rs	23.59

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 00 of these financial statements.

At their meeting held on March 3, 2011, the Board of Directors of the Company has proposed a final dividend for the year ended December 31, 2010 of Rs 8 per share (80%). This is in addition to the interim dividend of Rs 4.00 per share (40%) resulting in a total dividend for the year of Rs 12.00 per share (120%) amounting to Rs 821,856 thousand. The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on April 20, 2011. The final dividend amounting to Rs 547,904 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 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.
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 7 years in summarised form is given on page 00.

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, 2009 is included in note 00.0 to the accounts.

10. During the period 6 board meetings were held and the attendance by each director is given on page 00.

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 00. The Company is a subsidiary of Shell Petroleum Company Limited (holding company) incorporated in the United Kingdom.

12 The following changes occurred on the Board during the period under review:

   a) Ms. Fawzia B. Kazmi resigned and Mr. Chong Keng Cheen was appointed Director in her place with effect from April 9, 2010.
   b) Mr. Leon B. Menezes resigned and Mr. Gary J. Fisher was appointed Director in his place with effect from October 22, 2010.
   c) Mr. Yousuf Ali resigned and Mr. Omer Yaqoob Sheikh was appointed Director in his place with effect from October 22, 2010.

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 70.

On behalf of the Board

Karachi: March 3, 2011

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Chairman's Review

for the year ended December 31, 2010

On behalf of the Board of Directors of Shell Pakistan Limited, I share the results of the Company for the year ended December 31, 2010.

During the year the Company earned a profit after tax of Rs. 1.62 billion against a profit after tax of Rs 2.56 billion last year.

The Board of Directors has recommended a final cash dividend of Rs. 8 per share (80%). This, together with the interim dividend of Rs. 4 per share (40%), declared in August 2010, brings the total dividend for the year 2010 to Rs. 12 (120%).

2010 has been an exceptionally demanding year for the Company and the oil industry. The year saw the most catastrophic floods to ever hit the country leading to a significant decline in total consumption. We also witnessed a lower than expected GDP growth rate and rising inflation which impacted total demand and our bottom line. The profitability for this year was adversely affected due to reduction in margins of regulated and some non-regulated products as well as continued delays in the receipt of monies owed to us by the Government which put further pressure on our financial position.

The continued delay in recovery of Government receivables is one of the toughest challenges the Company faces at the moment and this has put immense burden on our borrowing costs. At present, Government receivables stand at Rs. 9 billion on account of Price Differential Claims and Sales Tax/Petroleum Development Levy refunds. Since the inception of the receivables, the delays in settlement have cost the Company approximately Rs. 3 billion in financing costs. An immediate settlement of these outstanding dues is critical and the Company's management team is vigorously pursuing this with concerned Government authorities.

We strongly believe it is imperative for the Government to urgently address the unfavorable impacts of reduction in Oil Marketing Company margins and delays in settlement of Government receivables, and we are hopeful that the Government will act quickly to create an environment conducive to long-term business continuity and growth in this key sector of the economy.

Despite these challenges we completed our accelerated streamline program designed to position your Company strongly for the future. We have taken significant steps towards creating a simpler, more accountable organization and your Company is headed in the right direction toward reaping its benefits.

During the year the Company has focused to grow business on more profitable segments such as supplying fuel to power producers. We have grown our portfolio to include two of the largest private power plants in the nation. We

also witnessed exceptional growth in our Aviation business which increased its volume by 26% during the year.

Going forward we look to grow the more profitable segments of our business as quickly as possible. A review of opportunities for your Company indentified several market sectors which we have developed into a strategic plan for the Company.

Our Health, Safety, Security and Environment (HSSE) performance saw a reduction in the number of incidents, and we are proud to have achieved zero work related safety incidents or oil spills in 2010. We remain focused in our journey to achieve 15 million man hours without any incidents by early 2012, setting another milestone for your Company.

Your Company has made sure that its core values of honesty, integrity, and respect for people continued to remain central to our way of doing business.

We demonstrated our commitment to social investment by leading the oil sector through a structured community programme. Shell was one of the first companies to mobilize resources in the aftermath of the flood by distributing food rations and medical supplies to our fence-line communities. These efforts were sustained by Shell volunteers who donated personal time and resources to assist with relief work across the country. Through their exemplary generosity, our parent company, Royal Dutch Shell Plc., and other Shell Companies across the globe, we raised approximately Rs. 80 million to build new schools in flood affected areas and distribute more than 60,000 school books to children. We also continued our support for education by launching a new initiative to educate the children of our forecourt workers nationwide while we also continue to support four schools in earthquake affected Northern Areas which enroll 400 children from those communities.

Shell has been present in Pakistan and the region for more than 100 years, playing a key role in its economic and social development. We are hopeful that going forward, as the Country moves into the next phase of economic rehabilitation, we will be able to participate in increased demand for oil products in a more conducive economic environment, leading to improved performance in the coming years. On an ongoing basis your Company will continue to avail opportunities in growing the business.

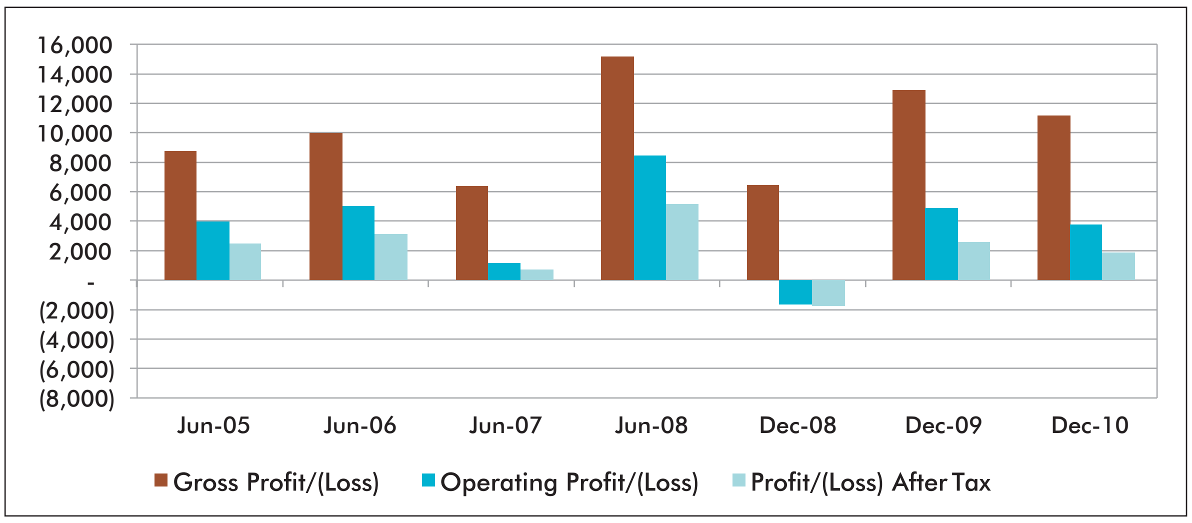
We thank our shareholders, customers and staff for their constant support in ensuring the continued success of our Company and trusting Shell as their brand of choice.

March 3, 2011

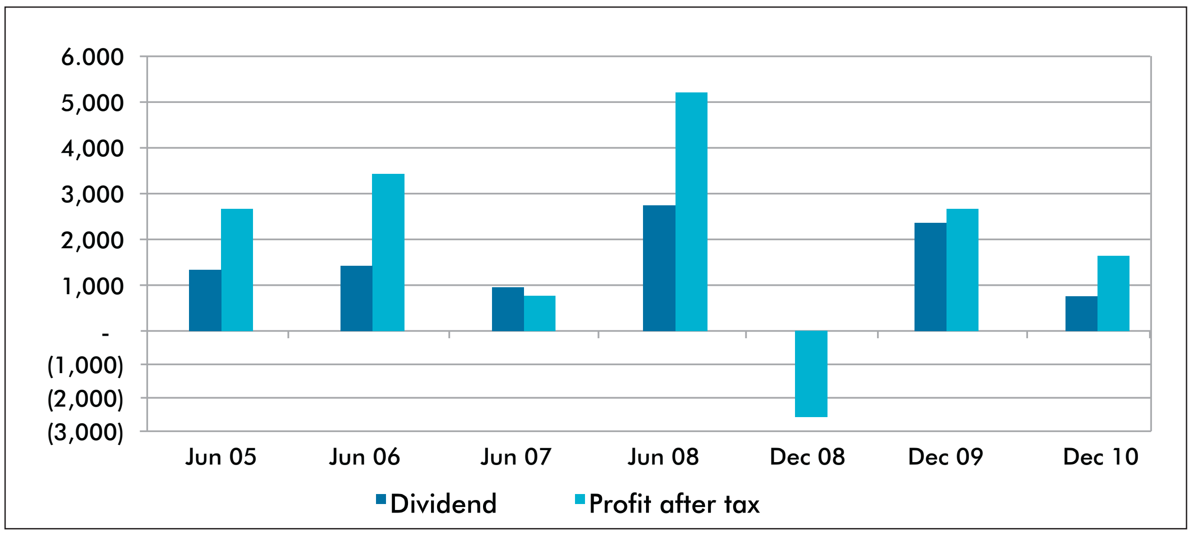
Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Performance at a Glance

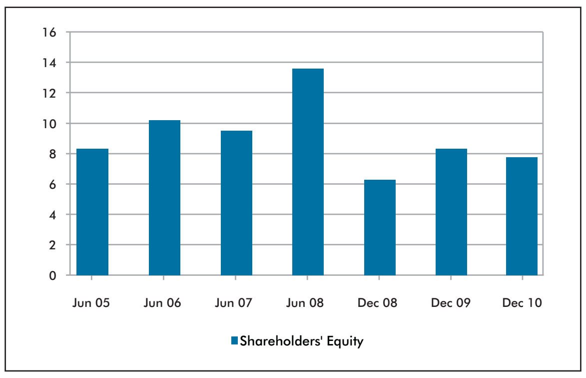
PROFITABILITY (Rs in million)



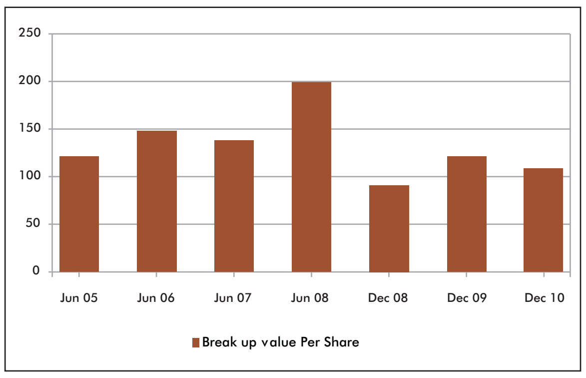
DIVIDEND PAY OUT (Rs in million)



SHAREHOLDERS EQUITY (Rs in billion)

