

Maple Leaf Cement

Factory Limited

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COMPANY INFORMATION

Board of Directors

Mr. Tariq Sayeed Saigol
Chairman/Chief Executive

Mr. Taufique Sayeed Saigol
Mr. Usman Said
Mr. Aamir Fayyaz Sheikh
Mr. Sarmad Amin
Mr. Mansur Aly Malik
Mr. Henrik Starup
(Representing FLS & IFU)

Mr. Mahmood Ahmad
(Rep. Crescent Investment Bank Ltd.)

Company Secretary

Mr. Mohammed Sharif

Bankers of the Company

Allied Bank of Pakistan Limited
American Express Bank Limited
The Bank of Punjab
Habib Bank Limited
Muslim Commercial Bank Limited
Soneri Bank Limited
United Bank Limited

Auditors

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Legal Advisors

1. Cornelius Lane and Mufti
Advocates & Solicitors,

Lahore.

2. Mr. Nomaan Akram Raja
Barrister-At-Law

Raja Mohammad Akram & Co.
Advocates and Legal Consultants,
Lahore.

Registered Office

42-Lawrence Road, Lahore.
Phone: 6278904-5
Fax: (042) 6363184
E-mail: cement@maple.lcci.org.pk

Factory

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

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the members of Maple Leaf Cement Factory Limited will be held at its registered office, 42-Lawrence Road, Lahore on Saturday, 29th January, 2000 at 10.30 A.M. to transact the following business:

- 1) To confirm the minutes of the last Annual General Meeting.
- 2) To receive and adopt Audited Accounts of the company for the year ended June 30, 1999 together with Auditors' and Directors' Reports thereon.
- 3) To appoint Auditors and fix their remuneration.

The present auditors, M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 1999-2000.

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

Share Transfer Books

Share Transfer Books of the company will remain closed from 25th January, 2000 to 31st January, 2000 (both days inclusive). Transfers received in order at company's Shares Department, 42-Lawrence Road, Lahore upto the close of business on 24th January, 2000 will be treated in time.

Lahore: January 04, 2000.

By order of the
Board
Mohammad Sharif
Company Secretary

Notes:

1. 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.
2. Shareholders are requested to immediately notify the change in address, if any.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their annual report together with audited accounts of the company for the year ended June 30, 1999.

Performance

The net sales revenue for the year under report amounted to Rs. 2,133.391 million /1998: Rs. 925.646 million) and pro-tax loss Rs. 578.976 million after charging depreciation Rs. 732.0 million and financial charges Rs. 5@2.7 million (1998: Rs. 368.517 million after depreciation Rs. 279.7 million and financial charges Rs. 133 million).

The loss for the year is attributable to depressed selling price in first quarter of the year, which touched the lowest level in last five years. Low capacity utilization, high financial & depreciation charge and continued levy of unbearable government taxes are mainly responsible for the loss.

The Company commenced work on its expansion project in 1994-95 when the historical annual growth in cement demand was 7% with per capita consumption of only 71 kg being the lowest in the developing countries. It was, therefore, expected that the growth rate of cement consumption would accelerate due to the urbanization and revival of the economy. The expansion project started commercial production in April, 98 when national capacity of cement had doubled while the demand remained depressed. Demand for cement failed to grow at the pace of increased supply due to low down in the economy, decline in construction activity and cutting down of government development expenditure. The prices remained low in over supply market despite rise in costs. The global recession also aggravated the problem. The low selling price, under capacity operations and rising costs resulted in huge losses and liquidity crunch rendering the company, unable to make debt servicing on schedule.

Rescheduling of Long Term Debts

The company took up with International Finance Corporation (IFC), USA and other long term lenders for rescheduling of long term loans and has negotiated a frame work: for restructuring including rescheduling of the term of loan with IFC. The Bank of Punjab has finalised the rescheduling of its long term loan. The respective Board of Directors' approvals are expected shortly. Muslim Commercial Bank Ltd has already rescheduled its long term loan.

Production & Sales

The production and sales for the year under review compare favourably with last year and are given as under:

| | | Grey | | White | |
|------------------------|-------------|--------------------|----------------|---------------------|---------------|
| | | Clinker | Cement | Clinker | Cement |
| PRODUCTION (M. Tonnes) | | | | | |
| | 1999 | 849,777 | 893,975 | 34,470 | 35,883 |
| | 1998 | 538,528 | 551,473 | 31,905 | 32,700 |
| | | Grey Cement | | White Cement | |
| SALES (M. Tonnes) | | | | | |
| | 1999 | 900,243 | | 36,752 | |
| | 1998 | 545,319 | | 32,758 | |

The overall capacity utilization during the year was only 58% owing to the reasons enumerated earlier.

Financial Results

The financial results are as under

(Rs. in thousand)

| | |
|----------------------------------|-----------|
| Net Revenue | 2,133,391 |
| Expenditure | 2,748,604 |
| Other income | 36,237 |
| Loss before taxation | (578,976) |
| Provision for taxation | 11,157 |
| Loss after taxation carried over | (590,133) |

There being net loss for the year and negative Earning Per Share (EPS), no dividend is recommended.

ISO 9002 Certification

To have global recognition and standardization of the product, the management has successfully completed ISO 9002 certification from M/s Lloyd Register Quality Assurance U.K., a world renowned company. This is a milestone achievement and the certification stands for consistent quality of our product and provides basis for export opportunity in future.

Future Prospects

Cement Industry is continuously under pressure due to inconsistent economic and financial policies of the Government. The cement units started in 1994-95 have been adversely affected by changing policies of tax structure. At the time of opening of Letters of Credit in 1994, plant and machinery were exempt from payment of whole of custom duty and sales tax vide SRO 484(1)/92 dated 14th May, 1992. On its expiry, SRO No. 978(1)/95 dated 4th October, 1995 was issued requiring payment of one fourth of custom duty and sales tax on plant & machinery provided letter of credit was established before 30th June, 1995. In addition, regulatory duty equivalent to 10% was also imposed. The company has approached the honourable Lahore High Court for relief and the matter is pending adjudication. Payment has been started since April, 99 in installments owing to the department's recovery drive after vacation of the stay order granted by the Lahore High Court as a consequence of the decision of the Supreme Court limiting injunctions in financial matters to a period of six months.

As a part of its plan for efficient operations, the management has paid off 135 workers and 29 supervisors under the golden handshake scheme which were declared surplus. With the improvement in the market conditions the cement sale has witnessed increase subsequently. The capacity utilization has increased from 58% in 1999 to around 65% in the first quarter of current year 1999-2000. With the arrangement for rescheduling of long term debt and satisfactory level of operations, the company we hope will be out of crisis soon.

Presently, the taxation on cement industry is the highest in the world. Sales tax paid on furnace oil, power and other inputs cannot be adjusted against output tax as cement is exempt from sales tax. It is suggested that sales tax paid on inputs should be adjusted against the excise duty by introducing Modified Excise Duty System,

as was done in India. We are of the view that cement prices are too high due to excessive taxation and propose that on agreed basis, excise duty on cement should be reduced with simultaneous reduction in the ex-factory selling price of cement. This will increase off-take and will also be a revenue neutral action as increased consumption will lead to recovering targeted duties at a lower per ton rate.

Millennium Compliance

The Directors are pleased to report that all necessary measures have been taken regarding the Millennium Bug. All systems have been up graded and are Y2K compliant.

Auditors

M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants the present auditors retire and being eligible offer themselves for reappointment for next year.

Pattern of Shareholding

The Shareholding Pattern of the company as on June 30,1999 is included in the Annual Report.

