

**PAKISTAN STATE OIL COMPANY LIMITED**

19th Annual Report 1994/95

Head Office: Dawood Centre M. T. Khan Road  
Karachi.

ANNUAL GENERAL  
MEETING  
**DECEMBER 28, 1995**

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**Managing Director** Jahangir N. W. Ansari

Secretary M. A. Saifie

Auditors Sidat Hyder Qamar Maqbool & Co  
Taseer Hadi Khalid & Co.

Solicitors Orr Dignam & Co.

Bankers  
ABN Amro Bank  
Allied Bank of Pakistan Limited  
American Express Bank Limited  
ANZ Grindlays Bank  
Bank of America  
Banque Indosuez  
Citibank N. A.  
Deutsche Bank  
Emirates Bank International Limited  
Habib Bank A.G. Zurich  
Habib Bank Limited  
Muslim Commercial Bank Limited  
Mashreq Bank  
National Bank of Pakistan  
Standard Chartered Bank  
United Bank Limited

Registered Office: Karim Chambers, Merewether Road, Karachi.

**PSO AT A GLANCE**

1995 1994 1993 1992 1991 1990 1989 1988 1987 1986

**Earnings and****Dividend**

Rs. Per Share of Rs. 10

Earning	21.27	18.49	13.63	12.19	10.2	9.64	10.57	11.42	13.28	13.74
Break-up value	62.35	59.91	55.70	56.49	56.41	55.78	55.16	53.45	50.63	46.49
Dividend	5.00	5.00	5.00	4.75	4.50	4.00	4.00	4.00	4.00	3.75
Bonus	3:10	3:10	2:10	2:10	3:20	1:10	1:10	1:10	1:10	1:10

**Statistical Summary**

Rs. in Millions

Shareholders equity	3,051.8	2,255.4	1,747.7	1,476.9	1,282.5	1,036.5	1,036.5	913.0	786.2	656.3
New capital exp.	461.9	321.8	364.9	207.4	138.9	216.4	374.3	424.7	188.2	96.9
Profit before tax	1,681.1	1,175.6	771.5	526.9	450.7	367.2	330.7	344.0	341.1	334.4
Profit after tax	1,041.1	696.0	427.6	318.7	231.8	199.2	198.7	195.1	206.3	193.9
Dividends	244.7	188.2	156.9	124.2	102.3	82.7	75.2	68.3	62.1	52.9

**Financial Ratio**

Ratios

Current assets:										
Current liabilities	1.1:1	1.1 :1	1.1:1	1.2:1	1.1:1	1.4:1	1.4:1	1.3:1	1.7:1	1.3:1
Long term debt: equity	7:93	8:92	12:88	17:83	24:76	28:72	33:67	29:71	27:73	5:95
Total debt: equity	29:71	23:77	33:67	24:76	51:49	49:51	51:49	49:51	47:53	41:59

**NOTICE OF THE MEETING**

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at Hotel Metropole, Club Road, Karachi on Thursday, 28th December, 1995 at 11.00 A.M. under the chairmanship of the Managing Director to transact the following business:

**I. Ordinary Business**

- To confirm the minutes of the 18th Annual General Meeting held on 29th January, 1995.
- To receive and adopt the audited accounts for the year ended 30th June, 1995 together with Auditors report and the Managing Director's review thereon.
- To lay information before the members of the Company of the appointment of Messrs Sidat Hyder Qamar Maqbool & Co. and Taseer Hadi Khalid & Co. as Auditors of the Company, for the year ending 30th June, 1996.
- To declare a final dividend of 20% in addition to the interim dividend of 30% already paid, thereby making a total dividend of 50% for the year ended 30th June, 1995.

**II. Special Business**

- To consider and, if thought fit, pass the following Ordinary Resolution for the capitalisation of profits amounting to Rs. 146,832,280/-.

**Resolved that**

- "a sum of Rs.146,832,280/-from the Company's profit in the year ended 30th June, 1995 be capitalised for issuing 14,683,228 fully paid-up Ordinary Shares of Rs. 10/- each as Bonus Shares to be allotted to those members whose names appear in the Register of Members on Thursday, 14th December, 1995 in the proportion of three shares for every ten shares held and that the Bonus Shares when issued shall rank pari passu in all respects with the existing Ordinary Shares of the Company except that the said Bonus Shares shall not be eligible for the dividend declared for the year ended 30th June, 1995.
- the members entitled to fractions of shares as a result of their holdings either being less or in excess of an exact multiple of proportion (referred in 5 (i) above) shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange; and

(iii) for the purpose of giving effect to the above, the Managing Director be and is hereby authorised to take all necessary actions and to settle any question or difficulty that may arise in regard to the distribution of the said Bonus Shares or in the payment of the sale proceeds of the fractional entitlements (referred above), as he deems fit."

6. To consider and pass, with or without modification, the following resolution as a SPECIAL RESOLUTION.

"RESOLVED that the share capital of the Company be and is hereby increased from Rs. 500,000,000/- (Rupees five hundred million) divided into 50,000,000 (fifty million) Ordinary Shares of Rs. 10/- (Rupees ten) each to Rs. 1,000,000,000/ (Rupees one thousand million) divided into 100,000,000 (One hundred million) Ordinary Shares of Rs. 10/ (Rupees ten) each by the creation of 50,000,000 (fifty million) additional Ordinary Shares of Rs. 10/- (Rupees ten) each and for this purpose:

(a) the figures and words "Rs. 500,000,000/- (Rupees five hundred million) divided into 50,000,000 (fifty million) Ordinary Shares of Rs. 10/- (Rupees ten) each" appearing in Clause V of the Memorandum of Association of the Company be and are hereby substituted by the figures and words "Rs. 1,000,000,000/- (Rupees one thousand million) divided into 100,000,000 (one hundred million) Ordinary Shares of Rs. 10/- (Rupees ten) each;" and

(b) the figures and words 'RS. 500,000,000/- (Rupees five hundred million) divided into 50,000,000 (fifty million) Ordinary Shares of Rs. 10/- (Rupees ten) each" appearing in Article 5 of the Articles of Association of the Company be and are hereby substituted by the figures and words "Rs.1,000,000,000/- (Rupees one thousand million) divided into 100,000,000 (one hundred million) Ordinary Shares of Rs. 10/- (Rupees ten) each."

AND

7. To transact any other ordinary Business of the Company with the permission of the Chairman.

By Order of the Managing Director  
**M.A. SAIFIE**  
Secretary

Karachi: 28th October, 1995

NOTES:

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote.
2. The Share Transfer Books of the Company will remain closed from Friday, 15th December, 1995 to Thursday, 28th December, 1995 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of business on Thursday, 14th December, 1995 will be considered in time to be eligible for payment of Final Dividend and issue of Bonus Shares to the transferees.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.

STATEMENT UNDER SECTION 160 (1) (b)  
OF THE COMPANIES ORDINANCE. 1984

1. Bonus Shares: The Directors have recommended the issue of Bonus Shares in the proportion of three shares for every ten shares held by members on 14th December, 1995. Upon issuance of the Bonus Shares, the paid-up capital of the Company shall stand increased to Rs. 636,273,220/-.
2. Increase of authorised share capital: The present authorised capital of the Company is

Rs. 500,000,000/- The paid-up capital will increase beyond this amount upon issuance of Bonus Shares now proposed to be issued.

In order, therefore, to enable the Company to issue the said Bonus Shares and to cater for the further growth in the Company's capital and operations, it is necessary to increase the share capital from Rs. 500,000,000/- to Rs. 1,000,000,000/

#### **MANAGING DIRECTOR'S REVIEW**

Welcome to the Company's 19th Annual General Meeting. It is a privilege and a pleasure for me to present the Company's Annual Report and the Financial Statements for the year ended 30th June, 1995.

Last year I had congratulated you when your Company had crossed the Billion Rupee mark in pre-tax profit. And, this year, by the Grace of Almighty Allah, your Company has crossed the Billion Rupee mark in after tax profit. PSO has, indeed, achieved a landmark with a net profit figure of Rs. 1.041 Billion for 1994-95; an improvement of 50% over the previous year.

The return to Shareholders for 1994-95 is, however, being maintained at the same level as last year (50% Cash Dividend and 30% Bonus Shares). This, you will appreciate, is being done in the Company's interest. As you are already aware, your Company's massive programme for development projects will involve substantial outlays which promise handsome returns. So, in the long-range, the interest of the Shareholders and the financial strength of your Company is being safeguarded. Apart from being the leader in the field of marketing, your Company is poised, 'Inshallah' to handle major projects of petroleum products infrastructure of vital national benefit.

Now, a word about your Company's on-going projects.

As reported last year, the Hub Fuel Oil Pipeline Project is being implemented through Asia Petroleum limited. The 14" Dia, 80 Km long pipeline from Zufikarabad Oil Terminal (ZOT) to HUBCO with initial Pipeline capacity of 2.5 million tonnes per annum is expected to be ready for Commissioning by end June, 1996. Work is also in progress on other infrastructure required for the pipeline, which is being handled by PSO. This includes the 42" Dia 9.5 Km Tanker Discharge Pipeline from FOTCO Jetty to ZOT and 160,000 tonnes Storage at ZOT.

The other major pipeline project is the Furnace Oil pipeline from Zufikarabad to Jamshoro. Subsequent to the signing of the Sponsors' Agreement for this project in which your Company has 25% equity, Indus Pipeline Limited has been formed and Registered to implement the project. This pipeline is being designed to cater to a volume of minimum of 2 million tonnes of fuel oil per annum. The capacity, as and when required, can be increased to 4.5 million tonnes/annum. The requisite infrastructure for the project to be constructed by PSO includes construction of 80,000 tonnes storage installation at Jamshoro with Tank Lorry filling arrangements. The pipeline will ensure reliability, safety and efficient transportation of fuel oil and will eliminate the use of 500 Tank Lorries per day ex-Karachi, thus providing immense relief to traffic congestion on the Karachi/Hyderabad Super Highway.

Your Company has also signed a Memorandum of Understanding for

a White Oil Pipeline Project from Karachi to Mehmoodkot for a Joint Venture with foreign and local participants, in which PSO will have on equity of 10%. This pipeline will be vital for Pakistan's economic well-being and will have the capacity to move approximately 6 Million Metric Tonnes of HSD/SKO per annum. This will ensure that Road movement is kept at minimum, guaranteeing both quality and quantity of product and will control transportation losses adding to PSO's profitability.