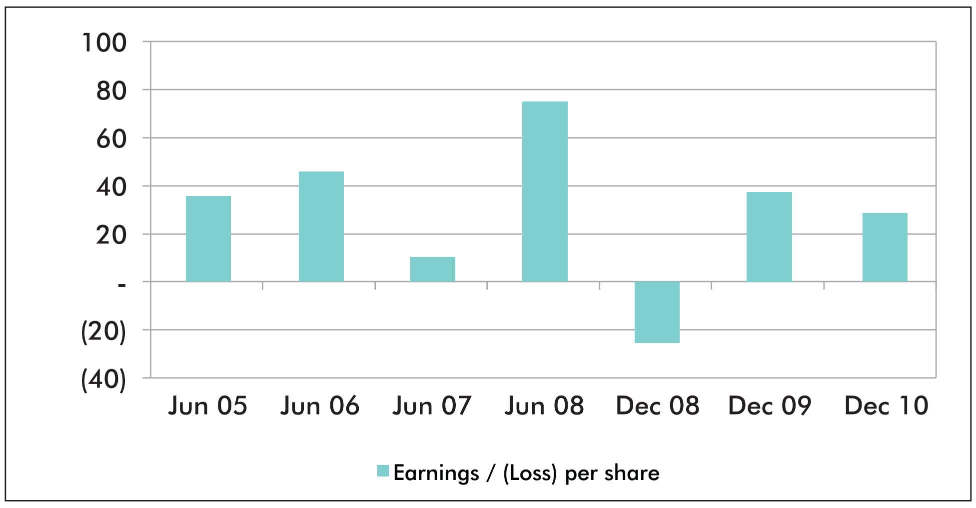


BREAK UP VALUE PER SHARE (Rs per share)

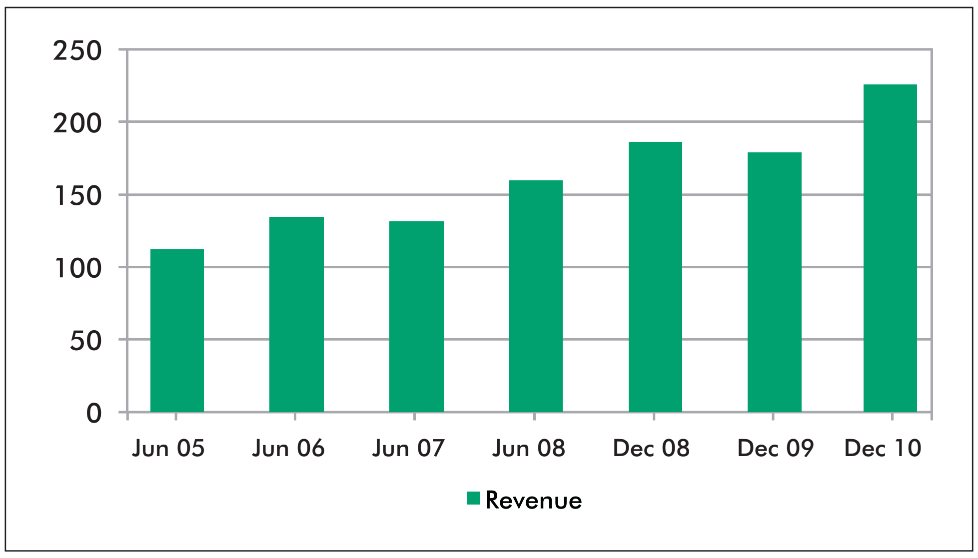


In 2008, the Company's financial year was changed from June to December

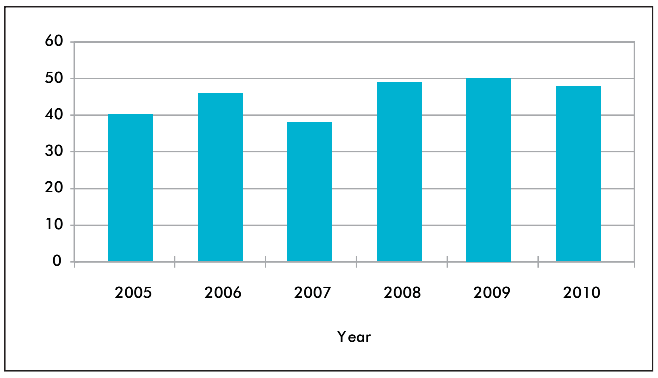
EARNINGS / (LOSS) PER SHARE (Rs per share)



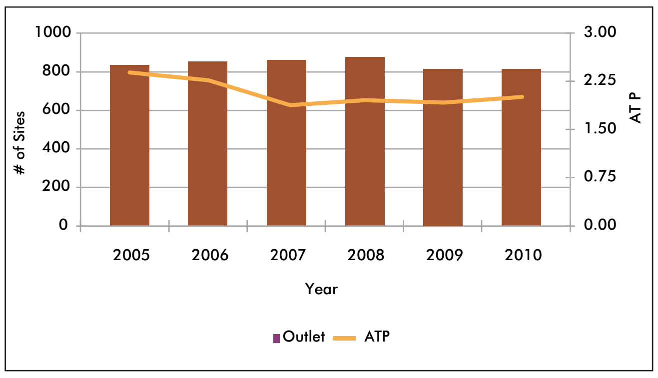
REVENUE (Rs in billion)



RETAIL BRAND PREFERENCE



RETAIL AVERAGE THROUGH PUT (ATP)

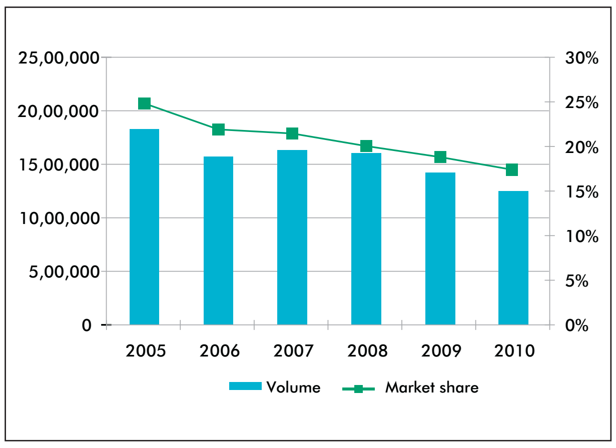


In 2008, the Company's financial year was changed from June to December

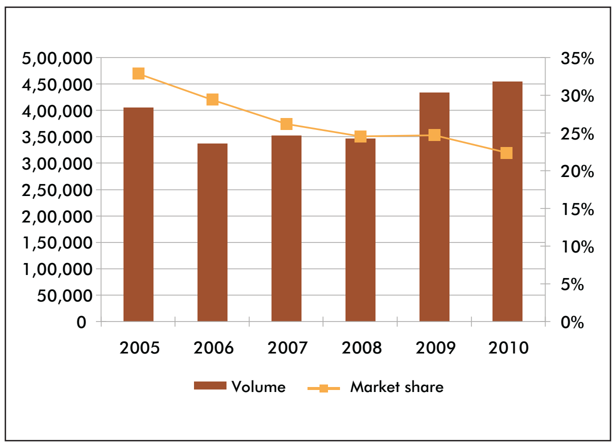
Operating and financial highlights

PRODUCT-WISE VOLUME (MTs) AND MARKET SHARE (%)

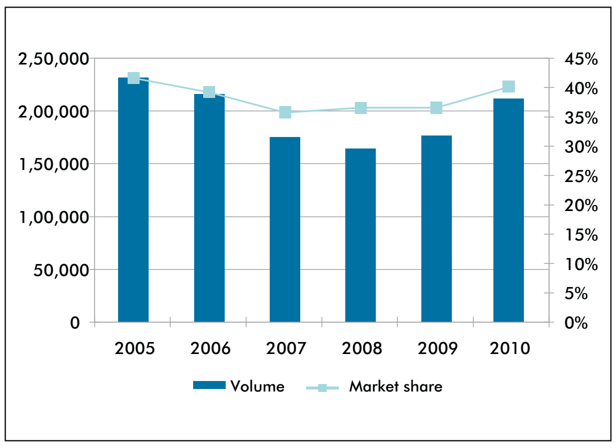
HIGH SPEED DIESEL



MOTOR GASOLINE



JET FUELS



LUBRICANTS

		2010	2009
Sales volume	Tonnes	**2,762,889**	2,481,547
Sales revenue	Rs. / mn	**223,814**	177,110
Profit before taxation	Rs. / mn	**3,044**	3,910
Profit after taxation	Rs. / mn	**1,616**	2,563
New capital expenditure	Rs. / mn	**2,019**	1,325
Shareholders' equity	Rs. / mn	**7,900**	8,271
Dividend	Rs. / mn	**822**	2,260
Earnings per share - diluted	Rs.	**23.59**	37.42

Operating and financial highlights

		Year ended Dec 31				Year ended June 30			
		2010	2009	2008	July - Dec 2008	2008	2007	2006	2005
Share capital	Rs. /mn	685	685	685	685	548	548	438	351
Reserves	Rs. /mn	7,215	7,586	5,571	5,571	13,064	8,913	9,718	7,952
Shareholders' equity	Rs. /mn	7,900	8,271	6,256	6,256	13,612	9,461	10,157	8,303
Break up value	Rs.	115	121	91	91	199	138	148	121
Dividend per share	Rs.	12	33	–	–	50.0	16.0	30.0	35.0
Bonus		–	–	–	–	1:4	–	1:4	1:4
Profit / (Loss) before tax	Rs. /mn	3,044	3,910	(3,048)	(8,420)	7,723	379	4,640	3,643
Profit / (loss) after tax	Rs. /mn	1,616	2,563	(1,726)	(5,164)	5,137	707	3,147	2,451
Earnings / (Loss) per share of Rs.10	Rs.	23.59	37.42	(25.20)	(75.41)	75.01	10.32	45.95	35.79
Price earnings ratio		8.83	6.7	(12.3)	(4.1)	5.6	39.8	10.5	15.5
Working Capital									
Current assets to current liabilities		0.84	0.85	0.9	0.9	1.3	1.0	1.1	1.1
Number of days stock		23	26	22	26	39	31	28	22
Number of days trade debts		3	3	6	6	12	13	14	10
Performance									
Profit / (Loss) after tax as % of average shareholders' equity		19.98	35.3	(20.3)	(52.0)	44.5	7.2	34.1	31.8
Cost of sales as % of sales		83	81	85	91.4	79.1	94.5	91.5	91.0
Profit / (Loss) before tax as % of sales		1.36	2.2	(1.7)	(8.8)	4.9	0.3	3.9	3.7
Profit / (Loss) after tax as % of sales		0.72	1.5	(0.9)	(5.4)	3.3	0.6	2.7	2.5
Total debt ratio %		1.27	1.0	2.6	2.6	0.6	0.8	0.5	0.8

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 during the period under review:

   - Ms. Fawzia B. Kazmi resigned and Mr. Chong Keng Cheen was appointed Director in her place with effect from April 9, 2010.
   - Mr. Leon B. Menezes resigned and Mr. Gary J. Fisher was appointed Director in his place with effect from October 22, 2010.
   - Mr. Yousuf Ali resigned and Mr. Omer Yaqoob Sheikh was appointed Director in his place with effect from October 22, 2010

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. Further, two Directors have enrolled for the Board Development Series program conducted by the Pakistan Institute of Corporate Governance, Karachi.

10. The Board approved the appointment of Mr. Raza Hemani as Head of Internal Audit, including his remuneration and terms and conditions of employment, as determinated by the CEO. No change occured in the office of the Chief Financial Officer and the Company Secretary during the period under review.

