



GHULAM FARUQUE  
GROUP

# Cherat Papersack Limited



## CONTENTS

Company Information	3
Notice of Meeting	4
Directors' Report to the Members	5
Vision Statement, Mission Statement and Core Values	9
Statement of Compliance with the Code of Corporate Governance	10
Review report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance	12
Statement of Ethics and Business Practices	13
Yearwise Statistical Summary	14
Auditors' Report to the Members	15
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20
Pattern of Shareholding	33
Proxy Form	



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## Cherat Papersack Limited



### COMPANY INFORMATION

#### Board of Directors

Mr. Mohammed Faruque  
Mr. Zahid Faruque  
Mr. Iqbal Faruque  
Mr. Ahmad Faruque  
Mr. Mahmood Faruque  
Mr. Akbarali Pesnani  
Mr. Shehryar Faruque  
Mr. Amer Faruque  
Mr. Al-Malik Khoja (NIT)

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

#### Company Secretary

Mr. Abid A. Vazir

#### Audit Committee

Mr. Mohammed Faruque  
Mr. Zahid Faruque  
Mr. Iqbal Faruque  
Mr. Abid A. Vazir

Chairman  
Member  
Member  
Secretary

#### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

#### Bankers

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

#### Registered Office

1<sup>st</sup> Floor, Betani Arcade,  
Jamrud Road,  
Peshawar.

#### Head Office

Modern Motors House,  
Beaumont Road,  
Karachi-75530.

#### Factory

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

#### Sales Office

1<sup>st</sup> Floor, Betani Arcade,  
Jamrud Road,  
Peshawar.

#### Regional Office

3, Sunderdas Road,  
Lahore.

#### Islamabad Office

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



## **NOTICE OF MEETING**

**NOTICE IS HEREBY GIVEN** that the Fourteenth Annual General Meeting of this Company will be held on Monday, October 20, 2003 at 03:00 p.m. at the Head Office of the Company at Modern Motors House, Beaumont Road, Karachi, to transact the following business:

1. To receive and consider the audited accounts of the Company for the year ended June 30, 2003 with the Directors' and the Auditors' Reports thereon.
2. To approve final dividend of Rs. 6.00 per share (@60%) recommended by Directors in addition to an interim dividend of Rs. 5.00 (@50%) already paid aggregating to Rs. 11.00 per share (@110%).
3. To appoint auditors for the ensuing year and to fix their remuneration.

**By Order of the Board**

**ABID A. VAZIR**  
**Secretary**

Karachi: September 16, 2003

### **NOTES:**

1. A member 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.
2. The register of members of the Company will be closed from Tuesday, October 07, 2003 to Monday, October 20, 2003 inclusive, and no transfers will be registered during that time. Shares received in order at the head office of the Company at the close of business on Monday, October 06, 2003 will be treated in time for entitlement of the above dividend.
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 (as reproduced on the reverse side of the enclosed proxy form) to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.



## DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2003

The directors are pleased to place before you the financial results of the company along with audited accounts for the year ended June 30, 2003.

### OVERVIEW

The measures initiated by the government for the revival of economy during the last few years, have started showing results. After years of uncertainty and turbulence, the national economy finally looks to have stabilized. Comfortable foreign reserves, record levels of trading at stock markets and increased manufacturing output are some of the indicators of successful implementation of the reform agenda. Like other sectors of the economy, sales volume of cement industry also witnessed an increase, which in turn generated higher sales for your company.

### PERFORMANCE OF THE COMPANY

The performance of the company has been exceptional during the year under review. It responded to the enhanced demand for paper bags from the cement industry by enhancing its levels of production without compromising on the quality.

#### Production and dispatches

The production volume was increased by 19% during the year under review to meet the increased demand. Quantity of bags dispatched also increased by 17% during the year when compared with the corresponding period of last year.

The comparative production and dispatch figures are as follows:

	<b>2002/03</b> <b>(bags in million)</b>	<b>2001/02</b> <b>(bags in million)</b>	<b>Variance</b> <b>(bags in million)</b>	<b>Variance</b> <b>(in % age)</b>
<b>Production</b>	55.48	46.62	8.86	19%
<b>Dispatches</b>	55.51	47.55	7.96	17%

#### Marketing

In line with increase in the production, our sales volume also increased by almost 17% during the year, which in financial terms comes to Rs. 109 million. To keep up with the market trends, the company also introduced new varieties of bags for its valued clients.

#### Operating performance

Because of an increase in the quantity of bags sold and improved prices, sales in financial terms grew by 23% as compared to the corresponding period last year. Due to effective cost control, the company was able to enhance its gross margin to 22% as against 8% last year. After providing for various expenses and government taxes, the company was able to post a handsome profit of Rs. 75 million for the current year as against Rs. 10 million for the corresponding period last year.



