

Annual Report '96

MAPLE LEAF

CEMENT FACTORY LIMITED

A Company of Kohinoor (Rawalpindi) Group

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COMPANY INFORMATION

Board of Directors

Mr. Tariq Sayeed Saigol
Chairman

Mr. Mohammad Hanif
Chief Executive

Mr. Taufique Sayeed Saigol
Mr. Usman Said
Mr. Sarmad Amin
Mr. Aamir Fayyaz Sheikh
Mr. Palle O. Jorgerisen
(Representing FLS & IFU)
Mr. Sk. Jahangir
(Representing NIT)

Company Secretary

Mr. Mohammad
Sharif

Bankers of the Company

Muslim Commercial Bank Limited

Union Bank Limited
Habib Bank Limited
National Bank of Pakistan
Soneri Bank
Limited
American Express Bank Ltd.
The Bank of Punjab

Auditors

1. Ford, Rhodes, Robson, Morrow
Chartered Accountants
2. Amin, Mudassar & Co.
Chartered Accountants

Legal Advisors

1. Cornelious Lane and Mufti
Nawa-e-Waqt Building
4-Fatima Jinnah Road, Lahore.

2. Ch. Sadiq Hussain
Advocate,
Supreme Court of Pakistan
Lahore High Court.

Registered Office

42-Lawrence Road, Lahore.
Phone: 6305883, 6278904-5
Fax: (042) 6363184

Factory

Iskanderabad Distt Mianwali.
Phones: (0459) 392237 - 8

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual.
General Meeting of the members of
Maple Leaf Cement Factory Limited will be
held at its registered office, 42-Lawrence
Road, Lahore on Thursday, 26th December,
1996 at 3.00 p.m. to transact the following
business:

1) To confirm the minutes of last
General Meeting.

2) To receive and adopt Audited Accounts of the company for the year ended June 30, 1996 together with the Auditors and Directors Reports thereon.

3) To appoint the Auditors and fix their remuneration. M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants and M/s Amin, Mudassar & Co, Chartered Accountants the retiring joint auditors, being eligible, offer themselves for reappointment for the next year.

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

Notes:

1. Shares Transfer Books of the company will remain closed from 25th December, 1996 to 31 st December, 1996 (both days inclusive). Transfers received in order at company's share department, 42- Lawarence Road, Lahore upto the close of business on 24th December, 1996 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the company's registered office not less than 48 hours before the time for holding the Meeting.

3. Shareholders are requested to immediately notify the change in address, if any.

By order of the Board

Mohammad Sharif
Company Secretary

Lahore: December 4, 1996

CHAIRMAN'S REVIEW

I am pleased to present annual report for the year ended June 30, 1996.

The Pakistan cement industry is facing the worst-ever crisis owing to a massive decline in demand, unprecedented increase in excise duty & sales tax, rising cost of fuel & energy and packing materials which make it extremely difficult for the manufacturers to continue their operations efficiently. Furnace oil prices have been doubled in the last one year and the power tariff has also been increased tremendously. The devaluation of Pak Rupee has also affected the profitability of the company by increasing cost of imported inputs.

Cement industry is continuously under pressure of inconsistent and varying policies announced by the Government of Pakistan since 1993 as explained below:

i) Abolition of capacity taxation w.e.f August, 1993 has taken away the special incentive for the cement manufacturers to produce more adversely affecting the overall production of the country and resulting in the decline of revenues. It is in the larger national interest that the Government revives the scheme of capacity tax to arrest declining revenues.

ii) The incentive of exemption from sales tax has been given to industrial units set up in the provinces of NWFP and Baluchistan. This will detract the attention of investors considering to set up industrial units in other areas. In particular the industrial units set up close to NWFP and Baluchistan which

are also the underdeveloped districts of Punjab like D.G.Khan and Mianwali face marketing problems, because of paying 18% sales tax more than their competitors in NWFP and Baluchistan. This anomaly in taxation of same product manufactured by the units located close to each others needs to be rationalized.

iii) The taxes and duties have been increased and presently 35% excise duty and 18% sales tax is leviable on cement on retail price basis. The price of cement has not been increased to cover this levy and increased cost inputs due to over supply. The absorption of the additional levies squeezed the profit margins to an alarming level.

iv) Cement has been charged to excise duty and sales tax on retail price with printing retail price on cement bags vide amendment in the law. The system of excise duty and sales tax on retail price is not workable as cement being a voluminous item, freight differs very widely from place to place.

v) The price of furnace oil has been increased substantially during the year. The furnace oil is a major cost input in cement manufacturing. The increase in furnace oil price has squeezed the profit margins. thus discouraging the investors to invest in this sector.

vi) Imported machinery for the expansion project was exempt from import duties and sales tax under SRO No. 484 (I)/92 which expired on June 30, 1995 and additionally 10% regulatory duty has been imposed on imported goods. This has increased the capital cost of the on-going projects. The cost of stores &

spares shall also increase due to the imposition of additional import duties & taxes and devaluation of Pak Rupee.

In order to give relief to the manufacturers and to consumers, the Government should decrease taxes otherwise this industry would become sick like the textile sector. The Government has allowed export of cement only by sea which will provide relief to the southern region producers. The export of cement by road will help the northern producers by exporting cement to Afghanistan, Iran and Central Asian Republics. The facility of export by road can help to save the industry from crisis and will also earn foreign exchange for the country.

Despite the adverse circumstances, the performance of your company in the year under review has been satisfactory. The Expansion Project of 3300 tonnes per day clinker capacity with installation of Environmental Improvement project and up grading the existing plant, undertaken by the management is going on schedule and will be completed as per schedule i.e September, 1997. On completion of the project the annual production of the company will increase to 1.5 million tones.

I record my appreciation for International Finance Corporation, F.L.Smith & Co. (the expansion plant supplier) and IFU (Danish Government Fund for Developing Countries) who have invested in the expansion project undertaken by the company.

I would like to close with thanks to the company's management team, executives, workers and stockiest for their valuable contribution to the affairs of the company and hope for better and prosperous future.

Tariq Sayeed
Saigol
Chairman

Maple Leaf CEMENT FACTORY LTD

FIVE YEARS SUMMARY

	1995-96	1994-95	1993-94	1992-93	1991-92
Quantity Data (M.Ton):					
Grey Cement:					
Production	488,961	487,785		497,651	521,060
Sales	481,881	492,611		489,494	520,225
White Cement :					
Production	34,720	38,299		35,125	36,008
Sales	34,450	38,375		35,091	36,113
Sales (Rs.000)					
Gross Sales	1,675,074	1,803,122		1,528,307	1,346,968
Less: Excise Duty	397,782	433,530		267,787	231,266
Sales Tax	235,457	260,118		196,795	151,004
SCCP Surcharge	-	-	-	-	24,046
Rebate	11,001	13,542		391	227
Net Sales	1,030,834	1,095,932		1,063,334	964,698
Gross Profit	201,972	352,405		359,366	346,838
Profit Before Tax	238,554	342,817		314,360	259,972
Provision for Taxation	98,000	126,000		113,219	83,500
Profit After Tax	140,554	216,817		201,141	176,472
Tangible Fixed Assets - Net	3,780,420	1,481,822		606,396	513,606
Investment & Other Assets	380,163	376,870		215,710	112,167
	4,160,583	1,858,692		822,106	625,773
Current Assets	1,880,883	2,102,296		468,992	536,610
Less: Current Liabilities	(380,854)	(313,766)	(324,947)	(359,363)	(327,498)
Net Working Capital	1,500,029	1,788,530		144,045	177,247

