

# **BURSHANE (PAKISTAN) LIMITED)**

## **Annual Report 1998**

(Member of the Royal Dutch-Shell Group of Companies)

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### **BOARD OF DIRECTORS**

T.V. Higgins -- Chairman

Saleemuddin Ahmed

Khurshid Bhaimia

C. B. Christian

A.M. Devine

Razi-ur-Rahman Khan

G.L. Lezaun

G.R. Memon

A.G. Swanson

Trudy Taylor

### **GENERAL MANAGER**

Saleemuddin Ahmed

### **SECRETARY**

Majid A. Jhumra

### **AUDITORS**

A.F. Ferguson & Co.

Chartered Accountants

**BANKERS**

Standard Chartered Bank  
Deutsche Bank Limited  
ANZ Grindlays Bank p.l.c.  
Muslim Commercial Bank Limited  
Habib Bank Limited  
Allied Bank of Pakistan Limited

**REGISTERED OFFICE**

Burshane (Pakistan) Limited  
Prime Point Building,  
Main Khayaban-e-Ittehad, Phase VII,  
Defence Housing Authority,  
Karachi-75500.

**NOTICE OF MEETING**

NOTICE IS HEREBY given that the Thirty-Second Annual General Meeting of the Company will be held at 10.00 a.m. on Friday 27th November, 1998 at Sheraton Hotel, Karachi to transact the following business:

1. To receive a report of the Directors and Auditors together with the Audited Accounts for the year ended 30th June, 1998.
2. To approve, the payment of final dividend as recommended by the Directors, of Rs. 5.00 per share making a total dividend of Rs. 9.00 per share for the year ended 30th June, 1998.
3. To appoint Auditors and fix their remuneration.

**NOTES:**

- i) The Share Transfer Books of the Company will be closed from 18th November to 27th November 1998 (both days inclusive) when no transfer of shares will be accepted for registration.
- ii) A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote on his/her behalf.
- iii) Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
- iv) Shareholders are requested to notify any change in their address immediately.

**CHAIRMAN'S REVIEW**

Welcome to the thirty-second Annual General Meeting of the Company. I am pleased to present to you the Audited Accounts for the year ended 30th June, 1998.

The supply of indigenous gas increased to 173,000 tonnes, up from 161,000 tonnes last year, because of three new indigenous gas fields coming on stream. LPG imports were also higher at 32,500 tonnes vs. 27,000 tonnes imported during the financial year 1996-97. However, the overall increase of 9% in the supplies was not enough to meet the growing demand in the country which remained unsatisfied.

Burshane's sales volume of 19,700 tonnes was 10% higher than the sales of last year which was made possible by increased LPG production from the two refineries in Karachi. No action has been taken by the government on our representation for a price revision made through the LPG Advisory Committee following the rise in the base stock price and in the exchange parity of the dollar. The Operating Profit shows an increase of Rs. 11.3 million.

As indicated in last year's Review, your Company has negotiated a deal to obtain supplies of 35,000 tonnes of LPG in collaboration with Lifeline (Pvt) Ltd. through a new LPG Terminal facility being built by Engro Pak Tank Ltd. next to their Chemical Terminal at Port Qasim. The entire fixed investment in this facility will be made by EPTL. Burshane alongwith Lifeline will be entitled to use the terminal under a Terminal Service Agreement on payment of agreed tariff. Burshane will be investing in the primary transportation arrangement for bulk transfer of LPG to its filling plants and also in acquiring additional marketing equipment necessary to handle higher volumes of gas.

The Change Process initiated at the corporate level last year, is in progress. Some new appointments have been made in the middle management to strengthen and support the management team in carrying out the onerous responsibilities that lie ahead. The business processes are being re-engineered, and the management structure is being modified to match the ensuing demands of the business. The sales and marketing staff are being trained and developed to meet the challenges of new market segments.

We are striving to improve the business, health and safety environment in Burshane through the platform of the LPG Advisory Committee. We have offered to support the government effort in redrafting and making suitable changes in the outdated LPG (Production & Distribution) Rules 1971 as well as those prescribed under the Petroleum Rules 1985 to cater for the changed needs and demands of the international safety standards. We are also continuing our efforts to achieve total de-regulation of LPG industry in the best interest of the country and community.