# Cherat Papersack Limited



The operating performance of the company is summarized below:

	<b>2002/03</b> <b>(Rs. in million)</b>	<b>2001/02</b> <b>(Rs. in million)</b>	<b>Variance</b> <b>(Rs. in million)</b>	<b>Variance</b> <b>(in % age)</b>
<b>Net sales</b>	<b>594.16</b>	<b>484.82</b>	<b>109.34</b>	<b>23%</b>
Cost of sales	462.05	447.70	14.35	3%
<b>Gross Profit</b>	<b>132.11</b>	<b>37.12</b>	<b>94.99</b>	<b>256%</b>
Expenses	16.69	18.64	(1.95)	(10%)
Taxes	40.20	8.35	31.85	381%
<b>Net Profit</b>	<b>75.22</b>	<b>10.13</b>	<b>65.09</b>	<b>643%</b>

## APPROPRIATION OF PROFIT

The profit after tax for current year amounts to Rs. 75.22 million, which together with un-appropriated profit of Rs. 28.06 million from last year, gives us Rs. 103.28 million to be appropriated. The directors propose the following appropriation of the available profit.

	<b>(Rs. in million)</b>
Net profit for the year	75.22
Add: Un-appropriated profit brought forward	28.06
Total available for appropriation	<u>103.28</u>

### Appropriations:

Interim dividend @ Rs. 5 per share (2002: nil)	20.40
Proposed cash dividend @ Rs. 6 per share ( 2002: Rs. 3 per share)	24.48
Transfer to General Reserve	<u>30.00</u>
	<u>74.88</u>
Balance carried forward	<u>28.40</u>

## BALANCING OF PLANT

The company carried out the modification of its production facilities during the year and imported another tuber for this purpose. This has enabled the company to increase its production capacity and meet the enhanced demands.

## 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal control 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.



- The key operating and financial data for last six (6) years is annexed herewith.
- The company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against the company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the funds as on 30<sup>th</sup> June 2003.

- Provident Fund	Rs. 4.67 million
- Gratuity Fund	Rs. 4.13 million

- During the year, the Board of Directors held four (4) meetings. The attendance record of each director is as follows:

<u>Name of Director</u>	<u>Meetings Attended</u>
Mr. Mohammed Faruque	4
Mr. Zahid Faruque	4
Mr. Iqbal Faruque	4
Mr. Ahmad Faruque	-
Mr. Mahmood Faruque	2
Mr. Akbarali Pesnani	4
Mr. Shehryar Faruque	3
Mr. Amer Faruque (1)	2
Mr. Muhammed Zafarullah Khan - NIT (2)	-
Mr. Al-Malik Khoja - NIT (2)	1

(1) Mr. Amer Faruque was appointed as director on 25<sup>th</sup> October 2002.

(2) Mr. Al-Malik Khoja was appointed as director in place of Mr. Muhammad Zafarullah Khan at the time of election of directors.

- The pattern of shareholding is annexed herewith.
- No trading of Company's shares was made by the directors during the year.

## **FUTURE PROSPECTS**

The economy of the country is set to improve. With the initiation of construction work on various infrastructural and housing projects and enhanced sales to Afghanistan, the sales for cement sector are likely to increase, which will generate demand for our paper bags. The company hopes to respond positively to this challenge and perform well in the coming year.

## **AUDITORS**

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



**ACKNOWLEDGMENT**

We would like to thank all the financial institutions having business relationship with us and our clients for their continued support, cooperation and the trust they have reposed in us. Also, we would like to share our deepest appreciation for our team of executives, managers, supervisors and other employees, for their dedication, loyalty and hard work.

**On behalf of the Board of Directors**

A handwritten signature in black ink, appearing to read 'Faruque', with a long horizontal line extending from the end of the signature.

**Mohammed Faruque  
Chairman**

Karachi: September 16, 2003



## **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.

## **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



### **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes one independent non-executive director.
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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in 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 signed by the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated well in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises of senior corporate executives and professionals who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.
10. The CFO, Company Secretary and Head of Internal Audit were appointed prior to enforcement of the Code of Corporate Governance. However, such next appointment, if any, including their remuneration and terms and conditions of employment, as determined by the CEO, will be referred to the Board of Directors for approval.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



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## Cherat Papersack Limited



13. The directors, CEO and executives do not hold any interest in the shares on 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 three members, of whom two are non-executive directors including the Chairman of the committee.
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.

**(MOHAMMED FARUQUE)**  
Chairman

**Karachi:** September 16, 2003



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2003 prepared by the Board of Directors of **Cherat Papersack Limited** to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

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

*Ford Rhodes Sidat Hyder & Co.*

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants

**KARACHI:** September 16, 2003



## STATEMENT OF ETHICS & BUSINESS PRACTICES

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

### Product Quality

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

### Dealing with Employees

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

### Responsibility to interested parties

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

### Financial Reporting & Internal Controls

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

### Procurement of Goods & Services

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

### Conflict of Interest

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

### Adherence to laws of the land

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

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

## YEARWISE STATISTICAL SUMMARY

	2003	2002	2001	2000	1999	1998	1997
	(Bags in Million)						
Production	55.48	46.62	51.91	59.87	54.42	50.84	45.55
Dispatches	55.51	47.55	51.08	60.02	54.28	51.25	45.06

### ASSETS EMPLOYED

(Rs. in '000 )

Fixed Assets	54,563	41,718	45,950	49,666	55,050	58,758	60,396
Investments and Long-term advances & Deposits	24,195	27,469	21,445	18,480	7,624	11,238	7,412
Current Assets	271,639	199,073	344,057	272,251	270,801	265,976	178,390
<b>Total Assets Employed</b>	<b>350,397</b>	<b>268,260</b>	<b>411,452</b>	<b>340,397</b>	<b>333,475</b>	<b>335,972</b>	<b>246,198</b>

