

## **Shell Pakistan Limited**

### **Annual Report 1999**

#### **CONTENTS**

About Shell Pakistan  
Notice of Annual General Meeting  
Board of the Directors  
Chairman's Review  
Company Information  
Performance at a Glance  
Highlights  
Financial Statistical Summary  
Shell Pakistan Limited-Accounts  
Auditors' Report  
Balance Sheet  
Profit & Loss Account  
Cash Flow Statement  
Notes to the Accounts  
Shareholder Statistics  
Accounts of Subsidiary Companies

#### **The Shell Story a 100 Year Passage**

Shell has a strong brand name with a 100-year history in this region.

In 1899, the Company began by importing kerosene from Azerbaijan perhaps as fuel for lamps - in fact the Company is still in possession of a fuel storage tank from that period. Over the years, new products and their improved versions were introduced. In most cases, Shell was the pioneer in introducing high quality products and reliable services to the Pakistani market. Today Shell Pakistan proudly continues with this tradition and is a leader in all aspects of petroleum marketing.

With annual sales approaching US\$1billion, Shell Pakistan is one of the leading private sector companies in Pakistan. The Company has achieved rapid growth in recent years through a vigorous capital investment programme and by ensuring international standards of service and product quality.

But the story does not end here. As an energy company committed to sustainable development, Shell has been active in both upstream (exploration) and downstream projects (refining, blending, distribution and marketing) to contribute to fulfilling Pakistan's energy requirements. To this end the Royal Dutch Shell Group has interests in three other companies in Pakistan; a 30% stake in Pakistan Refinery Limited, a 67% stake in Burshane (Pakistan) Limited and 100% share-holding of Shell Development and Offshore Pakistan B.V.

Shell remains as committed to its customers as it did 100 years ago. It is supplying value added services in long term relationships to many businesses and providing every day convenience across Pakistan.

All these efforts enable us to assert that "You can be sure of Shell".

#### **Retail setting standards for**

## **quality, service and convenience**

Shell Pakistan Limited sells a range of petroleum products from motor gasoline to lubricants. This is done mainly through an extensive network of 1,200 service stations across Pakistan, most of them operated by franchisees under exclusive agreements with Shell.

In 1994, Shell Pakistan introduced its Retail Visual Retail Identity (RVI) to create filling stations that mirror the Shell Groups international standards. Over the past five years 266 sites have received this re-branding treatment, which now accounts for a significant portion of motor gasoline and diesel sales. The increased visibility of the Shell logo has boosted Shell's image and enhanced market share from 35% to 44% for motor gasoline, 22% to 32% for diesel and 28% to 42% for lubricants sold by oil marketing companies over the last six years. Shell Pakistan is now the market leader in Motor Gasoline in the retail sector.

Customers at Shell Pakistan's retail outlets are assured of prime service and quality. Additional value propositions such as a 'Free Oil Change in 5 minutes' on purchase of Shell lubricants offers customers convenience and value for money. The oil change is carried out through an Oil Suction Machine branded 'Shell Genie'. The success of 'Shell Genie' is evident from the increasing percentage of customers opting to purchase Shell lubricants from our retail outlets.

To ensure and maintain high standards of customer service, safety and housekeeping at Shell's retail outlets, a dedicated training department trains our Dealers and their staff. Training personnel, with the help of three mobile training vans fully equipped with audio and video facilities, conduct comprehensive five day Total Quality Retailing courses for Dealers and on-site training courses for forecourt staff.

The aim of our pump attendant training programme is two-fold - to improve customer service and contribute to the personal and social development of our pump staff. An initiative known as 'Golden Chain' has been introduced to address the needs of pump staff through the provision of better career prospects and entitlements. These include, among others, social security, Eid bonuses, medical benefits, literacy programmes and performance based incentives.

After all our vision is to be the "Top performer of First Choice".

## **Lubricants**

### **keeping your engines young**

Lubricants course through the veins of Shell Pakistan like a lifeblood, contributing significantly to the Company's profitability.

Pakistan as a country consumes more than 1% of total global lubricants demand. Since deregulation of the Pakistan lubricants industry in 1993, the lubricants business has matured significantly, attracting an increasing number of international and local players. Shell Pakistan currently enjoys a market share of 17% in what is estimated to be an annual industry volume of some 275 million litres.

Shell is well placed to compete in Pakistan's market, drawing on global expertise and leveraging a marketing strategy that focuses not only on the most profitable sectors of trade, but increasingly in areas of the market such as the agency channel-where Shell has yet to fully exploit its high brand share of preference. More and more consumers are responding to the Shell value proposition of "consistently delivering quality products and services wherever it operates."

About seventy percent of all lubricants sold by Shell Pakistan find use in an automotive application: "Shell Rimula" diesel engine oils are positioned as the tough and reliable lubricant solution for the Trucker; "Shell Helix" is the image carrier for the range of lubricants specifically formulated for Motorists' needs whilst "Shell Advance" is targeted at the Motorcyclist. There is an ever increasing requirement for more sophisticated industrial lubricants in Pakistan.

Shell Pakistan currently enjoys market leadership in key industrial segments such as Power and

Sugar with a strong and growing presence in all other sectors including Fertiliser, Cement and Textiles.

Internationally, Shell is world leader in lubricants. Locally, despite increasing competitive pressures, Shell's lubricants business continues to display impressive growth. Complemented by a deep sense of management commitment, there is no doubt that Shell Pakistan will indeed remain the Customers' First Choice for lubricants.

## **Consumer Business meeting industrial needs**

Shell Pakistan Limited has considerable stake in its Industrial or as the Company calls it - 'Consumer Business'. Over the past six years this business line has experienced substantial growth in volumes and profit contribution.

In 1998 alone, the Consumer business accounted for 22% of Shell Pakistan's earnings. The key product contributing to the success is lubricants, which generated approximately 80% of the total gross margin earned by the Consumer business. In spite of negative industrial growth, Shell Pakistan's lubricant trading has grown by approximately 8% over the past 5 years - resulting in improvements in market share and profitability.

Achievements of the last five years can be attributed to the key economic sectors of Power, Fertiliser and Construction/Projects.

The success of the Consumer business is the result of a customer focused approach and the availability of a product portfolio catering to all the requirements of our industrial customers.

The Consumer Business of Shell Pakistan is not about selling products only - it provides solutions to industrial consumers in the form of petroleum product specifications and applications, quality testing, after sales service, account management and of course the highest quality products. We have to live up to our core purpose which is to help build a better world.

## **Chemicals service at your door step**

The Shell group forms one of the largest Petrochemicals business in the world. In Pakistan, Shell has been serving the local chemical industry for more than ten years by providing quality products at the customers doorstep.

Shell Pakistan Chemicals is actively involved in the foundation business of Solvents Aromatics and Polyols It has a wide customer base in a growing market and enjoys a market share ranging from 30% to 40% in these business. It has a bulk storage facility at Keamari that meets international standards on operation, Health, Safety and Environment (HSE).

Shell Chemicals produces a range of top quality polyols under the trade name "Caradol", a major component used in the production of foam, is widely used by foam manufactures in Pakistan. Shell Chemicals is a strong player in the solvents market selling products like IPA, MEK and Hexane to the producers of printing inks, pharmaceuticals, lacquers/paints, polishes, synthetic resins and oil extraction industry. It also supplies Aromatics solvents to the manufacturers of adhesives, paints and insecticides/pesticides.

Shell Chemicals' objective is to be the supplier of first choice for the customers by developing partnership relationships with them.

Shell Chemicals is proud to serve its customers by acting promptly in response to their needs through its newly created Customer Service Centre.

After all "you can be sure of Shell".

## **Aviation fueling the flight to success**

With a turnover of approximately Rupees two billion from over 300 million litres of fuel supplied, the Aviation business is part of Shell Pakistan's extensive portfolio.

Shell's presence at six locations across Pakistan gives the company an impressive market share of 35% from sales to both domestic and foreign airlines. This is coupled with an equally impressive customer portfolio including Pakistan International Airlines, Aero Asia, Bhoja Air, KLM, Lufthansa, Emirates, Qatar Air and Singapore Airlines. Additionally, Shell is the sole supplier of Aviation Gasoline in Pakistan with the principal customer being the Pakistan Armed Forces.

In 1998-99, Shell's aviation business has focused on maintaining and improving its competitive advantage by taking various initiatives. One is the installation of an aviation specific computer software system "Astranoa" at Islamabad Airport (already installed at Karachi) which allows Shell to electronically handle 90% of deliveries and invoicing to its customers. Another notable development is the initiation of a pipeline project between Shell's Chaklala Depot and Islamabad Airport that will help improve safety standards and ensure uninterrupted supplies.

Despite declining industry volumes, Shell Pakistan is continuously striving to improve profitability and shareholders' returns through a combination of cost reduction and profit enhancement measures in various areas of the business. All this is done in addition to maintaining superior quality and safety standards to ensure that Shell remains our customers first choice in the sky.

## **Commitment to Quality you can be sure of Shell**

As part of Shell Pakistan's commitment to market only the highest quality products, the Company is the first to introduce state-of-the-art technology for checking adulteration. A comprehensive testing procedure is in place to maintain quality at every step, from the time the raw material arrives at the installation to the time it is ready for shipment to the market. Customers are therefore assured that Shell delivers the highest quality products.