11. The Directors' Report for the year ended December 31, 2010 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 period 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 period 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.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Karachi: March 3, 2011

Review Report

To the Members on Statement of Compliance with the Best Practices of the 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, 2010 to comply with the requirements of the Code of Corporate Governance, as contained in the Listing Regulations issued by the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's 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 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.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: March 16, 2011
Audit engagement partner: Sohail Hasan

Auditors' Report to the Members

We have audited the annexed balance sheet of Shell Pakistan Limited as at December 31, 2010 and the related profit and loss account, 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 profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2010 and of the profit, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion we draw attention to:

- Note 16.4 to the financial statements. The Company considers the aggregate amount of Rs. 1,991,916 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.

- Notes 16.1 and 16.2 to the financial statements. The Company considers the amount of Rs. 2,070,888 thousand and Rs. 295,733 thousand due from the Government of Pakistan in respect of petroleum development levy and price differential on imported purchases 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 10.1 to the financial statements. As explained in note, the Company has recognized deferred tax asset on unutilized tax losses based on projections of future taxable profits of the Company. The realizability of this asset is dependant on the underlying assumptions and business drivers materializing as projected.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: March 16, 2011
Audit engagement partner: Sohail Hasan

Balance Sheet

as at December 31, 2010

	Note	2010	2009
ASSETS		(Rupees `000)	
Non-current assets			
Property, plant and equipment	4	6,502,773	7,024,787
Intangible assets	5	1,679,707	289,573
Long-term investments	6	2,547,853	2,312,806
Long-term loans and advances	7	81,960	101,058
Long-term deposits and prepayments	8	190,666	206,542
Long-term debtors	9	11,442	20,919
Deferred taxation	10	1,993,350	2,334,798
		13,007,751	12,290,483
Current assets			
Stores and spares	11	14,502	15,719
Stock-in-trade	12	12,348,438	13,076,718
Trade debts	13	2,013,358	1,239,213
Loans and advances	14	76,187	60,283
Trade deposits and short-term prepayments	15	305,384	250,050
Other receivables	16	9,686,866	5,851,644
Cash and bank balances	17	1,045,025	869,623
		25,489,760	21,363,250
Total assets		38,497,511	33,653,733
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	684,880	684,880
Reserves		2,096,050	2,096,050
Unappropriated profit		5,119,105	5,489,673
		7,900,035	8,270,603
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance lease	19	2,662	1,790
Asset retirement obligation	20	187,104	212,038
		189,766	213,828
Current liabilities			
Trade and other payables	21	19,936,550	15,970,996
Accrued mark-up	22	86,350	200,038
Current maturity of liabilities against assets subject to finance lease	19	15,550	38,808
Short-term running finances utilised under mark-up arrangements - secured	23	1,586,438	2,453,001
Short-term loans - secured	24	8,400,000	6,000,000
Taxation		382,822	506,459
		30,407,710	25,169,302
		30,597,476	25,383,130
Total Equity and Liabilities		38,497,511	33,653,733

Contingencies and commitments 25

The annexed notes 1 to 46 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Profit and Loss Account
for the year ended December 31, 2010

	Note	2010	2009
		(Rupees `000)	
Sales	26	223,813,592	177,110,208
Non-fuel retail			
- Sales		–	5,356
- Others		1,255	16,975
Other revenue	27	406,520	486,980
		224,221,367	177,619,519
Sales tax		(26,690,456)	(21,619,421)
Net revenue		197,530,911	156,000,098
Cost of products sold	28	(185,403,153)	(143,097,916)
Gross profit		12,127,758	12,902,182
Distribution and marketing expenses	29	(4,524,058)	(3,376,353)
Administrative expenses	30	(3,679,805)	(3,846,205)
		3,923,895	5,679,624
Other operating income	31	527,448	492,001
		4,451,343	6,171,625
Other operating expenses	32	(738,589)	(1,284,990)
Operating profit		3,712,754	4,886,635
Finance cost	33	(1,264,677)	(1,401,211)
		2,448,077	3,485,424
Share of profit of associate - net of tax	6	596,008	424,585
Profit before taxation		3,044,085	3,910,009
Taxation	34	(1,428,503)	(1,347,061)
Profit after taxation		1,615,582	2,562,948
Other comprehensive income			–
Total comprehensive income for the year		1,615,582	2,562,948
		(Rupees)	
Earnings per share	35	23.59	37.42

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

The annexed notes 1 to 46 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Cash Flow Statement
for the year ended December 31, 2010

	Note	2010	2009
		(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	4,514,858	5,656,154
Finance costs paid		(1,179,132)	(1,612,944)
Taxes paid		(1,210,692)	(363,543)
Long-term loans and advances		19,098	20,624
Long-term deposits and prepayments		15,876	62,482
Mark-up received on short-term deposits		50,380	74,215
Long-term debtors		28,117	96,587
Net cash generated from operating activities		2,238,505	3,933,575
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,019,278)	(1,324,547)
Proceeds from disposal of property, plant and equipment		100,007	69,074
Dividend received from associate		360,961	129,977
Net cash used in investing activities		(1,558,310)	(1,125,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,970,324)	(543,923)
Repayment of liability under finance lease		(67,906)	(63,955)
Repayment of current portion of long-term loan		2,500,000)	–
Net cash used in financing activities		(4,538,230)	(607,878)
Net (decrease) / increase in cash and cash equivalents		(3,858,035)	2,200,201
Cash and cash equivalents at the beginning of the year		(5,083,378)	(7,283,579)
Cash and cash equivalents at the end of the year	41	(8,941,413)	(5,083,378)

The annexed notes 1 to 46 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Statement of Changes in Equity

for the year ended December 31, 2010

	Share capital	Capital reserves - share premium	General revenue reserves	Unappropriated profit	Total
	(Rupees '000)				
Balance as at January 1, 2009	684,880	1,889,048	207,002	3,474,628	6,255,558
Interim dividend for the year ended December 31, 2009 at Rs. 8 per share	–	–	–	(547,903)	(547,903)
Total comprehensive income for the year	–	–	–	2,562,948	2,562,948
Balance as at December 31, 2009	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)
Total comprehensive income for the year	–	–	–	1,615,582	1,615,582
Balance as at December 31, 2010	684,880	1,889,048	207,002	5,119,105	7,900,035

Appropriations and transfers between reserves mode subsequent to the year ended December 31, 2010 are disclosed in not 43 to these financial statements.

The annexed notes 1 to 46 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahim
Director

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

1. THE COMPANY AND ITS OPERATIONS

The Company is a limited liability Company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is located at Shell House, 6, Ch. Khaliquzzaman Road, Karachi-75530, Pakistan.

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 2010 and relevant

The following amendments to published standards are mandatory for the financial year beginning January 1, 2010:

- IAS 17 (Amendment) 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. There is no effect of this amendment on the Company's financial statements.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

b) Standards, amendments to published standards and interpretations effective in 2010 but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations though these may affect the accounting for future transactions and events.

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

Following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted by the Company:

- IAS 24 (Revised), 'Related party disclosures' (effective from January 1, 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- IFRIC 14 (Amendment) 'Prepayments of a minimum funding requirement' (effective for periods beginning on or after January 1, 2011). 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 are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this. The Company's retirement benefit funds are not subject to any minimum funding requirement, hence, these amendments will have no impact on the Company's financial statements.

- Amendments to following standards as a result of improvements to International Financial Reporting Standards 2010, issued by IASB in May 2010:

  - IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective for periods beginning on or after January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instrument. The amendment will only affect the disclosures in the Company's financial statements.

  - IAS 1 (Amendment) 'Presentation of financial statements' (effective for periods beginning on or after January 1, 2011). 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 will only affect the disclosures in the Company's financial statements.

  - IAS 34 (Amendment) 'Interim financial reporting' (effective for periods beginning on or after January 1, 2011). 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, changes in contingent liabilities and assets.

There are a number of other minor amendments 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 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 are charged to the profit and loss account as and when incurred.

Depreciation is charged to income applying the straight-line method, whereby the depreciable amount of an asset is written off over its estimated useful economic life at the 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 of.

Gains / losses arising on disposal of property, plant and equipment are included in profit and loss account 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 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 recognized 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 over the asset's useful economic life, at the rate given in note 5.1.

The assets carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

2.4 Investments in associates

Associates are all entities over which the Company has significant influence but no control, generally represented by a shareholding of 20% to 50% of the voting rights. Investment 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 and loss account and its share in the post acquisition movement of reserves is recognised in reserves. 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 recognize future losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized 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, available for sale and held to maturity. 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.

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 and other receivables' and 'bank balances' in the balance sheet.

c) 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.

d) Held to maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity.

Regular way purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized 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 recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized 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 amortized 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 presented in the profit or loss account 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 recognized in the profit and loss account as part of 'other operating income' when the Company's right to receive payments is established. Gain or loss on sale of investments at 'fair value through profit or loss' are recognized in the profit and loss account as 'gains and losses from investment securities'.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit or loss account as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognized in the profit and loss account 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 recognized in profit or loss - is removed from equity and recognized in the profit and loss account. Impairment losses recognized in profit and loss on equity instruments are not reversed through profit and loss. Impairment testing of trade debts and other receivables are 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.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

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 and loss account.

2.5.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability 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 realizable 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 realizable 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 recognized in the profit and loss account.

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 charged to the profit and loss account.

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 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 cash flow statement, 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 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 useful economic life of the assets. The liability is recognized (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.

2.11 Leases

2.11.1 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.

2.11.2 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 charged to the profit and loss account on a straight-line basis over the period of the lease.

2.12 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.

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account 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 charged in the profit and loss account in the period in which they arise.

2.14 Retirement and other service benefits

2.14.1 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 unrecognized 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 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

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 unrecognized 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 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.

2.14.2 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.

2.15 Taxation

2.15.1 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.

2.15.2 Deferred

Deferred income tax is recognized 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 recognized 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 realized. Deferred tax liabilities are recognized 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 realized 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 and loss account.

2.16 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 taken to the profit and loss account.

2.17 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.

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

2.18 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.

2.19 Dividend distribution and appropriation to reserves

Dividend distribution and appropriation to reserves are recognized 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 useful life and residual value used in the calculation of depreciation / amortization. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Change in estimates

Effective from current year, the Company has revised the annual rates of depreciation for certain operating assets as it would result in a more accurate reflection of depreciation charge over the useful lives of the related assets. Such revision is summarized as follows:

Asset category	Rates - %	
	Revised	Previous
Tanks and pipelines	3-4	4
Lifts	5	6.67
Dispensing pumps	6.67 and 20	6.67
Computers auxiliaries	20-25	33.3
Plant and machinery	3-10	5

The aforementioned change has been accounted for as a change in accounting estimate in accordance with the provisions of IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting the depreciation charge for current and future periods. Had there been no change in the accounting estimates, the profit after tax for the year would have been higher by Rs. 77,350 thousand.

3.2 Stock-in-trade

The Company reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable 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 realizability 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 36.1.1 and 36.2.1 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.