### FINANCED BY

Shareholders' Equity	256,003	225,659	227,763	227,955	216,014	188,579	140,562
Long-term Liabilities	265	395	-	-	10,051	16,781	22,293
Deferred Liabilities	2,448	6,968	3,044	1,805	1,482	1,018	659
Current Liabilities	91,681	35,238	180,645	110,637	105,928	129,594	82,684
<b>Total Funds Invested</b>	<b>350,397</b>	<b>268,260</b>	<b>411,452</b>	<b>340,397</b>	<b>333,475</b>	<b>335,972</b>	<b>246,198</b>

### TURNOVER & PROFIT

Turn over (net)	594,163	484,825	534,354	615,559	590,173	535,542	532,173
Operating Profit/(Loss)	112,666	19,767	(5,230)	75,867	91,410	100,356	80,796
Profit before taxation	115,424	18,487	19,862	74,179	85,300	91,494	61,232
Profit after taxation	75,224	10,136	16,128	71,101	82,515	88,817	58,571
Cash dividend	44,880	12,240	16,320	59,160	55,080	40,800	32,640
Transfer to Reserves	30,000	-	10,000	15,000	25,000	40,000	18,000
Profit carried forward	28,403	28,059	30,163	40,355	43,414	40,979	32,962



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## Cherat Papersack Limited



### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Cherat Papersack Limited** as at **June 30, 2003** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion —
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2003** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Ford Rhodes Sidat Hyder & Co.*

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

KARACHI : September 16, 2003



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# Cherat Papersack Limited



## BALANCE SHEET AS AT JUNE 30, 2003

<u>ASSETS</u>	NOTE	2003 ----- (Rupees `000') -----	2002 ----- (Rupees `000') -----
<b>NON-CURRENT ASSETS</b>			
Fixed Assets – Tangible			
Operating assets - at book value	3	54,194	41,257
Asset subject to finance lease	4	369	461
		54,563	41,718
Long-term investments	5	23,509	26,963
Long-term advances and deposits	6	686	506
		78,758	69,187
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		10,516	11,700
Stock-in-trade	7	105,400	61,175
Trade debts	8	31,821	78,903
Advances, deposits, prepayments and other receivables	9	27,215	21,560
Investments	10	9,762	-
Cash and bank balances	11	86,925	25,735
		271,639	199,073
<b>TOTAL ASSETS</b>		<b>350,397</b>	<b>268,260</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
5,000,000 Ordinary shares of Rs.10/- each		50,000	50,000
Issued, subscribed and paid-up capital	12	40,800	40,800
Share premium reserve		6,800	6,800
General reserve		180,000	150,000
Unappropriated profit		28,403	28,059
		256,003	225,659
<b>NON-CURRENT LIABILITIES</b>			
Liability against asset subject to finance lease	13	265	395
Deferred liabilities	14	2,448	6,968
		2,713	7,363
<b>CURRENT LIABILITIES</b>			
Current maturity of liability against asset subject to finance lease	13	130	111
Creditors, accrued and other liabilities	15	24,779	17,394
Provision for taxation		41,000	4,644
Unclaimed dividend		1,292	849
Proposed dividend		24,480	12,240
		91,681	35,238
<b>Contingencies and commitments</b>	16		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>350,397</b>	<b>268,260</b>

### Auditors' Report Annexed

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 JUNE 30, 2003

	NOTE	2003 ----- (Rupees `000') -----	2002
<b>SALES – Net</b>	17	594,163	484,825
Cost of goods sold	18	462,052	447,702
<b>GROSS PROFIT</b>		<u>132,111</u>	<u>37,123</u>
Administrative expenses	19	5,726	4,578
Selling expenses	20	13,719	12,778
		19,445	17,356
<b>OPERATING PROFIT</b>		<u>112,666</u>	<u>19,767</u>
Other income	21	11,717	9,939
		<u>124,383</u>	<u>29,706</u>
Financial charges	22	397	9,961
Workers' Profit Participation Fund	15.1	6,199	988
Workers' Welfare Fund		2,363	270
		8,959	11,219
<b>PROFIT BEFORE TAXATION</b>		<u>115,424</u>	<u>18,487</u>
<b>TAXATION</b> – current		41,000	4,644
– prior		-	458
– deferred		(800)	3,249
	23	40,200	8,351
<b>PROFIT AFTER TAXATION</b>		<u>75,224</u>	<u>10,136</u>
<b>ACCUMULATED PROFIT BROUGHT FORWARD</b>		28,059	30,163
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<u>103,283</u>	<u>40,299</u>
<b>APPROPRIATIONS:</b>			
Interim dividend @ Rs. 5/- per share (2002: Nil)		(20,400)	-
Proposed final dividend @ Rs. 6/- per share (2002: @ Rs. 3/- per share)		(24,480)	(12,240)
Transfer to general reserve		(30,000)	-
		(74,880)	(12,240)
<b>ACCUMULATED PROFIT CARRIED FORWARD</b>		<u>28,403</u>	<u>28,059</u>
<b>EARNINGS PER SHARE – Basic and diluted</b>	24	<u>Rs. 18.44</u>	<u>Rs. 2.48</u>

These financial statements should be read with the annexed notes.

