

Pakistan State Oil

Annual Report 2000

Our Vision

- * Market leader providing the highest quality petroleum products and services to its customers
- * Professionally trained, high quality, motivated workforce, working as a team in an environment which recognizes and rewards performance, innovation and creativity, and provides for personal growth and development
- * Lowest cost supplier with assured access to long term supplies
- * Sustained growth in earnings in real terms
- * Highly ethical company; good corporate citizen

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Company Information

Board of Management

Mr. M. Salim

Chairman, Pakistan State Oil

Mr. Shaukat Raza Mirza

Managing Director, Pakistan State Oil

Mr. G.A. Sabri

Director General (Oil), Ministry of Petroleum
& Natural Resources

Mr. Mohammad Iqbal Awan

Financial Advisor, Ministry of Petroleum
& Natural Resources

Mr. Istaqbal Mehdi

Chairman/CEO, National Investment Trust

Mr. Nisar A. Memon

President, The Reformers

Mr. Kamran Mirza

Chairman & MD, Abbott Laboratories

Mr. Arshad Said

Former Senior Executive, Shell Pakistan

Mr. Asad Umar

President, Engro Asahi Polymer & Chemicals

Secretary

Mr. Jalil-ur-Rehman Tarin

Auditors

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

Solicitors

Orr Digham & Co.

Bankers

ABN AMRO Bank N.V.
Allied Bank of Pakistan Limited
Askari Commercial Bank Ltd
Citibank N.A.
Deutsche Bank AG
Emirates Bank International (PJSC)
Habib Bank A.G. Zurich
Habib Bank Limited
Mashreq Bank- PSC
Muslim Commercial Bank Limited
National Bank of Pakistan
Societe Generale, The French and International Bank
Standard Chartered Grindlays Bank Limited
The Bank of Khyber
The Hongkong & Shanghai Banking Corporation Limited
Union Bank Limited
United Bank Limited

Registered Office:

PSO House, Khayaban-e-Iqbal, Clifton, Karachi.

Highlights of the Year

- * All time record sales revenue Rs. 135 billion; up 17% over prior year
- * Profit before tax of Rs. 3.6 billion; up 7% over prior year
- * Highest ever cash dividend of 100% (Rs. 1.4 billion)
- * Established 110 New Vision retail outlets
- * Successfully took over the Fuel Oil imports from Government of Pakistan
- * Signed long-term product off-take agreement with PARCO
- * Ranked as the No.1 performing company in Pakistan by Karachi Stock Exchange; received award for the 16th consecutive year
- * Board of Management reconstituted by Government of Pakistan; principles of corporate governance established

Notice of the meeting

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held at Karachi Marriott Hotel, 9 Abdullah Haroon Road Karachi on Thursday, December 21, 2000 at 11:00 A.M. to transact the following business.

1. To confirm the minutes of the Twenty Third Annual General Meeting held on February 15, 2000.
2. To receive and adopt the audited accounts for the year ended June 30, 2000 together with the report to the Shareholders and the Auditors' report thereon.
3. To lay information before the members of the Company of the appointment of Messers Sidat Hyder Qamar & Company and Messers A.F. Ferguson & Company, Chartered Accountants, as Auditors of the Company, for the year ending June 30, 2001.
4. To declare a final dividend of 700/0 in addition to the interim dividend of 300/0 already paid, thereby making a total dividend of 100% for the year ended June 30, 2000.

AND

5. To transact any other Ordinary Business of the Company with the permission of the Chairman.

**By Order of the Board
Jalil-ur-Rehman Tarin
Secretary**

Karachi: November 13, 2000

Notes:

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy attend and vote. A proxy form is enclosed.
2. The Share Transfer Books of the Company will remain closed from Thursday, December 7, 2000 to Thursday December 21, 2000, (both days inclusive). Transfers received in order at the Registered Office of the Company up to the close of business on Wednesday, December 6, 2000 will be considered in time to be eligible for payment of Final Dividend to the transferees
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notorially 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.
4. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Cards along with CDC Participant ID and account numbers at the meeting venue. If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantor and the signatures on the proxy forms should be the same as appearing on the National Identity Cards.

Report to the Shareholders

The Board of Management is pleased to present the Twenty Fourth Annual Report and the audited accounts of the Company for the year ended June 30, 2000.

Petroleum Industry Overview

The demand for petroleum products in Pakistan increased to 17.6 million tons during the year ended June 30, 2000.

This represents a growth of 6.3% over the prior year.

Motor gasoline demand declined by 5.6% mainly due to substitution by CNG, SKO demand grew by 2.7%, while HSD demand was up 5.1%. Fuel oil demand increased by 9.7% due to increased lifting by IPPs and WAPDA/KESC.

Local refineries covered only about 33% of the domestic requirements. Deficit fuel product imports constituted about 67% of the total demand and included 6.2 million tons of Furnace Oil and 5.5 million tons of High Speed Diesel. The new mid-country refinery with a capacity of 4.5 million tons per year came on stream in September 2000. Bulk of the capacity of the existing White Oil Pipeline has been switched over to crude oil shipments to this refinery. A large quantity of the imported fuel products is being transported by Rail/Road to the Northern parts of the country.

The Government has initiated steps to privatize and deregulate the Oil and Gas Sector. Fuel Oil imports have been deregulated with lifting of price controls. Government has announced phased deregulation of other petroleum products by mid 2002. A new White Oil Pipeline is expected to be completed by end 2002 at an investment of US\$ 529 million.

Marketing

During the year, the Company sold 12.7 million tons as against 12.1 million tons in the previous year while sales revenue increased by 17% to Rs. 135 billion.

PSO management has taken a number of steps to arrest the decline in its market share over the last several years. The Company has launched an aggressive plan to build New Vision retail outlets to provide better quality service to its customers. 110 outlets were completed during the year and more are being built. The number of Company-Owned & Operated sites (CoCo) has been increased to 12. A strong focus is being placed on customer and forecourt services with extensive training of field sales force and forecourt attendants. Mobile quality control vans have been introduced in major cities to monitor quality of products being supplied to our customers. To motivate and strengthen dealer network, dealer meetings/conferences have been held. Efforts of high selling dealers (11) have been recognized through "Million Liter" award. A number of successful media campaigns (PSO Petro Prize & Scratch-a-Match) have been launched to strengthen the PSO brand. Marketing alliances with international brands like Pepsi, Walls and Citibank have been formed. These and other steps

are beginning to produce results and the decline in market share in key products is being arrested.

A separate cell has been set up by the Company which works closely with the government agencies to curb the production and flow of spurious and smuggled petroleum products within the country. PSO has also introduced a new pilfer proof plastic packaging along with ink-jet coding on plastic cans. The development of an in-house plastic can manufacturing facility is underway. An innovative service "Mobile Quick Oil-Change-At-Your-Doorstep" has been launched in Karachi, Lahore and Islamabad.

Operations

Consequent upon deregulation of furnace oil from July 1, 2000, PSO became the first oil marketing company to invite international competitive bids to meet our customers' requirements. A total of 1.9 million tons was imported during the period July-October 2000. In June 2000, a record 13 ships were received at Port Qasim. The Company has maintained uninterrupted supplies to our customers in spite of a difficult hydel generation situation in March 2000 and explosion at the Kuwait Petroleum Company (KPC) refinery in June 2000.

In September 2000, PSO signed a long-term product off-take agreement with the Mid Country Refinery.

The Board has approved the acquisition of 12% equity (approximately Rs. 950 million) in the Karachi-Mehmood Kot 864 Km long White Oil Pipeline Project, which is scheduled to be completed by December 2002.

In collaboration with the other Oil Marketing Companies and District Civil Administration, the Company took the initiative to shift Shireen Jinnah Colony tank lorry stand near Keamari Terminal to the open areas near Zulfikarabad Oil Terminal. Basic amenities for the truck drivers have also been provided at the site. While streamlining the tank lorry movement in Karachi, this effort has helped the city by freeing it from a source of noise, traffic congestion and environmental pollution.

Financial Results

During the year ended June 30, 2000 the Company sales revenue showed a growth of 17% rising to Rs. 135 billion. Profit before tax was Rs. 3,581 million, up by 7% over the prior year. Profit after tax was Rs. 2,231 million compared with Rs. 2,670 million in the previous year. The prior year had the benefit of tax write back of Rs. 515 million. Your Board recommends that the net profit of Rs. 2,231 million earned during the year together with the balance of unappropriated profit of Rs. 2 million brought forward from

the prior year be appropriated as follows.

	<i>(Rs. Million)</i>	
	<i>2000</i>	<i>1999</i>
Total profit available for appropriation	2,233	2,672
Appropriations		
Transfer to general reserve	800	1,360
Interim dividend @ 30% already paid	429	357
Proposed final dividend @ 70% i.e. Rs. 7/- per share of Rs. 10/-	1,001	715
	-----	-----
Total dividend for the year	1,430	1,072
Issue of bonus shares	0	238
	-----	-----
Unappropriated profit carried forward	3	2
	=====	=====

A record capital expenditure of Rs. 967 million was spent during the year primarily on New Vision retail development program. Total expenditure during 1995-2000 exceeded Rs. 3.5 billion. Bulk of the expenditure in prior years has been on infrastructure development like the Zulfiqarabad Oil Terminal (ZOT).

Receivables from WAPDA declined from Rs. 6,129 million to Rs. 4,054 million. With the support of Ministry of Petroleum & Natural Resources, the Economic Coordination Committee of the Federal Cabinet ruled that WAPDA settle with PSO over a period of three years the arrears of Rs. 3,026 million outstanding as of June 30, 2000 on account of HSFO/LSFO price differential.

The company was declared the top performing company in Pakistan by the Karachi Stock Exchange. It has won the KSE Top 25 Companies Award for the record 16th consecutive year. PSO was also ranked in the top 1000 companies by Asia Week, for its sales, profit, assets and best performance.

Health, Safety & Environment

Health, Safety & Environment (HSE) is the cornerstone of the Company's corporate governance. The Company recently set up a separate HSE department with consultant support. An HSE policy has been formulated and communicated throughout the organization. The HSE Steering Committee has been appointed for steering HSE activities throughout the Company to ensure implementation of HSE action plan and continuous improvement in performance. The Company holds regular training programs on development of Environmental Management Systems.

Health, Safety & Environment Policy

Pakistan State Oil Company Limited will ensure that

- The health of its employees, its contractors, its customers and the public is protected.
- All its activities are carried out safely.
- Environmental performance meets legislative requirements

To implement HSE Policy, Pakistan State Oil Company Limited will

- Comply with relevant laws and regulations.
- Ensure that required Health, Safety and Environment Standards and Procedures are developed and established.
- Ensure that all its activities are carried out in accordance with Company's Health, Safety and Environment Standards and Procedures.
- Set demanding targets and measure progress to ensure continuous improvement in Health, Safety and Environment performance.
- Require every employee to exercise personal responsibility in preventing harm to themselves, to others and to the environment.
- Provide appropriate Health, Safety and Environment training/information to all employees, contractors and others who work with the Company.
- Ensure provision of safe working environment.
- Promote awareness and give due recognition to performance in the area of Health, Safety and Environment.

Community Welfare

The Company has contributed to several causes like the Chief Executive's Drought Relief Fund to help the drought-affected people in interior Sind and Baluchistan, development of a public park near one of its retail outlets, scholarships for deserving students, and the Citizen Police Liaison Committee.

Organization

Steps have been taken to improve the motivation and morale of the employees with focus on employee compensation, training & development and performance appraisals. A more structured business planning and reporting system has been initiated.

Relationships with the employees have remained cordial.

The agreement with the Collective Bargaining Agent (CBA) was concluded for a three-year period January 2000 to December 2002.

Auditors

The Board of Management wishes to record its sincere thanks to the retiring auditors Messrs. Taseer Hadi Khalid & Co., who have been the Company's joint auditors since 1991. Messrs. A. F. Ferguson & Company have been appointed joint auditors along with Messrs. Sidat Hyder Qamar & Company for the year ending June 30, 2001.

Board of Management

In February 2000, the Ministry of Petroleum & Natural Resources reconstituted the Board of Management of Pakistan State Oil, giving the Board autonomy to run the Company on professional and commercial terms.

The Board welcomes the new members, Mr. M. Salim, Mr. Shaukat R. Mirza, Mr. Mohammad Iqbal Awan, Mr. Istaqbal Mehdi, Mr. Nisar A. Memon, Mr. Kamran Mirza, Mr. Arshad Said and Mr. Asad Umar.

The Board wishes to record its appreciation for the services rendered to

the Company by the outgoing members, Dr. Shahid K. Hak, Mr. Asadullah Khawaja, Mr. S.A.Q. Razvi and Mr. Abdus Sattar.

Outlook and Challenges

The Company is faced with the challenge of declining market share of key products due to strong competition, shift towards CNG in motor vehicles, substitution of fuel oil for power generation with natural gas and threats from the smuggled and counterfeit products. The steps being taken by management to address the challenges are expected to yield favorable results.

The government has taken a number of steps towards deregulation and privatization of Oil and Gas Sector. These include restructuring of the boards of public sector corporations for good governance and phased deregulation. There have been extensive consultations between the government and the industry towards implementation of these policies. These initiatives from the government and the consultative processes are laudable and will lead to greater efficiencies of the industry and improved quality of services to the customers. It will also open up substantial opportunities for investment in the privatization and future growth of the Oil and Gas Sector.

Given an autonomous Board of Management, a better trained professional and effective employee team and strong infrastructure, PSO is well positioned to take advantage of the opportunities opening up due to deregulation of the Petroleum Sector with potential for enhanced future earnings.

The Board of Management is grateful to the Ministry of Petroleum & Natural resources for their support in the conduct of our business. The Board also acknowledges the support and cooperation received from our Dealers, Agents, Contractors, Transporters and Suppliers of goods and services. The Board expresses its appreciation to the employees of the Company for their dedication and hard work, and wishes to thank the shareholders for their continued support and understanding.

M. Salim
Chairman

Shaukat R. Mirza
Managing Director

Karachi: November 13, 2000

Corporate Governance at PSO

In February 2000, the Ministry of Petroleum & Natural Resources reconstituted the Board of Management of Pakistan State Oil, giving the Board autonomy to run the Company on professional and commercial terms. The Board comprises of ten members, two representing the Ministry of Petroleum, two representing the financial institutions NIT/ICP and six from the private sector. Only one of the directors, the Managing Director is the executive director while all others are non-executive directors. The board met 3 times during the period February-June 2000.

The Board is responsible for the management and control of the company business. It meets periodically to comply with the statutory requirements of company law, the Memorandum and Articles of Association of the Company and requirements of the shareholders. The Board delegates appropriate authority to the Chief Executive/Managing Director. The Board is assisted by two Board Committees in its decision making process, the Board Audit Committee and the Board Human Resources Committee.

The Board Audit Committee reviews, amongst other areas, Management policies and practices to ensure adequacy of the Company's system of internal controls. It reviews and evaluates major projects and programs as directed by the Board. It also reviews business ethics violations, conflict of interest issues and irregularities and management's compliance with Company's relevant policies. The committee met once during the period February-June 2000.