There has been a change at the Board level; Mr. F. D. de Koning retired during the year. His valuable contribution to the Company's business is much appreciated. He is replaced by Mr. C. Balmes. I would also like to put on record my appreciation of the efforts made by all the staff and the management team in meeting the challenges of the Change Process and in achieving the excellent financial results. I am confident that they will continue with their commitment and good performance in the future as well.

## **REPORT OF THE DIRECTORS**

Your directors are pleased to present their Annual Report on the Audited Accounts of the Company and the Auditors' Report thereon for the year ended 30th June, 1998.

## **SALES**

Your company's sales during the year were 19,700 tonnes vs. 18,450 tonnes in the previous year. The marginal increase was due to improved product availability from the local refineries.

### **PROFIT AFTER TAXATION**

Profit after tax increased over last year, mainly due to selective procurement of imported product to optimise the supply of LPG.

### **APPROPRIATIONS**

### **Rupees**

As per Audited Accounts, profit for the year before taxation was	65,805,629 (17,757,764)
Less: Taxation for the year	-----
Profit after taxation	48,047,865
Add: Unappropriated profit brought forward	3,793,762
	-----
Profit available for appropriation	51,841,627
Out of which:	
Interim dividend @ Rs. 4.00 per share was declared in February 1998 absorbing Your directors now recommend that the balance available be utilized in providing for:	(10,780,972)
Final dividend @ Rs. 5.00 per share (1997 Rs. 15,000,000)	(13,476,215)
Transfer to General Reserve (1997 Rs. 15,000,000)	(25,000,000)
	-----
Unappropriated profit to be carried forward	2,584,440
	=====

### **DIRECTORS**

The Board places on record its appreciation to the contribution made by the retiring Director Mr. F.D. de Koning. Mr. Christian Balmes has been co-opted in his place.

### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on 30th June, 1998 is shown on page 23.

### **EARNING PER SHARE**

The earning per share is Rs. 17.96.

### **AUDITORS**

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

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

We have audited the annexed Balance Sheet of **Burshane (Pakistan) Limited** as at June 30, 1998 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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, 1998 and of the profit and cash flows for the year then ended; and

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

## **BALANCE SHEET**

**As at June 30, 1998**

	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	3	96,897,778	89,889,811
Capital work-in-progress	4	8,148,708	--
		-----	-----
		105,046,486	89,889,811
<b>LONG-TERM INVESTMENTS</b>	5	49,000,000	40,000,000
<b>LONG-TERM LOANS</b>	6	809,392	953,825
<b>LONG-TERM DEPOSITS AND PREPAYMENTS</b>	7	231,216	2,511,654

<b>TOTAL LONG-TERM ASSETS</b>		-----	-----
		155,087,094	133,355,290
<b>CURRENT ASSETS</b>			
Stores and spares	8	14,823,031	14,868,770
Stock-in-trade	9	3,605,051	3,617,212
Trade debts		569,498	435,359
Loans, advances, short-term prepayments and other receivables	10	23,775,023	18,290,350
Taxation		--	2,537,312
Short-term investment		2,000,000	72,500,000
Cash and bank balances		80,103,499	25,010,966
		-----	-----
<b>TOTAL, CURRENT ASSETS</b>		124,876,102	137,259,969
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	13	33,841,512	46,328,566
Taxation		6,319,854	--
Proposed dividend		13,476,215	21,561,944
		-----	-----
<b>TOTAL CURRENT LIABILITIES</b>		53,637,581	67,890,510
		-----	-----
<b>NET CURRENT ASSETS</b>		71,238,521	69,369,459
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		226,325,615	202,724,749
<b>LONG-TERM AND DEFERRED LIABILITIES</b>			
Deferred Taxation	14	2,643,506	2,885,418
Cylinder and regulator deposits		104,145,239	104,093,139
		-----	-----
		106,788,745	106,978,557
<b>CAPITAL COMMITMENTS</b>	15		
		-----	-----
		119,536,870	95,746,192
		=====	=====
<b>NET ASSETS</b>			
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL</b>	16	26,952,430	26,952,430
<b>GENERAL RESERVE</b>	17	90,000,000	65,000,000
<b>UNAPPROPRIATED PROFIT</b>		2,584,440	3,793,762

