

CHERAT PAPER SACK LIMITED ANNUAL REPORT 2004

Board of Directors

Mr. Mohammed Faruque
Mr. Zahid Faruque
Mr. Iqbal Faruque
Mr. Ahmad Faruque
Mr. Mahmood Faruque
Mr. Akbarali Pesnani
Mr. Shehryar Faruque
Mr. Amer Faruque
Mr. Omar Faruque

Chairman
Chief Executive / Managing Director
Director
Director
Director
Director
Director
Director
Director
Chairman
Member
Member

Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque
Mr. Zahid Faruque
Mr. Iqbal Faruque

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisors

K.M.S. Law Associates

Bankers

ABN Amro Bank
Allied Bank Ltd.
Habib Bank Ltd.
Muslim Commercial Bank Ltd.
National Bank of Pakistan
PICIC Commercial Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank Ltd.

Registered Office

1st Floor, Betani Arcade,
Jamrud Road,
Peshawar.

Factory

Plot No. 26,
Gadoon Amazai Industrial Estate
Distt. Swabi,
N.W.F.P.

Regional Office

3, Sunder Das Road,
Lahore.

Head Office

Modern Motors House,
Beaumont Road,
Karachi-75530.

Islamabad Office

Mezzanine Floor,
Razia Sharif Plaza, 91-Blue Area
Islamabad.

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2004

The Board of Directors has pleasure in reporting the performance of your company for the financial year

ended June 30, 2004.

OVERVIEW

In presenting this report, the Board must record, with considerable satisfaction that the economy of Pakistan continued to flourish with most of the prominent sectors of business recording continued growth and economic indicators remaining positive.

PERFORMANCE OF THE COMPANY

The revival of construction activities in Pakistan and Afghanistan, with the consequential increased demand for cement, has benefited the company with marginally improved sales of cement bags as evident from the financial report. The Government must be congratulated for their bold initiatives and policies towards assisting the commercial and industrial sectors.

Production and dispatches

Output for the financial year, under review, was satisfactory reflecting an increase to 57.73 million bags as against 55.48 million bags in the year 2002/03, an improvement of 2.25 million bags. Quantity of bags dispatched also increased by 2.31 million bags i.e. 4% as compared to last year. The increased dispatches, however, is not reflected in an improvement in the net sales due to a drop in the average selling price of cement bags.

The results indicate a more vigorous marketing strategy adopted to retain your company's position in the market against competitors but at a cost of reduced revenue.

The comparative figures of production and dispatches are as follows:

	2003/04	2002/03	Variance
	(bags in million)	(bags in million)	(in % age)
Production	57.73	55.48	4%
Dispatches	57.82	55.51	4%

Marketing

In spite of increase by 4% in the quantity of bags dispatched during the year, sales in financial terms did not increase in the same proportion due to drop in the average selling price. By pursuing an aggressive marketing policy, the company was able to counter the threat posed by the influx of imported bags in the country. Sale of bags, during the year, realized Rs. 571 million as against Rs. 594 million in the previous year. The company is actively exploring new regional markets for its bags and has achieved some success in this respect.

Financial performance

The drop in the average selling price resulted from the heavy influx of imported bags into the country and as indicated earlier, our having to meet intense competition from other manufacturers of the same product. It will be noted from the accompanying financial statements that the average per bag rate for the year 2003/04 dropped to Rs. 9.90 against the 2002/03 figure of Rs. 10.70 per bag. There is a reduction in the selling price of Rs. 0.80 per bag, which figure if reflected into the year 2003/04 dispatches, will show a loss in revenue of Rs. 46.26 million, which is a substantial figure.

The Company has been declaring regular dividends to its shareholders.

There is nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.

The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investment of the funds as on 30th June 2004.

- Provident Fund	Rs. 7.21 million
- Gratuity Fund	Rs. 6.75 million

In the year 2003/04, the Board of Directors of the Company held four (4) meetings. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Mohammed Faruque	4/4
Mr. Zahid Faruque	4/4
Mr. Iqbal Faruque	3/4
Mr. Ahmad Faruque*	1/4
Mr. Mahmood Faruque	2/4
Mr. Akbarali Pesnani	3/4
Mr. Shehryar Faruque	4/4
Mr. Amer Faruque	4/4
Mr. Omar Faruque**	4/4
Mr. Al-Malik Khoja (NIT)**	1/1

EXPANSION OF PRODUCTION FACILITIES

In order to cope with the increased demand for paper bags from the cement industry, the Board of Directors of the Company has decided to procure another tuber and bottomer for the plant. This will enhance our existing production capacity, which would enable us to meet the demand for paper bags not only in Pakistan but also abroad.

