

Cherat Papersack Limited

Annual Report 2000

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COMPANY INFORMATION

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Zahid Faruque	Chief Executive
Mr. Iqbal Faruque	Director
Mr. Ahmad Faruque	Director
Mr. Mahmood Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Akhtar Mahmood (NIT)	Director

Company Secretary

Mr. R. Jafrani

Auditors

Sidat Hyder Qamar & Co.

Bankers

ABN Amro Bank
Allied Bank Ltd.
Credit Agricole Indosuez
Gulf Commercial Bank Ltd.
Habib Bank Ltd.
Metropolitan Bank Ltd.
Muslim Commercial Bank Ltd.

National Bank of Pakistan
Soneri Bank Ltd.
Standard Chartered Grindlays Bank Ltd.
United Bank Ltd.

Registered office

Modern Motors House,
Beaumont Road,
Karachi-75530

Factory

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

Sales Office

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

Regional Office

3, Sunderdas Road,
Lahore.

Islamabad Office

No. 7, Mezzanine Level,
Razia Sharif Plaza, 92, Blue Area,
Islamabad

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of this Company will be held on Tuesday, December 19, 2000, at 12.30 p.m. at the registered Office of the Company at Modern Motors House, Beaumont Road, Karachi, to transact the following business:

1. To receive and consider the Audited Accounts for the year ended June 30, 2000, with the Directors' and Auditors' Reports thereon.
2. To declare final dividend of Rs. 10.00 per share (100%) recommended by Directors in addition to an interim dividend of Rs. 4.50 (45%) already paid aggregating to Rs. 14.50 per share (145%).
3. To appoint auditors for the ensuing year and to fix their remuneration.

By Order of the Board

R. JAFRANI

Company Secretary

Karachi: November 07, 2000

Notes:

1. The register of members will be closed from Tuesday, December 12 to Tuesday, December 19, 2000 inclusive and no transfers will be registered during that time. Shares received in order at the Registered Office of the Company at the close of business on Monday, December 11, 2000 will be treated in time for the purpose of the above Dividend.
2. A member eligible to attend and vote at the Annual General Meeting is entitled to 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 whose shares are registered in their account/sub-account/group account with Central Depository System (CDS) are requested to bring original NIC 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 January 26, 2000 to be followed.
4. The shareholders are requested to notify the Company if there is any change in their address.

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE, 2000

DEAR SHAREHOLDERS,

Your Directors are pleased to present you the Company's Annual Report together with Audited Accounts and Auditors' Report for the year ended June 30, 2000.

PRODUCTION AND DISPATCHES

The Comparative figures for production and dispatch of bags are as under:

	<i>1999-2000</i>	<i>1998-1999</i>	<i>Change</i>
	<i>(Units in Mil.)</i>	<i>(Units in Mil.)</i>	<i>(%)</i>
Production	59.87	54.42	10.01
Dispatches	60.02	54.28	10.57

MARKETING

As in previous years maintaining quality of the bags remained our prime consideration, this together with constant follow up with our customers helped us in keeping our share of the market. In fact in terms of quantity the dispatches for this year as shown above were higher than last year by 5.74

million bags.

To maintain our share of market and keeping in view the liquidity position of cement manufacturers we had to extend substantial credit to our customers. Our receivables as of June 30, 2000 stood at Rs. 149.028 million, which is equivalent to approximately 88 days of sales.

OPERATIONAL RESULTS

The summarized operating results are as follows:

	<i>1999-2000</i>	<i>1998-1999</i>	<i>Change</i>
	<i>(Units in Mil.)</i>	<i>(Units in Mil.)</i>	<i>(%)</i>
Net Sales	615.50	590.20	4.30
Cost of Sales	519.40	478.40	8.60
	-----	-----	-----
Gross Profit	96.10	111.80	(14.0)
Expenses & Taxes	25.00	29.30	(14.7)
	-----	-----	-----
Net Profit	71.10	82.50	(13.8)
	=====	=====	=====

Other comparative figures are reflected in the Financial Statements.

APPROPRIATION OF PROFIT

The profit after tax for current year amounts to Rs. 71.10 million which together with unappropriated profit of Rs. 43.41 million from last year gives us Rs. 114.51 million to be appropriated.