Capital Employed	5,660,612	3,647,222	966,151	863,020	700,072
Less: Long Term Loan & Other Liabilities	(2,557,172)	(673,999)	(350,955)	(388,965)	(430,014)
Share holders equity	3,103,440	2,973,223	615,196	414,055	270,058
Represented by:					
Share Capital	930,209	826,853	129,901	129,901	129,901
Reserves & Unappropriated Profit	2,173,731	2,146,370	485,295	284,154	140,157
	31,113,440	2,973,223	615,196	414,055	270,058

Ratios

Gross Profit to Sales (%age)	19.59	32.16	33.80	35.95	21.09
Net Profit to Sales (%age)	13.63	19.78	18.92	18.29	10.28
Debt Equity Ratio	44:56	15:85	26:74	38:62	52:48
Current Ratio	4.94	6.70	1.44	1.49	1.60
Break up Value per Share of Rs. 10 each	33.36	35.96	47.36	31.87	20.79

DIRECTORS' REPORT TO THE Shareholders

The directors take pleasure in placing their report alongwith audited accounts and auditors report thereon for the year ended June30, 1996.

OPERATING RESULTS

In the year under report cement industry suffered heavily by currency devaluation, higher cost inputs especially furnace oil, recession in the market, increase in duty & taxes and low selling price. However, your company has closed the year with reasonable profitability.

The net sales revenue for the year under report amounted to Rs. 1,030.834 million against the last year Rs. 1,095.932 million and pre-tax profit Rs. 238.554 million (1995:

Rs. 342.817 million). The decrease in profit over the last year is attributable to increased cost inputs i.e. substantial increase in furnace oil, diesel & POL rates, power tariff and prices of stores & spare. The profitability also decreased due to sluggish market conditions. Furnace oil prices increased substantially during the year which had a very adverse impact. The increased taxes imposed in the annual budget 1996 which are around 50% of the ex-factory price, has reduced the sales revenue and squeezed profit margin.

The production and sales for the year under review are given as under:

PRODUCTION (M. Tones)

	Grey		White		
	Clinker	Cement	Clinker	Cement	
1996	488,933	488,961	34,581		34,720
1995	483,138	487,785	35,424		38,299

SALES (M.Tones)

1996	481,881	34,450
1995	492,612	38,375

The performance has been satisfactory and the decrease in sales by 2% was due to depressed market conditions. While the availability of cement in the country increased due to commissioning Of new and expansion of the existing plants, a decline in demand was witnessed mainly on account of reduced development work and low economic activities. It is estimated that supply was surplus in a relentless competition and as a consequence cement prices remained under pressure.

Three factors will lead to a further downturn in the market. a) Cement demand depends

largely on infrastructure projects and housing demand, but in Pakistan, with a continuous budget deficit and fall in general purchasing power, any substantial increase in cement demand is not foreseen in the near future. b) Due to the implementation of ongoing projects, there may be a surplus in the market and prices will remain under pressure. c) Due to tight budgetary constraints the Government has increased taxes on cement industry i.e increased sales tax from 15% to 18% and excise duty from 25% to 35%. The overall position could be expected to improve on implementation of stabilised economic and investment policies in the country.

APPROPRIATION

Available profits have been appropriated as under:

	(Rupees in thousand)	
	1996	1995
Net profit for the year after tax	140,554	216,817
Un-appropriated profit brought forward	4,177	8,360
Income tax: short provided last year	-	(21,000)
	-----	-----
Available for appropriation	144,731	204,177
	=====	=====

Appropriations:

Your directors propose following appropriation of profit:

Transfer to general reserve	140,000	200,000
Balance carried forward	4,731	4,177
	-----	-----
	144,731	204,177
	=====	=====

In view of cash requirement for the ongoing expansion project, it has not been considered appropriate to recommend any cash dividend for the year 1995-96.

EXPANSION PROJECT

The Expansion Project already undertaken comprises of a complete new line of

production of 3,300 tonnes per day clinker capacity based on most modern dry process technology in addition to improving/upgrading the present production facilities and installation of environmental control equipment. The project is of national importance as it will provide job opportunities to the local areas and also resulting in number of down stream benefits.

The project is approved for financing by International Finance Corporation, Washington who disbursed US\$ 65.0 million as long term loan and US\$ 5.2 million as equity investment. F.L. Smidth & Co. and IFU (Danish Government Fund for Developing Countries) Denmark have also invested US\$ 5.0 million each towards equity participation. Local currency loan of Rs. 146.9 million has been availed from Muslim Commercial Bank Limited for expansion project.

The cost of the project is re-estimated at Rs. 5,969.16 million considering the impact of additional cost resulting primarily from increase in the duty structure on the import of plant and machinery and devaluation in Pak Rupee against US dollar and other currencies.

The revised project cost and financial plan as agreed with International Finance Corporation is given as under:

(Rupees in Million)

Total Project Cost		5,969.16
Means of Financing		
Long Term Debt		
Foreign currency - (IFC US \$65.0 Million)	2,235.61	
Sanctioned local loans	396.90	2,632.51
Additional local loans under process		300.00

Internal Financing

502.36

Equity

Capital already raised (including Premium)	2,162.21	
Current capital issue at par	372.08	2,534.29
	-----	-----
		5,969.16
		=====

To finance the additional cost the Board decided to issue further capital of Rs. 372.08 million by offering to the shareholders 37,208,378 ordinary shares of Rs. 10/- each at par as right shares in the ratio of 4 additional shares for every 10 shares held (40%). The right shares shall rank pari passu with the existing shares in all respects. Sponsors, IFC Washington, FLS and 1FU, Denmark have subscribed totaling Rs. 202.618 million being 55% of the total right offer. The subscription amount from other shareholders i.e. foreign shareholders, financial institutions, investment companies and individual shareholders is still under transfer from bankers to issue. The local loans of Rs. 300.0 million provided in the above financial plan have been firmed up for disbursement.

PROGRESS REVIEW

i) Civil Work: The contracts for civil work were awarded to M/s Builders Associate (Pvt) Limited and M/s Izhar Construction (Pvt) Limited. Progress on civil work was maintained according to the target and 90% of civil work is complete. Construction of residential buildings comprising of bachelors' hostel, guest house and 18 bungalows is complete.

II) Delivery of Plant & Machinery: The supply of 95% of total machinery from M/s F.L. Smidth & Co., Denmark and M/s CPC Pakistan (Pvt)Ltd. has been completed.

II) Mechanical Erection: The work of mechanical erection was divided into three lots to expedite the work. All the three contractors M/s HDK, EKL and Asiacon were fully mobilised at project site. A 250 tonnes crane has also been installed near pre-heater to expedite the erection work. Overall 40% of erection work is complete.

IV) Electrical Erection: The contract for electrical erection was awarded to M/s Siemens Pakistan Engineering Company Ltd. The contractor was mobilised at site and electrical erection work is in progress.

V) Project Completion Schedule: The progress of expansion project is going according to schedule and production is expected to start by the- target date i.e. September, 1997.

ENVIRONMENTAL IMPROVEMENT PROJECT

The Government of Pakistan issued SRO for Pollution control in the industrial units. Maple Leaf Cement has taken immediate steps and plan to install Environmental Control Equipment for the existing plants.

