Statement of General Business Principles

Introduction

The objectives of Shell Gas UPG (Pakistan) Limited are to engage efficiently, responsibly and profitably in the UPG 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 UPG (Pakistan) Limited values the integrity, honesty and integrity of its employees and the company. We believe that the company’s performance is the result of the company’s commitment to excellence and to the company’s stakeholders.

Sustainable Development

As part of the Business Principles, the company has committed to sustainable development. This requires achieving short-term and long-term objectives, integrating environmental and social considerations into business decision-making.

Responsibilities

Shell Gas UPG (Pakistan) Limited recognizes the areas of responsibility:

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

b. To customers
   - To win and maintain customers by developing and providing services which offer value in terms of price, quality, safety and environmental impact, which are supported by the technical, financial and commercial expertise.

Principle 4: Political Activities

a. Of the company
   - Shell Gas UPG (Pakistan) Limited is committed to complying with all laws and regulations applicable to its operations and activities.

Principle 5: Health, Safety, Security and the Environment

Shell Gas UPG (Pakistan) Limited has a systematic approach to health, safety, security and environmental management in order to achieve continuous improvement in performance.

Principle 6: Local Communities

Shell Gas UPG (Pakistan) Limited recognizes the social impact of its business activities and works with local communities to ensure that they are supported.

Principle 7: Communication and Engagement

Shell Gas UPG (Pakistan) Limited recognizes that regular dialogue and engagement with stakeholders is essential. The company is committed to ensuring that the safety and environment are always its priority.

Principle 8: Compliance

Shell Gas UPG (Pakistan) Limited complies with all applicable laws and regulations of the country in which it operates.

Living by the Principles

The shared values of honesty, integrity and respect for people, underpin all the work the company does. The company values the health and safety of its employees and the environment.

The Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in Shell Gas UPG (Pakistan) Limited in the pursuit of all its business objectives.

Shell Gas UPG (Pakistan) Limited encourages its employees to demonstrate leadership, accountability and team work, and through these activities, contribute to the overall success of the company.

It is the responsibility of management to lead by example, to ensure that employees are aware of these principles, and to ensure in accordance with the principles of the company.

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

As part of the assurance system, it is the responsibility of management to provide employees with regular opportunities to discuss the company’s principles and practices.

The Business Principles are intended to ensure that employees act in accordance with the principles and that they act in accordance with the principles of the company.

The Business Principles have been central to Shell Gas UPG (Pakistan) Limited’s success and have been central to the company’s continued success.

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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

Qas 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.
Company Information

Board of Directors

Chairman
Mr. Zainij Ismail bin Abdullah
Ms. Khurshid Bhaima
Mr. Adam Harrison
Ms. Fawzia Kazmi
Mr. Iqrazeb Malhda
Ms. Sok Mei Wong
Mr. Sameer Amin

Audit Committee

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

Management Team

General Manager & Chief Executive
Director Finance & Chief Financial Officer
Operations Manager
HSSE Manager
Human Resource Manager

Company Secretary
Mr. Oan Hussain Al

Registered Office
Shell Gas LPG (Pakistan) Limited
Adjacent to Pakistin Refinery Limited,
Korang Creek, Karachi-75170

Auditors
A.F. Ferguson & Co

Legal Advisors
Surrgidees & 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: 021-5655995
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, the 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 in any 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 HSSE 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.

Zaevij Ismail bin Abdullah
Chairman

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 operating loss of Rs. 155 million.
- Profit after taxation of Rs. 72 million as compare 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 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 commitment to safety in general. The main focus of the day was “Deciding 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 1% 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 ex-plant 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**

<table>
<thead>
<tr>
<th>Financial Summary</th>
<th>Rs. in ‘000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation (as per audited financial statements)</td>
<td>68,575</td>
</tr>
<tr>
<td>Taxation for the year</td>
<td>3,584</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>72,159</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Rupees in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Fund (Year ended June 30, 2008)</td>
</tr>
<tr>
<td>Gratuity Fund (Year ended June 30, 2008)</td>
</tr>
<tr>
<td>Provident Fund (Year ended June 30, 2008)</td>
</tr>
</tbody>
</table>

**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. Zaheer Iqbal bin Abdullah, Ms. Fawzia Kazi, Mr. Khushid Bhoimy, Mr. Adam Harrison, Mr. Sohail Mehmood, Mr. Rashid Anwar and Mr. Sohail Mehtab. 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 at 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