Your Directors propose following appropriation of profit:

	<i>Rupees in Million</i>
Net Profit for the year	71.10
Add: Unappropriated profit brought forward	43.41

Total available for appropriation	114.51
	=====
Appropriation:	
Interim dividend @ 45%	18.36
Proposed final dividend @ 100%	40.80
Transfer to General Reserve	15.00
Balance to be carried forward	40.35

	114.51
	=====

FINANCIAL COMMITMENTS / DEBT OBLIGATIONS

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

FUTURE OUTLOOK

The performance of our Company is largely dependent on the cement industry and the price for imported kraft paper. While there has been an improvement in the cement sector, the prices of imported kraft paper have been fluctuating. The depreciation in the value of Pak Rupee also remains a concern as it directly impacts our cost of production. We hope that the economic situation improves in the coming months, which should in turn help us maintain our performance.

AUDITORS

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

ACKNOWLEDGEMENT

In the end we wish to thank all the financial institutions, which have been associated with us, for their support, understanding and cooperation. We would also like to thank all our customers for their continued association. Our special thanks are due to our team of dedicated managers and other executives, supervisors and hard working employees, who continue to put in their best efforts to ensure optimum performance.

Thank you,

For and on behalf of
CHERAT PAPERSACK LIMITED

MOHAMMED FARUQUE
Chairman

Karachi: November 07, 2000.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHERAT PAPERSACK LIMITED** as at 30 June 2000 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 the accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the 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 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KARACHI: November 07, 2000

SIDAT HYDER QAMAR & CO.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
SHARE CAPITAL AND RESERVES			<i>(Rupees)</i>
Authorised			
5,000,000 Ordinary			

shares of Rs. 10/- each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up	3	40,800,000	40,800,000
Share premium reserve		6,800,000	6,800,000
General reserve		140,000,000	125,000,000
Unappropriated profit		40,354,689	43,413,851
		227,954,689	216,013,851
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	4	1,830,001	10,050,449
Deferred liability- Gratuity		1,804,742	1,482,134
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	4	8,220,448	6,730,878
Creditors, accrued and other liabilities	5	59,786,772	58,397,403
Proposed dividend		40,800,000	40,800,000
		-----	-----
		108,807,220	105,928,281
CONTINGENCIES AND COMMITMENTS	7		
		-----	-----
		340,396,652	333,474,715
		=====	=====
FIXED ASSETS-TANGIBLE			
Operating assets	8	31,654,875	34,797,382
Assets subject to finance lease	9	18,009,945	20,011,050
Capital work-in-progress		--	241,294
		-----	-----
		49,664,820	55,049,726
INVESTMENTS	10	17,677,912	6,237,350
LONG-TERM ADVANCES AND DEPOSITS	11	802,144	1,386,384
CURRENT ASSETS			
Stores, spares and loose tools		9,163,182	9,213,329
Stock-in-trade	12	70,523,707	82,220,632
Trade debts	13	149,027,790	102,104,499
Advances, deposits, prepayments and other receivables	14	20,868,167	10,660,362
Cash and bank balances	15	22,668,930	66,602,433
		-----	-----
		272,251,776	270,801,255
		-----	-----

340,396,652	333,474,715
=====	=====

These financial statements should be read with the annexed notes.

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2000**

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees)</i>	
Sales - net	16	615,559,267	590,173,146
Cost of goods sold	17	519,432,209	478,415,048
		-----	-----
Gross profit		96,127,058	111,758,098
Administration expenses	18	5,716,658	4,936,445
Selling expenses	19	14,543,427	15,411,320
		-----	-----
		20,260,085	20,347,765
		-----	-----
Operating profit		75,866,973	91,410,333
Financial charges		8,575,597	8,486,072
Other charges		433,000	333,900
Other income		(11,224,397)	(7,198,867)
Workers' profit participation fund		3,904,139	4,489,461
		-----	-----
		1,688,339	6,110,566
		-----	-----
Net profit for the year		74,178,634	85,299,767
Taxation - current	23	3,077,796	2,950,866
- prior		--	(166,320)
		-----	-----
		3,077,796	2,784,546
		-----	-----
Profit after taxation		71,100,838	82,515,221
Accumulated profit brought forward		43,413,851	40,978,630
		-----	-----
Profit available for appropriation		114,514,689	123,493,851
Appropriations:			
Proposed final dividend @ 100% (1999: @ 100%)		40,800,000	40,800,000
Interim dividend @ 45% (1999: 35%)		18,360,000	14,280,000

Transfer to general reserve		15,000,000	25,000,000
		-----	-----
		74,160,000	80,080,000
Accumulated profit carried forward		40,354,689	43,413,851
		=====	=====
Earning per share - basic and diluted	24	17.43	20.22
		=====	=====

These financial statements should be read with the annexed notes.