Quality Control Operations were initiated in Karachi, Lahore and Rawalpindi and have since expanded to all major cities. Mobile Quality Control Vans conduct surprise checks at Shell retail sites at least twice a month on a random basis. As a result, quality failure rates are now down to less than 2% from 21% in 1995.

Another initiative includes the use of pilfer proof plastic seals on tank lorries. Introduced in 1997, these seals are used on each despatch of product from depots/installations for inter-depot transfers or delivery to retail outlets and industrial consumers.

State-of-the-art laboratories have been installed at a number of core locations to ascertain the quality and specification of product entering/leaving the depot/installation. Stringent care is taken to ensure that Shell products are free from contaminants and fully meet or exceed their stated specification.

We are proud of our commitment to quality and go to great lengths to set and maintain high standards which others aspire to emulate.

All these efforts enable us to claim "You can be sure of Shell".

## **Customer Service aiming to serve you even better**

Shell is an international market leader continues to set standards for high quality products and

services. Our aim is to establish Shell Retail Outlets as "The most efficient, safest and the best customer caring outlets".

Shell Pakistan's trained attendants who fill gasoline in the customers car, clean their windscreens or guide cars to an empty bay to maintain a smooth flow of traffic are only an indication of our commitment to providing better quality service.

As a customer oriented organisation we have conducted monthly 'Customer Service Days' at our retail outlets for the last three years. On a 'Customer Service Day', Shell management staff personally guide, refuel cars and wipe windscreens for customers. Feedback is obtained on problems faced, quality of service and product awareness, particularly for lubricants and 'Shell Genie' - the "Free Oil Change in Five Minutes" facility. Quality Control Vans are present to provide technical support and guidance for better product quality.

Through these 'Customer Service Days' Shell Pakistan aims to improve customer service standards and motivate Shell dealers and their staff to achieve the same.

Customer service is always a top priority at Shell. Hence, our motto "You can be sure of Shell".

## **Health Safety and Environment a responsible business approach**

Shell acknowledges its responsibility to work within a reliable and robust Health, Safety and Environment (HSE) framework. To this end we manage HSE as any other critical business activity. Performance is measured, appraised and reported against targets for improvement.

Shell Pakistan has set high safety standards at its retail outlets and has invested in a number of environmentally sound features. These include high density polyethylene piping, coated tanks and oil interceptors. In addition safety equipment has been specifically installed to reduce the risk of accidents. Shell Pakistan has also embarked on a National Environmental Risk Assessment Programme this year. Future plans include replacing old storage tanks.

Shell Pakistan has made it mandatory that drivers carrying Shell product wear belts. This has reduced the number of fatalities that occur due to adverse road conditions and poor driving standards.

We are also regularly training drivers in a bid to improve driving standards. Shell is establishing a number of rest stations (that will provide rest and recreational facilities to drivers) throughout the country, along major routes as well as at depots and installations. A rest house has already been commissioned at Moro which will cater to drivers on the Keamari - upcountry routes. This initiative is being complemented by the implementation of a 'Driver's League System' that will encourage drivers to operate in a safe manner by providing incentives targeted towards improving the quality of their lives. In another first, Shell Pakistan has introduced a new fleet of vehicles that comply with European standards on International Carriage of Dangerous Goods by Road. These standards are also being adhered to by our contractors.

In this way we aim to have an HSE performance we can be proud of, to earn the confidence of our customers and shareholders and society at large, to be a good neighbour and to contribute to sustainable development.

## **Shell in society a responsible corporate citizen**

Shell Pakistan Limited takes prides in being a responsible corporate citizen committed to the development of the local community. To Shell, good corporate citizenship means consistently thinking and behaving in ways which, while meeting business objectives, are responsible and beneficial to society.

It is for this reason that our social investment programme is an important part of our Company policy and is stated clearly in our Statement of General Business Principles. Through this programme we have had and continue to maintain relationships with a number of non-governmental organisations working in the areas of community welfare, health, education, heritage and the environment.

For example, Shell Pakistan is a long time financial supporter of the Layton Rahmatulla Benevolent Trust and the Kidney Centre, which provide special medical facilities and other benefits to the people of Pakistan. In fact, the Kidney Centre recently dedicated the ground floor of its hospital to Shell in recognition of Shell's constant support through the years and in commemoration of its Centenary Year 1999.

Shell Pakistan is also involved with the welfare of the young through the SOS Children's Villages and the Duke of Edinburgh Award Foundation. Sponsorship of the athletes of the Special Olympics and child rights education through the Human Rights Education Programme also top the agenda.

The preservation of the Mohatta Palace, a beautiful landmark of Karachi, and an in-house literacy campaign are also amongst some of the many projects supported by Shell Pakistan and aimed at delivering long term benefits to the community.

After all we see our role as not just that of a commercial operator, but as a part of the community and society of which we are an integral part. The aspirations of the people of Pakistan are our aspirations as well and we will continue to contribute and help build a better world.

## **Notice of Annual General Meeting**

Notice is hereby given that the Thirtieth Annual General Meeting of Shell Pakistan Limited will be held on Wednesday, November 17, 1999 at 10:30 a.m. at Karachi Sheraton Hotel, Karachi to transact the following business:-

### **ORDINARY BUSINESS**

1. To receive and adopt the Report of Directors and Auditors together with Audited Accounts for the year ended June 30, 1999.
2. To approve the payment of final dividend of Rs.8.50 per share (85%) and also the interim dividend of Rs. 4.00 per share (40%) declared on February 23, 1999 making a total of Rs.12.50 per share for the year ended June 30, 1999.
3. To appoint Auditors and to fix their remuneration for the year 1999-2000.

**By Order of the Board**

**( M. G. Dossa )  
Secretary**

Karachi: September 7, 1999

Shell House  
6-Ch. Khaliqzaman Road  
Karachi-75530

### **Notes:**

(i) The register of members will remain closed from October 5, 1999 to October 17, 1999 (both days inclusive). Transfers received in order at the office of our Share Registrars M/s. Ferguson Associates (Private) Limited, Ground Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi - 74000 by the close of business on October 4, 1999 will be in time for the purposes of payment of final dividend and entitlement to attend the Annual General Meeting which will be held on

November 17, 1999.

(ii) A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her proxy to attend, demand or join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies, in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting. A proxy need not be a member of the Company.

(iii) Shareholders are requested to notify any change in their address immediately to our Share Registrars M/s. Ferguson Associates (Private) Limited.

## Board of Directors

Mr. M. Soomro  
 Mr. D.M. Weston  
 Ms. T. Taylor  
 Mr. I. Everingham  
 Mr. F.W. Vellani  
 Mr. F.K. Captain  
 Mr. A. Khawaja  
 Mr. F. Rahmatullah  
 Mr. N. Beg  
 Mr. R. Waight  
 Mr. A. Aziz

## Report of the Directors

*(Rupees' 000)*

The profit for the year ended June 30, 1999 after providing for administrative, marketing, financial and other charges amounts to		1,439,094
Less Provision for		
Workers' Profits Participation Fund	71,955	
Workers' Welfare Fund	26,000	97,955
		-----
		1,341,139
Less Taxation		
For the year	405,962	
Deferred tax	54,436	460,398
		-----
Profit after taxation		880,741
Amount of un-appropriated profit brought forward from the previous year		1,025,239
		-----
Making available for appropriations		1,905,980

## APPROPRIATIONS

An interim dividend of Rs.4.00 per share of Rs.10 each (equivalent to 40%) was declared in February 1999 absorbing		140,263
--	--	---------

and the Directors now recommend the payment of a final dividend of Rs.8.50 per share of Rs.10 each (equivalent to 85%) amounting to	298,059
	-----
Making a total appropriation of	438,322
	-----
Leaving for carry over to the next year an un-appropriated profit of	1,467,658
	=====
Earnings per share	Rs.25.12

1. The company continues to drive the greater part of its operating profits from a strong marketing performance in deregulated product sales. Main fuels profitability remains miserable. The Company's margins on these were last increased by the Government in February 1995. At their current levels they are, as far as we know, the lowest in the world. The Government has yet to deliver on its stated policy of revising the margin to 4%. Your company continues to emphasise to the Government the importance of margin increases which are necessary to justify the investment required within the industry to continue to support economic development.

2. In line with the Company's objective of providing quality products and services and improving its Health, safety and Environmental standards, an amount of Rs.788 Million was spent on various capital investment programmes during the year under review. The most visible impact of this capital expenditure is in the form of the branded Shell retail outlets. Up to June 30, 1999, the total number of such sites was 267 compared with 172 at June 30, 1998.

3. The Finance Bill of 1999 proposed a 10% tax on public limited companies which do not distribute dividends. This was to be charged on reserves in excess of 50 per cent of paid-up-capital. The proposed tax was considered by the stock exchanges to be a disincentive to the growth of a company funded by a build up of reserves. The Government, after considering the objections, amended the proposed tax to exempt public limited companies from this tax provided they distribute at least 40% of their post tax profits as cash dividends. Your company has a record of paying dividends in excess of 40%.

4. As mentioned in our last year's review, the tax authorities had issued a "show cause" notice indicating their intention to tax the Company's share of imported fuels under section 80C of the Income Tax Ordinance. Your company objected to the proposed additional tax on grounds that the products were imported by the Government of Pakistan and M/s. Pakistan State Oil Company Limited was the handling agent. Having found no relief in the lower forums the company filed an appeal with the Income Tax Appellate Tribunal against the tax demand, which has now given a decision in favour of the company. The forum of appeal is now open to the Tax Authorities to file against this decision. If the Tax Authorities decide to proceed with the appeal, your company will continue to defend its position.

