



Shell Ghana Limited Annual Report 2010



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
2010**

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Notice of Meeting

Notice is hereby given that the nineteenth Annual General Meeting of Shareholders of Shell Ghana Limited will be held at the Auditorium of the Ghana College of Physicians and Surgeons, North Ridge, Accra on Thursday 14th July, 2011, 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 2010
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 19th day of May, 2011

BY ORDER OF THE BOARD



Afumwaa Bruce
Secretary

Board of Directors, Officials and Registered Office

BOARD OF DIRECTORS	Omar Benson	Chairman/Managing Director
	Norbert Kwasi Kudjawu	Member
	Louis Casely-Hayford	Member
	Vincent Richter	Member
	Samuel Sarpong	Member
	Diongue Macoura	Member
Augustine Osei-Bonsu	Member	
SECRETARY	Juliana Afumwaa Bruce Shell House, High Street Accra	
REGISTERED 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 Airport City Una Home, 3rd Floor Airport City PMB 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	
BANKERS	Barclays Bank of Ghana Limited CAL Bank Limited Ecobank Ghana Limited Standard Chartered Bank Ghana Limited	



Norbert Kwasi Kudjau
Member



Omar Valentin Benson
Chairman & Managing Director



Samuel Sarpong
Member



Louis Casely-Hayford
Member



Macoura Diongue
Member



Vincent Richter
Member



Afumwaa Bruce
Secretary



Augustine Osei-Bonsu
Member

Chairman's Statement



Omar Valentin Benson

Dear Shareholder,

It is with much pleasure that I warmly welcome you to the nineteenth Annual General Meeting of Shell Ghana Limited and to the presentation of the Annual Report and Financial Statements of the Company for the year ended 31st December 2010.

This is another year of strong financial performance and, like last year, the results achieved are mainly from the business operations. In the face of strong competition and a challenging operating environment, your Company managed to deliver a sales performance well above the market average and to gain market share in several key sectors, while limiting the losses in others. In a positive but decreasing inflation economy, selling, general and administrative expense was also reduced by about 9%, compared to the previous year's performance.

In spite of the still challenging business environment and the limited capital expenditure budget, the Company delivered a net profit of GH¢ 6.830 million, exceeding the annual target by about 42%. In line with the Company policy of paying competitive dividends, I am pleased to announce to you that the Board of Directors propose a dividend payment of GH¢ 0.8599 per share (0.4% above 2009 dividend). The dividend represents the sum total of the 2010 profit after tax and GH¢ 2.256 million from Income Surplus account.

Economic and Business Environment

Global economic trends pointed to recovery of varying degrees across the different regions of the world. While

emerging markets and developing economies registered solid growth, growth was weak in the advanced economies. Economic recovery in Ghana was however not as strong as expected.

The Government of Ghana managed to stabilize the economy in 2010 in spite of the fact that some major financial challenges remained unresolved. Ghana reached a single digit inflation level in 2010: December year on year inflation rate was 8.58% versus a 14.78% performance in January 2010. Government policy rate decreased progressively in 2010 by 50 basis points but the commercial interest rate remained relatively very high.

Ghana went through a rebasing and recalculation exercise of national accounts estimates in the last quarter of the year under review resulting in changes in Gross Domestic Product (GDP), growth rates, sector contributions and all related indicators that use GDP.

Benefiting from an accelerated project implementation in the upstream oil and gas sector, first crude oil in commercial quantities started to flow in December 2010. This development opened a new phase in the development of Ghana as a member of the oil producing countries.

The downstream petroleum industry however saw no major progress in the implementation of the sector deregulation policy. The number of players in the industry continued to increase in the first part of the year before stabilizing, after a Government intervention in the second half.

There were few supply challenges in the market in the first quarter of 2010 however, the rest of the year experienced no major supply disruption as a result of improved operations at the Tema Oil Refinery (TOR). As a result, your Company was able to seize several new business opportunities without any major supply disruptions.