Labour Management Relationship

The labour management relations remained cordial throughout the year and Board wishes to place on record its appreciation for the dedicated efforts and services rendered by the officers and workers with the expectation that the same zeal would be coming forth in the years to come.

For and on behalf of the board
(Tariq Sayeed Saigol)

Lahore : December 27,1999

Chief Executive/Chairman

FIVE YEARS SUMMARY

| | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 |
|------------------------------|-----------|---------|-----------|-----------|-----------|
| Quantitative Data (M.Tonnes) | | | | | |
| Grey Cement: | | | | | |
| Production | 893,975 | | 551,473 | 471,070 | 488,961 |
| Sales | 900,243 | | 545,318 | 474,415 | 481,881 |
| White Cement: | | | | | |
| Production | 35,883 | | 32,700 | 33,412 | 34,720 |
| Sales | 36,752 | | 32,758 | 33,405 | 34,450 |
| Sales (Rs.000) | | | | | |
| Gross sales | 3,675,155 | | 1,630,218 | 1,911,471 | 1,675,074 |
| Less: Excise duty | 1,455,355 | | 676,269 | 604,718 | 397,782 |
| Sales tax | -- | -- | | 277,944 | 235,457 |
| Rebate | 86,409 | | 28,303 | 15,090 | 11,001 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | | |
|---|---|-------------|-------------|-------------|-------------|-----------|
| Net sales | - | 2,133,391 | 925,646 | 1,013,719 | 1,030,834 | 1,095,932 |
| Profitability (Rs.000) | | | | | | |
| Gross Profit/(Loss) | | 39,778 | (67,312) | 52,081 | 201,972 | 352,405 |
| Profit/(Loss) before tax | | (578,976) | (368,517) | 40,041 | 238,554 | 342,817 |
| Provision for income tax | | 11,157 | 4,770 | 12,200 | 98,000 | 126,000 |
| Profit/(Loss) after tax | - | (590,133) | (373,287) | 27,841 | 140,554 | 216,817 |
| Financial Position (Rs.000) | | | | | | |
| Tangible fixed assets-net | | 6,099,791 | 6,349,668 | 5,966,034 | 3,780,420 | 1,481,822 |
| Investment & other assets | | 20,066 | 21,248 | 364,466 | 380,163 | 376,870 |
| Current assets | | 6,119,857 | 6,370,916 | 6,330,500 | 4,160,583 | 1,858,692 |
| Current liabilities | | 798,888 | 852,693 | 844,219 | 1,880,883 | 2,102,296 |
| Net working capital | | (1,702,401) | (1,216,183) | (554,900) | (380,854) | (324,102) |
| Capital employed | | (903,513) | (363,490) | 289,319 | 1,500,029 | 1,778,194 |
| Less Long term loan & other liab. | | 5,216,344 | 6,007,426 | 6,619,819 | 5,660,612 | 3,636,886 |
| | | (2,676,399) | (2,877,348) | (3,116,454) | (2,557,172) | (673,999) |
| Share holders Equity | - | 2,539,945 | 3,130,078 | 3,503,365 | 3,103,440 | 2,962,887 |
| Represented By: | | | | | | |
| Share capital | | 1,302,293 | 1,302,293 | 1,302,293 | 930,209 | 826,853 |
| Reserves & un-app. profit | | 1,237,652 | 1,827,785 | 2,201,072 | 2,173,231 | 2,136,034 |
| | - | 2,539,945 | 3,130,078 | 3,503,365 | 3,103,440 | 2,962,887 |
| Ratios: | | | | | | |
| Gross Profit/(Loss) to sales (%age) | | 1.86 | (7.27) | 5.14 | 19.59 | 32.16 |
| Net Profit/(Loss) to sales (%age) | | (57.66) | (40.33) | 2.75 | 13.63 | 19.78 |
| Debt equity ratio | | 49:51 | 47:53 | 45:55 | 44:56 | 15:85 |
| Current ratio | | 0.47 | 0.69 | 1.52 | 4.94 | 6.49 |
| Break up value per share of Rs. 10 each | | 19.50 | 24.04 | 26.90 | 33.36 | 35.83 |

**PATTERN OF SHAREHOLDING
AS ON JUNE 30, 1999**

| Size of No. of Shareholders | of Holding | | No. of Shares Held |
|--------------------------------------|---------------|----|-----------------------|
| | From | To | |

| | | | |
|------|--------|--------|-----------|
| 781 | 1 | 100 | 35,290 |
| 2309 | 101 | 500 | 705,073 |
| 2082 | 501 | 1000 | 1,594,821 |
| 4263 | 1001 | 5000 | 8,426,691 |
| 589 | 5001 | 10000 | 4,046,180 |
| 156 | 10001 | 15000 | 1,875,236 |
| 86 | 15001 | 20000 | 1,512,315 |
| 36 | 20001 | 25000 | 813,206 |
| 30 | 25001 | 30000 | 835,635 |
| 22 | 30001 | 35000 | 716,835 |
| 25 | 35001 | 40000 | 945,707 |
| 5 | 40001 | 45000 | 210,774 |
| 6 | 45001 | 50000 | 288,649 |
| 10 | 50001 | 55000 | 528,447 |
| 17 | 55001 | 60000 | 976,774 |
| 7 | 60001 | 65000 | 437,136 |
| 7 | 65001 | 70000 | 475,045 |
| 9 | 70001 | 75000 | 658,569 |
| 6 | 75001 | 80000 | 467,217 |
| 4 | 80001 | 85000 | 329,645 |
| 4 | 85001 | 90000 | 348,672 |
| 1 | 90001 | 95000 | 93,500 |
| 5 | 95001 | 100000 | 493,750 |
| 1 | 100001 | 105000 | 104,500 |
| 2 | 110001 | 115000 | 225,331 |
| | 115001 | 120000 | 115,500 |
| 2 | 120001 | 125000 | 248,108 |
| 1 | 130001 | 135000 | 130,697 |
| 5 | 135001 | 140000 | 690,359 |
| 1 | 140001 | 145000 | 142,712 |
| 2 | 150001 | 155000 | 304,562 |
| 1 | 155001 | 160000 | 156,600 |
| 1 | 180001 | 185000 | 181,850 |
| 1 | 190001 | 195000 | 190,500 |
| 2 | 195001 | 200000 | 400,000 |
| | 200001 | 205000 | 201,012 |
| 2 | 215001 | 220000 | 438,800 |
| 3 | 245001 | 250000 | 744,332 |
| 1 | 260001 | 265000 | 261,500 |
| 1 | 265001 | 270000 | 270,000 |
| 2 | 285001 | 290000 | 574,500 |
| 1 | 295001 | 300000 | 297,500 |
| 1 | 345001 | 350000 | 345,500 |
| 1 | 360001 | 365000 | 364,500 |
| 1 | 395001 | 400000 | 395,225 |
| | 435001 | 440000 | 435,645 |
| 1 | 445001 | 450000 | 447,778 |

| | | | | |
|--------------|-------|----------|----------|-------------|
| | 1 | 600001 | 605000 | 604,700 |
| | 1 | 610001 | 615000 | 610,860 |
| | 1 | 675001 | 680000 | 677,462 |
| | 1 | 805001 | 810000 | 808,348 |
| | 1 | 870001 | 875000 | 871,170 |
| | 1 | 885001 | 890000 | 885,168 |
| | 1 | 985001 | 990000 | 989,500 |
| | 1 | 995001 | 1000000 | 1,000,000 |
| | 1 | 1200001 | 1205000 | 1,202,000 |
| | 1 | 2310001 | 2315000 | 2,313,800 |
| | 1 | 2560001 | 2565000 | 2,562,137 |
| | 1 | 4700001 | 4705000 | 4,702,625 |
| | 1 | 5995001 | 6000000 | 6,000,000 |
| | 1 | 6845001 | 6850000 | 6,848,010 |
| | 2 | 6935001 | 6940000 | 13,873,091 |
| | 1 | 7235001 | 7240000 | 7,239,724 |
| | 1 | 11180001 | 11185000 | 11,180,374 |
| | 1 | 13955001 | 13960000 | 13,959,036 |
| | 1 | 19415001 | 19420000 | 19,419,141 |
| | ----- | | | |
| Grand Total: | | 10,516 | | 130,229,324 |
| | ===== | | | ===== |

