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annual report 2009

Cherat Papersack Limited
A Ghulam Faruque Group Company

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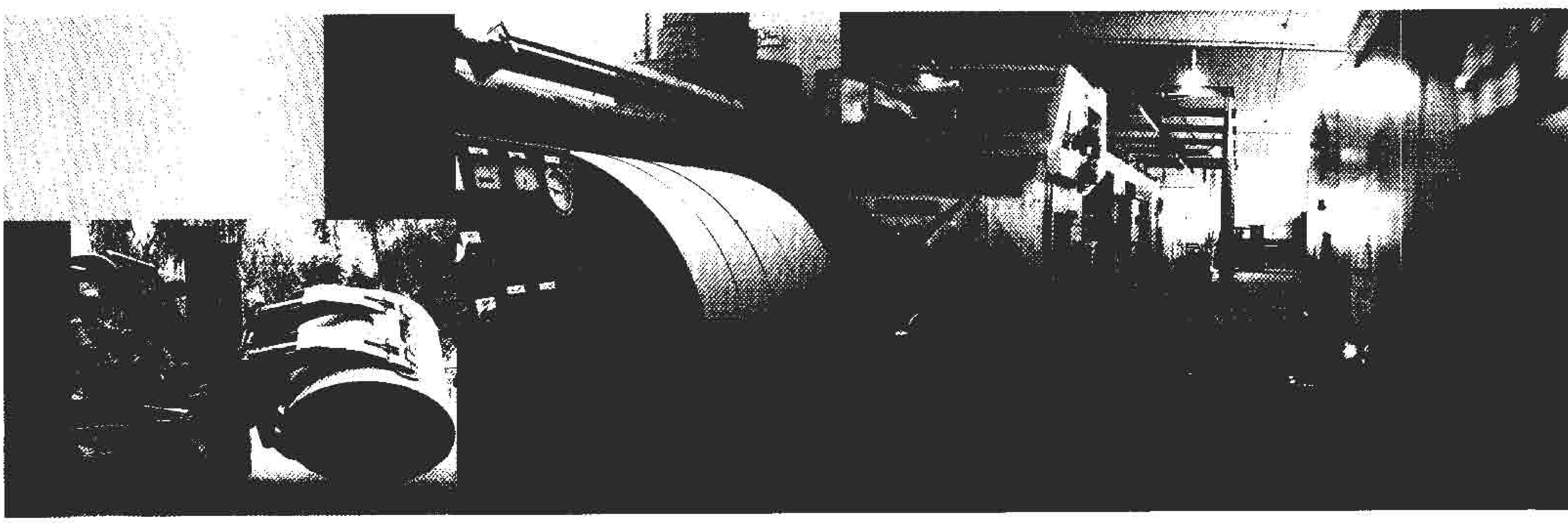
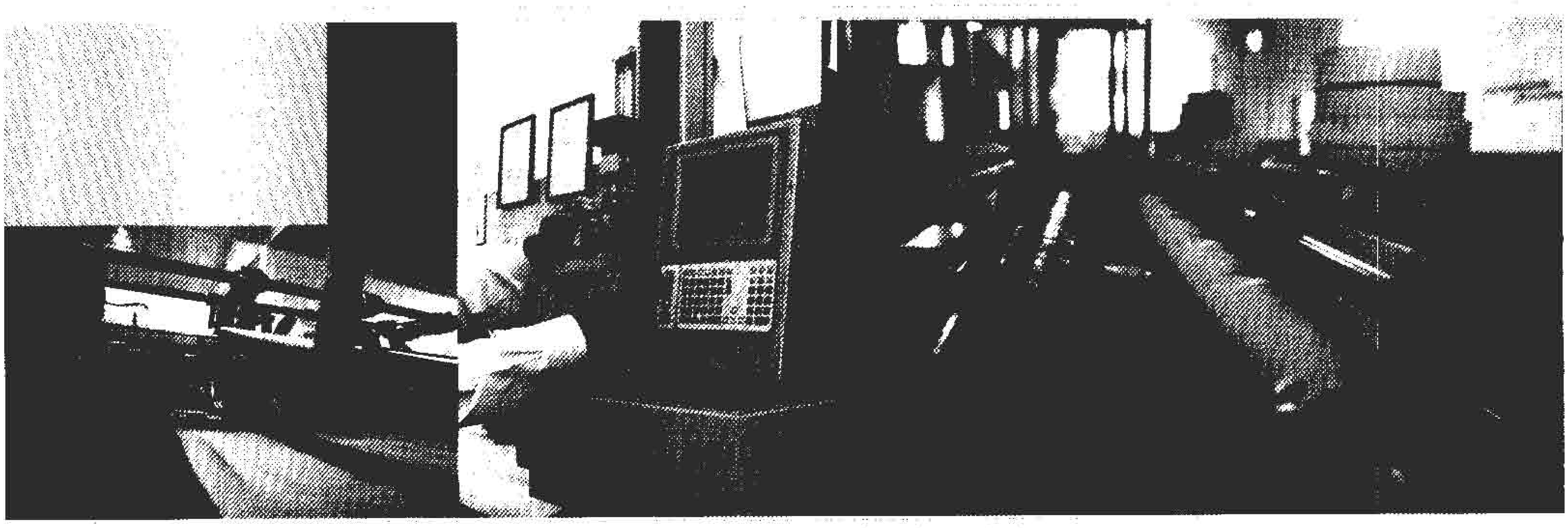


Vision

To be a preferred supplier of paper sacks for cement industry combined with efficient manufacturing facilities and satisfied customers.

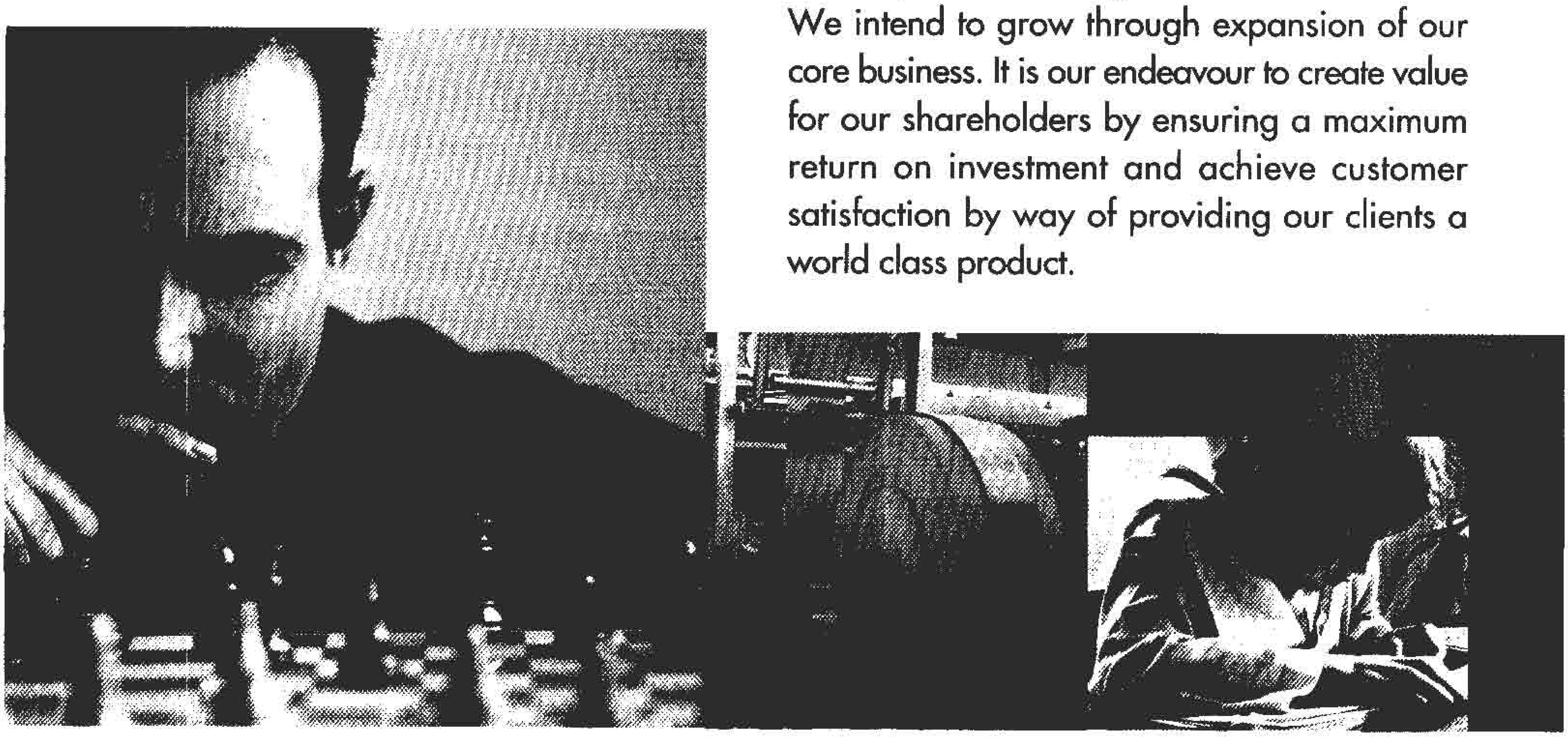
Mission

To seek increased market share by anticipating emerging trends and introducing new products for meeting the demands of our valued customers and ensuring adequate return to our shareholders.

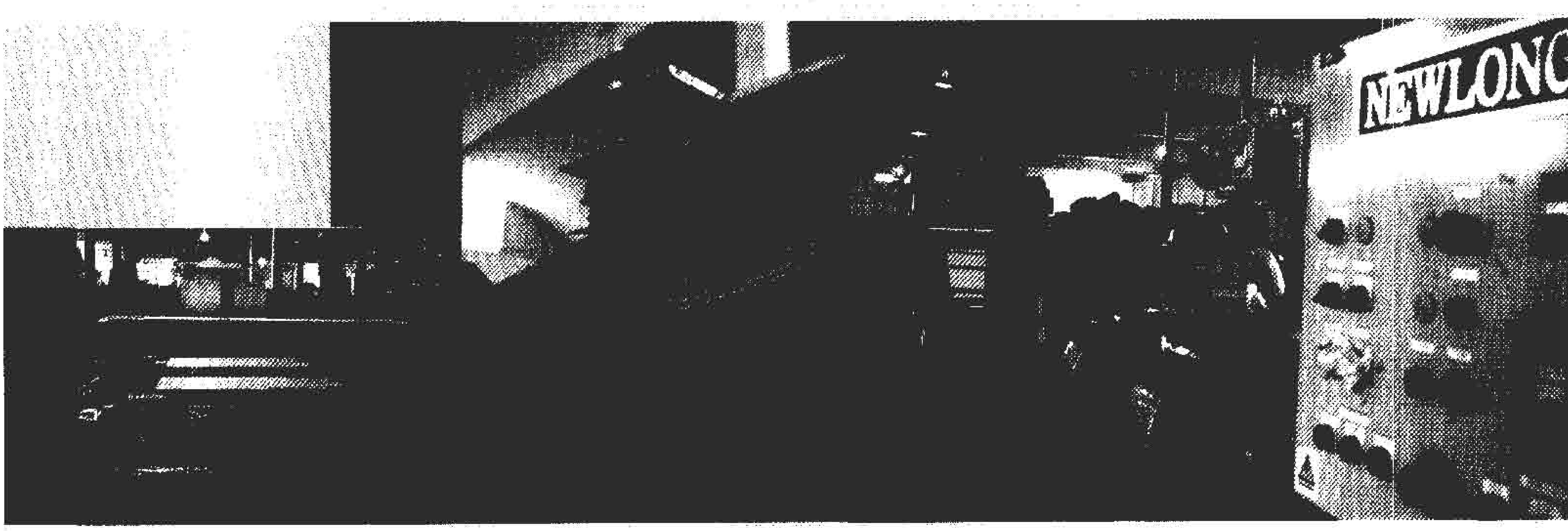


Strategic Objectives

We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business. It is our endeavour to create value for our shareholders by ensuring a maximum return on investment and achieve customer satisfaction by way of providing our clients a world class product.



We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards. We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.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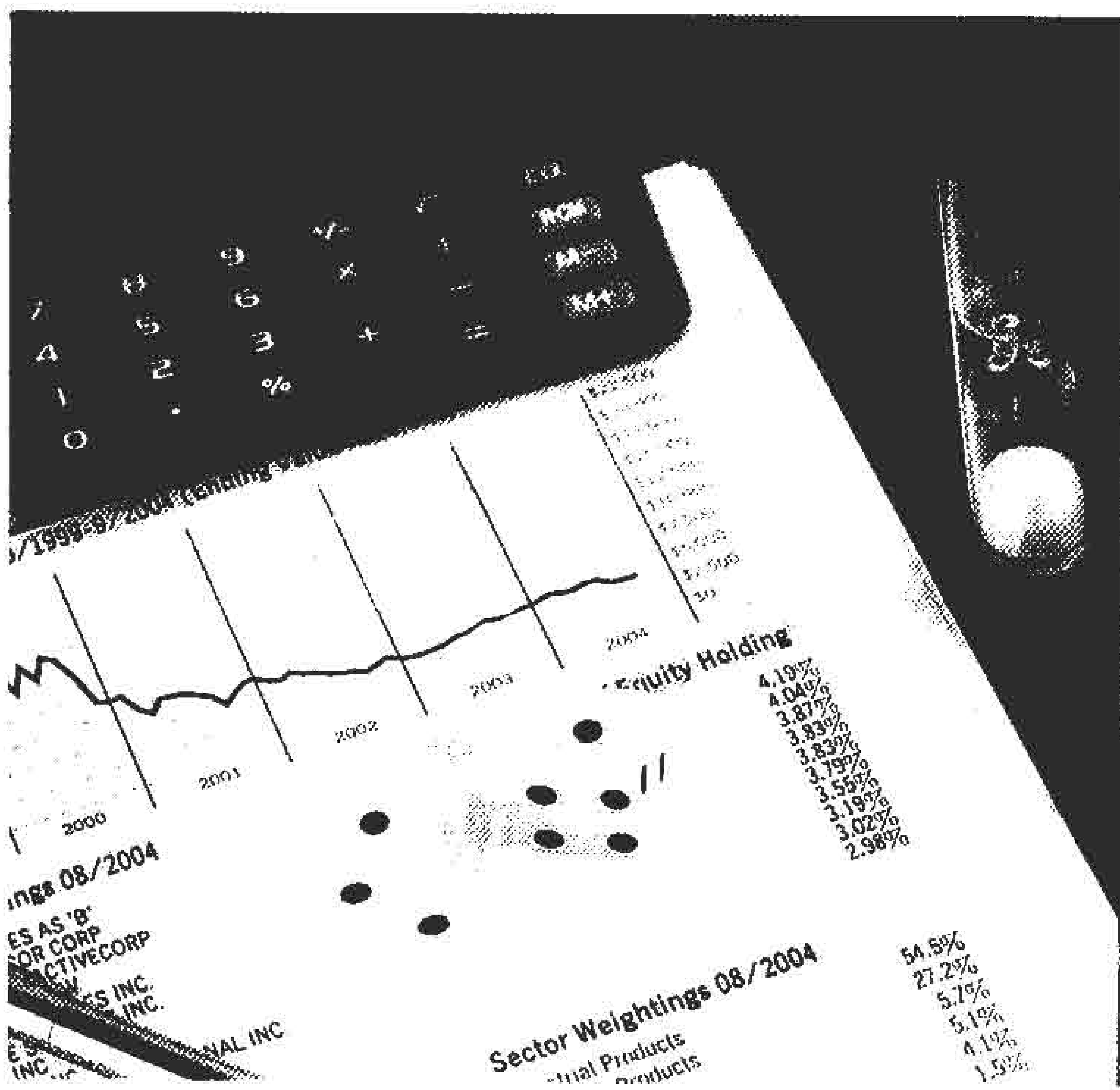
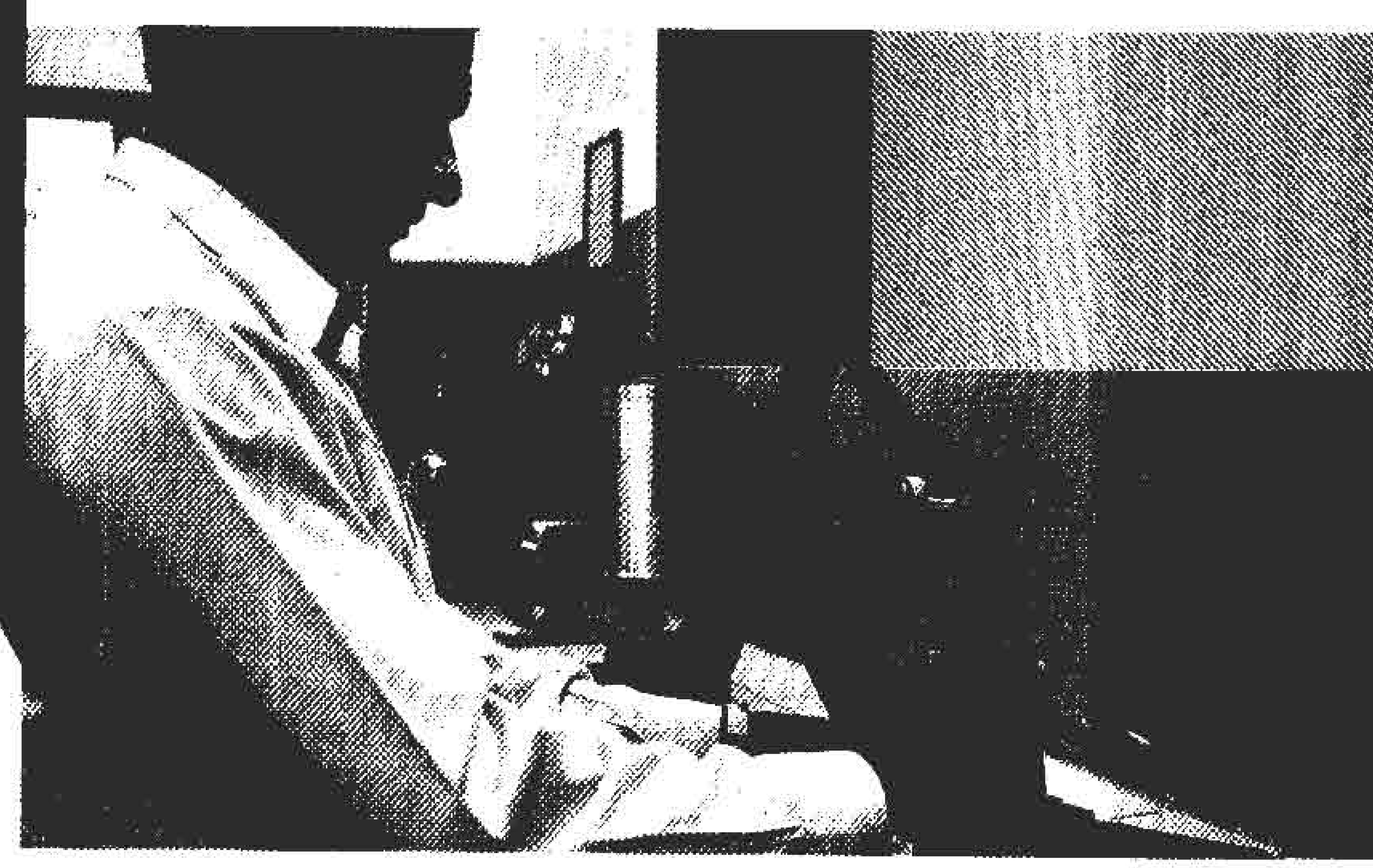




