

PAKISTAN PAPERSACK CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

1. THE GROUP AND ITS OPERATION

The Group consists of:

Holding company

Pakistan Papersack Corporation Limited

Subsidiary company

Noble Computer Services (Private) Limited

Pakistan Papersack Corporation Limited (the holding company) was incorporated in Pakistan in 1973. Its shares are quoted on the Stock Exchanges of Karachi and Lahore.

Noble Computer Services (Private) Limited (the subsidiary) was incorporated in Pakistan as a private limited company and is a subsidiary of Pakistan Papersack Corporation Limited, which holds 99.85% shares in its equity.

The holding company's two divisions (Stepped-end and Baluchistan Laminates) are engaged in manufacturing of papersacks and formite sheets and laminates respectively.

The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit services to group companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the 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 (SEC) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of Pakistan Papersack Corporation Limited and Noble Computer Services (Private) Limited. The financial statements of the subsidiary company have been consolidated on a line-by-line basis.

All intercompany balances and transactions have been eliminated.

Minority interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which are not owned by the holding company. Minority interest is presented as a separate item in the consolidated financial statement.

2.3 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for certain available for sale investments other than investment in associates, which are stated at fair values.

2.4 Change in accounting policy

During the year, the Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984, effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends and other appropriations declared subsequent to the year end. Dividends and other appropriations to general reserve are now recognised in the period in which these are declared. Up until the previous year, dividends declared and appropriations made after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS - 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in accounting policy, the unappropriated profit brought forward would have been lower by Rs. 65.547 million (2004: Rs. 79.496 million) and the liability for proposed dividend and general reserve would have been higher by Rs. 31.799 million (2004: Rs. 31.047 million) and Rs. 45.500 million (2004: Rs. 34.500 million) respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current year.

2.5 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment if any, except freehold land which is stated at cost.

Depreciation is charged to the profit and loss account applying the reducing balance method. However, the subsidiary also uses straight line method. The rates used are stated in note 3.1 to the financial statements. A full year's depreciation is charged on additions while no depreciation is charged in the year of disposal.

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

Gain or loss on disposal of property, plant and equipment are taken to the profit and loss account.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment loss. Cost in relation to intangible asset presently held by the group includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible asset is amortised when asset is available for use on the straight line method whereby cost of intangible asset is written off over the period which reflects the pattern in which the economic benefits associated with the assets are likely to be consumed by the group.

2.7 Impairment

The group assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

2.8 Investments

Associates

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investors' share of the net assets of the associate. The income statement reflects the investors' share of the results of the operations of the associate. (Also refer note 5.1 and 5.2).

Others

These are investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity, and are therefore classified as available for sale.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments, classified as available for sale are remeasured to fair value. Unrealised gains and losses are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

2.9 Stores and spares

Stores and spares, except for those in transit, are valued at lower of cost, and net realisable value. For the Stepped-end division, cost is determined on a first-in-first out (FIFO) basis, whereas for the Baluchistan Laminates division, it is determined using the weighted average cost basis.

Stock in transit is valued at cost accumulated to the balance sheet date.

2.10 Stock-in-trade

Stock-in-trade, except for stock in transit are valued at lower of cost and net realisable value.

The cost in relation to raw material and finished goods is determined on the basis of weighted average cost.

Stock in transit is valued at cost comprising invoice value plus other charges thereon.

Work in process is valued at material cost, labour cost, together with appropriate production overheads.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs that would necessarily be incurred for its sale.

2.11 Trade debts and other receivables

Trade debts originated by the group are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Other receivables are recognised and carried at cost.

2.12 Trade and other payables

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

2.13 Compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leave and the last drawn pay.

2.14 Staff retirement benefits

The group contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made by the group and the employees on a monthly basis.

2.15 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or one-half of one percent of turnover, whichever is higher.

Deferred

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

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

2.16 Operating leases

Operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the respective lease term.

2.17 Provisions

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.18 Financial instruments

Financial assets and financial liabilities are recognised at the time when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to the profit and loss account currently.