The Board Human Resources Committee is responsible for developing a sound organizational plan for the Company, and effective employee development programs, compensation, benefits plans and policies that would help attract and retain high quality people. The committee held two meetings during the period February-June 2000.

Policy statement on Business Ethics

The policy of Pakistan State Oil Company Limited (PSO) is one of strict observance of all laws applicable to its business following the course of highest integrity.

We do care how we get results. We expect compliance with our standard of integrity throughout the organization. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealings or who thinks it best not to tell higher management all that he is doing, not to record all transactions accurately in his books and records, and to deceive the Company's internal and external auditors.

We expect candor from all employees of PSO, and compliance with accounting rules and controls. Our system of management must be based on honest book-keeping, honest budget proposals, and honest economic evaluation of projects.

It is PSO's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

Board of Management

M. Salim
Chairman

Mr. M. Salim has held numerous senior level assignments in the oil & gas corporate sector. He retired as General Manager ESSO Pakistan. His later assignments included Chairman & Chief Executive of NRL, PERAC, POL and Occidental Pakistan.

Shaukat Raza Mirza
Managing Director

Mr. Mirza was formerly President of Exxon Chemical Pakistan, later renamed as Engro Chemical. He is a director on the Board of several companies.

G.A. Sabri

Mr. G.A Sabri is currently Director General (Oil), Ministry of Petroleum & Natural Resources. He has over 25 years experience with the Government in various capacities.

Mohammad Iqbal Awan

Mr. Awan is currently Financial Advisor in the Ministry of Petroleum & Natural Resources. He has 24 years experience in various capacities in the Government.

Istaqbal Mehdi

Mr. Mehdi is currently Chairman and Chief Executive of NIT and holds additional charge of Managing Director ICP. Prior to this assignment, he was chief of the Expert Advisory Cell.

Nisar A. Memon

Mr. Nisar A. Memon was formerly

Country Manager of IBM Pakistan.
He has also been Caretaker Federal
Minister for Information & Broadcasting,
President of Overseas Chamber of
Commerce & Industry and American
Business Council.

Kamran Mirza

Mr. Kamran Mirza is currently Chairman
and Managing Director of Abbott
Laboratories. He has also served as
President of American Business Council.

Arshad Said

Mr. Arshad Said joined Burmah Shell in
1958 and held various management
positions in his 39-year tenure at Shell
before retiring as Operations Manager
Shell Pakistan Ltd.

Asad Umar

Mr. Asad Umar is currently President of
Engro Asahi Polymer & Chemicals Ltd.
He also serves on the Board of
Directors of Engro Chemical & Port
Qasim Authority.

Board Committees

Audit Committee

Chairman

Mr. M. Salim

Members

Mr. Shaukat R. Mirza
Mr. Arshad Said
Mr. Asad Umar

Secretary

Mr. Jalil-ur-Rehman Tarin - Chief Internal Auditor

Human Resources Committee

Chairman

Mr. M. Salim

Members

Mr. Shaukat R. Mirza
Mr. G.A. Sabri
Mr. Nisar A. Memon
Mr. Kamran Mirza

Secretary

Mr. Sohail Ahmed - GM (Human Resources)

Other Committees

Compensation, Organization & Employee Development Committee

Chairman

Mr. Shaukat R. Mirza - MD

Members

Mr. S.A.Q. Razvi - DMD (Operations)

Management Committee

Chairman

Mr. Shaukat R. Mirza - MD

Members

Mr. S.A.Q. Razvi - DMD (Operations)

Mr. Tariq Kirmani - DMD (Marketing)

Mr. Tariq Kirmani - DMD (Marketing)

Secretary

Mr. Sohail Ahmed - GM (Human Resources)

Secretary

Mr. A.R. Mithani - GM (Finance)

Bringing the Best to our Customers

As the largest oil marketing company of Pakistan, PSO is engaged in the storage, distribution and marketing of petroleum products, petrochemical, LPG and CNG and forms the backbone of the country's fuel and energy needs. Since its inception in 1976 through the merger of ESSO, Premier Oil Company and Pakistan National Oil, the Company meets more than 70% of the fuel needs of the country. PSO's 3805 retail outlets all across the country supply over 12 million tons of oil annually. In fact, PSO has the distinction of operating the world's highest gas station, situated at 14,500 feet altitude in the Sust pass, ample proof that the company's dedication to customer service is based on a deeply felt sense of national duty.

110 more New Vision outlets in place In line with our endeavor to provide better service to customers, 110 New Vision Outlets are already completed, thus substantially enhancing PSO's image. These stations are designed to provide fast, efficient services and high quality products like petrol and diesel and world class Castrol lubricants.

Marketing world class Castrol lubricants Castrol products are manufactured at PSO's own ISO 9000 certified facilities, ensuring the highest quality standards, and are marketed in a new shrink-wrapped plastic can with a pilfer-proof seal that offers customers the absolute guarantee of purity. PSO currently markets Castrol GTX, Castrol GTX Magnatec, Castrol Turbomax and Castrol CR-40.

Automatic Car Wash, Shop Stop, Business Center, CNG and more New Vision stations have facilities like CNG, Shop Stop, and the Business Centre. The Business Centre is a unique and innovative service launched by PSO that has fax and email facilities. PSO has also installed Pakistan's first automatic and environment friendly car wash at its company-operated retail outlet in Clifton. This provides quick, efficient service within just five minutes and is available in four attractive economical packages to attract a large number of customers. In addition, PSO is now introducing a new phase of customer service with speedy, convenient Mobile Quick Oil change. Always eager for ways in which to improve, the Company also introduced a 24-hour Aidline for customers to call in with queries on PSO products and services, complaints, and suggestions on how PSO can serve them better.

Mobile Testing Unit introduced Controlled by stringent quality standards, our 3805 outlets nationwide work to keep customers satisfied. To control product quality and quantity and to enhance customer satisfaction, PSO launched a Mobile Testing Unit service, fully equipped with modern computerized instruments. Now ISO 9002 certified, the Mobile Testing Unit network provides facilities such as emission test, fuel gas analysis and brake fluid condition tests to interested customers as a complimentary service. These vans in Karachi, Lahore and Islamabad monitor PSO Stations regularly and carry out "on-the-spot" checks for quality and quantity. Additional vans will soon be introduced to cover the entire country.

- | | |
|--|---|
| 1. Highest service station in the world (14500 ft above sea level) | 2. Courteous, customer-friendly service |
| 3. First automatic car wash in Pakistan | 4. Lubricant oil change machine |
| 5. CNG facilities | 6. World famous brands of lubricants |
| 7. Business Centre with e-mail, fax & telephone facilities | 8. Oil change at your doorstep facility |
| 9. Quality checking mobile van | 10. PSO New Vision station |
| 11. PSO Aidline for customer complaints/suggestions | 12. PSO award winning dealers |

Consolidating dealer relations PSO strongly believes that its dealers are its business partners and this belief

underlies all the Company's interactions with its network of dealers. The Company emphasizes the importance of regular dealer training programs that serve to equip dealers to face environmental challenges. In addition to regular meetings, periodic dealer conferences are also held to share views, ideas and arrive at solutions to problems. To encourage its dealers, the PSO Millionaire Club awards a "Million Liter Award" to those dealers who had recorded an average monthly sale of one million liters of MOGAS or HSD. Compared with last year, 7 new members have joined the club thus increasing the total to 11.

Contributing to the progress of rural Pakistan PSO also takes its responsibilities to the agriculture sector seriously. Its 700 strong agency network helps keep the farm machinery running throughout the country. Further, its kerosene sales are a major source of energy for the rural and low income households of the country. In areas unconnected to the natural gas, PSO provides LPG in cylinders.

Supplying petroleum products to industrial Pakistan PSO's presence in the industrial sector is as important as its retail network. WAPDA, HUBCO, KESC and most other IPPs rely on PSO's storage and distribution network for fuel in order to generate electricity for the nation. In addition, our four lube blending plants cater to the requirements for automotive and industrial lubricants of the public defense and railway sector. PSO also markets locally processed and imported specialized petroleum based chemicals and allied products to meet the requirements of paint, detergent, foam, polyester, textile, shoe and other industries throughout the country.

Aviation & marine trade PSO is the industry leader in aviation business and serves domestic and international air carriers throughout Pakistan. The Company handles 4 domestic and 16 scheduled foreign carriers and 11 non-scheduled casual customers, and also caters to the requirements of Pakistan Army, Navy and Airforce. The Company's market participation is 68% and it operates in Karachi, Lahore, Islamabad, Peshawar, Multan, Faisalabad, Pasni and Turbat. Karachi makes up 66% of PSO's throughput, and the Company is now making a major investment at Lahore in constructing a fuel farm and hydrant system.

PSO introduces Marine Diesel Oil PSO is a major supplier of marine business and has bunkering facilities at both Port Qasim and Keamari. The Company's recent introduction of PSO Marine Diesel Engine Oil D400 also caters to Pakistan's fleet of sea-going vessels at fisheries.

Enhancing our Oil Distribution Infrastructure

Serving the nation PSO's vast infrastructure serves the country supported by its 28 storage depots and 9 installations with a total capacity of more than 800,000 tons.

PSO's Zulfikarabad Oil Terminal (ZOT) is spread over 90 acres, has 300,000 metric tons of oil storage capacity, and caters to two-thirds of the energy needs of the country. ZOT consists of Pipri Marshalling Yard, Buffer Oil Terminal and P.I. Booster pumping station. From ZOT, oil is supplied to the whole country through pipeline, railway tank wagons and oil tankers.

In order to achieve efficient loading and to improve turnaround time for railway tank wagons, PSO has also upgraded its Pipri Marshalling Yard with tank wagons loading facility. This has increased capacity by an average of four oil specials per day with trains now lining up to load oil for transportation to various locations around the country.

The Company has built a number of projects for enhancing its oil distribution infrastructure. Besides constructing additional pipelines linking new Oil Pier No. 3 to the PSO terminals at Keamari for receiving deficit products from ocean vessels, the Company has constructed aviation handling facilities at Sihala Terminal, modernized its Chakpirana Depot and created additional storage at Jaglot Depot.

PSO at a Glance

	<i>Rs. Million</i>									
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>
Sales Revenue	135,040	115,636	121,345	109,508	80,563	66,012	64,333	50,513	45,603	40,181
Marketing & Administrative Expen	1,452	1,153	1,155	1,143	1,000	595	616	534	406	305
Profit before Tax	3,581	3,356	2,826	3,746	2,563	1,681	1,176	772	527	451
Profit after Tax	2,231	2,671	1,846	2,046	1,498	1,041	696	428	319	232
Capital Expenditure	967	397	408	821	921	462	322	365	207	139
Shareholders' Equity	8,986	8,184	6,586	5,533	4,149	3,052	2,255	1,748	1,477	1,283
No. of Shares Outstanding	143	119	99	83	64	49	38	31	26	23
Break-up Value (Rs./Share)	63	69	66	67	65	62	60	56	56	56
Cash Dividend	1,429	1,072	794	662	382	245	188	157	124	102
Dividend Per Share (Rs.)	10	9	8	8	6	5	5	5	4.75	4.50
Bonus Shares (%)	--	20	20	20	30	30	30	20	20	15
Sales Volume (Million Tons)	12.7	12.1	12.7	11.9	11.6	10.6	10.2	9.2	8.4	7.3

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan State Oil Company Limited as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of 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 except for the change as stated in note 2.3.4 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, cash flow statement and statement of changes in equity together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of the profit, its cash flows and changes in equity 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.

Without qualifying our opinion, we draw attention to the following matters;

i) The Company has, due to the reasons stated in note 22.2 to the financial statements, considered the amount of Rs. 3,828 million due from Water and Power Development Authority (WAPDA) as good debts.

ii) The ultimate outcome of the contingencies disclosed in note 12.2 to the financial statements cannot presently be determined in view of reasons stated therein.

Taseer Hadi Khalid & Co.
Chartered Accountants

Sidat Hyder Qamar & Co.
Chartered Accountants

Karachi: November 13, 2000

Balance Sheet as at June 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
SHARE CAPITAL	3	1,429,325	1,191,104
RESERVES	4	7,556,870	6,993,232
		-----	-----
		8,986,195	8,184,336
LONG TERM LOANS	5	19,003	23,753
LIABILITIES AGAINST ASSETS SUBJECT TO FI	6	24,832	6,562
DEFERRED LIABILITY FOR STAFF GRATUITY	7	655,002	516,504
LONG TERM DEPOSITS	8	425,288	410,904
CURRENT LIABILITIES			
Short term loans	9	3,305,543	3,431,998
Current portion of long-term loans and liabilities un	5 & 6	17,639	7,962
Creditors, accrued expenses and other liabilities	10	16,177,187	12,062,005
Dividends	11	1,183,125	991,273
		-----	-----
	12	20,683,494	16,493,238
CONTINGENCIES AND COMMITMENTS		-----	-----

		30,793,814	25,635,297
		=====	=====
FIXED ASSETS			
Operating fixed assets	13	2,855,644	2,725,628
Capital work-in-progress	15	514,549	237,797
Inventory held for capital expenditure		543,669	388,881
		-----	-----
		3,913,862	3,352,306
LONG TERM DEPOSITS AND PREPAYMENTS	16	104,824	112,862
LONG TERM INVESTMENTS	17	477,030	483,660
LONG TERM LOANS	18	16,556	5,503
CURRENT ASSETS			
Short term investments	19	6,630	--
Stores and spares	20	70,405	51,059
Stock-in-trade	21	7,469,565	4,596,489
Trade debts	22	9,779,339	9,967,763
Loans, advances, deposits, prepayments and other r	23	6,804,512	5,429,181
Cash and bank balances	24	2,151,091	1,636,474
		-----	-----
		26,281,542	21,680,966
NET ASSETS IN BANGLADESH	25	--	--
		-----	-----
		30,793,814	25,635,297
		=====	=====

The annexed notes form an integral part of these accounts.

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Profit and Loss Account for the year ended June 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in '000)</i>	
REVENUES			
Sales		135,039,818	115,636,264
Government levies	26	(32,572,882)	(53,939,714)
		-----	-----
		102,466,936	61,696,550
Cost of products sold	27	(96,797,061)	(56,451,145)
		-----	-----
		5,669,875	5,245,405
Other income / (charges)	28	533,124	325,088
		-----	-----
		6,202,999	5,570,493
EXPENDITURE AND CHARGES			
Transportation	29	214,264	177,539
Administrative and marketing	30	1,452,537	1,153,265

Depreciation		441,197	417,492
Financial	31	325,335	289,823
Workers' profit participation fund		88,483	176,619
		-----	-----
		2,621,816	2,214,738
		-----	-----
PROFIT BEFORE TAXATION		3,581,183	3,355,755
		-----	-----
Provision for taxation - current		1,350,000	1,200,000
- prior		--	(515,000)
		-----	-----
		1,350,000	685,000
		-----	-----
PROFIT AFTER TAXATION		2,231,183	2,670,755
Unappropriated profit brought forward		1,670	1,129
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATIONS		2,232,853	2,671,884
APPROPRIATION:			
Transfer to general reserve		800,000	1,360,000
Proposed issue of bonus shares in the ratio of Nil (1999: 2:10)		--	238,221
Interim dividend 30% (1999: 30%)		4,287,971	357,331
Final dividend 70% (1999: 60%)		1,000,527	714,662
		-----	-----
		2,229,324	2,670,214
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		3,529	1,670
		=====	=====
Earning per share- Basic and diluted	35	15.61	18.68
		=====	=====

The annexed notes form an integral part of these accounts.