Core Values

Achieve excellence in business

Explore new markets and keep up with emerging trends

Strong commitment to quality

Professional development of work force

Compliance to the practices of ISO 9001:2000

Company Information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Iqbal Faruque	Director
Mr. Mahmood Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director

Chief Financial Officer
Mr. Yasir Masood

Company Secretary
Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Iqbal Faruque	Member
Mr. Aslam Faruque	Member

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
Allied Bank Ltd.
Bank Al-Habib Ltd.
Habib Bank Ltd.
HSBC Bank Middle East Ltd. Pakistan
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Royal Bank of Scotland
United Bank Ltd.

Share Registrar
Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400

Registered Office
1st Floor, Betani Arcade
Jamrud Road
Peshawar

Factory
Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
N.W.F.P.

Head Office
Modern Motors House
Beaumont Road
Karachi-75530

Regional Office
3, Sunder Das Road
Lahore

Islamabad Office
Mezzanine Floor
Razia Sharif Plaza
91-Blue Area

Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Thursday, October 29, 2009 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2009 and the Reports of the Directors and the Auditors thereon.

2. To appoint the Auditors for the year 2009/10 and to fix their remuneration.

3. To transact any other business with the permission of the Chair.

By Order of the Board

Abid A. Vazir
Karachi: September 1, 2009 **Company Secretary**

NOTES:

1. The register of members of the Company will be closed from Thursday, October 15, 2009 to Thursday, October 29, 2009 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Registrar of the company M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Wednesday, October 14, 2009 will be treated in time for the purpose of Annual General Meeting.

2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.

3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular of 26th January 2000 (as reproduced on the reverse side of the enclosed proxy form) are to be followed.

4. The shareholders of the Company are requested to immediately notify the Share Registrar of the Company of any change in their addresses.

Directors' Report to the Members
For The Year Ended June 30, 2009

The Board of Directors presents the annual report of the company along with the audited accounts for the year ended June 30, 2009.

OVERVIEW

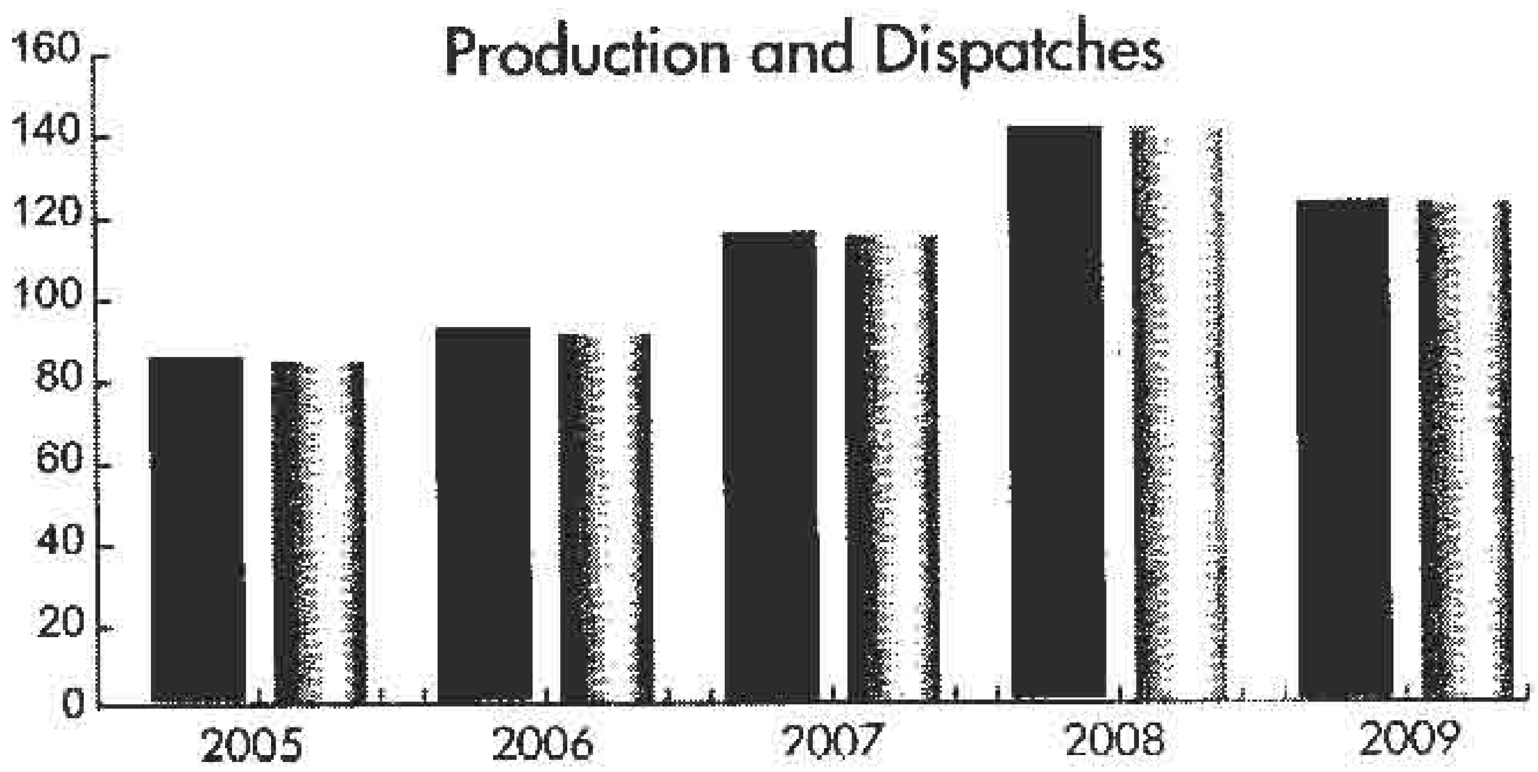
The year 2008/09 was a challenging year for the country with economic situation remaining under stress. Number of factors were responsible for the situation led by global recession, devaluation of Pak Rupee, security situation and energy crisis. Further, adoption of strict monetary stance by the State Bank adversely affected the industries. During the year, financial constraints forced the government to slash the development budget, which slowed down the domestic demand for cement. Papersack industry, which is completely dependent on cement sales, was also hit by this unprecedented drop in cement demand in the country. Further, high cost of raw material for most part of the year, devaluation of Pak Rupee, rise in transportation costs and increase in financial charges also adversely affected the profitability of the company.

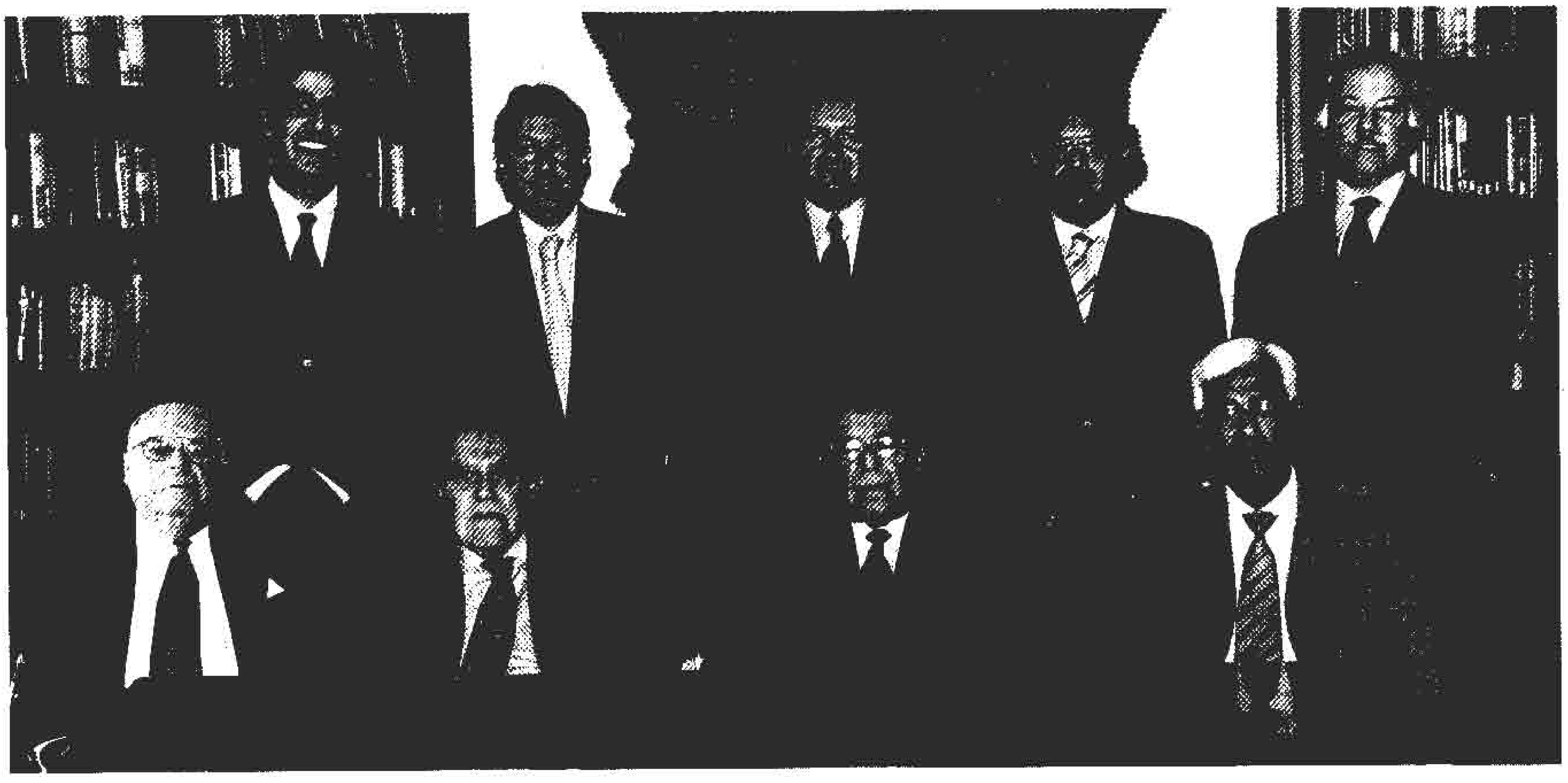
Production and dispatches

During the year under review, the company produced and dispatched 122.44 million and 122.40 million bags, respectively compared to 140.48 million and 140.58 million bags produced and dispatched last year. Compared to a 14% decline in the domestic demand for cement, sale of bags dropped by 13% during the year under review as the company was able to slightly increase its market share.

Comparative figures of production and dispatches are as follows:

	2008/09 (Bags in million)	2007/08 (Bags in million)
▶ Production	122.44	140.48
▶ Dispatches	122.40	140.58





Financial performance

Despite drop in sales volume by 13%, there was 11% increase in the sales revenue of the company from last year. The increase in net sales is on account of adjustment in the selling price of paper bags, which had become necessary due to significant increase in the importation cost of kraft paper, devaluation of Pak Rupee and increase in the transportation costs. However, the price revision was not sufficient to fully cover the increase in production cost, which was much higher. During the year under review, there was also significant rise in financial charges due to higher utilization of credit facilities owing to increased working capital requirement, expansion of production capacity and rise in interest rates. During the later part of the financial year, although the international price of kraft paper dropped, the benefit of decrease in price was passed on to the customers. Due to decline in the dispatches combined with the factors explained above, the company was not able to make any profit and the operations resulted in an after tax loss of Rs. 35.21 million.

Summarized comparative figures for the current year and that of last year are indicated below:

	2008/09 (Rs. in million)	2007/08 (Rs. in million)
▶ Net sales	2,060.61	1,851.42
▶ Cost of sales	1,919.21	1,673.26
▶ Gross Profit	141.40	178.15
▶ Expenses & Taxes	176.61	106.98
▶ Net (Loss)/Profit	(35.21)	71.17

DIVIDEND

In view of the liquidity constraints and after tax loss during the year 2008/09, the company will not be able to make a dividend payment this year.

EXPANSION OF PRODUCTION CAPACITY

We are pleased to inform our shareholders that the new line comprising of a tuber and a bottomer has been installed and commissioned. Following the expansion, the production capacity of the company has increased to 265 million bags per annum and it is now in a position to meet the demand of the cement industry in an effective manner. The enhanced capacity will not only facilitate the company in meeting the demand of its existing customers effectively but will allow it to broaden its customer base by targeting new markets.

ERP SYSTEM

In order to further improve its business processes by bringing them in line with internationally followed practices and further sharpen its decision making capabilities, the company during the year decided to implement SAP, an Enterprise Resource Planning System. An agreement to this effect was signed with M/s. SAP Pakistan and M/s. IBM Pakistan has been engaged as the implementation partner. The software is expected to be implemented and operational by December 2009. The use of SAP will allow the company to further leverage its capabilities and enhance its efficiencies.

CORPORATE SOCIAL RESPONSIBILITY

As a conscientious member of the corporate community, the company generously contributed to various social and charitable causes during the year most notably to help the internally displaced people of Swat. The employees of the company also contributed their one day salary to the cause. Apart from the above, the company continued to contribute regularly in other social sectors like health and education.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Financial Reporting Standards have been followed in the preparation of financial statements and there has been no departure therefrom.
- The system of internal controls has been effectively implemented and is continuously reviewed and monitored.

- The company is a going concern and there are no doubts about its ability to continue.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- Key operating and financial data for last six (6) years in summarized form is annexed.

