MAPLE LEAF CEMENT FACTORY LIMITED

Kohinoor Maple Leaf Group

ANNUAL REPORT 1997

Contents

COMPANY INFORMATION

Board of Directors

Mr. Tariq Sayeed Saigol
Chairman

Mr. Mohammad Hanif
Chief Executive

Mr. Taufique Sayeed Saigol
Mr. Usman Said
Mr. Aamir Fayyaz Sheikh
Mr. Sarmad Amin
Mr. Palle O. Jorgensen
(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

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

National Bank of Pakistan
Soneri Bank Limited
American Express Bank Limited
The Bank of Punjab

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

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of the members of Maple Leaf Cement Factory Limited will be held at its registered office, 42-Lawrence Road, Lahore on Tuesday, 30th December, 1997 at 3.00 P.M. to transact the following business:

1) To confirm the minutes of last Annual General Meeting.

2) To receive and adopt Audited Accounts of the company for the year ended June 30, 1997 together with 2. 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 27th December, 1997 to 3rd January, 1998 (both days inclusive). Transfers received in order at company's Shares Department, 42 - Lawrence Road, Lahore upto the close of business on 26th December, 1997 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.

CHAIRMAN'S REVIEW

I am pleased to present annual report of the company for the year ended June 30, 1997.

In my previous year's review I have mentioned in detail factors responsible for worst-ever crisis in the cement industry. While the present government has removed some of the irritants like adoption of uniform policy of levy of sales tax for all the cement units throughout the country, the state of the industry remains economically depressed. The demand for cement has not picked up while increased input costs have further deteriorated the profitability of cement units particularly those with wet process. Depressed demand, heavy taxation and impediments to export have caused a glut of cement in the market. Accordingly, the selling price of cement during the year under review declined inspite of substantial increase in the cost of production. In order to overcome this problem it was suggested in my review of previous year that export of cement by road to neighbouring countries like Afghanistan, Iran and Central Asian Republics would be helpful and a step in the right direction. This would save the industry from crisis and would also earn foreign exchange for the country. The present government in its trade policy announced in July, 1997 has allowed the export of cement by sea.

The Finance Act, 1997 inflicted yet another blow upon the industry and cement industry in particular as it was already working under severe economic pressure. Through an amendment introduced in the Finance Act, 1997, the long established basis of payment of advance tax under section 53 of the Income Tax Ordinance, 1979 was changed. The calculation of advance tax was shifted from "income base" to "turnover base" with the revenue oriented motive to get higher tax collection. The assumption that turnover of each year has a direct correlation with the net income is rather illogical. Even with increased turnover, income may reduce substantially due to multiple factors including enhanced depreciation for expansion units or lease rentals. The new provisions are highly discriminatory as these hit companies who are required to pay advance tax regardless of their estimation of profit or loss in the current year.

With regard to taxation policy, another controversy has recently emerged relating to "lease transactions". Consequent upon the decision of the government to eliminate interest/riba from the economy a number of financing arrangements and modes were introduced. These include Modaraba, Musharika and Leasing. All these arrangements are essentially and predominantly modes of financing and has been so admitted by the central Board of Revenue.

The execution of lease finance arrangement cannot be termed as purchase or sale of commercial goods. This view was also endorsed by the tax department and the transfer/sale of assets by the lessee to the leasing company was not assessed as deemed income under section 80-C of the Income Tax Ordinance. However, recently the tax department has taken different view. Under the provision of section 80-C of the Ordinance, tax deducted at source is adjusted towards a separate block of income meaning thereby that its credit is not available towards the income not falling under section 80-C which is actual and real income. While this issue still. remains unresolved, the Sales Tax Department has also joined this controversy and is demanding sales tax on this paper transaction on the plea that this being a sale made by the company to the leasing company, the payment of sale tax has become due. The entire scenario is a reflection of the unjust approach of our tax collectors in their effort of raising revenue from the public. It is imperative that remedial measures are urgently taken for removal of the fiscal anomaly.

The cement industry continues to operate under pressure of inconsistent Government policies announced from time to time. These briefly are:-

i) Capacity taxation was abolished from August 1993 which took away special incentives for increased pro duction which, in turn could have revived the industry in the larger national interest.

ii) The taxes & duties on inputs have constantly been increased. Presently, the excise duty on cement is 40% leviable on retail price basis. This system of charge of excise duty is extremely unfair as cement being voluminous product, freight and allied charges vary widely from place to place.

iii) The price of furnace oil, a major cost component of cement manufacture, was almost doubled in the previous year.

iv) Import of machinery for expansion project was exempt from import duties and sales tax vide Notification No. SRO 484 (1)/92 which expired on June 30, 1995 and additional 10% regulatory duty was imposed on imported goods. This has increased capital cost of the on-going projects in addition to the effect devaluation of Pak Rupee.

Despite the adverse circumstances faced by the industry, the overall performance of your company in comparison of other wet process plants in the year under review has been satisfactory. The Expansion Project of 3300 tonnes clinker capacity based on most modern energy efficient dry process technology and up grading the existing plant has been completed and commissioned. I feel immense pleasure to proudly announce that the project was completed in record time inspite of the unfavourable circumstances faced by the industry in recent years. On completion of the project, the production capacity of your company has increased from 0.5 million tonnes to 1.5 million tonnes per year.

The completion of the expansion project could not have been possible without the continued guidance and help of International Finance Corporation Washington, F.L. Smidth & Co.(the expansion plant suppliers) and IFU (Danish government fund for developing countries), local banks and the team of our dedicated executives and workers. I wish to record my sincere appreciation to all these agencies and personnel for their efforts towards timely completion of the job.

I would also like to convey my sincere thanks to our workers, executives and stockists of their valuable contribution to the affairs of the company and hope for better and prosperous future.

