ANNUAL REPORT 2010

Shell GAS

Shell Gas LPG (Pakistan) Limited

TO BE THE

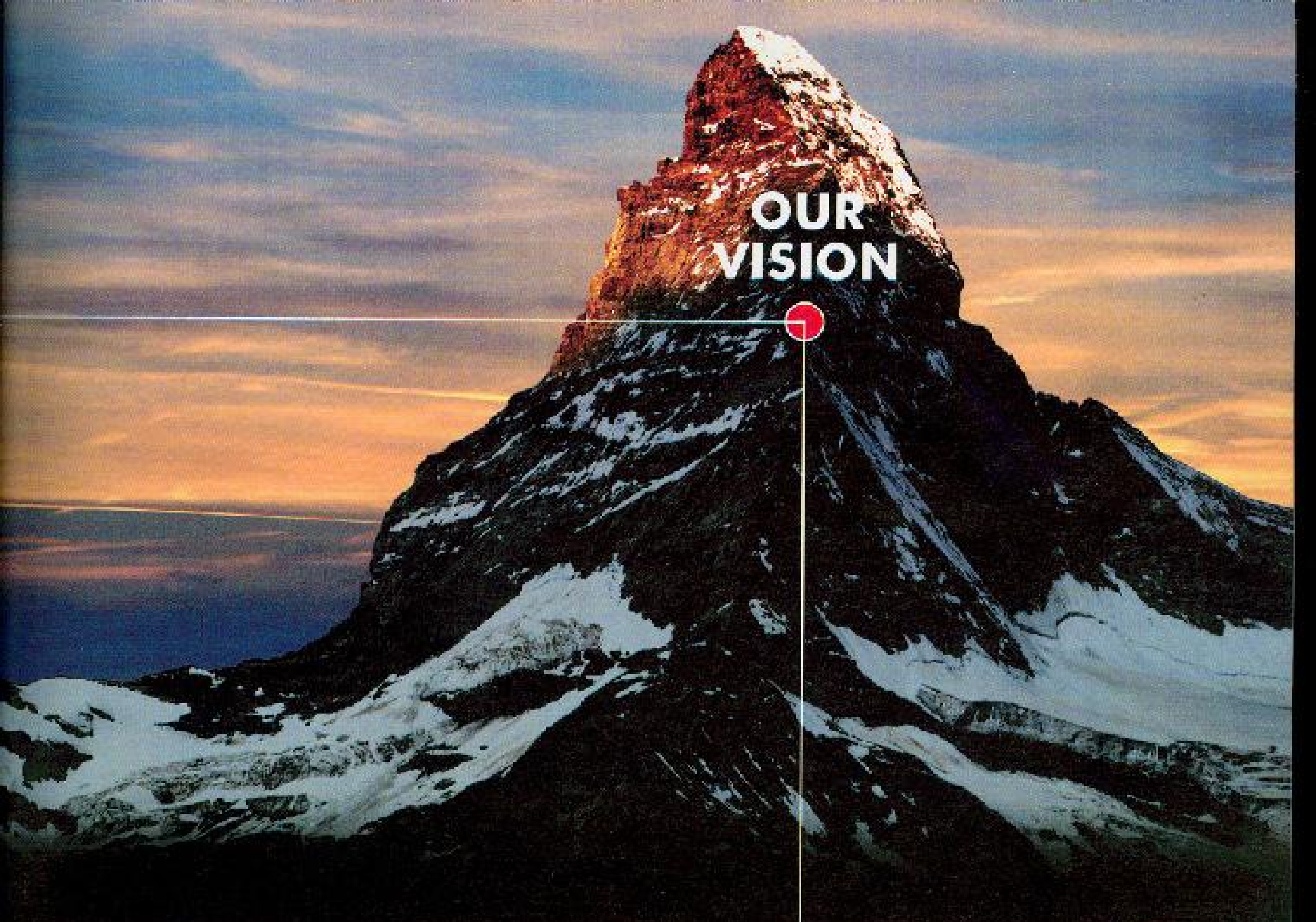
TOP

PERFORMER

OF

FIRST

CHOICE



OUR VISION

At Shell Gas LPG (Pakistan) Limited, we strive to deliver results, perform to the highest standards, develop our people, provide quality customer service and actively pursue consistent safety improvements. A firm foundation based on performance enables us to deliver strong returns and value growth for our shareholders, greater and better choices for our customers and opportunities and improvements in the quality of life of our communities. In an unsettled world, our commitment to performance at every level continues to be both the challenge and the aspiration.

Human Resource

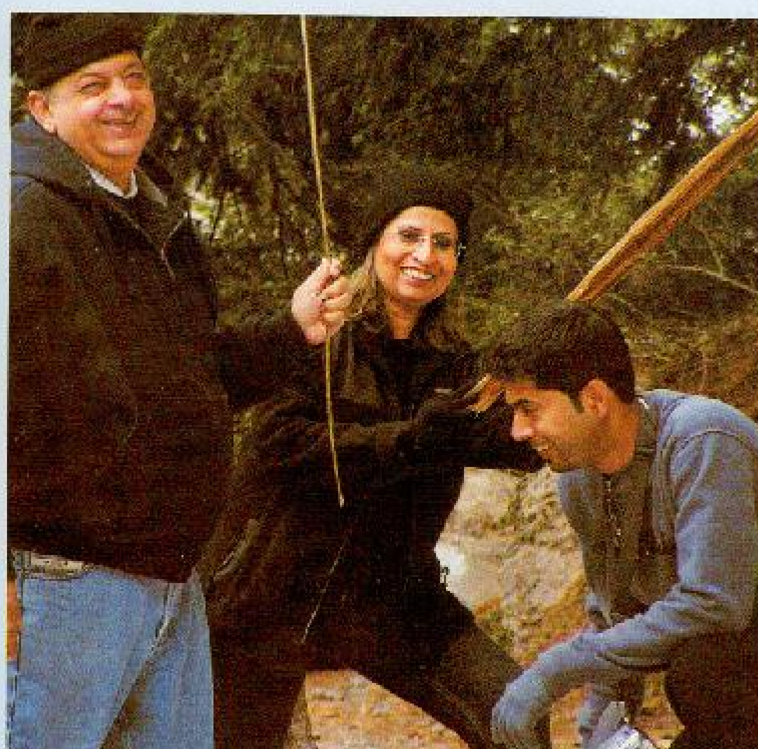
"Change!" is the main theme on the Company's journey forward. In the global business environment and for organizations worldwide; real, constant change has been a fact of life for some time.

HR function with key responsibility for human capital management has an integral part to play from the beginning when major organizational change initiatives are being developed. This is the case at SGPL.

SGPL leadership is aware of the impact of major organizational changes on our staff attitudes. It is only natural that people are uncomfortable with change, a characteristic that can threaten the success of change initiatives.

HR at SGPL is partnering with business in getting employee support for change initiatives by ensuring that communications about change are clear, constant and consistent. We understand that the success of change-management initiatives relies heavily on employees making a smooth transition through the process.

One area where HR's role has been in constant expansion is working in a more strategic capacity with the organizational leadership during the decision-making phase before change-management initiatives have been decided on. So many initiatives involve human capital in some way, HR plays a crucial role in helping organizational leaders determine the effects that change initiatives could have on the workforce.



SGPL continued business success depends upon employees' daily commitment to utilizing their full range of knowledge and skills and for that employee morale is another key aspect.

We at SGPL HR have been able to identify the impact of the current situation on employees' personal responsibilities, as well as the organization's mission and goals.

Besides keeping employees informed, HR has been able to find ways to make employees feel respected, valued and appreciated. This goes a long way in boosting morale.

SGPL's HSSE COMMITMENT

As a responsible Company in the industry, Shell Gas LPG (Pakistan) Limited SGP staunchly believes in the application of this commitment to its staff, customers, contractor & suppliers and the community in which it operates.

SGP is committed to taking Health Safety, Security & Environment measures as a core value for all its stakeholders and a key element of its Business Principles.

With the zero tolerance approach to accidents & fatalities we have made a considerable investment over the years in improving all areas within the supply chain, including Plant Operations, Road Transport Standards, and believe to have the best road transport HSE Standards within the LPG industry in the country. We continue to aim at reducing risks associated with the business to as low as reasonably practicable (ALARP) while remaining commercially viable.

SGP has a safe working environment, which means increased productivity and makes our employees proud of their association to one of the leading companies in the HSSE Management System in Pakistan.

To cultivate & further promote the HSSE culture and awareness amongst its stakeholders, the company celebrates a Safety Day annually. This is done throughout the country. This year also the theme also remained as "Do The Right Thing - Even When No-one is Watching". The main discussion was carried forward by the Line Managers and location heads who met face to face with their teams in small groups to provide sponsorship, coaching, visible leadership & commitment and Engagement with teams; Here they shared stories (Share the one thing they are going to do the right things especially when no one is watching), made personal commitments; reaffirmed empowerment of their teams; identified and consolidated gains.