5. Since the last review elections for the Board of Directors took place on June 3, 1999 and the present directors are: Mr. D. Weston (Chairman), Ms. T. Taylor, Mr. M. Soomro, Mr. F. K. Captain, Mr. A. Khawaja, Mr. N. Beg, Mr. F. W. Vellani, Mr. A. Aziz, Mr. R. Waight, Mr. I. Everingham and Mr. F. Rahmatullah. Mr. D. Weston was elected as Chairman of the board on retirement of the outgoing Chairman Mr. T. V. Higgins. The Board places on record its appreciation and gratitude to the outgoing directors and the Chairman for the valuable services they have rendered for the company.

6. The Auditors M/s A. F. Ferguson & Go. retire and being eligible offer themselves for re-appointment.

7. The pattern of shareholding is given on page 67. The Shell Petroleum Company Limited, London, holds 51.60% of the Company's share.



**On behalf of the Board**

**D. M. WESTON**  
**Chairman**

Karachi: September 7, 1999

### **Chairman's Review**

It gives me great pleasure to welcome you to the 30th Annual General Meeting of the Company to present the Annual accounts and the Auditors Report thereon for the financial year ended June 30, 1999.

I am pleased to report that your Company has performed well over the past year despite the low margins on fuel products which are fixed by the Government. Gross sales increased by 16% to Rs.49.89 Billion on the back of higher volumes and price increases. Volumes were up by 11% to 3.51mn/tonnes and Gross Margin increased by 32% to Rs.2.9 Billion after inventory gains of Rs.250 Million. Overall, Profit after tax increased by 49% to Rs.880.74 Million from Rs.591.55 Million, and a final dividend of Rs.8.50 per share is now recommended by your Board following their meeting on September 7, 1999. An interim dividend of Rs.4.00 per share was declared on February 23, 1999 making a total distribution of Rs.12.50 per share for the financial year ended June 30, 1999.

These financial results are very encouraging given the difficult economic climate throughout the past two years and following the nuclear tests. These, together with two petroleum price increases, had a negative impact on demand for oil products. Industry motor gasoline volumes have declined by 5% during the year as consumption fell and some consumers moved to alternative energy sources e.g. CNG. Problems faced by other sectors of the economy such as Sugar and Cement have also affected our Commercial business segment. However, despite this slow down, we have continued to register volume and market share growth.

Shell's lubricant brands "Rimula", "Helix" and "Advance" enjoy strong brand preference and continue to contribute significantly to profits. Despite slower growth in the market and increasing competition from new entrants, lubricants gross margin has grown by 28% and our market share has increased by 2% to around 17% in total.

During the year capital expenditure was Rs.788 Million. This amount was spent on upgrading our retail network and our operations infrastructure to bring them in line with international standards in terms of customer service, product quality, safety and environmental standards. A total of 95 retail outlets were upgraded during the year compared to 71 the previous year. The "Select" store, which introduced the concept of convenience shopping into Pakistan, has been well received and up to June 30, 1999 a total of 61 stores have been opened in various parts of the country. Additionally, to ensure and maintain high standards of customer service, a dedicated department continuously trains dealers and their staff.

On the cost front we make every effort to monitor and control costs but are not immune to the inflationary pressures that prevail in Pakistan as a result of devaluation and tax increases. We also have larger maintenance expenditures for our RVI sites which have to be maintained to the highest standards. Increasing numbers of RVI sites each year have therefore added to our costs. At the end of 1998 a severance scheme was implemented, the savings from which should be realized in future years. As a consequence of the above our administrative and marketing expenses, excluding depreciation, have increased by 24% to Rs. 1,160 Million.

Efforts continue to improve overall efficiency and safety in the marketing and distribution of our products. The Machike installation is now fully operational and is playing a pivotal role in improving operational, as well as Health, Safety and Environmental standards. Machike serves customers in the Lahore and Gujranwala markets and feeds our Chaklala Installation. It also provides employment and other opportunities for local staff. We completed the introduction of 25 tank lorries each of 40KL capacity which were built to European safety standards and have also taken a new initiative in establishing a number of stations throughout the country with the objective of providing rest and recreation facilities for drivers. Additionally, a Drivers League System has been introduced to encourage safe driving.

The Year 2000 ('Millenium Bug') problem has been identified and a programme initiated to assess and contain its impact on our operations. Compliance confirmations are being sought from our external suppliers and, subject to these, our ability to continue trading should not be affected by the Year 2000 problem.

In recent years we have grown rapidly, fueled by substantial capital investment in infrastructure, information technology and human resource development. Our aim always has been to provide international standards of service, quality and customer dedication. To continue these levels of investment, Shell Pakistan must compete as successfully in the global market for investment capital as it does in that for oil products. This is difficult to achieve in an industry where Government has not allowed any margin increase since February 1995, and where margins, at their current levels, are perhaps the lowest in the world. Our efforts will continue to convince the Government to implement their declared policy of gradually increasing margins but in the mean time, we have to make hard decisions and take decisive action to achieve satisfactory business performance.

We enter the year of 1999-2000 with an enthusiastic and committed workforce that is 99% comprised of Pakistani staff. It is they that have made this company successful in Pakistan, and have shown the rest of Shell World how new ideas can be implemented in Pakistan, both rapidly and cost effectively. They have demonstrated an excellent match between characteristic Pakistani commitment and Shell standards. They are and will continue to be our competitive edge in the markets we serve.

Finally, I must take this opportunity to bid farewell to Mr. T. V. Higgins, our retired Chairman, whose vision and direction has led your company in the last six years to its current position of financial strength and market leadership. He will be sorely missed but, with the combined efforts of our Management team and the dedication of staff at all levels, we will continue to grow and serve our customers better.

On behalf of the Board I would like to thank every one for their efforts and their contributions.

**D.M.WESTON**  
**Chairman**

Karachi:September 7, 1999

## **Company Information**

### **Board of Directors**

Mr. D. M. Weston	Chairman
Mr. A. Aziz	
Mr. N. Beg	
Mr. F. K. Captain	
Mr. I. Everingham	
Mr. A. Khawaja	
Mr. F. Rahmatullah	
Mr. M. Soomro	
Ms. T. Taylor	
Mr. F. W. Vellani	
Mr. R. Waight	

### **Management**

Mr. D. M. Weston	Managing Director & Chief Executive
Mr. H. Madani	Human Resource & Public Affairs Manager
Mr. F. Rahmatullah	Operations Director
Mr. W. A. Sheikh	Retail Manager

Mr. A. Bokhari  
Commercial Manager

Ms. T. Taylor  
Finance Director

**Company Secretary** Mr. M. G. Dossa

**Registered Office** Shell House  
6-Oh, Khaliqzaman Road  
Karachi-75530

**Auditors** A.F. Ferguson & Go.

**Legal Advisors** Fatehali W. Vellani & Co.  
Advocates & Solicitors

**Registrar & Share  
Registration Office** Ferguson Associates (Pvt.) Ltd  
State Life Building, 1-A  
Off. I.I. Chundrigar Road  
Karachi- 74000

## Highlights

		<i>Year ended June 30, 1999</i>	<i>Year ended June 30, 1998</i>
Sales volume	Tonnes	3,514,420	3,170,545
Sales revenue	Rs / mn	49,887	42,980
Profit before tax	Rs / mn	1,340	922
Profit after tax	Rs / mn	881	592
New capital expenditure	Rs /mn	788	1,189
Share holders equity	Rs / mn	4,052	3,609
Dividend	Rs /mn	438	298
Earning per share	Rs	25.12	19.58

## Financial Statistical Summary

		<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996*</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Investment Measure											
Share capital	Rs./mm	350.6	350.6	233.7	233.7	135.5	123.2	123.2	123.2	107.8	107.8
Reserves	Rs./mm	3,700.6	3,258.2	1,589.5	1,237.5	468.1	339.3	274.1	196.5	285.9	284.3
Share holders equity	Rs./mm	4,051.3	3,608.9	1,823.3	1,471.3	603.6	462.5	397.3	319.7	393.7	356.1
Break up value per share	Rs.	115.5	102.9	78.0	62.9	44.5	37.5	32.2	25.9	36.5	33.0
Dividend per share	Rs.	12.5	8.5	8.5	8.2	4.0	4.0	2.0	--	4.5	6.0
Bonus		--	--	--	--	3:20	1:10	--	--	1:7	--
Profit before tax	Rs./mm	1,339.9	921.5	927.1	517.0	311.7	177.2	42.4	24.6	150.0	121.5
Profit/loss after tax	Rs./mm	880.7	591.5	543.1	316.3	195.2	114.4	102.2	(73.9)	86.0	70.2
Earning/loss per share											
share	Rs.	25.1	19.5	23.2	13.5	14.4	9.3	8.3	(6.0)	7.9	6.5
Price earning ratio		6.4	8.6	10.1	11.9	19.4	22.8	9.5	--	6.7	9.0

**Measure of financial status**

Current assets to current Liabilities	1.2	1.2	0.9	1.2	1.1	1.1	1.0	1.0	1.0	1.1
Number of days stock	18	15	17	19	14	19	15	18	21	19
Number of days trade debts	4	4	7	8	8	7	7	8	9	9