FIVE YEARS SUMMARY

	1996-97	**1995-96**	**1994-95**	**1993-94**	**1992-93**
Quantitative Data (M.Tonnes):					
Grey Cement:					
Production	471,070	488,961	487,785	497,651	521,060
Sales	474,415	481,881	492,661	489,494	520,225
White Cement:					
Production	33,412	34,720	38,299	35,125	36,008
Sales	33,405	34,450	38,375	35,091	36,113
Sales(Rs.000)					
Gross Sales	1,911,471	1,675,074	1,803,122	1,528,307	1,346,968
Less: Excise Duty	604,718	397,782	433,530	267,787	231,266
Sales Tax	277,944	235,457	260,118	196,795	151,004
Rebate	15,090	11,001	13,542	39	-
Net Sales	1,013,719	1,030,834	1,095,932	1,063,334	964,698
Profitability (Rs.000)					
Gross Profit	52,081	201,972	352,405	359,366	346,838
Profit Before Tax	40,041	238,554	342,817	314,360	259,972

Provision for Income Tax	12,200	98,000	126,000	113,219	83,500
Profit After Tax	27,841	140,554	216,817	201,141	176,472
Financial Position (Rs,000)					
Tangible Fixed Assets	5,966,034	3,780,420	1,481,822	606,396	513,606
Long Term Investments & Other Assets	364,466	380,163	376,870	215,710	112,167
	6,330,500	4,160,583	1,858,692	822,106	625,773
Current Assets	844,219	1,880,883	2,102,296	468,992	536,610
Current Liabilities	(554,900)	(380,854)	(324,1021	(324,947)	(359,363)
Net Working Capital	289,319	1,500,029	1,788,194	144,045	177,247
Capital Employed	6,619,819	5,660,612	3,636,886	966,151	803,020
Less Long Term Loan & Other Liabilities	(3,116,454)	(2,557,172)	(673,999)	(350,955)	(388,965)
Share Holder's Equity	3,503,365	3,103,440	2,962,887	615,196	414,055
Represented by:					
Share Capital	1,302,293	930,209	826,853	129,901	129,901
Reserves & Un-app. Profit	2,201,072	2,173,231	2,136,034	485,295	284,154
	3,503,365	3,103,440	2,962,887	615,196	414,055
Ratios					
Gross Profit to Sales (% age)	5 14	19.59	32.16	33.80	35.95
Net Profit to Sales (% age)	2.75	13.63	19.78	18.92	18.29
Debt Equity Ratio	45:55	44:56	15:85	26:74	38:62
Current Ratio	1.52	4.94	6.49	1.44	1.49
Break up Value per share of Rs.10 each	26.90	33.36	35.83	47.36	31.87

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors have pleasure in presenting the annual report alongwith audited accounts and auditors' report thereon for the year ended June 30,1997.

OPERATING RESULTS

The overall recession in the country has affected the economy. The political instability and insecure environment also contributed towards decline in GDP growth and slow down of infra-structure development activities during the year. These factors your company has closed the year with marginal profit.

The net sales revenue for the year under report amounted to Rs.1,013.719 million (1996: Rs. 1,030.834 million) and pre-tax profit Rs.40.041 million (1996:Rs.238.554 million). The decrease in profit over the last year is mainly attributable to increased cost inputs i.e. furnace oil, diesel & POL, power tariff, stores & spares and depressed sales price of cement.

grossly squeezed the aggregate demand for cement in the country.

The year under review has been the most miserable in the history of cement industry. It witnessed heavy currency devaluation, exorbitant increase in furnace oil prices, general inflation in consumables and increase in sales tax from 15% to 18% and excise duty from 25% to 35%. The regional discriminatory benefit to units located in NWFP created price war ultimately lowering selling price. The increased cost inputs, heavy taxes and lowered retention price resulted in operating losses to the industry. However, In the national budget 1997-98, the regional disparity in sales tax has been removed to provide level playing field for all . The sales tax exemption on cement sales despite the increase in excise duty from 35% to 40% will give some relief to the industry. The duty drawback on cement export has been notified and will hopefully reduce the over-supply position in the country and earn much needed foreign exchange.

PRODUCTION & SALES

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

	Grey		White	
	Clinker	**Cement**	**Clinker**	**Cement**
PRODUCTION (M.Tonnes)				
1997	407,620	471,070	31,319	33,412
1996	488,933	488,961	34,581	34,720
SALES (M.Tonnes)				
1997		474,415		33,405
1996		481,881		34,450

The shortfall in production of grey clinker was due to temporary closure of old production line of 400 tonnes per day. Despite the depressed demand, there was only nominal decrease in production and sales of grey cement.

APPROPRIATION

Available profits have been appropriated as under ·

	(Rupees in Thousands) 1997	1996
Net profit for the year after tax	27,841	140,554
Un-appropriated profit brought forward	4,731	4,177
	----------	----------
Available for appropriation	32,572	144,731
	==========	==========

Appropriations:

Your Directors propose following appropriation of profit:

Transfer to General Reserve	30,000	140,000
Balance Carried Forward	2,572	4,731
	----------	----------
	32,572	144,731
	==========	==========

In view of reduced profitability and self financing for expansion project, cash dividend for the year 1996-97 has not been recommended.

EXPANSION PROJECT

AI Hamad-u-Lilah, the Expansion Project of 3300 Metric Tonnes per day clinker capacity based on most modern dry process technology has started production. The plant, supplied by world renowned cement plant manufacturers M/s F.L.Smidth & Co., Denmark, is pollution free and meet the Environmental Guidelines of the World Bank. It is an IFC (World Bank subsidiary) financed project who have contributed US $ 65.0 million as long term loan and US $ 5.7 million as equity. F L Smidth & Co Denmark, the plant supplier and The Danish Government Fund for Developing Countries (IFU) ,Denmark have also contributed US $ 5.5 million each as equity investment. Both Muslim Commercial Bank Ltd and The Bank of Punjab have provided Rs. 246.9 million and Rs. 300.0 million respectively for the project as long term loan. The total production capacity of the company has increased from 0.5 million to 1.5 million tonnes cement annually. The new plant is of national importance as it has provided job opportunities in the local areas with number of down stream benefits.

