

Pakistan State Oil Company Limited

Annual Report 1999

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COMPANY INFORMATION

MANAGING DIRECTOR

S. A. Q. Razvi

SECRETARY

A.R. Mithani

AUDITORS

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

SOLICITORS

Orr Dignam & Co.

BANKERS

ABN AMRO Bank
Allied Bank of Pakistan Limited
ANZ Grindlays Bank
Askari Commercial Bank Ltd.
Citibank N.A.
Deutsche Bank AG
Emirates Bank International Limited
Faysal Bank Limited
Habib Bank A. G. Zurich
Habib Bank Limited
Hongkong & Shanghai Banking Corporation

Muslim Commercial Bank Limited
Mashreq Bank- PSC
National Bank of Pakistan
Standard Chartered Bank
Societe Generale
Union Bank Limited
United Bank Limited

REGISTERED OFFICE:

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

BOARD OF MANAGEMENT

CHAIRMAN

MEMBERS

MR. G. A. SABRI
Director General (Oil)
Ministry of Petroleum & Natural
Resources, Government of Pakistan

MR. ABDUS SATTAR
Financial Advisor
Ministry of Petroleum & Natural
Resources Government of Pakistan

DR. SHAHID K. HAK
Managing Director
Pak Arab Refinery Limited

MR. ASADULLAH KHAWAJA
Managing Director
Investment Corporation of Pakistan

S. A. Q. RAZVI
Managing Director
Pakistan State Oil Company Limited

NOTICE OF THE MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Company will be held at Hotel Metropole, Club Road, Karachi on Tuesday, 15th February, 2000, 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 22nd Annual General Meeting held on 27th January, 1999.
2. To receive and adopt the audited accounts for the year ended 30th June, 1999 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 Sidar Hyder Qamar & Company and Taseer Hadi Khalid & Company, Chartered Accountants, as Auditors of the Company, for the year ending 30th June, 2000.
4. To declare a final dividend of 60% in addition to the interim dividend of 30% already paid, thereby making a total dividend of 90% for the year ended 30th June, 1999.

II. Special Business

5. To consider and, if thought fit, pass the following Ordinary Resolution for the capitalisation of profits amounting to Rs. 238,220,700/-.

Resolved that

(i) "a sum of Rs. 238,220,700/- from the Company's profit in the year ended 30th June, 1999, be capitalised for issuing 23,822,070 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 Monday, 7th February, 2000, in the proportion of Two 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, 1999.

(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.

By Order of the Managing Director

A. R. MITHANI

Secretary

Karachi: 17th January, 2000.

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 Tuesday, 8th February, 2000 to Tuesday, 15th February, 2000 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of business on Monday, 7th February, 2000, will be considered in time to be eligible for payment of Final Dividend and issue of Bonus Shares to the transferees.

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

4. Shareholder who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Cards along with CDC account numbers at the meeting venue. If any proxies are granted by any such shareholders the same must be accompanied with attested copies of the National Identity Cards of the grantor and

the signature on the proxy forms should be the same as appearing on the National Identity Cards.

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

The Reserves of the Company as on 30th June, 1999 represent accretion on its existing share capital, it has been thought expedient to capitalise 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. 1,429,324,180/-.

PSO AT A GLANCE

	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>	<i>1990</i>
Earning and Dividend										
	Rs. Per Share of Rs. 10									
Break-up value	68.71	66.35	66.89	65.21	62.35	59.91	55.70	56.49	56.41	55.78
Dividend	9.00	8.00	8.00	6.00	5.00	5.00	5.00	4.75	4.50	4.00
Bonus	2:10	2:10	2:10	3:10	3:10	3:10	2:10	2:10	3:20	1:10

Statistical Summary

	Rs. in Million									
Shareholders' equity	8,184.3	6,585.6	5,533.2	4,149.2	3,051.8	2,255.4	1,747.7	1,476.9	1,282.5	1,153.0
New capital exp.	397.3	408.0	820.5	920.7	461.9	321.8	364.9	207.4	138.9	216.4
Profit before tax	3,355.8	2,826.4	3,745.8	2,563.2	1,681.1	1,175.6	771.5	526.9	450.7	367.2
Profit after tax	2,670.8	1,846.4	2,045.8	1,498.2	1,041.1	696.0	427.6	318.7	231.8	199.2
Cash Dividend	1,072.0	794.1	661.7	381.8	244.7	188.2	156.9	124.2	102.3	82.7

Financial Ratio

	Ratios									
Current assets:										
Current liabilities	1.3:1	1.2:1	1.1:1	1.1:1	1.1:1	1.1:1	1.1:1	1.2:1	1.1:1	1.4:1
Long term debt: equity	5:95	6:94	5:95	5:95	7:93	8:92	12:88	17:83	24:76	28:72
Total Debt: equity	32:68	26:74	28:72	29:71	29:71	23:77	33:67	24:76	51:49	49:51

MANAGING DIRECTOR'S REVIEW

It is my pleasure to welcome you to the 23rd Annual General Meeting of your Company and present the Annual Report and Financial Statements for the fiscal year ended 30th June 1999.

Synopsis

Your Company has entered the next millennium completely transformed. Replacing decades old attire with new logo, refreshing color combination and structural design changes in retail stations, PSO has begun implementation of the New Vision Scheme. Substantial investment has been appropriated for development of a chain of modern retail stations throughout the country. Besides electronic dispensing units these stations feature Quick Lube change, Shop Stop, CNG facility, service station/car wash, full size canopy etc. First of such stations was commissioned in January 1999, with resounding success followed by commissioning of model New Vision Stations at Lahore and Islamabad, with several other stations in various stages of development at different locations. Initial results are reassuring for maintaining market leadership, of your company in the longer perspective. Also we have launched a retail rationalization program to improve on the performance of the existing network with a view to operating only those facilities that contribute positively to our brand image.

Undoubtedly, PSO's strength lies in its vast storage, distribution and retail network existing across the country. It is capable of ensuring uninterrupted and steady supplies to PSO's valued customers, therefore, in order to ensure that these facilities meet the growing challenges of modern trading requirements, continued technological input is of vital importance. During the year, storage and tank wagon facility at Pipri Marshalling Yard for dispatch of Furnace Oil to upcountry destinations was completed. This facility, primarily meant for ensuring steady supplies to IPP's is designed to increase railway tank wagon availability by reducing turnaround time. Under a program launched during the year, computer networking of all the depots and terminals was undertaken to improve coordination and inter-storage product movement.

Performance

Trading results during the year depict a slight volumetric decline which is mainly due to lower upliftments by IPPs. During the year PSO sold 12.141 million tonnes as compared to 12.749 million tonnes in the previous year. In terms of value the turnover for the current year was Rs. 115 billion as against Rs. 121 billion last year.

Shareholders will be pleased to note that in spite of reduction in sales volume, the year 1998-99 has registered significant increase in pre-tax profit which is Rs. 3.4 billion as compared to Rs. 2.8 billion last year, Your Company has improved the return for the year under review which is 90% Cash and 20% Bonus share as compared to 80% cash and 20% Bonus shares in the previous year.

As reported last year, trade receivables from WAPDA/KESC remain a major factor in corporate debt. As a result of intensive efforts made by PSO at various Government levels during the year, with the support of Ministry of Petroleum & Natural Resources, the pace of recovery was accelerated. Therefore, combined outstanding amount was brought down to Rs. 8.0 billion as against Rs. 15.8 billion last year.

With regards to improvement of your Company's infrastructure facilities, I would like to present following projects completed during the year.

* Booster Pumping Station at FOTCO Jetty to increase tanker discharge rates, thus reducing berth occupancy and demurrage payment in foreign currency. Laying of cables and scada system at Port Qasim Jetty to monitor product transfer from tankers to PSO installations. Modification and extension of loading facilities to accommodate increased number of tank wagons and meterization of new 12-bay loading gantry at Keamari Terminal 'C'. New aviation refuelling facility at Multan Airport consisting of tanks, bowsers, loading and unloading arrangements were also completed.

Projects commenced/under completion during the year are as under:

* Improvement of facilities at Chakpirana depot; Construction of 200 KL capacity tank at Juglot depot; Modification of tanks and pumping systems at Kala Shah Kaku.

As in the past your company made the best use of its human and material resources. The workplace involvement in decision making remained strong and productive. Employee dedication to Company and its corporate objectives are the factors underlying success story of your Company.

In a rapidly changing scenario, PSO adopts new strategies and organizational plans which are implemented by the personnel fully equipped with required synergies.

It gives me pleasure to inform you that some of the units like Karachi Blending Plant and Central Laboratories at Keamari are now ISO certified. Your Company is also Y2K compliant.

Our Vision

PSO is committed to being the pre-eminent marketer of petroleum products, providing the highest quality products and services to its customers through its professionally trained and motivated work force, while at the same time contributing in the development of the petroleum products infrastructure vital to the country.

We are indeed grateful to PSO's Customers, Dealers, Distributors, Agents Contractors, Transporters and other service providers for the confidence reposed in PSO. The Management also wishes to place on record its gratitude for the valuable guidance of the Board of Management and support of the Ministry of Petroleum & Natural Resource.

The management also wishes to acknowledge the support of PSO's employees and esteemed shareholders.

17th January, 2000

S.A.Q. Razvi
Managing Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan State Oil Company Limited as at 30 June 1999 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 the 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 1999 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.

Without qualifying our opinion, we draw attention to note 22.2 to the financial statements on trade debts of Rs. 2,899 million due from Water and Power Development Authority (WAPDA). The Company has, due to the reasons stated in the aforementioned note to the financial statements, considered the amount due from WAPDA as good debts.

Taseer Hadi Khalid & Co.
Chartered Accountants

Sidat Hyder Qamar & Co.
Chartered Accountants

Karachi: 17th January, 2000.

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
SHARE CAPITAL	3	1,191,104	992,587
RESERVES	4	6,993,232	5,592,987
		-----	-----
	5	8,184,336	6,585,574
LONG TERM LOANS	6	23,753	28,503
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	6,562	1,924
DEFERRED LIABILITY FOR STAFF GRATUITY	8	516,504	457,333
LONG TERM DEPOSITS	9	410,904	399,993
CURRENT LIABILITIES			
Short term loans	10	3,431,998	1,878,393
Current portion of long-term loans and liabilities under finance lease	6 & 7	7,962	27,921
Creditors, accrued expenses and other liabilities	11	12,062,005	19,063,225

Dividends	12	991,273	722,326
		-----	-----
		16,493,238	21,691,865
CONTINGENCIES AND COMMITMENTS	13		
		-----	-----
		25,635,297	29,165,192
		=====	=====
FIXED ASSETS			
Operating fixed assets	14	2,714,811	2,497,610
Assets subject to finance lease	15	10,817	10,754
Capital work-in-progress	16	237,797	462,484
Inventory held for capital expenditure		388,881	395,983
		-----	-----
		3,352,306	3,366,831
LONG TERM DEPOSIT AND PREPAYMENTS	17	112,862	124,546
LONG TERM INVESTMENTS	18	483,660	483,660
LONG TERM LOANS	19	5,503	4,123
CURRENT ASSETS			
Stores and spares	20	51,059	84,888
Stock-in-trade	21	4,596,489	4,017,942
Trade debts	22	9,967,763	17,299,952
Loans, advances, deposits, prepayments and other receivables	23	5,429,181	2,737,562
Cash and bank balances	24	1,636,474	1,045,688
		-----	-----
		21,680,966	25,186,032
NET ASSETS IN BANGLADESH	25	--	--
		-----	-----
		25,635,297	29,165,192
		=====	=====

The annexed notes form an integral part of these accounts.

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
REVENUES			
Sales		115,636,264	121,344,507
Government levies	26	(53,939,714)	(43,625,031)
		-----	-----
		61,696,550	77,719,476
Cost of products sold	27	56,451,145	72,885,832
		-----	-----
		5,245,405	4,833,644

Other income	28	325,088	138,974
		-----	-----
		5,570,493	4,972,618
EXPENDITURE AND CHARGES			
Transportation	29	177,539	181,492
Administrative and marketing	30	1,153,265	1,154,654
Depreciation		417,492	378,819
Financial	31	289,823	282,448
Workers' profit participation fund		176,619	1,418,760
		-----	-----
		2,214,738	2,146,173
PROFIT BEFORE TAXATION		3,355,755	282,644.50
Provision for taxation	32	685,000	980,000
		-----	-----
PROFIT AFTER TAXATION		2,670,755	1,846,445
Unappropriated profit brought forward		1,129	1,270
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		2,671,884	1,847,715
APPROPRIATIONS:			
Transfer to general reserve		1,360,000	854,000
Proposed issue of bonus shares in the ratio of 2:10 (1998: 2:10)		238,221	198,517
Interim dividend 30% (1998: 30%)		357,331	297,776
Final dividend 60% (1998: 50%)		714,662	496,293
		-----	-----
		2,670,214	1,846,586
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,670	1,129
		=====	=====
Earning per share - Basic and diluted	36	22.42	15.50
		=====	=====

The annexed notes form an integral part of these accounts.

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1999**

1999 **1998**
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	3,355,755	2,826,445
Adjusting for non cash charges and other items:		

Depreciation	417,492	378,819
Retirement benefits accrued	90,819	50,312
Profit: on sale of fixed assets	(9,088)	(3,543)
Provision for other receivables	40,681	74,669
Dividend received	(8,742)	(17,282)
Financial charges	289,823	282,448
	-----	-----
	4,176,740	3,591,868

Changes in operating assets and liabilities

Decrease/(Increase) in long-term deposits		
prepayments and loan	10,304	(3,617)
Decrease in stores and spares	33,829	23,537
(Increase)/Decrease in stock in trade	(578,547)	914,402
Decrease/(Increase) in trade debts	7,332,189	(6,506,620)
(Increase)/Decrease in loans, advances, deposits, prepayments and other receivables	(2,746,164)	2,304,700
(Decrease)/Increase in creditors, accrued expenses and other liabilities	(7,019,282)	4,153,249
	-----	-----
Cash generated from operations	1,209,069	4,507,519
Taxes paid	(671,136)	(3,411,851)
Financial charges paid	(292,817)	(287,700)
Retirement benefits paid	(31,648)	(34,351)
	-----	-----
Net cash generated from operating activities	213,468	773,617

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure	(397,288)	(408,010)
Sales proceeds of fixed assets	12,089	6,142
Dividend received	8,742	17,282
	-----	-----
Net cash (used in) investing activities	(376,457)	(384,586)

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of long-term loans	(26,250)	(47,751)
Payment made for assets subject to finance lease	(2,501)	(10,164)
Proceeds from long-term deposits	10,911	14,532
Short-term loans	1,553,605	(1,282)
Dividend paid	(803,046)	(519,460)
	-----	-----
Net cash flow generated from/(used in)financing activities	732,719	(564,125)

Net increase/(decrease)in cash and bank balances	569,730	(175,094)
Net effect of exchange differences	21,056	17,324
Cash and bank balances at the beginning of the year	1,045,688	1,203,458
	-----	-----
Cash and bank balances at the end of the year	16,315,474	1,045,688
	=====	=====

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

(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, 1954). The principal activity of the Company is the storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Basis of Preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.3 Staff retirement benefits

2.3.1 Gratuity

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

2.3.2 Pension

The Company operates a defined benefit pension scheme for both management and non-management employees. Contributions are made annually to the fund on the basis of actuarial recommendations at the rate of 20% and 14.9% of basic salary respectively. An actuarial valuation is performed once every three years and the most recent actuarial valuation of the scheme for management and non-management employees was carried out at 01 January 1999 and 01 July 1997 respectively. The fair value of the funds' assets and liabilities for the past services of the employees at the latest valuation date were Rs. 379.3 million and Rs. 443.1 million, respectively. The actuarial valuation of management staff pension fund was carried out using Projected Unit Credit (PUC) nominal cost method and that of non-management staff 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 is 13% per annum for management and 10% per annum for non-management.

-- Expected rate of interest on investment is 13% per annum for management and 13% per annum for non-management.

2.3.3 Provident Fund

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

2.4 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of tax after taking into account tax credits and rebates available, if any,

Deferred

Deferred liability for taxation, if any, is accounted for by using the liability method on all major timing differences. However, deferred tax debits are not accounted for in the accounts which at 30 June 1999 amounted to approximately Rs. 52.766 million (1998: Rs. 38.367 million).

2.5 Fixed assets, capital work in progress 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.

Leased

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

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

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

2.6 Long-term investments

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

2.7 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.

