

Annual Report 1996

DG Cement

Nishat Group

COMPANY PROFILE

Board of Directors

Chief
Executive
Mian Umer
Mansha
Mst. Akhtar Jehan
Begum
Mrs. Farhat Saleem
Mr. Mohammad Ali Anwar
Mr. Aftab Ahmad Khan
Mr. Khalid Qadeer
Qureshi

Advisor

Mian Mohammad Mansha

Company Secretary

Khalid Mahmood Chohan

Bankers

ABN-AMRO Bank N.V.
Atlas BOT Investment Bank Limited
Bank of America NT&SA
Crescent Investment Bank Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Mashreq Bank
psc
Muslim Commercial Bank Limited
Schon Bank Ltd
Union Bank Limited
United Bank
Ltd.

Auditors

1. M/s Riaz Ahmad &
Co.
Chartered Accountants

2. M/s A F Ferguson &
Co.
Chartered Accountants
,

Registered Office

Nishat House, 53-A, Lawrence Road, Lahore- Pakistan
Phone: 92-42-6367812-20 Fax: 92-42-6367414
Telex 47523 Nisht PK. Lahore
E. Mail: MIS @ DGC LHR. BRAIN. COM. PK.

Factory

Khofli Sattai, Distt. Dera Ghazi Khan - Pakistan
Phone: 92-641-60025-8
Fax: 92-641-62392
Telex: 42492 DGK CF
PK.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of D.G. Khan Cement Company Limited will be held on Tuesday the 31st December, 1996 at 10.30 a.m. at Nishat House, 53-A, Lawrence Road, Lahore to transact the following business:

1. To confirm minutes of the last meeting.
2. To receive and adopt the audited accounts of the Company for the financial year ended June 30, 1996 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 1996-97 and fix their remunerations. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, and M/s A F Ferguson & Company, Chartered Accountants, both retire and being eligible, offer themselves for re-appointment.
4. Any other matter with the permission of the Chair

By order of the Board

(KHALID MAHMOOD
CHOHAN)
Company Secretary

Lahore:
December 7,
1996

NOTES:

1. Share transfer books of the Company will remain closed from 31-12-96 to 06-01-97 (both days

inclusive). Transfers received in order at Nishat House, 53-A, Lawrence Road, Lahore upto the close of business on December 30, 1996 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member 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.

DIRECTORS' REPORT

The directors take pleasure in presenting their report alongwith audited accounts and auditors' report thereon for the year ended June 30, 1996.

During the year under review your Company has earned pretax profit of Rs. 308.411 million (1995: Rs. 569.557 million) After accounting for all charges including depreciation and provision for income tax, net profit earned works out to Rs. 248.411 million (1995: Rs. 386.788 million).

The appropriation of available profit is recommended as under:

	(Rupees in thousand)	
	1996	1995
Net profit after taxation	248,411	386,788
Un-appropriated profit brought forward	586	382
Profit available for appropriation	248,997	387,170

APPROPRIATIONS

:

Transferred

to:

- Dividend	-	3,877
- Reserve for issue of bonus shares	-	102,707
- General reserve	248,000	280,000

PRODUCTION & SALES

With the blessings of Almighty Allah and the efforts of officers and workers of the Company we have been awarded with success i.e. achievement of historic highest production.

The production figures achieved for clinker,

cement grinding and dispatches have not only excelled the budgeted targets by substantial margin but set new records in every sphere of activity. The plant was operated for 326 days which is also a record.

The commendable performance have been possible through coherent team work and spirit which enabled well planned maintenance of plant, efficient operation and hectic efforts of our marketing team. Comparative figures of production and dispatches are given hereunder:

		1996	1995	Increase
Clinker	(U.Tons)	730,450	669,086	61,364
Cement	(U.Tons)	767,363	685,348	82,015
Dispatches	(M.Tons)	753,608	698,063	55,545

3.21% has been registered in sales revenue as against the increase of volume by 7.96%. The average sale price has reduced by 6.94%.

Contrary to the reduction in sale price, inputs prices have substantially increased which resulted in considerable decrease in profit margin. Major increase in cost has been in Furnace Oil, Electricity, Paper Bags and other inputs which accounts for more than 70% of total cost of production. The average increase during the year under review on these inputs is 13%, 12% and 69% respectively. Till todate the prices 1996 of Furnace Oil, alone, have increased to 123% (compared with June, 1995 prices) resulting adverse affect on the profit margins.

OPERATING RESULTS

During the year under review the net sales revenue was Rs. 1,547.090 million as against Rs. 1,498.945 million for last year. Increase of Another factor which directly affected the profit is closure of Ghazi Ghat Bridge (over River Indus)

for heavy trucks of cement. The Company has to bear extra cost on this account as the heavy trucks had to divert to other route (i.e. via Taunsa Barrage).

MARKET REVIEW

Current Market Conditions

At present cement industry as a whole is moving towards decline in earning growth as competition increases with the advent of extra capacity. This means that we are heading towards the survival of the fittest, that is, the most efficient plants will survive in the highly competitive environment.

During the year under review there was oversupply of cement in the market, which is mainly due to political instability in the country and law and order situation in South, resulting in overall low economic activity. These factors have badly affected the growth rate. In addition, the industry is under tremendous pressure of government duties and levies, which have been increased to 35% and 18% on account of excise duty and sales tax respectively (increase by 10% and 3% in Excise duty & Sales tax respectively in the annual budget announced in June, 1996. The impact of this increase may effect the profit of the next financial year.