  
**ZAHID FARUQUE**  
CHIEF EXECUTIVE

  
**AKBARALI PESNANI**  
DIRECTOR





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# Cherat Papersack Limited



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2003

	NOTE	2003 ----- (Rupees '000') -----	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before taxation		115,424	18,487
Adjustment for:			
Depreciation	3.2 & 4	6,188	5,041
Gain on disposal of fixed assets	3.3	(163)	-
Financial charges	22	397	9,961
Return on investment		(5,017)	(3,245)
Reversal of provisions		(1,290)	(5,397)
Provision for gratuity		-	417
Operating profit before working capital changes		115,539	25,264
<b>(Increase) / decrease in:</b>			
Stores, spares and loose tools		1,184	(5,091)
Stock-in-trade		(44,225)	134,252
Trade debts		47,082	4,772
Advances, deposits, prepayments and other receivables		2,141	4,874
<b>Increase / (decrease) in:</b>			
Short-term finance under mark-up arrangements		-	(135,894)
Creditors, accrued and other liabilities		3,739	(1,619)
		9,921	1,294
Cash generated from operations		125,460	26,558
Long-term advances and deposits		(180)	194
Income tax paid		(12,443)	(5,261)
Gratuity paid		-	(77)
Interest paid		(400)	(13,231)
		(12,843)	(18,569)
Net cash inflow from operating activities		112,437	8,183
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to fixed assets		(19,045)	(234)
Sale proceed of fixed assets		175	-
Net cash outflow from investing activities		(18,870)	(234)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(180)	(90)
Dividend paid		(32,197)	(16,338)
Net cash outflow from financing activities		(32,377)	(16,428)
Net increase / (decrease) in cash and cash equivalents		61,190	(8,479)
Cash and cash equivalents at the beginning of the year		25,735	34,214
Cash and cash equivalents at the end of the year		86,925	25,735

**ZAHID FARUQUE**  
CHIEF EXECUTIVE

**AKBARALI PESNANI**  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital	Capital Reserve (Share Premium)	General Reserve (Rupees '000')	Unappropriated Profit	Total
Balance as at July 01, 2001	40,800	6,800	150,000	30,163	227,763
Net profit for the year 2001-2002	-	-	-	10,136	10,136
	40,800	6,800	150,000	40,299	237,899
Cash dividend @ Rs.3/- per share	-	-	-	(12,240)	(12,240)
Balance as at June 30, 2002	40,800	6,800	150,000	28,059	225,659
Net profit for the year 2002-2003	-	-	-	75,224	75,224
	40,800	6,800	150,000	103,283	300,883
Interim dividend @ Rs.5/- per share	-	-	-	(20,400)	(20,400)
Proposed final dividend @ Rs. 6/- per share	-	-	-	(24,480)	(24,480)
Transfer to general reserve	-	-	30,000	(30,000)	-
	-	-	30,000	(74,880)	(44,880)
Balance as at June 30, 2003	40,800	6,800	180,000	28,403	256,003

  
**ZAHID FARUQUE**  
 CHIEF EXECUTIVE

  
**AKBARALI PESNANI**  
 DIRECTOR



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

### 1. CORPORATE INFORMATION

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

The registered office of the company is situated at 1<sup>st</sup> Floor, Betani Arcade, Jamrud Road, Peshawar.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

#### 2.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### 2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention. However, financial assets and liabilities are measured as stated in the respective accounting policies.

#### 2.3 Fixed assets and depreciation

##### 2.3.1 Owned assets

Operating fixed assets except land and capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. 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. Full year's depreciation is charged on additions during the year while no depreciation is charged on assets disposed off.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

The carrying value of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, if such indications exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

##### 2.3.2 Assets subject to finance lease

Assets subject to finance lease are initially stated at the lower of 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 finance lease are depreciated on the same basis as for owned assets.

## 2.4 Investments

### 2.4.1 In associates

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

### 2.4.2 Held-to-maturity investments

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

## 2.5 Stores, spares and loose tools

These are valued at lower of average cost and estimated net realisable value except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

Provision if required is made in the account for slow moving and obsolete items.

## 2.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated Net Realisable Value.

Cost signifies in relation to:

- |                |   |  |
|----------------|---|--|
| Raw material   | - | Purchase cost on first-in-first-out basis                                  |
| Finished goods | - | Cost of direct material, labour and proportion of manufacturing overheads. |