Business Review

Customer Service Center

The Customer Service Centre (CSC) continued to operate effectively and the professional expertise and systems employed continued to be strengthened in line with Industry demands and customer sophistication. As usual, customer satisfaction was the hallmark of the CSC.

In 2010, the Company introduced two new web based applications aimed at ensuring customer satisfaction. These are Shell Online (SOL) and Shell Document Imaging (SDI). Shell Online enables our cherished customers to place their own orders, view status of orders placed and print invoices and statements from the comfort of their offices. Shell Document Imaging also enables customers to print their signed and stamped "Proof of Delivery" documents and thus assist them in reconciling their accounts and making timely payments.

Although no customer satisfaction survey was conducted in 2010, all steps were taken to keep the customer satisfaction at the high level reached in the previous year and improve it further whenever possible.

Retail Fuels and Lubricants

2010 proved to be a strong and promising year for the Retail business. Key initiatives like operational excellence focusing on training and development of Retail staff, Retailers, sites staff as well as rewards and recognition schemes resulted in improved service delivery at the retail sites.

The Company's drive for more Dealer Owned Dealer Operated (DODO) stations was very successful resulting in the commissioning of six new DODO sites in 2010. Apart from increasing the retail network strength, this initiative was also one of the main enablers for Retail business volume growth in the year under review.

The "Shell Card" contribution to the Retail business performance, one year after its launch in 2009, was promising. The "Shell Card" attained a growth of 257% in sales volumes, penetration of 3% and achieved a customer base of 200 by December 2010.

In 2010, the Retail business recorded 6% and 7% growth in fuels and lubricants volumes respectively as against that of the previous year. This growth in fuels volumes was 3% above the 2010 target even though lubricant volumes did not meet the target.

The average score for the mystery motorist programme for the Shell Retail network was 83.5%, marking a 5.4% improvement in this key operational excellence initiative. This excellent performance culminated in three Territory Managers together with the Retail District Manager of your Company being voted the best in Africa and winning the Shell Executive Vice President Award for operational excellence.

Commercial Fuels and Bitumen

In 2010 Government payments to road contractors continued to be an issue resulting in low levels of activity in the road construction sector. Coupled with this was the fact that the Agro-Forestry sector was also recovering, albeit at a very slow pace, from the economic downturn. Since most of the major customers of the Company's Commercial Fuels and Bitumen business are from these two sectors, these challenges played heavily on the business and contributed largely to the Commercial Fuels and Bitumen business not meeting its volume targets. However, through prudent product pricing, the Commercial Fuels and Bitumen business was able to close the gap on its profitability targets and maintained a fairly strong position.

Mining

Over the years, Shell has built a solid reputation in Ghana as the service provider of choice when it comes to the supply of oil products and services to the mining industry. This was evidenced by the fact that the Company still supplied a good number of the major mines in Ghana in 2010.

In the year under review, the Mining business registered a good performance despite a fast developing competition. In a slowly recovering global economy, the gold mining sector was booming and the company seized the related opportunities materialising in Ghana to develop its business through value added initiatives.

Consumer Lubricants

The Consumer Lubricants business exceeded its set target in the year 2010. As reported in the previous year, our strategy to focus on the export business yielded good results with increases in volumes exported. This was in spite of the fact that the Company experienced some challenges with respect to export processes that resulted in some delays.

The Company also concentrated on further strengthening our position on the domestic market, especially within the supply chain of the emerging oil and gas sector in Ghana.

Aviation

In the year under review the Company's volume performance was 48% above target, thanks largely to the positive contribution from existing customers as well as new businesses which were brought on board. Further growth could have been achieved if the regulated price of the aviation fuel was more competitive versus the one of the neighboring countries.

Unfortunately, the volume performance did not translate into cash contribution due to the fact that the volume of stock losses was above tolerance levels and also that several essential but unplanned repairs were undertaken.

