

CHERAT PAPERSACK LTD

Annual Report 1997

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COMPANY INFORMATION

CHAIRMAN

MR. MOHAMMED FARUQUE

CHIEF EXECUTIVE

MR. ZAHID FARUQUE

DIRECTORS

MR. IQBAL FARUQUE

MR. AHMED FARUQUE

MR. MAHMOOD FARUQUE

MR. AKBARALI PESNANI

MR. SHEHRYAR FARUQUE

MR. KELLY PATEL

Company Secretary

MR. RAUF JAFRANI

Auditors

SIDAT HYDER QAMAR MAQBOOL & CO.

Bankers

ABN AMRO BANK.

ALLIED BANK LTD.

ANZ GRINDLAYS BANK LTD.

CREDITAGRICOLE INDOSUEZ.

HABIB BANK LTD.

MUSLIM COMMERCIAL BANK LTD.

NATIONAL BANK OF PAKISTAN

UNITED BANK LTD.

Registered Office

MODERN MOTORS HOUSE,

BEAUMONT ROAD,

KARACHI-75530.

Factory PLOT NO. 26,
GADOON AMAZAI INDUSTRIAL ESTATE,
DISTT. SWABI,
N.W.F.P.

Sales Office 1ST FLOOR, BETANI ARCADE
JAMRUD ROAD,
PESHAWAR.

Regional Office 3, SUNDERDAS ROAD,
LAHORE.

Islamabad Office NO. 7, MEZZANINE LEVEL,
RAZIA SHARIF PLAZA, 92, BLUE AREA,
ISLAMABAD.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of this Company will be held on Thursday, November 06, 1997, at 04.00 p.m. at the registered Office of the Company at Modern Motors House, Beaumont Road, Karachi, to transact the following business:

1. To receive and consider the audited Accounts for the year ended June 30, 1997, with the Directors' and Auditors' Reports thereon.
2. To Declare final dividend of Rs. 5.00 per share (50%) recommend by Directors in addition to the interim dividend of Rs. 3/= (30%) already paid.
3. To appoint auditors for the ensuing year and to fix their remuneration.

Karachi, September 18, 1997.

By Order of the Board
R. JAFRANI
Company Secretary

Note:

1. A member eligible to attend and vote at the Annual General Meeting is entitled to appoint another member as his proxy to attend and vote in his stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.

2. The member's register will be closed from Friday, October 31, 1997, to Thursday, November 06, 1997, inclusive. The transfers received in order at the Registered office of the company at the close of business on Thursday, October 30, 1997 will be treated in time for the purpose of the above Final Dividend.

3. The shareholders are requested to notify the Company if there is any change in their address.

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE, 1997

DEAR SHAREHOLDERS,

The Directors are pleased to welcome you to the Eighth Annual General Meeting of your Company and place before you company's Annual Report together with audited accounts and Auditors' Report thereon for the year ended June 30, 1997.

PRODUCTION AND SALES

As you are aware there has been a general slow down in the economic activities in the country during the last year. The Cement Industry, on which we are dependent has also been severely hit due to economic recession. Even though new cement plants have become operational during the last one year, it was still a difficult task for us to keep up with our supplies to the cement plants as all of these without exception are facing liquidity problem. We had to perforce relax our credit terms in order to be competitive and maintain our share of market.

During the year under review we were able to produce and dispatch 45.5 million bags compared to 44.56 million bags last year. This level of output necessitated working at times on double or triple shifts. Our sales to Cherat Cement amounted to only 16.14 million bags (i.e. 36%) and the balance was sold to other plants, both in North and South.

OPERATIONAL RESULTS

In spite of intense competition and slowing down of economic activities and more so in the cement sector, our operational results for the year under review are still encouraging. This has been possible due to strict check on production costs, acquisition of papers from the right sources and at the most competitive prices, quality of our product and financial discipline. Our total sales for the period amounted to Rs. 532.173 million (1995-96: Rs. 512.376 million) with cost of sales at Rs. 436.223 million. This has given us a gross profit of Rs. 95.950 million (1995-96 Rs. 112.403 million). Deduction on account of administrative and selling expenses amount to Rs. 15.154 million, financial charges Rs. 16.795 million other charges Rs. 0.913 million and WPPF Rs. 3.222 million. After adjustment for the other income of Rs. 1.366 million, current year profit before tax comes to Rs. 61.232 million (1995-96

Rs. 86.023 million). Provision had to be made for minimum tax (Turnover Tax) under section 80D of the Income Tax Ordinance, 1979 amounting to Rs. 2.661 million.