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

## 2.7 Trade debts

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

## 2.8 Financial Instruments

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

Gain/ loss, if any, on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

## 2.9 Foreign currency translations

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

## 2.10 Cash and cash equivalents

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



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## Cherat Papersack Limited



### 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 Interest and dividend

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

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

### 2.12 Staff retirement benefits

#### Gratuity scheme

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

#### Provident fund

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

### 2.13 Provisions

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

### 2.14 Taxation

#### Current

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

#### Deferred

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

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

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

### 3. OPERATING ASSETS – at book value

3.1 The following is a statement of operating assets:

	Cost at July 01, 2002	Additions/ (Deletion) during the year	Cost at June 30, 2003	Accumulated depreciation at July 01, 2002	Adjustment for depreciation on disposal	Charged during the year	Accumulated depreciation at June 30, 2003	Book value at June 30, 2003	Dep. Rate %
(Rupees `000')									
Land – leasehold	1,443	-	1,443	-	-	-	-	1,443	-
Building on leasehold land	8,157	-	8,157	4,170	-	256	4,426	3,731	5-10
Plant and machinery	79,770	18,716	98,486	48,956	-	4,953	53,909	44,577	10
Power and other Installations	826	-	826	473	-	35	508	318	10
Vehicles	7,139	(19)	7,120	4,047	7	616	4,656	2,464	20
Furniture and fixtures	1,840	24	1,864	778	-	98	876	988	5-10
Equipment	741	240	981	316	-	66	382	599	10
Computers	1,129	65	1,194	1,048	-	72	1,120	74	33
	<u>101,045</u>	<u>19,045</u>	<u>120,071</u>	<u>59,788</u>	<u>7</u>	<u>6,096</u>	<u>65,877</u>	<u>54,194</u>	
		<u>(19)</u>							
2002	<u>100,811</u>	<u>234</u>	<u>101,045</u>	<u>54,862</u>	<u>-</u>	<u>4,926</u>	<u>59,788</u>	<u>41,257</u>	

2003  
----- (Rupees `000') -----  
2002

3.2 The depreciation charge for the year has been allocated to:

Manufacturing overheads	5,729	4,301
Administrative expenses	179	331
Selling expenses	188	294
	<u>6,096</u>	<u>4,926</u>

3.3 Disposal of fixed asset

S. No.	Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
(Rupees `000')							
1	Motor vehicle	19	12	175	163	By Negotiation	Mr. Aftab Ahmed Siddiqui (Employee), Karachi

### 4. ASSET SUBJECT TO FINANCE LEASE

4.1 The following is a statement of asset subject to finance lease:

	Cost at July 01, 2002	Additions/ (Deletions) during the year	Cost at June 30, 2003	Accumulated depreciation at July 01, 2002	Charged during the year	Accumulated depreciation at June 30, 2003	Book value at June 30, 2003	Dep. Rate %
(Rupees `000')								
Vehicle	576	-	576	115	92	207	369	20
2002	-	576	576	-	115	115	461	20

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

	Note	2003	2002
		----- (Rupees `000') -----	
<b>5. LONG-TERM INVESTMENTS</b>	27		
<b>5.1 In an associated company – quoted:</b>			
Cherat Cement Company Limited		4,097	4,097
123,125 (2002: 123,125) fully paid ordinary shares of Rs.10/- each			
[Market value Rs. 4.186 million (2002: Rs.2.807 million)]			
Less: Provision for impairment in value of investments		-	1,290
		4,097	2,807
<b>5.2 Held to maturity investments</b>			
Defence Saving Certificates	5.2.1	19,412	15,153
Foreign Exchange Bearer Certificates	5.2.2	9,762	9,003
		29,174	24,156
Less: Current maturity			
- Foreign Exchange Bearer Certificates	10	9,762	-
		23,509	26,963
<b>5.2.1</b>			
Represents Defence Saving Certificates of ten year period maturing on August 20, 2009 having redemption value of Rs. 52,500,000/-. They carry effective interest rate of 18 percent per annum (2002: 18 percent per annum).			
<b>5.2.2</b>			
Represents Foreign Exchange Bearer Certificates of six year period maturing on May 14, 2004 having redemption value of Rs. 11,193,105/-. They carry effective interest rate of 15 percent per annum (2002: 15 percent per annum).			
<b>6. LONG-TERM ADVANCES AND DEPOSITS</b>			
Advances to employees – unsecured, considered good		559	277
Security deposits		114	216
Others		13	13
		686	506
<b>7. STOCK-IN-TRADE</b>			
Raw material			
In hand		51,825	19,193
In bonded warehouse		52,335	40,211
		104,160	59,404
Finished goods		1,240	1,771
		105,400	61,175
<b>8. TRADE DEBTS – unsecured</b>			
Considered good			
- From an associated company	8.1	57	13,458
- Trade debts		31,764	65,445
		31,821	78,903
Considered doubtful		17,966	17,966
Less: Provision for doubtful debts		17,966	17,966
		-	-
		31,821	78,903
<b>8.1</b>			
The maximum aggregate amount due from the associated company - Cherat Cement Company Limited at the end of any month during the year was Rs. 17.59 million (2002: Rs. 22.08 million).			



# Cherat Papersack Limited



	Note	2003 ----- (Rupees `000') -----	2002
<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances – Unsecured, considered good			
Employees		28	3
Suppliers		17	1,343
Income tax		14,413	7,077
Sales tax		2,101	2,176
Letter of credit		328	1,018
		<u>16,887</u>	<u>11,617</u>
Earnest money		100	100
Guarantee margin held by bank		5,000	5,000
Prepayments		414	546
Income tax refundable		2,721	2,258
Other receivables			
Excise duty		362	362
Profit on PLS accounts		87	362
Warehousing surcharge		499	499
Gratuity fund	9.1	197	-
Others		948	816
		<u>2,093</u>	<u>2,039</u>
		<u>27,215</u>	<u>21,560</u>

9.1 Actuarial valuation of the scheme was carried out as of June 30, 2003. The amount recognized in the balance sheet is as follows:

**Liability for gratuity arose in the following manner:**

Present value of the defined benefit obligation	3,289	-
Fair value of plan assets	(4,128)	-
Surplus	(839)	-
Unrecognized actuarial (loss)/gain	1,036	-
Asset recognized in the balance sheet	197	-

**Cost recognized during the year**

Current service cost	349	-
Interest cost	300	-
Expected return on plan assets	(129)	-
Actuarial gains and losses to be recognised	(432)	-
	<u>88</u>	<u>-</u>

**Movement in net asset recognised**

Opening net liability	(3,720)	-
Expense recognised	(88)	-
Contributions to fund made during the year	4,005	-
Closing net asset	197	-

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

Discount rate	6 percent per annum
Salary increase	6 percent per annum
Expected return on plan assets	6.44 percent per annum

Annual provision and gratuity payments during the year are charged to income currently.