- The company has been declaring regular dividends to its shareholders. However, it has not been able to declare a dividend this year due to liquidity constraints and after tax loss.

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

- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2009.

Provident Fund	Rs.16,936,938
Gratuity Fund	Rs. [illegible]

- During the year, four meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Mohammed Faruque	4
Mr. Iqbal Faruque	3
Mr. Mahmood Faruque	4
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	3
Mr. Shehryar Faruque	4
Mr. Amer Faruque	4
Mr. Arif Faruque	2
Mr. Saquib H. Shirazi	2

- Pattern of shareholding is annexed with the report.

- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

- Loss/Earnings per share (EPS) during the year was Rs. (3.84) as against Rs. 7.75 last year.

IMPOSITION OF REGULATORY DUTY

In the recent federal budget, the government once again imposed 5% regulatory duty on import of sack kraft paper. This action was taken by the government without a complete appreciation of the situation and its negative implications on the Papersack and other related industries like Cement. The government had imposed similar duty in February 2009. However, it withdrew the same following the representations made by the industry. This action of the government has made import of finished paper bags attractive because of low duty differential. There is no local source of quality sack kraft paper available in the country with sufficient capacity to meet the demand of the cement industry. We feel that this action will hurt the efforts of the government to encourage construction activities in the country and will hamper the much needed economic stimulus.

We take this opportunity to urge the government to reconsider this decision and save the Papersack industry from collapse as it may result in loss of thousands of jobs and billions of rupees in the form of taxes to the National Exchequer.

FUTURE PROSPECTS

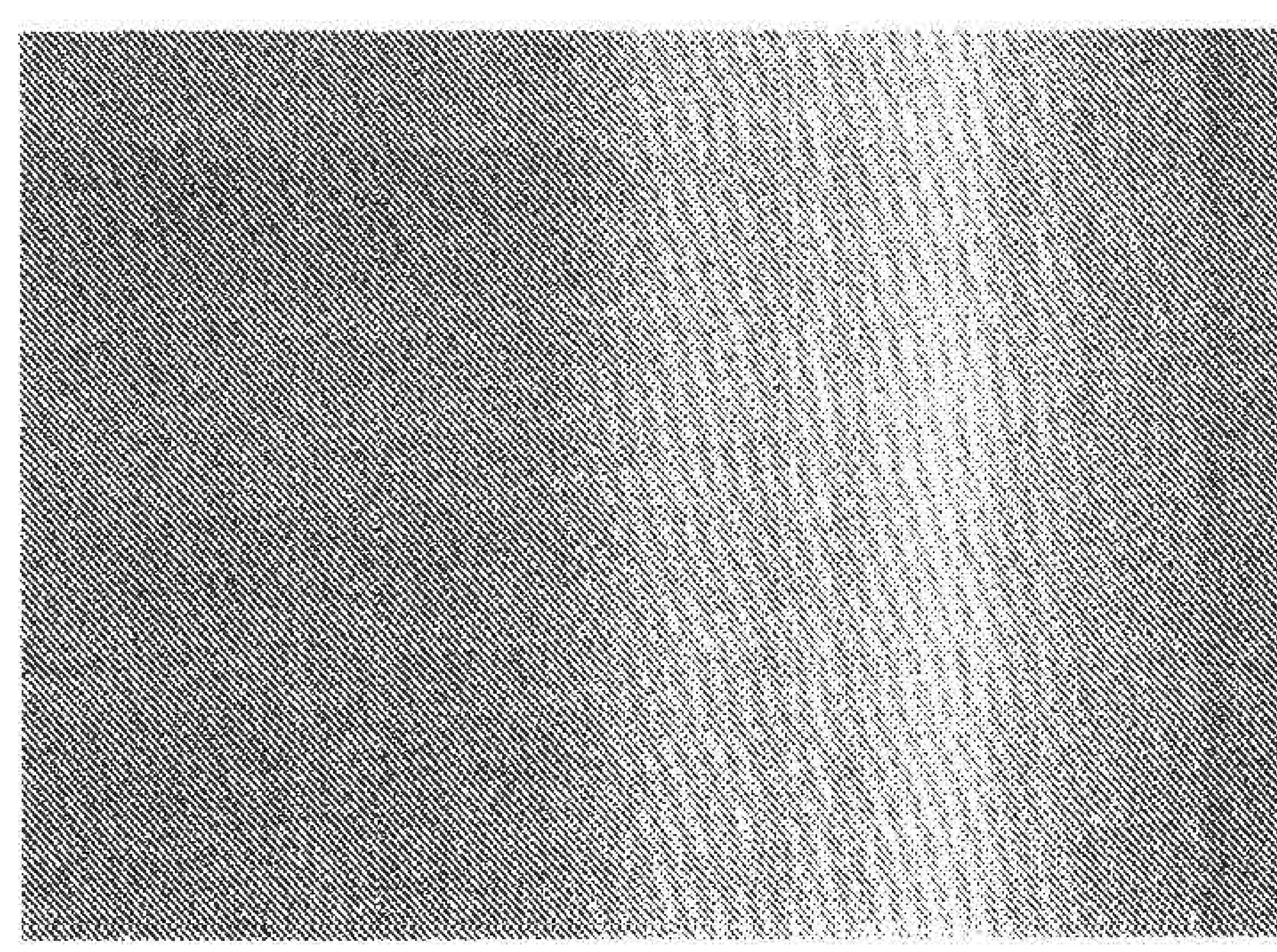
During the year 2008/09, domestic cement demand remained sluggish due to economic challenges facing the country. This affected the performance of the company as its sales are directly linked with the off-take of cement. However, there are signs of improvement in the economy, which should help boost the cement demand and also increase the sale of paper bags. In order to effectively face the challenges ahead, the company is making concerted efforts to reduce its costs and further improve its efficiency. The financial situation of the company is likely to improve in the coming days with decline in interest rates. Although the government has announced certain relief measures in the recent federal budget and the trade policy for the cement industry, much more needs to be done for the revival of the construction activities in the country. After the expansion of production capacity, the company is well positioned to fulfill the additional demand for paper bags from both domestic and regional cement industry, for which efforts are being made.

AUDITORS

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

ACKNOWLEDGMENT

The management of the company would like to express its gratitude to all the financial institutions, individuals, staff members, suppliers and shareholders who have been associated with the company for their continued support and cooperation. The management would like to particularly thank its supplier of kraft paper – M/s. Mondi Packaging for their understanding and continuing support.



On behalf of the Board of Directors

(MOHAMMED FARUQUE)
Chairman

Karachi: September 1, 2009

Corporate Social Responsibility

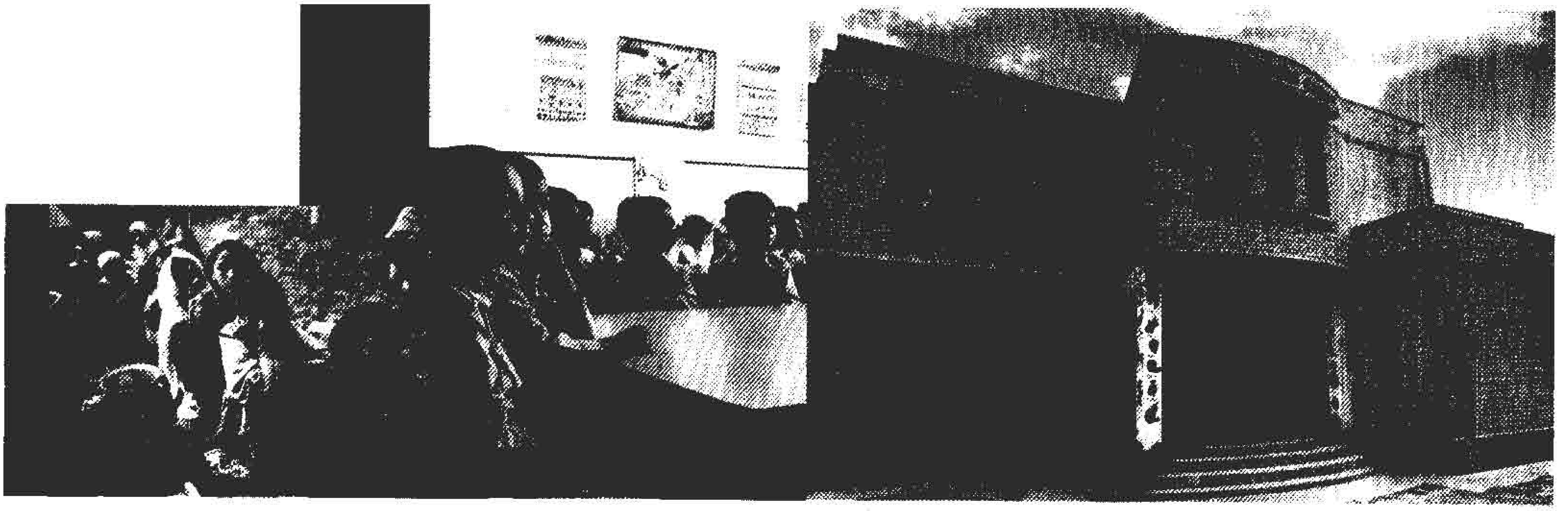
It is our endeavor to work with all stakeholders to effectively improve the quality of life of our work force, the local communities around us and the people of Pakistan in general, through honest and meaningful contributions. We are committed towards the improvement of social welfare, the development of human capital and the uplifting of socio-economic condition of the people.

The Company's CSR program encompasses initiatives such as healthcare, education, development of infrastructure and various other social welfare activities.

To achieve these objectives the Company has participated in the establishment of a primary school in Shaidu Valley, NWFP in collaboration with The Citizens Foundation to provide free education to the local children.

The Company has also made generous contributions to such noble causes as the Aga Khan University Hospital (AKUH) and Marie Adelaide Leprosy Centre (MALC). We are proud to be associated with these organizations in providing better educational and healthcare facilities for all.

Reaching out to those in need has always been part of our collective conscience. Cherat Papersack, in 2005, stepped up to lend its assistance to NWFP earthquake victims, and recently the Company once again augmented the national effort by financially helping the internally displaced people of Swat (IDP); our employees also joined in and contributed one day's salary to help alleviate the sufferings of their fellow Pakistanis.



Statement of Compliance
with The Best Practices of 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. At present the Board includes eight non-executive directors, one of whom is independent.

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 DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and has been circulated to all employees of the Company.

6. The Board has developed vision and mission statement /overall corporate strategy and significant policies of the Company.

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 CEO and other executive directors, 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 directors of Cherat Papersack Ltd. are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for directors was arranged by the Company to apprise directors of their duties and responsibilities.

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.

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.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It presently comprises of three members, of whom two are non-executive directors of the company.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

(MOHAMMED FARUQUE)
Chairman

Karachi: September 1, 2009

Statement of Compliance
with The Best Practices of Transfer Pricing

The company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

On behalf of the Board of Directors

(MOHAMMED FARUQUE)
Chairman

Karachi: September1, 2009

Review Report to the Members
on Statement of Compliance with The Best Practices of The Code of Corporate Governance

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
Fax: +9221 5681965
www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2009**, prepared by the Board of Directors of **Cherat Papersack Limited** (the Company) to comply with the Listing Regulations of respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 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 are not required to consider whether the Board's statement of internal controls covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulation requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Ford Rhodes Sidat Hyder & Co

Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

KARACHI: September 1, 2009

Statement of Ethics and 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. Recognise 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.

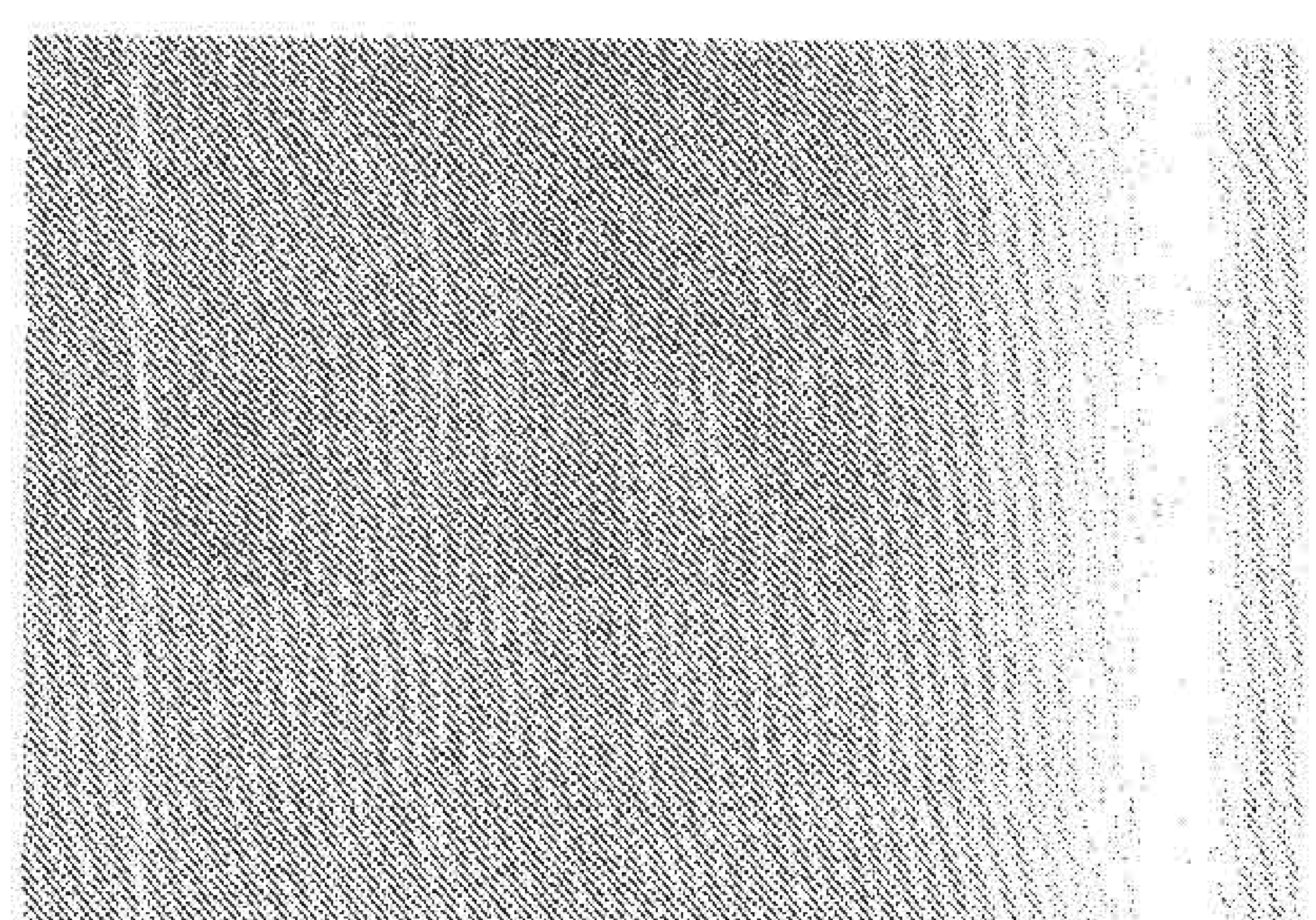
Financial Reporting & Internal Controls
To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders and fulfill the regulatory requirements.

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 goods or services, obtain quotations from various sources.

Conflict of Interest
All the acts and decision 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 recognise 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.