Future Prospects

The growth of cement industry is largely dependent upon the construction of houses, huge government infrastructure projects and industrial development which remained hampered during the previous years due to political situation in the country. It is hoped that with political stability and favorable industrial environment in the country, development activity will gain momentum and boost the demand of cement and absorb the additional production capacities coming on

stream in the next year.

Export of clinker/cement to the neighboring countries is another avenue for controlling oversupply. So far 34,000 tons has recently been exported to Bangladesh. The future export of clinker/cement will, however, depend upon a workable export policy from the Government.

Market Share

Even under the depressed market conditions, your Company has showed excellent results by selling 753,608 tons of cement, a historic record (increase of 7.96% over last year). With our aggressive marketing strategy and establishment of our brand in the market we expect to retain our market share in future as well.

EXPANSION PROJECT

The pace of progress on the Expansion Project is quite encouraging and we expect commercial production in the fiscal year 1997-98. Brief on the progress of the project is given below:

Civil Works

More than 95% civil works have been completed. Some of the areas being 100% completed have been handed over by the contractors.

Supply of Plant & Equipment

98% of plant and equipment has been received at site both from M/s F.L. Smidth (imported machinery) and CPC Pakistan (Private) Limited (local machinery). The remaining supplies are expected to be completed upto 31st December, 1996.

Erection and start up

Contracts for Mechanical and Electrical Erection of plant and equipment have been awarded.

Mechanical erection started in April, 1996 and so

far more than 50% has been completed while Electrical erection has been completed by 25%.

It is expected that erection will be completed by the end of March, 1997 and commercial production will start in July, 1997.

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PATTERN OF SHAREHOLDINGS

The pattern of Shareholding of the Company as on June 30, 1996 is annexed with the Annual Report.

AUDITORS

Both M/s Riaz Ahmad & Company, Chartered Accountants & M/s A F Ferguson & Company, Chartered Accountants, Lahore, the retiring Auditors, being eligible, offer themselves for re-appointment.

LABOUR AND MANAGEMENT RELATIONS

The Directors place on record appreciation for the hard work done by the workers, staff and officers during the year 1995-96 with the hope that their joint efforts and dedication for achieving even better results in the coming years.

on behalf of the Board
Chief
Executive

Lahore:
December 7,
1996

FIVE YEARS AT A GLANCE

	1996	1995	1994	1993	1992
PRODUCTION & SALES					
					(U.Tons)
Clinker	730,450	669,086	631,874	663,431	589,608
Cement	767,363	685,348	649,852	685,401	611,745
Sales	753,608	698,063	651,937	683,142	608,364

FOR THE YEAR

				(Rupees in thousand)	
Net Sales	1,547,090	1,498,945	1,219,777	1,131,357	739,706
Gross Profit	591,430	757,254	586,653	536,867	185,045
Pre-tax profit	308,411	569,557	541,198	488,134	115,543
After tax profit	248,411	386,788	362,884	296,134	82,543

FINANCIAL POSITION

Current Assets	1,297,610	1,240,604	674,189	575,237	510,982
Current Liabilities	717,423	550,837	769,228	580,050	178,413
Operating fixed assets	786,929	692,991	719,066	691,887	668,905
Total assets	7,390,244	4,010,890	2,324,669	1,877,749	1,211,220
Long term liabilities	2,979,307	429,311	415,897	405,205	413,279
Shareholders' Equity	3,784,946	3,110,329	1,217,932	947,898	669,964

RATIOS

Current Ratio	1.81:1	2.25:1	0.88:1	0.99:1	2.86:1
Debt to Equity	44:56	12:88	25:75	30:70	38:62

Net Profit to sales (%)	16.06%	25.80%	29.75%	26.18%	11.16%
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.G. KAHN CEMENT COMPANY LIMITED as at June 30, 1996 and the related profit and loss account and the cash flow statement, together with 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 cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and the cash flow for the year then ended; and

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

A F Ferguson & Co.
Chartered Accountants

Riaz Ahmad & Company
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1996

	Note	(Rupees in thousand) 1996	1995
CAPITAL AND RESERVES			
Authorised share capital			
300,000,000 ordinary shares of Rs. 10/- each		3,000,000	3,000,000

	-----	-----	
Issued, subscribed and paid up sham capital 108,712,925 (1995: 98,829,932) ordinary shares	3	1,087,129	988,299
Advance against issue of shares		426,206	-
Reserves	4	2,270,614	2,121,444
Unappropriated profit		997	586
		-----	-----
		3,784,946	3,110,329
LONG TERM LOANS- SECURED	5	2,774,385	272,560
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	56,381	16,185
DEFERRED LIABILITIES	7	18,025	14,039
LONG TERM DEPOSITS	8	39,084	46,940
CURRENT LIABILITIES			
Current portion of long term liabilities:			
Long term loans- secured		50,436	50,436
Liabilities against assets subject to finance lease		40,996	29,151
Short term running finances	9	-	-
Creditors, accrued and other liabilities	10	561,676	234,650
Provision for taxation		63,916	236,129
Dividend payable	11	399	471
		-----	-----
		717,423	550,837
CONTINGENCIES AND COMMITMENTS	12		
		-----	-----
		7,390,244	4,010,890
		=====	=====

The annexed notes form an integral part of these accounts.

