

PAKISTAN STATE OIL COMPANY LIMITED

ANNUAL GENERAL

MEETING

DECEMBER 29, 1996

CONTENTS

PSO at a Glance	5
Notice of the Meeting	6
Managing Director's Review	9
Auditors' Report	15
Balance Sheet	16
Profit and Loss Account	18
Statement of Changes in Financial Position (Cash Flow Statement)	19
Notes to the Accounts	21
Statement Pursuant to Section 237 of the Companies Ordinance, 1984	35
Pattern of Holding of the Shares	36
Accounts of Subsidiary Companies	37
Form of Proxy	59

Managing Director

Jahangir N. W. Ansari

Secretary

M. A. Saifie

Auditors

Sidat Hyder Qamar Maqbool & Co.

Taseer Hadi Khalid & Co.

Solicitors

Orr Dignam & Co.

Bankers

ABN Amro Bank

Allied Bank of Pakistan Limited

American Express Bank Limited

ANZ Grindlays Bank

Bank of America

Banque Indosuez

Citibank N.A.

Deutsche Bank

Emirates Bank International Limited

Habib Bank A.G. Zurich

Habib Bank Limited

Muslim Commercial Bank Limited

Mashreq Bank

National Bank of Pakistan

Standard Chartered Bank

Societe Generle

Union Bank Limited

United Bank Limited

Registered Office:

Karim Chambers, Merewether Road, Karachi.

PSO AT A GLANCE

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Earning and Dividend										
	Rs. Per Share of Rs. 10									
Earning	23.54	21.27	18.49	13.63	12.19	10.20	9.64	10.57	11.42	13.28
Break-up value	65.21	62.35	59.91	55.7	56.49	56.41	55.78	55.16	53.45	50.63
Dividend	6.00	5.00	5.00	5.00	4.75	4.50	4.00	4.00	4.00	4.00
Bonus	3:10	3:10	3:10	2:10	2:10	3:20	1:10	1:10	1:10	1:10

Statistical Summary

	Rs. in Millions									
Shareholders' equity	4,149.20	3,051.80	2,255.40	1,747.70	1,476.90	1,282.50	1,153.00	1,036.50	913.0	786.2
New capital exp.	919.8	461.9	321.8	364.9	207.4	138.9	216.4	374.3	424.7	188.2
Profit before tax	2,563.20	1,681.10	1,175.60	771.5	526.9	450.7	367.2	330.7	344.0	341.1
Profit after tax	1,498.20	1,041.10	696.0	427.6	318.7	231.8	199.2	198.7	195.1	206.3
Dividends	381.8	244.7	188.2	156.9	124.2	102.3	82.7	75.2	68.3	62.1

Financial Ratio

	Ratios									
Current assets: Current liabilities	1.1:1	1.1:1	1.1:1	1.1:1	1.2:1	1.1:1	1.4:1	1.4:1	1.3:1	1.7:1
Long term debt: equity	5.95	7:93	8.92	12:88	17:83	24:76	28:72	33:67	29:71	27:73
Total Debt: equity	29:71	29:71	23:77	33:67	24:76	51:49	49:51	51:49	49:51	47:53

NOTICE OF THE MEETING

Notice is hereby given that the 20th Annual General Meeting of the Company will be held at Hotel Metropole, Club Road, Karachi on Sunday, 29th December 1996, at 11.00 A.M. under the Chairmanship of the Managing Director to transact the following business:

I. Ordinary Business

1. To confirm the minutes of the 19th Annual General Meeting held on 28th December, 1995.
2. To receive and adopt the audited accounts for the year ended 30th June, 1996 together with Auditors' report and the Managing Director's review thereon.

3. To lay information before the members of the Company of the appointment of Messrs Sidat Hyder Qamar Maqbool & Company and Taseer Hadi Khalid & Company, Chartered Accountants, as Auditors of the Company, for the year ending 30th June, 1997.

4. To declare a final dividend of 30% in addition to the interim dividend of 30% already paid, thereby making a total dividend of 60% for the year ended 30th June, 1996.

II. Special Business

5. To consider and, if thought fit, pass the following Ordinary Resolution for the capitalisation of profits amounting to Rs. 190,881,970/-.

Resolved that

(i) "a sum of Rs. 190,881,970/-- from the Company's profit in the year ended 30th June, 1996 be capitalized for issuing 19,088,197 fully paid-up Ordinary Shares of Rs. 10/- each as Bonus Shares to be allotted to those members whose names appear in the Register of Members on Sunday, 15th December, 1996, in the proportion of three shares for every ten shares held and that the Bonus Shares when issued shall rank pari passu in all respects with the existing Ordinary Shares of the Company except that the said Bonus Shares shall not be eligible for the dividend declared for the year ended 30th June, 1996.

(ii) the members entitled to fractions of shares as a result of their holdings either being less or in excess of an exact multiple of proportion (referred in 5(i) above) shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange; and

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

AND

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

NOTES:

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. A proxy form is enclosed.

2. The Share Transfer Books of the Company will remain closed from Monday, 16th December, 1996 to Sunday, 29th December, 1996 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of business on Sunday, 15th December, 1996, will be considered in time to be eligible for payment of Final Dividend and issue of Bonus Shares to the transferees.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notorially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.

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

The Reserves of the Company as on 30th June, 1996 represent accretion on its existing share capital, it has been thought expedient to capitalize a part of the said reserves by way of

issue of Bonus Shares to the members. The Company has no direct interest in the event the capital is increased as proposed. Upon issuance of the Bonus Shares, the paid-up capital of the Company shall stand increased to Rs. 827,155,190/-

MANAGING DIRECTOR'S REVIEW

It is a pleasure to welcome you to the 20th Annual General Meeting of the Company and to present the annual Report and the Financial Statements for the year ended 30th June, 1996.

Inspite of the fact that your Company had set itself a very high standard of performance by recording a net profit of Rs. 1.042 Billion in the previous year, yet again it managed to surpass its previous record by earning a net profit of Rs. 1.499 Billion during the current year. The Shareholders will also be pleased to note that the return for the year under review at 60% Cash Dividend and 30% Bonus Shares is also higher than the return of 50% Cash Dividend and 30% Bonus Shares for the previous year. The financial strength of your company will enable it to meet the requirements of development projects at hand for further strengthening its infrastructure base for meeting the POL needs of the Country.

The latest Progress Report on the Company's on-going projects is as follows:-

Fuel Oil Pipeline of 14" Dia and 82 Km in length from Zulfiqarabad Oil Terminal (ZOT) to HUBCO with initial capacity of 2.5 million tonnes/annum is ready for commissioning. As you are aware, this Project of national importance will meet the requirements of HUBCO.

We are pleased to inform our Shareholders that the Company has made further progress on ZOT -- Jamshoro Furnace Oil Pipeline Project where PSO has 25% equity. This joint venture will be known as Indus Pipeline Limited (IPL). The implementation Agreement for Fuel Oil Pipeline has been signed between Indus Pipeline Limited (IPL) and GOP, guaranteeing a minimum annual throughput of 2 million tonnes. The requisite infrastructure for the project to be provided by PSO includes construction of an Installation of 80,000 metric tonnes storage at Jamshoro with tank lorry filling arrangements. Railways will also be approached for providing spur line for utilizing Rail resources in the future. The pipeline will ensure reliability, safety and efficient transportation of fuel oil and will eliminate the use of 500 Tank Lorries per day ex-Karachi, thus providing

immense relief to traffic congestion on the Karachi/Hyderabad Super Highway.

As reported last year, your Company had signed the Sponsors' Agreement with Hyundai Engineering & Construction Company Limited of South Korea for construction of a Refinery with a capacity of 4.8 million tonnes/annum. The Feasibility Study of the project has been re-evaluated by international consultants appointed by GOP to assess the cost benefit of direct investment in refineries in Pakistan. The Consultants Report has been received and is under consideration of the Government of Pakistan.

PSO is also participating in another project of vital importance to the infrastructure of petroleum products in the country. Your Company has a 10% equity in this project which envisages construction of a 800 Km long White Oil Pipeline starting from the Coast on the right bank of River Indus to Mahmood Kot. Feasibility Report of the project has been carried out by an international consultant, M/s. Bechtel. The pipeline is expected to be in operation by the year 2000 with an initial thruptut of 7 million tonnes/annum, which can be enhanced to 14 million tonnes/annum within a period of 10 years.

Another new venture concerns LPG, which is an environment friendly and economical fuel and has a vast untapped consumption market. In coming years, it has the potential to replace Kerosene and fire wood as a substitute for domestic use in heating and cooking. For this purpose local production and import of LPG are increasing tremendously. However, we do not have adequate infrastructure to receive and store the imported LPG. Accordingly, your Company signed an Agreement with Bakri Gas Inc., Saudi Arabia in September 1996 to develop an LPG Storage Terminal at Port Qasim. This joint venture, in which your Company will have 20% equity and Bakri Gas Inc., will have 80% equity, will be known as Saudi Pak LPG Co Ltd. The proposed joint venture is under review and its techno-economic aspects are being analysed.

Your Company has also entered into Fuel Supply Agreement with various private power companies to supply fuel oil by rail throughout the country. For this purpose, PSO plans to construct a pipeline from Zulfiqarabad Oil Terminal to Pipri Marshalling Yard and providing tank loading facility with a capacity to handle 3 million tonnes per annum. These facilities would consist of 42" Dia 6.5 Km long tanker discharge pipeline, capable of receiving fuel oil from

FOTCO jetty directly into 80,000 tonnes storage tanks and other infrastructure capable of loading 8 oil specials (10,000 M.T.) per day. These facilities at Pipri have become absolutely essential in view of the ban on additional storages at Keamari and other bottlenecks at railway yard. Pipri Marshalling Yard will then be fully geared for placement of oil specials resulting in a faster turn around of railway wagons to meet the requirements of Private Power Projects.