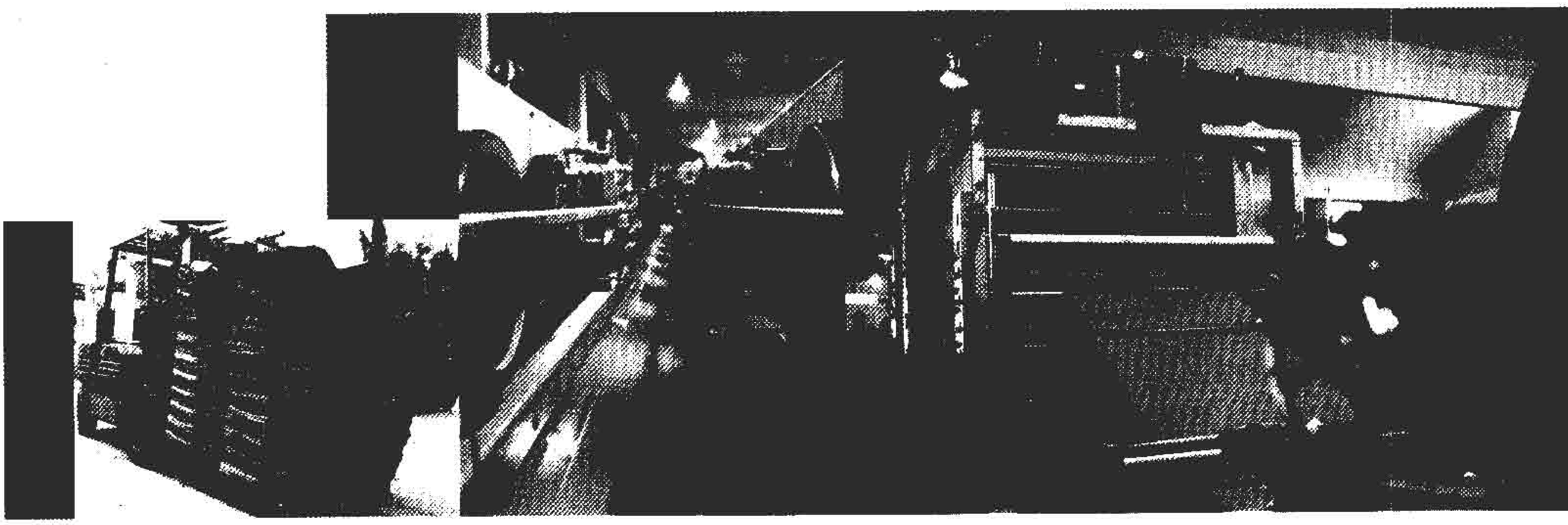
Highlights of the Year

- For the first time in company's history, net sales revenue of the company crossed Rs. 2 billion mark.

- Complete installation and commissioning of the new line comprising of a tuber and a bottomer at a cost of over PKR 200 million. Today, with a production capacity of over 265 million bags per annum, Cherat Papersack is the largest producer of paper bags in Pakistan.

- Successful introduction of 2-ply 90 gsm bags made of Speed Advantage kraft paper imported from M/s. Mondi Packaging providing low cost and high quality packaging solution.

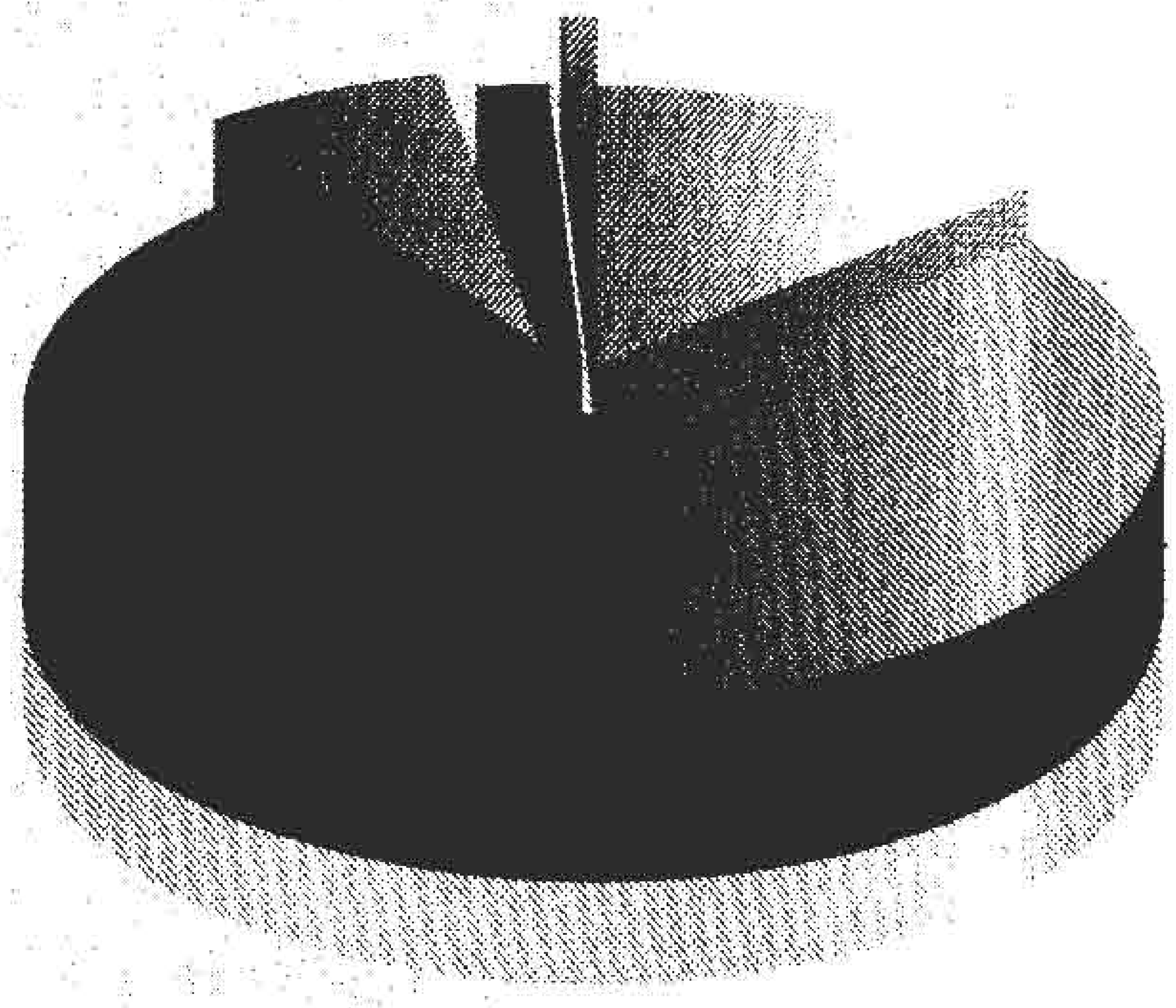
- Agreement with M/s. SAP Pakistan to implement the ERP system throughout the company. M/s. IBM Pakistan has been engaged by the company as the implementation partner. The implementation is expected to be completed by December 2009.

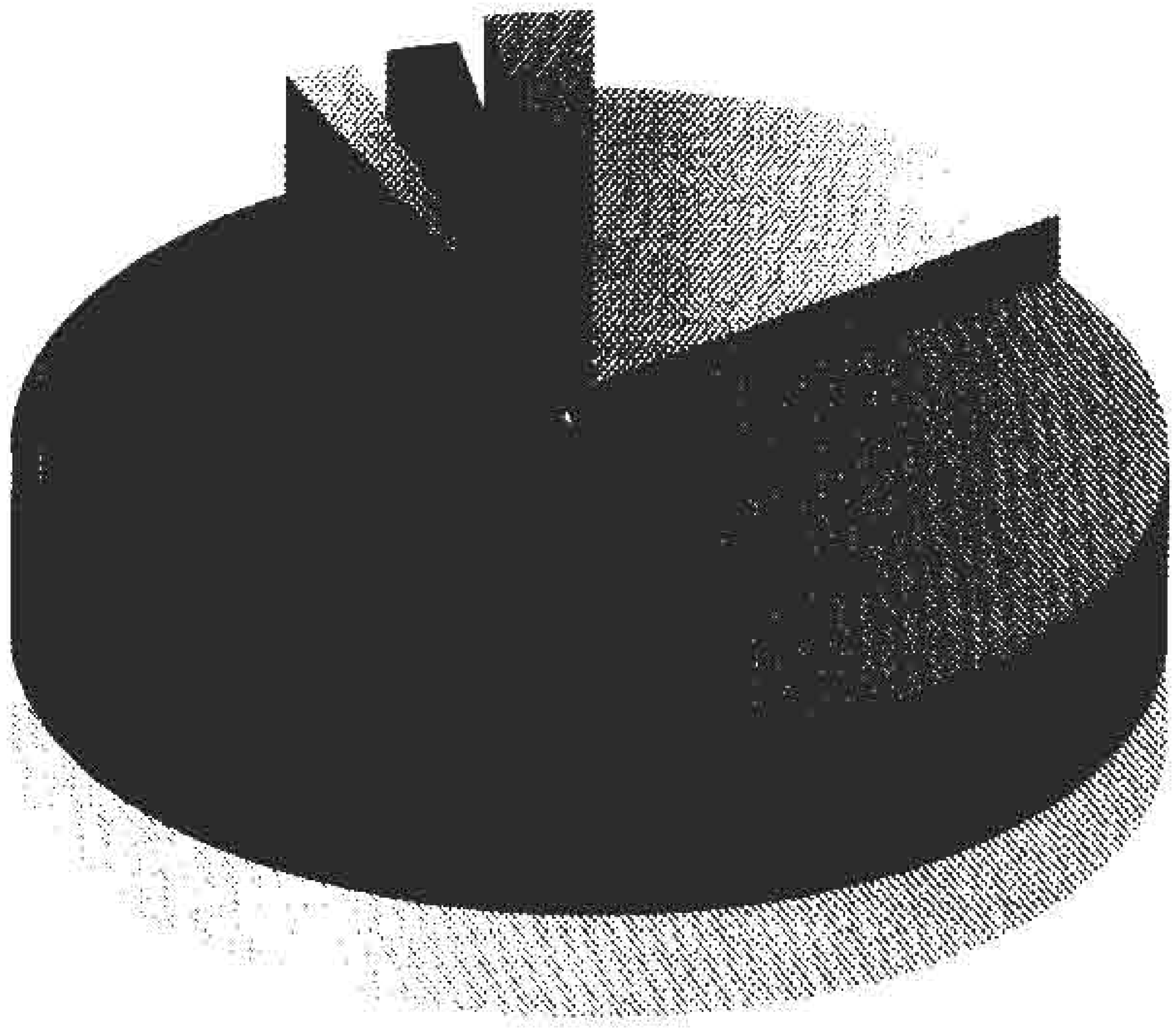


Progress Graphs

Wealth Generated and Distributed during 2008-09

▨	Government	14%
■	Material & Services	78%
■	Financial institutions	7%
■	Employees	2%
■	Shareholders & Equity	(1)%

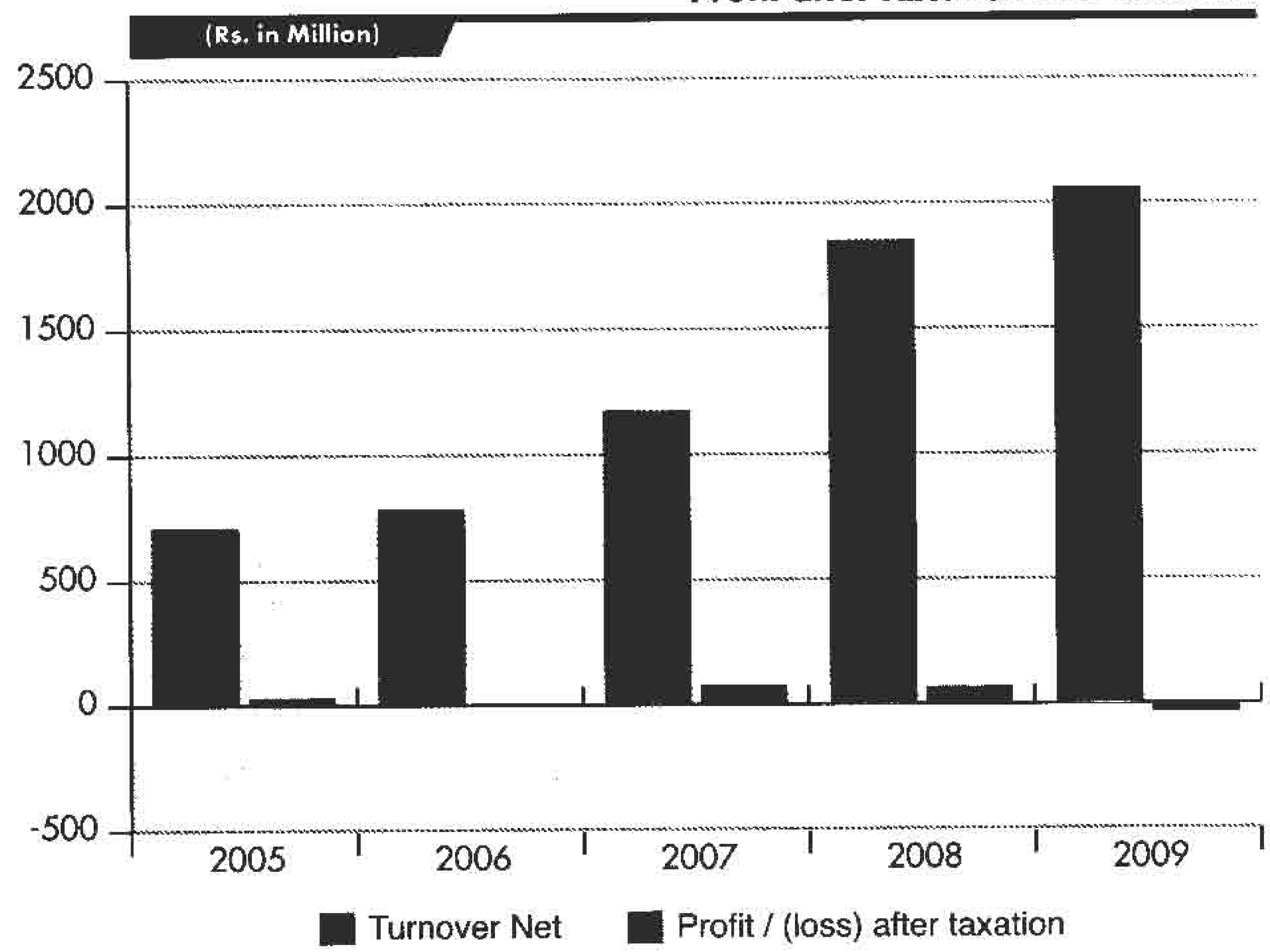




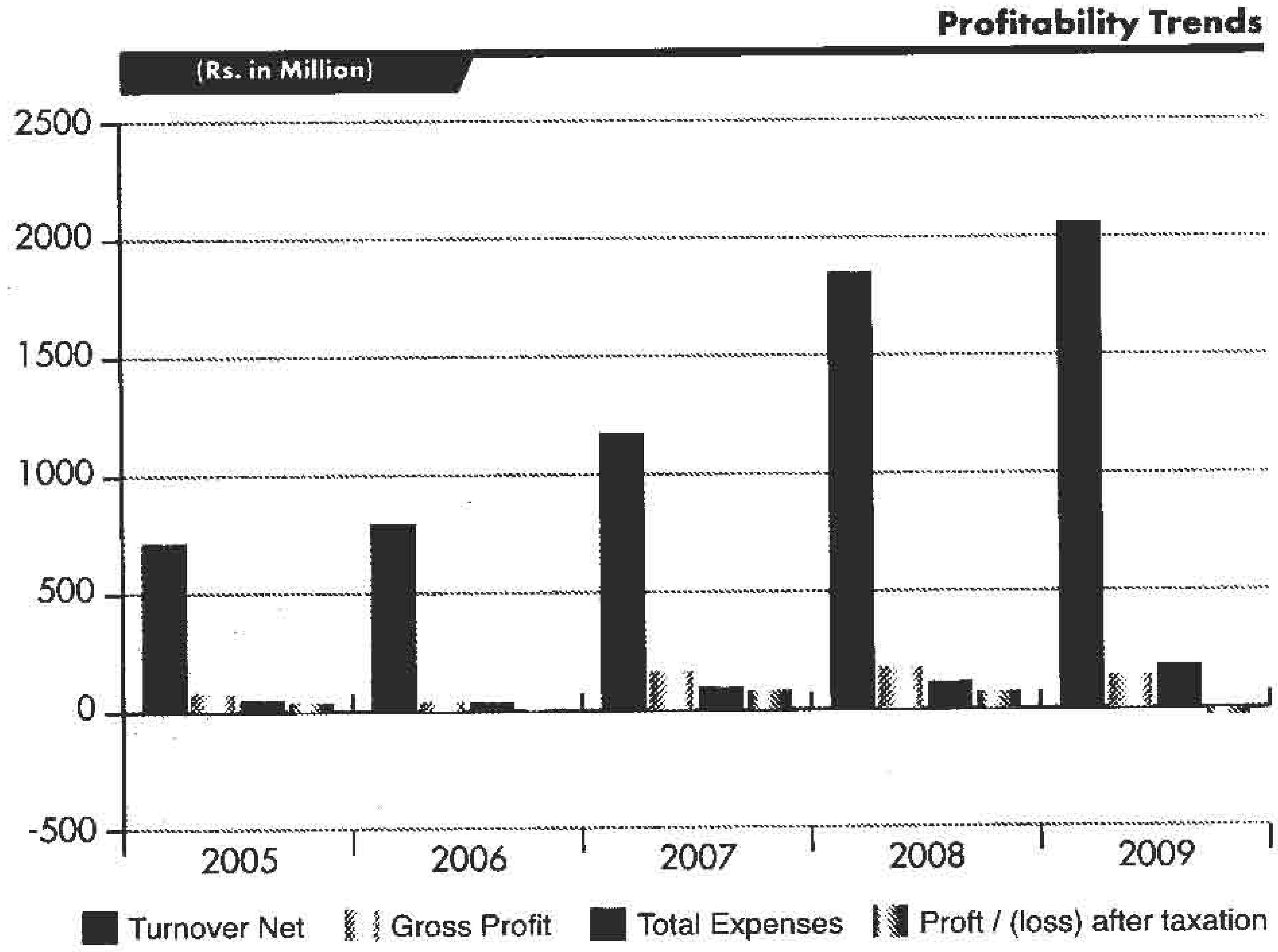
Wealth Generated and Distributed during 2007-08