2.19 Off-setting of financial assets and liabilities

A financial asset and a financial liability are off-set and the net amount is reported in the balance sheet if the group has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products (Business Segments), which is subject to risk and rewards that are different from those of other segments.

2.21 Transaction with related parties

Transactions with related parties are based on the policy that all transactions between the group and the related parties are carried at arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984

2.22 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Dividend income is recognised when the right to receive the dividend is established.
- Interest / mark-up and other income is recognised on an accrual basis.
- For project jobs services income is recorded when services are rendered. For jobs of recurring nature the services income is recorded on a monthly basis.

2.23 Borrowing costs

Borrowing costs specific to a significant addition of project during its construction/erection period are capitalised. Other borrowing costs are charged to the profit and loss account as and when incurred.

2.24 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Gains and losses on translation are taken to income currently.

2.25 Cash and cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at banks, net of short-term running finances and short-term loans. The cash and cash equivalents are subject to insignificant risk of changes in value.

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	Note	2005 Rupees in thousands	2004 Rupees in thousands
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1	57,082	55,213
Capital work-in-progress	3.4	160	-
		<u>57,242</u>	<u>55,213</u>

3.1 Statement of operating property, plant and equipment:

	COST				Rate %	DEPRECIATION				Written down value as at June 30, 2005
	As at July 1, 2004	Additions	Disposals	As at June 30, 2005		As at July 1, 2004	Charge for the Year	On Disposals	As at June 30, 2005	
	----- Rupees in thousands -----					----- Rupees in thousands -----				
Freehold land	1,905	-	-	1,905		-	-	-	-	1,905
Factory building on freehold land	26,594	-	-	26,594	10	19,899	670	-	20,569	6,025
Plant and machinery	109,397	8,649	224	117,822	10-30	78,144	8,138	199	86,083	31,739
Office equipment	4,308	672	89	4,891	10-20	2,355	352	42	2,665	2,226
Factory equipment	2,614	16	223	2,407	10-30	1,630	174	217	1,587	820
Computers	6,609	1,364	1,403	6,570	30	4,678	1,137	1,115	4,700	1,870
Furniture and fixtures	1,510	3,055	90	4,475	10	1,069	661	73	1,657	2,818
Motor vehicles	23,656	3,126	3,423	23,359	20	13,605	2,418	2,343	13,680	9,679
2005	<u>176,593</u>	<u>16,882</u>	<u>5,452</u>	<u>188,023</u>		<u>121,380</u>	<u>13,550</u>	<u>3,989</u>	<u>130,941</u>	<u>57,082</u>
2004	<u>162,477</u>	<u>21,964</u>	<u>7,848</u>	<u>176,593</u>		<u>114,117</u>	<u>12,813</u>	<u>5,550</u>	<u>121,380</u>	<u>55,213</u>

3.2 Depreciation charge for the year has been allocated as under:

	Note	Stepped- end Division Rs.'000	Baluchistan Laminates Division Rs.'000	Others Rs.'000	Total 2005 Rs.'000	Total 2004 Rs.'000
Cost of sales	22	1,289	8,205	-	9,494	8,881
Selling and distribution costs	23	233	110	-	343	372
Administrative expenses	24	2,120	186	1,407	3,713	3,560
		<u>3,642</u>	<u>8,501</u>	<u>1,407</u>	<u>13,550</u>	<u>12,813</u>