Supply and Distribution

The fuel supply situation in 2010 was generally good. Apart from a Fire incident at the TOR gantry in the first quarter, which caused some disruptions in the supply of aviation fuel, 2010 was a year of sufficiency in fuel supplies. It is also worth noting that as soon as the incident at the TOR gantry occurred, Shell Ghana Limited was the first oil marketing company to trigger its crisis response plan and thus managed to bring in enough aviation fuel from Togo, just in time, to avert the repercussions of a shortage at the airport.

The Company however encountered some challenges with its foreign lubricants suppliers which resulted in shortages of some packed lubricants.

The Company was also hit by huge stock adjustments at the end of the year as a result of a combination of factors that were not captured early enough to reverse the trend, namely:

- Apparent losses due to high loading temperatures of aviation fuel from TOR.
- Lapses in the fuel delivery process caused by delivery meters that were not in sync with delivery truck calibrations.
- Gains in sales as a result of stock accounting procedures that were not reversed month on month.

The Company's three road transport contractors all attained "Professionals" rating in the "7 Pillar" Global Haulier Assessment conducted by the Shell Group in 2010. This achievement is evidenced by the excellent safety and operational performance in 2010.

In the year under review, two rest stops for drivers were

"Over the years, Shell has built a solid reputation in Ghana as the service provider of choice when it comes to the supply of products and services to the mining industry."

Chairman's Statement

commissioned in Kumasi and Tarkwa, in addition to the Takoradi rest stop commissioned the previous year. These facilities are meant to give our road transport drivers a decent place for planned overnight rest to prevent driver fatigue and also to avoid the habit of parking indiscriminately along the roadsides.

Health, Safety, Security & Environment (HSSE)

In 2010 the Company continued to focus on the "Goal Zero" vision of no harm to people or the environment. The Company delivered a strong safety performance through the year without a significant incident. At the end of the year, we achieved our longest ever period without a Lost Time Incident - 769 days - from date of last significant incident in November 2008. This significant achievement was attained through the implementation of various programmes in the areas of Road Transport and Contractor Safety Management.

The strong safety performance was sustained by proactive contractor safety management. Employees directly responsible for implementing contracts took part in refresher training and provided support to our contractors by organizing on-site workshops. Also, Managers regularly sat with contractors to review hazards and management strategies, thus improving safety performance.

Another proactive initiative - 'Talk not Tick' - was introduced to build upon the "Hearts & Minds" approach. The initiative encourages staff to engage one another as well as retailers and leaders in contractor companies. The Company's team delivered a strong performance against other Shell companies in the West Africa Region by achieving the highest number of 'Talk not Tick' inspections and in so doing, contributed to identifying and controlling top hazards on-site and thus eliminated significant incidents.

Our annual Safety Day was held on 8th June 2010. The sub-theme "reporting potential incidents and near misses" also contributed to this overall performance, in that Potential Incident and Near Misses reporting increased after this engagement, especially from our road transporters. Both staff and contractors signed on undertaking to comply and do the right thing.

Generally, security at all locations was good despite a security breach incident at the Takoradi Bitumen plant which is still under investigation.

In 2010, the Company's social investment strategy and priorities remained focused on improving road transport safety, fighting the HIV-AIDS pandemic and supporting basic education in the country. Key projects implemented included safety awareness campaigns, financing classroom furniture and providing educational materials. Emphasis was also placed on maximizing value from the selective investments made.

Legal

2010 saw a number of legal suits, in which the Company is a party, still pending in the courts. Worthy of mention among these, were the suits brought by some Retailers of the Company, as a result of the Operator Platform Change (OPC) policy under the Retail business strategy.