The drop in gross profit during the current year is primarily due to the fact that last year we had the benefit of consuming paper acquired by us at much more competitive prices than we could manage this year. Due to world wide shortage of paper during 1996-97 we had to import paper at much higher prices where as the sales prices could not be adjusted proportionately.

The profit after tax for current year together with unappropriated profit brought forward from the last year gives us a total of Rs. 83.602 million available for appropriation.

Your Directors propose following appropriation of profit:-

	Rupees (million)
Net profit for the year	58.57
Add: Unappropriated profit brought forward	25.03

Total available for appropriation	83.60
	=====
Appropriation:	
Interim dividend @ 30 %	12.24
Proposed final dividend @ 50%	20.40
Transfer to General Reserve	18.00
Balance to be carried forward	32.96

	83.60
	=====

FINANCIAL COMMITMENTS / DEBT OBLIGATIONS

There are no long term loans against the company and the commitments under the lease financing are being met as per schedule.

FUTURE OUTLOOK

The general slow down in the economic activities and with the deferment / cancellation of government projects the cement industry is facing serious problems which in turn has directly affected us in the shape of delayed payments, increased receivables and declining margins. However, if the economic activities pick up, which we all hope, then with the enhancement in the capacity of cement plants translated into production and despatch of cement, we should be able to benefit.

AUDITORS

The present auditors M/s. Sidat Hyder Qamar Maqbool & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

ACKNOWLEDGMENT

The Management wishes to thank the institutions which have been associated with the Project, the cement manufacturers for their continued patronage and support and the staff for their hard work and dedication in achieving excellent results for the Company.

Karachi: September 18, 1997

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CHERAT PAPERSACK LIMITED as at 30 June 1997 and the related profit and loss account and cash flow statement, 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 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 30 June 1997 and of the profit and the changes in 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.

KARACHI: September 18, 1997

SIDAT HYDER QAMAR MAQBOOL & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1997

	NOTE	1997 (Rupees)	1996 (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised			
5,000,000 ordinary			
shares of Rs. 10/- each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up	3	40,800,000	34,000,000
Reserves	4	99,761,894	67,031,157
		-----	-----
		140,561,894	101,031,157
LIABILITIES AGAINST ASSETS SUBJECT TO			
FINANCE LEASE	5	22,292,549	26,805,120
CURRENT LIABILITIES			
Short-term finance under mark-up			
arrangements- secured	6	--	30,000,000
Current maturity of liabilities against			
assets subject to finance lease	5	4,512,571	3,694,880
Creditors, accrued and other liabilities	7	58,430,662	61,459,002
Proposed dividend		20,400,000	24,480,000
		-----	-----
		83,343,233	119,633,882
CONTINGENCIES AND COMMITMENTS			
	8		
		-----	-----
		246,197,676	247,470,159
		=====	=====
AUDITORS' REPORT ANNEXED			

FIXED ASSETS-Tangible

Operating assets	9	35,691,413	38,891,293
Assets subject to finance lease	10	24,705,000	27,450,000
Capital work-in-progress		--	23,800
		-----	-----
		60,396,413	66,365,093
INVESTMENTS	11	5,779,838	7,321,659
LONG-TERM ADVANCES, DEPOSITS AND DEFERRED COSTS	12	1,285,695	2,321,737
CURRENT ASSETS			
Stores, spares and loose tools		3,885,369	4,336,255
Stock-in-trade	13	46,235,856	16,428,480
Trade debts	14	65,080,340	22,928,674
Short-term investments		--	2,500,000
Advances, deposits, prepayments and other receivables	15	11,209,836	20,722,562
Cash and bank balances	16	52,324,329	4,545,699
		-----	-----
		178,735,730	171,461,670
		-----	-----
		246,197,676	247,470,159
		=====	=====

These accounts should be read with the annexed notes.

