

SHELL PAKISTAN LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2006

	Note	Unaudited September 30, 2006	Audited June 30, 2006
------(Rupees '000)-----			
Non-current assets			
Fixed assets	4	5,907,219	5,728,075
Long-term investments		1,877,001	1,877,001
Long-term loans and advances		186,356	139,640
Long-term deposits and prepayments		103,070	110,445
		8,073,646	7,855,161
Current assets			
Stores and spares		33,393	28,865
Stock-in-trade	5	12,142,909	9,979,886
Trade debts		5,265,546	5,235,840
Loans and advances		41,742	41,821
Trade deposits and short-term prepayments		168,359	167,317
Other receivables		6,576,093	3,881,795
Cash and bank balances		1,134,548	981,197
		25,362,590	20,316,721
Total assets		33,436,236	28,171,882
Current liabilities			
Current maturity of liabilities against assets subject to finance lease		26,470	26,480
Short-term finances utilised under mark-up arrangements		3,236,996	1,779,860
Short-term loans		5,803,000	3,250,000
Creditors, accrued and other liabilities		14,811,982	11,938,370
Mark-up accrued		145,012	77,035
Taxation		321,049	830,632
		24,344,509	17,902,377
Non-current liabilities			
Deferred taxation		54,253	50,059
Liabilities against assets subject to finance lease		4,915	7,019
Asset retirement obligation		99,703	98,320
		158,871	155,398
Total liabilities		24,503,380	18,057,775
Net assets		8,932,856	10,114,107
Financed by:			
Share capital		438,323	438,323
Reserves		2,342,607	2,233,026
Unappropriated profit		6,151,926	7,442,758
Shareholders' equity		8,932,856	10,114,107

Contingencies and Commitments

6

The annexed notes 1 to 12 form an integral part of these financial statements.

Zaiviji Ismail Bin Abdullah
Chairman & Chief Executive

Fatehali W. Vellani
Director

SHELL PAKISTAN LIMITED
PROFIT & LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Note	2006	2005
		------(Rupees '000)-----	
Sales		34,303,650	33,512,637
Non-fuel retail			
- Sales		31,783	28,001
- Others		4,041	4,627
Other revenue		97,654	83,732
		<u>34,437,128</u>	<u>33,628,997</u>
Less: Sales tax		4,097,793	4,097,299
Net revenue		<u>30,339,335</u>	<u>29,531,698</u>
Cost of products sold	5	29,354,170	26,780,580
		<u>985,165</u>	<u>2,751,118</u>
Administrative and marketing expenses		964,630	877,998
Distribution expenses		269,375	238,434
		<u>(248,840)</u>	<u>1,634,686</u>
Other operating income		13,522	18,496
		<u>(235,318)</u>	<u>1,653,182</u>
Workers' Profit Participation Fund	7	(23,015)	78,886
Workers' Welfare Fund	7	(13,795)	27,247
		<u>(198,508)</u>	<u>1,547,049</u>
Operating (loss) / profit		<u>(198,508)</u>	<u>1,547,049</u>
Financial charges		224,990	75,470
		<u>(423,498)</u>	<u>1,471,579</u>
(Loss) / profit before taxation		<u>(423,498)</u>	<u>1,471,579</u>
Taxation		(206,558)	489,648
		<u>(216,940)</u>	<u>981,931</u>
(Loss) / profit after taxation		<u>(216,940)</u>	<u>981,931</u>
		Rupees	Rupees
Earnings per share - basic and diluted		<u>(4.95)</u>	<u>22.40</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