FUTURE PROSPECTS

With the revival of developmental activities in the country, the cement industry is poised for robust growth in demand. The company is fully geared to meet the enhanced demand for paper bags from the cement industry. Further, the company is also exploring new regional markets for its paper bags actively.

AUDITORS

The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for reappointment.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. However, at present there is no independent non-executive director on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on October 16, 2003 was filled up within fourteen days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant

policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises of senior corporate executives and professionals who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.
10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment, as determined by the CEO. The Head of Internal Audit was appointed prior to enforcement of the Code of Corporate Governance. However, in future whenever new appointment takes place, remuneration and other terms of employment will be referred to the Board of Directors for approval.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2004 prepared by the Board of Directors of Cherat Papersack Limited to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year under review.

YEARWISE STATISTICAL SUMMARY

	2004	2003	2002	2001	2000	1999	1998
					(Bags in million)		
Production	57.73	55.48	46.62	51.91	59.87	54.42	50.84

Dispatches	57.82	55.51	47.55	51.08	60.02	54.28	51.25
ASSETS EMPLOYED					(Rs. in '000)		
Fixed Assets	54,189	54,563	41,718	45,950	49,666	55,050	58,758
Investments and Long-term advances & Deposits	27,657	24,055	27,469	21,445	18,480	7,624	11,238
Current Assets	320,948	254,645	199,073	344,057	272,251	270,801	265,976
Total Assets Employed	402,794	333,263	268,260	411,452	340,397	333,475	335,972
FINANCED BY							
Shareholders' Equity	274,000	256,003	225,659	227,763	227,955	216,014	188,579
Long-term Liabilities	114	265	395	-	-	10,051	16,781
Deferred Liabilities	6,136	2,448	6,968	3,044	1,805	1,482	1,018
Current Liabilities	122,544	74,547	35,238	180,645	110,637	105,928	129,594
Total Funds Invested	402,794	333,263	268,260	411,452	340,397	333,475	335,972
TURNOVER & PROFIT							
Turn over (net)	571,255	594,163	484,825	534,354	615,559	590,173	535,542
Operating Profit/(Loss)	59,378	112,666	19,767	-5,230	75,867	91,410	100,356
Profit before taxation	62,544	115,424	18,487	19,862	74,179	85,300	91,494
Profit after taxation	42,477	75,224	10,136	16,128	71,101	82,515	88,817
Cash dividend	24,480	44,880	12,240	16,320	59,160	55,080	40,800
Issue of Bonus Shares	8,160						
Transfer to Reserves	-	30,000	-	10,000	15,000	25,000	40,000
Profit carried forward	38,240	28,403	28,059	30,163	40,355	43,414	40,979

STATEMENT OF ETHICS & BUSINESS PRACTICES

The business policy of the company is based on the principles of honesty, integrity and professionalism at every stage.

Product Quality

Regularly update ourselves with technological advancements and emerging trends to produce bags/sacks under highest standards and maintain all relevant technical and professional standards.

Dealing with Employees

Provide congenial work atmosphere where all employees are treated with respect and dignity. Recognize and reward employees based on their performance and their ability to meet goals and objectives.

Responsibility to interested parties

To be objective, fair and transparent in our dealings with people who have reposed their confidence in us.

Financial Reporting & Internal Controls

To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders and fulfill the regulatory requirements.

Procurement of Goods & Services

Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any good or service, obtain quotations from various sources.

Conflict of Interest

All the acts and decisions of the management be motivated by the interest of the company and activities and involvements of the directors and employees in no way conflict with the interest of the company.

Adherence to laws of the land

To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity and produce and supply paper bags/sacks with care and competence, so that our clients receive the quality they truly deserve.