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

	NOTE	1997	1996
		(Rupees)	
SALES	17	532,173,274	512,376,605
Cost of sales	18	436,222,785	399,973,278
		-----	-----
Gross profit		95,950,489	112,403,327
Administration and selling expenses	19	15,154,549	11,168,778

		80,795,940	101,234,549
Financial charges	20	16,794,992	10,742,471
Other charges	21	913,055	1,366,331
Other income	22	(1,366,426)	(1,424,931)
Workers' Profit Participation Fund		3,222,716	4,527,534
		19,564,337	15,211,405
Net profit for the year		61,231,603	86,023,144
Taxation	23	2,660,866	2,561,883
Profit after taxation		58,570,737	83,461,261
Accumulated profit brought forward		25,031,157	4,649,896
Profit available for appropriation		83,601,894	88,111,157
Appropriations:			
Proposed dividend @50% (1996: @ 60%)		20,400,000	24,480,000
Interim dividend @ 30% (1996:40%)		12,240,000	13,600,000
Transfer to general reserve		18,000,000	25,000,000
		50,640,000	63,080,000
Accumulated profit carried forward		32,961,894	25,031,157
		=====	=====

These accounts should be read with the annexed notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 1997

	1997	1996
	(Rupees)	(Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	61,231,603	86,023,144
Adjustment for:		
Depreciation	6,367,009	7,025,811
Amortization	900,442	2,837,869
Provision for diminution in value of investment	1,541,821	--
Operating profit before working capital changes	70,040,875	95,886,824
(Increase)/decrease in:		

Stores, spares and loose tools	450,886	(2,018,910)
Stock-in-trade	701,926,241	(84,433,795)
Trade debts	(42,151,666)	(13,808,322)
Advances, deposits, prepayments and other receivables	9,520,079	(11,665,003)
	-----	-----
	38,011,923	(111,926,030)
Increase/(decrease) in:		
Short-term finance under mark-up arrangement- secured	(30,000,000)	(1,505,383)
Creditors, accrued and other liabilities	(3,028,340)	53,501,849
	-----	-----
	(33,028,340)	51,996,466
	-----	-----
	4,983,583	(59,929,564)
	-----	-----
Cash generated through operations	75,024,458	35,957,260
Taxes paid	(2,668,219)	(3,620,139)
Dividend paid	(36,720,000)	(23,800,000)
Security deposit against lease arrangement	--	(1,547,250)
Advance rent	135,600	(391,600)
	-----	-----
	(39,252,619)	(29,358,989)
	-----	-----
Net cash after operating activities	35,771,839	6,598,271
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to assets	(398,329)	(288,799)
Capital work-in-progress	--	(23,800)
Investments	2,500,000	(577,700)
	-----	-----
	2,101,671	(890,299)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of right shares	13,600,000	--
Payment of lease rentals	(3,694,880)	(6,854,272)
Add: Cash and bank at beginning of the year	4,545,699	5,691,999
	-----	-----
Cash and bank at end of the year	52,324,329	4,545,699
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1997

1. NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public limited Company quoted on Karachi and Lahore Stock Exchanges. Its main business activity is manufacturing and marketing of Paper bags, packages and sacks.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared on the basis of historical cost 'convention'.

2.2 Staff retirement benefits

The Company operates an approved Provident Fund scheme and unapproved Gratuity scheme covering all eligible employees.

2.3 Fixed assets and depreciation

2.3.1 Operating assets

Operating fixed assets except leasehold land and capital work-in-progress are stated at cost less accumulated depreciation. Leasehold land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method. Full year's depreciation is charged on additions while no depreciation is charged on assets deleted.

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

Gain or loss on disposal of assets, if any, are included in income currently.

2.3.2 Assets subject to finance lease

Assets subject to finance lease are stated at lower of the present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets.

2.4 Deferred costs

Deferred costs are amortized over a period of sixty months from the date the Company commenced its commercial production.

2.5 Investments

Investments are stated at cost. However, provisions are made for permanent diminution in value of investments, if any.

2.6 Stores, spares and loose tools

These, except items-in-transit, are valued at first-in -first-out basis. Items-in-transit are stated at invoice value plus other charges paid thereon to the balance sheet date.

2.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost signifies in relation to raw material on first-in-first-out basis whereas finished goods at weighted average cost comprising direct material, labour and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

2.8 Foreign currency translation

Assets and liabilities in foreign currency are translated into Pakistani rupee at the rate of exchange approximating to those prevalent at the balance sheet date except liabilities covered under forward contracts which are translated at the contractual rates.

2.9 Revenue recognition

2.9.1 Sales

Revenue from sales is recognised upon passage of title to the customers which generally coincides with physical delivery.

