SHELL PAKISTAN LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008 Restated	June 30, 2008 Restated
		(Rupees '000)		
ASSETS				
Non-current assets				
Fixed assets	3	7,314,360	7,152,802	6,826,848
Long-term investments	4	2,312,806	2,018,198	2,134,783
Long-term loans and advances	5	101,058	121,682	146,381
Long-term deposits and prepayments	6	206,542	269,024	201,718
Long-term debtors	7	20,919	73,589	134,920
Deferred taxation - net	8	2,334,798	3,090,098	-
		12,290,483	12,725,393	9,444,650
Current assets				
Stores and spares	9	15,719	17,992	13,328
Stock-in-trade	10	13,076,718	9,004,305	17,842,971
Trade debts	11	1,239,213	2,925,753	4,904,940
Loans and advances	12	60,283	51,422	47,029
Trade deposits and short-term prepayments	13	250,050	272,804	207,864
Other receivables	14	5,851,644	7,724,593	6,079,111
Cash and bank balances	15	869,623	6,549,868	872,414
		21,363,250	26,546,737	29,967,657
Total assets		**33,653,733**	**39,272,130**	**39,412,307**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	16	684,880	684,880	547,904
Reserves		2,096,050	2,096,050	2,233,026
Unappropriated profit		5,489,673	3,474,628	10,830,708
		8,270,603	6,255,558	13,611,638
LIABILITIES				
Non-current liabilities				
Deferred taxation - net		-	-	51,574
Liabilities against assets subject to finance lease	17	1,790	1,795	2,216
Long-term loan		-	2,500,000	2,500,000
Asset retirement obligation	18	212,038	181,544	191,620
		213,828	2,683,339	2,745,410
Current liabilities				
Current maturity of liabilities against assets subject to finance lease	17	38,808	61,425	56,742
Short-term running finances utilised under mark-up arrangements - secured	19	2,453,001	1,308,447	4,338,339
Short-term loans - secured	20	6,000,000	12,525,000	1,500,000
Trade and other payables	21	15,970,996	15,597,095	16,230,456
Mark-up accrued	22	200,038	563,025	157,268
Taxation		506,459	278,241	772,454
		25,169,302	30,333,233	23,055,259
		25,383,130	33,016,572	25,800,669
Total Equity and Liabilities		**33,653,733**	**39,272,130**	**39,412,307**
Contingencies and commitments	23			

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman and Chief Executive **Director**

SHELL PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		(Rupees '000)		
Sales	24	177,110,208	96,111,547	184,174,203
Non-fuel retail				
- Sales		5,356	35,628	93,395
- Others		16,975	7,100	17,598
Other revenue	25	486,980	295,622	537,854
		177,619,519	96,449,897	184,823,050
Less: Sales tax		21,619,421	11,549,125	21,672,130
Net revenue		156,000,098	84,900,772	163,150,920
Cost of products sold	26	143,097,916	87,849,668	156,699,426
Gross profit / (loss)		12,902,182	(2,948,896)	6,451,494
Distribution expenses	27	3,376,353	1,842,433	3,198,933
Administrative and marketing expenses	28	3,846,205	1,663,376	2,784,663
		5,679,624	(6,454,705)	467,898
Other operating income	29	492,001	337,885	602,223
		6,171,625	(6,116,820)	1,070,121
Other operating expenses	30	1,284,990	1,333,226	2,713,437
Operating profit / (loss)		4,886,635	(7,450,046)	(1,643,316)
Finance cost	31	1,401,211	976,838	1,522,123
		3,485,424	(8,426,884)	(3,165,439)
Share of profit of associate - net of tax	4.1	424,585	6,530	116,702
Profit / (loss) before taxation		3,910,009	(8,420,354)	(3,048,737)
Taxation	32	1,347,061	(3,255,887)	(1,323,147)
Profit / (loss) after taxation		2,562,948	(5,164,467)	(1,725,590)
Other comprehensive income		-	-	-
Total comprehensive income / (loss) for the year / period		2,562,948	(5,164,467)	(1,725,590)
			(Rupees)	
Earnings / (loss) per share	33	37.42	(75.41)	(25.20)

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

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman and Chief Executive **Director**

SHELL PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		(Rupees '000)		
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	38	5,650,195	1,188,827	5,983,249
Mark-up paid on short-term finances and short-term loans		(1,606,985)	(512,867)	(952,827)
Taxes paid		(363,543)	(379,998)	(1,252,412)
Long-term loans and advances - net		20,624	24,699	54,645
Long-term deposits and prepayments - net		62,482	(67,306)	(102,267)
Mark-up received on short-term deposits		74,215	66,464	76,715
Long-term debtors - net		96,587	72,821	(73,589)
Net cash generated from operating activities		3,933,575	392,640	3,733,514
CASH FLOW FROM INVESTING ACTIVITIES				
Fixed capital expenditure		(1,324,547)	(613,149)	(1,023,888)
Proceeds from disposal of property, plant and equipment		69,074	36,144	58,872
Dividend received from associate		129,977	123,114	123,114
Net cash used in investing activities		(1,125,496)	(453,891)	(841,902)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid		(543,923)	(2,169,913)	(2,712,995)
Repayment of liability under finance lease		(63,955)	(86,490)	(88,898)
Net cash used in financing activities		(607,878)	(2,256,403)	(2,801,893)
Net increase / (decrease) in cash and cash equivalents		2,200,201	(2,317,654)	89,719
Cash and cash equivalents at the beginning of the year / period		(7,283,579)	(4,965,925)	(7,373,298)
Cash and cash equivalents at the end of the year / period	39	(5,083,378)	(7,283,579)	(7,283,579)

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman and Chief Executive **Director**

SHELL PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Capital reserves - share premium	General revenue reserves	Unappro-priated profit	Total
	(Rupees '000)					
Balance as at June 30, 2008	547,904	-	2,026,024	207,002	10,830,708	13,611,638
Final dividend for the year ended June 30, 2008 declared subsequent to the year end	-	-	-	-	(2,191,613)	(2,191,613)
Transfer to reserve for issue of bonus shares in respect of stock dividend for the year ended June 30, 2008 declared subsequent to the year end	-	136,976	(136,976)	-	-	-
Issue of bonus shares	136,976	(136,976)	-	-	-	-
Total comprehensive loss for six months ended December 31, 2008	-	-	-	-	(5,164,467)	(5,164,467)
Balance as at December 31, 2008	684,880	-	1,889,048	207,002	3,474,628	6,255,558
Interim dividend for the year ended December 31, 2009	-	-	-	-	(547,903)	(547,903)
Total comprehensive income for the year ended December 31, 2009	-	-	-	-	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

Appropriations and transfers between reserves made subsequent to the year ended December 31, 2009 are disclosed in note 41 to these financial statements.

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman and Chief Executive **Director**

1 THE COMPANY AND ITS OPERATIONS

The Company is a limited liability Company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The 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.

1.1 During the six months period ended December 31, 2008, the financial year end of the Company was changed from June 30 to December 31. Accordingly, the financial statements for the six months period ended December 31, 2008 covered the period from July 1, 2008 to December 31, 2008. This change was made to bring the financial year of the Company in line with the financial year followed by Royal Dutch Shell Plc, the ultimate parent company.

The permission for the above change was obtained from the Commissioner of Income Tax. The corresponding figures shown in these financial statements pertain to the six months ended December 31, 2008, and therefore are not comparable. However, in order to ensure better presentation and comparability, the management has disclosed additional unaudited information pertaining to the year ended December 31, 2008 in the profit and loss account, cash flow statement, note 24 to note 33, note 38 and note 39.

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 / periods presented except as explained in note 2.1.4 to these financial statements.

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that obligations in respect of certain employee benefit schemes and asset retirement are carried at their present value.

2.1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

i) Residual values and useful lives of property, plant and equipment (note 3.1);
ii) Useful lives of intangible assets (note 3.1);
iii) Provision for impairment of fixed assets (note 3.8);
iv) Recognition and measurement of deferred tax assets and liabilities (note 8);
v) Provision for impairment of trade debts and other receivables (note 11 and note 14);
vi) Asset retirement obligations (note 18);
vii) Taxation (note 32); and
viii) Accounting for staff retirement benefit schemes (note 34).

2.1.4 Changes in accounting policies

i) Arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

International Accounting Standard 1 (IAS 1) Revised, ‘Presentation of Financial Statements’. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has adopted IAS 1 (Revised) with effect from January 1, 2009 and has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). The Company does not have any items of income and expenses representing other comprehensive income. Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the Company's financial statements and does not require the restatement or reclassification of comparative information. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 8, 'Operating Segments'. IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors, through the Chief Executive Officer, has been identified as the chief operating decision-maker. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company’s operations as one reportable segment. The adoption of this standard has therefore only resulted in some additional entity wide disclosures as given in notes 24 and 37 to these financial statements. There is no impact on earnings per share.

ii) Voluntary change in acounting policy

Management has changed the Company’s accounting policy in respect of the determination of cost of ‘bonded’ stock. When imported product parcels are received at the port, they are classified as ‘bonded’ stock. On payment of customs duties and levies, the ‘bonded’ stock is released and is available to the Company for sales. As these duties and levies are only payable at the time the Company decides to ‘de-bond’ the stock, management is of the view, that for better presentation, these duties and levies should only accrue once the stock is ‘de-bonded’. Previously the Company’s accounting policy stated that cost comprises of invoice value, charges like customs duties and similar levies and other direct costs but excludes borrowing costs for both bonded and bonded stock.