In addition, the management of the Company is continually engaged in programmes of optimum operational efficiency and marketing innovations to retain our leadership of the petroleum trade in the country. Development of new retail outlets especially equipped with the latest Computerised equipment is continuing at fast pace. Qualitative and quantitative control measures are being continuously improved upon particularly in our Lube containers sealing and packing arrangements. Rehabilitation of our existing storage tanks and development of additional ullage continues to respond to the ever increasing trade volumes. Aviation trade line is being streamlined with modernization of existing equipment and addition of advanced technological systems. Our LPG Storage and Distribution Network is also being expanded in view of the increased potential demand of the product.

Your Company's fine performance for 1995-96 and ambitious development programs for adding to the infrastructure of Petroleum Trade reflect not only PSO's commitment to the future prosperity of the Country but also its resolve to meet the challenges of the future with all the professional expertise at its command.

I now wish to record that such achievements were possible because your Company has been able to develop the calibre of its human resources which has been achieved through constant 'on-the-job' training and development through In-house training which personifies Company culture. My sincere thanks to the Staff and Workers of Pakistan State Oil who have contributed to the profitability and growth of the Company.

Acknowledgements are particularly due to the Chairman, Board of Management (Oil) for his active participation and guidance in the affairs of the Company and to the members of the Board for their invaluable contributions. Acknowledgements are also in order for continued support of the Ministry of Petroleum and Natural Resources.

Lastly, I wish to record my sincere appreciation for the support and confidence of our esteemed shareholders.

JAHANGIR N. W. ANSARI
Managing Director

3rd November, 1996

BOARD OF MANAGEMENT (OIL)

CHAIRMAN

**Minister for Petroleum & Natural Resources
Government of Pakistan**

MEMBERS

Director General (Oil)

Ministry of Petroleum & Natural
Resources, Government of Pakistan

Financial Advisor

Ministry of Petroleum & Natural
Resources, Government of Pakistan

Managing Director

Pak Arab Refinery Limited

Managing Director

Investment Corporation of Pakistan

Managing Director

National Refinery Limited

Managing Director

Pakistan State Oil Company Limited

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAKISTAN STATE OIL COMPANY LIMITED as at 30 June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

b) in our opinion:

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

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

and

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 1996 and of the profit and changes in financial position for the year then ended; and

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

BALANCE SHEET AS AT 30 JUNE 1996

	Note	Rs. 000	
		1996	1995
Capital and Reserves			
Authorised capital 100,000,000 (1995: 50,000,000)			
Ordinary shares of Rs. 10/- each		1,000,000	500,000
		=====	=====
Issued, subscribed and paid-up capital	3	636,274	489,442
Reserves	4	3,511,223	2,561,174
Unappropriated profit		1,665	1,227
		-----	-----
		4,149,162	3,051,843
Long-term loans	5	102,504	158,255
Liabilities against assets subject to finance lease	6	13,152	13,682
Long-term deposits	7	239,821	203,205
Deferred liabilities	8	378,983	270,242
Current Liabilities			
Bank finance under mark-up arrangements	9	1,448,700	991,990
Current portion of long-term loans and liabilities under finance lease	5&6	87,255	102,823
Creditors, accrued expenses and other liabilities	10	7,941,684	5,878,718
Taxation -- net		634,130	297,226
Dividends	11	233,662	137,335
		-----	-----
		10,345,431	7,408,092
Contingencies and commitments	12	-	-
		-----	-----

15,229,053 11,105,319
 ===== =====

The annexed notes form an integral part of these accounts.

Fixed Assets -- Tangible

Operating fixed assets	13	1,163,068	1,097,016
Assets subject to finance lease	14	39,345	37,103
Capital work-in-progress	15	1,265,198	704,826
Inventory held for capital expenditure		354,302	272,207
		-----	-----
		2,821,913	2,111,152

Long-term investments	16	578,376	495,019
------------------------------	----	---------	---------

Long-term deposits, loans, advances and prepayments	17	109,902	81,543
--	----	---------	--------

Current Assets

Stores and spares	18	70,945	49,437
Stock-in -trade	19	3,519,104	1,966,774
Trade debts	20	3,076,705	1,634,842
Loans, advances, deposits, prepayments and other receivables	21	3,728,749	4,221,245
Cash and bank balances	22	1,323,359	545,307
		-----	-----

11,718,862 8,417,605

Net Assets in Bangladesh	23	-	-
---------------------------------	----	---	---

 15,229,053 11,105,319
 ===== =====

**PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 1996**

	Note	Rs. 000 1996	1995
Revenues			
Sales		80,562,712	66,012,119
Less: Government levies	24	27,630,386	16,803,771
		-----	-----
Cost of products sold	25	52,932,326	49,208,348
		48,854,513	46,644,481
		-----	-----
Other income	26	4,077,813	2,563,867
		145,488	185,399
		-----	-----
		4,223,301	2,749,266
Expenditure and charges			
Transportation	27	178,305	125,263
Administrative and marketing	28	1,208,792	772,678

Financial	29	138,128	53,136
Provision for Assets in Bangladesh		-	28,589
Workers' profit participation fund		134,904	88,480
		-----	-----
		1,660,129	1,068,146
		-----	-----
Profit before taxation		2,563,172	1,681,120
Provision for taxation	30	1,065,000	640,000
		-----	-----
Profit after taxation		1,498,172	1,041,120
Unappropriated profit brought forward		1,227	1,661
		-----	-----
		1,499,399	1,042,781
Appropriations:			
Transferred to general reserve		906,000	650,000
Proposed issue of bonus shares			
in the ratio of 3:10 (1995: 3:10)		190,882	146,833
Interim dividend 30% (1995:30%)		190,882	146,832
Final dividend 30% {1995:20% }		190,882	97,889
Tax on Proposed Bonus shares		19,088	-
		-----	-----
		1,497,734	1,041,554
		-----	-----
Unappropriated profit carried forward		1,665	1,227
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL
POSITION (CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1996**

	Rs. 000	
	1996	1995
Cash Flow from Operating Activities		
Profit before taxation	2,563,172	1,681,120
Add: Items not effecting funds:		
Depreciation	208,646	177,959
Retirement benefits	121,718	28,537
Profit on sale of assets	(2,566)	(3,433)
Dividend received	(5,148)	(16,400)
Financial charges	138,128	53,136
	-----	-----
	3,023,950	1,920,919
(Increase)/decrease in current assets		
Stores and spares	(21,508)	(21,359)
Stock-in-trade	(1,552,330)	190,548
Trade debts	(1,441,863)	642,128
Loans, advances, deposits and prepayments	492,496	(1,238,706)
	-----	-----
	(2,523,205)	(427,389)
(Increase)/(decrease) in current liabilities		

Bank finance under mark-up arrangement	456,710	561,246
Creditors, accrued and other liabilities	2,062,966	(163,598)
	-----	-----
	2,519,676	397,648
Taxes paid		
Retirement benefits paid	(747,184)	(579,737)
	(12,977)	(10,179)I
	-----	-----
	(760,161)	(589,916)
	-----	-----
Net cash inflow from operating activities	2,260,260	1,301,262
Cash Flow from Investing Activities		
Fixed capital expenditure	(919,778)	(461,894)
Sale proceeds of fixed assets	2,937	3,528
(Increase)/decrease in long-term loans, deposits, advances and other receivables	(28,359)	(20,746)
Long-term investment	(83,357)	(458,187)
Assets in Bangladesh	-	28,589
Dividend received	5,148	16,400
	-----	-----
Net cash outflow from investing activities	(1,023,409)	(892,310)
Cash Flow from Financing Activities		
Repayment of long-term loans	(72,179)	(10&353)
Liabilities against assets subject to finance lease	19,928	25,290
Payment made for assets subject to finance lease	(19,599)	(12,995)
Proceeds from long-term deposits	36,616	47,884
Financial charges paid	(138,128)	(53,136)
Dividend paid	(285,437)	(288,737)
	-----	-----
Net cash outflow from financing activities	(458,799)	(387,047)
Net increase in cash and cash equivalents	778,052	21,905
Cash and cash equivalents at the beginning of the year	545,307	523,402
	-----	-----
Cash and cash equivalents at the end of the year	1,323,359	545,307
	=====	=====

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1996
(Amount in Thousand Rupees)

1. STATUS AND NATURE OF BUSINESS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Staff retirement benefits

2.2.1 Gratuity

The Company operates an unfunded gratuity scheme for all current employees which provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date subject to the completion of minimum qualifying period of service. Obligations under the scheme are provided annually.

2.2.2 Pension

The Company operates a defined benefit pension scheme for its all regular permanent employees. Contributions are made annually to the fund on the basis of actuarial recommendations at the rate of 20% of basic salary. An actuarial valuation is performed once every three years and the most recent actuarial valuation of the scheme was carried out at 01 January 1996, which reflected the fair value of the fund's assets and the liabilities at Rs. 210.168 million and Rs. 238.842 million respectively. The actuarial valuation was carried out using "Entry Age Normal Actuarial Cost Method". Main valuation assumptions used for actuarial valuation were as under:

- Expected rate of increase in salaries 14% per annum.
- Expected rate of interest on investment 14% per annum, compound.

2.3 Taxation

The charge for current taxation is based on taxable income. Deferred liability for taxation, if any, is accounted for by using the liability method on all major timing differences. However, deferred tax debits are not accounted for in the accounts which at 30 June 1996 amounted to approximately Rs. 64.503 million (1995: Rs. 30.06 million).