2.9.2 Investments

Return on investments is recognised at the rates specified in the respective investment schemes and accrued for the period. The income is recognised on the assumption that such investments will be held till the next terminal date.

Income in respect of dividend is recognised on receipt basis.

1997	1996
(Rupees)	(Rupees)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

4,080,000 (1996: 3,400,000) ordinary shares of Rs.10/- each fully paid in cash	40,800,000	34,000,000
	=====	=====
4. RESERVES		
Capital reserve		
Premium on issue of right shares	6,800,000	--
General Reserve	-----	-----
Balance as on 1 July	42,000,000	17,000,000
Transfer from profit anti loss account	18,000,000	25,000,000
	-----	-----
	60,000,000	42,000,000
Unappropriated profit	32,961,894	25,031,157
	-----	-----
	99,761,894	67,031,157
	=====	=====
	1997	1996
	(Rupees)	

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 1 July	30,500,000	6,854,272
Assets acquired during the year	--	30,500,000
	-----	-----
	30,500,000	37,354,272
Less:		
Payments made	3,694,880	6,854,272
Current portion of liability	4,512,571	3,694,880
	-----	-----
	8,207,451	10,549,152
	-----	-----
	22,292,549	26,805,120
	=====	=====

5.1 Represents the balance of total lease rentals due under the lease agreement aggregating Rs. 30.5 million (1996: Rs. 30.5 million) and are payable in 20 quarterly instalments. Financing rate of approximately 20.5 percent per annum has been used as discounting factor.

5.2 Instalments are payable in the following periods:

Year	1997	1996
	(Rupees in '000)	
1996 - 1997	--	3,694
1997 - 1998	4,512	4,512
1998 - 1999	5,511	5,511
1999 - 2000	6,730	6,730
2000 - 2001	8,220	8,220

6. SHORT-TERM FINANCE UNDER MARK-UP ARRANGEMENTS- secured

	Note	1997	1996
		(Rupees)	
Finance against import of merchandise	6.1	--	30,000,000
Running finance under mark-up arrangement	6.2	--	--
		-----	-----
		--	30,000,000
		=====	=====

6.1 The Company has acquired facility of finance against import of merchandise of Rs. 40 million (1996: Rs. 30 million) from a commercial bank at mark-up of 54 paisa per Rs. 1,000/- per day on daily product basis. The facility is secured by way of charge against hypothecation of stock and pledge of investments.

6.2 The Company has a short-term financing facility of Rs. 15 million (1996:Rs.15 million) from a commercial bank at a mark-up of 54 paisa per Rs.1,000/- per day on daily product basis. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facility is secured by way of charge against hypothecation of stock and pledge of investments.

1997	1996
(Rupees)	(Rupees)

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Due to an associated company	7.1	404,495	817,207
Creditors		6,449,700	1,284,062
Bills payable		29,307,598	35,772,183

Duties payable		17,495,403	11,354,149
Accrued liabilities		1,196,575	4,204,270
Workers' Profit Participation Fund	7.2	3,381,298	4,695,684
Unclaimed dividend		195,593	2,392,847
Others		--	938,600
		-----	-----
		58,430,662	61,459,002
		=====	=====

7.1 The maximum aggregate amount due to an associated company at the end of any month during the year was Rs. 1.66 million (1996: Rs. 1.146 million)

7.2 Workers' Profit Participation Fund

Opening balance		4,695,684	888,268
Add: Interest thereon		--	149,895
		-----	-----
		4,695,684	1,038,163
Less: Paid during the year		4,537,102	870,013
		-----	-----
		158,582	168,150
Add: Contribution for the year		3,222,716	4,527,534
		-----	-----
		3,381,298	4,695,684
		=====	=====

Full provision has been made for contribution to the fund. The contribution and interest thereon is paid annually to the fund from Company's working capital.