2.8 Stock-in-trade

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

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Net realisable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.9 Trade debts

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

2.10 Foreign currency translation

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

2.11 Revenue

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

3. SHARE CAPITAL

<i>Authorised Capital</i>			
<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<i>(Number of shares)</i>			
200,000,000	100,000,000	Ordinary shares of Rs. 10/- each	
=====	=====		
3,000,000	3,000,000	Issued for cash	
		Issued for consideration	
7,694,469	7,694,469	Other than cash	
		Issued as bonus shares	
88,564,154	72,021,050	- at beginning of the year	
19,851,725	16,543,104	- during the year	
-----	-----		
108,415,879	88,564,154		
-----	-----		
119,110,348	99,258,623		
=====	=====		

4. RESERVES

		<i>1999</i>	<i>1998</i>
Capital	4.1	3,373	3,373
Revenue - General	4.2	6,696,496	5,336,496
- Dividend equalization		53,472	53,472
		-----	-----
Proposed issue of bonus shares	4.3	6,749,968	5,389,968
Unappropriated profits		238,221	198,517
		1,670	1,129
		-----	-----
		6,993,232	5,592,987
		=====	=====

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

4.2 At the beginning of the year	5,336,496	4,482,496
Add: Transferred from Profit and Loss account	1,360,000	854,000
	-----	-----
	6,696,496	53,364.96
	=====	=====
4.3 At beginning of the year	198,517	165,431
Add: Transferred from Profit and Loss account	238,221	198,517
	-----	-----
	436,738	363,948
Less: Transferred to Share Capital	198,517	165,431
	-----	-----
	238,221	198,517
	=====	=====

5. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Revenue Reserve General</i>	<i>Capital Reserve</i>	<i>Proposed issue of Bonus Shares</i>	<i>Dividend Equalization Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as on 01 July 1997	827,156	4,482,496	3,373	165,431	53,472	1,270	5,533,198
Profit for the year	--	--	--	--	--	1,846,445	1,846,445
Transfer during the year	--	--	--	--	--	--	--
- Proposed issue of bonus shares	--	--	--	198,517	--	(198,517)	--
- General revenue	--	854,000	--	--	--	(854,000)	--
Bonus shares	165,431	--	--	(165,431)	--	--	--
Dividends	--	--	--	--	--	(794,069)	(794,069)
	-----	-----	-----	-----	-----	-----	-----
Balance as on 30 June 1998	992,587	5,336,496	3,373	198,517	53,472	1,129	6,585,574
Profit for the year	--	--	--	--	--	2,670,755	2,670,755
Transfer during the year	--	--	--	--	--	(1,360,000)	(1,360,000)
- Proposed issue of bonus shares	--	--	--	238,221	--	(238,221)	--
- General revenue	--	1,360,000	--	--	--	(1,360,000)	--
Bonus shares	198,517	--	--	(198,517)	--	--	--
Dividends	--	--	--	--	--	(1,071,993)	(1,071,993)
	-----	-----	-----	-----	-----	-----	-----
Balance as on 30 June 1900	1,191,104	6,696,496	3,373	238,221	53,472	1,670	8,184,336
	=====	=====	=====	=====	=====	=====	=====

6. LONG TERM LOANS

<i>Note</i>	<i>Financing Rate</i>	<i>Repayable By</i>	<i>Sanctioned Amount</i>	<i>Balance outstanding 1999</i>	<i>1998</i>
	Secured				
	1% Over bank rate	1998	215,000	--	21,500
	Unsecured				
6.1	14% per annum (including				

exchange risk)	2005	73,982	28,503	23,253
			-----	-----
			28,503	54,753
Current portion			(4,750)	(26,250)
			-----	-----
			23,753	28,503
			=====	=====

6.1 Represents a loan obtained from the GOP out of the proceeds of a loan from the International Bank for Reconstruction and Development (IBRD) for Energy Sector to the GOP. The sanctioned amount of US\$. 4.2.5 million (1998: US\$ 4.2.5 million), disbursed in 1986, is for development of storage and pipeline facilities. The loan is unsecured and is repayable in local currency in twenty eight equal half yearly installments which commenced from December 1990.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1 July			3,595	11,087
Assets acquired during the year			8,680	2,672
			-----	-----
			12,275	13,759
Payments/adjustments			(2,501)	(10,164)
Current portion			(3,212)	(1,671)
			-----	-----
			(5,713)	(11,835)
			-----	-----
			6,562	1,924
			=====	=====

7.1 The total lease rentals due under the lease agreements aggregate Rs. 11.39 million (1998: Rs. 4.3 million) and are payable in equal monthly and quarterly installments under various lease agreements latest by 2002. 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 leased amount.

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

	<i>1999</i>	<i>1998</i>
Year ended 30 June 1999	--	2,005
Year ending 30 June 2000	4,143	831
Year ending 30 June 2001	4,143	831
Year ending 30 June 2002	3,107	623
	-----	-----
	11,393	4,290
Financial charges allocated to future periods	(1,619)	(695)
	-----	-----
	9,774	3,595

8. DEFERRED LIABILITY FOR STAFF GRATUITY

At beginning of the year		457,333	441,372
Provision during the year		90,819	50,312
Payments to outgoing staff		(31,648)	(34,351)
		-----	-----
		59,171	15,961
		-----	-----
		516,504	457,333
		=====	=====

9. LONG-TERM DEPOSITS

Dealers deposits	9.1	162,350	150.83
Equipment deposits	9.2	142,303	141,444
Cartage contractors deposits	9.3	106,251	107,718
		-----	-----
		410,904	399,993
		=====	=====

9.1 The above includes Rs. 39.562 million (1998: Rs. 23.617 million) which are interest based against dealership for an initial period of 10 years. Interest ranging from 7 to 13 percent per annum is paid. These are expected to be renewed on maturity.

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

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

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10. SHORT TERM LOANS - Secured

Bank finance under markup arrangement	10.1	3,231,998	1,528,393
Morabaha arrangement	10.2	200,000	350,000
		-----	-----
		3,431,998	1,878,393
		=====	=====

10.1 The Company has short-term financing facilities of Rs. 3,091.3 million (1998: Rs. 2,281.3 million) from various banks at mark-up ranging from 38 43 paises per Rs. 1,000 per day, net of prompt payment rebates. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities under mark-up arrangements are secured by way of charge against hypothecation of Company's stock of petroleum products and trade debts.

10.2 The Company has entered into Morabaha arrangement with a bank. The Morabaha facility is for working capital requirements and is for a period of six months. The arrangement is secured by way of hypothecation of stock and carry mark-up @ 14.5% per annum.

11. CREDITORS, ACCRUED EXPENSES AND

OTHER LIABILITIES

Creditors - Purchase of oil		5,600,460	10,569,239
- Others		63,278	711,135
		-----	-----
		5,663,738	11,280,374
Payable to:	11.1		
Government of Pakistan (GOP)		2,320,029	1,693,617
Others		191,552	191,552
		-----	-----
		2,511,581	1,885,169
Excise and other duties		178,748	1,341,981
Accrued liabilities		294,584	253,252
Workers' profit participation fund	11.2	176,619	148,760
Pension fund	11.3	27,308	22,274
Financial charges accrued on short term finances		92,742	74,680
Advance against equipment		5,050	7,087
Advances from customers		1,177,440	822,064
Payable to contractors/suppliers		81,509	122,543
Railway / pipeline charges		1,469,690	2,840,613
Insurance payable on imports		129,291	176,952
Inland Freight Equalisation Margin Payable		155,259	--
Other liabilities		98,446	87,476
		-----	-----
		12,062,005	19,063,225
		=====	=====

11.1 This represents amount payable to GOP and suppliers on account of price differential, financial charges and others.

1999 **1998**

11.2 Workers' Profit Participation Fund

At beginning of the year		148,760	197,145
Contribution for the year		176,619	145,760
		-----	-----
		325,379	345,905
Payments during the year		148,760	197,145
		-----	-----
		176,619	148,760
		=====	=====

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.

11.3 Pension Fund

Provision at beginning of the year		22,274	101,349
Provision during the year		30,484	29,695
		-----	-----
		52,758	131,044
Payments to the fund		25,450	105,770
		-----	-----

	27,308	22,274
	=====	=====
12. DIVIDEND		
Unclaimed		
- Minimum guaranteed return	374	374
- Dividends	276,237	225,659
	-----	-----
	276,611	226,033
Proposed dividend	714,662	496,293
	-----	-----
	991,273	722,326
	=====	=====

13. CONTINGENCIES AND COMMITMENTS

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

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

Except for Citibank led syndicated facility, all other loans were secured by guarantees from the GOP / SBP. On December 09, 1999, the company jointly with the SBP executed an agreement with Citibank for the settlement of the facility in three equal monthly installments starting from January 15, 2000. As per the agreement, entire financing costs (i.e., original, contractual, and default interests) portion of the facility till December 10, 1999 was settled on that date. However, all the GOP / SBP guaranteed loans have been restructured subsequent to execution of the Pakistan Trade Maintenance Agreement ("PTMA") between the lender banks & the GOP. These facilities will be duly repaid in line with the terms of the PTMA.

13.2 At 30 June 1999, there existed claims against the Company not acknowledged as debts pending litigation and settlement Rs. 4,426.6 million approximately (1998: Rs. 2,249.2 million).

13.3 Duties leviable on ex-bonding of stocks at 30 June 1999 Rs. 1,292.9 million (1.998: Rs. 1,322 million).

13.4 Aggregate commitments for capital expenditure contracted for, but remaining to be executed at 30 June 1999 amounted to Rs. 100.3 million (1998: Rs. 70.3 million).

13.5 Letters of credit and bank guarantees Rs. 3,659 million (1998: Rs. 8,728 million).

13.6 The income tax assessments of the company have been finalised upto and including assessment year 1997-98. On adjudicating the appeals of the Company for the years 1996 97 and 1997-98, the Honorable Income Tax Appellate Tribunal (ITAT) has cancelled the order of the assessing officer, where in the Company was assessed under the presumptive

tax regime. As a consequence of the order of ITAT, an amount of Rs. 958.152 million became refundable to the Company. Subsequently, the department has filed an appeal with the Honorable High Court of Sindh against the aforesaid decision of ITAT. The management is confident that on the merit of the case, the ultimate outcome will be in the Company's favour.

13.7 Subsequent to the year end, the Company has received a demand notice from Deputy Commissioner of Income Tax (DCIT) charging an additional tax @ 24% under Section 87 of the Income Tax Ordinance, 1979 (the Ordinance) amounting to Rs.52.684 million for the assessment year 1999 2000 on account of late adjustment of advance tax under Section 53 of the Ordinance against the determined refund for the assessment year 1995-96, 1996-97 and 1997 98. The management is of the view that the said refund was available for adjustment as a result of consolidated order passed by the Income Tax Appellate Tribunal (ITAT) on 23 December 1998 for the aforesaid assessment years as mentioned in note 13.6 above. The management has filed an appeal against the order of the above DCIT with the Commissioner of Income Tax (Appeals). Pending the outcome of the appeals and because the management is confident that on the merit of the case, the ultimate decision will be in the Company's favour, no provision has been made in these accounts for the aforesaid additional tax demand.

14.1 The following is a statement of operating fixed assets:

	<i>COST</i>				<i>DEPRECIATION</i>					
	<i>01 July 1998</i>	<i>Additions</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>at 01 July 1998</i>	<i>For the year</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>Book value at 30 June 1999</i>	<i>Depreciation Rate %</i>
Land - freehold	126,793	3,710	--	130,503	--	--	--	--	130,503	--
- leasehold	6,168	--	--	6,168	3,188	222	--	3,410	2,758	5
Building - on freehold land	480,329	38,146	--	518,475	87,246	25,892	--	113,138	405,337	5
- on leasehold land	227,790	40,505	--	268,295	76,471	13,378	--	89,849	178,446	5-10
Leasehold improvements	1,071	--	--	1,071	1,071	--	--	1,071	--	20
Tanks and pipelines	1,813,193	251,451	(1,561)	2,063,083	782,321	183,599	(1,020)	964,900	1,098,183	10
Service and filling stations	518,081	122,066	(22)	640,125	239,731	51,762	(22)	291,471	348,654	10
Vehicles and other rolling stock	365,018	811	(22,053)	359,345	267,517	40,694	(20,885)	295,463	63,882	15-20
			15,569*				8,137**			
Furniture, fittings and equipment	153,816	30,218	(1,025)	183,009	76,132	26,455	(695)	101,892	81,117	10-33
Plant, machinery and equipment	664,162	118,690	(715)	782,137	327,903	72,030	(375)	399,558	382,579	10-15
Railway sidings	13,078	23,477	--	36,555	12,286	2,567	--	14,853	21,702	10
Gas cylinders/regulators	113,906	--	--	113,906	111,926	330	--	112,256	1,650	10
1999	4,483,405	629,074	(25,376)	5,102,672	1,985,792	416,929	(22,997)	2,387,861	2,714,811	
			15,569*				8,137**			
1998	3,470,328	998,948	(7,762)	4,483,405	1,606,833	374,827	(7,137)	1,985,795	2,497,610	
			21,891*				11,272*			

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

14.3 The above include one LPG blending plant situated at Dhodak having an aggregate book value, as at 30 June 1999 of Rs. 8 million which is not in the possession of the Company.

14.4 Disposal of fixed assets including assets subject to finance lease:

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>
By Tender				
Tanks & pipeline	1,561	1,020	541	876
Plant and machinery	231	231	--	10
Service and filling station	22	22	--	27
Vehicles/other rolling stock	1,135	1,135	--	874
Furniture and fittings and off. eqp	41	41	--	--
	-----	-----	-----	-----
	2,990	2,449	541	1,787
By Negotiation				
Furniture & fitting	984	654	330	495
Plant & machinery	484	144	340	395
Vehicles/other rolling stock	20,777	19,510	1,267	8,097
	-----	-----	-----	-----
	22,245	20,308	1,937	8,987
By Insurance Claim				
Vehicles/other rolling stock	1,419	896	523	1,315
	-----	-----	-----	-----
1999	26,654	23,653	3,001	12,089
	=====	=====	=====	=====
1998	12,215	9,616	2,599	6,142
	=====	=====	=====	=====

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

15. ASSETS SUBJECT TO FINANCE LEASE

	<i>COST</i>				<i>DEPRECIATION</i>				<i>Book value at 30 June 1999</i>	<i>Depreciation Rate %</i>
	<i>01 July 1998</i>	<i>Additions</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>at 01 July 1998</i>	<i>For the year</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>		
Vehicles	19,519	8,680	(1,278) (15,569)*	11,351	8,765	563	(656) (8,137)*	535	10,817	20
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	19,519	8680.00	(1,278) (15,569)*	11,352	8,765	563	(656) (8,137)*	535	10,817	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1998	43,189	2,672	(4,451) (21,891)*	19,519	18,522	3,993	(2,478) (11,272)*	8,765	10,754	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

		<i>1999</i>	<i>1998</i>
16. CAPITAL WORK-IN-PROGRESS			
PSO House - Building		6,759	5,218
Advances to suppliers and contractors		12,756	14,073
Provision for doubtful debts		(9,620)	(9,620)
		-----	-----
		3,136	5,053
Tanks anti pipelines		138,604	361,439
Storage development projects		16,853	35,363
Advances to suppliers and contractors for pipelines and storage development projects	16.1	72,445	55,411
		-----	-----
		237,797	462,484
		=====	=====

16.1 This includes mobilization advance of Rs. 50 million given to Taftan Oil Company (Private) Limited (TOCL) for development of storage facility under an agreement. The said advance was secured against a bank guarantee. As a consequence of breach of terms anti conditions of the above agreement, the Company had placed the bank guarantee with National Bank of Pakistan (NBP) for encashment. The TOCL had filed a suit against the Company and NBP in the Court of District Judge, Quetta, and had obtained a stay order in this respect. A deed of settlement was signed between parties concerned withdrawing the cases pending before all concerned courts. Accordingly, subsequent to the year-end, the Company has realized the aforesaid amount and the relevant bank guarantee has been released.

17. LONG-TERM DEPOSITS AND PREPAYMENTS

Long-term deposits - Trade		5,692	5,680
- Leased assets		1,135	2,170
		-----	-----
		6,827	7,850
Prepayments			
- Rental		61,928	67,332
- Other		44,107	49,364
		-----	-----
		106,035	116,696
		-----	-----
		112,862	124,546
		=====	=====

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18. LONG-TERM INVESTMENTS - at cost

Quoted companies

Pakistan Refinery Limited

1,080,000 (1998: 1,080,000) fully paid Ordinary shares

of Rs. 10/- each: 2,520,000 (1998:2 520.000) fully paid
 Bonus shares of Rs. 10/- each; market value
 Rs. 87.480 (1998: Rs.79.200) equity held 18% (1998: 18%)

	15,098		15,098
--	--------	--	--------

Unquoted companies

Pak Grease Manufacturing Company (Private) Limited

74,800 (1998: 74,800) fully paid Ordinary shares of Rs_10/- each
 549,011 (1998: 549.011) fully paid Bonus shares of Rs.10/- each
 equity held 20% (1998: 20%) value based on net assets as at 30 June,
 1999 Rs. 9,034 (1998: Rs. 8,464)

Chief Executive Mr M. Shahrukh Qaisar

	1,346		1,346
--	-------	--	-------

Asia Petroleum Limited

46,058,600 (1998: 46,058,600) fully paid Ordinary shares
 of Rs. 10/- each equity held 49%, (1998: 49%)
 value based on net assets as at 30 June 1999

Rs. 662.783 (1998: Rs. 647,775)
 Chief Executive Mr. K. Izz Hamid

	18.1		460,586	460,586
			461,932	461,932

In subsidiary undertakings

Aremai Petroleum (Private) Limited

81,600 (1998: 81,600) fully paid Ordinary shares of Rs. 10/- each
 173,389 (1998: 173,389) fully paid Bonus shares of Rs. 10/ each
 equity held 51% (1998: 51%) value based on net assets as at
 30 June 1999 Rs. 6,672 (1998: Rs. 6,511)

Chief Executive Mrs. Nusrat Riaz Samee

		816		816
--	--	-----	--	-----

Auto Oils (Private) Limited

41 (1998: 41) fully paid Ordinary shares of Rs. 12,500/- each
 101 (1998: 101) fully paid Bonus shares of Rs. 12,500/- each
 equity held 51% (1998: 51%) value based on net assets as at
 30 June 1999 Rs. 5,803 (1998: Rs. 5,038)

Chief Executive Begum Tahira Hamid.