This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and accordingly the comparative figures have been restated. There is no effect of this change in accounting policy on the Company's earnings per share. The effects of change in the accounting policy on the current and prior period financial statements have been summarised below:

	December 31, 2009	December 31, 2008	June 30, 2008
	------------------------	(Rupees '000)	------------------------
Impact on balance sheet items			
Decrease in stock-in-trade	727,157	1,964,724	252,552
Decrease in trade and other payables	727,157	1,964,724	252,552

	Year ended December 31, 2009	Six months ended December 31, 2008
	------------ (Rupees '000)	----------
Impact on profit and loss line item - Cost of products sold		
Increase / (decrease) in petroleum development levy	954,986	(1,505,176)
Increase / (decrease) in customs and excise duties	282,581	(206,996)

2.1.5 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 23 (Amendment), 'Borrowing Costs'. This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The Company's accounting policy on borrowing costs, as disclosed in note 2.19, complies with the above mentioned requirement to capitalise borrowing costs and hence this change has not impacted the Company's accounting policy. The management has assessed that the change in interest calculation method would not have a material impact on the Company's financial statements.

IAS 19 (Amendment), ‘Employee benefits’.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after twelve months of employee service being rendered.

- IAS 37, ‘Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

This amendment does not have any significant impact on the Company's financial statements.

IAS 36 (Amendment), ‘Impairment of assets’. As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Adoption of the amendment does not have any significant impact on the Company's financial statements.

IAS 38 (Amendment), ‘Intangible assets’. The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Adoption of the amendment does not have any significant impact on the Company's financial statements.

IFRS 2 (Amendment), ‘Share-based payment’. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of the amendment does not have any significant impact on the Company's financial statements.

There are other standards, interpretations and amendments to existing standards that were mandatory for accounting periods beginning on or after January 1, 2009 but were considered not be relevant or did not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

The following amendment to existing standards was published and is mandatory for the Company's accounting periods beginning on or after January 1, 2010:

IFRS 2 (Amendments), ‘Group Cash-settled and Share-based Payment Transactions'. In addition to incorporating IFRIC 8, ‘Scope of IFRS 2’, and IFRIC 11, ‘IFRS 2 – Group and Treasury Share Transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company's financial statements.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.2 Fixed assets

Property, plant and equipment - tangible

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 3.1. 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.

Provision for asset retirement obligation is based on current requirements, technology and price levels and is stated at fair value. The associated asset retirement costs are capitalised as part of the carrying amount of the related property, plant and equipment. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the liability are incorporated on a prospective basis.

Intangible

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

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and 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 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.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Intangible assets 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 3.1.

2.3 Financial instruments

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. Loans and receivables are classified as trade debts, loans, deposits and other receivables 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 management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

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 and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the 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 investments are carried at amortised cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognised in the statement of comprehensive income. Investments in associates are accounted for using the equity method as explained in note 2.5.

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

The fair values of quoted investments are based on current 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. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from in the statement of comprehensive income and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.8.

Financial liabilities

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

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

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.

2.4 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.

2.5 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 recognise future losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.6 Stores and spares

Stores are valued at the lower of average cost and net realisable value whereas spares are valued at the lower of cost, worked out on a first-in first-out basis, and net realisable value. Items in transit are stated at cost incurred to date.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on the management's best estimate.

2.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Cost for bonded stock comprises invoice value and costs incurred to date. Cost for debonded stock comprises invoice value, charges like customs duties and similar levies and other direct costs but excludes borrowing cost. Previously the Company included charges like customs duties and similar levies and other direct costs for all stock-in-trade. The effect of this change in accounting policy has been disclosed in note 2.1.4 to these financial statements.

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

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's best estimate.

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 recivables 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.

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, 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, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.11 Liabilities against assets subject to finance lease

Liabilities against assets subject to finance lease are accounted for at the net present value of minimum payments under the lease arrangements.

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

2.12 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

2.13 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current taxation also includes adjustments where necessary, relating to prior years which arise from assessments framed/finalised during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major 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 asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are 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 realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

2.14 Dividend distribution

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

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recorded when significant risks and rewards of ownership of goods have passed to customers which coincides with dispatch of goods to customers.

- Non-fuel retail income and other revenue (including license fee) is recognised on an accrual basis.

- Dividend income is recognised when the Company's right to receive the dividend is established.

2.16 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.

2.17 Retirement and other service 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 unionised staff and contributory pension scheme for management and non-contributory pension scheme for unionised staff. Contributions are made to these schemes on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains and losses are amortised over the expected future service of the current members;

ii) Approved contributory provident fund

Approved contributory provident funds for all employees; 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 using the Projected Unit Credit Method. Actuarial gains and losses are amortised over the expected future service lives of the current employees.

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

Other service benefits include:

i) 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.

ii) Employee share-based payment

The Shell Group awards shares under a Performance Share Plan (PSP) to certain employees from time to time. The fair value of these shares at the date at which they are granted, which is eventually recharged by the parent company to Shell Pakistan Limited, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become entitled to the award. The liability is remeasured at each reporting date and at settlement date. The expense is recognised as salaries, wages and benefits in the profit and loss account.

2.18 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.

2.19 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 income statement 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 expensed in the profit and loss account in the period in which they arise.

2.20 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company’s functional and presentation currency.

3 FIXED ASSETS

	Note	December 31, 2009	December 31, 2008
		------------ (Rupees '000)	----------
Property, plant and equipment			
Operating fixed assets	3.1	6,372,690	6,125,982
Capital work-in-progress	3.7	1,024,203	1,013,949
		7,396,893	7,139,931
Intangible assets	3.1	6,278	12,871
		7,403,171	7,152,802
Less: Provision for impairment	3.8	(88,811)	-
		7,314,360	7,152,802

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

	Year ended December 31, 2009																	
	Owned assets														Leased assets			Intangible
	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	Plant and machinery	Vehicles	Total operating fixed assets	Computer software
	(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	288,010
Accumulated depreciation / amortisation	-	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	275,139
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	12,871
Year ended Dec 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	12,871
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 off (Note 3.6)																		
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	217,737
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	217,430
	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	307
Depreciation / amortisation charge for the year	-	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	6,286
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	6,278
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	70,273
Accumulated depreciation / amortisation	-	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	63,995
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	6,278
Depreciation rate % per annum	-	5	2.50	5	4	5	6.67	6.67	6.67	5 to 20	5 to 10	5 to 20	33.33	25	5	20		20

	Six months ended December 31, 2008																	
	Owned assets														Leased assets			Intangible
	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	Plant and machinery	Vehicles	Total operating fixed assets	Computer software
	(Rupees '000)																	
At July 1, 2008																		
Cost	97,078	62,538	104,782	3,434,875	1,658,112	225,850	40,559	8,181	1,271,968	358,415	2,316,587	1,302,270	335,953	91,034	152,792	292,310	11,753,304	281,021
Accumulated depreciation / amortisation	-	39,479	55,860	1,191,187	834,513	190,423	32,625	4,973	731,251	173,816	861,872	1,007,468	322,339	81,235	77,671	183,294	5,788,006	270,550
Net book value	97,078	23,059	48,922	2,243,688	823,599	35,427	7,934	3,208	540,717	184,599	1,454,715	294,802	13,614	9,799	75,121	109,016	5,965,298	10,471
Six months ended December 31, 2008																		
Opening net book value	97,078	23,059	48,922	2,243,688	823,599	35,427	7,934	3,208	540,717	184,599	1,454,715	294,802	13,614	9,799	75,121	109,016	5,965,298	10,471
Additions	-	7,018	-	113,575	24,177	-	295	75	37,960	45,016	141,505	53,833	20,672	-	1,436	89,316	534,878	6,990
Disposals / write off (Note 3.6)																		
Cost	-	-	178	7,208	7,137	11	-	-	5,890	1,828	36,026	18,252	1,899	-	405	42,383	121,217	-
Accumulated depreciation	-	-	16	2,313	3,868	2	-	-	5,092	1,584	17,927	12,566	1,895	-	167	39,096	84,526	-
	-	-	162	4,895	3,269	9	-	-	798	244	18,099	5,686	4	-	238	3,287	36,691	-
Depreciation / amortisation charge for the period	-	1,510	826	87,226	25,701	1,363	606	148	27,377	22,913	78,886	48,679	4,784	2,728	7,337	27,419	337,503	4,590
Closing 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	12,871
At December 31, 2008																		
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	288,010
Accumulated depreciation / amortisation	-	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	275,139
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	12,871
Depreciation rate % per annum	-	5	2.50	5	4	5	6.67	6.67	6.67	5 to 20	5 to 10	5 to 20	33.33	25	5	20		20

3.2 The depreciation and amortisation charge for the year / period has been allocated as follows:

	Note	Year ended December 31, 2009	Six months ended December 31, 2008
		------------ (Rupees '000)---------	
Cost of products sold		18,543	8,482
Administrative and marketing expenses			
- Depreciation - tangible assets	28	724,888	329,021
- Amortisation - intangible assets	28	6,286	4,590
		731,174	333,611
		749,717	342,093

3.3 Company assets include tanks, dispensing pumps and electrical equipment having a cost of Rs 822.591 million (December 31, 2008: Rs 1,244.386 million) 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.