BALANCE SHEET AS AT JUNE 30, 2004

	Note	2004	2003
		----- (Rupees '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets - Tangible			
Operating assets - at book value	3	53,570	54,194
Asset subject to finance lease	4	295	369
Capital work-in-progress - civil works		324	-
		54,189	54,563
Long-term investments	5	27,010	23,509
Long-term loans and deposits	6	647	546
		81,846	78,618
CURRENT ASSETS			
Stores, spares and loose tools	7	10,583	10,516
Stock-in-trade	8	172,986	105,400
Trade debts	9	56,030	31,821
Loans, advances, deposits, prepayments and other receivables	10	5,411	10,221
Investments		-	9,762
Taxation - net		4,509	-
Cash and bank balances	11	71,429	86,925
		320,948	254,645
		402,794	333,263
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
5,000,000 (2003: 5,000,000) ordinary shares of Rs.10/- each		50,000	50,000
Issued, subscribed and paid-up capital	12	40,800	40,800
Reserve for issue of bonus shares		8,160	-
Share premium reserve		6,800	6,800
General reserve		180,000	180,000
Accumulated profit		38,240	28,403
		274,000	256,003
NON-CURRENT LIABILITIES			
Liability against asset subject to finance lease	13	114	265
Deferred taxation	14	6,136	2,448
		6,250	2,713
CURRENT LIABILITIES			
Current maturity of liability against asset subject to finance lease	13	151	130
Creditors, accrued and other liabilities	15	108,806	24,779
Taxation - net		-	23,866
Unclaimed dividend		1,347	1,292
Proposed dividend		12,240	24,480
		122,544	74,547
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	16	402,794	333,263

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Cherat Papersack Limited as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on

these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2004** and of the profit, its cash flows and changes in equity for the year then ended; and

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

CASH FLOW STATEMENT FOR THE YEAR

ENDED JUNE 30, 2004

	NOTE	2004	2003
		----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before taxation		62,544	115,424
Adjustment for:			
Depreciation	3.2 & 4	6,167	6,188
Gain on disposal of fixed assets		.	-163
Financial charges	22	526	397
Return on investment		-4,932	-5,017
Reversal of provisions		-	(1,290)
Operating profit before working capital changes		64,305	115,539
(Increase) / decrease in:			
Stores, spares and loose tools		-67	1,184
Stock-in-trade		-67,586	-44,225
Trade debts		-24,209	47,082
Loans, advances, deposits, prepayments and other receivables		4,810	2,141

Increase / (decrease) in:			
Creditors, accrued and other liabilities		84,027	3,739
		-3,025	9,921
Cash generated from operations		61,280	125,460
Income tax paid		-44,754	-12,443
Interest paid		-476	-400
		-45,230	-12,843
Net cash inflow from operating activities		16,050	112,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets	3	-5,469	-19,045
Sale proceeds of fixed assets		.	175
Capital work-in-progress		-324	-
Proceeds from short term investments		11,193	.
Long term loans and deposits		-101	-180
Net cash generated from / (used in) investing activities		5,299	-19,050
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		-180	-180
Dividend paid		-36,665	-32,197
Net cash used in financing activities		-36,845	-32,377
Net (decrease) / increase in cash and cash equivalents		-15,496	61,190
Cash and cash equivalents at the beginning of the year		86,925	25,735
Cash and cash equivalents at the end of the year		71,429	86,925

**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED JUNE 30, 2004**

	Note	2004	2003
		----- (Rupees "000) -----	
SALES - Net	17	571,255	594,163
Cost of goods sold	18	490,138	462,052
GROSS PROFIT		81,117	132,111
Administrative expenses	19	6,332	5,726
Selling expenses	20	15,407	13,719
		21,739	19,445
OPERATING PROFIT		59,378	112,666
Other income	21	7,889	11,717
		67,267	124,383
Financial charges	22	526	397
Workers' Profit Participation Fund	15.1	3,337	6,199
Workers' Welfare Fund		860	2,363
		4,723	8,959
PROFIT BEFORE TAXATION		62,544	115,424
TAXATION - for the year		20,379	41,000
- prior year		-4,000	-
- deferred		3,688	-800
	23	20,067	40,200
PROFIT AFTER TAXATION		42,477	75,224
ACCUMULATED PROFIT BROUGHT FORWARD		28,403	28,059
PROFIT AVAILABLE FOR APPROPRIATION		70,880	103,283
APPROPRIATIONS:			
Interim dividend @ Rs. 3 per share (2003: Rs. 5 per share)		-12,240	-20,400
Proposed final cash dividend @ Rs. 3 per share (2003: @ Rs. 6 per share)		-12,240	-24,480
Proposed issue of bonus shares @ 20% (1 share for every 5 shares held) (2003: Nil)		-8,160	-
Transfer to general reserve		-	-30,000
		-32,640	-74,880
ACCUMULATED PROFIT CARRIED FORWARD		38,240	28,403