**Measure of performance**

Profit/loss after tax as % of average capital employed	20.8	18.8	23.0	24.2	31.6	17.3	12.7	(6.4)	9.3	11.8
Profit/loss after tax as % of average share holders equity	22.9	21.2	33.2	30.5	36.6	26.6	28.5	(20.7)	23.0	19.9
Cost of sales as % of sales	94.1	94.8	94.2	95.6	96.1	96.3	97.2	97.5	96.3	96.7
Profit before tax as % of sales	2.6	2.1	2.4	1.2	1.4	0.9	0.2	0.1	1.1	1.1
Profit after tax as % of sales	1.7	1.3	1.4	0.7	0.8	0.6	0.6	(0.4)	0.6	0.6
Total debt ratio %	5.1	3.2	28.3	32.8	37.4	45.2	40.2	67.1	64.3	37.6

\*Based on eighteen months results

## Shell Pakistan Limited Accounts for year ended June 30, 1999

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of Shell Pakistan Limited as at June 30, 1999 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the profit and cash flows for the year then ended; and

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

**A. F. FERGUSON & CO.**

Karachi: October 6, 1999

Chartered Accountants

**Balance Sheet  
as at June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
<b>Tangible Fixed Assets</b>	3	3,511,304	3,101,399
<b>Long-term Investments</b>	4	5,001	5,001
<b>Long-term Loans and Advances</b>	5	49,841	40,475
<b>Long-term Deposits and Prepayments</b>	6	12,358	17,748
		-----	-----
<b>Total Long-term Assets</b>		3,578,504	3,164,623
<b>Current Assets</b>			
Stores and spares	7	40,762	19,879
Stock-in-trade	8	1,958,829	1,776,516
Trade debts	9	469,683	324,871
Loans and advances	10	7,002	6,391
Trade deposits and short-term prepayments	11	81,214	82,189
Other receivables	12	321,764	157,355
Taxation		--	91,575
Cash and bank balances	13	1,273,295	1,300,533
		-----	-----
<b>Total Current Assets</b>		4,152,549	3,759,309
		=====	=====
<b>Current Liabilities</b>			
Current maturity of liabilities against assets subject to finance lease	14	24,144	12,164
Short-term running finances utilised under mark-up arrangements	15	73,579	8,855
Creditors, accrued and other liabilities	16	3,023,341	2,981,050
Taxation		27,034	--
Proposed dividend		298,059	157,796
		-----	-----
<b>Total Current Liabilities</b>		3,446,157	3,159,865
		=====	=====
<b>Net Current Assets</b>		706,392	599,444
<b>Total Assets less Current Liabilities</b>		4,284,896	3,764,067
<b>Surplus on Revaluation of Fixed Assets</b>		2,946	2,946
<b>Deferred Taxation</b>	18	106,400	51,964
<b>Long-Term Liabilities</b>			
Liabilities against assets subject to finance lease	14	124,208	100,234
<b>Contingencies and Commitments</b>	19		
<b>Net Assets</b>		4,051,342	3,608,923
<b>Represented by:</b>			
<b>Share Capital</b>	20	350,658	350,658
<b>Reserves</b>	21	2,233,026	2,233,026

<b>Unappropriated Profit</b>	1,467,658	1,025,239
<b>Shareholders' Equity</b>	4,051,342	3,608,923

The annexed notes form an integral part of these accounts.

**D. M. Weston**  
Chairman & Chief Executive

**A. Khawaja**  
Director

**Profit & Loss Account**  
**for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
Sales		49,886,871	42,980,058
Less: Duties,taxes and levies	22	27,031,767	17,846,219
		22,855,104	25,133,839
Cost of products sold	23	19,934,549	22,929,523
<b>Gross Profit</b>		2,920,555	2,204,316
Transportation expenses	24	168,677	143,124
Administrative and marketing expenses	25	1,480,635	1,131,742
		1,649,312	1,274,866
<b>Operating Profit</b>		1,271,243	929,450
Other income	26	246,657	164,480
		1,517,900	1,093,930
Financial charges	27	34,477	92,216
Other charges	28	142,284	80,200
		176,761	172,416
<b>Profit Before Taxation</b>		1,341,139	921,514
Taxation	29	460,398	329,963
		880,741	591,551
<b>Profit After Taxation</b>		880,741	591,551
Unappropriated profit brought forward		1,025,239	731,747
		1,905,980	1,323,298
<b>Appropriations:</b>			
Interim dividend Rs 4.00 (1998: Rs 4.00) per share		140,263	140,263
Final dividend Rs 8.50 (1998: Rs 4.50 ) per share		298,059	157,796
		438,322	298,059
Unappropriated profit carried forward		1,467,658	1,025,239
		Rupees	Rupees
<b>Earnings Per Share</b>	30	25.12	19.58

The annexed notes form an integral part of these accounts.

**D. M. Weston**  
Chairman & Chief Executive

**A. Khawaja**  
Director

**Cash Flow Statement**  
**for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	1,135,939	1,927,041
Mark-up on short-term finances paid		(4,191)	(28,476)
Taxes paid		(287,353)	(549,681)
Long-term loans and advances		(9,366)	(35,057)
Long-term deposits and prepayments		5,390	4,015
Interest received		97,509	41,620
		-----	-----
Net cash inflow from operating activities		937,928	1,359,462
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(787,757)	(1,075,569)
Investments made		--	(5,000)
Proceeds from sale of fixed assets		36,241	3,531
		-----	-----
Net cash outflow from investing activities		(751,516)	(1,077,038)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		--	1,519,518
Repayment of long-term finances		--	(258,889)
Dividends paid		(229,317)	(245,252)
Mark-up on redeemable capital paid		(944)	(34,928)
		-----	-----
Repayment of liability under finance lease		(48,113)	(9,494)
Net cash (outflow) /inflow from financing activities		(278,374)	970,955
Net (decrease) /increase in cash and cash equivalents		(91,962)	1,253,379
		-----	-----
Cash and cash equivalents at July 1		1,291,678	38,299
		-----	-----
Cash and Cash equivalents at June 30	34	1,199,716	1,291,678
		=====	=====

The annexed notes form an integral part of these accounts.

**D. M. Weston**  
Chairman & Chief Executive

**A. Khawaja**  
Director

**Notes to the Accounts**

## for the year ended June 30, 1999

### 1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The company markets petroleum and petrochemical products. It also blends and markets various kinds of lubricating oils.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Accounting convention

These accounts have been prepared under the historical cost convention, except to the extent that certain fixed assets pertaining to Pak People Products Corporation (Private) Limited, one of the six subsidiary companies amalgamated in 1998, have been included at revalued amounts.

#### (b) Staff retirement benefits

Except for certain expatriates for whom benefits are provided by membership of the Shell Overseas Contributory Pension Fund, staff retirement benefits include:

i) approved funded pension and gratuity schemes for both management and unionised staff. Contributions for management staff have been made on the basis of actuarial recommendation at the rate of 16.2% per annum and 4.45% per annum of basic salaries for pension and gratuity respectively. No contributions were made for unionised staff on the basis of actuarial recommendation. The actuarial valuation is normally carried out once in every three years. The latest valuation for management and unionised staff was carried out as at June 30, 1999. The fair value of the schemes' assets and liabilities for past services of the employees at the latest valuation date were Rs.388.435 million and Rs.388.435 million respectively for the pension scheme and Rs.36,545 million and Rs.41.146 million respectively for the gratuity scheme. The Projected Unit Credit method using the following significant assumptions is used for the valuation of these schemes:

- Expected rate of increase in salary level at 13.50% per annum.
- Expected rate of interest at 15.75% per annum; and

ii) approved contributory provident funds for all employees.

During the current year Rs.29.841 million was charged as an expense in respect of the above benefits (1998:Rs.28.140 million).

Benefits under the pension and gratuity schemes are payable to staff on completion of prescribed qualifying period of service.

### Cash Flow Statement

#### for the year ended June 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	1,135,939	1,927,041
Mark-up on short-term finances paid		(4,191)	(28,476)
Taxes paid		(287,353)	(549,681)



Long-term loans and advances	(9,366)	(35,057)
Long-term deposits and prepayments	5,390	4,015
Interest received	97,509	41,620
	-----	-----
Net cash inflow from operating activities	937,928	1,359,462
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(787,757)	(1,075,569)
Investments made	--	(5,000)
Proceeds from sale of fixed assets	36,241	3,531
	-----	-----
Net cash outflow from investing activities	(751,516)	(1,077,038)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	--	1,519,518
Repayment of long-term finances	--	(258,889)
Dividends paid	(229,317)	(245,252)
Mark-up on redeemable capital paid	(944)	(34,928)
	-----	-----
Repayment of liability under finance lease	(48,113)	(9,494)
Net cash (outflow) / inflow from financing activities	(278,374)	970,955
Net (decrease) /increase in cash and cash equivalents	(91,962)	1,253,379
Cash and cash equivalents at July 1	1,291,678	38,299
	-----	-----
Cash and cash equivalents at June 30	34 1,199,716	1,291,678
	=====	=====

The annexed notes form an integral part of these accounts

**D. M. Weston**  
Chairman & Chief Executive

**A. Khawaja**  
Director

## Notes to the Accounts for the year ended June 30, 1999

### 1. THE COMPANY AND ITS OPERATIONS

Shell Pakistan Limited is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. The company markets petroleum and petrochemical products. It also blends and markets various kinds of lubricating oils.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Accounting convention

These accounts have been prepared under the historical cost convention, except to the extent that certain fixed assets pertaining to Pak People Products Corporation (Private) Limited, one of the six subsidiary companies amalgamated in 1998, have been included at revalued amounts.