You will be pleased to know that subsequent to the signing of on MoU with Hyundai Engineering & Construction Company of South Korea, as reported last year, your Company has signed the Sponsors Agreement with Hyundai for a refinery of 4.8 million tonnes per annum capacity. Presently, your Company is actively engaged in examining the techno-economic aspects of the project for obtaining the necessary approvals.

In addition to the foregoing, your Company is also engaged in various activities for improvement on operating facilities. Management is fully aware of the competitive environment in which it has to operate and retain its role of market leadership in petroleum trade. Thus an intensive and extensive modernization programme in the field of Automotive Trade is underway, especially at high selling Retail Outlets in major cities. In the profitable Aviation Trade, an upgrading programme is continuing through acquisition of the latest Refueling technology and improvement of existing Aviation Stations. The existing storage tanks at the Installations and Depots are also being rehabilitated along with their ancillary facilities. This would enable the Company to handle the ever increasing volumes of petroleum products required in the country.

I wish to record my sincere appreciation for the untiring efforts of PSO employees whose contribution is amply reflected in the Current Year results. Acknowledgments are particularly due to the Chairman, Board of Management (Oil) for his active participation in the affairs of the Company and invaluable contributions of the members of the Board. Acknowledgments are also in order for support of the Ministry of Petroleum and Natural Resources.

Finally, I wish to record my deep appreciation for the support and confidence of PSO is customers and its esteemed shareholders.

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of PAKISTAN STATE OIL COMPANY LIMITED as at 30 June, 1995 and the related Profit and Loss Account and Statement of changes in financial position, 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 and, after due verification thereof, 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 and Loss Account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with

the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position, together with the notes forming part thereof, 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 30 June 1995 and of the profit and changes in financial position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

#### BALANCE SHEET AS AT 30 JUNE 1995

	Note	'Rs.000 1995	1994
<b>Capital and Reserves</b>			
Authorised capital 50,000,000 Ordinary shares of Rs. 10/- each		500,000 =====	500,000 =====
Issued, subscribed and paid-up capital	3	489,442	376,494
Reserves	4	2,561,174	1,877,289
Unappropriated profit		1,227	1,661
		----- 3,051,843	----- 2,255,444
<b>Long-term Loans</b>	5	158,255	246,434
<b>Liabilities against assets subject to finance lease</b>	6	13,682	8,169
<b>Long-term Deposits</b>	7	203,205	155,321
<b>Deferred liabilities</b>	8	270,242	251,884
<b>Current Liabilities</b>			
Bank finance under mark-up arrangements	9	991,990	430,744
Current portion of long-term loans and liabilities under-finance lease	5&6	102,823	113,215
Creditors, accrued expenses and other liabilities	10	5,878,718	6,042,316
Taxation - net		297,226	236,963
Dividends	11	137,335	181,351
		7,408,092	7,004,589
<b>Contingencies and commitments</b>	12	-	-
		----- 11,105,319	----- 9,921,841

**Fixed Assets-Tangible**

		Rs. 000	
	Note	1995	1994
Operating fixed assets	13	1,097,016	1,153,751
Assets subject to finance lease	14	37,103	19,797
Capital work-in-progress	15	704,826	487,986
Inventory held for capital expenditure		272,207	165,778
		-----	-----
		<b>2,111,152</b>	1,827,312
<b>Long-term Investments</b>	16	495,019	36,832
<b>Long-term Deposits, Loans,</b>			
Advances and Prepayments	17	81,543	60,797
<b>Current Assets</b>			
Stores and spares	18	<b>49,437</b>	28,078
Stock-in-trade	19	1,966,774	2,157,322
Trade debts	20	1,634,842	2,276,970
Loans, advances, deposits, prepayments and other receivables	21	4,221,245	2,982,539
Cash and bank balances	22	545,307	523,402
		-----	-----
		8,417,605	7,968,311
<b>Net Assets in Bangladesh</b>	23	—	28,589
		-----	-----
		<b>11,105,319</b>	9,921,841
		=====	=====

The annexed notes form an integral part of these accounts

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 1995**

		Rs. 000	
	Note	1995	1994
<b>Revenues</b>			
Sale less		<b>66,012,119</b>	64,333,363
Less: Government levies	24	16,803,771	20,453,832
		-----	-----
		<b>49,208,348</b>	43,879,531
Cost of products sold	25	46,644,481	41,649,529
		-----	-----
		2,563,867	2,230,002
Other income	26	185,399	134,542
		-----	-----
		2,749,266	2,364,544
<b>Expenditure and charges</b>			
Transportation	27	<b>125,263</b>	106,333
Administrative and marketing	28	772,678	778,231
Financial	29	53,136	242,484
Provision for Assets in Bangladesh		28,589	—
Workers' profit participation fund		88,480	61,875

		-----	-----
		1,068,146	1,188,923
		-----	-----
<b>Profit before taxation</b>		<b>1,681,120</b>	1,175,621
Provision for taxation	30	640,000	479,586
		-----	-----
<b>Profit after taxation</b>		<b>1,041,120</b>	696,035
Unappropriated profit brought forward		1,661	1,821
		-----	-----
		<b>1,042,781</b>	697,856
<b>Appropriations:</b>			
Transferred to general reserve		650,000	395,000
Proposed issue of bonus shares in the ratio of 3:10 (1994: 3:10)		146,833	112,948
Interim dividend 30.0% (1994: 30.0%)		146,832	112,948
Final dividend 20.0% (1994: 20.0%)		97,889	75,299
		-----	-----
		<b>1,041,554</b>	696,195
		-----	-----
<b>Unappropriated profit carried forward</b>		<b>1,227</b>	1,661
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED 30 JUNE 1995

	'Rs. 000	
	1995	1994
<b>Cash Flow from Operating Activities</b>		
Profit before taxation	<b>1,681,120</b>	1,175,621
Add: Items not effecting funds:		
Depreciation	177,959	162,124
Retirement benefits	28,537	53,415
Profit on sale of assets	3,433	(4,261)
Dividend received	<b>(16,400)</b>	20,389
Financial charges	53,136	174,066
	-----	-----
	1,920,919	1,540,576
(Increase)/decrease in current assets		
Stores and spares	(21,359)	3,944
Stock-in-trade	190,548	(268,028)
Trade debts	642,128	(992,178)
Loans, advances, deposits and prepayments	(1,238,706)	145,155
	-----	-----
	(427,389)	(1,111,107)
Increase/(decrease) in current liabilities		
Bank finance under mark-up arrangements	561,246	(120,945)
Creditors, accrued and other liabilities	(163,598)	(172,366)
	-----	-----
	397,648	(293,311)
	-----	-----
Taxes paid	(579,737)	(375,389)
Retirement benefits paid	(10,179)	(12,105)
	-----	-----
	(589,916)	(387,494)
	-----	-----
Net cash inflow/(outflow) from operating activities	1,301,262	(251,336)
<b>Cash Flow from Investing Activities</b>		

Fixed capital expenditure	(461,894)	(321,799)
Sale proceeds of fixed assets	3,528	4,651
(Increase)/decrease in long-term loans deposits, advances and other receivables	(20,746)	4,776
Long-term investments	(458,187)	(16,958)
Assets in Bangladesh	28,589	-
Dividend received	16,400	20,389
Net cash out flow from investing activities	(892,310)	(308,941)
<b>Cash Flow from Financing Activities</b>		
Repayment of long-term loans	(105,353)	(100,762)
Liabilities against assets subject to finance lease	25,290	8,540
Payment made for assets subject to finance lease	(12,995)	(16,796)
Proceeds from long-term deposits	47,884	8,366
Financial charges paid	(53,136)	(174,066)
Dividend paid	(288,737)	(102,454)
Net cash outflow from financing activities	(387,047)	(377,172)
Net increase in cash and cash equivalents	21,905	(937,449)
Cash and cash equivalents at the beginning of the year	523,402	1,460,851
Cash and cash equivalents at the end of the year	545,307	523,402
	=====	=====

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 1995  
(Amount in Thousand Rupees)

**1. STATUS AND NATURE OF BUSINESS**

Pakistan State Oil Company Limited is a public quoted company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984). The principal activity of the Company is the storage and marketing of petroleum and related products.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2.1 Accounting convention

These accounts have been prepared on the basis of historical cost 'convention'

2.2 Staff retirement benefits

2.2.1 Gratuity

The Company operates an unfunded gratuity scheme for all current employees which 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. Obligations under the scheme are provided annually.

2.2.2 Pension

The Company operates an approved funded pension scheme for all its employees. Contribution to the funds are based on actuarial valuation.

2.3 Taxation

The charge for current taxation is based on taxable income. Deferred liability for taxation, if any, is accounted for by using the liability method on all major timing differences. However, deferred tax debits are not accounted for in the accounts which at 30 June 1995, amounted to approximately Rs. 30.06 million (1994: Rs. 15.90 million).

2.4 Fixed assets and depreciation

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost, and financial charges on borrowings for financing the projects until such

projects are completed or become operational.

Depreciation is charged to income applying the straight line method. Full year's depreciation is charged on additions during the year but no depreciation is charged on deletions.

Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired

Gains and losses on disposal of assets are included in income currently.

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations under the lease are accounted for as liabilities. Assets acquired under finance lease are amortized over the useful life of the assets and such amortization included in depreciation is computed commencing from the month in which the leased assets are put into operation.

2.5 Long-term investments

The Company follows the 'cost method' of accounting for long-term investments; provisions are made for permanent diminution in value of investments.

2.6 Stores and spares

These are valued at moving average cost except items in transit which are stated at cost; obsolete and used items are recorded at no value.

2.7 Stock-in-trade

These are valued at the lower of average cost or cost on first-in first-out (FIFO) basis and net realizable value. Charges like excise, custom duties and other similar levies incurred on unsold stock of products are added to the value of stock.

Stock-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.8 Trade debts

Known bad debts, if any, are written off and provision is made against debts considered doubtful.

2.9 Foreign currency translation

Transactions in foreign currency are accounted for in rupees at the rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those ruling at the balance sheet date except in the case of a foreign currency loan which is covered under Exchange Risk Scheme. Exchange gains and losses are included in income currently.

2.10 Revenue recognition

Sales are recorded on dispatch of products to customers. Dividend income on equity investment is recognized on receipt basis.