M/s INCEM provided the Civil Drawings of the project and civil work was done by M/s Builders Associate (Pvt) Limited and M/s Izhar Construction (Pvt) Limited. The plant & machinery was supplied by M/s F.L. Smidth & Co Denmark and local equipment by M/s FLS

Pakistan (Pvt) Ltd. The work of mechanical erection was contracted to M/s HDK,EKL and Asiacon and electrical erection work was carried by M/s Siemens Pakistan Engineering Company Ltd. M/s PEG, Switzerland has provided the project Monitoring services.

ENVIRONMENTAL IMPROVEMENT AND UPGRADING OF EXISTING PLANT

M/s FLS miljo, Denmark and FLS Pakistan (Pvt) Ltd supplied the Environmental Control equipment for the existing plant. The equipment installed will ensure pollution free operations complying with the National Environment Control Standards. House keeping to improve drainage, oil handling and existing building structure has been completed in consultation with NESPAK.

AUDITORS

M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants and M/s Amin, Mudassar & Co, Chartered Accountants the retiring joint auditors, being eligible, offer for re-appointm year ending June 30,1998.

PATTERN OF SHAREHOLDING

The Shareholding Pattern of the company as on June 30,1997 is included in the Annual Report.

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.

ACKNOWLEDGMENT

The Directors would like to place on record their heartiest thanks to M/s International Finance Corporation, Washington D.C. ,

F. LSmidth & Co, and IFU (Danish Government Fund for Developing Countries) Denmark and all local contractors for their co-operation and co-ordination during the implementation of the expansion project.

The Directors also appreciate the Chief Executive and his team for striving hard to complete this multi billion project within the target time.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1997

No. of Share holders	Size of holdings From	To	No. of Shares Held
815	1	100	26,618
2,148	101	500	650,260
1,952	501	1000	1,332,581
4,271	1001	5000	8,190,356
553	5001	10000	3,714,366
151	10001	15000	1,797,183
73	15001	20000	1,259,311
27	20001	25000	600,386
14	25001	30000	393,075
12	30001	35000	385,844
19	35001	40000	716,905
8	40001	45000	335,948
4	45001	50000	190,149
6	50001	55000	312,342
11	55001	60000	628,324
7	60001	65000	437,857
2	65001	70000	137,695
2	70001	75000	149,569
3	75001	80000	233,000
5	80001	85000	409,103
2	85001	90000	173,518
11	95001	100000	1,095,000
1	100001	105000	100,100
2	110001	115000	227,842
2	115001	120000	240,000
1	120001	125000	123,108
3	135001	140000	415,922

1	150001	155000	150,500
1	155001	160000	160,000
1	170001	175000	172,062
1	185001	190000	189,337
1	195001	200000	198,400
1	210001	215000	213,129
1	245001	250000	250,000
1	265001	270000	270,000
2	285001	290000	575,500
1	295001	300000	300,000
1	300001	305000	301,332
1	305001	310000	309,000
1	310001	315000	312,500
1	345001	350000	349,500
1	395001	400000	400,000
1	435001	440000	435,645
1	475001	480000	476,878
1	495001	500000	500,000
1	745001	750000	747,562
1	885001	890000	885,168
1	915001	920000	918,460
1	930001	935000	931,870
1	995001	1000000	1,000,000
1	1285001	1290000	1,289,170
1	1490001	1495000	1,493,000
1	3180001	3185000	3,180,374
1	3375001	3380000	3,378,800
1	4320001	4325000	4,321,800
1	4695001	4700000	4,698,225
1	5995001	6000000	6,000,000
2	6935001	6940000	13,873,091
1	7235001	7240000	7,239,724
1	8940001	8945000	8,941,376
1	9460001	9465000	9,460,348
1	13955001	13960000	13,959,036
1	18065001	18070000	18,068,175
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9,943			130,229,324
==========			==========

Categories of Shareholders	**No. of Shareholders**	**Shares held**	**Percentage of Capital**
Individuals	9,826	26,511,999	20.358
Investment Companies	28	21,531,595	16.534

Insurance Companies	6	992,612	0.762
Joint Stock Companies	32	24,221,687	18.599
Financial institutions	3	6,110,503	4.692
Foreign Companies	32	50,304,698	38.628
Modaraba Companies	15	545,376	0.419
State Cement Corporation of Pakistan Limited	1	10,854	0.008
Grand Total	9,943	130,229,324	100.000

Auditors Report to the Members

We have audited the annexed balance sheet of Maple Leaf Cement Factory Limited as at June 30, 1997 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, 1997 and of the profit and the changes in 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 26, 1997

Ford, Rhodes, Robson, Morrow
Chartered Accountants
Lahore: November 26, 1997

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 (Rupees in thousand)	1996 (Rupees in thousand)
Share Capital and Reserves			
Authorised share capital			
200,000,000 ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid up share capital	4	1,302,293	930,209
Reserves	5	2,198,500	2,168,500
Unappropriated profit		2,572	4,731
		3,503,365	3,103,440
Long Term Loans	6	2,919,451	2,429,291
Liabilities Against Assets Subject to Finance Lease	7	10,759	27,680
Deferred Liabilities	8	158,348	95,666
Long Term Deposits	9	27,896	37,641
Current Liabilities			
Current portion of long term loans	10	1,175,161	66,304
Short term running finance	11	71,850	-
Creditors, accrued and other liabilities	12	332,698	230,508
Provision for taxation		32,836	50,936
		554,900	347,748
Contingencies and Commitments	13		
		7,174,719	6,041,466

The annexed notes form an integral part of these accounts.

