Annual Report 2006

MAPLE LEAF CEMENT FACTORY LIMITED

Kohinoor Maple Leaf Group

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Mission Statement

"The Maple Leaf Cement Factory Limited stated mission is to achieve and then remain as the most progressive and profitable company in Pakistan in terms of industry standards and stakeholders interests.

The company shall achieve its mission through a continuous process of having sourced and implemented the best leading edge technology, industry best practice, human resource and by conducting its business professionally and efficiently with responsibility to all its stakeholders and community."

Corporate Strategy

We at Maple Leaf Cement Factory Limited manufacture and market different types of consistently high quality cement, according to the demanding requirements of the construction industry. Our strategy is to be competitive in the market through quality and efficient operations.

As a responsible member of the community, we are committed to serve the interest of all our stakeholders and contribute towards the prosperity of the country.

COMPANY PROFILE

Maple Leaf Cement is a part of Kohinoor Maple Leaf Group (KMLG). The Group comprises of companies, which are ranked amongst the top companies in the cement and textile sector. Maple Leaf Cement Factory Limited (MLCFL) is one of the pioneers of cement industry in Pakistan. MLCFL owns and operates three production lines for grey and three production lines for white cement. The plants are located at Daudkhel District Mianwali. Total annual clinker capacity of Grey Cement is 1.50 million tons while capacity of white cement is 180,000 tons.

- *MLCFL was established by the West Pakistan Industrial Development Corporation (WPIDC) in 1956 and was incorporated as "Maple Leaf Cement Factory Limited" in April, 1960. The capacity of the plant was 300,000 tons clinker per annum.*
- *In 1967, a company with the name of "White Cement Industries Limited" (WCIL) was established with the clinker capacity of 15,000 tons per annum.*
- *In 1974, under the WPIDC Transfer of Projects and Companies Ordinance, the management of two companies, namely MLCFL and WCIL were transferred to the newly established State Cement Corporation of Pakistan (SCCP).*
- *In 1983, SCCP expanded WCIL's white cement plant by adding another unit of the same capacity parallel to the existing one, increasing total capacity to 30,000 tons clinker per annum.*
- *In 1986, SCCP set up another production unit of grey cement under the name of Pak Cement Company Limited (PCCL) with a capacity of 180,000 tons per annum.*
- *In 1992, MLCFL, WCIL and PCCL were privatised and transferred to the KMLG. All three companies were merged into Maple Leaf Cement Factory Limited on July 01, 1992.*
- *In 1994, the company was listed on all Stock Exchanges in Pakistan.*
- *In 1998, separate production line for grey Portland cement of 990,000 tons per annum clinker capacity based on most modern dry process technology was installed.*
- *In 2000, Maple Leaf Electric Company Ltd. (MLEC) a power generation unit was merged into the company.*
- *In 2004, the coal conversion project at new dry process plant was completed.*
- *In 2005, dry process plant capacity was increased from 3,300 tpd to 4,000 tpd through debottlenecking and up-gradation of equipment and necessary adjustments in operational parameters.*
- *In 2006, a project to convert the existing wet process line to a fuel efficient dry process white cement line commenced its commercial production.*
- *Currently, Company has undertaken an expansion project of 6,700 tpd clinker capacity and is expected to commence its commercial production as per schedule.*

COMPANY INFORMATION

Board of Directors
Mr. Tariq Sayeed Saigol
Chairman
Mr. Sayeed Tariq Saigol
Chief Executive
Mr. Waleed Tariq Saigol
Miss Jahanara Saigol
Mr. Usman Said
Mr. S. M. Imran
Mr. Zamiruddin Azar
Mr. Soren Iversen
(Representing FLS & IFU, Denmark)

Audit Committee
Mr. Zamiruddin Azar
Chairman
Mr. Usman Said
Mr. S. M. Imran

Chief Financial Officer
Mr. Arshad Mahmood Qureshi

Company Secretary
Mr. Wasif Mahmood

Bankers of the Company
Allied Bank Limited
Askari Commercial Bank Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
PICIC Commercial Bank Limited
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited
Soneri Bank Limited
Standard Chartered Bank
The Bank of Punjab
The Hongkong & Shanghai Banking Corporation Limited
Union Bank Limited
United Bank Limited

Auditors
Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisors
Mr. Nomaan Akram Raja
Barrister-At-Law
Raja Mohammad Akram & Co.
Advocates and Legal Consultants,
Lahore.

Registered Office
42 - Lawrence Road, Lahore.
Phone: (042) 6278904-5
Fax: (042) 6363184
E-mail: mlcfl@kmlg.com
Website: www.kmlg.com

Factory
Iskanderabad Distt. Mianwali.
Phone: (0459) 392237-8

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 46th Annual General Meeting of the members of Maple Leaf Cement Factory Limited will be held at its Registered Office, 42-Lawrence Road, Lahore on October 31, 2006, Tuesday, at 11.00 A. M. to transact the following business:

1) To confirm the minutes of last annual general meeting held on October 26, 2005.

2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2006 together with Auditors' and Directors' Reports thereon.

3) To appoint Auditors for the financial year 2006-2007 and fix their remuneration.

4) To transact any other business with the permission of the Chair.

By order of the Board

Lahore: October 09, 2006

Company Secretary

Notes:

1. BOOK CLOSURE FOR ORDINARY SHARES

The Share Transfer Books of the Company will remain closed from October 21, 2006 to October 31, 2006 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Shares Department, 42-Lawrence Road Lahore, at the close of business on October 20, 2006 will be considered in time.

2. BOOK CLOSURE FOR THE ENTITLEMENT OF 9.75% DIVIDEND ON PREFERENCE SHARES FOR THE YEAR ENDED JUNE 30, 2006

The Share Transfer Books of preference shares (non-voting) of the Company will remain closed from October 21, 2006 to October 31, 2006 (both days inclusive) for entitlement of preference dividend @ 9.75% per annum. Physical transfers / CDS Transaction IDs received at Company's Shares Department, 42-Lawrence Road, Lahore, at the close of business on October 20, 2006 will be treated in time for entitlement purpose of preferred dividend. The preference shareholders are not entitled to attend the meeting.

3. A member, in respect of ordinary shares held, eligible to attend and vote at this meeting may appoint another member, in respect of ordinary shares held, as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

4. CDC shareholders for ordinary shares, entitled to attend and vote at this meeting, must bring with them their Computerised National Identity Cards / Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

5. Shareholders are requested to immediately notify any change in their addresses to the Company, if any.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 46th Annual Report together with audited accounts of the Company and Auditors' report thereon for the financial year ended June 30, 2006.

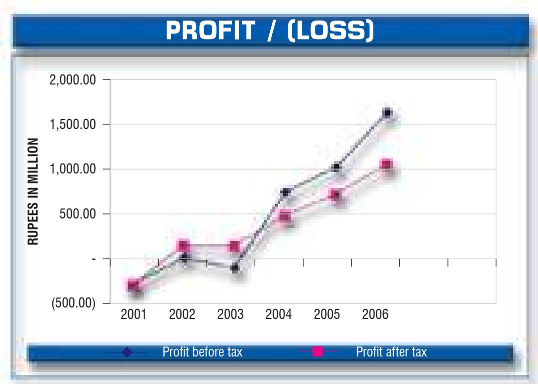
Industry Overview

Pakistan's economy continued to strengthen during the year and the private sector is set to play a pivotal role. A sharp pick up in the industrial, agricultural and services sectors was seen and almost all key indicators of the economy ended on a positive note. Foreign investment continued to increase and is an indication of confidence on the government's economic policies. Pakistan's economy remained on a high growth trajectory during the year.

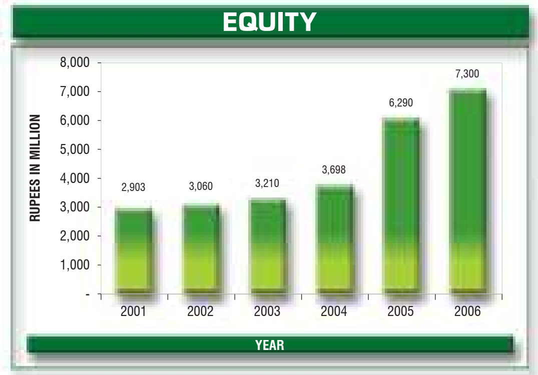
Demand for cement continued to increase in the local market as did export to Afghanistan and the Middle East. The Company is in the process of expanding its production capacity of grey cement from 5,000 tpd clinker to 11,700 tpd clinker to play its part in economic development of the country. The government has allocated larger outlays for development of mega projects for socio-economic development for the masses. Considerable sums have been allocated for spending in remote areas for housing projects, construction of dams, lining of canals and other infrastructure projects. Larger public sector spending on such schemes is expected to further increase cement consumption in the domestic market.

Performance of the Company

2005-06 was an exceptionally high performance year for the entire sector and in line with industry norms, the Company achieved highest cement production of 1,469,717 metric tons and sales volume of 1,470,051 metric tons. After tax profitability of the Company reached Rs. 1,059.240 millions which is 45.61% higher compared to the last financial year.



Sales volume during the year under review was 1,470,051 metric tons grey cement and 34,740 metric tons white cement as compared to the corresponding year of 1,325,041 metric tons grey and 36,057 metric tons white cement. The cement production during the year was recorded at 1,469,717 metric tons grey and 34,780 metric tons white as compared to corresponding figures of 1,328,742 metric tons grey and 35,647 metric tons white cement.

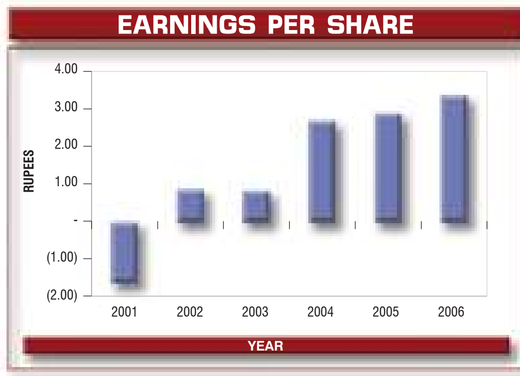


Overall capacity utilization attained by the Company during the year under review was 93% for grey and 48% for white cement as compared to corresponding period 90% grey and 116% white cement. The percentage decrease in capacity utilization of white cement is due to only three months operation of new dry process plant of 500 tpd production capacity. This plant commenced commercial production on April 01, 2006. The existing domestic demand for white cement was insufficient to absorb the additional production capacity.

Financial Results

The Company achieved highest ever gross sales volume of Rs. 7,955 million during the year with net sales amounting to Rs. 5,710 million after payment of Rs. 2,165 million towards Central Excise Duty and General Sales Tax and Rs. 80.026 million as commission to distributors.

Pre-tax profit of the Company increased by 59.12% as compared to last year. The pre-tax profit was recorded at Rs. 1.635 billion after accounting for all charges including depreciation of Rs. 372.734 million and financial charge of Rs. 340.978 million against preceding year's pre-tax profit of Rs. 1.027 billion. The improvement in operating results of the Company was mainly due to better selling price, higher capacity utilization and use of larger amount of coal and natural gas instead of furnace oil. The basic earnings per share (EPS) is Rs. 3.38 whereas diluted EPS is Rs. 3.29 for the year ended June 30, 2006 as compared to Rs. 2.90 and Rs. 2.88 last year, respectively.



Appropriation of Profit

The Directors feel that the benefit of improved results must also be passed on to the members but keeping in view huge investment in the ongoing expansion project and increased cost of borrowing, which has put strain on cash flows, the Board considers it prudent to pass over payment of dividend this year.

The Directors are pleased to propose the following appropriation:

	Rupees in thousand
Profit before taxation	1,634,814
Provision for taxation	575,574
Profit after taxation	1,059,240
Un-appropriated profit brought forward	56,393
Profit available for appropriation	1,115,633
Appropriations:	
Transfer to general reserve	600,000
Transfer to preference shares redemption reserve	90,245
Dividend on preference shares	52,794
Un-appropriated profit carried forward	372,594

As per issue terms of the Preference Shares, Rs. 90.245 million has been transferred to “Preference Shares Redemption Reserve” and dividend @ 9.75% per annum is declared for this year.

Subsequent Effects

The changes in Companies Ordinance, 1984 require that events subsequent to the financial year end, including declaration of dividends and bonus shares, should be incorporated in the financial period in which it is declared. Therefore, the bonus shares for the year 2005 announced on September 17, 2005 by the Board, is reflected in the financial statements for the year 2006.