		513		513
			1,329	1.33

In associated undertakings

Gizri Lubricants (Private) Limited

60,000 (1998: 60,000) fully paid Ordinary shares of Rs. 10/- each
 Bonus shares 34,380 (1998: 34,380) fully paid of Rs. 10/ each
 equity held 40% (1998: 40%) value based on net assets as at
 30 June 1999 Rs. 4,066 (1998: Rs. 3,688)

Chief Executive Mr. Waheed Qadir

		600		600
--	--	-----	--	-----

Mid East Oil and Grease Corporation (Private) Limited

8,350 (1998: 8,350) fully paid Ordinary shares of Rs. 100/ each
 Bonus shares 11,620 (1998: 11,620) fully paid of Rs. 100/- each
 equity held 40% (1998: 40%) value based on net assets as at
 30 June 1999 Rs. 3,754 (1998: Rs. 3.576)

Chief Executive Mrs. Rafiq Sultana.

		835		835
--	--	-----	--	-----

Salsons Lubricants (Private) Limited

13,320 (1998: 13,320) fully paid Ordinary shares of face value of Rs. 100/- each. Purchased @ Rs. 50/- each
 Bonus shares 1999 (1998: 1999)
 equity held 40% (1998: 40%) value based on net assets as at 30 June 1999 Rs. 3,689 (1998: Rs. 3,539)
 Chief Executive Mr. M.M. Salim

666 666

Petro Lube (Private) Limited

160,000 (1998: 160,000) fully paid Ordinary shares of Rs. 10/- each equity held 40% (1998: 40%)
 Chief Executive Mrs. Shaukat Zafar Niazi

18.2 18.20 1,600

Petro Chemical (Private) Limited

160,000 (1998: 160,000) fully paid Ordinary shares of Rs. 10/- each equity held 40% (1998: 40%)
 Chief Executive Mr. Nasir Munir

18.2 1,600 1.60

-----	-----
5,301	5.30
-----	-----
483,660	483.66
=====	=====

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

18.2 The financial statements for the year ended 30 June 1999 are not available, therefore these investments are stated at cost.

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19. LONG TERM LOANS - Considered good

Due from Executives	3,628	1,395
Less: Receivable within one year	794	332
	-----	-----
	2,834	1,063

Due from Employees	4,562	5,171
Less: Receivable within one year	1,893	2,111
	-----	-----
	2,669	3,060

	-----	-----
	5,503	4,123
	=====	=====

Outstanding for periods		
-Recoverable in exceeding three years	1,211	911
- Others	4,292	3,212
	-----	-----
	5,503	4,123
	=====	=====

19.1 This represents interest free loans to executives and employees which are given for purchase

of motor cars and motor cycles in accordance with company's policy. The loans are secured, where relevant, against the respective assets for which the loans have been granted and are recoverable in five to six years in monthly equal installments.

19.2 Maximum amount outstanding at the end of any month during the year against loans to Executives is Rs. 6.515 million (1998: Rs. 5.404 million).

20. STORES AND SPARES

Stores		64,950	95,871
Spares and loose tools		6,109	9,017
		-----	-----
		71,059	104,888
Provision for slow moving and obsolete stores and spares		(20,000)	(20,000)
		-----	-----
		51,059	84,888
		=====	=====

21. STOCK-IN-TRADE

Petroleum and other products in hand (including stock in transit Rs. 404 million 1998: Rs. 386 million)	21.1	3,375,090	2,794,619
Held in trust	21.2	(283,000)	(283,000)
		-----	-----
		3,092,090	2,511,619
In PARCO Pipeline System	21.3	878,258	656,522
Held in trust	21.4	(197,200)	(197,200)
		-----	-----
		681,058	459,322
		-----	-----
		3,773,148	2,970,941
Charges incurred on stock		823,341	1,047,001
		-----	-----
		4,596,489	4,017,942
		=====	=====

21.1 Includes reserve stock at 30 June 1999 equivalent to Rs. 100 million (1998: Rs. 100 million) held as a bailee in trust for the Government of Pakistan (GOP) under an agreement.

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

21.3 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 pursued by the Company alongwith other marketing companies concerned to resolve the issue with PARCO.

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

		<i>1999</i>	<i>1998</i>
22. TRADE DEBTS - Unsecured			
Considered good			
- Due from Government agencies and Autonomous bodies	22.1 & 22.2	9,094,374	16,470,935
- Due from other customers		873,389	829,017
		-----	-----
		9,967,763	17,299,952
Considered doubtful			
- Due from other customers		181,437	181,437
- Provision for doubtful debts		(181,437)	(181,437)
		-----	-----
		--	--
		-----	-----
		9,967,763	17,299,952
		=====	=====

22.1 Included in above are Rs. 3,230 million (1998: Rs. 4,344 million) and Rs. 1,869 million (1998: Rs. 8,655 million) receivable from Water and Power Development Authority (WAPDA) and Karachi Electricity Supply Corporation (KESC) respectively. These balances have become over-due due to difficulties being faced in the recovery of public sector inter- corporate circular debts.

22.2 Trade debts also includes an amount of Rs. 2,899 million (1998: Rs. 2,331 million) receivable from WAPDA comprising of cost of first fill of HUBCO pipelines of Rs. 802 million (1998: Rs. 802 million) and a price differential between products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) of Rs. 2,061 million (1998: Rs. 1,493 million) which is outstanding for a considerable period. According to a decision taken at a meeting of Privatisation Commission, Finance Division, GOP, PSO was advised to supply LSFO to Kot Addu Power Project at a price of HSFO and WAPDA was advised to absorb the price differential between the two products. The management of the Company is following up the aforesaid matter with WAPDA and respective ministries and considers the said amount realisable as WAPDA being a public utility organization, controlled and managed by the GOP, is eventually expected to settle its dues.

		<i>1999</i>	<i>1998</i>
23. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances			
Unsecured, considered good			
Employees		30,751	49,205
Advances to suppliers		13,252	44,092
Taxation net		1,362,719	1,376,583
		-----	-----
		1,406,722	1,469,880

Deposits			
Duty and development surcharge		964,108	9,020
Trade deposits		1,293	1,293
		-----	-----
		965,401	10,313
Prepayments		23,194	24,92
Other receivables - Unsecured, considered good			
Claims and refunds			
Price differential on imports (net of related liabilities)		1,655,986	6,449
Storage development claim		85,803	41,266
Freight equalization		--	670,999
Sales tax		51,445	--
Excise and customs duty		22,110	144,007
Financial charges on reserve stock loan		--	19,827
		-----	-----
		1,815,044	882,548
Railway claims - considered good		83,228	85,328
- considered doubtful		38,451	15,000
Provision for doubtful claims		(38,451)	(15,000)
		-----	-----
		--	--
Receivable from Oil Marketing Companies		987,292	91,270
Accrued return on bank deposits		478	2,138
Due from:			
Subsidiaries	23.1 & 23.2	52,265	35,076
Associated undertakings	23.1 & 23.2	84,183	87,884
		-----	-----
		136,448	122,960
Others - Considered good		11,374	48,203
		-----	-----
- Considered doubtful		51,609	34,379
Provision for doubtful other receivables		(51,609)	(34,379)
		-----	-----
		--	--
		-----	-----
		3,033,864	1,232,447
		-----	-----
		5,429,181	2,737,562
		=====	=====

23.1 Due from subsidiaries and associated undertakings carries an interest at the rate of 15% (1998: 15%) per annum calculated on daily product basis.

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

1999

1998

Aremai Petroleum (Private) Limited	26,612	56,578
Auto Oils (Private) Limited	25,654	49,800
Mid East Oil and Grease Corporation (Private) Limited	26,057	38,031
Salsons Lubricants (Private) Limited	48,279	19,103
Gizri Lubricants (Private) Limited	28,967	33,890

24. CASH AND BANK BALANCES

Cash in hand		3,561	3,449
Cash in transit		327,126	305,992
Cash at bank			
- on current accounts		650,930	676,768
- on deposit accounts	24.1	654,857	59,479
		-----	-----
		1,305,787	736,247
		-----	-----
		1,636,474	1,045,688
		=====	=====

24.1 This includes PLS Term Deposit of Rs, 50 million with National Bank of Pakistan (NBP) formerly Mehran Bank Limited (MBL), In accordance with the Notification of the State Bank of Pakistan (SBP), the MBL suspended its operations effective from 24 March 1994 and was merged with NBP. As the matter is being dealt directly by the SBP, the operation of the account is dependent upon the decision of the SBP. The management considers the said deposit to be realisable in full. Accordingly, no provision in this respect has been made in these accounts.

25. 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
Long-term loans relating to assets in Bangladesh		(4,001)	(4,001)
		-----	-----
		28,589	28,589
Provision		(28,589)	(28,589)
		-----	-----
		--	--
		=====	=====

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

1999 **1998**

26. GOVERNMENT LEVIES

Development surcharge		43,721,590	34,059,864
Inland Freight Equalization Margin		7,289,127	6,655,185
Sales tax		146,884	135,768
Custom and excise duty		2,782,113	2,774,214
		-----	-----

	53,939,714	43,625,031
	=====	=====

27. COST OF PRODUCTS SOLD

Opening stock	3,158,181	4,852,487
Purchases	57,693,377	71,228,976
	-----	-----
Cost of products available for sale	60,881,558	76,081,463
Products internally used	(32,646}	(37,450)
Closing stock	(4,367,767)	(3,158,181)
	-----	-----
	(4,400,413)	(3,195,631)
	-----	-----
	56,451,145	72,885,832
	=====	=====

28. OTHER INCOME

Profit on disposal of fixed assets		9,088	3,543
Dividends	28.1	8,742	17,282
Commission and handling charges		218,187	40,177
Income from fund management		22,160	30.53
Liabilities no longer payable		47,906	--
Miscellaneous		19,005	47,441
		-----	-----
		325,088	138,974
		=====	=====

28.1 Dividends

Pakistan Refinery Limited		4,680	10,800
Pak Grease Manufacturing Company (Private) Limited		1,372	3,306
Subsidiary companies			
Aremai Petroleum (Private) Limited		892	892
Auto Oils (Private) Limited		533	533
		-----	-----
		1,425	1,425
Associated companies			
Gizri Lubricants (Private) Limited		566	566
Mid East Oil and Grease Corporation (Private) Limited		240	649
Salsons Lubricants (Private) Limited		459	536
		-----	-----
		1,265	1,751
		-----	-----
		8,742	17,282
		=====	=====

1999**1998****29. TRANSPORTATION CHARGES**

Cost incurred during the year		9,681,806	10,447,024
Realized against Inland Freight Equalization Margin (IFEM)		(7,289,127)	(6,655,185)
Receivable/Receipts from Government of Pakistan on account of deficit on IFEM		(2,215,140)	(3,610,347)
		-----	-----
		(9,504,267)	(10,265,532)
		-----	-----
		177,539	181,492
		=====	=====

30. ADMINISTRATIVE AND MARKETING EXPENSES

Salaries, wages and benefits	30.1	802,488	788,055
Rent, rates and taxes		72,190	73,940
Repairs and maintenance		86,474	84,958
Insurance		42,344	60,425
Travelling and office transport		33,530	36,316
Printing and stationery		14,059	21,698
Communication		24,358	27,454
Electricity and gas		76,567	72,556
Products internally used		32,646	37,450
Storage and technical services		55,183	46,039
Legal and professional		45,566	15,056
Sales promotion and advertisement		47,448	19,999
Auditors' remuneration	30.2	4,597	3,077
Contribution towards expenses of Board of Management (Oil)		1,800	1,500
Provision for doubtful receivables		40,681	14,669
Provision for doubtful debts		--	60,000
Balances written off		40,499	--
Donations	30.3	309	210
Others		7,523	8,485
		-----	-----
		1,428,262	1,371,887
Handling, storage and other recoveries - net		(274,996)	(217,233)
		-----	-----
		1,153,265	1,154,654
		=====	=====

30.1 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..

	1999		1998	
	Managing Director	Executives	Managing Director	Executives
Managerial remuneration	522	143,474	952	143,748
Company's contribution Towards provident fund and retirement benefits	215	39,705	877	31,469

Housing and utilities	837	20,513	947	23,585
Leave fare	197	10,341	271	10,563
	-----	-----	-----	-----
	1,771	214,033	3,047	209,365
	=====	=====	=====	=====
Number	1	448	1	455

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

30.2 Auditors' remuneration comprises of:

	<i>1999</i>		<i>1998</i>	
	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co.</i>	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co.</i>
Audit fee - statutory audit	175	175	137	137
Taxation	--	1,815	--	1,233
Certification of claims and other consultancy services	1,395	662	548	769
Out of pocket expenses	155	220	94	159
	-----	-----	-----	-----
	1,725	2,872	779	2,298
	=====	=====	=====	=====

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

30.4 The average number of employees during the year were 2,648 (1998: 2,710).

	<i>1999</i>	<i>1998</i>
31. FINANCIAL CHARGES		
Bank financing	253,721	244,969
Financing charges under leases	336	639
Bank charges	56,060	53,410
Others	762	754
	-----	-----
	310,879	299,772
Exchange difference	(21,056)	(17,324)
	-----	-----
	289,823	282,448
	=====	=====
31.1 Financial charges for the year capitalized under capital work-in-progress not included in above	4,205	2,502
	=====	=====

32. PROVISION FOR TAXATION

Taxation - Current year	1,200,000	980,000
- Prior years'	(515,000)	--
	-----	-----
	685,000	980,000
	=====	=====

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

Sales volume ('000 tonnes)	9.8	12.0
	=====	=====
Sales	145,030	153,335
Government levies	(698)	(913)
	-----	-----
Cost of product sold	144,332	182,422
	80,468	130,373
	-----	-----
Gross profit	63,864	52,049
Expenditure and charges		
Transportation	9,562	15,440
Administrative and marketing	32,215	28,014
Workers' Profit Participation Fund	1,104	430
	-----	-----
	42,881	43,884
	-----	-----
Profit for the year	20,983	8,165
	=====	=====

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

34. SUBSIDIARY / ASSOCIATED UNDERTAKINGS

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

34.2 Transactions with subsidiary/associated companies

Sales	373,928	237,535
Purchases	904,354	547,826
Financial charges on current account	18,527	18,233
Dividend income	2,690	3,176

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Interest rate risk exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 1999 are summarized as follows:

1999	<i>Interest/Mark-up bearing</i>					<i>Total</i>
	<i>Less than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>Over one year</i>	<i>Non-Interest bearing</i>	
Financial assets						

Long term investments	--	--	--	--	483,660	483,660
Trade debts	--	--	--	--	9,967,763	9,967,763
Loans	--	--	--	--	36,254	36,254
Deposits	--	--	--	--	1,293	1,293
Other receivables	--	--	--	--	2,812,009	2,812,009
Subsidiaries and Associates	--	--	136,448	--	--	136,448
Others	--	--	--	--	11,852	11,852
Cash and bank balances	654,857	--	--	--	981,617	1,636,474
	-----	-----	-----	-----	-----	-----
	654,857	--	136,448	--	14,294,448	15,085,753
	=====	=====	=====	=====	=====	=====

Effective interest rates 13% -- 15%

Financial liabilities

Dividend payable	--	--	--	--	991,273	991,273
Creditors, accrued and other liabilities	--	--	--	--	10,260,072	10,260,072
Bank finance under mark-up arrangements	3,231,998	--	--	--	--	3,231,998
Morabaha arrangements	--	200,000	--	--	--	200,000
Long term loans	--	--	4,750	23,753	--	28,503
Liabilities against finance lease	--	--	3,212	6,562	--	9,774
	-----	-----	-----	-----	-----	-----
	3,231,998	200,000	7,962	30,315	11,251,345	14,721,620
	=====	=====	=====	=====	=====	=====

Effective interest rates 14.417% 14.50% 17.6% 17.6%

Interest/Mark-up bearing

Non-

<i>1998</i>	<i>Leas than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>Interest bearing</i>	<i>Interest bearing</i>	<i>Total</i>
Financial assets						
Long term investments	--	--	--	--	483,660	483,660
Trade debts	--	--	--	--	17,299,952	17,299,952
Loans	--	--	--	--	53,328	53,328
Deposits	--	--	--	--	1,293	1,293
Other receivables	--	--	--	--	224,313	224,313
Subsidiaries and Associates	--	--	122,960	--	--	122,960
Others	--	--	--	--	50,341	50,341
Cash and bank balances	59,479	--	--	--	986,209	1,045,688
	-----	-----	-----	-----	-----	-----
	59,479	--	122,960	--	19,099,096	19,281,535
	=====	=====	=====	=====	=====	=====
Effective interest rates	12%		15%			

Financial liabilities

Dividend payable	--	--	--	--	722,326	722,326
Creditors, accrued and other liabilities	--	--	--	--	16,598,516	16,595,516
Bank finance under markup						

arrangements	1,528,393	--	--	--	--	1,528,393
Modaraba arrangement	--	350,000	--	--	--	350,000
Long term loans	--	--	26,250	28,503	--	54,753
Liabilities against finance lease	--	--	1,671	1,924	--	3,595
	-----	-----	-----	-----	-----	-----
	1,528,393	350,000	27,921	30,427	17,320,842	19,257,583
	=====	=====	=====	=====	=====	=====
Effective interest rates	14.42%	14.5%	17.6%	17.6%		