1997 1996
(Rupees in '000)

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees issued by a Commercial bank		25,056	32,923
		=====	=====
8.2 Letters of credit issued by a Commercial bank		85,401	16,501
		=====	=====
8.3 Duties payable on bonded stock		862	38,831
		=====	=====
8.4 lease rentals payable against operating lease:			

Year

1997 1996
(Rupees)

1996 - 1997	--	149,700
1997 - 1998	149,700	149,700
1998 - 1999	149,700	149,700
1999 - 2000	37,400	37,400

9. OPERATING ASSETS

9.1 The following is a statement of operating assets:

	Cost at 1 July 1996	Additions/ Reclassi- fication	Cost at 30 June 1997	D E P R E C I A T I O N			Book Value at 30 June 1997	Dep. Rate %
				At 1 July 1996	Charged during the year	Accumulated at 30 June 1997		
Land-leasehold	1,442,807	--	1,442,807	--	--	--	1,442,807	
Building on leasehold land	7,915,751	--	7,915,751	2,181,179	393,801	2,574,980	5,340,771	5-10
Plant and machinery	49,217,795	52,360	49,270,155	18,735,262	3,053,489	21,788,751	27,481,404	10
Power and other installations	613,402	56,725	670,127	228,590	44,154	272,744	397,383	10
Vehicles	236,429	--	236,429	141,509	18,984	160,493	75,936	20
Furniture, fixtures and other equipments	1,111,781	313,044	1,424,825	360,132	111,581	471,713	953,112	10-20
-----	-----	-----	-----	-----	-----	-----	-----	
1997-Rupees	60,537,965	422,129	60,960,094	21,646,672	3,622,009	25,268,681	35,691,413	
=====	=====	=====	=====	=====	=====	=====	=====	
1996-Rupees	12,390,406	268,799	60,537,965	17,670,861	3,975,811	21,646,672	38,891,293	
		47,858,760						
=====	=====	=====	=====	=====	=====	=====	=====	
				1996 (Rupees)	1997 (Rupees)			

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

Cost of sales	3,529,547	3,891,667
Administration and selling expenses	92,462	84,144
	-----	-----
	3,622,009	3,975,811
	=====	=====

10. ASSETS SUBJECT TO FINANCE LEASE

10.1 The following is a statement of assets subject to finance lease:

DEPRECIATION

	Cost at 1 July 1996	Additions/ (Reclassi- fication)	Cost at 30 June 1997	At 1 July 1996	Charged during the year	Accumulated at 30 June 1997	Book Value at 30 June 1997	Dep. Rate %
Plant and machinery	30,500,000	--	30,500,000	3,050,000	2,745,000	5,795,000	24,705,000	10
Rupees	30,500,000	--	30,500,000	3,050,000	2,745,000	5,795,000	24,705,000	
1996-Rupees	47,858,760	30,500,000 (47,858,760)	30,500,000	--	3,050,000	3,050,000	27,450,000	

Note

1997
(Rupees)1996
(Rupees)

10.2 The depreciation charge for the year has been allocated to cost of sales:

2,745,000	3,050,000
=====	=====

11. INVESTMENTS

Foreign Exchange Bearer
Certificates

11.1

3,225,000

3,225,000

In an associated undertaking quoted
Cherat Cement Company Limited
123,125 (1996: 123,125) fully paid
ordinary shares of Rs. 10/- each;

4,096,659

4,096,659

Provision for diminution in value of investment

1,541,821

--

2,554,838

4,096,659

5,779,838

7,321,659

11.1 Represent Foreign Exchange Bearer Certificates of the face value of Rs. 3 million, market value Rs. 3.075 million (1996: Rs. 3.225 million). The above investment has a maturity of six years and carries mark-up at a rate of 22 percent per annum. It has been placed with a commercial bank as collateral security against the financing facility under mark-up arrangement.

	Note	1997 (Rupees)	1996 (Rupees)
12. LONG-TERM ADVANCES, DEPOSITS AND DEFERRED COSTS			
Long-term advances		335,200	470,800
Deposits		937,250	1,242,250
Others		13,245	13,245
Deferred costs			
Preliminary expenses	12.1	1,301,944	1,301,944
Unallocated pre-production expenses	12.2	1,571,223	1,571,223
Financing charges under lease incurred during pre-production period		3,705,507	3,705,507
Commitment charges		218,559	218,559
Others		17,500	17,500
		-----	-----
		6,814,733	6,814,733
Less: Amortization		6,814,733	6,219,291
		-----	-----
		--	595,442
		-----	-----
		1,285,695	2,321,737
		=====	=====

12.1 Represents incorporation and share issue expenses including Rs. 118,400/- on account of commission and brokerage on issue of shares.

