Statement of General Business Principles

Introduction
The objectives of the Shell Gas LPG (Pakistan) Limited is to engage efficiently, responsibly and profitably in the LPG and allied business. We seek a high standard of performance, maintaining a strong long-term and growing position in the competitive environment.

Values
Shell Gas LPG (Pakistan) Limited 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 Gas LPG (Pakistan) Limited recognise five areas of responsibility.

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 its 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 its 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 Gas LPG (Pakistan) Limited's 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 company's business goals and to its continued growth. It is a measure both of efficiency and of the value that customers place on Shell Gas 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 Gas LPG (Pakistan) Limited support free enterprise. It seeks to compete fairly and ethically and within the framework of applicable competition laws; the company will not prevent others from competing freely with it.

Principle 3: Business Integrity
Shell Gas LPG (Pakistan) Limited insist on honesty, integrity and fairness in all aspects of its business and expect the same in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to the company potential conflicts of interest. All business transactions on behalf of Shell Gas LPG (Pakistan) Limited 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 the company
Shell Gas LPG (Pakistan) Limited act in a socially responsible manner within the laws of the countries in which it operate in pursuit of its legitimate commercial objectives.

Shell Gas LPG (Pakistan) Limited do not make payments to political parties, organisations or their representatives. Shell Gas LPG (Pakistan) Limited do not take part in party politics. However, when dealing with government, Shell Gas LPG (Pakistan) Limited have the right and the responsibility to make its position known on any matters, which affect itself, its employees, its customers, its shareholders or local communities in a manner which is in accordance with its 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 Gas LPG (Pakistan) Limited has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell Gas LPG (Pakistan) Limited manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance.

Shell Gas LPG (Pakistan) Limited continually look for ways to reduce the environmental impact of its operations, products and services.

Principle 6: Local Communities
Shell Gas LPG (Pakistan) Limited 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 it work.

Shell Gas LPG (Pakistan) Limited manage the social impacts of its business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from its activities.

In addition, Shell Gas LPG (Pakistan) Limited take a constructive interest in societal matters, directly or indirectly related to its business.

Principle 7: Communication and Engagement
Shell Gas LPG (Pakistan) Limited recognise that regular dialogue and engagement with its stakeholders is essential. Shell Gas LPG (Pakistan) Limited is committed to reporting of its performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In its interactions with employees, business partners and local communities, the company seek to listen and respond to them honestly and responsibly.

Principle 8: Compliance
Shell Gas LPG (Pakistan) Limited comply with all applicable laws and regulations of the country in which it operate.

Living by the Principles
The shared core values of honesty, integrity and respect for people, underpin all the work the company does and are the foundation of its Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in Shell Gas LPG (Pakistan) Limited in the conduct of its business at all times. The company encourage its business partners to live by them or by equivalent principles.

Shell Gas LPG (Pakistan) Limited encourage its employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of the company.

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 of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that company 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 Gas LPG (Pakistan) Limited's employees to report suspected breaches of the Business Principles to the Company.

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

Contents

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Notice of Annual General Meeting

NOTICE IS HEREBY given that the 43rd Annual General Meeting of the Company will be held on Friday 16th, October 2009 at 09:30 a.m at Pearl Continental Hotel Karachi, to transact the following business:

Ordinary Business:

1. To receive and adopt Reports of Directors and Auditors together with the Audited Accounts for the year ended 30th June 2009.
2. To appoint Auditors for 2009 – 2010 and fix their remuneration.

By Order of the Board

Oan Hussain Ali
Controller & Company Secretary

Karachi:September 18, 2009

Notes:

I. The Share Transfer Books of the Company will be closed from 10th October to 16th October 2009 (both days inclusive) when no transfer of shares will be accepted for registration.

II. A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote on his/her behalf.

III. Proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the meeting.

IV. Shareholders are requested to notify any change in their address immediately.

V. CDC shareholders or their proxies are required to bring with them their original Computerised National Identity Card or Passport along with the Participant's ID Number and their account number at the time of attending the Annual General Meeting in order to authenticate their identity.