	Note	1997	1996
Tangible Fixed Assets			
Operating assets	14	509,784	517,128
Assets subject to finance lease	15	39,965	46,201

Capital work in progress			
Expansion project	16	5,397,508	3,198,024
Existing plant	17	-	10,231
		5,397,508	3,208,255
Stores and spares held for capital expenditure		18,777	13,841
		5,966,034	3,785,425
Long Term Investments	18	284,881	284,881
Long Term Loans, Deposits and Deferred Costs	19	79,585	95,282
Current Assets			
Stores, spares and loose tools	20	157,729	149,151
Stock - in - trade	21	49,816	91,170
Trade debts	22	16,831	1,688
Loans, advances, deposits, prepayments and other receivables	23	114,855	136,306
Cash and bank balances	24	504,988	1,497,563
		844,219	1,875,878
		7,174,719	6,041,466

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997

		(Rupees in thousand)	
	Note	**1997**	**1996**
Sales	25	1,013,719	1,030,834
Cost of goods sold	26	961,638	828,862
Gross profit		52,081	201,972
Selling, administration and general expenses	27	39,271	35,392
Operating profit		12,810	166,580
Other income	28	66,618	124,101
		79,428	290,681

Financial charges	29	36,404	34,139
Other charges	30	2,983	17,988
		----------	----------
		39,387	52,127
		----------	----------
Profit before taxation		40,041	238,554
Provision for taxation	31	12,200	98,000
		----------	----------
Profit after taxation		27,841	140,554
Unappropriated profit brought forward		4,731	4,177
		----------	----------
Available for appropriation		32,572	144,731
Appropriation			
Transfer to general reserve		(30,000)	(140,000)
		----------	----------
Unappropriated profit carried forward		2,572	4,731
		==========	==========

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997

		(Rupees in thousand)	
	Note	**1997**	**1996**
Cash flow from operating activities			
Cash generated from operations	A	287,154	225,593
Payments for:			
Earned leave		(1,729)	(2,461)
Interest		(34,861)	(35,958)
Taxes		(30,300)	(141,828)
Long term deposits (net)		(9,744)	(20,043)
Exchange risk fee		66,797	33,106
		----------	----------
Net cash inflow from operating activities		277,317	58,409
Cash flow from investing activities			
Fixed assets purchased		(50,658)	(49,151
Capital work in progress		(2,195,374)	(2,318,999
Long term loans and deposits (net)		14,839	3,847

Sales proceeds of fixed assets		45	30,890
Long term investments (net)		-	(8,136)
Interest received		69,878	125,871
		----------	----------
Net cash out flow from investing activities		(2,161,270)	(2,215,678)
Cash flow from financing activities			
Issue of shares		372,084	-
Long term loans less repayments		540,160	1,891,930
Repayment of liability under finance lease		(18,264)	(11,549)
Shares issue expenses		(2,602)	(1,869)
		----------	----------
Net cash inflow from financing activities		891,378	1,878,512
		----------	----------
Net (decrease) in cash and cash equivalent		(992,575)	(278,757)
Cash and cash equivalent at beginning of the year	B	1,497,563	1,776,320
		----------	----------
Cash and cash equivalent at end of the year	B	504,988	1,497,563
		==========	==========

NOTES TO THE STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1997

	(Rupees in thousand) 1997	1996
A. Cash flow from operating activities		
Profit before taxation	40,041	238,554
Add/(less) adjustment for non cash charges and other items		
Depreciation	55,021	57,384
Amortisation	7,916	9,762
Provision for earned leave	2,624	2,566
Profit on sale of fixed assets	(15)	(369)
Amortisation of deferred costs	3,460	2,865
Interest income	(60,350)	(116,773)
Interest expenses	36,404	34,139
	----------	----------
Profit before working capital changes	85,101	228,128

Movement in working capital

(Increase)/decrease in current assets

Stores, spares and loose tools	(8,578)	(22,523)
Stock-in-trade	41,354	(46,795)
Trade debts	(15,143)	36,528
Loans, advances, deposit, prepayments and other receivables (net)	11,923	(28,652)
	29,556	61,442
Increase in short term running finance	71,850	-
Increase in creditors, accrued and other liabilities (net)	100,647	58,907
Cash generated from operations	287,154	225,593

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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1997

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 recognised 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 per cent 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 is 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 14.2 are recorded on the basis of advices received from PAFL.

Depreciation is calculated at the rates specified in note 14 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 capitalised.

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

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 amortised over the useful life of the assets on a reducing balance method at the rates given in note 15. Amortisation 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 capitalised 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 amortised over their useful life but 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 capitalised 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 such loans. All other exchange differences are included in the profit currently.

3.14 Revenue recognition

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

	(Rupees in	**thousand)**
	1997	**1996**
4. Issued, Subscribed and Paid Up Capital		
101,243,523 (1996:64,035,145) ordinary shares of Rs.10 each fully paid in cash	1,012,435	640,351
9,990,1 OO (1996:9,990,100) ordinary shares of Rs. 10 each issued as fully paid For consideration other than cash	99,901	99,901
18,995,701 (1996:18,995,701) ordinary shares of Rs.10 each issued as fully paid bonus shares	189,957	189,957
	----------	----------
	1,302,293	930,209
	==========	==========
5. Reserves		
Capital		
Premium on issue of shares	1,448,836	1,448,836
Revenue		
General Reserve		
At the beginning of the year	719,664	579,664
Transfer from profit and loss account	30,000	140,000
	749,664	719,664
	----------	----------
	2,198,500	2,168,500
	==========	==========

6. Long Term Loans - Secured

These comprise:

Existing plant loans note	6.1	118,786	167,353
Expansion project loans note	6.2	2,899,232	2,310,505
		3,018,018	2,477,858
Less: Current portion shown under current lia note	10	(98,567)	(48,567)
		2,919,451	2,429,291

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%	14,030	15,901
2.	Chinese Credit	14%	6,767	11,278
3.	IBRD loan	14%	68,089	95,324
4.	State Cement Corporation of Pakistan (Pvt) Limited (SCCP)	10%	29,900	44,850
			118,786	167,353

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 fifteen equal half yearly installments by October 01,2004. The interest is payable half yearly.

The balance of loan 2 is payable in three 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 Modernisation Project by the International Bank for Reconstruction and Development (IBRD) through Government of Pakistan was converted in Pak Rupees at the exchange rate prevailing at the dates of disbursement. The balance of loan is repayable in five equal half yearly installments by October 01, 1999.

