

**Shell Ghana Limited**  
Annual Report 2008



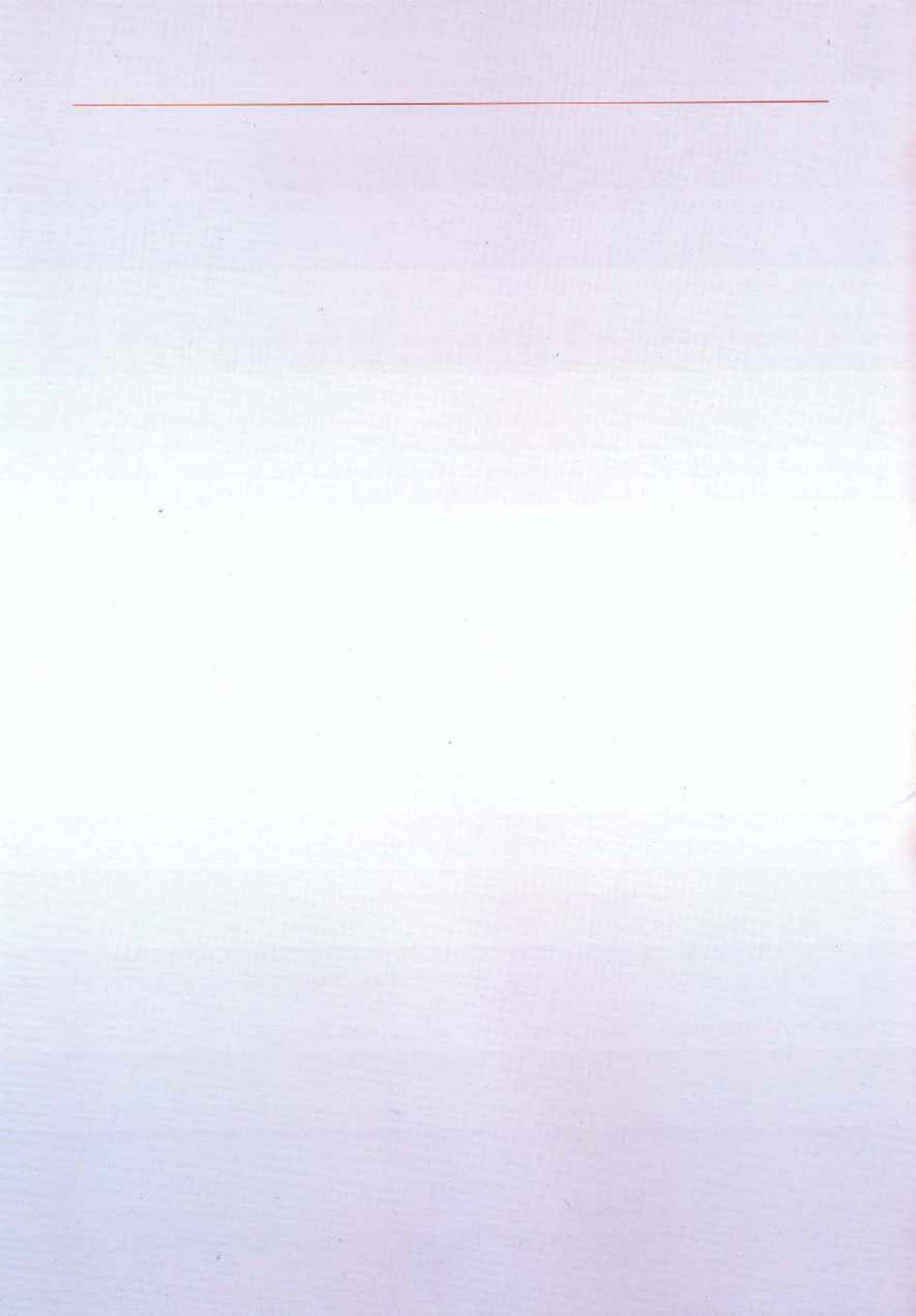
## **OUR VISION**

To be a leading oil products marketer in Ghana, in terms of value delivered to customers, shareholders and employees, in a safe and environmentally responsible way.



# **Shell Ghana Limited**

## **Annual Report & Financial Statements 2008**



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# Notice of Meeting

Notice is hereby given that the seventeenth Annual General Meeting of Shareholders of Shell Ghana Limited will be held at the Alisa Hotel, North Ridge, Accra on Tuesday 30th June 2009, at 11:00 o'clock in the forenoon for the following purposes:

## AGENDA

1. To receive and adopt the reports of the Directors and Auditors, and the Accounts for the year ended 31st December 2008
2. To declare a dividend
3. To elect Directors
4. To re-elect Directors
5. To approve the remuneration of Directors
6. To authorise the Board to fix the remuneration of the Auditors

## NOTE

A Member of the Company entitled to attend and vote may appoint a Proxy to attend and vote in his/her stead. A Proxy need not be a member of the Company. Completed Proxy Forms should be deposited at the Registered Office, P. O. Box 1097, Shell House, High Street, Accra not later than 48 hours before the appointed time of the meeting. A Proxy Form is provided at the end of this report.