M/s FLS miljo, Denmark and CPC Pakistan (Pvt) Ltd., have delivered the equipment. Civil foundation is complete, erection has been started and expected to complete in June, 97.

House keeping to improve drainage, oil handling and existing building structure is also in progress in consultation with NESPAK.

AUDITORS

M/s Ford, Rhodes, Robson, Morrow,
Chartered Accounts and M/s Amin,
Mudassar & Co., Chartered Accountants, the
retiring joint auditors, being eligible, offer
for reappointment for the next year.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company
as on June 30, 1996 is included in the
Annual Report.

BOARD OF DIRECTORS

The Board of Directors was re-elected for
further period of three years in the last
Annual General Meeting. The Board
includes Mr. Sk Jahangir representative
of NIT and Mr. Palle O. Jorgensen
representative of FLS (plant supplier) and
IFU (Danish Government Fund for
Developing Countries). It is hoped that their
valuable participation on Board will help the
management in executing the company's
affairs efficiently.

LABOUR MANAGEMENT**RELATIONSHIP**

The Board wishes to place on record its
appreciation of the efforts and services
rendered by the officers and workers who
worked as a team throughout the year. It is
expected that the same would be coming
forth in the years to come.

For and on behalf of the board

Mohammad Hanif
Managing Director

Lahore:
November 23, 1996

PATTERN OF SHAREHOLDING**AS AT JUNE 30,**

1996

No of Shareholders	From	Size of holding	To	No. of shares held
443	1		100	16,661
2003	101		500	593,840
1893	501		1000	1,233,266
4326	1001		5000	7,978,967
526	5001		10000	3,382,940
165	10001		15000	1,944,380
60	15001		20000	1,035,374
35	20001		25000	772,224
16	25001		30000	437,597
11	30001		35000	354,711
13	35001		40000	489,192
8	40001		45000	335,156
2	45001		50000	91,854
2	50001		55000	103,150
7	55001		60000	399,062
7	60001		65000	437,381
3	65001		70000	199,700
2	70001		75000	149,149
2	75001		80000	153,000
3	80001		85000	245,449
3	85001		90000	263,162
5	95001		100000	498,612
1	105001		110000	105,375
2	110001		115000	227,087
1	120001		125000	123,108
1	130001		135000	131,375
1	140001		145000	141,750
1	150001		155000	152,235
1	180001		185000	182,762
1	190001		195000	194,112
1	210001		215000	213,187
1	215001		220000	216,500
1	225001		230000	227,490
1	245001		250000	248,062
1	265001		270000	270,000
1	285001		290000	287,000
1	300001		305000	301,332
1	310001		315000	311,175
1	390001		395000	390,675

1	400001	405000	402,837
1	430001	435000	434,875
1	510001	515000	512,465
1	885001	890000	885,168
1	1270001	1275000	1,274,295
1	1290001	1295000	1,290,610
1	2885001	2890000	2,888,500
1	4690001	4695000	4,694,025
2	4950001	4955000	9,909,352
1	4990001	4995000	4,990,648
1	5170001	5175000	5,171,232
1	5200001	5205000	5,201,676
1	13565001	13570000	13,568,175
1	16955001	16960000	16,959,036
-----			-----
9568			93,020,946
=====			=====

Categories of share holders	No of Share holders	Shares held	Percentage of capital
Individuals	9,4601	9,864,55	21.36
Investment Companies	26	11,634,097	12.51
Insurance Companies	5	984,262	1.06
Joint Stock Companies	27	18,187,772	19.55
Financial Institutions	3	6,091,428	6.55
Foreign Companies	31	35,802,565	38.49
Modaraba Companies	15	445,416	0.48
State Cement Corp. of Pakistan Ltd.	1	10,854	0.01
-----			-----
Grand Total	9568	93,020,946	100.00
=====			=====

AUDITORS' REPORT TO THE MEMBERS

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

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

b) in our opinion:

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

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

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

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

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

Amin, Mudassar & Co,
Chartered Accountants
Lahore: November 23, 1996

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Lahore: November 23, 1996

BALANCE SHEET
AS AT JUNE 30,
1996

	Note	(Rupees in thousand)	
		1996	1995
Share Capital and Reserves			
Authorized capital			
200,000,000 (1995:100,000,000) ordinary shares of Rs. 10 each		2,000,000	1,000,000
		=====	=====

Issued, subscribed and paid up capital	4	930,209	826,852
Reserves	5	2,168,500	2,131,857
Unappropriated profit		4,731	4,177
		-----	-----
		3,103,440	2,962,886
Long Term Loans	6	2,429,291	537,361
Liabilities Against Assets Subject to Finance Lease	7	27,680	16,500
Deferred Liabilities	8	62,560	62,455
Long Term Deposits	9	37,641	57,684
Current Liabilities			
Current portion of long term liabilities	10	66,304	55,908
Creditors, accrued and other liabilities	11	263,614	173,430
Provision for taxation		50,936	94,764
		-----	-----
		380,854	324,102
Contingencies and Commitments	12		
		-----	-----
		6,041,466	3,960,988
		=====	=====

(Rupees in thousand)

	Note	1996	1995
Tangible Fixed Assets			
Operating assets	13	517,128	556,097
Assets subject to finance lease	14	46,201	23,291
Capital work in progress			
		-----	-----
Expansion project	15	3,193,019	871,090
Existing plant	16	10,231	24,627
		-----	-----
		3,203,250	895,717
Stores and spares held for capital expenditure		13,841	6,717
		-----	-----
		3,780,420	1,481,822
Long Term Investments		284,881	276,745

**Long Term Loans, Deposits
and Deferred Costs**

18 95,282 100,125

Current Assets

Stores, spares and loose tools

19 149,151 126,633

Stock-in-trade

20 91,170 44,375

Trade debts

21 1,688 38,216

Loans, advances, deposits, prepayments
and other receivables

22 141,311 116,752

Cash and bank balances

23 1,497,563 1,776,320

1,880,883 2,102,296

6,041,466 3,960,988

=====

The annexed notes form an integral part of these accounts

Mohammad Hanif
Chief Executive

Usman Said
Director

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

(Rupees in thousand)

Note 1996 1995

Sales

24 1,030,834 1,095,932

Cost of goods sold

25 828,862 743,527

Gross profit

201,972 352,405

Selling, administrative and general expenses

26 35,392 41,683

Operating profit

166,580 310,722

Other income

27 124,101 104,196

290,681 414,918

Financial charges

28 34,139 41,381

Other charges

29 17,988 30,720

52,127 72,101

Profit before taxation		238,554	342,817
Provision for taxation	30	98,000	126,000
		-----	-----
Profit after taxation		140,554	216,817
Unappropriated profit brought forward		4,177	8,360
Income tax: short provided last year		-	(21,000)
		-----	-----
Available for appropriation		144,731	204,177
Appropriation			
Transfer to general reserve		140,000	200,000
		-----	-----
Unappropriated profit carried forward		4,731	4,177
		=====	=====

The annexed notes form an integral part of these accounts.