	Note	2010	2009
4. PROPERTY, PLANT AND EQUIPMENT		(Rupees `000)	
Operating assets, at net book value	4.1	6,202,640	6,372,690
Capital work-in-progress	4.7	344,304	740,908
		6,546,944	7,113,598
Provision for impairment		(44,171)	(88,811)
		6,502,773	7,024,787

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

4.1 The following is a statement of operating tangible and intangible fixed assets:

Year ended December 31, 2010

	Owned 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 equipment	Furniture office equipment and other assets	Computers auxiliaries	Main frame	Leased assets: 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
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 & 20	5 to 20	5 to 10	5 to 20	20 to 25	25	5	20	

Year ended December 31, 2009

	Owned 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 equipment	Furniture office equipment and other assets	Computers auxiliaries	Main frame	Leased assets: Plant and machinery	Vehicles	Total
	(Rupees '000)																
At January 01, 2009																	
Cost	97,078	69,556	104,604	3,541,242	1,675,152	225,839	40,854	8,256	1,304,039	401,602	2,422,066	1,337,851	354,726	91,034	153,823	339,242	12,166,964
Accumulated depreciation	-	40,989	56,670	1,276,100	856,346	191,784	33,231	5,121	753,537	195,144	922,831	1,043,581	325,228	83,963	84,841	171,616	6,040,982
Net book value	97,078	28,567	47,934	2,265,142	818,806	34,055	7,623	3,135	550,502	206,458	1,499,235	294.270	29,498	7,071	68,982	167,626	6,125,982
Year ended December 31, 2009																	
Opening net book value	97,078	28,567	47,934	2,265,142	818,806	34,055	7,623	3,135	550,502	206,458	1,499,235	294,270	29,498	7,071	68,982	167,626	6,125,982
Additions	-	-	-	415,766	68,964	18,378	-	-	42,418	55,809	490,105	203,770	16,656	-	4,096	37,237	1,353,199
Disposals / write offs (Note 4.6)																	
Cost	69	-	7,076	349,514	167,487	103,445	12,801	3,923	278,641	86,716	392,640	531,307	236,023	52,641	41,722	121,460	2,385,465
Accumulated depreciation	-	-	(6,989)	(218,631)	(112,157)	(101,662)	(12,627)	(3,837)	(242,184)	(81,167)	(296,286)	(504,679)	(235,649)	(52,641)	(38,345)	(115,551)	(2,022,405)
	69	-	87	130,883	55,330	1,783	174	86	36,457	5,549	96,354	26,628	374	-	3,377	5,909	363,060
Depreciation charge for the year - (Note 4.2)	-	8,615	1,649	199,540	52,777	2,524	1,202	285	55,135	56,067	177,489	93,225	13,084	4,166	14,236	63,437	743,431
Closing 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
At December 31, 2009																	
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
Depreciation rate % per annum	-	5	2.50	5	3 to 4	3 to 10	6.67	5	6.67 & 20	5 to 20	5 to 10	5 to 20	20 to 25	25	5	20	

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

4.2 The depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		--------- (Rupees `000)	---------
Cost of products sold		21,759	18,543
Administrative and marketing expenses	30	777,417	724,888
		799,176	743,431

4.3 Company assets include tanks, dispensing pumps and electrical equipment having a cost of Rs. 722,633 thousand (2009: Rs. 822,591 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	369	212	157	260	Negotiation	Tariq Saeed Filling Station
	22,844	2,973	19,871	9,365	Negotiation	Note 4.5
Tanks and pipelines	137	44	93	181	Negotiation	Badin Petroleum Service
	287	28	259	150	Negotiation	Rewaz Filling Station
	393	-	393	208	Negotiation	Note 4.5
Dispensing pumps	335	34	301	386	Negotiation	Badin Petroleum Service
	1,180	814	366	317	Negotiation	Rewaz Filling Station
Assets held under finance lease - vehicles	1,002	805	197	388	Company Policy	Rasheed Ahmad (Executive)
	1,005	523	482	691	Company Policy	Ejaz Alam (Executive)
	835	685	150	334	Company Policy	Tariq Hameed (Executive)
	925	366	559	717	Company Policy	Badiuzzaman (Executive)
	1,568	577	991	1,398	Company Policy	Amjad Shahabuddin (Executive)
	879	678	201	472	Company Policy	Sajid Ayub (Executive)
	879	759	120	429	Company Policy	Sadqain Khoja (Executive)
	1,506	1,130	376	847	Company Policy	Salman Pervez (Executive)
	1,269	555	714	1,198	Insurance Claim	EFU General Insurance
	873	813	60	338	Company Policy	Kashif Khan (Executive)
	873	813	60	338	Company Policy	Hassan Bokhari (Executive)
	879	696	183	483	Company Policy	Khurram Baghpatti (Executive)
	1,564	921	643	1,011	Company Policy	Ms. Gulzar Khoja (Executive)
	915	539	376	580	Company Policy	Fareed Khatri (Executive)
	969	868	101	1,052	Negotiation	Munir Ahmed (Vendor)
	969	848	121	545	Company Policy	Imran Alim Mufti (Executive)
	879	769	110	440	Company Policy	Syed Arif Abbas Naqvi (Executive)
	2,750	2,148	602	1,705	Company Policy	Yousuf Ali (Executive)
	925	677	248	1,148	Company Policy	EFU General Insurance
	879	625	254	538	Company Policy	Mian Mehmood Ahmed Khan (Executive)
	915	651	264	560	Company Policy	Asfandyar Ali Khan (Executive)
	925	658	267	543	Company Policy	Muhammad Farooq Ayyub (Executive)
	881	473	408	873	Company Policy	EFU General Insurance
	1,809	780	1,029	1,357	Company Policy	Saleem Paracha (Executive)

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of Buyers
	----------- (Rupees `000)			------------		
Rolling stock and vehicles	1,239	173	1,066	1,115	Company Policy	Kashif Arshad (Executive)
	1,354	284	1,070	1,252	Company Policy	Imdad Afzal (Executive)
	1,354	284	1,070	1,194	Company Policy	Mukhtar A. Khan (Executive)
Electrical, mechanical and fire fighting equipment	6,763	5,460	1,303	50	Negotiation	Polwel Faisalabad
	322	159	163	338	Negotiation	Badin Petroleum Service
	490	44	446	580	Negotiation	Badin Petroleum Service
	291	178	113	63	Negotiation	Rewaz Filling Station
	73,155	19,566	53,589	28,333	Negotiation	Note 4.5
Furniture, office equipment and other assets	1,597	705	892	50	Negotiation	Asif Iqbal (Vendor)
Plant and machinery	20,503	6,255	14,248	7,533	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.

4.6 Disposal / write offs of fixed assets include assets written off having a cost of Rs. 285,163 thousand (2009: Rs. 2,362,289 thousand) and a net book value of Rs. 143,447 thousand (2009: Rs. 282,487 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.

4.7 Capital work-in-progress	2010	2009
	--------- (Rupees `000)	---------
Buildings on leasehold land	50,252	253,671
Tanks and pipelines	126,333	41,637
Plant and machinery	7,545	1,620
Air-conditioning plant	-	1,028
Dispensing pumps	2,091	6,650
Rolling stock and vehicles	17,975	37,238
Electrical, mechanical and fire fighting equipment	136,883	219,233
Furniture, office equipment and other assets	1,221	163,915
Computer auxiliaries	-	11,630
Capital stores and spares	2,004	4,286
	344,304	740,908

	Note	2010	2009
		(Rupees `000)	
5. INTANGIBLE ASSETS – Computer software			
As at January 1			
Cost		353,568	288,010
Accumulated amortization		(63,995)	(275,139)
Net book value		289,573	12,871
Year ended December 31			
Opening net book value		289,573	12,871
Additions at cost	5.2	1,579,929	283,295
Disposals:			
Cost		–	217,737
Accumulated amortization		–	(217,430)
		–	(307)
Amortization charge	30	(189,795)	(6,286)
Closing net book value		1,679,707	289,573
As at December 31			
Cost		1,933,497	353,568
Accumulated amortization		(253,790)	(63,995)
Net book value		1,679,707	289,573

5.1 The cost is being amortised over a period of 5 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

	2010		2009	
	Percentage Holding	Amount (Rupees '000)	Percentage Holding	Amount (Rupees '000)
Investment in associate - unquoted				
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (2009: 18,720,000) ordinary shares of Rs 100 each - note 6.1	26	2,542,853	26	2,307,806
Others - held as available-for-sale - at cost				
Arabian Sea Country Club Limited 500,000 (2009: 500,000) ordinary shares of Rs 10 each	–	5,000	–	5,000
		2,547,853		2,312,806

6.1 Movement of investment in associate	2010	2009
	(Rupees `000)	
Balance at the beginning of the year	2,307,806	2,013,198
Share of profit	916,887	655,621
Share of taxation	(320,879)	(231,036)
	596,008	424,585
Dividend received	(360,961)	(129,977)
Balance at the end of the year	2,542,853	2,307,806

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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, 2010 and the six months ended December 31, 2009, is as follows:

	2010	2009
	(Rupees `000)	
Total assets	22,405,025	23,267,999
Total liabilities	12,624,824	14,391,825

Share of the contingent liabilities based on the latest financial statements of PAPCO for the six months ended December 31, 2010 amounts to Rs. 10,061 thousand (December 31, 2009: Rs. 22,875 thousand).

	Six months ended December 31, 2010	Six months ended December 31, 2009
	(Rupees `000)	
Revenues	3,192,712	3,156,128
Total comprehensive income for the period	1,198,071	889,034

	2010	2009
	(Rupees `000)	
7. LONG TERM LOANS AND ADVANCES - Considered good		
Due from Directors - notes 7.1 and 7.2	-	465
Less: Receivable within one year - note 14	-	(372)
	-	93
Due from Executives - notes 7.1 and 7.2	126,005	135,222
Less: Receivable within one year - note 14	(48,759)	(52,975)
	77,246	82,247
Due from Employees - note 7.2	4,067	617
Less: Receivable within one year - note 14	(3,928)	(247)
	139	370
Advances to contractors	4,575	18,348
	81,960	101,058

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

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

	2010		2009	
	Directors	Executives	Directors	Executives
	(Rupees `000)			
Balance at the beginning of the year	465	135,222	1,120	116,633
Disbursements	–	195,360	–	92,565
Repayments	(465)	(204,577)	(655)	(73,976)
Balance at the end of the year	–	126,005	465	135,222

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.

The maximum aggregate amounts due from Chief Executive, Directors and Executives at the end of any month during the year were Nil (2009: Nil), Rs. 465 thousand (2009: Rs. 1,033 thousand) and Rs. 126,005 thousand (2009: Rs. 138,874 thousand) respectively. The loans to Directors represent key management personnel loans outstanding at year end

	Note	2010	2009
		(Rupees `000)	
8. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits		75,564	72,278
Prepayments		115,102	134,264
		190,666	206,542
9. LONG-TERM DEBTORS			
Long-term debtors	9.1 & 13	11,442	20,919

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 6 years.