Dated this 8th day of May, 2009

## BY ORDER OF THE BOARD



**Juliana Afumwaa Bruce**  
Secretary

# Board of Directors, Officials and Registered Office

## BOARD OF DIRECTORS

**Omar Valentin Benson**  
(appointed as Director on 19 August 2008 and as  
Chairman/Managing Director on 22 August 2008)

**Daniel Ahene Nunoo**  
(resigned as Chairman/Managing Director on 21 August 2008)

**Norbert Kwasivi Kudjawu**

**Louis Casely-Hayford**

**Vincent Richter** (appointed on 17 April 2008)

**Franck Konan-Yahaut** (appointed on 19 August 2008)

**Joseph Torku** (resigned on 31 January 2008)

**Kain Magassouba** (resigned on 6 February 2008)

**Alain Carreau** (resigned on 30 June 2008)

**Martin Mensah** (resigned on 29 July 2008)

**Samuel Sarpong** (appointed on 19 August 2008)

## SECRETARY

**Juliana Afumwaa Bruce**  
Shell House, High Street  
Accra

## REGISTERED OFFICE

**Shell Head Office**  
Shell House  
High Street  
P. O. Box 1097  
Accra

## REGISTRAR

**Merchant Bank (Ghana) Limited**  
57 Examination Loop  
North Ridge  
P. O. Box 401  
Accra

## AUDITOR

**PricewaterhouseCoopers**  
Chartered Accountants  
No. 12 Aviation Road  
Una Home, 3rd Floor  
Airport City  
P. O. Box CT 42  
Cantonments, Accra

## SOLICITORS

**Kudjawu & Co.**  
House No. 5 Yantrabi Road  
Labone  
Accra

**JLD & MB Legal consultancy**  
5 Senchi Street  
Airport Residential Area  
P. O. Box 410  
Accra

**AB & D and Law**  
8 Dr. Isert Road  
North Ridge  
P. O. Box TF 330  
Accra

## CORRESPONDENT BANKS

Barclays Bank of Ghana Limited  
CAL Bank Limited  
Ecobank Ghana Limited  
Standard Chartered Bank Ghana Limited



**Omar Valentin Benson**  
Chairman & Managing Director



**Daniel Ahene Nunoo**  
Member



**Norbert Kwasi Kudjow**  
Member



**Louis Casely-Hayford**  
Member



**Vincent Richter**  
Member



**Franck Konan Yahout**  
Member



**Samuel Sarpong**  
Member



**Juliana Mumwa Bruce**  
Secretary



# Chairman's Statement

*Dear Shareholder,*

It is with great pleasure that I warmly welcome you to the seventeenth Annual General Meeting of Shell Ghana Limited and the presentation of the Annual Report and Financial Statements of the Company for the year ending 31<sup>st</sup> December 2008.

Again, Shell Ghana Limited posted very strong financial results for the year 2008, in spite of a disappointing operational income reflecting a difficult and challenging business and market environment. Fortunately, the sale of some idle assets of the Company, which was managed in accordance with the very high Shell contracting and procurement standards, allowed maximum value extraction and contributed immensely to the record performance of 2008.

Notwithstanding the declining trends in the petroleum industry, your Company was able to perform above the industry average. Selling, general and administrative expenses however increased by more than 50% compared with 2007, as a result of high price inflation as well as provisions made for the newly established staff pension fund scheme.

In spite of the unfavorable business environment, the Company delivered a net profit of GHS 14.299 million, significantly exceeding the previous year's results by GHS 10.085 million, representing more than 200% increase.

I am therefore pleased to announce that the Board of Directors propose a dividend payment of GHS 0.8239 per share to you (107% above the 2007 GHS 0.3988 dividend), from the 2008 business results.

## **Economic and Business Environment**

During the year 2008, the country's economy was impacted by various global events; for the most part of the year crude prices rose to record heights and only collapsed in the last quarter, whilst Ghana's main trading commodities like cocoa and gold sustained relatively high prices.

Increased spending on oil purchases exerted some amount of pressure on the economy, the value of the Ghana Cedi came under significant pressure against the major world currencies and this contributed to the rapid rise in inflation. The high crude prices also translated into substantial increases in the general prices of consumer goods.

The business environment remained largely positive in spite of the global financial crisis that turned progressively into an economic downturn. In the downstream petroleum environment, product supply to the market remained steady and no significant supply disruptions were recorded.

The activity of local oil traders continued to gain prominence in the area of product supply, thus providing some cover for the production shortfall and easing up supply pressure on the Tema Oil Refinery (TOR).

As the government's downstream deregulation process was embedding, rising crude and refined product prices precipitated some government intervention with mitigation measures aimed at reducing the cost burden on the population, resulting in the freezing of pump prices. Government's intervention also affected the price of imported differentiated fuels like Shell V-Power, which however did not receive any under recovery compensation from government.

At this juncture, it is worthy to note that for the second time in two years, your Company was again the first on the market with a differentiated main grade diesel fuel, branded Shell Diesel Extra, for extra protection at no extra cost.