**(b) Staff retirement benefits**

Except for certain expatriates for whom benefits are provided by membership of the Shell Overseas Contributory Pension Fund, staff retirement benefits include:

i) approved funded pension and gratuity schemes for both management and unionised staff. Contributions for management staff have been made on the basis of actuarial recommendation at the rate of 16.2% per annum and 4.45% per annum of basic salaries for pension and gratuity respectively. No contributions were made for unionised staff on the basis of actuarial recommendation. The actuarial valuation is normally carried out once in every three years. The latest valuation for management and unionised staff was carried out as at June 30, 1999. The fair value of the schemes' assets and liabilities for past services of the employees at the latest valuation date were Rs.388.435 million and Rs.388.435 million respectively for the pension scheme and Rs.36.545 million and Rs.41.146 million respectively for the gratuity scheme. The Projected Unit Credit method using the following significant assumptions is used for the valuation of these schemes:

- Expected rate of increase in salary level at 13.50% per annum.
- Expected rate of interest at 15.75% per annum; and

ii) approved contributory provident funds for all employees.

During the current year Rs.29.841 million was charged as an expense in respect of the above benefits (1998:Rs.28.140 million).

Benefits under the pension and gratuity schemes are payable to staff on completion of prescribed qualifying period of service.

**(c) Taxation**

**Current**

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

**Deferred**

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

**(d) Investments**

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

**(e) Stores and spares**

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

**(f) Fixed assets and depreciation**

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

Depreciation is charged to income applying the straight line method whereby the cost or revalued amount of an asset is written off over its estimated useful life.

Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which an asset is disposed of.

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

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

**(g) Stock-in-trade**

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

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

**(h) Foreign currencies**

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

**(i) Revenue recognition**

- \* Sales are recorded on despatch of goods to customers.
- \* Commission income is recognised on shipment of goods by the principals.
- \* Dividend income is recognised on receipt basis.

**(j) Liabilities against assets subject to finance lease**

Finance charge under the lease agreement is allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

**3. TANGIBLE FIXED ASSETS**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Operating fixed assets -Note 3.1	3,086,686	1,929,193
Capital work-in-progress -Note 3.5	424,618	1,172,206
	-----	-----
	3,511,304	3,101,399
	=====	=====

**3.1 Operating fixed assets**

The following is a statement of operating fixed assets

<i>Cost and Revaluation at July1,1998</i>	<i>Additions/ (disposals)</i>	<i>Cost and Revaluation at June30,1999</i>	<i>Accumulated depreciation at July1,1998</i>	<i>Charge for the year (accumulated depreciation</i>	<i>Accumulated depreciation at June30, 1999</i>	<i>Book value at June30, 1999</i>	<i>Annual rate of depreciation %</i>
---	-------------------------------	--	---	--	---	-----------------------------------	--------------------------------------

*on disposals)**(Rupees '000)*

Freehold land	70,591	27,905 (371)	98,125	--	--	--	98,125	--
Leasehold land	62,075	463	62,538	9,127	3,027	12,154	50,384	5
Buildings on free hold land	105,245	7,885 (6,187)	106,943	16,203	5,574 (3,842)	17,935	89,008	5
Buildings on leasehold land	687,810	581,341 (24,668)	1,244,483	128,016	52,693 (3,154)	177,555	1,066,928	5 to 10
Tanks and pipelines	657,461	247,415 (14,275)	890,601	192,732	75,785 (12,018)	256,499	634,102	10
Plant and machinery	158,868	37,654 (1,617)	194,905	91,953	11,918 (1,450)	102,421	92,484	10
Airconditioning plant	12,461	19,775 (430)	31,806	11,548	2,126 (382)	13,292	18,514	10
Lifts	4,481	95	4576	2,793	239	3,032	1,544	10
Dispensing pumps	278,235	158,556 (6,206)	430,585	162,101	43,470 (2,028)	203,543	227,042	15
Rolling stock and vehicles	143,634	59,858 (11,259)	192,233	48,817	31,285 (1,640)	78,462	113,771	10 to 25
Electrical, mechanical and fire fighting equipment	255,325	130,049 (11,893)	373,481	79,013	33,707 (2,525)	110,195	263,286	10
Furniture, office equipment and other assets .	156,747	190,425 (5,761)	341,411	67,153	30,907 (2,479)	95,581	245,830	10 to 15
Personal computers	72,156	60,670 (8,245)	124,581	41,165	31,442 (3,710)	68,897	55,684	33.33
Main frame	18,374	7,213	25,587	8,164	6,278	14,442	11,145	25
Assets held under finance lease								
-Vehicles	113,109	55,266	168,375	8,594	40,942	49,536	118,839	25
1999	2,796,572	1,584,570 (90,912)	4,290,230	867,379	369,393 (33,228)	1,203,544	3,086,686	
1998	1,600,999	1,200,818 (5,245)	2,796,572	658,078	213,688 (4,387)	867,379	1,929,193	

3.2 Included in the fixed assets are certain assets of Pak People Products Corporation (Private) Limited, one of the six subsidiary companies amalgamated in 1998, which have been included at revalued

amounts. The revaluation was carried out on September 30, 1977 and resulted in a surplus of Rs.2.946 million. The surplus arising on revaluation has been fully depreciated.

### 3.3 The depreciation charge for the year has been allocated as follows:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Cost of products sold	8,239	3,263
Administrative and marketing expenses - Note 25	320,212	201,831
	-----	-----
	328,451	205,094
Recoverable from the Government of Pakistan under Petroleum Products (Development Surcharge) Rules, 1967	40,942	8,594
	-----	-----
	369,393	213,688
	=====	=====

### 3.4 The following assets were disposed of / deleted during the year:

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
	<i>(Rupees '000)</i>					
Freehold land	371	--	371	164	Negotiation	Burshane (Pakistan) Limited
Buildings on freehold land	6,187	3,842	2,345	2,216	Negotiation	--do--
Buildings on leasehold land	24,668	3,154	21,514	--		-- Written-off --
Tanks and Pipelines	3,569	1,312	2,257	--		-- Written-off --
	3,723	3,723	--	1,649	Negotiation	Burshane (Pakistan) Limited
items with written down value not exceeding Rs 5,000 each	6,983	6,983	--	1,471	Various	
	-----	-----	-----	-----		
	14,275	12,018	2,257	3,120		
	-----	-----	-----	-----		
Balance carried forward	45,501	19,014	26,487	5,500		
Balance brought forward	45,501	19,014	26,487	5,500		
Plant & Machinery	1,313	1,161	152	581	Negotiation	Burshane (Pakistan) Limited
	111	97	14	--		-- Written-off --
Items with written down value not exceeding Rs 5,000 each	193	192	1	33		Various
	-----	-----	-----	-----		
	1,617	1,450	167	614		
Airconditioning plant	430	382	48	--		-- Written-off --
Dispensing pumps	6,206	2,028	4,178	--		-- Written-off --
Rolling stock and vehicles	250	29	221	255	Negotiation	Hasan Madani (Employee)
	250	29	221	351	Negotiation	Saleem-ud-din Ahmed, Karachi
	250	29	221	302	Negotiation	Arshad Said (Ex-employee)
	69	9	60	242	Negotiation	M.I. Ali (Ex-employee)

	250	41	209	615	Negotiation	Yousuf Kasim, Karachi
	143	19	124	411	Auction	Dost Mohammad, Karachi
	69	10	59	242	Negotiation	Naveed Iqbal, Karachi
	3,160	719	2,441	2,924	Insurance Claim	Commercial Union Assurance Company Plc.
	5,770	--	5,770	5,050	Negotiation	New Cardeals
	66	9	57	279	Auction	Shams-un-nisa, Karachi
	568	332	236	676	Negotiation	Automobile Corporation of Pakistan (Private) Limited
	47	47	--	40	Negotiation	Burshane(Pakistan) Limited
Items with written down value not exceeding Rs 5,000 each	367	367	--	3,696		Various
	-----	-----	-----	-----		
	11,259	1,640	9,619	15,083		
Electrical, mechanical and fire fighting equipment	8,365	488	7,877	8,203	Negotiation	SmithKline Beecham
	1,352	1,330	22	599	Negotiation	Burshane (Pakistan) Limited
	2,137	675	1,462	--		-- Written-off --
Items with written down value not exceeding Rs 5,000 each	39	32	7	24		Various
	-----	-----	-----	-----		
	11,893	2,525	9,368	8,826		
Balance carried forward	76,906	27,039	49,867	30,023		
Furniture, office equipment and other assets	197	51	146	34	Negotiation	R. Brunier (Ex-employee)
	3,280	1,017	2,263	--		-- Written-off --
	410	403	7	132	Negotiation	Burshane (Pakistan) Limited
	57	21	36	30	Negotiation	Arshad Said (Ex-employee)
	57	21	36	30	Negotiation	Arshad Said (Ex-employee)
	23	5	18	37	Negotiation	Shazia Khan (Employee)
	23	5	18	2	Negotiation	Shazia Khan (Employee)
	7	2	5	1	Negotiation	Muneeza Qasim (Employee)
	7	2	5	1	Negotiation	Muneeza Qasim (Employee)
	150	31	119	22	Negotiation	Amir Rizwan, Karachi
	65	22	43	20	Auction	All Muhammad (Ex-employee)
	79	17	62	36	Auction	Umer Farooq, Karachi
	15	3	12	11	Negotiation	Naeem Sharafat (Employee)
	20	8	12	13	Negotiation	Ahsan Abidi (Ex-employee)
	23	4	19	20	Negotiation	Y.A. Burney (Ex-employee)
	20	12	8	12	Negotiation	M.I. All(Ex-employee)
	20	9	11	19	Negotiation	Naveed Khan (Ex-employee)
	20	9	11	13	Negotiation	Zia-ur-Rehman (Ex-employee)
	20	8	12	15	Negotiation	Matin Siddiq (Ex-employee)
	21	7	14	14	Negotiation	Javed Aftab (Ex-employee)
	24	5	19	19	Negotiation	Shahid All (Ex-employee)
	24	6	18	18	Negotiation	Aneeta Naseer (Ex-employee)
	20	9	11	13	Negotiation	Asad Ayyub (Ex-employee)
	117	28	89	88	Negotiation	Naeem Sharafat (Ex-employee)
	7	2	5	5	Negotiation	Feroze Cowasiee (Ex-employee)
	67	45	22	50	Auction	Mohammad Ibrahim, Karachi
	15	9	6	8	Negotiation	Ejaz Akhtar (Ex-employee)
	19	5	14	18	Negotiation	Y.A. Burney (Ex-employee)
	17	9	8	14	Negotiation	Naeem Sharafat (Ex-employee)
	17	8	9	10	Negotiation	M. Mushtaq (Employee)