Fawzia Kazi
Chief Executive

Karachi: August 17, 2009
## Highlights

<table>
<thead>
<tr>
<th></th>
<th>Year ended June 30, 2009</th>
<th>Year ended June 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume</td>
<td>Tonnes</td>
<td>23,859</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>₹ mm</td>
<td>1,239</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>₹ mm</td>
<td>68</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>₹ mm</td>
<td>72</td>
</tr>
<tr>
<td>New Capital expenditure</td>
<td>₹ mm</td>
<td>23</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>₹ mm</td>
<td>298</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>₹</td>
<td>3.19</td>
</tr>
</tbody>
</table>

## Financial Statistical Summary

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>226</td>
<td>226</td>
<td>32</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Reserves</td>
<td>72</td>
<td>155</td>
<td>209</td>
<td>221</td>
<td>162</td>
<td>111</td>
<td>96</td>
<td>103</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>298</td>
<td>226</td>
<td>188</td>
<td>236</td>
<td>248</td>
<td>189</td>
<td>138</td>
<td>123</td>
<td>130</td>
<td>119</td>
<td>119</td>
<td>119</td>
</tr>
<tr>
<td>Break up value</td>
<td>13</td>
<td>10</td>
<td>58</td>
<td>87</td>
<td>92</td>
<td>70</td>
<td>51</td>
<td>46</td>
<td>48</td>
<td>44</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Profit/(Loss) before tax</td>
<td>69</td>
<td>(183)</td>
<td>(81)</td>
<td>107</td>
<td>101</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Profit/(Loss) after tax</td>
<td>72</td>
<td>(155)</td>
<td>(48)</td>
<td>175</td>
<td>67</td>
<td>42</td>
<td>2</td>
<td>19</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Earnings per share of Rs. 10</td>
<td>3.19</td>
<td>(8.47)</td>
<td>(2.66)</td>
<td>0.25</td>
<td>27.91</td>
<td>24.84</td>
<td>15.58</td>
<td>0.64</td>
<td>7.11</td>
<td>5.8</td>
<td>5.9</td>
<td>17.8</td>
</tr>
<tr>
<td>Price earning ratio</td>
<td>16.61</td>
<td>(14.41)</td>
<td>(84.21)</td>
<td>(100)</td>
<td>12.5</td>
<td>16.1</td>
<td>10.5</td>
<td>15.7</td>
<td>15.5</td>
<td>25.1</td>
<td>15.9</td>
<td>10.1</td>
</tr>
</tbody>
</table>

## 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 DF or an NBF, 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.

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

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

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

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

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 executive directors 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.

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 their 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.

Ms. Fawzia Kazmi
Chief Executive

Karachi: September 14, 2009
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 corporate governance procedures and risks.

Further, Sub - Regulation (xiii) of Listing Regulations 27, 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, providing 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 length 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 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 or 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;

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

Karachi: September 14, 2009

A.F. Ferguson & Co.
Chartered Accountants

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

Balance Sheet
As at June 30, 2009

<table>
<thead>
<tr>
<th>Note</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[Rupees in '00]</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>456,620</td>
<td>513,452</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>29,094</td>
<td>33,827</td>
</tr>
<tr>
<td>Long-term investment</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>6,874</td>
<td>5,230</td>
</tr>
<tr>
<td>Long-term deposits</td>
<td>50,909</td>
<td>73,977</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>71,635</td>
<td>68,051</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store and spares</td>
<td>4,176</td>
<td>3,742</td>
</tr>
<tr>
<td>Stock-in-trade</td>
<td>25,763</td>
<td>22,094</td>
</tr>
<tr>
<td>Trade debt</td>
<td>2,696</td>
<td>4,320</td>
</tr>
<tr>
<td>Loans, advances, deposits, prepayments and other receivables</td>
<td>31,311</td>
<td>75,830</td>
</tr>
<tr>
<td><strong>Taxation recoverable</strong></td>
<td>9,485</td>
<td>8,570</td>
</tr>
<tr>
<td><strong>Cash and bank balance</strong></td>
<td>193,499</td>
<td>52,631</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>266,930</td>
<td>167,172</td>
</tr>
</tbody>
</table>

| **EQUITY AND LIABILITIES** |          |           |
| Equity |          |           |
| Share capital | 226,400 | 226,400 |
| General reserve | 90,000 | 90,000 |
| Accumulated loss | (17,965) | (90,124) |
| **Total Equity** | 298,435 | 226,276 |

| **Non-Current Liabilities** |          |           |
| Long-term finance | 75,000 | 75,000 |
| Cylinder and regulator deposits | 400,470 | 396,302 |
| **Current Liabilities** | 475,470 | 471,302 |
| Short-term running finances | 108,159 | 25,892 |
| Trade and other payables | 108,159 | 138,246 |
| **Total Liabilities** | 583,629 | 635,440 |

| **Commitments** |          |           |
| Total equity and liabilities | 882,064 | 861,716 |

The annexed notes 1 to 18 form an integral part of these financial statements.