The overall corporate objective of Shell Gas LPG (Pakistan) Limited is to conduct business in LPG by importation, processing, marketing and distribution while fully complying with applicable legislation. It aims at reducing risks associated with the business to as low as reasonably practicable (ALARP) while remaining commercially viable. A strategy of continuous improvement in HSSE performance of operations is being pursued as follows:

- Operate our business without harm to people or the environments in which we work
- Establish a sustained improvement trend by focusing on pro-active HSSE management and driving towards a pro-active culture whilst employing stronger compliance measures.
- Continue to have an operationally excellent, sustainable pro-active HSSE culture which delivers Excellent HSSE performance, everywhere in the business.

Last but not least at SGP we believe that excellent HSSE performance is:

- **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 and not assuming at all levels of the organization**
- **Move to & sustain a Generic HSSE Culture**
- **Competence Development for all HSSE Critical Staff**
- **Promote best practices in HSSE at the industry level**

OPERATIONS

With the startup of the new Faisalabad Plant, the customer value proposition of SGP to deliver HSSE complaint cylinders with accurate weight and timely delivery became even stronger. This was due to the fact that in the first quarter of this year, Shell Gas Pakistan was granted the permission from Oil and Gas regulatory Authority to operate our New Storage and Filling Plant at Faisalabad.

The General Manager officially inaugurated the plant. Stakeholders through the supply chain were invited to attend the inauguration. The state-of-the-art plant designed in line with the latest international standards and latest equipment, which includes with state-of-the-art filling system and increased electronic filling lines.

This facility is equipped with an in-house cylinder refurbishment unit, which has a capacity of refurbishing approximately 500 cylinders per day, which no doubt will help us enhance the quality of the SGPL cylinders in circulation.

We at Shell Gas continue to follow the zero tolerance approach to accidents and fatalities. We have made a considerable investment over the years in improving infrastructure of our bottling and filling plant as well as road transport standards.

Our operations team continues to strive for superior operational standards, procedures in all areas of Plant Operations and Distribution to safely provide the best value to all stakeholders including the end consumer.

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 Forty Fourth Annual General Meeting of the Company will be held on Wednesday, 27th October, 2010 at 9:30 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 2010.

2. To appoint Auditors for 2010 - 2011 and fix their remuneration.

By Order of the Board

Oan Hussain Ali

Karachi: October 6, 2010

Controller & Company Secretary

Notes:

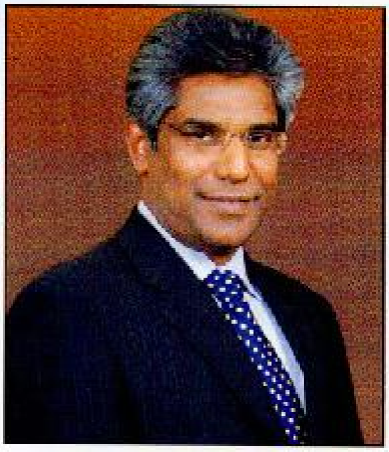
I. The Share Transfer Books of the Company will be closed from 21st October to 27th October 2010 (both days inclusive) when no transfer of shares will be accepted for registration.

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

Mr. Agha Sajjad Nasir

Ms. Khurshid Bhaimia

Mr. Rafi Basheer

Mr. Sameer Amin

Mr. Adam Harrison

Mr. Istaqbal Mehdi

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

Company Information

	Board of Directors
Chairman	Mr. Zaiviji Ismail bin Abdullah
	Ms. Khurshid Bhaimia
	Mr. Adam Harrison
	Mr. Agha Sajjad Nasir
	Mr. Istaqbal Mehdi
	Mr. Rafi Basheer
	Mr. Sameer Amin
	Audit Committee
Chairman	Mr. Rafi Basheer
	Mr. Adam Harrison
	Ms. Khurshid Bhaimia
	Management Team
General Manager & Chief Executive	Mr. Agha Sajjad Nasir
Director Finance & Chief Financial Officer	Mr. Sameer Amin
Operations & HSSE Manager	Mr. Ahmed Zaheer
Human Resources Manager	Mr. Raza Jamali

Controller & 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

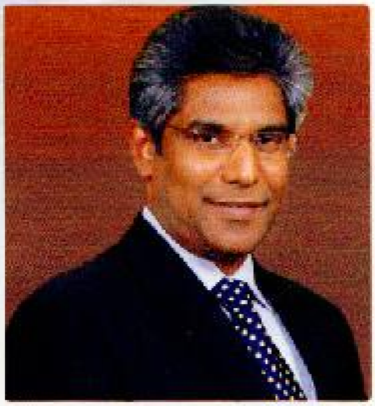
Bankers

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, 2010.

The period under review experienced an increase in cost of product, which had a significant impact on Company's margin, as this price increase could not be passed on to the end consumers fully due to decline in the purchasing power of the end consumer.

During the year, the Company sold 20,245 MT as compared to 23,859 MT previous year. The lower volumes are attributed to high product costs and short local supply due to unplanned shutdown of refineries.

The Company did well in cost restructuring this year and was able to reduce the Administration and Distribution & Marketing Expense by 6% & 38% respectively.

During the year, your Company remained committed to its role towards Health, Safety, Security and Environment (HSSE), which remains our eminent priority and it is inculcated in our business. This is evident from our immaculate HSSE record with zero fatalities and lost time injuries during the year under consideration.

In June Shell Petroleum Company entered in to an agreement with OPI Gas (Private) Limited to sell its entire share interest, representing a 67.91% stake, in Shell Gas LPG (Pakistan) Limited. In accordance with the relevant local laws OPI has made public announcement of offer in the newspapers on August 17, 2010 to acquire 3,632,750 shares of Shell Gas LPG (Pakistan) Limited.

Finally, I would like to thank the staff, distributors and customers for their continuous support during difficult times.

Zaiviji Ismail bin Abdullah
Chairman

Karachi: August 26, 2010

Report of the Directors

The Directors of Shell Gas LPG (Pakistan) Limited are pleased to present their Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2010 together with the Auditors' Report thereon.

In the year under review high producer prices prevailed in the market which impacted the margins of the Company. The Company tried to mitigate the reduction in margins by making inroads in the Industrial/commercial business segments and focusing on markets closer to the plant.

Health, Safety, Security & Environment (HSSE)

At Shell Gas, We believe "People Make it Happen". Respect and safeguarding people underscore all our activities. We not only strive to protect people from harmful effects of our products and operations, we also aim to respect and value personal and cultural differences and try to help people realize their full potential.

The Company has a systematic approach to HSSE management that is designed to ensure strict compliance with the laws and to achieve continuous performance improvement. The Company's employees are all committed to pursuing the goal of no harm to people, society and environment. The Company pursues its activities so as to protect the employees and others from associated health hazards, by promoting safety awareness, as it believes that all accidents and injuries are preventable. Shell Gas sets targets for improvement and measures, appraises and reports performances, relating to HSSE performance. Furthermore, embedding it in the appraisal and rewards of the staff ensures personal ownership of HSSE initiatives.

Overall each Shell Gas Service Centre plays a key role in promoting a sense of responsibility towards handling, storing & using LPG safely throughout the extended supply chain, thereby ensuring "safety for all".

Financial Highlights

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

- Turnover for the year reduced by Rs.16 million as compared to last year. This reduction is due to low volumes.
- Gross profit for the year reduced to Rs. 78 million from Rs.247 million last year showing a reduction of 68%. Main reason for the decrease in gross profit is the significant increase in supply price of LPG during the year, which increased by 40% as compared to last year.
- The Company managed to reduce its administrative expenses by 6%. This was mainly due to savings in rental costs as the Company moved its Head office to plant as part of structural costs reduction initiatives.
- Distribution and marketing expenses reduced by 38% mainly due to reduction in transport costs. This was possible only because the Company successfully changed its mode of supply from delivered to ex-plant model.
- Other operating income during the year increased from Rs. 29 million to Rs. 185 million on account of cylinder deposit liability written back.
- The deferred tax asset amounting to Rs. 35 million has been reversed on account of taxable profits.

As a result of the above variations, the Profit after taxation for the year was Rs. 50 million as compared to Profit of Rs. 72 million last year.

Rs. in '000s

Financial Summary

Profit before taxation (as per audited financial statements)	82,897
Taxation for the year	(32,567)
Profit after taxation	50,330

Dividend

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 the Karachi Stock Exchange 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 (except change disclosed in the financial statements) in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
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, 2009)	79
Gratuity Fund (Year ended June 30, 2009)	15
Provident Fund (Year ended June 30, 2009)	53

Board Meetings

During the year four board meetings were held and the attendance of each director is given on page 60.

Board of Directors

The following changes took place in the Board of Directors during the year:

Ms. Sak Mei Wong resigned as a Director effective close of business 11th October, 2009. Mr. Rafi Basheer was appointed Director in place of Ms. Sak Mei Wong.

Ms. Fawzia Kazmi resigned as a Director & Chief Executive effective close of business on 3rd May, 2010. Mr. Agha Sajjad Nasir was appointed Director & Chief Executive in place of Ms. Fawzia Kazmi.

The Board places on record its appreciation and gratitude for the valuable services rendered to the Company by Ms. Fawzia Kazmi and Ms. Sak Mei Wong. The Directors as at June 30, 2010 were Mr. Zaiviji Ismail bin Abdullah, Mr. Agha Sajjad Nasir, Ms. Khurshid Bhaimia, Mr. Rafi Basheer, Mr. Sameer Amin, Mr. Istaqbal Mehdi and Mr. Adam Harrison.