2.4 Fixed assets and depreciation

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

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

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

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

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

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

2.5 Long-term investments

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

2.6 Stores and spares

These are valued at moving average cost except items in transit which are stated at cost-obsolete and used items are recorded at nil value.

2.7 Stock-in-trade

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

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

2.8 Trade debts

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

2.9 Foreign currency translation

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

2.10 Revenue recognition

Sales are recorded on despatch of products to customers.

Dividend income on equity investment is recognized on receipt basis.

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

1996 (No. of shares)	1995		1996	1995
3,000,000	3,000,000	Issued for cash	30,000	30,000
		Issued for consideration		
7,694,469	7,694,469	other than cash	76,945	76,945
-----	-----			
		Issued as bonus shares:		
38,249,625	26,954,834	At beginning of the year	382,497	269,549
14,683,228	11,294,791	During the year	146,832	112,948
-----	-----		-----	-----
52,932,853	38,249,625		529,329	382,497
-----	-----		-----	-----
63,627,322	48,944,094		636,274	489,442
=====	=====		=====	=====

		1996	1995
4. RESERVES			
Capital	Note 4.1	3,373	3,373
Revenue -- General	Note 4.2	3,263,496	2,357,496
-- Dividend equalization		53,472	53,472
		-----	-----
		3,316,968	2,410,968
Proposed issue of bonus shares	Note 4.3	190,882	146,833
		-----	-----
		3,511,223	2,561,174

=====

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

4.2 At beginning of the year	2,357,496	1,707,496
Transferred from Profit and Loss account	906,000	650,000
	-----	-----
	3,263,496	2,357,496
	=====	=====
4.3 At beginning of the year	146,833	112,948
Transferred from Profit and Loss account	190,882	146,883
	-----	-----
	337,715	259,781
Transferred to share capital	(146,833)	(112,948)
	-----	-----
	190,882	146,833
	=====	=====

5. LONG-TERM LOANS

Note	Financing Rate	Repayable By	Sanctioned Amount	Balance Outstanding	
5.1	1% over bank rate	1996	265,000	11,500	48,429
5.2	1% over bank rate	1998	215,000	120,000	150,500
5.3	14% per annum (including exchange risk)	2005	73,982	42,755	47,505
				-----	-----
				174,255	246,434
Less: Over due instalment				160,001	-
Current portion				55,751	88,179
				-----	-----
				71,751	88,179
				-----	-----
				102,504	158,255
				=====	=====

5.1 Represents loan obtained from banks for storage development projects. The loan is secured against mortgage of specified project assets.

5.2 Represents loan obtained from banks to hold reserve stocks of petroleum products for the Government. The loan is repayable in nine equal half yearly instalments which commenced from July 1994. The loan is secured against the hypothecation of stocks of petroleum products at different storage points in the country. The financial charges on the loan are reimbursable by the Government of Pakistan.

5.3 Represents a loan obtained from the Government of Pakistan out of the proceeds of a loan from the International Bank for Reconstruction and Development (IBRD) for Energy Sector to the Government. The sanctioned amount of US\$ 4.25 million (1995: US\$ 4.25 million), disbursed in 1986, is for development of storage and pipeline facilities. The loan is unsecured and is repayable in local currency in twenty eight equal half yearly instalments which commenced from December 1990.

**6. LIABILITIES AGAINST ASSETS SUBJECT
TO FINANCE LEASE**

	1996	1995
Balance as on 1 July	28,326	16,031
Assets acquired during the year	19,928	25,290
	-----	-----
	48,254	41,321
Less: Payments made	19,598	12,995
	-----	-----
	28,656	28,326
Less: Current portion of liability	15,504	14,644
	-----	-----
	13,152	13,682
	=====	=====

6.1 The total lease rentals due under the lease agreements aggregate Rs. 28.7 million (1995: Rs. 28.3 million) and are payable in equal monthly and quarterly instalments under various lease agreements latest by 1999. Overdue rental payments are subject to an additional charge of 2 to 3 percent per month. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. In case of termination of agreement the lessee is to pay entire rent for unexpired period. Financing rates of approximately 18 to 21 percent per annum have been used as discounting factor.

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

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

	YEAR		
	1996	--	17,088
	1997	19,521	11,850
	1998	10,536	2,865
	1999	1,321	--
		-----	-----
		31,378	31,803
Financial charges allocated to future periods	(2,722)	(3,477)	
	-----	-----	
	28,656	28,326	
	=====	=====	

7. LONG-TERM DEPOSITS

Special deposits	Note 7.1	17,567	18,664
Equipment deposits	Note 7.2	133,604	128,991
Cartage contractors deposits	Note 7.3	88,650	55,550
		-----	-----
		239,821	203,205
		=====	=====

7.1 The special deposits are against dealership for an initial period of 10 years at interest rate of

7 to 13 percent per annum and are expected to be renewed on maturity.

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

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

	1996	1995
8. DEFERRED LIABILITIES		
Staff Retirement Benefits - Gratuity		
At beginning of the year	270,242	251,884
Provision during the year	121,718	28,537
Payments to outgoing staff	(12,977)	(10,179)
	-----	-----
	108,741	18,358
	-----	-----
	378,983	270,242
	=====	=====

9. BANK FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

The Company has short-term financing facilities of Rs. 825.7 million (1995: Rs. 977.0 million) from various banks at mark-up ranging from 38 - 51 paisas per Rs. 1,000 per day, net of prompt payment rebates. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities under mark-up arrangements are secured by way of charge against hypothecation of Company's stock of petroleum products.

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors	Note 10.1	6,433,082	4,735,370
Accrued expenses		187,105	91,162
Workers' profit participation fund	Note 10.2	134,904	88,480
Pension fund	Note 10.3	16,178	31,853
Financial charges accrued on secured loans		29,899	41,455
Deposits - interest free, from customers and others		203,440	186,971
Advance from customers		282,895	306,196
Payable to contractors/suppliers		258,862	266,941
Railway/pipeline charges		260,267	59,029
Insurance payable on imports		56,746	34,513
Other liabilities		78,306	37,748
		-----	-----
		7,941,684	5,878,718
		=====	=====

10.1 Includes Rs. 1,348 million (1995: Rs. 1,586 million) payable to suppliers and others on account of oil imports.

10.2 Workers' profit participation fund			
At beginning of the year		88,480	61,875

Contribution for the year	134,904	88,480
	-----	-----
Payment during the year	223,384 (88,480)	150,355 (61,875)
	-----	-----
	134,904	88,480
	=====	=====

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

10.3 Pension fund		
Provision at beginning of the year	31,853	47,903
Provision during the year	16,178	14,171
	-----	-----
	48,031	62,074
Payments to the fund	(31,853)	(30,221)
	-----	-----
	16,178	31,853
	=====	=====

11. DIVIDENDS

Unclaimed		
Minimum guaranteed return	448	448
Dividends	42,332	38,998
	-----	-----
	42,780	39,446
Proposed dividend	190,882	97,889
	-----	-----
	233,662	137,335
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

12.1 At 30 June 1996 there existed claims against the Company not acknowledged as debts pending litigations and settlement Rs. 286.6 million approximately (1995: Rs. 44.6 million).

12.2 Duties leviable on ex-bonding of stocks at 30 June 1996 Rs. 813.7 million (1995: Rs. 334.3 million).

12.3 Aggregate commitments for capital expenditure contracted for, but remaining to be executed at 30 June 1996 amounted to Rs. 318.1 million (1995: Rs. 202.9 million).

12.4 Letters of credit and bank guarantees Rs. 2,200.0 million (1995: Rs. 302.3 million).

12.5 According to a memorandum of understanding, the Company has committed for investment in setting up of refinery in collaboration with Hyundai Corporation - South Korea, amounting to Rs. 1,400 million (US\$ 40 million).

13. OPERATING FIXED ASSETS

13.1 The following is a statement of operating fixed assets:

COST AT		(DISPOSAL)/	COST AT	ACCUMU-	DEP.	ACCUMULATED		ANNUAL
1 JULY	ADDITIONS	*ADJUST-	30 JUNE	LATED	FOR THE	DEP.	BOOK VALUE	DEP.
1995		MENT	1996	DEP.	YEAR	AT 30 JUNE	AT 30 JUNE	RATE%
				01 JULY	1996	1996	1996	
				1995				

Land - freehold	70,910	554		71,464	--			71,464	
leasehold	6,168		--	6,168	2,522	222	2,744	3,424	5-6.67
Buildings-									
on freehold land	164,003	3,911	--	167,914	35,412	8,403	43,815	124,099	5 6.8
on leasehold land	124,337	18,437	--	142,774	50,269	7,138	57,407	85,367	5-6 67&10
Leasehold improvements	1,071	--	--	1,071	1,071	--	1,071	--	20
Tanks and pipelines	877.83	73,816	(69)	951,575	429,131	81,687	510,749	440,826	6.67 & 10
						(69)			
Service and filling stations	220,598	88,719	--	309,317	145,478	22,883	168,361	140,956	10
Vehicles and other rolling stock	189,743	19,743	(2,830)	217,399	138,055	24,006	164,702	52,697	6,67-15&20
			'10,743			(2,735)			
						*5,376			
Furniture, fittings and equipments	59,420	13,410	(588)	72,222	32,117	8,148	39,928	32,294	6.67-10
			* (20)			(335)			
						* (2)			
Plant, machinery and equipments	374,822	39,676	(38)	417,500	180,568	38,657	220,244	197,256	6.67 -10
			*3,040			(15)			
						*1,034			
Railway sidings	13,078	--	--	13,078	9,534	917	10,451	2,627	6.67-10
Gas cylinders/regulators	113,905	--	--	113,905	94,710	7,137	101,847	12,058	10
	-----	-----	-----	-----	-----	-----	-----	-----	
	2,215,883	258,266	(3,525)	2,484,387	1,118,867	199,198	1,321,319	1,163,068	
			*13,763			(3,154)			
						*6,408			
	=====	=====	=====	=====	=====	=====	=====	=====	
1995	2,106,296	113,448	(5,283)	2,215,883	948,431	170,436	1,118,867	1,097,016	
			* 1,422						
	=====	=====	=====	=====	=====	=====	=====	=====	