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Cash Flow Statement for the year ended June 30, 2000

	2000	1999
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,581,183	3,355,755
Adjusting for non cash charges and other items:		
Depreciation	441,197	417,492
Retirement benefits accrued	166,846	90,819
Profit on sale of fixed assets	(2,584)	(9,088)
Provision for other receivables	--	40,681
Dividend received	(15,720)	(8,742)
Financial charges	325,335	289,823
	-----	-----

	4,496,257	4,176,740
CHANGES IN OPERATING ASSETS AND LIABILITIES		
(Increase) / Decrease in long-term deposits, prepayments and loans	(3,015)	10,304
(Increase)/Decrease in stores and spares	(19,346)	33,829
(Increase) in stock-in-trade	(2,873,076)	(578,547)
Decrease in trade debts	188,424	7,332,189
(Increase) in loans, advances, deposits, prepayments and other receiv	(2,364,965)	(2,746,164)
Increase / (Decrease) in creditors, accrued expenses and other liabilities	4,164,888	(7,019,282)
	-----	-----
Cash generated from operations	3,589,167	1,209,069
Taxes paid	(360,366)	(671,136)
Financial charges paid	(395,375)	(292,817)
Retirement benefits paid	(28,348)	(31,648)
	-----	-----
Net cash flow from operating activities	2,805,078	213,468
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(966,748)	(397,288)
Sale proceeds of fixed assets	3,658	12,089
Dividend received	15,720	8,742
	-----	-----
Net cash (used in) investing activities	(947,370)	(376,457)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(4,750)	(26,250)
Payment made for assets subject to finance lease	(9,132)	(2,501)
Proceeds from long-term deposits	14,384	10,911
Short term loans	(126,455)	1,553,605
Dividend paid	(1,237,472)	(803,046)
	-----	-----
Net cash (used in) / flow from financing activities	(1,363,425)	732,719
	-----	-----
Net increase in cash and bank balances	494,283	569,730
Net effect of exchange differences	20,334	21,056
Cash and bank balances at the beginning of the year	1,636,474	1,045,688
	-----	-----
Cash and bank balances at the end of the year	2,151,091	1,636,474
	=====	=====

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Statement of Changes in Equity for the year ended June 30, 2000

Rupees in '000)

<i>Share</i>	<i>Revenue</i>		<i>Proposed</i>		
<i>Capital</i>	<i>Reserve</i>	<i>Capital</i>	<i>Issue of</i>	<i>Dividend</i>	<i>Unappro-</i>

		<i>General</i>	<i>Reserve</i>	<i>Bonus Shares</i>	<i>Equalisation Reserve</i>	<i>Adjusted Profit</i>	<i>Total</i>
Balance as on 01 July 1998	992,587	5,336,496	3,373	198,517	53,472	1,129	6,585,574
Profit for the year	--	--	--	--	--	2,670,755	2,670,755
Transfer during the year							
- Proposed issue of bonus shares	--	--	--	238,221	--	(238,221)	--
- General revenue reserve	--	1,360,000	--	--	--	(1,360,000)	--
Bonus shares	198,517	--	--	(198,517)	--	--	--
Dividends	--	--	--	--	--	(1,071,993)	(1,071,993)
	-----	-----	-----	-----	-----	-----	-----
Balance as on 30 June 1999	1,191,104	6,696,496	3,373	238,221	53,472	1,670	8,184,336
Profit for the year	--	--	--	--	--	2,231,183	2,231,183
Transfer during the year:							
- General revenue reserve	--	800,000	--	--	--	(800,000)	--
Bonus shares	238,221	--	--	(238,221)	--	--	--
Dividends	--	--	--	--	--	(1,429,324)	(1,429,324)
	-----	-----	-----	-----	-----	-----	-----
Balance as on 30 June 2000	1,429,325	7,496,496	3,373	--	53,472	3,529	8,986,195
	=====	=====	=====	=====	=====	=====	=====

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Notes to the Accounts for the year ended June 30, 2000

(Amount in Thousand Rupees unless otherwise specified)

1. STATUS AND NATURE OF BUSINESS

1.1 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 procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

1.2 The Company has two subsidiaries, namely Aremai Petroleum (Private) Limited and Auto Oils (Private) Limited. The Company holds 51% shareholding in both the companies. The business operations of these companies (including all associated companies) were suspended effective from 1 July 2000 and negotiations with the other shareholders are in progress to wind up / dispose off these companies. Accordingly, above subsidiaries have not been consolidated and, therefore, the Company has not prepared separate consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared on the basis of 'historical cost' convention,

2.2 Basis of Preparation

These financial statements have been prepared in accordance with Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.3 Staff retirement benefits

2.3.1 Gratuity

The Company operates an unfunded gratuity scheme for all its 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.

2.3.2 Pension

The Company operates a defined benefit pension scheme for both management and non-management employees. Contributions are made annually to the fund on the basis of actuarial recommendations at the rate of 20% and 22.51% of basic salary respectively. The most recent actuarial valuation of the scheme for management and non-management employees was carried out at 30 June 2000 using Projected Unit Credit (PUC) actuarial cost method. The fair value of the fund's assets and liabilities at the latest valuation date were as follows:

Management and Non-Management Employees	<i>(Rs. in million)</i>
Fair values of plan assets	575.69
Less: Present value of defined benefit obligation	549.46

Surplus/(Deficit)	26.23
	=====

Main valuation assumptions used for actuarial valuation were as under:

- Expected rate of increase in salaries is 12% per annum for both management and non-management staff.
- Expected rate of interest on investment is 12% per annum for both management and non-management staff.

2.3.3 Provident Fund

The Company also operates an approved contributory provident fund scheme for all its employees and contributions are made in accordance with the fund rules.

2.3.4 Employees compensated absences

The revised International Accounting Standard IAS-19 Employees Benefits became applicable during the current year. The revised IAS - 19 requires that provision for employees compensated absences should be made in the accounts on accrual basis and accordingly the management has decided to change its accounting policy for accumulating compensated absences from payment to accrual basis. As a result, an amount of Rs. 53.47 million has been provided in the accounts. Had the above policy not been changed, the profit before taxation for the year would have been higher by the said amount.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of tax after taking into account tax credits and rebates available, if any, or half percent of turnover, whichever is higher

Deferred

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 2000 amounted to approximately Rs. 91.670 million (1999: Rs. 52.766 million).

2.5 Fixed assets, capital work in progress and depreciation

Owned

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.

Leased

The Company accounts for finance lease by recording the asset and the corresponding liability there against. The amount capitalized is determined on the basis of discounted value of total minimum lease payments. Financial charges are allocated to accounting periods on sum of years digit method.

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.

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.

2.6 Long-term investments

The Company follows the 'cost method' of accounting for long-term investments. The carrying amount is reduced to recognise a decline, other than temporary, in the value of investments.

2.7 Short-term investments

Investments in unquoted shares are stated at lower of cost or break up value.

2.8 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 nil value.

2.9 Stock-in-trade

These are valued at the lower of average cost or cost on first-in-first-out (FIFO) basis, depending upon the categories and net realisable 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 is valued at cost comprising invoice value plus other charges incurred thereon. Net realisable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.10 Trade debts

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

2.11 Foreign currency translation

Transactions in foreign currency are accounted for in rupees at the monthly average rates. 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 foreign currency loan, which is covered under Exchange Risk Scheme, Exchange gains and losses are included in income currently.

2.12 Revenue recognition

- Sales are recorded on despatch of products to customers.
- Dividend income on equity investment is recognized, when the right to receive is established.
- Return on deposits is recognized on an accrual basis.

3. SHARE CAPITAL

Authorised capital

<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<i>(Number of shares)</i>			
200,000,000	200,000,000	2,000,000	2,000,000
Ordinary shares of Rs. 10/- each			
3,000,000	3,000,000	30,000	30,000
Issued for cash			
Issued for consideration			
7,694,469	7,694,469	76,945	76,945
other than cash			
Issued as bonus shares			
108,415,879	88,564,154	1,084,159	885,642
- at beginning of the year			
23,822,070	198,517,251	238,221	198,571
- during the year			
132,237,949	108,415,879	1,322,380	1,084,159
142,932,418	119,110,348	1,429,325	1,191,104

4. RESERVES

Capital	4.1	3,373	3,373
Revenue - General	4.2	7,496,496	6,696,496
- Dividend equalization		53,472	53,472
		7,549,968	6,749,968
Proposed issue of bonus shares	4.3	--	238,221
Unappropriated profit		3,529	1,670
		7,556,870	6,993,232

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.

4.2 At beginning of the year	6,696,496	5,336,496
Add: Transferred from Profit and Loss account	800,000	1,360,000
	7,496,496	6,696,496

4.3 At beginning of the year	238,221	198,517
Add: Transferred from Profit and Loss account	--	238,221

	238,221	436,738
Less: Transferred to Share Capital	238,221	198,517
	-----	-----
	--	238,221
	=====	=====

5. LONG-TERM LOANS

<i>Note</i>	<i>Financing Rate</i>	<i>Repayable by</i>	<i>Sanctioned Amount</i>	<i>Balance Outstanding</i>	
	Unsecured				
5.1	14% per annum (including excha	2005	73,982	23,753	28,503
	Current portion			(4,750)	(4,750)
				-----	-----
				19,003	23,753
				=====	=====

5.1 Represents a loan obtained from the GOP out of the proceeds of a loan from the International Bank for Reconstruction and Development (IBRD) for Energy Sector to the GOR. The sanctioned amount of US\$ 4.25 million (1999: US\$ 425 million), disbursed in 1986, is for development of storage and pipeline facilities. The loan is unsecured and is repayable in local currency in twenty eight equal half yearly installments which commenced from December 1990.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1 July	9,774	3,595
Assets acquired during the year	37,079	8,680
	-----	-----
	46,853	12,275
	-----	-----
Payments	(9,132)	(2,501)
Current portion	(12,889)	(3,212)
	-----	-----
	(22,021)	(5,713)
	-----	-----
	24,832	6,562
	=====	=====

6.1 The total lease rentals due under the lease agreements aggregate Rs. 43.72 million (1999: Rs. 11.39 million) and are payable in equal quarterly installments under various lease agreements latest by 2004. 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 14.5 to 18 percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, paying 5 to 10 percent of the leased amount.

6.2 The future minimum lease payments to which the Company is committed under the lease agreements and the years in which they will become due are as follows:

Year ended 30 June 2000	--	4,143
Year ending 30 June 2001	16,214	4,143
Year ending 30 June 2002	15,178	3,107
Year ending 30 June 2003	10,418	--

Year ending 30 June 2004	1,908	--
	-----	-----
	43,718	11,393
Financial charges allocated to future periods	(5,997)	(1,619)
	-----	-----
	37,721	9,774
	=====	=====

7. DEFERRED LIABILITY FOR STAFF GRATUITY

At beginning of the year	516,504	457,333
Provision during the year	166,846	90,918
Payments to outgoing staff	(28,348)	(31,648)
	-----	-----
	138,498	59,171
	-----	-----
	655,002	516,504
	=====	=====

8. LONG-TERM DEPOSITS

Dealers deposits	8.1	177,836	162,350
Equipment deposits	8.2	145,101	142,303
Cartage contractors deposits	8.3	102,351	106,251
		-----	-----
		425,288	410,904
		=====	=====

8.1 The above includes Rs. 37.047 million (1999: Rs. 39.562 million) which are interest based against dealership for an initial period of 10 years. interest ranges from 7 to 13 percent per annum is paid. These are expected to be renewed on maturity.

8.2 These are interest-free deposits from customers against LPG equipment and are refundable on return of equipment.

8.3 These are interest-free deposits from contractors against the transportation of petroleum products and are refundable on the cancellation of cartage contract.

9. SHORT TERM LOANS- Secured

Short term loans from banks	9.1	880,000	--
Bank finance under markup arrangement	9.2	2,375,543	3,231,998
Morabaha arrangement	9.3	50,000	200,000
		-----	-----
		3,305,543	3,431,998
		=====	=====

9.1 The Company has obtained short term loan from various banks at interest rate ranging from 9 to 13 percent and secured by way of charge against hypothecation of Company's stock of petroleum products and trade debts.

9.2 The Company has short-term financing facilities of Rs. 4,043.5 million (1999: Rs. 3,091.3 million) from various banks at mark-up ranging from 25-37 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 and trade debts.

9.3 This represents Morabaha arrangement with an investment bank. The facility is for working capital requirements for a period of three months. The arrangement is secured by way of hypothecation of stock and carry profit rate @ 11.75% (1999: 14.5%) per annum.

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors - Purchase of oil		9,924,658	5,600,460
- Others		50,851	63,278
		-----	-----
		9,975,509	5,663,738
Payable to:	10.1		
Government of Pakistan		1,960,893	2,320,029
Others		349,977	191,552
		-----	-----
		2,310,870	2,511,581
Excise and other duties		454,314	178,748
Accrued liabilities		329,261	294,584
Workers' profit participation fund	10.2	188,483	176,619
Pension fund	10.3	32,985	27,308
Provision for staff compensated absences		53,469	--
Financial charges accrued on short term finances		43,036	92,742
Advance against equipment		4,812	5,050
Advances from customers		1,882,666	1,177,440
Payable to contractors/suppliers		209,720	81,509
Railway / pipeline charges		405,573	1,469,690
Insurance payable on imports		144,752	129,291
Inland Freight Equalisation Margin Payable		--	155,259
Other liabilities		141,737	98,446
		-----	-----
		16,177,187	12,062,005
		=====	=====

10.1 This represents amount payable to Government of Pakistan and suppliers on account of price differential, financial charges and others, etc.

10.2 Workers' Profit Participation Fund

At beginning of the year		176,619	148,760
Contribution for the year		188,483	176,619
		-----	-----
		365,102	325,379
Payments during the year		176,619	148,760
		-----	-----
		188,483	176,619
		=====	=====

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.

10.3 Pension Fund

Provision at beginning of the year	27,308	22,274
Provision during the year	40,782	30,484
	-----	-----
	68,090	52,758
Payments to the fund	35,105	25,450
	-----	-----
	32,985	27,308
	=====	=====

11. DIVIDEND

Unclaimed		
- Minimum guaranteed return	374	374
- Dividends	182,224	276,237
	-----	-----
	182,598	276,611
Proposed dividend	1,000,527	714,662
	-----	-----
	1,183,125	991,273
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

12.1 At 30 June 2000, there existed claims against the Company not acknowledged as debts pending litigation and settlement amounted to Rs. 57.5 million approximately (1999: Rs. 43.5 million).