	Note	2003 ----- (Rupees `000') -----	2002
<b>10. INVESTMENTS</b>			
<b>Investment held to maturity</b>			
Foreign Exchange Bearer Certificates	5.2	<u>9,762</u>	<u>-</u>
<b>11. CASH AND BANK BALANCES</b>			
With banks:			
- PLS Accounts		72,828	21,384
- Current Accounts		14,046	4,316
		<u>86,874</u>	<u>25,700</u>
Cash in hand		51	35
		<u>86,925</u>	<u>25,735</u>

11.1 Effective interest rate in respect of PLS Accounts ranges from 1.4% to 5% (2002: 3.7% to 4.5%).

## 12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

4,080,000 (2002: 4,080,000) ordinary shares of Rs.10/- each fully paid in cash	<u>40,800</u>	<u>40,800</u>
---	---------------	---------------

12.1 The following is the detail of shares held by the associated companies:

Name of associated companies	2003	2002
	----- (Number of shares) -----	
Faruque (Private) Limited	417,000	417,000
Cherat Cement Company Limited	240,000	240,000
Mirpurkhas Sugar Mills Limited	180,000	180,000
Greaves Pakistan (Private) Limited	300,000	300,000
	<u>1,137,000</u>	<u>1,137,000</u>

## 13. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

13.1 This represents finance lease entered into with a leasing company for a vehicle. The total lease rentals due under the lease agreement aggregate to Rs. 0.48 million (2002: Rs. 0.66 million) and are payable in equal quarterly installments. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rate of approximately 15.82 percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee, paying 5 percent of the leased amount. The movement in the finance lease liability is as follows:

	2003 ----- (Rupees `000') -----	2002
Balance as on 01 July	506	-
Asset acquired during the year	-	576
Payments made during the year	(111)	(70)
	<u>395</u>	<u>506</u>
Current maturity	(130)	(111)
Balance as on 30 June	<u>265</u>	<u>395</u>



18. COST OF GOODS SOLD	Note	2003	2002
		----- (Rupees `000') -----	
Raw material consumed			
Opening stock		19,193	79,034
Purchases		457,608	345,480
		476,801	424,514
Closing stock		(51,825)	(19,193)
		424,976	405,321
Manufacturing overheads			
Salaries, wages and benefits	18.1	10,715	8,774
Stores, spares and loose tools		2,320	2,203
Fuel and water		1,593	1,368
Packing charges		4,071	3,368
Rent, rates and taxes		156	151
Repairs and maintenance		6,553	6,130
Depreciation	3.2 & 4.2	5,821	4,416
Insurance		2,244	2,856
General office expenses		24	7
Vehicle running expenses		738	787
Travelling and conveyance		1,148	1,025
Communication		249	286
Printing and stationery		64	84
Legal and professional charges		319	354
Freight and cartage		75	75
Obsolete stock – written off		246	660
Others		209	224
		36,545	32,768
Cost of goods manufactured		461,521	438,089
Finished goods			
Opening		1,771	11,384
Closing		(1,240)	(1,771)
		531	9,613
		462,052	447,702

18.1 This includes Rs. 0.802 million (2002: Rs. 0.942 million) in respect of staff retirement benefits.

## 19. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	19.1	3,018	1,620
Directors' fee		42	32
Travelling and conveyance		53	104
Vehicle running expenses		63	85
Communications		180	170
Printing and stationery		268	144
Rent, rates and taxes		396	403
Legal and professional charges		120	232
Insurance		136	106
Auditors' remuneration	19.2	550	614
Subscription		54	383
Advertisement		186	59
Entertainment		18	27
Depreciation	3.2	179	331
Donations	19.3	200	8
Repairs and maintenance		32	23
General office expenses		5	31
Utilities		173	190
Others		53	16
		5,726	4,578



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# Cherat Papersack Limited



19.1 This includes Rs. 0.257 million (2002: Nil) in respect of staff retirement benefits.

	Note	2003	2002
----- (Rupees `000') -----			
<b>19.2 Auditors' remuneration</b>			
Audit fee		125	100
Tax, corporate and other services		400	500
Out of pocket expenses		25	14
		<u>550</u>	<u>614</u>

19.3 Recipients of donation do not include any donee in whom any Director or his spouse had any interest.

## 20. SELLING EXPENSES

Salaries, wages and benefits	20.1	4,206	2,881
Travelling and conveyance		1,074	336
Vehicle running expenses		443	397
Communications		113	149
Utilities		294	214
Rent, rates and taxes		15	24
Insurance		228	180
Subscription		27	90
Depreciation	3.2	188	294
Freight and cartage		4,025	3,219
Sales services		2,775	4,755
Repairs and maintenance		303	192
Others		28	47
		<u>13,719</u>	<u>12,778</u>