3.4 The following assets with a net book value exceeding Rs 50,000 were disposed of during the year:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers
	------------------------- (Rupees '000)			-------------------------		
Buildings on leasehold land	201	53	148	507	Negotiation	Defense III Service Station
	195	49	146	157	Negotiation	Quality Service Station
	221	49	172	22	Negotiation	Model Service Station Karachi
	5,476	2,798	2,678	25	Negotiation	Regional stores at Fsb. / Hdr. / Rwp.
	100	25	75	6	Negotiation	V.I.P Filling Station Larkana
	100	24	76	6	Negotiation	Naeem Petroleum Service Larkana
	100	26	74	6	Negotiation	Taj-1 Petroleum Service
	428	79	349	349	Negotiation	Al Siddique Petroleum Service
	454	165	289	144	Negotiation	City Petroleum Service
Tanks and pipelines	9,132	689	8,443	1,927	Negotiation	(Note 3.5)
Air conditioners	90	14	76	8	Negotiation	Punjab Regiment Centre
	104	16	88	8	Negotiation	Link Filling Station
	122	18	104	112	Negotiation	Multan Petroleum Service
	126	20	106	116	Negotiation	Quality Service Station
	60	9	51	2	Negotiation	Regional Stores - Hydarabad
	92	37	55	6	Negotiation	Regional Stores - Faisalabad
	69	12	57	6	Negotiation	Shell Askari Service Station
Dispensing pumps	33,503	17,721	15,782	2,529	Negotiation	(Note 3.5)
Rolling stock and vehicles	1,367	1,111	256	2,069	Advertisement	Saleem Ahmed Siddiqui
	835	598	237	344	Company Policy	Ashad Ikram Alam (executive)
	835	654	181	334	Company Policy	Azdiar Mobed (executive)
	835	668	167	334	Company Policy	Imdad Afzal (executive)
	1,209	766	443	484	Company Policy	Shuja Khan (executive)
	835	529	306	334	Company Policy	Javed Akhter (executive)
	963	626	337	385	Company Policy	Masroor H Khan (executive)
	795	543	252	318	Company Policy	Salman Saleem (executive)
	835	617	218	767	Advertisement	Zahid Qadri
	1,003	690	313	1,058	Advertisement	Muhammad Talib Qureshi
Electrical, mechanical and fire fighting equipment	1,944	1,023	921	1,665	Negotiation	Satellite Town Filling Station
	1,166	614	552	606	Negotiation	Satellite Town Filling Station
	12,278	10,375	1,903	3,850	Negotiation	Satellite Town Filling Station
	65,068	39,549	25,519	21,516	Negotiation	(Note 3.5)
	18,492	11,607	6,885	2,014	Negotiation	(Note 3.5)
Furniture, office equipment and other assets	1,041	416	625	255	Negotiation	Link Filling Station
	549	238	311	112	Negotiation	New Pearl Filling Station
	213	153	60	6	Negotiation	Civic View Petroleum
	2,341	1,231	1,110	43	Negotiation	Regional stores Fsb. / Hdr. / Rwp.
Assets held under finance lease - vehicles	969	505	464	678	Company Policy	Mehdi Akhtar Rizvi (executive)
	969	444	525	703	Company Policy	Aleemuddin (executive)
	749	494	255	498	Insurance Claim	EFU
	1,269	159	1,110	1,200	Insurance Claim	EFU
	835	655	180	334	Company Policy	Adnan Moosa (executive)
	835	655	180	334	Company Policy	Aamir Faiza (executive)
	2,750	1,948	802	1,870	Company Policy	Asif Saeed Sindhu (ex-director)
	1,002	802	200	401	Company Policy	Zarak Khan (executive)
	969	763	206	388	Company Policy	Mukhtar A Khan (executive)

3.5 Disposal of electrical, mechanical and fire fighting equipment, dispensing pumps, tanks and pipelines 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.

3.6 Disposal / write offs of fixed assets include assets written off having a cost of Rs 2,362.289 million (December 31, 2008: Rs Nil) and a net book value of Rs 282.487 million (December 31, 2008: Rs Nil). 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.

3.7 Capital work-in-progress	**December 31, 2009**	**December 31, 2008**
	----------- (Rupees '000)---------	
Tangible		
Buildings on leasehold land	253,671	292,132
Tanks and pipelines	38,637	46,073
Plant and machinery	1,620	21,919
Air-conditioning plant	4,028	2,923
Dispensing pumps	6,650	8,539
Rolling stock and vehicles	37,238	71,813
Electrical, mechanical and fire fighting equipment	299,233	446,441
Furniture, office equipment and other assets	83,915	44,668
Computer auxiliaries	11,630	5,420
Capital stores and spares	4,286	74,021
Intangible		
Computer software and consultancy costs	283,295	-
	1,024,203	1,013,949

3.8 During the year the Company identified sites where there are indications that assets may be impaired. The Company does not intend to utilise these assets and the disposal value of these assets are not expected to be significant. Therefore the 'recoverable amount' of these assets is estimated to be Rs Nil.

4 LONG-TERM INVESTMENTS

		December 31, 2009		**December 31, 2008**	
	Note	**Percentage Holding**	**Amount (Rupees '000)**	**Percentage Holding**	**Amount (Rupees '000)**
Investment in associate - unquoted					
Pak-Arab Pipeline Company Limited (PAPCO) 18,720,000 (December 31, 2008: 18,720,000) ordinary shares of Rs 100 each	4.1	26	2,307,806	26	2,013,198
Others - held as available-for-sale - at cost					
Arabian Sea Country Club Limited 500,000 (December 31, 2008: 500,000) ordinary shares of Rs 10 each		-	5,000	-	5,000
			2,312,806		2,018,198

4.1 Movement of investment in associate	**Year ended December 31, 2009**	**Six months ended December 31, 2008**
	----------- (Rupees '000)---------	
Beginning of the year / period	2,013,198	2,129,782
Share of profits	655,621	10,050
Share of taxation	(231,036)	(3,520)
	424,585	6,530
Dividend received	(129,977)	(123,114)
End of the year / period	2,307,806	2,013,198

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 financial statements for the six months ended December 31, 2009 and the year ended June 30, 2009, is as follows:

	December 31, 2009	June 30, 2009	December 31, 2008
	(Rupees '000)		
Total assets	23,267,999	23,495,601	23,408,013
Total liabilities	14,391,825	15,008,546	15,664,942

Share of the contingent liabilities based on the latest financial statements of PAPCO for the six months ended December 31, 2009 amounts to Rs 22.875 million (June 30, 2009: Rs 3.932 million).

	Note	Year ended December 31, 2009	Six months ended December 31, 2008
		(Rupees '000)	
Revenues		4,085,766	2,439,403
Total comprehensive income for the period		1,633,018	25,115

		Note	December 31, 2009	December 31, 2008
			(Rupees '000)	
5	**LONG-TERM LOANS AND ADVANCES - Considered good**			
	Due from Directors		465	1,120
	Less: Receivable within one year	12	(372)	(465)
			93	655
	Due from Executives		135,222	116,633
	Less: Receivable within one year	12	(52,975)	(45,685)
			82,247	70,948
	Due from Employees		617	2,772
	Less: Receivable within one year	12	(247)	(1,108)
			370	1,664
	Advances to contractors	5.3	18,348	48,415
			101,058	121,682

5.1 Reconciliation of loans (long-term and short-term)

	Year ended December 31, 2009		Six months ended December 31, 2008	
	Directors	Executives	Directors	Executives
	(Rupees '000)			
Opening balance	1,120	116,633	623	49,929
Disbursements	-	92,565	930	103,263
Repayments	(655)	(73,976)	(433)	(36,559)
Closing balance	465	135,222	1,120	116,633

5.2 Loans to staff are unsecured and are given for housing, purchase of motor cars / motorcycles and for general purpose in accordance with the Company's policy and are repayable over a period of two to five years. 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 Rs Nil, Rs 1.033 million and Rs 138.874 million respectively (Six months ended December 31, 2008: Rs Nil, Rs 1.383 million and Rs 117.525 million). The loans to Directors represent key management personnel loans outstanding at year end.

5.3 These represent advances in respect of various Company operated outlets which are primarily given in the form of petroleum products for meeting the working capital requirements of these sites.

	Note	December 31, 2009	December 31, 2008
6 LONG-TERM DEPOSITS AND PREPAYMENTS		------------ (Rupees '000)	----------
Deposits		72,278	63,045
Prepayments		134,264	205,979
		206,542	269,024
7 LONG-TERM DEBTORS			
Long-term debtors	11	20,919	73,589

7.1 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. These balances carry interest at the rate of Nil per annum (six months ended December 31, 2008: 15% per annum).

	December 31, 2009	December 31, 2008
8 DEFERRED TAXATION - NET	------------ (Rupees '000)	----------
This is composed of the following:		
Taxable temporary difference arising in respect of		
- accelerated tax depreciation	(823,643)	(650,474)
- investment in associate	(43,581)	(14,120)
- assets subject to finance lease	(66,844)	-
Deductible temporary difference arising in respect of		
- short-term provisions	481,365	563,666
- carry forward tax losses	2,773,292	3,191,026
- liabilities against assets subject to finance lease	14,209	-
	2,334,798	3,090,098
9 STORES AND SPARES		
Stores	20,971	22,529
Spares	626	1,341
Less: Provision for obsolete stores	(5,878)	(5,878)
	15,719	17,992

	Note	December 31, 2009	December 31, 2008 Restated	June 30, 2008 Restated
10 STOCK-IN-TRADE		-------------------------	(Rupees '000)	------------------------
Raw and packing materials	26	818,939	881,871	1,036,141
Finished goods				
In hand and in pipeline system		7,618,435	4,130,075	6,637,552
In White Oil Pipeline	10.1	4,651,123	4,004,727	10,178,720
	10.2	12,269,558	8,134,802	16,816,272
Less: Provision for impairment		(11,779)	(12,368)	(9,442)
	26	12,257,779	8,122,434	16,806,830
		13,076,718	9,004,305	17,842,971

10.1 Stock in White Oil Pipeline includes 55,750 MT (December 31, 2008: 55,750 MT) of High Speed Diesel oil which has been maintained as line fill necessary for the pipeline to operate. The aggregate value of the inventory (debonded) amounted to Rs 3,743.318 million (December 31, 2008 (Restated): Rs 2,977.720 million).