3.3 Details of property, plant and equipment disposed off during the year:

	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	----- Rupees in thousands -----						
<u>Motor Vehicles</u>							
Suzuki Mehran	270	234	36	59	23	Company Scheme	Mr. Mohd. Bashir Khan-Employee
Toyota Lucida	1616	1277	339	430	91	Company Scheme	Mr. S.Z.Kazmi-Employee
Suzuki Khyber	304	275	29	32	3	Company Scheme	Mr. Saeed Akbar-Employee
Culutus	55	0	55	328	273	Company Scheme	Mr. Mohsin Rajab Ali - Employee
Daihatsu Coure	38	0	38	202	164	Company Scheme	Mr. Ali Raza Razzak - Employee
Suzuki Mehran	29	22	7	45	38	Company Scheme	Mr. Azadar Raza Jafri - Employee
Toyota Corolla	655	236	419	610	191	Tender	Mr. Peer Buksh Saheto, Flat No.3, Shahjahan House, Nishat Road, Karachi
Mitsubishi Pajero	35	33	2	450	448	Negotiation	Mr. Syed Tariq Sultan , B-9 Al-Hilal Society, Main University Road, Karachi
Mitsubishi Lancer	42	40	2	168	166	Negotiation	Mr. Waseem Mirza, House # A-32, Block 10-A, Gulshan e Iqbal, Karachi
Toyota	368	217	151	625	474	Negotiation	Mr. Sher Bilal Khan , Tehsil Bannu
Suzuki Swift	10	10	-	100	100	Company Scheme	Mr. Niazmin Shah - Employee
Computer	839	667	172	778	606	Insurance Claim	Habib Insurance Company Limited - Related party
Computer	17	13	4	4	-	Negotiation	Software Technology - C-1/2, Block 2, Clifton, Karachi
Computer	152	129	23	1	(22)	Negotiation	Mr. Malik Sher Naz Plaza Karachi
Computer	49	25	24	10	(14)	Negotiation	Invent Tech. Suit # 44 1st Floor, Sasi Arcade, Clifton, Karachi
Computer	182	161	21	27	6	Negotiation	Mr. Haji Abdullah, Gharibabad, Karachi.
Office Equipment	49	10	39	45	6	Insurance Claim	Habib Insurance Company Limited - Related party
Office Equipment	23	16	7	8	1	Negotiation	Mr. Yaqoob Ghanchi, Gharibabad, Karachi
Furniture & Fixture	33	29	4	6	2	Negotiation	Mr. Yaqoob Ghanchi, Gharibabad, Karachi
Various Items	686	595	91	93	2	Negotiation	Mr. Mohd. Haneef, Mehmoodabad Corp. Gate, House # H-15, Karachi
2005	<u>5,452</u>	<u>3,989</u>	<u>1,463</u>	<u>4,021</u>	<u>2,558</u>		
2004	<u>7,848</u>	<u>5,550</u>	<u>2,298</u>	<u>3,053</u>	<u>755</u>		

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2005 **2004**
Rupees in thousands

3.4 Capital work-in-progress

Plant and machinery

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4. INTANGIBLE ASSET

	COST				Rate %	AMORTISATION				Written down value as at June 30, 2005
	As at July 1, 2004	Additions	Disposals	As at June 30, 2005		As at July 1, 2004	Change for the year	On Disposals	As at June 30, 2005	
	----- Rupees in thousands -----					----- Rupees in thousands -----				
Computer software	-	100	-	100	50	-	50	-	50	50
2005	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>		<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>50</u>

4.1 Amortisation charge for the year has been allocated as under:

	Note	Stepped-end Division	Balochistan Laminates Division	Others	2005 Rupees in thousands	2004 Rupees in thousands
Administrative expenses	24	-	-	50	50	-
		<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>

5. LONG-TERM INVESTMENTS

	Note	Shabbir Tiles and Ceramics Limited		Indus Motor Company Limited		Dynea Pakistan Limited		Total	
		2005	2004	2005	2004	2005	2004	2005	2004
Related parties									
Associates quoted	5.1 & 5.2								
Number of shares held		494,946	449,951	3,260,000	3,260,000	408,493	408,493		
Paid-up value per share		5	5	10	10	5	5		
Holding percentage		2.61	2.61	4.15	4.15	2.16	2.16		
Balance as at the beginning of the year		8,304	7,812	137,371	103,039	4,555	4,137	150,230	114,988
Share of post acquisition profit / (loss) after taxation for the year		1,642	1,054	56,731	63,672	(147)	418	58,226	65,144
Dividends received during the year		(337)	(562)	(29,340)	(29,340)	-	-	(29,677)	(29,902)
Balance as at the end of the year		9,609	8,304	164,762	137,371	4,408	4,555	178,779	150,230
Others - quoted									
Agriauto Industries Limited				1,013,000	1,013,000	5		50,650	42,042
Oil and Gas Development Corporation				-	6,229	10		-	402
								50,650	42,444
Certificates of investments									
National Development Corporation Limited								-	710
								<u>229,429</u>	<u>193,384</u>

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- 5.1** Investment in associates are accounted for by applying the equity method. Previously, these were stated at cost. This adjustment has been accounted for retrospectively and corporative informaion has been restated in accordance with IAS-8 " Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies."