Fuel Prices

Unsettled global conditions particularly in the Middle East, continued to create panic in the world markets and prices of oil continued to rise. Consequently, global demand for coal also increased and China curtailed supply of coal to the export markets. Coal prices remained high in the international and domestic markets. The Company mostly relies on coal being a much cheaper source of energy than furnace oil for calcining process. Price of natural gas also increased during the current year whereas furnace oil has become a prohibitively expensive fuel having direct impact on cost of power generation. This has impacted negatively on profitability and margins as there is no option but to use furnace oil for power generation.

Export Market

Restriction on export of cement is deterring the full potential of this sector. Keeping in view the huge cement production capacity coming online in the next financial year, it is hoped that the government will reconsider its cement policy on an urgent basis and prevent the industry from going into a crisis owing to over supply.

Progress of Ongoing Projects

- The expansion project of grey cement 6,700 tpd clinker capacity based on most modern dry process technology is progressing as per schedule. Crusher & storage areas for both lime stone and clay are ready for commissioning, in other areas civil works are near completion whereas, mechanical & electrical erection are progressing as per planned schedule, it is expected that clinker production shall Inshallah commence in December, 2006. When commissioned, total annual grey clinker capacity of the Company will increase from 1.50 million tons to 3.51 million tons i.e. by 134%.

- The work on augmentation of power generation plant, which is part of the above expansion project is on schedule, the civil works are progressing as per schedule, shipment of the imported plant and machinery has also been started and the contract for mechanical and electrical erection have been awarded. Contractor has mobilized at site to start erection.

View of newly commissioned white cement dry process plant of 500 tpd

Future Prospects

The huge ongoing capacity expansion in the cement industry is poised to double capacity. The future outlook of the cement industry largely depends upon the continuation of the economic reforms initiated by the government, development of infrastructure schemes, the housing sector and opportunities for export to Afghanistan and Gulf markets where large scale construction activities are underway.

However, profitability of the Company will be adversely affected due to increased competition from new capacities coming on line. The Company is preparing itself for this enhanced competition by developing specialized cement products, export to Afghanistan, Gulf & other countries and by taking measures to minimize cost.

Another serious concern is the sharp increase in interest charges which will affect the prospects of the new 6,700 tpd clinker line.

Social Sector Projects

Your Company regards itself as a responsible member of civic society and in conjunction with other entities of the Kohinoor Maple Leaf Group, has participated in:-

- helping alleviate suffering of the teeming millions affected by the sad and sudden calamity in Northern Pakistan and Azad Kashmir due to the severe earthquake on October 08, 2005. The Company has contributed Rs. 10 million towards the President's Relief Fund for earthquake victims-2005.

- construction of Sayeed Saigol Cardiac Complex at Gulab Devi Hospital, Lahore is near completion and the Company has donated a further sum of Rs. 9.450 million during the current fiscal year towards this project.

Research & Development

Research & development is an integral part of the Company's policy of development of new products and improving efficiency of the plant to reduce cost. After development, trial production of oil well cement was carried out which has a positive feed back from potential customers. The Company is now in the process of certification from the appropriate organization, American Petroleum Institute (API). The old wet kilns have been earmarked for production of special products.

Compliance of Code of Corporate Governance

The Board reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good corporate governance.

Your Directors are pleased to report that:

a) the financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity

b) proper books of account have been maintained by the Company

c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements

e) the existing internal control system and procedures is continuously reviewed by the internal auditor. The process of review will continue by the Audit Committee to monitor the effective implementation

f) there are no significant doubts upon the Company's ability to continue as a going concern

g) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of stock exchanges

h) key operating and financial data of last six years is annexed

i) the value of investment of provident fund and gratuity trust, based on their respective audited accounts of June 30, 2006 is given hereunder:

	Rupees in thousand
Provident Fund	249,905
Gratuity Fund	37,540

j) a total number of four Board of Directors' meetings were held during the year

The attendance by each Director is given as follows:

Name of Directors	**No. of Meetings Attended**
Mr. Tariq Sayeed Saigol	3
Mr. Sayeed Tariq Saigol	4
Mr. Waleed Tariq Saigol	-
Miss Jahanara Saigol	1
Mr. Usman Said	4
Mr. S. M. Imran	4
Mr. Zamiruddin Azar	4
Mr. Soren Iversen (Rep. FLS & IFU, Denmark)	-

The Directors who could not attend the Board Meeting were duly granted leave of absence. Miss Jahanara Saigol was co-opted as Director on February 18, 2006 in place of outgoing Director Mr. Aamir Fayyaz Sheikh.

k) The Company allotted 10% bonus shares for the year ended June 30, 2005 to the members including the Directors' and impact of this is reflected in the annexed pattern of shareholding. However, Mr. Usman Said, Director, sold 8,000 ordinary shares of the Company during the year.

Redemption of Term Finance Certificates (19-07-2002)

Directors are pleased to state that the Company has redeemed its Term Finance Certificates amounting to Rs. 250 million with principal and profit thereon in full on July 19, 2006 and there is no outstanding liability relating thereto. These instruments were issued in July 2002 to the public for setting up of coal project at site.

Pattern of Shareholding

The Shareholding Pattern of the Company as on June 30, 2006 is annexed.

Auditors

The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, Lahore, retire and being eligible, have offered themselves for re-appointment. The Audit Committee has recommended their re-appointment for the next term.

Acknowledgements

The Board wishes to extend its gratitude to the shareholders, financial institutions, customers and suppliers for their valued support and cooperation to the Company.

The Board also appreciates the efforts put in by the staff / workers and officers who are the premier and the most valuable asset of the Company and have worked hard in achieving the targets and smooth running of the plant.

For and on behalf of the Board

Lahore: September 25, 2006

Chief Executive

SIX YEARS SUMMARY

	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Quantitative Data (M. Tonnes)						
Grey Cement:						
Production	**1,469,717**	1,328,742	1,118,187	1,007,059	963,117	897,688
Sales	**1,470,051**	1,325,041	1,127,261	1,008,484	961,867	906,757
White Cement:						
Production	**34,780**	35,647	36,759	39,183	37,040	37,841
Sales	**34,739**	36,057	36,217	40,160	35,985	37,892
Sales (Rs. 000)						
Gross Sales	**7,954,901**	6,193,443	4,967,465	4,025,267	4,230,526	3,815,068
Less: Excise Duty	**1,128,106**	1,020,618	872,608	1,028,664	997,852	1,014,771
Sales Tax	**1,036,977**	807,589	656,019	534,239	561,393	403,408
Commission	**80,026**	74,502	63,039	57,557	54,124	45,551
Net Sales	**5,709,792**	4,290,734	3,375,799	2,404,807	2,617,157	2,351,338
Profitability (Rs. 000)						
Gross Profit / (Loss)	**2,148,580**	1,327,932	1,148,228	361,550	665,123	284,067
Profit / (Loss) Before Tax	**1,634,814**	1,027,378	751,507	(92,916)	170,649	(269,180)
Provision for Income Tax	**(575,574)**	(299,928)	(264,035)	243,019	(13,356)	(15,236)
Profit / (Loss) After Tax	**1,059,240**	727,450	487,472	150,103	157,293	(284,416)
Financial Position (Rs. 000)						
Tangible Fixed Assets-Net	**16,088,505**	8,462,382	5,562,682	5,497,285	5,597,769	5,952,631
Investment & Other Assets	**40,445**	26,532	25,660	272,809	15,860	31,474
	16,128,950	8,488,914	5,588,342	5,770,094	5,613,629	5,984,105
Current Assets	**2,664,462**	1,940,059	1,499,266	1,551,334	1,029,875	949,934
Current Liabilities	**(2,649,519)**	(1,595,499)	(1,188,435)	(1,156,620)	(889,117)	(2,147,769)
Net Working Capital	**14,943**	344,560	310,831	394,714	140,758	(1,197,835)
Capital Employed	**16,143,893**	8,833,474	5,899,173	6,164,808	5,754,387	4,786,270
Less Long Term Loan & Other Liab.	**(8,844,156)**	(2,543,012)	(2,201,629)	(2,954,736)	(2,694,418)	(1,883,594)
Share holders Equity	**7,299,737**	6,290,462	3,697,544	3,210,072	3,059,969	2,902,676
Represented By:						
Share Capital	**3,519,581**	3,248,844	1,804,913	1,804,913	1,804,913	1,804,913
Reserves & Un-app. Profit	**3,780,156**	3,041,618	1,892,631	1,405,159	1,255,056	1,097,763
	7,299,737	6,290,462	3,697,544	3,210,072	3,059,969	2,902,676
Ratios:						
Gross Profit / (Loss) to Sales (%age)	**37.63**	30.95	34.01	15.03	25.41	12.08
Net Profit / (Loss) to Sales (%age)	**18.55**	16.95	14.44	6.24	6.01	(12.10)
Debt Equity Ratio	**52:48**	26:74	37:63	48:52	47:53	39:61
Current Ratio	**1.01**	1.22	1.26	1.34	1.16	0.44
Break Up Value per share of Rs. 10 each	**20.74**	19.36	20.49	17.79	16.95	16.08

PATTERN OF SHAREHOLDING (ORDINARY SHARES)

1. Incorporation Number KAR No. 820 of 1959-60
2. Name of Company Maple Leaf Cement Factory Limited
3. Pattern of holding of the shares held by the shareholders as at 30-06-2006
4.

No. of Shareholders	Size of Holding From	Size of Holding To	Total shares held
1,851	1	100	90,598
2,849	101	500	905,940
2,001	501	1000	1,653,779
2,797	1001	5000	6,888,878
528	5001	10000	4,020,612
170	10001	15000	2,157,370
108	15001	20000	1,957,889
94	20001	25000	2,207,874
56	25001	30000	1,552,571
23	30001	35000	832,680
15	35001	40000	571,135
17	40001	45000	738,709
50	45001	50000	2,434,160
25	50001	55000	1,321,787
12	55001	60000	689,158
10	60001	65000	623,775
4	65001	70000	270,450
5	70001	75000	363,579
7	75001	80000	545,499
3	80001	85000	246,499
5	85001	90000	444,583
4	90001	95000	370,420
18	95001	100000	1,795,500
4	100001	105000	410,428
10	105001	110000	1,085,807
1	110001	115000	115,000
5	115001	120000	596,442
3	120001	125000	370,900
1	125001	130000	125,528
2	130001	135000	265,990
3	135001	140000	413,330
4	140001	145000	571,530
8	145001	150000	1,199,108
1	150001	155000	151,500
1	155001	160000	159,453
2	160001	165000	330,000
1	165001	170000	166,400
1	170001	175000	175,000
2	175001	180000	359,320
2	180001	185000	363,592
1	185001	190000	188,500
2	190001	195000	384,825
3	195001	200000	600,000
3	200001	205000	602,650
2	205001	210000	417,180
1	215001	220000	215,500
1	220001	225000	221,000
1	235001	240000	240,000
1	240001	245000	242,601
4	245001	250000	997,550
2	255001	260000	512,600
1	265001	270000	265,573

No. of Shareholders	Size of Holding From	To	Total shares held
1	270001	275000	275,000
1	275001	280000	278,770
2	280001	285000	565,800
2	295001	300000	596,608
1	300001	305000	302,726
1	305001	310000	308,000
3	310001	315000	941,000
1	315001	320000	320,000
1	325001	330000	330,000
1	330001	335000	333,215
1	335001	340000	336,005
1	355001	360000	357,375
1	360001	365000	360,500
1	375001	380000	378,500
1	390001	395000	393,550
1	430001	435000	432,200
1	435001	440000	436,500
2	475001	480000	952,450
1	495001	500000	500,000
1	545001	550000	550,000
1	555001	560000	558,500
1	575001	580000	575,030
1	595001	600000	600,000
1	600001	605000	604,000
1	695001	700000	700,000
1	745001	750000	750,000
1	815001	820000	817,500
1	820001	825000	825,000
1	825001	830000	825,550
1	845001	850000	850,000
1	912001	917000	917,000
2	980001	985000	1,966,482
1	995001	1000000	1,000,000
1	1001001	1006000	1,001,210
1	1075001	1080000	1,080,000
1	1265001	1270000	1,266,483
1	1280001	1285000	1,283,700
1	1480001	1485000	1,485,000
1	1570001	1575000	1,571,900
1	1585001	1590000	1,586,300
1	1630001	1635000	1,631,900
1	1685001	1690000	1,689,600
1	1730001	1735000	1,734,000
1	1790001	1795000	1,794,000
1	1795001	1800000	1,800,000
1	1970001	1975000	1,972,300
1	3185001	3190000	3,190,000
1	4000001	4005000	4,000,327
1	5245001	5250000	5,247,132
1	7390001	7395000	7,392,150
1	9015001	9020000	9,020,000
1	11310001	11315000	11,312,125
1	11445001	11450000	11,445,298
1	12650001	12655000	12,652,200
1	149285001	149290000	149,287,047
10,786			297,810,685