12.2 Interest and other charges aggregating Rs. 6,060 million (1999: Rs. 4,369) claimed by the refineries due to late payments on account of products supplied. The management contends that such late payments occurred due to circular debts and events beyond the control of the Company. In view of the above and based on a legal opinion, no provision has been made in these accounts in this respect.

12.3.1 The income tax assessments of the Company have been finalized upto and including assessment year 1998-99. On adjudicating the appeals of the Company for the years 1996-97 and 1997-98, the Honorable Income Tax Appellate Tribunal (ITAT) has cancelled the order of the assessing officer, where in the Company was assessed under the presumptive tax regime. As a consequence of the order of the ITAT, an amount of Rs. 958.152 million became refundable to the Company. Subsequently, the department has filed an appeal with the Honorable High Court of Sindh against the aforesaid decision of the ITAT, which is pending for hearing. While finalizing assessment for the assessment year 1998-99, the DCIT enhanced the income of the Company, which resulted in an additional tax demand of approximately Rs. 1,340 million. The Company filed an appeal with the Commissioner of Income Tax (CIT) Appeals, who decided in favor of the Company. However, subsequently the said appellate order was recalled by the department on some technical grounds. The CIT Appeals in the revised appellate order substantially confirmed the order of the DCIT. The order of the CIT Appeals was set aside by the Honorable ITAT and afresh bearing was ordered to CIT Appeals, which is pending for hearing. The management is confident that on the merit of the above cases, the ultimate outcome will be in favor of the Company and accordingly therefore, no provision is considered necessary in the accounts for the aforementioned tax demand.

12.3.2 During the year, the Company received a demand notice from DCIT charging an additional tax @ 24% under Section 87 of the Income Tax Ordinance, 1979 (the Ordinance) amounting to Rs.52.684 million for the assessment year 1999-2000 on account of late adjustment of advance tax under Section 53 of the Ordinance against the determined refund for the assessment year 1995-96, 1996-97 and 1997-98. The management is of the view that the said refund was available for adjustment as a result of consolidated order passed by the Honorable ITAT on 23 December 1998 for the aforesaid assessment years as mentioned in note 12.3.1 above. The Company filed an appeal with the CIT Appeals, who decided in favor of the Company. Subsequently, the department has filed an appeal before the Honorable ITAT against the aforesaid decision of CIT Appeals. The management

is confident that on the merit of the case, the ultimate decision will be in the Company's favor and therefore, no provision has been made in these accounts for the aforesaid additional tax demand.

12.4 During 1997-98, the Company had signed syndicated loan agreements worth US \$167 million with ANZ Grindlays Bank Limited, Standard Chartered Bank Limited, Citibank N.A, Dubai Islamic Bank, and Arab Banking Corporation for financing of imported fuel.

In line with the directives from the Ministry of Petroleum & Natural Resources (MOP&NR)/Government of Pakistan (GOP), Pak Rupee counterpart funds pertaining to all these facilities were deposited by the Company with the State Bank of Pakistan (SBP) in GOP's Account, subsequent to which financing & repayment of these loans had become the responsibility of the SBP.

During the year, an amount of US\$ 14 million on account of syndicated loan from CitiBank has been paid against US\$ 16 million. All other loans were secured by guarantees from the GOP/SBP. On December 09, 1999, the Company jointly with the SBP executed an agreement with Citibank for the settlement of the facility in three equal monthly installments starting from January 15, 2000. As per the Agreement, entire financing costs (i.e., original, contractual, and default interests) portion of the facility till December 10, 1999 was settled on that date. However, all the GOP / SBP guaranteed loans have been restructured under the Pakistan Trade Maintenance Agreement ("PTMA") between the lender banks & the GOP.

12.5 Duties leviable on ex-bonding of stocks at 30 June 2000 Rs. 961.7 million (1999: Rs. 1,292.9 million).

12.6 Aggregate commitments for capital expenditure contracted for, but remaining to be executed at 30 June 2000 amounted to Rs 230.4 million (1999: Rs. 100.3 million).

12.7 Letters of credit and bank guarantees Rs. 3,039 million (1999: Rs. 3,659 million).

13. OPERATING FIXED ASSETS - Tangible

Owned Assets	13.1	2,811,522	2,714,811
Assets subject to finance lease	13.2	44,122	10,817
		-----	-----
		2,855,644	2,725,628
		=====	=====

13.1 Owned

	COST				DEPRECIATION				Book	Depreciation
	01 July 1999	Additions	(Disposals)/ adjustments*	30 June 2000	at 01 July 1999	For the year	(Disposals)/ adjustments*	30 June 2000	Value at 30 June 2000	
Land - freehold	130,503	--	--	130,503	--	--	--	--	130,503	--
- leasehold	6,168	70,794	--	76,962	3,410	1,085	--	4,495	72,467	5
Building - on freehold land	518,475	27,128	--	545,603	113,138	27,211	--	140,349	405,254	5
- on leasehold land	268,295	5,435	(1,493)	272,237	89,849	13,438	(1,123)	102,164	170,073	5-10
Leasehold improvements	1,071	--	--	1,071	1,071	--	--	1,071	--	20
Tanks and pipelines	2,063,083	61,483	(2,789)	2,121,777	964,900	178,847	(2,789)	1,140,958	980,819	10
Service and filling stations	640,125	295,025	(172)	934,978	291,471	80,065	(172)	371,364	563,614	10
Vehicles and other rolling stock	359,345	5,810	(3,379)	361,776	295,463	33,996	(2,987)	326,472	35,304	15-20
Furniture, fittings and equipment	183,009	27,134	(926)	209,217	101,892	29,652	(784)	130,760	78,457	10-33
Plant, machinery and equipment	782,137	42,399	(523)	824,013	399,558	70,257	(353)	469,462	354,551	10-15
Railway sidings	36,555	--	--	36,555	14,853	2,542	--	17,395	19,160	10
Gas cylinders/regulators	113,906	--	--	113,906	112,256	330	--	112,586	1,320	10

2000	5,102,672	535,208	(9,282) _.*	5,628,598	2,387,861	437,423	(8,208) _.*	2,817,076	2,811,522
1999	4,483,405	629,074	(25,376) 15,569*	5,102,672	1,985,792	416,929	(22,997) 8,137*	2,387,861	2,714,811

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

13.1.2 The above include one LPG plant situated at Dhodak having an aggregate book value, as at 30 June 2000 of Rs. 8 million which is not in the possession of the Company.

13.1.3 Service and filling stations includes costs of Rs. 867 million incurred by the Company on underground storage tanks, dispensing units and other equipments, construction and related work including modernization and development under the "New Vision Scheme" on approximately 3,500 retail filling stations of dealers. In view of large number of dealers as aforesaid, the management considers it impracticable to disclose particulars required under the Companies Ordinance, 1984 in this respect.

13.2 Assets subject to Finance Lease

	<i>COST</i>				<i>DEPRECIATION</i>				<i>Book Value at 30 June 2000</i>	<i>Depreciation Rate %</i>
	<i>01 July 1999</i>	<i>Additions</i>	<i>(Disposals)/ adjustments*</i>	<i>30 June 2000</i>	<i>at 01 July 1999</i>	<i>For the year</i>	<i>(Disposals)/ adjustments*</i>	<i>30 June 2000</i>		
Vehicles	11,352	11,148	-- (8,680)*	13,820	535	1,112	--	1,647	12,173	20
Furniture & fixture	--	--	-- 80*	80	--	12	--	12	68	15
Office equipment	--	768	-- 166*	934	--	139	--	139	795	15-33
Lab equipment	--	--	-- 8,434*	8,434	--	843	--	843	7,591	10
Plant & machinery	--	25,163	-- --	25,163	--	1,668	--	1,668	23,495	10
2000	11,352	37,079	-- _.*	48,431	535	3,774	-- _.*	4,309	44,122	
1999	19,519	8,680	(1,278) (15,569)*	11,352	8,765	563 (8,137)*	(656)	535	10,817	

14. DISPOSAL OF FIXED ASSETS INCLUDING ASSETS SUBJECT TO FINANCE LEASE

	<i>COST</i>	<i>ACCUMULATED DEPRECIATION</i>	<i>BOOK VALUE</i>	<i>SALE PROCEED</i>
By Tender				
Building on leasehold land	1,493	1,123	370	418
Tanks & pipeline	2,264	2,264	--	926

Plant and machinery	98	98	--	130
Service and filling station	172	172	--	115
Vehicles/other rolling stock	175	175	--	336
Furniture and fittings and off. eqp	280	280	--	15
	-----	-----	-----	-----
	4,482	4,112	370	1,940
By Negotiation				
Tanks & pipeline	525	525	--	350
Furniture and fitting and off, eqp.	646	504	142	337
Plant and machinery	425	255	170	279
Vehicles/other rolling stock	2,332	2,274	58	57
	-----	-----	-----	-----
	3,928	3,558	370	1,023
By Insurance claim				
Vehicles/other rolling stock	872	538	334	695
	-----	-----	-----	-----
2000	9,282	8,208	1,074	3,658
	=====	=====	=====	=====
1999	26,654	23,653	3,001	12,089
	=====	=====	=====	=====

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

	<i>2000</i>	<i>1999</i>
15. CAPITAL WORK-IN-PROGRESS		
PSO House- Building	166	6,759
Advances to suppliers and contractors	10,016	12,756
Provision for doubtful debts	(9,620)	(9,620)
	-----	-----
	396	3,136
Tanks and pipelines	479,759	138,604
Storage development projects	12,709	16,853
Advances to suppliers and contractors for tanks, pipelines and storage development projects	21,519	72,445
	-----	-----
	514,549	237,797
	=====	=====
16. LONG-TERM DEPOSITS AND PREPAYMENTS		
Long-term deposits - Trade	5,696	5,692
- Leased assets	4,818	1,135
	-----	-----
	10,514	6,827
Prepayments		
- Rental	58,799	61,928
- Others	35,511	44,107
	-----	-----
	94,310	106,035

	104,824	112,862
	=====	=====
17. LONG-TERM INVESTMENTS- at cost		
Quoted companies		
Pakistan Refinery Limited		
1,080,000 (1999: 1,080,000) fully paid Ordinary shares of Rs. 10/- each; 2,520,000 (1999: 2,520,000) fully paid Bonus shares of Rs. 10/- each; market value Rs. 91,800 (1999: Rs. 87,480) equity held 18% (1999: 18%)	15,098	15,098
Unquoted companies		
Pak Grease Manufacturing Company (Private) Limited		
74,800 (1999: 74,800) fully paid Ordinary shares of Rs. 10/- each 611,392 (1999: 611,392) fully paid Bonus shares of Rs. 10/- each equity held 22% (1999: 20%) value based on net assets as at 30 June 2000 Rs. 12,059 (1999: Rs. 9,034), Chief Executive Mr. M. Salim Bhaimian	1,346	1,346
Asia Petroleum limited		
46,058,600 (1999: 46,058,600) fully paid Ordinary shares of Rs. 10/- each equity held 49%, (1999: 49%) value based on net assets as at 30 June 2000 Rs. 637,713 (1999: Rs. 662,783), Chief Executive Mr. K. Izz Harold	17.1 460,586	460,586
Petro Chemical (Private) Limited	--	1,600
	-----	-----
	461,932	463,532
In subsidiary undertakings		
Aremai Petroleum (Private) Limited	--	816
Auto Oils (Private) Limited	--	513
	-----	-----
	--	1,329
In associated undertakings		
Gizri Lubricants (Private) Limited	--	600
Mid East Oil and Grease Corporation (Private) Limited	--	835
Salsons Lubricants (Private) Limited	--	666
Petro Lube (Private) Limited	--	1,600
	-----	-----
	--	3,701
	-----	-----
	477,030	483,660
	=====	=====

17.1 The shares of Asia Petroleum Limited (APL) are pledged with National Development Finance Corporation (NDFC) as security against the financing facility provided to APL by NDFC.

18. LONG TERM LOANS. Considered good

Due from Executives	11,744	3,628
Less: Receivable within one year	2,235	794
	-----	-----
	9,509	2,834
Due from Employees	10,084	4,562
Less: Receivable within one year	3,037	1,893
	-----	-----
	7,047	2,669
	-----	-----
	16,556	5,503
	=====	=====
Outstanding for periods		
- Recoverable in exceeding three years	11,468	1,211
- Others	5,088	4,292
	-----	-----
	16,556	5,503
	=====	=====

18.1 This represents interest free loans to executives and employees which are given for purchase of motor cars and motor cycles in accordance with Company's policy. The loans are secured, where relevant, against the respective assets for which the loans have been granted and are recoverable in five to six years in monthly equal installments.

18.2 Maximum amount outstanding at the end of any month during the year against loans to Executives is Rs. 11.744 million (1999: Rs. 6.515 million).

19. SHORT TERM INVESTMENTS

Petro Chemical (Private) Limited

160,000 (1999: 160,000) fully paid Ordinary shares of

Rs. 10/- each equity held 40% (1999: 40%)

Chief Executive Mr. Nasir Munir	19.1 & 1.2	1,600	--
---------------------------------	------------	-------	----

In subsidiary undertakings

Aremai Petroleum (Private) Limited

81,600 (1999: 81,600) fully paid Ordinary shares of

Rs. 10/- each 173,389 (1999: 173,389)

fully paid Bonus shares of Rs. 10/- each

equity held 51% (1999: 51%) value based on net assets as at

30 June 2000 Rs. 5,977 (1999: Rs. 6,672)

Chief Executive: Mian Riaz Samee	1.2	816	--
----------------------------------	-----	-----	----

Auto Oils (Private) Limited

41 (1999: 41) fully paid Ordinary shares of

Rs. 12,500/- each 101 (1999: 101)

fully paid Bonus shares of Rs. 12,500/- each

equity held 51% (1999: 51%) value based on net assets as at

30 June 2000 Rs. 5,108 (1999: Rs. 5,803)

Chief Executive: Begum Tahira Hamid.	1.2	513	--
--------------------------------------	-----	-----	----

	-----	-----
	1,329	--

In associated undertakings

Gizri Lubricants (Private) Limited			
60,000 (1999: 60,000) fully paid Ordinary shares			
Rs. 10/- each Bonus shares 34,380 (1999: 34,380)			
fully paid of Rs. 10/- each equity held 40% (1999: 40%			
value based on net assets as at			
30 June 2000 Rs. 3,392 (1999: Rs. 4,066)			
Chief Executive: Mr. Waheed Qadir	1.2	600	--

Mid East Oil and Grease Corporation (Private) Limited

8,350 (1999: 8,350) fully paid Ordinary shares of Rs 100/-			
each Bonus shares 11,620 (1999: 11,620)			
fully paid of Rs. 100/- each equity held 40% (1999: 40%)			
value based on net assets as at			
30 June 2000 Rs. 2,665 (1999: Rs. 3,754)			
Chief Executive: Mrs. Rafiq Sultan.	1.2	835	--

Salsons Lubricants (Private) Limited

13,320 (1999: 13,320) fully paid			
Ordinary shares of face value of Rs. 100/- each			
Purchased @ Rs. 50/- each Bonus shares 1,999 (1999: 1999)			
equity held 40% (1999: 40%) value based on net assets as at			
30 June 2000 Rs. 3,379 (1999: Rs. 3,689)			
Chief Executive: Mr. M.M. Salim	1.2	666	--

Petro Lube (Private) Limited

160,000 (1999 160,000) fully paid			
Ordinary shares of Rs. 10/- each			
equity held 40% (1999: 40%)			
Chief Executive: Mrs. Shaukat Zafar Niazi	19.1 & 1.2	1,600	--
		-----	-----
		3,701	--
		-----	-----
		6,630	--
		=====	=====

19.1 The financial statements for the year ended 30 June 2000 are not available, therefore these investments are stated at cost.