12.2 Represents formation and development expenditure incurred during pre-production period net of return on investments and bank deposits amounting to Rs. 340,101/-

	1996 (Rupees)	1997 (Rupees)
13. STOCK-IN-TRADE		
Raw and packing material		
In hand	36,722,715	45,324,680
In bonded warehouse	2,614,649	69,003,232
	-----	-----
Finished Goods	39,337,364	114,327,912
	6,898,492	2,100,568
	-----	-----

46,235,856	116,428,480
=====	=====
1997	1996
(Rupees)	

14. TRADE DEBTS -UNSECURED, CONSIDERED GOOD

Due from an associated undertaking	8,649,919	--
Others	56,430,421	22,928,674
	-----	-----
	65,080,340	22,928,674
	=====	=====

14.1 The maximum aggregate amount due from Cherat Cement Company Limited - an associated company at the end of any month during the year was Rs.18.43 million (1996: Rs. 15.37 million).

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Unsecured, considered good		
Employees	70,882	105,723
Suppliers	73,611	826,488
Income tax	741,762	734,409
Sales tax	--	3,822,174
Excise duty	1,033,100	154,916
	-----	-----
	1,919,355	5,643,710
Deposits	1,720,950	182,600
Margin held by bank	3,386,850	8,307,950
Prepayments		
Letters of Credit	--	332,282
Others	143,100	135,600
Current maturity of security deposits	305,000	305,000
Other receivables		
Accrued return on investment	2,605,337	2,056,587
Octroi refundable	847,758	2,835,732
Medical and insurance claim	75,744	139,060
Others	205,742	784,041
	-----	-----
	3,734,581	5,815,420

		-----	-----
		11,209,836	20,722,562
		=====	=====
16. CASH AND BANK BALANCES			
With banks:			
- PIs account		40,967,684	--
- Current accounts		11,350,088	4,527,257
- Cash in hand		6,557	18,442
		-----	-----
		52,324,329	4,545,699
		=====	=====
17. SALES - Net			
Sales		650,316,190	591,795,360
Less:			
Sales tax		91,533,957	53,799,870
Excise duty		26,608,959	25,618,885
		-----	-----
		118,142,916	79,418,755
		-----	-----
		532,173,274	512,376,605
		=====	=====
18. COST OF SALES			
Raw and packing material consumed			
Opening stock		114,327,912	30,771,901
Purchases	18.1	345,970,105	467,173,911
		-----	-----
		460,298,017	497,945,812
Closing stock		(39,337,364)	(114,327,912)
		-----	-----
		420,960,653	383,617,900
Manufacturing overheads			
Salaries, wages and benefits		2,800,133	2,326,911
Stores, spares and loose tools		1,402,757	833,053
Fuel, power and water		840,719	989,222
Packing charges		3,399,848	2,531,859
Rent, rates and taxes		720	25,000
Repairs and maintenance		3,544,169	1,969,735
Depreciation		6,274,547	6,941,667
Insurance		1,589,407	1,033,929
Others		207,756	581,786

	-----	-----
	20,060,056	17,233,162
	-----	-----
Cost of goods manufactured	441,020,709	400,851,062
Finished goods		
Opening	2,100,568	1,222,784
Closing	(6,898,492)	(2,100,568)
	-----	-----
	(4,797,924)	(877,784)
	-----	-----
	436,222,785	399,973,278
	=====	=====

18.1 Included in purchases an amount of Rs. 6.14 million (1996: Rs. 11.3 million) relating to regulatory duty at the rate of 10% on imports of raw material. The Company has filed a petition in Honourable High Court of Peshawar for the exemption of regulatory duty levied on letters of credit opened before October 29, 1995 and 25 % on subsequent letters of credit as per SRO 108(1)/95 dated February 12, 1995. The case has been decided in favour of the Company, however Department of Custom has filed an appeal before the Supreme Court of Pakistan, Peshawar Bench against the impugned order of High Court of Peshawar. Pending the decision the Company as a matter of prudence has made full provision of regulatory duty in these accounts.