	19	6	13	14	Negotiation	Usman Shaukat (Ex-employee)
	20	3	17	17	Negotiation	Farhad Hassan (Ex-employee)
	22	3	19	19	Negotiation	M.I. All (Ex-employee)
	21	2	19	20	Negotiation	Q. Zaman (Ex-employee)
	19	7	12	18	Negotiation	Aneeta Naseer (Ex-employee)
Items with written down value not exceeding Rs 5,000 each	819	675	144	698		Various
	5,761	2,479	3,282	1,491		
Personal computers	8,184	3,698	4,486	4,727	Insurance Claim	Commercial Union Assurance Company Plc.
	61	12	49	--		-- Written-off --
	8,245	3,710	4,535	4,727		
1999	90,912	33,228	57,684	36,241		
1998	5,245	4,387	858	3,531		

### 3.5 Capital work-in-progress

	1999	1998
	(Rupees '000)	
Leasehold land	54	481
Buildings on freehold land	323	4,147
Buildings on leasehold land	62,830	310,962
Tanks and pipelines	99,605	218,368
Plant and machinery	2,378	43,737
Air conditioning plant	2,018	17,642
Lifts	--	76
Dispensing pumps	31,032	78,699
Rolling stock and vehicles	1,643	32,848
Electrical, mechanical and fire fighting equipment	16,748	103,320
Furniture, office equipment and other assets	58,517	153,653
Personal computers	2,629	32,705
Main frame	--	91
Capital stores and spares	146,841	175,477
	424,618	1,172,206

### 4. LONG-TERM INVESTMENTS

	1999	1998
	Percentage holding	Percentage holding
	(Rs'000)	(Rs '000)
Arabian Sea Country Club Limited		
500,000 (1998:500,000 ) ordinary shares of Rs 10 each.	--	5,000
Non-trading subsidiaries	100	1

	5,001	5,001
	=====	=====

Investments in non-trading subsidiaries consists of:

Shell Pakistan Provident Trust (Private) Limited 2 (1998: 2)fully paid ordinary shares of Rs 100 each

Shell Pakistan Pensions Trust (Private) Limited 2 (1998: 2)fully paid ordinary shares of Rs 100 each

#### 5. LONG-TERM LOANS AND ADVANCES - CONSIDERED GOOD

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Due from executives	10,393	10,924
Less: Receivable within one year - Note 10	4,872	4,557
	-----	-----
	5,521	6,367
Due from employees	1,129	1,488
Less: Receivable within one year - Note 10	558	714
	-----	-----
	571	774
Advances to contractors - Note 5.2	43,749	33,334
	-----	-----
	49,841	40,475
	=====	=====
Outstanding for periods		
- less than three years	49,255	40,443
- three years and more	586	32
	-----	-----
	49,841	40,475
	=====	=====

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

The maximum aggregate amount due from executives at the end of any month during the year was Rs.11.566 million (1998:Rs.10.924 million).

5.2 Advances to contractors represents amounts given to various dealers for meeting the working capital requirements of the retail outlets operated by them. These advances carry interest at the contracted rates.

#### 6. LONG-TERM DEPOSITS AND PREPAYMENTS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	



Deposits	3,431	3,480
Prepayments	8,927	14,268
	-----	-----
	12,358	17,748
	=====	=====

#### 7. STORES AND SPARES

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Stores	30,677	18,217
Spares	10,085	7,645
	-----	-----
	40,762	25,862
Less: Provision for obsolete stores and spares	--	5,983
	-----	-----
	40,762	19,879
	=====	=====

#### 8. STOCK-IN-TRADE

Raw and packing materials	134,513	200,954
Finished products		
In hand and in PARCO pipeline system	1,477,011	1,185,062
Less: Held in trust on behalf of the Government of Pakistan	78,164	78,164
	-----	-----
	1,398,847	1,106,898
In exchange account with Pakistan State Oil Company Limited and Caltex Oil (Pakistan) Limited	21,407	15,473
	-----	-----
	1,420,254	1,122,371
Charges incurred thereon	1,554,767	1,323,325
	-----	-----
	409,708	458,837
	-----	-----
	1,964,475	1,782,162
Less: Provision for stock losses	5,646	5,646
	-----	-----
	1,958,829	1,776,516
	=====	=====

#### 9. TRADE DEBTS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Considered good		
- Secured	21,987	22,334
- Unsecured	447,696	302,537
Considered doubtful	52,371	121,965
	-----	-----

	522,054	446,836
Less: Provision for doubtful debts - Note 9.1	52,371	121,965
	-----	-----
	469,683	324,871
	=====	=====

Amounts due from associated undertakings at the year-end aggregated to Rs.57.251 million (1998: Rs.80.749 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs.66.667 million (1998:Rs.187.144 million).

#### 9.1 Provision for doubtful debts

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Balance at July 1	121,965	178,042
Provision made during the year- Note 25	2,053	2,500
Provision transferred to other receivables	(7,802)	--
Amount written off against provision	(16,175)	(58,577)
Amount written back - Note 26	(47,670)	--
	-----	-----
Balance at June 30	52,371	121,965
	=====	=====

#### 10. LOANS AND ADVANCES - CONSIDERED GOOD

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Loans due from		
- Executives Note 5	4,872	4,557
- Employees - Note5	558	714
	-----	-----
	5,430	5,271
Advances to		
- Executives	1,454	577
- Employees	118	543
	-----	-----
	1,572	1,120
	-----	-----
	7,002	6,391
	=====	=====

The maximum aggregate amount of advances to the Director and Executives at the end of any month during the year were Rs.300 thousand and Rs.2,069 thousand respectively (1998: Director Rs.114 thousand and Executives Rs.1,108 thousand).

#### 11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Balances with statutory authorities		
- Customs duty	2,955	10,653
- Excise duty	35,227	8,870
- Development surcharge	26,356	31,390

	64,538	50,913
Trade deposits	280	617
Short-term prepayments	16,396	30,659
	81,214	82,189

**12. OTHER RECEIVABLES**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Claim for inland freight equalisation deficit	47,627	80,886
Claim for refund of customs and excise duties	35,053	15,519
Claim for refund of price differential on imported purchases	112,423	--
Railway claims	6,569	6,478
Recoverable from oil companies	29,118	10,438
Amount due from Burshane (Pakistan) Ltd.	11,477	2,887
Advances to suppliers	17,193	10,586
Recoverable from staff retirement benefit funds	80,404	5,368
Interest receivable on short-term deposits	8,314	15,207
Workers' profit participation fund - Note 16.1	42	--
Others	23,179	43,164
	371,399	190,533
Less: Provision for doubtful claims - Note 12.1	49,635	33,178
	321,764	157,355

Amount due from associated undertakings at the year-end aggregated to Rs.94.405 million (1998: Rs.28.215 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs.111.132 million (1998:Rs.28.215 million).

**12.1 Provision for doubtful claims**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Balance at July 1	33,178	39,328
Provision made during the year- Note 25	8,655	--
Provision transferred from trade debts	7,802	--
Amount written off against provision	--	(6,150)
Balance at June 30	49,635	33,178

**13. CASH AND BANK BALANCES**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
With banks		
- on deposit accounts	95,459	804,691

- on current accounts	736,207	379,682
Remittances in transit	25,540	29,231
In hand		
- cheques	396,398	75,925
- cash	19,691	11,004
	-----	-----
	1,273,295	1,300,533
	=====	=====

#### 14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has entered into leasing agreements with a leasing company for lease of tank lorries. The liabilities under these agreements are payable by October 2003 and are subject to finance charge at the rate of 20.75 percent per annum. An additional charge of 3 percent per month is also leviable on over due rentals.