20. STORES AND SPARES

Stores	83,621	61,950
Spares and loose tools	6,784	6,109
	-----	-----
	90,405	71,059
Provision for slow moving and obsolete		
stores and spares	(20,000)	(20,000)
	-----	-----
	70,405	51,059
	=====	=====

21. STOCK-IN-TRADE

Petroleum and other products in hand	6,138,210	3,375,090
(including stock in transit Rs. 1,865 million)		

1999: Rs. 404 million)

Held in trust	21.1	(3 03,000)	(283,000)
		-----	-----
		5,835,210	3,092,090
In PARCO Pipeline System		1,346,623	878,258
Held in trust	21.1	(197,200)	(197,200)
		-----	-----
		1,149,423	681,058
		-----	-----
		6,984,633	3,773,148
Charges incurred on stock		484,932	823,341
		-----	-----
		7,469,565	4,596,489
		=====	=====

21.1 Represents stock held in trust on behalf of the GOP under an agreement.

22. TRADE DEBTS - Unsecured

Considered good

- Due from Government agencies and Autonomous bodies	22.1 & 22.2	8,195,602	9,094,374
- Due from other customers		1,583,737	873,389
		-----	-----
		9,779,339	9,967,763

Considered doubtful

- Due from other customers		181,450	181,450
- Provision for doubtful debts		(181,450)	(8,450)
		-----	-----
		9,779,339	9,967,763
		=====	=====

22.1 Included in above are Rs. 4,054 million (1999: Rs. 6,129 million) and Rs.1,266 million (1999: Rs. 1,869 million) receivable from Water and Power Development Authority (WAPDA) and Karachi Electricity Supply Corporation (KESC) respectively. These balances have become over-due due to difficulties being faced in the recovery of public sector inter-corporate circular debts.

22.2 The above also include an amount of Rs. 3,828 million (1999: Rs.2,899 million) receivable from WAPDA comprising cost of first fill of HUBCO pipelines of Rs. 802 million (1999: Rs.802 million) and a price differential between products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) of Rs. 3,026 million (1999: Rs.2,061 million) which is outstanding since a considerable period. According to a decision taken at a meeting of Privatisation Commission, Finance Division, GOP, the Company was advised to supply LSFO to Kot Addu Power Project at a price of HSFO and WAPDA was advised to absorb the price differential between the two products. Subsequent to the year end, the Economic Coordination Committee (ECC) of the Cabinet, GOP considered the summary on the aforesaid case submitted by the Finance Division and advised WAPDA to pay Rs. 1 billion in equal monthly installments during the financial year, 2000-2001 from 01 October 2000 and the balance of Rs. 2.026 billion be treated as loan from the Company payable in two years with one year grace period. The management of the Company is following up the aforesaid matter with WAPDA and respective Ministries to implement the aforesaid decision of ECC and considers that the above amount is receivable in full as WAPDA being a public utility organization, controlled by the GOR is eventually expected to settle its dues.

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

Loans and advances			
Unsecured, considered good			
Employees		38,704	30,751
Advances to suppliers		60,896	13,252
Taxation - net		373,085	1,362,719
		-----	-----
		472,685	1,406,722
Deposits			
Duty and development surcharge		180,276	964,108
Trade deposits		2,453	1,293
		-----	-----
		182,729	965,401
Prepayments		32,367	23,194
Other receivables - Unsecured, considered good			
Claims and refunds			
Price differential on imports - (net of related liabilities)		3,924,478	1,655,986
Storage development claim		45,768	85,503
Freight equalization		1,125,678	--
Sales tax		286,277	51,445
Excise and customs duty		61,810	22,110
		-----	-----
		5,444,011	1,815,044
Railway claims - considered good		61,907	83,228
- considered doubtful		38,451	38,451
Provision for doubtful claims		(38,451)	(38,451)
		-----	-----
Receivable from Oil Marketing Companies		534,671	987,292
Accrued return on bank deposits		1,427	478
Due from:			
Subsidiaries	23.1 & 23.2	5,948	52,265
Associated undertakings	23.1 & 23.2	21,565	84,183
		-----	-----
		27,513	136,448
Others - Considered good		47,202	11,374
- Considered doubtful		49,373	51,609
Provision for doubtful other receivables		(49,373)	(51,609)
		-----	-----
		--	--
		-----	-----
		6,116,731	3,033,864
		=====	=====
		6,804,512	5,429,181
		=====	=====

23.1 Due from subsidiaries and associated undertakings carries an interest at the rate of 15% (1999: 15%) per annum calculated on daily product basis.

23.2 The maximum aggregate amount due from subsidiaries and associated undertakings at the end of any month during the year was

as follows:

Aremai Petroleum (Private) Limited	28,442	26,612
Auto Oils (Private) Limited	9,746	25,654
Mid East Oil and Grease Corporation (Private) Limited	29,768	26,057
Salsons Lubricants (Private) Limited	18,922	48,279
Gizri Lubricants (Private) Limited	72,148	28,967

24. CASH AND BANK BALANCES

Cash in hand	3,536	3,561
Cash in transit	765,465	327,126
Cash at bank		
- on current accounts	865,176	650,930
- on deposit accounts	516,914	654,857
	-----	-----
	1,382,090	1,305,787
	-----	-----
	2,151,091	1,636,474
	=====	=====

24.1 During the year, the Company received from National Bank of Pakistan the principal amount of Rs. 50 million as full and final settlement. The amount was deposited with former Mehran Bank Limited during 1993-94.

25. NET ASSETS IN BANGLADESH

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

The Company has no control over 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.

26. GOVERNMENT LEVIES

Development surcharge	23,911,440	43,721,590
Inland Freight Equalization Margin	6,083,721	7,289,127
Sales tax	200,280	146,884
Custom and excise duty	2,377,441	2,782,113
	-----	-----
	32,572,882	53,939,714
	=====	=====

27. COST OF PRODUCTS SOLD

Opening stock	4,367,767	3,158,181
---------------	-----------	-----------

Purchases	999,274,080	57,693,377
Cost of products available for sale	104,294,847	60,851,558
Products internally used	(13,429)	(32,646)
Closing stock	(7,484,357)	(4,367,767)
	(7,497,786)	(4,400,413)
	96,797,061	56,451,145

28. OTHER INCOME/(CHARGES)

Profit on disposal of fixed assets	2,584	9,088
Dividends	28.1 15,720	8,742
Commission and handling charges	91,890	218,187
Interest/markup income	21,140	22,160
Liabilities no longer payable / provisions reversed	596,658	47,906
Adjustment of price differential claims	(420,327)	--
Product price adjustment - Prior years'	192,491	--
Miscellaneous	32,968	19,005
	533,124	325,088

28.1 Dividends

Pakistan Refinery Limited	9,000	4,680
Pak Grease Manufacturing Company (Private) Limited	3,774	1,372

Subsidiary companies

Aremai Petroleum (Private) Limited	637	892
Auto Oils (Private) Limited	533	533
	1,170	1,425

Associated companies

Gizri Lubricants (Private) Limited	472	566
Mid East Oil and Grease Corporation (Private) Limited	998	240
Salsons Lubricants (Private) Limited	306	459
	1,776	1,265
	15,720	8,742

29. TRANSPORTATION CHARGES

Cost incurred during the year	10,211,366	9,681,806
Realized against Inland Freight Equalization Margin (IFEM)	(6,083,721)	(7,289,127)
Receivable/Receipts from Government of Pakistan on account of deficit on IFEM	(3,913,381)	(2,215,140)

(9,997,102)	(9,504,267)
-----	-----
214,264	177,539
=====	=====

30. ADMINISTRATIVE AND MARKETING EXPENSES

Salaries, wages and benefits	30.1 & 30.2	1,101,688	775,971
Security expenses		36,106	26,517
Rent, rates and taxes		75,274	72,190
Repairs and maintenance		123,321	86,474
Insurance		53,437	42,344
Travelling and office transport		40,469	33,530
Printing and stationery		19,946	14,059
Communication		24,408	24,358
Electricity and gas		98,757	76,567
Products internally used		13,429	32,646
Storage and technical services		57,643	55,183
Legal and professional		33,806	45,566
Sales promotion and advertisement		94,202	47,448
Auditors' remuneration	30.3	4,851	4,597
Contribution towards expenses of Board of Management (Oil)		1,000	1,800
Provision for doubtful receivables		--	40,681
Balances written off		--	40,499
Donations	30.4	1,443	309
Others		8,684	7,523
		-----	-----
		1,788,464	1,428,262
Handling, storage and other recoveries - net		(335,927)	(274,996)
		-----	-----
		1,452,537	11,539,265
		=====	=====

30.1 Salaries, wages and benefits include Rs. 179.28 million (1999: Rs. 121.30 million) and Rs.53.47 million in respect of staff retirement benefits and employees compensated absences respectively.

30.2 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:

	<i>2000</i>		<i>1999</i>	
	<i>Managing Director</i>	<i>Executives</i>	<i>Managing Director</i>	<i>Executives</i>
Managerial remuneration	863	204,828	522	143,474
Company's contribution Towards provident fund and retirement benefits	117	128,940	215	39,705
Housing and utilities	689	23,440	837	20,513
Leave fare	98	13,960	197	10,341

	1,767	371,168	1,771	214,033
Number	1	565	1	448

In addition, the Managing Director and some of the Executives were also provided with free use of Company maintained cars. Further the Managing Director and Executives were entitled for reimbursement of medical expenditure.

30.3 Auditors' remuneration comprises of:

	2000		1999	
	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co.</i>	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co..</i>
Audit fee- statutory audit	175	175	175	175
Taxation	--	1,336	--	1,815
Certification of claims and other consultancy services	1,010	1,850	1,395	662
Out of pocket expenses	105	200	155	220
	1,290	3,561	1,725	2,872

30.4 The Managing Director and his spouse do not have any interest in any donee's fund to which donations were made.

30.5 The average number of employees during the year were 2,663 (1999: 2,648).

	2000	1999
31. FINANCIAL CHARGES		
Bank financing	283,371	253,721
Financing charges under leases	2,391	336
Bank charges	59,304	56,060
Others	603	762
	345,669	310,879
Exchange difference	(20,334)	(21,056)
	325,335	289,823
	21	198

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

Sales volume ('000 tones)	6.00	9.80
Sales	92,771	145,030
Government levies	(485)	(698)

	92,286	144,332
Cost of product sold	45,730	80,468
	-----	-----
Gross profit	46,556	63,864
Expenditure and charges		
Transportation	5,980	9,562
Administrative and marketing	31,036	32,215
Workers' Profit Participation Fund	477	1,104
	-----	-----
	37,493	42,881
	-----	-----
Profit for the year	9,063	20,983
	=====	=====

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

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Interest rate risk exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2000 are summarized as follows:

2000	<i>Interest bearing</i>				<i>Non-Interest bearing</i>	<i>Total</i>
	<i>Less than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>Over one year</i>		
Financial assets						
Long term investment	--	--	--	--	477,030	477,030
Short term Investments	--	--	--	--	6,630	6,630
Trade debts	--	--	--	--	9,779,339	9,779,339
Loans	--	--	--	--	55,260	55,260
Deposits	--	--	--	--	2,453	2,453
Other receivables	--	--	--	--	5,917,118	5,917,118
Subsidiaries and Associates	27,513	--	--	--	--	27,513
Others	--	--	--	--	48,629	48,629
Cash and bank balances	516,914	--	--	--	1,634,177	2,151,091
	-----	-----	-----	-----	-----	-----
	544,427	--	--	--	17,920,636	18,465,063
	=====	=====	=====	=====	=====	=====
Effective interest rates	13%					
Financial liabilities						
Dividend payable	--	--	--	--	182,598	182,598
Creditors, accrued and other liabilities	--	--	--	--	14,294,521	14,294,521
Bank finance under mark-up arrangements	3,255,543	--	--	--	--	3,255,543
Morabaha arrangements	--	50,000	--	--	--	50,000
Long term loans	--	--	4,750	19,003	--	23,753
Liabilities against finance lease	--	--	12,889	24,832	--	37,721

	3,255,543	50,000	17,639	43,835	14,477,119	17,844,136
Effective interest rates	13%	12%	17%	17%		

Interest bearing

1999	Less than one month	One month to three months	Three months to one year	Over one year	Non-Interest bearing	Total
Financial assets						
Long term investment	--	--	--	--	483,660	483,660
Trade debts	--	--	--	--	9,967,763	9,967,763
Loans	--	--	--	--	36,254	36,254
Deposits	--	--	--	--	1,293	1,293
Other receivables	--	--	--	--	3,783,866	3,783,866
Subsidiaries and Associates	136,448	--	--	--	--	136,448
Others	--	--	--	--	11,852	11,852
Cash and bank balances	654,857	--	--	--	981,617	1,636,474
	791,305	--	--	--	15,266,305	16,057,610
Effective interest rates	13%					
Financial liabilities						
Dividend payable	--	--	--	--	991,273	991,273
Creditors, accrued and other liabilities	--	--	--	--	10,260,072	10,260,072
Bank finance under mark-up arrangements	3,231,998	--	--	--	--	3,231,998
Morabaha arrangements	--	200,000	--	--	--	200,000
Long term loans	--	--	4,750	23,753	--	28,503
Liabilities against finance lease	--	--	3,212	6,562	--	9,774
	3,231,998	200,000	7,962	30,315	11,251,345	14,721,620
Effective interest rates	14%	15%	18%	18%		

33.2 Concentration of credit risk

The Company is endeavoring to cover the credit risks on government sector trade debts by restricting current supplies on cash basis with an adjustment of a proportion of previous dues. Credit risk on private sector other than retail sales is covered to the maximum extent possible through legally binding contracts. Further the company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

The financial assets of the Company include trade debts amounting to Rs. 7,861 million (30 June 1999 Rs. 8,877 million) relating to KESC, WAPDA, POL depots and PIAC as of 30 June 2000 as follows:

	2000	1999
	(Rupees in million)	
Trade Debts - Water and Power Development Authority	4,054	6,129

- Karachi Electric Supply Corporation	1,266	1,869
- POL depots - Army	1,713	740
- Pakistan International Airline Corporation	828	139
	-----	-----
	7,861	8,877
	=====	=====

33.3 Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

34. SUBSIDIARY/ASSOCIATED UNDERTAKINGS

34.1 The term "associated undertakings" has been deemed not to include those companies in which the Federal Government holds directly or indirectly over 20 percent of shares.