10.2 The Company has a commitment to pay Rs 727.157 million (December 31, 2008: Rs 1,964.724 million and June 30, 2008: Rs 252.552 million) in respect of duties and levies on bonded stock as at the respective balance sheet dates. Accordingly, post-dated cheques have been issued to the Collector of Customs Port Qasim and Karachi Port Trust as included in the amount disclosed in note 23.2 to these financial statements.

10.3 The above amounts include Rs 143.019 million (December 31, 2008: Rs 191.386 million) in respect of stock-in-transit as at December 31, 2009.

10.4 The above balance includes items costing Rs 577.441 million (December 31, 2008: Rs 8,141.479 million) which have been valued at their net realisable value amounting to Rs 564.386 million (December 31, 2008: Rs 7,580.924 million).

11 TRADE DEBTS	**Note**	**December 31, 2009**	**December 31, 2008**
		(Rupees '000)	
Considered good			
- Secured	11.1	65,980	1,573,565
- Unsecured		1,194,152	1,425,777
	11.2	1,260,132	2,999,342
Considered doubtful		655,172	816,100
Trade debts - gross		1,915,304	3,815,442
Less: Provision for impairment	11.3	(655,172)	(816,100)
Trade debts - net		1,260,132	2,999,342

The above trade debts are classified as follows:

	December 31, 2009		
	Long-term (note 7)	**Short-term**	**Total**
		(Rupees '000)	
Trade debts - gross	56,034	1,859,270	1,915,304
Less: Provision for impairment of trade debts	(35,115)	(620,057)	(655,172)
	20,919	1,239,213	1,260,132

	December 31, 2008		
	Long-term (note 7)	**Short-term**	**Total**
		(Rupees '000)	
Trade debts - gross	152,621	3,662,821	3,815,442
Less: Provision for impairment of trade debts	(79,032)	(737,068)	(816,100)
	73,589	2,925,753	2,999,342

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

11.2 This includes amounts due from related parties at the year end amounting to Rs 60.818 million (December 31, 2008: Rs 92.722 million). Particulars of the amounts due from related parties are as follows:

	Note	**December 31, 2009**	**December 31, 2008**
		(Rupees '000)	
Shell International Petroleum Company Limited		31,144	47,268
Shell Gas LPG (Pakistan) Limited		9,184	5,496
Shell International Limited		4,994	9,438
Shell Netherlands BV		2,982	10,816
Shell Development & Offshore Pakistan		2,436	1,472
Shell Markets (Middle East) Limited		2,135	1,584
Shell Eastern Petroleum (Pte) Limited		2,132	8,260
Shell People Services UK		1,071	1,420
Others		4,740	6,968
		60,818	92,722

		Note	Year ended December 31, 2009	Six months ended December 31, 2008
11.3	**Provision for impairment**		------------ (Rupees '000)----------	
	Balance at the beginning of the year / period		816,100	907,157
	Provision made during the year / period	30	124,907	103,293
	Amount reversed during the year / period	29	(161,595)	(168,136)
	Amounts written off during the year / period		(124,240)	(26,214)
	Balance at the end of the year / period		655,172	816,100

11.4 As at December 31, 2009, trade receivables of Rs 904.135 million (December 31, 2008: Rs 1,677.286 million) 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:

	December 31, 2009	December 31, 2008
	------------ (Rupees '000)----------	
Upto 1 month	508,314	245,260
1 to 6 months	265,643	762,502
More than 6 months	130,178	669,524
	904,135	1,677,286

11.5 As at December 31, 2009, trade receivables of Rs 655.172 million (December 31, 2008: Rs 816.100 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	December 31, 2009	December 31, 2008
		------------ (Rupees '000)----------	
1 to 6 months		99,252	232,627
6 months and over		555,920	583,473
		655,172	816,100

12 LOANS AND ADVANCES - Considered good

	Note	December 31, 2009	December 31, 2008
Loans due from			
- Directors	5	372	465
- Executives	5	52,975	45,685
- Employees	5	247	1,108
		53,594	47,258
Advances to			
- Employees		6,689	4,164
		60,283	51,422

13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Balances with statutory authorities		
- Customs duty	65,239	89,738
- Excise duty	3,133	3,133
	68,372	92,871
Short-term prepayments	181,678	179,933
	250,050	272,804

14	OTHER RECEIVABLES	Note	December 31, 2009	December 31, 2008
			------------ (Rupees '000)----------	
	Petroleum development levy and other duties	14.1	1,392,797	700,021
	Price differential on imported purchases	14.2	295,733	295,733
	Price differential claim	14.3	910,958	3,033,832
	Import price differential on motor gasoline	14.4	878,128	-
	Service cost receivable from related parties		80,890	111,953
	Service cost receivable from associate company - PAPCO		3,263	2,574
	Advances to suppliers		-	16,318
	Inland freight equalisation mechanism		386,326	799,120
	Staff retirement benefit schemes	34.1.11	52,862	143,990
	Mark-up receivable on short-term deposits		864	44,699
	Sales tax		1,993,702	2,771,225
	Workers' profit participation fund	21.3	-	7,269
	Others		62,127	3,865
			6,057,650	7,930,599
	Less: Provision for impairment		(206,006)	(206,006)
			5,851,644	7,724,593

14.1 This includes petroleum development levy recoverable of Rs 1,332.207 million (December 31, 2008: Rs 570.319 million) from the Federal Board of Revenue on account of export sales. The Company has not received any settlement against this receivable during the year and is actively pursuing the matter with the Federal Board of Revenue.

14.2 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.

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

14.4 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 the year, Oil Marketing Companies (OMCs) have approached the MoPNR requesting an expeditious settlement of these claims. Further, the Company along with other affected oil marketing companies has also approached MoPNR through letter dated July 23, 2009 requesting for an early settlement of these claims. On October 2, 2009, MoPNR requested that an audited claim be submitted to allow further consideration and resolution of the matter. In December 2009, an audit covering the claim for the period October 2007 to September 2009 was completed and the audit report was forwarded to MoPNR as per their request.

Pending related notification by MoPNR and settlement thereof the Company along with other oil marketing companies and 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.

15	CASH AND BANK BALANCES	December 31, 2009	December 31, 2008
		------------ (Rupees '000)----------	
	Balances with banks		
	- current account	149,210	514,235
	- savings account	695,109	6,005,000
		844,319	6,519,235
	Cash in hand	25,304	30,633
		869,623	6,549,868

15.1 Balances with banks carry interest ranging from 4.65% to 6.0% (December 31, 2008: 4.65% to 6.0%) per annum.

15.2 Included in cash and bank balances is an amount of Rs 0.872 million (December 31, 2008: Rs 40.162 million) in respect of contributions received for Earthquake Relief Fund.

16 SHARE CAPITAL

16.1 Authorised capital

December 31, 2009	December 31, 2008		December 31, 2009	December 31, 2008
(Number of shares)			(Rupees '000)	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

16.2 Issued, subscribed and paid-up capital

Year ended December 31, 2009			Six months ended December 31, 2008				Year ended December 31, 2009	Six months ended December 31, 2008
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus share	Total			
(Number of shares)							(Rupees '000)	
						Opening balance:		
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	-	31,309,313	31,309,313	Issued as fully paid bonus shares	450,070	313,094
23,481,000	45,006,913	68,487,913	23,481,000	31,309,313	54,790,313		684,880	547,904
-	-	-	-	13,697,600	13,697,600	Issued during the year / period	-	136,976
23,481,000	45,006,913	68,487,913	23,481,000	45,006,913	68,487,913	Closing balance	684,880	684,880

16.3 The Shell International Petroleum Company Limited, United Kingdom (immediate parent), a subsidiary of Royal Dutch Shell Plc. (ultimate parent), held 52,123,970 (December 31, 2008: 52,123,970) ordinary shares of Rs 10 each at December 31, 2009.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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 14.80% to 19.84% (December 31, 2008: 14.90% to 19.83%) per annum. An additional charge of 20% is also leviable on overdue rentals.

The Company intends to exercise its options to purchase the leased assets for Rs 2.840 million (December 31, 2008: Rs 2.450 million) upon completion of the lease period.

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

Year	December 31, 2009	December 31, 2008
	(Rupees '000)	
2009	-	65,791
2010	40,146	747
2011	1,393	1,407
2012	696	-
	42,235	67,945
Less: Finance charge not due	(1,637)	(4,725)
Present value of minimum lease payments	40,598	63,220
Less: Current maturity shown under current liabilities	(38,808)	(61,425)
	1,790	1,795

		Note	Year ended December 31, 2009	Six months ended December 31, 2008
18	**ASSET RETIREMENT OBLIGATION**		------------ (Rupees '000)	----------
	Balance at the beginning of the year / period		181,544	191,620
	Liabilities incurred		-	838
	Liabilities settled		(2,419)	-
	Reversal of liability		-	(17,541)
	Accretion expense		32,913	6,627
		31	32,913	(10,914)
	Balance at the end of the year / period		212,038	181,544

		December 31, 2009	December 31, 2008
19	**SHORT-TERM RUNNING FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS – Secured**	------------ (Rupees '000)	----------
	Short-term running finances utilised under mark-up arrangements	2,453,001	1,308,447

The facilities for short-term running finances available from various banks aggregate to Rs 19,650 million (December 31, 2008: Rs 20,830 million). The rates of mark-up range from Re 0.3789 to Re 0.4383 per Rs 1,000 per day (December 31, 2008: Re 0.3683 to Re 0.4667 per Rs 1,000 per day). The purchase prices are payable on various dates by December 31, 2010. These arrangements are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

		Note	December 31, 2009	December 31, 2008
20	**SHORT-TERM LOANS - Secured**		------------ (Rupees '000)	----------
	- Short term loans	20.1	3,500,000	12,525,000
	- Current maturity of long-term loans	20.2	2,500,000	-
			6,000,000	12,525,000

20.1 The above loans have been obtained from various banks and carry mark-up at rates ranging from 13.04% to 15.70% (December 31, 2008: 14.75% to 20.00%) per annum. The loans are repayable by February 1, 2010. These loans are secured by hypothecation of the Company's stock-in-trade, trade debts and other receivables.