Zaïvi Ihsamil bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive
Profit and Loss Account  
For the year ended June 30, 2009

<table>
<thead>
<tr>
<th>Note</th>
<th>2009 (Rupees in '000)</th>
<th>2008 (Rupees in '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>1,438,242</td>
<td>1,291,154</td>
</tr>
<tr>
<td>Sales tax</td>
<td>(198,642)</td>
<td>(169,215)</td>
</tr>
<tr>
<td>Net sales</td>
<td>1,239,600</td>
<td>1,121,939</td>
</tr>
<tr>
<td>Cost of product sold</td>
<td>20 (992,835)</td>
<td>(1,081,174)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>246,765</td>
<td>31,785</td>
</tr>
<tr>
<td>Distribution and marketing expenses</td>
<td>21 (93,457)</td>
<td>(129,925)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>22 (89,688)</td>
<td>(77,224)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>23 29,287</td>
<td>4,566</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>24 (11,638)</td>
<td>(6,177)</td>
</tr>
<tr>
<td>Operating profit / (loss)</td>
<td>81,259</td>
<td>(161,995)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>25 (12,684)</td>
<td>(17,735)</td>
</tr>
<tr>
<td>Profit / (loss) before taxation</td>
<td>68,575</td>
<td>(181,730)</td>
</tr>
<tr>
<td>Taxation</td>
<td>26 3,584</td>
<td>27,309</td>
</tr>
<tr>
<td>Profit / (loss) for the year</td>
<td>72,159</td>
<td>(154,421)</td>
</tr>
<tr>
<td>Earnings / (loss) per share - basic and diluted</td>
<td>27 3.19</td>
<td>(8.47)</td>
</tr>
</tbody>
</table>

Cash Flow Statement  
For the year ended June 30, 2009

<table>
<thead>
<tr>
<th>Note</th>
<th>2009 (Rupees in '000)</th>
<th>2008 (Rupees in '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>32 169,581</td>
<td>1,971</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(15,213)</td>
<td>(17,627)</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>(915)</td>
<td>(5,681)</td>
</tr>
<tr>
<td>Long-term loans - net</td>
<td>(1,644)</td>
<td>1,078</td>
</tr>
<tr>
<td>Long-term deposits - net</td>
<td>32,068</td>
<td>(16,940)</td>
</tr>
<tr>
<td>Cylinder and regulator deposits - net</td>
<td>4,168</td>
<td>2,934</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from operating activities</td>
<td>179,045</td>
<td>(34,265)</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment - net</td>
<td>(22,713)</td>
<td>(26,164)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>4,670</td>
<td>5,989</td>
</tr>
<tr>
<td>Interest received</td>
<td>5,768</td>
<td>18</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>(12,375)</td>
<td>(20,157)</td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from the issue of right shares</td>
<td>-</td>
<td>194,057</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>166,770</td>
<td>139,635</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>26,729</td>
<td>(112,906)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>193,499</td>
<td>26,729</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 38 form an integral part of these financial statements.
## Statement of Changes in Equity

For the year ended June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Issued, subscribed and paid-up capital</th>
<th>General reserve</th>
<th>Unappropriated profit/ (Accumulated loss)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at June 30, 2007</td>
<td>32,343</td>
<td>90,000</td>
<td>65,297</td>
<td>187,640</td>
</tr>
<tr>
<td>Issue of right shares at par</td>
<td>194,057</td>
<td>-</td>
<td>-</td>
<td>194,057</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>(155,421)</td>
<td>(155,421)</td>
</tr>
<tr>
<td>Balance as at June 30, 2008</td>
<td>226,400</td>
<td>90,000</td>
<td>(90,124)</td>
<td>226,276</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>72,159</td>
<td>72,159</td>
</tr>
<tr>
<td>Balance as at June 30, 2009</td>
<td>226,400</td>
<td>90,000</td>
<td>(17,965)</td>
<td>208,435</td>
</tr>
</tbody>
</table>