34.2 Transactions with subsidiary/associated companies

Sales	101,461	373,928
Purchases	320,338	904,354
Financial charges on current account	9,419	18,527
Dividend income	2,946	2,690

35. EARNING PER SHARE- BASIC AND DILUTED

Earning Per Share

Profit after taxation for the year	2,231,183	2,670,755
	=====	=====
Weighted average number of ordinary shares	142,932,418	142,932,418
	=====	=====
Earning per share -basic and diluted	Rupees 15.61	18.68
	=====	=====

36. GENERAL

36.1 Prior year's figures have been re-arranged, wherever necessary to facilitate comparison.

36.2 Figures have been rounded off to the nearest thousand rupees.

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Statement pursuant to section 237 of the Companies Ordinance, 1984

The audited accounts alongwith Auditor's Report and Directors' Report of the Company's subsidiaries Aremai Petroleum (Private) Limited and Auto Oils (Private) Limited for the year ended June 30, 2000 are annexed to these accounts:

	<i>2000</i>		<i>1999</i>
	<i>Aremai</i>	<i>Auto</i>	<i>Aremai</i>
	<i>Petroleum</i>	<i>Oils</i>	<i>Petroleum</i>
	<i>(Private)</i>	<i>(Private)</i>	<i>(Private)</i>
	<i>Limited</i>	<i>Limited</i>	<i>Limited</i>

Proportionate profit after tax of subsidiary dealt within the accounts by way of dividends -- for the year ended 30th June 1999 received during the year	51% Holding	51% Holding		
	637	533	892	533
for previous years from the date - the Company is a subsidiary				
Dividend	6,807	3,125	5,915	2,592
Bonus Shares	1,733	1,262	1,733	1,262
	-----	-----	-----	-----
	8,540	4,387	7,648	3,854
	-----	-----	-----	-----
	9,177	4,920	8,540	4,387
Proportionate profits/(loss) after tax of subsidiary not dealt within the accounts for the year -- for previous years from the date -- the Company is a subsidiary	(57)	(162)	160	764
	3,486	3,484	3,963	3,253
	-----	-----	-----	-----
	3,429	3,322	4,123	4,017
	-----	-----	-----	-----
	12,606	8,242	12,663	8,404
	=====	=====	=====	=====

Shaukat R. Mirza
Managing Director

M. Salim
Chairman

Pattern of holdings of the Shares held by the Shareholders as at June 30, 2000

<i>No. of Shareholders</i>	<i>Shareholdings</i>				<i>Total Shares Held</i>	<i>Percentage</i>	
4,555	From	1	to	100	Shares	129,430	0.09
3,227	From	101	to	500	Shares	855,400	0.60
1,801	From	501	to	1,000	Shares	1,324,011	0.93
2,960	From	1,001	to	5,000	Shares	6,494,114	4.54
581	From	5,001	to	10,000	Shares	4,130,470	2.89
176	From	10,000	to	15,000	Shares	2,154,546	1.51
142	From	15,001	to	20,000	Shares	2,379,990	1.67
52	From	20,001	to	25,000	Shares	1,179,809	0.83
27	From	25,001	to	30,000	Shares	740,231	0.52
20	From	30,001	to	35,000	Shares	640,181	0.45
24	From	35,001	to	40,000	Shares	898,017	0.63
10	From	40,001	to	45,000	Shares	428,392	0.30
10	From	45,001	to	50,000	Shares	477,991	0.33
9	From	50,001	to	55,000	Shares	469,837	0.33

18	From	55,001	to	60,000	Shares	1,042,704	0.73
10	From	60,001	to	65,000	Shares	616,682	0.43
5	From	65,001	to	70,000	Shares	339,789	0.24
3	From	70,001	to	75,000	Shares	217,206	0.15
3	From	75,001	to	80,000	Shares	234,061	0.16
3	From	80,001	to	85,000	Shares	248,445	0.17
9	From	85,001	to	90,000	Shares	790,514	0.55
2	From	90,001	to	95,000	Shares	186.04	0.13
3	From	95,001	to	100,000	Shares	290,780	0.20
2	From	100,001	to	105,000	Shares	208,500	0.15
1	From	105,001	to	110,000	Shares	108,038	0.08
2	From	110,001	to	115,000	Shares	228,586	0.16
1	From	115,001	to	120,000	Shares	117,500	0.08
4	From	120,001	to	125,000	Shares	492,887	0.34
2	From	125,001	to	130,000	Shares	253,071	0.18
1	From	130,001	to	135,000	Shares	132,426	0.09
2	From	135,001	to	140,000	Shares	275,636	0.19
2	From	145,001	to	150,000	Shares	294,810	0.21
3	From	150,001	to	155,000	Shares	459,703	0.32
2	From	155,001	to	160,000	Shares	313,540	0.22
1	From	160,001	to	165,000	Shares	164,847	0.12
1	From	175,001	to	180,000	Shares	179,189	0.13
1	From	190,001	to	195,000	Shares	193,406	0.14
1	From	195,001	to	200,000	Shares	200,000	0.14
2	From	200,001	to	205,000	Shares	404,532	0.28
1	From	245,001	to	250,000	Shares	245,036	0.17
1	From	260,001	to	265,000	Shares	264,000	0.18
1	From	275,001	to	280,000	Shares	277,839	0.19
2	From	285,001	to	290,000	Shares	576,068	0.40
1	From	290,001	to	295,000	Shares	290,302	0.20
1	From	310,001	to	315,000	Shares	314,000	0.22
1	From	350,001	to	355,000	Shares	354,396	0.25
1	From	370,001	to	375,000	Shares	373,530	0.26
1	From	385,001	to	390,000	Shares	385,600	0.27
1	From	390,001	to	395,000	Shares	395,000	0.28
1	From	395,001	to	400,000	Shares	399,024	0.28
1	From	400,001	to	405,000	Shares	404,095	0.28
1	From	415,001	to	420,000	Shares	418,500	0.29
1	From	420,001	to	425,000	Shares	422,778	0.30
1	From	475,001	to	480,000	Shares	479,664	0.34
1	From	570,001	to	575,000	Shares	573,960	0.40
1	From	580,001	to	585,000	Shares	582,440	0.41
1	From	630,001	to	635,000	Shares	634,700	0.44
1	From	640,001	to	645,000	Shares	643,100	0.45
1	From	655,001	to	660,000	Shares	656,286	0.46
1	From	675,001	to	680,000	Shares	678,291	0.47
1	From	680,001	to	685,000	Shares	680,505	0.48
1	From	720,001	to	725,000	Shares	720,398	0.50
1	From	820,001	to	825,000	Shares	825,000	0.58
1	From	890,001	to	895,000	Shares	891,833	0.62
1	From	965,001	to	970,000	Shares	969,408	0.68
1	From	1,055,001	to	1,060,000	Shares	1,058,602	0.74

1	From	1,065,001	to	1,070,000	Shares	1,066,303	0.75
1	From	1,160,001	to	1,165,000	Shares	1,161,408	0.81
1	From	1,585,001	to	1,590,000	Shares	1,585,280	1.11
1	From	1,625,001	to	1,630,000	Shares	1,626,000	1.14
1	From	1,715,001	to	1,720,000	Shares	1,719,173	1.20
1	From	1,730,001	to	1,735,000	Shares	1,733,951	1.21
1	From	1,745,001	to	1,750,000	Shares	1,746,535	1.22
1	From	2,330,001	to	2,335,000	Shares	2,331,862	1.63
1	From	2,530,001	to	2,535,000	Shares	2,532,131	1.77
1	From	2,785,001	to	2,790,000	Shares	2,788,351	1.95
1	From	3,380,001	to	3,385,000	Shares	3,385,000	2.37
1	From	4,125,001	to	4,130,000	Shares	4,128,570	2.89
1	From	12,965,001	to	12,970,000	Shares	12,966,814	9.08
1	From	22,885,001	to	22,890,000	Shares	22,887,772	16.01
1	From	36,460,001	to	36,465,000	Shares	36,463,607	25.51
-----						-----	-----
13,721						142,932,418	100.00
=====						=====	=====

Categories of Shareholders

	Numbers	Shares Held	Percentage
Individuals	13,336	23,416,841	16.38
Investment Companies	22	283,823	0.20
Insurance Companies	22	5,186,632	3.63
Joint Stock Companies	119	3,262,480	2.28
Financial Institutions and Banks	84	62,500,017	43.73
Modaraba Companies	20	355,192	0.25
Federal Government	1	36,463,607	25.51
Securities and Exchange Commission of Pakistan	1	2	0.00
Abandoned Properties Organization	1	680,505	0.48
Charitable Institutions	5	402,446	0.28
Foreign Investors	110	10,380,873	7.26

TOTAL	13,721	142,932,418	100.00
=====			

ACCOUNTS OF AREMAI PETROLEUM (PRIVATE) LIMITED**Report of the Directors**

The Directors have pleasure in submitting their report with the audited accounts of the company for the period ended June 30, 2000.

As over the past few years the market for lubricants remained in crisis for the year under review as well. The sales declined considerably from 3.54 million liters in 1998-99 to 1.05 million liters in 1999-2000 and are expected to decline further in the coming years due to tough market competition and lower demand. In view of the above it has been considered appropriate to close down the operation of the company effective July 01, 2000. All employees of the company have been separated from the services and a provision has been made in the accounts for employees separation payments.

(Rupees)

The Profit of the company for the period ended June 30, 2000 after providing for administrative, financial, other charges and staff separation payments.	108,950
Less: Taxation	(220,000)

	(111,050)
Add: Un-appropriated profit brought forward from previous year.	31,853

Net Loss for the year ended June 30, 2000	(79,197)
	=====

The present Auditors His Riaz Ahmed Saqib Gohar & Company retire & offer themselves for re-appointment.

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

On behalf of the Board of Director

Mian Riaz Samee
Chief Executive

November 7, 2000

Auditors' Report to the Members

We have audited the annexed balance sheet of Aremai Petroleum (Private) Limited as at June 30, 2000 and the related profit & loss account, cash statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

The company has ceased all its operations at Multan and has relieved its factory staff therefore, aforesaid events have created considerable doubt as to whether the company would be able to continue as a "going-concern". No adjustments, if any, have been made in the accounts, that may be necessary should the company be unable to continue as a "going-concern". 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, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with 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, 2000 and of the loss, its cash flows and changes in equity for the year then ended, and

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

November 7, 2000

Riaz Ahmad Saqib Gohar & Co.
Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>Notes</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
CAPITAL AND RESERVES:			
Capital			
Authorized 500,000 ordinary shares of Rs. 101- each.		5,000,000	5,000,000
Issued, subscribed & paid-up	3	4,999,780	4,999,780
Reserves			
General		6,800,000	6,800,000
Unappropriated profit / (loss)		(79,197)	31,853
		6,720,803	6,831,853
		11,720,583	11,831,633
CURRENT LIABILITIES:			
Due to holding company	5	6,710,286	26,611,589
Creditors, accrued expenses and other liabilities	6	11,513,942	8,110,372
Proposed dividend		--	1,249,945
		18,224,228	35,971,906
CONTINGENCIES & COMMITMENTS			
	7	--	--
		29,944,811	47,803,539
TANGIBLE FIXED ASSETS:			
Operating Fixed Assets			
At cost less accumulated depreciation	8	1,921,781	2,251,712

CURRENT ASSETS:

Stocks	9	5,695,569	23,996,322
Advances, deposits, prepayments and other receivables.	10	21,309,549	20,494,970
Cash and bank balances	11	1,017,912	1,060,535
		-----	-----
		28,023,030	45,551,827
		-----	-----
		29,944,811	47,803,539
		=====	=====

N.B. The annexed notes form an integral part of these accounts.

Auditors' report annexed.

Mian Riaz Samee
Chief Executive

K.P. Abbasi
Director

Profit and Loss Account for the year ended June 30, 2000

	<i>Notes</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
Sales		43,955,341	118,881,086
Less: Cost of products sold	12	36,300,250	112,005,988
		-----	-----
Gross profit		7,655,091	6,875,098
Less: Administrative expenses	13	1,384,969	1,547,957
		-----	-----
Operating profit		6,270,122	5,327,141
Add: Other income		1,640	90,050
		-----	-----
		6,271,762	5,417,191
Less: Financial & other charges	14	29,470,861	3,146,478
Staff separating benefits	15	3,209,986	--
Workers profit participation fund		5,740	113,920
		-----	-----
		6,162,812	3,260,398
		-----	-----
		108,950	2,156,793
Prior years' adjustments	16	--	1,543,520
		-----	-----
Profit before taxation		108,950	613,273
Less: Provision for taxation	17	(220,000)	(299,247)
		-----	-----
Profit / (Loss) after taxation		(111,050)	314,026
Add: Unappropriated profit brought forward		31,853	67,772
		-----	-----

		(79,197)	381,798
Add: Transfer from general reserve		--	900,000
		(79,197)	1,281,798
APPROPRIATIONS:			
Proposed cash dividend nil (1999: 25%)		--	1,249,945
Unappropriated profit/(loss) carried over to balance sheet		(79,197)	31,853
Basic earnings/(loss) per share	21	(0.22)	0.63

The annexed notes form an integral part of these accounts.

Mian Riaz Samee
Chief Executive

K.P. Abbasi
Director

Cash Flow Statement for the year ended June 30, 2000

	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
Cash flow from operating activities		
Net profit before taxation	108,950	613,273
Adjustment for:		
Depreciation	379,226	564,163
Financial charges	2,947,086	3,146,478
	3,326,312	3,710,641
Operating profit before working capital changes	3,435,262	4,323,914
(Increase)/decrease in current assets		
Stocks	18,300,753	(2,919,425)
Advances, deposits, prepayments and other receivables	(814,579)	(4,844,199)
	17,486,174	(7,763,624)
Increase/(decrease) in current liabilities	20,921,436	(3,439,710)
Due to holding company	(19,901,303)	9,637,601
Creditors, accrued expenses & other liabilities	3,183,570	(375,668)
	(16,717,733)	9,261,933
	4,203,703	5,822,223
Financial charges paid	(2,947,086)	(3,146,478)

Net cash used in operating activities	1,256,617	2,675,745
Cash flow from investing activities		
Capital expenditure	(49,295)	(322,195)
Net cash used in investing activities	1,207,322	2,353,550
Cash flow from financing activities		
Dividend paid	(1,249,945)	(1,749,923)
Net cash used in financing activities	(1,249,945)	(1,749,923)
Net Increase/(decrease) in cash & cash equivalents	(42,623)	603,627
Cash & cash equivalent at the beginning of the year	1,060,535	456,908
Cash and cash equivalent at the end of the year	1,017,912	1,060,535

Mian Riaz Samee
Chief Executive

K. P. Abbasi
Director

Notes to the Accounts for the year ended June 30, 2000

1. STATUS AND NATURE OF BUSINESS

Aremai Petroleum (Private) Limited is a Private Company incorporated in Pakistan under the 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 8. 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) STOCK

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, deferred tax debits are not accounted for.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

fully paid ordinary shares of Rs.10/= each.