| Categories of Shareholders | No. of Shareholders | Shares Held | Percentage Of Capital |
|----------------------------|---------------------|-------------|-----------------------|
| Individuals | 10,351 | 32,802,090 | 25.19 |
| Investment Companies | 39 | 10,743,334 | 8.25 |
| Insurance Companies | 6 | 992,112 | 0.76 |
| Joint Stock Companies | 61 | 33,351,288 | 25.610 |
| Financial Institutions | 6 | 6,072,253 | 4.66 |
| Foreign Companies | 32 | 45,701,126 | 35.09 |
| Modaraba Companies | 16 | 486,621 | 374 |
| Others | 5 | 80,500 | 62 |
| | ----- | ----- | ----- |
| Grand Total: | 10,516 | 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, 1999 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, 1999 and of the loss 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.

Without qualifying our opinion, we draw attention to note 1.1 to the accounts, which states that these accounts have been prepared on a going concern basis for the reasons as explained in the note. Consequently, these accounts do not include any adjustments that might result from the outcome of the matters narrated in the note.

Lahore: December 27, 1999

Ford, Rhodes, Robson,
Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

| Note | 1999 | 1998 |
|--|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Share Capital and Reserves | | |
| Authorised capital | | |
| 200,000,000 (1998:200,000,000) ordinary shares of Rs. 10/- each | 2,000,000 | 2,000,000 |
| Issued, subscribed and paid up capital | | |
| 130, 229,324 (1998: 130, 229,324) ordinary | | |

| | | | |
|--|----|-----------|------------|
| shares of Rs. 10 each. | 3 | 1,302,293 | 1,302,293 |
| Reserves | 4 | 2,198,500 | 2,198,500 |
| Accumulated loss | | (960,848) | (370, 715) |
| | | 2,539,945 | 3,130,078 |
| Long Term Loans | 5 | 2,464,353 | 2,800,507 |
| Liabilities Against Assets Subject to Finance Lease | 6 | 134 | 840 |
| Deferred Liabilities | 7 | 201,021 | 63,911 |
| Long Term Deposits | 8 | 10,891 | 12,090 |
| Current Liabilities | | | |
| Current portion of long term liabilities | 9 | 816,394 | 376,001 |
| Short term running finance | 10 | 126,189 | 171,721 |
| Creditors, accrued and other liabilities | 11 | 713,575 | 621,270 |
| Provision for taxation | | 46,243 | 47,191 |
| | | 1,702,401 | 1,216,183 |
| Contingencies and Commitments | 12 | | |
| | | ----- | ----- |
| | | 6,918,745 | 7,223,609 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

Tariq Sayeed Saigol
Chief Executive

| | | | |
|---|----|-----------|-----------|
| Tangible Fixed Assets | | | |
| Operating assets | 13 | 6,097,798 | 6,324,616 |
| Assets subject to finance lease | 14 | 1,820 | 18,727 |
| Capital work in progress | 15 | 173 | 6,325 |
| | | ----- | ----- |
| | | 6,099,791 | 6,349,668 |
| Long Term Investments | 16 | 5,000 | 5,000 |
| Long Term Loans, Deposits and Deferred Costs | 17 | 15,066 | 16,248 |
| Current Assets | | | |
| Stores, spares and loose tools | 18 | 366,524 | 328,332 |
| Stock-in-trade | 19 | 84,709 | 101,695 |
| Trade debts | 20 | 59,420 | 59,201 |

| | | | |
|---|----|-----------|-----------|
| Loans, advances, deposits, prepayments and other receivables | 21 | 67,797 | 47,827 |
| Short term investments | 22 | 1,396 | 54,083 |
| Cash and bank balances | 23 | 219,042 | 261,555 |
| | | ----- | ----- |
| | | 798,888 | 852,693 |
| | | ----- | ----- |
| | | 6,918,745 | 7,223,609 |
| | | ===== | ===== |

Usman Said
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

| | Note | 1999 (Rupees in thousand) | 1998 |
|---|------|------------------------------|-----------|
| Sales | 24 | 2,133,391 | 925,646 |
| Cost of goods sold | 25 | 2,093,613 | 992,958 |
| | | ----- | ----- |
| Gross profit/(Loss) | | 39,778 | (67,312) |
| Selling, administrative and general expenses | 26 | 151,680 | 73,522 |
| | | ----- | ----- |
| Operating loss | | (111,902) | (140,834) |
| Other income | 27 | 36,237 | 39,453 |
| | | ----- | ----- |
| | | (75,665) | (101,381) |
| Financial charges | 28 | 502,669 | 133,049 |
| Other charges | 29 | 642 | 134,087 |
| | | ----- | ----- |
| | | 503,311 | 267,136 |
| | | ----- | ----- |
| Loss before taxation | | (578,976) | (368,517) |
| Provision for taxation | 30 | 11,157 | 4,770 |
| | | ----- | ----- |
| Loss after taxation | | (590,133) | (373,287) |
| Accumulated (Loss)/profit brought forward | | (370,715) | 2,572 |
| | | ----- | ----- |

Accumulated Loss carried forward

(960,848) (370,715)

=====

The annexed notes form an integral part of these accounts.

Usman Said
DirectorTariq Sayeed Saigol
Chief Executive**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999**

| | Note | 1999 (Rupees in thousand) | 1998 |
|---|------|------------------------------|-----------|
| Cash flows from operating activities | | | |
| Cash generated from operations | A | 222,082 | 256,795 |
| Payments for: | | | |
| Earned leave | | 16,351 | /3,017 |
| Taxes | | (12,105) | (5,874) |
| Long term deposits (net) | | (1,199) | (15,806) |
| Duties and levies | | 140,164 | - |
| | | ----- | ----- |
| Net cash inflow from operating activities | | 342,591 | 232,098 |
| Cash flows from investing activities | | | |
| Fixed assets purchased | | (293,782) | (5,761) |
| Capital work in progress | | (173) | (564,112) |
| Long term loans and deposits (net) | | 4,855 | 59,951 |
| Sale proceeds of fixed assets | | 1,452 | 673 |
| Sale proceeds of long term investments | | - | 106,398 |
| | | ----- | ----- |
| Net cash outflow from investing activities | | (287,648) | (402,851) |
| Cash flows from financing activities | | | |
| Long term loans less repayments | | (76,311) | (53,567) |
| Repayment of liability under finance lease | | ((10,557) | (19,113) |
| Deffered cost | | (10,588) | - |
| | | ----- | ----- |
| Net cash outflow from financing activities | | (97,456) | (72,680) |
| | | ----- | ----- |
| Net decrease in cash and cash equivalents | | (42,513) | (243,433) |
| Cash and cash equivalents at beginning of the year | B | 261,555 | 504,988 |
| | | ----- | ----- |
| Cash and cash equivalents at end of the year | B | 219,042 | 261,555 |
| | | ===== | ===== |