	Note	(Rupees in thousand) 1996	1995
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	786,929	692,991
Assets subject to finance lease	14	65,694	69,483

Capital work in progress	15	4,189,893	956,892
		-----	-----
		5,042,516	1,719,366
LONG TERM INVESTMENTS	16	1,022,827	1,031,099
LONG TERM LOANS TO EMPLOYEES	17	8,256	8,178
LONG TERM DEPOSITS AND DEFERRED COSTS	18	19,035	11,643
CURRENT ASSETS			
Stores, spares and loose tools	19	262,664	201,321
Stock-in - trade	20	40,870	25,206
Advances, deposits, prepayments and other re	21	272,132	295,558
Cash and bank balances	22	721,944	718,519
		-----	-----
		1,297,610	1,240,604
		-----	-----
		7,390,244	4,010,890
		=====	=====

Director

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

	Note	(Rupees in thousand)	
		1996	1995
SALES	23	1,547,090	1,498,945
COST OF GOODS SOLD	24	955,660	741,691
		-----	-----
GROSS PROFIT		591,430	757,254
OPERATING EXPENSES			
Administration and general	25	40,794	35,934
Selling and distribution	26	202,063	166,092
		-----	-----
		242,857	202,026
		-----	-----
OPERATING PROFIT		348,573	555,228

OTHER INCOME	27	105,490	129,959
		-----	-----
		454,063	685,187
FINANCIAL CHARGES	28	47,482	72,580
OTHER CHARGES	29	98,170	43,050
		-----	-----
PROFIT BEFORE TAXATION		308,411	569,557
PROVISION FOR TAXATION	30	60,000	182,769
		-----	-----
PROFIT AFTER TAXATION		248,411	386,788
UNAPPROPRIATED PROFIT BROUGHT FORWARD		586	382
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		248,997	387,170
APPROPRIATIONS			
Reserve for issue of bonus shares		-	102,707
Dividend		-	3,877
Transferred to general reserve		248,000	280,000
		-----	-----
		248,000	386,584
		-----	-----
UNAPPROPRIATED PROFIT		997	586
		=====	=====

The annexed notes form an integral part of these accounts.

Chief
Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1996

	Note	(Rupees in thousand)	
		1996	1995
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	814,558	494,438
Financial charges paid		(47,266)	(61,985)
Gratuity paid		(1,581)	(516)
Taxes paid		(237,559)	(180,606)
		-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES		528,152	251,331
CASH FLOW FROM INVESTING ACTIVITIES			

Fixed capital expenditure	(3,429,688)	(990,121)
Increase in long term investments	(67,728)	(182,265)
Long term loans to employees (net)	(78)	2,273
Long term security deposits (net)	(9,559)	(16)
Sale proceeds of fixed assets	4,059	681
Dividend received	6,123	-
	-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,496,871)	(1,169,448)
CASH FLOW FROM FINANCING ACTIVITIES		
Share premium	-	1,236,914
Share capital	-	272,572
Advance against issue of shares	426,206	-
Long term loans (net)	2,501,825	45,599
Long term deposits	(7,856)	(8,430)
Liabilities against assets subject to finance lease (net)	52,041	(38,194)
Dividend paid	(72)	(109,603)
	-----	-----
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,972,144	1,398,858
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,425	480,741
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	718,519	237,778
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	32 721,944	718,519
	-----	-----
Chief Executive		

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

1. THE COMPANY AND ITS OPERATIONS

D.G. Khan Cement Company Limited is a public company incorporated under the Companies Ordinance, 1984 and is listed on all the stock exchanges in Pakistan. The company is engaged in production and sale of Ordinary Portland Cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by capitalization of exchange differences as referred to in note 2.10.

2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme for all employees, payable on cessation of employments, subject to a minimum qualifying period of service. Provision is made annually to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The company also operates an approved funded contributory provident fund scheme. Equal monthly contributions are made by the employer and the employees to the fund.

2.3 Taxation

Current

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

Deferred

The company accounts for deferred taxation using the liability method on all major timing differences. Provision for deferred tax for the year is not considered necessary as the timing differences are not likely to reverse in the foreseeable future.

2.4 Fixed capital expenditure and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Capital work-in-progress and freehold land are stated at cost. Cost in relation to fixed assets signifies historical cost and exchange differences referred to in note 2.10.

Depreciation on all other operating fixed assets is charged to profit on the reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in (note 13). Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains or losses on disposal of assets are taken to profit and loss account.

2.5 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligation of the lease are accounted for as liabilities. Assets acquired under a finance lease are amortised over the useful life of the assets on reducing balance method at the rates given in note 14. Amortisation of leased assets is charged to profit and loss accounts.

2.6 Long term investments

Investments are carried at cost and provision is made to recognize a decline in value which is other than temporary. Such reduction being determined for each investment individually.

2.7 Deferred costs

These costs are to be amortised over a period of five years.

2.8 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at moving average cost. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.9 Stock-in-trade

Stock of raw materials, work in process and finished goods are valued principally at the lower of average cost and net realisable value. Cost of work in process and finished goods comprises cost of direct materials and labour and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

2.10 Foreign currencies

All assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses on translation of foreign currency long term loans utilized for the acquisition of fixed assets are capitalized. All other exchange differences are charged to profit and loss accounts.

2.11 Mark-up, interest, profit and other charges

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

2.12 Revenue recognition

Revenue from sale is recognized on dispatch of goods to customers. Profit on deposits with banks is recognized on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon. Dividend income on equity investments is recognized as income on actual receipt basis.

