

Shell Pakistan Limited

Eighteen Months Accounts
January 1995 to June 1996

CONTENTS

Notice of Meeting	2
Company Information	3
Share Performance	5
Report of the Directors	6
Highlights	8
Chairman's review	9
Financial Statistical Summary	12
Auditors Report	15
Balance Sheet	16
Profit and Loss Account	18
Cash Flow Statement	19
Notes to the Accounts	20
Shareholders' Statistics	41
Break-up of Selling Prices of main Fuel Products	42
Consolidated Accounts	43
Accounts of Subsidiary Companies	51

NOTICE OF MEETING

Notice is hereby given that the Twenty seventh Annual General Meeting of Shell Pakistan Limited will be held on Thursday December 12, 1996 at 10.30 a.m. at the Pearl Continental Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt Report of Directors and Auditors together with Audited Accounts for the 18 months ended June 30, 1996.
2. To approve the payment of final dividend of Rs. 2.75 per share (27.5%) and also the first interim dividend of Rs.2.50 per share (25%) declared on August 22, 1995 and second interim dividend of Rs. 3.00 per share (30%) declared on March 18, 1996 making a total of Rs. 8.25 per share for the eighteen months period January 1, 1995 - June 30, 1996.
3. To appoint Auditors and fix their remuneration for the year 1996-97.

By Order of the Board

S. HASHIM ISHAQUE
Secretary

Karachi: September 24, 1996

NOTES:

- (i) The register of members will remain closed from 1st December, 1996 to 12th December, 1996 (both days inclusive).
- (ii) A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies must be received at the registered officer of the Company not less than 48 hours before the meeting.
- (iii) Shareholders are requested to notify any change in their address immediately.

COMPANY INFORMATION

BOARD OF DIRECTORS

AITZAZ SHAHBAZ Chairman
M.B. ABBASI
AKBAR AZLZ
MOIRA BOWIE
FARROKH K. CAPTAIN
ASADULLAH KHAWAJA
F, D. de. KONING
SALAHUDDIN QURESHI
S. N. A. RAZVI
LEIF S. SOEFTING
T.V. HIGGINS

MANAGEMENT

T.V. HIGGINS
Managing Director & Chief Executive

RICK WESTLEY
Marketing Manager

ARSHAD SAID
Operation Manager

SAIYED HASHIM ISHAQUE
Secretary & Finance Manager

HASSAN MADANI
Personnel Manager

SALEEMUDDIN AHMED
Planning Manager

REGISTERED OFFICE

Shell House
6, Ch. Khaliqzaman Road
Karachi-75530

AUDITORS

A.F. Ferguson & Co.

LEGAL ADVISERS

Fatehall W. Vellani & Co.
Advocates & Solicitors

**No. of Shares Transacted
on Karachi Stock Exchange**

	Number of Shares	
1996	710 100	1996
1994	231 900	1994
1993	503 300	1993
1992	556 500	1992
1991	617 600	1991
1990	90 400	1990

1989 91 300 1989

Share Performance
Karachi Stock Exchange
Quotations
Per Share of Rs 10

High Rs	Low Rs	Year-end Rs
290.00	124.00	161.00
291.00	196.00	280.00
228.00	75.00	212.00
130.00	67.00	89.00
101.00	51.25	101.00
60.60	51.00	53.20
66.00	55.00	58.50

1996, figures are for eighteen months January 1995-June 1996

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Audited Accounts of the Shell Pakistan Limited for the Twenty-sixth year of the Company's trading operations ended June 30, 1996.

(Rupees '000)

The profit of the Company for the eighteen months January 1, 1995 to June 30, 1996 after providing for administrative, marketing, financial and other charges amounts to

556 910

Less: Provision for

Workers' profits participation fund

27 869

Workers' welfare fund

12 004 39 873

517 037

Less: Taxation

For the period

205 091

Deferred tax

(4 448) 200 643

316 394

To this must be added

Amount of unappropriated profit brought forward from the previous year

199 786

Making available for appropriation

516 180

APPROPRIATIONS:

First interim dividend - Rs 2.50 per share of Rs. 10 each (equivalent to 25%) was declared on 22nd August 1995 absorbing

38 962

Second interim dividend of Rs. 3.00 per share of Rs. 10 each (equivalent to 30%) was declared on 18th March, 1996 absorbing

46 754

and the Directors now recommend a payment of a final dividend of Rs.2.75 per share of Rs.10 each (equivalent to 27.5%) amounting to

64 287

Making a total appropriation of

150 003

Leaving for carry over to next year an unappropriated profit of	366 177
	=====
Earning per share	Rs. 13.53

REPORT OF THE DIRECTORS

Following the increase in margins on 13th February, 1995 it is disappointing to have to report that the Government has failed to announce the further increase in margin percentages (currently 1.92% for HSD and 2.17% for motor spirit) that is essential to promote the necessary investment in the industry.

At the EGM held on September 28, 1995 shareholders approved the purchase of the shareholdings of our joint venture partners in our subsidiary lubricants manufacturing companies. This purchase was in pursuance of our policy of rationalising our lubricants production facilities. Production is now concentrated at our blending plant at Keamari which has the capacity to blend international quality lubricants to Shell standards.

The company has continued its capital investment programme in order to improve product quality, customer service, operational safety and environmental protection and spent Rs 739 mn during the period under review. This investment is most visibly manifested in the new Shell service stations which have brought international quality service to our customers while meeting the most stringent industry safety standards.

At the EGM held on September 28, 1995 shareholders approved a resolution to increase the authorised share capital of the company from Rs 200 mn to Rs 500 mn. Subsequently the company increased its issued share capital to Rs 233 772 000 by means of a rights issue of one share for every two held, at a premium of Rs 80/- per share.

Minimum income tax, under Section 80D of the Income Tax Ordinance 1979 has been provided @ 0.5% of turnover net of dues, which amounts to Rs. 205 mn for the period under review. The Government has verbally undertaken to amend the basis of this tax to turnover net of duties, taxes and levies, thereby removing the "tax on tax." At the date of writing this amendment has yet to be formally promulgated.

Consolidated balance sheet as at June 30, 1996 and profit and loss statement of the company and its subsidiaries for the eighteen months period to that date are also attached.

Since the last review the following changes have taken place on the Board of Directors: Mr. Ray Woods resigned from the Board on 22/11/95 and in his place Ms Moira Bowie was co-opted as director; Mr Roeland Baan resigned from the Board on 19/3/96 and Mr Frans de Koning was co-opted as director. Mr Akber Aziz was elected as a director at the EGM held on 6/6/96. Mr Hanif Adamjee retired from the Board on the same date. The Board places on record its appreciation and gratitude to Messrs Woods, Baan and Adamjee for the services they have rendered as directors of the Company.

The Auditors M/s A.F. Ferguson & Co. have offered themselves for re-appointment.

The pattern of shareholding is given on page 41.

Karachi · September 24, 1996

A. SHAHBAZ
CHAIRMAN

HIGHLIGHT		18 months	Year ended
		ended June	December
		30,1996	31, 1994
Sales volumes	Tonnes	4 517 586	2 419 146
Sales revenues	Rs / mn	41 217	21 769
Profit before tax	Rs / mn	517	312
Profit after tax	Rs / mn	316	195

New capital expenditure	Rs / mn	739	300
Shareholders' equity	Rs / mn	1 536	604
Dividend	Rs / mn	150	75
Earning per share	Rs	13.53	14.40
Foreign exchange earnings	Rs / mn	514	345

CHAIRMAN'S REVIEW

On behalf of the Board of Directors it gives me great pleasure to welcome you to the 27th Annual General meeting of the Company.

As you can see in the notes to the Accounts, the Finance Act 1995 abolished the option available for having the calendar year as the income year for tax purposes. In order to comply with the Act, the management changed the Company's accounting year-end from December 31 to June 30, so that the accounting year now corresponds with the income-tax year. Accordingly we are now meeting some six months later than usual to consider the Accounts for the period January 1, 1995 to June 30, 1996 and in this review I would like to highlight your Company's main activities during these eighteen months.

The demand for oil continues to grow in Pakistan. It is driven by transport demand in the white oil sector and power demand, increasing because of the construction of private power plants, in the black oil sector. This continuing rise in demand for oil can only be met by increasing imports of deficit products. It places enormous pressure on the facilities available to handle this product. Shell Pakistan Limited recognizes the need to invest in operational infrastructure to ensure the safe and efficient receipt and handling and distribution of product.

In order to meet this need the Company has been undertaking a number of initiatives. A 16" tanker discharge pipeline is being constructed at our import installation at Keamad and we have obtained sanction to construct 2 x 2500 M.T. tanks that will improve flexibility there. Operational efficiency has also been improved as a result of the remodelling of the fuel oil load filling gantry and the extension of the fuel oil rail siding. Outside the immediate port envelope the distribution capacity of the Company has been enhanced by the commissioning of a new installation at Shikarpur. It will be further expanded at Machike, where construction of a new installation has begun. Additional storage at Shershah and Faisalabad depots has also been built.

The Company has not only been investing in its operations activities, it has also been upgrading its retail network to improve customer service and product quality. There has been substantial capital expenditure on the Retail Development Programme. 44 retail outlets were completed in the eighteen months (including 10 new-to-industry sites), as compared to 15 outlets developed in 1994. By the end of June 1996 Shell-branded sites accounted for 16% of our motor fuel sales, substantially exceeding our most optimistic forecasts. The new service stations provide international quality service to our customers whilst bringing new standards of safety and environmental care. I am delighted to be able to report that the very positive initial customer-response to these sites has been sustained.

The Allied Retailing Business (ARB) is also expanding rapidly and 11 Select convenience stores and 9 Shell Shops were commissioned between January 1995 - June 1996. These country-wide stores are either company or dealer-operated and the latter sites are an important part of Shell Pakistan's consolidated dealer network.

To finance this investment and other new projects, the Company has been generating funds from its operations by reinvesting around 50% of its profits. The performance in the eighteen months from January 1995 - June 1996 has been encouraging. Gross margins increased from Rs. 846 mn to Rs. 1.8 bn, reflecting higher sales volumes and the increase in margins in February 1995. Profit before taxation increased from Rs. 312 mn in 1994 to Rs. 517 mn, an increase of 66%. Profit after tax rose from Rs. 195 mn in 1994, which included an extraordinary gain of Rs. 94 mn from the sale of the agrochemical business, to Rs. 316 mn, an increase of 62%. As a result of our investment in retail, operations and other new projects, our sales increased by 21.4% over 1994, as compared with Industry growth of 17.3% and gross sales proceeds for the eighteen months totalled Rs. 41.2 bn against Rs. 21.7 bn in 1994.

Lubricants continues to be an active business sector for the Company. Over the last 18 months we have rationalised our Lubricants manufacturing and logistics by closing five small Lube Oil Blending Plants situated around the country, and centralising operations at Keamari. This has meant buying out our three joint venture partners and consolidating the subsidiary companies by January 1, 1997. The resultant efficiencies repay the

closure costs within 18 months. With the launch of the International Brands of Shell Helix and Rimula engine oils and with the industrial Sea Shell portfolio now in place, lubricants will remain a key profit contributor. Currently 33% of the Company's gross margin is earned from lubricants.

In order to optimise profitability from operations, the Company continues to actively monitor and control its internal costs. Nevertheless the Company is not immune to the inflationary pressures that prevail in the country today and the costs of the goods and services we receive have increased. Moreover, in order to attract and maintain the high calibre staff necessary to meet the demands of an increasing level of activity, the Board has approved salary increases in order to keep the company competitive with other comparable blue-chip corporations. Additionally there has been the cost of the Voluntary Severance Scheme for clerical and labour staff and significant expenditure on promotional activity in support of our lubricants launches and sponsorship of the cricket World Cup. As a result administrative and marketing expenses excluding depreciation have increased in these eighteen months from Rs. 519 mn to Rs. 942 mn, an effective increase of 21% on an annualized basis.

Minimum income tax, under Section 80D of the Income Tax Ordinance 1979, has been provided at 0.5% of turnover net of duties, which amounts to Rs. 201 mn for the period under review. The Government has verbally undertaken to amend the basis of this tax to turnover net of duties, taxes and levies, thereby removing the 'tax on tax.' As noted in the Directors' Report this amendment has yet to be formally promulgated.

Profit available for appropriation for the eighteen months ended 30th June 1996 was Rs. 516.2 mn. Interim dividends of Rs. 2.50 per share and Rs. 3.00 per share were declared on August 22, 1995 and March 18, 1996 respectively. At their meeting on September 24, 1996, the Board of Directors recommended a final dividend of Rs. 2.75 per share, making a total distribution of Rs. 150 mn for the eighteen months ended June 30, 1996.

To help finance the substantial capital investment programme, the company proposed a rights issue in the first half of 1996. This was approved at the Board meeting on December 14, 1995. The issue was a tremendous success with 98% of the options taken up by shareholders. It resulted in an increase in equity of Rs. 701 mn and has significantly reduced the gearing ratio.

With all this activity you can see that the Company has continued its programme of investment in infrastructure, information technology and human resources that I reported last year and it remains dedicated to being the Industry leader in product quality, customer service and health and safety matters. We continue to appeal to the Government to help the Company find the investment needed to achieve these goals by continuing the increase in dealer and distributor margins as allowed for in the 1994 Petroleum Policy. Following the increase in margins announced on February 13, 1995, it is disappointing to have to report that the Government has yet to announce the further increase in margin percentages that is so essential to sustain our development. Our open and meaningful dialogue with the Ministry of Petroleum and Natural Resources continues.

Before ending my review, I must mention the significant efforts that the Company has made towards its goal of improving safety performance in all areas. Tank lorry drivers are being given weekly courses in defensive driving and safety belts have been fitted in more than half of our contracted fleet of vehicles. All employees are encouraged to wear seat belts while driving or helmets for motorcycles, and these have been provided by the Company to help meet our objective of safer road travel. An occupational health policy has recently been introduced and a new smoke detection system has been installed in Shell House. In addition, there has been a comprehensive review of safety at all depots and installations. Fire-fighting and electrical systems have been upgraded at six major depots. With regard to the environment, the company has started to monitor the level of pollution at its depots and retail outlets and to ensure that all new depots and sites are following Shell's international environmental guidelines.

The effort involved in all this is quite breath-taking. On behalf of the Board, I would like to pay tribute to the Managing Director and all the staff for the enormous effort they have made to produce these praiseworthy results. The Company has taken many initiatives in the key areas of health, safety and environment, human resources, information technology, customer service and product quality. As a result of its endeavors, Shell Pakistan has gained recognition as being the leading marketer and employer in the country. From the platform that has been created there is no doubt that it will continue to grow in excellence and make a major contribution to the country's development.

On behalf of the Board I would also like to record our appreciation of the cooperation, understanding and support we have received from various Government departments, our agency and dealer networks and above

all from our customers.

A. Shahbaz
Chairman

Karachi: October 27, 1996

FINANCIAL STATISTICAL SUMMARY

		1996	1994	1993	1992	1991	1990	1989	1988	1987	1986
INVESTMENT MEASURES											
Share capital	Rs/mn	2 33.77	135.52	123.2	123.2	123.2	107.8	107.8	98	98	98
Reserves	Rs/mn	1 237.57	468.11	339.36	274.15	196.56	285.9	284.36	252.6	234.26	197.22
Shareholders' equity	Rs/mn	1 471.34	603.63	462.56	397.35	319.76	393.7	356.16	350.6	332.26	295.22
Break-up value	Rs	62.94	44.54	37.55	32.25	25.91	36.52	33.04	35.78	33.90	30.12
Dividend per share	Rs	8.25	4.00	4.00	2.00	-	4.50	6.00	4.50	6.00	5.50
Bonus		-	3:20	1:10	-	-	1:7	-	1:10	-	-
Profit before tax	Rs/mn	517.04	311.78	177.26	42.44	24.66	150.06	121.58	95.99	150.18	135.56
Profit/(Ioss) after tax	Rs/mn	316.39	195.28	114.49	102.23	(73.94)	86.06	70.24	62.44	95.84	89.14
Earning/(Ioss) per share of Rs 10/-	Rs	13.53	14.40	9.30	8.30	(6.00)	7.98	6.52	6.37	9.78	9.10
Price earning ratio		11.90	19.43	22.80	9.50	-	6.70	9.00	9.90	6.20	6.50
MEASURES OF FINANCIAL STATUS											
Current assets to current liabilities		1.2	1.1	1.1	1.0	1.0	1.0	1.1	1.2	1.2	1.2
Number of days stocks		19	14.0	19.0	15.0	18.0	21.0	19.0	20.0	17.0	12.0
Number of days trade debts		8	8.0	7.0	7.0	8.0	9.0	9.0	6.0	7.0	6.0
MEASURES OF PERFORMANCE											
Profit/(Ioss) after tax as % of average capital employed		24.24	31.68	17.36	12.7	(6.4)	9.3	11.8	12.8	25.0	29.2
Profit/(Ioss) after tax as % of average shareholders' equity		30.50	36.63	26.60	28.50	(20.7)	23.00	19.90	18.30	30.60	32.10
Cost of sales as % of sales		95.61	96.13	96.31	97.23	97.50	96.30	96.70	97.00	96.70	97.10
Profit before tax as % of sales		1.25	1.43	0.94	0.24	0.15	1.10	1.10	0.90	1.50	1.40
Profit/(Ioss) after tax as % of sales		0.77	0.89	0.61	0.60	(0.4)	0.60	0.60	0.60	1.00	0.90
Total debt ratio %		32.81	37.41	45.22	40.20	67.10	64.30	37.60	30.70	10.50	27.80

* Based on eighteen months results.

ACCOUNTS

EIGHTEEN MONTHS ENDED JUNE 30, 1996

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Shell Pakistan Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof,

for the period January 1, 1995 to June 30, 1996 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the period 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.