**NOTES TO THE CASH FLOW
STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999**

| | 1999 | 1998 |
|--|-----------------------------|----------------|
| | (Rupees in thousand) | |
| A. Cash flows from operating activities | | |
| Loss before taxation | (578,976) | (368,517) |
| Add/(less) adjustment for non cash charges and other items | | |
| Depreciation | 732,006 | 273,912 |
| Amortisation of leased assets | 455 | 1,557 |
| Provision for earned leave | 3,297 | 3,473 |
| Profit on sale of fixed assets | (278) | (298) |
| Amortisation of deferred costs | 6,915 | 3,386 |
| Loss on sale of investment | -- | 89,762 |
| Provision for diminution in short term investment | 598 | 29,639 |
| Provision for obsolescence | -- | 10,000 |
| | ----- | ----- |
| Cash flow before working capital changes | 164,017 | 42,914 |
| Movement in working capital | | |
| (Increase)/decrease in current assets | | |
| Stores, spares and loose tools | (38,192) | (161,067) |
| Stock in trade | 16,986 | (51,879) |
| Trade debts | (219) | (42,370) |
| Loans, advances, deposit, prepayments and other receivables (net) | (19,970) | 67,028 |
| Short term investment | 52,687 | |
| | ----- | ----- |
| | 11,292 | (188,288) |
| Increase/(decrease) in creditors, accrued | (45,532) | 99,871 |
| | | |
| and other liabilities (net) | 92,305 | 302,298 |
| | ----- | ----- |
| Cash generated from operations | 222,082 | 256,795 |
| | ===== | ===== |

B. Cash and cash equivalents

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

Usman Said
Director

Tariq Sayeed Saigol
Chief Executive

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

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.

1.1 During the year the company has made a loss after tax Rs. 590.133 million and its current liabilities exceeded current assets by Rs. 903.513 million as on June 30, 1999.

As part of management plan for revival of the company, a framework for restructuring has been negotiated with International Finance Corporation, USA (IFC) which includes extension of term and rescheduling of the Loan and calls for no principal payment for financial year 2000 except one principal installment of Rs. 187.733 million which was paid subsequent to year end. The Bank of Punjab (BOP) has finalized rescheduling of its long term loans. Their respective Board of Directors' approval is expected shortly. The Muslim Commercial Bank Limited has rescheduled its long term loans. The market has also shown substantial improvement with stability in cement prices. Further, subsequent to the balance sheet date, the company's operations have improved with positive cash inflow, which is a favourable sign for the company.

These accounts have been prepared on a going concern basis on the grounds that the company will get the required approval of Board of Directors of IFC and BOP and will be able to achieve satisfactory level of operation in the future. These accounts consequently do not include any adjustment should the company be unable to continue as a going concern.

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 referred to in note 2.14.

2.2 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.

2.3 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 percent of the basic salary to the fund.

2.4 Provision for earned leave

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

2.5 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, exchange losses-and interest etc. referred to in note 2.13 & 2.14

Transactions relating to jointly owned assets with Pak American Fertilizers Limited (PAFL) as stated in note 13.4 are recorded on the basis of advices received from PAFL.

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

Full annual rate of depreciation is applied on cost of additions while no depreciation is charged on assets deleted during the year. However, depreciation on the expansion project which came into commercial production on April 01, 1998 is charged in proportion to the number of months of commercial production.

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.

2.6 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 14. Amortization of leased assets is charged to profit except for assets specifically acquired for expansion project.

2.7 Long term investments

These are stated at average cost.

2.8 Short term investments

These are stated at average cost or market price whichever is lower.

2.9 Unallocated capital expenditure

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

2.10 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.

2.11 Stores, spares and loose tools

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

2.12 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.

2.13 Mark up, interest and other charges

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

2.14 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 fist coverage fee and exchange gain or losses 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 and exchange risk cover fee after commercial production are included in the profit currently.

2.15 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.

3. Issued, subscribed and paid up capital

101,243,523 (1998:101,243,523) ordinary shares of Rs. 10 each fully paid in cash

9,990,100 (1998:9,990,100) ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash

18,995,701 (1998:18,995,701) ordinary shares of Rs. 10 each issued as fully paid bonus shares

1999 **1998**
(Rupees in thousand)

1,012,435 1,012,435

99,901 99,901

189,957 189,957

1,302,293 1,302,293
=====

4. Reserves

Capital

Premium on issue of shares

1,448,836 1,448,836

Revenue

General reserve

749,664 749,664

2,198,500 2,198,500
=====

5. Long Term Loans - secured

Foreign currency loans

note 5.1

2,744,234 2,553,834

Local currency loans

note 5.2

535,807 612,118

3,280,041 3,165,952

Less: Current portion shown under current liabilities

note 9

(815,688) (365,445)

2,464,353 2,800,507
=====

5.1 Foreign currency loan - secured

| Lender | Currency | Currency Balance | | Rupees Equivalent | |
|---|----------|------------------|--------|-------------------|-----------|
| | | 1998 | 1999 | 1999 | 1998 |
| In thousand | | | | | |
| International Finance Corporation (IFC) | | | | | |
| Loan - A | US\$ | 30,000 | 30,000 | 927,734 | 927,734 |
| Loan - B | US\$ | 35,000 | 35,000 | 1,816,500 | 1,626,100 |
| | | ----- | ----- | ----- | ----- |
| | | 65,000 | 65,000 | 2,744,234 | 2,553,834 |
| | | ===== | ===== | ===== | ===== |

Terms of repayment

The company signed a loan agreement on April 12, 1994 for US\$ 65 million 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 loan 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 January 15, 1999 carrying interest @ 9.7% per annum payable half yearly.

1999 1998
(Rupees in thousand)

5.2 Local Currency Loan-secured

Economic Affairs Division,
Government of Pakistan.

| | | |
|---|---------|---------|
| 1 Danish Credit | 10,289 | 12,160 |
| 2 Chinese Credit | - | 2,255 |
| 3 IBRD -loan | 13,618 | 40,853 |
| 4 State Cement Corporation of Pakistan (Pvt.) Limited | - | 14,950 |
| 5 Muslim Commercial Bank Limited | 246,900 | 246,900 |
| 6 The Bank of Punjab | 265,000 | 295,000 |
| | ----- | ----- |
| | 535,807 | 612,118 |
| | ===== | ===== |

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 eleven equal half yearly installments by

October 01, 2004. The interest is payable at the rate of 14% per annum 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 one installment by October 01, 1999. The interest is payable at the rate of 14% per annum.

The loan 5 is repayable, as per revised terms of the rescheduling w.e.f July 01, 1999 Rs. 1 million per month from July, 1999 to July, 2001 and thereafter in twelve equal half yearly installments and carries mark-up @ 15% per annum quarterly payable.

The loan 6 is repayable in six equal half yearly installments commencing April 30, 1998, carrying mark-up at the rate Re 0.52 per thousand per diem payable quarterly.

5.3 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.

Economic Affairs Division loans are secured by bank guarantees issued by ABL covered through mortgage/charge as stated above and further secured by way of lien on deposits with the bank upto 10% of the outstanding liabilities.

All charges in favour of the lenders rank pari passu with each other.

6. Liabilities Against Assets Subject to Finance Lease

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

| | 1999 | 1998 |
|--|----------------------|--------|
| | (Rupees in thousand) | |
| Year ending June 30, | | |
| 1999 | | 11,207 |
| 2000 | 761 | 761 |
| 2001 | 135 | 135 |
| 2002 | -- | -- |
| | ----- | ----- |
| | 896 | 12,103 |
| Less: Financial charges allocated to future periods | (56) | (707) |
| | ----- | ----- |

| | | | |
|--|--------|-------|----------|
| | | 840 | 11,396 |
| Less: Current portion shown under current liabilities | note 9 | (706) | (10,556) |
| | | ----- | ----- |
| | | 134 | 840 |
| | | ===== | ===== |

The implicit rate used as the discounting factor is 24% (1998: 19.14% to 24%) 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. 80 thousand (1998:Rs. 3,549 thousand) included in long term security deposits referred to in note 17.