In the year under review, the Courts gave judgment in

favour of the Company in one of the OPC related cases and, as a result, the Company was able to recover the station involved and integrate it into the OPC system. One other plaintiff, who was part of the OPC related suits, also agreed to an out of court settlement and consequently gave up the station to the Company, whilst another plaintiff who was running two stations also entered into a negotiated settlement and gave up one of the stations to the Company. The remaining OPC related legal suits involving 14 plaintiffs are still pending before the courts.

All legal cases are regularly reviewed and financial provisions made as required.

Human Resource

The year 2010 was a challenging one from employee relations point of view. This was mainly as a result of the decision of the Shell Group to review ownership options for its Downstream business in Africa. Admittedly, the announcement by the Shell Group to divest its interest in Downstream activities in Africa including Ghana, created some level of anxieties and uncertainties among staff. The situation was carefully managed by constant engagement and dialogue between Management and staff.

Our talent pipeline continued to come under intense pressure as Ghana experiences significant growth in Upstream and other dynamic sectors like the telecommunication industry. Key players in the labour market became aware of the portfolio review and divestment process and thus targeted our talent and our key staff even more aggressively. In anticipation of and in response to such pressures, a comprehensive and structured retention strategy was implemented for critical talent considered at risk.

A total of eleven (11) resignations were recorded by end of December 2010 giving a turnover ratio of 8% which was way above the industry norm. Some of the vacancies were quickly filled through internal deployment of staff. Other temporary arrangements were also made to ensure that the businesses were not unduly exposed. One (1) Senior Manager, the Shell Oil Product Africa (SOPAF) Environment Manager retired from the services of the Company in September 2010.

In the face of the high turnover ratio recorded in the year under review, your Company was still able to record good

"In 2010 the Company continued to focus on the Goal Zero vision of no harm to people or the environment."

results which go to demonstrate the resilience and tenacity of our staff.

As usual, learning continued to remain the key enabler to the delivery of Shell's business strategy. The Shell Open University and e-learning dominated our learning activities and, owing to cost constraints there was a deliberate commitment across Africa to maximize the usage of e-learning as a preferred method of competence development.

Finance

The financial performance of 2010 was above plan but below that of 2009. This drop in the 2010 performance was attributable to the following:

1. The loss of a key mining customer which impacted on net profit to the tune of about GH¢ 2 million, though this was partially mitigated with some volume gains through prospecting and acquiring some new business in our Commercial business and Lubricant exports.
2. In June 2010 a product supplier presented a claim for about GH¢ 1.7 million for product cost relating to 2009 which was previously accounted for as a gain. This then had to be captured against 2010 results as additional cost of sales.
3. High product losses incurred in the Aviation operations.
4. A deferred tax provision of GH¢ 0.6 million over 2009.

The Contracts Board of the Company functioned efficiently, ensuring transparency and cost efficiency in its operations throughout the year.

Board Representation

The year under review saw no change in the membership of the Board and I would like to take this opportunity to thank all the Board members for their invaluable contributions to the Company.

Outlook for 2010

Shell Downstream Portfolio Review

As I informed you during last year's Annual General Meeting, Shell has announced its intention to review its ownership options in its Downstream businesses in Africa, which includes Ghana. As a result of this decision, Shell entered into exclusive negotiations in July 2010 with The Vitol Group and Helios Investment Partners.

“ Now that the Shell intended divestment transaction is clearer, further growth is expected from a higher allocation of capital investment. ”

Following from these negotiations, I hereby confirm that in February 2011, The Shell Group, The Vitol Group and Helios Investment Partners announced having reached an agreement to form two joint venture companies that will ensure continued availability of Shell products in fourteen African countries including Ghana.

The parties involved are now concentrating on securing the necessary regulatory and company approvals as well as integration planning necessary for a successful implementation of the terms of the Share Purchase Agreement concluded. It is worth mentioning that as shareholders of this Company, you will participate in the process in accordance with any applicable regulations.