Balance as at July 01 , 2002	40,800	-	6,800	150,000	28,059	225,659
Net profit for the year 2002-2003	-	-	-	-	75,224	75,224
	40,800	-	6,800	150,000	103,283	300,883
Interim dividend @ Rs. 51- per share	-	-	-	-	-20,400	-20,400
Proposed final dividend @ Rs. 6/- per share	-	-	-	-	-24,480	-24,480
Transfer to general reserve	-	-	-	30,000	-30,000	.
	-	-	-	30,000	-74,880	-44,880
Balance as at June 30, 2003	40,800	-	6,800	180,000	28,403	256,003
Net profit for the year 2003-2004	-	-	-	-	42,477	42,477
	40,800	-	6,800	180,000	70,880	298,480
Interim dividend @ Rs. 3 per share	-	-	-	-	-12,240	-12,240
Proposed final cash dividend @ Rs. 3 per share	-	-	-	-	-12,240	-12,240
Proposed issue of bonus shares @ 20%	-	8,160	-	-	-8,160	.
	-	8,160	-	-	-32,640	-24,480
Balance as at June 30, 2004	40,800	8,160	6,800	180,000	38,240	274,000

Revenue recognition

Sales

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

Interest and dividend

Return on held to maturity investments is recognized on accrual basis taking into account effective yield on investments.

Dividend income is recognized when the right to such income is established.

Staff retirement benefits

Gratuity scheme

The company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of previous reporting period. These gains or losses are recognised over the expected remaining working lives of the employees participating in the scheme.

Provident fund

The company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal contributions are made by the company and the employees to the fund at the rate of 8.33 % of basic salary.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Current

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

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is recognized for all deductible temporary differences and carry forward of unused tax losses to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

In associates

Investments in associates are stated at cost less provision for impairment, if any, in the value of such investments.

Held-to-maturity investments

These represent investments with fixed maturity in respect of which the company has the positive intent and ability to hold till maturity. These investments are initially recognised at cost and are subsequently carried at amortised cost.

Stores, spares and loose tools

These are valued at lower of average cost and estimated net realisable value except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date. Provision / write off, if required is made in the accounts for slow moving and obsolete items.

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 - Purchase cost and direct expenses.

Finished goods - Cost of direct material, labour and proportion of 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.

Trade debts

Trade debts are recognised at invoice value less provision for uncollectable amounts. Provision for doubtful debts is based on management assessment of customer's outstanding and credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

Financial Instruments

All financial assets and liabilities are recognised at the time when the company becomes party to the contractual provisions of the instrument. These are derecognised in case of assets, when the contractual rights under the instrument are realised, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expires.

Any resulting gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

Foreign currency translations

Transactions in foreign currencies are translated to Pak Rupee at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pak Rupee at the foreign exchange rate ruling at that date.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise current and PLS accounts

and term deposit receipts with the commercial banks.

LONG-TERM INVESTMENTS

In an associated company - quoted
Cherat Cement Company Limited
123,125 (2003: 123,125) fully paid ordinary
shares of Rs.10/- each
[Market value Rs. 8.834 million (2003: Rs. 4.186 million);
Held to maturity investments
Defence Saving Certificates
Foreign Exchange Bearer Certificates

Note	2004	2003
----- (Rupees '000) -----		
	4,097	4,097
	22,913	19,412
	-	9,762
	22,913	29,174
5.2.1-	27,010	9,762
		23,509

LONG-TERM LOANS AND DEPOSITS

Loans to executives - considered good
Less: Current portion

Security deposits
Others

Note	2004	2003
----- (Rupees '000) -----		
6.1 & 6.2	720559	
	-180	-140
	540	419
	94	114
	13	13
	647	546