5. Categories of Shareholders

	No. of Shareholders	Shares Held	Percentage of Capital
5.1 Directors, CEO and their spouses & minor children			
Mr. Tariq Sayeed Saigol - Chairman		4,125	0.0014
Mr. Sayeed Tariq Saigol - Chief Executive		4,125	0.0014
Mr. Waleed Tariq Saigol - Director		4,125	0.0014
Miss Jahanara Saigol - Director		2,500	0.0008
Mr. S. M. Imran - Director		16,971	0.0057
Mr. Usman Said - Director		75,569	0.0254
Mr. Zamiruddin Azar - Director		10,059	0.0034
Mr. Soren Iversen - Nominee Director (Rep. FLS & IFU, Denmark)		18,837,448	6.3253
	9	**18,959,047**	**6.3661**
5.2 Associated Companies, undertakings and related parties			
Kohinoor Textile Mills Ltd.		149,287,047	50.1282
Zimpex (Pvt) Ltd.		1,085	0.0004
	2	**149,288,132**	**50.1285**
5.3 NIT and ICP			
National Bank of Pakistan, Trustee Deptt.		5,247,132	1.7619
Investment Corporation of Pakistan		33,983	0.0114
	2	**5,281,115**	**1.7733**
5.4 Executives	**2**	**305**	**0.0001**
5.5 Public Sector Companies and Corporations	**3**	**1,008,912**	**0.3388**
5.6 Banks, Development Financial Institutions, Non-banking Financial Institutions	**44**	**19,779,477**	**6.6416**
5.7 Insurance Companies	**6**	**584,340**	**0.1962**
5.8 Modarabas, Leasing and Mutual Funds	**38**	**13,007,801**	**4.3678**
5.9 Shareholders holding Ten Percent or more voting interest in the Company Refer to 5.2	**-**	**-**	**-**
5.10 General Public			
Individuals	**10,488**	**54,987,381**	**18.4639**
Foreign Shareholders	**26**	**1,996,695**	**0.6705**
5.11 Joint Stock Companies	**149**	**32,391,585**	**10.8766**
5.12 Others			
Trustees Glaxo Wellcome Pak Ltd. Senior Staff Pension Fund		80,000	
Managing Committee Ghazali Education Trust		440	
Trustees Kandawalla Trust		28,875	
Managing Committee Shafnoor Educational Trust		225	
Trustees Fancy Foundation		25,000	
Trustee Batool's Benefit Trust		30,000	
Trustee- NWFP GPI Fund		52,500	
Trustees Al-Abbas Sugar Mills Ltd Emp. G.F.		9,400	
Trustee- NWFP Pension Fund		16,500	
Trustees Artal Restaurants Int'l Emp P. F.		2,500	
Trustees Glaxo Smithkline Pak Ltd. Employees Gratuity Fund		30,000	
Trustees Smith Kline & French of Pak Ltd. Provident Fund		30,000	
Trustees Pak Services Ltd Employees P. F.		100,000	
Manag Commtt of Tameer-e-Millat Found		355	
Trustees Wah Nobel P. Ltd. Mang. Staff P. F.		20,000	
Lahore Stock Exchange (Guarantee) Ltd.		62,700	
Trustee-Army Welfare Trust		37,400	
	17	**525,895**	**0.1766**
Grand Total:	**10,786**	**297,810,685**	**100**

PATTERN OF PREFERENCE SHAREHOLDING (Non-voting)

1. Incorporation Number — KAR No. 820 of 1959-60
2. Name of Company — Maple Leaf Cement Factory Limited
3. Pattern of holding of the shares held by the shareholders as at 30-06-2006
4.

No. of Shareholders	Size of Holding From	Size of Holding To	Total shares held
636	1	100	32,286
922	101	500	236,086
210	501	1000	145,953
220	1001	5000	438,950
23	5001	10000	163,825
13	10001	15000	159,020
5	15001	20000	85,947
4	20001	25000	94,076
5	25001	30000	133,000
1	30001	35000	34,500
1	45001	50000	50,000
1	50001	55000	52,500
1	55001	60000	58,500
2	95001	100000	195,599
1	115001	120000	117,500
1	180001	185000	183,600
1	185001	190000	190,000
3	195001	200000	597,550
1	265001	270000	268,034
1	315001	320000	318,500
1	450001	500000	500,000
1	545001	550000	548,250
1	755001	760000	759,000
2	24390001	24395000	48,784,722
2,057			**54,147,398**

5. Categories of Shareholders

	No. of Shareholders	Shares Held	Percentage of Capital
5.1 Directors, CEO and their spouses & minor children			
Mr. Tariq Sayeed Saigol - Chairman		750	0.0014
Mr. Sayeed Tariq Saigol - Chief Executive		750	0.0014
Mr. Waleed Tariq Saigol - Director		750	0.0014
Mr. S. M. Imran - Director		3,085	0.0057
Mr. Usman Said - Director		15,194	0.0281
Mr. Zamiruddin Azar - Director		2,589	0.0048
	7	**23,868**	**0.0441**

5.2 Associated Companies, undertakings and related parties			
Kohinoor Textile Mills Ltd. - Provident Fund Trust		500,000	
Maple Leaf Cement Factory Ltd. - Employees Provident Fund Trust		200,000	
	2	**700,000**	**1.2928**
5.3 NIT and ICP			
Investment Corporation of Pakistan	**1**	**6,868**	**0.0127**
5.4 Executives	-	-	-
5.5 Public Sector Companies and Corporations	**2**	**270,928**	**0.5004**
5.6 Banks, Development Financial Institutions, Non-banking Financial Institutions	**3**	**49,224**	**0.0909**
5.7 Insurance Companies	**3**	**24,000**	**0.0443**
5.8 Modarabas, Leasing and Mutual Funds	**1**	**7,500**	**0.0139**
5.9 Shareholders holding Ten Percent or more voting interest in the Company	**2**	**48,784,722**	**90.0962**
5.10 General Public			
Individuals	**1,998**	**3,633,278**	**6.7100**
Foreign Shareholders	**-**	**-**	**-**
5.11 Joint Stock Companies	**35**	**237,060**	**0.4378**
5.12 Others			
Kohinoor Weaving Mills Ltd. - Staff Provident Fund Trust		200,000	
Trustees DGKC Emp P. F. Trust		190,000	
Managing Committee Shafnoor Educational Trust		19,950	
	3	**409,950**	**0.7571**
Grand Total:	**2,057**	**54,147,398**	**100.00**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2006

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of stock exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of non-executive directors on its Board of Directors. At present the Board of Directors includes six independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. One casual vacancy occurred in the Board during the period, was filled in within 30 days thereof.

5. The Company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged Orientation Course for its Directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO. The Head of Internal Audit left the Company during the year and the appointment of the new Head of Internal Audit, including her remuneration and terms and conditions of employment, has been approved by the Board in September 25, 2006.

11. The Directors’ report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the code. The terms of reference of the committee have been framed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore: September 25, 2006

Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MAPLE LEAF CEMENT FACTORY LIMITED to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2006.

Hameed Chaudhri & Co.
Chartered Accountants

Lahore: September 25, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MAPLE LEAF CEMENT FACTORY LIMITED as at 30 June, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, except for the changes as stated in notes 6.2 and 21.1 with which we concur;

   (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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Hameed Chaudhri & Co.
Chartered Accountants

Lahore: September 25, 2006

BALANCE SHEET

	Note	2006	2005
		(Rupees in thousand)	
Equity and Liabilities			Restated
Share Capital and Reserves			
Authorised capital	5.1	**5,000,000**	5,000,000
Issued, subscribed and paid- up capital	5.2	**3,519,581**	3,248,844
Reserves	6	**2,807,562**	2,285,225
Unappropriated profit		**972,594**	756,393
		7,299,737	6,290,462
Non-current Liabilities			
Redeemable capital	7	**-**	41,650
Long term loans and finances	8	**7,868,948**	2,157,706
Liabilities against assets subject to finance lease	9	**12,226**	-
Lease finance advances	10	**74,146**	-
Long term deposits	11	**2,977**	6,572
Deferred taxation	12	**875,609**	328,571
Deferred liability for vacation benefits	13	**10,250**	8,513
		8,844,156	2,543,012
Current Liabilities			
Current portion of :			
- redeemable capital	7	**41,650**	83,300
- long term loans and finances	8	**538,530**	434,030
- liabilities against assets subject to finance lease	9	**4,481**	-
Short term finances	14	**947,160**	589,843
Trade and other payables	15	**752,172**	432,048
Accrued profit and interest / mark-up	16	**279,112**	38,646
Taxation	17	**31,828**	4,005
Dividends	18	**54,586**	13,627
		2,649,519	1,595,499
Contingencies and Commitments	19		
		18,793,412	10,428,973

The annexed notes form an integral part of these financial statements.

Director

AS AT JUNE 30, 2006

	Note	2006	2005
		(Rupees in thousand)	
Assets			Restated
Non-Current Assets			
Property, plant and equipment	20	**16,088,505**	8,462,382
Investments	21	**17,395**	14,566
Long term loans to employees	22	**7,127**	5,824
Long term deposits and prepayments	23	**15,923**	6,142
		16,128,950	8,488,914
Current Assets			
Stores, spares and loose tools	24	**1,847,926**	1,100,967
Stock-in-trade	25	**200,946**	183,217
Trade debts - unsecured considered good		**163,459**	92,597
Loans and advances	26	**299,257**	28,287
Deposits and short term prepayments	27	**7,314**	18,151
Accrued profit	28	**559**	3,878
Sales tax, customs and excise duty	29	**34,611**	64,884
Due from gratuity fund trust	41	**-**	69,670
Other receivables	30	**9,452**	8,606
Cash and bank balances	31	**100,938**	369,802
		2,664,462	1,940,059
		18,793,412	10,428,973

Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		(Rupees in thousand)	
Sales	32	**5,709,792**	4,290,734
Cost of Sales	33	**3,561,212**	2,962,802
Gross Profit		**2,148,580**	1,327,932
Administrative Expenses	34	**60,474**	40,287
Distribution Cost	35	**20,961**	12,973
Other Operating Expenses	36	**118,024**	59,714
		199,459	112,974
		1,949,121	1,214,958
Other Operating Income	37	**26,671**	18,097
		1,975,792	1,233,055
Finance Cost	38	**340,978**	205,677
Profit Before Taxation		**1,634,814**	1,027,378
Taxation			
Current	17	28,536	(38,880)
Deferred	12	547,038	338,808
		575,574	299,928
Profit After Taxation		**1,059,240**	727,450
		------- Rupees -------	
Basic Earnings Per Share	39.1	**3.38**	2.90
Diluted Earnings Per Share	39.2	**3.29**	2.88

- The annexed notes form an integral part of these financial statements.
- Appropriations have been reflected in the statement of changes in equity.