A. F. FERGUSON & CO.
Chartered Accountants

Karachi: October 27, 1996

BALANCE SHEET AS AT JUNE 30, 1996

	Note	June 30, 1996	December 31, 1994
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Authorised capital 50 000 000 (1994:20 000 000) ordinary shares of Rs 10 each		500 000	200 000
		=====	=====
Issued, subscribed and paid-up capital	4	233 772	135 520
Reserves	5	871 392	268 328
Unappropriated profit		366 177	199 786
		-----	-----
		1 471 341	603 634
REDEEMABLE CAPITAL	6	233 889	135 000
CURRENT LIABILITIES			
Current maturity of redeemable capital	6	181 111	100 000
Short-term finances utilised under mark-up arrangements	7	303 578	125 738

Creditors, accrued and other liabilities	8	2 165 640	1 689 959
Taxation		17 660	35 660
Proposed dividend		64 287	20 328
		-----	-----
		2 732 276	1 971 685
CONTINGENT LIABILITIES AND COMMITMENTS	9	-----	-----
		4 437 506	2 710 319
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS

Operating fixed assets	10	670 353	443 152
Capital work-in-progress	11	587 893	198 810
		-----	-----
		1 258 246	641 962

LONG-TERM INVESTMENTS	12	44 401	35 739
LONG-TERM LOANS AND ADVANCES	13	3 956	1 433
LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST	14	15 341	16 509
DEFERRED TAXATION	15	22 576	18 128

CURRENT ASSETS

Stores and spares	16	7 768	5 726
Stock-in-trade	17	1 418 655	851 826
Trade debts	18	556 234	393 371
Loans and advances	19	66 073	38 860
Trade deposits and short-term prepayments	20	89 532	28 074
Other receivables	21	661 877	427 544
Cash and bank balances	22	292 847	251 147
		-----	-----
		3 092 986	1 996 548
		-----	-----
		4 437 506	2 710 319
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

Eighteen
months Year ended
ended June 3 December 31,
1996 1994

Note

(Rupees '000)

Sales		41 214 175	21 768 633
Less: Duties, taxes and levies	23	15 063 352	8 521 120
		-----	-----
		26 150 823	13 247 513
Commission and agency fee		6 117	4 138
		-----	-----
		26 156 940	13 251 651
Cost of products sold	24	24 343 342	12 406 054
		-----	-----
		1 813 598	845 597

Transportation expenses	25	117 450	44 100
Administrative and marketing expenses	26	1 064 585	568 910
		-----	-----
		1 182 035	613 010
		-----	-----
OPERATING PROFIT		631 563	232 587
Other income	27	134 535	100 123
		-----	-----
		766 098	332 710
Financial charges	28	198 516	84 425
Other charges	29	50 545	30 358
		-----	-----
		249 061	114 783
		-----	-----
Profit before taxation and extraordinary gain		517 037	217 927
Extraordinary gain		-	93 856
		-----	-----
PROFIT BEFORE TAXATION		517 037	311 783
Taxation	30	200 643	116 502
		-----	-----
PROFIT AFTER TAXATION		316 394	195 281
Unappropriated profit brought forward		199 786	79 041
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		516 180	274 322
APPROPRIATIONS:			
Transfer to capital reserve for issue of bonus shares		-	20 328
First interim dividend Rs 2,50 (1994: Rs. 2.50) per share		38 962	33 880
Second interim dividend Rs. 3.00 (1994: Rs Nil) per share		46 754	-
Final dividend Rs 2,75 (1994: Rs. 1.50) per share		64 287	20 328
		-----	-----
		150 003	74 536
		-----	-----
Unappropriated profit carried forward		366 177	199 786
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE PERIOD JANUARY 1 1995 TO JUNE 30, 1996

		Eighteen	
		months	
		ended	Year ended
		June 30,	December 31,
Note		1996	1994
		(Rupees '000)	

CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations	34	156 323	673 295
Mark-up on short-term finances paid		(66 184)	(41 196)
Taxes paid		(223 09'1)	(104 333)
Long-term loans and advances (net)		(2 523)	(489)
Long-term deposits and prepayments (net)		(1 985)	(2 486)
		-----	-----
Net cash (outflow)/inflow from operating activities		(137 460)	524 791

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure	(738 826)	(300 356)
Investments made	(30 000)	(9 500)
Sale proceeds of fixed assets	3 401	3 734
Dividends received	72 136	69 916
Extraordinary gain	-	93 856
	-----	-----
Net cash outflow from investing activities	(693 289)	(142 350)

CASH FLOW FROM FINANCING ACTIVITIES

Long-term finances	180 000	45 000
Dividends paid	(104 660)	(81 922)
Mark-up on long-term finances paid	(82 047)	(28 256)
Proceeds from issue of shares	701 316	-
	-----	-----
Net cash inflow/(outflow) from financing activities	694 609	(65 178)

Net (decrease)/increase in cash and cash equivalents	(136 140)	317 263
Cash and cash equivalents at January 1	125 409	(191 854)
	-----	-----
Cash & cash equivalents at June 30/December 31	35 (10 731)	125 409
	=====	=====

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNTS

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The Company markets petroleum and petrochemicals products. It also blends and markets various kinds of lubricating oils and has a controlling interest in six companies engaged in this business.

2. INCOME YEAR

The Finance Act 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesses were required to adopt the financial year (June 30 year end) as the income year effective from Income Tax Assessment year 1995-96.

In order that the company's accounting year may correspond with the tax income year, the management of the company has decided to change its accounting year from December 31 to June 30. Accordingly these financial statements have been prepared for a period of eighteen months from January 1, 1995 to June 30, 1996.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Accounting convention**

These accounts have been prepared under the historical cost convention.

(b) Staff retirement benefits

Except for expatriates for whom benefits are provided by membership of the Shell Overseas Contributory Pension Fund, the Company operates:

- i) approved funded pension and gratuity schemes for both management and unionised staff. Contributions for management staff are made on the basis of actuarial recommendation at the rate of 16.2% per annum and 4.45% per annum of

basic salaries for pension and gratuity respectively. No contributions are made for unionised staff on the basis of actuarial recommendation. The actuarial valuation is carried out once in every three years or earlier. The latest valuation for management and unionised staff was carried out as at December 31, 1995. The fair value of the schemes' assets and liabilities for past services of the employees at the latest valuation date were Rs 258.109 million and Rs 246.984 million respectively for the pension scheme and Rs 43.231 million and Rs 33.096 million respectively for the gratuity scheme. The future contribution rates of these schemes include allowance for surplus and deficit. The Attained Age Normal Method, using the following significant assumptions, is used for valuation of these schemes:

- Expected rate of increase in salary level at 6% per annum
- Expected rate of interest at 8% per annum;

ii) approved contributory provident funds for all employees.

(c) Taxation

Current

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

Deferred

Provision for deferred taxation is made on all significant timing differences using the liability method.

(d) investments

Long-term investments are stated at cost less provision in respect of any diminution due to permanent impairment in value of the investment. Short-term investments are valued at lower of cost and market value. Dividends are reflected in the profit and loss account on receipt basis.

(e) Stores and spares

Stores are valued at average cost whereas spares are valued at cost worked out on a first-in first-out basis. Items in transit are stated at cost incurred to date.

(f) Fixed assets and depreciation

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

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions to fixed assets is charged from the quarter in which an asset is acquired or capitalised while no depreciation is charged for the quarter in which an asset is disposed of.

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

Profit and loss arising on disposal of fixed assets is included in income in the year of disposal.

(g) Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis and net realisable value. Charges such as excise and customs duties and similar levies incurred on unsold stock of products are added to the value of the stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred to make the sale.

(h) Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date except for the liabilities covered under forward exchange contracts which are translated at the contractual rates. Exchange gains and losses are taken to income currently.

(i) Revenue recognition

Sales are recorded on despatch of goods to customers. Commission income is recognised on shipment of goods by the principals.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**Ordinary shares of Rs. 10 each**

June 30, 1996 (No. of Shares)	December 31, 1994		June 30, 1996 (Rupees '000)	December 31, 1994 (Rupees '000)
11 792 400	4 000 000	fully paid in cash	117 924	40 000
11 584 800	9 552 000	issued as fully paid bonus shares	115 848	95 520
-----	-----		-----	-----
23 377 200	13 552 000		233 772	135 520
=====	=====		=====	=====

The Shell Petroleum Company Limited, London held 11 929 203 (1994:6 915 480) ordinary shares of Rs 10 each as at June 30, 1996.

5. Reserves

	CAPITAL	REVENUE (General)	TOTAL	
			June 30, 1996	December 31, 1994
			(Rupees '000)	
At January 1	20 328	248 000	268 328	260 320
Appropriated from profits	-	-	-	20 328
Utilised for issue of bonus shares	(20 328)	-	(20 328)	(12 320)
Share premium	623 392	-	623 392	-
	-----	-----	-----	-----
	623 392	248 000	871 392	268 328
	=====	=====	=====	=====

6. REDEEMABLE CAPITAL - Secured (Non-participatory)

		Mark-Up rate (%)	Repayment period	June 30, 1996 (Rupees '000)	December 31, 1994
Lender					
ABN Amro Bank	- note 6.1	15.50	1995-98	120 000	50 000
Citibank N.A.	- note 6.2	17.00	1996-97	20 000	50 000
Emirates Bank		-	-	-	90 000
Muslim Commercial Bank	- note 6.3	16.00	1994-96	45 000	45 000
Bank Indosuez	- note 6.4	15.50	1995-96	25 000	-

Bank of Tokyo	- note 6.5	15.00	1995-98	25 000	-
Citicorp Investment					
Bank LTD	- note 6.6	18.00	1996-97	30 000	-
ANZ Grindlays					
Bank	- note 6.7	15.50	1995-98	150 000	-
				-----	-----
				415 000	235 000
Less: Current portion - shown under current liabilities				181 111	100 000
				-----	-----
				233 889	135 000
				=====	=====

6.1 ABN Amro Bank

The finance is secured by a first charge by way of hypothecation on all present and future dispensing pumps of the Company wherever situated.

6.2 Citibank N. A.

The finance is secured by a pari passu charge by way of hypothecation on all present and future tanks and pipelines of the Company wherever situated.

6.3 Muslim Commercial Bank (MCB)

The finance is secured by a first charge by way of hypothecation on all present and future air-conditioning plant, electrical, mechanical and fire equipment of the company wherever situated.

6.4 Bank Indosuez

The finance is secured by a pari passu charge by way of hypothecation on all present and future tanks and pipelines of the company wherever situated.

6.5 Bank of Tokyo

The finance is secured by a pari passu charge by way of hypothecation on all present and future tanks and pipelines of the company wherever situated.

6.6 Citicorp Investment Bank Limited

The finance is secured by a pari passu charge by way of hypothecation on all present and future tanks and pipelines of the company wherever situated.

6.7 ANZ Grindlays Bank

The finance is secured by a first charge over all present and future immovable properties of the company including all buildings.

7. SHORT-TERM FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS - SECURED

		June 30,	December 31,
		1996	1994
		(Rupees '000)	
Running finance	- note 7.1	211 926	37 290
Others	- note 7.2	91 652	88 448
		-----	-----
		303 578	125 738
		=====	=====

7.1 The facility for short-term running finance available from various banks amounts to Rs 544.40 million (1994: Rs 436.40 million). The rates of mark-up range from Re. 0.356 to Re. 0.444 per Rs 1000 per day (1994: Re 0.328 to Re. 0.440 per Rs 1000 per day).The purchase prices are payable on various dates by April 3, 1997. These arrangements are secured by way of pari passu charges against hypothecation of the Company's stock-in-trade, trade debts and other receivables.

7.2 The facility for other than running finance available from a bank amounts to Rs 150 million (1994: Rs 275 million). The rate of mark-up is Re 0.367 to Re 0.466 per Rs 1 000 per day. (1994: Re 0.301 to Re 0.332 per Rs 1000 per day). The purchase price is payable within one hundred and twenty days of utilisation of the facility. The arrangement is secured by way of pari passu charges against hypothecation of the Company's stock-in-trade and trade debts.

The unutilised facility for guarantees and opening letters of credit as at June 30, 1996 amounted to Rs 1067 million (1994: Rs 1596 million) approximately.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Creditors	1 092 426	625 703
Accrued liabilities	453 369	304 398
Bills payable	70	5 851
Price differential payable	-	238 898
Mark-up accrued on secured-short-term finances	10 360	5 381
-long-term finances	13 300	5 738
Excise and customs duties and development surcharge	76 870	118 295
Sales tax payable	15 518	14 105
Dealers' security deposits-refundable on termination of dealership	78 750	49 828
Advances from customers	351 265	300 570
Workers' welfare fund	11 751	8 254
Workers' profits participation fund-Note 8.1	13 864	1 232
Unclaimed dividends	6 830	5 446
Other liabilities	41 267	6 260
	-----	-----
	2 165 640	1 689 959
	=====	=====

Amounts due to subsidiary companies at the period-end aggregated to Rs Nil (1994: Rs 5.173 million).

Amounts due to associated undertakings at the period-end aggregated to Rs 557.460 million (1994: Rs 180.078 million).

8.1 Workers' profit participation fund

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Balance at January 1	1 232	8 935
Allocation for the period/year	27 869	11 797
Interest on funds utilised in company's business	462	-
	-----	-----
	29 563	20 732
Amount paid to the fund	(15 699)	(19 500)
	-----	-----
Balance as at June 30/December 31	13 864	1 232
	=====	=====

9. CONTINGENT LIABILITIES AND COMMITMENTS

9.1 Contingent liabilities

(a) Octroi levies amounting to approximately Rs 367.485 million (1994: Rs 308.319 million). Certain municipal authorities have demanded octroi on the total quantity of petroleum products stored within their municipal limits whereas the Company maintains that octroi

is payable only on the quantities sold within the municipal limits, and not on the products temporarily stored there. The Company has filed appeals before the High Court against the above octroi levies. Pending outcome of the appeals and because the management is confident that the decisions will be in favour of the Company, no provision has been made in these accounts for the aforesaid octroi levies.

(b) Claims against the Company not acknowledged as debts were approximately Rs 112.810 million (1994: Rs 115.150 million).

9.2 Commitments

(a) Capital expenditure contracted for but not incurred amounted to approximately Rs 148.454 million (1994: Rs 30.751 million).

(b) Commitments for rentals under operating lease agreements in respect of assets are payable as follows:

Year	(Rupees '000)
1996-97	9 583
1997-98	17 833
1998-99	7 580
1999-2000	5 208
2000-2001	1 622

	41 826
	=====

10 OPERATING FIXED ASSETS

10.1 The following is a statement of operating fixed assets:

	Cost at January 1, 1995	Additions/ (deletions)	Transfers in/(out)	Cost at June 30, 1996	Accumulated depreciation at Jan 1, 1995	Charge for the period/ (accumulated depreciation on disposals)	Transfers in/(out)	Accumulated depreciation at June 30, 1996	Book value at June 30, 1996	Annual rate on cost %
	(Rupees '000)									
Freehold land	28 631	69	-	28 700	-	-	-	-	28 700	-
Leasehold land	27 778	11 090	-	38 868	1 863	2 850	-	4 713	34 155	5
Buildings on freehold land	24 667	1 963	-	26 630	2 400	1 938	-	4 338	22 292	5
Buildings on leasehold land	143 801	111 434 (46)	-	255 189	60 725	13 781 (46)	-	74 460	180 729	5 to 10
Tanks and pipelines	212 449	23 549	-	235 998	101 322	-	-	128 440	107 558	10
Plant and machinery	94 294	29 906	-	124 200	48 029	-	-	62 094	62 106	10
Air-conditioning plant	11 988	342	-	12 330	9 670	853	-	10 523	1 807	10
Lifts	2 269	2 212	-	4 481	2 099	202	-	2 301	2 180	10
Dispensing pumps	133 346	43 974 (272)	-	177 048	96 600	20 101 (272)	-	116 429		15
Rolling stock and vehicles	31 376	25 808	-	53 657	21 252	8 772	-	26 764	26 893	10 to 25

(3 527)

Electrical, mechanical and fire fighting equipment	68 603	44 122	-	112 725	29 003	12 272	-	41 275	71 450	10
Furniture, office equipment and other assets	64031	36071 (236)	(12535)	87 331	27 118	12 712 (215)	(1 644)	26 764	49 360	10 to 15
Personal computers	-	17 203 (968)	7 548	23 783	-	5 968 (968)	1 395	6 395	17 388	33.33
Main frame	-	2 000	4 987	6 987	-	1 622	249	1 871	5 116	25

	843 233	349 743 (5 049)	-	1 187 927	400 081	122 254 (4 761)	-	517 574	670 353	
=====										
1994	677 592	169 627 (3 986)	-	843 233	350 847	50 042 (808)	-	400 081	443 152	
=====										

10.2 The following assets were disposed of during the period:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
Building on leasehold land (Items with written down value below Rs 5 000 each)	46	46	-	46		Various
Dispensing pumps (Items with written down value below Rs 5 000 each)	272	272	-	191		Various
Roiling stock and vehicles	47	10	37	159	Auction	
	47	10	37	165	Auction	
	296	109	187	281	Insurance Claim	Commercial Union
	3	-	3	3	Negotiation	S Hashim Ishaque (Employee)
(Items with written down value below Rs 5 000 each)	3 134	3 131	3	2 380		Various

	3 527	3 260	267	2 988		
Furniture, office equipment and other assets	15	3	12	12	Negotiation	Ajaz Mirza (Ex-Employee)
	17	8	9	10	Negotiation	Shahadat Hussain (Ex-Employee)
(Items with written down value below Rs 5 000 each)	204	204	-	65		Various

	236	215	21	87		
Personal computer (Items with written down value below Rs 5,000 each)	968	968	-	89		Various
=====						

	5 049	4 761	288	3 401
1994	3 986	808	3 178	3 734

11. CAPITAL WORK-IN-PROGRESS

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Freehold land	14 692	-
Leashold Land	269	-
Buildings on freehold land	6 225	-
Buildings on leasehold land	170 491	60 523
Tanks and pipelines	63 798	4 946
Plant and machinery	11 442	16 922
Air-conditioning Plant	141	-
Lifts	422	-
Dispensing pumps	49 750	20 380
Rolling stock and vehicles	6 307	-
Electrical, mechanical and fire fighting equipment	36 604	11 952
Furniture, office equipment and other assets	81 447	13 764
Personal computer	3 715	-
Capital stores and spares	142 590	70 323
	587 893	198 810

12. LONG-TERM INVESTMENTS

	June 30, 1996	December 31, 1994		
	Percen- tage holding	(Rs'000)	percen- tage holding	(Rs'000)
Investments in unquoted subsidiaries				
TRADING				
Pak People Products Corporation (Private) Limited 200 fully paid ordinary shares of Rs 12,500 each [Value based on net assets as at June 30, 1996: Rs 8.602 million (1994: Rs 2.623 million)]	100	1,500	100	1 500
Jamia Industries (Private) Limited 38 400 fully paid ordinary shares of Rs 100 each [Value based on net assets as at June 30, 1996: Rs 19.482 million (1994: Rs 4.039 million)]	100	18,000	75	8 000
International Lubricants (Private) Limited 30,000 fully paid ordinary shares of Rs 100 each [Value based on net assets as at June 30, 1996: Rs 3.654 million (1994: Rs 3.242 million)]	100	11,800	60	1 800
Petroleum Industries of Pakistan (Private) Limited 2,000 fully paid ordinary shares of Rs 1 000 each [Value based on net assets as at June 30, 1996: Rs 4.527 million (1994: Rs 4.501 million)]	100	9,328	100	9 328
Arnif Petroleum (Private) Limited				

30,000 fully paid ordinary shares of Rs 100 each
 [Value based on net assets as at June 30,
 1996: Rs 3.438 million (1994: Rs 1.947 million)]

	100	11,530	51	1 530
--	-----	--------	----	-------

Lahore Lubricants (Private) Limited
 80 004 fully paid ordinary shares of Rs 100 each
 [Value based on net assets as at June 30,
 1996: Rs 8.000 million (1994: Rs 8.000 million)]

	100	13 580	100	13 580
--	-----	--------	-----	--------

NON-TRADING

	100	1	100	1
		-----		-----
		65 739		35 739

Less: Provision for permanent impairment
 in value of investments

	21 338		-	
	-----		-----	
	44 401		35 739	

Investment in non-trading subsidiaries consists of:
 Shell Pakistan Provident Trust (Private) Limited
 2 fully paid ordinary shares of Rs 100 each

Shell Pakistan Pensions Trust (Private) Limited
 2 fully paid ordinary shares of Rs 100 each

13. LONG-TERM LOANS AND ADVANCES--CONSIDERED GOOD

	June 30, 1996	December 31, 1994		
	(Rupees '000)			
Due from executives	5 230	2 002		
Less: Receivable within one year	1 790	736		
	-----	-----		
	3 440	1 266		
Due from employees	6021	352		
Less: Receivable within one year	86	185		
	-----	-----		
	516	167		
	-----	-----		
	3 956	1 433		
	=====	=====		
Outstanding for periods				
- less than three years	3 915	1 350		
- three years and more	41	83		
	-----	-----		
	3 956	1 433		
	=====	=====		

Loans to executives and employees are given for purchase of motor cars, motorcycles and housing in accordance with the Company's policy and are repayable over a period of two to five years.

The maximum aggregate amount due from executives at the end of any month during the period was Rs 5.230 million (1994: Rs 2.200 million).

14. LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

	June 30, 1996	December 31, 1994		
	(Rupees '000)			

Deposits	5 121	5 329
Prepayments	10 220	8 027
Deferred cost	3 153	4 729
Less: Amortised during the period/year	3 153	1 576
	-----	-----
	-	3 153
	-----	-----
	15 341	16 509
	=====	=====

15. DEFERRED TAXATION

June 30, December 31,
1996 1994
(Rupees '000)

This is composed of the following:
Deferred liability arising in respect
of tax depreciation allowances

(18 946) (10 932)

Deferred assets in respect of
short-term provisions

41 522 29 060

22 576 18 128

=====

16. STORES AND SPARES

Stores
Spares

5 917 2 193

1 851 3 533

7 768 5 726

=====

17. STOCK-IN-TRADE

Stock of products
In hand and in PARCO Pipeline
System

1 186 476 770 776

Less: Held in trust on behalf of
the Government of Pakistan

78 164 78 164

1 108312 692 612

In exchange account with Pakistan
State Oil Co. Ltd. and Caltex Oil
(Pakistan) Ltd.

14 817 9 896

1 123 129 702 508

Charges incurred thereon

294 190 151 804

1 417 319 854 312

Packages

6 982 3 160

1 424 301 857 472

Less: Provision for stock losses

5 646 5 646

1 418 655 851 826

=====

17.1 The stock quantities advised by PARCO to be in its custody as at June 30, 1996 are substantially below those shown by the Company's records. The Company considers these to

be grossly understated and has itself, and with other marketing companies, approached PARCO to establish how the quantum of the losses, if any, in the course of transportation or otherwise, while in PARCO's custody, has been determined and the means of its verification.

18. TRADE DEBTS

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Considered good		
- Secured	2 900	9 113
- Unsecured	553 334	384 258
Considered doubtful	67 144	62 310
	-----	-----
	623 378	455 681
Less: Provision for doubtful debts	67 144	62 310
	-----	-----
	556 234	393 371
	=====	=====

Amount due from associated undertakings at June 30, 1996 aggregated to Rs 57.966 million (1994: Rs 36.533 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the period was Rs 75.749 million (1994: Rs 44.550 million).

19. LOANS AND ADVANCES--CONSIDERED GOOD

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Loans due from		
- Executives	1 790	736
- Employees	2 022	2 350
	-----	-----
	3 812	3 086
Advances to		
- Chairman	5	5
- Executives	461	83
- Employees	18	35
- Subsidiary companies	61 777	35 651
	-----	-----
	62 261	35 774
	-----	-----
	66 073	38 860
	=====	=====

The maximum aggregate amount of advances to the Chairman, Chief Executive and executives at the end of any month during the period were Rs 23 thousand, Rs Nil and Rs 987 thousand respectively (1994: Rs 5 thousand, Rs 9 thousand and Rs 104 thousand).

The maximum aggregate amount of advances to subsidiary companies at the end of any month during the period was Rs 91.635 million (1994: Rs 46.396 million).

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	June 30, 1996	December 31, 1994
--	------------------	----------------------

(Rupees '000)

Balances with statutory authorities		
- Customs duty	5 575	686
- Excise duty	43 393	2 508
- Development surcharge	22 213	5 129
	-----	-----
	71 181	8 323
Trade deposits	390	930
Short-term prepayments	17 961	18 821
	-----	-----
	89 532	28 074
	=====	=====

21. OTHER RECEIVABLES

Claim for inland freight equalisation deficit	398 976	276 658
Claim for refund of customs and excise duties	6 494	6 494
Claim for refund of price differential on imported purchases	202 045	-
Railway claims	7 140	7 581
Recoverable from oil companies	11 671	115 534
Advances to suppliers	27 798	20 123
Others	38 841	20 645
	-----	-----
	692 965	447 035
Less: Provision for doubtful claims	31 088	19 491
	-----	-----
	661 877	427 544
	=====	=====

Amount due from associated undertakings at the period-end aggregated to Rs 2.823 million (1994: Rs. 91.550 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the period was Rs. 411.229 million (1994: Rs 397.396 million).

22. CASH AND BANK BALANCES

June 30, December 31,
1996 1994
(Rupees '000)

With banks		
- on deposit accounts	-	100 000
- on current accounts	188 835	88 503
Remittances in transit	3 412	418
In hand		
- cheques	96 507	59 772
- cash	4 093	2 454
	-----	-----
	292 847	251 147

23. DUTIES, TAXES AND LEVIES

Excise duty	1 027 088	629 994
Customs duty	912 637	470 335
Development surcharge	10 538 144	6 272 477
Inland freight equalisation margin	2 180 101	974 870

Local duties, octroi and other levies	365 606	141 520
Wharfage	39 776	31 924
	-----	-----
	15 063 352	8 521 120
	=====	=====

24. COST OF PRODUCTS SOLD

Opening stock	696 862	787 391
Purchases	24 763 963	12 315 525
	-----	-----
	25 460 825	13 102 916
Less: Closing stock	1 117 483	696 862
	-----	-----
	24 343 342	12 406 054
	=====	=====

25. TRANSPORTATION EXPENSES

	June 30,	December 31,
	1996	1994
	(Rupees '000)	
Gross expenditure	3 429 415	1 543 306
Less: Recoverable against inland freight equalisation margin	3 311 965	1 499 206
	-----	-----
	117 450	44 100
	=====	=====

26. ADMINISTRATIVE AND MARKETING EXPENSES

Salaries, wages and benefits	397 961	216 829
Staff training	17 793	7 889
Depot expenses	-	6 466
Airfield expenses	-	1 701
Stores and materials	21 119	10 995
Fuel and power	29 271	9 458
Rent, taxes and utilities	64 289	37 111
Lease rentals and charges	30 045	18 070
Repairs and maintenance	58 234	33 450
Insurance	37 958	20 744
Commission and allowances	14 602	14 355
Travelling -field staff	8 951	12 668
- other staff	51 860	22 743
Advertising and publicity	113 620	38 251
Technical service fee	19 225	16 317
Legal and professional charges	9 505	7 952
Communication and stationery	51 880	27 146
Computer expenses	6 070	2 450
Depreciation - note 10.1	122 254	50 042
Bad debts written off	113	192
Provision for permanent impairment in value of investments	21 338	-
Provision for doubtful debts - trade	4 834	12 638
- Others	11 597	14 491
Others	13 532	10 350
	-----	-----
	1 106 051	592 308
Less: Handling and storage charges recovered	41 466	23 398
	-----	-----

1 064 585 568 910
 =====

26.1 Staff Retirement Benefits

Salaries, wages and benefits include Rs. 28.140 million (1994:6.585 million) in respect of staff retirement benefits.

27. OTHER INCOME

June 30, December 31,
 1996 1994
 (Rupees '000)

Dividends from subsidiary companies	72 136	69 916
Compensation on advance payment of tax	-	32
Technical service fee	2 161	1 675
Marketing service fee	21 611	16 751
Profit on disposal of fixed assets	3 113	556
Licence/franchise fee recovered from dealers	8 589	2 364
Income from formulation services	6 925	-
Refund of development surcharge	4 995	-
Insurance commission	3 888	-
Liability no longer payable written back	160	-
Miscellaneous	10 957	8 829
	-----	-----
	134 535	100 123
	=====	=====

28. FINANCIAL CHARGES

Mark-up on short-term finances	71 163	42 186
Mark-up on long-term finances	89 609	28 343
Excise duty on short-term finances	11 525	5 424
Interest on payments beyond agreed credit terms	9 210	623
Bank charges	27 851	16 279
Interest on workers' profit participation fund	462	-
	-----	-----
	209 820	92 855
Less: Recoveries on current accounts		
with subsidiary companies	6 618	3 174
Interest from cartage contractors	72	-
Interest on securities	326	-
Interest on short-term deposits	4 288	5 256
	-----	-----
	11 304	8 430
	-----	-----
	198 516	84 425
	=====	=====

29. OTHER CHARGES

Exchange loss	3 117	-
Auditors' remuneration - note 31	2 866	1 069
Net earning on crop protection business payable to Cyanamid (Pakistan) Limited	-	9 835
Workers' welfare fund	12 004	6 203
Workers' profit participation fund	27 869	11 797
Donations	1 859	1 454
Others	2 830	-
	-----	-----

50 545 30 358
 =====

30. TAXATION

	June 30, 1996	December 31, 1994
	(Rupees '000)	
For the period/year	205 091	110 300
For prior years	-	2 930
	-----	-----
Deferred	205 091 (4 448)	113 230 3 272
	-----	-----
	200 643	116 502
	=====	=====

Provision for current taxation represents minimum tax at 0.5 percent on turnover of the Company.

31. AUDITORS' REMUNERATION

	June 30, 1996	December 31, 1994
	(Rupees '000)	
Audit fee		
- Statutory audit	600	300
- For substantiating inland freight equalisation - margin and octroi to the government	124	142
- Provident, pension, gratuity and - workers' profits participation funds	112	60
Tax Services	457	350
Special certifications and sundry advisory services	1 173	149
Central exise duty	83	-
Out of pocket expenses	317	68
	-----	-----
	2 866	1 069
	=====	=====

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Eighteen months ended June 30, 1996			Year ended December 31, 1994		
	Chairman Executive	Chief	Executives	Chairman Executive	Chief	Executives
Fees	3	-	-	2	-	-
Managerial remuneration	216	14 689	118 149	144	7 717	54 133
Company's contribution to pension, gratuity and provident funds	-	1 487	16 427	-	1 133	8 391
Housing						
- Rent	324	720	28 176	216	480	11 839
- Utilities allowance	18	395	3 774	12	160	1 434
- Other items	35	296	5 505	-	-	1 566

Leave passage	22	-	11 267	-	-	3 740
Leave encashment	-	-	138	-	-	921
Medical expenses	143	41	1 453	20	11	1 344
	-----	-----	-----	-----	-----	-----
	761	17 628	184 889	394	9 501	83 368
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	227	1	1	163

The aggregate amount charged in the accounts for the period, excluding that shown above, for fee to 8 directors was Rs 11 000 (1994:5 directors Rs 10 500).

In addition, the Chairman, Chief Executive and some of the Executives were also provided with free use of Company cars and 6 of the Executives were also provided with free use of Company-owned appartments.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Eighteen
months
ended June
30, 1996

Year ended
December 31,
1994

(Rupees '000)

(i) Purchases	9 083 956	4 447 005
(ii) Sales	839 468	505 481
(iii) Other items		
- Technical service fee paid	17 130	16 317
- Technical service fee received	2 161	1 675
- Interest income	6 618	3 174
- Insurance expenses	7 834	8 798
- Dividend income	72 136	69 916
- Handling and storage charges recovered	24 843	7 988
- Marketing service fee received	21 611	16 751
- Commission income	4 582	3 028

34. CASH GENERATED FROM OPERATIONS

Profit before taxation	Note	517 037	311 783
Adjustment for non cash charges and other Items:			
Depreciation	10.1	122 254	50 042
Provision for permanent impairment in value of investments	26	21 338	-
Profit on disposal of fixed assets	27	(3 113)	(556)
Extraordinary gain		-	(93 856)
Dividend income	27	(72 136)	(69 916)
Mark-up on short-term finances	28	71 163	42 186
Mark-up on long-term finances	25	89 609	28 343
Amortisation of deferrred cost	14	3 153	1 576
Working capital changes	34.1	(592 982)	403 693
		-----	-----
		156 323	673 295
		=====	=====

34.1 Working capital changes

June 30, December 31,
1996 1994
(Rupees '000)

(Increase)/decrease in current assets		
Stores and spares	(2 042)	1 143
Stock-in-trade	(566 829)	105 154
Trade debts	(162 863)	(78 151)
Loans and advances	(27 213)	(4 087)
Trade deposits and short-term prepayments	(61 458)	525
Other receivables (net)	(234 333)	(122 389)
	-----	-----
	(1 054 738)	(97 805)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)		
excluding unclaimed dividends, dividend		
payable and accrued financial charges	461 756	501 498
	-----	-----
	(592 982)	403 693
	=====	=====

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30,	December 31,
	1996	1994
	(Rupees '000)	
Cash and bank balances	292 847	251 147
Short-term running finances utilised under		
mark-up arrangements	(303 578)	(125 738)
	-----	-----
	(10 731)	125 409
	=====	=====

36. Previous year's figures have been restated, wherever necessary, for the purpose of comparison.

**STATEMENT UNDER SECTION 237 OF THE COMPANIES
ORDINANCE, 1984**

SUBSIDIARIES

Shell	Shell	Pak People	Jamia	Petroleum	Internation	Arnif	Lahore
Pakistan	Pakistan	Products	Industries	Industries	Lubricants	Petroleum	Lubricants
Provident	Pensions	Corporation	(Private)	of Pakistan	(Private)	(Private)	(Private)
Trust	Trust	(Private)	Limited	(Private)	Limited	Limited	Limited
(Private)	(Private)	Limited		Limited			
Limited	Limited						

STATEMENT UNDER SECTION 1 (e)

a) Extent of the interest of Shell
Pakistan Limited (the holding
company) in the equity of its
subsidiaries at the end of the last
of the financial years of the
subsidiaries

100%	100%	100%	100%	100%	100%	100%	100%
(Rupees '000)							

b) The net aggregate amount of revenue
profits less losses of the subsidiary
companies so far as these concern
members of the holding company and

has not been dealt with in the accounts of the holding company for the period ended June 30, 1996 are:

(i) for the last of the financial years of the subsidiaries	(421)	2351	(1 775)	(900)	(5)
(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company	8 387	10 201	3 393	1 442	427
	-----	-----	-----	-----	-----
	7966	12 552	1 618	542	422

c) The net aggregate amount of profits less losses of the subsidiary companies so far as these have been dealt with or provision made for losses in the account of the holding company for the period ended June 30, 1996 are:

(i) for the last of the financial years of the subsidiaries	34 700	32 036	5 400	-	-
(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company	53 000	31 194	23 100	9 040	7 962
	-----	-----	-----	-----	-----
	87 700	63 230	28 500	8 040	6 962

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding	Total Shares
1 054	1 TO 50	19 619
448	51 TO 100	35 702
2 261	101 TO 500	569 417
659	501 TO 1 000	458 773
600	1 001 TO 5 000	1 302 061
61	5 001 TO 10 000	428 938
11	10 001 TO 15 000	140 569
8	15 001 TO 20 000	136 409
3	20 001 TO 25 000	62 739
3	25 001 TO 30 000	81 854
4	30 001 TO 35 000	131 415
1	35 001 TO 40 000	36 500
3	40 001 TO 45 000	128 868
4	45 001 TO 50 000	191 749
1	55 001 TO 60 000	56 925
1	70 001 TO 75 000	70 650
1	75 001 TO 80 000	75 835
1	85 001 TO 90 000	87 823
2	90 001 TO 95 000	184 371
1	95 001 TO 100 000	97 405
1	120 001 TO 125 000	122 893
1	135 001 TO 140 000	136 459
1	210 001 TO 215 000	210 309

1	735 001	TO	740 000	738 929
1	1 150001	TO	1 155000	1 153159
1	4 785 001	TO	4 790 000	4 788 626
1	11 925 001	TO	11 930 000	11 929 203

 5 134
 =====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	5072	3 266 474	13.97%
Investment Companies	10	238 729	1.02%
Insurance Companies	7	954 144	4.08%
Banks	7	435 276	1.86%
Modaraba Companies	4	23 667	0.10%
Public Limited	1	6	-
Private Limited Companies	21	41 801	0.18%
Financial Institutions	6	6 171 802	26.40%
Associated Company *	1	11 929 203	51.03%
Corporate Law Authority	1	1	-
Joint Stock Companies	1	18 976	0.08%
Foreign Investment Companies	2	160 663	0.69%
	5 134	23 377 200	100.00%

* This category represents the foreign shareholding (The Shell Petroleum Company Ltd., London)
 ** This category represents shareholders of Bangladesh, whose dividend is paid to the Administrator, Properties Organisation, Government of Pakistan.

BREAK-UP OF SELLING PRICE OF FUEL PRODUCTS

	Motor Gasoline Regular	Kerosine	High Speed Diesel Oil	Furnace Oil
	Rs/Litre	Rs/Litre	Rs/Litre	Rs/Tonne
Cost of Product	5.08330	4.71120	4.80270	3451.81
Customs/excise duty	0.88000	-	0.25000	35.20
Development surcharge	7.73000	1.85000	1.50000	578.20
Inland freight equalisation margin	0.49000	0.60000	0.65000	375.00
Distributors' margin	0.31870	0.09880	0.14320	74.50
Fixed selling price	14.50200	7.26000	7.34590	4514.71
Dealer's commission	0.18800		0.11410	
Ex-pump selling price	14.69		7.46	

Shell Pakistan Limited & Subsidiary Companies

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of Shell Pakistan Limited and its subsidiary Companies as at June 30, 1996 and the related consolidated Profit and Loss Account together with the notes forming part thereof, for the period January 1, 1995 to June 30, 1996. We have also expressed separate opinions on the financial statements of Shell Pakistan Limited and its subsidiary Companies, except for Jamia Industries (Private) Limited and Lahore Lubricants (Private) Limited which were audited by another firm of Chartered Accountants, which have formed the basis of compilation of the annexed financial statements. Our examination was made in accordance with generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Shell Pakistan Limited and its subsidiary Companies as at June 30, 1996 and results of their operations for the period then ended.