Outstanding for the period:
- less than three years
- more than three years

2004	2003
----- (Rupees '000) -----	
637490	
8369	
720559	

STORES, SPARES AND LOOSE TOOLS

Stores
Spares
Loose tools

746443
9,7559,993
8280
10,58310,516

The depreciation charge for the year has been allocated to:

Manufacturing overheads
Administrative expenses
Selling expenses

Note	2004	2003
----- (Rupees '000) -----		
18	5,502	5,729
19	129	179
20	462	188
	6,093	6,096

STOCK-IN-TRADE

Raw material :
- In hand
- In bonded warehouse

Finished goods

54,840
117,599
172,439
547
172,986
51,825
52,335
104,160
1,240
105,400

TRADE DEBTS - unsecured

Considered good :
- An associated company
- Others

Note	2004	2003
----- (Rupees '000) -----		
9.1-	56,030	57
		31,764

	56,030	31,821
Considered doubtful	17,966	17,966
Less: Provision for doubtful debts	17,966	17,966
	56,030	31,821

Note **2004** **2003**
----- (Rupees '000) -----

10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Current portion of long-term loans to executives	6	180	140
Advances - unsecured, considered good :			
- Employees		12	28
- Suppliers		602	17
- Sales tax		.	2,101
- Letter of credit		166	328
		960	2,614
Earnest money		792	100
Guarantee margin held by bank		-	5,000
Prepayments		750	414
Other receivables :			
- Excise duty claim		362	362
- Profit on PLS accounts		239	87
- Warehousing surcharge claim		499	499
- Gratuity fund	10.1	1,807	197
- Others		2	948
		2,909	2,093
		5,411	10,221

Note **2004** **2003**
----- (Rupees %000) -----

15.1 Workers' Profit Participation Fund			
Opening balance		6,199	988
Contribution for the year		3,337	6,199
		9,536	7,187
Less: Paid during the year		6,229	988
		3,307	6,199

16. CONTINGENCIES AND COMMITMENTS

16.1 Guarantees issued by a commercial bank		4,321	1,713
16.2 Letters of credit issued by a commercial bank		33,640	112,563
16.3 Duties payable on bonded stock		11,403	14,169

17. SALES -Net

Gross sales		656,987	683,301
Less: Sales tax		85,732	89,138
		571,255	594,163

18. COST OF GOODS SOLD

Raw material consumed			
Opening stock		51,825	19,193
Purchases		453,284	457,608
		505,109	476,801
Closing stock		-54,840	-51,825
		450,269	424,976
Manufacturing overheads			
Salaries, wages and benefits	18.1	11,815	10,715
Stores, spares and loose tools		2,892	2,320
Fuel and water		1,777	1,593
Packing charges		4,430	4,071
Rent, rates and taxes		140	156
Repairs and maintenance		7,201	6,553

Depreciation	3.2 & 4.2	5,576	5,821
Insurance		2,526	2,244
General office expenses		55	24
Vehicle running expenses		823	738
Travelling and conveyance		772	1,148
Communication		224	249
Printing and stationery		47	64
Legal and professional charges		555	319
Freight and cartage		74	75
Obsolete stock - written off		119	246
Others		150	209
		39,176	36,545
Cost of goods manufactured		489,445	461,521
Finished goods			
Opening		1,240	1,771
Closing		-547	-1,240
		693	531
		490,138	462,052

2004 **2003**

----- (Number of shares) -----

Name of associated companies			
Faruque (Private) Limited		417,000	417,000
Cherat Cement Company Limited		240,000	240,000
Mirpurkhas Sugar Mills Limited		180,000	180,000
Greaves Pakistan (Private) Limited		300,000	300,000
		1,137,000	1,137,000

	2004	Present	Mir	imum Lease	2003	Present Value
	Minimum Lease		Value	Payments		
	Payments			Payments		
	----- (Rupees in '000) -----					

Within one year	180		151	180		130
After one year but not more than five years	119		114	299		265
Total minimum lease payments	299		265	479		395
Less: Amount representing finance charges	34		-	-84		-
Present value of minimum lease payments	265		265	395		395
Less: Current portion	-151		-151	-130		-130
	114		114	265		265