Director

Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	2006	2005
	(Rupees in thousand)	
Cash Flow From Operating Activities		
Profit for the year - before taxation	**1,634,814**	1,027,378
Adjustments for:		
Depreciation	**372,734**	341,094
Gain on disposal of operating fixed assets	**(690)**	(2,070)
Deferred liability for vacation benefits	**3,437**	3,028
Finance cost	**340,978**	205,677
Provision for obsolete stores and spares	**697**	-
Property, plant and equipment written-off	**12,019**	-
Unclaimed balances written-back	**(220)**	(1,259)
Profit on bank deposits	**(6,163)**	(1,915)
Dividend income	**(1,625)**	(738)
Cash inflow from operating activities before working capital changes	**2,355,981**	1,571,195
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(743,758)**	(159,423)
Stock-in-trade	**(17,729)**	(83,072)
Trade debts	**(70,862)**	(5,493)
Loans and advances	**(270,714)**	(9,998)
Deposits and short term prepayments	**10,837**	(8,081)
Sales tax, customs and excise duty	**30,273**	(13,872)
Due from gratuity fund trust	**69,670**	(9,233)
Other receivables	**(846)**	(4,963)
Increase in trade and other payables	**320,344**	125,796
	(672,785)	(168,339)
Cash inflow from operating activities - before taxation	**1,683,196**	1,402,856
Taxes paid	**(713)**	(22,945)
Vacation benefits paid	**(1,700)**	(2,275)
Net cash inflow from operating activities - after taxation	**1,680,783**	1,377,636
Cash Flow From Investing Activities		
Fixed capital expenditure	**(8,015,133)**	(3,240,856)
Sale proceeds of operating fixed assets	**1,049**	2,132
Long term loans to employees	**(1,559)**	525
Long term deposits and prepayments	**(9,781)**	(2,068)
Profit on bank deposits received	**9,482**	1,789
Dividend income	**1,625**	738
Net Cash Outflow From Investing Activities	**(8,014,317)**	(3,237,740)
Cash Flow From Financing Activities		
Proceeds from issue of ordinary shares	**-**	1,624,423
Proceeds from issue of preference shares	**-**	541,474
Write-off of expenses incurred on issue of ordinary and preference shares	**-**	(27,499)
Term finance certificates redeemed	**(83,300)**	(83,300)
Long term loans and finances less repayments	**5,815,742**	95,969
Long term deposits from stockists - net	**(3,595)**	(610)
Lease finances - net	**16,707**	-
Lease finance advances	**74,146**	-
Short term finances - net	**357,317**	315,232
Finance cost paid	**(100,512)**	(190,185)
Ordinary dividend paid	**(132)**	(268,869)
Preference dividend paid	**(11,703)**	-
Net Cash Inflow From Financing Activities	**6,064,670**	2,006,635
Net (Decrease) / Increase In Cash and Cash Equivalents	**(268,864)**	146,531
Cash and Cash Equivalents - at the beginning of the year	**369,802**	223,271
Cash and Cash Equivalents - at the end of the year	**100,938**	369,802

The annexed notes form an integral part of these financial statements.

Director

Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	Share Premium	Fair value reserve on measurement of available-for-sale investments	Capital Redemption Reserve	Revenue Reserve	Reserve for Issue of Bonus Shares	Unappropriated profit	Total
	....................(R u p e e s	i n	t h o u s a n d)...................					
Balance as at 30 June, 2004 - as reported	1,804,913	1,460,423	-	-	100,000	-	332,208	3,697,544
Effect of changes in accounting policy relating to:								
- transfer to revenue reserve made subsequent to the year-end (note 6.2)	-	-	-	-	(100,000)	-	100,000	-
- measurement of available-for-sale investments at fair value (note 21.1)	-	-	6,664	-	-	-	-	6,664
Balance as at 30 June, 2004 - as restated	1,804,913	1,460,423	6,664	-	-	-	432,208	3,704,208
Final dividend for the year ended 30 June, 2004	-	-	-	-	-	-	(270,737)	(270,737)
Transfer to revenue reserve	-	-	-	-	100,000	-	(100,000)	-
Nominal value of ordinary shares issued	902,457	-	-	-	-	-	-	902,457
Premium received on issue of ordinary shares	-	721,966	-	-	-	-	-	721,966
Write-off of expenses incurred on issue of ordinary and preference shares	-	(27,499)	-	-	-	-	-	(27,499)
Nominal value of preference shares issued	541,474	-	-	-	-	-	-	541,474
Fair value gain on measurement of available-for-sale investments	-	-	2,902	-	-	-	-	2,902
Profit for the year ended 30 June, 2005	-	-	-	-	-	-	727,450	727,450
Transfer to capital redemption reserve	-	-	-	20,769	-	-	(20,769)	-
Dividend on preference shares for the year ended 30 June, 2005	-	-	-	-	-	-	(11,759)	(11,759)
Balance as at 30 June, 2005 - as restated	3,248,844	2,154,890	9,566	20,769	100,000	-	756,393	6,290,462
Balance as at 30 June, 2005 - as reported	3,248,844	1,884,153	-	20,769	800,000	270,737	56,393	6,280,896
Effect of changes in accounting policy relating to:								
- transfer to reserve for issue of bonus shares made subsequent to the year-end (note 6.2)	-	270,737	-	-	-	(270,737)	-	-
- transfer to revenue reserve made subsequent to the year-end (note 6.2)	-	-	-	-	(700,000)	-	700,000	-
- measurement of available-for-sale investments at fair value (note 21.1)	-	-	9,566	-	-	-	-	9,566
Balance as at 30 June, 2005 - as restated	3,248,844	2,154,890	9,566	20,769	100,000	-	756,393	6,290,462
Transfer to reserve for issue of bonus shares	-	(270,737)	-	-	-	270,737	-	-
Transfer to revenue reserve	-	-	-	-	700,000	-	(700,000)	-
Nominal value of bonus shares issued	270,737	-	-	-	-	(270,737)	-	-
Fair value gain on measurement of available-for-sale investments	-	-	2,829	-	-	-	-	2,829
Profit for the year ended 30 June, 2006	-	-	-	-	-	-	1,059,240	1,059,240
Transfer to capital redemption reserve	-	-	-	90,245	-	-	(90,245)	-
Dividend on preference shares for the year ended 30 June, 2006	-	-	-	-	-	-	(52,794)	(52,794)
Balance as at 30 June, 2006	**3,519,581**	**1,884,153**	**12,395**	**111,014**	**800,000**	**-**	**972,594**	**7,299,737**

The annexed notes form an integral part of these financial statements.

Director

Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1. Corporate Information

Maple Leaf Cement Factory Limited was incorporated in Pakistan on 13 April, 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a public company limited by shares and was listed on stock exchanges in Pakistan on 17 August, 1994. The registered office of the Company is situated at 42-Lawrence Road, Lahore, Pakistan. The Company is a subsidiary of Kohinoor Textile Mills Limited and is engaged in production and sale of cement.

2. Statement of Compliance

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Amendments to published approved accounting standards that are not yet effective

a) IAS 1 (Presentation of Financial Statements)

Amendments in IAS 1 relate to capital disclosures, which are effective for annual periods beginning on or after 01 January, 2007.

b) IAS 19 (Employee Benefits)

Amendments in IAS 19 concern reporting actuarial gains or losses, which are effective for annual periods beginning on or after 01 January, 2006; these amendments will not have any effect on the Company's financial statements.

c) IAS 39 (Financial Instruments: Recognition and Measurement)

Amendments in IAS 39 relate to treatment and disclosure requirements regarding cash flow hedges of forecast intragroup transactions, fair value option and financial guarantee contracts, which are effective for annual periods beginning on or after 01 January, 2006; these amendments will also have no effect on the Company's financial statements.

3. Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 4.20;
- recognition of employee retirement benefits at present value; and
- measurement at fair value of certain financial assets.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) staff retirement benefits;
b) taxation;
c) useful life of depreciable assets and provision for impairment there against; and
d) classification of investments.

4. Significant Accounting Policies

4.1 Equity instruments

These are recorded at their face value.

4.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

4.3 Staff retirement benefits

(a) Defined contribution plan

The Company operates a defined contributory approved provident fund for all its employees. Equal monthly contributions are made both by the Company and employees at the rate of 10% of the basic salary to the fund.

(b) Defined benefit plan

The Company also maintains an approved gratuity fund under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service. The contributions are made to the fund in accordance with the actuary's recommendations based on the actuarial valuation of the fund using projected unit credit method. Actuarial gains / losses are recognised in accordance within the limits set-out by IAS 19 [(Employee Benefits); refer contents of note 41].

(c) Liability for employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations is made using the current salary level of employees.

4.4 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.5 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

4.6 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

4.7 Property, plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses (if any). Freehold land and capital work-in-progress are stated at cost. Cost in relation to certain plant & machinery represents historical cost, exchange differences capitalised upto 30 June, 2004 and the cost of borrowings during the construction period in respect of loans and finances taken for the specific projects.

Transactions relating to jointly owned assets with Pak American Fertilizers Limited (PAFL), as stated in note 20.5, are recorded on the basis of advices received from the housing colony.

Depreciation is calculated at the rates specified in note 20.1 on reducing balance method except that straight-line method is used for the plant & machinery and buildings relating to dry process plant after deducting residual value. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which these are incurred.

Gains / losses on disposal or retirement of property, plant and equipment, if any, are taken to profit & loss account.

4.8 Assets subject to finance lease

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

4.9 Un-allocated capital expenditure

All cost or expenditure attributable to work-in-progress are capitalised and apportioned to buildings and plant & machinery at the time of commencement of commercial operations.

4.10 Investments (Available-for-sale)

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are remeasured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by reference to the net assets of the investee on the basis of the latest available audited financial statements.

4.11 Stores, spares and loose tools

These are valued at moving average cost while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.12 Stock-in-trade

Stock of raw materials, work-in-process and finished goods are valued at lower of average cost and net realisable value. Cost of work-in-process and finished goods represents direct cost of materials, labour and appropriate portion of production overheads.

Net realisable value signifies the ex-factory sale price less expenses and taxes necessary to be incurred to make the sale.

4.13 Trade debts

Trade debts originated by the Company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off when identified.

4.14 Loans and advances

These are stated at cost.

4.15 Cash and cash equivalents

Cash-in-hand and at banks and short term deposits which are held to maturity are carried at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

4.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Impairment losses

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

4.18 Revenue recognition

- Sales are recognised on dispatch of goods to customers.
- Return on bank deposits is accounted for on 'accrual basis'.
- Dividend income is accounted for when the right of receipt is established.

4.19 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

4.20 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

4.21 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.22 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.23 Related party transactions

Transactions in relation to sales, purchases and technical services with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as electricity, gas, water, repair and maintenance relating to the head office, shared with the holding company / associates, which are on the actual basis.

5. Share Capital

5.1 Authorised:

		2006	2005
		(Rupees in thousand)	
400,000,000	ordinary shares of Rs. 10 each	**4,000,000**	4,000,000
100,000,000	9.75% redeemable cumulative preference shares of Rs. 10 each	**1,000,000**	1,000,000
500,000,000		**5,000,000**	5,000,000

5.2 Issued, subscribed and paid-up:

Ordinary:

		2006	2005
215,907,185	ordinary shares of Rs. 10 each fully paid in cash	**2,159,072**	2,159,072
35,834,100	ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**358,341**	358,341
46,069,400	(2005: 18,995,701) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**460,694**	189,957
297,810,685		**2,978,107**	2,707,370
Preference:			
54,147,398	9.75% redeemable cumulative preference right shares (non-voting) of Rs. 10 each fully paid in cash	**541,474**	541,474
351,958,083		**3,519,581**	3,248,844

5.2.1 The Company, during the preceding year, offered to the shareholders of the Company 54,147,398 preference shares - Series "A" of Rs. 10 each at par value. This preference shares right issue was made in the ratio of 30 preference shares (non-voting) for every 100 ordinary shares held by the Company's shareholders as on 15 December, 2004. These shares are listed on all Stock Exchanges of Pakistan. The salient terms of this issue are as follows:

(a) The preference shareholders are not entitled to:

- receive notice, attend general meetings of the Company and vote at meetings of the shareholders of the Company, except as otherwise provided by the Companies Ordinance, 1984 (the Ordinance), whereby the holders of such shares would be entitled to vote separately as a class i.e. with respect to voting entitlement of preference shareholders on matters/issues affecting substantive rights or liabilities of preference shareholders.

- bonus or right shares, in case the Company / Directors decide to increase the capital of the Company by issue of further ordinary shares.

- participate in any further profit or assets of the Company, except the right of dividend attached to the preference shares - Series "A".

(b) Preference shares - Series "A" will be convertible at the option of the preference shareholders into ordinary shares of the Company at the expiry of the period of six years and thereafter of the date falling on the end of each semi annual period commencing thereafter. Conversion ratio is to be determined by dividing the aggregate face value of the preference shares - Series "A" plus any accumulated dividends and/or accrued dividend by the conversion price, which is higher of face value of ordinary share or 80% of the average price of the ordinary share quoted in the daily quotation of the Karachi Stock Exchange (Guarantee) Limited during the three months immediately prior to the relevant conversion date.

(c) The Company may at its option call the issue in whole or in minimum tranches of 20% of the outstanding face value at the redemption price within 90 days of the end of each semi annual period commencing from the expiry of a period of three years of the issue.