7. Deferred Liabilities

| | | 1999 | 1998 |
|-------------------|----------|----------------------|--------|
| | | (Rupees in thousand) | |
| Deferred taxation | note 7.1 | 54,371 | 54,371 |
| Vacation benefits | note 7.2 | 6,486 | 9,540 |
| Duties & levies | note 7.3 | 140,164 | - |
| | | ----- | ----- |
| | | 201,021 | 63,911 |
| | | ===== | ===== |

7.1 Deferred taxation

Tax effect of major timing differences after taking account of agreed tax losses as at June 30, 1999 worked out Rs. 75,163 thousand, debit (1998: Rs. 435,137 thousand, credit). On a prudent approach, the effect of tax debit has not been accounted for in the accounts.

7.2 Vacation benefits

These represent balance of provision made against un-availed leaves of employees payable on their retirement/resignation/termination. The balance includes Rs. 1,440 thousand (1998:Rs.1,057 thousand) being provision made during the year for executives.

7.3 Duties and levies

| | | 1999 | 1998 |
|-----------------------|---------|----------------------|-------|
| | | (Rupees in thousand) | |
| Duties and levies | | 230,164 | -- |
| Less: Current portion | note 11 | 90,000 | -- |
| | | ----- | ----- |
| | | 140,164 | -- |
| | | ===== | ===== |

These represent custom duties payable on imported plant & machinery of expansion project capitalised as fixed assets in last year.

8. 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.

9. Current Portion of Long Term Liabilities

| | | 1999 (Rupees in thousand) | 1998 |
|--|--------|------------------------------|---------|
| Long term loans | note 5 | 815,688 | 365,445 |
| Liabilities against assets subject to finance lease | note 6 | 706 | 10,556 |
| | | ----- | ----- |
| | | 816,394 | 376,001 |
| | | ===== | ===== |

10. Short Term Running Finance - Secured

| | | | |
|-------------------------------|--|---------|---------|
| American Express Bank Limited | | 28,000 | 71,826 |
| Habib Bank Limited | | 98,189 | 99,895 |
| | | ----- | ----- |
| | | 126,189 | 171,721 |
| | | ===== | ===== |

Aggregate facility available under the mark-up arrangements from commercial banks is Rs. 138,000 thousand (1998: Rs. 176,550 thousand). The rate of mark, up ranges from 49 paisa to 50 paisa per thousand rupees per day. The facility is secured by hypothecation of inventories and book debts. All the charges rank pari passu with each other.

| | | 1999 (Rupees in thousand) | 1998 |
|---|-----------|------------------------------|---------|
| 11. Creditors, Accrued and Other Liabilities | | | |
| Creditors | | 131,541 | 170,775 |
| Accrued liabilities | | 119,212 | 108,450 |
| Advances from customers | | 21,516 | 11,758 |
| Security deposits - interest free, repayable on demand | | 16,496 | 16,496 |
| Contractors retention money | | 40,439 | 34,683 |
| | | ----- | ----- |
| | | 183,290 | 155,468 |
| Interest accrued on secured loans | | | |
| Exchange risk fee payable (net) | | 100,454 | 100,291 |
| Custom duties payable | | 90,000 | |
| Royalty and excise duty payable | | 7,501 | 6,185 |
| Workers' profit participation fund | note 11.1 | - | 10,712 |
| Other payables | | 3,126 | 6,452 |

| | |
|----------|---------|
| ----- | ----- |
| 713,575 | 621,270 |
| ===== | ===== |
| 10,712 | 10,712 |
| (10,712) | - |
| ----- | ----- |
| - | 10,712 |
| ===== | ===== |

11.1 Workers' profit participation fund

Balance at July 01,

Less: Payments/adjustments

Balance at June 30,

12. Contingencies and Commitments

12.1. Contingencies

(i) Claims against the company not acknowledged as debt Rs.3,804 thousand (1998: Rs. 11,637 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. 16,152 thousand [1998:Rs. 16,152 thousand) for disputed amount of sales tax.

(iii) The company has filed various writ petitions with the Lahore High Court against imposition of custom duty, regulatory duty and sales tax amounting Rs.316,484 thousand (1998:Rs.525,740 thousand). The petitions are pending adjudication.

(iv) Guarantees given to the Collector, Central Excise and Sales Tax, Customs, Sindh Development and Maintenance, Karachi as referred to in note 12.1 (ii) above and Sui Northern Gas Pipelines Limited amounting Rs. 7,100 thousand (1998:Rs. 16,965 thousand) and Rs. 6,500 thousand (1998: Rs 6,500 thousand) respectively.

12.2. Commitments

(i) Contracts for capital expenditure Rs.7,395 thousand (1998: Rs. 32,837 thousand).

(ii) Letters of credit other than for capital expenditure Rs. 5,882 thousand (1998:Rs 9,238 thousand).

13. Operating Fixed Assets

The following is a statement of operating fixed assets

| Cost as at June 30, 1998 | Additions/ (deletions)/ (adjustments) | Cost as at June 30, 1999 | Accumulated depreciation | Book value as at June 30, 1999 | Depreciation Charge for the year | Rate % |
|--------------------------------|---|--------------------------------|-----------------------------|---|---|-----------|
| (R u p e e s in thousand) | | | | | | |

| | | | | | | | |
|---|--------------------------|------------------|-----------|-----------|-----------|---------|-------|
| Land - Freehold | 42,134 | 10 | 42,144 | -- | 42,144 | -- | -- |
| Buildings on freehold land | | 3,156 | 728,046 | 179,516 | 548,530 | 57,181 | 5-10 |
| Roads, bridges and railway sidings | 53,655 | 4,619 | 58,274 | 15,128 | 43,146 | 4,698 | 5-10 |
| Plant and machinery | 6,211,345 | 479,387 | 6,690,732 | 1,296,810 | 5,393,922 | 653,403 | 10-20 |
| Furniture, fixtures and equipment | 35,760 | 650 (72) | 36,338 | 21,199 | 15,139 | 3,167 | 10-15 |
| Quarry equipment | 101,913 | 28,491 | 130,404 | 91,003 | 39,401 | 9,850 | 20 |
| Vehicles | 35,827 | 5,637 (3,469) | 37,995 | 23,719 | 14,276 | 3,569 | 20 |
| Share of joint assets-note 13.4 | 3,492 | 90 | 3,582 | 2,342 | 1,240 | 138 | 5-10 |
| | ----- | | ----- | ----- | ----- | ----- | |
| | 7,209,016 (3,541) | 522,040 | 7,727,515 | 1,629,717 | 6,097,798 | 732,006 | |
| | ----- | | ----- | ----- | ----- | ----- | |
| | 998 1,102,973 (3,175) | 6,109,218 | 7,209,016 | 884,400 | 6,324,616 | 279,686 | |
| | ===== | | ===== | ===== | ===== | ===== | |

13.1 Addition to plant and machinery includes exchange loss amounting to Rs. 190,400 thousand (1998: 359,193 thousand).

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

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

| | Note | 1999 (Rupees in thousand) | 1998 |
|-------------------------------------|-------------|-------------------------------------|-------------|
| Cost of sales | 25 | 729,631 | 272,043 |
| Administrative and general expenses | 26 | 2,246 | 1,726 |
| Other manufacturing expenses | | 129 | 143 |
| Capital work in progress | | -- | 5,774 |
| | | ----- | ----- |
| | | 732,006 | 279,686 |
| | | ===== | ===== |