Mr. Zaiviji Ismail bin Abdullah

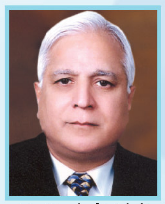

Ms. Fawzia Kazmi


Ms. Khurshid Bhaimia


Ms. Sok Mei Wong


Mr. Sameer Amin


Mr. Adam Harrison


Mr. Istaqbal Mehdi


(L to R): Mr. Ahmed Zaheer, Agha Sajjad Nasir, Mr. Sameer Amin
Mr. Raza Jamali & Ms. Fawzia Kazmi

Company Information

Board of Directors

Chairman	Mr. Zaiviji Ismail bin Abdullah
	Ms. Khurshid Bhaimia
	Mr. Adam Harrison
	Ms. Fawzia Kazmi
	Mr. Istaqbal Mehdi
	Ms. Sok Mei Wong
	Mr. Sameer Amin

Audit Committee

Chairperson	Ms. Sok Mei Wong
	Mr. Adam Harrison
	Ms. Khurshid Bhaimia

Management Team

General Manager & Chief Executive	Ms. Fawzia Kazmi
Director Finance & Chief Financial Officer	Mr. Sameer Amin
Operations Manager	Mr. Agha Sajjad Nasir
HSSE Manager	Mr. Ahmed Zaheer
Human Resource Manager	Mr. Raza Jamali

Company Secretary
Mr. Oan Hussain Ali

Registered Office
Shell Gas LPG (Pakistan) Limited
Adjacent to Pakistan Refinery Limited,
Korangi Creek, Karachi-75190

Auditors
A.F. Ferguson & Co.

Legal Advisors
Surridge & Beecheno
Advocates & Corporate Consultants

Bankers
Citi Bank N.A.
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Royal Bank of Scotland
Standard Chartered Bank
United Bank Limited

Share Registrar
THK Associates (Pvt.) Ltd.
Address: 2nd Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi.
Telephone #: 021-111000322
Fax : 021-5655595

Chairman's Review

It gives me pleasure to share the results and financial statements of the Company for the year ended June 30, 2009.

The year saw some real challenges both internationally and locally and during this period Pakistan's economy grew only by 2 percent, against the target of 4.5 percent.

The LPG indigenous supply situation remained static, as no new source of LPG emerged during the year under review, while imports also continued to be expensive. During the year, the Company sold 23,859 MT as compared to 25,709 Metric Tonnes last year. However, in spite of low volumes and a competitive business environment, your Company was able to produce a turn around.

Turnover for the year increased by 11% as compared to last year and the Company posted a net profit after tax of Rs. 72 million as compared to loss of Rs. 155 million last year. This was possible only as a result of restructuring, streamlining the channel and major cost cutting initiatives that the management has undertaken.

Your Company continues to drive the Goal Zero policy amongst staff and contractors. We have once again excelled in our performance of Health, Safety, Security and Environment (HSSE), with no lost time injury or fatality. The Company has successfully completed 1 million man-hours without lost time injury as at year end. The management is committed towards improving the HSE standards for itself and its stakeholders throughout the supply chain.

We believe that sustainable development is only possible if we abide by our Business Principles. Shell Gas business principles are firmly embedded in all the operations of the Company and we continuously strive to get wider acceptance and implementation.

I would like to assure you that the management of your Company is fully aware of its responsibility towards its stakeholders and is determined to increase the value of the business. We are looking into all possible options to improve the business performance of your Company in a profitable manner.

Finally I would like to thank the staff, distributors and customers for their continuous support in ensuring sustained success of the Company and for making Shell their brand of choice.

Zaiviji Ismail bin Abdullah
Chairman

Karachi: August 17, 2009

Report of the Directors

The Directors of Shell Gas LPG (Pakistan) Limited would like to present their Annual Report and audited Financial Statements of the Company for the year ended June 30, 2009 together with the Auditors' Report thereon. The year under review was exceptional as your Company produced a turn around, which can be seen from the following key indicators:

- Operating Profit of Rs. 81 million as compared to a operating loss of Rs. 163 million.
- Profit after taxation of Rs. 72 million as compared to a loss of Rs. 155 million.

Health, Safety, Security & Environment (HSSE)

We promote a culture in which HSSE remains the underlying theme of all our activities. We do this by moving both hearts and minds of the people involved. Once again your Company's main focus remained on HSSE, this is evident from One Million Man-Hours Without Lost Time Injury (LTI) achieved during this year. We continued with the strategy of Zero Tolerance for non-compliance in HSSE.