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

13.2 Disposal of fixed assets including assets subject to finance lease

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds
By Tender				
Tank	69	69	--	490
Motor vehicles	1,391	1,391	--	1,338
	-----	-----	-----	-----
	1,460	1,460		1,828
By Negotiation				
Motor vehicles	533	506	27	27
Furniture, fittings and equipments	626	351	275	302
	-----	-----	-----	-----
	1,159	857	302	329
By Insurance Claim				
Motor vehicles	906	837	69	780

	3,525	3,154	371	2,937
1995	5,283	5,188	95	3,528

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

14. ASSETS SUBJECT TO FINANCE LEASE

	COST AT 1-Jul 1995	ADDITIONS	(DISPOSALS} *ADJUSTMENTS	COST AT 30 JUNE 1996	ACCUMULATED AMORTISA TION 01 JULY 1995	AMORTISATION FOR THE YEAR 1996	ACCUMULATED AMORTISATION AT 30 JUNE 1996	BOOK VALUE AT 30 Jun-96	RATE %
Automobiles	46,504	19,972	-1,855 *(10,740)	53,881	11,389	9,448 (925) *(5,376)	14,536	39,345	20
Machinery & Equipment	3,020	--	*(3,020)	--	1,032	*(1,032)	--	--	10
	49,524	19,972	-1,855 *(13,760)	53,881	12,421	9,448 (925) *(6,408)	14,536	39,345	
1995	26,414	25,364	(710) *11,544	49,524	6,617	7,523 (574) *(1,145)	12,421	37,103	

1996 1995

15. CAPITAL WORK-IN-PROGRESS

Buildings, tanks and pipelines				
PSO House			273,287	232,730
Others			733,391	320,771
Storage development projects			95,041	108,384
Advances to suppliers and contractors				
PSO House			29,655	27,370
Others			133,824	15,571
			1,265,198	704,826

1996 1995

16. LONG TERM INVESTMENTS

Quoted companies

Pakistan Refinery Limited 1,080,000 (1995: 1,080,000) fully paid

ordinary shares of Rs. 10/- each 1,620,000 (1995: 1,620,000)

fully paid bonus shares of Rs. 10/- each market value

Rs. 224,100 (1995: Rs. 299,700) equity held 18% (1995: 18%)

15,098 15,098

Unquoted companies

Pak Grease Manufacturing Company (Private) Limited

74,800 (1995: 74,800) fully paid ordinary shares of Rs. 10/- each

549,011 (1995: 549,011) fully paid bonus shares of Rs. 10/- each equity held 22%/1995: 22%) value based on net assets as at 31 December 1995 Rs. 8,724 (1994: Rs. 12, 800)	1,346	1,346
Chief Executive Mr. M. Shahrukh Qaisar Asia Petroleum Limited Advance against future issue of share capital	554,452	475,145
Chief Executive Mr. K. Izz Hamid Petro Chemical (Private) Limited Advance against future issue of share capital	1,600	-
Chief Executive Mr. Nasir Munir Mohsin Lubricants (Private) Limited Advance against future issue of share capital	400	-
Chairperson Ms. Munawar Jabeen Fuel Pipeline Limited Advance against future issue of share capital	50	-
Chief Executive Mr. S. Amjed Husain Salim Petrolera (Private) Limited Advance against future issue of share capital	400	-
Chief Executive Mr. S. Amjed Husain	400	-

	558,248	476,491

In subsidiary undertakings

Arereal Petroleum (Private) Limited 81,600 (1995: 81,600) fully paid ordinary shares of RS. 10/- each 173,389 (1995: 173,389) fully paid bonus shares of Rs. 10/- each equity held 51% (1995: 51%) value based on net assets as at 30 June 1996 Rs.6063 (1995: Rs. 5, 495)	816	816
Chief Executive Mian Riaz Samee Auto Oils (Private) Limited 41 /1995: 41) fully paid ordinary shares of RS. 12,500/- each 88 (1995: 71) fully paid bonus shares of Rs. 12,500/- each equity held 51% (1995: 51%) value based on net assets as at 30 June 1996 Rs.4716 (1995: Rs. 4,325)	513	513
Chairperson Mrs. Tahira Hamid	513	513

	1,329	1,329

In associated undertakings

Gizri Lubricants (Private) Limited 60,000 (1995: 60,000) fully paid ordinary shares of Rs. 10/- each Bonus shares 34,380 (1995: 34,380) fully paid of Rs 10/- each equity held 40% (1995: 40%) value based on net assets as at 30 June 1996 Rs. 3636 (1995: RS. 2,781)	600	600
Chief Executive Mr. Waheed Qadir Mid East Oil and Grease Corporation (Private) Limited 8,350 (1995: 8,350) fully paid ordinary shares of Rs. 100/each Bonus shares 9,795 (1995: 8,144) fully paid of RS 100/- each equity held 40% (1995: 40%) value based on net assets as at 30 June 1996 RS. 4117 (1995: Rs. 3,452)	835	835
Chief Executive Syed Muhammed Rafi Salsons Lubricants (Private) Limited 13,320 (1995: 13,320) fully paid ordinary shares of Rs. 100/- each face value. Purchased (.a? Rs. 50/- each equity held 40% (1995: 40%)	835	835

value based on net assets as at 30 June 1996 Rs. 3,667 (1995: RS. 3,070)

Chief Executive Mr. M.M. Salim **666** 666
 Petro Lube (Private) Limited
 160,000 fully paid ordinary shares of Rs. 10/- each Purchased
 Ca! Rs. 10/- each equity held 40%.
 Chairperson Mrs. Shaukat Zafar Niazi **1,600**

1,600

 3,701 2,101

578,376 495,019
 =====

1996 1995

**17. LONG-TERM DEPOSITS, LOANS, ADVANCES
 AND PREPAYMENTS**

Long-term deposits - Trade **2,903** 2,879
 - Leased assets **4,902** 3,644

7,805 6,523

Long-term loans and advances
 considered good

Due from employees Note 17.1 **4,917** 6,246

Prepayments

- Rentals **68,408** 46,134
 - Others **28,772** 22,640

 97,180 68,774

109,902 81,543
 =====

17.1 Recoverable after three years

1,573 2,591

Others 3,344 3,655

4,917 6,246
 =====

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

18. STORES AND SPARES

Stores 89,764 43,424
 Spares and loose tools 1,181 6,013

 90,945 49,437

Less: Provision for slow moving
 and obsolete stores and spares

(20,000) --

70,945 49,437
=====

19. STOCK-IN-TRADE

Petroleum and other products in hand
(including stock-in-transit Rs. 4.6 million

1995 Rs. 71.4 million)	Note 19.1	2,347,238	1,404,570
Less: Reserve stock held in trust	Note 19.2	(236,332)	(183,808)

2,110,906 1,220,762

In PARCO Pipeline System	Note 19.3	1,107,613	665,095
Less: Held in trust	Note 19.4	(197,200)	(197,200)

910,413 467,895

3,021,319 1,688,657

Charges incurred on stock	512,785	278,117
---------------------------	---------	---------

3,534,104 1,966,774

Less: Provision for stock losses	(15,000)	-
----------------------------------	----------	---

3,519,104 1,966,774
=====

19.1 Includes reserve stock at 30 June 1996 equivalent to Rs, 161.7 million (1995: Rs. 214.2 million) held as a bailee in trust for the Government of Pakistan under an agreement (Note 5.2).

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

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

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

20. TRADE DEBTS

Unsecured, considered good

Due from Government agencies and autonomous bodies	2,584,732	1,391,306
Due from other customers	491,973	243,536

3,076,705 1,634,842

Unsecured, Considered doubtful

Due from other customers	121,437	104.44
--------------------------	----------------	---------------

Less: Provision for doubtful debts	121,437	104,437
------------------------------------	----------------	----------------

	-	-
	-----	-----
	3,076,705	1,634,842
	=====	=====

**21. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Loans and advances		
Unsecured, considered good		
Employees	19,967	19,031
Advances to suppliers	38,785	77,277
	-----	-----
	58,752	96,308
Deposits		
Duty and development surcharge	975,946	1,066,260
Trade deposits	1,205	1,056
	-----	-----
	977,151	1,067,316
Prepayments	22,687	14,365
Other receivables - unsecured, considered good		
Claims and refunds		
Price differential on imports	800,663	2,029,975
Storage development claim	39,043	59,663
Freight equalization	1,441,549	739,961
Excise and customs duty	126,758	7,893
Financial charges on reserve stock loan	22,827	57,759
	-----	-----
	2,430,840	2,895,251
Accrued returns on bank deposits	7,854	10,969
Receivable from oil marketing companies on account of oil imports	95,250	68,125
Due from		
Subsidiaries	55,411	39,426
Associated undertakings	53,323	17,582
	-----	-----
	108,734	57,008
Other	27,481	11,903
	-----	-----
	2,670,159	3,043,256
	-----	-----
	3,728,749	4,221,245
	=====	=====

21.1 Due from subsidiaries and associated companies carries an interest at the rate of 15% (1995:15%) per annum calculated on daily product basis.