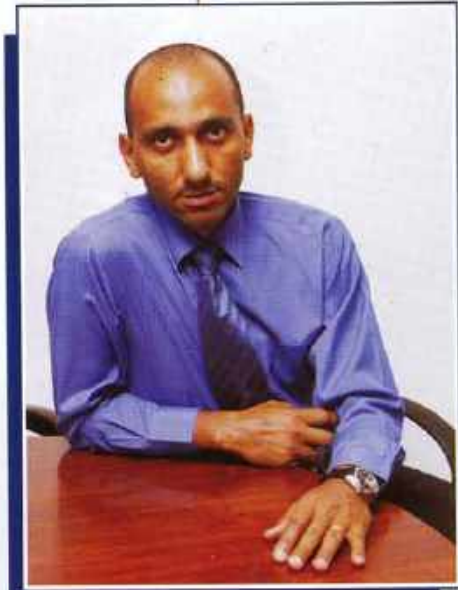
## **Business Highlights**

### **Retail Fuels and Lubricants**

The Retail business had a difficult start in 2008 with the implementation of the Operator Platform Change (OPC) initiative. Various challenges were encountered though most of these were resolved within the course of the year.

The Shell Diesel Extra fuel launched by the Company was well patronized by the motoring public, resulting in a gradual rise in diesel volumes for the Retail business in a declining market.

The Retail lubricants business suffered a decline mainly due to supply chain problems experienced by Tema Lubes Oil Company (TLOC), the Company's main lubricant supply source.



**Omar Benson**

Forecourt attendants at the Company's Retail stations continued to receive training and various initiatives were implemented to sustain their motivation. The Shell superstar service campaign, which is designed to delight our motoring customers visiting Shell stations for refueling, proved to be very rewarding. Customer feedback about forecourt service remained positive, and independent survey results put Shell ahead of its key competitors, in terms of brand preference and customer satisfaction.

The Retail stations network also received further investments particularly to boost up operational efficiency and compliance with safety and environmental standards.

#### **Commercial Fuels and Bitumen**

The performance of the Company's commercial fuels and bitumen business was generally good, although there was a slight decline in volumes compared with the previous year's achievement.

The main sectors underpinning the Commercial fuels business are construction and Agro-forestry. The decline in volumes in this sector was mainly as a result of delayed payments to construction contractors and the impact of the global economic downturn on the agro-forestry business.

This reduction in volumes however did not deter the commercial fuels team who, in pursuance of its policy of ensuring customer satisfaction, organized various customer events such as Bitumen Training Workshops, Engineers' Seminar on Lubricants and a Customer Contact Day.

Also, some value-led initiatives implemented within the commercial fuels business to ensure greater penetration of the market and customer loyalty, resulted in retention of existing customers and selective growth in the commercial fuels and bitumen business.

#### **Mining**

The implementation of the Shell Mining Customer Value Proposition revealed that mining customers do not see Shell Ghana Limited as just a supplier to the mining industry but also as a valuable partner. One of the Shell global marketing initiatives that the Company embraced was the process of Value Improvement Projects. This process revealed that by having a team of experts focusing on the mining sector, the Company would go beyond its traditional function of product supply only. Through this process the Company developed "Demonstrated Value Records", and key customers acknowledged Shell Ghana Limited's initiated savings to the value of approximately US\$10 million. It is our belief that this will help the Company develop long-term strategic alliances that will assist it in retaining its current crop of customers and extract even more value into the future.

The outlook for the mining industry will largely be determined by the ongoing global economic downturn and the extent to which current commodity prices will be affected.

#### **Lubricants**

The lubricants business posted good financial results, in spite of the supply chain crisis which affected TLOC in 2008. The underlying reasons for this above target performance included the activation of the Business Continuity Plan, which enabled supplies from other sources. The various lubricant brands and value-led initiatives resulted in higher penetration into the commercial sector and the distributor and reseller network.

#### **Aviation**

The Aviation business experienced significant improvement in the year 2008 despite the challenges faced with product stock outs at TOR, maintenance issues and stiff competition from within the West African sub-region. To ensure supply continuity other supply corridors were developed to supplement shortfalls from domestic sources.

Also, in spite of the fierce competition, Shell's aviation business saw a significant improvement in terms of profitability and new businesses by 10% in 2008 as against 2007. Key contracts were retained, in the midst of fierce competition.

Aircraft movements and passenger movement increased in progression rate from 15% to 25% in 2008. This development gave rise to new passenger and cargo flights. The significant increase has compelled the airport authorities to source various tenders for the expansion of the tarmac to accommodate more airlines to land and fuel at the same pace.

#### **Supply and Distribution**

The Supply and Distribution team had a challenging year supporting the various classes of business in delivering business results. Fuel availability was improved by diversifying supply sources and supply enabling projects were embarked on to support the introduction of differentiated products.

Satellite tracking systems for live monitoring of vehicles in transit were installed on the one hundred and ten (110) contracted haulage trucks in order to improve safety, security and vehicle turn around time. All the trucks were

## Chairman's Statement

also fitted with spill proof manhole covers.

There was continuous improvement in the initiative to enhance the professionalism of the Company's contracted transporters. All the contracted transporters improved their business and safety audit rating, and we are proud to announce that ninety percent of the contracted fleet of vehicles is within the age profile of brand new to five years.

The Company continues to focus on operational excellence in road safety management and all fuel operations.