13.4 Ownership of the housing colony assets included in the fixed assets is shared by the company jointly with Pak American Fertilizers Limited in the ratio of 10] :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.

| | 1999 (Rupees in thousand) | 1998 |
|--|------------------------------|-------|
| The cost of these assets are as follows - | | |
| Buildings | 2,138 | 2,048 |
| Roads and bridge | 202 | 202 |
| Air strip | 16 | 16 |
| Plant and machinery | 257 | 257 |
| Furniture, fixtures and equipment | 808 | 808 |
| Vehicles | 161 | 161 |
| | ----- | ----- |
| | 3,582 | 3,492 |
| | ===== | ===== |

13.5 Disposal of operating fixed assets

| Particulars of assets | Cost | Accumulated Depreciation | Book Value | Sale proceeds | Mode of disposal | Sold to |
|---------------------------------|------|--------------------------|------------------------|---------------|----------------------|--|
| | | | { Rupees in thousand } | | | |
| Furniture & Fixtures | | | | | | |
| Fridge (02) | | 54 | 37 | 17 | 12Negotiation | Mohammad Ashraf employee |
| Television | | 18 | 9 | 9 | 9Negotiation | Afzal Hussain employee |
| Vehicles | | | | | | |
| Suzuki Margalla (05) | | 1928 | 1296 | 632 | 632 Company's policy | Said to Mr. Arshad Mohmood, Malik Rab Nawaz, Mohammed Shefir, Ifzal Hussain, 5. M. Imran |
| Suzuki (Jeep] | | 194 | 168 | 26 | 125Tender | Haji Mohammed Khan Dad Khan Mianwali. |
| Suzuki (Van} | | 160 | 118 | 42 | 125Tender | Mohammed Monzaor Nasim employee |
| I'oy0ta Corolla (GL) | | 720 | 351 | 369 | 369Company's policy | Allah A. Khwaja Ex. Employee |
| Mazda Bus | | 467 | 389 | 78 | 180Tender | Haji Mehmood All, H # Z-496 Ghali # 90, Dhoke Rattar, RWP. |

14. Assets Subject to Finance Lease

The following is a statement of leased assets

| | Cost as at June 30, 1998 | Additions/ (deletions) | Cost as at June 30, 1999 | Accumu- lated Amortisation | Book value as at June 30, 1999 | Amortisation Charge for the year | Rate % |
|---------------------------|--------------------------------|---------------------------|--------------------------------|----------------------------------|---|---|-----------|
| (R u p e e s in thousand) | | | | | | | |
| Quarry equipment | 28,490 | (28,490) | -- | -- | -- | -- | 20 |
| Vehicles | 6,996 | (3,641) | 3,355 | 1,535 | 1,820 | 455 | 20 |
| | -- | -- | -- | -- | -- | -- | |
| | ----- | ----- | ----- | ----- | ----- | ----- | |
| | 35,486 | -- | 3,355 | 1,535 | 1,820 | 455 | |
| | | (32,131) | | | | | |
| | ----- | ----- | ----- | ----- | ----- | ----- | |
| 1998 | 63,308 | 801 (28,623) | 35,486 | 16,759 | 18,727 | 6,117 | |
| | ===== | ===== | ===== | ===== | ===== | ===== | |

Note: deletions consist of leased assets transferred to owned assets.

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

| | | 1999 (Rupees in thousand) | 1998 |
|-------------------------------------|---------|------------------------------|-------|
| Cost of Sales | note 25 | 455 | 1,399 |
| Administrative and general expenses | note 26 | - | 158 |
| Unallocated capital expenditure | | - | 4,560 |
| | | ----- | ----- |
| | | 455 | 6,117 |
| 15. Capital Work in Progress | | | |
| Civil works | | 173 | 6,325 |

16. Long Term Investments

In associated companies

Unquoted

Security General Insurance Company Limited
500,000 (1998 - 500,000) fully paid ordinary
Shares of Rs. 10 each
Equity held 10% (1998:10%)

| | |
|-------|-------|
| 5,000 | 5,000 |
|-------|-------|

Value of investment in Security General Insurance Company Limited based on the last available audited accounts for the year ended December 31, 1998 (1998: December 31, 1997) is Rs.5,799thousand (1998:Rs.5,165thousand).

**17. Long Term Loans, Deposits,
And Deferred Costs**

| | | 1999 | 1998 |
|-----------------------------------|-----------|-----------------------------|-------------|
| | | (Rupees in thousand) | |
| Long term loans - considered good | | | |
| Employees | note 17.1 | 4,750 | 7,498 |
| Security deposits | | 2,290 | 4,397 |
| Deferred costs | note 17.2 | 8,026 | 4,353 |
| | | ----- | ----- |
| | | 15,066 | 16,248 |
| | | ===== | ===== |

17.1 Loans to employees - secured

| | | 1999 | 1998 |
|--|-------------------|-----------------------------|-------------|
| | | (Rupees in thousand) | |
| | Executives | Others | |

| | | | | |
|---|-------|---------|---------|---------|
| House building | 1,001 | 4,289 | 5,290 | 8,117 |
| Vehicle | 176 | 1,688 | 1,864 | 2,902 |
| Others | | 341 | 341 | 181 |
| | ----- | ----- | ----- | ----- |
| | 1,177 | 6,318 | 7,495 | 11,200 |
| Less: Current portion shown under current assets note 21 | (328) | (2,417) | (2,745) | (3,702) |
| | ----- | ----- | ----- | ----- |
| | 849 | 3,901 | 4,750 | 7,498 |
| | ===== | ===== | ===== | ===== |

The above balances are classified as under:

| | | | | |
|-----------------------------------|-------|-------|-------|-------|
| Outstanding exceeding three years | 530 | 1,437 | 1,967 | 1,946 |
| Others | 319 | 2,464 | 2,783 | 5,552 |
| | ----- | ----- | ----- | ----- |
| | 849 | 3,901 | 4,750 | 7,498 |
| | ===== | ===== | ===== | ===== |

Interest rate and terms of repayment

Rate of interest

| | Executives | Others |
|----------------------|-------------------|---------------|
| 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.

17.1.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1,341 thousand (1998' Rs. 2,205 thousand).

17.2 Deferred Costs

Share Issue expenses
Golden Handshake

Less: Amortisation

note 26

| | 1999 | 1998 |
|--|----------------------|-------------|
| | (Rupees in thousand) | |
| | 4,353 | 7,739 |
| | 10,588 | - |
| | ----- | ----- |
| | 14,941 | 7,739 |
| | (6,915) | (3,386) |
| | ----- | ----- |
| | 8,026 | 4,353 |
| | ===== | ===== |

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

18. Stores, Spares and Loose Tools

Stores
Spares including in transit Rs.4,244 thousand
(1998:Rs.2,745 thousand)
Loose tools

Less · Provision for obsolescence

| | 1999 | 1998 |
|--|----------------------|-------------|
| | (Rupees in thousand) | |
| | 123,254 | 77,940 |
| | 249,635 | 256,948 |
| | 3,635 | 3,444 |
| | ----- | ----- |
| | 376,524 | 338,332 |
| | (10,000) | (10,000) |
| | ----- | ----- |
| | 366,524 | 328,332 |
| | ===== | ===== |

19. Stock-in-Trade

Raw materials
Packing materials
Work in process
Finished goods

| | | |
|--|--------|---------|
| | 4,998 | 4,721 |
| | 11,197 | 8,519 |
| | 48,560 | 54,099 |
| | 19,954 | 34,356 |
| | ----- | ----- |
| | 84,709 | 101,695 |
| | ===== | ===== |