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

	1996	1995
Aremai Petroleum (Private) Limited	26,195	15,014

Auto Oils (Private) Limited	29,216	24,412
Gizri Lubricants (Private) Limited	16,242	7,154
Mid East Oil and Grease Corporation (Private) Limited	18,790	--
Salsons Lubricants (Private) Limited	18,291	2,730

CASH AND BANK BALANCES

Cash in hand	3,072	2,510
Cash in transit	188,838	73,390
Cash at bank		
- on current accounts	977,616	110,247
- on deposit accounts	Note 22.1	153,833
		359,160
	-----	-----
	1,323,359	545,307
	=====	=====

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

22.2 In addition to above, the Company is also maintaining a deposit account on behalf of the Government of Pakistan (GOP) for payment to suppliers against import credit facilities. The Company has been advised by the GOP to maintain a separate deposit account on behalf of the GOP which will be utilised to discharge liabilities of the GOP on account of purchase of petroleum products on due dates. The payment is made from the account on behalf of the GOP on completion of usance period of respective letters of credit. At the year end, the respective liability to Government of Pakistan and the balance in NSC account amounting to Rs. 3,624 million (1995: Rs. 5,784 million) were held under trust on behalf of Government of Pakistan.

23. NET ASSETS IN BANGLADESH

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

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

24. GOVERNMENT LEVIES

Development surcharge	19,733,000	9,697,261
-----------------------	------------	-----------

Inland freight equalization margin	4,792,906	4,215,265
Other statutory levies	3,104,480	2,891,245

 27,630,386 16,803,771

25. COST OF PRODUCTS SOLD

Opening stock	2,063,123	2,102,984
Purchases	50,238,980	46,604,620

 52,302,103 48,707,604

Closing stock	(3,447,590)	(2,063,123)
---------------	-------------	-------------

 48,854,513 46,644,481
 =====

26. OTHER INCOME

Profit on disposal of fixed assets	2,566	3,433
Dividends	5,148	16,400
Commission and handling charges	45,643	38,847
Compensation on advance payment of tax	-	5,705
Income from funds management	49,232	112,596
Miscellaneous	42,899	8,418

 145,488 185,399

26.1 Dividends

Dividend received from:		
Pakistan Refinery Limited		10,800
Pak Grease Manufacturing Company (Private) Limited	2,807	3,526
Subsidiary undertakings		
Aremai Petroleum (Private) Limited	637	511
Auto Oil (Private) Limited	420	364
Associated undertakings		
Gizri Lubricants (Private) Limited	472	425
Mideast Oil and Grease Corporation (Private) Ltd	412	375
Salsons Lubricants (Pvt) Ltd.	400	399

 5,148 16,400
 =====

27. TRANSPORTATION CHARGES

Cost	8,583,484	6,490,326
------	-----------	-----------

Realized against Inland Freight Equalization Margin (IFEM)	(4,792,906)	(4,215,265)
---	-------------	-------------

Receivable/Receipts from Government of Pakistan on account of deficit on IFEM	(3,612,273)	(2,149,798)
--	-------------	-------------

 (8,405,179) (6,365,063)

 178,305 125,263
 =====

		1996	1995
ADMINISTRATIVE AND MARKETING EXPENSES			
Salaries, wages and benefits		663,680	460,938
Rent, rates and taxes		122,125	45,511
Repairs and maintenance		84,918	64,031
Insurance		25,459	29,068
Travelling and office transport		37,893	27,593
Printing and stationery		19,275	15,467
Communication		32,269	25,010
Electricity and gas		49,952	41,382
Advertising and publicity		19,295	2,697
Auditors' remuneration	Note 28.1	1,147	750
Contribution towards expenses of Board of Management (Oil)		2,000	900
Provision for doubtful debts		17,000	--
Provision for slow moving and obsolete stores and spares		20,000	--
Provision for stock losses		15,000	--
Depreciation	Note 28.2	208,646	177,959
Donations	Note 28.3	12,910	11,258
		-----	-----
		1,331,569	902,564
Less: Handling, storage and other recoveries - net	Note 28.4	122,777	129,886
		-----	-----
		1,208,792	772,678

28.1 Auditors' remuneration comprises of:

	1996		1995	
	Taseer Hadi Khalid & Co.	Sidat Hyder Qamar Maqbool & Co	Taseer Hadi Khalid & Co.	Sidat Hyder Qamar Maqbool & Co.
Statutory audit fee	125	125	100	100
Certification of claims, octroi and other services etc.	11	559	25	409
Out of pocket expenses	156	171	56	60
	-----	-----	-----	-----
	292	855	181	569
	=====	=====	=====	=====

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

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

28.4 Includes a recovery of Rs. 63.9 million (1995 Rs. 39.9 million) on account of Storage Development.

FINANCIAL CHARGES

Bank financing	99,064	15,579
Financing charges under leases	3,837	3,608
Bank charges	34,449	33,126

Others	778	823
	-----	-----
	138,128	53,136
	=====	=====
Financial charges for the year capitalized under capital work-in-progress, not included in above	6.9	3.1
	=====	=====
	1996	1995
PROVISION FOR TAXATION		
Current taxation	1,050,317	640,000
Tax on Bonus shares issued during the year 1995	14,683	--
	-----	-----
	1,065,000	640,000
	=====	=====

31. Following is a statement of net results from Liquid Petroleum Gas (LPG) activity:

Sales volume (000 tones)	15.0	11.9
	=====	=====
Sales	159,649	129,508
Less: Government levies	1,130	1,160
	-----	-----
	158,519	128,348
Cost of product sold	82,426	53,030
	-----	-----
Gross profit	76,093	75,318
Expenditure and charges		
Transportation	20,579	14,958
Administrative and marketing	32,426	28,841
Workers' Profit Participation Fund	1,154	1,576
	-----	-----
	54,159	45,375
	-----	-----
Profit for the year	21,934	29,943
	=====	=====

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

32. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

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

	1996		1995	
	Managing		Managing	
	Director	Executives	Director	Executives
Managerial remuneration	596	49,324	565	42,164
Company's contribution towards provident fund and retirement benefits	352	20,098	548	16,182
Housing	436	16,282	342	13,011
Leave fare	--	2,308	197	3,207

	1,384	88,012	1,652	74,564
Number	1	196	1	168

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

33. SUBSIDIARY/ASSOCIATED UNDERTAKINGS

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

33.2 Transactions with subsidiary/associated companies

	(Rupees in Million)	
Purchases	880.6	758.5
Sales	447.5	224.6
Interest on current account	13.1	10.8

34. COMPARATIVE FIGURES

34.1 Certain prior year's figures have been re-arranged, wherever necessary to facilitate comparison.

34.2 Figures have been rounded off to nearest thousand rupee.

M.A. Saifie

Secretary

Jahangir N.W. Ansari

Managing Director

**STATEMENT PURSUANT TO SECTION 237
OF THE COMPANIES ORDINANCE, 1984**

The audited accounts alongwith Auditors' Report and Directors' Report of the Company's subsidiaries Aremai Petroleum (Private) Limited and Auto Oils (Private) Limited for the year ended June 30, 1996 are annexed to these accounts.

	1996		1995	
	Arereal Petroleum (Private) Limited	Auto Oils (Private) Limited	Aremai Petroleum (Private) Limited	Auto Oils (Private) Limited
	51% Holding		51% Holding	
Proportionate profits after tax of subsidiary dealt within the accounts by way of dividends/bonus shares -- for the year ended 30th June 1995 received during the year				
Dividend		637	420	511
Bonus Shares		-	210	506

Dividend 637 420 511 364
 Bonus Shares - 210 506 184

637 630 1,017 548

-- for previous years from the date
the Company is a subsidiary

Dividend	3,621	1,075	3,110	711
Bonus Shares	1,733	886	1,227	702

-----	-----	-----	-----	-----
5,354	1,961	4,337	1,413	
-----	-----	-----	-----	-----

5,991	2,591	5,354	1,961	
-------	-------	-------	-------	--

Proportionate profits/(loss) after
tax of subsidiary not dealt
within the accounts

-- for the year	1,984	1,366	1,255	1,356
-----------------	-------	-------	-------	-------

-- for previous years from the date
the Company is a subsidiary

2,308	2,287	1,690	1,561	
-------	-------	-------	-------	--

-----	-----	-----	-----	-----
4,292	3,653	2,945	2,917	
-----	-----	-----	-----	-----

-----	-----	-----	-----	-----
10,283	6,244	8,299	4,878	
=====	=====	=====	=====	=====

M.A.Saifie
Secretary

Jahangir N.W. Ansari
Managing Director

**PATTERN OF HOLDINGS OF THE SHARES HELD
BY THE SHARE HOLDERS AS AT 30 JUNE 1996**

No. Of Shareholders	Shareholdings			Total		Percentage	
				Shares Held	Percentage		
4584	From	1	to	100	Shares	120,883	0.19
3693	From	101	to	500	Shares	1,044,405	1.64
1233	From	501	to	1,000	Shares	913,166	1.44
1640	From	1,001	to	5,000	Shares	3,591,813	5.65
283	From	5,001	to	10,000	Shares	1,837,415	2.89
58	From	10,001	to	15,000	Shares	676,423	1.06
33	From	15,001	to	20,000	Shares	575,390	0.90
38	From	20,001	to	25,000	Shares	825,046	1.30
17	From	25,001	to	30,000	Shares	446,458	0.70
9	From	30,001	to	35,000	Shares	287,431	0.45
4	From	35,001	to	40,000	Shares	152,950	0.24
1	From	40,001	to	45,000	Shares	42,250	0.07
2	From	45,001	to	50,000	Shares	94,079	0.15
2	From	50,001	to	55,000	Shares	108,199	0.17
4	From	55,001	to	60,000	Shares	227,188	0.36
1	From	60,001	to	65,000	Shares	64,690	0.10
1	From	65,001	to	70,000	Shares	67,600	0.11
3	From	70,001	to	75,000	Shares	218,903	0.34