	1996	1997
	(Rupees)	(Rupees)
19. ADMINISTRATION AND SELLING EXPENSES		
Salaries, wages and benefits	4,148,860	3,237,745
Directors' fee	8,000	5,500
Travelling and conveyance	274,678	221,936
Vehicle running expenses	479,382	304,788
Communications	689,797	472,376
Printing and stationery	299,631	116,902
Rent, rates and taxes	654,913	277,613
Legal and professional charges	102,085	130,040
Insurance	1,318,791	1,265,451
Auditors' remuneration	19.1 208,600	129,955
Subscription	162,022	11,000
Advertisement	181,116	270,330
Entertainment	6,527	7,644
Depreciation	92,462	84,144
Provision for diminution in value of investment	1,541,821	--

Freight and Cartage	2,525,102	2,254,692
Selling commission	2,253,299	2,145,556
Repairs and maintenance	20,258	45,934
General office expenses	151,746	104,223
Others	35,459	82,949

-----	-----
15,154,549	11,168,778
=====	=====

19.1 Auditors' Remuneration

Audit fee	40,000	25,000
Out of pocket expenses	1,500	9,555
Tax services	148,500	84,150
Other services	18,600	11,250

-----	-----
208,600	129,955
=====	=====

Note	1997	1996
	(Rupees)	(Rupees)

20. FINANCIAL CHARGES

Mark-up:

On finance lease	5,907,972	1,664,870
On running finance	1,283,776	1,429,655
On short-term loan	7,936,460	5,950,545
Interest on Workers' Profit Participation Fund	--	149,895
Guarantee commission	721,321	658,487
Excise duty on running finance	326,848	339,136
Bank charges and duties	618,615	549,883

-----	-----
16,794,992	10,742,471
=====	=====

OTHER CHARGES

Amortization of deferred costs		900,442	1,362,944
Donations	21.1	12,613	3,387

-----	-----
913,055	1,366,331
=====	=====

21.1 Recipients of donation do not include any donee in whom any director or his spouse had an interest.

22. OTHER INCOME

Return on :

CAA bearer bonds	--	308,217
Foreign Exchange Bearer Certificates	705,000	646,870
	-----	-----
	705,000	955,087
Scrap sales	292,051	469,844
Dividend income	369,375	--
	-----	-----
	1,366,426	1,424,931
	=====	=====

23. TAXATION

The Company enjoys tax holiday under clause (122 c) of the Second Schedule to the Income Tax Ordinance, 1979 for a period of ten years from the date of commencement of commercial production. However, provision has been made in these accounts in accordance with section 80 (D) of the Income Tax Ordinance, 1979.

24. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

24.1 No remuneration of any sort was paid to the Chief Executive or any of the directors of the Company.

25. CAPACITY

Installed capacity	24.0 million bags per annum based on single shift working for 320 days.
Production during the year.	45.55 million bags (1996:44.56 million bags).
Present capacity utilised	190% (1996:183%) approximately based on single shift working.

1997 1996
(Rupees in '000)

26. TRANSACTIONS WITH ASSOCIATED COMPANIES

Sale of goods	197,746	208,988
Rent	56	180
Services rendered by an associated undertaking	934	488

Purchases	114	73
Commission	2,217	2,146

27. CORRESPONDING FIGURES

Certain prior year% figures have been re-arranged.

**Pattern of holdings of the shares held by the Shareholders
as at June 30, 1997.**

Number of Shareholder	Shareholdings		Shares Held	Percentage
	From	To		
43	1	100	3960	0.10
137	101	500	51300	1.26
126	501	1000	96960	2.38
134	1001	5000	338270	8.29
52	5001	10000	392720	9.63
20	10001	15000	256610	6.29
15	15001	20000	271800	6.66
10	20001	25000	219390	5.38
1	25001	30000	25350	0.62
2	30001	35000	62800	1.54
1	35001	40000	40000	0.98
2	40001	45000	85400	2.09
2	45001	50000	96760	2.37
1	55001	60000	58760	1.44
1	95001	100000	96700	2.37
1	110001	115000	112680	2.76
1	165001	170000	169820	4.16
1	175001	180000	180000	4.41
1	235001	240000	240000	5.88
2	295001	300000	600000	14.71
1	320001	325000	320720	7.86
1	355001	360000	360000	8.82

555			4080000	100.00
=====				

NOTE: Incremental grouping of 5000 after initial break up upto 50,000 has only been reported for those slabs where there is Shareholding.

Categories	Shareholders	Shareholding	Percentage
Individuals	535	1828460	44.82
Insurance Companies	3	231380	5.67
Private Limited Companies	6	690640	16.93
Public Limited Companies	2	420000	10.29
Financial Institutions	8	859520	21.07
Foreign Company	1	50000	1.22
	-----	-----	-----
	555	4080000	100.00
	=====	=====	=====