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	74,178,634	85,299,767
Adjustment for:		
Depreciation	5,773,020	6,359,339
Amortization of deferred cost	305,000	305,000
Provision for gratuity	322,608	463,868
Loss on disposal of fixed assets	12,320	(17,822)
Financial charges	8,575,597	8,486,072
Reversal of provision for diminution in investment	(1,440,562)	--
Return on investment	(2,136,755)	(4,457,710)
	-----	-----
Operating profit before working capital changes	85,589,862	96,438,514
(Increase) / decrease in:		
Stores, spares and loose tools	50,147	(4,679,521)
Stock-in-trade	11,696,925	19,560,780
Trade debts	(46,923,292)	(6,296,745)
Advances, deposits, prepayments and other receivables	(4,782,531)	2,066,455
Increase / (decrease) in:		
Creditors, accrued and other liabilities	(794,558)	(38,112,328)
	-----	-----
	(40,753,309)	(27,461,359)
	-----	-----

Cash generated from operations	44,836,553	68,977,155
Income tax paid	(6,366,314)	(3,621,816)
	(60,376,982)	(41,758,410)
Dividend paid	(2,605,576)	(4,791,574)
Interest paid	-----	-----
	(69,348,872)	(50,171,800)
	-----	-----
Net cash (used in) / from operating activities	(24,512,319)	18,805,355

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to assets	(1,228,720)	(2,674,789)
Sale proceed of fixed assets	870,000	62,150
Capital work-in-progress	--	(20,502)
Long-term advances, deposits and prepayments	237,527	83,801
Investments	(10,000,000)	3,225,000
Short-term investment	--	10,000,000
Interest received	--	7,098,350
	-----	-----
Net cash (used in)/from investing activities	(10,121,193)	17,774,010

CASH FLOWS FROM FINANCING ACTIVITIES

Lease rentals paid against finance lease	(9,299,991)	(9,299,992)
	-----	-----
Net (decrease) /increase in cash and bank balances	(43,933,503)	27,279,373
Cash and cash equivalents at beginning of the year	66,602,433	39,323,060
	-----	-----
Cash and cash equivalents at end of the year	22,668,930	66,602,433
	=====	=====

ZAHID FARUQUE

Chief Executive

AKBARALI PESNANI

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2000**

	<i>Share Capital</i>	<i>Capital Reserve (Share Premium)</i>	<i>General Reserve</i>	<i>Unappro- priated Profit</i>	<i>Total</i>
	(Rupees)				
Balance at 01 July, 1998	40,800,000	6,800,000	100,000,000	40,978,630	188,578,630
Net profit for the year 1998-1999	--	--	--	82,515,221	82,515,221
	-----	-----	-----	-----	-----

	40,800,000	6,800,000	100,000,000	123,493,851	271,093,851
Appropriation:					
Transferred during the year	--	--	25,000,000	25,000,000	--
Proposed final dividend @ 100%	--	--	--	(40,800,000)	(40,800,000)
Interim dividend @ 35%	--	--	--	(14,280,000)	(14,280,000)
	-----	-----	-----	-----	-----
	--	--	25,000,000	(80,080,000)	(55,080,000)
	-----	-----	-----	-----	-----
Balance as at 30 June 1999	40,800,000	6,800,000	125,000,000	43,413,851	216,013,851
Net profit for the year 1999-2000	--	--	--	71,100,838	71,100,838
	-----	-----	-----	-----	-----
	40,800,000	6,800,000	125,000,000	114,514,689	267,114,689
Appropriation:					
Transfer to general reserve	--	--	15,000,000	15,000,000	--
Proposed final dividend	--	--	--	40,800,000	40,800,000
Interim dividend @ 45%	--	--	--	18,360,000	18,360,000
	-----	-----	-----	-----	-----
	--	--	15,000,000	(74,160,000)	(59,160,000)
	-----	-----	-----	-----	-----
Balance as at 30 June 2000	40,800,000	6,800,000	140,000,000	40,354,689	227,954,689
	=====	=====	=====	=====	=====

ZAHID FARUQUE
Chief Executive

AKBARALI PESNANI
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2000

1. NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public limited company quoted on Karachi and Lahore Stock Exchanges. Its main business activity is manufacturing and marketing of paper bags and sacks. The company started its commercial production on 15 December 1991.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the financial statements

These financial statements have been prepared in compliance with the requirements of International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan which are applicable to the Company.

2.2 Overall valuation policy

These financial statements have been prepared on the basis of historical cost convention.