(d) Preference shareholders - Series "A" shall be paid preferred dividend @ 9.75% per annum on cumulative basis. If the Company does not pay dividend in any year, the unpaid dividend for the relevant year will be paid in the immediately following year along with the dividend payment for such year.

(e) The Company has created a redemption reserve and appropriates the required amount each month from the profit and loss appropriation account to ensure that reserve balance at the redemption date is equal to the principal amount of preference shares.

5.2.2 Kohinoor Textile Mills Limited (the holding company) holds 149,287,047 (2005: 135,715,498) ordinary shares, which represents 50.13% (2005: 50.13%) of the total ordinary issued, subscribed and paid-up capital.

Ordinary shares held by the associates at year-end are as follows:

	2006	2005
	(No. of shares)	
Zimpex (Pvt.) Ltd.	**1,085**	850
Kohinoor Weaving Mills Ltd. (KWML) - note (a)	**-**	8,250,000
	1,085	8,250,850

(a) KWML, during the year, has ceased to be an associate of the Company.

6. Reserves

	2006	2005
	(Rupees in thousand)	
		Restated
Capital:		
- share premium reserve (note 6.1)	**1,884,153**	2,154,890
- capital redemption reserve [note 5.2.1 (e)]	**111,014**	20,769
- fair value reserve on measurement of available-for-sale investments	**12,395**	9,566
	2,007,562	2,185,225
Revenue reserve - general	**800,000**	100,000
	2,807,562	2,285,225

6.1 Share premium reserve

	2006	2005
	(Rupees in thousand)	
		Restated
Opening balance	**2,154,890**	1,460,423
Add: premium received during the preceding year on issue of 90,245,662 right ordinary shares @ Rs. 8 per share	**-**	721,966
Less: write-off of expenses incurred during the preceding year on issue of ordinary and preference shares	**-**	(27,499)
Less: issue of bonus shares @ 10% during the current year	**(270,737)**	-
	1,884,153	2,154,890

6.2 The Company, during the current year, has changed its accounting policy pertaining to transfers between reserves made subsequent to the year-end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date).

As per the new policy, transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are not recognised in the financial statements. Previously, such transfers between reserves were being treated as adjusting events in the financial statements of the Company. The change in accounting policy has been applied retrospectively and the comparative information has been restated in accordance with the treatment specified in IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Had there been no change in the accounting policy, unappropriated profit would have been lower by Rs. 600 million (2005: Rs. 700 million) and revenue reserve would have been higher by Rs. 600 million (2005: Rs. 700 million) whereas reserve for issue of bonus shares would have been higher by Rs. 270.737 million and share premium reserve would have been lower by Rs. 270.737 million as at 30 June, 2005.

The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current year.

7. Redeemable Capital- Secured

	2006	2005
	(Rupees in thousand)	
Non participatory		
Term finance certificates (TFCs) - balance as at 30 June,	**41,650**	124,950
Less: current portion grouped under current liabilities	**41,650**	83,300
	-	41,650

The Company had raised Rs. 250 million by issuing 50,000 TFCs as fully paid scrips of Rs. 5,000 denomination. These TFCs are listed on the Karachi Stock Exchange and the market value of one TFC was Rs. 5,400 at 30 June, 2006 (2005: Rs. 5,400).

Redemption of capital

The final instalment of these TFCs outstanding at the year-end has been redeemed subsequent to the balance sheet date on 19 July, 2006.

Rate of return

The return on TFCs is payable half-yearly and is calculated at the 5 years' Pakistan Investment Bonds rate plus 2.50% with the floor and cap rate of 15.25% and 17.75% per annum respectively.

Security

The TFCs are secured by way of first charge ranking pari passu on the present and future fixed assets of the Company, excluding freehold land and buildings, and personal guarantee of the Company's Chief Executive.

Trustee

To protect the TFC holders, Faysal Bank Ltd. has been appointed as trustee under the Trust Deed dated 27 June, 2002. The bank is paid fees at the rate of 0.05% per annum of the outstanding balance of TFCs.

Default

In case the Company defaults on any of its obligations, the trustee may enforce the Company's obligations in accordance with the terms of the trust deed. The proceeds of any such enforcements shall be distributed to the TFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the TFCs.

8. Long Term Loans and Finances - Secured

	Note	2006	2005
		(Rupees in thousand)	
MCB Bank Limited [Formerly: Muslim Commercial Bank Limited (MCB)]	8.1	**34,900**	71,300
MCB	8.2	**355,784**	444,730
Habib Bank Limited (HBL)	8.2	**355,784**	444,730
MCB	8.3	**128,572**	157,143
Faysal Bank Limited (FBL)	8.3	**225,000**	275,000
The Bank of Punjab (BOP)	8.3	**60,000**	80,000
Askari Commercial Bank Limited (ACBL)	8.3	**30,000**	40,000
First Women Bank Limited (FWB)	8.3	**21,000**	28,000
National Bank of Pakistan (NBP)	8.4	**416,667**	520,833
Union Bank Limited (UNB)	8.5	**250,000**	250,000
NBP	8.5	**150,000**	150,000
PICIC Commercial Bank Limited (PCBL)	8.5	**130,000**	130,000
Allied Bank Limited (ABL)	8.6	**475,000**	-
MCB	8.6	**150,000**	-
The Hongkong & Shanghai Banking Corporation Limited (HSBC)	8.6	**115,000**	-
BOP	8.6	**100,000**	-
Soneri Bank Limited (SBL)	8.6	**75,000**	-
Pak Libya Holding Co. (Pvt.) Limited (PLHC)	8.6	**50,000**	-
FWB	8.6	**35,000**	-
NBP	8.7	**859,954**	-
HBL	8.7	**859,954**	-
ABL	8.7	**761,490**	-
FBL	8.7	**631,637**	-
PCBL	8.7	**626,908**	-
BOP	8.7	**425,678**	-
Saudi Pak Industrial & Agriculture Investment Company (Pvt.) Limited (Saudi Pak)	8.7	**134,150**	-
ABL	8.8	**950,000**	-
		8,407,478	2,591,736
Less: current portion grouped under current liabilities		**538,530**	434,030
		7,868,948	2,157,706

8.1 Year-end balance of this loan is repayable in two half-yearly instalments by January, 2007 and carries mark-up at the rate of 6-months Karachi Inter Bank Offered Rate (KIBOR) + 2.29% with no floor or cap.

8.2 These loans have been obtained from a consortium comprising of MCB and HBL and are repayable in 14 half-yearly equal instalments commenced from December, 2003. These loans carry mark-up at the rate of 6-months KIBOR + 2.29%.

8.3 These loans have been obtained from a consortium comprising of MCB, FBL, BOP, ACBL and FWB in two tranches. First tranche of Rs. 550 million was disbursed in December, 2003 by FBL and MCB, which carries mark-up at the rate of 6-months treasury bills rate + 2.75%, with no floor or cap. These loans are repayable in fourteen half-yearly equal instalments commenced from June, 2004.

Second and final tranche was disbursed by BOP, ACBL and FWB in April, 2004 at a mark-up rate of 6-months KIBOR + 2.21%. These loans are repayable in ten half-yearly equal instalments commenced from October, 2004. Mark-up on these loans is payable on quarterly basis.

8.4 This loan carries mark-up at the rate of 6-months KIBOR + 2.25% with no floor or cap and is repayable in twelve equal half-yearly instalments commenced from October, 2004.

8.5 These long term loans aggregating Rs. 530 million have been obtained from a Syndicate of commercial banks (i.e. UNB, NBP and PCBL) to fund the conversion of one of the existing wet process lines of grey cement to 500 tpd dry process line of white cement. Under the terms of syndicate financing agreement dated 16 August, 2004, this loan facility is available for a period of seven years, which includes a grace period of two years; repayment of these loans will be effected in 20 equal quarterly instalments commencing September, 2006. These loans carry mark-up at the rate of 6-months KIBOR + 2.25% with no floor or cap.

8.6 The Company, during the current year, has raised a syndicated term finance facility of Rs. 1.000 billion for financing its capital expenditure requirements. The Syndicate comprises of ABL, MCB, HSBC, BOP, SBL, PLHC and FWB. The finance facility is repayable in 9 equal half-yearly instalments commencing 30 November, 2007 and carries mark-up at the rate of 6-months KIBOR + 2%.

8.7 Out of long term finance facility of Rs. 4.800 billion available from a Syndicate of commercial banks and development finance institution (i.e. NBP, HBL, ABL, FBL, PCBL, BOP and Saudi Pak) for financing the ongoing expansion project of 6,700 tpd clinker capacity, the total amount disbursed by all the participating banks and DFI till 30 June, 2006 aggregated Rs. 4.300 billion. This finance facility is repayable in 9 equal half-yearly instalments commencing August, 2007 and carries mark-up at the rate of 6-months KIBOR +2%.

8.8 This finance facility has also been obtained to finance the ongoing expansion project. Under the terms of agreement dated 09 June, 2006, this finance facility is available for a period of 6 years including a grace period of 18 months. Repayment of this finance facility will be effected in 9 equal half-yearly instalments commencing June, 2008 and carries mark-up at the rate of 6-months KIBOR +2.25%.

8.9 The loans, as detailed in notes 8.1 to 8.8 above, are secured by first pari passu charge over present and future fixed assets of the Company, demand promissory notes and personal guarantee of some of the directors.

9. Liabilities Against Assets Subject to Finance Lease - Secured

	Upto one year	From one year to five year	Total 2006	Total 2005
	.... Rupees in thousand			
Minimum lease payments	6,113	15,749	**21,862**	-
Less: financial charges allocated to future periods	1,632	1,667	**3,299**	-
	4,481	14,082	**18,563**	-
Less: security deposits adjustable on expiry of lease term	-	1,856	**1,856**	-
Present value of minimum lease payments	4,481	12,226	**16,707**	-
Less: current portion grouped under current liabilities			**4,481**	-
			12,226	-

9.1 The Company, during the year, has entered into a lease agreement with First National Bank Modaraba (FNBM) to acquire two units of imported Volvo Wheel Loaders. The liabilities under the lease agreements are payable in 36 equal monthly instalments commencing August, 2006 and are subject to finance charge at base rate plus a spread of 250 bps; base rate is defined as six months KIBOR prevailing at the base rate setting date. The Company intends to exercise its option to purchase the leased assets upon completion of the lease term. This lease finance facility is secured against title of the leased assets in the name of FNBM and a demand promissory note in favour of FNBM for the amount of the lease rentals payable during the lease term.

10. Lease Finance Advances - Secured

	Note	2006	2005
		(Rupees in thousand)	
First National Bank Modaraba (FNBM)	10.1	**25,866**	-
Islamic Corporation for the Development of the Private Sector, Jeddah (ICD - a Subsidiary of Islamic Development Bank)	10.2	**48,280**	-
		74,146	-

10.1 FNBM, during the year, has disbursed these amounts against a sanctioned lease finance facility of Rs. 32.051 million by making payments to a commercial bank for retirement of shipping documents of a letter of credit. FNBM intends to disburse the unavailed amount of this lease finance facility subsequent to the balance sheet date and will finalise the repayment schedule and the lease agreement of this facility accordingly.

10.2 The Company, during the year, has entered into a forward lease agreement with ICD to finance the power generation equipment of the expansion project of 6,700 tpd. The lease agreement is for a period of 8 years including a grace period of 24 months. The lease facility carries mark-up at the rate of 6 months US$ LIBOR plus a spread of 2.5% per annum and is secured against the first exclusive charge on power generation plant. ICD, against the total commitment of US$ 14,500 thousand, has disbursed US$ 800 thousand upto 30 June, 2006.

11. Long Term Deposits

These represent interest-free security deposits from stockists and are repayable on cancellation or withdrawal of the dealerships. These are being utilised by the Company in accordance with the terms of dealership agreements.

12. Deferred Taxation

	Note	2006	2005
		(Rupees in thousand)	
Deferred taxation liability comprises of temporary differences arising due to:			
Credit balances arising in respect of :			
- accelerated tax depreciation allowances		**1,360,297**	946,888
- lease finances		**546**	-
		1,360,843	946,888
Debit balances arising in respect of:			
- recognised tax losses		**(426,182)**	(588,821)
- provision for obsolete stores and spares		**(4,934)**	(4,690)
- deferred liability for vacation benefits		**(3,588)**	(2,980)
- minimum tax recoverable against tax charge in future years		**(50,530)**	(21,826)
		(485,234)	(618,317)
		875,609	328,571

13. Deferred Liability for Vacation Benefits

This represents amounts payable against un-availed leaves of employees.