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

Fully paid ordinary shares of Rs. 10/- each.

1995	1994		1995	1994
(No. of shares)				
3,000,000	3,000,000	Issued for cash	30,000	30,000
		Issued for consideration		
7,694,469	7,694,469	other than cash	76,945	76,945
		Issued as bonus Shares		
		At beginning of		
26,954,834	20,679,950	the year	269,549	206,800
11,294,791	6,274,884	During the year	112,948	62,749
38,249,625	26,954,834		382,497	269,549
-----			-----	
48,944,094	37,649,303		489,442	376,494
=====			=====	

**4. RESERVES**

Capital	Note 4.1	3,373	3,373
Revenue			
- General	Note 4.2	2,357,496	1,707,496
- Dividend equalization		53,472	53,472
		2,410,968	1,760,968
Proposed issue of bonus shares	Note 4.3	146,833	112,948
		-----	-----
		2,561,174	1,877,289
		=====	=====

4.1 Capital reserve represents surplus arising on vesting of net assets of Esso Oil Marketing business in Pakistan under the "Esso Undertakings. (Vesting) Act, 1976."

	1995	1994
4.2 At the beginning of the year	1,707,496	1,312,496
Transferred from Profit and Loss account	650,000	395,000
	-----	-----
	<b>2,357,496</b>	1,707,496
	=====	=====
4.3 At beginning of the year	<b>112,948</b>	62,749
Transferred from Profit and Loss account	<b>146,833</b>	112,948
	-----	-----
	<b>259,781</b>	175,697
Transferred to Share Capital	<b>(112,948)</b>	(62,749)
	-----	-----
	<b>146,833</b>	112,948
	=====	=====

**5. LONG-TERM LOANS**

Note	Financing Rate	Repayable By	Sanctioned Amount	Balance Outstanding
5.1	1%over bank rate	1994	183,000-	13,174
5.2	1 % over bank rate	1996	265,000	<b>48,429</b>
5.3	1 % over bank rate	1998	215,000	<b>150,500</b>
5.4	14% per annum (including exchange risk)	2005	73,982	<b>47,505</b>
				-----
				<b>246,434</b>
				-----
				<b>88,179</b>
				-----
				<b>158,255</b>
				-----
				<b>246,434</b>
				=====

5.1 Represents loan obtained from banks to hold reserve stocks of petroleum products for the Government. The balance of loan has been fully paid. The loan was secured against hypothecation of petroleum products at different storage points in the country (Note-19.1).

5.2 Represents loan obtained from banks for storage development projects. The balance of loan is payable in two half-yearly installments by 30 June 1996. The loan is secured against mortgage of specified project assets.

5.3 Represents loan obtained from banks to hold reserve stocks of petroleum products for the Government. The loan is repayable in seven equal half yearly installments by 31 December 1998. The loan is secured against the hypothecation of stocks of petroleum products at different storage points in the country. The financial charges on the loan are reimbursable

by the Government of Pakistan.

5.4 Represents a loan obtained from the Government of Pakistan out of the proceeds of a loan from the International Bank for Reconstruction and Development (IBRD) for Energy Sector to the Government. The sanctioned amount of US\$ 4.25 million (1994: US\$ 4.25 million) disbursed in 1986, is for development of storage and pipeline facilities. The loan is unsecured and is repayable in local currency in twenty six equal half yearly installments which commenced from December 1990.

<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	1995	1994
Balance as on 1 July	16,031	24,287
Assets acquired during the year	25,290	8,540
	-----	-----
	<b>41,321</b>	32,827
Less: Payments made	12,995	16,728
Adjustments	-	68
	<b>12,995</b>	16,796
	-----	-----
Note 6.2	28,326	16,031
Less: Current portion of liability	14,644	7,862
	-----	-----
	<b>13,682</b>	8,169
	=====	=====

6.1 The total lease rentals due under the lease agreements aggregate Rs. 28.3 million (1994: Rs. 16.1 million) and are payable in equal monthly and quarterly installments under various lease agreements latest by 1998. Overdue rental payments are subject to an additional charge of 2 to 3 percent per month. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. In case of termination of agreement the lessee is to pay entire rent for unexpired period. Financing rates of approximately 10 to 21 percent per annum have been used as discounting factor.

Purchase options can be exercised by the lessee paying 5 to 10 percent of the security deposits at the expiry of lease period

6.2 The future minimum lease payments to which the Company is committed under the lease agreements are due as follows:

	YEAR		
	1995	-	9,610
	1996	17,088	7,072
	1997	11,850	1,902
	1998	2,865-	
		-----	
		31,803	18,584
Financial charges allocated to future periods		3,477	2,553
		-----	
		<b>28,326</b>	16,031
		=====	=====

**7 LONG-TERM DEPOSITS**

Special deposits	Note 7.1	18,664	14,067
Equipment deposits	Note 7.2	128,991	127,054
Cartage contractors deposits	Note 7.3	55,550	14,200
		-----	
		<b>203,205</b>	155,321
		=====	=====

- 7.1 The special deposits are against dealership for an initial period of 10 years at interest rate of 7 to 13 percent per annum and are expected to be renewed on maturity.
- 7.2 These are interest free deposits from customers against LPG equipment's and are refundable on return of equipment's.
- 7.3 These are interest free deposits from contractors against the transportation of petroleum products and are refundable on the cancellation of cartage contract.

<b>8 DEFERRED LIABILITIES</b>	1995	1994
Staff Retirement Benefits - Gratuity		
At beginning of the year	251884	210,574
Provision during the year	28,537	53,415
Payments to outgoing staff	<b>10,179</b>	12,105
	18,358	41,310
	-----	-----
	<b>270,242</b>	251,884
	=====	=====

**9 BANK FINANCE UNDER MARK-UP ARRANGEMENTS - Secured**

The Company has short-term financing facilities of Rs. 977.0 million (1994: Rs. 487.0 million) from various banks at mark-up ranging from 35-43 paisas per Rs. 1,000 per day, net of prompt payment rebates. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities under mark-up arrangements are secured by way of charge against hypothecation of Company's stock of petroleum products.

**10 CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES**

		1995	1994
Creditors	Note 10.1	4,735,370	4,650,430
Accrued expenses		<b>91,162</b>	87,453
Workers' profit participation fund	Note 10.2	88,480	61,875
Pension fund	Note 10.3	31,853	47,903
Financial charges accrued on secured loans		41,455	48,809
Deposits - interest free, from customers and others		<b>186,971</b>	143,432
Advance from customers		<b>306,196</b>	216,316
Payable to contractors/suppliers		<b>266,941</b>	430,682
Railways / pipeline charges		58,029	306,454
Insurance payable on imports		<b>34,513</b>	24,239
Other liabilities		<b>37,748</b>	24,723
		-----	-----
		5,878,718	6,042,316
		=====	=====

10.1 Includes Rs. 1,586 million (1994: Rs. 693 million) payable to suppliers and others on account of oil imports.

10.2 Workers' profit participation fund			
At beginning of the year		61,875	40,607
Contribution for the year		88,480	61,875
		-----	-----

	150,355	102,482
Payment during the year	(61,875)	(40,607)
	-----	-----
	88,480	61,875

Full provision has been made for contribution to the fund. The contribution is paid annually to the fund in advance and hence no interest is payable thereon.

	1995	1994
10.3 Pension fund		
Provision at beginning of the year	47,903	35,982
Provision during the year	14,171	39,791
	-----	-----
	<b>62,074</b>	75,773
Payments to the fund	(30,221)	(27,870)
	-----	-----
	<b>31,853</b>	47,903

#### 11. DIVIDENDS

##### Unclaimed

Minimum guaranteed return	448	448
Dividends	38,998	105,604
	-----	-----
	<b>39,446</b>	106,052
Proposed dividend	97,889	75,299
	-----	-----
	<b>137,335</b>	181,351

#### 12. CONTINGENCIES AND COMMITMENTS

- 12.1 At 30 June, 1995 there existed claims against the Company not acknowledged as debts pending litigations Rs. 44.6 million approximately (1994: Rs. 44.1 million).
- 12.2 Duties leviable on ax-bonding of stocks at 30 June, 1995 Rs. 334.3 million (1994: Rs. 499.3 million)
- 12.3 Aggregate commitments for capital expenditure contracted for, but remaining to be executed at 30 June, 1995 amounted to Rs. 202.9 million (1994: Rs. 145.4 million).
- 12.4 Letters of credit and bank guarantees Rs. 302.3 million (1994: Rs. 1,007.2 million).
- 12.5 According to a memorandum of understanding, the Company has committed for investment in setting up of refinery in collaboration with Hyundai Corporation-South Korea, amounting to Rs. 1,239 million (US\$ 40 million).

#### 13. OPERATING FIXED ASSETS

13.1 The following is a statement of operating fixed assets:

	Cost at 1 July 1994	Additions	(Disposals)/ *Adjust- ments	Cost at 30-Jun 1995	Accumulated Depreciation at June 1995	Book Value at 30 June 1995	Depreci- ation for the year	Annual Depreci- ation Rate%
Land- freehold	70,910	-	-	70,910	-	70,910	-	-
- Leasehold	6,168	-	-	6,168	2,522	3,646	248	5-6.67
Buildings - on freehold land	156,653	7,350	-	164,003	35,412	128,591	8,229	5-6.67
on leasehold land	104,897	19,440	-	124,337	50,269	74,068	5,675	5-6.67&10
Leasehold improvements	1,071	-	-	1,071	1,071	-	-	20
Tanks and pipelines	864,932	12,894	-	877,828	429,131	448,695	74,317	6.67 & 10
Service and filling stations	199,660	21,201	(141)	220,598	145,478	75,120	14,729	10

			*(122)					
Vehicles and other rolling stock	169,808	23,055	(4,662) *1,544	189,745	138,055	51,690	20,111	6.67-15&25
Furniture fittings and equipment	49,149	10,759	(480) *(8)	59,420	32,117	27,303	4,973	6.67-10
Plant, machinery and equipment	360,283	14,531	*8	374,822	180,568	194,254	34,101	6.67-10
Railway sidings	12,160	918	-	13,078	9,534	3,544	917	6.67-10
Gas cylinders/regulators	110,605	3,300	-	113,905	94,710	19,195	7,136	10
	2,106,296	113,448	(5,283) *1,422	2,215,883	1,118,867	1,097,016	170,436	
1994	1,476,308	544,301	(7,654) *93,341	2,106,296	952,545	1,153,751	153,373	

The above includes storages and other facilities developed under storage Development Programme.