**SHAREHOLDERS EQUITY**

-----  
119,536,870      95,746,192  
=====

The annexed notes form an integral part of these

**PROFIT AND LOSS ACCOUNT  
For the year ended June 30, 1998**

	Note	1998 Rupees	1997 Rupees
Sales		292,097,424	259,369,317
Cost of	18	189,926,180	165,980,646
		-----	-----
Gross Profit		102,171,244	93,388,671
Administrative	19	49,154,698	51,687,273
		-----	-----
Operating profit		53,016,546	41,701,398
Other Income	20	18,704,886	20,888,610
		-----	-----
		71,721,432	62,590,008
		-----	-----
Less: Financial charges	21	948,860	394,553
Other charges	22	4,966,943	4,221,746
		-----	-----
		5,915,803	4,616,299
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		65,805,629	57,973,709
Taxation	23	17,757,764	14,043,636
		-----	-----
<b>PROFIT AFTER TAXATION</b>		48,047,865	43,930,073
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		3,793,762	7,206,605
		-----	-----
<b>AVAILABLE FOR APPROPRIATION</b>		51,841,627	51,136,678
 <i>APPROPRIATIONS</i>			
 <b>DIVIDENDS</b>			
Interim- Rs. 4.00 (1997: Rs. 4.00 ) per share		10,780,972	10,780,972

Final- Proposed Rs. 5.00 (1997: Rs. 8.00 ) per share	13,476,215	21,561,944
<b>TRANSFER TO GENERAL RESERVE</b>	25,000,000	15,000,000
	-----	-----
	49,257,187	47,342,916
	-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>	2,584,440	3,793,762
	=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT**  
**For the year ended June 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	51,195,562	63,882,782
Interest paid		(439,761)	(192,757)
Taxes paid		(9,142,510)	(16,606,038)
Long-term loans and advances		144,433	517,746
Long-term deposits and prepayments		2,280,438	(2,420,507)
Cylinder and regulator deposits		52,100	551,450
		-----	-----
Net cash inflow from operating activities		44,090,262	45,732,676
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(32,841,063)	(29,082,562)
Proceeds from sale of fixed assets		1,085,150	2,762,868
Interest received		12,798,613	23,578,417
Purchase of long-term investments		(9,000,000)	(12,000,000)
		-----	-----
Net cash outflow from investing activities		(27,957,300)	(14,741,277)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(31,540,429)	(21,277,740)
		-----	-----
Net increase / (decrease) in cash and cash equivalents		(15,407,467)	9,713,659
Cash and cash equivalents at beginning of the year		97,510,966	87,797,307

Cash and cash equivalents at end of the year	28	82,103,499	97,510,966
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The annexed notes form an integral part of these accounts.

## NOTES TO THE ACCOUNTS

### For the year ended June 30, 1998

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

The Company is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is storing and marketing liquefied petroleum gas throughout Pakistan.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

##### 2.2 Staff retirement benefits

Staff retirements benefits include:

a) approved funded pension scheme for its management staff and approved funded gratuity scheme for all its employees. Contributions are made annually to these schemes on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuations of the schemes are carried out annually and the latest valuations were carried out as at June 30, 1998. The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date were Rs. 28.298 million and Rs. 25.783 million respectively for the pension scheme and Rs. 9.278 million and Rs. 8.343 million respectively for the gratuity scheme. Projected Entry Age Normal method, using the following significant assumptions, is used for valuation of the schemes:

- Expected rate of increase in salaries for management and other employees 14% per annum.
- Expected rate of interest on investment 14% per annum.

b) approved contribution provident fund for all employees.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

##### 2.3 Staff leave benefits

Annual provision is made in the accounts for the monetary value of accumulated annual leave of all staff members.