20.2 The long-term was obtained from a commercial bank and bears mark-up at the rate of 3 - months Karachi Interbank Offered Rate (KIBOR) + 0.17% per annum payable and revised quarterly. The loan amount is payable on September 27, 2010 and has therefore been classified as short-term loan at December 31, 2009. The arrangement is secured by way of hypothecation on the Company's stock-in-trade, trade debts and other receivables.

		Note	December 31, 2009	December 31, 2008 Restated	June 30, 2008 Restated
21	**TRADE AND OTHER PAYABLES**		------------------------	(Rupees ‘000)	---------------------
	Creditors	21.1	8,121,075	7,170,561	11,990,626
	Bills payable	21.1	2,698,932	3,634,052	772,266
	Oil marketing companies		2,105	299,145	311,071
	Accrued liabilities		2,294,878	1,900,217	1,344,994
	Excise and customs duties and development surcharge		23,341	145,181	512,325
	Dealers' and cartage contractors' security deposits	21.2	331,481	268,457	206,623
	Security deposits from customers		310,908	300,138	125,140
	Provision for post retirement medical benefits	34.2.2	31,107	29,287	27,598
	Workers' welfare fund		151,168	72,967	190,051
	Workers' profit participation fund	21.3	9,909	-	3,537
	Unclaimed dividends		96,813	92,833	71,133
	Payable to the Earthquake Relief Fund		872	40,162	35,065
	Advances received from customers		1,617,458	1,535,340	530,030
	Other liabilities	21.4	280,949	108,755	109,997
			15,970,996	15,597,095	16,230,456

21.1 Amounts due to related parties at the year end aggregated to Rs 2,728.458 million (December 31, 2008: Rs 5,648.909 million). Particulars of the amounts due to related parties are as follows:

	December 31, 2009	December 31, 2008
	------------ (Rupees '000)----------	
Associate company - PAPCO	29,526	45,843
Other related parties	1,039,849	4,414,144
Parent company	1,659,083	1,188,922
	2,728,458	5,648,909

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

21.3 Workers' profit participation fund	Note	Year ended December 31, 2009	Six months ended December 31, 2008
		------------ (Rupees '000)----------	
Balance at the beginning of the year / period		(7,269)	3,537
Allocation for the year / period	30	209,906	-
		202,637	3,537
Add: Amount received		7,272	1,475
Less: Amount paid		(200,000)	(12,281)
Balance at the end of the year / period		9,909	(7,269)

21.4 Other liabilities include Rs 191.730 million (December 31, 2008: Rs 9.161 million) in respect of termination benefits payable to employees under a staff redundancy plan finalised during the year. Termination benefits to be paid through post retirement benefit funds have been accounted for in the funds valuation as disclosed in note 34 to the financial statements.

22 MARK-UP ACCRUED	December 31, 2009	December 31, 2008
	------------ (Rupees '000)----------	
Mark-up accrued on:		
- short-term running finances utilised under mark-up arrangements	62,057	140,379
- short-term loans	111,742	393,897
- long-term loan - classified as short-term loan at December 31, 2009	26,239	28,749
	200,038	563,025

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 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.

Shell Pakistan Limited (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 filled civil suits before 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. It has been held that the levy is valid and collectible 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 have now 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 million and from then onwards upto December 31, 2009 comes to Rs. 829.721 million (Total Rs. 1,432.721 million) (December 31, 2008: Rs 1,148.030 million). However, no provision has been made in these financial statements against the levy as the Company's management expects a favourable outcome.

23.1.2 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 million (December 31, 2008: Rs 78.164 million) 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 million. Based on legal advice obtained, the management is confident that its exposure in this respect amounted to Rs 78.164 million and consequently no provision has been made for the additional demand raised by MoPNR.

23.1.3 Others

The aggregate amount of other claims against the Company not acknowledged as debt as at December 31, 2009 amounted to approximately Rs 1,777.315 million (December 31, 2008 (Restated): Rs 1,528.137 million). This includes claims by refineries, amounting to Rs 991.566 million (December 31, 2008 (Restated): Rs 738.446 million) in respect of delayed payment charges. The Company does not acknowledge the claim for late payment charges as the delayed payment to refineries arose due to the liquidity crisis faced by oil marketing companies over the past few years caused by non-settlement of price differential claims by the Government of Pakistan.

23.2 Commitments

a) Capital expenditure contracted for but not incurred as at December 31, 2009 amounted to approximately Rs 2,372.504 million (December 31, 2008: Rs 1,415.705 million).

b) Commitments for rentals of assets under operating lease agreements as at December 31, 2009 amounted to Rs 1,634.876 million (December 31, 2008: Rs 1,365.936 million) payable as follows:

	December 31, 2009	December 31, 2008
	(Rupees '000)	
Not later than one year	77,052	57,411
Later than one year and not later than five years	312,094	233,669
Later than five years	1,245,730	1,074,856
	1,634,876	1,365,936

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, 2009 the value of these cheques amounts to Rs 9,718.828 million (December 31, 2008: Rs 8,958.177 million). The maturity dates of these cheques extend to June 19, 2010 (December 31, 2008: June 26, 2009).

d) Letters of credit and bank guarantees outstanding as at December 31, 2009 amounts to Rs 2,851.36 million (December 31, 2008: Rs Nil).

	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
24 SALES	(Rupees '000)		
Local sales	163,727,802	89,201,178	171,888,076
Export sales	14,652,914	7,377,667	13,222,642
Gross sales	178,380,716	96,578,845	185,110,718
Less: Trade discounts and rebates	1,270,508	467,298	936,515
	177,110,208	96,111,547	184,174,203
25 OTHER REVENUE			
Licence fee charged to dealers	486,980	295,622	537,854

26 COST OF PRODUCTS SOLD

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008 Restated	(Unaudited) Year ended December 31, 2008 Restated
		(Rupees ‘000)		
Opening stock of raw and packing materials		881,871	1,036,141	557,639
Raw and packing materials purchased		4,819,071	2,982,456	5,888,455
Less: Closing stock of raw and packing materials	10	(818,939)	(881,871)	(881,871)
Raw and packing materials consumed		4,882,003	3,136,726	5,564,223
Add: Manufacturing expenses		176,433	61,916	145,807
Cost of products manufactured		5,058,436	3,198,642	5,710,030
Non-fuel retail purchases		5,943	33,010	90,118
Opening stock of finished products		8,122,434	16,806,830	10,566,325
Finished products purchased		107,202,694	65,133,234	130,226,830
Duties and levies	26.1	34,966,188	10,800,386	18,228,557
Less: Closing stock of finished products	10	(12,257,779)	(8,122,434)	(8,122,434)
		143,097,916	87,849,668	156,699,426

26.1 Duties and levies

Petroleum development levy	25,248,981	7,347,246	7,262,318
Carbon duty	301,524	-	-
Customs and excise duty	4,903,360	1,926,488	6,414,903
Inland freight equalisation margin	4,346,010	1,425,916	4,341,595
Additional petroleum development levy	90,825	79,753	163,292
Wharfage	59,719	20,983	46,449
Export duty	15,769	-	-
	34,966,188	10,800,386	18,228,557

27 DISTRIBUTION EXPENSES

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		(Rupees ‘000)		
Salaries, wages and benefits	27.1	902,672	463,380	834,474
Staff training		15,380	7,367	7,390
Stores and materials		44,988	19,109	36,019
Fuel and power		70,177	41,246	74,693
Rent, taxes and utilities		282,595	175,918	320,351
Lease rentals and charges		8,512	1,456	(59)
Repairs and maintenance		365,369	225,887	321,383
Insurance		79,660	28,959	58,167
Travelling		128,656	97,328	185,676
Advertising and publicity		401,551	319,498	496,098
Legal and professional charges		53,209	5,000	5,536
Communication and stationery		17,681	10,899	18,542
Computer expenses		18,806	7,111	8,569
Storage and other charges		29,364	16,003	33,225
Others		54,533	31,284	27,544
		2,473,153	1,450,445	2,427,608
Less: Handling and storage charges recovered		(40,995)	(21,948)	(18,869)
Secondary transportation expenses		944,195	413,936	790,194
		3,376,353	1,842,433	3,198,933

27.1 Salaries, wages and benefits include Rs 113.818 million (Six months ended December 31, 2008: Rs 44.176 million) in respect of staff retirement benefits.

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		(Rupees '000)		
28 ADMINISTRATIVE AND MARKETING EXPENSES				
Salaries, wages and benefits	28.1	708,272	180,631	336,114
Staff training		8,986	3,652	3,309
Stores and materials		189	389	545
Fuel and power		27,319	11,002	21,426
Rent, taxes and utilities		54,617	21,452	37,908
Repairs and maintenance		21,155	7,569	9,444
Insurance		4,781	1,528	2,938
Travelling		57,896	33,367	55,546
Advertising and publicity		22,311	14,695	18,888
Technical service fee	36	1,501,114	678,465	1,056,978
Trade marks and manifestations licence fee	36	157,969	124,927	205,216
Legal and professional charges		212,806	61,527	95,601
Communication and stationery		224,164	97,095	142,383
Computer expenses		121,968	97,711	169,019
Depreciation - tangible assets	3.2	724,888	329,021	629,336
Amortisation - intangible assets	3.2	6,286	4,590	9,180
		3,854,721	1,667,621	2,793,831
Less: Costs recovered under Service Level Agreement from related parties		(8,516)	(4,245)	(9,168)
		3,846,205	1,663,376	2,784,663

28.1 Salaries, wages and benefits include Rs 125.372 million (Six months ended December 31, 2008: Rs 17.222 million) in respect of staff retirement benefits and Rs 191.730 million (Six months ended December 31, 2008: Rs Nil) in respect of termination benefits payable to employees under a staff redundancy plan finalised during the year.