14. Short Term Finances

	Note	2006	2005
Cash and running finances - secured	14.1	**943,692**	589,843
Temporary bank overdraft - unsecured	14.2	**3,468**	-
		947,160	589,843

14.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs. 1.740 billion (2005: Rs. 1.290 billion). These facilities, during the year, carried mark-up at the rates ranging from 9.25% to 10.73% per annum; payable on quarterly basis.

Facilities available for opening letters of credit / guarantee aggregate Rs. 1.871 billion (2005: Rs. 1.199 billion) of which the amount aggregating Rs. 0.686 billion (2005: Rs. 0.175 billion) remained unutilised at the year-end.

The aggregate facilities are secured against charge on all present and future current assets of the Company, lien on import documents and personal guarantees of some of the directors. These facilities are expiring on various dates by 30 April, 2007.

14.2 This has arisen due to issuance of cheques for amounts in excess of the balance in a bank account.

15. Trade and Other Payables

	Note	2006	2005
		(Rupees in thousand)	
Creditors		**385,313**	211,639
Due to Kohinoor Textile Mills Ltd. (the holding company)		**5,824**	-
Accrued liabilities		**144,404**	100,934
Advances from customers		**15,418**	8,800
Security deposits - interest free, repayable on demand	15.1	**27,159**	22,159
Contractors' retention money		**31,207**	21,020
Royalty and excise duty payable		**3,499**	2,832
Workers' (profit) participation fund	15.2	**86,043**	56,084
Provident fund payable		**1,482**	1,425
Due to gratuity fund trust	41	**2,040**	-
Other taxes payable		**1,464**	1,846
Sales tax payable		**41,955**	-
Other payables		**6,364**	5,309
		752,172	432,048

15.1 The distributors and contractors give the Company a right to utilise these deposits in the normal course of business.

15.2 Workers' (profit) participation fund (the Fund)

	Note	2006	2005
		(Rupees in thousand)	
Balance as at 01 July,		**56,084**	39,553
Add: allocation for the year		**86,043**	54,072
		142,127	93,625
Less: deposited with the Government Treasury		**56,084**	37,541
Balance as at 30 June,		**86,043**	56,084

16. Accrued Profit and Interest / Mark-up

Profit payable on redeemable capital		**2,819**	8,457
Mark-up / interest accrued on secured loans and finances		**276,293**	30,189
		279,112	38,646

17. Taxation - Net

Opening balance		**4,005**	65,829
Add: provision / (write-back) made for:			
- current year	17.2	**31,249**	21,826
- prior years' - net	17.3	**(2,713)**	(60,706)
		28,536	(38,880)
		32,541	26,949
Less: tax deducted at source / advance tax		**713**	22,944
		31,828	4,005

17.1 Income tax assessments of the Company, except for Tax Year 2003 which was selected for tax audit, are complete upto the Tax Year 2005.

17.2 In view of available tax losses, the current tax provision represents the minimum tax on turnover for the year due under section 113 of the Income Tax Ordinance, 2001.

17.3 Income tax assessment of the Company for the Assessment Year 1993-94 was finalised during the preceding year after the case was set aside by the Income Tax Appellate Tribunal (ITAT) for denovo assessment. Consequently, excess provision for taxation amounting Rs. 59.970 million was written-back, which was grouped under prior years' taxation in the preceding year.

17.4 The Income Tax Department has filed an appeal for the Assessment Year 1993-94 before the ITAT against the order of the Commissioner of Income Tax (Appeals), who vide his order dated 20 June, 2005 had allowed the Company adjustment of losses of Pak Cement Company Limited (which was merged into the Company during the financial year ended 30 June, 1992) amounting Rs. 37.670 million and deleted additional tax amounting Rs. 1.666 million.

17.5 No numeric tax rate reconciliation is given as the Company is liable for minimum tax.

17.6 Tax losses available for carry forward at 30 June, 2006 aggregated Rs. 1.684 billion (2005: Rs. 2.771 billion), of which Rs. 1.637 billion (2005: Rs. 2.724 billion) are assessed losses.

18. Dividends

	2006	2005
	(Rupees in thousand)	
Unclaimed ordinary dividend	**1,736**	1,868
Preference dividend	**52,850**	11,759
	54,586	13,627

19. Contingencies and Commitments

Contingencies

19.1 The Company has filed writ petitions before the Lahore High Court (LHC) against the legality of judgment passed by the Customs, Excise & Sales Tax Appellate Tribunal whereby the Company was held liable on account of wrongful adjustment of input sales tax on raw materials and electricity bills; the amount involved pending adjudication before the LHC aggregate Rs. 13.252 million.

19.2 The Company has filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Karachi against the order of the Deputy Collector Customs whereby the refund claim of the Company amounting to Rs. 12.350 million was rejected and the Company was held liable to pay an amount of Rs. 37.051 million by way of 10% customs duty allegedly leviable in terms of SRO 584(I) / 95 and 585(I) / 95 dated 01 July, 1995. The impugned demand was raised by the Department on the alleged ground that the Company was not entitled to exemption from payment of customs duty and sales tax in terms of SRO 279(I) / 94 dated 02 April, 1994.

The LHC, upon the Company's appeal, vide its order dated 06 November, 2001 has decided the matter in favour of the Company; however, the Collector of Customs has preferred a petition before the Supreme Court of Pakistan, which is pending adjudication.

19.3 The Collector of Customs, Faisalabad has preferred a petition before the Supreme Court of Pakistan against the judgment delivered by the LHC in favour of the Company in a writ petition. The Department alleged that the Company had assessed sales tax at a lesser rate as compared to the survey and market price. Accordingly, a demand for payment of Rs. 11.588 million was raised against the Company. The Supreme Court of Pakistan, subsequent to the balance sheet date vide its order dated 05 July, 2006, has dismissed the Collector of Customs' appeal.

19.4 The Additional Collector of Sales Tax, Faisalabad had preferred a petition before the Supreme Court of Pakistan against the judgment dated 07 December, 1999 delivered by the LHC in favour of the Company in a Customs Appeal. The Company, through the said appeal, had challenged the finding given by the Tribunal that the Company had wrongly adjusted input tax amounting Rs. 88.490 million for the period from July, 1996 to June, 1997 involved in import of cement plant for the purpose of Phase-II of the Company against the supply of cement manufactured by Phase-I of the Company. Levy of penalty of Rs. 10 million along with additional tax as well as rejection of the refund claim of Rs. 2.245 million were also challenged. The Supreme Court of Pakistan, vide its order dated 07 January, 2000, had directed that status quo be maintained.

The Company has filed an application with the Central Board of Revenue (CBR) under section 47A of the Sales Tax Act, 1990 for appointment of an Alternate Dispute Resolution Committee (ADRC), which decided the case in favour of the Company. The Department has issued the refund cheque amounting Rs. 19 million on 31 January, 2006 and is also in the process of withdrawing its appeal filed before the Supreme Court of Pakistan.

19.5 The CBR has filed an appeal before the Supreme Court of Pakistan against the judgment delivered by the LHC in favour of the Company in a writ petition. The Company, through the said writ petition, had challenged the demand raised by the CBR for payment of duties and taxes on the plant & machinery imported by the Company pursuant to the exemption granted in terms of SRO 484 (I) / 92 dated 14 May, 1992. The CBR, however, alleged that the said plant & machinery could be locally manufactured and duties and taxes were therefore not exempt. A total demand of Rs. 1.387 billion was raised by the CBR out of which an amount of Rs. 269.328 million was deposited by the Company as undisputed liability.

As regards the balance disputed amount, the matter was decided in favour of the Company as per the judgment of the LHC. After preferring the appeal before the Supreme Court of Pakistan, the matter has been referred to ADRC, Islamabad. No provision has been made in these financial statements in respect of the aforementioned disputed demands aggregating Rs. 1.118 billion as the management is confident that the ultimate outcome of this case will be in favour of the Company.

19.6 Claims

Claims against the Company not acknowledged as debt aggregated Rs. 3.750 million as at 30 June, 2006 (2005: Rs. 3.750 million).

19.7 Commitments

(i) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate Rs. 241.475 million (2005: Rs. 130.978 million).

(ii) Commitments against capital expenditure as at 30 June, 2006 were for Rs. 857.294 million (2005: Rs. 2,051 million).

(iii) Commitments against irrevocable letters of credit outstanding as at 30 June, 2006 were for Rs. 944 million (2005: Rs. 4,594 million).

20. Property, Plant and Equipment

	Note	2006	2005
		(Rupees in thousand)	
Operating fixed assets	20.1	**6,885,915**	5,099,297
Capital work-in-progress - at cost	20.9	**9,030,403**	3,342,032
Stores and spares held for capital expenditure		**172,187**	21,053
		16,088,505	8,462,382

20.1 Operating fixed assets

PARTICULARS	COST				Rate %	DEPRECIATION				Book value as at 30 June, 2006
	As at 30 June, 2005	Additions/ (disposals)	Transfers / write offs	As at 30 June, 2006		Upto 30 June, 2005	For the year / (on disposals)	on transfers / write offs	As at 30 June, 2006	
	(R u p e e s	i n	t h o u s a n d)							
OWNED										
Land - freehold	53,688	22	-	**53,710**	-	-	-	-	-	**53,710**
Buildings on freehold land	813,146	301,217	-	**1,114,363**	5-10	377,856	**29,709**	-	407,565	**706,798**
Roads, bridges and railway sidings	72,716	2,750	-	**75,466**	5-10	41,589	**3,104**	-	44,693	**30,773**
Plant and machinery	8,063,596	1,799,675	(122,682)	**9,740,589**	5-20	3,554,575	**321,339**	(106,765)	3,769,149	**5,971,440**
Furniture, fixtures and equipment	67,271	22,960	-	**90,231**	10-30	40,812	**7,209**	-	48,021	**42,210**
Quarry equipment	130,860	5,566	-	**136,426**	20	113,181	**3,710**	-	116,891	**19,535**
Vehicles	58,713	24,629 (1,407)	-	**81,935**	20	33,354	**7,263** **(1,048)**	-	39,569	**42,366**
Share of joint assets - note 20.5	3,608	234	-	**3,842**	10	2,934	**91**	-	3,025	**817**
2006:	9,263,598	2,157,053 (1,407)	(122,682)	**11,296,562**		4,164,301	**372,425** **(1,048)**	(106,765)	4,428,913	**6,867,649**
LEASED										
Quarry equipment	-	18,575	-	**18,575**	20	-	**309**	-	309	**18,266**
2006:	**9,263,598**	**2,175,628** **(1,407)**	**(122,682)**	**11,315,137**		**4,164,301**	**372,734** **(1,048)**	**(106,765)**	**4,429,222**	**6,885,915**
2005:	9,186,477	84,371 (7,250)	-	9,263,598		3,830,395	341,094 (7,188)	-	4,164,301	5,099,297

20.2 The Company has given on lease, land measuring 6 Kanals and 18 Marlas to Sui Northern Gas Pipelines Ltd. in the year 1991 at an annual rent of Rupees two thousand.

20.3 Additions to plant & machinery include borrowing cost aggregating Rs. 73.276 million (2005: Rs. Nil); the borrowing cost rates have been disclosed in note 8.

20.4 Depreciation charge for the year has been allocated as follows:

	2006	2005
	(Rupees in thousand)	
- cost of goods sold	**359,987**	338,223
- administrative expenses	**3,301**	2,126
- other manufacturing expenses	**91**	75
- unallocated capital expenditure	**9,355**	670
	372,734	341,094

20.5 Ownership of the housing colony assets included in the operating fixed assets is shared by the Company jointly with Pak American Fertilizer Limited in the ratio of 101:245 since the time when both the companies were managed by Pakistan Industrial Development Corporation (PIDC). These assets are in possession of the housing colony establishment for mutual benefits. The cost of these assets as at 30 June, 2006 were as follows:

	2006	2005
	(Rupees in thousand)	
- buildings	**2,138**	2,138
- roads and bridge	**202**	202
- air strip	**16**	16
- plant and machinery	**257**	257
- furniture, fixtures and equipment	**1,065**	833
- vehicles	**164**	162
	3,842	3,608

20.6 Disposal of vehicles

Particulars	Cost	Accum-ulated depreci-ation	Book Value	Sale proceeds / insurance claim	Gain	Mode of disposal	Sold to / insurance claim received from:
	..............Rupees in thousand..............						
Toyota Corolla	967	677	290	711	421	Negotiation	Employee - Mr. Aftab A. Khwaja
Suzuki Jeep	400	334	66	308	242	- do -	Mr. Muhammad Sheraz Ashraf, 203-M, Model Town, Lahore.
Yamaha Motorcycle	40	37	3	30	27	Insurance claim	EFU General Insurance Company Limited.
	1,407	1,048	359	1,049	690		

20.7 Mechanical items, dismantled from Pak Cement Plant on conversion to white cement plant of 500 tpd, having book value of Rs. 12.019 million have been written-off during the year whereas electrical items of the dismantled plant, having book value of Rs. 3.898 million, have been transferred to stores during the year.