Mohammad Hanif
Chief Executive

Usman Said
Director

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

	Note	(Rupees in thousand)	
		1996	1995
Cash flows from operating activities			
Cash generated from operations	A	253,694	251,531
Payments for:			
Earned leave		(2,461)	(1,358)
Interest		(35,958)	(43,061)
Taxes		(141,828)	(126,582)
Long term deposits (net)		(20,043)	(16,947)
		-----	-----
Net cash inflow from operating activities		53,404	63,583
Cash flows from investing activities			
Fixed assets purchased		(49,151)	(83,007)
Capital work in progress		(2,313,994)	(859,324)
Long term loans and deposits (net)		3,847	(2,718)

Sales proceeds of fixed assets		30,890	28,162
Long term investments (net)		(8,136)	(73,757)
Interest received		125,871	36,764
capital gains		-	19,867
		-----	-----
		-----	-
Net cash outflow from investing activities		(2,210,673)	(934,013)
Cash flows from financing activities			
Issue of share		-	610,352
Share premium		-	1,551,858
Long term loans less repayments		1,891,930	321,440
Repayment of liability under finance lease		(11,549)	(3,789)
Shares issue expenses		(1,869)	(9,195)
		-----	-----
		-----	-
Net cash inflow from financing activities		1,878,512	2,470,666
		-----	-----
		-----	-
Net increase/(decrease) in cash and cash equivalents		(278,757)	1,600,236
Cash & cash equivalents at beginning of the year	B	1,776,320	176,084
		-----	-----
		-----	-
Cash & cash equivalents at end of the year	B	1,497,563	1,776,320
		=====	=====

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

(Rupees in thousand)

1996 1995

A. Cash flows from operating activities

Profit before taxation	238,554	342,817
Add/(less) adjustment for non cash charges and other items		
Depreciation	57.38	62,550
Amortization of leased assets	9.76	4,021
Provision for earned leave	2,566	3,409
Profit on sale of fixed assets	(369)	(198)
Amortization of deferred costs	2,865	3,010
Income from capital gain		(19,867)
Interest income	(116,773)	(80,182)
Interest expenses	34,139	41,381

	-----	-----
Profit before working capital changes	228,128	356,941
Movement in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(22,523)	(31,630)
Stock in trade	(46,795)	(6,623)
Trade debts	36,528	(33,598)
Loans, advances, deposit, prepayments and other receivables (net)	(33,657)	3,701
	-----	-----
	(66,447)	(68,150)
Increase/(decrease) in creditors, accrued and other liabilities (net)	92,013	(37,260)
	-----	-----
Cash generated from operations	253,694	251,531
	=====	=====

B. Cash and cash equivalents

Cash and cash equivalents included in cash flow statement comprise only cash and bank balances as appearing in balance sheet.

Mohammad Hanif
Chief Executive

Usman Said
Director

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

1. The Company and Nature of Business

Maple Leaf Cement Factory was incorporated on April 13, 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984) as public company limited by shares and was listed on Stock Exchanges in Pakistan on August 17, 1994. It is engaged in production and sale of cement.

2. Compliance with IAS

The accounts comply with International Accounting Standards where applicable in all material respects.

3. Summary of Significant Accounting Policies

3.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 3.13.

3.2 Taxation

Current

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit available, if any, or half percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 1979.

Deferred

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

3.3 Retirement benefits

Gratuity fund

The company operates a recognized funded gratuity scheme for all employees, payable on cessation of employment, subject to a minimum qualifying period of service. The company has not been making contribution to gratuity fund trust since 1994 as the trust has adequate funds to meet its obligations.

Provident fund

The company also operates an approved contributory provident fund scheme for all employees. Equal monthly contributions are made both by the Company and employees at the rate of 10 percent of the basic salary to the fund.

3.4 Provision for earned leave

Provision for earned leave benefits is made annually to meet the obligations under the employees' service rules.

3.5 Tangible fixed assets

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Cost in relation to certain plant and machinery signifies historical cost and interest etc. referred to in note 3.12.

Transactions relating to jointly owned assets with Pak American Fertilizers Limited (PAFL) as stated in note 13 are recorded on the basis of advices received from PAFL.

Depreciation is calculated at the rates specified in note 13 on reducing balance method.

Full annual rate of depreciation is applied on cost of additions while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain and losses on disposal of assets, if any, are included in the income.

3.6 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities.

Assets acquired under finance leases are amortized over the useful life of the assets on a reducing balance method at the rates given in note 14. Amortization of leased assets is charged to profit except for assets specifically acquired for expansion project.

3.7 Long term investments

These are stated at average cost.

3.8 Unallocated capital expenditure

All cost or expenditure not directly relating to any specific assets incurred during the construction / implementation period of the project are capitalized and apportioned to buildings and machinery at the time of commencement of commercial operations.

3.9 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortized over their useful life not exceeding five years.

3.10 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 values plus other charges incurred thereon.

3.11 Stock in trade

Stock of raw materials, work in process and finished goods are valued at lower of average cost and net realizable value. Cost of work in process and finished goods represent direct cost of material, labour and appropriate portion of production overheads. Packing expenses are not recognized for the purpose of determination of cost.

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

3.12 Mark up, interest and other charges

Mark-up, interest and other charges on long term liabilities, less any income on temporary investments of those borrowings, are capitalized upto the date of commissioning of respective plant and machinery, acquired out of the proceeds of such long term liabilities. All other mark up, interest and other charges are charged to income.

3.13 Foreign currencies

Assets and liabilities in foreign currencies are converted into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date except where forward exchange contracts have been made under the Exchange Risk Cover Scheme of the Government of Pakistan for payment of liabilities, in which case the contracted rates are applied.

Exchange risk coverage fee and exchange gain or loss on translation of foreign currency loans are adjusted against the cost of fixed assets acquired from the proceeds of loans. All other exchange differences are included in the profit currently.

3.14 Revenue recognition

Revenue from sale is recognized on delivery of goods to customers. Dividend income is recognized on actual receipt basis whereas return on deposits is accounted for on a time proportion basis.

	(Rupees in thousand)	
	1996	1995
4. Issued, subscribed and paid up capital		
64,035,145 (1995:64,035,145) ordinary shares of Rs. 10 each fully paid in cash	640,351	640,351
9,990,100 (1995:9,990,100) ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	99,901	99,901
18,995,701 (1995:8,660,040) ordinary shares of Rs. 10 each issued as fully paid bonus shares	189,957	86,600
	-----	-----
	930,209	826,852
	=====	=====
5. Reserves		
Capital		
Share premium		
Premium on issue of shares	1,448,836	1,551,858
Transfer to reserve for issue of bonus shares	-	(103,022)
	-----	-----
	1,448,836	1,448,836
Profit prior to incorporation	-	335
Transfer to reserve for issue of bonus shares	-	(335)

		-----	-----
		-	-
Reserve for issue of bonus shares			
At the beginning of the year		103,357	86,600
Transfer from:			
Share Premium			103,022
Profit prior to incorporation			335
Nominal value of shares issued		(103,357)	(86,600)
		-----	-----
		-	103,357
		-----	-----
		1,448,836	1,552,193
Revenue			
General reserve			
At the beginning of the year		579,664	390,000
Transfer from profit and loss account		140,000	200,000
Provision for taxation on issue of bonus shares		-	(10,336)
		-----	-----
		719,664	579,664
		-----	-----
		2,168,500	2,131,857
		=====	=====
		(Rupees in thousand)	
		1996	1995

6. Long Term Loans- Secured

These comprise:

Existing plant loans	note 6.1	167,353	215,921
Expansion project loans	note 6.2	2,310,505	370,007
		-----	-----
		2,477,858	585,928
Less: Current portion shown under current liabilities	note 10	(48,567)	(48,567)
		-----	-----
		2,429,291	537,361
		=====	=====

6.1. Existing plant loans

These comprise:

Local Currency Loan - Secured

Loan	Lender	Rate of Interest per annum	
	Economic Affairs Division Government of Pakistan.		
1. Danish Credit		14%	15,901 17,772
2. Chinese Credit		14%	11,278 15,789
3. IBRD - Loan		14%	95,324 122,560
4. State Cement Corporation of Pakistan (Pvt) Limited (SCCP)		10%	44,850 59,800

			167,353 215,921
			=====

Terms of repayment

The loan 1 and 2 were originally payable in foreign currencies but as per government decision, the outstanding loan balances as at April 21, 1987 were converted into Pak Rupees at the exchange rates prevailing on that date.