1 3.2 Disposal of fixed assets including assets subject to finance lease

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds
By Tender				
Tank	747	747	-	857
Service and filling station	141	132	9	105
Motor vehicles	3,755	3,755	-	2,354
Furniture, fittings and equipment	234	225	9	29
	4,877	4,859	18	3,345
By Negotiation				
Motor Vehicles	160	160	-	100
Furniture, fittings and equipment	246	169	77	83
	406	329	77	183
	5,283	5,188	95	3,528
1994	7,654	7,264	390	4,651

In view of large number of purchasers, the management considers it impracticable to disclose particulars required under the Companies Ordinance, 1984.

1 4. ASSETS SUBJECT TO FINANCE LEASE

Cost at 1-Jul-94	Additions/ (Disposals) *Adjustment	Cost at 30 June 1995	Accumulated Amortisation at 30 June 1995	Book Value at 30 June 1995	Amortisation for the year	Rate %
------------------	------------------------------------	----------------------	--	----------------------------	---------------------------	--------

Automobiles	23,394	25,364 (710) *(1,544)	46,504	11,389	35,115	7,221	20
Machinery and equipment	3,020	—	3,020	1,032	1,988	302	10
	26,414	25,364 (710) *(1,544)	49,524	12,421	37,103	7,523	
	=====	=====	=====	=====	=====	=====	
1994	107,460	8,540 *3,755 *(93,341)	26,414	6,617	19,797	8,751	
	=====	=====	=====	=====	=====	=====	

1995                      1994

**15. CAPITAL WORK-IN-PROGRESS**

Buildings, tanks and pipelines							
PSO House					232,730	192,847	
Others					<b>320,771</b>	140,444	
Storage development projects					<b>108,384</b>	114,662	
Advances to suppliers and contractors							
PSO House					<b>27,370</b>	25,025	
Others					15,571	15,008	
					-----	-----	
					<b>704,826</b>	487,986	
					=====	=====	

**LONG TERM INVESTMENTS**

Quoted companies

Pakistan Refinery Limited 1,080,000 (1994: 1,080,000) fully paid ordinary shares of Rs. 10/- each 1,620,000 (1993: 1,620,000) fully paid Bonus shares of Rs. 10/- each market value Rs. 299,700 (1994: Rs. 356,400) equity held 18% (1994: 18%)					<b>15,098</b>	15,098	
---	--	--	--	--	---------------	--------	--

Unquoted companies

Pak Grease Manufacturing Company (Private) Limited							
74,800 (1994: 74,800) fully paid ordinary shares of Rs. 10/- each							
549,011 (1994:467,623)fullypaidBonussharesofRs.10/-each							
equity held 22% (1994: 22%) value based on net assets as at							
31 December 1994 Rs.12,800 (1993: Rs. 8,159)							
Chief Executive Mr. M. Shahrukh Qaisar					1,346	1,346	

Asia Petroleum Limited

Advance against future issue of Share Capital							
Chief Executive Mr. K. Izz Hamid					475,145	16,958	
					-----	-----	
					476,491	18,304	

In subsidiary undertakings

Aremai Petroleum (Private) Limited							
81,600 (1994: 81,600) fully paid ordinary shares of Rs. 10/- each							
173,389 (1993: 122,784) fully paid Bonus shares of Rs. 10/- each							
equity held 51% (1994: 51%) value based on net assess as at							
30 June 1995 Rs. 5,495 (1994: Rs. 4,751)					816	816	

Auto Oils (Private) Limited

41 (1994:41)fully paid ordinary shares of Rs. 12,500/- each							
---	--	--	--	--	--	--	--

71 (1994:56) fully paid Bonus shares of Rs. 12,500/- each equity held 51 % (1994: 51 %) value based on net assets as at 30 June 1995 Rs. 4,325 (1994: 3,325 )	513	513
	-----	-----
	1,329	1,329
In associated undertakings		
Gizri Lubricants (Private) Limited		
60,000 (1994: 60,000) fully paid ordinary shares of Rs. 10/- each		
Bonus shares 34,380 (1994: 34,380) fully paid of Rs. 10/- each		
equity held 40% (1994: 40%) value based on net assets as at 30 June 1995 Rs. 2,781 (1994: Rs. 2,539)		
Chief Executive Mr. Waheed Qadir		
	600	600
Mid East Oil and Grease Corporation (Private) Limited		
8,350 (1994: 8,350) fully paid ordinary shares of Rs. 1 00/- each		
Bonus shares 8,144 (1994: 6,646) fully paid of Rs. 100/-each		
equity held 40% (1994: 40% ) value based on net assets as at 30 June 1995 Rs. 3,452 (1994: Rs. 3,139)		
Chief Executive Syed Muhammad Rafi		
	835	835
Salsons Lubricants (Private) Limited		
13, 320 fully paid ordinary shares of Rs. 100/- each		
face value. Purchased @ Rs. 50/- each		
equity held 40% (1994: 40%) value based on net assets as at 30 June 1995 Rs. 3,070 (1994: Rs. 2,755)		
Chief Executive Mr. M.M. Salim		
	666	666
	-----	-----
	2,101	2,101
	-----	-----
	495,019	36,832
	=====	=====

	1995	1994
<b>17. LONG TERM DEPOSITS, LOANS, ADVANCES AND PREPAYMENTS</b>		
Long-term deposits - Trade	2,879	2,879
- Leased assets	3,644	2,140
	-----	-----
	6,523	5,016
Long-term loans and advances considered good		
Due from employees Note 17.1	6,246	5,897
Prepayments		
- Rentals	461,341	33,833
- Others	226,401	16,051
	-----	-----
	68,774	49,884
	-----	-----
	81,543	60,797
	=====	=====
17.1 Recoverable after three years	2,591	3,521
Others	3,655	2,376
	-----	-----
	6,246	5,897
	=====	=====

The loans and advances represent interest-free advances in accordance with the Company's policy and do not include any advance to the Managing Director of the Company. The loans are secured, where relevant, against the respective assets for which the loans have been granted.

1995	1994
------	------

**18. STORES AND SPARES**

Stores	43,424	23,462
Spares and loose tools	6,013	4,616
	-----	-----
	49,437	28,078
	=====	=====

**19. STOCK-IN-TRADE**

Petroleum and other products in hand  
(including stock-in-transit Rs. 71.4 million.

1994 Rs. 40.4 million)	Note 19.1	1,404,570	1,246,594
Less: Reserve stock held in trust	Note 19.2	183,808	103,807
		-----	-----
		1,220,762	1,142,787
In PARCO Pipeline System	Note 19.3	665,095	1,863,651
Less: Held in trust	Note 19.4	197,200	1,197,200
		-----	-----
		467,895	666,451
		-----	-----
		1,688,657	1,809,238
Charges incurred on stock		278,117	348,084
		-----	-----
		1,966,774	2,157,322
		=====	=====

19.1 Includes reserve stock at 30 June, 1995 equivalent to Rs. 214 2 million (1994: Rs. 294 2 million) held as a bailee in trust for the Government of Pakistan under an agreement (Note 5.1 & 5.3).

19.2 Represents stock held in trust on behalf of the Government of Pakistan under an arrangement.

19.3 The stock in the Pak-Arab Refinery Limited (PARCO) pipeline System has been determined on the basis of quantities supplied to PARCO for transportation and the quantities received at the destination. PARCO has claimed stock losses stated to be incurred in the course of transportation or otherwise while in their custody. The company has disputed such claim and maintains that it is technically not possible to have losses of any significance in the stock transported through the Pipelines. The matter is being persuaded by the company along with other marketing companies concerned to resolve issue with PARCO.

19.4 This represents stock held in trust on behalf of the Government of Pakistan under an agreement.

	1995	1994
<b>20. TRADE DEBTS</b>		
Unsecured, considered good		
Due from Government agencies and autonomous bodies	1,391,306	2,087,419
Due from other customers	243,536	189,551
	-----	-----
	1,634,842	2,276,970
Unsecured, considered doubtful		
Due from other customers	104,437	104,437
Less: Provision for doubtful debts	104,437	104,437
	-	-
	-----	-----
	1,634,842	2,276,970

**21. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS**

**AND OTHER RECEIVABLES**

Loans and advances			
Unsecured, considered good			
Employees	19,031	15,425	
Advances to suppliers	77,277	56,014	
	-----	-----	
	96,308	71,439	
Deposits			
Duty and development surcharge	1,066,260	629,556	
Trade deposits	1,056	8,788	
	-----	-----	
	1,067,316	638,342	
Prepayments	14,365	11,411	
Other receivables - unsecured, considered good			
Claims and refunds			
Price differential on imports	2,029,975	454,255	
Storage development claims	59,663	86,204	
Freight equalization	739,961	1,294,486	
Excise and customs duty	7,893	35,252	
Financial charges on reserve stock loans	57,759	44,460	
	-----	-----	
	2,895,251	1,914,657	
Accrued returns on bank deposits	10,969	2,483	
Receivable from oil marketing companies on account of oil imports	68,125	264,957	
Due from			
Subsidiaries	Note 21.1	39,426	38,832
Associated undertakings	Note 21.1	17,582	29,454
	-----	-----	
	57,008	68,286	
Others	11,903	10,964	
	-----	-----	
	3,043,256	2,261,347	
	-----	-----	
	4,221,245	2,982,539	
	=====	=====	

21.1 Due from subsidiaries and associated companies carries an interest at the rate of 15%(1994: 15%) per annum calculated an daily product basis

21.2 The maximum aggregate amount due from subsidiaries/associated companies at the end of any month during the year was as stated below:

	1995	1994
Aremai Petroleum (Private) Limited	15,014	89,124
Auto Oils (Private) Limited	24,412	124,986
Gizri Lubricants (Private) Limited	7,154	53,989
Mid East Oil and Grease Corporation (Pvt) Ltd	—	23,760
Salsons Lubricants (Private) Limited	2,730	42,378

**22. CASH AND BANK BALANCES**

Cash in hand	2,510	2,216
Cash in transit	73,390	91,398
Cash at bank		
on current accounts	110,247	47,087
on deposit accounts	Note 22.1	359,160
	-----	-----

	545,307	523,402
	=====	=====

22.1 Includes PLS Term Deposit of Rs. 50 million with former Mehran Bank Limited. In accordance with the notification of State Bank of Pakistan dated 22 February 1995, the operations and assets and liabilities of former Mehran Bank Limited have been merged into National Bank of Pakistan. The management considers the said deposit to be realizable in full. Accordingly, no provision has been made in the accounts.