20.8 Grey cement wet process plant, during the year, was converted into white cement dry process plant, which was operated on trial run for a period of ten days. Gain arisen on trial run operations amounting Rs. 3.441 million has been netted-off against the plant & machinery additions whereas closing trial run inventories have been included in cost of sales.

20.9 Capital work-in-progress

	2006	2005
	(Rupees in thousand)	
Civil works	**84,233**	45,768
Plant & machinery	**7,697,695**	1,792,727
Mechanical works	**490,711**	139,891
Electrical works	**83,007**	50,168
Un-allocated capital expenditure [note (a)]	**492,073**	111,205
Advances to suppliers against:		
- plant and machinery	**78,968**	1,187,778
- civil works	**280**	10,511
- vehicles	**-**	3,984
- furniture, fixtures & equipment	**1,616**	-
- electrical works	**101,820**	-
	9,030,403	3,342,032

(a) Un-allocated capital expenditure - net

	2006	2005
	(Rupees in thousand)	
- salaries and wages	**35,172**	16,068
- travelling	**6,622**	5,746
- vehicles' running and maintenance	**2,777**	2,012
- training	**410**	126
- financial expenses	**427,488**	80,946
- printing & stationery	**1,960**	797
- postage, telegram and telephone	**983**	82
- legal and professional	**1,185**	-
- consultancy	**1,113**	3,852
- depreciation	**3,737**	728
- insurance	**8,523**	2,250
- rent, rates and taxes	**1,292**	424
- repair and maintenance	**302**	112
- others	**4,549**	2,102
	496,113	115,245
Less: mark-up on deposits	**4,040**	4,040
	492,073	111,205

21. Investments (Available-for-sale)

	2006	2005
	(Rupees in thousand)	
		Restated
Unquoted		
Security General Insurance Company Ltd. (SGIC)		
812,514 (2005: 812,514) fully paid ordinary		
shares of Rs. 10 each - cost	**5,000**	5,000
Equity held: 6.71% (2005: 6.71%)		
Add: adjustment arising from measurement to fair value	**12,395**	9,566
	17,395	14,566

21.1 Investments in equity instruments of associates where the Company does not have significant influence, effective from the current year, are being stated as per the accounting policy described in note 4.10. Till 30 June, 2005, these investments were stated at cost less impairment loss, if any. The change in accounting policy has been effected for better presentation and has been accounted for retrospectively by restating the comparative information in accordance with the recommended treatment specified in the revised IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Had there been no change in the accounting policy, the carrying value of investments as at 30 June, 2005 and 30 June, 2006 would have been lower by Rs. 9.566 million and Rs. 12.395 million respectively with corresponding effects on fair value reserve on measurement of available-for-sale investments.

The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current year.

In the interim financial statements of the Company for the current year, investments in SGIC were stated at the Company's share of the underlying net assets of SGIC using the equity method. The management, as at 30 June, 2006, has carried-out an appraisal and concluded that holding of 6.71% equity of SGIC and the Company's representation on the board of directors of SGIC through a non-executive director have not resulted in creation of a significant influence over the operations of SGIC; further, the Company does not have the power to participate in the financial and operating policy decisions of SGIC. Accordingly, these investments have been classified as available-for-sale as at 30 June, 2006.

22. Long Term Loans to Employees - Secured

	2006	2005
	(Rupees in thousand)	
House building	**8,245**	6,940
Vehicles	**2,086**	1,790
Others	**346**	388
	10,677	9,118
Less: recoverable within one year grouped under current assets	**3,550**	3,294
	7,127	5,824

22.1 These loans are secured against charge/lien on employees' retirement benefits and carry interest at the rates ranging from 6% to 12% per annum. These loans are recoverable in monthly instalments ranging from 30 to 120.

22.2 No amount was due from directors and chief executive at the year-end (2005: Rs. Nil).

22.3 Out of the opening receivable balance of Rs. 68 thousand from an executive, an amount of Rs. 21 thousand was received during the year; balance of Rs. 47 thousand was receivable as at 30 June, 2006. No other loans were advanced to executives during the current year.

23. Long Term Deposits and Prepayments

	Note	2006	2005
		(Rupees in thousand)	
Security deposits		**13,090**	3,309
Prepayments		**2,833**	2,833
		15,923	6,142

24. Stores, Spares and Loose Tools

Stores [including in transit valuing Rs. 26.467 million (2005: Rs. 20.065 million)]	**1,007,858**	562,140
Spares [including in transit valuing Rs. 117.025 million (2005: Rs. 50.434 million)]	**838,275**	542,562
Loose tools	**15,890**	9,665
	1,862,023	1,114,367
Less: Provision for obsolescence	**14,097**	13,400
	1,847,926	1,100,967

25. Stock-in-Trade

Raw materials	**13,501**	2,448
Packing materials	**20,521**	26,611
Work-in-process	**130,426**	128,288
Finished goods	**36,498**	25,870
	200,946	183,217

26. Loans and Advances

Current portion of long term loans to employees	22	**3,550**	3,294
Advances - considered good			
- executives		**330**	-
- employees		**3,460**	3,667
- suppliers		**179,417**	21,326
Earnest money deposit	26.1	**112,500**	-
		299,257	28,287

26.1 This represents the Company's share of earnest money deposited with the Privatisation Commission, Government of Pakistan for participating in the bidding of 100% shareholding of Pak American Fertilizer Ltd. As the Company's bid could not succeed, the year-end balance has been fully received-back subsequent to the balance sheet date.

27. Deposits and Short Term Prepayments

	Note	**2006**	2005
		(Rupees in thousand)	
Security deposits		**2,784**	-
Margin against letters of credit		**316**	6,203
Prepayments		**4,214**	11,948
		7,314	18,151

28. Accrued Profit

This represents profit accrued on deposit / PLS bank accounts.

29. Sales Tax, Customs and Excise Duty

	Note	**2006**	2005
Sales tax and customs duty	29.1	**16,797**	49,265
Excise duty		**17,814**	15,619
		34,611	64,884

29.1 2005 balance included sales tax paid aggregating Rs. 35.797 million against various cases as detailed in the contingencies note; however, Rs. 19.000 million have been received-back during the current year and the Company is still in litigation to get refund of the remaining balance of Rs. 16.797 million.

30. Other Receivables

	Note	**2006**	2005
		(Rupees in thousand)	
Letters of credit		**5,118**	6,278
Others receivables		**4,334**	2,328
		9,452	8,606

31. Cash and Bank Balances

	Note	**2006**	2005
Cash-in:			
- hand		**120**	127
- transit		**1,183**	2,748
Cash at commercial banks on:			
- deposit accounts		**-**	201,000
- PLS accounts	31.1	**52,466**	132,838
- current accounts	31.2	**47,169**	33,089
		99,635	366,927
		100,938	369,802

31.1 Profit and loss sharing accounts bear mark-up at the rates ranging from 1% to 3% (2005: 1% to 3%) per annum.

31.2 Current accounts include a sum of Rs. 14.774 million (2005: Rs. 8.024 million) held by various banks as margin against guarantees issued by them.

32. Sales - Net

	Note	2006	2005
		(Rupees in thousand)	
Gross sales		**7,954,901**	6,193,443
Less:			
- excise duty		**1,128,106**	1,020,618
- sales tax		**1,036,977**	807,589
- commission		**80,026**	74,502
		2,245,109	1,902,709
		5,709,792	4,290,734

33. Cost of Sales

	Note	2006	2005
Raw materials consumed	33.1	**166,157**	130,228
Packing materials consumed		**263,011**	244,149
Fuel and power		**2,195,762**	1,840,927
Stores and spares consumed		**239,285**	225,830
Salaries, wages and amenities	33.2	**200,459**	163,759
Rent, rates and taxes		**3,202**	7,815
Insurance		**12,965**	13,950
Repair and maintenance		**41,019**	19,758
Depreciation		**359,987**	338,223
Other expenses	33.3	**73,180**	72,726
		3,555,027	3,057,365
Work-in-process			
Opening		**128,288**	43,840
Transfer from trial run operations	20.8	**11,842**	-
Closing		**(130,426)**	(128,288)
		9,704	(84,448)
Cost of goods manufactured		**3,564,731**	2,972,917
Finished goods stock			
Opening		**25,870**	15,755
Transfer from trial run operations	20.8	**7,109**	-
Closing		**(36,498)**	(25,870)
		(3,519)	(10,115)
		3,561,212	2,962,802

33.1 Raw materials consumed

	2006	2005
Opening	**2,448**	3,713
Purchases	**177,210**	128,963
	179,658	132,676
Less: Closing stock	**13,501**	2,448
	166,157	130,228

33. 2 Salaries, wages and amenities expense includes contribution to provident fund aggregating Rs. 5,849 thousand (2005: Rs. 5,340 thousand).

Salaries, wages and amenities expense includes staff retirement benefits (gratuity) aggregating Rs. 1,723 thousand (2005: expense was reduced by Rs. 6,940 thousand as a result of actuarial valuation of the gratuity scheme).

33.3 Other expenses include housing colony expenses aggregating Rs. 39.636 million (2005: Rs. 41.342 million) and vehicles' running expenses aggregating Rs. 21.254 million (2005: Rs. 14.899 million).

34. Administrative Expenses

	Note	2006	2005
		(Rupees in thousand)	
Salaries and amenities	34.1	**30,066**	19,012
Travelling		**3,403**	2,002
Vehicles' running and maintenance		**4,919**	3,170
Postage, telephone and fax		**3,066**	2,885
Printing and stationery		**3,583**	2,774
Entertainment		**939**	711
Repair and maintenance		**1,411**	539
Legal and professional	34.2	**4,152**	3,004
Provision for obsolete stores and spares		**697**	-
Depreciation		**3,301**	2,126
Rent, rates and taxes		**12**	26
Other expenses		**4,925**	4,038
		60,474	40,287

34.1 Salaries and amenities expense includes contribution to provident fund aggregating Rs. 933 thousand (2005: Rs. 558 thousand).

Salaries and amenities expense includes staff retirement benefits (gratuity) aggregating Rs. 226 thousand (2005: expense was reduced by Rs. 801 thousand as a result of actuarial valuation of the gratuity scheme).

34.2 Legal and professional charges include the following in respect of Auditors' services for:

	Note	2006	2005
		(Rupees in thousand)	
Hameed Chaudhri & Co.			
- statutory audit		**300**	275
- half yearly review		**100**	80
- certification charges		**110**	90
		510	445
Ford Rhodes Sidat Hyder & Co.			
- out-of-pocket expenses		**-**	48
		510	493

35. Distribution Cost

	Note	2006	2005
Salaries and amenities	35.1	**12,070**	9,860
Travelling		**251**	225
Vehicles' running and maintenance		**1,518**	1,141
Postage, telephone and fax		**303**	427
Printing and stationery		**361**	238
Entertainment		**168**	184
Repair and maintenance		**112**	69
Advertisement and sampling		**5,049**	261
Rent, rates and taxes		**-**	7
Other expenses		**1,129**	561
		20,961	12,973

35.1 Salaries and amenities expense includes contribution to provident fund aggregating Rs. 189 thousand (2005: Rs. 171 thousand).

Salaries and amenities expense includes staff retirement benefits (gratuity) aggregating Rs. 91 thousand (2005: expense was reduced by Rs. 413 thousand as a result of actuarial valuation of the gratuity scheme).