(Rupees in thousand)

1996

1995

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

89,157,221 (1995:89,157,221)

ordinary shares of Rupees 10 each

fully paid up in cash

891,572

891,572

19,555,704 (1995: 9,672,711)

ordinary shares of Rupees 10 each issued as

fully paid bonus

195,557

96,727

shares

-----	-----
1,087,129	988,299
=====	=====

4. RESERVES

Movement and composition of reserves are as follows:

Capital

Reserves for issue of bonus shares

At the beginning of the year	98,830	92,850
Transferred from Profit and Loss Account	-	102,707
	-----	-----
	98,830	195,557

Nominal value of bonus shares issued	98,830	96,727
	-----	-----
	-	98,830

Premium on issue of right shares

At the beginning of the year	1,404,314	167,400
Add: Premium on right shares issued during the year	-	1,236,914
	-----	-----
	1,404,314	1,404,314

Revenue

General

At the beginning of the year	618,300	338,300
Add: Transferred from Profit and Loss account	248,000	280,000
	-----	-----
	866,300	618,300

-----	-----
2,270,614	2,121,444
=====	=====

5. Long term loans- secured

These comprises of:

Loan	Lender	Currency	Foreign Currency		Equivalent Pak Rupee	
			1996	1995	1996	1995
1.	Asian Development Bank	PKR	-	-	176,525	226,961

2.	International Finance Corporation					
	- Loan A	US \$	25,000	3,100	882,765	96,035
	- Loan B	US \$	40,000	-	1,412,424	-
3.	Commonwealth Development Corporation	US \$	10,000	-	353,107	-
					-----	-----
					2,824,821	322,996
	Less: Current portion shown under current liabilities				50,436	50,436
					-----	-----
					2,774,385	272,560
					=====	=====

(Contd.)

Loan	Lender	Rate of interest per annum	No. of equal half yearly instalments	Interest payable
1.	Asian De	PKR	14% ²⁵ ending on 01-10-99	Half yearly
2.	International Finance Corporation			
	- Loan A	10.56%	14 Commencing 15-07-98	Half yearly
	- Loan B	2.80%+9	Commencing LIBOR 15-07-98	Half yearly
3.	Commonwealth Development Corporation			
		10.56%	14 Commencing 01-09-98	Half yearly

SECURITY

Loan No. 1

The loan was obtained from the Government of Pakistan through State Cement Corporation of Pakistan (Private) Limited. It was originally payable in foreign currency subsequently converted into Pak Rupees with effect from April 21, 1987 at the exchange rate of U.S. \$1 = Pak Rupees 17.3468. The loan carries interest @ 14 percent per annum inclusive of exchange risk fee. The loan is secured against a bank guarantee in favour of the Government of Pakistan for which the company has created an equitable mortgage on the company's freehold land and a hypothecation charge on plant and machinery consisting of crusher, raw material transportation system, raw mill, kiln, cement mill and packing plant in favour of the bank.

Loan No. 2 and 3

These loans are secured by an equitable mortgage on the company's freehold land and building and other immovable assets of the company accompanied by irrevocable power of attorneys authorising the lenders to create and register English mortgage, and a first hypothecation charge on present and future movable assets including plant and machinery, spare parts, accessories, electrical, motor vehicles and all other equipments.

All charges in respect of long term loans rank pari passu with each other.

(Rupees in thousand)
1996 1995

**6. LIABILITIES AGAINST ASSETS SUBJECT
TO FINANCE
LEASE**

Present value of minimum lease payments	97,377	45,336
Less: Current portion shown under current liabilities	40,996	29,151
	-----	-----
	56,381	16,185
	=====	=====

6.1. The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 18.5% to 20.53% to arrive at their present value. Rentals are paid in monthly instalments and in case of default of any payment, an additional charge @ 2 to 3 percent per month shall be paid. The balance rentals due under the lease agreement aggregate Rs. 82.69 million and are payable in equal monthly instalments plus a lumpsum payment of Rs. 14.7 million (1995: Rs. 5.3 million) for residual value.

Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of lease agreement. The liability is partly secured by deposit of Rs. 14.685 million included in security deposit under note 18. Commitments in respect of lease arrangements executed by the company are as follows:

Years	(Rupees in thousand)
1997	40,996

1998	30,099
1999	26,282

**7. DEFERRED
LIABILITIES**

Provision for employees gratuity	15,003	14,039
Provision for leave encashment	3,022	-
	-----	-----
	18,025	14,039
	=====	=====

8. LONG TERM DEPOSITS

These represent the interest free security deposits from stockists and are repayable on cancellation or withdrawal of the dealership.

9. SHORT TERM RUNNING FINANCE

Short term running finance available from a commercial bank under mark-up arrangement amount to Rs. 200 million (1995: Rs. 100 million). Under these arrangements, goods owned by the company are sold to the bank and are deemed to be immediately repurchased by the company at a price paid by the bank plus a mark-up computed at the rate of Re. 0.452 per Rs. 1,000 per diem or part thereof on the price outstanding. In the event, the company fails to pay the repurchase price on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate of Re. 0.548 per Rs. 1,000 per diem or part thereof on the price unpaid. The aggregate short term finance is secured by first hypothecation charge over inventory of the company.

(Rupees in thousand)
1996 1995

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

These are composed of:

Trade creditors	20,819	9,569
Deposit from customers	62,869	55,141
Accrued liabilities	60,951	30,456
Custom duties payable	167,451	-
Bills payable	23,970	38,440
Amount due to associated undertaking: D.G. Khan Electric Company Ltd.	16,726	-
Workers' profit - Note 10.1	20,775	33,212
Workers' welfare fund	3,327	10,268
Interest accrued on long term loans- secured Retention money	104,998	8,204
	12,005	1,682
Security deposits	4,633	4,335

Sales tax payable	18,538	20,654
Advances against sale of scrap	126	-
Other payables	44,488	22,689
	-----	-----
	561,676	234,650
	=====	=====

10.1. Workers' profit participation fund

At the beginning of the year	33,212	29,063
Provision for the year	16,525	30,615
Interest for the year	2,242	1,859
	-----	-----
	51,979	61,537
Less: payments made during the year	31,204	28,325
	-----	-----
	20,775	33,212
	=====	=====

11. DIVIDEND PAYABLE

Proposed final dividend	-	-
Unclaimed dividend	399	471
	-----	-----
	399	471
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

Contingencies

The Income Tax Officer, while framing the assessments for the accounting years 1983-84 to 1989-90 (Tax Holiday Period) has taxed the income of the company on account of interest on deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the company issued an order in favour of the company for the accounting years 1983-84 to 1988-89. The income tax department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these accounts for the relief granted by the Appellate Tribunal Rs. 35 million.