■	Government	15%
■	Material & Services	78%
■	Financial institutions	2%
■	Employees	2%
■	Shareholders & Equity	3%

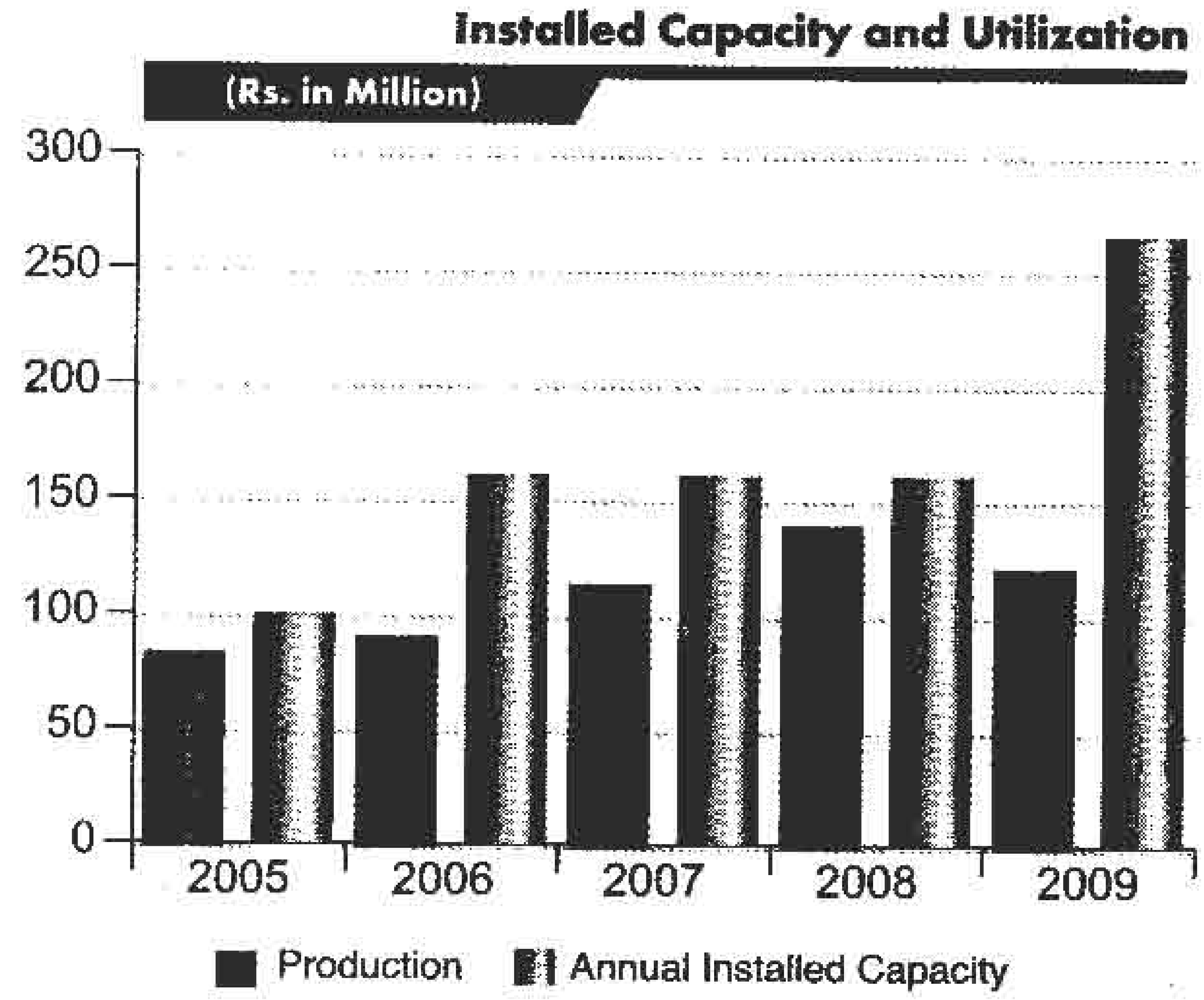
Profit after taxation and net sales



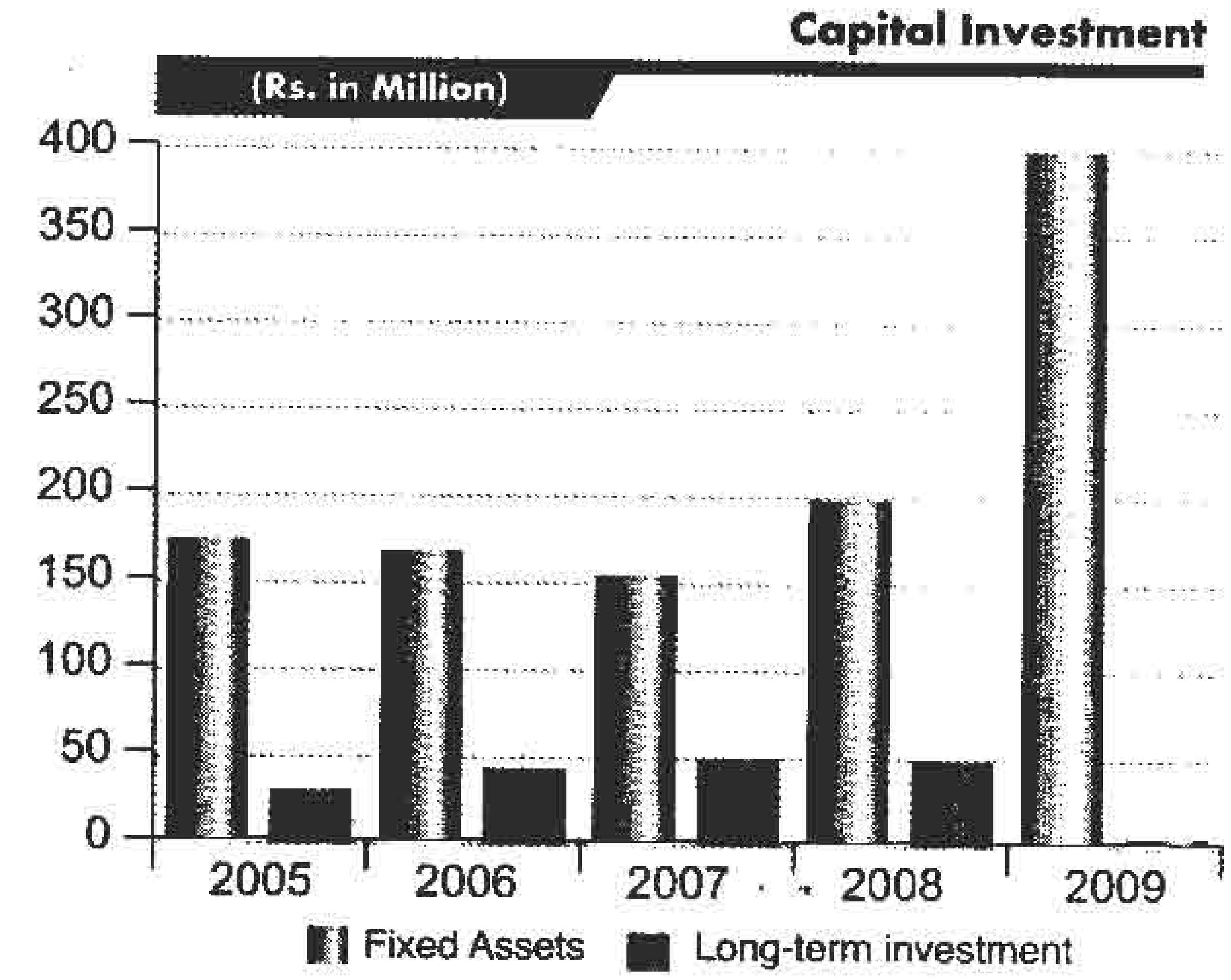
Profitability Trends



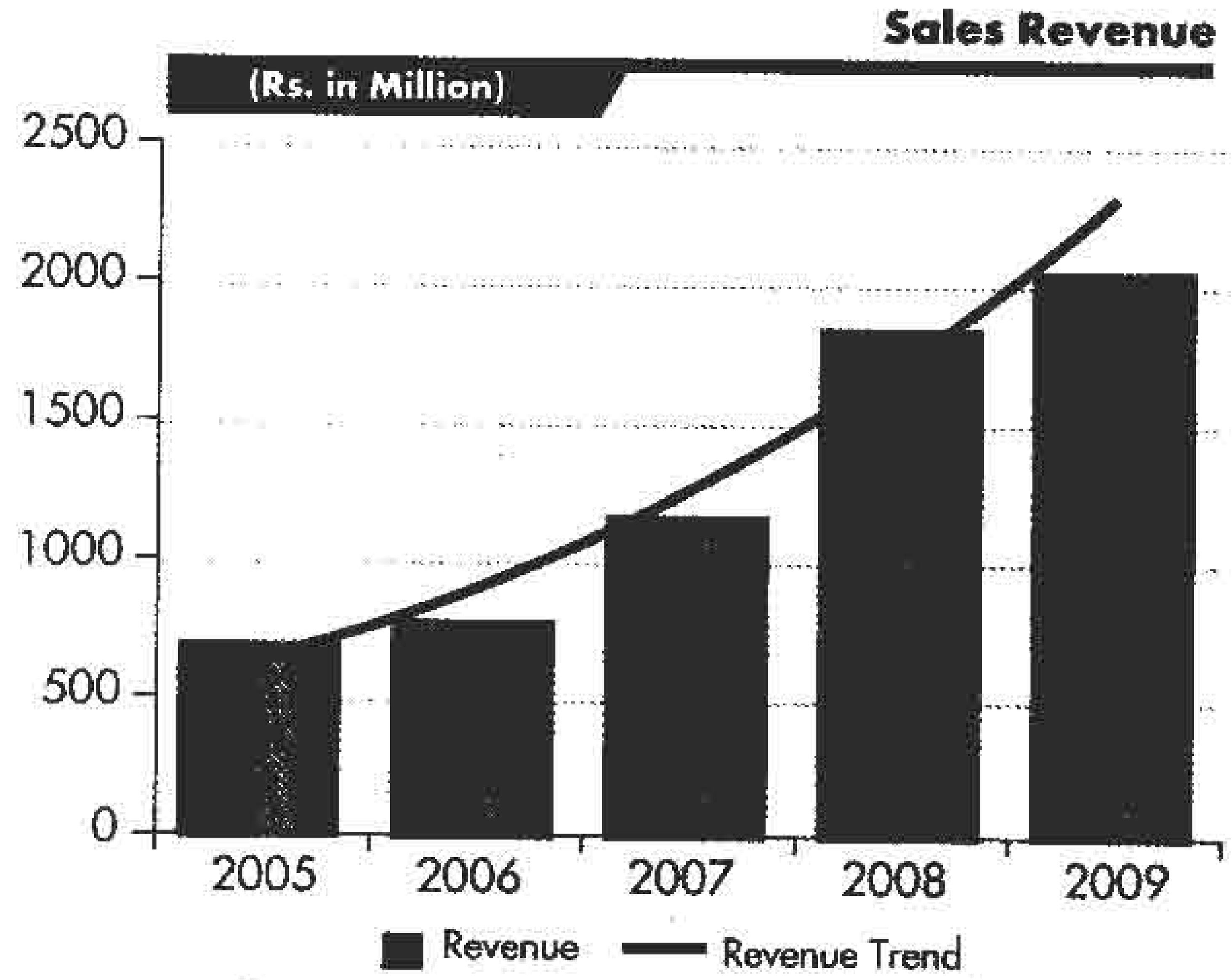
Installed Capacity and Utilization



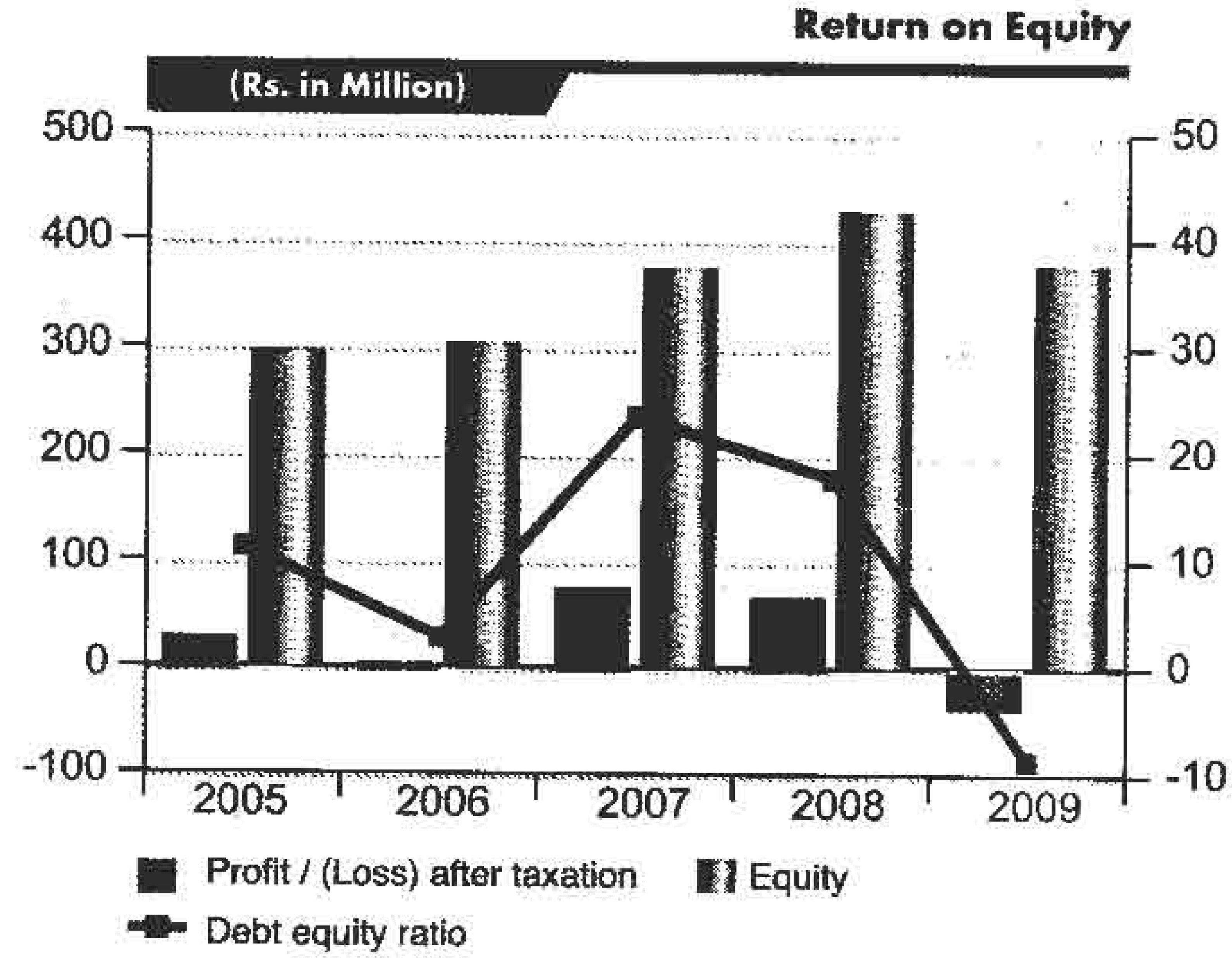
Capital Investment



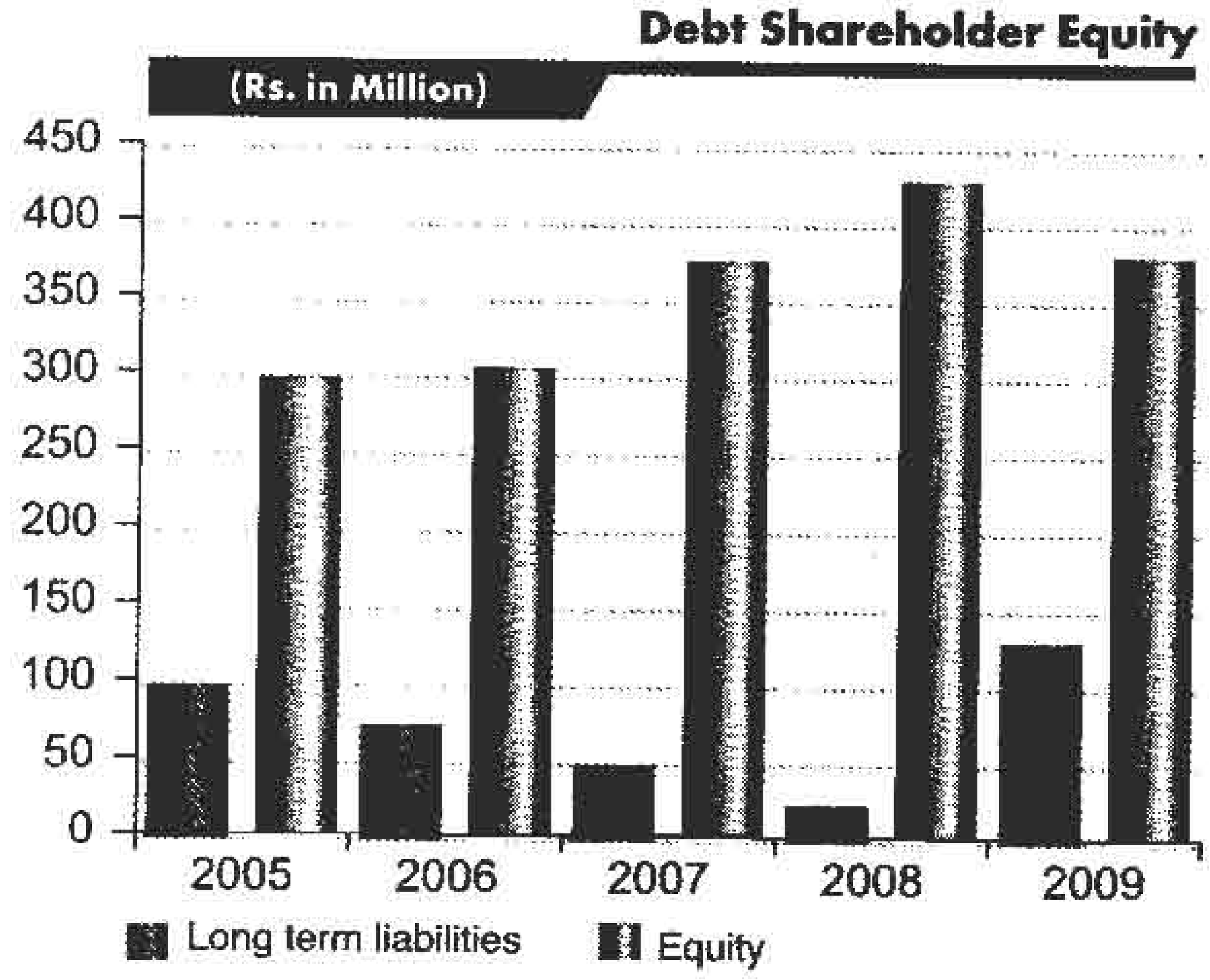
Sales Revenue



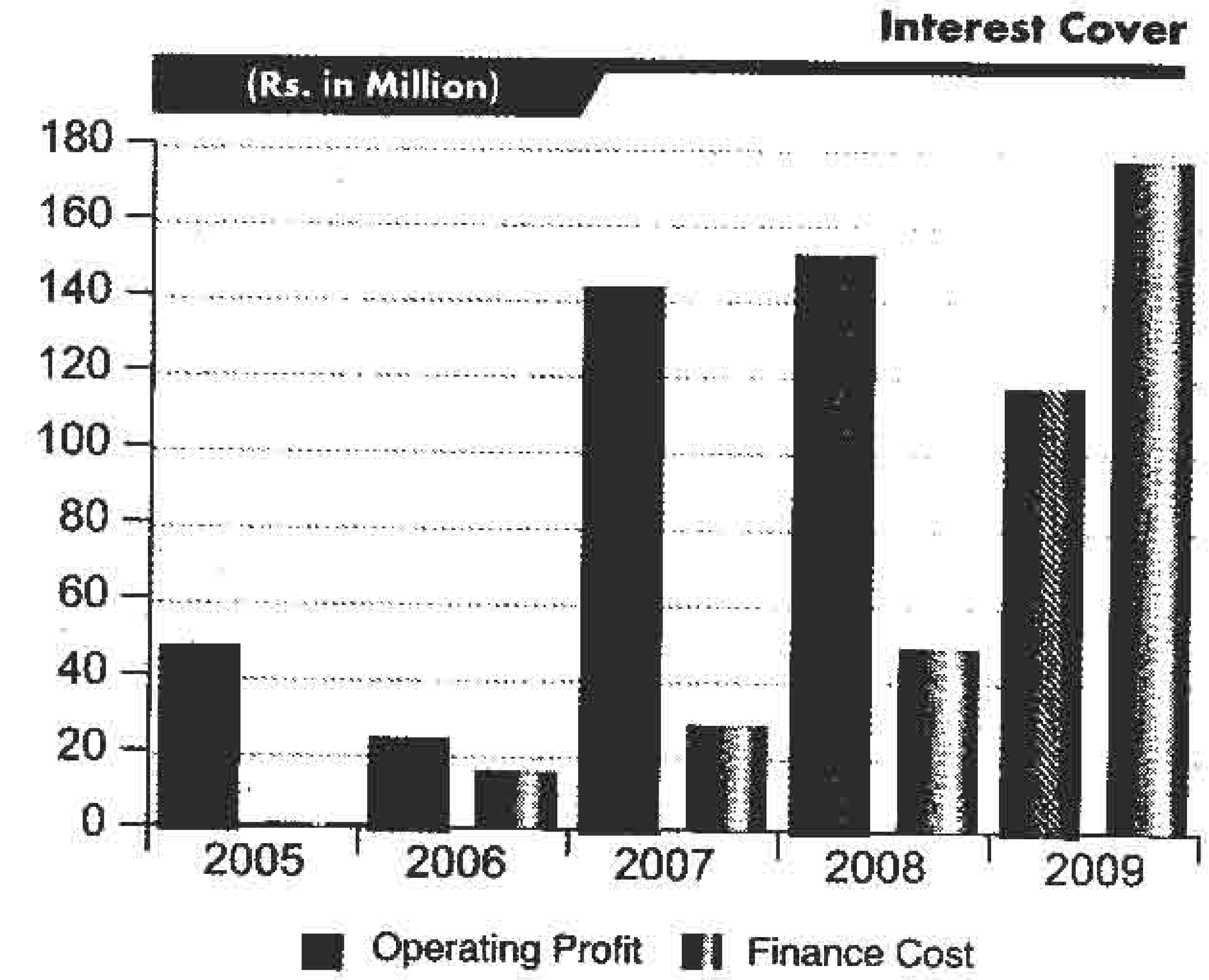
Return on Equity



Debt Shareholder Equity



Interest Cover



Year-Wise Statistical Summary

	2009	2008	2007	2006	2005	2004	2003
						(Bags in million)	
Production	122.44	140.48	114.99	92.15	85.02	57.73	55.48
Dispatches	122.40	140.58	114.27	90.52	84.14	57.82	55.51
ASSETS EMPLOYED						(Rupees '000)	
Fixed Assets - Tangible	393,807	196,061	152,484	165,461	172,156	54,189	54,563
Fixed Assets - Intengible	541	-	-	-	-	-	-
Long term Investments, loans and deposits	4,168	51,775	51,271	45,348	31,937	27,657	24,055
Current assets	1,117,554	1,293,114	666,526	488,588	383,690	320,948	254,645
TOTAL ASSETS EMPLOYED	1,516,070	1,540,950	870,281	699,397	587,783	402,794	333,263
FINANCED BY							
Shareholders' equity	378,276	427,502	374,593	303,835	296,913	286,240	256,003
Long term liablities	131,250	25,000	50,000	75,000	100,000	114	265
Deferred liabilities	12,632	35,772	26,449	3,753	6,126	6,136	2,448
Current liabilities	993,912	1,052,676	419,239	316,809	184,744	110,304	74,547
TOTAL FUND INVESTED	1,516,070	1,540,950	870,281	699,397	587,783	402,794	333,263
TURNOVER & PROFIT							
Turnover (net)	2,060,614	1,851,416	1,175,404	795,584	713,869	571,255	594,163
Operating profit	118,397	152,817	144,015	25,113	49,009	63,070	112,666
Profit before taxation	(58,351)	104,426	116,207	9,910	47,838	62,544	115,424
Profit after taxation	(35,211)	71,166	79,576	8,306	32,705	42,477	75,224
Cash dividend	-	11,016	11,750	8,813	19,584	24,480	44,880
Issue of bonus shares	-	18,360	14,688	-	9,792	8,160	-
Tranfer to reserve	-	-	-	-	-	-	30,000

Ratio Analysis
For The Year Ended June 30, 2009

		2009	2008
Profitability:			
1	Gross Profit (percentage)	6.86	9.62
2	Operating Profit (percentage)	5.75	8.25
3	(Loss) / profit Before Tax (percentage)	(2.83)	5.64
4	(Loss) / profit After Tax (percentage)	(1.71)	3.84
5	(Loss) / profit to Average Share Holder's Equity (percentage)	(8.74)	17.75
6	(Loss) / earnings per share - Before Tax	(6.36)	14.22
7	(Loss) / earnings per share - After Tax	(3.84)	9.69
8	Profit (Average after tax) to Total Assets (percentage)	1.19	4.89
9	Increase in Sales (percentage)	11.30	57.51
10	Raw Material % of Net Sales	88.41	87.37
11	Labour % of Net Sales	1.76	1.63
12	Other Cost of Sales Expenses % of Net Sales	2.97	1.38
13	Raw Material as % of Cost of Sales	94.92	96.67
14	Administrative Expenses % of Net Sales	0.57	0.52
15	Distribution Cost % of Net Sales	0.98	1.02
16	Tax % of Net Sales	(1.12)	1.80
17	Finance cost % of Net Sales	8.58	2.61
Short Term Solvency:			
1	Current Ratio	1.12	1.23
2	Acid Test Ratio	0.42	0.30
3	Working Capital Turnover (Net Sales) times	16.67	7.70
4	Inventory Turnover / Times	2.29	2.25
Overall Valuation and Assessment:			
1	Number of Time Interest Covered	0.67	3.16
2	Return on Equity after tax (Average in percentage)	(8.74)	17.75
3	Book Value Per Share	41.21	58.21
4	Long Term Debts to Equity Ratio	31.63	10.47

Auditors' Report To The Members

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
Fax: +9221 5681965
www.ey.com/pk

We have audited the annexed balance sheet of **Cherat Papersack Limited** (the Company) as at **30 June 2009** 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, except for the change, as stated in note 2.3 to the financial statements, with which we concur;

   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 30 June 2009 and of the loss, 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.

Ford Rhodes Sidat Hyder & Co

Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

KARACHI: September 1, 2009

Balance Sheet
as at June 30, 2009

	Note	2009	2008
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	393,807	196,061
Intangible asset	5	541	-
		394,348	196,061
Long-term investments	6	2,994	50,471
Long-term loans	7	998	1,128
Long-term deposits	8	176	176
		398,516	247,836
CURRENT ASSETS			
Stores, spare parts and loose tools	9	14,220	14,437
Stock-in-trade	10	700,688	973,484
Trade debts	11	245,388	170,452
Loans and advances	12	2,003	4,354
Trade deposits and short-term prepayments	13	2,710	72,179
Other receivables	14	45,511	44,062
Short-term investments	6	52,500	-
Tax refunds due from the Government		46,629	4,317
Cash and bank balances	15	7,905	9,829
		1,117,554	1,293,114
TOTAL ASSETS		1,516,070	1,540,950
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	91,800	73,440
Reserves	17	286,476	354,062