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		(Rupees '000)		
29 OTHER OPERATING INCOME				
Income from financial assets / liabilities				
Reversal of provision for impairment of trade debts	11.3	161,595	168,136	291,971
Reversal of provision for impairment of other receivables		-	-	7,802
Liabilities no longer payable written back	29.1	241,834	17,477	24,537
Mark-up on short-term deposits		30,380	110,269	120,064
Mark-up on delayed payments		4,126	3,567	6,620
Income / (loss) from non-financial assets				
Profit on disposal of property, plant and equipment		-	-	68,610
Sundries		54,066	38,436	82,619
		492,001	337,885	602,223

29.1 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.

30 OTHER OPERATING EXPENSES	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		-----------------	(Rupees '000)	-----------------
Workers' profit participation fund	21.3	209,906	-	280,272
Workers' welfare fund		78,200	-	111,180
Exchange loss		418,327	1,180,404	1,660,069
Provision for impairment of trade debts	11.3	124,907	103,293	306,556
Provision for impairment of other receivables		-	-	206,006
Other receivables written off		15,104	10,859	61,362
Provision for impairment of fixed assets	3.8	88,811	-	-
Auditors' remuneration	30.1	3,479	2,226	3,412
Loss on disposal of property, plant and equipment		11,814	548	-
Write off of fixed assets	3.6	282,487	-	62,969
Donations	30.2	27,055	12,311	21,611
Others		24,900	23,585	-
		1,284,990	1,333,226	2,713,437

30.1 Auditors' remuneration

Audit fee	2,300	1,700	1,800
Fee for substantiating Inland Freight Equalisation Margin	313	107	776
Audit of Provident, Pension, Gratuity and Workers' profit participation funds	255	63	125
Special certifications and sundry advisory services	350	176	351
Out of pocket expenses	261	180	360
	3,479	2,226	3,412

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

Name of Donee and address	Names of interested Directors and nature of interest	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
			---------------------	(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. Rafi H. Basheer - Trustee (December 31, 2008: Mr. Zaiviji Ismail bin Abdullah - Chairman Board of Trustees Mr. Yousuf Ali - Trustee Mr. Asif Sindhu - 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 (December 31, 2008: Mr. Zaiviji Ismail bin Abdullah - Trustee Mr. Farrokh K. Captain - Trustee)		3,000	3,000	4,500
The Kidney Centre Post Graduate Training Institute (172/R, Rafiqui Shaheed Road, Karachi)	Mr. Zaiviji Ismail bin Abdullah - Member, Board of Governors (December 31, 2008: Mr. Zaiviji Ismail bin Abdullah - Member, Board of Governors)		1,000	-	1,000
The Aga Khan University Hospital and Medical College	Mr. Zaiviji Ismail bin Abdullah - Member, Resource Development Committee (December 31, 2008: None)		100	-	-

		Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
			----------	(Rupees '000)	----------
31	**FINANCE COST**				
	Bank charges		118,341	61,293	116,355
	Accretion expense - net	18	32,913	(10,914)	2,124
	Mark-up on short-term running finances, short-term loans and long-term loans		1,243,998	918,624	1,394,314
	Finance charge on liabilities against assets subject to finance lease		5,959	7,835	9,330
			1,401,211	976,838	1,522,123
32	**TAXATION**				
	Current				
	- for the year / period		210,755	85,785	1,361,549
	- for prior periods		(187,173)	(200,000)	-
	Minimum tax		568,179	-	-
	Deferred				
	- for the year / period		542,002	(3,141,672)	(2,684,696)
	- for prior periods		213,298	-	-
			1,347,061	(3,255,887)	(1,323,147)
32.1	**Relationship between tax expense and accounting profit**				
	Accounting profit / (loss) before taxation		3,910,009	(8,420,354)	(3,048,737)
	Tax rate		35%	35%	35%
	Tax on accounting profit		1,368,503	(2,947,124)	(1,067,058)
	Tax effect of lower tax on certain income of the Company		(510,892)	(69,602)	(243,529)
	Tax impact on account of lower tax rate on share of profit of associate		(106,146)	(1,633)	(54,695)
	Current tax reversal in respect of prior years		(187,173)	(200,000)	-
	Deferred tax charge in respect of prior years		213,298	-	-
	Minimum tax		568,179	-	-
	Others		1,292	(37,528)	42,135
	Tax expense for the current year / period		1,347,061	(3,255,887)	(1,323,147)
33	**EARNINGS / (LOSS) PER SHARE**				
33.1	**Basic**				
	Profit / (loss) after taxation attributable to ordinary shareholders		2,562,948	(5,164,467)	(1,725,590)
			----------	No. of Shares	----------
	Weighted average number of ordinary shares in issue during the year / period		68,487,913	68,487,913	68,487,913
			----------	Rupees	----------
	Earnings / (loss) per share		37.42	(75.41)	(25.20)

33.2 Diluted

There were no convertible potential ordinary shares in issue as at December 31, 2009 and December 31, 2008.

34 EMPLOYEE BENEFITS

34.1 Pension & Gratuity

As mentioned in note 2.17, 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, 2009.

The information provided in notes 34.1.1 to 34.1.11, 34.2 and 34.3 have been obtained from the actuarial valuations carried out as at December 31, 2009.

34.1.1 Actuarial assumptions

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

	December 31, 2009	December 31, 2008
	% per annum	
- Expected long-term rate of increase in salary level	10.60	13.79
- Discount rate	12.75	16.00
- Expected long-term rate of return on assets	12.75	16.00

34.1.2 Net asset arising

	Note	December 31, 2009					December 31, 2008				
		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	34.1.3	1,611,406	73,814	8,700	83,741	1,777,661	1,334,453	59,856	6,620	59,551	1,460,480
Less: Present value of defined benefit obligation	34.1.4	(1,504,137)	(347,424)	(4)	(52,298)	(1,903,863)	(1,301,260)	(169,793)	-	(47,507)	(1,518,560)
Surplus / (deficit)		107,269	(273,610)	8,696	31,443	(126,202)	33,193	(109,937)	6,620	12,044	(58,080)
Actuarial losses / (gains) to be recognised in future periods in accordance with the Company's accounting policy		102,808	67,778	-	(10,794)	159,792	71,669	114,626	1,771	7,128	195,194
Asset in respect of staff retirement benefit schemes		210,077	(205,832)	8,696	20,649	33,590	104,862	4,689	8,391	19,172	137,114

34.1.3 Movement in the fair value of plan assets

	Year ended December 31, 2009					Six months ended December 31, 2008				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Total plan assets at the beginnig of the year / period	1,334,453	59,856	6,620	59,551	1,460,480	1,345,689	82,780	7,287	64,759	1,500,515
Expected return on plan assets	199,363	5,695	1,008	10,319	216,385	81,684	5,121	442	2,290	89,537
Contribution by the Company	77,685	21,875	-	784	100,344	34,467	9,704	-	662	44,833
Contribution by the employees	11,319	-	-	-	11,319	5,020	-	-	-	5,020
Benefits paid	(69,393)	(36,356)	-	(2,406)	(108,155)	(33,696)	(20,750)	-	-	(54,446)
Actuarial gains / (losses) on plan assets	57,979	22,744	1,072	15,493	97,288	(98,711)	(16,999)	(1,109)	(8,160)	(124,979)
Plan assets at the end of the year / period	1,611,406	73,814	8,700	83,741	1,777,661	1,334,453	59,856	6,620	59,551	1,460,480

34.1.4 Movement in the present value of defined benefit obligation

	Year ended December 31, 2009					Six months ended December 31, 2008				
	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 / period	1,301,260	169,793	-	47,507	1,518,560	1,248,072	158,971	-	35,941	1,442,984
Current service cost	82,743	17,716	-	2,108	102,567	36,467	7,657	-	760	44,884
Interest cost	202,856	24,366	-	7,416	234,638	79,057	9,602	-	2,337	90,996
Benefits paid	(69,393)	(36,356)	-	(2,406)	(108,155)	(33,696)	(20,750)	-	-	(54,446)
Past service cost	-	-	-	-	-	-	-	-	1,239	1,239
Actuarial losses / (gains) on obligation	99,893	663	4	(2,327)	98,233	(28,640)	14,313	-	7,230	(7,097)
Settlements	(9,606)	11,685	-	-	2,079	-	-	-	-	-
Curtailments	(103,616)	159,557	-	-	55,941	-	-	-	-	-
Present value of obligation at the end of the year / period	1,504,137	347,424	4	52,298	1,903,863	1,301,260	169,793	-	47,507	1,518,560

34.1.5 Amount recognised in the profit and loss account

	Year ended December 31, 2009					Six months ended December 31, 2008				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Current service cost	82,743	17,716	-	2,108	102,567	36,467	7,657	-	760	44,884
Interest cost	202,856	24,366	-	7,416	234,638	79,057	9,602	-	2,337	90,996
Expected return on plan assets	(199,363)	(5,695)	(1,008)	(10,319)	(216,385)	(81,684)	(5,121)	(442)	(2,290)	(89,537)
Past service cost	-	-	-	-	-	-	-	-	1,239	1,239
Settlement (loss) / gain	(9,606)	11,685	-	-	2,079	-	-	-	-	-
Curtailment (loss) / gain	(103,616)	159,557	-	-	55,941	-	-	-	-	-
Actuarial (loss) / gain recognised during the year / period	10,775	24,767	41	764	36,347	46	2,380	-	(376)	2,050
Employee contributions	(11,319)	-	-	-	(11,319)	(5,020)	-	-	-	(5,020)
(Reversal) / expense for the year / period	(27,530)	232,396	(967)	(31)	203,868	28,866	14,518	(442)	1,670	44,612
Actual return on plan assets	257,342	28,439	2,080	25,812	313,673	(17,027)	(11,878)	(667)	(5,870)	(35,442)