2.3 Staff retirement benefits

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

2.4 Fixed assets and depreciation

2.4.1 Operating assets

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

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

Gains or losses on disposal of assets, if any, are included in income currently.

2.4.2 Assets subject to finance lease

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

2.5 Investments

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

2.6 Stores, spares and loose tools

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

2.7 Stock-in-trade

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

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

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

2.8 Trade debts

Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.9 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.

2.1 Foreign currency translation

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

2.11 Revenue recognition

2.11.1 Sales

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

2.11.2 Investments

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

Income in respect of dividend and return on short-term investment is recognized on accrual basis or when the right to such income is established.

	<i>2000</i>	<i>1999</i>
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
4,080,000 (1999: 4,080,000) ordinary shares of Rs.10/- each fully paid in cash	Rupees 40,800,000	40,800,000
4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as on 1 July	16,781,327	22,292,549
Less: Payments made	6,730,878	5,511,222
	-----	-----
	10,050,449	16,781,327
Less: Transferred to current maturity	8,220,448	6,730,878
	-----	-----
Rupees	1,830,001	10,050,449

4.1 Represents the balance of total lease' rentals due under the lease agreement less the financial charges allocated to future periods. Financing rate of approximately 20.5 percent (1999:20.5 percent) per annum has been used as discounting factor.

4.2 Lease rentals are payable in the following periods:

Year	<i>Note</i>	2000	1999
		<i>(Rupees in ' 000)</i>	
1999-2000		--	9,300
2000-2001		9,300	9,300
		-----	-----
		9,300	18,600
		=====	=====

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		3,282,932	18,619,297
Duties payable	5.1	17,495,401	21,145,401
Due to associated companies		1,562,804	5,782,193
Provision for excise duty	5.2	17,206,126	--
Sales tax payable		7,993,148	4,035,358
Accrued liabilities		4,252,097	2,126,129
Workers' Profit Participation Fund	5.3	7,305,047	4,489,461
Unclaimed dividend		689,217	1,906,198
Payable others		--	293,366
		-----	-----
	Rupees	59,786,772	58,397,403
		=====	=====

5.1 Represents provision in respect of a claim of regulatory duty levied at the prescribed rate of 5% on import of raw material. Such regulatory duty was exempted completely on the letters of credits opened before 29 October 1995 and upto an extent of 25% of the prescribed rate on letters of credit opened thereafter, as per SRO 108(1)/95 dated 12 February 1995. The Department of Customs demanded the regulatory duty at the standard rate of 5% and filed an appeal before the Honourable High Court of Peshawar, which was decided in favour of the Company. Subsequently, the Department filed another appeal before the Supreme Court of Pakistan, against the said order of the Honourable High Court. The Supreme Court has decided the matter in favour of the Company vide its ruling dated 12 January 1999.

The Company had, as a matter of prudence, provided full liability in this regard upto 30 June 1998, however, no provision has been made thereafter. In addition, the Company has surrendered bank guarantees aggregating to Rs. 17.5 million in favour of Collector of Customs. Notwithstanding the decision of the Honourable Supreme Court of Pakistan, the Department has not yet released the bank guarantees. Pending release of bank guarantees, the management has decided, as a matter

of prudence to adjust the provision after the final disposition of the matter with the department.

5.2 This represents central excise duty levied by the Collector of Customs, Sales Tax and Central Excise. The department has contended that the Company has short levied the excise duty on the sale of papersacks made by the Company using the varying rates of its sale price of papersacks. The Company has preferred an appeal before the Appellate Tribunal, Islamabad Bench against the levy of such excise duty. The Company has however, as a matter of prudence, provided the whole amount of excise duty.

	2000	1999
5.3 Workers' Profit Participation Fund		
Opening balance	4,489,461	4,815,497
Interest thereon	3,412,298	21,192
	-----	-----
	7,901,759	4,836,689
Less: Paid during the year	4,500,851	4,836,689
	-----	-----
	3,400,908	--
Contribution for the year	3,904,139	4,489,461
	-----	-----
Rupees	7,305,047	4,489,461
	-----	-----

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

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

6.1 The Company acquired facility of finance against import of merchandise of Rs. 50 million (1999: Rs. 40 million) from a commercial bank at mark-up of 13% calculated on daily product basis. The facility is secured by way of charge against hypothecation of stock and pledge of investments.

6.2 The Company has short-term financing facilities aggregating to Rs. 40 million (1999: Rs. 40 million) from commercial banks at mark-up ranging between 16% to 17.885% calculated on daily product basis. These arrangements are generally for a period of twelve months and are renewable subject to payment of repurchase price by specified dates. The facilities are secured by way of charge against hypothecation of plant, machinery and stock and demand promissory note alongwith pledge of investments.