20. Trade Debts-considered good

Secured
Unsecured

| | | |
|--|--------|--------|
| | 2,834 | 4,513 |
| | 56,586 | 54,688 |
| | ----- | ----- |
| | 59,420 | 59,201 |
| | ===== | ===== |

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

| | | | |
|------------------------------------|-----------|--------|--------|
| Current portion of long term loans | | | |
| Employees | note 17.1 | 2,745 | 3,702 |
| Advances - considered good | | | |
| Employees | note 21.1 | 3,865 | 3,898 |
| Suppliers | | 28,815 | 16,897 |
| Associated companies | note 21.2 | 95 | 105 |
| Due from gratuity fund trust | | 5,129 | |
| Prepayments | | 556 | 935 |
| Excise duty | | 8,636 | 7,991 |
| Interest receivable | | 6,067 | 8,254 |
| Other receivables | | 11,889 | 6,045 |
| | | ----- | ----- |
| | | 67,797 | 47,827 |
| | | ===== | ===== |

21.1 Included in advances to employees are amounts due from executives Rs.397 thousand (1998: Rs. 481 thousand). The maximum aggregate amount due from executives at the end of any month during the year was Rs.470 thousand (1998 :Rs. 500 thousand).

21.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 95 thousand (1998: Rs. 5,485 thousand).

**22. Shod Term Investments
In associated companies (Quoted)**

| | 1999 | 1998 |
|---|----------------------|----------|
| | (Rupees in thousand) | |
| Fidelity Investment Bank Limited 664,738 (1998:1,199,738)fully paid ordinary Shares of Rs. 10 each | 7,120 | 12,850 |
| Kohinoor Raiwind Mills Limited Nil (1998: 6,982,500) fully paid ordinary Shares of Rs. 10 each Equity held nil (1998: 49.88%) | | 70,872 |
| | 7,120 | 83,722 |
| Less :Provision for diminution in value of investments | (5,724) | (29,639) |
| | ----- | ----- |
| | 1,396 | 54,083 |
| | ===== | ===== |

Aggregate market value of quoted investments is Rs. 1,396 thousand (1998: Rs 47,240 thousand).

23. Cash and Bank Balances

1999 **1998**
(Rupees in thousand)

The balances were held:

At banks

| | | |
|--|---------|---------|
| on deposit accounts | 97,200 | 110,376 |
| on profit and loss sharing accounts | 102,636 | 143,006 |
| on current accounts including DKK nil (1998: DKK 11 thousand) | 19,116 | 8,039 |
| | ----- | ----- |
| | 218,952 | 261,421 |
| In hand | 90 | 134 |
| | ----- | ----- |
| | 219,042 | 261,555 |
| | ===== | ===== |

Included in deposit accounts is a sum of Rs 2,391 thousand (1998 - Rs.10,000 thousand) held by Allied Bank of Pakistan Limited as margin against guarantees issued to secure long term local currency loans referred to in note 5.3.

24. Sales

| | 1999 | 1998 |
|-------------------|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Gross sales | 3,675,155 | 1,630,218 |
| Less: Excise duty | 1,455,355 | 676,269 |
| Rebate | 86,409 | 28,303 |
| | ----- | ----- |
| | 1,541,764 | 704,572 |
| | ----- | ----- |
| | 2,133,391 | 925,646 |
| | ===== | ===== |

25. Cost of Goods Sold

| | | | |
|-------------------------------|-----------|-----------|-----------|
| Raw material consumed | note 25.1 | 76,996 | 52,374 |
| Packing material consumed | | 236,819 | 93,734 |
| Fuel and power | | 772,682 | 430,197 |
| Stores and spares consumed | | 43,817 | 30,585 |
| Salaries, wages and amenities | | 116,641 | 116,159 |
| Insurance | | 26,910 | 13,693 |
| Repairs and maintenance | | 36,855 | 4,123 |
| Depreciation | note 13.3 | 729,631 | 255,431 |
| Amortisation of leased assets | note 14.1 | 455 | 1,399 |
| Other expenses | | 32,866 | 27,782 |
| | | ----- | ----- |
| | | 2,073,672 | 1,025,477 |

Work in process

| | | | |
|-------------------|--|--------|--------|
| Opening inventory | | 54,099 | 23,659 |
|-------------------|--|--------|--------|

| | | |
|---|-----------|----------|
| Inventory from trial run operation | --- | 1,724 |
| Closing inventory | (48,560) | (54,099) |
| | ----- | ----- |
| | 5,539 | (28,716) |
| | ----- | ----- |
| Cost of goods manufactured | 2,079,211 | 996,761 |
| Finished goods | | |
| Opening inventory | 343,561 | 20,650 |
| Inventory from trial run operation | -- | 9,903 |
| Closing inventory | (19,954) | (34,356) |
| | ----- | ----- |
| | 14,402 | (3,803) |
| Cost of goods sold | 2,093,613 | 992,958 |
| 25.1 Raw materials consumed | | |
| Opening inventory | 4,721 | 727 |
| Purchases | 77,273 | 52,633 |
| Inventory from trial run operation | -- | 3,735 |
| Closing inventory | (4,998) | (4,721) |
| | ----- | ----- |
| Raw material consumed | 76,996 | 52,374 |
| | ===== | ===== |
| 26. Selling, Administrative and General Expenses | | |
| Selling and distribution expenses | | |
| Salaries and amenities | 6,035 | 6,462 |
| Travelling | 249 | 249 |
| Motor vehicle running | 733 | 303 |
| Postage, telephone and fax | 765 | 571 |
| Printing and stationery | 160 | 78 |
| Entertainment | 68 | 50 |
| Repairs and maintenance | 180 | 317 |
| Transportation and others | 100,603 | 33,541 |
| | ----- | ----- |
| | 108,793 | 41,571 |
| Administrative and general expenses | | |
| Salaries and amenities | 17,149 | 12,066 |
| Travelling | 385 | 212 |

| | | | |
|--------------------------------|-----------|---------|--------|
| Motor vehicle running | | 2,225 | 1,101 |
| Postage, telephone and fax | | 2,942 | 1,688 |
| Printing and stationery | | 920 | 747 |
| Entertainment | | 311 | 285 |
| Repairs and maintenance | | 247 | 1,536 |
| Legal and professional charges | note 26.1 | 1,730 | 929 |
| Depreciation | note 13.3 | 2,246 | 1,726 |
| Amortisation of leased assets | note 14.1 | - | 158 |
| Amortisation of deferred costs | note 17.2 | 6,915 | 3,386 |
| Other expenses | | 7,817 | 8,117 |
| | | ----- | ----- |
| | | 42,887 | 31,951 |
| | | ----- | ----- |
| | | 151,680 | 73,522 |
| | | ===== | ===== |

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

| | 1999 | 1998 |
|---|----------------------|-------------|
| | (Rupees in thousand) | |
| Ford, Rhodes, Robson, Morrow | | |
| Statutory audit | 200 | 100 |
| Accounting assignment | - | 200 |
| Misalliance Certification fee | 20 | 20 |
| Out of pocket expenses | 40 | 30 |
| | ----- | ----- |
| | 260 | 350 |
| Less: Charged to capital work in progress | - | (200) |
| | ----- | ----- |
| | 260 | 150 |
| | ===== | ===== |
| Amin, Mudassar & Co. | | |
| Statutory audit | -- | 100 |
| Tax services | -- | 220 |
| Out of pocket expenses | -- | 37 |
| | ----- | ----- |
| | -- | 357 |
| | ----- | ----- |
| | 260 | 507 |
| | ===== | ===== |