36. Other Operating Expenses

	Note	**2006**	2005
		(Rupees in thousand)	
Donations	36.1	**19,962**	5,642
Workers' (profit) participation fund	15.2	**86,043**	54,072
Property, plant and equipment written-off	20.7	**12,019**	-
		118,024	59,714

36.1 Donations for the year have been given to:

- President's Relief Fund for Earthquake Victims-2005	**10,000**
- Gulab Devi Hospital, Lahore	**9,450**
- Lt. Gen. Ghulam Ahmed Memorial Scholarship Trust Fund	**500**
- Welfare Fund, District Mianwali	**12**
	19,962

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

37. Other Operating Income

	2006	2005
Income from financial assets		
Profit on bank deposits	**6,163**	1,915
Dividend from an associate	**1,625**	738
Unclaimed balances written back - net	**220**	1,259
Income from non-financial assets		
Sale of scrap	**12,366**	8,980
Gain on disposal of operating fixed assets	**690**	2,070
Miscellaneous	**5,607**	3,135
	26,671	18,097

38. Finance Cost

	2006	2005
Mark-up / interest / profit on:		
- long term loans and finances	**225,741**	154,046
- redeemable capital	**10,241**	22,731
- short term finances	**92,563**	23,002
Bank guarantees' commission	**3,482**	1,314
Exchange fluctuation loss	**6,417**	1,887
Bank charges	**2,534**	2,697
	340,978	205,677

39. Earnings Per Share

	2006	2005
	(Rupees in thousand)	
39.1 Basic:		
Profit after taxation attributable to ordinary shareholders	**1,006,004**	715,691
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	**297,810,685**	246,815,705
	Rupees	
Earnings per share	**3.38**	2.90

	2006	2005
	(Rupees in thousand)	
39.2 Diluted:		
Profit after taxation attributable to ordinary shareholders	**1,006,004**	715,691
Increase in net profit due to option	**53,236**	11,759
	1,059,240	727,450
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	**297,810,685**	246,815,705
Incremental shares due to option	**24,366,329**	5,924,031
	322,177,014	252,739,736
	Rupees	
Earnings per share	**3.29**	2.88

Number of weighted average ordinary shares outstanding as at 30 June, 2005 has been increased to reflect the bonus shares issued during the year.

40. Remuneration of Chairman, Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements for the year for remuneration, including certain benefits to the Chairman, Chief Executive, Working Directors and other Executives of the Company are as follows:

Particulars	Chairman		Chief Executive		Directors		Executives	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	..............Rupees in thousand..............							
Managerial remuneration	**2,709**	-	**1,520**	2,130	**1,811**	1,644	**14,486**	12,675
Contribution to provident fund trust	**-**	-	**152**	-	**132**	111	**696**	497
Perquisites and benefits:								
- house rent	**1,220**	-	**180**	957	**331**	277	**4,202**	3,332
- medical	**-**	-	**152**	-	**-**	4	**165**	140
- conveyance/petrol	**-**	-	**89**	-	**265**	195	**2,428**	1,548
- leave passage	**-**	-	**126**	-	**123**	98	**546**	593
- utilities	**271**	-	**152**	213	**132**	111	**1,088**	866
	1,491	-	**699**	1,170	**851**	685	**8,429**	6,479
	4,200	-	**2,371**	3,300	**2,794**	2,440	**23,611**	19,651
No. of persons	**1**	1	**1**	1	**1**	2	**12**	11

40.1 The Chairman, Chief Executive, Directors and some of the Executives are also provided with Company maintained cars in accordance with their terms of employment. Aggregate amount charged in these financial statements in respect of Directors' fees aggregated Rs. 114 thousand (2005: Rs. 116 thousand).

41. Staff Retirement Benefits - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation of this plan:

	2006	2005
- discount rate	**9%**	9%
- expected return on plan assets	**14%**	14%
- expected rate of growth per annum in future salaries	**8%**	8%
- average expected remaining working life time of employees	**11 years**	11 years

(a) Movement in the net liability / (asset) recognised in the balance sheet is as follows:

	2006	2005
	(Rupees in thousand)	
Net asset at the beginning of the year	**(69,670)**	(60,437)
Expense / (income) recognised	**2,040**	(8,155)
Funds transferred from gratuity trust	**74,009**	-
Other miscellaneous adjustments	**674**	-
Contribution paid	**(5,013)**	(1,078)
Net liability / (asset) at the end of the year	**2,040**	(69,670)

(b) The amount recognised in the balance sheet is as follows:

	2006	2005
Present value of obligation	**45,937**	74,066
Benefits payable to Supervisors and Officers [note (d)]	**57,306**	-
Fair value of plan assets	**(100,830)**	(147,812)
Unrecognised actuarial (loss) / gain	**(1,298)**	4,076
Benefits payable to outgoing Members	**925**	-
Net liability / (asset) recognised in the balance sheet	**2,040**	(69,670)

(c) The amount recognised in the profit and loss account is as follows:

	2006	2005
Current service cost	**7,632**	4,261
Interest cost	**6,666**	5,184
Expected return on plan assets	**(20,694)**	(17,600)
Loss on present value of defined benefit obligations due to settlements to Supervisors and Officers [note (d)]	**8,436**	-
Expense / (income) recognised in the profit and loss account	**2,040**	(8,155)

(d) The Company has withdrawn gratuity benefits for its Officers and Supervisors with effect from 01 July, 2006; therefore, their accrued benefits have been calculated on termination basis as at 30 June, 2006.

(e) The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

(f) The latest actuarial valuation of the gratuity scheme has been carried-out on 30 June, 2006.

42. Financial Instruments

Particulars	Interest / mark-up bearing: Maturity upto one year	Interest / mark-up bearing: Maturity after one year	Interest / mark-up bearing: Sub-total	Non-interest / mark-up bearing: Maturity upto one year	Non-interest / mark-up bearing: Maturity after one year	Non-interest / mark-up bearing: Sub-total	Total
	(Rupees in thousand)						
2006							
Financial assets:							
Investments	-	-	-	-	17,395	17,395	17,395
Long term loans to employees	3,550	7,127	10,677	-	-	-	10,677
Long term deposits	-	-	-	-	13,090	13,090	13,090
Trade debts	-	-	-	163,459	-	163,459	163,459
Loans and advances	-	-	-	116,290	-	116,290	116,290
Security deposits	-	-	-	2,784	-	2,784	2,784
Accrued profit	-	-	-	559	-	559	559
Other receivables	-	-	-	3,892	-	3,892	3,892
Cash and bank balances	52,466	-	52,466	48,472	-	48,472	100,938
	56,016	7,127	63,143	335,456	30,485	365,941	429,084
Financial liabilities:							
Redeemable capital	41,650	-	41,650	-	-	-	41,650
Long term loans and finances	538,530	7,868,948	8,407,478	-	-	-	8,407,478
Liabilities against assets subject to finance lease	4,481	12,226	16,707	-	-	-	16,707
Lease finance advances	-	74,146	74,146	-	-	-	74,146
Long term deposits	-	-	-	-	2,977	2,977	2,977
Short term finances	943,692	-	943,692	3,468	-	3,468	947,160
Trade and other payables	-	-	-	605,810	-	605,810	605,810
Accrued profit and interest / mark-up	-	-	-	279,112	-	279,112	279,112
Preference dividend	-	-	-	52,850	-	52,850	52,850
Unclaimed ordinary dividend	-	-	-	1,736	-	1,736	1,736
	1,528,353	7,955,320	9,483,673	942,976	2,977	945,953	10,429,626
Off balance sheet items:							
Letters of credit	-	-	-	944,000	-	944,000	944,000
Contracts for capital expenditure	-	-	-	857,294	-	857,294	857,294
	-	-	-	1,801,294	-	1,801,294	1,801,294
2005							
Financial assets:							
Investments	-	-	-	-	14,566	14,566	14,566
Long term loans to employees	3,294	5,824	9,118	-	-	-	9,118
Long term deposits	-	-	-	-	3,309	3,309	3,309
Trade debts	-	-	-	92,597	-	92,597	92,597
Loans and advances	-	-	-	3,667	-	3,667	3,667
Accrued profit	-	-	-	3,878	-	3,878	3,878
Due from gratuity fund	-	-	-	69,670	-	69,670	69,670
Other receivables	-	-	-	2,328	-	2,328	2,328
Cash and bank balances	333,838	-	333,838	35,964	-	35,964	369,802
	337,132	5,824	342,956	208,104	17,875	225,979	568,935
Financial liabilities:							
Redeemable capital	83,300	41,650	124,950	-	-	-	124,950
Long term loans and finances	434,030	2,157,706	2,591,736	-	-	-	2,591,736
Long term deposits	-	-	-	-	6,572	6,572	6,572
Short term finances	589,843	-	589,843	-	-	-	589,843
Trade and other payables	-	-	-	361,061	-	361,061	361,061
Accrued profit and interest / mark-up	-	-	-	38,646	-	38,646	38,646
Preference dividend	-	-	-	11,759	-	11,759	11,759
Unclaimed ordinary dividend	-	-	-	1,868	-	1,868	1,868
	1,107,173	2,199,356	3,306,529	413,334	6,572	419,906	3,726,435
Off balance sheet items:							
Letters of credit	-	-	-	4,594,000	-	4,594,000	4,594,000
Contracts for capital expenditure	-	-	-	2,051,000	-	2,051,000	2,051,000
	-	-	-	6,645,000	-	6,645,000	6,645,000

42.1 The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Company believes that it is not exposed to any major credit risk as a significant portion of its financial assets represents balances with major commercial banks having reasonably high credit ratings. Further, in the case of trade debtors, exposure is spread over a large number of counter-parties. To manage exposure to credit risk, the Company applies credit limits to its customers and also obtains advances from them.

42.3 Foreign exchange risk

Foreign currency risk arises where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are monitored by the management and, if necessary, are covered through forward foreign exchange contracts. However, no forward foreign exchange contracts were outstanding at the year-end.

42.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimised.

42.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

42.6 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

43. Number of Employees

Total number of employees at the end of year were 832 (2005: 723).

44. Capacity and Production

	Capacity		Actual Production	
	2006	2005	**2006**	2005
	..............Metric		Tons..............	
Clinker				
Grey	**1,500,000**	1,470,000	**1,400,803**	1,321,289
White	**67,500**	30,000	**32,129**	33,447

Shortfall in production of white cement was mainly due to market constraints. The capacity of the plants has been determined on the basis of 300 days.

45. Transactions with Related Parties

Related parties comprise of the holding company, related group companies, associates, directors of the Company, key employees and staff retirement funds. Details of transactions with related parties are as follows:

	2006	2005
	(Rupees in thousand)	
- purchase of goods and services	**1,178**	-
- sale of goods and services	**7,913**	29,273

46. Date of Authorisation for Issue

These financial statements were authorised for issue on 25 September, 2006 by the board of directors of the Company.

47. Non-Adjusting Event After the Balance Sheet Date

The Board of Directors, subsequent to the balance sheet date, at their meeting held on 25 September, 2006, has approved appropriation to general reserve amounting Rs. 600 million. These financial statements do not reflect this appropriation as explained in note 6.2.

48. Figures

Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

Director

Chief Executive

PROXY FORM
MAPLE LEAF CEMENT FACTORY LIMITED

I/We ______________________________

of ______________________________

being a member of MAPLE LEAF CEMENT FACTORY LIMITED hereby appoint

____
(Name)

of ______________________________ another member of the Company

or failing him/her ______________________________
(Name)

of ______________________________ another member of the Company

(being a member of the Company) as my/our proxy to attend and vote for and on my/our behalf, at the Annual General Meeting of the Company to be held at its Registered Office, 42-Lawrence Road, Lahore on Tuesday, October 31, 2006 at 11:00 A. M. and any adjournment thereof.

As witnessed given under my/our hand(s) ______________ day of ______________ , 2006.

1) Witness:

Signature ______________________

Name ______________________

Address ______________________

____

Affix
Revenue
Stamp of Rs. 5/-

____
Signature of Member

2) Witness:

Signature ______________________

Name ______________________

Address ______________________

____

Shares Held ______________________

Shareholder's Folio No. ______________________

CDC A/c No. ______________________

CNIC No.

Note :

1) Proxies, in order to be effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2) CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their Computerised National Identity Cards / Passport in original to prove his / her identity, and in case of Proxy, must enclose an attested copy of his / her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

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AFFIX
CORRECT
POSTAGE

The Company Secretary
MAPLE LEAF CEMENT FACTORY LIMITED
42-Lawrence Road, Lahore.
Phone Nos: (042) 6278904 - 05

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