General Business Outlook

The global economy is expected to accelerate its recovery progressively, led by the emerging and developing countries offsetting the limited growth expected in the developed countries. In 2011, Ghana is expected to be one of the fastest growing economies in the world with a double digit GDP growth rate, partly as a result of the positive impact of the fast growing Oil and Gas sector. Further macro economy stabilization is expected in 2011, provided that key challenges identified like the reversal of the inflation decrease trend, the financing of the fiscal deficit and the stability of the local currency are effectively addressed. It is also expected that more and more non budgetary financing sources like the grant and loan agreements entered into with China, Japan and India for infrastructure and sector development will be concluded and quickly implemented.

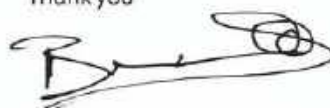
The 2011 budget reflects the priority given to the implementation of several key programmes of the Government like major road construction projects.

The social unrest situation in the Middle East and North Africa is not expected to affect the fuel supply situation in Ghana however the related impact on the price of crude oil on the international market could have a significant impact on the local fuel price and a ripple effect on the overall price inflation performance.

On the subject of your Company, now that the Shell Group's intended divestment transaction is clearer, further growth is expected from a higher allocation of capital investment. In 2011, the priorities of the Company will include safety, growth, cost reduction, budget discipline and a successful transition toward the new organization.

I have no doubt that the competent Board of Directors currently in place, coupled with the experienced Management Team and the effective functional support, will be key success factors in exceeding the Company's business objectives in the coming year despite the anticipated challenging market conditions and the ongoing transition.

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 2010.

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 and with the requirements of the Companies Code, 1963 (Act 179).

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:

	2010 GH¢'000	2009 GH¢'000
Profit before tax for the year is from which is deducted tax of	9,444 (2,614)	11,783 (2,730)
giving a profit after tax for the year of to which is added the balance brought forward on income surplus account of	6,830 9,324 (9,086)	9,053 9,324 (9,053)
and from which is deducted a proposed dividend of		
giving a balance carried forward on income surplus account of	7,068	9,324

Dividend

The directors recommend the payment of a dividend of **GH¢0.8599** (2009: GH¢0.8567) per share.

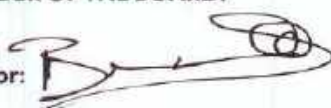
Directors

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

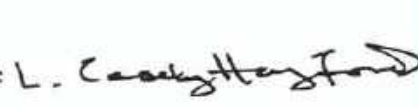
Auditor

The auditor, PricewaterhouseCoopers, has expressed its willingness to continue in office in accordance with Section 134(5) of the Companies Code, 1963 (Act 179).

BY ORDER OF THE BOARD:

Director: 

Omar Valentin Benson

Director: 

Louis Casely-Hayford

Date: 19 May, 2011

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 2010, the profit and loss account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Ghana Accounting Standards and with the requirements of the Companies Code, 1963 (Act 179) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 the audit to obtain reasonable assurance about whether 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 of financial statements that give a true and fair view 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 the directors, 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 opinion.

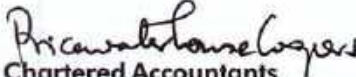
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Shell Ghana Limited as at 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with Ghana Accounting Standards and in the manner required by the Companies Code, 1963 (Act 179).