A. F. FERGUSON & CO.
Chartered Accountants

Karachi: October 27, 1996

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1996

	June 30, 1996	December 31, 1994
	(Rupees '000)	
TANGIBLE FIXED ASSETS		
Operating fixed assets - note 6	690 380	465 335
Capital work-in-progress	610 915	221 054
	-----	-----
	1 301 295	686 389
PRELIMINARY EXPENSES		
	10	10
LONG-TERM LOANS & ADVANCES		
	3 956	1 433
LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST		
	15 458	16 652
DEFERRED TAXATION		
	22 413	19 050
CURRENT ASSETS		
Store and spares	7 768	5 726
Stock-in-trade	1 442 052	916 620
Trade debts	557 027	394 451
Loans & advances	6 936	3 897
Short-term investments	10 000	13 000
Trade deposits and short-term prepayments	91 394	30 910
Other receivables	671 679	433 718
Cash and bank balances	352 121	287 137
	-----	-----
	3 138 977	2 085 459
CURRENT LIABILITIES		
Current maturity of redeemable capital	181 111	100 000
Short-term finances utilised under mark-up arrangements	305 114	153 480
Creditors, accrued and other liabilities	2 187 941	1 719 057
Taxation	48 253	64 367
Proposed dividend	64 287	20 328
Proposed dividend minority share	-	3 450
	-----	-----
	2 786 706	2 060 682
	-----	-----

NET CURRENT ASSETS	352 271	24 777
	-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES	1 695 403	748 311
REDEEMABLE CAPITAL	233 889	135 000
STAFF RETIREMENT GRATUITY	67	3 457
	-----	-----
NET ASSETS	1 461 447	609 854
	=====	=====
REPRESENTED BY		
Authorised Share Capital	500 000	200 000
	=====	=====
Issued, subscribed and paid-up capital	233 772	135 520
RESERVES ATTRIBUTABLE TO PARENT COMPANY:		
Capital reserve - share premium	623 392	-
-for issue of bonus shares	-	20 328
Revenue reserve - note 3	252 455	250 043
Retained earnings	372 218	209 597
Reserve arising on consolidation	-	2 070
Less: Goodwill arising on consolidation	(23 336)	(16 027)
	-----	-----
	1 224 729	466 011
SURPLUS ON REVALUATION OF FIXED ASSETS - Note 4	2 946	2 946
MINORITY INTEREST:		
Capital	-	3 630
Reserves	-	1 747
	-	5 377

CONTINGENT LIABILITIES AND COMMITMENTS - Note 5

	-----	-----
	1 461 447	609 854
	=====	=====

The annexed notes form an integral part of these accounts.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
	(Rupees '000)	
Sales	42 085 153	22 252 560
Less: Duties, taxes and levies	15 385 064	8 777 673
	-----	-----
Commission and agency fee	26 700 089	13 474 887
	6 117	4 138
	-----	-----
	26 706 206	13 479 025
Cost of products sold	24 707 562	12 531 055
	-----	-----
	1 998 644	947 970
Transportation expenses	123 271	46 587
Administrative and marketing expenses	1 078 969	578 859
	-----	-----
	1 202 240	625 446

OPERATING PROFIT	796 404	322 524
Other income	56 952	19 901
	-----	-----
Financial charges	853 356	342 425
Other charges	207 981	90 633
	61 446	35 826
	-----	-----
	269 427	126 459
	-----	-----
Profit before taxation and extraordinary gain	583 929	215 966
Extraordinary gain	-	93 856
	-----	-----
CONSOLIDATED NET PROFIT BEFORE TAXATION	583 929	309 822
Taxation - Note 7	268 477	150 307
	-----	-----
CONSOLIDATED NET PROFIT AFTER TAXATION - carried forward	315 452	159 515
	-----	-----
CONSOLIDATED NET PROFIT AFTER TAXATION - brought forward	315 452	159 515
	-----	-----
MINORITY INTEREST	(4 088)	(4 205)
	-----	-----
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	311 364	155 310
	=====	=====
STATEMENT OF RETAINED EARNINGS		
Retained earnings at January 1	209 597	121 323
	-----	-----
Profit for the period/year	311 364	155 310
Transfer from revenue reserve	1 260	7 500
	-----	-----
PROFIT AVAILABLE FOR APPROPRIATION	522 221	284 133
	-----	-----
APPROPRIATIONS:		
Transfer to capital reserve for issue of bonus shares	-	20 328
First interim dividend Rs 2.50 (1994: 2.50) per share	38 962	33 880
Second interim dividend Rs 3.00 (1994: Nil) per share	46 754	-
	-----	-----
Proposed final dividend Rs 2.75 (1994: Rs 1.50) per share	64 287	20 328
	-----	-----
	150 003	74 536
	-----	-----
Retained earnings at June 30/December 31	372 218	209 597
	=====	=====

The annexed notes form an integral part of these accounts.

1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The Company markets petroleum and petrochemical products. It also blends and markets various kinds of lubricating oils. Its subsidiaries are private limited companies incorporated in Pakistan and are engaged in the business of blending, formulation and sale of lubricants.

2. SUMMARY OF SIGNIFICANT POLICIES

(a) Basis of Consolidation

(i) The consolidated financial statements include the accounts of Shell Pakistan Limited and its subsidiary companies.

(ii) Material inter company transactions are eliminated. Cost in excess of face value of shares acquired in the subsidiary companies is shown as deduction from reserves as goodwill.

(iii) This is an abbreviated version of consolidated accounts. As detailed audited accounts of the parent company and its subsidiaries are annexed it has not been considered necessary to provide details.

(b) Accounting Convention

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation.

3. REVENUE RESERVES

Revenue reserves include an amount of Rs 3 555 thousand(1994: Rs 3 555 thousand) representing bonus shares issued by two of the subsidiary companies out of post acquisition reserves, which is not available for distribution.

4. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book value arising from a revaluation of fixed assets of one of the subsidiaries, Pak People Products Corporation (Private) Limited on September 30, 1977.

5. CONTINGENT LIABILITIES AND COMMITMENTS

5.1 Contingent liabilities

(a) Octroi levies amounting to approximately Rs 36'7.485 million (1994: Rs 308.319 million).

Certain municipal authorities have demanded octroi on the total quantity of petroleum products stored within their municipal limits whereas the Company maintains that octroi is payable only on the quantities sold within the municipal limits, and not on the products temporarily stored there. The Company has filed appeals before the High Court against the above octroi levies. Pending outcome of the appeals and because the management is confident that the decisions will be in favour of the Company, no provision has been made in these accounts for the aforesaid octroi levies.

(b) Claims against the Company not acknowledged as debts were approximately Rs 112.810 million (1994: Rs 115.150 million).

(c) Guarantee provided by a bank in respect of bills under discount amounted to Rs 0.569 million (1994: Rs 0.619 million).

5.2 Commitments

(a) Capital expenditure contracted for but not incurred amounted to approximately Rs 148.454 million (1994: Rs 30.751 million),

(b) Commitments for rentals under operating lease agreements in respect of assets are payable as follows:

Year	1996
(Rupees '000)	
1996-97	9 583
1997-98	17 833
1998-99	7 580
1999-2000	5 208
2000-2001	1 622

	41 826
	=====

6. DEPRECIATION ON FIXED ASSETS

In the books of the parent company depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life whereas the subsidiary companies charge depreciation to income applying the reducing balance method in accordance with their respective accounting policies. The monetary effect of charging depreciation on fixed assets to income applying different methods has not been considered material for adjustment in the consolidated financial statements.

7. PROFIT BEFORE TAXATION

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
	(Rupees '000)	
- Parent Company	517 037	311 783
- Subsidiary companies	143 985	71 721
	-----	-----
	661 022	383 504
Less: Intra-group dividends	72 136	69 916
unrealised profit	4 957	3 766
	-----	-----
	77 093	73 682
	-----	-----
	583 929	309 822
	=====	=====

8. COMPARATIVES

Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison.

ACCOUNTS OF SUBSIDIARY COMPANIES

Shell Pakistan Provident Trust (Private) Limited

Shell Pakistan Pensions Trust (Private) Limited

Pak People Products Corporation (Private) Limited

Jamia Industries (Private) Limited

Petroleum Industries of Pakistan (Private) Limited

International Lubricants (Private) Limited

Arnif Petroleum (Private) Limited

Lahore Lubricants (Private) Limited

DIRECTORS

Shell Pakistan Provident Trust (Private) Limited

THOMAS VICTOR HIGGINS

SAIYED HASHIM ISHAQUE

HASSAN MADANI

DIRECTORS

Shell Pakistan Pensions Trust (Private) Limited

THOMAS VICTOR HIGGINS

ARSHAD SAID

SAIYED HASHIM ISHAQUE

DIRECTORS

Pak People Products Corporation (Private) Limited

THOMAS VICTOR HIGGINS
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

DIRECTORS

Jamia Industries (Private) Limited

THOMAS VICTOR HIGGINS
 RICK WESTLEY
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

DIRECTORS

Petroleum Industries of Pakistan (Private) Limited

THOMAS VICTOR HIGGINS
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

DIRECTORS

International Lubricants (Private) Limited

THOMAS VICTOR HIGGINS
 ARSHAD SAID
 RICK WESTLEY
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

DIRECTORS

Arnif Petroleum (Private) Limited

THOMAS VICTOR HIGGINS
 ARSHAD SAID
 RICK WESTLEY
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

DIRECTORS

Lahore Lubricants (Private) Limited

THOMAS VICTOR HIGGINS
 ARSHAD SAID
 RICK WESTLEY
 SAIYED HASHIM ISHAQUE
 ANDREW BRINK

BALANCE SHEET AS AT DECEMBER 31, 1995

	1995	1994
	Rupees	Rupees
AUTHORISED CAPITAL		
10 ordinary shares of Rs 100 each	1 000	1 000
	=====	=====
ISSUED AND SUBSCRIBED CAPITAL		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
	=====	=====
ASSETS		
Balance with bank on current account	200	200
	=====	=====

Note: As there were no revenue transaction during the year, no Profit and Loss Account has been

prepared.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Shell Pakistan Provident Trust (Private) Limited as at December 31, 1995 and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the Balance Sheet has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of account;
 - (ii) there was no expenditure incurred and no investment were made during the year; and
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet gives the information required by the Companies Ordinance, 1984 in the manner so required and gives a true and fair view of the state of the Company's affairs as at December 31, 1995; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

BALANCE SHEET AS AT DECEMBER 31, 1995

	1995 Rupees	1994 Rupees
AUTHORISED CAPITAL		
10 ordinary shares of Rs 100 each	1 000	1 000
	=====	=====
ISSUED AND SUBSCRIBED CAPITAL		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
	=====	=====
ASSETS		
Balance with bank on current account	200	200
	=====	=====

Pak People Products Corporation (Pvt.) Ltd.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Audited Accounts of the Company's trading operations for the period ended June 30, 1996.

The profit of the Company for the period ended June 30, 1996 after providing for administrative, marketing, financial and other charges amounts to	Rupees 71 163 954
Less: Provision for Workers' profit participation fund	3 558 198
Workers' welfare fund	1 343 708

	66 262 048
Less: Taxation	31 983 255

	34 278 793
Unappropriated profit brought forward from the previous year	123 419

	34 402 212

APPROPRIATIONS

First Interim dividend - Rs 41 500 per share	8 300 000
Second interim dividend - Rs 100 000 per share	20 000 000
Final dividend - proposed - Rs 30 000 per share	6 000 000

	34 300 000

Leaving for carry over to next year an unappropriated profit of	102 212
	=====

As part of the rationalisation of the lubricants business of Shell Pakistan and its subsidiary companies, the company wound down its operations during the period under review and ceased production on 26th June, 1996. During this final period the company performed well producing 9 062 tonnes. The gross margin to net proceed ratio for the period was 19%, which is up by 30% on the previous year.

The present Auditors Messrs. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

For and on behalf of the Board

A. BRINK	T.V. HIGGINS
Chief Executive	Director

Karachi: September 22, 1996

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shar	Shareholding	Total Shares held		
	3holding from	1to	100shares	3
	1holding from	101to	200shares	197
	-----			-----
	4			200

Categories of Shareholders	Number	Shares held	Percentage
Individuals	3	3	1.5
Investment Companies		-	
Insurance Companies		-	
Joint Stock Companies	1	197	98.5
Financial Instit8tions		-	
Modaraba Companies		-	
Others (to be specified)		-	
	-----	-----	-----
	4	200	100.0
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Pak People Products Corporation (Private) Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the period January 1, 1995 to June 30, 1996 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have

been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the period of eighteen months then ended;

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

(e) without qualifying our opinion we draw attention to note 1 to the accounts which states that the company has discontinued its operations from June 26, 1996. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company that may be necessary under the circumstances.

BALANCE SHEET AS AT JUNE 30, 1996

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
SHARE CAPITAL			
Authorised capital			
400 (1994: 400) ordinary shares of Rs 12,500 each		5 000 000	5 000 000
		=====	=====
Issued, subscribed and paid-up capital	3	2 500 000	2 500 000
Unappropriated profit		102 212	123 419
		-----	-----
		2 602 212	2 623 419
SURPLUS ON REVALUATION OF FIXED ASSETS	4	2 945 647	2 945 647
DEFERRED LIABILITIES			
Staff retirement gratuity		-	1 037 556
CURRENT LIABILITIES			
Short-term running finance utilised under mark-up arrangements--secured	5	1 535 691	9 823 925
Creditors, accrued and other liabilities	6	4 291 922	12 449 079
Taxation		21 579 457	14 819 329
Due to Shell Pakistan Limited	7	15 931 454	-
Proposed dividend		6 000 000	6 400 000
		-----	-----
		49 338 524	43 492 333
		-----	-----
		54 886 383	50 098 955
		=====	=====

The annexed notes form an integral part of these accounts.

June 30, December 31,

	Note	1996 Rupees	1994 Rupees
TANGIBLE FIXED ASSETS			
Operating fixed assets	8	2 052 532	2 365 795
LONG-TERM DEPOSITS			
		47 000	71,948
DEFERRED TAXATION			
		-	446 400
CURRENT ASSETS			
Stock-in-trade	9	108 924	20 915 470
Trade debts--unsecured, considered good	-	-	70 405
Loans and advances--considered good	-	-	6 700
Trade deposits and short-term prepayments	10	238 498	216 883
Due from Shell Pakistan Limited	7	-	315 095
Other receivables--considered good	11	5 394 270	3 436 506
Cash and bank balances	12	47 045 159	22 253 753
		-----	-----
		52 786 851	47 214 812
		-----	-----
		54 886 383	50 098 955
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

	Note	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
REVENUES			
Net Sales		441 756 626	288 240 202
Less: Duties, taxes and levies	13	142 083 024	102 037 768
		-----	-----
		299 673 602	186 202 434
Cost of products sold	14	214 791 328	140 087 510
		-----	-----
		84 882 274	46 114 924
Transportation expenses		1 201 933	8 403 221
Administration and marketing expenses	15	14 969 407	10 395 593
		-----	-----
		16 171 340	11 235 915
		-----	-----
OPERATING PROFIT		68 710 934	34 879 009
Other income	16	7 450 656	3 503 309
		-----	-----
		76 161 590	38 382 318
Financial Charges	17	4 943 636	682 944
Other charges	18	4 955 906	2 640 133
		-----	-----
		9 899 542	3 323 077
		-----	-----

PROFIT BEFORE TAXATION		66 262 048	35 059 241
Taxation	19	31 983 255	16 657 004
		-----	-----
PROFIT AFTER TAXATION		34 278 793	18 402 237
Unappropriated profit brought forward		123 419	121 182
		-----	-----
Available for appropriation		34 402 212	18 523 419
APPROPRIATIONS:			
First interim dividend Rs 41 500			
(1994: Rs 60 000) per share		8 300 000	12 000 000
Second interim dividend - Rs 100 000			
(1994: Rs Nil) per share		20 000 000	-
Proposed dividend Rs 30 000 (1994: Rs. 32 000) per share		6 000 000	6 400 000
		-----	-----
		34 300 000	18 400 000
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		102 212	123 419
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	Rupees	Rupees
Cash flow from operating activities			
Cash generated from operations	20	95 883 714	23 413 313
Long term deposits		24 948	-
Staff gratuity paid		(951 648)	(15 498)
Interest paid		(4 874 774)	(372 297)
Taxes paid		(24 776 727)	(19 651 557)
		-----	-----
Net cash inflow from operating activities		65 305 513	3 373 961
Cash flow from investing activities			
Fixed capital expenditure		(77 294)	(318 002)
Interest received		2 551 421	3 279 495
		-----	-----
Net cash inflow from investing activities		2 474 127	2 961 493
Cash outflow from financing activities			
Dividends paid		(34 700 000)	(32 000 000)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		33 079 640	(25 664 546)
Cash and cash equivalents at beginning of the period/year		12 429 828	38 094 374
		-----	-----
Cash and cash equivalents at end of the period/year	21	45 509 468	12 429 828
		=====	=====

The annexed notes form an integral part of these accounts

1. NATURE OF BUSINESS

The Company is a wholly owned subsidiary of Shell Pakistan Limited. Its principal activity involved the production, blending and marketing of various kinds of lubricating oils. The company

has discontinued its operations from June 26, 1996. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company.

1.1 income Year

The Finance Act 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesses were required to adopt the financial year (June 30 year end) as the income year effective from Income tax assessment year 1995-96.

In order that the company's accounting year may correspond with the tax income year, the management of the company has changed its accounting year from December 31 to June 30. Accordingly, these financial statements have been prepared for a period of eighteen months ended June 30, 1996 whereas the comparative figures are for the year ended December 31, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation.

2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all employees for which annual provision is made in the accounts to cover the obligation. The benefits under this scheme are payable to the employees on completion of prescribed qualifying periods of service.

2.3 Taxation

Current

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

Deferred

The Company accounts for deferred taxation on significant timing differences using the liability method.

2.4 Fixed assets and depreciation

Operating fixed assets are stated at cost or revalued amounts less accumulated depreciation except for capital work-in-progress which is stated at cost.

Depreciation is charged to income applying the reducing balance method. Depreciation on additions to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during a year.

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

Profit and loss on disposal of fixed assets is included in income currently.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis and net realisable value. Cost of finished products includes appropriate overheads. Charges such as development surcharge, excise duty and sales tax incurred on unsold stock of products are added to the value of stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Revenue recognition

Sales are recorded on despatch of products to customers.

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

June 30, December 31,

	1996 Rupees	1994 Rupees
50 ordinary shares of Rs 12 500 each fully paid in cash	625 000	625 000
150 ordinary shares of Rs 12 500 each issued as fully paid bonus shares	1 875 000	1 875 000
-----	-----	-----
200	2 500 000	2 500 000
=====	=====	=====

At June 30, 1996 all the shares were held by Shell Pakistan Limited and its nominees.

4. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book value arising from a revaluation of fixed assets on September 30, 1977.

5. SHORT-TERM RUNNING FINANCE UTILISED UNDER MARK-UP

ARRANGEMENTS- SECURED

	June 30, 1996 Rupees	December 31, 1994 Rupees
Running finance utilised under mark-up arrangements with a bank	1 535 691	9 823 925

The facility for short-term running finance amounts to Rs 10.0 million (1994: Rs 10.0 million). Mark-up has been charged at Re 0.3836 per Rs 1 000 per day. This arrangement is secured by hypothecation of the company's stock-in-trade and trade debts. As the company has discontinued its operations, the facility has been terminated from July 1, 1996.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1996 Rupees	December 31, 1994 Rupees
Creditors	1 078 995	5 845 024
Accrued liabilities	1 353 073	608 430
Due to associated companies	76 015	35 642
Gratuity payable	215 373	-
Mark-up accrued on running finance - secured	34 345	184 582
Excise duty payable	-	2 699 561
Sales tax payable	343 763	1 876 004
Workers' welfare fund	1 148 097	1 035 399
Other liabilities	42 261	164 437
-----	-----	-----
	4 291 922	12 449 079
=====	=====	=====

7. DUE TO/FROM SHELL PAKISTAN LIMITED

Current account with Shell Pakistan Limited carries interest at 16.5 per cent per annum.

8. OPERATING FIXED ASSETS

8.1 The following is a statement of operating fixed assets:

Cost and revaluation as at January 1, 1995	Additions/ (deletions)	Cost and revaluation as at June 30, 1996	Accumulated depreciation as at June 30, 1996	Book value as at June 30, 1996	Charge for the period 30, 1996	Depreciation rate % per annum
--------------------------------------------------------	---------------------------	------------------------------------------------------	----------------------------------------------------------	--------------------------------------------	-----------------------------------------	----------------------------------------

Building and installations on leasehold land	2 109 482	25 794	2 135 276	1 566 007	569 269	96 543	10
Tanks and pipelines	2 331 571	-	2 331 571	1 956 680	374 891	63 579	10
Plant and machinery	1 804 562	-	1 804 562	1 172 375	632 187	107 213	10
Furniture, office equipment and other assets	620 028	51 500	671 528	332 499	339 029	73492	10 & 15
Electrical fittings	65 235	-	65 235	48 778	16 457	2 791	10
Laboratory equipment	488 212	-	488 212	367 513	120 699	46 939	20
June 30, 1996	7 419 090	77 294	7 496 384	5 443 852	2 052 532	390 557	
December 31, 1994	7 101 088	318002	7419090	5053295	2365795	295 787	

8.2 The above represents the values of fixed assets subsequent to revaluation on September 30, 1977 which had resulted in a surplus of Rs 2 945 647 and additions thereafter at cost. Of the revaluation surplus Rs 493 849 remains undepreciated and is included in the book value of fixed assets.