Pattern of Shareholding

The Pattern of Shareholding as of June 30, 2010 as required under section 236 of the Companies Ordinance 1984 is given on page 61.

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

Agha Sajjad Nasir
Chief Executive

Karachi: August 26, 2010

Highlights

		Year ended June 30, 2010	Year ended June 30, 2009
Sales Volume	Tonnes	20,245	23,859
Sales Revenue	Rs. mn	1,226	1,239
Profit before taxation	Rs. mn	83	68
Profit after taxation	Rs. mn	50	72
New Capital expenditure	Rs. mn	19	23
Shareholders' equity	Rs. mn	349	298
Earnings per share	Rs.	2.22	3.19

Financial Statistical Summary

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Investment Measure												
Share Capital	Rs. mn	226	226	226	32	27	27	27	27	27	27	27
Reserves	Rs. mn	123	72	–	155	209	221	162	111	96	103	92
Shareholders' equity	Rs. mn	349	298	226	188	236	248	189	138	123	130	119
Break up value	Rs.	15	13	10	58	87	92	70	51	46	48	44
Dividend per share	Rs.	0	0	–	–	–	7	10	10	3	3	6
Profit before tax	Rs. mn	83	69	(183)	(81)	18	107	101	65	6	19	20
Profit after tax	Rs. mn	50	72	(155)	(48)	1	75	67	42	2	19	16
Earnings per share of Rs.10	Rs.	2.22	3.19	(8.47)	(2.66)	0.25	27.91	24.84	15.58	0.64	7.11	5.8
Price earning ratio		13.51	16.614	(16.41)	(84.21)	1,100	12.5	16.1	10.5	157.0	15.5	25.1
Measure of financial status												
Current assets to current liabilities		1.5	2.47	1.02	0.78	1.1	1.6	1.6	1.3	1	3.5	1.3
Number of days stock		8.17	8.79	15.66	11.42	4	6	9	7	1	16	3
Number of days trade debts		1.22	1.03	1.43	2.42	3	4	3	0	3	2	1
Measure of performance												
Profit after tax as % Average shareholders' equity		16%	28%	(75.09)	(23)	0.4	30	41	32	1	15	13
Cost of sales as % of sales		93.67	80	96.55	93	86	78	75	77	87	81	78
Profit before tax as % of sales		6.76	5.5	(16.23)	(5)	1	12	13	10	1	8	9
Profit after tax as % of sales		4.1	5.8	(13.80)	(3)	0.1	9	9	7	0	7	7
Total debts ratio %		0	25	44.58	103	80	34	22	50	96	15	12

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, 2010 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 26, 2010.

9. The meetings of the Board were presided over by the Chairman 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 members of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.

11. There was no new appointment of CFO and Company Secretary 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: August 26, 2010

Agha Sajjad Nasir
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 for the year ended June 30, 2010 prepared by the Board of Directors of Shell Gas LPG (Pakistan) Limited to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

The Responsibility for compliance with the Code of Corporate Governance is that pf 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 effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require 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 26, 2010. 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 daew not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: August 26, 2010

Financial Statements
For the year ended June 30, 2010
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, 2010 and the related profit and loss account, statement of changes in equity and cash flow statement 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit & 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 account and are further in accordance with accounting policies consistently applied, except for the changes resulted on initial application of standards, as stated in note 2.1.4, with which we concur;

(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, statement of changes in equity and cash flow statement 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, 2010 and of the profit, changes in equity and its cash flows for the year then ended; and

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

Chartered Accountants
Karachi
Date: August 26, 2010

Engagement Partner: Waqas A. Sheikh

Balance Sheet
As at June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	387,181	456,620
Intangible assets	5	24,361	29,094
Long-term investment	6	2	2
Long-term loans	7	9,328	6,874
Long-term deposits	8	76,420	50,909
Deferred taxation	9	35,760	71,635
		533,052	615,134
Current Assets			
Stores and spares — [illegible]	10	3,400	4,176
Stock-in-trade LPG	11	25,645	25,763
Trade debts	12	5,525	2,696
Loans, advances, deposits, prepayments and other receivables	13	27,932	31,311
Taxation recoverable		13,159	9,485
Cash and bank balances	14	126,929	193,499
		202,590	266,930
Total Assets		735,642	882,064
EQUITY AND LIABILITIES			
Equity			
Share capital	15	226,400	226,400
General reserve		90,000	90,000
Unappropriated profit/(Accumulated loss)		32,365	(17,965)
		348,765	298,435
Non-Current Liabilities			
Long-term finance	16	-	75,000
Cylinder and regulator deposits	17	252,139	400,470
		252,139	475,470
Current Liabilities			
Trade and other payables	18	134,738	108,102
Mark-up on long term finance		-	57
		134,738	108,159
		386,877	583,629
Contingencies and Commitments	20		
Total Equity and Liabilities		735,642	882,064

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

Zaiviji Ismail bin Abdullah
Chairman

Agha Sajjad Nasir
Chief Executive

Profit and Loss Account

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Gross sales		1,422,209	1,438,242
Sales tax		(196,515)	(198,642)
Net sales		1,225,694	1,239,600
Cost of product sold	21	(1,148,089)	(992,825)
Gross profit		77,605	246,775
Administrative expenses	22	(82,704)	(87,688)
Distribution and marketing expenses	23	(58,271)	(93,457)
Other operating income	24	185,252	29,287
Other operating expenses	25	(27,199)	(13,658)
Operating profit		94,683	81,259
Finance costs	26	(11,786)	(12,684)
Profit before taxation		82,897	68,575
Taxation	27	(32,567)	3,584
Profit for the year		50,330	72,159
Other comprehensive income for the year		-	-
Total comprehensive income for the year		50,330	72,159
Earnings per share - basic and diluted	28	2.22	3.19

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

Zaiviji Ismail bin Abdullah
Chairman

Agha Sajjad Nasir
Chief Executive

Cash Flow Statement

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	186,585	169,581
Finance costs paid		(10,143)	(15,213)
Taxes paid		(366)	(915)
Long-term loans - net		(2,454)	(1,644)
Long term deposits - net		(25,511)	23,068
Cylinder and regulator deposits - net		(148,331)	4,168
Net cash (used in)/generated from operating activities		(220)	179,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment - net		(18,566)	(22,713)
Proceeds from disposal of property, plant and equipment		14,043	4,670
Interest received		13,173	5,768
Net cash generated from/(used in) investing activities		8,650	(12,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(75,000)	-
Net (decrease)/increase in cash and cash equivalents		(66,570)	166,770
Cash and cash equivalents at beginning of the year		193,499	26,729
Cash and cash equivalents at end of the year	14	126,929	193,499

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

Zaiviji Ismail bin Abdullah
Chairman

Agha Sajjad Nasir
Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2010

	Share capital	General reserve	Unappropriated profit/ (Accumulated loss)	Total
	(Rupees in '000)			
Balance as at June 30, 2008	226,400	90,000	(90,124)	226,276
Total comprehensive income for the year	-	-	72,159	72,159
Balance as at June 30, 2009	226,400	90,000	(17,965)	298,435
Total comprehensive income for the year	-	-	50,330	50,330
Balance as at June 30, 2010	226,400	90,000	32,365	348,765

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

Zaiviji Ismail bin Abdullah
Chairman

Agha Sajjad Nasir
Chief Executive

Notes to the Financial Statements
For the year ended June 30, 2010

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 of the Company is adjacent to Pakistan Refinery Limited, Korangi Creek, Karachi.

The principal activity of the Company is storing and marketing of 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, except as stated in note 2.1.4.

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 requirements 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 disclosed in note 3.

2.1.4 Change in accounting policy arising from standard effective in 2009-10

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 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' are required to be shown in a performance statement, but entities can choose whether to present one performance statement (statement of comprehensive income) or two separate statements (income statement and statement of comprehensive income).

  The Company has adopted IAS 1 (Revised) with effect from July 1, 2009 and preferred to present one performance statement – statement of comprehensive income (profit and loss account). However, since there are no items of other comprehensive income, the profit for the year and the total comprehensive income for the year is same. As the change in accounting policy only impacts the presentation aspects, there is no impact on earnings per share.

Notes to the Financial Statements

For the year ended June 30, 2010

2.1.5 Other standards and amendments to published standards that are effective in 2009-10

- IFRS 8 'Operating Segments'. IFRS 8 replaced IAS 14, 'Segment Reporting' (effective for accounting periods beginning on or after January 1, 2009). The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors, through the Chief Executive Officer, has been identified as the chief operating decision-maker. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment. Accordingly, the adoption of IFRS 8 has no impact on these financial statements.

- IAS 23 (Revised), 'Borrowing costs' (effective for accounting periods 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 this amendment and therefore, there is no effect on the Company's financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective for accounting periods 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. This amendment does not have any significant effect on the Company's financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for accounting periods beginning on or after January 1, 2009). 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. This amendment does not have any significant effect on the Company's financial statements.