##### 2.4 Taxation

Current

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

### **Deferred**

The Company accounts for deferred taxation, on all material differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

### **2.5 Tangible fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation. 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 during the year is charged at half the applicable rates, while no depreciation is charged on assets in the year of disposal.

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

Gains and losses on disposal of assets are taken to profit and loss accounts.

### **2.6 Stores and spares**

Stores and spares are valued at cost arrived at using the first-in-first-out method except those in transit which are stated at invoice values plus other charges incurred thereon.

### **2.7 Stock-in-trade**

Liquefied petroleum gas is valued at the lower of cost and net realisable value, Cost is determined on the basis of first-in. first-out method.

Stock of appliances and accessories are stated at cost.

### **2.8 Investment**

Investments are stated at cost less provision for diminution in value, In arriving at the provision in respect of any diminution in long-term investment consideration is given only if there is a permanent impairment in the value of the investment.

### **2.9 Foreign currency translation**

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 contracted rates. Exchange gains or losses are taken to income currently.

### **2.10 Revenue recognition**

Sales are recorded at the time of delivery to the distributors and direct customers. Profit on Investments is accounted for on accrual basis.

## **3. OPERATING ASSETS**

**3.1 The following is a statement of the operating assets:**

	<b>Cost at July 1, 1997</b>	<b>Additions/ (deletions)</b>	<b>Transfers (out)</b>	<b>Cost at June 30, 1998</b>	<b>Accumulated depreciation at July 1, 1997 (Rupees)</b>	<b>Charge for the year/ (depreciation on deletions)</b>	<b>Transfers (out)</b>	<b>Accumulated depreciation at June 30, 1998</b>	<b>Book value June 30, 1998</b>
Building on lease hold land	9,565,819	796,571	--	10,362,390	4,904,926	635,385	--	5540311	4,82
Building on land under license	5,172,028	393,887	--	5,565,915	4,159,965	144,256	--	4,304,221	1,26
Plant and machinery	22,314,803	1,084,530	--	23,399,333	15,929,639	956,089	--	16,885,728	6,51
Tanks, pipelines and fittings	19,731,634	--	--	19,731,634	18,994,129	260,790	--	19,254,919	47
Fire fighting equipment	7,961,943	277,700	--	8,239,643	5,108,269	312,326	--	5,420,595	28190
			*				*		
Cylinders and regulators	173,843,290	--	(2,193,620)	171,604,183	110,842,774	8,434,409.00	(109,681)	119,122,015	52,48
		(45,487)				(45,487)			
Vehicles	13,612,806	2,411,263	--	15,088,034	8,568,326	2,162,324	--	9,794,615	52934
		(936,035)				(936,035)			
Furniture, fittings and electrical equipment	8,923,174	13,674,004	--	21,598,361	6,192,878	1,455,756	--	6,745,810	14,85
		(998,817)				(902,824)			
Office machines	4,993,595	6,054,400	--	10,524,295	1,528,375	1,060,022	--	2,147,796	8,37
		(523,700)				(440,601)			
1998	266,119,092	24,692,355	(2,193,620)	286,113,788	176,229,281	15,421,357	(109,681)	189216000	96,89
		(2,504,039)				(2,324,947)			
1997	238,609,073	30,731,057	--	266,119,092	162,196,009	14,617,595	--	176229281	89,88
		(3,221,038)				(584,323)			

\*Represents cost and accumulated depreciation of regulators transferred to stock-in-trade.