Note **2004** **2003**

----- (Rupees '000) -

DEFERRED TAXATION

Tax effect of temporary differences resulting from:
- accelerated tax allowance for depreciation
- leased asset

	6,126	2,457
	10	-9
	6,136	2,448

CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		3,679	3,009
Due to an associated company		-	4
Staff benefits payable		1,527	1,527
Bills payable		91,637	8,521
Sales tax payable		3,350-	
Accrued liabilities		4,118	3,156
Workers' Profit Participation Fund	15.1	3,307	6,199
Workers' Welfare Fund		1,188	2,363
		108,806	24,779

	2004	2003
	----- (Rupees '000) -----	
OTHER INCOME		
Return on:		
- Foreign Exchange Bearer Certificates (FEBCs)	1,431	758
- Defence Saving Certificates (DSCs)	3,501	4,259
Income on short-term bank deposits	2,313	4,264
Scrap sales	490	675
Dividend income from associated company	154	308
Profit on sale of fixed assets	.	163
Reversal of provision for impairment in the value of investments	-	1,290
	7,889	11,717
FINANCIAL CHARGES		
Mark-up on:		
- Finance lease	52	61
- Running finance	41	39
Guarantee commission	40	89
Bank charges and duties (Net of recoveries of Rs. 0.01 1 million against staff loan)	390	205
Interest on WPPF	3	3
	526	397
Profit before tax	62,544	115,424
Tax calculated @ 35% (2003: 35%)	21,890	40,398
Tax effect of income exempt from tax	-1,225	-
Effect of applicability of lower tax rate on certain income	-46	-92
Tax effects of prior period tax adjustments	-552	-106
Tax expense for the year	20,067	40,200
Effective average tax rate on accounting profit	32%	35%
24. EARNINGS PER SHARE - Basic and diluted		
Net profit for the year after tax (Rupees in '000')	42,477	75,224
Weighted average number of ordinary shares in issue during the year	4,080,000	4,080,000
Earnings per share - Basic and diluted	Rs. 10.41	Rs. 18.44

	Note	2004	2003
		----- (Rupees '000) -----	
19. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	19.1	3,534	3,018
Directors' fee		56	42
Travelling and conveyance		27	53
Vehicle running expenses		71	63
Communication		291	180
Printing and stationery		194	268
Rent, rates and taxes		423	396
Legal and professional charges		195	120
Insurance		171	136
Auditors' remuneration	19.2	392	550
Subscription		64	54
Advertisement		115	186
Entertainment		17	18
Depreciation	3.2	129	179
Donations	19.3	326	200
Repairs and maintenance		88	32

General office expenses		2	5
Utilities		191	173
Others		46	53
		6,332	5,726
Auditors' remuneration			
Audit fee		150	125
Tax, corporate and other services		205	400
Out of pocket expenses		37	25
		392	550
SELLING EXPENSES			
Salaries, wages and benefits	20.1	6,719	4,206
Travelling and conveyance		747	1,074
Vehicle running expenses		503	443
Communication		254	113
Utilities		381	294
Rent, rates and taxes		8	15
Insurance		242	228
Subscription		191	27
Depreciation	3.2	462	188
Freight and cartage		3,938	4,025
Sales services		1,359	2,775
Repairs and maintenance		443	303
Others		160	28
		15,407	13,719

The director is provided with furnished accommodation. Further, the director and some executives are provided with the use of company maintained car. The director and some executives are also provided with the residential telephone, electricity and gas facilities, which are reimbursed at actual to the extent of their entitlement.

27. UNAVAILED FINANCE FACILITIES

As of the balance sheet date the company has unavailed short-term financing facilities aggregating to Rs. 90 million (2003: Rs. 90 million) from commercial banks. The facilities are secured by way of charge over plant and machinery and hypothecation of stock and book debts.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise related group companies, local associated companies, directors and executives. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

	2004	2003
	----- (Rupees "000) -----	
Sale of goods	188,206	187,767
Services rendered	2,480	2,352
Sales services	1,359	2,775
Software consultancy charges	710	372
Contribution to staff provident and gratuity funds	3,306	4,518
Insurance premium	1,717	1,564
Dividend received	154	308
Dividend paid	10,233	9,096

30. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date is 31 (2003: 30).

31. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 14, 2004 by the Board of Directors of the company.

32. GENERAL

- Figures presented in these financial statements have been rounded off to the nearest thousand rupees.
- Certain prior year's figures have been re-arranged, wherever necessary consequent upon changes in current year's presentation. However, there were no material re-classifications.

Remuneration of Director and Executives

	2004		2003	
	Director	Executives	Directors	Executives
	(Rupees)			
Managerial remuneration	2,632	5,919	2,230	4,009
Housing allowance	437	1,796	458	1,426
Retirement benefits	360	842	290	529
Utilities	274	423	238	262
Leave fare assistance		405	38	264
	3,703	9,385	3,254	6,490
Number	1	18	2	16

Pattern of Shareholding as at June 30, 2004

Shareholders' Category

	Shares Held
Associated Companies	
Faruque (Private) Limited	417,000
Cherat Cement Company Limited	240,000
Mirpurkhas Sugar Mills Limited	180,000
Greaves Pakistan (Private) Limited	300,000
Government Institution	
National Bank of Pakistan (Trustee Dept.)	132,500
Directors and Chief Executive	
Mr. Mohammed Faruque	2,500
Mr. Zahid Faruque	40,850
Mr. Iqbal Faruque	2,500
Mr. Ahmad Faruque	1,950
Mr. Mahmood Faruque	25,350
Mr. Akbarali Pesnani	15,000
Mr. Shehryar Faruque	13,700
Mr. Amer Faruque	8,800
Mr. Omar Faruque	3,000
Directors' and Chief Executive's spouses	
Mrs. Nighat Faruque	44,520
W/o Mr. Mohammed Faruque	
Mrs. Asmat Faruque	15,500
W/o Mr. Zahid Faruque	
Mrs. Chaman Faruque	20,500
W/o Mr. Mahmood Faruque	
Mrs. Sakina Pesnani	10,120
W/o Mr. Akbarali Pesnani	
Mrs. Amina Faruque	17,000
W/o Mr. Amer Faruque	
Executives	7,000
Banks, Development Finance	904,020
Institutions, Non-banking Finance	
Institutions, Insurance Companies	
Modarabas and Mutual Funds	
Shareholders holding 10% or more voting interest	

Faruque (Private) Limited

417,000

Pattern of Shareholding as at June 30, 2004

No. of Shareholders	Share! From	olding To	Shares held	Percentage
58	1	100	4,498	0.1102
169	101	500	66,352	1.6263
134	501	1,000	115,200	2.8235
161	1,001	5,000	424,260	10.3985
30	5,001	10,000	231,360	5.6706
16	10,001	15,000	196,020	4.8044
10	15,001	20,000	174,600	4.2794
5	20,001	25,000	110,150	2.6998
3	25,001	30,000	78,350	1.9203
1	30,001	35,000	30,600	0.75
1	35,001	40,000	35,700	0.875
2	40,001	45,000	85,370	2.0924
2	45,001	50,000	96,760	2.3716
2	50,001	55,000	102,000	2.5
2	55,001	60,000	115,760	2.8373
2	60,001	65,000	120,400	2.951
1	65,001	70,000	67,900	1.6642
1	75,001	80,000	78,700	1.9289
1	110,001	115,000	114,140	2.7975
1	130,001	135,000	132,500	3.2475
1	140,001	145,000	144,200	3.5343
1	175,001	180,000	180,000	4.4118
1	190,001	195,000	192,000	4.7059
1	225,001	230,000	226,180	5.5436
1	235,001	240,000	240,000	5.8824
1	295,001	300,000	300,000	7.3529
1	415,001	420,000	417,000	10.2206
609			4,080,000	100

Categories of Shareholders as at June 30, 2004

Categories	No. of Shareholders	Shares held	Percentage
Individuals	569	1,854,480	45.4529
Financial Institutions	5	162,220	3.976
Insurance Companies	7	534,380	13.0975
Joint Stock Companies	20	1,268,500	31.0907
Modaraba	1	2,500	0.0613
Leasing Company	1	2,580	0.0632
Investment Companies	3	125,540	3.077
Mutual Fund	1	60,100	1.4730
Others	2	69,700	1.7084
	609	4,080,000	100