		378,276	427,502
NON-CURRENT LIABILITIES			
Long-term financing	18	131,250	25,000
Deferred taxation	19	12,632	35,772
		143,882	60,772
CURRENT LIABILITIES			
Trade and other payables	20	74,825	303,720
Accrued mark-up		35,890	12,192
Short-term borrowings	21	839,447	711,764
Current maturity of long-term financing	18	43,750	25,000
		993,912	1,052,676
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		1,516,070	1,540,950

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Profit & Loss Account
For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
Turnover - net	23	2,060,614	1,851,416
Cost of sales	24	(1,919,207)	(1,673,262)
Gross profit		141,407	178,154
Distribution cost	25	(20,253)	(18,860)
Administrative expenses	26	(11,694)	(9,688)
Other operating expenses	27	(1,296)	(6,476)
		(33,243)	(35,024)
Other operating income	28	10,233	9,687
Operating profit		118,397	152,817
Finance cost	29	(176,748)	(48,391)
(Loss) / profit before taxation		(58,351)	104,426
Taxation			
Current		-	(23,937)
Deferred		23,140	(9,323)
	30	23,140	(33,260)
(Loss) / profit after taxation		(35,211)	71,166
(Loss) / earnings per share - basic (restated)	31	Rs. (3.84)	Rs. 7.75

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Cash Flow Statement
For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(58,351)	104,426
Adjustment for:			
Depreciation	4.1.4	20,080	13,270
Gain on disposal of operating property, plant and equipment	28	-	(330)
Dividend income from a related party	28	-	(221)
Return on held-to-maturity investments	28	(8,022)	(6,797)
Finance cost	29	176,748	48,391
		188,806	54,313
Operating profit before working capital changes		130,455	158,739
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		217	(832)
Stock-in-trade		272,796	(460,341)
Trade debts		(74,936)	(64,216)
Loans and advances		2,351	(439)
Trade deposits and short-term prepayments		69,469	(71,074)
Other receivables		(1,449)	(35,538)
		268,448	(632,440)
Increase / (decrease) in current liabilities:			
Trade and other payables		(228,953)	37,612
Cash generated from / (used in) operations		169,950	(436,089)
Income tax paid		(42,312)	(32,724)
Net cash generated from / (used in) operating activities		127,638	(468,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(213,660)	(57,060)
Sale proceeds of operating property, plant and equipment		-	543
Capital work-in-progress	4.2	(4,166)	-
Intangible asset		(541)	-
Long-term loans		130	(214)
Dividend received from a related party	28	-	221
Net cash used in investing activities		(218,237)	(56,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing-net		125,000	(25,000)
Dividend paid		(10,958)	(11,748)
Short-term borrowings		127,683	590,306
Finance cost paid		(153,050)	(38,404)
Net cash generated from financing activities		88,675	515,154
Net decrease in cash and cash equivalents		(1,924)	(10,169)
Cash and cash equivalents at the beginning of the year		9,829	19,998
Cash and cash equivalents at the end of the year	15	7,905	9,829

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Statement of Changes in Equity
For The Year Ended June 30, 2009

	[illegible]	RESERVES						Total
		CAPITAL RESERVE	REVENUE RESERVES			Fair value gain / (loss) on available-for-sale securities	Total	
		Share Premium	General Reserve	Unappropriated profit	Sub-total			
	(Rupees '000)							
Balance as at July 01, 2007	58,752	6,800	180,000	120,638	300,638	8,403	315,841	374,593
Cash dividend for the year ended June 30, 2007 @ Rs. 2 per share	-	-	-	(11,750)	(11,750)	-	(11,750)	(11,750)
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	14,688	-	-	(14,688)	(14,688)	-	(14,688)	-
Fair value change on available-for-sale securities	-	-	-	-	-	(6,507)	(6,507)	(6,507)
Profit after taxation for the year ended June 30, 2008	-	-	-	71,166	71,166	-	71,166	71,166
Balance as at June 30, 2008	73,440	6,800	180,000	165,366	345,366	1,896	354,062	427,502
Balance as at July 01, 2008	**73,440**	**6,800**	**180,000**	**165,366**	**345,366**	**1,896**	**354,062**	**427,502**
Cash dividend for the year ended June 30, 2008 @ Rs. 1.5 per share	-	-	-	**(11,016)**	**(11,016)**	-	**(11,016)**	**(11,016)**
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	**18,360**	-	-	**(18,360)**	**(18,360)**	-	**(18,360)**	-
Fair value change on available-for-sale securities	-	-	-	-	-	**(2,999)**	**(2,999)**	**(2,999)**
Loss after taxation for the year ended June 30, 2009	-	-	-	**(35,211)**	**(35,211)**	-	**(35,211)**	**(35,211)**
Balance as at June 30, 2009	**91,800**	**6,800**	**180,000**	**100,779**	**280,779**	**(1,103)**	**286,476**	**378,276**

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

Cherat Papersack Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper bags and sacks. The Company started commercial production on December 15, 1991 and is listed on Karachi and Lahore Stock Exchanges.