In Shell Gas LPG (Pakistan) Limited, we are committed to the following HSSE Strategic Objectives that contribute to our excellent HSSE performance and maintain the Goal Zero Approach:

- Strict Focus on the Goal Zero Approach
- Pursue the goal of No Harm to People
- Product Stewardship throughout the supply chain
- Timely implementation of actions of the HSSE Annual Plan
- Protect the Environment
- HSSE to be treated as a critical business activity
- Ensuring HSSE at all levels of the organisation
- Move to & sustain a Generic HSSE Culture
- Competence Development for all HSSE Critical Staff
- Promote best practices in HSSE at the industry level

To cultivate and promote HSSE culture and awareness amongst its stakeholders, the Company celebrated a Safety Day all across Pakistan. This was in accordance with the Shell Global Safety Day. The day was undertaken to acknowledge your Company's strong concern and commitments about safety in general. The main focus of the day was **"Doing the Right Thing"** – even when no one is watching, to promote a culture of compliance with laws, standards and procedures, intervention in unsafe and non-compliant situations and respect for all. This was done by dissemination of these messages to all stakeholders through various functions and campaigns organised by your Company.

Initiatives for continuous improvements in the Road Transport and Haulier HSSE Management System were carried out during the year. Defensive driving courses, toolbox meetings, random vehicle checks, on-road inspection and circulation of easy to understand HSSE guidelines, are part of our regular activities to further enhance HSSE culture within and outside organisation. The management continued to review security conditions and is taking adequate measures to secure assets and lives of the people associated with the Company.

Financial Highlights

The financial performance of the Company along with reasons for major variations are as follows:

- Turnover for the year increased to Rs. 1,438 million, which is 11% higher than that achieved last year mainly because of the increase in selling prices.
- Gross profit increased by Rs. 208 million mainly due to effective margin management initiatives.
- Administrative expenses during this period have gone up by 16% i.e. from Rs. 77 million to Rs. 90 million mainly due to increase in head office rentals and write off of assets that had been capitalised against head office assets at the Forum (previous registered office of the Company). This move of the head office (registered office) was one of the initiatives taken by management to reduce costs.

- Distribution and Marketing expenses gone down by 25% i.e. from Rs. 124 million to Rs. 94 million mainly due to reduction in secondary freight (outward carriage) cost by approx. Rs. 28 million as the Company has moved from delivered supplies to explant supplies which is part of management initiative of structural cost reduction.
- Other income increased by Rs. 25 million mainly due to waiver by the Shell Group on account of fee payable by the Company and disposal of scrap items.
- Finance cost for the year decreased by Rs. 7.1 million.

As a result of the above variations, the profit after taxation for the year was Rs. 72 million as compared to a loss of Rs. 155 million.

Financial Summary

	Rs. in '000s
Profit before taxation (as per audited financial statements)	68,575
Taxation for the year	3,584
Profit after taxation	72,159

Dividends

In order to maintain turnaround in a volatile and uncertain market and to further reduce financing costs, the Directors have recommended nil dividend for the year.

Reporting

The Board has ensured completeness, true and fair presentation and timely issuance of its periodic financial Statements in accordance with the requirements of the Companies Ordinance 1984, The Listing Regulations of Stock Exchanges and International Financial Reporting Standards.

Corporate Governance

The Company is committed to highest standards of corporate governance. The Board is pleased to give the following specific statements to comply with the requirements of the Code of Corporate Governance:

1. The financial statements, prepared by the management of Shell Gas LPG (Pakistan) Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of Shell Gas LPG (Pakistan) Limited have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon Shell Gas LPG (Pakistan) Limited's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last decade in summarised form is annexed.
9. No trades in the shares of Shell Gas LPG (Pakistan) Limited were carried out by the Directors, CEO, CFO & Company Secretary and their spouses and minor children.

Value of Investments

Value of investments of Pension, Gratuity and Provident funds on the basis of the respective latest audited financial statements is as follows:

	Rupees in million
Pension Fund (Year ended June 30, 2008)	68
Gratuity Fund (Year ended June 30, 2008)	14
Provident Fund (Year ended June 30, 2008)	44

Board Meetings

During the year four board meetings were held and the attendance of each director is given on page 61.

Board of Directors

The directors as at June 30, 2009 were Mr. Zaiviji Ismail bin Abdullah, Ms. Fawzia Kazmi, Ms. Khurshid Bhaimia, Mr. Adam Harrison, Ms. Sok Mei, Mr. Sameer Amin and Mr. Istaqbal Mehdi. Subsequent to the year-end, Extraordinary General Meeting of the Company was held on 7 August, 2009 in which the same Directors were re-elected to the Board.

Pattern of Shareholding

The Pattern of Shareholding as of June 30, 2009 is given on page 62 .

Auditors

The auditors Messrs. A. F. Ferguson & Co. retire and being eligible offer themselves for re-appointment. Audit committee has recommended the appointment of Messrs. A. F. Ferguson & Co.