35.2 Concentration of credit risk

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

The financial assets of the Company includes trade debts amounting to Rs. 7,998 million (30 June 1998 Rs. 15,898 million) which were exposed to credit risk. The amounts receivables from KESC and WAPDA as of 30 June 1999 are as follows:

Rupees in million

Trade Debts - Karachi Electric Supply Corporation	1,869
- Water anti Power Development Authority	6,129

35.3 Fair value of financial instruments

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

36. EARNING PER SHARE - BASIC AND DILUTED

	<i>1999</i>	<i>1998</i>
Earning Per Share		
Profit after taxation for the year	2,670,755	1,846,445
	=====	=====
Weighted average number of ordinary shares	119,110,348	119,110,348
	=====	=====
Earning per share - basic and diluted	Rupees 22.42	15.50
	=====	=====

GENERAL

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

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

A. R. Mithani
Secretary

S.A. Q Razvi
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, 1999 are annexed to these accounts:

	<i>1999</i>		<i>1998</i>	
	<i>Aremai Petroleum (Private) Limited</i>	<i>Auto Oils (Private) Limited</i>	<i>Aremai Petroleum (Private) Limited</i>	<i>Auto Oils (Private) Limited</i>
	<i>51% Holding</i>		<i>51% Holding</i>	
Proportionate profits after tax of subsidiary dealt within the accounts by way of dividends --for the year ended 30th June 1998 received during the year	892	533	892	533
--for previous years from the date the Company is a subsidiary				
Dividend	5,915	2,592	5,023	2,059
Bonus Shares	1,733	1,262	1,733	1,262
	-----	-----	-----	-----
	7,648	3,854	6,756	3,321
	-----	-----	-----	-----
	8,540	4,387	7,648	3,854
Proportionate profits/(loss) after tax of subsidiary not dealt within the accounts --for the year --for previous years from the date the Company is a subsidiary	160	764	1,013	474
	3,963	3,253	3,842	3,312
	-----	-----	-----	-----
	4,123	4,017	48.55	3,786
	-----	-----	-----	-----
	12,663	8,404	12,503	7,640
	=====	=====	=====	=====

A.R. Mithani
Secretary

S. A. Q. Razvi
Managing Director

**PATTERN OF HOLDINGS OF THE SHARES HELD
BY THE SHARE HOLDERS AS AT JUNE 30, 1999**

<i>No. of Shareholders</i>	<i>Shareholdings</i>	<i>Total Shares Held</i>	<i>Percentage</i>
--------------------------------	----------------------	------------------------------	-------------------

4475	From	1	to	100	Shares	117,957	0.10
3292	From	101	to	500	Shares	852,679	0.72
2096	From	501	to	1,000	Shares	1,554,491	1.31
2537	From	1,001	to	5,000	Shares	5,763,117	4.84
495	From	5,001	to	10,000	Shares	3,441,491	2.89
194	From	10,001	to	15,000	Shares	2,377,855	2.00
57	From	15,001	to	20,000	Shares	1,002,815	0.84
28	From	20,001	to	25,000	Shares	617,391	0.52
26	From	25,001	to	30,000	Shares	713,774	0.60
18	From	30,001	to	35,000	Shares	575,658	0.48
10	From	35,001	to	40,000	Shares	380,638	0.32
13	From	40,001	to	45,000	Shares	545,678	0.46
14	From	45,001	to	50,000	Shares	670,193	0.56
7	From	50,001	to	55,000	Shares	364,925	0.31
5	From	55,001	to	60,000	Shares	293,942	0.25
3	From	60,001	to	65,000	Shares	181,791	0.15
5	From	65,001	to	70,000	Shares	338,586	0.28
4	From	70,001	to	75,000	Shares	296,948	0.25
4	From	75,001	to	80,000	Shares	310,974	0.26
1	From	80,001	to	85,000	Shares	82,371	0.07
4	From	90,001	to	95,000	Shares	371,908	0.31
3	From	95,001	to	100,000	Shares	293,782	0.25
1	From	100,001	to	105,000	Shares	100,902	0.08
3	From	105,001	to	110,000	Shares	315,103	0.27
1	From	115,001	to	120,000	Shares	119,500	0.10
4	From	120,001	to	125,000	Shares	490,890	0.41
1	From	125,001	to	130,000	Shares	129,285	0.11
1	From	130,001	to	135,000	Shares	132,000	0.11
1	From	135,001	to	140,000	Shares	135,555	0.11
1	From	145,001	to	150,000	Shares	145,756	0.12
1	From	150,001	to	155,000	Shares	152,317	0.13
1	From	155,001	to	160,000	Shares	158,268	0.13
1	From	165,001	to	170,000	Shares	166,156	0.14
1	From	170,001	to	175,000	Shares	170,923	0.14
2	From	175,001	to	150,000	Shares	356,251	0.30
3	From	185,001	to	190,000	Shares	567,026	0.48
2	From	220,001	to	225,000	Shares	449,160	0.38
1	From	245,001	to	250,000	Shares	249,924	0.21
1	From	250,001	to	255,000	Shares	250,086	0.21
1	From	265,001	to	270,000	Shares	269,800	0.23
1	From	270,001	to	275,000	Shares	270,230	0.23
1	From	275,001	to	280,000	Shares	275,331	0.23
1	From	285,001	to	290,000	Shares	285,364	0.24
1	From	290,001	to	295,000	Shares	294,290	0.25
3	From	310,001	to	315,000	Shares	937,175	0.79
1	From	315,001	to	320,000	Shares	315,877	0.27
1	From	325,001	to	330,000	Shares	325,616	0.27
1	From	365,001	to	370,000	Shares	366,146	0.31
1	From	375,001	to	380,000	Shares	376,276	0.32
1	From	420,001	to	425,000	Shares	421,782	0.35
1	From	490,001	to	495,000	Shares	491,400	0.41
1	From	495,001	to	500,000	Shares	498,840	0.42

1	From	510,001	to	515,000	Shares	511,826	0.43
1	From	535,001	to	540,000	Shares	539,972	0.45
1	From	560,001	to	565,000	Shares	560,555	0.47
1	From	565,001	to	570,000	Shares	567,088	0.48
1	From	665,001	to	670,000	Shares	668,219	0.56
1	From	705,001	to	710,000	Shares	708,500	0.59
1	From	775,001	to	780,000	Shares	775,920	0.65
1	From	790,001	to	795,000	Shares	792,000	0.66
1	From	945,001	to	950,000	Shares	949,736	0.80
1	From	1,220,001	to	1,225,000	Shares	1,222,179	1.03
1	From	1,235,001	to	1,240,000	Shares	1,239,861	1.04
1	From	1,255,001	to	1,260,000	Shares	1,257,394	1.06
1	From	2,110,001	to	2,115,000	Shares	2,111,059	1.77
1	From	2,240,001	to	2,245,000	Shares	2,243,945	1.87
1	From	2,320,001	to	2,325,000	Shares	2,323,626	1.95
1	From	2,880,001	to	2,885,000	Shares	2,883,923	2.42
1	From	3,760,001	to	3,765,000	Shares	3,763,051	3.16
1	From	5,350,001	to	5,355,000	Shares	5,352,490	4.49
1	From	10,810,001	to	10,815,000	Shares	10,810,229	9.08
1	From	19,070,001	to	19,075,000	Shares	19,073,244	16.01
1	From	30,385,001	to	30,390,000	Shares	30,386,340	25.51
-----						-----	-----
13353						119,110.35	100.00
=====						=====	=====

Categories of Shareholders

	<i>Numbers</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	13,027	19,255,652	16.17
Investment Companies	24	429,112	0.37
Insurance Companies	16	4,492,585	3.76
Joint Stock Companies	91	2,531,659	2.13
Financial Institutions and Banks	50	38,886,197	32.65
Modaraba Companies	11	74,404	0.06
Federal Government	1	30,386,340	25.51
Securities and Exchange Commission of Pakistan	1	2	0.00
Abandoned Properties Organisation	1	567,088	0.48
Charitable Institutions	3	329,925	0.27
Foreign Investors	128	22,157,384	18.60

TOTAL	13,353	119,110,348	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 30, June 1999.

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 2,156,793 (as against Rs. 3,985,375 for the year 1998) after meeting all operational, administrative, financial and other expenses.

The Board observed that since the Company had to make previous year's adjustment amounting to Rs. 15,43,520/- this has seriously distorted the profitability picture. It was therefore decided that part of this expenditure be met from General Reserves, and dividend be declared at 25%.

	<i>Rupees</i>
Profit for the year after providing for all operational, administrative, financial and other expenses	2,156,793
Prior year's adjustments	1,543,520
Less: Provision for Taxation	299,247

	314,026
Add: Funds Transfer from General Reserves to Profit & Loss Account	900,000

	1,214,026
Add: Unappropriated profit brought forward	67,772

Profit available for appropriation	1,281,798
APPROPRIATIONS	
Proposed dividend @ 2.5% in cash	1,249,945
Transfer to General Reserves	--

	1,249,945

Unappropriated profit carried forward	31,853
	=====

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
Mrs. Nusrat Riaz Samee
Chief Executive

December 29, 1999.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AREMAI PETROLEUM (PRIVATE) LIMITED as at 30, June 1999 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 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 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, 1999 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.

Karachi: December 29, 1999

Riaz Ahmad Saqib Gohar & Co.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Notes</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CAPITAL AND RESERVES			
Authorised capital 500,000 Ordinary Shares of Rs. 10 each		5,000,000	5,000,000
Issued, Subscribed & Paid-up capital	3	4,999,780	4,999,780
Reserves	4	6,800,000	7,700,000
Unappropriated profit		31,853	67,772
		-----	-----
		11,831,633	12,767,552
CURRENT LIABILITIES			
Due to holding company	5	26,611,589	16,973,988
Creditors, accrued expenses and other liabilities	6	8,110,372	8,186,793
Proposed dividend		1,249,945	1,749,923
		-----	-----

CONTINGENT LIABILITIES AND COMMITMENTS	7	35,971,906	26,910,704
		--	--
		-----	-----
		47,803,539	39,678,256
		=====	=====
 PROPERTY & ASSETS:			
FIXED ASSETS			
At cost less accumulated depreciation	8	2,251,712	2,493,680
 CURRENT ASSETS			
Stocks	9	23,996,322	21,076,897
Advances, deposits, prepayments and other receivables	10	20,494,970	15,650,771
Cash and bank balances	11	1,060,535	456,908
		-----	-----
		45,551,827	37,184,576
		-----	-----
		47,803,539	39,678,256
		=====	=====

N. B. The annexed notes from an integral part of these accounts,
Auditors' report annexed

Mrs. Nusrat Riaz Samee
Chief Executive

Raja Naveedullah Khan
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>
Sales		118,881,086	139,919,383
Less: Cost of products sold	12	112,005,988	131,028,862
		-----	-----
Gross profit		6,875,098	8,890,521
Other income		90,050	288,527
		-----	-----
		6,965,148	9,179,048
		-----	-----
Less: Administrative expenses	13	1,557,957	1,633,931
Financial charges	14	3,136,478	3,349,985
Workers profit participation fund		113,920	209,757
		-----	-----
		4,808,355	5,193,673
		-----	-----
Prior years' adjustments	15	2,156,793	3,985,375
		1,543,520	--
		-----	-----
		613,273	3,985,375

Less: Provision for taxation	16	299,247	2,000,000
Profit after taxation		314,026	1,985,375
Add: Unappropriated profit brought forward		67,772	532,320
		381,798	2,517,695
Add: Transfer from general reserves		900,000	--
		1,281,798	2,517,695
APPROPRIATIONS:			
Transfer to general reserve		--	700,000
Proposed cash dividend 25% (1998: 35%)		1,249,945	1,749,923
		1,249,945	2,449,923
Unappropriated profit carried over to balance sheet		31,853	67,772

Mrs. Nusrat Riaz Samee
Chief Executive

Raja Naveedullah Khan
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Cash flow from operating activities		
Net profit before taxation	613,273	3,985,375
Adjustment for:		
Depreciation	564,163	535,355
Financial charges	3,136,478	3,349,985
	3,700,641	3,885,340
Operating profit before working capital changes	4,313,914	7,870,715
(Increase)/decrease in current assets		
Stocks	(2,919,425)	11,461,080
Advances, deposits, prepayments and other receivables	(4,844,199)	(10,816,684)
	(7,763,624)	644,396
Increase/(decrease) in current liabilities	(3,449,710)	8,515,111
Due to holding company	9,637,601	(5,420,289)
Creditors, Accrued Expenses & other liabilities	(375,668)	1,884,651

	9,261,933	(3,535,638)
	5,812,223	4,979,473
Financial charges paid	(3,136,478)	(3,349,985)
Net cash used in operating activities	2,675,745	1,629,488
Cash flow from investing activities		
Capital expenditure	(322,195)	(211,875)
Net cash used in investing activities	2,353,550	1,417,613
Cash flow from financing activities		
Dividend paid	(1,749,923)	(1,749,923)
Net cash used in financing activities	(1,749,923)	(1,749,923)
Net increase/(decrease) in cash & cash equivalents	603,627	(332,310)
Cash and cash equivalent at the beginning of the year	456,908	789,218
Cash and cash equivalent at the end of the year	1,060,535	456,908
	=====	=====

Mrs. Nusrat Riaz Samee
Chief Executive

Raja Naveedullah Khan
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

1. STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

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

b) Fixed assets

These are stated at cost less accumulated depreciation except for capital work-in-process which is stated at cost. Depreciation on fixed assets is charged using the straight line method at the rates stipulated in Note 8. Full year's depreciation is charged on additions during the year and no depreciation is charged on assets deleted during the year.

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

c) 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, deferred tax debits are not accounted for.

3. ISSUED SUBSCRIBED AND PAID UP CAPITAL

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

<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<i>(No. of shares)</i>		<i>Rupees</i>	<i>Rupees</i>
160,000	160,000	1,600,000	1,600,000
339,978	339,978	3,399,780	3,399,780
-----	-----	-----	-----
499,978	499,978	4,999,780	4,999,780
=====	=====	=====	=====
		<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>

4. RESERVE - General

Movement in and composition of reserve is as follows:

At beginning of the year	7,700,000	7,000,000
Add: Transfer from Profit and Loss Account	--	700,000
Less: Transfer to Profit and Loss Account	(900,000)	--
	-----	-----
	6,800,000	7,700,000
	=====	=====

5. DUE TO HOLDING COMPANY

This represents the balance with Pakistan State Oil Company Limited which is unsecured and return @ 15% per annum is charged on the outstanding balance.

The maximum aggregate amount due to the holding Company at the end of any month during the year was Rs. 40,712,662/= (1998: Rs. 30,324,548/=)

6. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses	2,238,728	199,948
Other liabilities	1,676,779	4,091,227
Provision for taxation	4,194,865	3,895,618
	-----	-----
	8,110,372	8,186,793

=====

7. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 30, June 1999 (1998: Nil).