3	From	75,001	to	80,000	Shares	232,533	0.37
1	From	80,001	to	85,000	Shares	80,900	0.13
2	From	90,001	to	95,000	Shares	151,906	0.29
2	From	100,001	to	105,000	Shares	205,195	0.32
1	From	105,001	to	110,000	Shares	108,297	0.16
1	From	110,001	to	115,000	Shares	110,489	0.17
2	From	115,001	to	120,000	Shares	237,311	0.37
2	From	120,001	to	125,000	Shares	242,230	0.38
1	From	125,001	to	130,000	Shares	127,003	0.20
1	From	130,001	to	135,000	Shares	131,420	0.21
2	From	135,001	to	140,000	Shares	279,770	0.44
1	From	140,001	to	145,000	Shares	141,180	0.22
2	From	145,001	to	150,000	Shares	293,774	0.46
2	From	150,001	to	155,000	Shares	306,775	0.48
1	From	155,001	to	160,000	Shares	157,120	0.25
1	From	160,001	to	165,000	Shares	164,794	0.26
2	From	165,001	to	170,000	Shares	332,695	0.52
2	From	175,001	to	180,000	Shares	356,347	0.56
1	From	185,001	to	190,000	Shares	185,776	0.29
1	From	190,001	to	195,000	Shares	194,947	0.30
1	From	195,001	to	200,000	Shares	197,832	0.31
2	From	200,001	to	205,000	Shares	403,023	0.63
1	From	205,001	to	210,000	Shares	208,184	0.32
1	From	210,001	to	215,000	Shares	210,800	0.33
1	From	230,001	to	250,000	Shares	233,814	0.37
1	From	250,001	to	255,000	Shares	251,335	0.40
1	From	300,001	to	305,000	Shares	302,933	0.48
1	From	340,001	to	345,000	Shares	344,205	0.54
1	From	420,001	to	425,000	Shares	424,359	0.67
1	From	605,001	to	610,000	Shares	608,400	0.96
1	From	705,001	to	710,000	Shares	708,369	1.11
1	From	815,001	to	820,000	Shares	817,792	1.29
1	From	845,001	to	850,000	Shares	845,039	1.33
1	From	1,555,001	to	1,560,000	Shares	1,558,959	2.45
1	From	1,615,001	to	1,620,000	Shares	1,619,928	2.55
1	From	1,720,001	to	1,725,000	Shares	1,720,411	2.70
1	From	1,905,001	to	1,910,000	Shares	1,906,464	3.00
1	From	8,320,001	to	8,325,000	Shares	8,322,481	13.08
1	From	11,345,001	to	11,350,000	Shares	11,346,731	17.83
1	From	16,230,001	to	16,235,000	Shares	16,232,022	25.51

11658

63,627,322 100.00

=====

=====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	11,466	9,915,402	15.58
Investment Companies	14	394,056	0.62
Insurance Companies	11	2,662,738	4.19
Joint Stock Companies	46	591,140	0.93
Financial Institutions & Banks	18	21,340,203	33.54
Modaraba Companies	15	32,734	0.05
Federal Government	1	16,232,022	25.51

Corporate Law Authority	1	2	0.00
Abandoned Properties Organisation	1	302,933	0.48
Charitable Institution	2	168,230	0.26
Foreign Investors	83	11,987,862	18.84

TOTAL	11,658	63,627,322	100.00
=====			

**ACCOUNTS OF
AREMAI PETROLEUM
(PRIVATE) LIMITED**

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their report with the Audited Accounts of the Company for the year ended June 30, 1996.

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 6,879,127 (1995:Rs.4,394,533) after meeting all operational, administrative, financial and other expenses. The Board recommends for approval payment of 30% cash dividend.

Rupees

Profit for the year after providing for all operational, administrative, financial and other expenses.	6,879,127
Less: Taxation	3,015,000

	3,864,127
Add: Unappropriated profit brought forward	25,308

Profit available for appropriation	3,889,435

APPROPRIATIONS

Proposed dividend @30% in cash (1995: 25%)	1,499,934
Transfer to General Reserves	1,500,000

	2,999,934

Unappropriated profit carried forward	889,501
	=====

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

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

On behalf of the Board of Directors
Mian Riaz Samee
Chairman

November 12, 1996

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AREMAI PETROLEUM (PRIVATE) LIMITED as at 30 June 1996 and the related profit and loss account and statement of changes in financial position (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 purpose of our audit and, after due verification, thereof we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account and statement of changes in financial position (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 30 June 1996 and of the profit for the year then ended; and

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

BALANCE SHEET AS AT 30 JUNE 1996

CAPITAL AND RESERVES	NOTE	1996 Rupees	1995 Rupees
Authorised:			
500,000 ordinary Shares of Rs. 10 each		5,000,000	5,000,000
		=====	=====
Issued, Subscribed & Paid-up			
160,000 (1995: 160,000)			
Ordinary shares of Rs. 10 each			
fully paid in cash		1,600,000	1,600,000
339,978 (1995: 339,978) issued as			
fully paid bonus shares		3,399,780	3,399,780
		4,999,780	4,999,780

Reserves	3	6,000,000	4,500,000
Unappropriated Profit		889,501	25,308
		-----	-----
		11,889,281	9,525,088
CURRENT LIABILITIES AND PROVISION			
Due to holding company	4	26,207,080	15,013,548
Creditors, accrued expenses and other liabilities	5	7,962,977	12,306,716
Proposed dividend		1,499,934	1,249,945
		-----	-----
		35,669,991	28,570,209
CONTINGENCIES AND COMMITMENTS	6	-	-
		-----	-----
		47,559,272	38,095,297
		=====	=====
FIXED ASSETS			
At cost less accumulated depreciation	7	3,166,126	3,335,927
CURRENT ASSETS			
Stocks	8	30,439,453	24,235,898
Advances, deposits, prepayments and other receivables	9	13,110,579	6,700,355
Cash and bank balances	10	843,114	3,823,117
		-----	-----
		44,393,146	34,759,370
		-----	-----
		47,559,272	38,095,297
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996**

Sales		218,782,115	197,080,255
Less: Cost of products sold	11	208,455,283	188,906,235
		-----	-----
Gross profit		10,326,832	8,174,020
Other income		1,891,378	36,870
		-----	-----
		12,218,210	8,210,890
Less: Administrative expenses	13	1,452,593	1,509,172
Financial expenses	14	3,524,431	2,075,894
Workers' profit participation fund		362,059	231,291
		-----	-----
		5,339,083	3,816,357
		-----	-----
Profit before taxation		6,879,127	4,394,533
Less: Provision of taxation	15	3,015,000	1,933,000
		-----	-----
Profit after Taxation		3,864,127	2,461,533
Add: Unappropriated profit brought forward		25,308	13,720
		-----	-----
		3,889,435	2,475,253

APPROPRIATIONS:

Transfer to general reserve	1,500,000	1,200,000
Proposed cash dividend 30% (1995: Rs. 2.50 per share)	1,499,934	1,249,945
	-----	-----
	2,999,934	2,449,945
	-----	-----
Unappropriated profit carried over to balance sheet	889,501	25,308
	=====	=====

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1996

	1996	1995
	Rupees	Rupees
Cash flow from operating activities		
Net profit before taxation	6,879,127	4,394,533
Adjustment for:		
Depreciation	529,687	563,110
Financial charges	3,524,431	2,075,894
	-----	-----
	4,054,118	2,639,004
	-----	-----
Operating profit before working capital changes	10,933,245	7,033,537
(Increase)/decrease in current assets		
Stocks	(6,203,555)	(3,806,462)
Advance deposits, prepayments and other receivables	(6,410,224)	(4,756,242)
	-----	-----
	(12,613,779)	(8,562,704)
	-----	-----
Increase/(decrease) in current liabilities		
Creditors, Accrued & other liabilities	(4,810,582)	1,656,117
Due to holding company	11,193,532	6,102,174
	-----	-----
	6,382,950	7,758,291
	-----	-----
	4,702,416	6,229,124
Financial charges paid	(3,524,431)	(2,075,894)
Taxation paid	(2,548,157)	(1,539,704)
	-----	-----
Net cash used in operating activities	(1,370,172)	2,613,526
Cash flow from investing activities		
Capital expenditure	(359,886)	(1,709,957)
	-----	-----
Net cash used in investing activities	(359,886)	(1,709,957)
Cash flow from financing activities		
Dividend paid	(1,249,945)	(1,001,880)
	-----	-----
Net cash used in financing activities	(1,249,945)	(1,001,880)
	-----	-----
Net decrease in cash & cash equivalents	(2,980,003)	(98,311)

Cash & cash equivalent at the beginning of the year	3,823,117	4,314,724
	-----	-----
Cash & cash equivalent at the end of the year	843,114	4,216,413
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1996**

1. STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Fixed Assets

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

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

(c) Stocks

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

(d) Revenue Recognition

Sales are recorded on despatch of products.

(e) Taxation

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

3. RESERVES - General

	1996 Rupees	1995 Rupees
Opening balance	4,500,000	4,292,260
Transfer to share capital	--	(992,260)
Add: Transfer from profit and loss account	1,500,000	1,200,000
	-----	-----
	6,000,000	4,500,000
	=====	=====

DUE TO HOLDING COMPANY

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

return @15% per annum is charged on the outstanding balances.