On behalf of the Board

Karachi: August 17, 2009

Fawzia Kazmi
Chief Executive

Highlights

		Year ended June 30, 2009	Year ended June 30, 2008
Sales Volume	Tonnes	23,859	25,709
Sales Revenue	Rs. mn	1,239	1,125
Profit before taxation	Rs. mn	68	(183)
Profit after taxation	Rs. mn	72	(155)
New Capital expenditure	Rs. mn	23	26
Shareholders' equity	Rs. mn	298	226
Earnings per share	Rs.	3.19	(8.47)

Financial Statistical Summary

		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Investment Measure													
Share Capital	Rs. mn	226	226	32	27	27	27	27	27	27	27	27	27
Reserves	Rs. mn	72	–	155	209	221	162	111	96	103	92	92	93
Shareholders' equity	Rs. mn	298	226	188	236	248	189	138	123	130	119	119	119
Break up value	Rs.	13	10	58	87	92	70	51	46	48	44	44	44
Dividend per share	Rs.	0	–	–	–	7	10	10	3	3	6	6	9
Profit/(loss) before tax	Rs. mn	69	(183)	(81)	18	107	101	65	6	19	20	19	66
Profit/(loss) after tax	Rs. mn	72	(155)	(48)	1	75	67	42	2	19	16	16	48
Earnings per share of Rs.10	Rs.	3.19	(8.47)	(2.66)	0.25	27.91	24.84	15.58	0.64	7.11	5.8	5.9	17.8
Price earning ratio		16.61	(16.41)	(84.21)	1,100	12.5	16.1	10.5	157.0	15.5	25.1	16.9	10.1
Measure of financial status													
Current assets to current liabilities		2.47	1.02	0.78	1.1	1.6	1.6	1.3	1	3.5	1.3	0.6	2.3
Number of days stock		8.79	15.66	11.42	4	6	9	7	1	16	3	2	5
Number of days trade debts		0.89	1.43	2.42	3	4	3	0	3	2	1	1	1
Measure of performance													
Profit/(loss) after tax as % Average shareholders' equity		28	(75)	(23)	0.4	30	41	32	1	15	13	13	45
Cost of sales as % of sales		80	97	93	86	78	75	77	87	81	78	76	65
Profit/(loss) before tax as % of sales		6	(16)	(5)	1	12	13	10	1	8	9	7	23
Profit/(loss) after tax as % of sales		6	(14)	(3)	0.1	9	9	7	0	7	7	6	16
Total debts ratio %		25	45	103	80	34	22	50	96	15	12	13	0

Statement of Compliance with the Code of Corporate Governance

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one **independent** non-executive director, three non-executive directors, two executive directors and one director representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. All casual vacancies occurring in the Board were filled-up by the directors within 30 days thereof.

5. The Company has prepared a 'Statement of General Business Principles', which has been approved by all the directors and signed by employees of the Company.

6. The Board has adopted a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The related party transactions carried out during the year ended June 30, 2009 on terms equivalent to those prevail in an arm's length transaction, were without specifying the pricing method, placed before the Audit Committee and approved by the Board of Directors in their respective meeting held on August 17, 2009.

9. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The current Board of Directors re-took their office in August 2009. A comprehensive course was held for all the Directors to apprise them of their duties and responsibilities, all directors appointed during the period were given extensive training packs to educate them on their duties.

11. There was no new appointment of CFO during the year. The internal audit function remained outsourced to Shell Pakistan Limited.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. At present it comprises three members, all of whom are non-executive directors including the chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has outsourced the internal audit function to Shell Pakistan Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: September 14, 2009

Ms. Fawzia Kazmi
Chief Executive

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shell Gas LPG (Pakistan) Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's coroporate governance procedures and risks.

Further, Sub - Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required to check the approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee which was done in their respective meetings held on August 17, 2009. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's lenth price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi: September 14, 2009

A.F. Ferguson & Co.
Chartered Accountants

Financial Statements

For the year ended June 30, 2009

Shell Gas LPG (Pakistan) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Shell Gas LPG (Pakistan) Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A.F. Ferguson & Co.
Chartered Accountants