<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<i>(No. of shares)</i>		<i>(Rupees)</i>	<i>(Rupees)</i>
160,000	160,000	1,600,000	1,600,000
339,978	339,978	3,399,780	3,399,780
-----	-----	-----	-----
499,978	499,978	4,999,780	4,999,780
=====	=====	=====	=====

4. RESERVE- GENERAL

Movement in and composition of reserve is as follows:

At beginning of the year	6,800,000	7,700,000
Less: Transfer to profit and loss account	--	(900,000)
	-----	-----
	6,800,000	6,800,000
	=====	=====

5. 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 balance.

The maximum aggregate amount due to the holding Company at the end of any month during the year was Rs. 28,824,202/-- (1999: Rs.40,712,662/--).

6. CREDITORS, ACCRUED EXPENSES & OTHER LIABILITIES

Accrued expenses	6,035,831	2,238,728
Other liabilities	1,552,220	1,676,779
Provision for taxation	3,925,891	4,194,865
	-----	-----
	11,513,942	8,110,372
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 30 June, 2000 (1999: Nil).

8. FIXED ASSETS

<i>PARTICULARS</i>	<i>COST</i>				<i>RATE</i>	<i>DEPRECIATION</i>			<i>Written down value as on 30 June 2000</i>	
	<i>At 01 July, 1999</i>	<i>Additions</i>	<i>(Disposals)/ adjustment</i>	<i>30 June 2000</i>		<i>At 01 July, 1999</i>	<i>For the year</i>	<i>(Disposals)/ adjustment</i>		<i>At 30 June 2000</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>%</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Buildings	2,987,677	--	--	2,987,677	5	1,657,255	116,715	--	1,773,970	1,213,707
Tanks, Kettles & Pipe lines	2,699,319	--	--	2,699,319	10	2,662,075	18,607	--	2,680,682	18,637

Plant & Machinery	2,262,466	5,000	--	2,267,466	10	1,636,551	106,359	--	1,742,910	524,556
Electric Fittings	243,494	32,365	--	275,859	10	232,690	5,487	--	238,177	37,682
Furniture & Fixture	321,897	--	--	321,897	10	226,540	21,402	--	247,942	73,955
Laboratory & Office Equipments	594,124	6,930	--	601,054	10	582,647	5,484	--	588,131	12,923
Pumps, Fitting & F.F. Equipments	384,494	5,000	--	389,494	10	379,433	4,958	--	384,391	5,103
Vehicles	1,658,000	--	--	1,658,000	20	1,585,398	68,799	--	1,654,197	3,803
Computers	157,075	--	--	157,075	20	94,245	31,415	--	125,660	31,415
Total 2000	11,308,546	49,295	--	11,357,841	--	9,056,834	379,226	--	9,436,060	1,921,781
Total 1999	10,986,351	322,195	--	11,308,546	--	8,492,671	564,163	--	9,056,834	2,251,712

8.1 Depreciation for the year has been allocated as follows:

	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
Cost of products manufactured	257,610	247,890
Administrative expenses	121,616	316,273
	-----	-----
	379,226	564,163
	=====	=====

9. STOCKS

Lubricants base oil	5,695,569	9,097,607
Additives & chemicals	--	13,838,486
Finished goods	--	1,060,229
	-----	-----
	5,695,569	23,996,322
	=====	=====

	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advance to staff	988,801	610,096
Advance to suppliers (NRL)	--	481,500
Advance income tax	19,131,115	19,113,524
Deposits	166,083	195,941
Prepayments	10,000	34,855
Other receivables	1,013,550	59,054
	-----	-----
	21,309,549	20,494,970
	=====	=====

10.1 It includes Rs. 928,501/= due from a director. The maximum amount due from a director at the end of any month during the year was Rs.928,501/= (1999: 532,866/).

10.2 The amount represent due from an associated undertaking. The maximum amount due from associated undertaking at the end of any month during the year was Rs.1,013,550/= (1999: Nil).

11. CASH AND BANK BALANCE

Cash in hand		5,144	2,061
Cash with banks in current accounts		1,012,768	1,058,474
		-----	-----
		1,017,912	1,060,535
		=====	=====

12. COST OF PRODUCTS SOLD

Opening stocks of finished goods		1,060,229	1,808,284
Cost of products manufactured	12.1	26,710,163	88,740,577
Excise duty		8,529,858	22,517,356
		-----	-----
		36,300,250	113,066,217
Closing stock of finished goods		--	(1,060,229)
		-----	-----
		36,300,250	112,005,988
		=====	=====

12.1 Cost of Products Manufactured

Lubricants base oil consumed	12.1.1	18,079,604	67,131,575
Additives/chemicals consumed	12.1.2	4,951,257	17,374,600
Salaries and wages		2,428,265	2,571,999
Factory rent		522,240	522,240
Fuel and power		334,249	355,201
Repairs and maintenance		63,870	248,816
Loading and handling		56,747	232,330
Depreciation	8.1	257,610	247,890
Lab. testing charges		16,321	55,926
		-----	-----
		26,710,163	88,740,577
		=====	=====

12.1.1 Lubricants Base Oil Consumed

Opening stock		9,097,607	3,789,584
Purchases		14,206,004	70,445,750
Freight and cartage		471,562	1,993,848
		-----	-----
		23,775,173	76,229,182
Closing stock		(5,695,569)	(9,097,607)
		-----	-----
		18,079,604	67,131,575
		=====	=====

12.1.2 Additives/Chemicals Consumed

Opening stock		13,838,486	15,479,029
Purchases		1,075,899	15,734,057
		-----	-----
		14,914,385	31,213,086
Closing stock		--	--
Transferred to PSO		(9,963,128)	17,374,600

-----	-----
4,951,257	17,374,600
=====	=====

13. ADMINISTRATIVE EXPENSES

Salaries, wages & benefits	13.1	240,000	240,000
Head office expenses		480,000	480,000
Printing and stationery		11,446	15,324
Travelling expenses		28,275	66,969
Transport and conveyance		102,543	103,821
Insurance		37,558	58,925
Telephone, postage & telegram		72,237	90,440
Subscription		7,900	9,400
Directors' fee		10,000	10,000
Auditor's Remuneration		49,059	36,618
Depreciation	13.2	121,616	316,273
Staff welfare	8.1	73,767	62,167
Legal & professional charges		103,350	--
Rent, rates and taxes		5,000	14,655
Contribution in Prime Minister's Self Reliance Fund		12,300	5,000
Other		29,918	38,365
		-----	-----
		1,384,969	1,547,957
		=====	=====

13.1 Remuneration of Chief Executive and Executive

The aggregate amount charged in the accounts of the year for remuneration and benefits to the Chief Executive and Executives were as follows:--

	<i>2000</i>		<i>1999</i>	
	<i>Chief Executive</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Executives</i>
	<i>Rupees</i>			
Managerial remuneration	180,000	272,400	180,000	262,200
Housing	54,000	122,580	54,000	17,720
Leave encashment	--	--	--	8,503
Conveyance	--	12,000	--	--
Medical	6,000	27,240	6,000	26,160
	-----	-----	-----	-----
	240,000	434,220	240,000	414,583
	=====	=====	=====	=====
Number	1	2	1	2
	=====	=====	=====	=====

In additions, Chief Executive and one of the Executives was also provided with free use of Company maintained cars.

13.2 Auditors Remuneration:

	<i>2000</i>	<i>1999</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>
Audit fee	35,000	25,000

Out of pocket expenses	14,059	11,618
	-----	-----
	49,059	36,618
	=====	=====

14. FINANCIAL & OTHER CHARGES

Markup on balance due to holding company	2,944,209	3,132,197
Bank charges	2,877	4,281
Other charges (charity & donation) 14.1	--	10,000
	-----	-----
	2,947,086	3,146,478
	=====	=====

14.1 No director or his spouse had any interest in any donee's fund to which donations were made during the year.

15. STAFF SEPARATING BENEFITS

The company has ceased its operations at Multan and therefore, the management has decided to relive company's staff by paying separating benefits.

16. PRIOR YEARS' ADJUSTMENTS

	--	1,543,520
	=====	=====

These included Rs. 1,543,520/= on account of incremental rent of operational facilities for the financial years from 1995-96 to 1997-98.

17. TAXATION

The Company's income tax assessments for the assessment years 1997-98 & 1998-99 are pending with (CIT(A)). The return for the assessment year 1999-2000 was filed and is pending for finalisation.

18. TRANSACTIONS WITH HOLDING COMPANY

Sales	43,901,641	118,881,086
Purchases (net)	5,310,776	86,179,807
Financial charges	2,944,209	3,132,197
Dividend paid	1,249,945	892,462
Freight on base oil and additives (net)	392,464	1,874,105
Advances	22,650,000	49,900,000

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**19.1 Interest rate risk exposure**

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June, 2000 are summarized as follows:

	<i>Interest bearing</i>			<i>Non-Interest</i>	<i>Total</i>
	<i>Less than</i>	<i>One month to</i>	<i>Three months</i>	<i>bearing</i>	
	<i>one month</i>	<i>three months</i>	<i>to one year</i>		
Financial assets					
Cash & bank balances	--	--	--	1,017,912	1,017,912
Deposits	--	--	--	166,083	166,083
Other receivables	--	--	--	1,013,550	1,013,550
	-----	-----	-----	-----	-----

	--	--	--	2,197,545	2,197,545
	=====	=====	=====	=====	=====
Financial Liabilities					
Due to holding company	--	--	6,710,286	--	6,710,286
Creditors, accrued expenses and other liabilities	--	--	--	11,323,553	11,323,553
	-----	-----	-----	-----	-----
	--	--	6,710,286	11,323,553	18,033,839
	=====	=====	=====	=====	=====
Effective interest rate			15%		

19.2 Concentration of Credit Risk

The company has no significant concentration of credit risk.

19.3 Fair Value of Financial Instruments

The carrying value of all financial instruments reflected in the financial statements approximate to their fair value.

20. STATEMENT OF MOVEMENT IN EQUITY

	<i>Issued Subscribed & Paid-up Capital</i>	<i>Reserve</i>	<i>Unappropriated Profit (Rupees)</i>	<i>Total</i>
As on 1 July, 1998	4,999,780	7,700,000	67,772	12,767,552
Profit/(loss) for the year	--	--	314,026	314,026
Transfer to general reserve	--	(900,000)	900,000	--
Proposed dividend 25%	--	--	(1,249,945)	(1,249,945)
	-----	-----	-----	-----
As on 1 July, 1999	4,999,780	6,800,000	31,853	111,831,633
Profit/(loss) for the year	--	--	(111,050)	(111,050)
	-----	-----	-----	-----
	4,999,780	6,800,000	(79,197)	11,720,583
	=====	=====	=====	=====

21. BASIC EARNINGS/(LOSS) PER SHARE

	<i>2000 (Rupees)</i>	<i>1999 (Rupees)</i>
(Loss)/Profit after taxation	(111,050)	314,026
	-----	-----
Number of ordinary shares	499,978	499,978
	-----	-----
Basic earnings/(loss) per share	(0.22)	0.63
	=====	=====

22. GENERAL

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

22.2 Figures have been rounded off to nearest of rupee.

Mian Riaz Samee
Chief Executive

K.P. Abbasi
Director

ACCOUNTS OF AUTO OILS (PRIVATE) LIMITED

Report of the Directors

The Directors have pleasure in submitting their report with the audited accounts of the company for the period ended June 30, 2000.

As over the past few year the market for lubricants remained in crisis for the year under review as well. The sales declined considerably from 4.18 million litters in 1998-99 to 2.14 million litters in 1999-2000 and are expected to decline further in the coming years due to tough market competition and lower demand. In view of the above, it has been considered appropriate to close down the operation of the company effective July 01, 2000. All employees of the company have been separated from the services and a provision has been made in the accounts for employees separation payments.

	<i>(Rupees)</i>
The Profit of the company for the period ended June 30, 2000 after providing for administrative, financial, other charges and staff separation payments.	67221
Less: Taxation	(385,000)

	(317,779)
Add: Un-appropriated profit brought forward from previous year.	43,189

Net Loss for the year ended June 30, 2000	(274,590)
	=====

The present Auditors M/s Amir Alam Khan & Company retire & offer themselves for re-appointment.

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

On Behalf of the Board of Director
Begum Tahirah Hamid
Chairperson

November 17, 2000

Auditors' Report to the Members

We have audited the annexed balance sheet of AUTO OILS (PRIVATE) LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit

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

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

(b) in our opinion:-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with 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, 2000 and of the loss, its cash flows and changes in equity for the year then ended, and

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

(e) without qualifying our opinion, we draw attention to the fact that the company has suspended its operations with effect from July 01, 2000 and has also laid off its employees from June 30, 2000. These financial statements have been prepared on going concern basis. the validity of which is dependent on the agreement between the holding company and future market conditions.

Amir Alam Khan & Co.
Chartered Accountants

Rawalpindi: November 17, 2000

Balance Sheet as at June 30, 2000

	<i>Notes</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
CAPITAL AND RESERVES			
Share capital	3	3,475,000	3,475,000
Reserves			
General reserve		6,800,000	6,800,000
Accumulated loss		(274,590)	43,189
		-----	-----
		10,000,410	10,318,189
OBLIGATION UNDER FINANCE LEASE			
		--	229,774
CURRENT LIABILITIES			
Balance due to holding company		--	25,653,683

Current portion of obligations under finance lease	4	229,774	160,623
Accrued and other liabilities	5	11,232,920	8,091,204
Proposed dividend		--	1,042,500
		-----	-----
		11,462,694	34,948,010
CONTINGENCIES AND COMMITMENTS	6	--	--
		-----	-----
		21,463,104	45,495,973
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating assets	7	1,800,077	2,124,528
Assets subject to finance lease	8	232,791	349,186
		-----	-----
		2,032,868	2,473,714
LONG TERM SECURITY DEPOSITS	9	75,300	75,300
CURRENT ASSETS			
Stock-in-trade	10	2,010,627	26,364,370
Balance due from holding company	11	762,768	--
Advances, deposits and other receivables	12	16,196,334	15,162,453
Cash and bank balances	13	385,207	1,420,136
		-----	-----
		19,354,936	42,946,959
		-----	-----
		21,463,104	45,495,973
		=====	=====

The annexed notes form an integral part of these accounts.

Begum Tahirah Hamid
Chairperson

K.P. Abbasi
Director

Profit and Loss Account for the year ended June 30, 2000

	<i>Notes</i>	<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>
SALES		67,223,076	140,216,745
COST OF PRODUCTS SOLD	14	63,508,652	132,282,473
		-----	-----
GROSS PROFIT		3,714,424	7,934,272
OPERATING EXPENSES			
Administrative	15	1,194,818	1,155,238
Financial	16	584,345	3,905,126
Staff retirement benefits		1,865,177	--
Workers' profit participation fund		3,538	144,156
		-----	-----
		3,647,878	5,204,520

OPERATING PROFIT	66,546	2,729,752
OTHER INCOME	675	9,220
PROFIT FOR THE YEAR	67,221	2,738,972
TAXATION		
Current	385,000	1,300,000
Prior	--	(57,833)
	385,000	1,242,167
LOSS AFTER TAXATION	(317,779)	88,884
UNAPPROPRIATED PROFIT BROUGHT FORWARD	43,189	88,884
LOSS BEFORE APPROPRIATION	(274,590)	1,585,689
APPROPRIATIONS		
Transfer to general reserve	--	500,000
Proposed dividend @ NIL % (1999: 30 %)	--	1,042,500
	--	1,542,500
ACCUMULATED LOSS CARRIED FORWARD	(274,590)	43,189
Earning per share - Basic and diluted	17	(1,143)
		5,384

The annexed notes form as integral part of these accounts.