### Health Safety Security and Environment

There was no fatality or a fatal incident during the year under review, however the Company failed to achieve the objectives of the Goal Zero initiative due to an incident on a customer site which resulted in a driver of a haulage truck, and his assistant, sustaining burns during a bitumen discharge operation.

Near misses and potential incidents were generally not well reported and this undermined efforts at moving towards a pro-active HSE culture. There were no Total Recordable Occupational Illnesses.

There were two incidents of armed robbery on two separate Retail sites and, although this resulted in some damage to the Company's assets, thankfully no fatality or injury was recorded. There was a report of an accident involving the Company's motor vehicle.

Road transport initiatives were well implemented and a successful Transporter and Drivers' awards ceremony was held at the end of the year.

A lot of effort went into the closure of the HSE Competence Gaps of staff in critical positions including those required to complete training in Permit to Work. Some effort was expended on closing out gaps identified in the Global Environmental Management Standards.

### Corporate Affairs

Sustainable Development activities were limited to the health sector, particularly support for HIV/AIDS orphans.

### Finance

In February 2008, Shell Internal Audit, assurance provider to the Group reviewed the General Controls of Shell Ghana Limited to appraise whether a fit for purpose risk-based control framework, designed to provide reasonable assurance of achieving business objectives, was in place. I am happy to report that your Company was rated fair on a scale of good, fair, unsatisfactory and unacceptable.

The Contracts Board executed its responsibilities efficiently and there was transparency in the award of all key contracts.

### Legal

Following implementation of the OPC policy under the Retail business strategy, some Retailers instituted legal suits against the Company. Some of these cases are still pending before the law courts.

Also as part of recommendations from a Shell Group internal audit conducted, two additional external legal firms were contracted, bringing to three the number of external firms offering legal services to the company.

### Human Resource

The Company continued to enjoy congenial Employee Relations/ Industrial Relations. The Company outsourced its Information Technology (IT) Infrastructure and telecommunications services to a third party supplier, having signed a Service Agreement to that effect. This move was in support of the Shell Group's business strategy to achieve top quartile performance in its businesses and functions in order to provide keener focus on its core activities. In this regard all the IT staff were transferred to the third party supplier. Shell Ghana Limited went through the due processes and paid the necessary redundancy benefits.

The Company continued its focus on competence and capability development. It provided opportunities for expatriation and short-term international assignments for some employees, in line with its employee retention strategy.

During the year under review, two young Ghanaians became the proud beneficiaries of the Shell Centenary Chevening Scholarship Award for the 2008/9 Academic Year to pursue Master of Science Degrees in Economics and Finance and Structural Engineering, respectively, in Universities in the United Kingdom.

A total of six (6) resignations were recorded during the year under review made up of one senior staff from the red

support function and the rest from the businesses. One person also retired from the Company after 28 years service. The employee turnover increased compared to the previous year but was still within the industry norm. In the same period, the Company was able to successfully recruit from the market, four experienced hires and two professionals.

Consequence management was fairly applied in the Company resulting in recognition for a number of staff and, regrettably, three dismissals and one termination of appointment.

The year however closed with preparation and eventual approval for implementation of the employee Pension Fund scheme.

#### **Board Representation**

Earlier in the year under review, Mr. Joseph Torku resigned from the Board, in order to pursue other interests outside the Company and was replaced by Mr. Vincent Richter. Mr. Kain Magassouba also resigned from the Board as a result of his commitments elsewhere within the Shell Group. He was replaced by Mr. Franck Konan-Yahaut, whom some of you may already know since this is the second time he is serving on the Board. The middle of the year also saw the resignations of Messrs. Martin Mensah and Alain Carreau, both of whom were subsequently replaced by Mr. Samuel Sarpong and myself, respectively.

On behalf of the Board, I would like to take this opportunity to thank all these retired Directors for their active contributions to the Board. To Messrs. Richter, Konan-Yahaut and Sarpong, we say welcome onto the Board. We look forward to benefiting from your experience.

Also, in August 2008, as part of the Company's restructuring process, I took over as Managing Director from Mr. Daniel Nunoo. On behalf of the Board, I would like to thank Mr. Daniel Nunoo for his invaluable services to the Company generally, and particularly for the operational and financial results produced by the Company during his tenure as Managing Director.

#### **Outlook for 2009**

The budget deficit and rising inflation are key issues facing the country at the moment. This situation is likely to impact its capacity to traverse the adverse global economic conditions that is likely to prevail in the course of the year.

In a relatively low crude price regime, the reduction of petroleum levies will potentially place enormous pressure on product supply dynamics but this should be resolved, as long as there are no significant changes in pump pricing fundamentals within the downstream petroleum deregulation process.

The Company will continue to maintain focus on cost management, growth of profitable and credit worthy businesses and competency development of its employees to ensure delivery of its objective in the difficult and uncertain times ahead.

We do have a competent Board of Directors in place and, coupled with the experience of the Management Team and functional support from Shell Group sources, I am confident that despite the difficult economic environment, the Company's business objectives will be exceeded this year.

Thank you



**Omar Valentin Benson**  
Chairman/Managing Director

# Report of the Directors

## TO THE MEMBERS OF SHELL GHANA LIMITED

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2008.

### Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

The directors are responsible for ensuring that the company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the company. The directors are also responsible for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Nature of business

The company is authorised to carry on the business of acquiring, processing, transporting and selling petroleum and any products thereof together with such other business as may from time to time seem to the company capable of being conveniently carried on in association therewith.

There was no change in the nature of business of the company during the year.

### Parent company

The company is a subsidiary of Shell Petroleum Company Limited, a company incorporated in the United Kingdom.

### Financial results

The financial results of the company are set out below:

	2008 Ghc'000	2007 Ghc'000
Profit before tax for the year is	15,819	6,483
from which is deducted tax of	(1,520)	(2,269)
giving a profit after tax for the year of	14,299	4,214
to which is added the balance brought forward on income surplus account of	3,731	3,731
and from which is deducted a proposed dividend of	(8,706)	(4,214)
giving a balance carried forward on income surplus account of	<u>9,324</u>	<u>3,731</u>

### Dividend

The directors recommend the payment of a dividend of GH¢0.8239 (2007: GH¢0.3988) per share amounting to GH¢8.706 million.

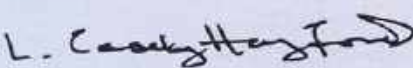
### Directors

The names of the present directors and those that served during the year are listed on page 2.

### Auditor

The auditor, PricewaterhouseCoopers, will continue in office in accordance with Section 134(5) of the Companies Code, 1963 (Act 179).

### BY ORDER OF THE BOARD:

Director:   
Louis Casely-Hayford

Director:   
Omar Valentin Benson

Date: 29th April 2009

# Report of the Independent Auditor

TO THE MEMBERS OF SHELL GHANA LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Shell Ghana Limited set out on pages 12 to 21. These financial statements comprise the balance sheet as at 31 December 2008 and the profit and loss account, income surplus account and cash flow statement for the year then ended and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Ghana Accounting Standards and with the requirements of the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with Ghana Accounting Standards and the Companies Code, 1963 (Act 179).

## REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.



Chartered Accountants

Accra

Date: 29th April 2009

# Shell Customer Day 2008



# Shell Customer Day 2008





## Profit And Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts are expressed in thousands of Ghana Cedis)

	Note	2008	2007
Turnover		520,651	368,127
Cost of sales		<u>(482,243)</u>	<u>(336,897)</u>
<b>Gross profit</b>		<b>38,408</b>	<b>31,230</b>
Selling, general and administrative expenses	2	<u>(39,688)</u>	<u>(25,874)</u>
<b>Operating (Loss) profit</b>		<b>(1,280)</b>	<b>5,356</b>
Other income	3	<u>17,901</u>	<u>2,205</u>
<b>Profit before interest and taxation</b>		<b>16,621</b>	<b>7,561</b>
Interest expense		<u>(802)</u>	<u>(1,078)</u>
<b>Profit before taxation</b>		<b>15,819</b>	<b>6,483</b>
Taxation	4(c)	<u>(1,520)</u>	<u>(2,269)</u>
Profit after taxation transferred to income surplus account		<u><b>14,299</b></u>	<u><b>4,214</b></u>

## Income Surplus Account

		2008	2007
Balance at 1 January		3,731	3,731
Profit for the year		<u>14,299</u>	<u>4,214</u>
		18,030	7,945
Proposed dividend: GH¢0.8239 (2007: GH¢0.3988) per share	12	<u>(8,706)</u>	<u>(4,214)</u>
<b>Balance at 31 December</b>		<u><b>9,324</b></u>	<u><b>3,731</b></u>

Of the 31 December 2008 balance on the income surplus account, GH¢5.593 million from the sale of Trademarks is non-distributable.

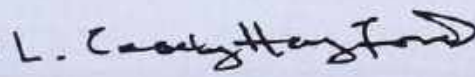
# Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2008

All amounts are expressed in thousands of Ghana Cedis

	Note	2008	2007
<b>Non-current assets</b>			
Property, plant and equipment	5	16,530	12,416
Investments	6	<u>7</u>	<u>7</u>
		<b>16,537</b>	<b>12,423</b>
<b>Current assets</b>			
Inventories	7	20,063	13,229
Accounts receivable	8	26,565	24,358
Balances due from related companies	9(a)	5,911	4,105
Cash and bank balances	16	17,570	11,053
Tax receivable	4(a)	<u>1,449</u>	-
		<b>71,558</b>	<b>52,745</b>
<b>Current liabilities</b>			
Bank overdrafts	10	5,214	2,339
Accounts payable	11	52,728	45,022
Balances due to related companies	9(b)	2,667	2,109
Current portion of loan	14	4,912	1,967
Tax payable	4(a)	-	170
Dividends	12	<u>8,706</u>	<u>4,214</u>
		<b>74,227</b>	<b>55,821</b>
<b>Net current liabilities</b>		<b>(2,669)</b>	<b>(3,076)</b>
<b>Total assets less current liabilities</b>		<b>13,868</b>	<b>9,347</b>
<b>Non-current liabilities</b>			
Deferred tax	4(b)	(596)	(833)
Non-current portion of loan	14	<u>(1,637)</u>	<u>(2,472)</u>
<b>Net assets</b>		<b>11,635</b>	<b>6,042</b>
<b>Financed by:</b>			
Stated capital	13	<u>2,311</u>	<u>2,311</u>
Income surplus account		<u>9,324</u>	<u>3,731</u>
<b>Shareholders' funds</b>		<b>11,635</b>	<b>6,042</b>