The balance of loan 1 is repayable in seventeen equal half yearly installments by October 01, 2004. The interest is payable half yearly.

The balance of loan 2 is payable in five equal half yearly installments by December 01, 1998. The interest is payable half yearly.

The loan 3 disbursed from time to time under Cement Industry Modernization Project by the International Bank of Reconstruction and Development (IBRD) through Government of Pakistan is converted in Pak Rupees at the exchange rates prevailing at the dates of disbursement. The balance of loan is repayable in seven equal half yearly installments by October 01, 1999.

The balance of loan 4 is repayable in six equal half yearly installments by January 01, 1999. Interest is payable half yearly. In the event of failure to pay principle or interest on the due dates, additional interest is chargeable @ 2% per annum above the applicable rate on the over due amount.

Security

The loans are secured by bank guarantees issued by Allied Bank of Pakistan Limited (ABL) and Union Bank Limited to Government of Pakistan and SCCP which are secured against charge on land, building, plant and machinery, other assets and lien on the deposits of the company with the ABL upto 10% of outstanding liability as referred to in note 23.1.

6.2 Expansion Project loans

These comprise as follows

(Rupees in thousand)

		1996	1995
Foreign currency loan	note 6.2.1	2,163,605	370,007
Local currency loan	note 6.2.2	146,900	-
		-----	-----
		2,310,505	370,007
		=====	=====

6.2.1 Foreign currency loan - secured

Lender	Currency	Currency 1996	Balance 1995 In Thousand	Rupees 1996	Equivalent 1995
International Finance Corporation (IFC)					
Loan-A	US\$	30,000	12,000	927,734	370,007
Loan B	US\$	35,000	-	1,235,871	-
		-----	-----	-----	-----
		65,000	12,000	2,163,605	370,007
		=====	=====	=====	=====

Terms of repayment

The company signed a loan agreement on April 11, 1994 for US\$ 65 million for expansion project comprising Loan A US\$ 30 million and Loan B US\$ 35 million. The loan A is converted at the various exchange rates prevailing on the dates of opening of letters of credit under the State Bank of Pakistan exchange risk cover scheme. The rate of exchange risk coverage fee is 6.66% per annum payable with repayment of the loan installments. The loan A is repayable in sixteen half yearly installments commencing January 15, 1999. The interest is payable half yearly @ 9.85% per annum.

The loan B is repayable in fourteen equal half yearly installments commencing January 15, 1998 carrying interest @ 9.7% per annum payable half yearly.

Commitment charges were payable half yearly on undisbursed amount @ 1% per annum for loan A and 0.5% per annum for loan B.

The company, as per certain covenants contained in the loan agreement shall not unless otherwise agreed by IFC, pay cash dividend on its share capital if it is in default in payment of any principal, interest or other amount due under the said agreement; declare

or pay any cash dividend before the project completion date and also after giving effect of maintaining certain ratios as envisaged under the agreement.

6.2.2 Local currency loan - secured

The loan amounting Rs. 146,900 thousand has been arranged from Muslim Commercial Bank Limited to partly finance the cost of plant and machinery.

The loan is repayable in fourteen half yearly equal installments commencing one year after the date of commercial production of expansion project. The rate of mark up is Rs. 0.54 per thousand per diem. Commitment charges have been paid @ 1.5% per annum.

Security

The loans and interest/mark up thereon are secured by an equitable mortgage on all the land, present and future plant, buildings, fixtures, equipment and other immovable assets and floating charges and/or hypothecation on all movable equipment and all other present and future assets of the company.

All charges in favour of the lender of these loans rank pari passu with those as referred to in note 6.1.

6.2.3 Additional financial facility

No draw downs have been made to June 30, 1996 against sanctioned loans amounting Rs. 250,000 thousand (1995: Rs. 226,900 thousand) from financial institutions for expansion project to meet partially the local currency cost of the project. The security of loans are included in note 6.2.2

7. Liabilities Against Assets Subject to Finance lease

The amount of future payments and the period in which these payments will become due are:

	(Rupees in thousand)	
	1996	1995
Year ending June 30,		
1996	-	10,949
1997	23,928	10,949
1998	20,996	7,918
1999	9,834	
	-----	-----
	54,758	29,816
Less: financial charges allocated to future	(9,341)	(5,975)
	-----	-----
	45,417	23,841

Less: Current portion shown under current liabilities	note 10	(17,737)	(7,341)
		-----	-----
		27,680	16,500
		=====	=====

The implicit rates used as the discounting factor ranges from 19.14% to 22.50% per annum. Rentals are payable in equal monthly installments. The lease agreements carry renewal options at the end of lease period but do not contain option to obtain ownership of the leased assets. There are no financial restrictions in the lease agreements. The liability is partly secured by a deposit of Rs. 6,075 thousand (1995:Rs. 2,763) included in long term security deposits referred to in note 18.

		(Rupees in thousand)	
		1996	1995
8. Deferred Liabilities			
Deferred taxation	note 8.1	54,371	54,371
Vacation benefits	note 8.2	8,189	8,084
		-----	-----
		62,560	62,455
		=====	=====

8.1 Deferred taxation

Tax effect of major timing differences (credit) as at June 30, 1996 worked out Rs. 94,482 thousand (1995: Rs. 96,451 thousand). The provision for deferred taxation to the extent of Rs. 40,111 thousand (1995: Rs. 42,080 thousand) has not been made in these accounts because the management feels that in view of the future expansion, balancing and modernization program of the company, certain timing differences are not likely to crystallize in the foreseeable future.

8.2 Vacation benefits

These represent balance of provision made against un-availed leaves of employees payable on their retirement/resignation/termination. The balance includes Rs. 918 thousand (1995: Rs. 967 thousand) being provision made during the year for executives.

9. Long Term Deposits

These represent the interest free security deposits from stockiest and are repayable on cancellation or withdrawal of the dealerships. These are being utilized by the company in accordance with the terms of the dealership agreements.

	(Rupees in thousand)	
	1996	1995

10. Current Portion of Long Term Liabilities

Long term loans	note 6	48,567	48,567
Liabilities against assets subject to Finance lease	note 7	17,737	7,341
		55,908	66,304
11. Creditors, Accrued and Other Liabilities			
Creditors		14,565	13,233
Accrued liabilities		60,936	45,027
Advances from customers		11,553	25,905
Security deposits - interest fee repayable on demand		21,479	13,450
Interest accrued on secured loans		75,705	25,046
Exchange risk fee payable		33,106	-
Sales tax payable		17,833	21,865
Royalty and excise duty payable		1,700	1,676
Workers' welfare fund		12,926	7,963
Workers' profit participation fund	note 11.1	12,818	18,582
Other payable		993	683

-----	-----
263,614	173,430
=====	=====

(Rupees in thousand)

1996	1995
------	------

11.1 Workers' profit participation fund

Balance at July 01	18,582	16,790
Allocation for the year	12,817	18,393
Interest on the funds utilized in the company's business	636	219
	-----	-----
	32,035	35,402
	(19,217)	(16,820)
	-----	-----
Balance at June 30,	12,818	18,582
	=====	=====

12. Contingencies and Commitments

12.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs. 3,411 thousand (1995: Rs. 2,900 thousand).