Karachi: September 14, 2009

Name of the audit engagement partner: Imtiaz A. H. Laliwala

Balance Sheet

As at June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	**456,620**	513,452
Intangible assets	4	**29,094**	33,827
Long-term investment	5	**2**	2
Long-term loans	6	**6,874**	5,230
Long-term deposits	7	**50,909**	73,977
Deferred taxation	8	**71,635**	68,051
		615,134	694,539
Current Assets			
Stores and spares	9	**4,176**	3,742
Stock-in-trade	10	**25,763**	22,094
Trade debts	11	**2,696**	4,320
Loans, advances, deposits, prepayments and other receivables	12	**31,311**	75,830
Taxation recoverable		**9,485**	8,570
Cash and bank balances	13	**193,499**	52,621
		266,930	167,177
Total Assets		**882,064**	861,716
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**226,400**	226,400
General reserve		**90,000**	90,000
Accumulated loss		**(17,965)**	(90,124)
		298,435	226,276
Non-Current Liabilities			
Long-term finance	15	**75,000**	75,000
Cylinder and regulator deposits	16	**400,470**	396,302
		475,470	471,302
Current Liabilities			
Short-term running finances	17	**-**	25,892
Trade and other payables	18	**108,159**	138,246
		108,159	164,138
		583,629	635,440
Commitments	19		
Total Equity and Liabilities		**882,064**	861,716

The annexed notes 1 to 38 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive

Profit and Loss Account

For the year ended June 30, 2009

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
Gross sales		**1,438,242**	1,295,154
Sales tax		**(198,642)**	(169,215)
Net sales		**1,239,600**	1,125,939
Cost of product sold	20	**(992,825)**	(1,087,174)
Gross profit		**246,775**	38,765
Distribution and marketing expenses	21	**(93,457)**	(123,925)
Administrative expenses	22	**(89,688)**	(77,224)
Other operating income	23	**29,287**	4,566
Other operating expenses	24	**(11,658)**	(5,177)
Operating profit / (loss)		**81,259**	(162,995)
Finance costs	25	**(12,684)**	(19,735)
Profit / (loss) before taxation		**68,575**	(182,730)
Taxation	26	**3,584**	27,309
Profit / (loss) for the year		**72,159**	(155,421)
Earnings / (loss) per share - basic and diluted	27	**3.19**	(8.47)

The annexed notes 1 to 38 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive

Cash Flow Statement

For the year ended June 30, 2009

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**169,581**	1,971
Finance costs paid		**(15,213)**	(17,627)
Taxes paid		**(915)**	(5,681)
Long-term loans - net		**(1,644)**	1,078
Long-term deposits - net		**23,068**	(16,940)
Cylinder and regulator deposits - net		**4,168**	2,934
Net cash inflow/(outflow) from operating activities		**179,045**	(34,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment - net		**(22,713)**	(26,164)
Proceeds from disposal of property, plant and equipment		**4,670**	5,989
Interest received		**5,768**	18
Net cash outflow from investing activities		**(12,275)**	(20,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of right shares		**-**	194,057
Net increase in cash and cash equivalents		**166,770**	139,635
Cash and cash equivalents at beginning of the year		**26,729**	(112,906)
Cash and cash equivalents at end of the year	33	**193,499**	26,729

The annexed notes 1 to 38 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive

Statement of Changes in Equity
For the year ended June 30, 2009

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit/ (Accumulated loss)	Total
	(Rupees in '000)			
Balance as at June 30, 2007	**32,343**	**90,000**	**65,297**	**187,640**
Issue of right shares at par	194,057	-	-	194,057
Loss for the year	-	-	(155,421)	(155,421)
Balance as at June 30, 2008	**226,400**	**90,000**	**(90,124)**	**226,276**
Profit for the year	-	-	72,159	72,159
Balance as at June 30, 2009	**226,400**	**90,000**	**(17,965)**	**298,435**

The annexed notes 1 to 38 form an integral part of these financial statements.

Zaiviji Ismail bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive

Notes to the Financial Statements
For the year ended June 30, 2009

1. LEGAL STATUS AND OPERATIONS

The Company is a limited liability company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The registered office located at Suite # 606-608, Sixth Floor, The Forum, Block 9, Clifton, Karachi, has been shifted, subsequent to year end, to adjacent to Pakistan Refinery Limited, Korangi Creek, Karachi.

The principal activity of the Company is storing and marketing Liquefied Petroleum Gas (LPG) throughout Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention, except for certain available for sale investments which have been recognised at fair value and recognition of certain staff retirement benefits at present value.

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

2.1.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the above basis requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

- Residual values and useful lives of property, plant and equipment (note 2.2)
- Useful lives of intangible assets (note 2.3)
- Provision for impairment of non-financial assets (note 2.4)
- Provision for impairment of trade debts and other receivables (note 2.8)
- Provision for staff retirement benefits (note 2.11)
- Taxation (note 2.15)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1.4 Standards and interpretations effective in 2008-09 and relevant

- IFRS 7 'Financial Instruments: Disclosures'. The SECP vide S.R.O 411 (I) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have a material impact on the Company's financial statements.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have a material impact on the Company's financial statements.