	Increase / (Decrease)	
	2 0 0 5	2 0 0 4
	Rupees in thousands	
Adjustment related to the current and prior period presented:		
Investment in associates	144,234	115,685
Net profit for the year	58,226	65,144
Dividend income	(29,677)	(29,902)
Adjustment related to period prior to those included in comparative information :		
Unappropriated profit - balance as at the beginning of the year	115,685	80,443

- 5.2** The reporting period of all the associates is June 30. However, financial statement for the year ended June 30, 2005 are not available. Therefore, the financial statements of the associates for the nine months ended March 31 combined with the results for the three months to June 30 of the preceding year have been used by the Group in applying the equity method.

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	Note	2005	2004
		Rupees in thousands	
6. LONG-TERM LOANS - Unsecured			
Considered good			
Loan to employees	6.1	984	748
Less: Current portion	10	524	371
		460	377
6.1	This represents interest free loans given to employees for purchase of motor vehicles, renovation, medical expenses and other miscellaneous purposes. The loans are repayable over a period of three years, as approved by the CEO.		
7. STORES AND SPARES			
Stores			
In hand		2,926	2,702
In transit		-	1,728
Spares			
In hand		12,556	12,800
In transit		247	-
		15,729	17,230
8. STOCK-IN-TRADE			
Raw material - in stock		173,576	135,322
- in transit		31,988	3,888
Work-in-process		9,529	11,132
Finished goods		28,524	22,579
Trading stock		3,407	4,903
		247,024	177,824
Carrying value of inventories under hypothecation at the banks was Rs. 203.333 million (2004: Rs. 136.579 million).			
9. TRADE DEBTS - Unsecured			
Considered good			
Due from related parties	9.1	2,146	712
Others		185,242	134,039
		187,388	134,751
Considered doubtful		6,005	6,101
Less : Provision for doubtful debts	9.2	(6,005)	(6,101)
		-	-
		187,388	134,751
9.1	Related parties:		
	Dynea Pakistan Limited	1,068	-
	Metropolitan Bank Limited	79	-
	Thal Limited	237	197
	Shabbir Tiles and Ceramics Limited	762	515
		2,146	712
The maximum aggregate amount due from related parties at the end of any month during the year was Rs.2.785 million (2004 : Rs. 3.204 million).			
9.2	The movement in provision for doubtful debts during the year is as follows:		
	Balance at the beginning of the year	6,101	6,101
	Written-off during the year	(96)	-
	Balance at the end of the year	6,005	6,101

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	Note	2005 Rupees in thousands	2004
10. LOANS AND ADVANCES - Unsecured			
Loans - considered good			
Current portion of long-term loans	6	524	371
Advances - considered good			
Employees		2,270	2,576
Suppliers and contractors		7,084	5,795
		9,354	8,371
		<u>9,878</u>	<u>8,742</u>
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Security deposits		1,714	981
Short-term prepayments		2,494	2,010
		<u>4,208</u>	<u>2,991</u>
12. OTHER RECEIVABLES			
Duty drawback		4,370	4,104
Profit receivable on deposit accounts		-	158
Insurance premium claim	12.1	-	255
Octroi refundable		105	395
Sales tax - net		4,963	17,630
Interest accrued on Musharaka Certificates		32	-
Others		859	1,225
		<u>10,329</u>	<u>23,767</u>
12.1 This amount is receivable from M/s. Habib Insurance Company Limited, a related party. Maximum aggregate amount due at the end of any month from any related party during the year was Rs. 0.284 million (2004: Rs. 0.255 million).			
13. SHORT TERM INVESTMENT			
Musharika Certificates - First Habib Modarba	13.1	<u>4,000</u>	<u>-</u>
13.1 Rate of interest on this investment ranged between 5.5 % to 7.5 % per annum, maturing in July and August 2005.			
14. CASH AND BANK BALANCES			
With banks in :			
Deposit accounts			
- local currency		5,211	102,411
- foreign currency		18	33
	14.1	5,229	102,444
Current accounts			
- local currency		24,800	8,892
- foreign currency		2	2
		24,802	8,894
Cash in hand		64	139
		<u>30,095</u>	<u>111,477</u>
14.1 Rate of interest during the year ranged between 1 % to 1.75 % (2004: 1.75% to 2.5%).			