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

	<b>1998 Rupees</b>	<b>1997 Rupees</b>
Cost of products sold- note 18	12,412,871	12,298,920
Administrative, selling and general expenses- note 19	3,008,486	2,318,675

-----	-----
15,421,357	14,617,595
=====	=====

### 3.3 Disposals of operating assets

The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of Buyers
		(Rupees)			
Cylinders & Regulators Written down value below Rs. 5,000 each	45,487	45,487	--	70,400	Various
Vehicles Written down value below Rs. 5,000 each	936,035	936,035	--	696,728	Various
Furniture, fittings and electrical equipment Sold by tender	91,496	83,471	8,025	50,990	Qureshi Household
Written down value below Rs. 5,000 each	907,321	819,353	87,968	189,182	Various
	----- 998,817	----- 902,824	----- 95,993	----- 240,172	
Office Machines Trade-in	155,500	127,875	27,625	45,000	Jaffer Brothers (Pvt.) Ltd.
Sold by negotiation	341,200	285,726	55,474	30,150	
Written down value below Rs. 5,000 each	27,000	27,000	--	2,700	Various
	----- 523,700	----- 440,601	----- 83,099	----- 77,850	
1998	----- 2,504,039	----- 2,324,947	----- 179,092	----- 1,085,150	
	=====	=====	=====	=====	

1997	3,221,038	584,323	2,636,715	2,762,868
------	-----------	---------	-----------	-----------

=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**4. CAPITAL WORK-IN PROGRESS**

Tanks, pipelines and fittings	7,982,108	--
Furniture, fitting and electrical equipment	116,600	--
Advances to suppliers	50,000	--
	-----	-----
	8,148,708	--
	=====	=====

**5. LONG-TERM INVESTMENTS-AT COST**

Defence Savings Certificates	37,000,000	37,000,000
Special Savings Certificates	9,000,000	--
Ten year WAPDA Bearer Bonds	3,000,000	3,000,000
	-----	-----
	49,000,000	40,000,000
	=====	=====

**6. LONG-TERM LOANS - Considered Good**

Car loans	-executives	533,219	555,393
	-other employees	--	160,560
Motor-cycle loans	-executives	111,975	349,738
	-other employees	366,764	249,705
Salary loans	-executives	--	35,376
	-other employees	318,011	437,228
		-----	-----
		1,329,969	1,788,000
Less: Receivable within one year - note 10		520,577	834,175
		-----	-----
		809,392	953,825
		=====	=====

Outstanding for period - more than three years

--others	214,060	159,373
	595,332	794,452
	-----	-----
	809,392	953,825

These loans are granted to employees under the Company's loan policy. Car and motorcycle loans are repayable over a period of eight years and five years respectively and are secured by letter of hypothecation and third party guarantees. Salary loans are repayable over a maximum period of thirty months.

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 885,819 (1997: Rs. 940,507).

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>7. LONG-TERM DEPOSITS AND PREPAYMENTS</b>		
Deposits	75,400	36,900
Prepayments	155,816	2,474,754
	-----	-----
	231,216	2,511,654
	=====	=====
 <b>8. STORES AND SPARES</b>		
Stores	753,071	126,985
Spares (include in transit Rs. 17,858; (1997: Rs. Nil))	14,069,960	13,741,785
	-----	-----
	14,823,031	14,868,770
	=====	=====
 <b>9. STOCK-IN-TRADE - Finished Products</b>		
Liquefied petroleum gas	2,242,047	3,526,999
Stock of appliances and accessories	90,213	90,213
Stock of regulators	1,272,791	--
	-----	-----
	3,605,051	3,617,212
	=====	=====
 <b>10. LOANS, ADVANCES, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES</b>		
Loans and advances- considered good		
Loans due from:		
Executives	192,374	150,553

Employees	328,203	683,622
	-----	-----
	520,577	834,175
Advances to:		
Executives	1,806	23,295
Employees	500	7,276
	-----	-----
	2,306	30,571
Advances to contractors and suppliers	501,031	395,045
	-----	-----
	1,023,914	1,259,791
Short-term prepayments	4,093,167	5,153,556
Excise duty current account	104,338	131,216
Accrued income on investments and deposit accounts	11,135,465	8,177,347
Due from associated undertaking	1,014,197	1,593,829
Others	6,403,942	1,974,611
	-----	-----
	23,775,023	18,290,350
	=====	=====

The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 100,850 (1997: Rs. 23,295)

The maximum amount due from associated undertaking at the end of any month during the year was Rs. 3,832,707 (1997: Rs. 1,539,829)