8. FIXED ASSETS

	<i>COST</i>			<i>AS AT 30 JUNE 1999</i>	<i>RATE %</i>	<i>DEPRECIATION</i>			<i>WRITTEN DOWN VALUE</i>	
	<i>AT 1 JULY 1998</i>	<i>ADDITIONS</i>	<i>DISPOSALS/ ADJUSTMENT</i>			<i>AT 1 JULY 1998</i>	<i>FOR THE YEAR</i>	<i>DISPOSALS/ ADJUSTMENT</i>	<i>AT 30 JUNE 1999</i>	<i>AS AT 30 JUNE 1999</i>
Buildings	2,919,482	68,195	--	2,987,677	5	1,540,540	116,715	--	1,657,255	1,330,422
Tanks, Kettles & Pipe Lines	2,699,319	--	--	2,699,319	10	2,643,468	18,607	--	2,662,075	37,244
Plant & Machinery	2,017,466	245,000	--	2,262,466	10	1,530,692	105,859	--	1,636,551	625,915
Electric Fittings	234,494	9,000	--	243,494	10	230,440	2,250	--	232,690	10,804
Furniture & Fixture	321,897	--	--	321,897	10	203,124	23,416	--	226,540	95,357
Laboratory & Office Equipments	594,124	--	--	594,124	10	543,004	39,643	--	582,647	11,477
Pumps, Fitting & F.F. Equipments	384,494	--	--	384,494	10	374,974	4,459	--	379,433	5,061
Vehicles	1,658,000	--	--	1,658,000	20	1,363,599	221,799	--	1,585,398	72,602
Computer	157,075	--	--	157,075	20	62,830	31,415	--	94,245	62,830
Total 1999	10,986,351	322,195	--	11,308,546		8,492,671	564,163	--	9,056,834	2,251,712
Total 1998	10,896,356	211,875	(121,880)	10,986,351		8,079,196	535,355	(121,880)	8,492,671	2,493,680

8.1 Depreciation for the Year has been allocated as follows

Cost of products manufactured	247,890	219,080
Administrative expenses	316,273	316,275
	564,163	535,355

Notes

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
--	------------------------	------------------------

9. STOCKS

Lubricants Base Oil	9,097,607	3,789,584
Additives & Chemicals	13,838,486	15,479,029
Finished Goods	1,060,229	1,805,284
	23,996,322	21,076,897

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good		
National Refinery Limited	481,500	481,500
Others	19,723,620	14,156,176

		20,205,120	14,637,676
Deposits		195,941	313,297
Prepayments		34,855	657,131
Other receivables - considered good		59,054	42,667
		-----	-----
		20,494,970	15,650,771
		=====	=====

11. CASH AND BANK BALANCE

Cash with banks in current accounts		1,060,535	456,908
		=====	=====

12. COST OF PRODUCTS SOLD

Opening stocks of finished goods		1,808,284	2,143,406
Cost of products manufactured	12.1	88,740,577	94,513,128
Excise duty		22,517,356	36,180,612
		-----	-----
		113,066,217	132,837,146
Closing stock of finished goods		(1,060,229)	(1,808,284)
		-----	-----
		112,005,988	131,028,862
		=====	=====

12.1 COST OF PRODUCTS MANUFACTURED

Lubricants base oil consumed	12.1.1	67,131,575	61,420,017
Additives/Chemicals consumed	12.11.2	17,374,600	29,521,235
Salaries and wages		2,571,999	2,115,186
Factory rent		522,240	14,400
Fuel and power		355,201	422,343
Repairs and maintenance		248,816	139,120
Loading and handling		232,330	596,671
Depreciation	8.1	247,890	219,080
Lab. testing charges		55,926	65,076
		-----	-----
		88,740,577	94,513,128
		=====	=====

Notes **1999** **1998**
Rupees *Rupees*

12.1.1 Lubricants Base Oil Consumed

Opening stock		3,789,584	8,570,890
Purchases		70,445,750	54,384,955
Freight and cartage		1,993,848	2,253,753
		-----	-----
		76,229,182	65,209,601
Closing Stock		(9,097,607)	(3,789,584)
		-----	-----
		67,131,575	61,420,017
		=====	=====

12.1.2 Additives/Chemicals Consumed

Opening stock		15,479,029	21,823,081
Purchases		15,734,057	23,176,583
		-----	-----
		31,213,086	45,000,264
Closing stock		(13,838,486)	(15,479,029)
		-----	-----
		17,374,600	29,521,235
		=====	=====

13. ADMINISTRATIVE EXPENSES

Salaries, wages & benefits	13.1	240,000	240,000
Head office expenses		480,000	480,000
Printing and stationery		15,324	15,674
Travelling expenses		66,969	92,345
Transport and conveyance		103,821	69,913
Insurance		58,925	89,056
Telephone, postage & telegram		90,440	99,214
Subscription		9,400	3,150
Directors' fee		10,000	5,000
Auditors Remuneration	13.3	36,618	40,812
Depreciation	8.1	316,273	316,275
Welfare		62,167	65,568
Legal & professional charges		--	60,555
Rent, rates and taxes		14,655	20,000
Contribution in Prime Minister's Self Reliance Fund		3,000	--
Charity & donation	13.4	10,000	--
Others		38,365	36,369
		-----	-----
		1,557,957	1,633,931
		=====	=====

13.1 Remuneration of chairperson and executives

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

	1999		1998	
	Chairperson	Executives	Chairperson	Executives
Managerial remuneration	180,000	262,200	180,000	251,400
Housing	54,000	117,720	54,000	112,860
Leave encashment	--	8,803	--	8,350
Medical	6,000	26,160	6,000	25,080
	-----	-----	-----	-----
	240,000	414,583	240,000	397,690
	=====	=====	=====	=====
Number	1	2	1	2
	=====	=====	=====	=====

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

13.2 Number of Employees

The total number of permanent employees as average during the year were twenty two (1998 twenty two).

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
13.3 Audit fee		
Audit fee	25,000	25,000
Out of pocket expenses	11,618	15,812
	-----	-----
	36,618	40,812
	=====	=====

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

14. FINANCIAL CHARGES

Markup on balance due to holding company	3,132,197	3,347,324
Bank charges	4,281	2,661
	-----	-----
	3,136,478	3,349,955
	=====	=====

15. PRIOR YEARS' ADJUSTMENTS

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

These include Rs, 1,523,520 on account of incremental rent of operational facilities for the financial years from 1995-96 to 1997-98.

16. TAXATION

The Company's income tax assessment for the assessment years 1997-98 & 1998-99 are pending for finalization.

17. TRANSACTIONS WITH HOLDING COMPANY

Sales	118,881,086	139,919,383
Purchases	86,179,807	77,561,541
Financial Charges	3,132,197	3,347,324
Dividend Paid	892,462	892,461
Freight On Base Oil and Add.	1,874,105	2,064,030
Advances	49,900,000	68,250,000

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

18.1 Interest rate risk exposure

The Company's exposure to interest rate risk and the effective rate on its financial assets and liabilities as of 30 June, 1999 are summarized as follows

	<i>Interest bearing</i>			<i>Non</i>	
	<i>Less than</i>	<i>One month to</i>	<i>Three months</i>	<i>Interest</i>	<i>Total</i>

	<i>one month</i>	<i>three months</i>	<i>to one year</i>	<i>bearing</i>	
Financial assets					
Cash & bank balances	--	--	--	1,060,535	1,060,535
Deposits	--	--	--	195,941	195,941
Other receivables	--	--	--	59,054	59,054
	-----	-----	-----	-----	-----
	--	--	--	1,315,530	1,315,530
	=====	=====	=====	=====	=====
Financial Liabilities					
Due to holding company	--	--	26,611,589	--	26,611,589
Creditors, accrued expenses and other liabilities	--	--	--	8,110,372	8,110,372
	-----	-----	-----	-----	-----
	--	--	26,611,589	8,110,372	34,721,961
	=====	=====	=====	=====	=====
Effective interest rate			15%		

18.2 Concentration of Credit Risk

The company has no significant concentration of credit risk.

18.3 Fair Value of Financial Instruments

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

19. STATEMENT OF MOVEMENT IN EQUITY

	<i>Issued Subscribed & Paid-up Capital</i>	<i>Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
As on 1 July, 1998	4,999,780	7,700,000	67,772	12,767,552
Profit for the year	--	--	314,026	314,026
Transfer to profit & Loss Account	--	(900,000)	900,000	--
Proposed Dividend	--	--	(1,249,945)	(1,249,945)
	-----	-----	-----	-----
	4,999,780	6,800,000	31,853	11,831,633
	=====	=====	=====	=====

20. GENERAL

20.1 Prior year's figures have been rearranged wherever necessary to facilitate

20.2 Figures have been rounded off to the nearest rupee.

Mrs. Nusrat Riaz Samee
Chief Executive

Raja Naveedullah Khan
Director

**ACCOUNTS 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 30, June 1999.

Your Directors are pleased to report that your Company has earned a net profit before taxation of Rs. 2,738,972 (1998: Rs. 2,628,566) after meeting all operational, administrative, financial and other expenses.

The Board recommends for approval payment of 30% cash dividend and appropriation for the year as under :

	<i>Rupees</i>
Profit for the year after providing for all operational, administrative, financial and other expenses	2,738,972
Less: Provision for Taxation- Current	1,300,000
- Prior	(57,833)
	1,242,167
	1,496,805
Add: Unappropriated profit brought forward	88,884
	1,585,689
 APPROPRIATIONS	
Proposed dividend @ 30% in cash	1,042,500
Transfer to General Reserves	500,000
	1,542,500
	43,189
	43,189

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 Hamid**

December 29, 1999.

Chief Executive**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of AUTO OILS (PRIVATE) LIMITED as at June 30, 1999 and the related profit and loss account and statement of cash flow, 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 cash flow 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, 1999 and of the profit and the cash flow 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.

Rawalpindi: December 29, 1999

Amir Alam Khan & Co.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Notes</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
CAPITAL AND RESERVES			
Share capital	3	3,475,000	3,475,000
Reserves			
General reserve		6,800,000	6,300,000
Unappropriated profit		43,189	88.88
		-----	-----

		10,318,189	9,863,884
OBLIGATION UNDER FINANCE LEASE	4	229,774	390,396
CURRENT LIABILITIES			
Balance due to holding company	5	25,653,683	18,102,350
Current portion of obligations under finance lease		160,623	133,451
Creditors, accrued and other liabilities	6	8,091,204	8,111,303
Proposed dividend		1,042,500	1,042,500
		-----	-----
		34,948,010	27,389,604
CONTINGENCIES AND COMMITMENTS	7	--	--
		-----	-----
		45,495,973	37,643,884
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating assets	8	2,124,528	1,990,225
Assets subject to finance lease	9	349,186	465,581
Capital work-in-progress		--	151,888
		-----	-----
		2,473,714	2,607,694
LONG TERM SECURITY DEPOSITS	10	75,300	75,300
CURRENT ASSETS			
Stock-in-trade	11	26,364,370	19,477,141
Advances, deposits, pre-payments and other receivables	12	15,162,453	13,034,080
Cash and bank balances	13	1,420,136	2,449,669
		-----	-----
		42,946,959	34,960,890
		-----	-----
		45,495,973	37,643,884
		=====	=====

The annexed notes form an integral part of these accounts.

Begum Tahira Hamid
Chief Executive

K.P. Abbasi
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>Notes</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
SALES		140,216,745	112,375,544
COST OF PRODUCTS SOLD	14	132,282,473	104,385,346
		-----	-----

GROSS PROFIT		7,934,272	7,990,198
OPERATING EXPENSES			
Administrative	15	1,155,238	1,532,699
Financial	16	3,905,126	4,252,115
Workers' profit participation fund		144,156	138,346
		-----	-----
		5,204,520	5,923,160
		-----	-----
OPERATING PROFIT		2,729,752	2,067,038
Other Income	17	9,220	561,528
		-----	-----
PROFIT FOR THE YEAR		2,738,972	2,628,566
TAXATION			
- Current		1,300,000	1,300,000
- Prior		(57,833)	400,000
		-----	-----
		1,242,167	1,700,000
		-----	-----
PROFIT AFTER TAXATION		1,496,805	928,566
UNAPPROPRIATED PROFIT BROUGHT FORWARD		88,884	802,818
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		1,585,689	1,731,384
APPROPRIATIONS			
Transfer to general reserve		500,000	600,000
Proposed dividend @ 30% (1998: 30%)		1,042,500	1,042,500
		-----	-----
		1,542,500	1,642,500
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		43,189	88,884
		=====	=====

The annexed notes form an integral part of these accounts.

Begum Tahira Hamid
Chief Executive

K.P. Abbasi
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>
Cash flow from operating activities		
Cash receipts from customers	140,225,965	112,907,073
Cash paid to suppliers and employees	140,354,750	80,995,629
	-----	-----

Cash generated from operations	(128,785)	31,911,444
Interest paid	(3,897,899)	(4,250,664)
Income Tax paid	(2,621,973)	(6,335,519)
Cash flow from operating activities	(6,648,657)	21,325,261
Cash flow from investing activities		
Purchase of fixed assets	(326,446)	(151,888)
Payment for long term deposits	--	(73,900)
Sale proceeds of fixed assets	--	30,000
Net cash used in investing activities	(326,446)	(195,788)
Cash flow from financing activities		
Payment to holding company	7,551,333	(21,418,928)
Payments of obligations under finance lease	(133,450)	(58,129)
Dividend paid	(1,472,313)	(907,750)
Net cash used in financing activities	5,945,570	(22,384,807)
Net increase in cash and cash equivalents	(1,029,533)	(1,255,334)
Cash and cash equivalents at beginning of period	2,449,669	3,705,003
Cash and cash equivalent at the end of period	1,420,136	2,449,669

Begum Tahira Hamid
Chief Executive

K.P. Abbasi
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

1. STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) ACCOUNTING CONVENTION

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

b) TAXATION

The charge for current taxation is based on taxable income.

c) FIXED CAPITAL EXPENDITURE

These are stated in the financial statements at cost less accumulated depreciation. Depreciation on fixed assets is charged to income applying the straight line method

at the rates stipulated in Note 8. 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 renewal and improvements are capitalised. Gains and losses on disposal of assets are included in income of the year.

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

d) STOCK-IN-TRADE

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

e) REVENUE RECOGNITION

Sales are recorded on despatch of products.

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
SHARE CAPITAL		
Authorised		
400 Ordinary shares of Rs. 12,500 each	5,000,000	5,000,000
	=====	=====
Issued, subscribed and paid-up		
80 Ordinary shares of		
Rs. 12,500 each, issued for cash	1,000,000	1,000,000
198 Ordinary shares of Rs. 12,500 each,		
issued as bonus shares	2,475,000	2,475,000
	-----	-----
	3,475,000	3,475,000
	=====	=====
4. OBLIGATION UNDER FINANCE LEASE		
Total outstanding commitments	465,125	689,425
Financial charges not due	(74,728)	(165,578)
	-----	-----
	390,397	523,847
Current portion	(160,623)	(133,451)
	-----	-----
	229,774	390,396
	=====	=====

4.1 The total lease rentals due under the lease agreement amounts to Rs. 1,081,950 (1998 - Rs. 1,081,950) and are payable in equal quarterly installments latest by October 01, 2000. Overdue rental payments are subject to an additional charge of 3 percent per month. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. In case of termination of agreement the lessee is to pay entire rent for unexpired period.

Purchase option can be exercised by the lessee paying 2.5% of the lease amount.

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

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

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

	1999 (Rupees)	1998 (Rupees)
Year ended June 30, 1999	--	224,300
Year ended June 30, 2000	224,300	224,300
Year ended June 30, 2001	240,825	240,825
	-----	-----
	465,125	689,425
Financial charges allocated to future periods	(74,728)	(165,578)
	-----	-----
	390,397	523,847
	=====	=====

5. BALANCE DUE TO HOLDING COMPANY

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

	1999 (Rupees)	1998 (Rupees)
Accrued expenses	294,892	561,076
Provision for taxation	4,200,000	3,200,000
Other liabilities	3,461,562	3,785,664
Dividend payable	134,750	564,563
	-----	-----
	8,091,204	8,111,303
	=====	=====

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued expenses	294,892	561,076
Provision for taxation	4,200,000	3,200,000
Other liabilities	3,461,562	3,785,664
Dividend payable	134,750	564,563
	-----	-----
	8,091,204	8,111,303
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

Presumptive tax liability amounting to Rupees 8,703,229 (1998 - Rupees 8,703,229) 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.

8. FIXED ASSETS

		COST			DEPRECIATION			WRITTEN DOWN VALUE	
	AS ON		AS ON	RATE	AS ON	FOR THE	AS ON	AS ON	30 JUNE
	01 JULY 1998	ADDITIONS	30 JUNE 199	%	01 JULY 1998	ADJUSTMENT	YEAR	30 JUNE 1999	1999

Land-Lease hold	475,097	--	475,097	5	332,570	--	23,755	356,325	118,772
Building on lease hold land	3,561,745	233,334	3,795,079	5	1,979,505	--	207,703	2,187,208	1,607,871
Tank, kettle, pipeline & machinery	3,601,201	245,000	3,846,201	10	3,508,231	--	39,994	3,548,225	297,976
Electric fittings	537,939	--	537,939	10	537,937	--	--	537,937	2
Laboratory equipments	785,239	--	785,239	10	785,235	--	--	785,235	4
Office furniture	63,030	--	63,030	10	59,101	--	1,838	60,939	2,091
Office equipments	88,939	--	88,939	10	58,907	--	5,901	64,808	24,131
Vehicles	1,030,678	--	1,030,678	20	892,157	--	64,840	956,997	73,681
1999 - Rupees	10,143,868	478,334	10,622,202		8,153,643	--	344,031	8,497,674	2,124,528
1998 - Rupees	10,128,322	145,996 (130,450)	10,143,868		7,831,837	(130,449)	452,255	8,153,643	1,990,225

8.1 Depreciation has been apportioned as under:

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
Cost of Products Manufactured	271,452	240,012
Administrative Expenses	72,579	212,243
	344,031	452,255

9. ASSETS SUBJECT TO FINANCE LEASE

	<i>COST</i>			<i>RATE</i> <i>%</i>	<i>DEPRECIATION</i>			<i>WRITTEN</i> <i>DOWN VALUE</i>	
	<i>AS ON</i> <i>01 JULY 1998</i>	<i>ADDITIONS</i>	<i>AS ON</i> <i>30 JUNE 199</i>		<i>AS ON</i> <i>01 JULY 1998</i>	<i>ADJUSTMENT</i>	<i>FOR THE</i> <i>YEAR</i>	<i>AS ON</i> <i>30 JUNE 1999</i>	<i>AS ON</i> <i>30 JUNE</i> <i>1999</i>
Vehicles	581,976	--	581,976	20	116,395	--	116,395	232,790	349,186
1999 - Rupees	581,976	--	581,976		116,395	--	116,395	232,790	349,186
1998 - Rupees	--	581,976	581,976		--	--	116,395	116,935	465,581

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
Utilities	1,400	1,400
Finance lease	73,900	73,900
	75,300	75,300

10. LONG TERM SECURITY DEPOSITS

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
11. STOCK-IN-TRADE		
Lubricating base oil		
Cost	10,854,861	5,157,216
Charges incurred	413,609	296,827
	-----	-----
	11,268,470	5,454,043
Additives	13,333,588	12,697,966
Finished products	1,762,312	1,325,132
	-----	-----
	26,364,370	19,477,141
	=====	=====

12. ADVANCES, DEPOSITS, PREPAYMENTS

Advances - Unsecured - considered good		
National Refinery Limited	18,780	18,780
Income tax	9,770,801	10,359,610
Others	12,500	9,500
Deposits	12.1 1,560,864	1,767,180
Receivables		
Income Tax	3,251,509	282,894
Other receivables - Unsecured	12.1 547,999	596,116
	-----	-----
	15,162,453	13,034,080
	=====	=====

12.1 This includes Development Surcharge Deposit of Rs. 1,238,511 (1998 Rupees 1,238,511) and Excess Payment Claims of Development Surcharge of Rs. 538,579 (1998 - Rupees 538,579) which are considerably overdue due.