The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for available-for-sale investments that have been measured at fair value.

2.3 Earlier adoption of accounting standard

International Accounting Standard (IAS) 23 Borrowing costs (Revised) effective January 01, 2009

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with the commencement date on or after July 01, 2008. During the year ended June 30, 2009, Rs. 12.53 million of borrowing costs have been capitalized in plant and machinery.

2.4 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

2.4.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 20.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets, future salary increases and mortality rates.

2.4.2 Operating property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

2.4.3 Taxation

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

2.4.4 Stock-in-trade, stores and spare parts

The Company reviews the net realizable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Owned assets

Property, plant and equipment except land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method except for computers, which are depreciated by using the straight-line method.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of operating property, plant and equipment, if any, are recognized in the profit and loss account.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

Depreciation is charged from the month of the year in which addition / capitalization occurs while no depreciation is charged in the month in which an asset is disposed off.

3.1.2 Assets subject to finance lease

Finance lease, which transfers to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalized at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives.

3.2 Intangible asset

Computer software costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which are not an integral part of the related hardware is classified as intangible assets.

3.3 Investments

3.3.1 Available-for-sale securities

These are non-derivative financial assets which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or changes in interest rates.

These investments are initially measured at fair value plus transaction costs and subsequently carried at fair value. Changes in fair value are taken to a separate component of equity until the investment is derecognized at which time the cumulative gain or loss recorded in equity is recognized in profit and loss account.

3.3.2 Held-to-maturity investments

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable costs and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

3.4 Stores, spare parts and loose tools

These are valued at lower of cost and NRV. Cost is determined on moving average basis less provision for obsolete and slow moving items except for items in transit which are stated at invoice value plus other charges incurred thereon.

The Company reviews the carrying amount of stores, spare parts and loose tools on an annual basis and provision is made for obsolescence.

3.5 Stock-in-trade

3.5.1 Raw materials

Raw materials are valued at the lower of cost and NRV.

Cost signifies purchase cost and other direct expenses.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.5.2 Finished goods

Finished goods are valued at lower of moving average cost and NRV.

3.6 Trade debts

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

3.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.8 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.9 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees (functional currency) 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 into Pak Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current and savings accounts with commercial banks.

3.11 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable.

3.11.1 Sale of goods

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

3.11.2 Other operating income

- Return on held-to-maturity investments is recognized on accrual basis taking into account effective yield method.
- Dividend income is recognized when the right to receive such income is established.
- Other revenues are accounted for on accrual basis.

3.12 Staff retirement benefits

3.12.1 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. Contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% 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 recognized over the expected remaining working lives of employees participating in the scheme.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If benefits have already vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

3.12.2 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 monthly contributions are made by the Company and the employees to the fund at the rate of 8.33% of basic salary.

3.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and 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.

3.14 Taxation

3.14.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.14.2 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 assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is 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 this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

3.14.3 Sales tax

Revenues, expenses and assets are recognized net of amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.15 Derivative financial instruments

The Company occasionally uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency borrowings. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is estimated with reference to current forward exchange rates for contracts with similar maturity profiles.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity.

When the hedged commitment results in the recognition of an asset or a liability, then, the associated gains or losses previously recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of an asset or a liability. Effect for remaining period of hedge, if material, is taken to profit and loss account, being considered a fair value hedge.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognized in equity is kept until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the period.

3.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and if only, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all qualifying assets where construction was commenced on or after July 01, 2008. The Company had the practice to expense borrowing costs relating to construction of projects that commenced prior to July 01, 2008.

3.18 Related party transactions

Transactions with related parties are carried out on commercial terms, as approved by the Board, substantiated as given in note 34 to the financial statements.

3.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.20 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.21 Standards and interpretations not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard and interpretation:

	Standards and interpretations	Effective date (accounting periods beginning on or after)
IAS 1 -	Presentation of Financial Statements (Revised)	January 01, 2009
IAS 27 -	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 -	Financial Instruments: Presentation (Amended)	January 01, 2009
IAS 39 -	Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 -	Share-based Payment (Amended)	January 01, 2009
IFRS 3 -	Business Combinations (Revised)	July 01, 2009
IFRS 8 -	Operating Segments	January 01, 2009
IFRIC 15 -	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 -	Hedge of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 -	Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 -	Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of the financial statements.

3.22 Adoption of new accounting standards

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

IFRS 7 -	Financial Instruments: Disclosures
IFRIC 12 -	Service Concession Arrangements
IFRIC 13 -	Customer Loyalty Programs; and
IFRIC 14 -	IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions

Adoption of these standards and interpretations does not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

Notes To The Financial Statements
For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1	389,641	196,061
Capital work-in-progress	4.2	4,166	-
		393,807	196,061

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating assets:

2009 Description	COST As at July 01, 2008	COST Additions during the year	COST Disposals during the year	COST As at June 30, 2009	DEPRECIATION As at July 01, 2008	DEPRECIATION Adjustment on disposal	DEPRECIATION For the year	DEPRECIATION As at June 30, 2009	Book value as at June 30, 2009	Depreciation rate % per annum
	(Rupees '000)									
Leasehold land	3,761	-	-	3,761	-	-	-	-	3,761	-
Building on leasehold land	66,496	-	-	66,496	7,927	-	5,752	13,679	52,817	5-10
Plant and machinery	213,195	205,413	-	418,608	92,604	-	11,612	104,216	314,392	7.5
Power and other installations	888	-	-	888	656	-	23	679	209	10
Furniture and fittings	2,426	57	-	2,483	1,361	-	85	1,446	1,037	5-10
Vehicles	17,037	4,261	-	21,298	9,665	-	1,902	11,567	9,731	20
Equipment	7,084	3,823	-	10,907	2,790	-	560	3,350	7,557	10
Computers	2,061	106	-	2,167	1,884	-	146	2,030	137	33.33
	312,948	213,660	-	526,608	116,887	-	20,080	136,967	389,641	

2008 Description	COST As at July 01, 2007	COST Additions during the year	COST Disposals during the year	COST As at June 30, 2008	DEPRECIATION As at July 01, 2007	DEPRECIATION Adjustment on disposal	DEPRECIATION For the year	DEPRECIATION As at June 30, 2008	Book value as at June 30, 2008	Depreciation rate % per annum
	(Rupees '000)									
Leasehold land	1,443	2,318	-	3,761	-	-	-	-	3,761	-
Building on leasehold land	14,331	52,165	-	66,496	6,855	-	1,072	7,927	58,569	5-10
Plant and machinery	213,195	-	-	213,195	82,828	-	9,776	92,604	120,591	7.5
Power and other installations	888	-	-	888	630	-	26	656	232	10
Furniture and fittings	2,313	134	(21)	2,426	1,270	(2)	93	1,361	1,065	5-10
Vehicles	15,911	2,069	(943)	17,037	8,783	(749)	1,631	9,665	7,372	20
Equipment	6,794	290	-	7,084	2,340	-	450	2,790	4,294	10
Computers	1,977	84	-	2,061	1,662	-	222	1,884	177	33.33
	256,852	57,060	(964)	312,948	104,368	(751)	13,270	116,887	196,061	

4.1.2 During the year borrowing cost has been capitalized amounting to Rs. 12.53 million (2008: Nil) by using weighted average capitalization rate of 15.71% (2008: Nil).

	Note	2009	2008
		(Rupees '000)	
4.1.3 Reconciliation of carrying amount:			
Carrying amount at beginning of the year		196,061	152,484
Additions during the year		213,660	57,060
Depreciation for the year		(20,080)	(13,270)
Disposals during the year at carrying amount		-	(213)
Carrying amount at the end of the year		389,641	196,061
4.1.4 The depreciation charge for the year has been allocated to:			
Cost of sales	24	19,065	12,097
Distribution cost	25	661	820
Administrative expenses	26	354	353
		20,080	13,270
4.2 Capital work-in-progress			
Civil works		3,206	-
Computers		960	-
		4,166	-

5. INTANGIBLE ASSET

This represents portion of implementation cost of the ERP system under development. Accordingly, no amortization has been charged for the year.

6. LONG-TERM INVESTMENTS

	Note	2009	2008
Available-for-sale securities - related party			
Ordinary shares of listed company			
Cherat Cement Company Limited			
221,239 (2008: 221,239) fully paid ordinary shares of Rs.10/- each	6.1	2,994	5,993
Held-to-maturity investment			
Defence Saving Certificates	6.2	52,500	44,478
Less: Maturity within one year shown in short-term investments		52,500	-
		-	44,478
		2,994	50,471

Notes To The Financial Statements
For The Year Ended June 30, 2009

6.1 The fair value of the listed equity shares is determined with reference to published price quotations in an active market.

6.2 Represents Defence Saving Certificates (DSCs) of ten years period maturing immediately subsequent to the year end having redemption value of Rs. 52.50 million that carry effective mark-up rate of 18% per annum (2008: 18% per annum). These certificates are held in the safe custody of a commercial bank as of the balance sheet date.

	Note	2009	2008
7. LONG-TERM LOANS - considered good		(Rupees '000)	
Loans to:			
Executives	7.1 & 7.2	494	-
Employees	7.2	836	1,504
		1,330	1,504
Less: Due within one year shown under current portion of loans	12	332	376
		998	1,128

7.1 Reconciliation of carrying amount of loans to executives

	2009	2008
Balance as at July 01	-	-
Disbursement	915	-
Repayment	(421)	-
Balance as at June 30	494	-

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.92 million (2008: Nil).

7.2 Represent car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 15% per annum (2008: upto 11% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

	2009	2008
8. LONG-TERM DEPOSITS	(Rupees '000)	
Security deposits	163	163
Others	13	13
	176	176
9. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	2,142	1,919
Spare parts	11,969	12,482
Loose tools	109	36
	14,220	14,437
10. STOCK-IN-TRADE		
Raw material		
In hand	406,552	692,839
In bonded warehouse	218,149	126,840
In transit	24,480	104,644
	649,181	924,323
Finished goods	51,507	49,161
	700,688	973,484

	Note	2009	2008
		(Rupees '000)	
11. TRADE DEBTS - unsecured			
Considered good	11.1	245,388	170,452
Considered doubtful		17,966	17,966
		263,354	188,418
Less: Provision for doubtful debts		17,966	17,966
		245,388	170,452

11.1 Trade receivables are non-interest bearing and are generally on 30 days term. Aging analysis of trade debts is as follows:

	Note	2009	2008
Neither past due nor impaired		182,504	170,421
Past due but not impaired			
- Within 60 days		62,884	31
		245,388	170,452

12. LOANS AND ADVANCES - considered good

	Note	2009	2008
Current portion of loans due from:			
Executives		124	-
Employees		208	376
	7	332	376
Advances - unsecured:			
Suppliers		472	409
Letters of credit		1,199	3,569
		1,671	3,978
		2,003	4,354

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2009	2008
Trade deposits			
Margin on letters of credit		-	70,303
Trade deposit - earnest money		200	200
		200	70,503
Short-term prepayments		2,510	1,676
		2,710	72,179

14. OTHER RECEIVABLES

	Note	2009	2008
Excise duty claim		362	362
Sales tax adjustable		42,475	39,365
Special excise duty adjustable		2,064	2,018
Warehousing surcharge claim		517	517
Gratuity fund	20.1	-	1,489
Others		93	311
		45,511	44,062

15. CASH AND BANK BALANCES

	Note	2009	2008
With banks:			
Current accounts	15.1	3,714	2,339
Saving accounts	15.2	4,126	7,370
		7,840	9,709
Cash in hand		65	120
		7,905	9,829

15.1 Bank balances include cheques in hand amounting to Nil (2008: Rs. 6.29 million).

15.2 Effective profit rate in respect of saving accounts is 5% per annum (2008: 1% to 5% per annum).

16. SHARE CAPITAL

16.1 Authorized capital

2009	2008		2009	2008
Number of shares			(Rupees '000)	
15,000,000	10,000,000	Ordinary shares of Rs. 10/- each	150,000	100,000

16.2 Issued, subscribed and paid-up capital

2009	2008		2009	2008
Number of shares			(Rupees '000)	
		Fully paid ordinary shares of Rs. 10/- each		
4,080,000	4,080,000	Issued for consideration in cash	40,800	40,800
		Issued as bonus shares		
3,264,000	1,795,200	- Opening balance	32,640	17,952
1,836,000	1,468,800	- Issued during the year	18,360	14,688
5,100,000	3,264,000		51,000	32,640
9,180,000	7,344,000		91,800	73,440

17. RESERVES

17.1 Capital reserve

Capital reserve was created due to the issuance of shares on premium in the preceding years.

17.2 Unrealized gain / (loss) on available-for-sale securities

This reserve records the fair value changes on available-for-sale financial assets as required under the relevant accounting standard.

18. LONG-TERM FINANCING - secured

	Note	2009	2008
		(Rupees '000)	
Long-term loan - I	18.1	25,000	50,000
Long-term loan - II	18.2	150,000	-
		175,000	50,000
Less: Current maturity		43,750	25,000
		131,250	25,000

18.1 This represents a long-term loan obtained from a commercial bank to finance the capacity expansion project. The loan is repayable in 5 years in 8 equal semi-annual instalments commencing from June 2005 and is subject to mark-up at the rate of 6 months KIBOR plus 0.75%. The loan is secured by first registered specific hypothecation charge of Rs. 114 million over plant and machinery of the Company.

18.2 This represents a long-term loan obtained from a commercial bank for the import of "Tuber and Bottomer", carrying mark-up at the rate of 6 months KIBOR plus 0.5%. The loan is repayable in 8 equal semi-annual instalments commencing after 18 months from drawdown of the facility i.e. April 2010. The loan is secured by way of first pari-passu charge of Rs. 200 million over plant and machinery imported by the Company.

	Note	2009	2008
		(Rupees '000)	
19. DEFERRED TAXATION			
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating property, plant and equipment		75,294	35,772
Deferred tax liability on deductible temporary difference:			
Taxable loss		(62,662)	-
		12,632	35,772
20. TRADE AND OTHER PAYABLES			
Creditors		6,605	8,100
Bills payable		57,536	273,076
Accrued liabilities		7,628	9,604
Retention money		1,075	5,156
Unclaimed dividend		925	867
Payable to gratuity fund	20.1	1,056	-
Workers' Profits Participation Fund	20.2	-	5,500
Workers' Welfare Fund		-	1,417
		74,825	303,720

20.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 2.4.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2009.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2009	2008
	(Rupees '000)	
Staff Gratuity Fund Liability / (asset)		
Present value of defined benefit obligation	13,317	10,685
Fair value of plan assets	(10,358)	(9,093)
Unrecognized actuarial losses	(1,903)	(3,081)
Liability / (asset) recognized in the balance sheet	1,056	(1,489)
Amounts charged to profit and loss account:		
Current service cost	908	586
Interest cost	1,282	862
Expected return on plan assets	(1,091)	(773)
Actuarial losses recognized	2,196	431
	3,295	1,106

Notes To The Financial Statements
For The Year Ended June 30, 2009

	2009	2008
	(Rupees '000)	
Movement in the balance recognized in the balance sheet:		
Balance as at July 01	(1,489)	(595)
Net charge for the year	3,295	1,106
Contribution to the fund	(750)	(2,000)
Balance as at June 30	1,056	(1,489)
Movement in the present value of defined benefit obligation:		
Balance as at July 01	10,685	10,418
Current service cost	908	586
Interest cost	1,282	862
Benefits paid during the year	-	(1,183)
Actuarial losses	442	2
Balance as at June 30	13,317	10,685
Movement in the fair value of plan assets:		
Balance as at July 01	9,093	7,728
Expected return	1,091	773
Contributions	750	2,000
Benefits paid during the year	-	(1,183)
Actuarial losses	(576)	(225)
Balance as at June 30	10,358	9,093
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	12%	12%
Valuation discount rate	12%	12%
Rate of return on plan assets	12%	12%

Comparisons for past years:

As at June 30	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation	13,317	10,685	10,418	9,399	5,562
Fair value of plan assets	(10,358)	(9,093)	(7,728)	(7,256)	(7,025)
Deficit / (surplus)	2,959	1,592	2,690	2,143	(1,463)
Experience adjustment on plan liabilities	442	2	56	1,007	1,548
Experience adjustment on plan assets	576	225	235	472	311
	1,018	227	291	1,479	1,859

	2009	2008
	(Rupees '000)	
Composition of plan assets are as follows:		
Special Saving Certificates and Term Finance Certificates	5,823	2,159
Mutual Funds / Shares	3,480	6,711
Amount in banks	1,055	223
	10,358	9,093

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year 2009 was Rs. 0.52 million (2008: Rs 0.55 million).