The company intends to exercise its option to purchase the leased tank lorries for Rs.16.837 million upon completion of the lease periods.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

Year	1999 (Rupees '000 )	1998 (Rupees '000 )
1998 - 1999	--	33,439
1999- 2000	49,778	33,439
2000- 2001	49,778	33,439
2001- 2002	49,778	33,439
2002- 2003	52,729	36,389
2003 - 2004	9,611	--
	-----	-----
	211,674	170,145
Less: Finance charge not due	63,322	57,747
	-----	-----
	148,352	112,398
Less: Current maturity shown under current Liabilities	24,144	12,164
	-----	-----
	124,208	100,234
	=====	=====

1999  
(Rupees '000 )

#### 15. SHORT-TERM RUNNING FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS -- Secured

	73,579	8,855
	=====	=====

The facility for short-term running finances available from various banks amounts to Rs.1,348.10 million (1998:Rs.897.40 million). The rates of mark-up range from Re0.383 to Re.0.397 per Rs.1,00D per day (1998: Re. 0.383 to Re. 0.410 per Rs.1,000 per day). The purchase prices are payable on various dates by April 30, 2000. These arrangements are secured by way of pari passu charges against hypothecation of the company's stock-in-trade, trade debts and other receivables.

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

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Creditors	1,471,338	1,446,211
Accrued liabilities	803,788	682,977
Mark-up accrued on secured		
- short-term running finances	9	1,793
- redeemable capital	--	647
Excise and customs duties and development surcharge	280,041	216,979
Sales tax	26,591	15,446
Dealers' security deposits - refundable on termination of dealership	101,137	95,792
Advances from customers	156,087	155,038
Price differential on imported purchases payable to Government of Pakistan	--	271,922
Workers' welfare fund	31,089	20,121
Workers' profit participation fund - Note 16.1	--	4,028
Unclaimed dividends	91,808	23,066
Retention money	266	275
Other liabilities	61,187	46,755
	-----	-----
	3,023,341	2,981,050
	=====	=====

Amount due to associated undertakings at the year-end aggregated to Rs.309.479 million (1998: Rs.405.441 million).

**1.6.1 Workers' profit participation fund**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Balance at July 1	4,028	1,426
Allocation for the year - Note 28	71,955	49,395
	-----	-----
	75,983	50,821
Less: Amount paid	76,025	46,793
	-----	-----
Balance at June 30	(42)	4,028
	=====	=====

**17. SURPLUS ON REVALUATION OF FIXED ASSETS**

This represents surplus over book value produced by a revaluation of fixed assets of Pak People Products Corporation (Private) Limited on September 30, 1977, one of the six subsidiary companies amalgamated in 1998.

**18. DEFERRED TAXATION**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
This is composed of the following:		
Deferred liability arising in respect of tax depreciation allowances	124,900	76,697

Deferred asset in respect of short-term provisions	(18,500)	(24,733)
	-----	-----
	106,400	51,964
	=====	=====

## 19. CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

(a) Octroi levies amounting to approximately Rs.440.560 million (1998:Rs.421.428 million).

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

(b) Claims against the company not acknowledged as debts were approximately Rs.246.160 million (1998:Rs.222.414 million).

### 19.2 Commitments

(a) Capital expenditure contracted for but not incurred amounted to approximately Rs.152.447 million (1998:Rs.139521 million).

(b) Commitments for rentals of assets under operating lease agreements amounted to Rs.38.446 million (1998:Rs.25.779 million) payable as follows:

<i>Year</i>	<i>( Rupees '000 )</i>
1999-2000	16,200
2000-2001	11,563
2001-2002	8,862
2002-2003	1,821
	-----
	38,446
	=====

## 20. SHARE CAPITAL

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
<b>Authorised capital</b>		
50,000,000 ordinary shares of Rs.10 each	500,000	500,000
=====	=====	=====
<b>Issued, subscribed and paid-up capital</b>		
23,481,000 ordinary shares of Rs.10 each fully paid in cash	234,810	234,810
11,584,800 ordinary shares of Rs.10 each -----issued as fully paid bonus shares	115,848	115,848
35,065,800	350,658	350,658
=====	=====	=====

The Shell Petroleum Company Limited, United Kingdom held 18,093,804 (1998: 18,093,804)

ordinary shares of Rs.10 each at June 30, 1999.

**21. RESERVES**

	<i>CAPITAL</i> <i>(Share premium)</i>	<i>REVENUE</i> <i>(General)</i>	<i>TOTAL</i>	
			<i>1999</i>	<i>1998</i>
			<i>(Rupees '000)</i>	
Balance at July 1	2,026,024	207,002	2,233,026	830,394
On issue of right shares during the year	--	--	--	1,402,632
Balance at June 30	2,026,024	207,002	2,233,026	2,233,026

**22. DUTIES, TAXES AND LEVIES**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
'Development surcharge	22,442,105	13,776,224
Excise duty	1,097,700	978,953
Customs duty	608,283	670,250
Inland freight equalisation margin	2,310,386	1,959,658
Sales tax	532,050	411,074
Local duties, octroi and other levies	40,416	48,919
Wharfage	827	1,141
	27,031,767	17,846,219

**23. COST OF PRODUCTS SOLD**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Opening stock of raw and packing material	200,954	155,701
Raw and packing material purchased	1,333,329	1,198,915
Less: Closing stock of raw and packing material	134,513	200,954
Raw and packing material consumed	1,399,770	1,153,662
Add: Manufacturing expenses	49,514	40,538
Cost of products manufactured	1,449,284	1,194,200
Opening stock of finished products	1,116,725	1,334,412
Finished products purchased	18,783,148	21,517,636
Less: Closing stock of finished products	1,414,608	1,116,725
	19,934,549	22,929,523

**24. TRANSPORTATION EXPENSES**

Gross expenditure	3,475,623	2,966,517
Less: Recoverable against inland freight equalisation margin	3,306,946	2,823,393
	168,677	143,124

=====

**25. ADMINISTRATIVE AND MARKETING EXPENSES**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000 )</i>	
Salaries, wages and benefits	504,626	391,160
Staff training	13,515	13,055
Stores and materials	43,063	12,120
Fuel and power	37,127	30,663
Rent, taxes and utilities	80,778	68,003
Lease rentals and charges	19,224	16,860
Repairs and maintenance	60,166	45,253
Insurance	37,480	35,090
Travelling	84,109	66,889
Advertising and publicity	94,749	116,983
Technical service fee	40,249	39,643
Legal and professional charges	24,888	20,086
Communication and stationery	67,015	48,366
Computer expenses	13,889	9,566
Depreciation - Note 3.3	320,212	201,831
Provision for doubtful debts - trade	2,053	2,500
- others	8,655	--
Capital work-in-progress written off	6,041	--
Unallocated capital expenditure written off	--	20,351
Bad debts written off	8,897	13,194
Others	15,983	9,993
	-----	-----
	1,482,719	1,161,606
Less: Handling and storage charges recovered	2,084	29,864
	-----	-----
	1,480,635	1,131,742
	=====	=====

**26. OTHER INCOME**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
Non fuel retail income	21,973	20,633
Interest on short-term deposits	90,616	52,585
License/franchise fee recovered from dealers	43,037	24,500
Insurance commission	6,090	5,280
Profit on disposal of fixed assets	--	2,673
Provision no longer required written back	47,670	27,427
Liabilities no longer payable written back	20,113	18,293
Commission and agency fee	1,637	1,499
Technical service fee	570	--
Exchange gain	6,848	7,165
Scrap sales	1,162	1,925
Sundries	6,941	2,500
	-----	-----
	246,657	164,480
	=====	=====

**27. FINANCIAL CHARGES**



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

Mark-up on short-term running finances	2,407	25,845
Mark-up on redeemable capital	297	28,757
Finance charge on liabilities against assets subject to finance lease	28,801	6,917
Bank charges	32,422	30,857
Excise duty on short-term finances	15	--
	-----	-----
	63,942	92,376
Less: Finance charge recoverable from the Government of Pakistan under Petroleum Products (Development Surcharge) Rules, 1967	28,801	--
Interest from cartage contractors	178	86
Others	486	74
	-----	-----
	29,465	160
	-----	-----
	34,477	92,216
	=====	=====

## 28. OTHER CHARGES

Auditors' remuneration - Note 28.1	5,526	1,948
Workers' welfare fund	26,000	17,000
Workers' profit participation fund - Note 16.1	71,955	49,395
Loss on disposal of fixed assets	21,443	--
Expenses incurred on issuance of right shares	--	6,218
Donations	16,362	5,639
Others	998	--
	-----	-----
	142,284	80,200
	=====	=====

### 28.1 Auditors' Remuneration

Audit-fee	1,000	800
Fee for substantiating inland freight equalisation margin and octroi to the government	160	243
Audit of provident, pension, gratuity and workers' profits participation funds	80	95
Tax services	3,682	174
Special certifications and sundry advisory services	163	391
Out of pocket expenses	441	245
	-----	-----
	5,526	1,948
	=====	=====

28.2 Interest of the directors or their spouses in the donations made during the year is as follows:

<i>Name of Donee</i>	<i>Name of interested directors and nature of interest</i>	<i>Amount donated</i>	
		<i>1999</i>	<i>1998</i>
		<i>(Rupees '000)</i>	