Begum Tahirah Hamid
Chairperson

K.P. Abbasi
Director

Cash Flow Statement for the year ended June 30, 2000

	2000 <i>(Rupees)</i>	1999 <i>(Rupees)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	76,924,919	140,225,965
Cash paid to suppliers and employees	48,526,515	140,354,750
Cash generated from operations	28,398,404	(128,785)
Interest paid	(576,575)	(3,897,899)
Income Tax paid	(1,366,934)	(2,621,973)
Cash flow from operating activities	26,454,895	(6,648,657)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,000)	(326,446)

Net cash used in investing activities	(5,000)	(326,446)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments to holding company	(26,416,451)	7,551,333
Payments of obligations under finance lease	(160,623)	(133,450)
Dividend paid	(907,750)	(1,472,313)
Net cash used in financing activities	(27,484,1124)	5,945,570
Net increase in cash and cash equivalents	(1,034,929)	(1,029,533)
Cash and cash equivalent at beginning of the year	1,420,136	2,449,669
Cash and cash equivalent at the end of the year	385,207	1,420,136

Begum Tahirah Hamid
Chairperson

K.P. Abbasi
Director

Notes to the Accounts for the year ended June 30, 2000

1. STATUS AND NATURE OF BUSINESS

AUTO OILS (PRIVATE) LIMITED is a private company incorporated in Pakistan under the 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) TAXATION

The charge for current taxation is based on taxable income.

c) FIXED CAPITAL EXPENDITURE

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 7. 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.

Assets subject to finance lease are stated at the lower of present value of minimum lease payment under the lease agreements and the fair value of such assets. The related obligation under the lease are accounted for at net present value of liabilities. The assets so acquired are amortised over their expected useful life. Full year's amortisation is charged on additions.

d) STOCK-IN-TRADE

The stocks of lubricating base oils 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.

	2000 <i>(Rupees)</i>	1999 <i>(Rupees)</i>
3. SHARE CAPITAL		
Authorised		
400 Ordinary shares of Rs. 12,500 each	5,000,000	5,000,000
	=====	=====
Issued subscribed and paid-up		
80 Ordinary shares of		
Rs. 12,500 each, issued for cash	1,000,000	1,000,000
198 Ordinary shares of Rs. 12,500 each.		
issued as bonus shares	2,475,000	2,475,000
	-----	-----
	3,475,000	3,475,000
	=====	=====
4. OBLIGATION UNDER FINANCE LEASE		
Total outstanding commitments	240,825	465,125
Finance charges not due	(11,051)	(74,728)
	-----	-----
	229,774	390,397
Current portion	(229,774)	(160,623)
	-----	-----
	--	229,774
	=====	=====

The total lease rentals due under the lease agreement amounts to Rs. 1,081,950 (1999- Rs. 1,081,950) and are payable in equal quarterly installments latest by October 01, 2000. Over due rental payments are subject to an additional charge of 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 the entire rent for unexpired period.

Purchase option can be exercised by the lessee paying 25% of the lease amount.

Financing rate of approximately 19 percent per annum has been used as discounting factor.

The lease is partly secured against the security deposits amounting to Rs. 73,900 grouped in long term deposits.

4.2 The future lease payments to which the company is committed under the lease agreement and the years in which they will become due are as under:-

	2000 <i>(Rupees)</i>	1999 <i>(Rupees)</i>
Year ended June 30, 2000	--	224,301
Year ended June 30, 2001	240,825	240,825
	-----	-----
	240,825	465,126
Financial charges allocated to future periods	(11,051)	(74,728)
	-----	-----
	229,774	390,398

5. ACCRUED AND OTHER LIABILITIES

Accrued liabilities		
Expenses	334,085	294,892
Other Liabilities		
Provision for taxation	4,585,000	4,200,000
Sales tax payable	3,859,350	3,152,568
Dividend payable	269,500	134,750
Staff retirement benefit payable	1,865,177	--
Other liabilities	319,808	308,994
	-----	-----
	11,232,920	8,091,204
	=====	=====

6. CONTINGENCIES AND COMMITMENTS

6.1 Presumptive tax liability amounting to Rupees 8,703,229 (1999-Rupees 8,703,229) lived 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.

6.2 Provision for bad and doubtful debts amounting to Rupees 1,238,511 and Rupees 538,579 in respect of Development Surcharge Deposit and Excess Payment Claims of Development Surcharge (Note No. 12) have not been provided in these accounts as the case is under litigation and the management and legal advisor are of the opinion that the case will be decided in the favor of the company.

7. FIXED ASSETS

<i>PARTICULARS</i>	<i>COST</i>			<i>RATE</i> %	<i>DEPRECIATION</i>			<i>Written</i> <i>down value</i> <i>as on</i> <i>30-Jun</i> <i>2000</i>	
	<i>As on</i> <i>1-Jul-1999</i>	<i>Additions</i>	<i>As on</i> <i>30-Jun-2000</i>		<i>As on</i> <i>1-Jul-1999</i>	<i>Adjustment</i> <i>For the</i> <i>year</i>	<i>As on</i> <i>30-Jun-2000</i>		
Land lease hold	475,097	--	475,097	5	356,325	--	23,755	380,080	95,017
Building on lease hold	3,795,079	--	3,795,079	5	2,187,208	--	189,756	2,376,964	1,418,115
Tank, kettle, pipeline & machinery	3,846,201	5,000	3,851,201	10	3,548,225	--	40,493	3,588,718	262,483
Electric fittings	537,939	--	537,939	10	537,937	--	--	537,937	2
Laboratory equipment	785,239	--	785,239	10	785,235	--	--	785,235	4
Office furniture	63,030	--	63,030	10	60,939	--	2,084	63,023	7
Office equipment	88,939	--	88,939	10	64,808	--	4,024	68,832	20,107
Vehicle	1,030,678	--	1,030,678	20	956,997	--	69,339	1,026,336	4,342
	-----	-----	-----		-----	-----	-----	-----	-----
2000 Rupees	10,622,202	5,000	10,627,202		8,497,674	--	329,451	8,827,125	1,800,077
	=====	=====	=====		=====	=====	=====	=====	=====
1999 Rupees	10,143,868	78,334	10,622,202		8,153,643	--	344,031	8,497,674	2,124,528
	=====	=====	=====		=====	=====	=====	=====	=====
			<i>2000</i> <i>(Rupees)</i>	<i>1999</i> <i>(Rupees)</i>					

7.1 Depreciation has been apportioned as under:-

Cost of Products Manufactured	254,004	271,452
-------------------------------	---------	---------

Administrative Expenses	75,447	72,579
	-----	-----
	329,451	344,031
	=====	=====

8. ASSETS SUBJECT TO FINANCE LEASE

PARTICULARS	COST		RATE %	DEPRECIATION			Written down value as on 30-Jun 2000
	As on 1-Jul-1999	Additions		As on 30-Jun-2000	As on 1-Jul-1999	Adjustment	
Vehicle	581,976	--	23	232,790	--	116,395	232,791
2000 - Rupees	581,976	--	--	232,790	--	116,395	232,791
1999 - Rupees	581,976	--	--	116,395	--	116,395	349,186

	2000 (Rupees)	1999 (Rupees)
9. LONG TERM SECURITY DEPOSITS		
Utilities	1,400	1,400
Finance lease	73,900	73,900
	-----	-----
	75,300	75,300
	=====	=====

10. STOCK-IN-TRADE

Lubricating base oil		
Cost	19,276,861	10,854,861
Charges incurred	764,831	413,609
	-----	-----
	2,004,169	11,268,470
Additives	6,458	13,333,588
Finished products	--	1,762,312
	-----	-----
	2,010,627	26,364,370
	=====	=====

11. BALANCE DUE FROM HOLDING COMPANY

This represents the balance due from Pakistan State Oil Company Limited (Current Account) which is unsecured. This account carries return at the rate of 15 per cent per annum on day to day balances.

12. ADVANCES, DEPOSITS AND RECEIVABLES

Advances-Un-secured-considered good		
National Refinery Limited	--	18,780
Income tax	11,137,735	9,770,801
Others	30,000	12,500
Deposits	12.1	1,238,511
Receivables		1,560,864

Income tax		3,251,509	3,251,509
Other receivables-Un-secured	12.1	538,579	547,999
		-----	-----
		16,196,334	15,162,453
		=====	=====

12.1 This includes Development Surcharge Deposit of Rs. 1,238,511 (1999--Rupees 1,238,511) and Excess Payment Claims of Development Surcharge of Rs. 538,579 (1999 - Rupees 538,579) which are considerably overdue due.

13. CASH AND BANK BALANCE

Cash in hand		3,774	12
Cash at banks in current accounts		381,433	1,420,124
		-----	-----
		385,207	1,420,136
		=====	=====

14. COST OF PRODUCTS SOLD

Opening stock of finished products		1,762,312	1,325,132
Cost of products manufactured	14.1	45,860,785	106,738,248
Excise duty		15,885,555	25,981,405
		-----	-----
		63,508,652	134,044,785
Closing stock finished products		--	(1,762,312)
		-----	-----
		63,508,652	132,282,473
		=====	=====

14.1 COST OF PRODUCTS MANUFACTURED

Base oil consumed	14.1.1	38,147,204	80,103,067
Additives/Chemicals consumed	14.1.2	4,633,059	23,455,861
Salaries and wages		2,271,853	2,185,837
Fuel and power		299,306	326,201
Loading and un-loading		91,409	149,218
Laboratory testing/expenses		40,000	55,750
Factory rent		5,247	5,247
Plant and building maintenance		118,703	185,615
Depreciation	7.1	254,004	271,452
		-----	-----
		45,860,785	106,738,248
		=====	=====

14.1.1 Base oil consumed

Opening stock		11,268,470	5,454,043
Purchases		27,495,790	82,694,408
Freight and cartage		1,387,113	3,223,086
		-----	-----
		40,151,373	91,371,537
Closing Stock		(2,004,169)	(11,268,470)
		-----	-----
		38,147,204	80,103,067
		=====	=====

14.1.2 Additives and chemicals consumed

Opening stock	13,333,588	12,697,966
Purchases	1,007,098	24,091,483
	-----	-----
	14,340,686	36,789,449
Stock transferred to Pakistan State Oil	(9,701,169)	--
Closing stock	(6,458)	(13,333,588)
	-----	-----
	4,633,059	23,455,861
	=====	=====

15. ADMINISTRATIVE EXPENSES

Head office expenses	480,000	480,000	
Directors' fee	10,000	10,000	
Communication	70,957	86,645	
Printing and stationery	24,463	24,406	
Conveyance	5,718	8,175	
Vehicle running	96,926	88,954	
Travelling	28,150	21,460	
Staff welfare	27,982	47,929	
Auditors' remuneration	15.1	90,000	40,000
Legal and professional	30,500	22,500	
Rent, rates and taxes	20,000	20,000	
Insurance	68,918	70,688	
Other expenses	49,362	23,007	
Donation	--	22,500	
Depreciation and amortisation	7.1	191,842	188,974
	-----	-----	
	1,194,818	1,155,238	
	=====	=====	

15.1 Auditors' remuneration

Statutory audit fee	25,000	25,000
Taxation	65,000	15,000
	-----	-----
	90,000	40,000
	=====	=====

16. FINANCIAL EXPENSES

Interest on:

Current account with holding company (Pakistan State Oil Company Limited)	16.1	512,898	3,807,050
Finance charges of lease		63,677	90,849
Bank charges		7,770	7,227
		-----	-----
		584,345	3,905,126
		=====	=====

16.1 Interest at the rate of 15 percent per annum is charged on day to day balances.

17. EARNING PER SHARE- BASIC AND DILUTED

(Loss)/Profit after taxation for the year	(317,779)	1,496,805
	=====	=====
Weighted average number of ordinary shares	278	278
	=====	=====
Earning per share	(1,143)	5,384
	=====	=====

18. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

18.1 None of the directors and chief executive are paid remuneration except meeting fees of Rupees: 10,000 (1999- Rupees 10,000). In addition the chief executive and one director are provided with free use of company car.

18.2 The aggregate amount charged in the accounts for remuneration of executives is as under:-

Basic salary	144,000	138,000
House rent	64,800	62,100
Medical	14,400	13,800
Provident fund and retirement benefits	466,564	--
	-----	-----
	689,764	213,900
	=====	=====
Number	1	1
	=====	=====

In addition the executive is also provided with free use of company maintained car.

19. NUMBER OF EMPLOYEES

The total number of permanent employees on average during the year were twenty five (1999 - twenty five)

20. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchasing from	28,502,888	106,785,891
Freight paid	1,387,113	3,223,086
Sales to	67,223,076	140,216,745
Stock transferred	9,701,169	--
Financial charges paid	512,898	3,807,050
Dividend paid	532,500	532,500

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**21.1 Credit Risk**

The financial assets of the company includes deposits of Rupees 1,238,511 and other receivables of Rupees 538,579 referred to in Note 12.1 which are exposed to credit risk.

21.2 Fair Value of Financial Instruments

The estimated fair values of financial instruments are not significantly different from their book values as shown in these financial statements.

21.3 Exposure to Interest Rate Risk:

The company is not exposed to significant interest rate rise The interest rate on current account with Pakistan State Oil Co Ltd is fixed and not expected to significantly fluctuate.

22. STATEMENT OF CHANGES IN EQUITY:

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Profit for the year and appropriation</i>	<i>Total</i>
Balance as on 1 July, 1998	3,475,000	6,300,000	88,884	9,863,884
Net Profit for the year	--	--	1,496,805	1,496,805
Appropriations:				
General Reserve	--	500,000	(500,000)	--
Proposed Dividend	--	--	(1,042,500)	(1,042,500)
	-----	-----	-----	-----
Balance as on 30 June, 1999	3,475,000	6,800,000	43,189	10,318,189
	=====	=====	=====	=====
Balance as on 1 July, 1999	3,475,000	6,800,000	43,189	10,318,189
Net Loss for the year	--	--	(317,779)	(317,779)
Appropriations:				
General Reserve	--	--	--	--
Proposed Dividend	--	--	--	--
	-----	-----	-----	-----
Balance as on 30 June, 2000	3,475,000	6,800,000	(274,590)	10,000,410
	=====	=====	=====	=====

23. FIGURES

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

(ii) In these accounts of corresponding year have been rearranged and regrouped wherever necessary to facilitate comparison.

Begum Tahirah Hamid
Chairperson

K.P. Abbasi
Director