	2000	1999
	<i>(Rupees in '000)</i>	
7. CONTINGENCIES AND COMMITMENTS		
7.1 Guarantees issued by a commercial bank	26,838	41,334
	=====	=====
7.2 Letters of credit issued by a commercial bank	97,435	66,085

7.3 Duties payable on bonded stock	5,859	7,871
7.4 Claims not acknowledged by the Company	6,865	4,225
7.5 Lease rentals payable against operating lease:		
Year		
1999-2000	--	37
7.6 Documents Delivered against acceptance	50,370	--

8. OPERATING ASSETS

8.1 The following is a statement of operating assets:

	<i>Cost at 01 July 1999</i>	<i>Additions/ Transfers/ (Deletions) during the year</i>	<i>Cost at 30 June 2000</i>	<i>Accumulated depreciation at 01 July 1999</i>	<i>Charged during the year/ Adjustment</i>	<i>Accumulated depreciation at 30 June 2000</i>	<i>Book value at 30 June 2000</i>	<i>Dep. Rate %</i>
Land - leasehold	1,442,807	--	1,442,807	--	--	--	1,442,807	--
Building on leasehold land	7,915,751	241,294	8,157,045	3,273,981	322,209	3,596,190	4,560,855	5-10
Plant and machinery	49,370,155	--	49,370,155	27,044,608	2,232,555	29,277,163	20,092,992	10
Power and other installations	1,119,737	--	1,119,737	393,208	72,653	465,861	653,877	10
Vehicles	5,902,413	924,033 (882,320)	5,944,126	1,877,158	813,394	2,690,552	3,253,574	20
Furniture and fixtures	1,208,912	7,300	1,216,212	408,789	69,594	478,383	737,828	5-10
Equipment	510,173	173,200	683,373	135,291	54,808	19e,099	493,274	10
Computers	810,500	165,900	976,400	350,030	206,702	556,732	419,668	33
Rupees	68,280,448	1,511,727 (882,320)	68,909,855	33,483,065	3,771,915	37,254,980	31,654,875	
1999- Rupees	65,797,088	2,674,789 /191,00)	68,280,448	29,494,278	4,135,889 /147,101)	33,483,066	34,797,382	
				2000	1999			

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

Manufacturing overheads	3,324,107	3,644,487
Administration expenses	305,963	327,161

Selling expenses		141,845	164,241
		-----	-----
	Rupees	3,771,915	4,135,889
		=====	=====

8.3 Disposal of fixed assets

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book value</i>	<i>Sale Proceed</i>	<i>Gain/ (Loss)</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Vehicle-Rupees	882,320	--	882,320	870,000	123,201	Insurance clai	EFU Insurance Company Ltd.
	-----	-----	-----	-----	-----		
1999 - Rupees	191,429	147,101	44,328	62,150	17,822	Tender notice	Mrs. Farzana- Peshawar
	-----	-----	-----	-----	-----		

9. ASSETS SUBJECT TO FINANCE LEASE

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

	<i>Cost at 1 July 1999</i>	<i>Additions During the year</i>	<i>Cost at 30 June 2000</i>	DEPRECIATION				
				<i>At 1 July 1999</i>	<i>Charged during the Year</i>	<i>Accumulated at 30 June 2000</i>	<i>Book value at 30 June 2000</i>	<i>Dep. Rate %</i>
Plant and machinery Rupees	30,500,000	--	30,500,000	10,488,950	2,001,105	12,490,055	18,009,945	10
	=====	=====	=====	=====	=====	=====	=====	
1999 - Rupees	30,500,000	--	30,500,000	8,265,500	2,223,450	10,488,950	20,011,050	
	=====	=====	=====	=====	=====	=====	=====	

9.2 The depreciation charge for the year has been allocated to manufacturing overheads.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
10. INVESTMENTS			
Foreign Exchange Bearer Certificates (FEBCs)	10.1	5,006,100	5,006,100
In an associated undertaking - quoted: Cherat Cement Company Limited 123,125 (1999: 123,125) fully paid ordinary shares of Rs.10/- each [Market value Rs.2.67 million (1999:Rs.1.29 million)]		4,096,659	4,096,659
Provision for diminution in value of investment		1,424,847	2,865,409
		-----	-----
Defence Saving Certificates		2,671,812	1,231,250
		10,000,000	--
		-----	-----