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>11. CASH AND BANK BALANCES</b>		
With banks in:		
-Special account                      -customer deposit	7,700	7,700
-Deposit accounts                    -local currency	1,200,000	600,000
- foreign currency                    -foreign currency	68,028,740	17,340,286
-Savings accounts	6,762,253	2,215,945
-Current accounts	2,001,465	655,725
In savings account at National Savings Centre	4,724	4,724
Cheques            -in transit	1,985,405	3,995,511
-in hand	--	66,053
Cash in hand	113,212	125,022
	-----	-----

80,103,499	25,010,966
=====	=====

**UNDER MARK-UP ARRANGEMENT**

The facility for running finance available from a bank at June 30, 1998 amounted to Rs. 15.0 million (1997: Rs. 15.0 million) at a mark-up rate of 14 percent (1997:14 percent) per annum. The purchase price is payable on May 31, 1999. The arrangement is secured by hypothecation of the Company's stock-in-trade, stores and spares and plant and machinery. This facility remained unavailed at June 30, 1998.

**13. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	8,425,973	5,586,980
Accrued liabilities	9,287,881	17,409,707
Provision for staff leave benefits	1,279,731	1,190,082
Workers' profits participation fund- note 13.1	3,509,022	3,033,304
Workers' Welfare fund	1,100,048	816,771
Retention money	823,554	233,691
Advances from distributors	2,189,870	2,218,241
Dividends		
- unclaimed	225,645	194,743
- unpaid	2,921,715	2,150,130
Security deposits from cartage contractors	80,000	80,000
Voluntary separation benefits	--	11,491,275
Others	3,998,073	1,923,642
	-----	-----
	33,841,512	46,328,566
	=====	=====

Deposits from cartage contractors are non-interest bearing and refundable on completion of contract.

Amount due to associated undertaking at the year end aggregated Rs. 4,702,125 (1997: Rs. 3,689,274).

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13.1 Worker's profits participation fund</b>		
Balance at July 1	3,033,304	2,084,627
Allocation for the year- note 22	3,540,718	3103154
Interest on funds utilised in the Company's business-note 21	392,295	192,757
Less: Amount paid	3,457,295	2,347,234

Balance at June 30	3,509,022	3,033,304
	=====	=====

#### **14. DEFERRED TAXATION**

This is composed of the following:

Deferred liability arising in respect of tax depreciation allowances	3,027,425	3,278,145
Deferred asset in respect of short-term provision	(383,919)	(392,727)
	-----	-----
	2,643,506	2,885,418
	=====	=====

#### **15. CAPITAL COMMITMENTS**

Capital commitments contracted for but not incurred at June 30, 1998 amounted to Rs. 10,169,042 (1997: Rs. 2,250,159).

#### **16. SHARE CAPITAL**

Authorized capital				
4,000,000	ordinary shares of Rs. 10 each		40,000,000	40,000,000
-----			-----	-----
Issued, subscribed and paid up capital				
627,168	shares of Rs. 10 each fully paid up in cash		6,271,680	6,271,680
76,820	shares of Rs. 10 each issued as fully paid for consideration other than cash		768,200	768.20
1,991,255	shares of Rs. 10 each issued as fully paid bonus		19,912,550	19,912,550
-----			-----	-----
2,695,243			26,952,430	26,952,430
=====			=====	=====

The Shell Petroleum Company Limited, United Kingdom held 1,815,958 (1997: 1,815,958) ordinary shares of Rs. 10 each at June 30, 1998.