The financial statements on pages 12 to 21 were approved by the Board of Directors on 29th April 2009 and signed on its behalf by:

Director:   
Louis Casely-Hayford

Director:   
Omar Valentin Benson

# Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts are expressed in thousands of Ghana Cedis)

		2008	2007
<b>Operating activities</b>			
Cash generated from operations	15	7,701	2,514
Interest paid		(802)	(1,078)
Tax paid	4(a)	<u>(3,376)</u>	<u>(2,260)</u>
<b>Net cash generated from/(used in) operating activities</b>		<b><u>3,523</u></b>	<b><u>(824)</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	5	(5,483)	(4,459)
Proceeds from sale of property, plant and equipment	5(i)	<u>9,611</u>	<u>27</u>
<b>Net cash generated from/(used in) investing activities</b>		<b><u>4,128</u></b>	<b><u>(4,432)</u></b>
<b>Financing activities</b>			
Drawdown of term loan	14	3,629	5,698
Loan repayments	14	(3,424)	(1,259)
Dividend paid to shareholders	12	<u>(4,214)</u>	<u>(1,172)</u>
<b>Net cash (used in)/generated from financing activities</b>		<b><u>(4,009)</u></b>	<b><u>3,267</u></b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>3,642</b>	<b>(1,989)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b><u>8,714</u></b>	<b><u>10,703</u></b>
<b>Cash and cash equivalents at end of the year</b>	16	<b><u>12,356</u></b>	<b><u>8,714</u></b>

1. The following accounting policies have been applied consistently in the preparation of these financial statements:

**a. Basis of Accounting**

These financial statements have been prepared under the historical cost convention and in accordance with Ghana Accounting Standards.

**b. Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation. Additions during the year are included at cost.

Depreciation is provided for on a straight-line basis at rates calculated to write off the cost of each item of property, plant and equipment over its estimated useful life. The annual rates generally in use are as follows:

Leasehold Land	-	Over the unexpired portion of the lease
Office and Residential Buildings	-	2.5%
Other Buildings	-	5% - 10%
Motor Vehicles	-	25% - 33.3%
Plant and Machinery	-	5% - 15%
Office Furniture and Equipment	-	15% - 33.3%

**c. Stocks**

Lubricants are valued on weighted average basis at lower of cost and net realisable value. Bitumen, fuel and other stocks are valued on first in, first out basis at the lower of cost and net realisable value.

**d. Debtors**

Debtors are stated after providing for specific debts considered to be doubtful.

**e. Foreign currencies**

Transactions denominated in foreign currencies are translated into Ghana cedis and recorded at the rates of exchange ruling at the dates of the transactions; gains and losses resulting from the settlement of such transactions are recognized in the profit and loss account.

At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at exchange rates ruling at the balance sheet date. Differences arising from such translations are recognised in the profit and loss account.

**f. Sales**

Sales are recognised upon delivery of product and customer acceptance. Sales represent the value of goods invoiced to customers net of returns, trade discounts, duties, levies and value added tax.

**g. Post balance sheet events**

Events subsequent to the balance sheet date are reflected only to the extent that they relate directly to the financial statements and their effect is material.

## Notes (Continued)

### Accounting Policies (Continued)

#### h. Deferred taxation

Provision is made for deferred tax on material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Provision is made for deferred tax assets when there is reasonable certainty of realisation of the related assets.

#### i. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts.

#### j. Provisions

Provisions are recognized 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.

(All amounts in the notes are shown in thousands of Ghana Cedis unless otherwise stated)

**2. Selling, general and administrative expenses**

	2008	2007
Selling, general and administrative expenses include:		
Directors' remuneration	513	388
Staff costs	7,147	6,566
Auditor's remuneration	35	22
Depreciation	1,353	1,108
Donations	<u>21</u>	<u>23</u>

The average number of persons employed by the company during the year was 175 (2007: 197).

**3. Other income**

		2008	2007
Profit on disposal of property, plant and equipment	5(l)	9,595	4
Lease income		7,276	1,323
Sundry income		<u>1,030</u>	<u>878</u>
		<u>17,901</u>	<u>2,205</u>

**4. Taxation**

	Balance at 1/1/08	Payments	Charge for the year	Balance at 31/12/08
<b>(a) Income tax payable</b>				
Up to 2007	170	-	-	170
2008	-	(3,375)	1,757	(1,618)
	170	(3,375)	1,757	(1,448)
Withholding tax	-	(1)	-	(1)
	<u>170</u>	<u>(3,376)</u>	<u>1,757</u>	<u>(1,449)</u>

**(b) Deferred tax**

	2008	2007
Balance at 1 January	833	758
(Credit)/charge for the year	(237)	75
Balance at 31 December	<u>596</u>	<u>833</u>

**(c) Tax charge**

The tax charge in the profit and loss account comprises:

Current tax	1,757	2,194
Deferred tax	<u>(237)</u>	<u>75</u>
Tax charge	<u>1,520</u>	<u>2,269</u>