The balance of loan 4 is repayable in four equal half yearly installments by January 01, 1999. Interest is payable half yearly. In the event of failure to pay principal 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, referred to in note 24, with the ABL upto 10% of outstanding liability.

6.2 Expansion project loans

These comprise as follows:

		(Rupees in thousand)	
		1997	**1996**
Foreign currency loan	note 6.2.1	2,352,332	2,163,605
Local currency loan	note 6.2.2	546,900	146,900
		----------	----------
		2,899,232	2,310,505
		==========	==========

6.2.1 Foreign currency loan - secured

Lender		**Currency Balance**		**Rupees Equivalent**	
		1996	**1997**	**1996**	**1997**
		(In thousand)			
International Finance Corporation(IFC)					
Loan - A	US$	30,000	30,000	927,734	927,734
Loan - B	US$	35,000	35,000	1,424,598	1,235,871
		----------	----------	----------	----------
		65,000	65,000	2,352,332	2,163,605
		==========	==========	==========	==========

Terms of repayment

The company signed o loan agreement on April 12, 1994 for US$ 65 million for expansion project comprising Loan A US$ 30 million and Loan B US$ 35 million. The loan A was 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 loon installments. The loan A is repayable in sixteen equal 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 one year after commercial production of expansion project carrying interest @ 9.7% per annum payable half yearly.

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.

	(Rupees in thousand)	
	1997	**1996**
6.2.2. Local currency loan - secured		
Loan Lenders		
1. Muslim Commercial Bank Limited	246,900	146,900
2. The Bank of Punjab	300,000	-
	546,900	146,900

The Loan 1 comprises of two loans from Muslim Commercial Bank Limited i.e. (a) Rs. 146,900 thousand (1996: Rs. 146,900 thousand) (b) Rs. 100,000 thousand (1996: nil). Loan (a) is repayable in fourteen equal half yearly installments commencing one year after commercial production of expansion project carrying mark up at the rate of Re 0.54 per thousand per diem payable quarterly. Loan (b) is repayable in ten equal half yearly installments commencing July 01,1998 carrying mark up at the rate of Re 0.60 per thousand per diem. Commitment charges have been paid @ 1.5% per annum.

The loan 2 is repayable in six equal half yearly installments commencing April 30, 1998, carrying mark up at the rate Re 0.55 per thousand per diem payable quarterly.

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

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) 1997	1996
Year ending June 30,			
1997		-	23,928
1998		22,036	20,996
1999		10,874	9,834
2000		429	-
		33,339	54,758
Less: Financial charges allocated to future period		(3,631)	(9,341)
		29,708	45,417
Less: Current portion shown under current liabilities	note 10	(18,949)	(17,737)
		10,759	27,680

The implicit rate 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 option 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. 6,331 thousand (1996:Rs. 6,075 thousand) included in long term security deposits referred to in note 19.

8. Deferred Liabilities

		(Rupees in thousand) 1997	1996
Deferred taxation	note 8.1	54,371	54,371
Vacation benefits	note 8.2	9,084	8,189
Exchange risk fee of IFC Loan A	note 6.2.1	94,893	33,106
		158,348	95,666

8.1 Deferred taxation

Tax effect of major timing differences (credit) as at June 30, 1997 worked out Rs.81,289 thousand (1996 : Rs.94,482 thousand). The provision for deferred taxation to the extent of Rs.27,257 thousand (1996:Rs.40,111 thousand) has not been made in these accounts because the management feels that in view of the future expansion, balancing and modernisation 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.998 thousand (1996: Rs. 918 thousand) being provision made during the year for executives.

9. Long Term Deposits

These represent the 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 the dealership agreements.

		(Rupees in thousand) 1997	1996
10. Current Portion of Long Term Liabilities			
Long term loans	note 6	98,567	48,567
Liabilities against assets subject to finance lease	note 7	18,949	17,737
		117,516	66,304

11. Short Term Running Finance - Secured

The facility for running finance available from American Express Bank Limited amounts to Rs.76,550 thousand (1996: Rs. nil) carrying mark up at the rate of Re 0.4932 per thousand per diem payable quarterly. This arrangement is secured by hypothecation of company's stock in trade, store spares and book debts.

	(Rupees in thousand) 1997	1996
12. Creditors, Accrued and Other Liabilities		
Creditors	43,343	13,638
Accrued liabilities	60,864	60,936
Advances from customers	8,163	11,553
Security deposits - interest free, repayable on demand	6,681	7,011

Contractors retention money		29,574	14,468
Interest accrued on secured loans		150,304	75,706
Sales tax payable		5,361	17,833
Royalty and excise duty payable		1,149	1,700
Workers' welfare fund		13,726	12,926
Workers' profit participation fund	note 12.1	10,712	12,818
Other payables		2,821	1,919
		332,698	230,508

12.1 Workers' profit participation fund

Balance at July 01	12,818	18,582
Allocation for the year	-	12,817
Interest on the funds utilised in the company's business	443	636
	13,261	32,035
Less: Amount paid	(2,549)	(19,217)
Balance at June 30	10,712	12,818

13. Contingencies and Commitments

13.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs. 3,671 thousand (1996: Rs. 3,411 thousand).

(ii) Pending decision of various appeals in the Lahore High Court, Supreme Court of Pakistan and Custom, Excise and Sales Tax Appellate Tribunal, Lahore regarding sales tax payable from accounting year 1989 to 1993. There is an approximate liability of Rs. 21,867 thousand (1996:Rs. 43,845 thousand) for disputed amount of sales tax.

(iii) The company has filed various writ petitions with the Sindh High Court against imposition of custom duty and infrastructure fee amounting Rs.225,917 thousand (1996:Rs.225,917 thousand) and Rs.7,000 thousand (1996:Rs.3,000 thousand) respectively on import of machinery. The petitions are pending adjudication.