(ii) Pending decision of various appeals in the Lahore High Court, Supreme Court of

		17,248	5,091	22,339	10,800	11,539	2,100	-
Quarry equipment		63,073	28,490 (28,490)	63,073	49,277	13,796	3,449	20
Vehicles								
Existing plant		21,505	1,096 (2,902)	19,699	10,651	9,048	2,262	20
Expansion project		639	27	666	235	431	108	20
		-----	-----	-----	-----	-----	-----	
		22,144	1,123 (2,902)	20,365	10,886	9,479	2,370	
Share of								
joint assets	note 13.2	2,643	260	2,903	2,091	812	90	5-10
		-----	-----	-----	-----	-----	-----	
		1,034,680	49,151 (31,468)	1,052,363	535,235	517,128	57,600	
		-----	-----	-----	-----	-----	-----	
	1995	983,757	83,007 (32,084)	1,034,680	478,583	556,097	62,678	
		=====	=====	=====	=====	=====	=====	

The Company has given on lease, land measuring 8 acres in 1994 to Maple Leaf Electric Company Limited (an associated company) at an annual rent of Rs.360 thousand and land measuring 6 kanals and 18 marlas to Sui Northern Gas Pipelines Limited in 1991 for a period of 10 years at an annual rent of Rs. 2 thousand.

13.2 Ownership of the housing colony assets included in the fixed assets is shared by the company jointly with the Pak American Fertilizers Limited in the ratio of 101:245 since the time when both the companies were managed by Pakistan Industries Development Corporation (PIDC). These assets are in possession of housing colony project for mutual benefits.

(Rupees in thousand)

1996 1995

The Cost of these assets are as follows:

Buildings	1,684	1,603
Roads and bridge	202	202
Air Strip	16	16
Plant and	78	

machinery		
Furniture, fixtures and equipment	792	758
Vehicles	131	64
	-----	-----
	2,903	2,643
	=====	=====

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

	Note		
Cost of sales	25	51,750	55,810
Purchases	25.10	3,500	4,367
Administrative and general expenses	26	2,044	2,302
Other manufacturing expenses		90	71
Unallocated capital expenditure	15.20	216	128
		-----	-----
		57,600	62,678
		=====	=====

13.4 Disposal of Operating Fixed Assets

Particulars of assets	Cost	Accumu- lated depreci- ation	Book Value (Rupees in Thousands)	Sale proceeds	Mode of disposal	Sold to
Plant and Machinery						
Crusher, 1 No.	76		65	11	160 Negotia- tion	Mr. Sher Bahadur Khan Khairabad, Mianwali
Quarry equipment Hydraulic Shovel, Excavator, 1 No.	28,490	-		28,490	28,490 Sale and lease back	Atlas BOT Leasing Company Ltd., Karachi
Vehicles						
Pajero Jeep, 1 No.	1,523		743	780	1,000 Insurance claim	EFU Insurance Company Limited, Lahore.
Suzuki Margalla, 1 No.	386		139	247	247 Company's policy	Mr. Amjad Ali Qizilbash, ex-employee
Toyota Twin Cabin, I No.	993	-		993	993 Sale and lease back	Atlas BOT Leasing Company Limited, Karachi.
	2,902		882	2,020	2,240	

-----	-----	-----	-----
31,468	947	30,521	30,890
=====	=====	=====	=====

14. Assets Subject of Finance Lease

The following is a statement of leased assets

	Cost to June 30, 1995	Additions	Cost to June 30, 1996	Accumul- ated amortis- ation	Book value as at June 30,1996	Amortisation Charge for the year	Rate %
(Rupees in thousands)							
Plant and machinery	11,870	-	11,870	2,255	9,615	1.07	10
Quarry equipment	10,893	28,490	39,383	9,620	29,763	7,441	20
Vehicles							
Existing plant	3,277	3,641	6,918	2,106	4,812	1253	20
Expansion project	1,590	993	2,583	572	2,011	453	20
	-----	-----	-----	-----	-----	-----	
	4,867	4,634	9,501	2,678	6,823	1,706	
	-----	-----	-----	-----	-----	-----	
	27,630	33,124	60,754	14,553	46,201	10.22	
	=====	=====	=====	=====	=====	=====	
1995	-	27,630	27,630	4,339	23,291	4,339	
	=====	=====	=====	=====	=====	=====	

14.1 The amortisation charge for the year has been allocated as follows:

	Note	(Rupees in thousand)	
		1996	1995
Cost of sales	25	1,068	1,187
Purchases	25.10	7,441	2,179
Administrative and general expenses	26	1,253	655
Unallocated capital expenditure	15.20	453	318
		-----	-----

	10,215	4,339
	=====	=====

(Rupees in thousand)

	1996	1995
--	------	------

15. Capital Work in Progress - Expansion Project

Civil works and buildings		456,173	70,655
Plant and machinery		1,455,278	15,499
Advance to suppliers		749,796	588,220
		-----	-----
		2,661,247	674,374
Environmental control system	note 15.1	218,307	45,939
Unallocated capital expenditure	note 15.2	313,465	150,777
		-----	-----
		3,193,019	871,090
		=====	=====

Expansion project is for another production line of 3300 tonnes of clinker per day dry process plant together with the installation of environmental control equipment for existing and new plant. Total estimated cost of expansion project is US\$ 177.31 million.

(Rupees in thousand)

	1996	1995
--	------	------

15.1 Environmental control system

Civil work		1,101	-
Plant and machinery		198,337	1,847
Advance to suppliers		18,869	44,092
		-----	-----
		218,307	45,939
		=====	=====

15.2 Unallocated capital expenditure

Project appraisal and examination fee		6,635	6,635
Constancy and survey fee		4,351	2,499
Salaries and amenities		13,921	805
Travelling and conveyance		9,991	6,007
Insurance		6,797	-
Communication		1,497	-
Printing and stationery		576	6
Entertainment		358	151

Legal and professional charges		973	346
Vehicle running expenses		401	5
Advertisement		630	615
Financial charges	note 15.2.1	264,256	132,761
Depreciation including for the year Rs. 216 thousand (1995: Rs. 128 thousand)	note 13.3	344	128
Amortisation of leased assets including for the year Rs. 453 thousand (1995: Rs. 318 thousand)	note 14.1	771	318
Other expenses		2,055	501
		-----	-----
		313,556	150,777
Less: Other income		(91)	-
		-----	-----
		313,465	150,777
		=====	=====

15.2.1 Financial charges

Interest / mark up on long term loans		123,854	23,280
Exchange risk fee		94,893	61,787
Commitment charges		28,087	15,866
Front end fee		32,617	30,970
Loan processing expenses		1,493	924
Administration fee		328	155
Excise duty on local currency loan		1,034	-
Bank charges		192	32
Miscellaneous		7	4
		-----	-----
		282,505	133,018
Less: Return on deposit		(18,249)	(257)
		-----	-----
		264,256	132,761
		=====	=====

(Rupees in thousand)