22.2 In addition to above, the Company is also maintaining a deposit account on behalf of the Government of Pakistan (GOP) for payment to suppliers against import credit facilities. The Company has been advised by GOP to maintain a separate deposit account on behalf of GOP which will be utilised to discharge liabilities of GOP on account of purchase of petroleum products on due dates. The payment is made from the account on behalf of GOP on completion of usance period of respective letters of credit. At the year end, the respective liability to Government of Pakistan and the balance in NSC account amounting to Rs. 5,784 million (1994: Rs. 4,735 million) were held under trust on behalf of Government of Pakistan.

### 23. NET ASSETS IN BANGLADESH

	1995	1994
Fixed assets at cost	46,968	46,968
Accumulated depreciation	(16,056)	(16,056)
	-----	-----
	30,912	30,912
Capital work-in-progress	809	809
Debtors	869	869
	-----	-----
	32,590	32,590
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	-----	-----
	28,589	28,589
Less: Provision	28,589	-
	-----	-----
	-	28,589
	=====	=====

The Company has no control over its assets in Bangladesh and has maintained in its record the position as it was in 1971. However, full provision has been made against these net assets.

	1995	1994
<b>24. GOVERNMENT LEVIES</b>		
Development surcharge	9,697,261	14,557,951
Inland freight equalization margin	4,215,265	2,828,741
Other statutory levies	2,891,245	3,067,140
	-----	-----
	16,803,771	20,453,832
	=====	=====
<b>25. COST OF PRODUCTS SOLD</b>		
Opening stock	2,102,984	1,977,053
Purchases	46,536,594	41,775,460
	-----	-----
	48,639,578	43,752,513
Closing stock	(1,995,097)	(2,102,984)
	-----	-----
	46,644,481	41,649,529
	=====	=====

**26. OTHER INCOME**

Profit on disposal of fixed assets		3,433	4,261
Dividends	Note 26.1	16,400	20,389
Commission and handling charges		38,847	27,122
Compensation on advance payment of tax		5,705	4,315
Income from funds management		112,596	68,418
Miscellaneous		8,418	10,037
		-----	-----
		185,399	134,542
		=====	=====

## 26.1 Dividends

Dividend received from:

Pakistan Refinery Limited		10,800	17,550
Pak Grease Manufacturing Company (Pvt) Ltd		3,526	1,356
Subsidiary undertakings			
Aremai Petroleum (Private) Limited		511	426
Auto Oils (Private) Limited		364	304
Associated undertakings			
Gizri Lubricants (Private) Limited		425	214
Mideast Oil and Grease Corporation (Pvt) Ltd		375	273
Salsons Lubricants (Private) Limited.		399	266
		-----	-----
		16,400	20,389
		=====	=====

**27. TRANSPORTATION CHARGES**

Cost		6,490,326	5,853,387
Realized against Inland Freight			
Equalization Margin (IFEM)		(4,215,265)	(2,828,741)
Receivable/Receipts from Govt of Pakistan			
on account of deficit on IFFM		(2,149,798)	(2,918,313)
		-----	-----
		(6,365,063)	(5,747,054)
		-----	-----
		125,263	106,333
		=====	=====

**28. ADMINISTRATIVE AND MARKETING EXPENSES**

		1995	1994
Salaries, wages and benefits		460,938	471,217
Rent, rates and taxes		45,511	40,161
Repairs and maintenance		64,031	55,622
Insurance		29,068	24,538
Travelling and office transport		27,593	20,875
Printing and stationery		15,467	13,031
Communication		25,010	22,070
Electricity and gas		41,382	35,401
Advertising and publicity		2,697	1,731
Auditors' remuneration	Note 28.1	750	724
Contribution towards expenses			
of Board of Management (Oil)		900	1,100
Depreciation	Note 28.2	177,959	162,124
Provision for doubtful debts		-	100,000
Donations	Note 28.3	11,258	196
		-----	-----
		902,564	948,790
Less: Handling, storage and			

other recoveries-net	Note 28.4	129,886	170,559
		-----	-----
		772,678	778,231
		=====	=====

28.1 Auditors' remuneration comprises of:

	1995		1994	
	Taseer Hadi Khalid & Co.	Sidat Hyder Qamar Magbool & Co.	Taseer Hadi Khalid & Co.	Sidat Hyder Qamar Magbool & Co.
Audit fee - statutory audit	100	100	70	70
Certification of claims, octroi and other services etc.	25	409	106	320
Out of pocket expenses	56	60	62	96
	-----	-----	-----	-----
	181	569	238	486
	=====	=====	=====	=====

28.2 Includes amortization charge relating to assets subject to finance lease (Note 14).

28.3 The Managing Director and his spouse do not have any interest in any donee's fund to which donation was made.

28.4 Includes a recovery of Rs. 39.9 million (1994: Rs. 42.2 million) on account of Storage Development.

	1995	1994
<b>29. FINANCIAL CHARGES</b>		
Long-term loans	-	1,661
Short-term bank financing	15,579	34,753
Financing charges under leases	3,608	2,405
Bank charges	33,126	32,175
On account of purchase of POL products	-	170,637
Others	823	962
	-----	-----
	53,136	242,484
	=====	=====

29.1 Financial charges for the year recoverable from Government of Pakistan not included in above (Rs. in mln )

	-	32.2
--	---	------

Financial charges for the year capitalized under capital work-in-progress, not included in above (Rs. in million)

	3.1	13.1
	=====	=====

	1995	1994
<b>30. PROVISION FOR TAXATION</b>		
Current taxation	640,000	485,000
Deferred taxation	-	(5,414)
	-----	-----
	640,000	479,586
	=====	=====

31. FOLLOWING IS A STATEMENT OF NET RESULTS FROM LIQUID PETROLEUM GAS (LPG) ACTIVITY.

Sales volume (000 tones)	11.9	9.4
--------------------------	------	-----

Sales	129,508	77,732
Less Government levies	1,160	375
	-----	-----
	128,348	77,357
Cost of product sold	53,030	29,384
	-----	-----
Gross profit	75,318	47,973
Expenditure and charges		
Transportation	14,958	9,171
Administrative and marketing	28,841	28,084
Workers' Profit Participation Fund	1,576	536
	-----	-----
	45,375	37,791
	-----	-----
Profit for the year	29,943	10,182
	=====	=====

31.1 Expenditure and charges have been allocated to LPG activity on such basis as the management deemed appropriate.

### 32. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts of the year for remuneration and benefits to the Managing Director and Executives were as follows:

	1995		1994	
	Managing Director	Executives	Managing Director	Executives
Managerial remuneration	565	42,164	325	41,024
Company's contribution towards provident fund and retirement benefits	548	16,182	377	25,161
Housing	342	13,011	273	9,858
Leave fare	197	3,207	-	2,573
	-----	-----	-----	-----
	1,652	74,564	975	78,616
	=====	=====	=====	=====
Number	1	168	1	149

In addition, the Managing Director and some Executives were provided with free use of Company cars. No value is attributed to medicines provided at dispensary level.

### 33. SUBSIDIARY/ASSOCIATED UNDERTAKINGS

33.1 The term "associated undertakings" has been deemed not to include those companies in which the Federal Government holds directly or indirectly over 10 percent of shares.

1995                      1994  
(Rupees in million)

#### 33.2 Transactions with subsidiary/associated Companies

Purchases	758.5	1,003.70
Sales	224.6	216

Interest on current account

10.6

12.5

**34. COMPARATIVE FIGURES**

Certain prior year's figures have been re-arranged.

**STATEMENT PURSUANT TO SECTION 237  
OF THE COMPANIES ORDINANCE, 1 984**

The audited accounts along with Auditors Report and Directors' Report of the Company's subsidiaries Aremai Petroleum (Private) Limited and Auto Oils (Private) Limited for the year ended June 30, 1995 are annexed to these accounts.

	1994		1995	
	Aremai Petroleum (Private) Limited	Auto Oils (Private) Limited	Aremai Petroleum (Private) Limited	Auto Oils (Private) Limited
	51% Holding		51% Holding	
Proportionate profits after tax of subsidiary dealt within the accounts by way of dividends/bonus shores				
-for the year ended 30th June, 1994 received during the year				
Dividend	506	363	426	302
Bonus Shores	511	185	340	202
	-----	-----	-----	-----
	1,071	548	766	504
-for previous years from the date the Company is a subsidiary				
Dividend	3,110	711	2,684	409
Bonus Shares	1,227	702	887	500
	-----	-----	-----	-----
	4,337	1,413	3,571	909
	-----	-----	-----	-----
	5,354	1,961	4,337	1,413
Proportionate profits/(loss) offer tax of subsidiary not dealt within the accounts				
-for the year	1,255	1,356	1460	1234
-for previous years from the date the Company is a subsidiary	1,690	1,561	1,247	875
	-----	-----	-----	-----
	2,945	2,917	2,707	2,109
	-----	-----	-----	-----
	8,299	4,878	7,044	3,522
	=====	=====	=====	=====