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2005	2004		2005	2004
Number of ordinary shares of Rs.5/- each		Note	Rupees in thousands	
1,240,000	1,240,000	Fully paid in cash	6,200	6,200
650,000	650,000	Issued as fully paid-up for consideration other than cash	3,250	3,250
11,908,512	11,908,512	Issued as fully paid bonus shares	59,543	59,543
<u>13,798,512</u>	<u>13,798,512</u>		<u>68,993</u>	<u>68,993</u>

Ordinary shares held by related parties at year end were 399,110 (2004: 399,110) of Rs. 5/- each.

16. MINORITY INTEREST

Share capital	1	1
Reserve	3	3
Unappropriated profit	19	15
	<u>23</u>	<u>19</u>

17. DEFERRED LIABILITIES

Deferred taxation	17.1	<u>4,400</u>	<u>5,412</u>
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17.1 Deferred taxation

Deferred tax credits arising from:

- accelerated tax depreciation allowances	5,750	6,912
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Deferred tax debits arising from:

- provision for compensated absences	(1,350)	(1,500)
	<u>4,400</u>	<u>5,412</u>

18. TRADE AND OTHER PAYABLES

	Note	2005	2004
		Rupees in thousands	
Creditors			
Due to related parties		10,958	4,951
Others		53,975	42,422
Custom duty payable		13,820	9,166
Accrued expenses		13,067	9,150
Advances from customers		1,677	1,654
Employees compensated absences		3,843	4,516
Workers' Profit Participation Fund	18.1	4,208	4,427
Workers' Welfare Fund		1,655	2,605
Unclaimed dividend		3,138	2,892
Mark-up accrued on short-term running finance		916	316
Other liabilities		5,978	5,407
		<u>113,235</u>	<u>87,506</u>

	Note	2005	2004
		Rupees in thousands	
18.1 Workers' Profit Participation Fund:			
Balance at the beginning of the year		4,427	5,810
Interest on funds utilised in company's business		110	146
Allocation for the year		4,098	4,261
		8,635	10,217
Less: Amount paid during the year		1,528	1,452
Deposited with Government		2,899	4,338
		4,427	5,790
		4,208	4,427
19. SHORT-TERM BORROWINGS - secured			
Short-term loans			
- from banking companies		-	25,000
Short-term running finance	19.1	15,615	19,997
		15,615	44,997

19.1 The facilities for short-term running finance available from various commercial banks amounted to Rs. 354 million (2004: Rs. 354 million). The unavailed credit facility in respect of short-term running finance amounted to Rs. 338.385 million (2004: Rs. 334.003 million). This includes Rs. 41 million (2004: Rs. 41 million) available from Metropolitan bank Limited, a related party, which remained unutilised at year end.

The rates of mark-up range between Re 0.14 and Re 0.22 (2004: Re 0.085 to Re 0.19) per thousand per day on the outstanding balance.

The purchase prices are payable on various dates by March 31, 2006, with a renewable option, and are secured by hypothecation charge over the imported raw material, stores and spares, finished goods and trade debts.

20. CONTINGENCIES AND COMMITMENTS

20.1 While finalising the assessments for the assessment years 1991-92 and 1992-93, the Income Tax Authorities cancelled the tax holiday period available to the Stepped-end division of the holding company which resulted in a tax liability of Rs. 25.473 million. Both the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal have decided the case in favour of the holding company. The department preferred an appeal before the Honourable High Court of Sindh where the case is now pending. Management is confident that the matter will be decided in favour of the holding company, therefore, no provision has been made in these financial statements.