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

## 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 Forour, 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 assets available for sale 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 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 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 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 dted April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7’s mandatory for Company’s accounting period beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 32 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

Zaivi bin Abdullah
Chairman

Fawzia Kazmi
Chief Executive
Notes to the Financial Statements
For the year ended June 30, 2009

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. The amendment clarifies that where a statement of comprehensive income contains a performance statement (the statement of changes in equity) or two statements (the income statement and statement of comprehensive income) where all where all non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present all non-owner changes in equity in a performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The amendment will replace the current requirements with a new requirement to present a restated balance sheet 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 are financial instruments. Recognized transaction measurement is applicable to financial instruments. The amendment will apply the IAS 39 (Amendment) from January 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 post service cost if it results in a reduction in the present value of the defined benefit obligation.

- **IAS 37, Provisions, contingent liabilities and contingent assets** (requirements on the Company’s financial statements). The Company will apply IAS 19 (Amendment) from January 1, 2009. The amendment has no material impact on the Company’s financial statements.
Notes to the Financial Statements
For the year ended June 30, 2009

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 completed at an estimated cost of the asset.

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 software acquired separately and 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.

Expansions which enhance or extend 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 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 asset’s fair value less costs to sell and value in use. Impairment losses are charged to profit and loss account.

2.5 Financial instruments

2.5.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss and 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 or 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.

(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 neither 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 investment 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 recognised in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets terminate, or when the Company transfers 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 recognised in 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.

2.6 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are 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.
Notes to the Financial Statements
For the year ended June 30, 2009

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 Liquified Petroleum Gas and weighted average method for low pressure regulators. Items in transit are valued at cost comprising invoice value 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 balances under mark-up arrangements. Running balances 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 employee’s 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 dependant 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 post 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 1.0% 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. Unutilized 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 revaluation was carried out as at 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 unconditional right to pay off the debt at any time within the next 12 months. The carrying amount of the respective liability is reduced by the amount of any issue costs incurred.

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

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 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. 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
41,046 105,098
456,620 512,452

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

3.1 Operating assets

Functional currency
Local currency
Local currency
Local currency
Local currency
Foreign currency
Local currency
Foreign currency
Local currency
Local currency
Local currency
Local currency
Foreign currency
Local currency
Foreign currency
Local currency
Local currency

As at July 1, 2007
Cost
Accrued depreciation
Net book value
Year ended June 30, 2009
Cost
Accrued depreciation
Net book value
Additions including transfers (note 3.2)
Disposals
Depreciation charge
Cumulative tax recapture
As at July 1, 2006
Cost
Accrued depreciation
Net book value
Additions including transfers (note 3.2)
Disposals
Depreciation charge
Cumulative tax recapture
As at July 1, 2006
Cost
Accrued depreciation
Net book value
Additions including transfers (note 3.2)
Disposals
Depreciation charge
Cumulative tax recapture

2009 2008
(Rupees in '000)

Operating assets (note 3.1)
Capitil work-in-progress (note 3.2)

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

3.1 Operating assets

Functional currency
Local currency
Local currency
Local currency
Local currency
Foreign currency
Local currency
Foreign currency
Local currency
Local currency
Local currency
Local currency
Foreign currency
Local currency
Foreign currency
Local currency
Local currency