The company has issued guarantees in favour of Collector of Customs and Excise against levy of sales tax, custom duty and excise duty amounting to Rs. 30.594 million (1995: Rs. 5.197 million).

Commitments in respect of:

i. Contract for capital expenditure Rs. 770 million (1995: Rs. 2,991.870 million).

ii. Letters of credit other than capital expenditure Rs. 54.408 million (1995: Rs. 14.364 million).

13. OPERATING FIXED ASSETS - TANGIBLE

13.1 The following is a statement of the operating fixed assets

Description	C O S T		
	As at June 30, 1995	Addit- ions / (Deletions)	As at June 30, 1996
		(Rupees in thousand)	
Freehold land	29,832	1,646	31,478
Building on Freehold land			
Factory building	170,787	1,506	172293
Office Building & Housing Colony	152,046	8,515	160561
Roads	9,869	112	9981
Plant & Machinery	1,011,678	41,592 (13,663)	1,039,607
Quarry Equipment	27,022	106,800	133822
Furniture, Fixture & Office Equipment	24,534	10,625 (11)	35148
Vehicles	42,990	29,588 (1,822)	70756
Aircraft	-	4,953	4,953
Power & Water Supply Lines	26,804	-	26,804
-----	-----	-----	-----
1996	1,495,562	205,337 (15,496)	1,685,403
-----	-----	-----	-----
1995	1,451,499	45,286	1,495,562

(1,223)

Description	Accumulated depreciation As at June 30, 1996	Book value as at June 30, 1996	Deprec- iation charge for the year	Annual rate of deprec- iation %
Freehold land	-	31,478	-	-
Building on Freehold land				
Factory building	110,642	61,651	6,850	10
Office Building & Housing Colony	42,296	118,265	6,224	5
Roads	4,083	5,898	655	10
Plant & Machinery	637,379	402,228	44,692	10
Quarry Equipment	46,011	87,811	21,953	20
Furniture, Fixture & Office Equipment	12,568	22,580	2,509	10
Vehicles	26,327	44,429	11,107	20
Aircraft	1,486	3,467	1,486	30
Power & Water Supply Lines	17,682	9,122	1,014	10
-----	-----	-----	-----	-----
1996	898,474	786,929	96,490	
-----	-----	-----	-----	-----
1995	802,571	692,991	71,090	
=====	=====	=====	=====	=====

	Note	(Rupees in thousand)	
		1996	1995
13.2 Depreciation charge for the year has been allocated as follows:			
Cost of Goods Sold	24	89,140	63,873
Administration and general expenses	25	7,091	6,903
Selling and distribution expenses	17	259	314
		-----	-----
		96,490	71,090
		=====	=====

13.3 DISPOSAL OF OPERATING FIXED ASSETS

Detail of operating fixed assets disposed off during the year is as follows:

(Rupees in thousand)

Particulars of assets	Cost	Accumu- lated depr- eciation	Book value	Sale proceeds
Suzuki Khyber 1000 CC LOR 9981	282	102	180	180
Toyota Corolla LOS 2403	328	118	210	210
Toyota Corolla LOW 1445	549	110	439	439
Toyota Corolla DGE 8997	630	227	403	403
Motor Cycle DGD 6474	33	22	11	21
Air Conditioner	11	8	3	5
Asyn Squirrel Cage Motors	13,663	-	13,663	13,500

(Contd.)

Particulars of assets	Sold to	Mode of disposal
Suzuki Khyber 1000 CC LOR 9981	Lt. Col (Rtd.) Imtiaz Alam	Negotiation

	Ex-employee	
Toyota Corolla LOS 2403	Mr. Ahmad Sohail Ex-employee	-do-
Toyota Corolla LOW 1445	D.G. Khan Electric Co. Ltd.	-do-
Toyota Corolla DGE 8997	Mr. Asam Aziz Ex-employee	-do-
Motor Cycle DGD 6474	Claim received Messrs Adam- Jee Insurance Company Ltd.	Insurance Claim
Air Conditioner	Mr. Pervaiz - Employee	Negotiation
Asyn Squirrel Cage Motors	Leased (Asian Leasing Corp. Ltd.)	Lease

14. ASSETS SUBJECT TO FINANCE LEASE

(Rupees in
thousand)

C O S T

Description	As at June 30, 1995	Additions/ (deletions)	As at June 30, 1996
Quarry equipment	28,319	(14,904)	13,415
Plant and machinery	64,027	13,500	77,527
	-----	-----	-----
1996	92,346	13,500	90,942
	(14,904)		
	-----	-----	-----
1995	92,346	-	92,346
	=====	=====	=====

Description	Accumulated amortisation As at June 30, 1996	Book value as at June 30, 1996	Amortisation Charge for the year	Rate %
Quarry equipment	6,547	6,868	1,717	20

Plant and machinery	18,701	58,826	6,536	10
	-----	-----	-----	-----
1996	25,248	65,694	8,253	
	-----	-----	-----	-----
1995	22,863	69,483	10,167	
	=====	=====	=====	=====

Amortisation charge for the year has been allocated to cost of goods sold.