- IAS 19 (Amendment), 'Employee benefits' (effective for accounting periods beginning on or after January 1, 2009). Following amendments have been made:

  - 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; and

  - 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 above amendments currently have no impact on the Company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets' (effective for accounting periods beginning on or after January 1, 2009). The amendment is the 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. This amendment does not have a significant effect on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective for accounting periods beginning on or after January 1, 2009). The amendment is the 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 does not have a significant effect on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective for accounting periods beginning on or after January 1, 2009). The amendment is the 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 amortisation than the straight-line method. This amendment does 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 for accounting periods beginning on or after January 1,2009). The amendment is the part of the IASB's annual improvements project published in May 2008. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions 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 does not have any significant effect on the Company's financial statements.

2.1.6 Standards, amendments or interpretations to existing standards that are effective in 2009-10 but not relevant

The following new standards, amendments and interpretations to existing standards are mandatory for the financial year beginning July 1, 2009, but are considered not to be relevant or to have any significant effect on the Company's financial statements:

- IFRS 1 (Revised) 'First-time adoption';
- IFRS 3 (Revised) 'Business combinations';
- IAS 27 (Revised) 'Consolidated and separate financial statements';
- IAS 32 (Amendment) 'Financial instruments : Presentation';
- IAS 39 (Amendment) 'Financial instruments : Disclosures';
- IFRS 7 (Amendment) 'Financial Instruments: Disclosures';
- IFRIC 12 'Service concession arrangements';
- IFRIC 15 'Agreements for construction of real estates';
- IFRIC 16 'Hedges of a net investment in a foreign operation;
- IFRIC 17 'Distributions of a non cash assets to owners'; and
- IFRIC 18 'Transfer of assets from customers'

Notes to the Financial Statements

For the year ended June 30, 2010

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

- IFRS 9, 'Financial Instruments' (effective for accounting periods beginning from January 1, 2013). IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.

- IAS 24 (Revised), 'Related party disclosures' (effective for accounting periods beginning from January 1, 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- IFRS 2 (Amendments), 'Group Cash-settled and Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company's financial statements.

- Improvements to International Financial Reporting Standards 2009 and 2010.

There are a number of other minor amendments and interpretations to other published standards that are not yet effective, and are neither relevant nor expected to have a significant effect on the Company's financial statements and therefore have not been presented here.

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 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 4.1. 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 of. 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 in the profit and loss account

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 5.

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

2.5.1 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.

(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.

Notes to the Financial Statements
For the year ended June 30, 2010

(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 other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity as other comprehensive income 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 the 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.

2.5.2 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.

2.5.3 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, if utilised, 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.

Notes to the Financial Statements
For the year ended June 30, 2010

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.

The latest valuations of the above schemes were carried out as at June 30, 2010, 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 4.25% per annum of the base salary 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 upto 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 the profit and loss account. The most recent valuation was carried out as of June 30, 2010 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 at least 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 realised 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 the profit and loss account.

2.16 Foreign currencies

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

Notes to the Financial Statements
For the year ended June 30, 2010

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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. The areas where assumptions and estimates are significant to the Company's financial statements are as follows:

3.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Intangible assets

The Company reviews appropriateness of the rate of amortisation and useful life used in the calculation for amortisation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.3 Income taxes

In making the estimates for income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

3.4 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 30.1.4 and 30.1.6 respectively.

4. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	(Rupees in '000)	
Operating assets (note 4.1)	387,181	415,574
Capital work-in-progress (note 4.2)	-	41,046
	387,181	456,620

Notes to the Financial Statements
For the year ended June 30, 2010

4.1 Operating assets

	Freehold land	Building			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
		On Freehold land	On leasehold land	On land under license									
							(Rupees in '000)						
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 4.2)	-	1,661	59,753	-	1,085	30	-	23,856	-	2,567	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-off													
Cost	-	-	(1,981)	-	-	-	-	-	-	(1,361)	-	-	(3,342)
Depreciation	-	-	589	-	-	-	-	-	-	753	-	-	1,342
	-	-	(1,392)	-	-	-	-	-	-	(608)	-	-	(2,000)
Depreciation charge (note 4.1.1)	-	(198)	(2,909)	(79)	(1,669)	(2,544)	(266)	(56,032)	(9,731)	(2,220)	(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 July 1, 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
Year ended June 30, 2010													
Opening 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
Additions including transfers (note 4.2)	-	759	782	-	17,292	7,884	11,729	1,489	-	19,653	10	14	59,612
Disposals													
Cost	-	-	-	-	-	-	(189)	(10,276)	(11,453)	(689)	-	-	(22,607)
Depreciation	-	-	-	-	-	-	189	4,554	11,238	685	-	-	16,666
	-	-	-	-	-	-	-	(5,722)	(215)	(4)	-	-	(5,941)
Write-off (note 4.1.2)													
Cost	-	-	-	-	-	-	-	(151,860)	-	-	-	-	(151,860)
Depreciation	-	-	-	-	-	-	-	141,454	-	-	-	-	141,454
	-	-	-	-	-	-	-	(10,406)	-	-	-	-	(10,406)
Depreciation charge (note 4.1.1)	-	(258)	(4,661)	(63)	(1,912)	(1,957)	(982)	(55,144)	(2,271)	(3,492)	(308)	(710)	(121,658)
Closing net book value	5,618	3,170	70,162	8	39,336	15,461	11,255	214,423	670	25,121	922	935	337,181
As at June 30, 2010													
Cost	5,618	5,566	91,889	6,616	65,798	57,871	20,494	529,520	53,016	62,717	3,889	15,888	918,882
Accumulated depreciation		(2,396)	(21,727)	(6,608)	(26,462)	(42,410)	(9,139)	(315,097)	(52,346)	(37,596)	(2,967)	(14,953)	(581,701)
Net book value	5,618	3,170	70,162	8	39,336	15,461	11,255	214,423	670	25,121	922	935	337,181
Annual rate of depreciation (%)	-	5	5	5	5	10	15	10	20 - 25	10-15	10	33.33	

Notes to the Financial Statements

For the year ended June 30, 2010

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

	2010	2009
	(Rupees in '000)	
Cost of product sold (note 21)	27,380	30,852
Administrative expenses (note 22)	6,884	8,146
Distribution and marketing expenses (note 23)	37,394	38,177
	71,658	77,175

4.1.2 During the year, the Company has written of the cylinders and regulators in possession of inactive distributors and customers, to whom the notice of termination of distributorship/relationship was sent, however, no replies have been received thereagainst (note 24.2).

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

Description and method of disposal	Particulars of purchasers	Cost	Accumulated depreciation	Net book value	Sale proceeds
		(Rupees in '000)			
Cylinder and regulators					
Negotiations	FAS Tube Mills and Engineering	1,382	438	944	1,193
"	Naseer Enterprises	934	763	171	1,148
"	Power Gas Ltd.	1,822	417	1,405	1,463
"	HI-TEK Manufacturing (Pvt) Ltd.	486	111	375	396
"	Hazara Efficient Gas	609	114	495	521
"	Zain Traders	1,646	348	1,298	1,350
Bid	Madni Gas	1,364	330	1,034	1,239
		8,243	2,521	5,722	7,310
Vehicles					
Bid	MDM -Mitsubishi Dealers	1,104	985	119	765
As per Company Policy	Mr. Ahmed Zaheer	828	732	96	343
		1,932	1,717	215	1,108
Aggregate amount of assets disposed of, having net book value less than Rs. 50 thousand each		12,432	12,428	4	5,625
		22,607	16,666	5,941	14,043
2009		4,559	4,189	370	4,670

4.2 CAPITAL WORK-IN-PROGRESS

Year ended June 30, 2009	Balance at beginning of the year	Additions	Transfers	Balance at end of the year
	(Rupees in '000)			
Buildings	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

Notes to the Financial Statements
For the year ended June 30, 2010

	Balance at beginning of the year	Additions	Transfers	Balance at end of the year
	(Rupees in '000)			
Year ended June 30, 2010				
Buildings	1,105	436	(1,541)	-
Plant and machinery	11,168	6,124	(17,292)	-
Tanks, pipelines and fittings	7,162	722	(7,884)	-
Cylinder and regulators	319	1,170	(1,489)	-
Furniture, fittings, electrical and fire fighting equipment	19,466	11,916	(31,382)	-
Office machines	1,810	(1,800)	(10)	-
Personal computers	16	(2)	(14)	-
	41,046	18,566	(59,612)	-

5. INTANGIBLE ASSETS

	Computer software	Rights under supply contract (note 5.1)	Total
As at July 1, 2008	(Rupees in '000)		
Cost	1,980	64,206	66,186
Accumulated amortisation	(1,405)	(30,954)	(32,359)
Net book value	575	33,252	33,827
Year ended June 30, 2009			
Opening net book value	575	33,252	33,827
Amortisation charge (note 21)	(147)	(4,586)	(4,733)
Net book value	428	28,666	29,094
As at July 1, 2009			
Cost	1,980	64,206	66,186
Accumulated amortisation	(1,552)	(35,540)	(37,092)
Net book value	428	28,666	29,094
Year ended June 30, 2010			
Opening net book value	428	28,666	29,094
Amortisation charge (note 21)	(147)	(4,586)	(4,733)
Net book value	281	24,080	24,361
As at June 30, 2010			
Cost	1,980	64,206	66,186
Accumulated amortisation	(1,699)	(40,126)	(41,825)
Net book value	281	24,080	24,361
Annual rate of amortisation (%)	**20**	**7.14**	

Notes to the Financial Statements

For the year ended June 30, 2010

5.1 This represents consideration for beneficial rights of continuous supply of LPG under the supply contract between Sui Northern Gas Pipelines Limited (SNGPL) and Pak Arab Refinery Limited (PARCO) which was transferred to the Company as part of its acquisition of the LPG business of SNGPL in October 2001. The asset has been recorded at its cost which has been bifurcated from the total cost of acquisition of Rs. 142 million on the basis of a valuation carried out by an independent valuer. This cost is being amortised over a period of fourteen years, being the remaining period of the supply contract with PARCO at the acquisition date.