20.1 This includes Rs. 1.256 million (2002: Rs. 0.270 million) in respect of staff retirement benefits.

## 21. OTHER INCOME

Return on:			
Foreign Exchange Bearer Certificates (FEBCs)		758	1,159
Defence Saving Certificates (DSCs)		4,259	2,086
Income on short-term bank deposits		4,264	507
Scrap sales		675	544
Dividend income from associated company		308	246
Profit on sale of fixed assets		163	-
Reversal of provisions for impairment in the value of investments		1,290	135
Reversal of other provisions		-	5,262
		<u>11,717</u>	<u>9,939</u>

## 22. FINANCIAL CHARGES

Mark-up:			
On finance lease		61	32
On short-term loan		39	9,812
Guarantee commission		89	45
Bank charges and duties (Net off recoveries Rs. 0.009 million against staff loan)		205	64
Interest on WPPF		3	8
		<u>397</u>	<u>9,961</u>



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## 23. TAXATION

The company enjoyed tax holiday for a period of ten years, which expired on December 14, 2001. Provision for current taxation is based on current rate of taxation under the Income Tax Ordinance, 2001. The tax assessments of the company have been finalized upto assessment year 2001-2002.

	2003	2002
	----- (Rupees '000') -----	
<b>23.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	<u>115,424</u>	<u>18,487</u>
Tax calculated @35% (2002: 35%)	40,398	6,470
Tax effects of computational adjustments	587	(1,838)
Effect of applicability of lower tax rate on certain income.	15	12
Deferred taxation on temporary differences	(800)	3,249
Prior year adjustment	-	458
Tax expense for the year	<u>40,200</u>	<u>8,351</u>
Effective average tax rate on accounting profit	<u>35%</u>	<u>43%</u>

## 24. EARNINGS PER SHARE – Basic and diluted

Net profit for the year after tax (Rupees in '000')	<u>75,224</u>	<u>10,136</u>
Weighted average number of ordinary shares in issue during the year	<u>4,080,000</u>	<u>4,080,000</u>
Earnings per share	<u>Rs. 18.44</u>	<u>Rs. 2.48</u>

## 25. FINANCIAL INSTRUMENTS

### Yield / Mark-up rate risk

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2003 are summarised as follows:

	INTEREST BEARING			NON-INTEREST BEARING			Total
	Less than one year	One to five years	Total	Less than one year	One to five years	Total	
	----- (Rupees '000') -----						
<b>Financial assets:</b>							
Investments	9,762	19,412	29,174	-	4,097	4,097	33,271
Long-term advances and deposits	-	-	-	-	686	686	686
Trade debts	-	-	-	31,821	-	31,821	31,821
Loans and advances	-	-	-	7,618	-	7,618	7,618
Cash and bank balances	72,828	-	72,828	14,097	-	14,097	86,925
	<u>82,590</u>	<u>19,412</u>	<u>102,002</u>	<u>53,536</u>	<u>4,783</u>	<u>58,319</u>	<u>160,321</u>
2002	<u>21,384</u>	<u>24,156</u>	<u>45,540</u>	<u>92,941</u>	<u>3,313</u>	<u>96,254</u>	<u>141,794</u>
<b>Financial liabilities:</b>							
Liability against asset subject to finance lease	130	265	395	-	-	-	395
Creditors, accrued and other liabilities	-	-	-	16,217	-	16,217	16,217
Unclaimed dividend	-	-	-	1,292	-	1,292	1,292
Proposed dividend	-	-	-	24,480	-	24,480	24,480
	<u>130</u>	<u>265</u>	<u>395</u>	<u>41,989</u>	<u>-</u>	<u>41,989</u>	<u>42,384</u>
2002	<u>111</u>	<u>395</u>	<u>506</u>	<u>29,225</u>	<u>-</u>	<u>29,225</u>	<u>29,731</u>

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

### Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company attempts control credit risk associated with the carrying amount of its receivables by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of such customers.

### Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign suppliers and customers. As at the balance sheet date, the aggregate liability exposed to exchange risk is Rs. 8.52 million (2002: Rs. 8.72 million).

### 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 Directors and Executives

	2003		2002	
	Directors	Executives	Director	Executives
	----- (Rupees `000') -----			
Managerial remuneration	2,230	4,009	1,316	4,113
Housing allowance	458	1,426	480	891
Retirement benefits	290	529	129	453
Utilities	238	262	257	235
Leave fare assistance	38	264	65	226
	<u>3,254</u>	<u>6,490</u>	<u>2,247</u>	<u>5,918</u>
Number	<u>2</u>	<u>16</u>	<u>1</u>	<u>13</u>

The Directors have been provided with furnished accommodation. Further, the Directors and some Executives are provided with the use of company maintained car. The Director and Executives are also provided with the residential telephone, electricity and gas facilities, which are reimbursed at actual to the extent of their entitlement.

## 27. UNAVAILED FINANCE FACILITY

As of the balance sheet date the company has unavailed short-term financing facilities aggregating to Rs.90 million (2002: Rs. 140 million) from commercial banks. The facilities are secured by way of charge over plant and machinery and hypothecation of stock and demand promissory notes along with pledge of investments.

## 28. CAPACITY

Installed capacity	35 million bags per annum based on single shift working for 320 days.
Production during the year	55.48 million bags (2002: 46.62 million bags).