As at July 1, 2007
Cost
Accrued depreciation
Net book value
Year ended June 30, 2009
Cost
Accrued depreciation
Net book value
Additions including transfers (note 3.2)
Disposals
Depreciation charge
Cumulative tax recapture
As at July 1, 2006
Cost
Accrued depreciation
Net book value
Additions including transfers (note 3.2)
Disposals
Depreciation charge
Cumulative tax recapture
3.1.1 The depreciation charge for the year has been allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in '000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of product sold (note 20)</td>
<td>30,852</td>
<td>32,185</td>
</tr>
<tr>
<td>Distribution and marketing expenses (note 21)</td>
<td>38,177</td>
<td>36,910</td>
</tr>
<tr>
<td>Administrative expenses (note 22)</td>
<td>8,146</td>
<td>8,531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77,175</strong></td>
<td><strong>77,626</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars of purchasers</th>
<th>Cost (Rupees in '000)</th>
<th>Accumulated depreciation</th>
<th>Net book value</th>
<th>Sale proceeds</th>
<th>Mode of disposal</th>
<th>Made of disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and machinery</td>
<td>264</td>
<td>99</td>
<td>165</td>
<td>367</td>
<td>Negotiation</td>
<td>Middle East Automation and Control System, 30 D/1, New Momin Town, Lahore.</td>
</tr>
<tr>
<td>Cylinder and regulators</td>
<td>330</td>
<td>211</td>
<td>119</td>
<td>1,200</td>
<td>1st</td>
<td>Mr. Muhammad Siddiq, Awam N/P 12/47, Muhammad Shah Street, Jodia Bazaar, Karachi.</td>
</tr>
<tr>
<td>Vehicles</td>
<td>632</td>
<td>538</td>
<td>74</td>
<td>753</td>
<td>1st</td>
<td>Mr. Niazuddin Memon, Ns. 3A/1/1, Nazimabad Ns. 1, Dakhana, Karachi.</td>
</tr>
</tbody>
</table>

Aggregate amount of assets disposed off, having net book value less than Rs. 50 thousand each:

<table>
<thead>
<tr>
<th></th>
<th>Cost (Rupees in '000)</th>
<th>Accumulated depreciation</th>
<th>Net book value</th>
<th>Sale proceeds</th>
<th>Mode of disposal</th>
<th>Made of disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,333</td>
<td>3,321</td>
<td>12</td>
<td>2,350</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,597</td>
<td>4,189</td>
<td>370</td>
<td>4,670</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2 CAPITAL WORK-IN-PROGRESS

<table>
<thead>
<tr>
<th></th>
<th>Balance at beginning of the year</th>
<th>Addition:</th>
<th>Transfers</th>
<th>Balance at end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in '000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended June 30, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings on leasehold land</td>
<td>62058</td>
<td>3,737</td>
<td>(4,145)</td>
<td>61,650</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>11,588</td>
<td>4,046</td>
<td>(4,273)</td>
<td>11,361</td>
</tr>
<tr>
<td>Tanks, pipelines and fittings</td>
<td>7,780</td>
<td>2,293</td>
<td>(1,983)</td>
<td>8,090</td>
</tr>
<tr>
<td>Cylinder and regulators</td>
<td>17,142</td>
<td>10,412</td>
<td>(7,775)</td>
<td>4,351</td>
</tr>
<tr>
<td>Vehicles</td>
<td>350</td>
<td>1,378</td>
<td>(1,728)</td>
<td>-</td>
</tr>
<tr>
<td>Furniture, fittings, electrical and fire fighting equipment</td>
<td>18,324</td>
<td>3,509</td>
<td>(1,096)</td>
<td>20,737</td>
</tr>
<tr>
<td>Office machines</td>
<td>1822</td>
<td>667</td>
<td>(352)</td>
<td>2,117</td>
</tr>
<tr>
<td>Personal computers</td>
<td>1,148</td>
<td>142</td>
<td>(498)</td>
<td>792</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104,784</strong></td>
<td><strong>26,164</strong></td>
<td><strong>(21,850)</strong></td>
<td><strong>109,098</strong></td>
</tr>
<tr>
<td>Year ended June 30, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings on leasehold land</td>
<td>61,650</td>
<td>869</td>
<td>(61,414)</td>
<td>1,105</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>11,361</td>
<td>892</td>
<td>(1,085)</td>
<td>11,168</td>
</tr>
<tr>
<td>Tanks, pipelines and fittings</td>
<td>8,090</td>
<td>(898)</td>
<td>(30)</td>
<td>7,162</td>
</tr>
<tr>
<td>Cylinder and regulators</td>
<td>4,351</td>
<td>19,824</td>
<td>(23,856)</td>
<td>319</td>
</tr>
<tr>
<td>Furniture, fittings, electrical and fire fighting equipment</td>
<td>20,737</td>
<td>1,316</td>
<td>(2,587)</td>
<td>19,466</td>
</tr>
<tr>
<td>Office machines</td>
<td>2,117</td>
<td>22</td>
<td>(339)</td>
<td>1,810</td>
</tr>
<tr>
<td>Personal computers</td>
<td>792</td>
<td>688</td>
<td>(1,464)</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>109,098</strong></td>
<td><strong>22,713</strong></td>
<td><strong>(90,765)</strong></td>
<td><strong>41,046</strong></td>
</tr>
</tbody>
</table>