	2010	2009
	(Rupees in '000)	
6. LONG-TERM INVESTMENT		
Available-for-sale, unquoted wholly owned subsidiary - at cost		
Burshane Pakistan (Private) Limited; 200 (2009: 200) ordinary shares of Rs. 10 each	2	2

Burshane Pakistan (Private) Limited has not commenced its operations and, accordingly, investment in this entity has not been consolidated in these financial statements.

	2010	2009
	(Rupees in '000)	
7. LONG-TERM LOANS - secured, considered good		
Executives	3,151	3,255
Employees	12,023	8,583
	15,174	11,838
Less:		
Recoverable within one year shown under current assets (note 13)		
- Executives	1,871	2,116
- Employees	3,975	2,848
	5,846	4,964
	9,328	6,874

7.1 Reconciliation of carrying amount of loans:

	2010			2009		
	Executives	Other Employees	Total	Executives	Other Employees	Total
	(Rupees in '000)					
Balance at beginning of the year	3,255	8,583	11,838	1,894	6,209	8,103
Transfers to executives during the year	-	-	-	293	(293)	-
Add: Disbursements	2,591	7,120	9,711	2,619	7,307	9,926
Less: Repayments	(2,695)	(3,680)	(6,375)	(1,551)	(4,640)	(6,191)
Balance at end of the year	3,151	12,023	15,174	3,255	8,583	11,838

7.2 These loans are granted to employees under the Company's loan policy. Car and motorcycle loans are repayable over a maximum period of five years, housing loans are repayable over a period of two and half years and salary loans are repayable over a maximum period of three years. These loans carry interest at the rate of 1% per annum and are secured by letter of hypothecation, third party guarantees and demand promissory notes.

7.3 The maximum aggregate amount of loans due from Executives at the end of any month during the year was Rs. 4,085 thousand (2009: Rs. 3,435 thousand) respectively.

8. LONG-TERM DEPOSITS

Includes deposits aggregating to Rs. 75,370 thousand (2009: Rs. 50,021 thousand) placed with suppliers of liquefied petroleum gas as per mutually agreed terms.

	2010	2009
	(Rupees in '000)	
9. DEFERRED TAXATION		
Deferred tax asset arising due to:		
Carried forward tax losses (note 9.1)	80,311	109,734
Minimum tax on turnover (note 27.1)	-	5,649
Provision for doubtful trade debts and slow moving stores and spares	3,230	3,230
	83,541	118,613
Deferred tax liability arising due to:		
Accelerated depreciation allowance - net	(47,781)	(46,978)
	35,760	71,635

Notes to the Financial Statements

For the year ended June 30, 2010

9.1 Deferred income tax asset is recognised on tax losses available for carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Such tax losses available for carry-forward on which the deferred income tax asset has been recognised as at June 30, 2010 amounts to Rs. 229,460 thousand (2009: Rs. 313,525 thousand).

	2010	2009
	(Rupees in '000)	
10. STORES AND SPARES		
Stores	1,584	1,515
Spares	1,942	2,787
	3,526	4,302
Less: Provision for obsolete items	(126)	(126)
	3,400	4,176
11. STOCK-IN-TRADE		
Liquified petroleum gas (note 11.1)	15,897	15,569
Low pressure regulators	9,748	10,194
	25,645	25,763

11.1 Includes stock held with third parties amounting to Rs. 5,469 thousand (2009: Rs. 1,591 thousand).

11.2 Stock held on behalf of third parties amounts to Rs. 340 thousand (2009: Rs. 3,113 thousand).

	2010	2009
	(Rupees in '000)	
12. TRADE DEBTS - unsecured		
Considered good	5,525	2,696
Considered doubtful	9,102	9,102
	14,627	11,798
Less: Provision for impairment (note 12.1)	(9,102)	(9,102)
	5,525	2,696
12.1 Provision of impairment		
Balance at beginning of the year	9,102	5,592
Add: Provided during the year and recognised in distribution and marketing expenses (note 23)	-	3,510
Balance at end of the year	9,102	9,102

Notes to the Financial Statements

For the year ended June 30, 2010

12.2 As at June 30, 2010 trade debts aggregating Rs. 711 thousand (2009: Rs. 1,004 thousand) were past due but not impaired. These relate to various customers for which there is no recent history of default, the aging analysis of these trade debts is as follows:

	2010	2009
	(Rupees in '000)	
Upto 1 month	546	-
1 to 6 months	165	562
More than 6 months	-	442
	711	1,004

12.3 As at June 30, 2010, trade debts aggregating Rs. 9,102 thousand (2009: Rs. 9,102 thousand) were impaired being past due for more than six months, and hence provided for.

13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	(Rupees in '000)	
Loans and advances - secured, considered good		
Loans due from (note 7)		
- Executives	1,871	2,116
- Employees	3,975	2,848
	5,846	4,964
Advances to		
- Executives (note 13.1)	253	253
- Contractors and Suppliers (note 13.2)	1,821	5,201
	7,920	10,418
Short-term deposits	1,535	1,040
Short-term prepayments	2,843	1,178
Due from related parties	1,972	3,199
Receivable from		
- Pension fund (note 30.1.1)	12,259	12,809
- Gratuity fund (note 30.1.1)	-	474
- LPG marketing companies	66	678
Others	1,380	1,558
	27,975	31,354
Less: Provision for impairment	(43)	(43)
	27,932	31,311

Notes to the Financial Statements

For the year ended June 30, 2010

13.1 The maximum aggregate amount due from executives at the end of any month was Rs. 253 thousand (2009: Rs. 288 thousand).

13.2 Includes advance to a related party amounting to Nil (2009: Rs. 2,048 thousand).

14. CASH AND BANK BALANCES

	2010	2009
	(Rupees in '000)	
Cash in hand	**152**	314
With banks in:		
- savings accounts	**100,048**	157,215
- current accounts	**26,729**	35,970
	126,929	193,499

15. SHARE CAPITAL

Authorised capital

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
30,000,000	30,000,000	Ordinary shares of Rs. 10 each	**300,000**	300,000

Issued, subscribed and paid up capital

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
20,032,920	20,032,920	Ordinary shares of Rs. 10 each fully paid up in cash.	**200,329**	200,329
76,820	76,820	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash.	**768**	768
2,530,304	2,530,304	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	**25,303**	25,303
22,640,044	22,640,044		**226,400**	226,400

15.1 The Shell Petroleum Company Limited, United Kingdom (Parent Company), a subsidiary of Royal Dutch Shell Plc., held, as at June 30, 2010, 15,374,545 (2009: 15,374,545) ordinary shares of Rs. 10 each.

15.2 During the year, the Parent Company has entered into an agreement with OPI Gas (Private) Limited, to sell its entire (67.91%) share holding in the Company, in pursuance of Shell Group's core strategy. The sale is subject to regulatory approvals and satisfaction of various statutory requirements and is expected to be completed in the ensuing year.

16. LONG-TERM FINANCE, secured

Last year's balance represents long-term finance of Rs. 75,000 thousand, obtained from United Bank Limited in 2007, which was repaid upon maturity on June 29, 2010 in one lump sum payment. Mark-up thereon was payable quarterly at the rate of KIBOR prevailing on the first day of each quarterly installment period, plus 1%. The finance was secured by a ranking charge on all inventory of LPG, cylinders/regulators, stores and other supplies, book debts, loans, advances, deposits, short term prepayments, other receivables, plant & machinery and equipment.

17. CYLINDER AND REGULATOR DEPOSITS

These deposits are non-interest bearing and are refundable on termination of distributorship agreements and/or return of cylinders and ancillary equipment as per the Company policy.

18. TRADE AND OTHER PAYABLES

	2010	2009
	(Rupees in '000)	
Creditors (note 18.1)	**96,356**	62,300
Accrued liabilities (note 18.1)	**8,682**	12,767
Payable in respect of share-based payments	**1,211**	1,211
Payable to gratuity fund (note 30.1.1)	**1,216**	-
Workers' profits participation fund	**4,457**	3,685
Workers' welfare fund	**1,782**	1,400
Sales tax payable	**2,644**	2,800
Retention money	**102**	102
Advances from distributors / customers	**10,450**	15,075
Security deposits from cartage contractors (note 18.2)	**-**	10
Distributors' security deposits - payable on termination of distributorship (note 18.2)	**-**	1,952
Dividends		
- unclaimed	**168**	168
- unpaid	**640**	640
	808	808
Excess advance received from parent company against right issue	**5,722**	5,722
Others	**1,308**	270
	134,738	108,102

Notes to the Financial Statements

For the year ended June 30, 2010

18.1 Includes due to related parties amounting to Rs. 47,493 thousand (2009: Rs. 32,469 thousand).

18.2 Security deposits from cartage contractors and distributors are non-interest bearing and/or are refundable on completion of contract and on termination of distributorship respectively.