9. STOCK-IN-TRADE

	June 30, 1996 Rupees	December 31, 1994 Rupees
Raw materials	-	6 885 227
Containers	19 627	2 192 803
Finished products	50 475	7 351 182
Charges incurred on stock of finished products	70 102	16 429 212
	38 822	4 486 258
	108 924	20 915 470

Stocks amounting to Rs 50 475 (1994: Rs 6 631 672) were stored on the premises of Shell Pakistan Limited.

10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	June 30, 1996 Rupees	December 31, 1994 Rupees
Trade deposits	-	16 200
Short-term prepayments	238 498	200 683
	238 498	216 883

11. OTHER RECEIVABLES -- Considered good

Claims recoverable	2 924 951	2 721 350
Due from associated companies	964 346	96 681
Receivable from workers' profit participation		

fund - note 11.1	241 802	316 831
Income receivable from Portfolio Management Scheme	1 262 671	394 342
Others	500	33 701
	-----	-----
	5 394 270	3 562 905
Less: Provision for doubtful claims	-	126 399
	-----	-----
	5 394 270	3 436 506
	=====	=====

11.1 Workers' Profit Participation Fund

Balance at January 1	316 831	88 102
Allocation for the period/year	3 558 198	1 883 169
Received from Trustees during the period/year	(316 831)	(88 102)
	-----	-----
	3 558 198	1 883 169
Less: Payments to Trustees	3 800 000	2 200 000
	-----	-----
Balance at June 30/December 31	241 802	316 831
	=====	=====

12. CASH AND BANK BALANCES

With banks in		
Current accounts	1 316 712	1 563 320
Portfolio Management Scheme	45 000 000	8 500 000
Cheques in hand	728 447	12 190 433
	-----	-----
	47 045 159	22 253 753
	=====	=====

13. DUTIES, TAXES AND LEVIES

	Eighteen	
	months	Year ended
	ended June	December 31,
Note	30, 1996	1994
	Rupees	Rupees
Excise duty	82 167 913	62 920 849
Development surcharge	103 826	91 580
Sales tax	59 620 119	38 822 008
Octroi and other levies	191 166	203 331
	-----	-----
	142 083 024	102 037 768
	=====	=====

14. COST OF PRODUCTS SOLD

Raw and packing materials consumed		
Opening stock	9 078 030	6 264 064
Purchases	189 002 972	136 368 283
Closing stock	(19 627)	(9 078 030)
	-----	-----
	198 061 375	133 554 317
Salaries, wages and benefits	5 537 839	2 032 563
Rent, rates and taxes	77 589	57 339
Communication and stationery	251 771	129 811
Insurance	489 996	351 676

Fuel, power and electricity	921 893	586 677
Handling and storage charges	1 031 486	842 821
Laboratory expenses	78 407	101 880
Travelling, conveyance and entertainment	323 924	228 220
Depreciation--note 8.1	390 557	295 787
Repairs and maintenance	319 289	443 533
Other expenses	6 495	7 577
	-----	-----
Cost of products manufactured	207 490 621	138 632 201
Opening stock of finished products	7 351 182	8 806 491
Closing stock of finished products	(50 475)	(7 351 182)
	-----	-----
	214 791 328	140 087 510
	=====	=====

	Eighteen	
	months	Year ended
	ended June	December 31,
Note	30, 1996	1994
	Rupees	Rupees

15. ADMINISTRATION AND MARKETING EXPENSES

Salaries, wages and benefits	2 066 136	665 055
Handling and storage charges	1 156 566	899 822
Technical service fee	1 013 761	773 236
Marketing service charges	10 137 609	7 732 356
Rent, rates and taxes	87 531	50 932
Communication and stationery	49 743	28 477
Fuel, power and electricity	11 208	22 984
Travelling, conveyance and entertainment	164 025	66 477
Legal and professional charges	221 898	126 892
Advertisement and subscriptions	25 940	16 600
Repairs and maintenance	34 368	11 542
Others	622	1 220
	-----	-----
	14 969 407	10 395 593
	=====	=====

16. OTHER INCOME

Interest on current account with Shell Pakistan LTD	-	854 784
Scrap sales	527 960	480 105
	3 419 750	2 067 492
Compensation on advance payment of income tax	-	49 592
	3 149 978	34 344
Others	352 968	16 992
	-----	-----
	7 450 656	3 503 309
	=====	=====

17. FINANCIAL CHARGES

Interest on current account with Shell Pakistan Limited	3 887 825	-
Mark-up on running finance	836 712	495 324
Central excise duty on running finance	65 504	56 342
Bank charges	153 595	131 278
	-----	-----
	4 943 636	682 944
	=====	=====

18. OTHER CHARGES

Audit fee	54 000	36 000
Workers' profit Participation fund	3 558 198	1 883 169
Workers' welfare fund	1 343 708	720 964
	-----	-----
	4 955 906	2 640 133
	=====	=====

19. TAXATION

Current		
For the period/year	32 200 000	16 500 000
For prior years	(663 145)	248 157
Deferred		
For the period/year	446 400	(91 153)
	-----	-----
	31 983 255	16 657 004
	=====	=====

20. CASH GENERATED FROM OPERATIONS

Profit before taxation	66 262 048	35 059 241
Adjustment for non cash charges and other items:		
Depreciation	390 557	295 787
Provision for staff gratuity	129 464	402 936
Interest income	(3 419 750)	(2 922 276)
Interest expense	4 724 537	495 324
Working capital changes - note 20.1	27 796 858	(9 917 699)
	-----	-----
	95 883 714	23 413 313
	=====	=====

20.1 Working Capital changes

	June 30, 1996	December 31, 1994
	Rupees	Rupees
(Increase)/decrease in current assets		
Stock-in-trade	20 806 546	(228 690)
Trade debts	70 405	138 867
Loans and advances	6 700	378 613
Trade deposits and short-term prepayments	(21 615)	5 317
Other receivables (net)	(1 089 435)	(187 104)
	-----	-----
	19 772 601	107 003
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(8 222 292)	(830 789)
Due to Shell Pakistan Limited	16 246 549	(9 193 913)
	-----	-----
	27 796 858	(9 917 699)
	=====	=====

NOTES TO THE ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30, 1996	December 31, 1994
	Rupees	Rupees

Cash and bank balances	47 045 159	22 253 753
Short-term running finance utilised under mark-up arrangements	(1 535 691)	(9 823 925)
	-----	-----
	45 509 468	12 429 828
	=====	=====

Jamia Industries (Pvt.) LTD

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Audited Accounts of the Company's trading operations for the period ended June 30, 1996

The profit of the Company for the period ended June 30, 1996 after providing for administrative, marketing, financial and other charges amounts to		Rupees	75 477 017
Less: Provision for Workers' profit participation fund	3 773 851		
Workers' welfare fund	1 332 804	5 106 655	

		70 370 362	
Less: Taxation		32 474 456	

		37 895 906	
Unappropriated profit brought forward from the previous year		765 643	
Transferred from revenue reserve		780 000	

		39 441 549	
APPROPRIATIONS			
Dividends			
First Interim dividend - Rs 666.18 per share		25 581 528	
Final dividend - Rs 343.75 per share		13 200 000	

		38 781 528	

Leaving for carry over to next year an unappropriated profit of		660 021	
		=====	

During this period the company has performed very well. The closure of other associated plants the increase production demand to 8 682tonnes. which resulted in an excellent profit generation during the period under review. The gross margin to net proceed ratio for the period was 20.5%, which is up by 6.6% on the previous year.

The present Auditors Messrs. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding		Total Shares held
4holding from	1	to	100 shares
1holding from	1001	to	40 000 shares

	5		38 400
			=====

Categories of Shareholder Number Shares held Percentage

Individuals	4	4	0.01
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	38 396	99.99
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Others (to be specified)	-	-	-
	-----	-----	-----
	5	38 400	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Jamia Industries (Private) Limited as at June 30, 1996 and the related Profit and Loss Account and the Statement of changes in financial position, together with the notes forming part thereof, for eighteen months then ended, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit for the period 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.

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi: September 23, 1996

BALANCE SHEET AS AT JUNE 30, 1996

	June 30,	December 31,
Note	1996	1994

(Rupees '000)

SHARE CAPITAL AND RESERVES

Share Capital		
Authorised capital		
100 000 ordinary shares of Rs 100 each	10 000 000	10 000 000

		=====	=====
Issued, subscribed and paid-up capital	3	3 840 000	3 840 000
Reserves			
Revenue reserve	4	-	780 000
Unappropriated profit		660 021	765 643
		-----	-----
		660 021	1 545 643
		4 500 021	5 385 643
DEFERRED LIABILITIES			
Staff retirement gratuity		67 230	1 615 065
Deferred Taxation	5	163 189	(1 656 785)
CURRENT LIABILITIES			
Short term running finance	6	-	1 731 918
Creditors, accrued and other liabilities	7	18 557 805	15 853 100
Due to Shell Pakistan Limited	8	6 905 840	(4 946 490)
Taxation		9 936 436	7 779 349
Proposed dividend		13 200 000	13 800 000
		-----	-----
		48 600 081	34 217 877
CONTINGENCIES AND COMMITMENTS	9		
		-----	-----
		53 330 521	39 561 800
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS

Operating fixed assets at cost			
less accumulated depreciation			
(as per schedule attached)	10	4 567 410	5 254 267

LONG-TERM DEPOSITS

		67 074	68 074
--	--	--------	--------

CURRENT ASSETS

Stock-in-trade	11	22 902 507	13 918 903
Trade debts	12	168 024	805 329
Advances to supplier		2 632 116	-
Trade deposits and short-term prepayments	13	1 371 374	1 123 001
Short-term placements	14	10 000 000	13 000 000
Other receivables	15	4 379 216	733 111
Cash and bank balances	16	7 242 800	4 659 115
		-----	-----
		48 696 037	34 239 459

		-----	-----
		53 330 521	39 561 800
		=====	=====

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

		Eighteen	
Note		months	Year ended
		ended June	December 31,
		30, 1996	1994
		(Rupees '000)	

REVENUE

Net Sales	17	416 982 710	148 665 763
Less: Duties, taxes and levies	18	134 966 566	56 990 666
		-----	-----
		282 016 144	91 675 097
Cost of Sales	19	196 468 520	70 953 247
		-----	-----
		85 547 624	20 721 850
Transportation expenses		4 262 598	1 012 963
Administrative and marketing expenses	20	12 977 981	5 274 883
		-----	-----
		17 240 579	6 287 846
OPERATING PROFIT		-----	-----
		68 307 045	14 434 004
Other income	21	7 623 679	4 609 530
		-----	-----
		75 930 724	19 043 534
Financial charges	22	392 207	112 252
Other charges	23	5 168 155	1 295 314
		-----	-----
		5 560 362	1 407 566
PROFIT BEFORE TAXATION		-----	-----
		70 370 362	17 635 968
Taxation	24	32 474 456	8 411 421
		-----	-----
PROFIT AFTER TAXATION		37 895 906	9 224 547
Unappropriated profit brought forward		765 643	341 096
Transferred from revenue reserve		780 000	10 000 000
		-----	-----
Available for appropriation		39 441 549	19 565 643
APPROPRIATIONS			
Interim dividend			
Paid Rs 666.186 (1994: Rs.130.208) per share		25 581 528	5 000 000
Proposed Rs Nil (1994: Rs.260.417) per share		-	10 000 000
		-----	-----
		25 581 528	15 000 000
Final dividend			
Proposed Rs. 343.75 (1994: Rs. 98.96) per share		13 200 000	3 800 000
		-----	-----
		38 781 528	18 800 000
UNAPPROPRIATED PROFIT CARRIED FORWARD		-----	-----
		660 021	765 643
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

June 30, December 31,
1996 1994
(Rupees '000)

Cash flow from operating activities:

Cash generated from operations:			
Profit before taxation		70 370 362	17 635 968

Adjustment for non-cash charges and other items:

Depreciation	531 817	419 912
Provision for staff gratuity	162 305	180 224
Gratuity paid	(1 710 140)	(201 648)
Interest income	(3 661 378)	(2 046 541)
Interest expense	353 133	85 682
	-----	-----
	(4 324 263)	(1 562 371)

Working capital changes

(Increase)/decrease in current assets

Stock-in-trade	(8 983 604)	292 662
Trade debts	637 305	4 156 407
Loans and advances	(2 632 116)	130 170
Trade deposits and prepayments	(248 373)	349 873
Other receivables	(3 646 105)	767 976
	-----	-----
	(14 872 893)	5 697 088

Increase/(decrease) in current liabilities:

Creditors, accrued and other liabilities	2 704 705	3 347 214
Due to Shell Pakistan Limited	11 852 330	1 586 622
	-----	-----
	65 730 241	26 704 521
Interest paid	(353 133)	(85 682)
Taxes paid	(28 497 395)	(13 393 593)
	-----	-----

Net cash inflow/(outflow) from operating activities

36 879 713 13 225 246

Cash flow from investing activities:

Fixed capital expenditure	(197 760)	(99 000)
Proceeds from sale of fixed assets	352 800	-
Interest received	3 661 378	2 046 541
Long term deposit encashed	1 000	-
	-----	-----

Net cash inflow/(outflow) from investing activities

3 817 418 1 947 541

Cash flow from financing activities:

Dividend paid	(39 381 528)	(21 000 000)
	-----	-----

Net increase/(decrease) in cash and cash equivalents

1 315 603 (5 827 213)

Cash and cash equivalent at beginning of the year

15 927 197 21 754 410

Cash and cash equivalent at end of the year

17 242 800 15 927 197

Cash and cash equivalent at end of the year represented by:

Cash and bank balances	7 242 800	4 659 115
Short-term running finance utilised under mark-up arrangements	-	(1 731 918)
Short-term placements	10 000 000	13 000 000
	-----	-----
	17 242 800	15 927 197
	=====	=====

NOTES TO THE ACCOUNT**FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996****1. NATURE OF BUSINESS**

Jamia Industries (Private) Limited is a subsidiary of Shell Pakistan Limited. The principal activity of the Company is the production, blending and marketing of various kinds of lubricating oils.

The company changed its financial year from December to June in compliance with the Finance Act, 1995 Accordingly, these financial statements cover the period of eighteen months ended June 30, 1996.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement gratuity

The Company operates an unfunded gratuity scheme for all employees for which annual provision is made in the accounts at the rate of thirty days salary for every completed year of service or any part thereof on time proportionate basis to cover the obligation.

2.3 Taxation

Current

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

Deferred

The Company accounts for deferred taxation on significant timing differences using the liability method.

2.4 Fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method. The rates used are stated in the fixed assets schedule. Depreciation on addition to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during a year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit and loss on disposal of fixed assets are taken to income currently.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost calculated on a first-in first-out basis and net realisable value. Cost of finished goods includes appropriate overheads. Charges such as development surcharge, excise duties and sales tax incurred on unsold stock of products are added to the value of stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Revenue recognition

Sales of products are recorded on despatch of products to the customers.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 1996 Rupees	December 31, 1994 Rupees
Ordinary shares of Rs 100 each issued		
16 000 - for consideration in cash	1 600 000	1 600 000
22 400 - as bonus shares	2 240 000	2 240 000
-----	-----	-----
38 400	3 840 000	3 840 000
=====	=====	=====

At June 30, 1996 Shell Pakistan Limited and its nominees held 38 400 (1994:28 800) ordinary shares being 100% of issued, subscribed and paid-up capital.

4. REVENUE RESERVES

Balance at January 1	780 000	10 780 000
----------------------	---------	------------

Less: Transferred to profit and loss account	780 000	10 000 000
	-----	-----
	-	780 000
	=====	=====

DEFERRED TAXATION

This is composed of the following -

Deferred debit arising in respect of staff retirement gratuity	(30 926)	(742 930)
Deferred debit arising in respect of provision for doubtful debts	(682 746)	(1 636 097)
Deferred liability arising due to accelerated tax depreciation allowance	876 861	722 242
	-----	-----
	163 189	(1 656 785)
	=====	=====

5. SHORT-TERM RUNNING FINANCE-Secured

From a Bank	-	1 731 918
	=====	=====

The facility for short term running finance amounts to Rs. 10.0 million (1994: Rs. 10.0 million). This is under mark-up arrangement and is secured by hypothecation of book debts, stock-in-trade and movable plant and machinery located at the Keamari oil installation area. The rate of mark-up is 37.68 paisa per thousand rupees per day and is payable currently.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1996	December 31, 1994
	Rupees	Rupees
Creditors	4 463 531	3 690 714
Refunds against sales	4 965 168	4 965 168
Accrued expenses	1 533 896	1 141 180
Due to associated companies	355 047	31 489
Mark-up on secured short-term running finance	90 231	39 224
Sales tax payable	2 889 884	1 620 776
Advances from customers	2 128 100	3 760 168
Retention money payable	25 000	25 000
Security deposits	140 000	120 000
Workers' welfare fund	1 046 943	447 601
Workers' profit participation fund (Note 7.1)	772 899	(55 638)
Other liabilities	147 106	67 418
	-----	-----
	18 557 805	15 853 100
	=====	=====

7.1 Workers' profit participation fund

Balance at January 1	(55 638)	(536 493)
Allocation for the year	3 773 851	945 314
	-----	-----
	3 718 213	408 821
Less: Amount paid	2 945 314	464 459
	-----	-----
Balance as at June 30	772 899	(55 638)
	=====	=====

8. DUE TO SHELL PAKISTAN LIMITED

Current account with Shell Pakistan Limited carries interest at 16.5 per cent (1994:16.5 per cent)

per annum.

9. CONTINGENCIES AND COMMITMENTS

Guarantee provided by a bank in respect of bills under discount amounted to Rs 569 291 (1994: Rs 619 291).

10. OPERATING FIXED ASSETS

	COST		DEPRECIATION		W.D.V. as at June 30, 1996	Rate of Depreciation			
	As at January 1, 1995	As at June 30, 1996	As at January 1, 1995	For the period				On disposal	
Rupees									
Building and installation on leasehold land	3 524 769	-	3 524 769	1 541 651	147 984	-	1 689 635	1 835 134	5-10
Tanks and pipelines	2 032 524	-	2 032 524	985 260	77 236	-	1 062 496	970 028	5
Plant and machinery	2 402 439	(450 000)	1 952 439	1 194 934	139 808	(97 200)	1 237 542	714 897	10
Machinery and electrical equipment	476 707	197 760	674 467	205 593	36 734	-	242 327	432 140	5-20
Furniture, fixtures, fittings and equipment	1 446 204	-	1 446 204	768 814	111 049	-	879 863	566 341	10-15
Vehicles	189 911	-	189 911	122 035	19 006	-	141 041	48 870	20
	10 072 554	197 760 (450 000)	9820314	4818287	531 817	(97 200)	5252904	4567410	
1994	9973554	99000	10 072 554	4398375	419 912	-	4818287	5254267	

11. STOCK-IN-TRADE

	June 30, 1996	December 31, 1994
	Rupees	Rupees
Raw materials	8 232 006	4 272 799
Containers	2 461 392	502 909
	10 693 398	4 775 708
Finished goods - note 11.1	7 618 629	6 220 889
	18 312 027	10 996 597
Charges incurred on stock of finished goods	4 590 480	2 922 306
	22 902 507	13 918 903

11.1 Finished goods amounting to Rs 6 445 103 (1994: Rs 3 915 224) were stored at the premises of Shell Pakistan Limited.

12. TRADE DEBTS--unsecured

Considered good	168 024	805 329
Considered doubtful	1 484 230	3 556 732
	-----	-----
	1 652 254	4 362 061
Less: Provision for doubtful debts	1 484 230	3 556 732
	-----	-----
	168 024	805 329
	=====	=====

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	June 30,	December 31,
	1996	1994
	Rupees	Rupees
Balance with statutory authorities		
Excise duty	1 059 215	853 120
Short term prepayments	312 159	269 881
	-----	-----
	1 371 374	1 123 001
	=====	=====

14. SHORT-TERM PLACEMENTS

This represents short term placement with ANZ Grindlays Bank in their Portfolio Management Scheme maturing on May 15, 1997, bearing interest at the rate of 13.25%.