## Notes (Continued)

(All amounts in the notes are shown in thousands of Ghana Cedis unless otherwise stated)

### 5. Property, plant and equipment

	Leasehold Land and Buildings	Motor Vehicles	Plant and Machinery	Furniture Fittings and Computer Equipment	Capital Work-in- Progress	Total
<b>Cost</b>						
At 1/1/08	5,821	407	9,179	2,644	1,817	19,868
Additions	771	171	2,029	84	2,428	5,483
Disposals	-	(75)	-	(48)	-	(123)
Transfers	331	-	1,087	122	(1,540)	-
<b>At 31/12/08</b>	<b>6,923</b>	<b>503</b>	<b>12,295</b>	<b>2,802</b>	<b>2,705</b>	<b>25,228</b>
<b>Accumulated depreciation</b>						
At 1/1/08	1,922	349	3,289	1,892	-	7,452
Charge for the year	344	18	829	162	-	1,353
Released on disposals	-	(75)	-	(32)	-	(107)
<b>At 31/12/08</b>	<b>2,266</b>	<b>292</b>	<b>4,118</b>	<b>2,022</b>	<b>-</b>	<b>8,698</b>
<b>Net book value</b>						
<b>At 31/12/08</b>	<b>4,657</b>	<b>211</b>	<b>8,177</b>	<b>780</b>	<b>2,705</b>	<b>16,530</b>
At 31/12/07	3,899	58	5,890	752	1,817	12,416

### 5(i) Profit on disposal of property, plant and equipment has been arrived at as follows:

	2008	2007
Cost of items disposed of	123	181
Depreciation thereon	(107)	(158)
Net book value	16	23
Proceeds	(9,611)	(27)
Profit on disposal of property, plant and equipment	(9,595)	(4)

### 6. Investments

This represents the cost of ordinary shares in the following companies:

Road Safety Limited	7	7
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### 7. Inventories

Product stocks	18,167	13,165
Other stocks	1,896	64
	<b>20,063</b>	<b>13,229</b>

### 8. Accounts receivable

Trade debtors	24,677	21,095
Prepayments and other deposits	1,092	987
Staff debtors	91	41
Sundry debtors	705	2,235
	<b>26,565</b>	<b>24,358</b>

The maximum amount due from employees of the company during the year was GH¢91,000 (2007: GH¢41,000).

(All amounts in the notes are shown in thousands of Ghana Cedis unless otherwise stated)

**9. Related party transactions**

The company is a subsidiary of Shell Petroleum Company Limited of the United Kingdom, a member of the Royal Dutch Shell group (incorporated in The Netherlands) of which the under listed companies form a part:

	2008	2007
(a) Amount due from inter – companies	<u>5,911</u>	<u>4,105</u>
(b) Amount due to inter - companies	<u>2,667</u>	<u>2,109</u>

During the year the following transactions were carried out with related parties:

(i)	2008	2007
Sales of lubricants		
Shell Burkina Faso	-	5
Shell Cote D'Ivoire	18	-
Shell Senegal	20	-
Shell Guinea	-	21
Shell Mali	-	<u>83</u>
	<u>38</u>	<u>109</u>
(ii) Purchase of lubricants, additives and bitumen		
Oly Shell AB	17	-
Shell Cote D'Ivoire	41	-
Shell Deutschland Oil GmbH	132	-
Shell UK Oil Products Ltd	119	-
Burkina et Shell	80	-
Shell Benin	-	4
Shell European Export Centre	602	375
Shell Guinea	-	32
Shell South Africa	530	245
Togo Et Shell	-	572
Shell Brazil LTDA	-	222
Shell Columbia LTD	638	429
STASCO	<u>19,313</u>	<u>15,432</u>
	<u>21,472</u>	<u>17,311</u>
(iii) Purchase of services from Shell related companies	<u>15,323</u>	<u>8,261</u>

The above transactions were carried out on commercial terms and conditions.

**10. Bank overdrafts**

The company has unsecured overdraft facilities with a limit of GH¢13 million (2007: GH¢13 million).

	2008	2007
<b>11. Accounts payable</b>		
Trade creditors	38,080	40,329
Sundry creditors	4,213	2,676
Accrued charges and provisions	<u>10,435</u>	<u>2,017</u>
	<u>52,728</u>	<u>45,022</u>
<b>12. Dividend payable</b>		
Balance at 1 January	4,214	1,172
Payments during the year	(4,214)	(1,172)
Proposed for the year	<u>8,706</u>	<u>4,214</u>
Unpaid at 31 December	<u>8,706</u>	<u>4,214</u>



## Notes (Continued)

(All amounts in the notes are shown in thousands of Ghana Cedis unless otherwise stated)

### 13. Stated capital

	Number of shares		Proceeds	
	2008	2007	2008	2007
<b>Authorised</b>				
Ordinary shares of no par value	<u>12,000,000</u>	<u>12,000,000</u>		
<b>Issued</b>				
For cash	5,283,900	5,283,900	2,220	2,220
For other than cash	3,791,697	3,791,697	67	67
Transferred from income surplus account	<u>1,491,203</u>	<u>1,491,203</u>	<u>24</u>	<u>24</u>
	<u>10,566,800</u>	<u>10,566,800</u>	<u>2,311</u>	<u>2,311</u>

There are no shares in treasury and there are no calls or instalments unpaid on any share.