	Note	2010	2009
		(Rupees `000)	
10. DEFERRED TAXATION - NET			
This is composed of the following:			
Taxable temporary difference arising in respect of			
- accelerated tax depreciation		(748,048)	(823,643)
- investment in associate		(66,605)	(43,581)
- assets subject to finance lease		(45,872)	(66,844)
Deductible temporary difference arising in respect of			
- short-term provisions		410,416	481,365
- carry forward tax losses	10.1	2,438,707	2,773,292
- liabilities against assets subject to finance lease		4,752	14,209
		1,993,350	2,334,798

10.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate unutilized tax losses as at December 31, 2010 amount to Rs. 7,296,481 thousand (2009: Rs. 7,923,691 thousand), out of which deferred income tax asset has been recognized on tax losses amounting to Rs. 6,967,734 (2009: Rs. 7,923,691) thousand, based on projections of future taxable profits of the Company.

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

11. STORES AND SPARES

	Note	2010	2009
		(Rupees `000)	
Stores		20,328	20,971
Spares		52	626
		20,380	21,597
Less: Provision for obsolete stores		(5,878)	(5,878)
		14,502	15,719

12. STOCK-IN-TRADE

	Note	2010	2009
Raw and packing materials	12.1	1,000,955	818,939
Finished products			
In hand and in pipeline system	12.1	5,813,090	7,618,435
In White Oil Pipeline	12.2 & 12.3	5,542,310	4,651,123
		11,355,400	12,269,558
Less: Provision for impairment	12.5	(7,917)	(11,779)
		11,347,483	12,257,779
		12,348,438	13,076,718

12.1 Includes, Rs. 797,375 thousand (2009: Rs. 143,019 thousand) in respect of stock-in-transit as at December 31, 2010.

12.2 Stock in White Oil Pipeline includes 43,750 MT (2009: 55,750 MT) of High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate.

12.3 Finished goods include debonded inventory amounting to Rs. 4,892,863 thousand (2009: Rs. 3,743,318 thousand).

12.4 The above balance includes items costing Rs. 1,441,913 thousand (2009: Rs. 577,441 thousand) which have been valued at their net realizable value amounting to Rs. 1,426,142 thousand (2009: Rs. 564,386 thousand).

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

	2010	2009
	(Rupees `000)	
Balance at beginning of the year	11,779	12,368
Add: Recognized during the year	7,917	9,547
Less: Reversed during the year	(11,779)	–
Less: Written-off during the year	–	(10,136)
Balance at end of the year	7,917	11,779

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

13. TRADE DEBTS

	Note	2010	2010
		(Rupees `000)	
Considered good			
- Secured	13.1	255,269	65,980
- Unsecured	13.2	1,769,531	1,194,152
		2,024,800	1,260,132
Considered doubtful		671,389	655,172
Trade debts - gross		2,696,189	1,915,304
Less: Provision for impairment	13.3	(671,389)	(655,172)
Trade debts - net		2,024,800	1,260,132

The above trade debts are classified as follows:

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

	Note	2009 Long-term (note 9)	2009 Short-term	2009 Total
		(Rupees `000)		
Trade debts - gross		56,034	1,859,270	1,915,304
Less: Provision for impairment of trade debts	13.3	(35,115)	(620,057)	(655,172)
		20,919	1,239,213	1,260,132

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

13.2 Amounts due from related parties, included in trade debts, are as follows:

	Note	2010	2009
		(Rupees `000)	
Shell Aviation		101,235	185,338

13.3 Provision for impairment

	Note	2010	2009
Balance at the beginning of the year		655,172	816,100
Provision made during the year	32	173,712	124,907
Amounts reversed during the year	31	(79,571)	(161,595)
Amounts written off during the year		(77,924)	(124,240)
Balance at the end of the year		671,389	655,172

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

13.4 As at December 31, 2010, trade receivables aggregating to Rs. 525,770 thousand (2009: Rs. 904,135 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	(Rupees `000)	
Upto 1 month	386,394	508,314
1 to 6 months	69,409	265,643
More than 6 months	69,967	130,178
Balance at the end of the year	525,770	904,135

13.5 As at December 31, 2010, trade receivables of Rs. 671,389 thousand (2009: Rs. 655,172 thousand) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2010	2009
		(Rupees `000)	
1 to 6 months		17,832	99,252
6 months and over		653,557	555,920
		671,389	655,172

14. LOANS AND ADVANCES - Considered good

	Note	2010	2009
Current portion of long term loans due from			
- Directors	7	-	372
- Executives		48,759	52,975
- Employees		3,928	247
		52,687	53,594
Advances to employees		23,500	6,689
		76,187	60,283

15. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2010	2009
Balances with statutory authorities		
- Customs duty	–	65,239
- Excise duty	–	3,133
	–	68,372
Short-term prepayments	305,384	181,678
	305,384	250,050

16. OTHER RECEIVABLES

	Note	2010	2009
		(Rupees `000)	
Due from Government of Pakistan (GoP) on account of:			
Petroleum development levy and other duties	16.1	2,143,552	1,392,797
Price differential claims			
- on imported purchases	16.2	295,733	295,733
- on certain POL products	16.3	747,490	910,958
- on imported motor gasoline	16.4	1,991,916	878,128
Sales tax		3,823,001	1,993,702
Inland freight equalisation mechanism		98,796	98,796
		9,100,488	5,570,114
Service cost receivable from related parties	16.5	129,604	80,890
Service cost receivable from associate company - PAPCO		3,495	3,263
Inland freight equalisation mechanism		383,104	287,530
Staff retirement benefit schemes	36.1.10	192,658	52,862
Mark-up receivable on short term deposits		2,955	864
Others		80,568	62,127
		9,892,872	6,057,650
Less: Provision for impairment		(206,006)	(206,006)
		9,686,866	5,851,644

16.1 This includes Petroleum development levy recoverable amounting to Rs. 2,070,888 thousand (2009: Rs. 1,332,207 thousand) from the Federal Board of Revenue on account of export sales. The Company has not received any settlement against this receivable during the period and is actively pursuing the matter with the Federal Board of Revenue.

16.2 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.

16.3 This represents price differential claims receivable from the Government of Pakistan (GoP). From time to time the GoP agrees to subsidise the petroleum prices by restricting the increase in prices of various petroleum products in order to reduce the burden of rising oil prices on the end consumers.

16.4 This represents 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 alongwith 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.

During 2009, oil marketing companies approached the MoPNR requesting an expeditious settlement of these claims. Further, the Company along with other affected oil marketing companies also approached MoPNR

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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. In December 2009 and March 2010, audits covering the claims for the period October 2007 to September 2009 and October 2009 to December 2009 respectively were completed and the audit reports were forwarded to MoPNR as per their request. Further, on November 24, 2010 audit reports for the period upto July 31, 2010 were submitted by the Company to MoPNR as per their request.

Subsequent to balance sheet date, the Company has received an amount of Rs. 454,000 thousand from GoP in respect of these claims. The Company along with other oil marketing companies and Oil Companies Advisory Committee (OCAC) continues to follow up this matter with MoPNR and is confident of recovering this amount in full. The receivable represents the Company's share of differential claim on shared import cargoes of motor gasoline.

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

	Note	2010	2009
		(Rupees `000)	
Shell International Petroleum Company Limited		14,037	31,144
Shell International Limited		17,054	4,994
Shell Netherlands BV		31,208	2,982
Shell Development & Offshore Pakistan		7,216	2,436
Shell Markets (Middle East) Limited		3,235	2,135
Shell Eastern Petroleum (Pte) Limited		16,024	2,132
Shell People Services UK		–	1,071
Shell Marketing (Oman)		3,976	–
Shell Gas and Power International BV		7,108	756
Shell Polska Limited		4,239	–
Shell & Turcas Petrol A. S.		4,987	–
Others		20,520	33,240
		129,604	80,890

17. CASH AND BANK BALANCES

	Note	2010	2009
Balances with banks			
- current account		985,847	149,210
- savings account	17.1	43,903	695,109
		1,029,750	844,319
Cash in hand		15,275	25,304
		1,045,025	869,623

17.1 Balances with banks carry interest at the rate of 5.5% (2009: 4.65% to 6.0%) per annum.

18. SHARE CAPITAL

18.1 Authorised capital

2010	2009		2010	2009
(Number of shares)			(Rupees `000)	
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	100,000,000	100,000,000

18.2 Issued, subscribed and paid-up capital

2010			2009				2010	2009
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus 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

18.3 The Shell Petroleum Company Limited, United Kingdom (immediate parent), a subsidiary of Royal Dutch Shell Plc. (ultimate parent), held 52,123,970 (2009: 52,123,970) ordinary shares of Rs. 10 each at December 31, 2010.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

19.1 The Company has entered into lease agreements with various leasing companies for lease of motor vehicles including transport vans. The liability under these agreements are payable by the year 2012 and is subject to finance charge at rates ranging from 12.75% to 19.84% (2009: 14.80% to 19.84%) per annum. An additional charge of 20% is also leviable on overdue rentals.

19.2 The Company intends to exercise its options to purchase the leased assets for Rs. 2,238 thousand (2009: Rs. 2,840 thousand) upon completion of the lease period.

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

Year	2010	2009
	(Rupees `000)	
2010	–	40,146
2011	17,219	1,393
2012	1,266	696
2013	994	–
	19,479	42,235
Less: Finance charge not due	(1,267)	(1,637)
Present value of minimum lease payments	18,212	40,598
Less: Current maturity shown under current liabilities	(15,550)	(38,808)
	2,662	1,790

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20. ASSET RETIREMENT OBLIGATION

	Note	2010	2009
		(Rupees `000)	
Balance at the beginning of the year		212,038	181,544
Liabilities settled		–	(2,419)
Reversal of liability	31	(32,651)	–
Accretion expense	33	7,717	32,913
		(24,934)	32,913
Balance at the end of the year		187,104	212,038

21. TRADE AND OTHER PAYABLES

	Note	2010	2009
Creditors	21.1	14,031,120	10,820,007
Oil marketing companies		7,607	2,105
Accrued liabilities		2,247,815	2,294,878
Excise and customs duties and development surcharge		106,586	23,341
Dealers' and cartage contractors' security deposits	21.2	407,129	331,481
Security deposits from customers		244,011	310,908
Provision for post retirement medical benefits	36.2.2	36,873	31,107
Workers' welfare fund		201,025	151,168
Workers' profit participation fund	21.3	4,193	9,909
Unclaimed dividends		112,639	96,813
Payable to the Earthquake Relief Fund		948	872
Advances received from customers		2,340,451	1,617,458
Other liabilities	21.4	196,153	280,949
		19,936,550	15,970,996

21.1 Amounts due to related parties at the year end aggregated to Rs. 7,792,990 thousand (2009: Rs. 3,538,649 thousand). Particulars of the amounts due to related parties are as follows:

	2010	2009
	(Rupees `000)	
Pak-Arab Pipeline Company Limited (Associated Company)	35,490	29,526
Shell International Petroleum Company Limited	3,772,932	1,679,684
Shell International Trading Middle East	2,345,283	861,930
Shell Lubricants Supply Company	946,061	190,568
Shell Brands International AG	292,086	453,493
Shell International BV	139,445	73,165
Shell Information Technology	111,242	86,476
Shell Business Service Centre	45,264	–
Shell International Ltd - SRES	39,809	72,808
Shell Shared Services (Asia) BV	15,150	2,233
Shell & Turcas Petrol A. S.	12,141	4,446
Shell People Services Asia SDN BHD	9,475	8,727
Other related parties	28,612	75,593
	7,792,990	3,538,649

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

21.3 Workers' profit participation fund	Note	2010	2009
		(Rupees `000)	
Balance at the beginning of the year		9,909	(7,269)
Allocation for the year	32	131,476	209,906
		141,385	202,637
Add: Amount received		–	7,272
Less: Amount paid		(137,192)	(200,000)
Balance at the end of the year		4,193	9,909

21.4 Other liabilities include Rs. 130,421 thousand (2009: Rs. 191,730 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 36 to the financial statements.