Rotary Club Metropolitan	Mr. T.V. Higgins- Member	200	50
The Layton Rehmatulla Benevolent Trust	Mr. T.V. Higgins -Trustee Mr. Farrokh K. Captain -Trustee	1,250	1,000
The Kidney Centre	Mr. T.V. Higgins - Member, Board of governors	1,000	--
World Wide Fund for Nature, Pakistan	Mr. T.V. Higgins - Member, Board of governors	650	--
The Duke of Edinburgh's Award, Pakistan	Mr. T.V. Higgins - Trustee	200	--

## 29. TAXATION

Current - for the year	405,962	287,282
- for prior years	--	(21,840)
	-----	-----
	405,962	265,442
Deferred	54,436	64,521
	-----	-----
	460,398	329,963
	=====	=====

## 30. EARNINGS PER SHARE

Profit for the year after taxation	880,741	591,551
	Number of shares	
Average ordinary shares / ordinary shares adjusted to account for right issue	35,065,800	30,208,817
	Rupees	
Earnings per share	25.12	19.58
	=====	=====

## 31. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1999			1998		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Managerial remuneration including Rs 14,868 thousand (1998: Nil) paid to executives under voluntary separation scheme	16,730	14,092	195,509	10,364	5,542	154,329
Company's contribution to pension, gratuity and Provident fund	1,828	1,395	33,692	1,362	728	31,802

Housing						
- Rent	600	1,048	49,158	600	633	46,102
- Utilities	521	154	5,648	602	110	4,944
- Other items	160	32	5,649	352	77	6,904
Leave passage	--	--	13,361	--	63	14,587
Medical expenses	87	179	1,186	22	73	1,898
	-----	-----	-----	-----	-----	-----
	19,926	16,900	304,203	13,302	7,226	260,566
	=====	=====	=====	=====	=====	=====
Number of persons	1	3	456	1	2	487

Aggregate amount charged in the accounts for the year for fee to 6 directors was Rs.14 thousand (1998:5 directors Rs.8 thousand).

In addition, the Chief Executive, 2 Directors and some of the Executives were also provided with free use of company cars and 4 of the Executives were also provided with free use of company-owned apartments.

### 32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	<i>1999</i>	<i>1998</i>
	<i>(Rupees '000)</i>	
(i) Purchases	6,136,873	8,460,891
(ii) Sales	524,309	762,367
(iii) Fixed assets having a written down value of Rs. 2,897 thousand sold for	5,381	--
(iv) Chief Executive's expenses charged to associated companies	580	9,279
(v) Other items		
- Technical service fee charged	40,249	39,643
- Handling and storage charges recovered	--	4,365
- Technical service fee received	570	--
- Commission income	1,637	1,499

### 33. CASH GENERATED FROM OPERATIONS

		<i>1999</i>	<i>1998</i>
	<i>Note</i>	<i>(Rupees '000)</i>	
Profit before taxation		1,341,139	921,514
Adjustment for non cash charges and other items:			
Depreciation expense charged to profit and loss account	3.3	328,451	205,094
Unallocated capital expenditure written off	25	--	20,351
Capital work-in-progress written off	25	6,041	--
Loss / (profit) on disposal of fixed assets		21,443	(2,673)
Provision against investment no longer required written back		--	(27,427)
Interest on short-term deposits	26	(90,616)	(52,585)
'Mark-up on short-term running finance	27	2,407	25,845
Mark-up on redeemable capital	27	297	28,757
Finance charge against assets subject to finance lease		--	6,917
Working capital changes	33.1	(473,223)	801,248

-----	-----
1,135,939	1,927,041
=====	=====

**33.1 Working capital changes**

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

**(Increase) / decrease in current assets**

Stores and spares	(20,883)	(11,299)
Stock-in-trade	(182,313)	8,910
Trade debts	(144,812)	228,811
Loans and advances	(611)	658
Trade deposits and short-term prepayments	975	(2,499)
Other receivables (net)	(101,559)	477,157
	-----	-----
	(449,203)	701,738

**(Decrease) /increase in current liabilities**

Creditors, accrued and other liabilities (excluding unclaimed dividends and accrued financial charges)	(24,020)	99,510
	-----	-----
	(473,223)	801,248
	=====	=====

**34. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include:

Cash and bank balances - Note 13	1,273,295	1,300,533
Short-term running finances utilised under mark-up arrangements - Note 15	(73,579)	(8,855)
	-----	-----
	1,199,716	1,291,678
	=====	=====

**35. FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts of the financial assets and liabilities are equal to their fair values.

**35.1 Concentration of credit risk**

The company believes that it is not exposed to major concentration of credit risk.

**35.2 Foreign exchange risk management**

The company obtains forward exchange cover, where necessary and permissible, to hedge foreign currency exposure.

**36. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 586 (1998: 734)

**37. CORRESPONDING FIGURES**

Corresponding figures have been restated, wherever necessary, for the purpose of comparison.

D. M. WESTON

A. KHAWAJA

**Pattern of Shareholding  
as at June 30, 1999**

<i>Number of Shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total Shares</i>
1,090	1	--	50	20,746
540	51	--	100	42,259
2,301	101	--	500	630,026
694	501	--	1,000	510,638
691	1,001	--	5,000	1,503,922
81	5,001	--	10,000	551,533
28	10,001	--	15,000	342,287
7	15,001	--	20,000	124,427
6	20,001	--	25,000	139,050
8	25,001	--	30,000	220,046
5	30,001	--	35,000	161,324
4	35,001	--	40,000	156,242
2	40,001	--	45,000	86,601
4	45,001	--	50,000	189,100
6	50,001	--	55,000	307,542
1	55,001	--	60,000	59,691
1	65,001	--	70,000	65,637
2	70,001	--	75,000	146,546
2	90,001	--	95,000	185,500
1	120,001	--	125,000	123,000
1	125,001	--	130,000	128,600
1	130,001	--	135,000	135,000
1	140,001	--	145,000	141,556
1	170,001	--	175,000	172,375
1	200,001	--	205,000	204,688
1	215,001	--	220,000	217,057
1	240,001	--	245,000	244,050
1	245,001	--	250,000	248,837
1	330,001	--	335,000	333,913
1	350,001	--	355,000	353,400
1	440,001	--	445,000	443,500
1	455,001	--	460,000	458,050
1	550,001	--	555,000	552,582
1	635,001	--	640,000	635,300
1	1,030,001	--	1,035,000	1,034,443
1	6,100,001	--	6,105,000	6,102,528
1	18,090,001	--	18,095,000	18,093,804
-----				-----
5,491				35,065,800
=====				=====

**Categories of Shareholders**

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	5,379	4,109,853	11.71
Investment Companies	18	199,641	0.57
Insurance Companies	10	1,462,259	4.17
Banks	10	510,510	1.46
Modaraba Companies	3	20,940	0.06
Public Limited Companies	3	27,706	0.08
Private Limited Companies	24	61,933	0.18

Financial Institutions	27	8,555,478	24.40
Associated Companies *	1	18,093,804	51.60
Abandoned Properties **	1	204,688	0.58
Corporate Law Authority	1	1	0.00
Joint Stock Companies	1	10,062	0.03
Registered Societies	1	7,250	0.02
Foreign Investment Companies	12	1,801,675	5.14
	-----	-----	-----
	5,491	35,065,800	100.00
	=====	=====	=====

\* This category represents the foreign shareholding of The Shell Petroleum Company Ltd., London.

\*\* This category represents shareholders of Bangladesh, whose dividend is paid to the Administrator, Abandoned Properties Organisation, Government of Pakistan.

## Shell Pakistan Limited

### Accounts of Subsidiary Companies as of December 31, 1998

#### *Balance Sheet as at December 31, 1998*

	<i>1998</i>	<i>1997</i>
<b>AUTHORISED CAPITAL</b>		
10 ordinary shares of Rs 100 each	1,000	1,000
	=====	=====
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
	=====	=====
<b>ASSETS</b>		
Balance with bank on current account	200	200
	=====	=====

Note: As there were no revenue transactions during the year, no profit and loss account has been prepared.

**Chief Executive**

**Director**

#### **Auditor's Report to the Members as at December 31, 1998**

We have audited the annexed Balance Sheet of **Shell Pakistan Provident Trust (Private) Limited** as at December 31, 1998 and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of account; and

(ii) there was no expenditure incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet gives the information required by the Companies Ordinance, 1984 in the manner so required and gives a true and fair view of the state of the Company's affairs as at December 31, 1998; and

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

Karachi: October 6, 1999

**A. F. FERGUSON & CO.**  
**Chartered Accountants**

	<i>1998</i>	<i>1997</i>
<b>AUTHORISED CAPITAL</b>		
10 ordinary shares of Rs 100 each	1,000	1,000
	=====	=====
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
2 ordinary shares of Rs 100 each fully paid in cash	200	200
	=====	=====
<b>ASSETS</b>		
Balance with bank on current account	200	200
	=====	=====

Note: As there were no revenue transactions during the year, no profit and loss account has been prepared.

**Chief Executive**

**Director**

### **Auditor's Report to the Members as at December 31, 1998**

We have audited the annexed Balance Sheet of Shell Pakistan Pension Trust (Private) Limited as at December 31, 1998 and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of account; and

(ii) there was no expenditure incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet gives the information required by the Companies Ordinance, 1984 in the manner so required and gives a true and fair view of the state of the Company's affairs as at December 31, 1998; and

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

Karachi: October 6, 1999

***A. F. FERGUSON & CO.***  
***Chartered Accountants***