(Rupees in thousand)

1996 1995

15. CAPITAL WORK IN PROGRESS

This consist
of:

Civil works

6,385 6,274

Expansion project:

Civil works

505,694 127,461

Plant and machinery

3,076,706 123,225

Assets subject to finance lease

80,000 -

Consultants
fee

9,348 10,992

Advances

- Note 15.1

226,823 620,147

Unallocated
expenditure

- Note 15.2

284,937 68,793

4,183,508 950,618

4,189,893 956,892

15.1 ADVANCES

Civil works

53,925 82,136

Plant and machinery

172,898 538,011

226,823 620,147

15.2 UNALLOCATED EXPENDITURE

Technical and other staff salaries

19,903 6,698

Financial charges

- Note 15.3

204,075 60,448

Net exchange loss

49,067 -

Others

11,892 1,647

-----	-----
284,937	68,793
=====	=====

15.3 FINANCIAL CHARGES

Interest on long term loans- secured
Commitment and other charges

130,978	259
73,097	60,189
-----	-----
204,075	60,448
=====	=====

(Rupees in thousand)

1996 1995

16. LONG TERM INVESTMENTS

At cost - Note 16.1

Less: Provision for diminution in value of investments

1,098,827	1,031,099
76,000	-
-----	-----
1,022,827	1,031,099
=====	=====

16.1 QUOTED COMPANIES

In associated undertakings

Raza Textile Mills Limited

Nil (1995: 3,771,372) fully paid ordinary shares of Rs. 10 each

Equity held Nil (1995: 37.57%) Merged with Umer Fabrics Ltd.

Shares converted @ 0.984 shares against each
share held by the
company

- 71,713

Umer Fabrics Limited

6,476,780 (1995: 2,765,750) fully paid ordinary shares of Rs. 10 each

Equity held 26.98% (1995: 19.58%)

118,033 46,320

Nishat (Chunian) Limited

2,790,600 (1995: 2,790,600) fully paid ordinary shares of Rs. 10 each

Equity held 19.38% (1995: 19.38%)

40,347 40,347

Nishat Tek Limited

4,081,469 (1995: 4,081,469) fully paid

ordinary shares of Rs. 10 each

Equity held 19.75% (1995: 19.75%)

113,807 113,807

Nishat Fabrics Limited

3,074,350 (1995: 3,074,350 fully paid
ordinary shares of Rs. 10 each
(Equity held 14.64% 1995: 14.64%)

34,701 34,701

Nishat Mills Limited

5,797,105 (1995:5,040,961 fully paid
ordinary shares of Rs. 10 each

251,696 236,449

D.G. Khan Electric Company Limited.

3,805,625 (1995: Nil) fully paid
ordinary shares of Rs. 10 each
(Equity held 19.03%) (1995: Nil)

49,990 -

(Rupees in thousand)

1996 1995

OTHERS**Muslim Commercial Bank Ltd.**

17,856,329 (1995: 14,880,208) fully paid
ordinary shares of Rs. 10 each

467,648 467,648

Fidelity Investment Bank Limited

1,909,867 (1995: 1,660,754) fully paid
ordinary shares of Rs. 10 each

21,457 18,966

Maple Leaf Cement Factory Limited

4,762 (1995: 4,233 fully paid
ordinary shares of Rs.10 each

168 168

**First Capital Mutual
Fund**

98,000 fully paid ordinary shares of Rs. 10 each
(1995:98,000 shares unquoted)

980 980

1,098,827 1,031,099
=====

16.2. Market value of quoted investments is Rs. 915.737 million (1995: Rs. 990.325 million) as at June 30, 1996.

16.3. Investments having face value of Rs. 175.732 million (1995: Rs. 113.557 million) are pledged as security against
letter of credit for machinery.

17. LONG TERM LOANS TO EMPLOYEES

Considered
good

House building		8,836	91,121
Vehicles / air conditioners		1,535	10,261
		-----	-----
		10,371	10,138
Less: Current portion of long term loans to employees	- Note 21	2,115	1,960
		-----	-----
		8,256	8,178
		=====	=====

17.1 These represent the secured loans given to employees as per company's service rules and are recoverable in equal monthly instalments. The loans given to officers carry interest from 4 to 7 percent per annum while loans to staff and workers are interest free. Loans of Rs. 5.882 million (1995: Rs. 5.308 million) are outstanding for periods exceeding three years. The maximum amount outstanding at the end of any month is Rs. 10.565 million..

(Rupees in thousand)
1996 1995

18. LONG TERM DEPOSITS AND DEFERRED COST

Security deposits		16,594	7,035
Deferred cost	- Note 18.1	2,441	4,608
		-----	-----
		19,035	11,643
		=====	=====

18.1 This represents the unamortised balance of public floatation expenses and is amortised over a period of five years in equal instalments.

19. STORES, SPARES AND LOOSE TOOLS

Stores		111,415	56,591
Spares		146,022	140,333
Loose tools		5,227	4,397
		-----	-----
		262,664	201,321
		=====	=====

20. STOCK-IN-TRADE

Raw materials		3,353	5,208
Packing material		13,329	4,941
Work-in-process		7,357	12,068
Finished goods		16,831	2,989

-----	-----
40,870	25,206
=====	=====

(Rupees in thousand)

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

**21. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Current portion of long term loans to employees	- Note 17	2,115	1,960
Advances- considered good:			
To employees		2,846	1,598
To suppliers		8,800	3,280
To contractors		2,898	3,298
Interest receivable		5,650	10,067
Due from associated undertakings			
Nishat Mills Limited		110,532	59,195
D.G. Khan Electric Company Limited		2,040	989
		-----	-----
		112,572	60,184
Prepayments		3,421	-
Letters of credit		7,861	80,944
Claims recoverable from government			
Income tax		35,090	29,744
Sales tax		18,910	659
Excise duty		15,705	11,214
Octroi		30,434	670
		-----	-----
Other receivables		100,139	42,287
		25,830	91,940
		-----	-----
		272,132	295,558
		=====	=====

Maximum aggregate amount due from associated undertakings at the end of any month during the year was
Rs. 152 million (1995: Rs. 134.831 million)

Mark-up is charged/paid on advances to/from associated undertakings at the rate of paisas 50 per Rs. 1,000 per day.