### 14. Term loan

This represents the conversion of a US\$5.16 million loan. Interest is charged at LIBOR.

	Balance at 1 January 2008	Drawdown	Repayment	Foreign exchange adjustment	Balance at 31 December 2008
Standard Chartered Bank Ghana Limited	<u>4,439</u>	<u>3,629</u>	<u>(3,424)</u>	<u>1,905</u>	<u>6,549</u>

The loan is repayable within a period of 36 months as follows:

	2008	2007
Current portion – due within one year	<u>4,912</u>	1,967
Non-current portion – due after one year	<u>1,637</u>	<u>2,472</u>
	<u>6,549</u>	<u>4,439</u>

### 15. Cash generated from operations

Profit before tax	15,819	6,483
Foreign exchange adjustment on loan	1,905	-
Depreciation	1,353	1,108
Profit on disposal of property, plant and equipment	(9,595)	(4)
Increase in inventories	(6,834)	(1,905)
Increase in receivables	(2,207)	(5,887)
(Increase)/decrease in amounts due from inter-companies	(1,806)	60
Increase in accounts payable	7,706	1,701
Increase/(decrease) in amounts due to inter-companies	558	(120)
Interest expense	<u>802</u>	<u>1,078</u>
	<u>7,701</u>	<u>2,514</u>

## Proxy Form

I/We .....

.....  
(PLEASE USE BLOCK CAPITALS)

of .....  
being member/members of Shell Ghana Limited,  
hereby appoint

\* .....  
(insert full name)

of .....

(or failing him/her the duly appointed Chairman of the meeting)  
as my/our Proxy to vote for me/us on my/our behalf at the  
Annual General Meeting to be held on Tuesday 30th June,  
2009 at 11:00 a.m. and at every adjournment thereof.

Resolution	For	Against
1. To receive and adopt the reports of the Directors and the Auditors and the Accounts for the year ended 31st December 2008		
2. To declare a dividend		
3. To elect Directors		
4. To re-elect Directors		
5. To approve the remuneration of Directors		
6. To authorise the Board to fix the remuneration of the Auditors		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution referred to above

Dated this ..... day of ..... 2009

Shareholder's signature .....

**THIS PROXY FORM SHOULD NOT BE SENT TO THE SECRETARY IF THE MEMBER WILL BE ATTENDING THE MEETING .**

**Notes :**

1. A member (Shareholder) who is unable to attend the Annual General Meeting is permitted by law to vote by proxy.
2. Provision has been made on the form for the Chairman of the Meeting to act as your proxy, but if you wish, you may insert in the blank space marked with an asterisk ( \*) the name of any person whether a Member of the company or not, who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.
3. In the case of joint shareholders, each shareholder should sign.
4. If executed by a corporation, the proxy form should bear its common seal or be signed on its behalf by a Director.
5. Please sign the above proxy form and post it so as to reach the address shown overleaf not later than 48 hours before the appointed time of the meeting.

# Shell Ghana Limited

THIRD FOLD HERE

The Secretary  
Shell Ghana Limited  
Shell House, High Street  
P. O. Box 1097  
Accra  
Ghana

FIRST FOLD HERE

PLEASE AFFIX  
STAMP HERE

SECOND FOLD HERE

# Statement of General Business Principles

## Introduction

The Shell General Business Principles govern how each of the Shell companies which make up the Shell Group\* conducts its affairs.

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

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

We seek a high standard of performance, maintaining a strong long-term and growing position in the competitive environments in which we choose to operate.

We aim to work closely with our customers, partners and policy-makers to advance more efficient and sustainable use of energy and natural resources.

*\*Royal Dutch Shell plc and the companies in which it directly or indirectly owns investments are separate and distinct entities. But in this publication, the collective expressions 'Shell' and 'Shell Group' may be used for convenience where reference is made in general to those companies. Likewise, the words 'we', 'us', 'our', and 'ourselves' are used in some places to refer to the companies of the Shell Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.*

## Our Values

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

## Sustainable Development

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

## Responsibilities

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

### a. To shareholders

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

### b. To customers

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

### c. To employees

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

To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns.

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

### d. To those with whom we do business

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

### e. To society

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

## Principle 1: Economics

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

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

## Principle 2: Competition

Shell companies support free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

## Principle 3: Business Integrity

Shell companies insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationships with all those with whom we do business. The direct or

business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of a Shell company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

## Principle 4: Political Activities

### a) Of companies

Shell Companies act in a socially responsible manner within the laws of the countries in which we operate in pursuit of our legitimate commercial objectives.

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

### b) Of employees

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

## Principle 5: Health, Safety, Security and the Environment

Shell companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally.

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

## Principle 6: Local Communities

Shell companies aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

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

In addition, Shell companies take a constructive interest in societal matters, directly or indirectly related to our business.

## Principle 7: Communication and Engagement

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

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

## Principle 8: Compliance

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

## Living by our Principles

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

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

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

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

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

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

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

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

Shell

# Diesel Extra

NEW

Extra engine  
protection  
at no extra cost