	1996	1995
	Rupees	Rupees
5. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES		
Creditors	66,500	66,500
Accrued expenses	405,559	347,102
Provision for taxation	3,663,492	3,196,649
Other Liabilities	3,827,426	8,696,465
	-----	-----
	7,962,977	12,306,716
	=====	=====

6. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 30 June 1996 (1995: Nil)

7. FIXED ASSETS

PARTICULARS	C O S T				D E P R E C I A T I O N			WRITEN	
	AS ON	ADDITIONS	TOTAL		AS ON	FOR	TOTAL	DOWN	
	01 JULY 1995	DURING THE	AS AT	RATE	01 JULY 1995	THE YEAR	AS AT	AS AT	
		YEAR	30 JUNE 1996				30 JUNE 1996	30 JUNE	
								1996	
Buildings	2,707,607	--	2,707,607		5	1,172,364	135,380	1,307,744	1,399,863
Tanks. Kettles & Pipe Lines	2,699,319	--	2,699,319		10	2,593,499	12.76	2,606,254	93,065
Plant & Machinery	2,123,346		2,123,346		10	1,387,841	102,013	1,489,854	633,492
Electric Fittings	234,494	--	234,494		10	226,390	1,350	227,740	6.75
Furniture & Fixture	287,011	34,886	321,897		10	134,397	21,893	156,290	165,607
Laboratory & Office Equipment	594,124	--	594,124		10	428,288	35,430	463,718	130,406
Pumps, Fittings & F.F. Equipment	384,494	--	384,494		10	363,691	2,866	366,557	17,937
Vehicles	1,452,248	325,000	1,777,248		20	840,246	218,000	1,058,246	719,002
	-----	-----	-----		-----	-----	-----	-----	-----
1996 Rupees	10,482,643	359,886	10,842,529			7,146,716	529,687	7,676,403	3,166,126
	-----	-----	-----		-----	-----	-----	-----	-----
1995 Rupees.	8,772,686	1,709,957	10,482,643			6,583,606	563,110	7,146,716	3,335,927
	=====	=====	=====		=====	=====	=====	=====	=====

7.1 Depreciation for the year has been allocated as follows:

Cost of Products Manufactured	254,364	287,509
Administrative Expenses	275,323	275,601
	-----	-----
	529,687	563,110
	=====	=====

8. STOCKS

Lubricants Base Oil	8,885,961	12,887,122
Additives & Chemicals	20,485,069	10,143,633
Finished Goods	1,068,423	1,205,143

 30,439,453 24,235,898
 =====

**ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances - considered good		
National Refinery Limited	873,605	--
Others	2,092,381	3,497,951
	1,082,843	349,795
Deposits	706,669	2,360,636
Prepayments	38,124	25,000
Other receivables - considered good	11,282,943	3,964,924
	-----	-----
	13,110,579	6,700,355
	=====	=====

	1996	1995
	Rupees	Rupees
10. CASH AND BANK BALANCES		
Cash with banks in current accounts	843,114	3,823,117
	-----	-----
	834,114	3,823,117
	=====	=====

11. COST OF PRODUCTS SOLD

Opening stock of finished goods	1,205,143	1,563,007
Cost of products manufactured (note 12)	146,898,149	125,341,353
Excise duty & development surcharge	61,420,414	63,207,018
	-----	-----
	209,523,706	190,111,378
	-----	-----
Closing stock of finished goods	(1,068,423)	(1,205,143)
	-----	-----
	208,455,283	188,906,235
	=====	=====

12. COST OF PRODUCTS MANUFACTURED

Lubricants base oil consumed	(note 12.1)	99,592,553	62,325,156
Additives/chemicals consumed	(note 12.2)	44,304,187	60,238,632
Salaries and wages		1,748,883	1,684,583
Factory rent		14,400	14,400
Fuel and power		537,985	225,444
Repairs and maintenance		133,547	217,167
Loading and handling		252,815	315,870
Depreciation		254,364	275,601
Lab testing charges		59,415	44,500
		-----	-----
		146,898,149	125,341,353
		=====	=====

12.1 Lubricants Base Oil Consumed

Opening stock	12,887,122	10,531,592
Purchases	91,985,256	61,967,101
Freight and cartage	3,606,136	2,713,585
	-----	-----

	108,478,514	75,212,278
Closing stock	(8,885,961)	(12,887,122)
	-----	-----
	99,592,553	62,325,156
	=====	=====
12.2 Additives/Chemicals Consumed		
Opening stock	10,143,633	8,334,837
Purchases	54,645,623	62,047,428
	-----	-----
	64,789,256	70,382,265
Closing Stock	(20,485,069)	(10,143,633)
	-----	-----
	44,304,187	60,238,632
	=====	=====

	1996	1995
	Rupees	Rupees
13. ADMINISTRATIVE EXPENSES		
Head office expenses	300,000	300,000
Printing and stationery	25,313	28,737
Travelling expenses	154,724	132,730
Transport and conveyance	78,355	62,030
Insurance	102,597	70,853
Telephone, postage & telegram	119,594	118,380
Subscription	10,000	25,000
Advertisement & publicity	34,260	--
Directors' fee	2,500	2,500
Audit fee	25,000	25,000
Depreciation	275,323	287,509
Welfare	71,653	32,853
Legal & professional charges	100,270	357,932
Rent, rates and taxes	20,000	13,000
Others	33,004	52,648
Charity & Donation	100,000	--
	-----	-----
	1,452,593	1,509,172
	=====	=====

13.1 The Directors or their spouses did not have any interest in donee's fund

14. FINANCIAL EXPENSES

Markup on balance due to holding company	3,509,916	2,072,664
Bank charges	14,515	3,230
	-----	-----
	3,524,431	2,075,894
	=====	=====

15. The Company's income tax assessment for and upto assessment years 1993-94 has been finalized. While assessment for the assessment years 1994-95 & 1995-96 are pending for finalization.

16. GENERAL

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

comparison.

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

**ACCOUNT OF
AUTO OILS
(PRIVATE) LIMITED**

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their report with the Audited Accounts of the Company for the year ended June 30, 1996.

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 5,821,654/- (1995: Rs. 4,359,158/-) after meeting all operational, administrative, financial and other expenses. The Board recommends for approval payment of 35% cash dividend and bonus share in the ratio of 1.0317:10 for the year.

	Rupees
Profit for the year after providing for all operational, administrative, financial and other expenses.	5,821,654
Less: Taxation	3,142,625

	2,679,029
 Add: Unappropriated profit brought forward	 886,475

Profit available for appropriation	3,565,504
 APPROPRIATIONS	
Proposed dividend (~)35% in cash (1995: 30%)	1,102,500
Proposed issued of Bonus share in ratio of 1.0317:10 (1995: 1.507:10)	325,000
Transfer to General Reserves	1,500,000

	2,927,500

Unappropriated profit carried forward	638,004
	=====

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

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

On behalf of the Board of Directors

Begum Tahira Harold

Chairperson

November 17, 1996

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AUTO OILS (PRIVATE) LIMITED as at June 30, 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:-

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affair as at June 30, 1996 and of the profit and the changes in financial position for the year then ended; and

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

AMIR ALAM KHAN & CO.
Chartered Accountants

Rawalpindi,
November 17, 1996

BALANCE SHEET AS AT 30 JUNE 1996

	Notes	1996 (Rupees)	1995 (Rupees)
CAPITAL AND RESERVES			
Share Capital	3	3,150,000	2,737,500
Reserves			
General reserve		5,100,000	3,600,000
Proposed issue of bonus shares		325,000	412,500
Unappropriated profit		638,004	886,475
		-----	-----
		9,213,004	7,636,475
CURRENT LIABILITIES			
Balance due to holding company	4	29,215,660	24,421,420
Creditors, accrued and other liabilities	5	8,553,693	14,832,180

Dividend payable		284,813	177,626
Proposed dividend		1,102,500	821,250
		-----	-----
		39,156,666	40,252,476
CONTINGENCIES AND COMMITMENTS	6	-	-
		-----	-----
		48,369,670	47,888,951
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating assets	7	2,676,978	2,413,003
Capital work-in-progress		-	304,156
CURRENT ASSETS			
Stock-in-trade	8	33,343,187	21,388,332
Advances, deposits, pre-payments and other receivables	9	12,102,741	22,370,715
Cash and bank balances	10	246,764	1,412,745
		-----	-----
		45,692,692	45,171,792
		-----	-----
		48,369,670	47,888,951
		=====	=====

The annexed notes form an integral part of these accounts

Begum Tahira Harold
Chairperson

K.P. Abbasi
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996**

	Notes	1996 (Rupees)	1995 (Rupees)
SALES	11	193,582,930	175,831,177
COST OF PRODUCTS SOLD		185,010,119	168,279,211
		-----	-----
GROSS PROFIT		8,572,811	7,551,966
OPERATING EXPENSES			
Administrative	12	1,317,772	1,196,220
Financial	13	2,181,428	2,555,555
Workers' profit participation fund		306,403	87,183
		-----	-----
		3,805,603	3,838,958
		-----	-----
OPERATING PROFIT		4,767,208	3,713,008
OTHER INCOME		1,054,446	646,150
		-----	-----
PROFIT FOR THE YEAR		5,821,654	4,359,158
TAXATION			
- Current		2,750,000	1,665,000