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

	Year ended December 31, 2009					Six months ended December 31, 2008				
	Management		Non-Managemer		Total	Management		Non-Managemer		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
Balance at the beginning of year / period	104,862	4,689	7,729	19,834	137,114	99,261	9,503	7,287	20,842	136,893
Net reversal / (charge) for the year / period	27,530	(232,396)	967	31	(203,868)	(28,866)	(14,518)	442	(1,670)	(44,612)
Contributions by the Company	77,685	21,875	-	784	100,344	34,467	9,704	-	662	44,833
Asset / (liability) in respect of staff retirement benefit schemes	210,077	(205,832)	8,696	20,649	33,590	104,862	4,689	7,729	19,834	137,114
Current account balance with funds	(25)	18,402	-	-	18,377	-	-	-	-	-
	210,052	(187,430)	8,696	20,649	51,967	104,862	4,689	7,729	19,834	137,114

34.1.7 Plan assets comprised of the following

	December 31, 2009					December 31, 2008				
	Management		Non-		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	(Rupees '000)					(Rupees '000)				
PIB's, TFC's etc	982,672	47,572	7,746	67,410	1,105,400	1,213,990	25,977	5,372	60,579	1,305,918
Mutual Fund Units	132,576	40,091	681	11,930	185,278	107,930	29,762	607	10,678	148,977
Cash	496,158	4,556	273	4,401	505,388	13,332	621	77	235	14,265
(Payable) / receivable balances	-	(18,405)	-	-	(18,405)	(799)	3,496	564	(11,941)	(8,680)
	1,611,406	73,814	8,700	83,741	1,777,661	1,334,453	59,856	6,620	59,551	1,460,480

	December 31, 2009					December 31, 2008				
	Management		Non-Management		Total	Management		Non-Management		Total
	Pension	Gratuity	Pension	Gratuity		Pension	Gratuity	Pension	Gratuity	
	Percentage Composition					Percentage Composition				
PIB's, TFC's etc	61%	64%	89%	80%	62%	91%	43%	81%	102%	90%
Mutual Fund Units	8%	54%	8%	14%	10%	8%	50%	9%	18%	10%
Cash	31%	7%	3%	6%	29%	1%	1%	1%	0%	1%
Receivable and (payable) balances	0%	(25%)	0%	0%	(1%)	0%	6%	9%	(20%)	(1%)
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

34.1.8 The expected return on plan assets was taken as 12.75% (December 31, 2008: 16%), which is representative of yields on long-term Government bonds.

34.1.9 Expected contributions to the above schemes for the year ending December 31, 2010 is Rs 111 million.

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

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

	December 31, 2009	December 31, 2008
	(Rupees '000)	
Total balance receivable in respect of defined benefit schemes	51,967	137,114
Total balance receivable in respect of defined contribution schemes	895	6,876
	52,862	143,990

34.2 Post retirement medical benefits

The Company also provides post retirement medical benefits to its management staff. Actuarial valuation of the scheme is carried out annually. The amount recognised in the balance sheet is based on a valuation carried out as at the balance sheet date and is as follows:

34.2.1 Actuarial assumptions

	December 31, 2009	December 31, 2008
	Percentage	
The following significant assumptions were used in the valuation of this scheme:		
- Discount rate	12.75%	16.0%
- Expected long-term rate of increase in medical cost	7.38%	10.48%

34.2.2 Amount recognised in the balance sheet

	December 31, 2009	December 31, 2008
	(Rupees '000)	
Present value of defined benefit obligation	53,814	41,068
Less: Fair value of plan assets	-	-
	53,814	41,068
Actuarial losses to be recognised in future periods in accordance with the Company's accounting policy	22,707	11,781
Liability recognised at the end of the year / period	31,107	29,287

	Year ended December 31, 2009	Six months ended December 31, 2008
34.2.3 Movement in the liability recognised in the balance sheet	----------- (Rupees '000)---------	
Balance at the beginning of the year / period	29,287	27,598
Add: Charge for the year / period	6,003	3,199
Less: Payments during the year / period	(4,183)	(1,510)
Balance at the end of the year / period	31,107	29,287

34.2.4 Amount recognised in the profit and loss account

	Year ended December 31, 2009	Six months ended December 31, 2008
Current service cost	1,172	505
Interest cost	6,279	2,411
Settlement gain	(238)	-
Curtailment gain	(3,168)	-
Actuarial loss recognised during the year / period	1,958	283
	6,003	3,199

	Increase of 1%	Decrease of 1%
34.2.5 The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
Additional expense / (income)		
- Effect on the aggregate of the current service cost and interest cost for the year / period	1,096	(882)
- Effect on the defined benefit obligation at the end of the year / period	6,943	(5,678)

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

The Company amortises 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, 2009	December 31, 2008	June 30, 2008	June 30, 2007	June 30, 2006
	(Rupees '000)				
Present value of defined benefit obligation	1,957,677	1,559,628	1,481,487	1,325,527	1,233,387
Fair value of plan assets	1,777,661	1,460,480	1,500,515	1,371,199	1,245,335
(Deficit) / surplus	(180,016)	(99,148)	19,028	45,672	11,948
	(Percentage)				
Experience adjustments:					
(Gain) / loss on obligation	(3)	-	1	-	2
Gain / (loss) on plan assets	5	(9)	(2)	1	1

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

	December 31, 2008	December 31, 2007
	----------- (Rupees '000)---------	
Shell Pakistan Management Staff Provident Fund	384,818	394,171
Shell Pakistan Staff Provident Fund	3,300	16,531
Shell Pakistan Labour Provident Fund	80,913	83,026
Shell Pakistan Management Staff Gratuity Fund	60,521	54,874
Shell Pakistan Labour and Clerical Staff Gratuity Fund	69,753	55,795
Shell Pakistan Management Staff Pension Fund	1,279,781	1,235,196
Shell Pakistan Staff Pension Fund	5,867	7,170

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

	Year ended December 31, 2009	Six months ended December 31, 2008
	--------- (Rupees '000)--------	
- in respect of pension and gratuity schemes	203,868	44,612
- in respect of provident funds	29,319	13,587
- in respect of post retirement medical benefit scheme	6,003	3,199
	239,190	61,398

34.6 Share based payment

The Shell Group has a Performance Share Plan (PSP) under which a conditional number of Royal Dutch Shell Plc. (RDS) shares are awarded to some of the Company's employees. Under this scheme, if certain Performance Conditions of Shell Group are met, a number of shares may be awarded to the participants at the end of the three year performance period, after which they are vested with employees and the benefit provided is recharged by RDS to Shell Pakistan Limited. The cost of this benefit has been disclosed in note 35.

An amount of Rs 10.054 million (December 31, 2008: Rs 31.557 million) has been accrued in the financial statements in respect of the above plan.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Year ended December 31, 2009			Six months ended December 31, 2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees '000) -----					
Short-term employee benefits						
Managerial remuneration (including bonus)	22,493	20,150	924,376	8,238	9,396	459,939
Housing:						
- Rent	7,756	-	-	2,737	-	-
- Utilities	1,284	1,005	32,672	952	1,355	28,012
- Other items	1,928	175	6,265	1,910	343	3,271
Medical expenses	267	466	7,610	75	153	6,805
Performance share plan (PSP)	-	-	10,054	-	-	31,557
	33,728	21,796	980,977	13,912	11,247	529,584
Post-employment benefits						
Company's contribution to pension, gratuity and provident fund	-	3,497	110,293	-	1,264	51,419
Termination benefits	-	-	191,157	-	-	9,161
	33,728	25,293	1,282,427	13,912	12,511	590,164
Number of persons at year / period end	1	3	587	1	3	508

35.1 Aggregate amount charged in the financial statements for the period for fee to 7 Non-Executive Directors was Rs 650,000 (December 31, 2008: 7 Non-Executive Directors Rs 216,666).

35.2 In addition, the Chief 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.

		Note	Parent company: Year ended December 31, 2009	Parent company: Six months ended December 31, 2008	Other related parties: Year ended December 31, 2009	Other related parties: Six months ended December 31, 2008
36	**RELATED PARTY TRANSACTIONS**		---------------------------- (Rupees '000) ----------------------------			
	(i) Purchases		-	-	62,306,713	49,769,592
	(ii) Sales		-	-	1,954,661	838,638
	(iii) Other items		-			
	- Technical service fee charged	28	1,501,114	678,465	-	-
	- Trade marks and manifestations license fee charged	28	-	-	157,969	124,927
	- Computer expenses charged (Global Infrastructure Desktop charges)		-	-	76,668	80,382
	- Expenses recovered from related parties		144,522	85,852	57,941	40,790
	- Other expenses charged by related parties		-	-	50,697	65,157
	- Legal charges		-	-	1,024	359
	- Gain on disposal of fixed assets to key management personnel		-	-	1,768	-

36.1 In addition to this, the Company also paid pipeline transportation expenses amounting to Rs 1,145.556 million (Six months ended December 31, 2008: Rs 542.729 million) to PAPCO which is an associate of the Company.

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

36.3 Technical services include advice and assistance on the implementation of strategies and in the Company's operations. The costs for these services and the fees have been determined on the basis of agreements between the Company and related Shell Group companies based on an agreed methodology.