13. CASH AND BANK BALANCE

Cash in hand	12	8,287
Cash in transit	--	50,000
Cash at banks in current accounts	1,420,124	2,391,382
	-----	-----
	1,420,136	2,449,669
	=====	=====

14. COST OF PRODUCTS SOLD

Opening stock of finished products		1,325,132	3,890,391
Cost of products manufactured	14.1	106,738,248	71,619,835
Excise duty		25,981,405	30,200,252
		-----	-----
		134,044,785	105,710,478
Closing stock of finished products		(1,762,312)	(1,325,132)
		-----	-----
		132,282,473	104,385,346
		=====	=====

1999 *1998*

Rupees *Rupees*

14.1 COST OF PRODUCTS MANUFACTURED

Base oil consumed	14.1.1	80,103,067	51,303,828
Additives/Chemicals consumed	14.1.2	23,455,861	17,522,319
Salaries and wages		2,185,837	2,067,950
Fuel and power		326,201	259,085
Loading and unloading		149,218	169,560
Laboratory testing charges		55,750	30,654
Factory rent		5,247	5,247
Plant and building maintenance		155,615	21,180
Depreciation		271,452	240,012
		-----	-----
		106,738,248	71,619,835
		=====	=====

14.1.1 Base oil consumed

Opening stock		5,454,043	6,842,775
Purchases		82,694,408	47,152,226
Freight and cartage		3,223,086	2,762,870
		-----	-----
		56,757,671	--
Closing Stock		(11,268,470)	(5,454,043)
		-----	-----
		80,103,067	51,303,828
		=====	=====

14.1.2 Additives and chemicals consumed

Opening stock		12,697,966	27,031,084
Purchases		24,091,483	3,189,201
		-----	-----
		36,789,449	30,220,285
Closing stock		(13,333,588)	(12,697,966)
		-----	-----
		23,455,861	17,522,319
		=====	=====

15. ADMINISTRATIVE EXPENSES

Head office expenses		480,000	480,000
Directors' fee		10,000	2,000
Communication		86,645	74,375
Printing and stationery		24,406	22,024
Transport and conveyance		97,129	74,889
Travelling		21,460	9,924
Staff welfare		47,929	41,282
Auditors' remuneration	15.1	40,000	43,000
Software development charges		--	25,000
Legal and professional		22,500	315,000
Rent, rates and taxes		20,000	20,000
Insurance		70,688	63,056
Other expenses		23,007	33,511
Donation	15.2	22,500	--

Depreciation and amortisation	188,974	328,638
	-----	-----
	1,155,238	1,532,699
	=====	=====

1999	1998
Rupees	Rupees

15.1 Auditors' remuneration

Statutory audit fee	25,000	20,000
Taxation	15,000	20,000
Out of pocket expenses	--	3,000
	-----	-----
	40,000	43,000
	=====	=====

15.2 None of the directors or their spouses had any interest in any of the donees.

16. FINANCIAL EXPENSES

Interest on:

Current account with holding company (Pakistan State Oil Company Limited)	3,807,050	4,196,643
Finance charges of lease	90,849	54,021
Bank charges	7,227	1,451
	-----	-----
	3,905,126	4,252,115
	=====	=====

17. OTHER INCOME

Miscellaneous income	9,220	531,529
Gain on sale of fixed assets	--	29,999
	-----	-----
	9,220	561,528
	=====	=====

**18. REMUNERATION OF DIRECTORS,
CHIEF EXECUTIVE AND EXECUTIVES**

18.1 None of the directors and chief executive are paid remuneration except meeting fees of Rupees 10,000 (1998 - Rupees 2,000). In addition the chief executive and one director are provided with free use of company car.

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

	1999	1998
	Rupees	Rupees
Basic salary	138,000	132,000
House rent	62,100	59,400
Medical	13,800	13,200
	-----	-----

	213,900	204,600
	=====	=====
Number	1	1
	=====	=====

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

19. NUMBER OF EMPLOYEES

The total number of permanent employees on average during the year were twenty five (1998 twenty five)

20. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Purchasing from	106,785,891	45,032.95
Freight paid	3,223,086	2,762,870
Sales to	140,216,745	112,375.54
Financial charges paid	3,807,050	4,196,643
Dividend paid	532,500	532,500

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

21.1 Credit Risk

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

21.2 Fair Value of Financial Instruments are not significantly different from their book values as shown in these financial statements.

21.3 Exposure to Interest Rate Risk:

The company is not exposed to significant interest rate risk. The interest rate on current account with Pakistan State Oil Company Limited is fixed and not expected to significantly fluctuate.

22. STATEMENT OF CHANGES IN EQUITY

	<i>Share</i>	<i>General</i>	<i>Profit for</i>	
	<i>Capital</i>	<i>Reserve</i>	<i>the year and</i>	<i>Total</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>Appropriations</i>	<i>(Rupees)</i>
			<i>(Rupees)</i>	
Balance as at July 01, 1997	3,475,000	5,700,000	802,818	9,977,818
Net Profit for the year	--	--	928,566	928,566
Appropriations				
General Reserve	--	600,000	(600,000)	--
Proposed Dividend	--	--	(1,042,500)	(1,042,500)
	-----	-----	-----	-----
Balance as on June 30, 1998	3,475,000	6,300,000	88,884	9,863,884
Net Profit for the year	--	--	1,496,805	1,496,805
Appropriations				
General Reserve	--	500,000	(500,000)	--
Proposed Dividend	--	--	(1,042,500)	(1,042,500)

Balance as on June 30, 1999	3,475,000	6,800,000	43,189	10,318,189
-----------------------------	-----------	-----------	--------	------------

FIGURES

- (i) In these accounts have been rounded off to the nearest rupee.
- (ii) In these accounts of corresponding year have been rearranged and regrouped wherever necessary to facilitate comparison.

Begum Tahira Hamid
Chief Executive

K.P. Abbasi
Director

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan State Oil Company Limited and its subsidiary companies as at 30 June 1999 and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement together with the notes forming part thereof, for the year ended 30 June 1999. We have also expressed separate opinion on the financial statements of Pakistan State Oil Company Limited except for the financial statements of subsidiary companies Aremai Petroleum (Private) Limited and Auto Oils (Private) Limited which were audited by other firms of Chartered Accountants whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Pakistan State Oil Company Limited and its subsidiary companies as at 30 June 1999 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to note 24.2 to the financial statements on trade debts of Rs. 2,899 million due from Water anti Power Development Authority (WAPDA). The Holding Company has, due to the reasons stated in the aforementioned note to the financial statements, considered the amount due from WAPDA as good debts.

Taseer Hadi Khalid & Co.
Chartered Accountants

Sidat Hyder Qamar & Co.
Chartered Accountants

Karachi: 17th January 2000.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
CAPITAL AND RESERVES			
Share capital	4	1,191,104	992,587
Reserves	5	7,013,738	5,614.59
	6	8,204,842	6,607,173
MINORITY INTEREST			
		11,977	11,089
LONG TERM LOANS	7	23,753	28,503
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	8	6,792	2,314
DEFERRED LIABILITY FOR STAFF GRATUITY	9	516,504	457,333
LONG TERM DEPOSITS	10	410,904	399,993
CURRENT LIABILITIES			
Short term loans	11	3,431,998	1,878,393
Current portion of long-term Loans and liabilities under finance lease	7 & 8	8,122	28,055
Creditors, accrued expenses and other liabilities	12	12,069,676	19,072,427
Dividends	13	991,273	722,326
Dividend payable to minority interest		135	1,368
		16,501,204	21,702,569
CONTINGENCIES AND COMMITMENTS	14	25,675,976	29,205,974
FIXED ASSETS			
Operating fixed assets	15	2,719,187	2,502,094
Assets subject to finance lease	16	11,162	11,219
Capital work-in-progress	17	237,797	462,636
Inventory held for capital expenditure		388,881	395,983
		3,357,027	3,371,932
LONG TERM DEPOSIT AND PREPAYMENTS	18	112,937	124,621
INVESTMENT IN ASSOCIATES	19	14,675	15,264
LONG TERM INVESTMENTS	20	477,030	477,030
LONG TERM LOANS	21	5,503	4,123
CURRENT ASSETS			
Stores and spares	22	51,059	84,888
Stock-in-trade	23	4,646,849	4,058,496
Trade debts	24	9,967,763	17,299,952
Loans, advances, deposits, prepayments and other receivables	25	5,404,178	2,724,073
Cash and bank balances	26	1,638,955	1,048,595

		21,708,804	25,216,004
NET ASSETS IN BANGLADESH	27	--	--
		-----	-----
		25,675,976	29,208,974
		=====	=====

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
REVENUES			
Sales		115,443,298	121,344,507
Government levies	28	(53,988,212)	(43,691,411)
		-----	-----
		61,455,086	77,653,096
COST OF PRODUCTS SOLD	29	56,194,351	72,802,571
		-----	-----
		5,260,735	4,850,525
OTHER INCOME	30	315,553	129,106
		-----	-----
		5,576,288	4,979,631
EXPENDITURE AND CHARGES			
Transportation	31	177,539	181,492
Administrative and marketing	32	1,157,017	1,157,176
Depreciation		418,517	379,466
Financial	33	289,925	282,506
Workers' profit participation fund		176,877	149,109
		-----	-----
		2,219,875	2,149,749
		-----	-----
		3,356,413	2,829,882
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	34	677	1,681
		-----	-----
PROFIT BEFORE TAXATION AND MINORITY INTEREST		3,357,090	2,831,563
PROVISION FOR TAXATION	35	686,541	983,700
		-----	-----
PROFIT BEFORE MINORITY INTEREST		2,670,549	1,847,863
MINORITY INTEREST		(887)	(1,427)
		-----	-----
PROFIT FOR THE YEAR		2,669,662	1,846,436
UNAPPROPRIATED PROFIT BROUGHT FORWARD		11,928	12,741
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		2,681,590	1,859,177

APPROPRIATIONS:

Transfer to general reserve		1,360,000	54,663
Proposed issue of bonus shares in the ratio of 2:10 (1998: 2:10)		238,221	198,517
Interim dividend 30% (1998: 30%)		357,331	297,776
Final dividend 60% (1998: 50%)		714,662	496,293
		-----	-----
		2,670,214	1,847,249
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		11,376	11,928
		=====	=====
Earning per share - Basic and diluted	39	22.41	15.50
		=====	=====

The consolidated profit & loss account is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

A. R. Mithani
Secretary

S. A. Q. Razvi
Managing Director

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and minority interest	3,356,413	2,829,882
Adjusting for non cash charges and other items:		
Depreciation	418,517	379,466
Retirement benefits accrued	90,819	50,312
Profit on sale of fixed assets	(9,088)	(3,543)
Provision for other receivables	40,681	74,669
Dividend received	(6,052)	(14,106)
Financial charges	289,925	282,506
	-----	-----
	4,181,215	3,599,156
Changes in operating assets and liabilities		
Decrease/(Increase) in long term deposits, prepayments and loan	10,304	(3,691)
Decrease in stores and spares	33,829	23,537
(Increase)/Decrease in stock-in-trade	(588,353)	944,150
Decrease/(Increase) in trade debts	7,332,189	(6,506,620)
(Increase)/Decrease in loans, advances, deposits, prepayments and other receivables	(2,733,567)	2,272,032
(Decrease)/Increase in creditors, accrued expenses and other liabilities	(7,020,813)	4,186,678
	-----	-----
Cash generated from operations	1,214,804	4,515,272

Taxes paid	(673,760)	(3,418,187)
Financial charges paid	(292,919)	(287,757)
Retirement benefits paid	(31,648)	(34,351)
	-----	-----
Net cash flow from operating activities	216,477	774,977
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure paid	(397,931)	(408,224)
Sale proceeds of fixed assets	12,089	6,142
Dividend received from associates	1,265	1,750
Dividend received	6,052	14,106
	-----	-----
Net cash (used in) investing activities	(378,525)	(386,226)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(26,250)	(47,751)
Payment made for assets subject to finance lease	(2,635)	(10,164)
Proceeds from long-term deposits	10,911	14,458
Short term loan	1,553,605	(1,282)
Dividend paid	(804,279)	(520,693)
	-----	-----
Net cash flow/(used in) financing activities	731,352	(565,432)
	-----	-----
Net increase/(decrease) in cash and bank balances	569,304	(176,681)
Net effect of exchange differences	21,056	17,324
Cash and bank balances at the beginning of the year	1,048,595	1,207,952
	-----	-----
Cash and bank balances at the end of the year	1,638,955	1,048,595
	=====	=====

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1999
(Amount in Thousand Rupees)**

1. STATUS AND NATURE OF BUSINESS

1.1 Pakistan State Oil Company Limited (PSO) 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. It also blends anti markets various kinds of lubricating oils.

Subsidiaries of PSO are private limited companies incorporated in Pakistan and are engaged in the business of blending and sale of lubricants.

1.2 The following subsidiaries have been consolidated in the accounts of the company:

Subsidiaries

Group Holding

Aremai Petroleum (Private) Limited	51%
Auto Oils (Private) Limited	51%

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of PSO (the Holding company) and its subsidiary companies. The financial statements of such subsidiaries have been consolidated on the line by line basis

All material intercompany balances, transactions and resulting unrealised profit/loss have been eliminated. Minority interests in the equity and results of the subsidiaries that are controlled by the are shown as a separate item in the consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accoutering convention

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

3.2 Basis of preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

3.3 Investments in associates

Investments in associated companies are included in the balance sheet at cost plus the appropriate share of post acquisition retained profits/(losses) and reserves. The appropriate share of profits/(losses) of associate have been included in the profit and loss account.

3.4 Long term investments

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

3.5 Staff retirement benefits

3.5.1 Gratuity

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

3.5.2 Pension

The Holding company operates a defined benefit pension scheme for both management and non-management employees. Contributions are made annually to the fund on the basis of actuarial recommendations at the rate of 20% and 14.9% of basic salary respectively. An actuarial valuation is performed once every three years anti the most recent actuarial valuation of the scheme for management and non-management employees was carried out at 01 January 1999 and 01 July 1997 respectively. The fair value of the funds' assets and liabilities for the past services of the employees at the latest valuation date were Rs. 379.3 million and Rs. 443.1 million respectively. The actuarial valuation of management staff pension fund was carried out using Projected Unit Credit (PUC) normal cost method and that of non-management staff 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 is 13% per annum for management and 10% per annum for non-management,

-- Expected rate of interest on investment is 13% per annum for management and 13% per annum for non-management,

3.5.3 Provident Fund

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

3.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of tax after taking into account tax credits and rebates available, if any.

Deferred

Deferred liability for taxation, if any, is accounted for by using the liability method on all major timing differences. However, deferred tax debits are not accounted for in the accounts which at 30 June 1999 amounted to approximately Rs. 52,766 million (1998: Rs. 38.367 million).

3.7 Fixed assets, capital work in progress and depreciation

Owned

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

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

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

Leased

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

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.

3.8 Stores and spares

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

3.9 Stock-in-trade

These are valued at the lower of average cost or cost on first-in-first-out (FIFO) basis, depending

upon the categories and net realisable value. Charges like excise, custom duties and other similar levies incurred on unsold stock of products are added to the value of stock.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Net realisable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

3.10 Trade debts

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

3.11 Foreign currency translation

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

3.12 Revenue recognition

Sales are recorded on dispatch of products to customers.

Dividend income on equity investment is recognized when the right to receive is established.

Return on deposits is recognized on an accrual basis.