**PATTERN OF HOLDINGS OF THE SHARES HELD  
BY THE SHARE HOLDERS AS AT 30 JUNE 1995**

No. of Shareholders		Shareholdings		Total Shares Held		percentage	
4655	From	1	to	100	Shares	118,572	0.24
3678	From	101	to	500	Shores	929,622	1.90
1146	From	501	to	1,000	Shores	780,149	1.59
1532	From	1,001	to	5,000	Shores	3,217,123	6.57
215	From	5,001	to	10,000	Shores	1,350,107	2.76
40	From	10,001	to	15,000	Shores	490,105	1.00
41	From	15,001	to	20,000	Shores	712,517	1.46
23	From	20,001	to	25,000	Shores	510,026	1.04
8	From	25,001	to	30,000	Shores	220,666	0.45
3	From	30,001	to	35,000	Shores	94,490	0.19
3	From	35,001	to	40,000	Shores	107,362	0.22
7	From	40,001	to	45,000	Shores	303,130	0.62
4	From	45,001	to	50,000	Shores	184,256	0.38
2	From	50,001	to	55,000	Shores	106,574	0.22
6	From	55,001	to	60,000	Shores	349,249	0.71
1	From	60,001	to	65,000	Shores	61,196	0.13
1	From	65,001	to	70,000	Shores	67,200	0.14
1	From	70,001	to	75,000	Shores	72,800	0.15
3	From	80,001	to	85,000	Shores	249,027	0.51
2	From	90,001	to	110,000	Shores	183,153	0.37
1	From	110,001	to	115,000	Shores	110,890	0.23
1	From	115,001	to	125,000	Shores	118,092	0.24
2	From	125,001	to	135,000	Shores	252,958	0.52
1	From	135,001	to	140,000	Shores	139,980	0.29
2	From	140,001	to	150,000	Shores	284,241	0.58
2	From	150,001	to	155,000	Shores	308,115	0.63
1	From	155,001	to	160,000	Shores	156,136	0.32
1	From	160,001	to	170,000	Shores	161,894	0.33
1	From	170,001	to	175,000	Shores	170,950	0.35
1	From	175,001	to	180,000	Shores	179,462	0.37
2	From	180,001	to	190,000	Shores	363,110	0.74
1	From	190,001	to	205,000	Shores	193,295	0.39
1	From	205,001	to	210,000	Shores	206,680	0.42
1	From	210,001	to	215,000	Shores	212,806	0.43
1	From	215,001	to	230,000	Shores	215,980	0.44
1	From	230,001	to	250,000	Shores	233,026	0.48
1	From	250,001	to	265,000	Shores	253,676	0.52
1	From	265,001	to	325,000	Shores	265,028	0.54
1	From	325,001	to	350,000	Shores	326,430	0.67
1	From	350,001	to	465,000	Shores	354,640	0.72
1	From	465,001	to	505,000	Shores	468,000	0.96
1	From	505,001	to	560,000	Shores	505,092	1.03
1	From	560,001	to	590,000	Shores	563,746	1.15
1	From	590,001	to	645,000	Shores	594,766	1.22
1	From	645,001	to	1,170,000	Shores	646,994	1.32
1	From	1,170,001	to	1,275,000	Shores	1,173,023	2.40
1	From	1,275,001	to	1,340,000	Shores	1,278,292	2.61
1	From	1,340,001	to	6,540,000	Shores	1,342,913	2.74
1	From	6,540,001	to	8,725,000	Shores	6,544,512	13.37
1	From	8,725,001	to	12,485,000	Shores	8,725,871	17.83
1	From	12,485,001	to	12,490,000	Shores	12,486,172	25.51
<b>11406</b>				<b>48,944,094</b>		<b>10000</b>	

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	11,246	8,112,143	16.57
Investment Companies	12	202,477	0.41
Insurance Companies	11	2,164,275	4.42
Joint stock Companies	42	457,519	0.93
Financial Institutions & Banks	16	16,552,442	33.83
Modaraba Companies	10	27,435	0.06
Federal Government	1	12,486,172	25.51
Corporate Low Authority	1	2	0.00
Abandoned Properties Organization	1	233,026	0.48
Charitable Institution	1	127,908	0.26
Foreign Investors	65	8,580,695	7.53
-----			
T O T A L	11,406	48,944,094	100.00
=====			

#### REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their report with the Audited Accounts of the Company for the year ended June 30, 1995

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 4,394,533/- (1994: Rs. 5,161,524/-) after meeting all operational, administrative, financial and other expenses. The Board recommends for approval payment of 25% cash dividend.

	Rupees
Profit for the year after providing for all operational, administrative, financial and other expenses.	4,394,533
Less Taxation	1,933,000
	-----
	2,461,533
Add: Unappropriated profit brought forward	13,720
	-----
Profit available for appropriation	2,475,253
APPROPRIATIONS	
Proposed dividend @ 25% in cash (1994: 25%)	1,249,945
Proposed issued of Bonus share in ratio of NIL (1994: 2.476:10)	-
Transfer of General Reserves	1,200,000
	-----
	2,449,945
	-----
Unappropriated profit carried forward	25,308
	=====

The present auditors M/s. Riaz Ahmed & Company have retired and being eligible, offer themselves for re appointment.

Your Directors express their sincere appreciation to all categories of staff for their dedication and devotion to work.

November 1, 1995

On behalf of the Board of Directors  
**Mian Riaz Samee**  
 Chairman

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of AREMAI PETROLEUM (PRIVATE) LIMITED as at 30 June 1995 and the related profit and loss account and statement of changes in financial position 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 purpose of our audit and, after due verification, thereof 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 and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account and statement of changes in financial position together with the notes forming part thereof, 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 30 June, 1995 and of the profit for the year then ended; and

(d) In our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**BALANCE SHEET AS AT 30 JUNE 1995**

	Note	Rupees 1995	1994
<b>CAPITAL AND RESERVES</b>			
Authorised:			
500,000 Ordinary Shares of Rs 10 each		5,000,000	5,000,000
		=====	=====
Issued, Subscribed & Paid-up			
Ordinary Shares of Rs. 10 each 160,000 fully paid in cash		1,600,000	1,600,000
339,978 (1994: 240,752) issued as fully paid bonus shares		3,399,780	2,407,520
		4,999,780	4,007,520
<b>RESERVES</b>	3	4,500,000	4,292,260
Unappropriated Profit		25,308	13,720
		-----	-----
		9,525,088	8,313,500
<b>CURRENT LIABILITIES AND PROVISION</b>			
Due to holding company	4	15,013,548	8,911,374
Creditors, accrued expenses and other liabilities	5	12,306,716	10,650,599

Proposed dividend		1,249,945	1,001,880
		28,570,209	20,563,853
CONTINGENT LIABILITIES AND COMMITMENTS	6	-	-
		38,095,297	28,877,353
FIXED ASSETS		=====	=====
At cost less accumulated depreciation	7	3,335,927	2,189,080
Capital work-in-progress		-	-
		3,335,927	2,189,080
CURRENT ASSETS			
Stocks	8	24,235,898	20,429,436
Advances, deposits, prepayments and other receivables	9	6,700,355	1,944,113
Cash and bank balances	10	3,823,117	4,314,724
		34,759,370	26,688,273
		38,095,297	28,877,353
		=====	=====

**PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 30 JUNE 1995**

	Note	Rupees	
		1995	1994
SALES		197,080,255	199,424,087
Less: Cost of products sold	11	188,906,235	190,747,686
GROSS PROFIT		8,174,020	8,676,401
Other Income		36,870	30,898
		8,210,890	8,707,299
Less: Administrative expenses	13	1,509,172	1,109,628
Financial expenses	14	2,075,894	2,164,489
Workers profit participation fund		231,291	271,658
		3,816,357	3,545,775
PROFIT BEFORE TAXATION		4,394,533	5,161,524
Less: Provision of taxation	15	1,933,000	2,299,000
PROFIT AFTER TAXATION		2,461,533	2,862,524
Add: Unappropriated profit brought forward		13,720	45,336
		2,475,253	2,907,860
APPROPRIATIONS			
Transfer to general reserve		1,200,000	900,000
Reserve for issue of bonus. shares NIL (1994: 24.76%)		-	992,260
Proposed cash dividend Rs. 2.50 per share (1994: Rs. 2.50 per share)		1,249,945	1,001,880

	2,449,945	2,894,140
Unappropriated profit carried over to balance sheet	25,308	13,720
	=====	=====

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 1995**

	Rupees	
	1995	1994
<b>CASH FLOW FROM OPERATIONS</b>		
Cash generated from operations	(266,346)	12,301,073
Financial charges paid	(2,075,894)	(2,164,489)
Due to holding company	6,102,174	(4,981,041)
Income Taxes paid	(1,539,704)	(412,254)
	-----	-----
	2,486,576	(7,557,784)
Net cash flow from operating activities	2,220,230	4,743,289
	-----	-----
<b>CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,709,957)	(1,206,455)
Net cash outflow from investing activities	(1,709,957)	(1,206,455)
	-----	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,001,880)	(834,900)
Net decrease in cash and cash equivalents	(491,607)	2,701,934
Cash and cash equivalents at the beginning of the year	4,314,724	1,612,790
	-----	-----
Cash and cash equivalents at the end of the year	3,823,117	4,314,724
	=====	=====
<b>CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	4,394,533	5,161,524
Adjustments for non cash charges and other items		
Depreciation	5,631,101	360,535
Financial charges	2,075,894	2,164,489
Working capital charges	(7,299,883)	4,614,525
	-----	-----
	(4,660,879)	7,139,549
	-----	-----
	(266,346)	12,301,073
	=====	=====
<b>WORKING CAPITAL CHARGES</b>		
Decrease/(increase) in current assets		
Stock in trade	(3,806,462)	(1,941,988)
Advances, prepayments, deposits and other receivables	(4,756,242)	3,167,108
	-----	-----
	(8,562,704)	1,225,120
Increase in current liabilities		
Creditors. accrued and other liabilities	1,262,821	3,389,405
	-----	-----
	(7,299,883)	4,614,525

=====

NOTES TO THE ACCOUNTS FOR THE YEAR  
ENDED 30 JUNE 1995

1. STATUS AND NATURE OF BUSINESS

Aremai Petroleum (Private) Limited is a Private company incorporated in Pakistan under Companies Act, 1913 (Now Companies Ordinance 1984). The principal activity of the Company is production, blending and marketing of all kinds of lubricating oils.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

These accounts have been prepared on the basis of historical cost convention.

(b) Fixed Assets

These are stated at cost less accumulated depreciation except for capital work-in-process which is stated at cost. Depreciation on fixed assets is charged using the straight line method at the rates stipulated in Note 7. Full year's depreciation is charged on additions during the year and no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred while major renewal and improvements are capitalised and the asset so replaced is disposed off. Gains and losses on disposal of assets are charged to income currently

(c) Stocks

The stocks of lubricants base oils, additives and chemicals have been valued at cost on the basis of first in first out method. Finished products have been valued at lower of cost and net realisable value.

(d) Revenue Recognition

Sales are recorded on despatch of products.

(e) Taxation

The charge for current taxation is based on taxable income after taking into account available tax credits and unabsorbed depreciation. The company accounts for deferred taxation using the liability method for those timing differences which are likely to reverse in the foreseeable future. However, no deferred tax debits are accounted for.