REPORT ON OTHER LEGAL REQUIREMENTS

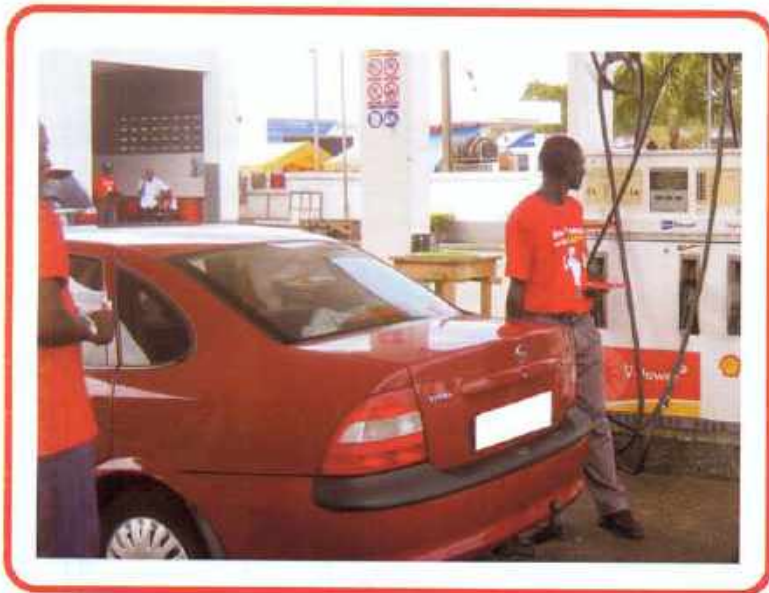
The Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- 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
27 May, 2011
Accra, Ghana
Oseini Amui (100844)



Significant events in 2010



Significant events in 2010



Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts are expressed in thousands of Ghana Cedis)

	Note	2010	2009
Turnover		552,154	504,689
Cost of sales		(512,373)	(458,700)
Gross profit		39,781	45,989
Selling, general and administrative expenses	2	(32,807)	(35,741)
Operating profit		6,974	10,248
Other income	3	2,703	1,735
Profit before interest and tax		9,677	11,983
Interest expense		(233)	(200)
Profit before tax		9,444	11,783
Income tax expense	4	(2,614)	(2,730)
Profit after tax transferred to income surplus account		6,830	9,053

Balance Sheet


(All amounts are expressed in thousands of Ghana Cedis)

	Note	2010	2009
Non-current assets			
Property, plant and equipment	5	19,067	20,864
Investments	6	7	7
		19,074	20,871
Current assets			
Inventories	7	22,644	15,145
Accounts receivable	8	32,498	34,753
Due from related companies	9	9,249	5,724
Cash and bank balances	16	13,999	16,417
Current income tax	4	1,468	1,449
		79,858	73,488
Current liabilities			
Bank overdrafts	10	231	2,024
Accounts payable	11	74,907	68,563
Due to related companies	9	4,028	809
Current portion of loan	14	-	1,627
Dividend payable	12	9,086	9,053
		88,252	82,076
Net current liabilities		(8,394)	(8,588)
Total assets less current liabilities		10,680	12,283
Non-current liabilities			
Deferred income tax	4	(1,301)	(648)
Net assets		9,379	11,635
Financed by:			
Stated capital	13	2,311	2,311
Income surplus account		7,068	9,324
Shareholders' funds	17	9,379	11,635

The financial statements on pages 12 to 21 were approved by the Board of Directors on 19 May, 2011 and signed on its behalf by:

Director: 

Omar Valentin Benson

Director: 

Louis Casely-Hayford

Cash Flow Statement

(All amounts are expressed in thousands of Ghana Cedis)

	Note	Year ended 31 December	
		2010	2009
Operating activities			
Cash generated from operations	15	12,643	25,333
Interest paid		(233)	(200)
Tax paid	4	(1,980)	(2,678)
Net cash generated from operating activities		10,430	22,455
Investing activities			
Purchase of property, plant and equipment	5	(1,104)	(6,234)
Proceeds from sale of property, plant and equipment	5	711	320
Net cash used in investing activities		(393)	5,914
Financing activities			
Loan repayments	14	(1,609)	(5,798)
Dividend paid to shareholders	12	(9,053)	(8,706)
Net cash used in financing activities		(10,662)	(14,504)
Increase in cash and cash equivalents		625	2,037
Cash and cash equivalents at beginning of the year		14,393	12,356
Cash and cash equivalents at end of the year	16	13,768	14,393

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	-	20% - 33.3%
Plant and machinery	-	4% - 20%
Office furniture and equipment	-	15% - 33.3%

c. Stocks

Lubricants are valued on the weighted average cost basis at the 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. Deferred income tax

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

Notes (Continued)

h. **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.

i. **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.