15. OTHER RECEIVABLES--considered good

Due from associated companies	195 568	17 043
Claims recoverable	8 611	475 615
Accrued interest on short-term placements	154 521	237 342
Receivable from JIL Staff Provident Fund account	3 819 561	-
Others	200 955	3 111
	-----	-----
	4 379 216	733 111
	=====	=====

16. CASH AND BANK BALANCES

At banks--on current accounts	6 140 427	22 327
In hand - cheques	529 305	4 603 966
- cash	10 891	32 822
- cheque in transit	562,177	-
	-----	-----
	7 242 800	4 659 115
	=====	=====

17. NET SALES

	Note	Eighteen months ended June 1996 Rupees	Year ended December 31, 1994 Rupees
Gross sales		417 093 935	148 671 053
Less: Discount allowed		111 225	5 290
		-----	-----
		416 982 710	148 665 763
		=====	=====

18. DUTIES, TAXES AND LEVIES

Excise duty	79 336 843	37 228 875
Development surcharge	-	37 731
Sales tax	55 582 929	19 697 885
Octroi and other levies	46 794	26 175
	-----	-----
	134 966 566	56 990 666
	=====	=====

19. COST OF SALES

Raw and Packing material consumed		
Opening stock	4 775 708	6 278 234
Purchases	193 338 496	65 486 219
	-----	-----
	198 114 204	71 764 453
Closing stock	(10 693 398)	(4 775 708)
	-----	-----
	187 420 806	66 988 745

Salaries, wages and benefits	6 684 095	2 387 777
Rent, rates and taxes	993 975	624 090
Communication and stationery	149 125	132 140
Insurance	527 536	293 334
Fuel, power and electricity	583 715	442 253
Handling and storage charges	199 830	65 043
Laboratory expenses	102 078	55 464
Travelling, conveyance and entertainment	189 665	148 277
Depreciation	531 817	419 914
Repairs and maintenance	354 125	432 680
Other expenses	129 493	93 428
	-----	-----
	10 445 454	5 094 400

Cost of goods manufactured	197 866 260	72 083 145
Opening stock of finished goods	6 220 889	5 090 991
	-----	-----
	204 087 149	77 174 136
Closing stock of finished goods (note 11)	(7 618 629)	(6 220 889)
	-----	-----
	196 468 520	70 953 247
	=====	=====

20. ADMINISTRATIVE AND MARKETING EXPENSES

	Eighteen	
Note	months	Year ended
	ended June	December 31,
	1996	1994
	Rupees	Rupees

Salaries and benefits [including directors' fee Rs 500 (1994: Rs 3 500)]	2 336 274	614 956
Handling and storage	474 710	195 336
Technical service fee	827 623	355 896
Marketing service charges	8 276 226	3 558 955
Rent, rates and taxes	77 903	52 779
Communication and stationery	61 581	26 117
Fuel, power and electricity	40 264	22 983
Travelling, conveyance and entertainment	115 493	85 293
Legal and professional charges	298 301	91 766
Advertisement and subscription	43 910	17 525

Repairs and maintenance	32 218	13 436
Provision for doubtful debts	384 639	238 803
Other expenses	18 839	1 038
	-----	-----
	12 977 981	5 274 883
	=====	=====

21. OTHER INCOME

Sale of scrap material	533 760	116 825
Compensation on advance tax u/s, 53	-	120 320
Interest on current account--with Shell Pakistan Limited	2 227 302	916 615
Interest on short-term placements	1 434 076	1 129 926
Reversal of provision for doubtful debts	2 457 141	2 177 826
Development surcharge	917 000	-
Others	54 400	148 018
	-----	-----
	7 623 679	4 609 530
	=====	=====

22. FINANCIAL CHARGES

Mark-up on short-term running finance	353 133	85 682
Excise duty on running finance	25 989	4 833
Bank charges	13 085	21 737
	-----	-----
	392 207	112 252
	=====	=====

23. OTHER CHARGES

Audit fee - annual	35 000	25 000
- six monthly	26 500	-
Workers' profit participation fund	3 773 851	945 314
Workers' welfare fund	1 332 804	325 000
	-----	-----
	5 168 155	1 295 314
	=====	=====

24. TAXATION

Current for the period	30 654 482	7 500 000
Deferred for the period	1 819 974	911 421
	-----	-----
	32 474 456	8 411 421
	=====	=====

25. GENERAL

(a) Previous year's figures have been rearranged, wherever necessary for the purpose of comparison.

(b) Figures have been rounded off to the nearest rupee.

Petroleum Industries of Pakistan (Pvt.) Limited**REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting their Report and Audited Accounts of the Company's trading operations for the period ended June 30, 1996.

The profit of the Company for the period ended June 30, 1996 after providing for administrative, marketing, financial and other charges amounts to		Rupees
		7 489 012
Less: Provision for		
Workers' profit participation fund	374 148	
Workers' welfare fund	130 877	505 025

	6 983 987
Less: Taxation	3 358 815

	3 625 172
Unappropriated profit brought forward from the previous year	101 489
Transferred from revenue reserve	2 400 000

	6 126 661
APPROPRIATIONS	
Interim dividend - Rs 1 800 per share	3 600 000
Final dividend - proposed Rs 1 250 per share	2 500 000

	6 100 000

Leaving for carry over to next year an Unappropriated profit of	26 661
	=====

As part of the rationalisation of the lubricants business of Shell Pakistan and its subsidiary companies, the company wound down its operations during the period under review and ceased production on 31st August, 1995. During this final period the company performed well, producing 1 388 tonnes. The present Auditors Messrs. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

For and on behalf of the Board

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding	Total Shares held
3 holding from 1 to	1 00 shares	3
1 holding from 1001 to	5 000 shares	1 997
-----		-----
4		2 000
=====		=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	3	3	0.20
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	1997	99.80
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Others (to be specified)	-	-	-
	-----	-----	-----
	4	2 000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Petroleum Industries of Pakistan (Private) Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement together with the notes forming part thereof, for the period January 1, 1995 to June 30, 1996 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the period of eighteen months then ended;

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

(e) without qualifying our opinion we draw attention to note 1 to the accounts which states that the company has discontinued its operations from August 31, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company that may be necessary under the circumstances.

BALANCE SHEET AS AT JUNE 30 1996

	Note	June 30, 1996 Rupees	December 31, 1994 Rupee
SHARE CAPITAL AND RESERVES			
Authorised capital 10,000 (1994: 10,000) ordinary shares of Rs 1,000 each		10 000 000	10 000 000
		=====	=====
Issued, subscribed and paid-up capital	3	2,000,000	2 000 000
RESERVES			
Revenue reserve	4	-	2 400 000
Unappropriated profit		26 661	101 489
		-----	-----
		26 661	2 501 489
		-----	-----
		2 026 661	4 501 489
DEFERRED LIABILITY			
Staff retirement gratuity		-	465 860
CURRENT LIABILITIES			
Creditors, accrued and other liabilities'	5	599 238	2 547 358
Due to Shell Pakistan Limited		1 718 352	3 572 905
Taxation		-	3 017 379
Proposed dividend		2 500 000	1 800 000
		-----	-----
		4 817 590	10 937 642
		-----	-----

	6 844 251	15 904 991	
	=====	=====	

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS

Operating fixed assets	6	1 941 649	2 046 456
------------------------	---	-----------	-----------

DEFERRED TAXATION

	-	310 800	
--	---	---------	--

CURRENT ASSETS

Stock-in-trade	7	13 084	8 181 759
Trade debts--unsecured, considered good		-	132 459
Trade deposits and short-term prepayments	8	28 410	465 852
Other receivables--considered good	9	690 803	314 875
Income tax refundable		1 154 010	-
Cash and bank balances	10	3 016 295	4 452 790

	-----	4 902 602	13 547 735
	-----	6 844 251	15 904 991
	=====	=====	

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	Rupees	Rupees
REVENUES			
Net Sales		68 108 835	97 835 495
Less: Duties, taxes and levies	11	21 804 579	32 704 248
		-----	-----
		46 304 256	65 131 247
Cost of products sold	12	39 095 570	50 452 515
		-----	-----
		7 208 686	14 678 732
Transportation expenses		179 515	306 130
Administration and marketing expenses	13	2 762 761	3 442 670
		-----	-----
		2 942 276	3 748 800
OPERATING PROFIT		4 266 410	10 929 932
Other income	14	3 357 537	1 115 289
		-----	-----
		7 623 947	12 045 221
Financial charges	15	80 935	549 231
Other charges	16	559 025	833 037
		-----	-----
		639 960	1 382 268
PROFIT BEFORE TAXATION		6 983 987	10 662 953
Taxation	17	3 358 815	4 923 632
		-----	-----

PROFIT AFTER TAXATION	3 625 172	5 739 321
Unappropriated profit brought forward	101 489	162 168
Transfer from revenue reserve	2 400 000	-
	-----	-----
Available for appropriation	6 126 661	5 901 489
APPROPRIATIONS:		
Interim dividend Rs 1 800 (1994: Rs 2 000) per share	3 600 000	4 000 000
Proposed dividend Rs 1 250 (1994: Rs 900) per share	2 500 000	1 800 000
	-----	-----
	6 100 000	5 800 000
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	26 661	101 489
	=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	Rupees	Rupees
Cash Flow From Operating Activities			
Cash generated from operations	18	10 103 168	23 203 690
Interest paid		(72 454)	(504 008)
Taxes paid		(7 219 404)	(11 860 057)
		-----	-----
Net cash inflow from operating activities		2 811 310	10 839 625
Cash flow from investing activities			
Interest received		1 103 795	718 711
Sale proceeds of fixed assets		48 400	-
		-----	-----
Net cash inflow from investing activities		1 152 195	718 711
Cash outflow from financing activities			
Dividends paid		(5 400 000)	(14 000 000)
		-----	-----
Net decrease in cash and cash equivalents		(1 436 495)	(2 441 664)
Cash and cash equivalents at beginning of the period / year		4 452 790	6 894 454
		-----	-----
Cash and cash equivalents at end of the period / year	19	3 016 295	4 452 790
		=====	=====

The annexed notes form an integral part of these accounts.

**NOTES TO THE ACCOUNT
FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

1. NATURE OF BUSINESS

The Company is a wholly owned subsidiary of Shell Pakistan Limited. Its principal activity

involved the production, blending and marketing of various kinds of lubricating oils. The company has discontinued its operations from August 31, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company.

1.1 INCOME YEAR

The Finance Act 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesseees were required to adopt the financial year (June 30 year end) as the income year effective from Income tax assessment year 1995-96.

In order that the company's accounting year may correspond with the tax income year, the management of company has changed its accounting year from December 31 to June 30. Accordingly, these financial statements have been prepared for a period of eighteen months ended June 30, 1996 whereas the comparative figures are for the year ended December 31, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates a contributory provident fund for all employees.

2.3 Taxation

Current

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

Deferred

The Company accounts for deferred taxation on significant timing differences using the liability method.

2.4 Fixed assets and depreciation

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

Depreciation is charged to income applying the reducing balance method. Depreciation on additions to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during a year.

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

Profit and loss on disposal of fixed assets are taken to income currently.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Cost of finished products includes appropriate overheads. Charges such as development surcharge, excise duty and sales tax incurred on unsold stock of products are added to the value of stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Revenue recognition

Sales are recorded on dispatch of products to customers.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 1996 Rupees	December 31, 1994 Rupees
2 000 ordinary shares of Rs 1 000 each fully paid in cash	2 000 000	2 000 000
	=====	=====

At June 30, 1996 all the shares were held by Shell Pakistan Limited and its nominees.

4. REVENUE RESERVES

	June 30, 1996 Rupees	December 31, 1994 Rupees
Balance at January 1	2 400 000	2 400 000
Transfer to profit and loss account	(2 400 000)	-
	-----	-----
Balance at June 30/December 31	-	2 400 000
	=====	=====

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1996 Rupees	December 31, 1994 Rupees
Creditors	51 398	596 929
Accrued liabilities	382 350	92 151
Due to associated company	56 362	-
Mark-up on running finance	-	21 245
Sales tax payable	-	714 886
Advances from customers	4 020	4 020
Workers' welfare fund	1 827	223 311
Other liabilities	103 281	894 816
	-----	-----
	599 238	2 547 358
	=====	=====

6. OPERATING FIXED ASSETS

6.1 The following is a statement of operating fixed assets:

	Cost as at January 1, 1995	Additions/ (deletions)	Cost as at June 30, 30, 1996	Accumulated depreciation as at June 30, 1996	Book value as at June 30, 1996	charge for the period	Depreciation rate % per annum
	(Rupees)						
Freehold land	494 640	-	494 640	-	494 640	-	-
Buildings on freehold land	1 433 328	-	1 433 328	1 034 015	399 313	21 016	10
Plant and machinery	2 592 612	-	2 592 612	1 902 080	690 532	36 344	10
Vehicles	108 500	(108 500)	-	-	-	1 820	20
Electrical, mechanical and fire fighting							

equipment	70 624	-	70 624	26 405	44 219	2 327	10
Furniture, office equipment and other assets	331 944	-	331 944	197 611	134 333	7 071	10
Laboratory equipment	771 587	-	771 587	592 975	178 612	19 846	20

1996	5 803 235	(108 500)	5 694 735	3 753 086	1 941 649	88 424	
=====							
1994	5 803 235	-	5 803 235	3 756 779	2 046 456	202 516	
=====							

As the company has discontinued its operations depreciation has not been charged on operating fixed assets for the period during which they remained idle.

6.2 The depreciation charge for the period has been allocated as follows:

	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Cost of products sold--note 12	87 873	201 292
Administration and marketing expenses--note 13	551	1 224
	-----	-----
	88 424	202 516
	=====	

7. STOCK-IN-TRADE

	June 30, 1996 Rupees	December 31, 1994 Rupees
Raw materials	-	4 217 546
Containers	-	658 953

Finished products	8 205	4 876 499
	-----	-----
Charges incurred on stock of finished products	8 205	7 2'14 264
	4 879	967 495
	-----	-----
	13 084	8 18'1 759
	=====	

8. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Balances with statutory authorities - Excise duty	-	298 265
Short-term prepayments	28 410	167 587
	-----	-----
	28 410	465 852
	=====	

9. OTHER RECEIVABLES--considered good

	June 30, 1996 Rupees	December 31, 1994 Rupees
--	----------------------------	--------------------------------

Claims recoverable	719 509	422 509
Sales tax refundable	1 192	3 738
Due from associated companies	108 292	130 428
Receivable from workers' profit participation fund - note 9.1	226 852	178 000
Interest receivable	56 507	-
Others	960	2 709
	-----	-----
	1 113 312	737 384
Less: Provision for doubtful claims	422 509	422 509
	-----	-----
	690 803	314 875
	=====	=====

9.1 Workers' profit participation fund

Balance at January 1	(178 000)	(77 933)
Allocation for the period / year	374 148	573 000
Received from Trustees during the period / year	177 000	76 933
	-----	-----
	373 148	572 000
Less: Payments to Trustees	600 000	750 000
	-----	-----
Balance at June 30/December 31	(226 852)	(178 000)
	=====	=====

10. CASH AND BANK BALANCES

With banks:		
- in current accounts	1 967 565	2 053 079
- under portfolio management scheme	1 000 000	-
In hand		
Cheques	48 400	2 399 252
Cash	330	459
	-----	-----
	3 016 295	4 452 790
	=====	=====

11. DUTIES, TAXES AND LEVIES

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Rupees	Rupees
Excise duty	12 567 759	19 446 680
Development surcharge	22 206	56 896
Sales tax	9 199 343	13 174 459
Octroi and other levies	15 271	26 213
	-----	-----
	21 804 579	32 704 248
	=====	=====

12. COST OF PRODUCTS SOLD

Raw and packing materials consumed		
Opening stock	4 876 499	5 684 508
Purchases	25 702 944	46 052 243
Closing stock	-	(4 876 499)
	-----	-----
	30 579 443	46 860 252

Salaries, wages and benefits	4 867 669	1 240 268
Rent, rates and taxes	35 278	23 394
Communication and stationery	107 119	68 349
Insurance	215 201	219 352
Fuel, power and electricity	231 750	174 706
Handling and storage charges	306 482	636 169
Laboratory expenses	29 858	66 229
Travelling, conveyance and entertainment	176 892	127 790
Depreciation--note 6.2	87 873	201 292
Repairs and maintenance	117 751	115 207
Other expenses	10 694	9 019

Cost of products manufactured	36 766 010	49 742 027
Opening stock of finished products	2 337 765	3 048 253
Closing stock of finished products	(8 205)	(2 337 765)

 39 095 570 50 452 515
 =====

13. ADMINISTRATION AND MARKETING EXPENSES

Salaries, wages and benefits	352 695	269 181
Handling and storage charges	100 554	184 806
Technical service fee	154 539	239 436
Marketing service charges	1 545 387	2 394 368
Rent, rates and taxes	24 269	31 792
Communication and stationery	44 284	25 067
Fuel, power and electricity	40 264	22 983
Travelling, conveyance and entertainment	40 311	52 590
Legal and professional charges	420 711	190 098
Advertisement and subscriptions	26 800	17 300
Repairs and maintenance	12 106	13 387
Depreciation note 6.2	551	1 224
Other expenses	290	438

 2 762 761 3 442 670
 =====

14. OTHER INCOME

Eighteen
 months Year ended
 ended June December 31,
 30, 1996 1994
 Rupees Rupees

Scrap sales	156 906	218 448
Compensation on advance payment of tax	-	87 879
Profit on disposal of fixed assets	32 017	-
Godown rent	135 000	90 000
Income from short-term deposits/ Portfolio Management Scheme	1 160 302	718 711
Provisions no longer required written back	1 575 463	-
Claims recoverable	297 000	-
Others	849	251

 3 357 537 1 115 289
 =====

15. FINANCIAL CHARGES

Interest on current account with Shell Pakistan Limited	-	254 306
Mark-up on running finance	51 209	241 093
Excise duty on running finance	8 015	18 999
Bank charges	21 711	34 833
	-----	-----
	80 935	549 231
	=====	=====

16. OTHER CHARGES

Audit fee	54 000	36 000
Workers' profit participation fund	374 148	573 000
Workers' welfare fund	130 877	224 037
	-----	-----
	559 025	833 037
	=====	=====

17. TAXATION

Current		
For the period / year	3 032 716	5 000 000
For prior years	15 299	(528)
Deferred	310 800	(75 840)
	-----	-----
	3 358 815	4 923 632
	=====	=====

18, CASH GENERATED FROM OPERATIONS

	Eighteen	
	months	Year ended
	ended June	December 31,
	30, 1996	1994
	Rupees	Rupees
Profit before taxation	6 983 987	10 662 953
Adjustment for non cash charges and other items:		
Depreciation	88 424	202 516
Profit on disposal of fixed assets	(32 017)	-
(Reversal) / provision for staff gratuity	(465 860)	144 845
Interest income	(1 160 302)	(718 711)
Interest expense	51 209	495 399
Working capital changes - note 18.1	4 637 727	12 416 688
	-----	-----
	10 103 168	23 203 690
	=====	=====

18.1 Working Capital changes

	June 30,	December 31,
	1996	1994
	Rupees	Rupees
(Increase)/decrease in current assets		
Stock-in-trade	8 168 675	2 496 849
Trade debts	132 459	972 904
Advances to suppliers	-	5 360
Trade deposits and short-term prepayments	437 442	(183 332)
Due from Shell Pakistan Limited	-	4 335 982
Other receivables (net)	(319 421)	1 065 623
	-----	-----
	8 419 155	8 693 386
Increase/(decrease) in current liabilities		

Creditors, accrued and other liabilities (net)	(1 926 875)	150 397
Due to Shell Pakistan Limited	(1 854 553)	3 572 905
	-----	-----
	4 637 727	12 416 688
	=====	=====

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30, 1996 Rupees	December 31, 1994 Rupees
Cash and Bank balances	2 016 295	4 452 790
Short-term placement	1 000 000	-
	-----	-----
	3 016 295	4 452 790
	=====	=====

International Lubricants (Pvt.) Limited,

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Audited Accounts of the Company's trading operations for the period ended June 30, 1996.