Zaiviji Ismail Bin Abdullah
Chairman & Chief Executive

Fatehali W. Villani
Director

SHELL PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Capital reserves - share premium	General revenue reserves	Unappro- priated profit	Total
	----- (Rupees '000) -----					
Balance as at June 30, 2005	350,658	-	2,026,024	207,002	5,719,389	8,303,073
Final dividend for the year ended June 30, 2005 declared subsequent to the year end	-	-	-	-	(946,777)	(946,777)
Transfer to reserve for issue of bonus shares in respect of stock dividend for the year ended June 30, 2005 declared subsequent to the year end	-	87,665	-	-	(87,665)	-
Issue of bonus shares	87,665	(87,665)	-	-	-	-
Profit after taxation for the quarter ended September 30, 2005	-	-	-	-	981,931	981,931
Balance as at September 30, 2005	<u>438,323</u>	<u>-</u>	<u>2,026,024</u>	<u>207,002</u>	<u>5,666,878</u>	<u>8,338,227</u>
Balance as at June 30, 2006	438,323	-	2,026,024	207,002	7,442,758	10,114,107
Final dividend for the year ended June 30, 2006 declared subsequent to the year end	-	-	-	-	(964,311)	(964,311)
Transfer to reserve for issue of bonus shares in respect of stock dividend for the year ended June 30, 2006 declared subsequent to the year end	-	109,581	-	-	(109,581)	-
Loss after taxation for the quarter ended September 30, 2006	-	-	-	-	(216,940)	(216,940)
Balance as at September 30, 2006	<u>438,323</u>	<u>109,581</u>	<u>2,026,024</u>	<u>207,002</u>	<u>6,151,926</u>	<u>8,932,856</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

Zaiviji Ismail Bin Abdullah
Chairman & Chief Executive

Fatehali W. Vellani
Director

SHELL PAKISTAN LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Note	2006	2005
		----- (Rupees '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	8	(3,100,757)	1,451,627
Mark-up paid on short-term finances and short term loans		(96,248)	(47,116)
Taxes paid		(298,830)	(178,026)
Long-term loans and advances		(46,716)	1,315
Long-term deposits and prepayments		7,375	5,150
Interest received		2,590	1,721
Net cash (outflow) / inflow on operating activities		<u>(3,532,586)</u>	<u>1,234,671</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(318,323)	(261,305)
Proceeds from sale of property, plant & equipment		-	10,437
Net cash outflow on investing activities		<u>(318,323)</u>	<u>(250,868)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(1,658)	(879,778)
Repayment of liability under finance lease		(4,218)	(28,540)
Net cash outflow on financing activities		<u>(5,876)</u>	<u>(908,318)</u>
Net increase in cash and cash equivalents		<u>(3,856,785)</u>	<u>75,485</u>
Cash and cash equivalents at July 1		<u>(4,048,663)</u>	<u>(2,914,238)</u>
Cash and cash equivalents at September 30		<u><u>(7,905,448)</u></u>	<u><u>(2,838,753)</u></u>

The annexed notes 1 to 12 form an integral part of these financial statements.

Zaiviji Ismail Bin Abdullah
Chairman & Chief Executive

Fatehali W. Vellani
Director

SHELL PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

- 1 The Company is a limited liability company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The address of its registered office is Shell House, 6, Ch. Khaliquzzaman Road, Karachi - 75530, Pakistan. The Company markets petroleum, petrochemical products and compressed natural gas. It also blends and markets various kinds of lubricating oils.
- 2 The quarterly financial statements have been prepared using the same accounting policies as are applied in the preparation of the annual financial statements.
- 3 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34: Interim Financial Reporting.

	2006	2005
	----- (Rupees '000) -----	
4 ADDITIONS AND DELETIONS TO FIXED ASSETS		
Property, plant and equipment - owned		
Additions	147,398	200,323
Deletions (cost)	3,736	11,800
Property, plant and equipment - leased		
Additions	-	13,877
Deletions (cost)	-	3,761

5 NET REALISABLE VALUE ADJUSTMENT

During the period the Company has recorded a Net Realisable Value (NRV) adjustment of Rs 685.310 million on its closing inventory. This adjustment has arisen as a consequence of significant reduction in the world oil prices in the current quarter.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

- (a) Through the Sindh Finance Act 1994, the Government of Sindh imposed a fee, for services rendered in respect of development and maintenance of infrastructure, on goods entering or leaving the Province from or for outside the Country through sea or air. The Company (SPL) and several others challenged the levy of the said infrastructure fee in constitutional petitions before the High Court of Sindh. However, certain amendments were made to the impugned legislation on three occasions during the pendency of the petitions. In 2001 the said "fee" was changed to a "cess". Consequently the petitions filed by SPL and others were dismissed by the High Court as having become infructuous.

Subsequently, SPL and others filed civil suits in the High Court of Sindh challenging the amending Ordinance. These suits were dismissed by a single Judge in October 2003. Being aggrieved, SPL and others filed intra-court appeals against the said Judgment on, inter alia, the ground that the import, export, custom duty and highways are exclusive Federal Subjects and therefore levy of the infrastructure tax/fee/cess by the Government of Sindh is ultra vires the Constitution. These appeals are currently pending adjudication.