26.2 Legal and professional charges includes Rs 35,000 (1998: Rs 30,000) for cost audit fee.

27. Other income

| | | |
|--|--------|--------|
| Profit on bank deposits | 20,906 | 26,103 |
| Interest on loan to associated company | -- | 3,267 |
| Sale of scrap | 627 | 1,611 |

| | | |
|--------------------------------|--------|--------|
| Profit on sale of fixed assets | 279 | 298 |
| Dividend Income | -- | 5,355 |
| Profit on sale of investment | 2,664 | -- |
| Miscellaneous | 11,761 | 2,819 |
| | ----- | ----- |
| | 36,237 | 39,453 |
| | ===== | ===== |

28. Financial Charges

| | | |
|---------------------------------|---------|---------|
| Mark up/interest on' | | |
| Long term loans | 470,236 | 111,275 |
| Liabilities under finance lease | 651 | 537 |
| Short term running finance | 28,764 | 18,940 |
| Bank guarantee commission | 2,033 | 1,667 |
| Bank charges | 985 | 630 |
| | ----- | ----- |
| | 502,669 | 133,049 |
| | ===== | ===== |

29. Other charges

| | | |
|--|-----------|---------|
| Loss on sale of investments | -- | 89,762 |
| Provision for diminution in value of investments | 598 | 29,639 |
| Exchange fluctuation | -- | 4,675 |
| Provision for obsolescence for stores and spares | -- | 10,000 |
| Donations | note 29.1 | 44 |
| | | 11 |
| | ----- | ----- |
| | 642 | 134,087 |
| | ===== | ===== |

29.1 Directors have no interest in any of the donees.

30. Provision for Taxation

| | | |
|--------------|--------|-------|
| Current year | 1,108 | 4,770 |
| Prior year | 76 | |
| | ----- | ----- |
| | 11,157 | 4,770 |
| | ===== | ===== |

Income tax assessments of the company have been finalised upto the financial year ended June 30, 1998 (assessment year 1998-99).

31. 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

| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
|--------------------------------------|-------|-------|------|------|--------|--------|
| Managerial remuneration | 2,133 | 1,975 | - | 600 | 11,683 | 10,748 |
| Contribution to provident fund trust | 156 | 137 | - | - | 1,008 | 870 |
| Perquisites and benefits: | | | | | | |
| House rent | 780 | 684 | - | 270 | 4,252 | 2,776 |
| Medical | 13 | 26 | - | - | 1,271 | 677 |
| Conveyance/petrol | 88 | 83 | - | - | 1,861 | 1,150 |
| Leave passage | 138 | 122 | - | - | 1,262 | 1,369 |
| Utilities | 151 | 145 | - | 60 | 871 | 1,327 |
| | 3,459 | 3,172 | - | 930 | 22,208 | 18,917 |
| Number of persons | 1 | 1 | - | 1 | 59 | 54 |

32. Financial Assets and Financial Liabilities

(Rupees in thousand)

| | Interest/Mark-up bearing | | | Non interest bearing | | | Total |
|---|--------------------------|-------------------------|-----------|-------------------------|-------------------------|-----------|-----------|
| | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | |
| FINANCIAL ASSETS | | | | | | | |
| Long term investments | -- | -- | -- | -- | 5,000 | 5,000 | 5,000 |
| Loans to employee | 6,611 | 4,589 | 11,200 | -- | -- | -- | 11,200 |
| Long term security deposits | -- | -- | -- | -- | 2,290 | 2,290 | 2,290 |
| Trade debts | -- | -- | -- | 59,420 | -- | 59,420 | 59,420 |
| Short term investment | -- | -- | -- | 1,396 | -- | 1,396 | 1,396 |
| Advances, deposits and prepayments | -- | -- | -- | 40,798 | -- | 40,798 | 40,798 |
| Dividend receivable | -- | -- | -- | -- | -- | -- | -- |
| Interest receivable | -- | -- | -- | 6,067 | -- | 6,067 | 6,067 |
| Cash and bank | 102,636 | 97,200 | 199,836 | 19,206 | -- | 19,206 | 219,042 |
| | 109,247 | 101,789 | 211,036 | 126,887 | 7,290 | 134,177 | 345,213 |
| Financial Liabilities | | | | | | | |
| Liability against assets subject to finance lease | 706 | 134 | 840 | -- | -- | -- | 840 |
| Long term loans | 815,688 | 2,464,353 | 3,280,041 | -- | -- | -- | 3,280,041 |
| Creditors accrued and other liabilities | -- | -- | -- | 403,572 | -- | 403,572 | 403,572 |
| Commitments | -- | -- | -- | 13,277 | -- | 13,277 | 13,277 |
| Guarantees | -- | -- | -- | 13,600 | -- | 13,600 | 13,600 |

| | | | | | | |
|---------|-----------|-----------|---------|----|---------|-----------|
| 816,394 | 2,464,487 | 3,280,881 | 430,449 | -- | 430,449 | 3,711,330 |
|---------|-----------|-----------|---------|----|---------|-----------|

33. Credit Risk

The company believes that it is not expected to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers and also obtains collaterals.

34. Foreign Exchange Management

Foreign currency risks arises mainly where payables exist due to transaction with foreign undertakings. The company has partial cover against the payables in the foreign currency as stated in note 5.

35. Fair Value of Assets

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair value except for long term investments, which are stated at cost (note 16).

36. Earing Per Share

| | 1999 | 1998 |
|---|-----------|-----------|
| Net loss after tax (Rupees in thousand) | (590,133) | (373,287) |
| Average ordinary shares in issue during .June 30,1999 130,229,324 (1998 130,229,324) | | |
| Earning per share (Rs.) | (4.50) | (2.90) |

37. Statement of Changes in Equity for the year ended June 30, 1999

| | Share Capital | General Reserve | Capital Reserve | Accumulated Profit/(Loss) | Total |
|-----------------------------|----------------------------------|--------------------|--------------------|------------------------------|-----------|
| | (Rupees in thousand) | | | | |
| Balance as at June 30, 1997 | 1,302,293 | 749,664 | 1,448,836 | 2,572 | 3,503,365 |
| Net loss for the year | -- | -- | -- | (373,287) | (373,287) |
| Balance as at June 30, 1998 | 1,302,293 | 749,664 | 1,448,836 | (370,715) | 3,130,078 |
| Net loss for the year | -- | -- | -- | (590,133) | (590,1) |
| Balance as at June 30, 1999 | 1,302,293 | 749,664 | 1,448,836 | (960,848) | 2,539,945 |

1999 **1998**
(Rupees in thousand)

38. Transactions with Associated Companies

These comprise:

| | | |
|--------------------------------|---------|---------|
| Purchase of goods and services | 339,277 | 244,971 |
| Sale of goods and services | 5,143 | 7,168 |
| Sale of investments | - | 95,783 |
| Interest earned | - | 3,257 |
| Dividend received | - | 5,355 |
| Purchase of fixed assets | 645 | - |
| Recovery of loan | - | 72,110 |

39. Capacity and Production

| | Capacity | | Actual Production | |
|----------------|-----------|---------|-------------------|---------|
| | 1999 | 1998 | 1999 | 1998 |
| Clinker | | | | |
| Grey - M.Ton | 1,470,000 | 718,500 | 849,777 | 362,743 |
| White - M.Ton | 30,000 | 30,000 | 34,470 | 31,905 |

Shortfall in production was mainly due to depressed market caused by worst economic conditions and political instability in the country.

40. Corresponding Figures

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

Tariq Sayeed Saigol
Chief Executive

Usman Said
Director