The profit of the Company for the period ended
June 30, 1996 after providing for

Rupees

administrative, marketing, financial and other charges amounts to		186 263
Less: Provision for Workers' profit participation fund	9 313	
Workers' welfare fund	51 715	61 028
	-----	-----
Less: Taxation		125 235
		394 454

Unappropriated profit brought forward from the previous year		(269 219)
Transferred from revenue reserve		1 702 792
		700 000

		2 133 573

APPROPRIATIONS

Interim dividend - Rs 123.33 on 12 000 shares held by minority shareholder		1 480 000

Leaving for carry over to next year an unappropriated profit of		653 573
		=====

As part of the rationalisation of the lubricants business of Shell Pakistan and its subsidiary companies, the company wound down its operations during the period under review and ceased production on 11st July, 1995. During this final period of production the company performed well, producing 872 tonnes.

The present Auditors Messrs. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

For and on behalf of the Board

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding		Total Shares held
5 holding from	1	to	100 shares
1 holding from	5001	to	30 000 shares
-----			-----
6			30 000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	5	5	0.02
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	29 995	99.98
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Others (to be specified)	-	-	-
	-----	-----	-----
	6	30 000	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of International Lubricants (Private) Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the period January 1, 1995 to June 30, 1996 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the period of eighteen months then ended;

(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: and

(e) without qualifying our opinion we draw attention to note 1 to accounts which states that the company has discontinued its operations from July 11, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company that may be necessary under the circumstances.

A. F. FERGUSON & CO.

Chartered Accountants

Karachi: September 23, 1996

BALANCE SHEET AS AT JUNE 30, 1996

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
SHARE CAPITAL			
Authorised capital 100 000 ordinary shares of Rs 100 each		10 000 000	10 000 000
=====			
Issued, subscribed and paid-up capital	3	3 000 000	3 000 000
RESERVES			
Revenue reserve	4	-	700 000
Unappropriated profit		653 573	1 702 792

		653 573	2 402 792

		3 653 573	5 402 792
DEFERRED LIABILITIES			
Staff retirement gratuity		-	194 307
Deferred taxation		-	569 899

		-	764 206
CURRENT LIABILITIES			
Running finance utilised under mark-up arrangements-secured		-	8 710 888
Creditors, accrued and other liabilities	5	486 939	2 218 901
Due to Shell Pakistan Limited		4 552 756	8 190 875
Taxation		-	2 193 084

		5 039 695	21 313 748

		8 693 268	27 480 746
=====			

The annexed notes form an integral part of these accounts.

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
TANGIBLE FIXED ASSETS			
Operating fixed assets	6	5 725 480	6 530 166
LONG-TERM DEPOSITS			
		2 700	2 700
CURRENT ASSETS			
Stock-in-trade	7	362 606	15 403 495
Trade debts-unsecured, considered good		-	61 724
Loans and advances		-	493 795
Trade deposits and short-term prepayments	8	42 648	500 921
Other receivables-considered good	9	393 925	936 198
Income tax refundable		863 467	-

Cash and bank balances	10	1 302 442	3 551 747

		2 965 088	20 947 880

		8 693 268	27 480 746
		=====	=====

PROFIT AND LOSS ACCOUNT**FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

	Note	Eighteen months June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
REVENUES			
Net Sales		46 204 398	80 547 524
Less: Duties, taxes and levies	11	13 449 639	26 832 291
		-----	-----
		32 754 759	53 715 233
Cost of products sold	12	30 224 445	40 675 204
		-----	-----
		2 530 314	13 040 029
Transportation expenses		76 815	211 120
Administration and marketing expenses	13	2 536 634	4 093 563
		-----	-----
		2 613 449	4 304 683
OPERATING (LOSS)/PROFIT		(83 135)	8 735 346
Other income	14	1 004 634	512 206
		-----	-----
		921 499	9 247 552
Financial charges	15	681 236	1 941 371
Other charges	16	115 028	543 241
		-----	-----
		796 264	2 484 612
PROFIT BEFORE TAXATION		125 235	6 762 940
Taxation	17	394 454	3 093 210
		-----	-----
(LOSS) / PROFIT AFTER TAXATION		(269 219)	3 669 730
Unappropriated profit brought forward		1 702 792	33 062
Transfer from revenue reserve		700 000	-
		-----	-----
Available for appropriation		2 133 573	3 702 792
APPROPRIATIONS:			
Interim dividend Rs 123.33 per share on 12 000 shares held by minority shareholders (1994: Rs 66.67 per share to all shareholders)		1 480 000	2 000 000
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		653 573	1 702 792
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

		Eighteen months June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Cash Flow From Operating Activities			
Cash generated from operations	18	12 072 062	8 969 991
Staff gratuity paid		(193 356)	(55 075)
Interest paid		(823 676)	(1 815 598)
Taxes paid		(4 020 904)	(4 816 990)
		-----	-----
Net cash inflow from operating activities		7 034 126	2 282 328
Cash flow from investing activities			
Interest received		63 835	14 986
Sale proceeds of fixed assets		843 622	-
		-----	-----
Net cash inflow from investing activities		907 457	14 986
Cash outflow from financing activities			
Dividends paid		(1 480 000)	(8 000 000)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		6 461 583	(5 702 686)
Cash and cash equivalents at beginning of the period / year		(5 159 141)	543 545
		-----	-----
Cash and cash equivalents at end of the period / year	19	1 302 442	(5 159 141)
		=====	=====

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

1. NATURE OF BUSINESS

The Company is a wholly owned subsidiary of Shell Pakistan Limited. Its principal activity involved the production, blending and marketing of various kinds of lubricating oils. The company has discontinued its operations from July 11, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company.

1.1 Income Year

The Finance Act 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesseees were required to adopt the financial year (June 30 year end) as the income year effective from Income tax assessment year 1995-96.

In order that the Company's accounting year may correspond with the tax income year, the management of the Company has changed its accounting year from December 31 to June 30. Accordingly, these financial statements have been prepared for a period of eighteen months ended June 30, 1996 whereas the comparative figures are for the year ended December 31, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates an unfounded gratuity scheme for all employees for which annual

provision is made in the accounts to cover the obligation. The benefits under this scheme are payable to the employees on completion of prescribed qualifying periods of service.

2.3 Taxation

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

Deferred
 The Company accounts for deferred taxation on significant timing differences using the liability method.

2.4 Fixed assets and depreciation

Operating fixed assets 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 signifies historical cost including financial and other expenditure incurred during the development stage.

Depreciation is charged to income applying the reducing balance method. Depreciation on additions to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during a year.

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

Profit and loss on disposal of fixed assets are taken to income currently.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Cost of finished products includes appropriate overheads. Charges such as development surcharge, excise duty and sales tax incurred on unsold stock of products are added to the value of stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Revenue recognition

Sales are recorded on dispatch of products to the customers.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 1996	December 31 1994
	Rupees	Rupees
30 000 ordinary shares of Rs 100 each fully paid in cash	3 000 000	3 000 000
	=====	=====

At June 30, 1996 Shell Pakistan Limited and its nominees held 30 000 (1994:18 000)ordinary shares.

4. REVENUE RESERVE

Balance at January 1	700 000	700 000
Transfer to profit and loss account	(700 000)	-
	-----	-----
Balance at June 30/December 31	-	700 000
	=====	=====

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

June 30, December 31,

	1996 Rupees	1994 Rupees
Creditors	114 771	1 524 997
Accrued liabilities	304 335	242 846
Due to associated companies	7 023	80 254
Gratuity payable	42 016	-
Mark-up accrued on running finance	-	213 716
Retention money	-	5 000
Workers' profit participation fund -note 5,1	9 313	-
Workers' welfare fund	9 481	152 088
	-----	-----
	486 939	2 218 901
	=====	=====

5.1 Workers' profit participation fund

Balance at January 1	(136 491)	(10 341)
Allocation for the period/year	9 313	363 509
Received from Trustees during the period/year	136 491	10 341
	-----	-----
	9 313	363 509
Less: Payments to Trustees	-	500 000
	-----	-----
Balance at June 30/December 31	9 313	(136 491)
	=====	=====

6. OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

	Cost as at January 1, 1995	Additions/ (deletions)	Cost as at June 30, 30, 1996	Accumulated depreciation as at June 30, 1996	Book value as at June 30, 1996	charge for the period	Depreciation rate % per annum
	(Rupees)						
Freehold land	370 530	-	370 530	-	370 530	-	-
Buildings on freehold land	6 187 203	-	6 187 203	3 734 527	2 452 676	129 088	10
Tanks and Pipelines	3 723 293	-	3 723 293	2 275 727	1 447 566	76 188	10
Plant and machinery	1 805 508	(492 841)	1 312 667	669 025	643 642	45 521	10
Vehicles	176 000	-	176 000	115 1 00	60 900	6 767	20
Electrical fittings	1 293 703	-	1 293 703	780 588	513 115	27 006	10
Furniture, office equipment and other assets	483 229	-	483 229	246 178	237 051	12 476	10
Laboratory equipment	643 685	(643 685)	-	-	-	14 319	10
	-----	-----	-----	-----	-----	-----	-----
1996	14 683 151	(1 136526)	13 546 625	7 821 145	5 725 480	311 365	
	=====	=====	=====	=====	=====	=====	=====
1994	14 683 151	-	14 683 151	8 152 985	6 530 166	693 803	
	=====	=====	=====	=====	=====	=====	=====

As the company has discontinued its operations depreciation has not been charged on operating fixed assets for the period during which they remained idle.

7. STOCK-IN-TRADE

	June 30, 1996 Rupees	December 31, 1994 Rupees
Raw material	39 429	2 865 036
Containers	-	916 844
	-----	-----
	39 429	3 781 880
Finished products	187 577	7 662 583
	-----	-----
	227 006	11 444 463
Charges incurred on stock of finished products	135 600	3 959 032
	-----	-----
	362 606	15 403 495
	=====	=====

Stocks amounting to Rs 187 577 (1994: Rs 6 252 003) were stored at the premises of Shell Pakistan

8. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	December 31, 1994 Rupees	June 30, 1996 Rupees
Balances with statutory authorities - excise duty	-	337 802
Short-term prepayments	42 648	163 119
	-----	-----
	42 648	500 921
	=====	=====

9. OTHER RECEIVABLES

Claims recoverable	351 000	819 920
Receivable from workers' profit participation fund - note 5.1	-	136 491
Others	6 727	7 056
Due from associated companies	36 198	-
	-----	-----
	393 925	963 467
Provision for doubtful claims	-	27 269
	-----	-----
	393 925	936 198
	=====	=====

10. CASH AND BANK BALANCES

With banks on current accounts	1 302 442	778 605
In hand		
- Cheques	-	2 770 675
- Cash	-	2 467
	-----	-----
	1 302 442	3 551 747
	=====	=====

11. DUTIES, TAXES AND LEVIES

Eighteen
months Year ended
ended June December 31,

	30, 1996	1994
	Rupees	Rupees
Excise duty	7 852 759	15 792 415
Development surcharge	54 558	111 697
Sales tax	5 530 784	10 901 813
Octroi and other levies	11 538	26 366
	-----	-----
	13 449 639	26 832 291
	=====	=====

12. COST OF PRODUCTS SOLD

Raw and packing materials consumed		
Opening stock	3 781 880	2 882 032
Purchases	13 787 122	40 701 474
Closing stock	(39 429)	(3 781 880)
	-----	-----
	17 529 573	39 801 626
Salaries, wages and benefits	3 459 663	987 276
Rent, rates and taxes	35 000	45 000
Communication and stationery	152 285	136 987
Insurance	250 899	237 571
Fuel and power	423 704	324 143
Handling and storage charges	327 012	685 942
Laboratory expenses	6 861	9 334
Travelling, conveyance and entertainment	173 489	231 900
Depreciation note 6	311 365	693 803
Repairs and maintenance	70 121	72 004
Other expenses	9 467	9 750
	-----	-----
Cost of products manufactured	22 749 439	43 235 336
Opening stock of finished products	7 662 583	5 102 451
Closing stock of finished products	(187 577)	(7 662 583)
	-----	-----
	30 224 445	40 675 204
	=====	=====

13. ADMINISTRATION AND MARKETING EXPENSES

Salaries, wages and benefits [including Chairman's remuneration Rs 630 000 (1994: Rs 840 000)]	1 060 816	1 425 520
Handling and storage charges	82 199	243 544
Technical service fee	96 467	194 380
Marketing service charges	847 097	1 943 798
Rent, rates and taxes	47 915	54 760
Communication and stationery	18 673	26 050
Fuel and power	11 208	22 983
Travelling, conveyance and entertainment	70 819	49 510
Legal and professional charges	263 748	106 136
Advertisement and publicity	25 000	15 000
Repairs and maintenance	12 402	11 542
Other expenses	290	340
	-----	-----
	2 536 634	4 093 563
	=====	=====

14. OTHER INCOME

Eighteen
months Year ended
ended June December 31,

	30, 1996 Rupees	1994 Rupees
Interest on short-term deposits	63 835	14 986
Scrap sales	90 112	358 650
Provisions no longer required written back	79 366	-
Compensation on advance payment of income tax	-	91 890
Profit on disposal of fixed assets	350 301	-
Refund of development surcharge	351 000	-
Others	70 020	46 680
	-----	-----
	1 004 634	512 206
	=====	=====

15. FINANCIAL CHARGES

Interest on current account with Shell Pakistan Limited	-	1 007 127
Mark-up on running finance	609 960	829 530
Excise duty on running finance	44 813	70 896
Bank charges	26 463	33 818
	-----	-----
	681 236	1 941 371
	=====	=====

16. OTHER CHARGES

Audit fee	54 000	36 000
Workers' profits participation fund	9 313	363 509
Workers' welfare fund	51 715	143 732
	-----	-----
	115 028	543 241
	=====	=====

17. TAXATION

Current - for the period/year	1 250 000	3 500 000
- for prior years	(285 647)	(296 489)
Deferred	(569 899)	(110 301)
	-----	-----
	394 454	3 093 210
	=====	=====

18. CASH GENERATED FROM OPERATIONS

Profit before taxation	125 235	6 762 940
Adjustment for non cash charges and other Items:		
Profit on disposal of fixed assets	(350 301)	-
Depreciation	311 365	693 803
Provision for staff gratuity	41 065	83 914
Interest income	(63 835)	(14 986)
Interest expense	609 960	1 836 657
Working capital changes - note 18.1	11 398 573	(392 337)
	-----	-----
	12 072 062	8 969 991
	=====	=====

18.1 Working capital changes

	June 30, 1996 Rupees	December 31, 1994 Rupees
(Increase)/decrease in current assets		
Stock-in-trade	15 040 889	(4 613 280)

Trade debts	61 724	(58 471)
Loans and advances	493 795	(434 038)
Trade deposits and short-term prepayments	458 273	(266 111)
Other receivable (net)	542 273	(293 477)
	-----	-----
	16 596 954	(5 665 377)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(1 560 262)	151 277
Due to Shell Pakistan Limited	(3 638 119)	5 121 763
	-----	-----
	11 398 573	(392 337)
	=====	=====

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30, 1996 Rupees	December 31, 1994 Rupees
Cash and bank balances	1 302 442	3 551 747
Short-term running finance utilised under mark-up arrangements	-	(8 710 888)
	-----	-----
	1 302 442	(5 159 141)
	=====	=====

20. COMPARATIVES

Previous years figures have been rearranged wherever necessary for the purpose of comparison.

Arnif Petroleum (Pvt.) Limited**REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting their Report and Audited Accounts of the Company's trading operations for the eighteen months ended June 30, 1996.

		Rupees
The profit of the Company for the period ended June 30, 1996 after providing for administrative, marketing, financial and other charges amounts to		294 352
Less: Provision for Workers' profit participation fund	14 718	
Workers' welfare fund	34 118	48 836
	-----	-----
		245 516
Less: Taxation		(375 582)

		621 098
Unappropriated profit brought forward from the previous year		316 756
Transfer from revenue reserve		500 000

		1 437 854
APPROPRIATIONS		
Interim dividend - Rs 68.0272 per share on 14 700 shares held by minority shareholders		1 000 000

Leaving for carry over to next year an unappropriated profit of		437 854
		=====

As part of the rationalisation of the lubricants business of Shell Pakistan and its subsidiary companies, the company wound down its operations during the period under review and ceased production on 22nd August, 1995. During this final period of production the company performed well, producing 630 tonnes.

The present Auditors Messrs. A.F. Ferguson & Co. retire and offer themselves for re-appointment. For and on behalf of the Board

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding	Total Shares held
5 holding from	1 to 100 shares	5
1 holding from	1001 to 30 000 shares	29 995
-----		-----
6		30 000
=====		=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	5	5	0.02
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	29 995	99.98
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Others (to be specified)	-	-	-
	-----	-----	-----
	6	30 000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Arnif Petroleum (Private) Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the period January 1, 1995 to June 30, 1996 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the period of eighteen months then ended;

(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; and

(e) without qualifying our opinion we draw attention to note 1 to the accounts which states that the company has discontinued its operations from August 22, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company that may be necessary under the circumstances.