4. SHARE CAPITAL

Authorised capital

<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<i>(No. of shares)</i>			
200,000,000	100,000,000	2,000,000	1,000,000
=====	=====	=====	=====
3,000,000	3,000,000	30,000	30,000
	Issued for cash		
7,694,469	7,694,469	76,945	76,945
	Issued for consideration Other than cash		
88,564,154	72,021,050	885,642	720,211
19,851,725	16,543,104	198,517	165,431
	Issued as bonus shares at beginning of the year		
	during the year		
108,415,879	88,564,154	1,084,159	885,642
-----	-----	-----	-----
119,110,348	99,258,623	1,191,104	992,587
=====	=====	=====	=====

5. RESERVES

Capital	5.1	3,373	3,373
Revenue - General	5.2	6,707,296	5,347,296
- Dividend equalization		53,472	53,472
		-----	-----
		6,760,768	5,400,768

Proposed issue of bonus shares	5.3	238,221	198,517
Unappropriated profits		11,376	11,928
		-----	-----
		7,013,738	5,614,586
		=====	=====

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

5.2 At the beginning of the year		5,347,296	4,492,633
Add: Transferred from Profit and Loss account		1,360,000	854,663
		-----	-----
		6,707,296	5,347,296
		=====	=====

5.3 At beginning of the year		198,517	165,431
Add: Transferred from Profit and Loss account		238,221	198,517
		-----	-----
		436,738	363,948
Less: Transferred to Share Capital		198,517	165,431
		-----	-----
		238,221	198,517
		=====	=====

6. STATEMENT OF CHANGES IN EQUITY

Balance as on 01 July 1997	827,156	4,492,633	3,373	165,431	53,472	12,741	5,554,806
Bonus shares issued during the year	165,431			(165,431)			--
Profit for the year						1,846,436	1,846,436
Transfer during the year							
- Dividends						(794,069)	(794,069)
- General Reserves		854,663				(854,663)	--
- Proposed issue of bonus shares				198,517		(198,517)	--
	-----	-----	-----	-----	-----	-----	-----
Balance as on 30 June 1998	992,587	5,347,296	3,373	198,517	53,472	11,928	6,607,173
Bonus shares issued during the year	198,517			(198,517)			--
Profit for the year						2,669,662	2,669,662
Transfer during the year							

- Dividend						(1,071,993)	(1,071,993)
- General Reserves	1,360,000					(1,360,000)	--
- Proposed issue of bonus shares			238,221			(238,221)	--
Balance as on 30 June 1999	1,191,104	6,707,296	3,373	238,221	53,472	11,376	8,204,842

7. LONG-TERM LOANS

<i>Financing Rate</i>	<i>Repayable by</i>	<i>Sanctioned Amount</i>	<i>Balance outstanding</i>	
			<i>1999</i>	<i>1998</i>
Secured				
1% Over bank rate	1998	215,000	--	21,500
Unsecured				
14% per annum (including exchange risk)	7.1	2005	28,503	33,253
			28,503	54,753
Current portion			(4,750)	(26,250)
			23,753	28,503

7.1 Represents a loan obtained by the Holding company from the GOP out of the proceeds of a loan from the International Bank for Reconstruction and Development (IBRD) for Energy Sector to the GOP. The sanctioned amount of US\$. 4.25 million (1998: 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 thirty equal half yearly installments which commenced from December 1990.

1999 **1998**

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1 July	4,119	11,087
Assets acquired during the year	8,680	3,196
	12,799	14,283
Payments / adjustments	(2,635)	(10,164)
Current portion	(3,372)	(1,805)
	(6,007)	(11,969)
	6,792	2,314

8.1 The total lease rentals due under the lease agreements aggregate Rs. 11.88 million (1998:

Rs. 4.9 million) and are payable in equal monthly and quarterly installments under various lease agreements latest by 2002. 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 Group, paying 5 to 25 percent of the leased amount.

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

Year ended 30 June 1999	--	2,229
Year ending 30 June 2000	4,367	1,055
Year ending 30 June 2001	4,384	1,072
Year ending 30 June 2002	3,107	623
	-----	-----
	11,858	4,979
Financial charges allocated to future periods	(1,694)	(860)
	-----	-----
	10,164	4,119
	=====	=====

9. DEFERRED LIABILITY FOR STAFF GRATUITY

At beginning of the year	457,333	441,372
Provision during the year	90,819	50,312
Payments to outgoing staff	(31,648)	(34,351)
	-----	-----
	59,171	15,961
	-----	-----
	516,504	457,333
	=====	=====

10. LONG-TERM DEPOSITS

Special deposits	10.1	162,350	150,772
Equipment deposits	10.2	142,303	141,444
Cartage contractors deposits	10.3	106,251	107,777
		-----	-----
		410,904	399,993
		=====	=====

10.1 The above includes Rs. 39.562 million (1998: Rs. 23.617 million) which are interest based against dealership for an initial period of 10 years. Interest ranges from 7 to 13 percent per annum is paid. These are expected to be renewed on maturity.

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

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

1999

1998

11. SHORT TERM LOANS - Secured

Bank finance under markup arrangement	11.1	3,231,998	1,528,393
Morabaha arrangement	11.2	200,000	350,000
		-----	-----
		3,431,998	1,878,393
		=====	=====

11.1 The Holding company has short-term financing facilities of Rs. 3,091.3 million (1998: Rs. 2,281.3 million) from various banks at mark-up ranging from 38-43 paisas per Rs.1.000 per day, net of prompt payment rebates. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities under mark-up arrangements are secured by way of charge against hypothecation of the Holding company's stock of petroleum products and trade debts.

11.2 The Holding company has entered into Morabaha arrangement with a bank. The Morabaha facility is for working capital requirements and is for a period of six months. The arrangement is secured by way of hypothecation of Holding company's stock and carry mark-up @ 14.5% per annum.

12. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors - Purchase of oil		5,600,460	10,569,239
- Others		63,278	711,135
		-----	-----
		5,663,738	11,280,374
Payable to:	12.1		
Government of Pakistan		2,320,029	1,698,801
Others		191,552	186,368
		-----	-----
		2,511,581	1,885,169
Excise and other duties		178,748	1,341,981
Accrued liabilities		297,117	254,013
Workers' profit participation fund	12.2	176,619	148,760
Pension fund	12.3	27,308	22,274
Financial charges accrued on short term finances		92,742	74,680
Advance against equipment		5,050	7,087
Advances from customers		1,177,440	822,064
Payable to contractors/suppliers		81,509	122,543
Railway / pipeline charges		1,469,690	2,840,613
Insurance payable on imports		129,291	176,952
Inland Freight Equalisation Margin Payable		155,259	--
Other liabilities		103,584	95,917
		-----	-----
		12,069,676	19,072,427
		=====	=====

12.1 This represents amount payable by the Holding company to Government of Pakistan and suppliers on account of price differential, financial charges and others.

	<i>1999</i>	<i>1998</i>
12.2 Workers' Profit Participation Fund		
At beginning of the year	148,760	197,145
Contribution for the year	176,619	148,760
	-----	-----
	325,379	345,905
Payments during the year	(148,760)	(197,145)
	-----	-----
	176,619	148,760
	=====	=====
12.3 Pension Fund		
Provision at beginning of the year	22,274	101,349
Provision during the year	30,484	29,695
	-----	-----
	52,758	131,044
Payments to the fund	(25,450)	(108,770)
	-----	-----
	27,308	22,274
	=====	=====
13. DIVIDEND		
Unclaimed		
Minimum guaranteed return	374	374
Dividends	276,237	225,659
	-----	-----
	276,611	226,033
Proposed dividend	714,662	496,293
	-----	-----
	991,273	722,320
	=====	=====

CONTINGENCIES AND COMMITMENTS

14.1 During 1997-98, the Holding company had signed syndicated loan agreements worth US\$167 million (1997-98: US \$167 million) with ANZ Grindlays Bank Limited, Standard Chartered Bank Limited, Citibank N.A, Dubai Islamic Bank, and Arab Banking Corporation for financing of fuel import.

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

Except for Citibank led syndicated facility, all other loans were secured by guarantees from the GOP / SBP. On December 09, 1999, the Holding company jointly with the SBP executed an agreement with Citibank for the settlement of the facility in three equal monthly installments starting from January 15, 2000. As per the agreement, entire financing costs (i.e., original, contractual, and default interests) portion of the facility till December 10, 1999 was settled on that date. However, all the GOP / SBP guaranteed loans have been

restructured subsequent to execution of the Pakistan Trade Maintenance Agreement ("PTMA") between the lender banks & the GOP. These facilities will be duly repaid in line with the terms of the PTMA.

14.2 At 30 June 1999, there existed claims against the Holding company not acknowledged as debts pending litigation and settlement Rs. 4,426.6 million approximately (1998: Rs. 2,249.2 million).

14.3 Duties leviable on ex-bonding of Holding company's stock at 30 June 1999 Rs. 1,292.9 million (1998: Rs. 1,322 million).

14.4 Aggregate commitments for capital expenditure contracted by the Holding company, but remaining to be executed at 30 June 1999 amounted to Rs. 100.3 million (1998: Rs. 70.3 million).

14.5 Letters of credit and bank guarantees Rs. 3,659 million (1998: Rs. 8,728 million).

14.6 The income tax assessments of the Holding company have been finalised upto and including assessment year 1997-98. On adjudicating the appeals of the Holding company for the years 1996-97 and 1997-98, the Honorable Income Tax Appellate Tribunal (ITAT) has cancelled the order of the assessing officer, where in the Holding company was assessed under the presumptive tax regime. As a consequence of the order of ITAT, an amount of Rs. 958.152 million became refundable to the Holding company. Subsequently, the department has filed an appeal with the Honorable High Court of Sindh against the aforesaid decision of ITAT. The management is confident that on the merit of the case, the ultimate outcome will be in the Holding company's favour.

14.7 Subsequent to the year end, the Holding company has received a demand notice from Deputy Commissioner of Income Tax (DCIT) charging an additional tax @ 24% under Section 87 of the Income Tax Ordinance, 1979 (the Ordinance) amounting to Rs. 52.684 million for the assessment year 1999-2000 on account of late adjustment of advance tax under Section 53 of the Ordinance against the determined refund for the assessment year 1995-96, 1996-97 and 1997-98. The management is of the view that the said refund was available for adjustment as a result of consolidated order passed by the Income Tax Appellate Tribunal (ITAT) on 23 December 1998 for the aforesaid assessment years. The Holding company management has filed an appeal against the order of the above DCIT with the Commissioner of Income Tax (Appeals). Pending the outcome of the appeals and because the Holding company management is confident that on the merit of the case, the ultimate decision will be in the Holding company's favour, no provision has been made in these accounts for the aforesaid additional tax demand.

14.8 Presumptive tax liability pertaining to Auto Oils (Private) Limited - a subsidiary amounting to Rs. 8.703 million (1998: Rs. 8.703 million) levied under section 80-C 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.

15. OPERATING FIXED ASSETS - at cost less accumulated depreciation

15.1 Operating fixed assets

The following is a statement of operating fixed assets:

COST

DEPRECIATION

	<i>01 July 1998</i>	<i>Additions</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>at 01 July 1998</i>	<i>For the year</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>Book Value at 30 June 1999</i>	<i>Depreciation Rate %</i>
Land - freehold	126,793	3,710	--	130,503	--	--	--	--	130,503	--
- leasehold	6,643	--	--	6,643	3,521	246	--	3,767	2,876	5
Building - on freehold land	483,249	38,214	--	521,463	88,787	26,009	--	114,796	406,667	5
- on leasehold land	231,352	40,738	--	272,090	78,451	12,574	--	92,037	180,053	5-10
						12	--			
Leasehold improvements	1.07	--	--	1,071	1,071	--	--	1,071	--	20
Tanks and pipelines	1,819,493	251,896 (1,56t)	--	2,069,628	788,472	183,633	(1,020)	971,110	1,098,518	10
						25	--			
Service and filling stations	518,081	122,066	(22)	640,125	239,731	51,762	(22)	291,471	348,654	10
Vehicles and other rolling stock	367,706	811	(22,053)	362,034	269,773	40,981	(20,885)	298,006	64,028	15 - 20
			15,570*				8,137			
Furniture, fittings and equipment	156,984	30,227	(1,025)	186,186	78,987	26,563	(695)	104,855	81,331	10 - 33
Plant, machinery and equipment	666,180	118,935	(715)	784,400	329,434	72,136	(378)	401,192	383,208	10 - 15
Railway sidings	13,078	23,477	--	36,555	12,286	2,567	--	14,853	21,702	10
Gas cylinders / regulators	113,906	--	--	113,906	111,929	330	--	112,259	1,647	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	4,504,536	629,874	(25,376)	5,124,604	2,002,442	417,838	(23,000)	2,405,417	2,719,187	
			15,570*				8,137*			
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1998	3,491,103	999,306	(7,764)	4,504,536	1,622,951	375,357	(7,138)	2,002,442	2,502,094	
			21,891*				11,272*			
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

15.2 The above includes storages and other facilities developed by the Holding company under Storage Development Programme.

15.3 The above include one LPG blending plant situated at Dhodak having an aggregate book value, as at 30 June 1999 of Rs. 8 million which is not in the possession of the Holding company and no depreciation has been charged.

15.4 Disposal of fixed assets including assets subject to finance lease:

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>
By Tender				
Tanks & pipeline	1,561	1,020	541	876
Plant and machinery	231	231	--	10
Service and filling station	22	22	--	27
Vehicles/other rolling stock	1,135	1,135	--	874
Furniture and fittings and off, eqp.	41	41	--	--
	-----	-----	-----	-----
	2,990	2,449	541	1,757

By Negotiation

Furniture & fitting 84 off, eqp.	984	654	330	495
Plant & machinery	484	144	340	395
Vehicles/other rolling stock	20,777	19,510	1,267	8,097
	-----	-----	-----	-----
	22,245	20,308	1,937	8,987

By Insurance Claim

Vehicles/other rolling stock	1,419	896	523	1,315
	-----	-----	-----	-----
1999	26,654	23,653	3,001	12,089
	=====	=====	=====	=====
1998	12,215	9,616	2,599	6,142
	=====	=====	=====	=====

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

16. ASSETS SUBJECT TO FINANCE LEASE

	<i>COST</i>				<i>DEPRECIATION</i>			<i>Book Value at 30 June 1999</i>	<i>Depreciation Rate %</i>	
	<i>01 July 1998</i>	<i>Additions</i>	<i>(Disposals)/ adjustment*</i>	<i>30 June 1999</i>	<i>at 01 July 1998</i>	<i>For the year</i>	<i>(Disposals)/ adjustment*</i>			<i>30 June 1999</i>
Vehicles	20,100	8,680	(1,278) (15,570)*	11,932	8,881	679	(653) (8,137)*	770	11,162	20
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
1999	20,100	8,680	(1,278) (15,570)*	11,932	8,881	679	(653) (8,137)*	770	11,162	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
1998	43,189	3,253	(4,451) (21,891)*	20,100	18,522	4,109	(2,478) (11,272)*	8,881	11,219	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
				1999	1998					

17. CAPITAL WORK-IN-PROGRESS

PSO House - Building		6,759	5,218
Advances to suppliers and contractors		12,756	14,673
Provision for doubtful debts		(9,620)	(9,620)
		-----	-----
		3,136	5,053
Tanks and pipelines		138,604	361,591
Storage development projects		16,853	35,363
		-----	-----
Advances to suppliers and contractors for tanks, pipelines and storage development projects	17.1	72,445	55,411
		-----	-----
		237,797	462,636

=====

17.1 This includes mobilization advance of Rs.50 million given by the Holding company to Taftan Oil Company (Private) Limited (TOCL) for development of storage facility under an agreement. The said advance is secured against a bank guarantee. As a consequence of breach of terms and conditions of the above agreement, the Holding company had placed the bank guarantee with National Bank of Pakistan (NBP) for encashment. The TOCL had filed a suit against the Holding company and NBP in the Court of District Judge, Quetta, and had obtained a stay order in this respect. During the year, a deed of settlement was signed between parties concerned withdrawing the cases pending before all concerned courts. Accordingly, subsequent to the year-end, the Holding company has realized the aforesaid amount and the relevant bank guarantee has been released.

18. LONG-TERM DEPOSITS AND PREPAYMENTS

Long-term deposits - Trade		5,693	5,681
- Leased assets		1,209	2,244
		-----	-----
		6,902	7,925
Prepayments			
- Rental		61,928	67,332
- Other		44,107	49,364
		-----	-----
		106,035	116,696
		-----	-----
		112,937	124,621
		=====	=====
		1999	1998

19. INVESTMENTS IN ASSOCIATES

Gizri Lubricants (Private) Limited	19.1	4,031	4,254
Mid East Oils and Grease Corporation (Pvt.) Ltd.	19.1	3,756	3,812
Salsons Lubricants (Private) Limited	19.1	3,688	3,998
Petro Chemical (Private) Limited		1,600	1,600
Petro Lube (Private) Limited		1,600	1,600
		-----	-----
		14,675	15,264
		=====	=====

19.1 This represents the Group's share in net assets of the associated companies as at 30 June 1999 except Petro Chemical (Pvt) Limited and Petro Lubes (Pvt) Limited which are stated at cost as the financial statements for the year ended 30 June 1999 are not available. Associated companies are incorporated in Pakistan and Group's share is 40% in each associated undertaking. The detailed breakup of group's share in net assets of the associated companies is given below:

<i>Gizri Lubricants (Private) Limited</i>		<i>Mid East Oils and Grease Corporation (Private) Limited</i>		<i>Salsons Lubricants (Private) Limited</i>	
1999	1998	1999	1998	1999	1998

Share in net assets in associates at the time of acquisition	600	600	835	835	1,332	1,332
Post acquisition profit	3,431	3,654	2,921	1,977	2,356	2,666
	-----	-----	-----	-----	-----	-----
	4,031	4,254	3,756	2,812	3,688	3,998
	=====	=====	=====	=====	=====	=====

1999 **1998**

20. LONG TERM INVESTMENTS - at cost

Quoted companies

Pakistan Refinery Limited

1,080,000 (1998: 1,080,000) fully paid Ordinary shares of Rs.10/- each; 2,520,000 (1998: 1,620,000) fully paid Bonus shares of Rs. 10/- each; market value Rs. 87,480 (1998: Rs.79,200) equity held 18% (1998: 18%),

	15,098	15,098
--	--------	--------

Unquoted companies

Pak Grease Manufacturing Company (Private) Limited

74,800 (1998: 74,800) fully paid Ordinary shares of Rs.10/- each 549,011 (1998: 549,011) fully paid Bonus shares of Rs. 10/- each equity held 20% (1998: 20%) value based on net assets as at 30 June 1999 Rs. 9,034 (1998: Rs. 8,464), Chief Executive Mr. M. Shahrugh Qaisar

	1,346	1,346
--	-------	-------

Asia Petroleum Limited

46,058,600 (1998: 46,058,600) fully paid Ordinary shares of Rs.10/- each equity held 49%, (1998: 49%) value based on net assets as at 30 June 1999 Rs.662,783 (1998: Rs. 647,775), Chief Executive Mr. K. Izz Hamid

	20.1	460,556	460,586
		-----	-----
		461,932	461,932
		-----	-----
		477,030	477,030
		=====	=====

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

21. LONG TERM LOANS - Considered good

Due from Executives	3,628	1,395
Less: Receivable within one year	794	332
	-----	-----
	2,834	1,063

Due from Employees	4,562	5,171
Less: Receivable within one year	1,893	2,111
	-----	-----
	2,669	3,060
	-----	-----
	5,503	4,123
	=====	=====
Outstanding for periods		
- Recoverable in exceeding three years	1,211	911
- Others	4,292	3,212
	-----	-----
	5,503	4,123
	=====	=====

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

21.2 Maximum amount outstanding at the end of any month during the year against loans to Executives of Holding company is Rs. 6.515 million (1998: Rs.5.404 million).