2.1.5 Standards, amendments to published standards and interpretations effective in 2008-09 but not relevant.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2008 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.1.6 Standards and amendments to published standards that are not yet effective but relevant

- IAS 1 (Revised), 'Presentation of financial statements' (effective for accounting period beginning on or after January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of IAS 1 (Revised) will only impact the presentation of financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for accounting period beginning on or after January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS 39 (Amendment) from July 1, 2009. This amendment is not expected to have a significant effect on the Company's financial statements.

- IAS 19 (Amendment), 'Employee benefits' (effective for accounting period beginning on or after January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

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

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

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

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

  The Company will apply IAS 19 (Amendment) from July 1, 2009. The amendment has no material impact on the Company's financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective for accounting period beginning on or after January 1, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's accounting policy is in compliance with IAS 23(Amendment) and therefore, there will be no effect on the financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective for accounting period beginning on or after January 1, 2009). The amendment is the part of the IASB's annual improvements project published in May 2008. Through this amendment, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing cost on qualifying assets from July 1, 2009.

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from July 1, 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective for accounting period beginning on or after January1,2009). The amendment is part of the IASB's annual improvements project published in May 2008.The amendment requires that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight-line method. This amendment will not have any impact on the Company's financial statements, as all intangible assets are amortised using the straight-line method.

- IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service condition and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not expected to have a significant effect on the Company's financial statements.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and have therefore not been analysed in detail.

Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after July 1, 2009 which are not considered relevant nor have any significant effect on the Company's operations and financial statements are not detailed in these financial statements.

2.2 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except freehold land and capital work-in-progress which are stated at cost.

Capital work-in-progress consists of expenditure incurred in respect of tangible assets in the course of their construction and installation, including financial charges on borrowings for financing the project until such project are completed or become operational. Transfers are made to relevant assets category as and when assets are available for use.

Depreciation is charged to the profit and loss account using straight-line method whereby the cost of the asset is written off over its estimated useful life at the rates given in note 3.1. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Maintenance and normal repairs are charged to profit and loss account. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.3 **Intangible assets**

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

Costs that are directly associated with identifiable computer software and have probable economic benefits exceeding one year, are recognised as intangible asset. Costs include the purchase cost of software, implementation cost and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses thereon.

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

Intangible asset is amortised from the month when such asset is available for use on straight-line method whereby the cost of an intangible asset is written off over its estimated useful life, at the rates given in note 4.

2.4 **Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Impairment losses are charged to profit and loss account.

2.5 **Financial instruments**

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

(a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. There are no financial assets held for trading at the balance sheet date.

Notes to the Financial Statements
For the year ended June 30, 2009

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, deposits, other receivables and cash and bank balances in the balance sheet.

(c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

(d) **Held to maturity**

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

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

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unquoted shares of wholly owned subsidiary), the Company measures the investments at cost less impairment in value, if any. Changes in the fair value of securities classified as available-for-sale are recognised in equity.

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.8.

Financial liabilities

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

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

Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6 **Stores and spares**

Stores and spares to be consumed in the ordinary course of business are valued at lower of weighted average cost and net realisable value, except for those in transit which are stated at cost. Cost comprises of invoice value plus other direct costs but excludes borrowing costs. Provision is made for slow moving and obsolete items wherever necessary and is recognised in the profit and loss account.

2.7 **Stock-in-trade**

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method for Liquefied Petroleum Gas and weighted average method for low pressure regulators. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

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

2.8 **Trade debts and other receivables**

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any. Provision for impairment is based on a review of outstanding amounts at the balance sheet date. Trade debts and other receivables are written off when considered irrecoverable.

2.9 **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, cash with banks on current, collection, deposit and saving accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities on the balance sheet.

2.10 **Share capital**

Ordinary shares are classified as equity and are recorded at their face value.

2.11 **Retirement and other service benefits**

2.11.1 **Defined benefit plans**

The Company operates:

- an approved defined benefit gratuity scheme for all permanent employees. The scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service.Gratuity is based on employee's last drawn salary; and
- an approved defined benefit pension scheme for management staff. The scheme provides pension based on the employees' last drawn salary subject to the completion of minimum qualifying period of service. Pensions are payable for life and thereafter to surviving spouses and/or dependent children.