1996 1995

16. Capital Work in Progress - Existing Plant

Civil works and buildings		6,824	1,179
Plant and machinery		3,407	-
Quarry equipment		-	23,448
		-----	-----
		10,231	24,627

=====

17. Long Term Investments

Quoted

In associated companies

Fidelity Investment Bank Limited 2,404,650 (1995: 2,091,000) fully paid ordinary shares of Rs. 10 each	25,754	22,618
Kohinoor Weaving Mills Limited 3,570,000 (1995: 3,570,000) fully paid ordinary shares of Rs. 10 each equity held 25.50% (1995: 25.50%)	74,410	74,410
Kohinoor (Gujar Khan) Mills Limited 3,700,000 (1995: 3,700,000) fully paid ordinary shares of Rs. 10 each equity held 38.92% (1995: 38.92%)	18,845	18,845
Kohinoor Raiwind Mills Limited 6,982,500 (1995: 6,982,500) fully paid ordinary shares of Rs. 10 each equity held 49.88% (1995: 49.88%)	70,872	70,872
Maple Leaf Electric Company Limited 9,000,000 fully paid ordinary shares of Rs. 10 each equity held 22.50%	90,000	-
	-----	-----
	279,881	186,745
	=====	=====

(Rupees in thousand)
1996 1995

Unquoted

In associated companies

Security General Insurance Company Limited
500,000 (1995: nil) fully paid ordinary shares
of Rs. 10 each

equity held 10% (1995: nil %)

5,000 -

Maple Leaf Electric Company Limited

9,000,000 fully paid ordinary

shares of Rs. 10 each

equity held 32.14%

Value of investment based on the audited

accounts for the period of nine months ended

March 31, 1995 Rs. 141,750 thousands

- 90,000

5,000 90,000

284,881 276,745

=====

Aggregate market value of quoted investments is Rs. 142,115 thousand (1995: Rs. 99,713 thousand). Value of investment in Security General Insurance Company Limited has not been disclosed as audited accounts of the investee company are not available.

Investments having face value of Rs. 50,910 thousand (1995: Rs. 36,970 thousand) are pledged as securities against guarantees given by Union Bank Limited on behalf of the company to partly secure IBRD loan referred to in note 6.1 and Collector, Central Excise and Sale Tax.

**18. Long Term Loans, Deposits
and Deferred Costs**

		(Rupees in thousand)	
	Note	1996	1995
Long term loans - considered good			
associated company	18.1	70,650	78,500
employees	18.2	9,185	8,544
		79,835	87,044
Security deposits		6,850	3,488
Deferred costs	18.3	8,597	9,593
		-----	-----
		95,282	100,125
		=====	=====

(Rupees in thousand)

1996 1995

18.1 Loan to associated company - secured

Kohinoor Raiwind Mills Limited		78,500	78,500
Less: Current portion shown under current assets	note 22	(7,850)	-
		-----	-----
		70,650	78,500
		=====	=====

Terms of repayment

The loan is repayable in ten equal half yearly installments commencing January 1, 1997. The rate of mark up is 13% per annum.

Security

The loan is secured by way of hypothecation of its plant and machinery upto Rs. 100,000 thousand and pledge of its investment in marketable securities having face value of Rs. 40,000 thousand.

18.1.1 No portion of the loan is outstanding for a period exceeding three years.

The maximum aggregate amount due from associated company at the end of any month during the year was Rs. 78,500 thousand (1995: Rs. 78,500 thousand).

(Rupees in thousand)

1996 1995

18.2 Loans to employees - secured

	Executives	Others		
House building	2,339	7,251	9,590	9,430
Vehicle	675	2,477	3,152	2,501
Marriage	-	178	178	162
	-----	-----	-----	-----
	3,014	9,906	12,920	12,093
Less: Current portion shown under current assets note 22	(793)	(2,942)	(3,735)	(3,549)
	-----	-----	-----	-----
	2,221	6,964	9,185	8,544
	=====	=====	=====	=====

The above balances are classified as under:

Outstanding exceeding three years	458	1,047	1,505	1,946
Others	1,763	5,917	7,680	6,598
	-----	-----	-----	-----
	2,221	6,964	9,185	8,544

=====

Interest rate and terms of repayment

Rate of interest

House building loans	4%	5%
Vehicle loans	4%	5%

Number of monthly installments

House building loans	114	60 - 114
Vehicle loans	72	48 - 72
Marriage loans	-	30

Security

House building and vehicle loans are secured against charge and lien on retirement benefits.

18.2.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 3,575 thousand (1995: Rs. 3,166 thousand).

(Rupees in thousand)
1996 1995

18.3 Deferred costs

SCCP consultancy fee	-	496
Shares issue expenses	11,462	12,107
	-----	-----
	11,462	12,603
Less: Amortisation during the year charged to administrative & general expenses	note 26	(2,865) (3,010)
	-----	-----
	8,597	9,593
	=====	=====

These are being amortised over a period of five years.

19. Stores, Spares anti Loose Tools

Stores	59,742	43,471
Spares including in transit Rs. 5,841 thousand		

(1995: Rs. 8,217 thousand)

Loose tools

86,603 80,744

2,806 2,418

149,151 126,633
=====

20. Stock-in-Trade

Raw materials

2,289 2,561

Packing materials

6,224 1,574

Work in process

61,952 29,683

Finished goods

20,705 10,557

91,170 44,375
=====

21. Trade Debts- considered good

Secured

1,688 761

Unsecured

- 37,455

1,688 38,216
=====

(Rupees in thousand)

1996 1995

**22. Loans, Advances, Deposits, Prepayments and
Other Receivables**

Current portion of long term loans

Associated company

note 18.1

7,850 -

Employees

note 18.2

3,735 3,549

Advances - considered good

Employees

3,297 3,473

Suppliers

33,073 34,827

Associated companies

2,854 385

Purchase of land

5,005 -

Due from gratuity fund trust

5,393 10,293

Prepayments

481 365

Excise duty

2,398 179

Claims receivable from the Government

Octroi

24,787 631

Margin deposits on letters of credit

30 56

Interest

receivable

Associated company

20,008 17,603

Financial institutions

29,121 40,624

Other receivables

3,279 4,767

141,311	116,752
=====	=====

Included in advances to employees are amounts due from executives Rs. 53 thousand
(1995: Rs. 124 thousand)

The maximum aggregate amount due from executives at the end of any month during the
year was Rs. 269 thousand (1995: Rs. 234 thousand)

The maximum aggregate amount due from associated companies at the end of any month
during the year was Rs. 30,561 thousand (1995: Rs. 20,713 thousand).

23. Cash and Bank Balances

The balances were held

at Banks

on deposit
accounts

including US\$ 1,802 thousand
(1995: US\$ 14,238 thousand)

576,028	561,505
---------	---------

on profit and loss sharing accounts

193,939	1,207,349
---------	-----------

on current accounts including
DKK 120,762 thousand
(1995: DKK nil).

727,420	7,456
---------	-------

-----	-----
1,497,387	1,776,310

in hand

176	10
-----	----

-----	-----
1,497,563	1,776,320
=====	=====

23.1 Included in deposit accounts is a sum of Rs. 16,000 thousand (1995: Rs. 20,000
thousand) held by Allied Bank of Pakistan Limited as margin against guarantees issued
to secure long term local currency loans referred to in note 6.1. Therein also included
Rs. 230,000 thousand (1995: Rs. 259,388) which is under lien with Muslim Commercial
Bank Limited against credit facility given to the company by the bank.