19. SHORT-TERM RUNNING FINANCES

The facilities for short-term running finances available from various banks, which represents the aggregate sales price of all mark-up arrangements, amounts to Rs. 150 million (2009: Rs. 250 million), of which the amount utilised as at year end amounts to Nil (2009: Nil). The corresponding purchase prices are payable on various dates by October 31, 2010 and the facilities carry mark-up at the rate of monthly KIBOR plus 2.5% (2009: monthly KIBOR plus 0.76% to 2.5%) per annum. The arrangements are secured by way of pari passu charge against hypothecation of inventory of LPG, cylinders/regulators, stores and other supplies, book debts, plant & machinery and equipments of the Company.

The facilities for opening letter of credit and guarantees as at June 30, 2010 amounts to Rs. 150 million (2009: Rs. 150 million) of which the amount utilised as at year end was Nil (2009: Nil).

20. CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities as at June 30, 2010.

Capital commitments contracted for but not incurred as at June 30, 2010 amounts to Nil (2009: Rs. 12,101 thousand).

21. COST OF PRODUCT SOLD

	2010	2009
	(Rupees in '000)	
Cost of LPG sold:		
Opening stock	15,569	11,695
Purchases	1,057,341	907,395
	1,072,910	919,090
Less: Closing stock	15,897	15,569
	1,057,013	903,521
Salaries, wages and other employee benefits (note 21.1)	29,731	28,163
Cost of low pressure regulators sold	446	205
Stores and spares consumed	4,772	1,999
Repairs and maintenance	3,253	1,492
Travelling, conveyance and vehicle expenses	2,846	2,715
Rent, rates and electricity	3,711	5,002
Communication expenses	4,679	6,781
Printing and stationery	179	159
Insurance	3,462	1,798
Depreciation (note 4.1.1)	27,380	30,852
Amortisation (note 5)	4,733	4,733
Security expenses	1,463	2,093
Sundry expenses	4,421	3,312
	1,148,089	992,825

21.1 Salaries, wages and other employee benefits include Rs. 901 thousand (2009: Rs. 826 thousand) in respect of staff retirement benefits.

22. ADMINISTRATIVE EXPENSES

	2010	2009
	(Rupees in '000)	
Salaries, wages and other employee benefits (note 22.1)	31,823	27,060
Repairs and maintenance	773	592
Travelling, conveyance and vehicle expenses	3,237	2,995
Rent, rates and electricity	854	11,556
Communication expenses	4,960	8,075
Printing and stationery	586	458
Insurance	757	260
Service cost from group companies	28,828	25,095
Advertisement and publicity	633	45
Depreciation (note 4.1.1)	6,884	8,146
Security expenses	526	240
Sundry expenses	2,843	3,166
	82,704	87,688

22.1 Salaries, wages and other employee benefits include Rs. 3,075 thousand (2009: Rs. 908 thousand) in respect of staff retirement benefits.

23. DISTRIBUTION AND MARKETING EXPENSES

	2010	2009
	(Rupees in '000)	
Salaries, wages and other employee benefits (note 23.1)	8,232	11,872
Repairs and maintenance	349	382
Travelling, conveyance and vehicle expenses	1,507	2,136
Rent, rates and electricity	980	982
Communication expenses	2,038	4,646
Printing and stationery	122	162
Insurance	493	333
Freight and octroi	5,746	29,480
Advertisement and publicity	824	878
Depreciation (note 4.1.1)	37,394	38,177
Security expenses	352	206
Provision for doubtful debts (note 12.1)	-	3,510
Sundry expenses	234	693
	58,271	93,457

23.1 Salaries, wages and other employee benefits include Rs. 258 thousand (2009: Rs. 371 thousand) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended June 30, 2010

24. OTHER OPERATING INCOME

	2010	2009
	(Rupees in '000)	
Income from financial assets		
Income from savings accounts	13,173	5,768
Income from non-financial assets		
Tanks rental income	2,298	2,263
Profit on disposal of operating assets	8,102	4,300
	10,400	6,563
Others		
Liabilities written back (note 24.1)	8,626	12,167
Liability for cylinder deposits written back (note 24.2)	151,860	-
Exchange gain - net	-	4,537
Sundries	1,193	252
	161,679	16,956
	185,252	29,287

24.1 Includes write-back of payable to Shell International Petroleum Company Limited (a related party) amounting to Nil (2009: Rs. 12,167 thousand), upon waiver, for various services availed by the Company during 2007.

24.2 During the year, the Company carried out a detailed exercise to identify cylinder and regulator deposits pertaining to inactive distributors/customers who are not in business with the Company for past three years. Notice of cancellation/termination of distributorship was sent to these distributors along with request to return the cylinders/regulators and get the cylinder deposit liability settled. Based on such exercise and inline with a legal opinion in this respect, the Company has written back cylinder deposit liability pertaining to those distributors/customers to whom notices were sent, however, no response was received thereagainst from the distributors/customers to return the cylinders/regulators and claim the deposit thereagainst.

25. OTHER OPERATING EXPENSES

	2010	2009
	(Rupees in '000)	
Directors' fees	132	73
Auditors' remuneration (note 25.1)	939	893
Workers' profits participation fund	4,457	3,685
Workers' welfare fund	1,782	1,400
Legal and professional charges	1,917	1,762
Operating assets written off (note 4.1)	10,406	2,000
Other receivables written off	849	-
Exchange loss - net	2,715	-
Others	4,002	3,845
	27,199	13,658

	2010	2009
	(Rupees in '000)	

25.1 Auditors' remuneration

	2010	2009
Audit fee		
- statutory audit	400	400
- half yearly review	150	150
- audit of provident, pension and gratuity funds	75	75
- special certifications and other advisory services	65	55
Out of pocket expenses	249	213
	939	893

26. FINANCE COSTS

	2010	2009
Mark-up on:		
- long-term finance	10,086	11,279
- short-term running finances	-	49
	10,086	11,328
Interest on Workers' profits participation fund	293	-
Bank charges	1,407	1,356
	11,786	12,684

27. TAXATION

	2010	2009
Current:		
- for the year (note 27.1)	6,129	-
- for prior years	(9,437)	-
	(3,308)	-
Deferred	35,875	(3,584)
	32,567	(3,584)

27.1 This represents minimum tax charged @ 0.5% of turnover under section 113 of the Income Tax Ordinance (ITO), 2001. As per section 113 of ITO, 2001, minimum tax can be adjusted against tax liability of three succeeding tax years. However, no deferred tax has been recorded thereagainst as the Company does not expect to recoup the amount in the succeeding three years in view of the unutilised tax losses to be set-off against future taxable income. Further, in view of the above the Company, during the year, has also charged off deferred tax asset on minimum tax in respect of prior years amounting to Rs. 5,649 thousand.

Notes to the Financial Statements

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
27.2 **Reconciliation of income tax expense for the year**		
Profit before taxation	82,897	68,575
Tax at the applicable tax rate of 35% (2009: 35%)	29,014	24,001
Minimum tax at the rate of 0.5% of turnover	6,129	-
Deferred tax asset on recoupable minimum tax, net	5,649	(1,802)
Deferred tax asset on carried forward tax losses	-	(25,848)
Others	1,212	65
Tax charge - prior years	(9,437)	-
	32,567	(3,584)

28. EARNINGS PER SHARE – Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There is no dilutive effect on the basic earnings per share of the Company.

	2010	2009
	(Rupees in '000)	
Profit for the year	50,330	72,159
	Number of Shares	
Weighted average number of ordinary shares in issue (in thousands)	22,640	22,640
	Rupees	
Earnigns per share - Basic and diluted	2.22	3.19

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010				2009			
	Chief Executive	Executive Director	Executives	Total	Chief Executive	Executive Director	Executives	Total
	(Rupees in '000)							
Managerial remuneration	3,057	1,539	9,822	14,418	3,191	1,419	9,404	14,014
Bonus	1,510	671	4,049	6,230	1,248	704	4,506	6,458
Company's contribution to gratuity, pension and provident funds	221	111	722	1,054	239	106	704	1,049
Housing, utilities and conveyance	1,868	961	6,140	8,969	2,219	1,005	6,532	9,756
Medical, leave fare, etc.	2,109	404	2,149	4,662	120	173	952	1,245
	8,765	3,686	22,882	35,333	7,017	3,407	22,098	32,522
Number of persons (including those who worked part of the year)	2	1	10	13	1	1	12	14

29.1 Aggregate amount charged for the year in respect of fees to two directors is Rs. 132 thousand (2009: two directors, Rs. 73 thousand).

29.2 In addition, the Chief Executive, the Executive Director and certain Executives were also provided with few household appliances and free use of Company cars.