22. ACCRUED MARK-UP

	2010	2009
	(Rupees `000)	
Mark-up accrued on:		
- short term running finances utilised under mark-up arrangements	54,576	62,057
- short term loans	31,774	137,981
	86,350	200,038

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

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

23.1 The facilities for short term running finances available from various banks aggregate to Rs. 19,890,000 thousand (2009: Rs 19,650,000 thousand). The rates of mark-up range from Re 0.3937 to Re 0.4485 per Rs 1,000 per day (2009: Re 0.3789 to Re 0.4383 per Rs 1,000 per day). The purchase prices are payable on various dates by October 31, 2011. These arrangements are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

	Note	2010	2009
		(Rupees `000)	
24. SHORT TERM LOANS - Secured			
Short term loans	24.1	8,400,000	3,500,000
Current maturity of long term loans		–	2,500,000
		8,400,000	6,000,000

24.1 The above loans have been obtained from various banks and carry mark-up at rates ranging from 13.70% to 14.00% (2009: 13.04% to 15.70%) per annum. The loans are repayable by January 31, 2011. These loans are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 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 amending 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.

The accumulated levy upto December 12, 2006 (held to be invalid by the High Court) amounts to Rs. 603,000 thousand and from then onwards upto December 31, 2010 amounts to Rs. 1,117,842 thousand (Total Rs. 1,720,842 thousand) (2009: Rs. 1,432,721 thousand). However, based on the legal advice obtained, no provision has been made in these financial statements against the levy as the Company's management expects a favourable outcome.

25.1.2 PARCO pipeline fill

The Ministry of Petroleum and Natural Resources (MoPNR) has made a claim relating to the loan arranged by the Government of Pakistan (GoP) to the Company to finance the initial fill of the 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 (2009: 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 the August 11, 2000 price as indicated by MoPNR, would amount to Rs.294,000 thousand. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs. 78,164 thousand and consequently no provision has been made for the additional demand raised by MoPNR

25.1.3 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at December 31, 2010 amounted to approximately Rs. 1,921,096 thousand (2009: Rs. 1,777,315 thousand).This includes claims by refineries, amounting to Rs. 996,554 thousand (2009: Rs 991,566 thousand) in respect of delayed payment charges. The Company does not acknowledge the claim including 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.

25.2 Commitments

a) Capital expenditure contracted for but not incurred as at December 31, 2010 amounted to approximately Rs.196,710 thousand (2009: Rs. 2,372,504 thousand).

b) Commitments for rentals of assets under operating lease agreements as at December 31, 2010 amounted to Rs. 2,361,356 thousand (2009: Rs. 2,500,559 thousand) payable as follows:

	2010	2009
	(Rupees `000)	
Not later than one year	147,548	151,042
Later than one year and not later than five years	584,816	581,997
Later than five years	1,628,992	1,767,520
	2,361,356	2,500,559

c) 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 Bill 2005. As at December 31, 2010 the value of these cheques amounts to Rs. 6,657,745 thousand (2009: Rs. 9,718,828 thousand). The maturity dates of these cheques extend to June 27, 2011 (2009: June 19, 2010).

d) Letters of credit and bank guarantees outstanding as at December 31, 2010 amounts to Rs. 4,220,825 thousand (2009: Rs. 2,851,360 thousand).

26. SALES

	2010	2009
	(Rupees `000)	
Local sales	197,597,008	163,727,802
Export sales	27,313,827	14,652,914
Gross sales	224,910,835	178,380,716
Less: Trade discounts and rebates	1,097,243	1,270,508
	223,813,592	177,110,208

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	Note	2010	2009
		(Rupees `000)	
27. OTHER REVENUE			
Licence fee charged to dealers		406,520	486,980
28. COST OF PRODUCTS SOLD			
Opening stock of raw and packing materials		818,939	881,871
Raw and packing materials purchased		6,117,414	4,819,071
Less: Closing stock of raw and packing materials	12	(1,000,955)	(818,939)
Raw and packing materials consumed		5,935,398	4,882,003
Add: Manufacturing expenses		201,654	176,433
Cost of products manufactured		6,137,052	5,058,436
Non-fuel retail purchases		–	5,943
Opening stock of finished products		12,257,779	8,122,434
Finished products purchased		153,358,681	107,202,694
Duties and levies	28.1	24,997,124	34,966,188
Less: Closing stock of finished products	12	(11,347,483)	(12,257,779)
		185,403,153	143,097,916
28.1 Duties and levies			
Petroleum development levy		17,744,710	25,248,981
Carbon duty		–	301,524
Customs and excise duty		1,886,442	4,903,360
Inland freight equalisation margin		5,321,917	4,346,010
Others		44,055	166,313
		24,997,124	34,966,188
29. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and benefits	29.1	1,160,149	902,672
Staff training		9,802	15,380
Stores and materials		44,271	44,988
Fuel and power		63,218	70,177
Rent, taxes and utilities		291,192	291,107
Repairs and maintenance		293,193	365,369
Insurance		91,791	79,660
Travelling		182,578	128,656
Advertising and publicity		185,485	401,551
Legal and professional charges		107,303	53,209
Communication and stationery		24,929	17,681
Computer expenses		21,050	18,806
Storage and other charges		98,529	29,364
Others		41,174	54,533
		2,614,664	2,473,153
Less: Handling and storage charges recovered		(30,968)	(40,995)
Secondary transportation expenses		1,940,362	944,195
		4,524,058	3,376,353

29.1 Salaries, wages and benefits include Rs. 66,439 thousand (2009: Rs. 113,818 thousand) in respect of staff retirement benefits.

30. ADMINISTRATIVE EXPENSES

	Note	2010	2009
		(Rupees `000)	
Salaries, wages and benefits	30.1	556,974	708,272
Staff training		3,978	8,986
Stores and materials		19,088	189
Fuel and power		33,584	27,319
Rent, taxes and utilities		18,592	54,617
Repairs and maintenance		33,014	21,155
Insurance		5,278	4,781
Travelling		41,228	57,896
Advertising and publicity		2,419	22,311
Technical service fee		1,032,223	1,501,114
Trade marks and manifestations licence fee		183,880	157,969
Legal and professional charges		232,214	212,806
Communication and stationery		378,314	224,164
Computer expenses		187,717	121,968
Depreciation - tangible assets	4.2	777,417	724,888
Amortisation - intangible assets	5	189,795	6,286
		3,695,715	3,854,721
Less: Costs recovered under Service Level Agreement from related parties		(15,910)	(8,516)
		3,679,805	3,846,205

30.1 Salaries, wages and benefits include Rs. 29,898 thousand (2009: Rs. 125,372 thousand) in respect of staff retirement benefits and Rs. 105,276 thousand (2009: Rs. 191,730 thousand) in respect of termination benefits payable to employees under a staff redundancy plan finalized during the year.

31. OTHER OPERATING INCOME

	Note	2010	2009
		(Rupees `000)	
Income from financial assets / liabilities			
Reversal of provision for impairment of trade debts	13.3	79,571	161,595
Reversal of asset retirement obligation	20	32,651	–
Liabilities no longer payable written back	31.1	213,355	241,834
Mark-up on short-term deposits		52,471	30,380
Mark-up on delayed payments		–	4,126
Income from non-financial assets			
Sundries		149,400	54,066
		527,448	492,001

31.1 During the year, management conducted a detailed review of old outstanding liabilities. After due verification, liabilities not deemed as payable were written back in the profit and loss account.

Notes to and Forming Part of the Financial Statements

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32. OTHER OPERATING EXPENSES

	Note	2010	2009
		(Rupees `000)	
Workers' profit participation fund	21.3	131,476	209,906
Workers' welfare fund		49,961	78,200
Exchange loss		245,078	418,327
Provision for impairment of trade debts	13.3	173,712	124,907
Other receivables written off		–	15,104
Provision for impairment of operating assets		–	88,811
Auditors' remuneration	32.1	4,693	3,479
Loss on disposal of property, plant and equipment		4,052	11,814
Write off of operating assets		98,922	282,487
Donations	32.2	30,695	27,055
Others		–	24,900
		738,589	1,284,990

32.1 Auditors' remuneration

	2010	2009
Audit fee	2,700	2,300
Fee for substantiating Inland Freight Equalisation Margin	540	313
Audit of Provident, Pension, Gratuity and Workers' profit participation funds	190	255
Special certifications and sundry advisory services	903	350
Out of pocket expenses	360	261
	4,693	3,479

32.2 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	2010	2009
		(Rupees `000)	
Shell LiveWIRE Trust (Shell House, 6 Ch. Khaliquzzaman Road, Karachi)	Mr. Zaiviji Ismail bin Abdullah - Chairman Board of Trustees Mr. Yousuf Ali - Trustee 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	3,000	3,000
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Zaiviji Ismail bin Abdullah - Member, Board of Governors	6,000	1,000
The Aga Khan University Hospital and Medical College	Mr. Zaiviji Ismail bin Abdullah - Member, Resource Development Committee	–	100

33. FINANCE COSTS

	Note		
Bank charges		186,790	118,341
Accretion expense	20	7,717	32,913
Mark-up on short-term running finances, short-term loans and long-term loans		1,065,444	1,243,998
Finance charge on liabilities against assets subject to finance lease		4,726	5,959
		1,264,677	1,401,211

34. TAXATION

Current		
- for the period	1,087,055	778,934
- for prior periods	–	(187,173)
Deferred	341,448	755,300
	1,428,503	1,347,061

34.1 Relationship between tax expense and accounting profit

Accounting profit before taxation	3,044,085	3,910,009
Tax rate	35%	35%
Tax on accounting profit	1,065,430	1,368,503
Tax effect of lower tax on certain income of the Company	(353,998)	(510,892)
Tax impact on account of lower tax rate on share of profit of associate	(149,002)	(106,146)
Current tax reversal in respect of prior years	–	(187,173)
Deferred tax charge in respect of prior years	–	213,298
Minimum tax	751,011	568,179
Write-off of carry forward losses	115,062	–
Others	–	1,292
Tax expense for the year	1,428,503	1,347,061

35. EARNINGS PER SHARE

35.1 Basic

Profit after taxation attributable to ordinary shareholders	1,615,582	2,562,948
	---- No. of Shares ----	
Weighted average number of ordinary shares in issue during the year	68,487,913	68,487,913
	------ Rupees ------	
Earnings per share	23.59	37.42

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35.2 Diluted

There were no convertible potential ordinary shares in issue as at December 31, 2010 and December 31, 2009.

36. EMPLOYEE BENEFITS

36.1 Pension & Gratuity

As mentioned in note 2.14, 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, 2010.