A. F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1996

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
SHARE CAPITAL			
Authorised capital 100 000 (1994:100 000) ordinary shares of Rs 100 each		10 000 000	10 000 000
		=====	=====
Issued, subscribed and paid-up capital	3	3 000 000	3 000 000
RESERVES			
Revenue reserve	4	-	500 000
Unappropriated profit		437 854	316 756
		-----	-----
		437 854	816 756
		-----	-----
		3 437 854	3 816 756
DEFERRED LIABILITIES			
Staff retirement gratuity		-	144 125
Deferred taxation		-	922 000
		-----	-----
		-	1 066 125
CURRENT LIABILITIES			
Short-term running finance utilised under mark-up arrangements-secured		-	7 475 428
Creditors, accrued and other liabilities	5	1 666 020	1 324 955
Due to Shell Pakistan Limited		373 364	86 325
Taxation		1 094 539	898 600
		-----	-----
		3 133 923	9 785 308
CONTINGENT LIABILITIES			
	6	-----	-----
		6 571 777	14 668 189
		=====	=====
The annexed notes form an integral part of these accounts.			
TANGIBLE FIXED ASSETS			
Operating fixed assets	7	5 740 334	5 986 501
CURRENT ASSETS			
Stock-in-trade	8	8 805	6 374 923
Trade debts - unsecured, considered good		-	9 699

Advances to suppliers - considered good		7 640	847 305
Trade deposits and short-term prepayments	9	48 692	400 489
Other receivables - considered good	10	248 338	95 407
Cash and bank balances	11	517 968	953 865
		-----	-----
		831 443	8 681 688
		-----	-----
		6 571 777	14 668 189
		=====	=====

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

		Eighteen	
		months	Year ended
		ended June	December 31,
		30, 1996	1994
	Note	Rupees	Rupees
REVENUES			
Net Sales		33 035 013	40 534 199
Less: Duties, taxes and levies	12	9 406 862	14 595 575
		-----	-----
		23 628 151	25 938 624
Cost of products sold	13	20 919 668	20 567 293
		-----	-----
		2 708 483	5 371 331
Transportation expenses		100 530	116 706
Administration and marketing expenses	14	2 557 383	2 719 706
		-----	-----
		2 657 913	2 836 412
		-----	-----
OPERATING PROFIT		50 570	2 534 919
Other income	15	934 316	231 584
		-----	-----
		984 886	2 766 503
Financial charges	16	636 534	1 009 571
Other charges	17	102 836	157 128
		-----	-----
		739 370	1 166 699
		-----	-----
PROFIT BEFORE TAXATION		245 516	1 599 804
Taxation	18	(375 582)	720 300
		-----	-----
PROFIT AFTER TAXATION		621 098	879 504
Unappropriated profit brought forward		316 756	37 252
Transfer from revenue reserve		500 000	-
		-----	-----
Available for appropriation		1 437 854	916 756
APPROPRIATIONS:			
Interim dividend-Rs 68.0272 per share on 14 700 shares held by minority shareholders (1994: Rs 20 per share to all shareholders)		1 000 000	600 000

UNAPPROPRIATED PROFIT CARRIED FORWARD

	437 854	316 756
--	---------	---------

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT**FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996**

		Eighteen months ended June 30, 1996	Year ended December 31, 1994	
Note		Rupees	Rupees	
Cash Flow From Operating Activities				
Cash generated from operations	19	8 867 273	7 204 729	
Staff gratuity paid		(121 930)	-	
Interest paid		(826 390)	(795 405)	
Taxes paid		(350 479)	(5 392 196)	
Net cash inflow from operating activities		7 568 474	1 017 128	
Cash flow from investing activities				
Interest received		193 076	132 331	
Sales proceeds from disposal of fixed assets		277 981	-	
Net cash inflow from investing activities		471 057	132 331	
Cash outflow from financing activities				
Dividend paid		(1 000 000)	(6 600 000)	
Net increase/(decrease) in cash and cash equivalents		7 039 531	(5 450 541)	
Cash and cash equivalents at beginning of the period/year		(6 521 563)	(1 071 022)	
Cash and cash equivalents at end of the period/year	20	517 968	(6 521 563)	

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNT**FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996****1. NATURE OF BUSINESS**

The Company is a wholly owned subsidiary of Shell Pakistan Limited. Its principal activity involved the production, blending and marketing of various kinds of lubricating oils. The Company has discontinued its operations from August 22, 1995. However, these accounts do not include any adjustments relating to the recoverability of the book values of the fixed assets of the company.

1.1 Income Year

The Finance Act 1995 abolished the option available for adopting the calendar year for tax purposes as the income year for business income and all such assesseees were required to adopt the financial year (June 30 year end) as the income year effective from Income tax assessment year 1995-96.

In order that the Company's accounting year may correspond with the tax income year, the management of the Company has changed its accounting year from December 31 to June 30. Accordingly, these financial statements have been prepared for a period of eighteen months ended June 30, 1996 whereas the comparative figures are for the year ended December 31, 1994.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement Benefits

The Company operates an unfounded gratuity scheme for all employees for which annual provision is made in the accounts to cover the obligation. The benefits under this scheme are payable to the employees on completion of prescribed qualifying periods of service.

2.3 Taxation

Current

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

Deferred

The Company accounts for deferred taxation on significant timing differences using the liability method.

2.4 Fixed assets and depreciation

Operating fixed assets 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 signifies historical cost including financial and other expenditure incurred during the development stage. Depreciation is charged to income applying the reducing balance method. Depreciation on additions to fixed assets during a year is charged for the whole year while no depreciation is charged on fixed assets disposed of during a year.

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

Profit and loss on disposal of fixed assets are taken to income currently.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Cost of finished products includes appropriate overheads. Charges such as development surcharge, excise duty and sales tax incurred on unsold stock of products are added to the value of stock and carried forward.

Net realisable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Revenue recognition

Sales are recorded on dispatch of products to customers.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 1996	December 31, 1994
	Rupees	Rupees
30 000 ordinary shares of Rs 100 each fully paid in cash	3 000 000	3 000 000
	=====	=====

At June 30, 1996 Shell Pakistan Limited and its nominees held 30 000 (1994: 15,300) ordinary shares.

4. REVENUE RESERVE

	June 30, 1996 Rupees	December 31, 1994 Rupees
Balance at January 1	500 000	500 000
Transfer to profit and loss account	(500 000)	-
Balance at June 30/December 31	-	500 000

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	57 483	216 023
Accrued liabilities	460 645	81 349
Due to associated companies	803 662	95 181
Mark-up accrued on running finance	-	242 984
Gratuity payable	34 392	-
Sales tax payable	4 795	357 298
Advances from customers	56 161	56 161
Contractor's retention money	3 899	3 899
Contractor's security deposit	5 000	10 000
Workers' profit participation fund - note 5.1	12 718	-
Workers' welfare fund	181 990	216 785
Other liabilities	45 275	45 275
	1 666 020	1 324 955

5.1 Workers' Profit Participation Fund

Balance at January 1	(65 953)	(114 331)
Allocation for the period/year	14 718	86 047
Received from Trustees during the period/year	63 953	112 331
	12 718	84 047
Less: Payments to Trustees	-	150 000
Balance at June 30/December 31	12 718	(65 953)

6. CONTINGENT LIABILITIES

In finalising the Company's income tax assessments for the accounting years 1990 and 1991, the Assessing Officer (AO) had disallowed the exemption claimed by the company under clause 122 of the Second Schedule to the Income Tax Ordinance, 1979. The taxes assessed by the AO amounted to Rs. 4.01 million for the year 1990 and Rs. 4.90 million for the year 1991 as against the tax liability of Rs. 0.63 million and Rs. 3.81 million provided in the accounts for the two years respectively. The company challenged the disallowances before the Deputy Commissioner of Income Tax who upheld the decision of the AO. The Company filed a further appeal with the Income Tax Appellate Tribunal (ITAT) which has set aside the original orders for the two years and has remitted the case to the AO for de novo assessments.

As the management is confident that the decision in the above case will be in the Company's favour, no provision has been made in these accounts for the above additional liability of Rs. 4.47 million.

7. OPERATING FIXED ASSETS

7.1 The following is a statement of operating fixed assets:

Cost as at January 1, 1995	Additions/ (deletions)	Cost as at June 30, 30, 1996	Accumulated depreciation as at June 30, 1996	Book value as at June 30, 1996	Charge for the period	Depreciation rate % per annum
----------------------------------	---------------------------	------------------------------------	-------------------------------------------------------	-----------------------------------------	-----------------------------	----------------------------------------

(Rupees)

Freehold land	552 326	-	552 326	-	552 326	-	-
Buildings on freehold land	6 454 060	-	6 454 060	2 329 061	4 124 999	105 769	5
Tanks and pipelines	231 025	-	231 025	141 273	89 752	4 724	10
Plant and machinery Electrical, mechanical and fire fighting equipment	726 255	(120 169)	606 086	268 033	338 053	21 818	10
Furniture, office equipment and other assets	605 197	-	605 197	346 671	258 526	13 606	10
Computer	786 511	-	786 511	484 786	301 725	17 019	10&15
Laboratory equipment	108 882	-	108 882	56 308	52 574	4 263	15
	54 830	-	54 830	32 451	22 379	2 486	20
	9 519 086	(120 169)	9 398 917	3 658 583	5 740 334	169 685	
1994	9 519 086	-	9 519 086	3 532 585	5 986 501	366 380	

As the company has discontinued its operations depreciation has not been charged on operating fixed assets for the period during which they remained idle.

7.2 The depreciation charge for the period has been allocated as follows:

Note	Eighteen months ended June		Year ended December 31,
	30, 1996	1994	1994
	Rupees	Rupees	Rupees
Cost of products sold - note 13	165 422	355 635	
Administration and marketing expenses - note 14	4 263	10 745	
	169 685	366 380	

8. STOCK-IN-TRADE

	June 30, 1996	December 31, 1994
	Rupees	Rupees
Raw materials	8 499	2 837 491
Containers	-	338 711
	8 499	3 176 202
Finished Products	306	2 227 839
	8 805	5 404 041
Charges incurred on stock of finished products	-	970 882
	8 805	6 374 923

9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Balances with statutory authorities - excise duty	-	244 497
Short-term prepayments	48 692	155 992

	48 692	400 489
=====		

10. OTHER RECEIVABLES - Considered good

Due from associated companies	-	1 268
Claims recoverable	247 000	25 859
Receivable from Workers' Profit Participation Fund -note 5.1	-	65 953
Others	1 338	28 186
	248 338	121 266
Less: Provision for doubtful claims	-	25 859
	248 338	95 407
=====		

11. CASH AND BANK BALANCES

	June 30, 1996 Rupees	December 31, 1994 Rupees
With banks	480 312	216 045
In hand		
- Cheques	-	737 818
- Cash	7 656	2
Cash in transit	30 000	-
	517 968	953 865
=====		

Eighteen
months
ended June
30, 1996
Rupees

Year ended
December 31,
1994
Rupees

12. DUTIES, TAXES AND LEVIES

Excise duty	5 710 292	9 130 098
Development surcharge	11 616	44 393
Sales tax	3 672 949	5 403 543
Octroi and other levies	12 005	17 541
	9 406 862	14 595 575
=====		

13. COST OF PRODUCTS SOLD

Raw and packing material consumed		
Opening stock	3 176 202	3 051 375
Purchases	12 603 939	18 694 639
Closing stock	(8 499)	(3 176 202)
	15 771 642	18 569 812
Salaries, wages and benefits	1 631 406	654 407
Rent, rates and taxes	58 498	33 166
Communication and stationery	124 638	58 425
Insurance	261 292	227 171
Fuel, power and electricity	261 161	157 336

Handling and storage charges	305 453	611 522
Laboratory expenses	14 058	14 692
Travelling, conveyance and entertainment	60 178	65 826
Depreciation - note 7.2	165 422	355 635
Repairs and maintenance	32 040	61 302
Other expenses	6 347	5 712
	-----	-----
Cost of products manufactured	18 692 135	20 815 006
Opening stock of finished products	2 227 839	1 980 126
Closing stock of finished products	(306)	(2 227 839)
	-----	-----
	20 919 668	20 567 293
	=====	=====

14. ADMINISTRATION AND MARKETING EXPENSES

	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
--	--------------------------------------------------------	----------------------------------------------

Salaries, wages and benefits [including Chairman's remuneration Rs 540 000; (1994: Rs 720 000) and directors' fee Rs 500; (1994: Rs 500)]	841 962	982 965
Handling and storage charges	50 550	90 899
Technical service fee	68 942	112 111
Marketing service charges	624 348	1 121 116
Rent, rates and taxes	12 893	20 416
Communication and stationery	20 108	28 217
Fuel, power and electricity	40 264	22 983
Travelling, conveyance and entertainment	89 240	127 649
Legal and professional charges	757 397	174 031
Advertising and subscription	25 000	15 000
Repairs and maintenance	22 125	13 136
Depreciation--note 7.2	4 263	10 745
Other expenses	291	438
	-----	-----
	2 557 383	2 719 706
	=====	=====

15. OTHER INCOME

Scrap sales	95 090	22 265
Compensation on advance payment of income tax	-	21 434
Claims recoverable	247 000	-
Interest on current account with Shell Pakistan Limited	-	82 550
Income from short-term deposits/ Portfolio Management Scheme	193 076	49 781
Gain on sale of fixed assets	201 499	-
Provisions no longer required written back	128 782	9 405
Others	68 869	46 149
	-----	-----
	934 316	231 584
	=====	=====

16. FINANCIAL CHARGES

Mark-up on running finance	583 406	929 557
Excise duty on running finance	41 609	69 239
Bank charges	11 519	10 775
	-----	-----

	636 534	1 009 571
	=====	

17. OTHER CHARGES

Audit fee	54 000	36 000
Workers' profit participation fund	14 718	86 047
Workers' welfare fund	34 118	35 081

	102 836	157 128
	=====	

18. TAXATION

Current - for the period/year	813 600	800 000
- for prior years	(267 182)	-
Deferred	(922 000)	(79 700)

	(375 582)	720 300
	=====	

Eighteen
months Year ended
ended June December 31,
30, 1996 1994
Rupees Rupees

19. CASH GENERATED FROM OPERATIONS

Profit before taxation	245 516	1 599 804
Adjustment for non cash charges and other Items:		
Depreciation	169 685	366 380
Gain on disposal of fixed assets	(201 499)	-
Provision for staff gratuity	12 197	52 132
Interest income	(193 076)	(132 331)
Interest expense	583 406	929 557
Working capital changes - note 19.1	8 251 044	4 389 187

	8 867 273	7 204 729
	=====	

19.1 Working capital changes

	June 30,	December 31,
	1996	1994
	Rupees	Rupee
(Increase)/decrease in current assets		
Stock-in-trade	6 366 118	(433 190)
Trade debts	9 699	20 515
Advances to suppliers	839 665	(834 200)
Trade deposits and short-term prepayments	351 797	75 088
Due from Shell Pakistan Limited	-	4 120 613
Other receivables (net)	(152 931)	1 087 542

	7 414 348	4 036 668
	=====	
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	549 657	266 194
Due to Shell Pakistan Limited	287 039	86 325

	8 251 044	4 389 187
	=====	

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30, 1996 Rupees	December 31, 1994 Rupee
Cash and bank balances	517 968	953 865
Shod-term running finance utilised under mark-up arrangements	-	(7 475 428)
	-----	-----
	517 968	(6 521 563)
	=====	=====

Lahore Lubricants (Pvt.) Limited

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to you their report together with the Accounts of the Company for the period ended June 30, 1996.

As part of the rationalisation of the lubricants business of Shell Pakistan and its subsidiary companies, the decision was taken not to commence production. Accordingly no profit and loss account has been prepared for the period under review.

For and on behalf of the Board

SHAREHOLDERS' STATISTICS AS AT JUNE 30, 1996

No. of Shareholders	Shareholding	Total Shares held
5 holding from	1 to 100 shares	5
1 holding from	101 to 80 000 shares	79 999
-----		-----
6		80 000
=====		=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	5	5	0.01
Investment Companies	-	-	-
Insurance Companies	-	-	-
Joint Stock Companies	1	79 999	99.99
Financial Institutions	-	-	-
Modaraba Companies	-	-	-
Others (to be specified)	-	-	-
	-----	-----	-----
	6	80 004	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Lahore Lubricants (Private) Limited as at June 30, 1996 together with the notes forming part thereof, for eighteen months then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet 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 period 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 together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996;

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

(e) a Profit and Loss account has not been prepared as the Company has not commenced commercial production.

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1996

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
SHARE CAPITAL			
Authorised capital			
100 000 ordinary shares of Rs 100 each		10 000 000	10 000 000
		=====	=====
Issued, subscribed and paid-up capital	3	8 000 400	8 000 400
LONG-TERM LOAN			
Commercial loan	4	31 671 024	23 613 689
CURRENT LIABILITIES			
Accrued and other liabilities	5	155 141	154 631
		-----	-----
		39 826 565	31 768 720
		=====	=====
The annexed notes form an integral part of these accounts.			
TANGIBLE FIXED ASSETS			
Capital work-in-progress	6	19 741 286	19 855 576
UNALLOCATED CAPITAL EXPENDITURE			
	7	19 793 314	11 656 663
PRELIMINARY EXPENSES			
		9 580	9 580
CURRENT ASSETS			
Advances, deposits and prepayments	8	133 356	129 100
Cash and bank balances	9	149 029	117 801
		-----	-----
		282 385	246 901

 39 826 565 31 768 720
 =====

NOTES TO THE ACCOUNT

FOR THE PERIOD JANUARY 1, 1995 TO JUNE 30, 1996

1. STATUS AND NATURE OF BUSINESS

Lahore Lubricants (Private) Limited was incorporated as a private Company on September 1, 1990 under Companies Ordinance, 1984. The principal activity of the Company will be production, blending and marketing of various kinds of lubricating oils. The Company has not yet commenced its operations. Consequently, a Profit and Loss account has not been prepared.

The company changed its financial year from December to June in compliance with the Finance Act, 1995. Accordingly, these financial statements cover the period of eighteen months ended June 30, 1996.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2 Tangible Fixed Assets

These are stated at cost. The term cost signifies the purchase price and directly attributable cost of bringing the asset in their present condition. Depreciation has not been provided pending commencement of commercial production.

2.3 Unallocated Capital Expenditure

These will be capitalised after commencement of commercial production.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30, 1996	December 31, 1994
	Rupees	Rupees
80 004 (1994:80 004) ordinary shares of Rs. 100 each issued for cash	8 000 400	8 000 400
	=====	

At June 30, 1996, Shell Pakistan Limited and its nominees held 80 004 (1994:80 004) ordinary shares.

4. COMMERCIAL LOAN -Secured

This represents loan from Shell Pakistan Limited (SPL) to continue the construction and completion of Plant of Lahore Lubricants (Private) Limited and is secured by a demand promissory note and hypothecation of all present and future assets. Interest @ 17.5% per annum is charged on outstanding balance (1994: 17.5% per annum).

5. ACCRUED AND OTHER LIABILITIES

	June 30, 1996	December 31, 1994
	Rupees	Rupees
Accrued expenses	148 846	151 777
Due to associated company	6 295	2 854

	155 141	154 631
	=====	

6. CAPITAL WORK-IN-PROGRESS

Civil works	5 958 521	5 958 521
-------------	-----------	-----------

Plant and machinery	13 782 765	13 897 055
	-----	-----
	19 741 286	19 855 576
	=====	=====

7. UNALLOCATED CAPITAL EXPENDITURE

	As at June 30, 1996 Rupees	For the year Rupees	As at December 31, 1994 Rupees
Salaries and allowances	619 453	-	619 453
Salaries - Contract workers	403 626	198 500	205 126
Staff entertainment	26 876	-	26 876
Director's fee	9 000	-	9 000
Printing and stationery	32 024	550	31 474
Conveyance and travelling	272 129	6 315	265 814
Communication	58 939	3 362	55 577
Electricity expenses	895 063	347 010	548 053
Repairs and maintenance	19 981	3 300	16 681
Laboratory expenses	7 500	-	7 500
Advertisement	10 160	-	10 160
Legal fee	46 979	16 656	30 323
Audit fee	97 500	22 500	75 000
Professional fee	108 465	15 900	92 565
Octroi/export tax	575	-	575
Interest during construction - note 4	16 685 957	7 282 778	9 403 179
Bank charges	2 170	1 307	863
Insurance	350 187	141 768	208 419
Rent rates & taxes	125 877	89 877	36 000
Other expenses	20 853	6 828	14 025
	-----	-----	-----
	19 793 314	8 136 651	11 656 663
	=====	=====	=====

8. ADVANCES, DEPOSITS AND PREPAYMENTS

	June 30, 1996 Rupees	December 31, 1994 Rupees
Security deposits	62 100	62 100
Prepaid license fee	-	5 000
Prepaid rental	24 000	12 000
Prepaid insurance	47 256	50 000
	-----	-----
	133 356	129 100
	=====	=====

9. CASH AND BANK BALANCES

Cash in hand	300	-
Cash at bank - current account	148 729	117 801
	-----	-----
	149 029	117 801
	=====	=====

10. GENERAL

(a) Previous year's figures have been rearranged wherever necessary for the purpose of comparison,

(b) Figures have been rounded off to the nearest rupee.

A. BRINK
Chief Executive

RICK WESTLEY
Director