Rupees	17,677,912	6,237,350
	=====	=====

10.1 Represent Foreign Exchange Bearer Certificates of the face value of Rs.4.846 million (1999: Rs.4.846 million), market value Rs. 6.348 million (1999: Rs. 5.548 million). The above investment has a maturity period of six years and carries mark-up at a rate of 15 percent per annum.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
11. LONG-TERM ADVANCES AND DEPOSITS			
Long-term advances - employees		413,549	299,264
Deposits		375,350	1,073,875
Others		13,245	13,245
		-----	-----
Rupees		802,144	1,386,384
		=====	=====

12. STOCK-IN-TRADE

Raw material			
In hand		66,894,601	62,193,402
In bonded warehouse		1,165,225	16,153,050
		-----	-----
Finished goods		68,059,826	78,346,452
		2,463,881	3,874,180
		-----	-----
Rupees		70,523,707	82,220,632
		=====	=====

13. TRADE DEBTS - Unsecured

Considered good			
- From an associated undertaking	13.1	26,827,224	13,066,685
- Others		122,200,566	89,037,814
		-----	-----
		149,027,790	102,104,499
Less: Provision for doubtful debts		17,965,874	17,965,874
		-----	-----
		--	--
		-----	-----
Rupees		149,027,790	102,104,499
		=====	=====

13.1 The maximum aggregate amount due from an associated undertaking - Cherat Cement Company Limited at the end of any month during the year was Rs. 32.02 million (1999: Rs. 46.42 million).

14. ADVANCES, DEPOSITS, PREPAYMENTS*2000**1999*

ANOTHER RECEIVABLES

Advances - Unsecured, considered good

Employees	5,500	5,044
Suppliers	1,822,909	298,688
Income tax	5,019,568	1,731,048
Excise duty	362,275	362,275
Letter of credit	1,655,558	800,909
	-----	-----
	8,865,810	3,197,964
Guarantee margin held by bank	7,000,000	5,000,000
Prepayments	1,189,905	811,521
Current maturity of long-term deposit	305,000	--
Other receivables		
Accrued return on investments	2,956,452	819,697
Octroi refundable	--	316,732
Medical and insurance claim	8,130	279,522
Others	542,870	234,926
	-----	-----
	3,507,452	1,650,877
	-----	-----
Rupees	20,868,167	10,660,362
	=====	=====

15. CASH AND BANK BALANCES

With banks:

- PLS Accounts	18,429,283	42,595,110
- Current Accounts	4,226,136	23,963,292
	-----	-----
	22,655,419	66,558,402
Cash in hand	13,511	44,031
	-----	-----
Rupees	22,668,930	66,602,433
	=====	=====

16. SALES - Net

Gross sales	708,490,373	672,594,566
Less: Sales tax	92,931,106	82,421,420
	-----	-----
Rupees	615,559,267	590,173,146
	=====	=====

17. COST OF GOODS SOLD

Raw material consumed		
Opening stock	62,193,402	60,666,131

Purchases		471,136,200	447,680,174
		-----	-----
		533,329,602	508,346,305
Closing stock		(66,894,601)	(62,193,402)
		-----	-----
		466,435,001	446,152,903
Manufacturing overheads			
Salaries, wages and benefits	17.1	9,689,935	8,301,580
Stores, spares and loose tools		2,369,592	3,606,760
Excise duty		17,206,126	--
Fuel, power and water		1,331,474	1,657,024
Packing charges		4,318,732	3,276,193
Rent, rates and taxes		621,873	577,212
Repairs and maintenance		5,993,090	6,174,100
Depreciation	8.2 & 9.2	5,325,212	5,867,937
Insurance		2,455,482	2,288,043
General office expenses		24,048	93,702
Vehicle running expenses		799,709	514,875
Lease rentals	17.20	37,863	279,240
Travelling and conveyance		504,876	306,063
Communication		289,245	283,622
Printing and stationery		139,638	91,919
Legal and professional		73,240	7,000
Freight and cartage		57,212	136,781
Training and certification for ISO 9002		167,528	190,000
Software development charges		150,000	--
Others		32,034	143,286
		-----	-----
		51,586,909	33,795,337
		-----	-----
Cost of goods manufactured		518,021,910	479,948,240
Finished goods			
Opening		3,874,180	2,340,988
Closing		(2,463,881)	(3,874,180)
		-----	-----
		1,410,299	(1,533,192)
		-----	-----
	Rupees	519,432,209	478,415,048
		=====	=====