36.1.1 Actuarial assumptions

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

	2010	2009
	% per annum	
- Expected per annum rate of increase in future salaries	12.00	10.60
- Discount rate	14.25	12.75
- Expected per annum rate of return on plan assets	14.25	12.75

36.1.2 Balance sheet reconciliation

	Note	2010					2009				
		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	36.1.3	1,805,018	(22,202)	10,036	85,266	1,878,118	1,611,406	73,814	8,700	83,741	1,777,661
Less: Present value of defined benefit obligation	36.1.4	(1,639,691)	(312,376)	(4)	(61,081)	(2,013,152)	(1,504,137)	(347,424)	(4)	(52,298)	(1,903,863)
Surplus / (deficit)		165,327	(334,578)	10,032	24,185	(135,034)	107,269	(273,610)	8,696	31,443	(126,202)
Actuarial losses / (gains) to be recognised in future periods in accordance with the Company's accounting policy		74,012	37,719	(285)	(3,250)	108,196	102,808	67,778	–	(10,794)	159,792
Asset / (liability) in respect of staff retirement benefit schemes		239,339	(296,859)	9,747	20,935	(26,838)	210,077	(205,832)	8,696	20,649	33,590

36.1.3 Movement in the fair value of plan assets

	2010					2009				
	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	1,611,406	73,814	8,700	83,741	1,777,661	1,334,453	59,856	6,620	59,551	1,460,480
Expected return on plan assets	176,140	1,900	1,051	9,747	188,838	199,363	5,695	1,008	10,319	216,385
Contribution by the Company	98,018	22,467	–	69	120,554	77,685	21,875	–	784	100,344
Contribution by the employees	11,772	–	–	–	11,772	11,319	–	–	–	11,319
Benefits paid during the year	(115,583)	(146,231)	(3)	(2,406)	(264,223)	(69,393)	(36,356)	–	(2,406)	(108,155)
Actuarial gains / (losses) on plan assets	23,265	25,848	288	(5,885)	43,516	57,979	22,744	1,072	15,493	97,288
Fair value of plan assets at the end 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

36.1.4 Movement in the present value of defined benefit obligation

	2010					2009				
	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	1,504,137	347,424	4	52,298	1,903,863	1,301,260	169,793	–	47,507	1,518,560
Current service cost	88,787	17,250	–	2,177	108,214	82,743	17,716	–	2,108	102,567
Interest cost	193,138	21,270	–	6,519	220,927	202,856	24,366	–	7,416	234,638
Benefits paid during the year	(115,583)	(146,231)	(3)	(2,406)	(264,223)	(69,393)	(36,356)	–	(2,406)	(108,155)
Past service cost	–	–	–	1,970	1,970	–	–	–	–	–
Actuarial losses / (gains) on obligation	8,045	7,633	3	523	16,204	99,893	663	4	(2,327)	98,233
Settlements	–	–	–	–	–	(9,606)	11,685	–	–	2,079
Curtailments	(38,833)	65,030	–	–	26,197	(103,616)	159,557	–	–	55,941
Present value of obligation at the end 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

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36.1.5 Amount recognised in the profit and loss account

	2010					2009				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	88,787	17,250	–	2,177	108,214	82,743	17,716	–	2,108	102,567
Interest cost	193,138	21,270	–	6,519	220,927	202,856	24,366	–	7,416	234,638
Expected return on plan assets	(176,140)	(1,900)	(1,051)	(9,747)	(188,838)	(199,363)	(5,695)	(1,008)	(10,319)	(216,385)
Past service cost	–	–	–	1,970	1,970	–	–	–	–	–
Settlement (loss)/gain	–	–	–	–	–	(9,606)	11,685	–	–	2,079
Curtailment (loss)/gain	(38,833)	65,030	–	–	26,197	(103,616)	159,557	–	–	55,941
Net actuarial gain/(loss) recognised during the year	13,576	11,844	–	(1,136)	24,284	10,775	24,767	41	764	36,347
Employee contributions	(11,772)	–	–	–	(11,772)	(11,319)	–	–	–	(11,319)
Expense/(reversal) for the year	68,756	113,494	(1,051)	(217)	180,982	(27,530)	232,396	(967)	(31)	203,868
Actual return on plan assets	199,405	27,748	1,339	3,862	232,354	257,342	28,439	2,080	25,812	313,673

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

	2010					2009				
	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	210,077	(205,832)	8,696	20,649	33,590	104,862	4,689	7,729	19,834	137,114
Net (charge)/reversal for the year	(68,756)	(113,494)	1,051	217	(180,982)	27,530	(232,396)	967	31	(203,868)
Contributions by the Company	98,018	22,467	–	69	120,554	77,685	21,875	–	784	100,344
Asset/(liability) in respect of staff retirement benefit schemes	239,339	(296,859)	9,747	20,935	(26,838)	210,077	(205,832)	8,696	20,649	33,590
Current account balance with funds	37,181	104,946	–	–	142,127	(25)	18,402	–	–	18,377
	276,520	(191,913)	9,747	20,935	115,289	210,052	(187,430)	8,696	20,649	51,967

36.1.7 Plan assets comprised of the following

	2010					2009				
	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	970,792	38,898	5,958	40,344	1,055,992	982,672	47,572	7,746	67,410	1,105,400
Mutual Fund Units	141,346	43,033	697	11,413	196,489	132,576	40,091	681	11,930	185,278
Cash	730,061	813	3,381	33,509	767,764	496,158	4,556	273	4,401	505,388
Receivable and (payable) balances	(37,181)	(104,946)	–	–	(142,127)	–	(18,405)	–	–	(18,405)
	1,805,018	(22,202)	10,036	85,266	1,878,118	1,611,406	73,814	8,700	83,741	1,777,661

36.1.8 Expected contributions to the above schemes for the year ending December 31, 2011 is Rs. 133,000 thousand.

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

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

	2010	2009
	(Rupees `000)	
Total balance receivable in respect of defined benefit schemes	115,289	51,967
Total balance receivable in respect of defined contribution schemes	77,369	895
	192,658	52,862

36.2 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 recognized in the balance sheet is based on a valuation carried out as at the balance sheet date and is as follows:

36.2.1 Actuarial assumptions

The following significant assumptions were used in the valuation of this scheme:

	2010	2009
	(Percentage)	
- Discount rate	14.25	12.75
- Expected long-term rate of increase in medical cost	8.75	7.38

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

36.2.2 Amount recognised in the balance sheet

	2010	2009
	(Rupees `000)	
Present value of defined benefit obligation	58,302	53,814
Less: Fair value of plan assets	–	–
	58,302	53,814
Actuarial losses to be recognised in future periods in accordance with the Company's accounting policy	(21,429)	(22,707)
Liability recognised at the end of the year	36,873	31,107

36.2.3 Movement in the liability recognised in the balance sheet

	2010	2009
Balance at the beginning of the year	31,107	29,287
Add: Charge for the year	10,387	6,003
Less: Payments during the year	(4,621)	(4,183)
Balance at the end of the year	36,873	31,107

36.2.4 Amount recognised in the profit and loss account

	2010	2009
Current service cost	1,315	1,172
Interest cost	6,576	6,279
Settlement gain	–	(238)
Curtailment gain	–	(3,168)
Actuarial loss recognised during the year	2,496	1,958
	10,387	6,003

36.2.5 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	1,306	1,033
- Effect on the defined benefit obligation at the end of the year	5,927	7,204

36.3 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, 2010	December 31, 2009	December 31, 2008	June 30, 2008	June 30, 2007
	(Rupees `000)				
Present value of defined benefit obligation	2,071,454	1,957,677	1,559,628	1,481,487	1,325,527
Fair value of plan assets	1,878,118	1,777,661	1,460,480	1,500,515	1,371,199
(Deficit) / surplus	(193,336)	(180,016)	(99,148)	19,028	45,672
	(Percentage)				
Experience adjustments:					
(Gain) / loss on obligation	1	(3)	-	1	-
Gain / (loss) on plan assets	(2)	5	(9)	(2)	1

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

	2009	2008
	(Rupees `000)	
Shell Pakistan Management Staff Provident Fund	499,357	384,818
Shell Pakistan Staff Provident Fund	3,691	3,300
Shell Pakistan Labour Provident Fund	90,981	80,913
Shell Pakistan Management Staff Gratuity Fund	76,386	60,521
Shell Pakistan Labour and Clerical Staff Gratuity Fund	82,029	69,753
Shell Pakistan Management Staff Pension Fund	1,570,307	1,279,781
Shell Pakistan Staff Pension Fund	8,197	5,867
	2,330,948	1,884,953

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010

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

	2010	2009
	(Rupees `000)	
- in respect of pension and gratuity schemes	180,982	203,868
- in respect of provident funds	32,224	29,319
- in respect of post retirement medical benefit scheme	10,387	6,003
	223,593	239,190

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees `000)			(Rupees `000)		
Short-term employee benefits						
Managerial remuneration (including bonus)	30,802	29,293	934,421	22,493	27,515	870,221
Housing:						
- Rent	4,650	–	–	4,200	–	–
- Utilities	1,123	498	23,511	1,225	578	32,461
- Other items	72	144	6,900	1,928	175	6,265
Medical expenses	54	421	26,593	62	510	27,835
	36,701	30,356	991,425	29,908	28,778	936,782
Post-employment benefits						
Company's contribution to pension, gratuity and provident fund	–	4,210	119,037	–	3,497	106,436
Termination benefits	–	–	–	–	–	191,157
	36,701	34,566	1,110,462	29,908	32,275	1,234,375
Number of persons at year end	1	4	467	1	3	504

37.1 Aggregate amount charged in the financial statements for the year for fee to 5 Non-Executive Directors was Rs 1,080 thousand (2009: 7 Non-Executive Directors Rs 650 thousand).

37.2 In addition, the Chief Executive, Executive Directors and some of the Executives were also provided with free use of Company maintained cars and the Chief Executive was also provided with company furnished accommodation.

38. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	2010	2009
Associate			---------- (Rupees `000) ----------	
Pak Arab Pipeline Company Ltd.	Pipeline charges		813,495	1,145,556
Contribution to staff retirement benefit / contribution fund	Pension Fund		98,018	77,685
	Gratuity Fund		22,536	22,659
	Provident Fund		30,353	29,469
Other related parties	Purchases		88,527,179	62,306,713
	Sales	38.1	1,113,071	1,954,661
	Technical service fee charged	38.2	1,032,223	1,501,114
	Trade marks and manifestations license fee charged	38.2	183,880	157,969
	Computer expenses charged (Global Infrastruture Desktop charges)	38.3	146,482	76,668
	ERP implementation charges		1,270,668	–
	Expenses recovered from related parties		352,075	202,463
	Other expenses charged by related parties		244,407	50,697
	Legal charges		38	1,024
	Gain on disposal of fixed assets to key management personnel		1,705	1,768

38.1 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.

38.2 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.

38.3 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.

38.4 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 note 4.4, 7 and 37 to these financial statements.

38.5 Transactions and outstanding balance in respect of the workers' profit participation fund are disclosed in note 21.3 to these financial statements.