Notes (Continued)

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

2. Selling, general and administrative expenses

Selling, general and administrative expenses include:

	2010	2009
Directors' remuneration	371	600
Staff costs	8,450	10,321
Auditor's remuneration	41	36
Depreciation	2,246	1,797
Donations	<u>23</u>	<u>7</u>

The average number of persons employed by the company during the year was 173 (2009: 175).

3. Other income

Profit on disposal of property, plant and equipment (Note 5)
Lease income
Recoveries
Sundry income

	2010	2009
Profit on disposal of property, plant and equipment (Note 5)	56	217
Lease income	500	404
Recoveries	892	-
Sundry income	1,255	1,114
	<u>2,703</u>	<u>1,735</u>

4. Income tax

The movement in current income tax is as follows:

	Balance at) 1 January) 2010)	Payments)	Charge for)31 December) the year)	Balance at) 31 December) 2010)
(a) Current income tax payable				
Up to 2009	(1,449)	-	-	(1,449)
2010	-	(1,961)	1,961)	-
Withholding tax	-	(19)	-	(19)
	<u>(1,449)</u>	<u>(1,980)</u>	<u>1,961)</u>	<u>(1,468)</u>

(b) Deferred income tax

The movement in deferred income liabilities tax is as follows:

	2010	2009)
At 1 January	648	596)
Charge for the year	653	52)
At 31 December	<u>1,301</u>	<u>648)</u>

Deferred income tax charged to the profit and loss account and the liability at the balance sheet date is attributable to property, plant and equipment and unrealised exchange differences.

(c) Income tax expense

The income tax expense in the profit and loss account comprises:

	2010	2009)
Current income tax	1,961	2,678)
Deferred income tax	653	52)
	<u>2,614</u>	<u>2,730)</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
Cost						
At 1 January 2010	10,072	1,796	14,573	3,312	1,440	31,193
Additions	198	-	180	77	649	1,104
Disposals	(145)	(65)	(1,265)	(213)	-	(1,688)
Transfers	303	-	1,137	-	(1,440)	-
At 31 December 2010	10,428	1,731	14,625	3,176	649	30,609
Accumulated depreciation						
At 1 January 2010	2,594	356	5,093	2,286	-	10,329
Charge for the year	482	293	1,184	287	-	2,246
Released on disposals	(82)	(72)	(671)	(208)	-	(1,033)
At 31 December 2010	2,994	577	5,606	2,365	-	11,542
Net book value At 31 December 2010	7,434	1,154	9,019	811	649	19,067
At 31 December 2009	7,478	1,440	9,480	1,026	1,440	20,864

Profit on disposal of property, plant and equipment has been arrived at as follows:

	2010	2009
Cost of items disposed of	1,688	269
Depreciation thereon	(1,033)	(166)
Net book value	655	103
Proceeds	(711)	(320)
Profit on disposal of property, plant and equipment	(56)	(217)

6. Investments

Investments represents the cost of ordinary shares held by the company in Road Safety Limited.

7. Inventories

	2010	2009
Product stocks	21,809	14,129
Other stocks	835	1,016
	22,644	15,145

8. Accounts receivable

Trade debtors	30,281	32,567
Prepayments and other deposits	1,666	1,420
Staff debtors	192	182
Sundry debtors	359	584
	32,498	34,753

The maximum amount due from employees of the company during the year was **GH¢192,000** (2009: GH¢182,000).