30. EMPLOYEE BENEFITS

30.1 The details of defined benefit schemes are as follows:

	Pension Fund		Gratuity Fund	
	2010	2009	2010	2009
	(Rupees in '000)			
30.1.1 Balance sheet reconciliation				
Fair value of plan assets	81,818	78,784	14,883	14,533
Present value of defined benefit obligations	(65,470)	(60,302)	(21,601)	(16,763)
Funded status	16,348	18,482	(6,718)	(2,230)
Unrecognised net actuarial (gain)/loss	(4,163)	(6,334)	5,488	2,704
Past service cost - non vested	74	-	14	-
Receivable in respect of payments to outgoing employees on behalf of the funds	-	661	-	-
Recognised asset/(liability)	12,259	12,809	(1,216)	474

Notes to the Financial Statements

For the year ended June 30, 2010

	Pension Fund 2010	Pension Fund 2009	Gratuity Fund 2010	Gratuity Fund 2009
	(Rupees in '000)			
30.1.2 Movement in net assets/(liability) recognised				
Net asset/(liability) at beginning of the year	12,809	32,762	474	1,464
(Expense)/reversal recognised	(550)	947	(1,690)	(990)
Amounts received from/(paid to) the Fund	-	(20,900)	-	-
Net (asset)/liability at end of the year	12,259	12,809	(1,216)	474
30.1.3 Movement in fair value of plan assets				
Fair value as at July 1	78,784	105,076	14,533	16,198
Expected return on planned assets	11,030	11,558	2,035	1,782
Actuarial (losses)/gains	(283)	(12,256)	83	(2,261)
Employer's contribution	-	(20,900)	-	-
Employees contributions	638	637	-	-
Benefits paid	(8,351)	(5,331)	(1,768)	(1,186)
Fair value as at June 30	81,818	78,784	14,883	14,533
30.1.4 Movement in defined benefit obligation				
Obligation as at July 1	60,302	65,444	16,763	15,202
Current service cost	3,620	4,049	1,144	1,100
Interest cost	8,442	7,199	2,347	1,672
Past service cost - vested	156	-	155	-
Past service cost - non vested	74	-	14	-
Actuarial losses/(gains)	1,227	(11,059)	2,946	(25)
Benefits paid	(8,351)	(5,331)	(1,768)	(1,186)
Obligation as at June 30	65,470	60,302	21,601	16,763
30.1.5 Charge for the year				
Current service cost	3,620	4,049	1,144	1,100
Interest cost	8,442	7,199	2,347	1,672
Expected return on plan assets	(11,030)	(11,558)	(2,035)	(1,782)
Employees contributions	(638)	(637)	-	-
Past service cost vested	156	-	155	-
Recognition of actuarial gain	-	-	79	-
Expense/(income) for the year	550	(947)	1,690	990

Notes to the Financial Statements
For the year ended June 30, 2010

30.1.6 Principal actuarial assumptions used in the actuarial valuation carried out as of June 30, 2010 using the 'Projected Unit Credit Method' are as follows:

	Pension Fund 2010	Pension Fund 2009	Gratuity Fund 2010	Gratuity Fund 2009
	(Rupees in '000)			
Discount rate and expected return on plan assets	**14%**	14%	**14%**	14%
Future salary increases	**14%**	14%	**14%**	14%
Expected mortality rate	**EFU 61-66 mortality table**	EFU 61-66 mortality table	**EFU 61-66 mortality table**	EFU 61-66 mortality table
Expected withdrawal rate	**Age dependent**	Age dependent	**Age dependent**	Age dependent
Actual return on plan assets (Rupees in '000)	**10,747**	(697)	**2,118**	(479)

30.1.7 Plan assets comprised of the following:

	2010 Rupees in '000	2010 %	2009 Rupees in '000	2009 %
Debt	**86,939**	**89.9**	77,308	82.8
Equity	**6,033**	**6.2**	9,858	10.6
Cash and bank balances	**3,729**	**3.9**	6,151	6.6
	96,701		93,317	

30.1.8 Comparison for five years:

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Fair value of plan assets	**96,701**	93,317	121,274	96,860	106,158
Present value of defined benefit obligation	**(87,071)**	(77,065)	(80,646)	(67,458)	(60,856)
Surplus	**9,630**	16,252	40,628	29,402	45,302

30.1.9 Experience adjustment on plan assets and obligation:

	2010	2009	2008	2007	2006
Pension Fund					
Fair value of plan assets	**81,818**	78,784	105,076	79,123	88,131
Present value of obligation	**(65,470)**	(60,302)	(65,444)	(57,293)	(50,184)
Funding surplus	**16,348**	18,482	39,632	21,830	37,947
Actuarial gain /(loss) on assets	**(283)**	(12,256)	985	(11,403)	1,359
Actuarial gain /(loss) on obligation	**(1,227)**	11,059	(2,866)	(5,789)	(3,604)
Gratuity Fund					
Fair value of plan assets	**14,883**	14,533	16,198	17,737	18,027
Present value of obligation	**(21,601)**	(16,763)	(15,202)	(10,165)	(10,672)
Funding surplus	**(6,718)**	(2,230)	996	7,572	7,355
Actuarial gain /(loss) on assets	**83**	(2,261)	(2,706)	180	(1,737)
Actuarial gain /(loss) on obligation	**(2,946)**	25	(3,778)	268	(979)

Notes to the Financial Statements

For the year ended June 30, 2010

30.1.10 In addition, Nil (2009: Rs. 1 thousand) and Rs. 5 thousand (2009: Rs. 10 thousand) have been charged in these financial statements in respect of contribution made to the Shell Pakistan Limited Gratuity Fund and Shell Pakistan Limited Pension Fund Trust (Pvt.) Limited respectively, on behalf of employees on secondment from Shell Pakistan Limited.

30.2 **Defined contribution scheme**

An amount of Rs. 2,027 thousand (2009: Rs. 2,047 thousand) has been charged during the year in respect of Contributory Provident Fund Scheme maintained by the Company. In addition, an amount of Rs. 14 thousand (2009: Rs. 4 thousand) has been charged in these financial statements in respect of payment to Shell Pakistan Limited Provident Fund, on behalf of employees on secondment from Shell Pakistan Limited.

31. TRANSACTIONS WITH RELATED PARTIES

31.1 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transactions	2010	2009
		(Rupees in '000)	
Related party by virtue of common directorship	Purchases of LPG	110,442	125,991
Staff retirement benefit funds	Recovery of amount paid on behalf of retirement benefit funds	47	25,917
	Contribution to Provident Fund	2,027	2,047
Other related parties	Service charges	28,828	25,095
	Group infrastructure desktop charges	9,335	15,599
	Recovery of excess charges for prior years	-	12,167
	Recovery of expenses incurred on behalf of related parties	1,541	94
	Others	-	544

31.2 Transactions with related parties are made on commercially agreed terms negotiated by the Company.

31.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive and Executive Director to be key management personnel.

Particulars of transactions entered into with key management personnel are as per the terms of their employment and are disclosed in notes 7 and 29 to these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2010

32. CAPACITY

	Installed Daily Filling Capacity 2010	Installed Daily Filling Capacity 2009	Actual Average Daily Utilisation 2010	Actual Average Daily Utilisation 2009	Remarks
	Metric tons				
LPG	125	85	67.53	79.53	Production planned as per LPG available and market demand.

33. CASH GENERATED FROM OPERATIONS

	2010	2009
	(Rupees in '000)	
Profit before taxation	82,897	68,575
Adjustment for non cash charges and other items:		
Depreciation	71,658	77,175
Amortisation	4,733	4,733
Operating assets written off	10,406	2,000
Profit on disposal of operating assets	(8,102)	(4,300)
Provision for doubtful debts	-	3,510
Interest income	(13,173)	(5,768)
Finance costs	10,086	11,328
Working capital changes (note 33.1)	28,080	12,328
	186,585	169,581

33.1 Working capital changes

	2010	2009
(Increase)/decrease in current assets		
Stores and spares	776	(434)
Stock-in-trade	118	(3,669)
Trade debts	(2,829)	(1,886)
Loans, advances, deposits, prepayments and other receivables	3,379	44,519
	1,444	38,530
Increase/(decrease) in current liabilities		
Trade and other payables - net	26,636	(26,202)
	28,080	12,328

Notes to the Financial Statements
For the year ended June 30, 2010

34. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	2010	2009
	(Rupees in '000)	
34.1 Financial assets as per balance sheet		
- Loans and receivables		
Long term loans	9,328	6,874
Long term deposits	1,050	888
Trade debts	5,525	2,696
Loans, advances, deposits, prepayments and other receivables	10,756	11,396
Cash and bank balances	126,929	193,499
	153,588	215,353
- Available for sale		
Long term investments	2	2
	153,590	215,355
34.2 Financial liabilities as per balance sheet		
- Financial liabilities measured at amortised cost		
Long term finance	-	75,000
Cylinder and regulator deposits	252,139	400,470
Trade and other payables	107,659	78,612
Mark-up on long term finance	-	57
	359,798	554,139

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to share holders.

Risk management is carried out by the Company's finance and treasury department under policies approved by the Board of Directors.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. The Company primarily has foreign currency exposure in USD, Euro and GBP. The Company does not hedge its foreign exchange risk exposure. Risk is, however, managed by close monitoring of foreign exchange markets and expected currency movements and adjusting timing of payments accordingly.