		1999	1998
22. STORES AND SPARES			
Stores		64,950	95,871
Spares and loose tools		6,109	9,017
		-----	-----
		71,059	104,888
Provision for slow moving and obsolete stores and spares		(20,000)	(20,000)
		-----	-----
		51,059	84,888
		=====	=====
23. STOCK-IN-TRADE			
Petroleum and other products in hand (including stock in transit Rs. 404 million 1998: Rs. 386 million)	23.1	3,425,036	2,835,173
Held in trust	23.2	(283,000)	(283,000)
		-----	-----
		3,142,036	2,552,173
In PARCO Pipeline System	23.3	878,258	656,522
Held in trust	23.4	(197,200)	(197,200)
		-----	-----
		681,058	459,322
		-----	-----
		3,823,094	3,011,495
Charges incurred on stock		823,755	1,047,001

-----	-----
4,646,849	4,058,496
=====	=====

23.1 Includes reserve stock at 30 June 1999 equivalent to Rs. 100 million (1998: Rs. 100 million) held as a bailee by the Holding company in trust for the Government of Pakistan (GOP) under an agreement,

23.2 Represents stock held in trust by the Holding company on behalf of the GOP under an agreement.

23.3 The stock of the Holding company 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 from Holding company stated to be incurred in the course of transportation or otherwise while in their custody. The Holding 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 pursued by the Holding company alongwith other marketing companies concerned to resolve the issue with PARCO.

23.4 Represents stock held in trust by the Holding company on behalf of the GOP under an agreement.

24. TRADE DEBTS - Unsecured

Considered good

Due from Government agencies and

Autonomous bodies

24.1 & 24.2

9,094,374

16,470,935

Due from other customers

873,389

829,017

9,967,763

17,299,952

Considered doubtful

Due from other customers

181,437

181,437

Provision for doubtful debts

(181,437)

(181,437)

--

--

9,967,763

17,299,952

=====

=====

24.1 Included in above are Rs. 3,230 million (1998: Rs. 4,344 million) and Rs. 1,869 million (1998: Rs. 8,655 million) receivable by the Holding company from Water and Power Development Authority (WAPDA) and Karachi Electricity Supply Corporation (KESC) respectively. These balances have become over-due due to difficulties being faced in the recovery of public sector inter-corporate circular debts.

24.2 Trade debts also includes an amount of Rs. 2,899 million (1998: Rs. 2,331 million) receivable by the Holding company from WAPDA comprising of cost of first fill of HUBCO pipelines of Rs. 802 million (1998: Rs. 802 million) and a price differential between products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) of Rs. 2,061 million (1998: Rs. 1,493 million) which is outstanding for a considerable period.

According to a decision taken at a meeting of Privatisation Commission, Finance Division, GOP, the Holding company was advised to supply LSFO to Kot Addu Power Project at a price of HSFO and WAPDA was advised to absorb the price differential between the two products. The management of the Holding company is following up the aforesaid matter with WAPDA and respective ministries and considers the said amount realisable as WAPDA expected to settle its dues.

1999 **1998**

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

Loans and advances

Unsecured, considered good

Employees

Advances to suppliers

Taxation - net

Others

	30,751	40,205
	13,752	44,593
	1,367,347	1,380,128
	20,274	14,165
	-----	-----
	1,432,124	1,488,091

Deposits

Duty and development surcharge

Trade deposits

	965,669	9,020
	1,489	3,373
	-----	-----
	967,158	12,393

Prepayments

Other receivables - Unsecured, considered good

Claims and refunds

Price differential on imports - (net of related liabilities)

Storage development claim

Freight equalization

Sales tax

Excise and customs duty

Financial charges on reserve stock loan

	23,229	25,579
	1,655,986	6,449
	85,503	41,266
	--	670,999
	51,445	--
	22,110	144,007
	--	19,827
	-----	-----
	1,815,044	882,548

Railway claims - considered good

	83,228	85,328
--	--------	--------

- considered doubtful

Provision for doubtful claims

	38,451	15,000
	(38,451)	(15,000)
	-----	-----
	--	--

Receivable from Oil Marketing Companies

Accrued return on bank deposits

	987,292	91,270
	478	2,138

Due from:

Associated undertakings

Others - Considered good

25.1 & 25.2

	84,183	87,884
	11,442	48,842

- Considered doubtful

Provision for doubtful other receivables

	51,609	34,379
	(51,609)	(34,379)

-----	-----
--	--
-----	-----
2,981,667	1,198,010
-----	-----
5,404,178	2,724,073
=====	=====

25.1 Due from associated undertakings carries an interest at the rate of 15% (1998: 15%) per annum calculated on daily product basis.

25.2 The maximum aggregate amount due from associated undertakings at the end of any month during the year was as follows:

	<i>1999</i>	<i>1998</i>
Mid East Oil and Grease Corporation (Private)Ltd.	26,057	35,031
Salsons Lubricants (Private) Limited	48,279	19,103
Gizri Lubricants (Private) Limited	28,967	33,890
26. CASH AND BANK BALANCES		
Cash in hand	3,561	3,457
Cash in transit	327,126	306,042
Cash at bank		
on current accounts	653,411	679,617
on deposit accounts	26.1 654,857	59,479
	-----	-----
	1,308,268	739,096
	-----	-----
	1,638,955	1,048,595
	=====	=====

26.1 This includes PLS Term Deposit of Rs. 50 million placed by the Holding company with National Bank of Pakistan (formerly Mehran Bank Limited). In accordance with the Notification of the State Bank of Pakistan (SBP), the MBL suspended its operations effective from 24 March 1994. As the matter is being dealt directly by the SBP, the operation of the account is dependent upon the decision of the SBP. The management of the Holding company considers the said deposit to be realisable in full. Accordingly, no provision in this respect has been made in these accounts.

27. 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
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	-----	-----
	28,589	28,589
Provision	(28,589)	(28,589)
	-----	-----

--

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

	<i>1999</i>	<i>1998</i>
28. GOVERNMENT LEVIES		
Development surcharge	43,721,590	34,059,864
Inland Freight Equalization Margin	7,289,127	6,655,185
Sales tax	146,884	135,768
Custom and excise duty	2,830,611	2,840,594
	-----	-----
	53,988,212	43,691,411
	=====	=====

29. COST OF PRODUCTS SOLD

Opening stock	3,161,314	4,858,520
Purchases	57,436,272	71,142,815
	-----	-----
Cost of products available for sale	60,597,586	76,001,335
Products internally used	(32,646)	(37,450)
Closing stock	(4,370,589)	(3,161,314)
	-----	-----
	(4,403,235)	(3,198,764)
	-----	-----
	56,194,351	72,802,571
	=====	=====

30. OTHER INCOME

Profit on disposal of fixed assets		9,088	3,543
Dividends	30.1	6,052	14,106
Commission and handling charges		218,187	40,177
Income from funds management		15,320	30,531
Liabilities no longer payable		47,906	--
Miscellaneous		19,000	40,749
		-----	-----
		315,553	129,106
		=====	=====

30.1 Dividends

Pakistan Refinery Limited		4,680	10,800
Pak Grease Manufacturing Company (Private) Limited		1,372	3,306
		-----	-----
		6,052	14,106
		=====	=====

31. TRANSPORTATION CHARGES

Cost incurred during the year		9,681,806	10,447,024
-------------------------------	--	-----------	------------

Realized against Inland Freight Equalization Margin (IFEM)	(7,289,127)	(6,655,185)
Receivable/Receipts from Government of Pakistan on account of deficit on IFEM	(2,215,140)	(3,610,347)
	-----	-----
	(9,504,267)	(10,265,532)
	-----	-----
	177,539	181,492
	=====	=====
	1999	1998

32. ADMINISTRATIVE AND MARKETING EXPENSES

Salaries, wages and benefits	32.1	802,858	788,409
Rent, rates and taxes		72,225	71,564
Repairs and maintenance		86,474	84,958
Insurance		42,474	60,577
Travelling and office transport		33,819	36,563
Printing and stationery		14,098	21,736
Communication		24,534	27,627
Electricity and gas		76,567	72,556
Products internally used		32,646	37,450
Storage and technical services		55,183	46,039
Legal and professional		45,589	15,432
Sales promotion and advertising		47,448	19,999
Auditors' remuneration	32.2	4,674	3,161
Contribution towards expenses of Board of Management (Oil)		1,800	1,500
Provision for doubtful receivables		40,681	14,669
Provision for doubtful debts		--	60,000
Balances written off		40,499	--
Donations	32.3	319	210
Others		10,125	11,959
		-----	-----
		1,432,013	1,374,409
Handling, storage and other recoveries - net		(274,996)	(217,233)
		-----	-----
		1,157,017	1,157,176
		=====	=====

32.1 Remuneration of Managing Director and Executives

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

	1999			1998		
	Managing Director	Chief Executives	Executives	Managing Director	Chief Executives	Executives
Managerial remuneration	522	180	143,874	952	180	144,131
Company's contribution towards provident fund and retirement benefits	215	--	39,705	877	--	31,469

Housing	837	60	20,741	947	60	23,803
Leave fare	197	--	10,341	271	--	10,563
	-----	-----	-----	-----	-----	-----
	1,771	240	214,661	3.05	240	209,966
	=====	=====	=====	=====	=====	=====
Number	1	2	451	1	2	458

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

No remuneration except meeting fee is paid to Chief Executive and Directors of Auto Oil (Private) Limited (a subsidiary company).

32.2 Auditors' remuneration comprises of:

	1999				
	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co.</i>	<i>Amir Alam Khan & Co.</i>	<i>Riaz Ahmed Saqib & Co.</i>	<i>Total & Co.</i>
Audit fee - statutory audit	175	175	25	25	400
Taxation	--	1,815	15	--	1,253
Certification of claims and other consultancy services	1,395	662	--	--	2,057
Out of pocket expenses	155	220	--	12	387
	-----	-----	-----	-----	-----
	1,725	2,872	40	37	4,674
	=====	=====	=====	=====	=====

	1998				
	<i>Taseer Hadi Khalid & Co.</i>	<i>Sidat Hyder Qamar & Co.</i>	<i>Amir Alam Khan & Co.</i>	<i>Riaz Ahmed Saqib & Co.</i>	<i>Total & Co.</i>
Audit fee - statutory audit	137	137	20	25	319
Taxation	--	1,233	20	--	1,253
Certification of claims and other consultancy services	548	769	--	--	1,317
Out of pocket expenses	94	159	3	16	272
	-----	-----	-----	-----	-----
	779	2,298	43	41	3,161
	=====	=====	=====	=====	=====

32.3 None of these donations were given to an organisation in which Managing Director or Director, Chief Executives or his/her spouse had any interest.

32.4 The average number of employees of the group during the year were 2,695 (1998: 2,757).

1999

1998

33. FINANCIAL CHARGES

Bank financing	253,721	244,969
Financing charges under leases	427	693
Bank charges	56,071	53,414
Others	762	754
	-----	-----
	310,981	299,830
Exchange difference	(21,056)	(17,324)
	-----	-----
	289,925	252,51
	=====	=====
33.1 Financial charges for the year capitalized under capital work-in-progress not included in above	4,205	2,502
	=====	=====

1999 **1998**

34. Share of profit from associated companies

Gizri Lubricants (Private) Limited	344	930
Mid East Oil and Grease Corporation (Private) Limited	183	247
Salsons Lubricants (Private) Limited	150	504
	-----	-----
	677	1,681
	=====	=====

35. PROVISION FOR TAXATION

Current year	1,201,559	983,300
Prior years	(515,058)	400
	-----	-----
	686,541	983,700
	=====	=====

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

Sales volume ('000 tones)	9.8	12
	=====	=====
Sales	145,030	183,335
Government levies	(698)	(913)
	-----	-----
	144,332	182,422
Cost of product sold	80,468	130,373
	-----	-----
Gross profit	63,864	52,049
Expenditure and charges		
Transportation	9,562	15,440
Administrative and marketing	32,215	28,014
Workers' Profit Participation Fund	1,104	430
	-----	-----

	42,881	43,884
	-----	-----
Profit for the year	20,983	8,165
	=====	=====

36.1 Expenditure and charges have been allocated to LPG activity on such basis as the Holding company's management deemed appropriate.

37. ASSOCIATED UNDERTAKINGS

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

37.2 Transactions with associated companies

Sales	76,349	48,534
Purchases	288,814	301,028
Financial charges on current account	3,022	2,081
Dividend income	460	536
Freight on base oil and additive	1,606	1,366
Advance to associates	37,106	43,300

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Interest rate/Mark-up risk exposure

The Group's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 1999 are summarized as follows:

1999	Interest/Mark-up bearing				Non-Interest bearing	Total
	Less than one month	One month to three months	Three months to one year	Over one year		
Financial assets						
Long term investments	--	--	--	--	491,705	491,705
Trade debts	--	--	--	--	9,967,763	9,967,763
Loans	--	--	--	--	36,254	36,254
Deposits	--	--	--	--	1,459	1,489
Other receivables	--	--	--	--	2,812,009	2,812,009
Associates	--	--	84,183	--	--	4,183
Others	--	--	--	--	11,920	11,920
Cash and bank balances	654,857	--	--	--	984,098	1,638,955
	-----	-----	-----	-----	-----	-----
	654,857	--	84,183	--	14,305,238	15,044,278
	=====	=====	=====	=====	=====	=====
Effective interest rates	13%		15%			
Financial liabilities						
Dividend payable (including minority)	--	--	--	--	991,408	991,408
Creditors, accrued and other liabilities	--	--	--	--	10,349,252	10,349,252

Bank finance under mark-up arrangements	3,231,998	--	--	--	--	3,231,998
Morabaha arrangements	--	200,000	--	--	--	200,000
Long term loans	--	--	4,750	23,753	--	28,503
Liabilities against finance lease	--	--	3,372	6,792	--	10,164
	-----	-----	-----	-----	-----	-----
	3,231,998	200,000	8,122	30,545	11,340,660	14,811,325
	=====	=====	=====	=====	=====	=====
Effective interest rates/mark-up	14.782%	14.50%	17.66%	17.66%		

1998	<i>Interest/Mark-up bearing</i>				<i>Non-Interest bearing</i>	<i>Total</i>
	<i>Less than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>Over one year</i>		
Financial assets						
Long term investments	--	--	--	--	492,294	492,294
Trade debts	--	--	--	--	17,299,952	17,299,952
Loans	--	--	--	--	53,328	53,328
Deposits	--	--	--	--	3,373	3,373
Other receivables	--	--	--	--	224,313	224,313
Subsidiaries and Associates	--	--	87,884	--	--	87,884
Others	--	--	--	--	50,980	50,980
Cash and bank balances	59,479	--	--	--	989,116	1,048,595
	-----	-----	-----	-----	-----	-----
	59,479	--	87,884	--	19,113,356	19,260,719
	=====	=====	=====	=====	=====	=====
Effective interest rates/mark-up	12%		15%			

Financial liabilities						
Dividend payable (including minority)	--	--	--	--	723,694	723,694
Creditors, accrued and other liabilities	--	--	--	--	16,730,261	16,730,261
Bank finance under markup arrangements	1,528,393	--	--	--	--	1,528,393
Modaraba arrangement	--	350,000	--	--	--	350,000
Long term loans	--	--	26,250	28,503	--	54,753
Liabilities against finance lease	--	--	1,805	2,314	--	4,119
	-----	-----	-----	-----	-----	-----
	1,528,393	350,000	28,055	30,817	17,453,955	19,391.22
	=====	=====	=====	=====	=====	=====
Effective interest rates	14.42%	14.5%	17.66%	17.66%		

38.2 Concentration of credit risk

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

The financial assets of the Group includes trade debts amounting to Rs. 7,998 million (30 June 1998 Rs. 15,898 million) which were exposed to credit risk. The amounts receivables from KESC and WAPDA as of 30 June 1999 are as follows:

Rupees in million

Trade Debts - Karachi Electric Supply Corporation	1,869
- Water and Power Development Authority	6,129

38.3 Fair value of financial instruments

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

39. EARNING PER SHARE - BASIC AND DILUTED

	<i>1999</i>	<i>1998</i>
Basic Earning Per Share		
Profit for the year	2,669,662	1,846,436
	=====	=====
Weighted average number of ordinary shares	119,110,348	119,110,348
	=====	=====
Earning per share -basic and diluted	Rupees 22.41	15.50
	=====	=====

40. GENERAL

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

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

A. R. Mithani
Secretary

S.A.Q. Razvi
Managing Director