The accumulated levy up to September 30, 2006 comes to Rs 588.835 million (June 30, 2006: Rs 578.892 million). No provision has been made in these financial statements against the levy as SPL management expects a favourable outcome.

(b) **PARCO pipeline fill**

The Ministry of Petroleum and Natural Resources (MOPNR) has made a claim relating to the loan arranged by the Government of Pakistan (GoP) to the Company to finance the initial fill of the PARCO Pipeline. MOPNR has calculated the Company's liability by applying the price prevailing on August 11, 2000 to the quantity of fuel for the initial fill at the time that it was supplied.

The Company maintains that its liability is limited only to the extent of Rs 78.164 million (June 30, 2006: Rs 78.164 million) which is payable at the time that the agreement is terminated. Consequently the amount of Rs 78.164 million has been recognised as the liability in this respect.

The claim if calculated on the August 11, 2000 price as indicated by MOPNR would amount to Rs 294 million. Based on legal advice obtained, the management is confident that its exposure in this respect would not exceed the recognised amount of Rs 78.164 million and consequently no provision has been made for the additional amount demand by MOPNR.

- (c) The aggregate amount of other claims against the Company not acknowledged as debt as at September 30, 2006 were approximately Rs 577.315 million (June 30, 2006: Rs 521.312 million).

6.2 **Commitments**

- (a) Commitments for capital expenditure as at September 30, 2006 aggregated to Rs 231.657 million (June 30, 2006: Rs 515.738 million).
- (a) Commitments for rentals of assets under operating lease agreements as at September 30, 2006 to Rs 0.382 million (June 30, 2006: Rs 1.153 million) payable as follows:

	2006	
	September 30	June 30
	----- (Rupees '000) -----	
2006-07	382	1,153

7 **WORKERS' PROFIT PARTICIPATION FUND AND WORKERS' WELFARE FUND**

The management is confident that the Company will have an overall profit before tax for the full year ending June 30, 2007 and will accordingly have an expense for Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF) for the year. The charge in respect of WPPF and WWF for the current quarter have been recorded as negative balances in view of the loss for the quarter and in order to ensure their systematic allocation over the four quarters.

8 **CASH GENERATED FROM OPERATIONS**

	Note	2006	2005
		------(Rupees '000)-----	
(Loss) / profit before taxation		(423,498)	1,471,579
Adjustment for non-cash charges and other items:			
Net realisable value adjustment		685,310	-
Depreciation / amortisation expenses charged to profit and loss account		139,086	171,167
Profit on disposal of property, plant & equipment		3,581	(7,671)
Interest on short-term deposits		(2,449)	(1,763)
Mark-up on short-term running finances and short-term loans		164,225	53,759
Working capital changes	8.1	<u>(3,667,012)</u>	<u>(235,444)</u>
		<u><u>(3,100,757)</u></u>	<u><u>1,451,627</u></u>

	Note	2006	2005
		------(Rupees '000)-----	
8.1 Working capital changes			
Increase in current assets			
Stores and spares		(4,528)	(2,086)
Stock-in-trade		(2,848,333)	(1,596,482)
Trade debts		(29,706)	(448,294)
Loans and advances		79	(699)
Trade deposits and short-term prepayments		(1,042)	(24,768)
Other receivables (net)		<u>(2,694,438)</u>	<u>(410,968)</u>
		<u>(5,577,968)</u>	<u>(2,483,297)</u>
Increase in current liabilities			
Creditors, accrued and other liabilities (excluding unclaimed dividends and accrued mark-up on short-term running finances)		<u>1,910,956</u>	<u>2,247,853</u>
		<u><u>(3,667,012)</u></u>	<u><u>(235,444)</u></u>

9 **RELATED PARTY TRANSACTIONS**

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

(i) Purchases - goods	16,016,063	13,846,478
- other services	512,290	458,923
(ii) Sales	395,126	381,830
(iii) Key management personnel - remuneration	122,266	97,324

10 CORRESPONDING FIGURES

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

11 GENERAL

Figures have been rounded of to the nearest thousand.

12 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 19, 2006 by the Board of Directors of the Company.

Zaiviji Ismail Bin Abdullah
Chairman & Chief Executive

Fatehali W. Villani
Director