20.2 Workers' Profits Participation Fund	Note	2009	2008
		(Rupees '000)	
Balance as at July 01,		5,500	6,241
Interest thereon	29	55	108
		5,555	6,349
Less: Payments during the year		5,555	6,349
		-	-
Charge for the year	27	-	5,500
		-	5,500

21. SHORT-TERM BORROWINGS - secured

	Note	2009	2008
Running finances utilized under mark-up arrangements	21.1 & 21.2	699,447	546,189
Money market loans	21.1 & 21.3	140,000	-
Foreign currency term finances	21.1	-	165,575
		839,447	711,764

21.1 These facilities are obtained from various commercial banks amounting to Rs. 1,230 million (2008: Rs. 954 million) out of which Rs. 390.55 million (2008: Rs. 242.24 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,555.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

21.2 These facilities carry mark-up of 1 month KIBOR plus spread ranging from 1.50% to 2% and 3 months KIBOR plus spread ranging from 0.90% to 2.75% (2008: 1 month KIBOR plus spread ranging from 0.50% to 1% and 3 months KIBOR plus spread ranging from 0.50% to 1.50%) per annum. The balance includes cheques in hand amounting to Rs. 88.19 million (2008: Rs. 70.83 million).

21.3 These facilities carry mark-up of 1 month KIBOR plus spread ranging from 0.85% to 1.50% (2008: Nil).

	2009	2008
	(Rupees '000)	
22. CONTINGENCIES AND COMMITMENTS		
22.1 Letters of credit issued by commercial banks	191,867	390,526
22.2 Duties payable on bonded stock and stock in transit	48,725	35,040

Notes To The Financial Statements
For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
23. TURNOVER - NET			
Local		2,410,864	2,139,949
Less: Sales tax		329,647	276,931
Special excise duty		20,603	18,465
		350,250	295,396
		2,060,614	1,844,553
Export		-	6,863
		2,060,614	1,851,416
24. COST OF SALES			
Raw material consumed			
Opening stock		692,839	248,979
Purchases		1,535,475	2,062,274
		2,228,314	2,311,253
Closing stock		(406,552)	(692,839)
		1,821,762	1,618,414
Duty drawback on exports		-	(867)
		1,821,762	1,617,547
Manufacturing overheads			
Salaries, wages and benefits	24.1	36,307	30,110
Stores, spare parts and loose tools consumed		4,631	3,956
Fuel and power		4,694	3,496
Packing charges		15,928	14,220
Rent, rates and taxes		146	234
Repairs and maintenance		1,581	973
Depreciation	4.1.4	19,065	12,097
Insurance		12,940	6,183
General office expenses		34	101
Vehicle running expenses		1,005	800
Travelling and conveyance		942	1,553
Communication expenses		264	202
Printing and stationery		150	178
Legal and professional charges		1,514	1,737
Freight and cartage		111	158
Obsolete stock - written off		64	33
Others		415	337
		99,791	76,368
Cost of goods manufactured		1,921,553	1,693,915
Finished goods			
Opening stock		49,161	28,508
Closing stock		(51,507)	(49,161)
		(2,346)	(20,653)
		1,919,207	1,673,262

24.1 This includes Rs. 0.92 million (2008: Rs. 0.72 million) in respect of provident fund and Rs. 2.72 million (2008: Rs. 0.81 million) in respect of gratuity fund.

	Note	2009	2008
		(Rupees '000)	
25. DISTRIBUTION COST			
Salaries, wages and benefits		5,975	5,213
Travelling and conveyance		1,079	1,442
Vehicle running expenses		115	83
Communication expenses		14	11
Rent, rates and taxes		12	7
Insurance		331	673
Subscription		-	117
Printing and stationery		124	-
Depreciation	4.1.4	661	820
Freight and cartage		11,672	10,471
Others		270	23
		20,253	18,860
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	26.1	6,726	5,636
Directors' fee		270	235
Travelling and conveyance		137	123
Vehicle running expenses		393	285
Communication expenses		298	244
Printing and stationery		526	243
Rent, rates and taxes		784	542
Legal and professional charges		1,122	923
Insurance		546	488
Subscription		147	140
Advertisement		150	125
Depreciation	4.1.4	354	353
Repairs and maintenance		40	179
General office expenses		59	52
Utilities		100	76
Others		42	44
		11,694	9,688

26.1 This includes Rs. 0.23 million (2008: Rs. 0.19 million) in respect of provident fund and Rs. 0.57 million (2008: Rs. 0.30 million) in respect of gratuity fund.

27. OTHER OPERATING EXPENSES	Note	2009	2008
Auditors' remuneration	27.1	911	678
Donations	27.2	385	215
Workers' Profits Participation Fund (WPPF)	20.2	-	5,500
Workers' Welfare Fund		-	83
		1,296	6,476

Notes To The Financial Statements
For The Year Ended June 30, 2009

		Note	2009	2008
			(Rupees '000)	
27.1	**Auditors' remuneration**			
	Audit fee		310	260
	Tax, corporate and other services		525	344
	Out of pocket expenses		76	74
			911	678

27.2 Recipients of donations do not include any donee in which any Director or his spouse had any interest.

28. OTHER OPERATING INCOME

	Note	2009	2008
Income from financial assets			
Return on:			
Held-to-maturity investments		8,022	6,797
Short-term bank deposits		198	102
		8,220	6,899
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment		-	330
Others			
Scrap sales		2,013	2,237
Dividend income from a related party		-	221
		2,013	2,458
		10,233	9,687

29. FINANCE COST

	Note	2009	2008
Mark-up on:			
Long-term financing		10,331	7,349
Short-term borrowings		150,017	30,137
		160,348	37,486
Exchange loss		15,510	10,296
Guarantee commission		205	41
Bank charges and duties		630	460
Interest on WPPF	20.2	55	108
		176,748	48,391

30. TAXATION

30.1 The assessments of the Company for and upto the tax year 2008 have been completed or deemed to be assessed.

30.2 Since there is no minimum tax required for the tax year 2009 and there is taxable loss for the year, therefore no current tax has been charged during the year.

	2009	2008
	(Rupees '000)	

30.3 Relationship between tax expense and accounting profit

	2009	2008
(Loss) / profit before taxation	(58,351)	104,426
Tax calculated @ 35% (2008: 35%)	-	36,549
Tax effects of:		
Temporary difference	39,522	-
Income exempt from tax	(2,808)	(2,379)
Carry forward of unabsorbed business losses	(59,854)	-
Effect of applicability of lower tax rate on certain income	-	(91)
Effect of computational adjustments	-	(819)
Taxation for the year	(23,140)	33,260

31. (LOSS) / EARNINGS PER SHARE - (RESTATED)

	Note	2009	2008
(Loss) / profit after taxation (Rupees '000)		(35,211)	71,166
Weighted average number of ordinary shares in issue	16	9,180,000	9,180,000
Basic (loss) / earnings per share	31.1 &31.2	Rs. (3.84)	Rs. 7.75

31.1 Number of shares outstanding as at June 30, 2008 has been increased to reflect the effect of bonus shares issued during the year.

31.2 There is no dilution effect on basic earnings per share of the Company.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized as follows:

32.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

Financial instruments affected by market risk include long-term investment (available-for-sale), long-term financing and short-term borrowings.

32.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 21.88 million (2008: Rs. 8.89 million) in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

32.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

Change in Rupee - Euro parity by 10% may have a positive or negative impact of approximately Rs. 5.75 million (2008: Rs. 27.31 million) in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

The Company has assessed that hedging its foreign currency liabilities will be expensive than assuming the risk itself.

32.1.3 Equity risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity instrument decisions.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 2.99 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 0.30 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity in the similar amount.

32.2 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Aging analysis of trade debts is disclosed in note 11.1 to the financial statements.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The maximum exposure to credit risk at the reporting date is as follows:

	Carrying Value	
	2009	2008
	(Rupees '000)	
Long-term deposits	176	176
Investments	55,494	50,471
Trade debts	245,388	170,452
Advances	1,671	3,978
Deposits	200	200
Bank balances	7,840	9,709
	310,769	234,986

32.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Long-term investments		
Counter parties without credit rating	2,994	50,471
Trade debts		
Customers with no defaults in the past one year	245,388	170,452
Short-term investments		
Government securities without credit rating	52,500	-
Cash at bank and short-term deposits		
A1+	7,840	9,709

32.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 390.55 million (2008: Rs. 242.24 million).

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes To The Financial Statements
For The Year Ended June 30, 2009

	2009					2008				
	INTEREST BEARING			NON INTEREST BEARING	Total	INTEREST BEARING			NON INTEREST BEARING	Total
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees '000)					(Rupees '000)				
Long-term financing	43,750	131,250	175,000	-	175,000	25,000	25,000	50,000	-	50,000
Trade and other payables	-	-	-	74,825	74,825	-	-	-	296,803	296,803
Accrued mark-up	35,890	-	35,890	-	35,890	12,192	-	12,192	-	12,192
Short-term borrowings	839,447	-	839,447	-	839,447	711,764	-	711,764	-	711,764
	919,087	131,250	1,050,337	74,825	1,125,162	748,956	25,000	773,956	296,803	1,070,759

Effective interest / yield rates for the monetary liabilities are mentioned in the respective notes to the financial statements.

32.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2009.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
	(Rupees '000)	
Long-term financing including current portion	175,000	50,000
Accrued mark-up	35,890	12,192
Short-term borrowings	839,447	711,764
Total debt	1,050,337	773,956
Cash and cash equivalents	(7,905)	(9,829)
Net debt	1,042,432	764,127
Share capital	91,800	73,440
Reserves	286,476	354,062
Total capital	378,276	427,502
Capital and net debt	1,420,708	1,191,629
Gearing ratio	73.37 %	64.12%

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriated mix between various sources of finance to minimize risk.

32.5 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2009		2008	
	Director	Executives / Key Employees	Director	Executives / Key Employees
	(Rupees '000)			
Managerial remuneration	3,097	10,717	2,710	6,173
Housing allowance	1,393	3,437	1,219	1,873
Retirement benefits	-	1,273	-	693
Utilities	310	746	271	414
Leave fare	-	636	-	346
	4,800	16,809	4,200	9,499
Number	1	8	1	4

33.1 The Chief Executive Officer is not drawing any remuneration from the Company.

33.2 The director is provided with the use of Company maintained car.

33.3 The aggregate amount charged in the financial statements for the year for fee to 8 directors amounted to Rs. 0.27 million (2008: 8 directors amounted to Rs. 0.24 million).

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group 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, contribution to staff benefit funds, remuneration of a director and executives and other transactions are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of transactions	2009	2008
		(Rupees '000)	
Group companies	Sale of goods	445,375	328,501
	Purchase of goods	970	5,889
	Services received	8,644	10,942
	Software consultancy charges	2,096	1,818
	Dividend paid	3,073	3,278
	Dividend received	-	221
Other related parties	Contribution to staff provident and gratuity funds	1,897	2,909
	Insurance premium	5,029	3,959

In addition, certain actual administrative expenses are being shared amongst the group companies.

Notes To The Financial Statements
For The Year Ended June 30, 2009

		2009	2008
		(Bags '000)	
35.	**CAPACITY**		
	Annual installed capacity as of June 30,	265,000	160,000
	Actual production for the year	122,439	140,479

Commercial production of new line was commenced during the last quarter of the financial year. Actual production is in line with the industry demand.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 01, 2009 by the Board of Directors of the Company.

37. CORRESPONDING FIGURES

There were no reclassifications that could affect the financial statements materially.

38. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Pattern of Shareholding
as at June 30, 2009

No. of Shareholder	Shareholding From	Shareholding To	Shares held	Percentage
174	1	100	7,619	0.0830
243	101	500	74,033	0.8065
118	501	1000	94,635	1.0309
281	1001	5000	584,960	6.3721
48	5001	10000	338,700	3.6895
15	10001	15000	183,562	1.9996
11	15001	20000	190,550	2.0757
3	20001	25000	64,875	0.7067
6	25001	30000	163,205	1.7778
4	30001	35000	129,725	1.4131
3	35001	40000	117,881	1.2841
1	40001	45000	40,797	0.4444
1	45001	50000	46,125	0.5025
1	50001	55000	51,637	0.5625
1	55001	60000	57,037	0.6213
6	65001	70000	407,475	4.4387
1	105001	110000	105,208	1.1461
2	120001	125000	248,680	2.7089
1	135001	140000	136,596	1.4880
2	150001	155000	306,534	3.3392
1	155001	160000	157,500	1.7157
1	295001	300000	300,000	3.2680
1	400001	405000	405,000	4.4118
1	430001	435000	432,000	4.7059
2	505001	510000	1,016,028	11.0678
1	515001	520000	519,250	5.6563
1	535001	540000	540,000	5.8824
1	670001	675000	675,000	7.3529
1	840001	845000	844,888	9.2036
1	940001	945000	940,500	10.2451
933			9,180,000	100.0000

Categories of Shareholders
as at June 30, 2009

Categories	No. of Shareholders	Share held	Percentage
Individuals	891	3,379,490	36.8136
Financial Institutions	4	158,795	1.7298
Insurance Companies	5	2,042,515	22.2496
Joint Stock Companies	25	3,114,354	33.9254
Modaraba	1	35,000	0.3813
Investment Companies	2	19,303	0.2103
Mutual Fund	2	425,000	4.6296
Others	3	5,543	0.0604
	933	9,180,000	100.0000

Pattern of Shareholding
as at June 30, 2009

Additional Information

Shareholders' Category	Shares Held
Associated Companies	
Faruque (Private) Limited	940,500
Cherat Cement Company Limited	540,000
Mirpurkhas Sugar Mills Limited	405,000
Greaves Pakistan (Private) Limited	675,000
Directors, Chief Executive and their spouses	
Mr. Mohammed Faruque	5,625
Mr. Amer Faruque	19,800
Mrs. Amina Faruque W/o Mr. Amer Faruque	38,250
Mr. Iqbal Faruque	5,625
Mr. Mahmood Faruque	57,037
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	46,125
Mr. Akbarali Pesnani	33,750
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	8,237
Mr. Aslam Faruque	15,750
Mr. Shehryar Faruque	30,825
Mr. Arif Faruque	136,596
Mr. Saquib H. Shirazi	6
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	241
NBP Trustee - NI(U)T (LOC) Fund	251
National Bank of Pakistan	157,500
Executives	11,812
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	2,522,621
Shareholders holding ten percent or more voting interest	
Faruque (Private) Limited	940,500

Proxy Form

20th Annual General Meeting 2009

IMPORTANT
Instruments of Proxy will not be considered as valid unless deposited or received at the Company's Head Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

Registered folio / participant's ID No. and A/c. No.______________

____

Number of shares held: ______________

____

I / We ____

of ____

being a member of CHERAT PAPERSACK LIMITED, hereby appoint ______________ ______________ of ______________ another member of the company as my/our proxy to attend &vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on Thursday, October 29, 2009 at 11:00 a.m. and at any adjournment thereof.

Signed this ______________ day of ______________ 2009.

WITNESSES:

1. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   NIC or ______________
   Passport No. ______________

2. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   NIC or ______________
   Passport No. ______________

Signature

Revenue Stamp Rs.5/-

(Signature should agree with the specimen signature registered with the Company)

Note: SECP circular of January 26, 2000 is on the reverse side of this form.

Circular

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No. I of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETING AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guidelines for the convenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulation, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies:

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall submit the proxy from as per requirement notified by the company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) in case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

sd.

(M. Javed Panni)

Chief (Coordination)

GHULAM FARUQUE
GROUP

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