(Rupees in thousand)

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

22. CASH AND BANK BALANCES

Balances with banks

- On foreign currency accounts

US \$ 7.1 million (1995: US \$ 3.1 million)

DKK 23.72 million (1995: Nil)

- On deposit accounts

- On current accounts

- On saving accounts

249,292 186,035

140,055 -

276,035 247,705

9,128 123,863

47,206 160,896

721,716 718,499-----
228 20-----
721,944 718,519
=====

Cash in hand

22,1 The foreign currency accounts held under special permission from State Bank of Pakistan are available for import of plant and machinery and other project cost.

23. SALES

Gross sales

2,441,818 2,370,453

Excise duty

561,213 544,295

Sales tax

330,921 326,577

Rebate to stockists

2,594 636

894,728 871,508-----
1,547,090 1,498,945
=====**24, COST OF GOODS SOLD**

Raw and packing materials consumed

- Note 24.1

186,739 108,068

Salaries, wages and other benefits

66,450 59,376

Electricity

245,605 199,241

Furnace oil

230,581 178,727

Stores and spares consumed

90,216 88,862

Repair and maintenance

11,511 9,875

Insurance

18,574 3,129

Depreciation

- Note 13.2

89,140 63,873

Amortisation

8,253 10,167

Other expenses

17,722 16 206

964,791 737,524

Opening work-in-process	12,068	6,457
Closing work-in-process	(7,357)	(12,068)
	-----	-----
	4,711	(5,611)
	-----	-----
Cost of goods manufactured	969,502	731,913
Opening stock of finished goods	2,989	12,767
Closing stock of finished goods	(16,831)	(2,989)
	-----	-----
	955,660	741,691
	=====	=====

(Rupees in thousand)

1996 1995

24.1 RAW AND PACKING MATERIALS CONSUMED

Opening stock	10,149	19,255
Purchases	193,272	98,962
	-----	-----
	203,421	118,217
Less: closing stock	16,682	10,149
	-----	-----
	186,739	108,068
	=====	=====

25. ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and other benefits	13,991	11,436
Travelling and daily allowances	1,259	2,681
Vehicle running	3,443	1,046
Auditor's remuneration	593	121
Printing and stationery	1,289	1,763
Entertainment	238	226
Dera Cement Model School Trust	3,228	1,168
Depreciation	7,091	6,903
Donations	56	3,483
Fee and subscription	2,503	1,785
Miscellaneous	7,103	5,322
	-----	-----
	40,794	35,934
	=====	=====

25.1 AUDITOR'S REMUNERATION

Riaz Ahmed & Co.		
Statutory audit	250	100
Out of pocket expenses	35	21
	-----	-----
	285	121
A F Ferguson & Co.		
Statutory audit	250	-
Out of pocket expenses	58	-
	-----	-----
	308	-
	-----	-----
	593	121
	=====	=====

26. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	6,316	5,609
Transportation charges	182,738	147,342
Travelling and daily allowances	235	139
Vehicle running and maintenance	137	48
Repair and maintenance	189	23
Postage, telephone and telegrams	615	987
Printing and stationery	635	457
Entertainment	346	172
Electricity	47	66
Advertisement and sales promotion	10,328	10,684
Depreciation	259	314
Miscellaneous	218	251
	-----	-----
	202,063	166,092
	=====	=====

- Note 13.2

(Rupees in thousand)

1996 1995

27. OTHER INCOME

Profit/mark-up on bank deposits and advances	70,438	68,089
Mark-up on advances to associated undertaking	21,184	21,175
Gain on sale of investments	3,263	33,056
Interest on loans to employees	227	337
Dividend income from Nishat Tek Limited	6,123	-
Gain on disposal of operating /leased assets	2,415	410

Sale of scrap	1,696	6,892
Miscellaneous income	144	
	-----	-----
	105,490	129,959
	=====	=====

28. FINANCIAL CHARGES

Interest on long term loans- secured	28,244	35,305
Interest on short term loans	-	17,342
Financial charges under lease obligations	12,657	10,241
Bank charges and commission	4,339	7,833
Interest on workers' profit participation fund	2,242	1,859
	-----	-----
	47,482	72,580
	=====	=====

29. OTHER CHARGES

Amortisation of deferred cost	2,167	2,167
Workers' profit participation fund	16,525	30,615
Workers' welfare fund	3,327	10,268
Provision for diminution in the value of investments	76,000	-
Loss on disposal of operating fixed assets	151	-
	-----	-----
	98,170	43,050
	=====	=====

30. PROVISION FOR TAXATION

The provision for taxation represents the estimated liability for the current year.

In view of company's future expansion plan, the management feels that timing differences will not reverse for some considerable foreseeable period. Consequently, the provision for deferred tax to the extent of Rs. 122 million (1995: Rs. 72 million) has not been made in these accounts.