Both the above schemes are funded and contributions to them are made monthly on the basis of actuarial valuation and in line with the provisions of the Income Tax Ordinance, 2001. Actuarial valuations of these schemes are carried out at appropriate regular intervals.

Notes to the Financial Statements
For the year ended June 30, 2009

The latest valuations of the above schemes were carried out as at June 30, 2009, using the "Projected Unit Credit Method".

Actuarial gains or losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceeds 10% of the higher of (a) the defined benefit obligation and (b) the fair value of plan assets. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Amounts recognised in the balance sheet represent the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, if any, and as reduced by the fair value of plan assets.

2.11.2 **Defined contribution plan**

The Company operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Company and the employees at the rate of 7.5% per annum and 10% per annum of the basic salary for management and non-management employees respectively.

2.11.3 **Compensated absences**

The Company provides a facility to its management and non-management employees for accumulating their annual earned leave. Under the scheme, employees are entitled to annual leaves based on years of their services. Unutilised leave, to the maximum of ten days can be accumulated up to March 31st of the following year.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2009 using the "Projected Unit Credit Method". The amount recognised in the balance sheet represents the present value of defined benefit obligations.

2.11.4 **Employee share-based payments**

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

2.12 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of borrowings using the effective interest method.

Borrowings are classified as current liabilities when the Company has an unconditional right to defer the settlement of the liability for atleast twelve months after the balance sheet date.

2.13 **Trade and other payables**

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

2.14 **Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.15 **Taxation**

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is recognised using the liability method on all major temporary differences arising between the carrying amounts for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is charged or credited to profit and loss account.

2.16 **Foreign currencies**

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Exchange differences are included in profit and loss account.

2.17 **Revenue recognition**

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

- Sales are recorded at the time of delivery to the distributors and direct customers.
- Return on deposits is recognised on accrual basis.
- Storage and handling charges recovered are accounted for on accrual basis after netting off the relevant costs.

2.18 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

2.19 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	(Rupees in '000)	
Operating assets (note 3.1)	**415,574**	404,354
Capital work-in-progress (note 3.2)	**41,046**	109,098
	456,620	513,452

Notes to the Financial Statements
For the year ended June 30, 2009

3.1 **Operating assets**

	Freehold land	Building: On freehold land	Building: On leasehold land	Building: On land under license	Plant and machinery	Tanks, pipelines and fittings	Fire fighting equipment	Cylinder and regulators	Vehicles	Furniture, fittings, electrical and other equipment	Office machines	Personal computers	Total
	(Rupees in '000)												
As at July 1, 2007													
Cost	5,618	3,146	29,218	6,616	43,607	47,974	8,833	667,415	64,456	42,073	3,198	14,741	936,895
Accumulated depreciation	-	(1,783)	(13,413)	(6,380)	(21,618)	(34,547)	(7,645)	(300,065)	(42,457)	(31,806)	(2,090)	(12,831)	(474,635)
Net book value	5,618	1,363	15,805	236	21,989	13,427	1,188	367,350	21,999	10,267	1,108	1,910	462,260
Year ended June 30, 2008													
Opening net book value	5,618	1,363	15,805	236	21,989	13,427	1,188	367,350	21,999	10,267	1,108	1,910	462,260
Additions including transfers (note 3.2)	-	-	4,145	-	4,273	1,983	121	7,775	1,728	975	352	498	21,850
Disposals													
Cost	-	-	-	-	(56)	-	-	(7,295)	-	(521)	-	-	(7,872)
Depreciation	-	-	-	-	19	-	-	5,202	-	521	-	-	5,742
	-	-	-	-	(37)	-	-	(2,093)	-	-	-	-	(2,130)
Depreciation charge (note 3.1.1)	-	(157)	(1,349)	(86)	(1,520)	(3,362)	(535)	(56,531)	(10,766)	(2,017)	(278)	(1,025)	(77,626)
Closing net book value	5,618	1,206	18,601	150	24,705	12,048	774	316,501	12,961	9,225	1,182	1,383	404,354
As at July 1, 2008													
Cost	5,618	3,146	33,363	6,616	47,824	49,957	8,954	667,895	66,184	42,527	3,550	15,239	950,873
Accumulated depreciation	-	(1,940)	(14,762)	(6,466)	(23,119)	(37,909)	(8,180)	(351,394)	(53,223)	(33,302)	(2,368)	(13,856)	(546,519)
Net book value	5,618	1,206	18,601	150	24,705	12,048	774	316,501	12,961	9,225	1,182	1,383	404,354
Year ended June 30, 2009													
Opening net book value	5,618	1,206	18,601	150	24,705	12,048	774	316,501	12,961	9,225	1,182	1,383	404,354
Additions including transfers (note 3.2)	-	1,661	59,753	-	1,085	30	-	23,856	-	2,587	329	1,464	90,765
Disposals													
Cost	-	-	(28)	-	(403)	-	-	(1,584)	(1,715)	-	-	(829)	(4,559)
Depreciation	-	-	16	-	238	-	-	1,465	1,641	-	-	829	4,189
	-	-	(12)	-	(165)	-	-	(119)	(74)	-	-	-	(370)
Write-offs													
Cost	-	-	(1,981)	-	-	-	-	-	-	(1,361)	-	-	(3,342)
Depreciation	-	-	589	-	-	-	-	-	-	753	-	-	1,342
	-	-	(1,392)	-	-	-	-	-	-	(608)	-	-	(2,000)
Depreciation charge (note 3.1.1)	-	(198)	(2,909)	(79)	(1,669)	(2,544)	(266)	(56,032)	(9,731)	(2,240)	(291)	(1,216)	(77,175)
Closing net book value	5,618	2,669	74,041	71	23,956	9,534	508	284,206	3,156	8,964	1,220	1,631	415,574
As at June 30, 2009													
Cost	5,618	4,807	91,107	6,616	48,506	49,987	8,954	690,167	64,469	43,753	3,879	15,874	1,033,737
Accumulated depreciation	-	(2,138)	(17,066)	(6,545)	(24,550)	(40,453)	(8,446)	(405,961)	(61,313)	(34,789)	(2,659)	(14,243)	(618,163)
Net book value	5,618	2,669	74,041	71	23,956	9,534	508	284,206	3,156	8,964	1,220	1,631	415,574
Annual rate of depreciation (%)	-	5	5	5	5	10	15	10	20 - 25	10-15	15	33.33	