3. RESERVES

Movement in and composition of reserves are as follows:

	General Reserve	Reserve for issue of Bonus Shares	Total 1995	Total 1994
	Rupees	Rupees	Rupees	Rupees
Opening balance	3,300,000	992,260	4,292,260	3,067,920
Transfer to shares capital	-	(992,260)	(992,260)	(667,920)
Add: Transfer from profit and loss account	1,200,000	-	1,200,000	1,892,260
	4,500,000	-	4,500,000	4,292,260
	=====	=====	=====	=====

4. DUE TO HOLDING COMPANY

This represents the balance with Pakistan State Oil Company Limited which is unsecured and return @

15% per annum is charged on the outstanding balances.

#### 5. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	Rupees	
	1995	1994
Creditors	66,500	66,500
Accrued expenses	347,102	390,586
Provision for taxation	3,196,649	2,803,353
Other Liabilities	8,696,465	7,390,160
	-----	-----
	12,306,716	10,650,599
	=====	=====

#### 6. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 30 June 1995 (1994: Nil)

#### 7. FIXED ASSETS

PARTICULARS	AS ON 01 JULY 1994	C O S T		TOTAL AS AT 30-Jun-95	R A T E %	DEPRECIATION			TOTAL AS AT 30-Jun-95	WRITTEN DOWN VALUE AS ON JUNE 30,1995
		ADDITIONS DURING THE YEAR	DELETION			FOR THE YEAR	DELETION			
Building	2,573,636	133,971	—	2,707,607	5	1,036,984	135,380	—	1,172,364	1,535,243
Tanks, Kettles & Pipe Lines	2,699,319	—	—	2,699,319	10	2,571,963	21,536	—	2,593,499	105,820
Plant & Machinery	1,341,060	782,286	—	2,123,346	10	1,270,506	117,335	—	1,387,841	735,505
Electric Fittings	234,494	—	—	234,494	10	225,040	1,350	—	226,390	8,104
Furniture & Fixture	258,311	28,700	—	287,011	10	110,646	23,751	—	134,397	152,614
Laboratory & Office Equipment	594,124	—	—	594,124	10	386,537	41,751	—	428,288	165,836
Pumps, Fittings & F.F. Equipment	384,494	—	—	384,494	10	358,121	5,570	—	363,691	20,803
Vehicles	687,248	765,000	—	1,452,248	20	623,809	216,437	—	840,246	612,002
1995 Rupees	8,772,686	1,709,957	—	10,482,643		6,583,606	563,110	—	7,146,716	3,335,927
1994 Rupees	7,566,231	1,206,455	—	8,772,686		6,223,071	360,535	—	6,583,606	2,189,080

7.1 Depreciation for the year has been allocated as follows:

	Rupees	
	1995	1994
Cost of Products Manufactured	287,509	182,188
Administrative Expenses	275,601	178,347
	-----	-----
	563,110	360,535

	NOTE	Rupees	
		1995	1994
<b>8. STOCKS</b>			
Lubricants Base Oil		12,887,122	10,531,592
Additives & Chemicals		10,143,633	8,334,837
Finished Goods		1,205,143	1,563,007
		-----	-----
		24,235,898	20,429,436
		=====	=====
<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances - considered good			
	National Refinery Limited	—	277,092
	Others	349,795	271,276
		-----	-----
		349,795	548,368
Deposits		2,360,636	122,166
Prepayments		25,000	32,040
Other receivables - considered good		3,964,924	1,241,539
		-----	-----
		6,700,355	1,944,113
		=====	=====
<b>10. CASH AND BANK BALANCES</b>			
Cash in hand		—	1,660
Cash in transit		—	72,458
Cash with banks in current accounts		3,823,117	4,240,606
		-----	-----
		3,823,117	4,314,724
		=====	=====
<b>11. COST OF PRODUCTS SOLD</b>			
Opening stock of finished goods		1,563,007	1,266,226
Cost of products manufactured	12	125,341,353	120,858,016
Excise duty & development surcharge		63,207,018	70,186,451
		-----	-----
		190,111,378	192,310,693
Closing stock of finished goods		(1,205,143)	(1,563,007)
		-----	-----
		188,906,235	190,747,686
		=====	=====
<b>12. COST OF PRODUCTS MANUFACTURED</b>			
Lubricants base oil consumed	12.1	62,325,156	71,657,538
Additives/chemicals consumed	12.2	60,238,632	46,441,194
Salaries and wages		1,684,583	1,372,423
Factory rent		14,400	14,400
Fuel and power		225,444	341,753
Repairs and maintenance		217,167	190,775
Loading and handling		315,870	423,870
Depreciation		275,601	182,188
Lab testing charges		44,500	233,875
		-----	-----
		125,341,353	120,858,016
		=====	=====

NOTE	Rupees	
	1995	1994

12.1 Lubricants Base Oil Consumed		
Opening stock	<b>10,531,592</b>	10,404,796
Purchases	<b>61,967,101</b>	68,325,627
Freight and cartage	<b>2,713,585</b>	3,458,707
	-----	-----
	75,212,278	82,189,130
Closing stock	<b>(12,887,122)</b>	(10,531,592)
	-----	-----
	<b>62,325,156</b>	71,657,538
	=====	=====

12.2 Additives/Chemicals Consumed		
Opening stock	<b>8,334,837</b>	6,816,426
Purchases	<b>62,047,428</b>	47,959,605
	-----	-----
	<b>70,382,265</b>	54,776,031
Closing stock	<b>(10,143,633)</b>	(8,334,837)
	-----	-----
	<b>60,238,632</b>	46,441,194
	=====	=====

**13. ADMINISTRATIVE EXPENSES**

Head office expenses	<b>300,000</b>	300,000
Printing and stationery	28,737	20,154
Travelling expenses	132,730	117,018
Transport & conveyance	62,030	66,074
Insurance	<b>70,853</b>	73,794
Telephone, postage & telegram	118,380	104,627
Subscription	<b>25,000</b>	17,500
Advertisement & Publicity	-	5,000
Directors' fee	2,500	2,500
Auditors' remuneration	13.1 382,932	102,250
Depreciation	<b>287,509</b>	178,347
Welfare	32,853	54,116
Rent, rates and taxes	13,000	36,000
Others	<b>52,648</b>	32,248
	-----	-----
	<b>1,509,172</b>	1,109,628
	=====	=====

## 13.1 Auditors' Remuneration

Audit fee	<b>25,000</b>	20,000
Taxation services	357,932	82,250
	-----	-----
	382,932	102,250
	=====	=====

**14. FINANCIAL EXPENSES**

Markup on balance due to holding company	<b>2,072,664</b>	2,162,054
Bank charges	3,230	2,435
	-----	-----
	<b>2,075,894</b>	2,164,489
	=====	=====

15. The Company's income tax assessment for and upto assessment years 1982-83 has been finalized. For assessment years 1983 84 and 1984-85, the matter is in appeal before Income Tax Appellate Tribunal. While the assessment Years from 1985-86 to 1991-92, 93-94 & 94-95 are pending for finalization.

**16. GENERAL**

16.1 Prior year's figures have been rearranged wherever deemed necessary for the purpose of comparison.

16.2 Figures have been rounded off to the nearest of rupee.

**REPORT OF THE DIRECTORS**

Your Directors have pleasure in presenting their report with the Audited Accounts of the Company for the year ended June 30,1995.

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 4,359,158/- (1994 Rs. 5,163,695/-) after meeting all operational, administrative, financial and other expenses. The Board recommends for approval payment of 30% cash dividend and bonus share in the ratio of 1.507:10 for the year.

	<b>Rupees</b>
Profit for the year after providing for all operational, administrative, financial and other expenses	4,359,158
Less: Taxation	1,700,998
	-----
	2,658,160
Add: Unappropriated profit brought forward	462,065
	-----
Profit available for appropriation	3,120,225
 APPROPRIATIONS	
Proposed dividend @ 30% in cash (1994: 30%)	821,250
Proposed issued of Bonus shares in ratio of 1.507:10 (1994: 1.526:10)	412,500
Transfer of General Reserves	1,000,000
	-----
	2,233,750
	-----
Unappropriated profit carried forward	886,475
	=====

The present auditors M/s. Amir Alam Khan & Co. have retired and being eligible, offer themselves for re appointment.

Your Directors express their sincere appreciation to all categories of staff for their dedication and devotion to work.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of AUTO OILS (PRIVATE) LIMITED as at 30 June 1995 and the related profit and loss account and statement of changes in financial position 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 and, after due verification thereof, 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 and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position together with the notes forming part thereof, 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 affair as at June 30, 1995 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**BALANCE SHEET AS AT 30 JUNE 1995**

	NOTE	Rupees	
		1995	1994
<b>CAPITAL AND RESERVES</b>			
Authorised:			
400 Ordinary Shares of Rs. 12,500 each		5,000,000	5,000,000
=====			
Issued, Subscribed & Paid-up			
80 Ordinary Shares of Rs. 12,500 each, issued for cash		1,000,000	1,000,000
139 (1994-110) Ordinary shares of Rs. 12.500 each. issued as bonus shares		1,737,500	1,375,000
		-----	-----
		2,737,500	2,375,000
<b>RESERVES</b>			
General reserve		3,600,000	2,600,000
Proposed issue of bonus shares		412,500	362,500
Unappropriated profit		886,475	462,065
		-----	-----
		7,636,475	5,799,565
<b>CURRENT LIABILITIES</b>			
Balance due to holding company	3	24,421,420	29,929,738
Creditors accrued and other liabilities	4	14,832,180	12,365,539
Dividend payable		177,626	82,688
Proposed dividend		821,250	712,500
		-----	-----
		40,252,476	43,090,465
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5	-	-
		-----	-----
		47,888,951	48,890,030
=====			
<b>FIXED CAPITAL EXPENDITURE</b>			
Fixed assets	6	2,413,003	2,714,560
Capital work-in-progress		304,156	5,000
<b>CURRENT ASSETS</b>			
Stock-in-trade	7	21,388,332	27,478,111
and other receivable			
Advances, deposits, prepayments	8	22,370,715	18,532,057
Cash and bank balances	9	1,412,745	160,302

45,171,792	46,170,470
47,888,951	48,890,030
=====	=====

The annexed notes form an integral part of these accounts  
Auditor's report annexed.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 30 JUNE 1995**