#### **17. GENERAL RESERVE**

Balance at July 1	65,000,000	50,000,000
Transfer from profit and loss account	25,000,000	15,000,000
	-----	-----
Balance at June 30	90,000,000	65,000,000
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>18. COST OF PRODUCTS SOLD</b>		
Gas consumed:		
Opening stock	3,526,999	1,074,522
Purchases	127,849,965	108,631,007
	-----	-----
	131,376,964	109,705,529
	2,242,047	3,526,999
	-----	-----
Less: Closing Stock	129,134,917	106,178,530
Stores and spares consumed	2,775,842	3,432,612
Salaries, wages and other employee benefits	12,641,112	12,489,991
Contribution to -provident fund	386,022	337,980
-pension fund	710,481	1,157,807
-gratuity fund	382,219	789,718
Repairs and maintenance	2,099,881	1,678,434
Travelling, conveyance and vehicle expenses	1,711,684	1,098,662
Rent, rates and electricity	1,841,711	1,271,555
Telephone, telegrams and postage	612,306	340,616
Printing and stationery	205,053	94,670
Insurance	1,042,958	809,291
Freight and octroi	21,811,721	14,051,781
Depreciation-note 3.2	12,412,871	12,298,920
Voluntary separation benefit	--	8,563,497
Sundry expenses	2,157,402	1,386,582
	-----	-----
	189,926,180	165,980,646
	=====	=====

**19. ADMINISTRATIVE SELLING AND GENERAL EXPENSES**

Salaries, wages and other employee benefits	23,743,628	23,001,800
Contribution to -provident fund	639,950	630,143
-pension fund	1,544,443	5,443,793
-gratuity fund	607,569	2,178,262
Repairs and maintenance	928,251	330,013

Travelling, conveyance and vehicle expenses	7,008,187	5,371,205
Rent, rates and electricity	3,881,371	2,109,672
Telephone, telegrams and postage	2,184,211	2,166,667
Printing and stationery	1,128,043	1,246,563
Insurance	540,521	469,792
Legal and Professional expenses	767,581	1,814,093
Advertisement and publicity	865,125	331,370
Depreciation-note 3.2	3,008,486	2,318,675
Voluntary separation benefits	--	2,927,778
Sundry expenses	2,307,332	1,347,447
	-----	-----
	49,154,698	51,687,273
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

## 20. OTHER INCOME

Gain on sale of regulators		
Sales proceeds	903,100	--
Less: Cost of regulators sold	811,148	--
	-----	-----
	91,952	--
Income from:		
Short-term deposits		
-local currency	98,047	43,794
- foreign currency	2,397,832	1,066,980
Special Savings Account	5,945,294	10,440,319
Special Savings Certificates	21,041	--
Savings Account	1,022,428	1,131,073
Defence Savings Certificates	5,897,089	5,040,213
WAPDA Bearer Bonds	375,000	375,000
Commission on Insurance	192,922	243,330
Profit on disposal of fixed assets	906,058	126,153
Gain on foreign currency translation	--	1,553,367
Unclaimed liabilities written back	887,733	320,839
Sundries	869,490	547,542
	-----	-----
	18,704,886	20,888,610

## 21. FINANCIAL CHARGES

Bank charges	312,879	201,796
Mark- up on running finance	47,466	--
Interest on workers' profits participation fund	392,295	192,757
Exchange loss	196,220	--
	-----	-----
	948,860	394,553
	=====	=====

## 22. OTHER CHARGES

Directors' fees	1,500	5,000
Workers' profits participation fund-note 13.1	3,540,718	3,103,154
Workers' welfare fund	1,075,725	793,456
Auditors' remuneration - note 22.I	254,500	295,136
Donations	94,500	25,000
	-----	-----
	4,966,943	4221746
	=====	=====

Donations include Rs. 50,000 paid to Layton Rehmatullah Benevolent Trust. Mr. T.V. Higgins, Chairman is one of the Trustees.

### 22.1 AUDITORS REMUNERATION

Audit fee		
- statutory audit	180,000	120,000
- provident, pension, gratuity and workers' profits participation funds	19,000	19,000
Tax services	--	112,150
Special certifications and other advisory services	15,500	15,500
Out of pocket expenses	40,000	28,486
	-----	-----
	254,500	295,136
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

## 23. TAXATION

Current -for the year	18,100,000	13,300,000
-----------------------	------------	------------

-for prior year	(100,324)	(1,410,427)
Deferred	(241,912)	2,154,063
	-----	-----
	17,757,764	14,043,636
	=====	=====