As at June 30, 2010 had the exchange rates of USD, Euro and GBP depreciated or appreciated against the currency with all other variables held constant, the change in post tax profit/(loss), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated payables, would have been as follows:

Currency	June 30, 2010		June 30, 2009	
	% change	Impact (Rupees in '000)	% change	Impact (Rupees in '000)
USD	5	1,119	5	325
Euro	5	139	5	239
GBP	5	56	5	214

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk. As at year end the Company has no short or long term borrowings.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

As at June 30, 2010, the impact on post tax profit for the year of a 2% shift would have been a maximum increase/decrease of Nil (2009: Rs. 975 thousand), mainly as a result of lower/higher interest expense on variable rate borrowings.

(iii) **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not materially exposed to equity securities price risk.

(b) **Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

Notes to the Financial Statements

For the year ended June 30, 2010

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2010	2009
	(Rupees in '000)	
Long-term loans	9,328	6,874
Long-term deposits	1,050	888
Trade debts	4,814	1,692
Loans, advances, deposits, prepayments and other receivables	10,756	11,396
Bank balances	126,777	193,185
	152,725	214,035

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Rating Agency	Rating				2010	2009
	Short term		Long term		(Rupees in '000)	
	2010	2009	2010	2009		
S&P	A1	A1	A+	A+	312	566
JCR-VIS	A1+	A1+	AA+	AA+	3,495	1,426
PACRA	A1+	A1+	AA+	AA+	118,261	186,833
JCR-VIS	A1+	A1+	AAA	AAA	1,579	1,308
PACRA	A1+	A1+	AAA	AAA	509	515
PACRA	A1+	A1+	AA	AA	2,610	2,526
JCR-VIS	A1+	A1+	AA+	AA+	11	11
					126,777	193,185

(c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

	As at June 30, 2010			As at June 30, 2009		
Financial liabilities	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
			(Rupees in '000)			
Long term finance	-	-	-	-	75,000	75,000
Cylinder and regulator deposits	-	252,139	252,139		400,470	400,470
Trade and other payables	107,659	-	107,659	78,612	-	78,612
Mark-up on long term finance	-	-	-	57	-	57
	107,659	252,139	359,798	78,669	475,470	554,139

Notes to the Financial Statements

For the year ended June 30, 2010

35.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The gearing ratios as at June 30, 2010 and 2009 were as follows:

	2010	2009
	(Rupees in '000)	
Long-term finance	-	75,000
Less: Cash and bank balances	(126,929)	(193,499)
Net Debt	(126,929)	(118,499)
Total Equity	348,765	298,435
Total Capital	221,836	179,936
Gearing Ratio	-	-

As at June 30, 2010 and 2009, the Company had no borrowings, hence, the exposure to capital risk is minimal.

36. GENERAL

These financial statements have been rounded to the nearest thousand.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2010 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Major reclassification includes operating assets written off amounting to Rs. 2,000 thousand reclassified from administrative expenses to other operating expenses. The effect of other reclassification is not material.

Zaiviji Ismail bin Abdullah
Chairman

Agha Sajjad Nasir
Chief Executive

Attendance at Board Meetings

For the year ended June 30, 2010

Name of Directors	Total No. of Board Meetings*	No. of Meetings Attended
Mr. Zaiviji Ismail bin Abdullah	4	4
Ms. Fawzia Kazmi	4	4
Ms. Khurshid Bhaimia	4	4
Mr. Istaqbal Mehdi	4	3
Mr. Sameer Amin	4	4
Mr. Adam Harrison	4	3
Ms. Sok Mei Wong	*1	1
Mr. Rafi Basheer	*3	3

*held during the period concerned Director was on the Board

Pattern of Shareholding

As at June 30, 2010

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Hold	Percentage %
294	1	100	15,624	0.07
357	101	500	113,099	0.50
159	501	1,000	133,868	0.60
177	1,001	5,000	440,623	1.95
22	5,001	10,000	154,214	0.68
4	10,001	15,000	43,935	0.19
5	15,001	20,000	93,127	0.41
8	20,001	25,000	172,776	0.76
1	30,001	35,000	33,691	0.15
2	35,001	40,000	74,652	0.33
1	45,001	50,000	46,728	0.20
1	55,001	60,000	59,923	0.26
1	175,001	180,000	176,572	0.78
1	205,001	210,000	207,900	0.92
1	310,001	315,000	313,722	1.39
1	315,001	320,000	315,109	1.39
1	325,001	330,000	328,251	1.45
1	350,001	355,000	350,898	1.55
1	380,001	385,000	380,569	1.68
1	635,001	640,000	636,783	2.81
1	710,001	715,000	711,634	3.14
1	925,001	930,000	927,768	4.10
1	1,530,001	1,535,000	1,534,033	6.78
1	15,370,001	15,375,000	15,374,545	67.91
1043			22,640,044	100.00

Shareholders Category	Number of Shareholders	Number of Shares held	Percentage %
DIRECTORS, CEO & CHILDREN	5	1,156,147	5.11
NIT & ICP	3	1,583,027	6.99
BANKS, DFI & NBFI	6	1,469,538	6.49
INSURANCE COMPANIES	2	844,683	3.73
MODARABAS & MUTUAL FUNDS	1	24,000	0.11
GENERAL PUBLIC (LOCAL)	990	1,824,393	8.05
GENERAL PUBLIC (FORGEIN)	6	318,299	1.41
OTHERS	27	40,337	0.18
SHAREHOLDERS 10%	1	15,374,545	67.91
EXECUTIVE	2	5,075	0.02
	1,043	22,640,044	100.00

Pattern of Shareholding
As at June 30, 2010

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated companies		
The Shell Petroleum Company Limited, United Kingdom	1	15,374,545
Directors		
Ms. Khurshid Bhaimia	1	1,156,146
Mr. Sameer Amin	1	1
Chief Executive Officer	–	–
Directors'/CEO's spouses	–	–
Executives	2	5,075
Public sector companies and corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies Modaraba and Mutual Funds		
National Bank of Pakistan, Trustee Deptt.	1	1,534,033
National Bank of Pakistan	1	937,257
National Investment Trust	1	39,505
Adamjee Insurance Company Limited	1	207,900
State Life Insurance Corporation of Pakistan	1	636,783
Shareholders holding 10% or more voting interest		
The Shell Petroleum Company Limited, United Kingdom	1	15,374,545

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Financial Statements
For the year ended June 30, 2010
Burshane Pakistan (Private) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Burshane Pakistan (Private) Limited as at June 30, 2010, together with the notes forming part thereof, 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 statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on the balance sheet 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 statement is free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statement. 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 statement. 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, the balance sheet together with the notes thereon has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of accounts;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, together with the notes forming part thereof conforms with the approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, in the manner so required and gives a true and fair view of the state of the Company's affairs as at June 30, 2010; and

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

Further, we report that no business was conducted, no investments were made and no expenditure was incurred during the year, as stated in note 1 of the annexed financial statements.

Chartered Accountants
Karachi
Date: August 26, 2010

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: Waqas A. Sheikh

Balance Sheet

As at June 30, 2010

	2010	2009
EQUITY		
Authorised capital		
100,000 ordinary shares of Rs. 10 each	1,000,000	1,000,000
Issued, subscribed and paid-up capital		
202 ordinary shares of Rs. 10 each fully paid in cash	2,020	2,020
ASSETS		
Current Assets		
Cash in hand	2,020	2,020

The annexed notes 1 to 3 form an integral part of this balance sheet.

Agha Sajjad Nasir
Chief Executive

Sameer Amin
Director

Notes to the Balance Sheet

For the year ended June 30, 2010

1. LEGAL STATUS AND OPERATIONS

Burshane Pakistan (Private) Limited is a private limited Company incorporated in Pakistan on August 24, 2001 under the Companies Ordinance, 1984. The main objective of the Company is to carry on the business of storing and marketing liquefied petroleum gas. However, no business was conducted, no investments were made and no expenditure was incurred during the year as the Company has not commenced its operations so far.

Shell Gas LPG (Pakistan) Limited holds 200 ordinary shares of the Company.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared under the historical cost convention.

2.2 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.

3. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2010 by the Board of Directors of the Company.

Agha Sajjad Nasir
Chief Executive

Sameer Amin
Director

Form of Proxy

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

I/We ____

of ____________________ in the district of ____________________

being a member of Shell Gas LPG (Pakistan) Limited and a holder of ____________________

____________________ Ordinary Shares as per Share Register Folio No.
(No. of shares)

____________________ and/ or CDC Participant I.D. No. ____________________

and Sub Account No. ____________ hereby appoint ____________________

of ____________________ in the district of ____________________ or

failing him/her ____________________ of ____________________ as my/our

Proxy to vote for me/us and on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held on October 27, 2010 at 9:30 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2010.

WITNESSES:

1. Signature
   Name
   Address

   CNIC or
   Passport No.

2. Signature
   Name
   Address

   CNIC or
   Passport No.

Signature
(Signature should agree with the specimen signature registered with the Company.)

Notes:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their Computerised National Identity Card or Passport with this proxy form.

Shell Gas LPG (Pakistan) Limited
Adjacent to Pakistan Refinery Limited
Korangi Creek, Karachi 75190.