	NOTE	Rupees	
		1995	1994
SALES			
Cost of products sold	10	<b>175,831,177</b>	206,958,859
		168,279,211	197,775,656
		-----	-----
GROSS PROFIT		<b>7,551,966</b>	9,183,203
OPERATING EXPENSES			
Administrative	11	<b>1,196,220</b>	1,035,760
Financial	12	2,555,555	3,426,106
Workers profit participation fund		87,183	271,131
		-----	-----
		3,838,958	4,733,639
OPERATING PROFIT		<b>3,713,008</b>	4,449,564
Other income		646,150	714,131
		-----	-----
PROFIT FOR THE YEAR		4,359,158	5,163,695
TAXATION		1,700,998	2,743,837
- Current		<b>1,665,000</b>	2,730,000
- Prior		35,998	13,837
PROFIT AFTER TAXATION		<b>2,658,160</b>	2,419,858
UNAPPROPRIATED PROFIT BROUGHT FORWARD		462.065	17.207
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		3,120,225	2,437,065
APPROPRIATIONS			
Transfer to general reserve		<b>1,000,000</b>	900,000
Proposed dividend 30% (1994 - 30%)		821,250	712,500
Proposed issue of bonus shares 1.507:10 (1994: 1.526:10)		412,500	362,500
		-----	-----
		2,233,750	1,975,000
UNAPPROPRIATED PROFIT CARRIED FORWARD		<b>886,475</b>	462,065
		=====	=====

The annexed notes form an integral part of these accounts  
Auditors report annexed.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 1995**

Rupees

	1995	1994
<b>Cash flows from operating activities</b>		
Cash receipts from customers	176,477,327	207,672,990
Cash paid to suppliers and employees	162,928,107	197,478,558
	-----	-----
Cash generated from operations	<b>13,549,220</b>	10,194,432
Interest paid	<b>2,500,734</b>	3,402,760
Payment of workers welfare tuna	474,069	22,500
Income tax paid	2,765,998	2,228,837
	-----	-----
Cash flow from operating activities	7,808,419	4,540,335
	-----	-----
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	430,096	710,316
	-----	-----
Net cash used in investment activities	430,096	710,316
	-----	-----
<b>Cash flows from financing activities</b>		
Payment to holding company	5,508,318	3,325,923
Dividends Paid	617,562	509,812
	-----	-----
Net cash used in financing activities	6,125,880	3,835,735
	-----	-----
Net Increase in cash and cash equivalents	<b>1,252,443</b>	5,716
Cash and cash equivalents at beginning of period	<b>160,302</b>	166,018
	-----	-----
Cash and cash equivalents at end of period	<b>1,412,745</b>	160,302
	=====	=====

**NOTES TO THE ACCOUNTS FOR THE YEAR  
ENDED 30 JUNE 1995**

**1. STATUS AND NATURE OF BUSINESS**

Auto Oils (Private) Limited is a Private Company incorporated in Pakistan under Companies Ordinance, 1913 (Now Companies Ordinance; 1984). The principal activity of the Company is production, blending and marketing of all kinds of lubricating oils.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Accounting Convention**

These accounts have been prepared on the basis of historical cost convention.

**(b) Taxation**

The charge for current taxation is based on taxable income.

**(c) Fixed Assets**

These are stated in the financial statements at cost less accumulated depreciation. Depreciation on fixed assets is charged to income applying the straight line method at the rates stipulated in Note 6. Full year's depreciation is charged on additions made during the year and no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when Incurred while major renewals and improvements are capitalised. Gains and losses on disposal of assets are included in income of the year.

**(d) Stock-in-trade**

The stocks of lubricants base oils and additives have been valued at cost, arrived at on FIFO basis.

Finished products have been valued at lower of cost and net realizable value.

**(e) Revenue Recognition**

Sales are recorded on despatch of products.

**3. BALANCE DUE TO HOLDING COMPANY**

This represents the balance due to Pakistan State Oil Company Limited which is unsecured and return @ 15% per annum is charged on day to day balances.

**4. ACCRUED AND OTHER LIABILITIES**

	RUPEES	
	1995	1994
Trade Creditors National Refinery Limited	3,752,812	-
Accrued expenses	681,702	351,588
Provision for taxation	1,665,000	2,730,000
Other Liabilities	8,732,666	9,283,951
	-----	-----
	14,832,180	12,365,539
	=====	=====

**5. CONTINGENCIES AND COMMITMENTS**

Presumptive tax liability amounting to Rupees 8,076,140 levied under section 80C of the Income Tax Ordinance 1979 has not been accounted for in these accounts against which appeals on meritorious grounds are pending before the Higher Courts.

**6. FIXED ASSETS**

PARTICULAR	COST		TOTAL AS ON JULY 1994	RATE %	UPTO JULY 01,1994	ADJUSTMENT	DEPRECIATION WRITTEN		
	AS ON JULY 01,1994	ADDITION					FOR THE YEAR	AS AT JUNE 301,995	DOWN VALUE AS ON JUNE 30,1995
Land - Lease hold	475,097	-	475,097	5	237,550	-	23,755	261,305	213,792
Building on Lease hold on	3,056,798	-	3,056,798	5	1,324,950	-	152,840	1,477,790	1,579,008
Tanks, Kettles, Pipe Lines & Machinery	3,454,261	130,940	3,585,201	10	3,347,665	-	46,346	3,394,011	191,190
Electric Fittings	537,939	-	537,939	10	536,660	-	318	536,978	961
Laboratory Equipment	785,239	-	785,239	10	740,221	-	41,389	781,610	3,629
Office Furniture	63,030	-	63,030	10	49,120	-	2,990	52,110	10,920
Office equipment	51,689	-	51,689	10	46,600	-	1,974	48,574	3,115
Vehicles	1,196,508	-	1,196,508	20	623,235	-	162,885	786,120	410,388
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>1995 Rupees</b>	9,620,561	130,940	9,751,501		6,906,501	-	432,497	7,338,498	2,413,003
	-----	-----	-----	-----	-----	-----	-----	-----	-----
1994 Rupees	8,840,026	-	780,535	9,620,561	6,077,304	-	828,697	6,906,001	2,714,560
====	=====	=====	=====	=====	=====	=====	=====	=====	=====

6.1 Depreciation has been apportioned as under

	RUPEES	
	1995	1994
Cost of Product Manufactured	264,648	
Administrative expenses	167,849	654,339
	654,339	174,358
	-----	-----
	432,497	828,697

**7. STOCK-IN-TRADE**

Lubricating Base Oil		
Cost	5,703,312	10,628,343
Charges Incurred	411,183	618,817
	<b>6,114,495</b>	11,247,160
Additives	13,583,758	13,106,784
Finished products	1,690,079	2,352,579
Stock in transit	-	771,588
	<b>21,388,332</b>	27,478,111

**8. ADVANCES, DEPOSITS, PREPAYMENTS**

Advances - Unsecured - considered good		
National Refinery Limited	-	6,484,081
Income tax	1,074,252	1,074,132
Others	13,061,207	178,346
Deposits	5,175,902	7,473,026
Prepayments	47,500	67,500
Other receivables - Unsecured	3,011,854	3,254,972
	<b>22,370,715</b>	18,532,057

<b>9. CASH AND BANK BALANCES</b>	NOTE	RUPEES	
		1995	1994
Cash in hand		21,548	447
Cash at banks in current accounts		1,391,197	159,855
		<b>1,412,745</b>	160,302

**10. COST OF PRODUCTS SOLD**

Opening stock of finished products		2,352,579	1,412,358
Cost of products manufactured	10.1	114,075,596	130,527,694
Excise duty		53,541,115	68,188,183
		169,969,290	200,128,235
Closing stock of finished products		(1690079)	(2352579)
		<b>168,279,211</b>	197,175,656

**10.1 COST OF PRODUCTS MANUFACTURED**

Base oil consumed	10.1.1	59,209,672	72,848,628
Additives and chemicals consumed	10.1.2	52,911,165	55,575,733
Salaries and wages		1,159,095	971,437
Fuel and power		191,119	254,071
Loading and un-loading		314,937	155,085
Laboratory testing charges		-	7,000
Factory rent		5,247	5,247
Plant and building maintenance		19,713	56,154
Depreciation		264,648	654,339
		114,075,596	130,527,694

10.1.1 Base Oil Consumed

Opening stock	11,247,160	9,349,716
Purchases	50,760,411	69,763,797
Freight and cartage	3,316,596	4,982,275
	65,324,167	84,095,788
Closing stock	6114495)	(11247160)
	59,209,672	72,848,628

10.1.2 Additives and Chemicals Consumed

Opening stock	13,878,372	10,806,282
Purchases	52,616,551	58,647,823
	66,494,923	69,454,105
Closing stock	(13583758)	(13878372)
	52,911,165	55,575,733

	RUPEES	
NOTE	1995	1994

**11. ADMINISTRATIVE EXPENSES**

Head office expenses	480,000	480,000
Directors' fee	2,000	2,000
Communication	76,267	36,499
Printing and stationery	23,902	15,610
Advertisement and publicity	-	68,925
Transport and conveyance	61,914	46,194
Travelling	79,758	31,271
Donations	-	15,000
Staff welfare	21,281	24,469
Auditors' remuneration	11.1 30,000	37,000
Legal and professional	86,000	4,200
Rent rates and taxes	20,200	10,608
Insurance	91,842	52,374
Fee and subscription	15,000	15,000
Other expenses	40,207	22,252
Depreciation	167,849	174,358

1,196,220 1,035,760

11.1 Auditors' Remuneration

Audit fee	20,000	20,000
Out of pocket expenses	10,000	7,000
Income tax representation fee	-	10,000
	30,000	37,000

**12. FINANCIAL EXPENSES**

Interest on:

Current account with holding company (Pakistan State Oil Company Limited)	2,496,821	3,399,427
Workers' Profit participation fund	54,821	23,346

Bank charges

3,913                      3,333

-----  
2,555,555                  3,426,106  
=====

**13. GENERAL**

(i) In these accounts figures have been rounded off to the nearest rupee.

(ii) In these accounts figures of previous year have been re-arranged and re-grouped wherever necessary to facilitate comparison.

**Begum Tahira Hamid**  
Chairperson

**K.P. Abbasi**  
Director