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

36.5 Transactions and balances with staff retirement benefit schemes are disclosed in note 34 to these financial statements.

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

36.7 Expenses recovered from / charged by related parties are based on actuals. The related outstanding balances have been disclosed in notes 14 and 21.1 to these financial statements.

36.8 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 the terms of their employment and are disclosed in notes 3.4, 5 and 35 to these financial statements.

36.9 The outstanding related party balances have been disclosed in relevant notes to these financial statements.

37 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	Year ended December 31, 2009	Six months ended December 31, 2008
	------------ (Rupees '000)	----------
Motor Gasoline	34,221,863	17,313,398
High Speed Diesel	100,348,518	54,919,889
Jet Fuels	23,030,065	13,703,854
Lubricants	12,412,929	5,733,623
Others	7,096,833	4,440,783
	177,110,208	96,111,547

38 CASH GENERATED FROM OPERATIONS

	Note	(Audited) Year ended December 31, 2009	(Audited) Six months ended December 31, 2008	(Unaudited) Year ended December 31, 2008
		----------------------	(Rupees '000)	----------------------
Profit / (loss) before taxation		3,910,009	(8,420,354)	(3,048,737)
Adjustment for non-cash charges and other items:				
Depreciation / amortisation expense charged to the profit and loss account	3.2	749,717	342,093	646,045
Accretion expense in respect of asset retirement obligation	31	32,913	(10,914)	3,936
Provision for impairment of trade debts	30	124,907	103,293	306,556
Write off of trade debts	11.3	(124,240)	(26,214)	-
Reversal of provision for impairment of trade debts	29	(161,595)	(168,136)	(299,773)
Provision for impairment of fixed assets	30	88,811	-	61,362
Write off of fixed assets	30	282,487	-	-
Loss / (profit) on disposal of property, plant and equipment	29 & 30	11,814	548	(68,610)
Share of profit of associate	4.1	(424,585)	(6,530)	(116,702)
Mark-up on short-term deposits	29	(30,380)	(110,269)	(120,064)
Mark-up on short-term running finances and loans	31	1,243,998	918,624	1,394,315
Working capital changes	38.1	(53,661)	8,566,686	7,224,921
		5,650,195	1,188,827	5,983,249

38.1 Working capital changes

Decrease / (increase) in current assets			
Stores and spares	2,273	(4,664)	4,260
Stock-in-trade	(4,072,413)	7,126,494	1,930,244
Trade debts	1,803,551	2,058,755	1,333,746
Loans and advances (net)	(8,861)	(4,393)	(4,813)
Trade deposits and short-term prepayments (net)	22,754	(64,940)	(29,985)
Other receivables (net)	1,829,114	(1,601,677)	4,090,403
	(423,582)	7,509,575	7,323,855
Increase / (decrease) in current liabilities			
Trade and other payables (excluding unclaimed dividends)	369,921	1,057,111	(98,934)
	(53,661)	8,566,686	7,224,921

39 CASH AND CASH EQUIVALENTS

	Note			
Cash and bank balances	15	869,623	6,549,868	6,549,868
Short-term running finances utilised under mark-up arrangements	19	(2,453,001)	(1,308,447)	(1,308,447)
Short-term loans	20	(3,500,000)	(12,525,000)	(12,525,000)
		(5,083,378)	(7,283,579)	(7,283,579)

40 FINANCIAL ASSETS AND LIABILITIES

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

	December 31, 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
Financial assets	(Rupees '000)						
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans and advances	52,654	81,620	134,274	7,629	19,438	27,067	161,341
Deposits	-	-	-	68,372	72,278	140,650	140,650
Trade debts	-	-	-	1,239,213	20,919	1,260,132	1,260,132
Other receivables	-	-	-	2,412,283	-	2,412,283	2,412,283
Cash and bank balances	695,109		695,109	174,514	-	174,514	869,623
	747,763	81,620	829,383	3,902,011	117,635	4,019,646	4,849,029
Financial liabilities							
Financial liabilities at amortised cost							
Liabilities against assets subject to finance lease	38,808	1,790	40,598	-	-	-	40,598
Running finance utilised under		-	-	-	-	-	
mark-up arrangements	2,453,001	-	2,453,001	-	-	-	2,453,001
Loans	6,000,000	-	6,000,000	-	-	-	6,000,000
Trade and other payables	-	-	-	14,138,013	-	14,138,013	14,138,013
Mark-up accrued	-	-	-	200,038	-	200,038	200,038
	8,491,809	1,790	8,493,599	14,338,051	-	14,338,051	22,831,650
On balance sheet gap (a)	(7,744,046)	79,830	(7,664,216)	(10,436,040)	117,635	(10,318,405)	(17,982,621)

	December 31, 2008						
	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
Financial assets	(Rupees '000)						
Available-for-sale							
Investments	-	-	-	-	5,000	5,000	5,000
Loans and receivables							
Loans and advances	46,321	72,246	118,567	5,101	49,436	54,537	173,104
Deposits	-	-	-	63,045	-	63,045	63,045
Trade debts	99,967	73,589	173,556	2,825,786	-	2,825,786	2,999,342
Other receivables	-	-	-	4,085,770	-	4,085,770	4,085,770
Cash and bank balances	6,005,000	-	6,005,000	544,868	-	544,868	6,549,868
	6,665,523	145,835	6,811,358	7,010,335	54,436	7,064,771	13,876,129
Financial liabilities							
Liabilities against assets subject to finance lease	61,425	1,795	63,220	-	-	-	63,220
Running finance utilised under mark-up arrangements	1,308,447	-	1,308,447	-	-	-	1,308,447
Loans	12,525,000	2,500,000	15,025,000	-	-	-	15,025,000
Trade and other payables	-	-	-	15,349,660	-	15,349,660	15,349,660
Mark-up accrued	-	-	-	563,025	-	563,025	563,025
	13,894,872	2,501,795	16,396,667	15,912,685	-	15,912,685	32,309,352
On balance sheet gap (a)	(7,229,349)	(2,355,960)	(9,585,309)	(8,902,350)	54,436	(8,847,914)	(18,433,223)

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

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

40.2 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. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

40.2.1 Credit risk and concentration of 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, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the financial assets aggregating Rs 4,849.029 million (December 31, 2008: Rs 13,876.129 million) the financial assets subject to credit risk amount to Rs 4,823.725 million (December 31, 2008: Rs 7,490.767 million). For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted. For trade receivables, internal risk assessments 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 utilisation 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 of the Company. The utilisation of credit limits is regularly monitored. The concentration of credit risk in trade debts lies in the top four customers which constitute 34.36% of the Company's trade debts.

Out of Rs 1,260.132 million (2008: Rs 2,999.342 million), the Company has provided Rs 655.172 million (2008: Rs 816.100 million) as the amounts being doubtful to be recovered from customers. The aging profile of trade debts overdue but not impaired has been disclosed in note 11.5 to these financial statements.

40.2.2 Currency risk

Foreign currency risk arises mainly where payables exist due to imports of goods and transactions with foreign related parties as well as trade receivables from foreign related parties. The Company obtains forward exchange cover, where necessary and permissible, to hedge foreign currency exposure. The Company primarily has foreign currency exposures in USD and GBP.

As at December 31, 2009, had the exchange rates of USD and GBP appreciated or depreciated against the currency with all other variables held constant, the change in pre-tax profit / (loss) would have been as follows:

Currency	December 31, 2009		December 31, 2008	
	%	Impact	%	Impact
USD	10%	279,356	10%	186,678
GBP	10%	14,382	10%	52,995

40.2.3 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 40.1 to these financial statements.

40.2.4 Interest rate risk

Interest risk arises from possibility that changes in interest rate will affect the value of financial instruments. The Company is not materially exposed to interest rate changes.

The Company's exposure to interest rate risk on its financial assets and liabilities at the balance sheet date are disclosed in note 40.1.

40.3 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.

	December 31, 2009	**December 31, 2008**
	------------ (Rupees '000)----------	
Total borrowings	8,493,599	16,396,667
Less: Cash and bank balances	(869,623)	(6,549,868)
Net Debt	7,623,976	9,846,799
Total Equity	8,270,603	6,255,558
Total Capital	15,894,579	16,102,357
Gearing Ratio	48.0%	61.2%

40.4 Fair value of financial instruments

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

41 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on _________ has proposed a cash dividend in respect of the year ended December 31, 2009 of _________ (Six months ended December 31, 2008: Rs Nil). Further, the Board has also announced appropriation of Rs _________ (Six months ended December 31, 2008: Rs Nil) from unappropriated profit to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2010.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There are no significant rearrangements or reclassifications in these financial statements except as explained below:

i) Additional prior period disclosures have been included as required due to the changes in accounting policies as explained in note 2.1.4 i) to these financial statements;

ii) Restatement of stock-in-trade and trade and other payables for duties and levies on bonded stock as explained in 2.1.4 ii) to these financial statements; and

iii) During the last year, the financial year end of the Company was changed from June 30 to December 31. Accordingly, financial statements for the period ended December 31, 2008 covered the period from July 1, 2008 to December 31, 2008. This change was made to bring the financial year of the Company in line with the financial year followed by Royal Dutch Plc, the ultimate parent company.

The corresponding figures shown in these financial statements pertain to the six months ended December 31, 2008, and therefore are not comparable. However, in order to ensure better presentation and comparability, the management has disclosed additional unaudited information pertaining to the year ended December 31, 2008 in the profit and loss account, cash flow statement, note 24 to note 33, note 38 and note 39.

43 GENERAL

Figures have been rounded off to the nearest thousand.

44 DATE OF AUTHORISATION

These financial statements were authorised for issue on _____________ by the Board of Directors of the Company.

Chairman and Chief Executive	**Director**