Notes (Continued)

(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 United Kingdom) of which the under listed companies form a part:

	2010	2009
(a) Amount due from related companies	9,249	5,724
(b) Amount due to related companies	4,028	809

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

	2010	2009
(i) Purchase of lubricants, additives and bitumen		
Oly Shell AB	-	3
Shell ASEOLAG	79	-
Shell Deutschland Oil GmbH	1,076	438
Shell UK Oil Products Ltd	228	12
Burkina et Shell	150	37
Shell Tunisia	534	-
Belgian Shell SA	172	-
Shell European Export Centre	-	326
Shell Guinea	-	315
Shell South Africa	505	-
Togo Et Shell	3,226	1,147
Shell Columbia LTD	-	1,364
Shell Austria Gasellschaft	163	181
Shell Lubricants Switzerland A	-	201
Societe des Petroles Shell S.A	-	186
Shell Marketing Egypt	31	-
Societe Shell Du Maroc	1,395	712
Unico Manufacturing Co. Ltd	50	219
	7,609	5,141
(ii) Purchase of services from Shell related companies	7,806	5,214

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

10. Bank overdrafts

The Company has unsecured overdraft facilities with a limit of **GHC 13 million** (2009: GH¢13 million).

11. Accounts payable

	2010	2009
Trade creditors	63,515	53,502
Sundry creditors	630	1,983
Accrued charges and provisions	10,762	13,078
	74,907	68,563

12. Dividend payable

At 1 January	9,053	8,706
Payments during the year	(9,053)	(8,706)
Proposed for the year	9,086	9,053
	9,086	9,053
At 31 December		

Notes (Continued)

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

13. Stated capital

	Number of shares		Proceeds	
	2010	2009	2010	2009
Authorised				
Ordinary shares of no par value	12,000,000	12,000,000		
Issued				
For cash consideration	5,283,900	5,283,900	2,220	2,220
Consideration other than cash	3,791,697	3,791,697	67	67
Transferred from income surplus account	1,491,203	1,491,203	24	24
	10,566,800	10,566,800	2,311	2,311

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

14. Term loan

The movement on the term loan is as follows:

	At 1 January 2010	Repayment	Foreign exchange adjustment	At 31 December 2010
Standard Chartered Bank Ghana Limited	1,627	(1,609)	(18)	-
			2010	2009
Current portion – due within one year			-	1,627

The loan was unsecured and attracted interest at London Inter Bank Offer Rate (LIBOR) plus 2.75%.

15. Cash generated from operations

	2010	2009
Profit before tax	9,444	11,783
Foreign exchange adjustment on loan	(18)	876
Depreciation	5 2,246	1,797
Profit on disposal of property, plant and equipment	5 (56)	(217)
(Increase)/decrease in inventories	(7,499)	4,918
Decrease/(increase) in receivables	2,255	(8,188)
(Increase)/decrease in amounts due from related companies	(3,525)	187
Increase in accounts payable	6,344	15,835
Increase/(decrease) in amounts due to related companies	9 3,219	(1,858)
Interest expense	233	200
	12,643	25,333

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

16. Cash and cash equivalents

	2010	2009
Cash and cash equivalents comprise:		
Cash and bank balances	13,999	16,417
Bank overdrafts (Note 10)	(231)	(2,024)
	<u>13,768</u>	<u>14,393</u>

17. Income Surplus Account

At 1 January		9,324	9,324
Profit for the year		6,830	9,053
Proposed dividend: GH¢0.8599 (2009: GH¢0.8567) per share	12	(9,086)	(9,053)
At 31 December		<u>7,068</u>	<u>9,324</u>

18. Capital commitments

There were no capital commitments at 31 December 2010 (2009: Nil).

19. Contingent liabilities

There were no contingent liabilities at 31 December 2010 (2009: Nil).



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 Thursday 14th July,
2011 at 11:00 a.m. and at every adjournment thereof.

Resolutions	For	Against
1. To receive and adopt the reports of the Directors and the Auditors and the Accounts for the year ended 31st December 2010		
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 2011

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 when 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 fulfil our responsibilities.

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

Principle 2: Competition

Shell 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 indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company

business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of 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.