#### 24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	1998			1997		
	Chief Executives	Executives	Total	Chief Executives	Executives	Total
	(Rupees)					
Managerial remuneration	1,478,238	9,194,232	10,672,470	820,560	4,963,535	5,784,095
Company's contribution to gratuity, pension and provident funds	280,673	3,099,027	3,379,700	294,007	1,671,107	1,965,114
Housing and utilities	709,663	5,002,074	5,711,737	584,034	2,570,593	3,154,627
Medical, leave fare. etc.	181,514	1,980,496	2,162,010	373,652	1,575,875	1,949,527
	-----	-----	-----	-----	-----	-----
	2,650,088	19,275,829	21,925,917	2,072,253	10,781,110	12,853,363
	=====	=====	=====	=====	=====	=====
	1	49	50	1	26	27

Aggregate amount charged in the accounts for the year for fees paid to 2 directors was Rs. 1,500 1997:3 directors Rs. 5,000).

In addition the Chief Executive and certain Executives are provided with few household appliances and free use of Company cars.

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

#### 25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases of liquefied petroleum gas at prices fixed by the Government of Pakistan	39,714,200	30,337,734
Purchases of services	590,103	590,503
	-----	-----
	40,304,303	30,928,237
	=====	=====

## 26. CAPACITY

The installed daily filling capacity of LPG bottling plants is 90 metric tons (1997:90 metric tons) on single shift basis against which the actual average daily LPG being bottled is 54 metric tons (1997:51 metric tons). Under-utilization of capacity was because of adequate supply of gas.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>27. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	65,805,629	57,973,709
Adjustment for non cash charges and other items:		
Depreciation	15,421,357	14,617,595
Profit on disposal of fixed assets	(906,058)	(126,153)
Interest income	(15,756,731)	(18,097,379)
Interest expense	439,761	192,757
Working capital changes - note 27.1	(13,808,396)	9,322,253
	-----	-----
	51,195,562	63,882,782
	=====	=====
<b>27.1 Working capital changes</b>		
(Increase) /decrease in current assets		
Stores and spares	45,739	(7,771,784)
Stock-in-trade	2,096,100	(2,451,177)
Trade debts	(134,139)	59,854
Loans, advances, short-term prepayments and other receivables (net)	(2,526,555)	(5,600,596)
	-----	-----
	(518,855)	(15,763,703)
(Decrease) / increase in current liabilities		
Creditors, accrued and other liabilities (net)	(13,289,541)	25,085,956
	-----	-----
	(13,808,396)	9,322,253
	=====	=====
<b>28. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents inclu comprise of the following balance sheet amounts:		
Cash and bank balances	80,103,499	25,010,966
Short-term investments	2,000,000	72,500,000

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82,103,499	97,510,966
=====	=====

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison.

### PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

As on June 30, 1998

Number of Shareholders	Shareholding			Total Shares Held		
134	From	1	to	100	Shares	5,411
174	From	101	to	500	Shares	43,148
30	From	501	to	1,000	Shares	21,530
24	From	1,001	to	5,000	Shares	63,973
2	From	5,001	to	10,000	Shares	18,870
1	From	15,001	to	20,000	Shares	19,306
1	From	20,001	to	25,000	Shares	24,750
3	From	25,001	to	30,000	Shares	85,582
1	From	40,001	to	45,000	Shares	43,076
1	From	45,001	to	50,000	Shares	45,306
1	From	55,001	to	60,000	Shares	60,000
1	From	60,001	to	65,000	Shares	60,654
1	From	75,001	to	80,000	Shares	75,808
1	From	310,001	to	315,000	Shares	311,871
1		The Shell Petroleum Company Limited				1,815,958
-----						-----
376						2,695,243
=====						=====

Categories of Shareholders	Number	Shares Held	%
Individuals	365	334,429	12.41
Financial Institutions	4	441,895	16.40
Insurance Companies	2	100,558	3.73
Joint Stock Company-Foreign	1	1,815,958	67.38
Private Limited Companies	3	2,388	0.09
Burshane Pakistan Employees Union	1	15	0.00

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376	2,695,243	100.00