(iv) Guarantee given to the Collector, Central Excise and Sales Tax, Customs, Sindh Development and Maintenance, Karachi as referred to in note 13.1 (ii) & (iii) above and Sui Northern Gas Pipelines Limited amounting Rs.16,965 thousand (1996:Rs.12,965 thousand) and Rs. 6,500 thousand (1996: Rs 6,500 thousand) respectively.

13.2 Commitments

(i) Contracts for capital expenditure Rs.233,770 thousand (1996: Rs. 1,448,728 thousand).

(ii) Letters of credit other than for capital expenditure Rs. 1,926 thousand (1996: Rs.nil).

14. Operating Assets

The following is a statement of operating fixed assets

	Cost to June 30, 1996	**Additions/ (deletions)**	**Cost to June 30, 1997**	**Accumu-lated depreci-ation**	**Book value as at June 30, 1997**	**Depreciation Charge for the year**	**Depreciation Rate %**
				Rs in 000			
Land - Freehold							
Existing plant note 14.1	10,595	-	10,595	-	10,595	-	-
Expansion project	14,034	5,005	19,039	-	19,039	-	-
	24,629	5,005	29,634	-	29,634	-	-
Buildings on freehold land	162,768	9,481	172,249	103,479	68,770	6,135	5-10
Roads, bridges and railway sidings	15,703	96	15,799	8,884	6,915	662	5-10
Plant and machinery	740,583	8,402	748,985	395,852	353,133	39,237	10
Furniture, fixtures and equipment							
Existing plant	21,605	4,777	26,382	13,588	12,794	2,897	10-15
Expansion project	734	4,789	5,523	848	4,675	745	10-15
	22,339	9,566	31,905	14,436	17,469	3,642	
Quarry equipment	63,073	6,152	69,225	53,267	15,958	3,990	20
Vehicles							
Existing plant	19,699	823 (47)	20,475	12,602	7,873	1,968	20
Expansion project	666	10,620	11,286	2,446	8,840	2,210	20
	20,365	11,443 (47)	31,761	15,048	16,713	4,178	

Shore of joint assets- note 14.2	2,903	512	3,415	2,223	1,192	132	5-10
	1,052,363	50,657	1,102,973	593,189	509,784	57,976	
		(47)					
1996	1,034,680	49,151	1,052,363	535,235	517,128	57,600	
		(31,468)					

14.1 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 1 991 for a period of 10 years at an annual rent of Rs. 2 thousand.

14.2 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 Industrial Development Corporation (PIDC). These assets are in possession of housing colony project for mutual benefits.

	(Rupees in thousand) **1997**	**1996**
The cost of these assets are as follows:		
Buildings	2,072	1,684
Roads and bridge	202	202
Air strip	16	16
Plant and machinery	168	78
Furniture, fixtures and equipment	796	792
Vehicles	161	131
	3,415	2,903

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

Cost of sales	note 26	48,855	51,750
Purchases	note 26.1	4,036	3,500
Administrative and general expenses	note 27	1,998	2,044
Other manufacturing expenses		132	90
Unallocated capital expenditure		2,955	216
		57,976	57,600

14.4 Disposal of operating fixed assets

Particulars of assets	Cost	Accumu* lated Depreci- ation	Book value	Sale pro- ceeds	Mode of disposal	Claim received from
	(Rupees in thousand)					
Motor cycle - Yamaha	47	17	30	45	Insurance claim	EFU Insurance Co. Ltd., Lahore.

15. Assets Subject to Finance Lease

The following is a statement of leased assets

	Cost to June 30, 1996	Additions	Cost to June 30, 1997	Book value as at June 30, 1997	lated Amortis- ation	Amortisation Charge for the year	Rate %
			(Rupees in thousand)				
Plant and machinery	11,870	-	11,870	3,217	8,653	961	10
Quarry equipment	39,383	-	39,383	15,572	23,811	5,953	20
Vehicles							
Existing plant	6,918		6,918	1,599	5,319	962	20
Expansion project	2,583	2,554	5,137	2,955	2,182	913	20
	9,501	2,554	12,055	4,554	7,501	1,875	
	60,754	2,554	63,308	23,343	39,965	8,789	
1996	27,630	33,124	60,754	14,553	46,201	10,215	

15.1 Amortisation charge for the year has been allocated as follows:

		(Rupees in thousand) 1997	1996
Cost of sales	note 26	961	1,068
Purchases	note 26.1	5,953	7,441
Administrative and general expenses	note 27	1,002	1,253
Unallocated capital expenditure		873	453
		8,789	10,215

16. Capital Work in Progress - Expansion Project

Civil works and buildings	801,431	456,173
Plant and machinery	3,351,486	1,468,204
Advances	65,395	754,801
Exchange fluctuation	157,691	(12,926)
Exchange risk fee	156,681	94,893
	4,532,684	2,761,145
Environmental control system	278,413	218,307
Unallocated capital expenditure		
Borrowing cost	492,805	169,363
Other charges	93,606	49,209
	586,411	218,572
	5,397,508	3,198,024

Expansion project is for a new production line of 3,300 tonnes per day clinker capacity based on most modern dry process plant together with the installation of environmental control equipment for existing plant. Total estimated cost of expansion project is US$170.181 million.