The excess production is due to double and triple shifts operations as and when required during the year.



	2003	2002
	----- (Rupees `000') -----	
<b>29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Sale of goods	187,767	144,310
Services rendered	2,352	4,795
Sales services rendered	2,775	4,755
Software consultancy charges	372	360

Expenses relating to utilities, rent and salaries of certain employees are being shared between associated companies.

### 30. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date is 30 (2002: 31):

### 31. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 16, 2003 by the Board of Directors of the company.

### 32. CORRESPONDING FIGURES

Certain prior year figures have been re-arranged, wherever necessary. However, such reclassifications are not material at the financial statements level, hence, their separate disclosure is not deemed necessary.

  
**ZAHID FARUQUE**  
CHIEF EXECUTIVE

  
**AKBARALI PESNANI**  
DIRECTOR

**Pattern of Shareholding as on June 30, 2003**

No. of Shareholders	Shareholding		Shares Held	%
	From	To		
55	1	100	4,738	0.1161
163	101	500	63,812	1.5640
112	501	1,000	94,800	2.3235
160	1,001	5,000	422,360	10.3520
34	5,001	10,000	265,860	6.5162
17	10,001	15,000	215,100	5.2721
14	15,001	20,000	251,000	6.1520
6	20,001	25,000	131,490	3.2228
2	25,001	30,000	51,700	1.2672
1	30,001	35,000	30,600	0.7500
3	35,001	40,000	111,200	2.7255
2	40,001	45,000	85,100	2.0858
2	45,001	50,000	93,760	2.2980
2	50,001	55,000	102,000	2.5000
2	55,001	60,000	115,760	2.8373
2	75,001	80,000	154,140	3.7779
1	95,001	100,000	100,000	2.4510
1	100,001	105,000	103,700	2.5417
1	105,001	110,000	108,700	2.6642
1	110,001	115,000	112,680	2.7618
1	130,001	135,000	132,500	3.2475
1	175,001	180,000	180,000	4.4118
1	190,001	195,000	192,000	4.7059
1	235,001	240,000	240,000	5.8824
1	295,001	300,000	300,000	7.3529
1	415,001	420,000	417,000	10.2206
587			4,080,000	100.0000

**Categories of Shareholders as on June 30, 2003**

Categories of Shareholders	Number of Shareholders	Shares Held	%
Individuals	545	1,320,880	32.37
Financial Institutions	7	212,900	5.22
Insurance Companies	7	515,880	12.64
Private Companies	2	717,000	17.57
Joint Stock Companies	18	540,900	13.26
Modaraba	1	2,500	0.06
Investment Companies	2	83,140	2.04
Others	5	686,800	16.83
	587	4,080,000	100.00



## Pattern of Shareholding as on June 30, 2003 Additional Information

Shareholders' Category	No. of Shareholders	No. of Shares Held
<b><u>Associated companies</u></b>		
Faruque (Private) Limited	1	417,000
Cherat Cement Company Limited	1	240,000
Mirpurkhas Sugar Mills Limited	1	180,000
Greaves Pakistan (Private) Limited	1	300,000
<b><u>NIT and ICP</u></b>		
National Bank of Pakistan, Trustee Deptt.	1	132,720
Investment Corporation of Pakistan	1	80,180
<b><u>Directors</u></b>		
Mr. Mohammed Faruque	1	2,500
Mr. Zahid Faruque (Chief Executive Officer)	1	26,350
Mr. Iqbal Faruque	1	2,500
Mr. Ahmad Faruque	1	1,950
Mr. Mahmood Faruque	1	25,350
Mr. Akbarali Pesnani	1	15,000
Mr. Shehryar Faruque	1	13,700
Mr. Amer Faruque	1	8,800
<b><u>Directors'/CEO's spouses</u></b>		
Mrs. Nighat Faruque W/o Mr. Mohammed Faruque	1	44,520
Mrs. Asmat Faruque W/o Mr. Zahid Faruque	1	15,500
Mrs. Nur Jehan Faruque W/o Mr. Iqbal Faruque	1	12,000
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	1	20,500
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	1	17,620
Mrs. Amina Faruque W/o Mr. Amer Faruque	1	17,000
<b><u>Executives</u></b>		
	-	-
<b>Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarbas and Mutual Funds</b>	17	814,420
<b><u>Shareholders holding 10% or more voting interest</u></b>		
Faruque (Private) Limited.	1	417,000



GHULAM FARUQUE  
GROUP

# Cherat Papersack Limited



## SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

### Circular No. 1 of 2000

#### **Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS 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 regulations, 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 Regulations, shall submit the proxy form 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)



# Cherat Papersack Limited



## FOURTEENTH ANNUAL GENERAL MEETING 2003

Registered Foilio/  
Participant's ID No. &  
A/c. No.

No. of Shares held

### PROXY FORM

#### 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.

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 Fourteenth Annual General Meeting of the Company to be held on Monday, 20th October, 2003 at 3:00 p.m. and at any adjournment thereof.

#### WITNESS :

(1) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or Passport No. \_\_\_\_\_

(2) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or Passport No. \_\_\_\_\_

Signature of  
Shareholder \_\_\_\_\_

Please affix  
five rupees  
revenue  
stamp

Date: ..... 2003

**NOTE :** SECP's circular of January 26, 2000 is on the reverse side of this form.