38.6 Expenses recovered from / charged by related parties are based on actuals. The related outstanding balances have been disclosed in notes 13, 16 and 21 to these financial statements.

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

39. 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 from external customers for products of the Company are as follows:

Product	Note	2010	2009
		(Rupees `000)	
Motor Gasoline		44,716,399	34,221,863
High Speed Diesel		107,341,188	100,348,518
Jet Fuels		37,662,539	23,030,065
Lubricants		11,837,802	12,412,929
Others		22,255,664	7,096,833
		223,813,592	177,110,208

40. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
Profit before taxation		3,044,085	3,910,009
Adjustment for non-cash charges and other items:			
Depreciation and amortization charge		988,971	749,717
Accretion expense in respect of asset retirement obligation	33	7,717	32,913
Reversal of liability in respect of asset retirement obligation	31	(32,651)	–
Provision for impairment of trade debts	32	173,712	124,907
Reversal of provision for impairment of trade debts	31	(79,571)	(161,595)
Provision for impairment of operating assets	32	–	88,811
Write off of operating assets	32	98,922	282,487
Loss on disposal of property, plant and equipment	32	4,052	11,814
Share of profit of associate		(596,008)	(424,585)
Mark-up on short term deposits	31	(52,471)	(30,380)
Mark-up on short term running finances and loans	33	1,065,444	1,243,998
Finance charge on liabilities against assets subject to finance lease	33	4,726	5,959
Working capital changes	40.1	(112,070)	(177,901)
		4,514,858	5,656,154

40.1 Working capital changes

	2010	2009
Decrease / (increase) in current assets		
Stores and spares	1,217	2,273
Stock-in-trade	728,280	(4,072,413)
Trade debts	(886,926)	1,679,311
Loans and advances	(15,904)	(8,861)
Trade deposits and short term prepayments	(55,334)	22,754
Other receivables	(3,833,131)	1,829,114
	(4,061,798)	(547,822)
Increase in current liabilities		
Trade and other payables	3,949,728	369,921
	(112,070)	(177,901)

	Note	2010	2009
		(Rupees `000)	
41. CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	1,045,025	869,623
Short term running finances utilised under mark-up arrangements		(1,586,438)	(2,453,001)
Short term loans	24	(8,400,000)	(3,500,000)
		(8,941,413)	(5,083,378)

42. FINANCIAL ASSETS AND LIABILITIES

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

	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	–	–	–	17,247,421	–	17,247,421	17,247,421
Accrued mark-up	–	–	–	86,350	–	86,350	86,350
Liabilities against assets subject						–	–
to finance lease	2,662	15,550	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
	9,989,100	15,550	10,004,650	17,333,771	–	17,333,771	27,338,421
On balance sheet gap	(9,893,533)	60,809	(9,832,724)	(10,680,742)	93,032	(10,587,710)	(20,420,434)

Notes to and Forming Part of the Financial Statements
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	2009						
	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	52,654	81,620	134,274	940	1,090	2,030	136,304
Deposits	–	–	–	–	72,278	72,278	72,278
Trade debts	–	–	–	1,239,213	20,919	1,260,132	1,260,132
Other receivables	–	–	–	2,522,154	–	2,522,154	2,522,154
Cash and bank balances	695,109	–	695,109	174,514	–	174,514	869,623
	747,763	81,620	829,383	3,936,821	99,287	4,036,108	4,865,491
Financial liabilities							
Financial liabilities at amortised cost							
Trade and other payables	–	–	–	14,138,013	–	14,138,013	14,138,013
Accrued mark-up	–	–	–	200,038	–	200,038	200,038
Liabilities against assets subject to finance lease	38,808	1,790	40,598	–	–	–	40,598
Short term running finance utilised under mark-up arrangements	2,453,001	–	2,453,001	–	–	–	2,453,001
Short term loans	6,000,000	–	6,000,000	–	–	–	6,000,000
	8,491,809	1,790	8,493,599	14,338,051	–	14,338,051	22,831,650
On balance sheet gap	(7,744,046)	79,830	(7,664,216)	(10,401,230)	99,287	(10,301,943)	(17,966,159)

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.

42.2 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 to maintaining an appropriate mix between various sources of finance to minimise risk and provide maximum return to shareholders.

42.2.1 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. 6,917,987 thousand (2009: Rs. 4,865,491 thousand) the financial assets subject to credit risk amount to Rs. 6,902,712 thousand (2009: Rs. 4,840,187 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 asset exposed to credit risk is the trade debts and other receivables of the Company. The utilization of credit limits is regularly monitored.

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

	2010	2009
	(Rupees `000)	
Loans	130,072	136,304
Deposits	75,564	72,278
Trade debts	1,499,030	355,997
Other receivables	3,637,526	2,522,154
Cash and bank balances	1,045,025	869,623
	6,387,217	3,956,356

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	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+
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
Citibank N.A.	S&P	A-1	A+
Deutsche Bank	S&P	A-1	A+
Bank of Tokyo Mitsubishi UFJ Limited Pakistan	S&P	A-1	A+
The Hongkong and Shanghai Banking Corporation Limited	Moody's	P-1	Aa3

42.2.2 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 rate 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 obtains forward exchange cover, where necessary and permissible, to hedge foreign currency exposure. The Company primarily has foreign currency exposures in US Dollar (USD), Pounds (GBP) and EURO (EUR).

Notes to and Forming Part of the Financial Statements
for the year ended December 31, 2010

As at December 31, 2010, 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	2010		2009	
		%	Rs. '000	%	Rs. '000
USD	lower/higher	10%	424,607	10%	279,356
GBP	lower/higher	10%	82,785	10%	14,382
EUR	lower/higher	10%	8,848	10%	–

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, 2010, 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. 64,912 thousand (2009: Rs. 54,945 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 then 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.

42.2.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Through its treasury function, the Company continually monitors its liquidity position and ensures availability of funds by maintaining flexibility in funding by keeping committed credit lines available.

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 42.1 to these financial statements.

42.3 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.

	2010	2009
	(Rupees `000)	
Total borrowings	10,004,650	8,493,599
Less: Cash and bank balances	(1,045,025)	(869,623)
Net Debt	8,959,625	7,623,976
Total Equity	7,372,035	8,270,603
Total Capital	16,331,660	15,894,579
Gearing Ratio	54.86%	47.97%

42.4 Fair value of financial instruments

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

43. 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 3, 2011have proposed a final cash dividend of Rs. 8.00 per share (80%) (2009 Rs. 25 per share). This is in addition to the interim cash dividend of Rs. 4.00 per share (40%) (2009 Rs 8 per share) resulting in a total cash dividend for the year of Rs.12 per share (2009 Rs. 33 per share) amounting to Rs. 821,856 thousand (2009 Rs. 2,260,101 thousand). The approval of the members for final cash dividend will be obtained in the Annual General Meeting to be held on April 4, 2011. The financial statements for the year ended December 31, 2010 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2011.

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. For better presentation following significant reclassification changes have been made during the year:

Description	Head of account of the financial statements for the year ended December 31, 2009	Head of account of the financial statements for the year ended December 31, 2010	Rupees '000
Operating fixed assets	Fixed assets	Property, plant & equipment	6,283,879
Capital work-in-progress	Fixed assets	Property, plant & equipment	740,908
Intangible assets	Fixed assets	Intangible assets	289,573

45. GENERAL

Figures have been rounded off to the nearest thousand.

46. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 3, 2011 by the Board of Directors of the Company.

Zaiviji Ismail bin Abdullah
Chairman & Chief Executive

Imran R. Ibrahin
Director

Attendance at Board Meetings

for the year ended December 31, 2010

Name of Directors	Total No. of Board Meetings*	No. of Board Meetings Attended
Mr. Zaiviji Ismail bin Abdullah	6	6
Ms. Shahnaz Wazir Ali	6	4
Mr. Yousuf Ali	6	6
Mr. Rafi H. Basheer	6	6
Mr. Farrokh K. Captain	6	6
Ms. Fawzia Kazmi	2	1
Mr. Zaffar A. Khan	6	6
Mr. Imran R. Ibrahim	6	6
Mr. Leon Menezes	6	6
Mr. Michael Noll	6	4
Mr. Badaruddin F. Vellani	6	5
Mr. Chong Keng Cheen	4	1

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

Pattern of Shareholding

for the year ended December 31, 2010

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
1,617	1	–	100	67,781
2,090	101	–	500	609,993
1,044	501	–	1,000	792,342
1,160	1,001	–	5,000	2,628,003
198	5,001	–	10,000	1,417,331
64	10,001	–	15,000	796,660
23	15,001	–	20,000	419,481
19	20,001	–	25,000	447,966
13	25,001	–	30,000	360,673
8	30,001	–	35,000	259,391
8	35,001	–	40,000	303,325
1	40,001	–	45,000	40,125
3	45,001	–	50,000	137,976
3	50,001	–	55,000	155,526
4	55,001	–	60,000	227,391
2	65,001	–	70,000	139,015
3	70,001	–	75,000	221,411
1	75,001	–	80,000	78,672
2	80,001	–	85,000	161,376
1	85,001	–	90,000	85,600
1	90,001	–	95,000	95,000
1	95,001	–	100,000	100,000
1	110,001	–	115,000	113,716
1	120,001	–	125,000	120,897
1	125,001	–	130,000	125,713
1	130,001	–	135,000	132,500
1	135,001	–	140,000	139,700
1	19,5001	–	200,000	200,000
1	215,001	–	220,000	216,250
1	255,001	–	260,000	258,502
1	295,001	–	300,000	300,000
1	325,001	–	330,000	328,470
1	340,001	–	345,000	343,606
1	345,001	–	350,000	346,015
1	465,001	–	470,000	469,675
1	675,001	–	680,000	675,531
1	685,001	–	690,000	685,468
1	2,360,001	–	2,365,000	2,362,841
1	52,120,001	–	52,125,000	52,123,970
6,283				68,487,892

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,120	9,990,806	14.59
Investment Companies	14	445,255	0.65
Insurance Companies	8	3,171,666	4.63
Joint Stock Companies	84	400,620	0.58
Modaraba Companies	5	20,018	0.03
Financial Institutions	13	661,853	0.97
Associated Companies*	1	52,123,970	76.11
Abandoned Properties**	1	113,716	0.17
Others	37	1,559,988	2.27
	6,283	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, 2010

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	–	59
National Bank of Pakistan Trustee Department	1	2,305
Investment Corporation of Pakistan	1	1,897
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
Ms Shahnaz Wazir Ali	1	6
Chief Executive Officer	–	–
Directors' / CEO's spouses		
Mrs. Samina Ibrahim w/o. Mr. Imran R. Ibrahim	1	17,864
Executives	3	2,851
Public sector companies and corporations	3	3,308,207
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	35	1,673,689
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-Second Annual General Meeting of the Company to be held on April 19, 2011 at 10:00 a.m. at the Sheraton Karachi Hotel, Karachi and at any adjournment thereof.

Signed this __________ day of __________ 2011.

WITNESSES:

1. Signature
   Name ______________
   Address ______________
   ____
   CNIC or
   Passport No. ______________

2. Signature
   Name ______________
   Address ______________
   ____
   CNIC or
   Passport No. ______________

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

Note:
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 amember.
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.