(Rupees in thousand)

	1996	1995
31. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	308,411	569,557
Add / (Less) adjustment for non cash charges and other items		
Depreciation	96,490	71,090
Amortisation	10,420	12,334
Gain on disposal of fixed and leased assets (net)	(2,264)	(410)
Gain on sale of investments	-	(33,056)
Dividend income	(6,123)	-

Provision for leave encashment	3,022	-
Provision for gratuity	2,545	4,712
Provision for diminution in value of investments	76,000	-
Financial charges	45,240	70,722
	-----	-----
Profit before working capital changes	533,741	694,949
Effect on cash flow due to working capital changes (Increase) / decrease in current assets		
Stores, spares and loose tools	(61,343)	(23,138)
Stock in trade	(15,664)	13,273
Advances, deposits, prepayments and other receivables	28,772	(98,335)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	329,052	(92,311)
	-----	-----
	280,817	(200,511)
	-----	-----
Cash generated from operations	814,558	494,438
	=====	=====
		=

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

Cash and bank balances	- Note 22	721,944	718,519
		=====	=====
			=

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to the directors and executives of the company are as follows:

	Executives (Rupees in thousand)		Directors (Rupees in thousand)	
	1996	1995	1996	1995
Number of persons	45	27	2	4
Managerial remuneration	14,479	7,064	1,130	1,505
Gratuity / contribution to provident fund	1,247	574	163	157
Utilities	252	310	78	108
	-----	-----	-----	-----
	15,978	7,948	1,371	1,770
	=====	=====	=====	=====
				=

Two directors and three executives of the company are also provided free maintained vehicles.

**34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS
DURING THE YEAR**

The company has sold cement to its associated undertakings at market price in the aggregate sum of Rs. 6.832 million (1995: Rs. 17.677 million) during the year under reference.

The company has made purchases from its associated undertakings at market price in the aggregate sum of Rs. 46.517 million (1995: Nil) during the year under reference.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity		Actual production	
	1996	1995	1996	1995
Clinker (M. Tons)	660,000	660,000	730,450	669,086

**36. COMPARATIVE
FIGURES**

Previous year's figures have been re-arranged, wherever necessary, for the purposes of comparison.

PATTERN OF SHARE HOLDING AS AT JUNE 30, 1996

NUMBER OF SHARE HOLDERS	SHARE HOLDING		SHARES HELD
	FROM	TO	
174	1	100 Shares	10498
406	101	500 Shares	108232
698	501	1000 Shares	503436
907	1001	5000 Shares	1883986
124	5001	10000 Shares	824721
29	10001	15000 Shares	345684
19	15001	20000 Shares	331611
5	20001	25000 Shares	113651
10	25001	30000 Shares	275219
3	30001	35000 Shares	99000
3	35001	40000 Shares	114202
4	40001	45000 Shares	168040
4	45001	50000 Shares	195017
7	50001	55000 Shares	368560
4	55001	60000 Shares	226340
1	60001	65000 Shares	63250
1	65001	70000 Shares	65653

2	70001	75000 Shares	146850
3	85001	90000 Shares	260315
2	90001	95000 Shares	186670
1	100001	105000 Shares	100650
1	105001	110000 Shares	110000
2	115001	120000 Shares	238315
2	125001	130000 Shares	254144
2	135001	140000 Shares	278190
2	155001	160000 Shares	316327
1	165001	170000 Shares	168096
4	175001	180000 Shares	711237
1	210001	215000 Shares	210870
1	215001	220000 Shares	217932
2	220001	225000 Shares	444631
1	250001	255000 Shares	253000
1	260001	265000 Shares	264000
1	280001	285000 Shares	282370
2	295001	300000 Shares	596392
1	340001	345000 Shares	341000

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	SHARES HELD
1	365001	370000 Shares	368500
1	370001	375000 Shares	372317
1	380001	385000 Shares	385000
1	400001	405000 Shares	404470
1	410001	415000 Shares	412232
1	460001	465000 Shares	460350
1	500001	505000 Shares	500610
1	585001	590000 Shares	586102
1	600001	605000 Shares	600160
1	610001	615000 Shares	610307
2	655001	660000 Shares	1320000
1	670001	675000 Shares	673414
1	730001	735000 Shares	730477
1	740001	745000 Shares	741675
1	765001	770000 Shares	768845
1	780001	785000 Shares	782980
1	835001	840000 Shares	835285
1	900001	905000 Shares	904640
1	905001	910000 Shares	905850
1	1000001	1005000 Shares	1003640
1	1005001	1010000 Shares	1005103

1	1275001	1280000 Shares	1277199
1	1385001	1390000 Shares	1385560
1	1585001	1590000 Shares	1585430
1	1640001	1645000 Shares	1642704
1	1950001	1955000 Shares	1951510
1	2420001	2425000 Shares	2421787
1	3265001	3270000 Shares	3269701
1	4110001	4115000 Shares	4111981
1	5020001	5025000 Shares	5022050
1	7890001	7895000 Shares	7890063
1	9210001	9215000 Shares	9212111
1	4349000		
1	1	43495000 Shares	43492783

-	-	-	-
2465		TOTAL	108712925
=====			
=	=	=	=

**CLASSIFICATION OF SHARES BY CATEGORIES
AS AT JUNE 30, 1996**

CATEGORIES OF MEMBERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	2273	4465147	4.11
Investment Companies	14	2333312	2.15
Insurance Companies	5	1677362	1.54
Joint Stock Companies	25	49892532	45.89
Financial Institutions	21	9896606	9.10
Modaraba Companies	16	310534	0.29
Foreign Investors	69	40058989	36.85
Others	42	78443	0.07

TOTAL	2465	108712925	100.00