(Rupees in thousand)

17. Capital Work in Progress - Existing Plant

	1997	1996
Civil works and buildings	-	6,824
Plant and machinery	-	3,407
	-	10,231

18. Long Term Investments

In associated companies

Quoted

Fidelity Investment Bank Limited 2,404,650 (1996:2,404,650) fully paid ordinary shares of Rs. 10 each	25,754	25,754
Kohinoor Weaving Mills Limited 3,570,000 (1996: Rs.3,570,000) fully paid ordinary		

shares of Rs. 10 each equity held 25.50% (1996:25.50%)	74,410	74,410
Kohinoor (Gujar Khan) Mills Limited 3,700,000 (1996: 3,700,000) fully paid ordinary shares of Rs. 10 each equity held 38.92% (1996:38.92%)	18,845	18,845
Kohinoor Raiwind Mills Limited 6,982,500(1996: 6,982,500) fully paid ordinary shares of Rs. 10 each equity held 49.88% (1996: 49.88%)	70,872	70,872
Maple Leaf Electric Company Limited 9,000,000 (1996: 9,000,000) fully paid ordinary shares of Rs. 10 each equity held 22.50%(1996:22.50%)	90,000	90,000
	279,881	279,881
Unquoted		
Security General Insurance Company Limited 500,000 (1996: 500,000) fully paid ordinary shares of Rs. 10 each equity held 10% (1996:10%)	5,000	5,000
	284,881	284,881

Value of investment in Security General Insurance Company Limited based on the last available audited accounts for the year ended December 31, 1996 (1996: December 31, 1995) is Rs.4,966 thousand (1996: Rs 5,000 thousand).

Aggregate market value of quoted investments is Rs.199,054 thousand (1996:Rs. 142,118 thousand). No provision has been made for diminution in value of quoted and unquoted investment as it is considered temporary in the context of the company's intention to hold these investments on a long term basis.

Investments having face value of Rs. 121,910 thousand (1996:Rs.50,910 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 Sales Tax.

	(Rupees in thousand)	
	1997	**1996**

19. Long Term Loans, Deposits and Deferred Costs

Long term loans - considered good			
associated note	19.1	54,950	70,650
employees note	19.2	9,802	9,185
		64,752	79,835
Security deposits		7,094	6,850
Deferred costs	19.3	7,739	8,597
		79,585	95,282

19.1 Loan to associated company - secured

Kohinoor Raiwind Mills Limited		72,110	78,500
Less: Current portion shown under current assets note	23	(17,160)	(7,850)
		54,950	70,650

This 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. The loan is repayable in ten equal half yearly installments commencing January 1, 1997. The rate of mark up is 13% per annum. 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.77,110 thousand (1996:Rs.78,500 thousand).

19.2 Loans to employees - secured

	Executives	Others	1997 (Rupees in thousand)	1996 (Rupees in thousand)
House building	1,785	8,486	10,271	9,590
Vehicle	485	2,908	3,393	3,152
Others	-	124	124	178
	2,270	11,518	13,788	12,920
Less: Current portion shown under current assets note 23	(584)	(3,402)	(3,986)	(3,735)
	1,686	8,116	9,802	9,185

The above balances are classified as under:

Outstanding				
exceeding three years	531	1,500	2,031	1,505
others	1,155	6,616	7,771	7,680
	----------	----------	----------	----------
	1,686	8,116	9,802	9,185
	==========	==========	==========	==========

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
Other loans		30

Security

Loans to employees are secured against charge and Lien on retirement benefits.

19.2.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs.2,781 thousand (1996:Rs.3,575 thousand)

		(Rupees in thousand)	
		1997	**1996**
19.3 Deferred costs			
Shares issue expenses		11,1 99	11,462
Less: Amortisation	note 27	(3,460)	(2,865)
		----------	----------
		7,739	8,597
		==========	==========

These are being amortised over a period not exceeding five years.

20. Stores, Spares and Loose Tools

Stores	54,899	59,742
Spares including in transit Rs. 10,394 thousand (1996:Rs.5,841 thousand)	100,001	86,603
Loose tools	2,892	2,806
	----------	----------
	157,729	149,151
	==========	==========

21. Stock-in-Trade

Raw materials	1,448	2,289
Packing materials	4,780	6,224
Work in process	22,938	61,952
Finished goods	20,650	20,705
	49,816	91,170

22. Trade Debts

These are secured and considered good.

23. Loans, Advances, Deposits, Prepayments and Other Receivables

Current portion of long term loans			
Associated company	note 19.1	17,160	7,850
Employees	note 19.2	3,986	3,735
Advances - considered good			
Employees	note 23.1	4,595	3,296
Suppliers		22,454	33,073
Associated companies	note 23.2	5,422	2,854
Due from gratuity fund trust		7,559	5,393
Prepayments		2,292	482
Excise duty		4,580	2,398
Octroi receivable from the Government		3,734	24,787
Interest receivable			
Associated company		4,592	20,008
Financial institutions		35,009	29,121
Other receivables		3,472	3,309
		114,855	136,306

23.1 Included in advances to employees are amounts due from executives Rs.370 thousand (1996: Rs. 53 thousand). The maximum aggregate amount due from executives at the end of any month during the year was Rs. 370 thousand (1996:Rs. 378 thousand).

23.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs.27,211 thousand (1996:Rs.30,561 thousand).

24. Cash and Bank Balances

The balances were held
at banks
on deposit accounts

including USS 2 thousand (1996: US$1,802 thousand)	309,982	571,821
on profit and loss sharing accounts	128,811	193,939
on current accounts including DKK 9,499 thousand (1996: DKK 120,762 thousand)	66,099	731,627
	----------	----------
	504,892	1,497,387
in hand	96	176
	----------	----------
	504,988	1,497,563
	==========	==========

Included in deposit accounts is a sum of Rs.9,600 thousand (1996: Rs.16,000 thousand) held by Allied Bank of Pakistan Limited as margin against guarantees issued to secure long term loans referred to in note 6.1. Therein also included Rs.nil (1996:Rs. 230,000 thousand)which was under lien with Muslim Commercial Bank Limited against credit facility given to the company by the bank.