(Rupees in thousand)
1996 1995

24. Sales

Gross sales		1,675,074	1,803,122
Less:			
Excise duty		397,782	433,530
Sales tax		235,457	260,118
Rebate		11,001	13,542
		-----	-----
		644,240	707,190
		-----	-----
		1,030,834	1,095,932
		=====	=====

25. Cost of Goods Sold

Raw materials consumed

Opening inventory		2,561	1,451
Purchases	note 25.1	41,959	35,185
		-----	-----
		44.52	36,636
Closing inventory		(2,289)	(2,561)
		-----	-----
		42,231	34,075
Packing materials consumed		127,071	81,328
Fuel and power		460,257	387,761
Stores and spares consumed		50,448	47,337
Salaries, wages and amenities		99.59	102,276
Insurance		11,537	12,962
Repairs and maintenance		5,776	7,698
Depreciation	note 13.3	51.75	55,810
Amortisation of leased assets	note 14.1	1.07	1,187
Other expenses		21,547	25,986
		-----	-----
		871,279	756,420

Work in process

Opening inventory		29,683	12,342
Closing inventory		(61,952)	(29,683)
		-----	-----
		(32,269)	(17,341)
		-----	-----

Cost of goods manufactured	839,010	739,079
Finished goods		
Opening inventory	10,557	15,005
Closing inventory	(20,705)	(10,557)
	-----	-----
	(10,148)	4,448
	-----	-----
Cost of goods sold	828,862	743,527
	=====	=====

25.1 Purchases

Excise duty, royalty, quarrying expenses and purchases	14,683	13,332
Salaries, wages and amenities	5,376	5,318
Stores and spares consumed	10,646	9,910
note 13.3	3,500	4,367
note 14.1	7,441	2,179
Explosives	313	79
	-----	-----
	41,959	35,185
	=====	=====

26. Selling, Administrative and General Expenses

Selling and distribution expenses		
Salaries and amenities	5,088	7,012
Travelling	224	1,181
Motor vehicle running	87	883
Postage, telephone and telex	357	1,511
Printing and stationery	89	498
Entertainment	79	207
Repairs and maintenance	120	1,246
Advertisement and others	1,968	11,825
	-----	-----
	8,012	24,363

Administrative and ,general expenses

Salaries and amenities	11,874	6,285
Travelling	1,085	977
Motor vehicle running	794	588
Postage, telephone and telex	1,727	1,007
Printing and stationery	1,173	331

Entertainment		387	180
Repairs and maintenance		642	831
Legal and professional charges	note 26.1	998	981
Depreciation	note 13.3	2,044	2,302
Amortisation of leased assets	note 14.1	1,253	655
Amortisation of deferred costs	note 18.3	2,865	3,010
Other expenses		2,538	173
		-----	-----
		27,380	17,320
		-----	-----
		35,392	41,683
		=====	=====

26. I Legal and professional charges include the following in respect of auditors services for:

(Rupees in thousand)
1996 1995

Amin, Mudassar & Co.

Statutory audit		75	60
Tax services		11	10
Audit of provident fund, gratuity fund, workers' profit participation fund and sundry advisory services		50	52
Out of pocket expenses		15	20
		-----	-----
		151	142

Ford, Rhodes, Robson, Morrow

Statutory audit		75	60
Review of accounting system		-	28
Other services		25	-
Out of pocket expenses		15	17
		-----	-----
		115	105
Less: Charges to deferred cost	note 18.3	(20)	-
		-----	-----
		95	105
		-----	-----
		246	247
		=====	=====

27. Other income

Profit on bank deposits	106,568	69,977
Interest on loan to associated company	10,205	10,205
Profit on sale of investment to associated company	-	19,867
Sale of scrap	4,593	1,667
Profit on sale of fixed assets	369	198
Unclaimed balances written back (net)	-	766
Miscellaneous	2,366	1,516
	-----	-----
	124,101	104,196
	=====	=====

(Rupees in thousand)

1996 1995

21. Financial Charges

Mark up / interest on:		
long term loans	24,468	30,679
Liabilities under finance lease	5,675	2,005
Short term finance		3,277
Workers' profit participation fund	636	219
Bank guarantee commission	2,945	4,234
Bank charges	415	967
	-----	-----
	34,139	41,381
	=====	=====

29. Other charges

Workers' profit participation fund	12.82	18,393
Workers' welfare fund	4,963	6,642
Donations	208	5,685
	-----	-----
	17,988	30,720
	=====	=====

Names of donees in which a director or his spouse has an interest.

Doon School Society of Pakistan (Regd.) Lahore (Mr. Tariq Sayeed Saigol, Director / Chairman is the member of Board of Governors of the Society).	-	5,000
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Lahore Gymkhana Club, Lahore

(Mr. Tariq Sayed Saigol, Director / Chairman
is the member of the club).

50 -

(Rupees in thousand)

1996 1995

30. Provision for Taxation

Current - for the year	90,000	119,000
- prior years	8,000	7,000
	-----	-----
	98,000	126,000
	=====	=====

Income tax assessments of the company have been finalised upto the financial year ended June 30, 1993 (assessment year 1993-94).

In finalising the assessment for the accounting year ended June 30, 1993, certain arbitrary disallowances of expenses and assessed brought forward losses of a merged unit amounting Rs. 120,858 thousands and Rs. 37,674 thousand respectively have been made by the assessing officer which resulted in additional tax liability approximately amounting Rs. 73,000 thousand. Subsequent to the balance sheet date, Commissioner of Income Tax (Appeals) has allowed relief of Rs. 7,759 thousand and set asided the assessment on some other issues involving amount of Rs. 147,244 thousand. Net tax effect of set asided amount of Rs. 120,858 thousand has been incorporated in the accounts. The company has also filed further appeal before income Tax Appellate Tribunal against certain disallowances upheld by CIT (Appeals).

31. Remuneration to Chief Executive, Director and Executives

The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the chief executive, working director and other executives of the company is as follows:

	Chief Executive		Director		Executives	
	1996	1995	1996	1995	1996	1995
Managerial remuneration	1,639	1,466	600	600	11,158	8,295
Contribution to provident fund trust	104	90	-	-	763	600
Perquisites and benefits						
house rent	519	451	270	270	1,800	1,204
medical	46	82	384	48	622	354
conveyance / petrol	54	45	57	53	820	539

leave passage	93	81	-	-	705	426
utilities	91	72		60	60	177
	-----	-----	-----	-----	-----	-----
	2,546	2,287		1,371	1,031	16,043
	-----	-----	-----	-----	-----	-----
Number of persons	1	1		1	1	55
						46

Remuneration to other directors

The aggregate amount charged in the accounts for meeting fee to four non working directors was Rs. 2,000 (1995: four directors, Rs. 6,500).

(Rupees in thousand)

1996 1995

32. Transactions with Associated Companies

These comprise:

Purchase of goods and services	30,222	9,121
Sale of goods and services	45,610	1,299
Interest earned	10,205	10,205
Purchase of investments	8,136	109,510
Sale of investments	-	56,520
Placement fee paid	-	900

33. Capacity and Production

	Capacity		Actual Production	
	1996	1995	1996	1995
Clinker				
Grey - M. Ton	471,000	471,000	488,933	483,138
White - M.Ton	30,000	30,000	34,581	35,424

34. Comparative Figures

Previous year's figures have been restated, where necessary, for the purposes of comparison.

Mohammad Hanif
Chief Executive

Usman Said
director