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

	2009	2008
	(Rupees in '000)	
Cost of product sold (note 20)	**30,852**	32,185
Distribution and marketing expenses (note 21)	**38,177**	36,910
Administrative expenses (note 22)	**8,146**	8,531
	77,175	77,626

3.1.2 The details of the operating assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	(Rupees in '000)					
Plant and machinery	264	99	165	367	Negotiation	Middle East Automation and Control Services, 38-D/1, New Muslim Town, Lahore.
Cylinder and regulators	330	211	119	1,200	Bid	M/s Muhammad Siddiq Awan N/P 12/47, Muhammad Shah Street, Jodia Bazar, Karachi.
Vehicles	632	558	74	753	Bid	Mr. Navaid Iftikhar House No. 3-A 1/1 Nazimabad No.1 Dakhana, Karachi.
Aggregate amount of assets disposed off, having net book value less than Rs. 50 thousand each	3,333	3,321	12	2,350		
	4,559	4,189	370	4,670		
2008	7,872	5,742	2,130	5,989		

Notes to the Financial Statements
For the year ended June 30, 2009

3.2 **CAPITAL WORK-IN-PROGRESS**

	Balance at beginning of the year	Additions	Transfers	Balance at end of the year
	(Rupees in '000)			
Year ended June 30, 2008				
Buildings on leasehold land	62,058	3,737	(4,145)	61,650
Plant and machinery	11,588	4,046	(4,273)	11,361
Tanks, pipelines and fittings	7,780	2,293	(1,983)	8,090
Cylinder and regulators	1,714	10,412	(7,775)	4,351
Vehicles	350	1,378	(1,728)	-
Furniture, fittings, electrical and fire fighting equipment	18,324	3,509	(1,096)	20,737
Office machines	1,822	647	(352)	2,117
Personal computers	1,148	142	(498)	792
	104,784	26,164	(21,850)	109,098
Year ended June 30, 2009				
Buildings on leasehold land	**61,650**	**869**	**(61,414)**	**1,105**
Plant and machinery	**11,361**	**892**	**(1,085)**	**11,168**
Tanks, pipelines and fittings	**8,090**	**(898)**	**(30)**	**7,162**
Cylinder and regulators	**4,351**	**19,824**	**(23,856)**	**319**
Furniture, fittings, electrical and fire fighting equipment	**20,737**	**1,316**	**(2,587)**	**19,466**
Office machines	**2,117**	**22**	**(329)**	**1,810**
Personal computers	**792**	**688**	**(1,464)**	**16**
	109,098	**22,713**	**(90,765)**	**41,046**