17.1 This includes Rs. 418,711/- (1999: Rs. 494,327/-) in respect of staff retirement benefits.

17.2 This represents lease rentals reimbursed to an associated undertaking.

18. ADMINISTRATION EXPENSES

Salaries, wages and benefits	18.1	2,934,178	2,068,322
Directors' fee		6,500	7,500
Travelling and conveyance		50,587	320,386
Vehicle running expenses		116,867	224,173
Communications		184,712	229,022
Printing and stationery		122,848	139,227
Rent, rates and taxes		335,981	257,320
Legal and professional charges		51,400	294,113
Insurance		108,864	33,012
Auditors' remuneration	18.2	316,512	372,820
Subscription		60,433	64,275
Advertisement		309,037	189,500
Entertainment		19,300	21,929
Depreciation	8.2	305,963	327,161
Repairs and maintenance		55,562	55,467
General office expenses		72,465	32,579
Utilities		113,749	286,439
Software development charges		500,000	--
Others		51,700	13,200
		-----	-----
	Rupees	5,716,658	4,936,445
		=====	=====

18.1 This includes Rs. 141,749/- (1999:Rs.110,632/-) in respect of staff retirement benefits.

18.2 Auditors' remuneration

Audit fee		50,000	50,000
Out of pocket expenses		5,512	7,720
Tax services		261,000	315,100
		-----	-----
	Rupees	316,512	372,820
		=====	=====

	<i>Note</i>	<i>2000</i>	<i>1999</i>
19. SELLING EXPENSES			
Salaries, wages and benefits	19.1	2,458,792	2,258,554
Travelling and conveyance		142,034	568,285
Vehicle running expenses		251,552	207,615
Communications		170,427	105,410
Printing and stationery		2,450	14,635
Rent, rates and taxes		523,291	767,478
Insurance		517,289	1,759,767
Subscription		60,611	526,996
Depreciation	8.2	141,845	164,241
Lease rentals	19.2	337,230	404,676

Freight and cartage		3,853,003	3,055,622
Selling commission	28	6,002,761	5,427,897
Repairs and maintenance		59,424	120,797
Others		22,718	16,641
Octroi and Municipal taxes		--	12,706
		-----	-----
Rupees		14,543,427	15,411,320
		=====	=====

19.1 This includes Rs. 130,320/- (1999: Rs.136,798/-) in respect of staff retirement benefits.

19.2 This includes lease rentals reimbursed to an associated undertaking amounting to Rs. 337,230/- (1999: Rs.129,480/-).

	<i>Note</i>	<i>2000</i>	<i>1999</i>
20. FINANCIAL CHARGES			
Mark-up:			
On finance lease		2,569,113	3,788,770
On short-term loan		1,023,065	3,252,097
Guarantee commission		742,140	684,094
Bank charges and duties		828,981	739,919
Mark-up on WPPF		3,412,298	21,192
		-----	-----
Rupees		8,575,597	8,486,072
		=====	=====

21. OTHER CHARGES

Amortization of security deposit against
finance lease

		305,000	305,000
Donations	21.1	128,000	28,900
		-----	-----
Rupees		433,000	333,900
		=====	=====

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

22. OTHER INCOME

Return on:			
Foreign Exchange Bearer Certificates (FEBCs)		807,688	1,064,360
Defence Saving Certificates (DSCs)		1,329,167	--
Income on short-term investment		7,208,105	3,393,350
Scrap sales		205,045	244,713
Dividend income		246,250	--
Profit/(loss) on sale of fixed assets	8.3	(12,320)	17,822
Refund of excise duty		--	2,478,622

Reversal of provision for diminution in the value of investment

	1,440,562	--
	-----	-----
Rupees	11,224,397	7,198,867
	=====	=====

23. TAXATION

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

24. EARNING PER SHARE - Basic and Diluted

Net profit for t	Rupees	71,100,838	82,515,221
		=====	=====
Average number of ordinary shares in issue			
During the year		4,080,000	4,080,000
		=====	=====
Earning per share	Rupees	17.43	20.22
		=====	=====

25. FINANCIAL INSTRUMENTS

Interest rate risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2000 are Summarised as follows:

	INTEREST BEARING			NON-INTEREST BEARING			
	<i>Less than one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Less than one year</i>	<i>One to five years</i>	<i>Total</i>	<i>Total</i>
Financial assets:							
Investments	--	15,006,100	15,006,100	--	2,671,812	2,671,812	17,677,912
Long-term advances and	--	--	--	--	--	--	--
Deposits	--	--	--	--	802,144	802,144	802,144
Trade debts	--	--	--	149,027,790	--	149,027,790	149,027,790
Loans and advances	--	--	--	12,327,731	--	12,327,731	12,327,731
Cash and bank balances	18,429,283	--	18,429,283	4,239,647	--	4,239,647	22,668,930
	-----	-----	-----	-----	-----	-----	-----
Rupees	18,429,283	15,006,100	33,435,383	165,595,168	3,473,956	169,069,124	202,504,507
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities:							
Liabilities against assets							
subject to finance lease	8,220,448	1,830,001	10,050,449	--	--	--	10,050,449
Deferred liability - gratuity	--	--	--	--	1,804,742	1,800,742	1,804,742
Creditors, accrued and							
other liabilities	--	--	--	55,823,511	--	55,823,511	55,823,511

Rupees	8,220,448	1,830,001	10,050,449	55,823,511	1,804,742	57,628,253	67,678,702
--------	-----------	-----------	------------	------------	-----------	------------	------------

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

Concentration of Credit Risk

The decrease in economic activities of cement industry has compelled the Company to maintain the credit terms to be competitive and at the same time to maintain the market share.

Fair value of financial instruments

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

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

26.1 No remuneration of any sort was paid to the Chief Executive of the Company.

26.2 Remuneration of Director and Executives

	2000		1999	
	Director	Executives	Director	Executives
Managerial remuneration	985,491	4,171,992	858,690	2,272,640
Housing allowance	444,000	1,172,532	420,000	765,680
Retirement benefits	103,230	397,759	90,320	260,740
Utilities	43,248	233,578	50,340	150,380
Leave fare assistance	83,870	217,254	--	94,224
	Rupees			
	1,659,839	6,193,115	1,419,350	3,543,664
	Number			
	1	11	1	10

The Director and some Executives are provided with the use of Company maintained car. The Director and some Executives are also provided with the residential telephone facility, which is reimbursed at actual to the extent of their entitlement.

Note: The aggregate amount charged in the financial statements for the year for fee to 6 directors amounted to Rs. 5,500/- (1999:6 directors - Rs. 7,500/-).

27. CAPACITY

Installed capacity	24.0 million bags per annum based on single shift working for 320 days.
Production during the year	59.87 million bags (1999:54.42 million bags).
Present capacity utilized	249% (1999: 227%) approximately based on

single shift working.

	2000	1999
	<i>(Rupees in '000)</i>	
28. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Sale of goods	138,819	126,736
Rent	58	747
Services rendered by an associated undertaking	5,077	3,869
Purchases	70	3
Commission	6,002	5,428
Lease rentals	337	534

29. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date is 36 (1999: 35):

	2000	1999
Head Office - Karachi	9	10
SITE - Gadoon	25	24
Corporate Office - Islamabad	1	1
Marketing office - Peshawar	1	--
	-----	-----
	36	35
	=====	=====

30. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged.

ZAHID FARUQUE

Chief Executive

AKBARALI PESNANI

Director

Pattern of holdings of the shares held by the Shareholders as at June 30, 2000.

<i>Number of Share holders</i>	<i>Shareholdings</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
58	1	100	5028	0.12
183	101	500	73215	1.79
115	501	1000	94540	2.32
126	1001	5000	310827	7.62
55	5001	10000	429810	10.53
19	10001	15000	239920	5.88
18	15001	20000	319500	7.83
8	20001	25000	175540	4.30
5	25001	30000	133600	3.27

3	30001	35000	96600	2.37
1	35001	40000	35700	0.88
2	40001	45000	89520	2.19
3	45001	50000	145260	3.56
1	55001	60000	58760	1.44
1	70001	75000	71480	1.75
1	80001	85000	83600	2.05
1	105001	110000	108700	2.66
1	110001	115000	112680	2.76
1	120001	125000	120720	2.96
1	175001	180000	180000	4.41
2	235001	240000	480000	11.76
1	295001	300000	300000	7.35
1	410001	415000	415000	10.17
-----	-----	-----	-----	-----
607			4,080,000	100.00
=====	=====	=====	=====	=====

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

Categories	Shareholders	Shareholding	Percentage
Individuals	577	2,094,260	51.33
Insurance Companies	5	273,280	6.70
Private Limited Companies	2	715,000	17.52
Joint Stock Companies	8	596,300	14.62
Financial Institutions	11	363,520	8.91
Investment Companies	2	33,640	0.82
Modaraba	1	2,500	0.06
Others	1	1,500	0.04
	-----	-----	-----
	607	4,080,000	100.00
	=====	=====	=====