		(Rupees in thousand)	
		1997	**1996**
25. Sales			
Gross sales		1,911,471	1,675,074
Less:			
Excise duty		604,718	397,782
Sales tax		277,944	235,457
Rebate		15,090	11,001
		----------	----------
		897,752	644,240
		----------	----------
		1,013,719	1,030,834
		==========	==========
26. Cost of Goods Sold			
Raw materials			
Opening inventory		2,289	2,561
Purchases	note 26.1	35,829	41,959
		----------	----------
		38,118	44,520
Closing inventory		(1,448)	(2,289)
		----------	----------

Raw material consumed		36,670	42,231
Packing material consumed		127,006	127,071
Fuel and power		539,830	460,257
Stores and spares consumed		35,174	50,448
Salaries, wages and amenities		93,986	99,594
Insurance		12,065	11,537
Repairs and maintenance		5,573	5,776
Depreciation	note 14.3	48,855	51,750
Amortisation of leased assets	note 15.1	961	1.07
Other expenses		22,449	21,547
		----------	----------
		922,569	871,279
Work in process			
Opening inventory		61,952	29,683
Closing inventory		(22,938)	(61,952)
		39,014	(32,269)
		----------	----------
Cost of goods manufactured		961,583	839,010
Finished goods			
Opening inventory		120,705	10,557
Closing inventory		(20,650)	(20,705)
		55	(10,148)
		----------	----------
Cost of goods sold		961,638	828,862
		==========	==========

26.1 Purchases

Excise duty, royalty, quarrying expenses and purchases		15,670	14,683
Salaries, wages and amenities		5,011	5,376
Stores and spares consumed		4,984	10,646
Depreciation	note 14.3	4,036	3,500
Amortisation of leased assets	note 15.1	5,953	7,441
Explosives		175	313
		----------	----------
		35,829	41,959
		==========	==========

27. Selling, Administrative and General Expenses

Selling and distribution expenses

Salaries and amenities	5,406	5,088
Travelling	82	224

Motor vehicle running		100	87
Postage, telephone and telex		593	357
Printing and stationery		215	89
Entertainment		45	79
Repairs and maintenance		307	120
Advertisement and others		5,987	1,968
		----------	----------
		12,735	8,012
		==========	==========
Administrative and general expenses			
Salaries and amenities		9,767	11,874
Travelling		1,070	1,085
Motor vehicle running		947	794
Postage, telephone and telex		1,860	1,727
Printing and stationery		477	1,173
Entertainment		370	387
Repairs and maintenance		2,395	642
Legal and professional charges	note 27.1	1,170	998
Depreciation	note 14.3	1,998	2,044
Amortisation of leased assets	note 15.1	1,002	1,253
Amortisation of deferred costs	note 19.3	3,460	2,865
Other expenses		2,020	2,538
		----------	----------
		26,536	27,380
		----------	----------
		39,271	35,392
		==========	==========

27.1 Legal and professional charges include the following in respect of auditors services for:

Amin, Mudassar & Co.		
Satutory audit	85	75
Tax services	212	11
Audit of provident fund, gratuity fund, workers' profit participation fund and sundry advisory services	50	50
Out of pocket expenses	32	15
	----------	----------
	379	151
Ford, Rhodes, Robson, Morrow		
Statutory audit	85	75
Miscellaneous certification fee	50	25

Out of pocket expenses		15	15
		150	115
Less: Charged to deferred cost	note 19.3	--	(20)
		150	95
		529	246

28. Other Income

Profit on bank deposits	50,655	106,568
Interest on loan to associated company	9,695	10,205
Sale of scrap	3,094	4,593
Profit on sale of fixed assets	15	369
Miscellaneous	3,159	2,366
	66,618	124,101

29. Financial Charges

Mark up/interest on:		
long term loans	18,266	24,468
Liabilities under finance lease	5,331	5,675
Short term running finance	8,924	-
Workers' profit participation fund	443	636
Bank guarantee commission	2,596	2,945
Bank charges	844	415
	36,404	34,139

30. Other Charges

Workers' profit participation fund	note 30.1	-	12,817
Workers' welfare fund		800	4,963
Donations	note 30.2	2,183	208
		2,983	17,988

30.1 Based upon the legal opinion obtained by the company, charge for the year in respect of Workers' Profit Participation Fund does not arise.

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

Lahore Gymkhana Club, Lahore (Mr. Tariq Sayeed Saigol, Director/Chairman is the member of the club).	-	50
	==========	==========

31. Provision for Taxation

Current- for the year	12,200	90,000
- prior years	-	8,000
	----------	----------
	12,200	98,000
	==========	==========

Income tax assessments of the company have been finalised upto the financial year ended June 30, 1996 (assessment year 1996-97).

In finalising the assessments, certain arbitrary disallowances have been made by the assessing officer which resulted in additional tax liability approximately amounting Rs. 27,563 thousand. Pending the outcome of appeals filed by the company with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal, no provision has been made in the accounts for the said additional tax liability.

32. Remuneration to the 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**	
	1997	**1996**	**1997**	**1996**	**1997**	**1996**
			(Rupees in thousand)			
Managerial remuneration	1,668	1,639	600	600	12,094	11,158
Contribution to provident						
fund trust	119	104	-	-	867	763
Perquisites and benefits						
house rent	596	519	270	270	2,055	1,798
medical	50	46	111	384	646	622
conveyance/petrol	62	54	66	57	971	820
leave passage	106	93			475	705
Utilities	96	91	60	60	352	177
	----------	----------	----------	----------	----------	----------
	2,697	2,546	1,107	1,371	17,460	16,043
	==========	==========	==========	==========	==========	==========
Number of persons	1	1	1	1	59	55

Remuneration to other directors

The aggregate amount charged in the accounts for meeting fee to non-working directors is Rs. nil (1996:Rs.2 thousand).

	(Rupees in thousand) 1997	1996

33. Transactions with Associated Companies

These comprise:

	1997	1996
Purchase of goods and services	158,100	30,222
Sale of goods and services	2,831	45,610
Interest earned	9,695	10,205
Purchase of investments	-	8,136
Purchase of fixed assets	2,300	-
Recovery of loan	6,390	-

34. Capacity and Production

	Capacity		Actual Production	
	1997	1996	1997	1996
Clinker				
Grey - M.Tonnes	471,000	471,000	407,620	488,933
White - M.Tonnes	30,000	30,000	31,319	34,581

Short fall in production of grey clinker was due to the temporary closure of old production line of 400 M. Tonnes per day

35. Corresponding Figures

Previous year's figures have been restated, where necessary, to facilitate the comparison.