- Prior	392,625	35,998
	-----	-----
	3,142,625	1,700,998
PROFIT AFTER TAXATION	2,679,029	2,658,160
UNAPPROPRIATED PROFIT BROUGHT FORWARD	886,475	462,065
	-----	-----
PROFIT AVAILABLE FOR APPROPRIATION	3,565,504	3,120,225
APPROPRIATIONS		
Transfer to general reserve	1,500,000	1,000,000
Proposed dividend(a) 35% (1995 - 30%)	1,102,500	821,250
Proposed issue of bonus shares in ratio of 1.0317:10 (1995 - 1.507: 10)	325,000	412,500
	-----	-----
	2,927,500	2,233,750
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	638,004	886,475
	=====	=====

The annexed notes form an integral part of these accounts

Begum Tahira Hamid

Chairperson

K.P. Abbasi

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 1996**

	1996 (Rupees)	1995 (Rupees)
Cash flows from operating activities		
Cash receipts from customers	194,637,375	176,477,327
Cash paid to suppliers and employees	196,217,802	162,928,107
	-----	-----
Cash generated from operations	(1,580,427)	13,549,220
Interest paid	(2,181,428)	(2,500,734)
Payment of workers welfare fund	-	(474,069)
Income Tax Paid	(2,058,465)	(2,765,998)
	-----	-----
Cash flow from operating activities	(5,820,320)	7,808,419
	-----	-----
Cash flow from investing activities		
Purchase of property, Plant and equipment	(402,295)	(430,096)
	-----	-----
Net cash used in investing activities	(402,295)	(430,096)
	-----	-----
Cash flow from financing activities		
Payment to holding company	5,770,697	(5,508,318)
Dividend paid	(714,063)	(617,562)

Net cash used in financing activities	5,056,634	(6,125,880)
Net increase in cash and cash equivalents	(1,165,981)	1,252,443
Cash and cash equivalent at beginning of period	1,412,745	160,302
Cash and cash equivalent of end of period	246,764	1,412,745

Begum Tahira Hamid

Chairperson

K.P. Abbasi

Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1996

1. STATUS AND NATURE OF BUSINESS

AUTO OILS (PRIVATE) LIMITED is a private company incorporated in Pakistan under the Companies Ordinance, 1913, (Now Companies Ordinance, 1984). The principal activity of the company is production, blending and marketing of all kinds of lubricating oils.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

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

(b) TAXATION

The charge for current taxation is based on taxable income.

(c) FIXED CAPITAL EXPENDITURE

These are stated in the financial statements at cost less accumulated depreciation. Depreciation on fixed assets is charged to income applying the straight line method at the rates stipulated in Note 7. Full year's depreciation is charged on additions made during the year and no depreciation is charged on assets disposed off during the year. Maintenance and normal repairs are charged to income as and when incurred while major renewals and improvements are capitalised. Gains and losses on disposal of assets are included in income of the year.

(d) STOCK IN TRADE

The stocks of lubricants base oil and additives have been valued at cost, arrived at on FIFO basis. Finished products have been valued at lower of cost and net realizable value.

(e) REVENUE RECOGNITION

Sales are recorded on despatch of products.

3. SHARE CAPITAL

	1996 (Rupees)	1995 (Rupees)
Authorised		
400 Ordinary shares of Rs. 12,500 each	5,000,000	5,000,000

Issued, subscribed and paid-up		
80 Ordinary shares of		
Rs. 12,500 each, issued for cash	1,000,000	1,000,000
172 (1995-139) Ordinary shares of Rs. 12,500 each,		
issued as bonus shares	2,150,000	1,737,500
	-----	-----
	3,150,000	2,737,500
	=====	=====

4. BALANCE DUE TO HOLDING COMPANY

This represents the balance due to Pakistan State Oil Company Limited which is un-secured and return at the rate of 15 percent per annum is charged on day to day balances.

ACCRUED AND OTHER LIABILITIES

Trade creditors		
National Refinery Limited	--	3,752,812
Accrued expenses	399,543	681,702
Provision for taxation	2,750,000	1,665,000
Other liabilities	5,404,150	8,732,666
	-----	-----
	8,553,693	14,832,180
	=====	=====

6. CONTINGENCIES AND COMMITMENTS

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

7. FIXED ASSETS

PARTICULARS	C O S T			D E P R E C I A T I O N			WRITEN DOWN VALUE AS ON JUN 30, 96	
	AS ON JUL 01,95	ADDITIONS	AS ON JUN 30, 96	AS ON JUL 01, 95	ADJUSTMENT FOR THE YEAR	AS ON JUN 30, 96		
Land- Lease hold	475,097		475,097	5	261,305	23,755	285,060	190,037
Building on lease hold Land	3,056.80	358,951	3,415,749	5	1,477,790	170,788	1,648,578	1,767,171
Tank, kettle, pipe- line & machinery	3,585,201		3,585,201	10	3,394,011	37,385	3,431,396	153,805
Electric fittings	537,239		537,939	10	536,978	320	537,298	641
Laboratory equipment	785,239		785,239	10	781,610	2,126	783,736	1,503
Office furniture	63,030		63,030	10	52,110	2,577	54,687	8,343
Office Equipment	51,689	22,500	74,189	10	48,574	3,729	52,303	21,886
Vehicles	1,196,508	325,000	1,521,508	20	786,120	201,796	987.92	533,592
-----	-----	-----	-----	-----	-----	-----	-----	-----
1996 - RUPEES	9,751,501	706,451	10,457,952		7,338,498	442,476	7,780,974	2,676,978
-----	-----	-----	-----	-----	-----	-----	-----	-----
1995 - RUPEES	9,620,561	130,940	9,751,501		6,906,001	432,497	7,338,498	2,413,003
=====	=====	=====	=====	=====	=====	=====	=====	=====

7.1 Depreciation has been apportioned as under:-

	(Rupees)	(Rupees)
Cost of product manufactured	234,374	264,648
Administrative expenses	208,102	167,849
	-----	-----
	442,476	432,497
	=====	=====

8. STOCK-IN-TRADE

Lubricating base oil

Cost	7,462,422	5,703,312
Charges incurred	419,787	411,183
	-----	-----
	7,882,209	6,114,495

Additives	23,595,522	13,583,758
Finished products	1,865,456	1,690,079
	-----	-----
	33,343,187	21,388,332
	=====	=====

9. ADVANCES, DEPOSITS, PREPAYMENTS, AND OTHER RECEIVABLES.

Advances - Un-secured - Considered good

National Refinery Limited	1,193,571	--
Income Tax	1,075,092	1,074,252
Others	1,181,049	13,061,207

Deposits	5,301,790	5,175,902
Prepayments	40,000	47,500
Other receivables - Un-secured	3,311,239	3,011,854
	-----	-----
	12,102,741	22,370,715
	=====	=====

1996	1995
(Rupees)	(Rupees)

10. CASH AND BANK BALANCES

Cash in hand	14,879	21,548
Cash at bank - in current accounts	231,885	1,391,197
	-----	-----
	246,764	1,412,745
	=====	=====

11. COST OF PRODUCTS SOLD

Opening stock of finished products	1,690,079	2,352,579
Cost of products manufactured	131,141,082	114,075,596
Excise duty and development surcharge	54,044,414	53,541,115
	-----	-----
	186,875,575	169,969,290

Closing stock finished products	(1,865,456)	(1,690,079)
	-----	-----
	185,010,119	168,279,211
	=====	=====

11.1 COST OF PRODUCTS MANUFACTURED

Base oil consumed	11.1.1	80,653,630	59,209,672
Additives and chemicals			
Consumed	11.1.2	48,444,077	52,911,165
Salaries and wages		1,191,690	1,159,095
Fuel and power		306,540	191,119
Loading and un-loading		264,444	314,937
Laboratory testing charges		7,465	
Factory rent		5,247	5,247
Plant and building maintenance		33,615	19,713
Depreciation		234,374	264,648
		-----	-----
		131,141,082	114,075,596
		=====	=====

11.1.1 Base oil consumed			
Opening stock		6,114,495	11,247,160
Purchases		77,717,593	50,760,411
Freight and cartage		4,703,751	3,316,596
		-----	-----
		88,535,839	65,324,167
Closing stock		(7,882,209)	(6,114,495)
		-----	-----
		80,653,630	59,209,672
		=====	=====

11.1.2 Additives and chemicals consumed			
Opening stock		13,583,758	13,878,372
Purchases		58,455,841	52,616,551
		-----	-----
		72,039,599	66,494,923
Closing stock		(23,595,522)	(13,583,758)
		-----	-----
		48,444,077	52,911,165
		=====	=====

1996 1995
(Rupees) (Rupees)

12. ADMINISTRATIVE EXPENSES

Head office expenses	480,000	480,000
Director's fee	2,000	2,000
Communication	117,189	76,267
Printing and stationery	29,366	23,902
Advertisement and publicity	34,260	--
Transport and conveyance	59,182	61,914
Travelling	82,559	79,758
Staff welfare	25,613	21,281
Auditors' remuneration	56,000	30,000
Accountancy charges	42,200	--
Legal and professional	5,000	86,000
Rent, rates and taxes	20,000	20,200
Insurance	82,028	91,842
Fee and subscription	17,500	15,000
Other expenses	56,773	40,207

Depreciation	208,102	167,849
	-----	-----
	1,317,772	1,196,220
	=====	=====

13. FINANCIAL EXPENSES

Interest on:

Current account with holding company

(Pakistan State Oil Company Limited)

Workers' profit participation fund

Bank charges

	2,170,913	2,496,821
	--	54,821
	10,515	3,913
	-----	-----
	2,181,428	2,555,555
	=====	=====

14. GENERAL

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

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

Begum Tahira Hamid

Chairperson

K.P. Abbasi

Director