20.2 The holding company had filed an appeal before the Additional Collector Sales Tax against inadmissibility of input tax which was paid on imports amounting to Rs. 1.309 million pertaining to the year 1994 to 1996 along with additional tax of Rs. 0.5 million. The decision was in favour of the department. The holding company preferred an appeal under Sec 45 of the Sale Tax Act to the Collector of Customs, Central Excise and Sales Tax against the decision of Additional Collector pertaining to input tax where the case is still pending. The holding company is confident of winning the case therefore no provision has been made in these financial statements.

20.3 Commitments for rentals under operating lease agreements in respect of vehicles and machinery amounted to Rs. 5.084 million (2004: Rs. 5.75 million). These are payable as follows:

<u>Year</u>	<u>Rupees in thousands</u>
2005 - 2006	2,497
2006 - 2007	1,976
2007 - 2008	611

20.4 Letters of credit outstanding amounted to Rs. 142.428 million (2004: Rs. 71.97). The extent of facility available is Rs. 325 million (2004: Rs. 325 million) out of which Rs. 182.572 million (2004: Rs. 253.03 million) remained unutilised.

20.5 Commitments for bank guarantees issued against the performance of sales agreements with various cement companies and to the Controller of Customs amounted to Rs. 15.985 million (2004: Rs. 17.388 million).

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21. OPERATING RESULTS

(Rupees in thousands)

PARTICULARS	Note	Stepped-end Division		Baluchistan Laminates Division		Others		Total	Total
		2005	2004	2005	2004	2005	2004	2005	2004
		Turnover							
Local sales		396,417	402,193	565,519	498,315	-	-	961,936	900,508
Export sales		6,033	5,994	75,704	59,935	-	-	81,737	65,929
Service revenue		-	-	-	-	29,308	31,211	29,308	31,211
		<u>402,450</u>	<u>408,187</u>	<u>641,223</u>	<u>558,250</u>	<u>29,308</u>	<u>31,211</u>	<u>1,072,981</u>	<u>997,648</u>
Less: Sales tax		51,670	52,556	73,676	73,501	-	-	125,346	126,057
Sales return and sales discount		858	-	139	443	-	-	997	443
Net sales		<u>349,922</u>	<u>355,631</u>	<u>567,408</u>	<u>484,306</u>	<u>29,308</u>	<u>31,211</u>	<u>946,638</u>	<u>871,148</u>
Cost of sales	22	<u>281,949</u>	<u>271,659</u>	<u>489,346</u>	<u>437,768</u>	<u>-</u>	<u>-</u>	<u>771,295</u>	<u>709,427</u>
Gross profit		67,973	83,972	78,062	46,538	29,308	31,211	175,343	161,721
Selling and distribution costs	23	14,604	11,686	35,803	23,461	-	-	50,407	35,147
Administrative expenses	24	34,319	31,671	14,265	14,098	29,027	30,173	77,611	75,942
Other income *		3,039	1,093	2,578	866	602	133	6,219	2,092
Profit on trading		<u>308</u>	<u>941</u>	<u>1,009</u>	<u>540</u>	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>1,481</u>
Operating result		<u><u>22,397</u></u>	<u><u>42,649</u></u>	<u><u>31,581</u></u>	<u><u>10,385</u></u>	<u><u>883</u></u>	<u><u>1,171</u></u>	<u><u>54,861</u></u>	<u><u>54,205</u></u>
21.1 Segment assets		263,005	240,624	290,583	280,655	16,428	15,614	570,016	536,893
21.2 Unallocated assets		-	-	-	-	-	-	240,894	211,186
Total assets								<u>810,910</u>	<u>748,079</u>
21.3 Segment liabilities		46,460	30,770	79,449	97,968	2,941	3,765	128,850	132,503
21.4 Unallocated liabilities		-	-	-	-	-	-	4,400	5,412
Total liabilities								<u>133,250</u>	<u>137,915</u>
21.5 Depreciation and amortization		3,642	3,416	8,501	8,404	1,457	993	13,600	12,813
21.6 Capital expenditure		6,061	218	7,382	18,658	3,699	3,088	17,142	21,964

* Other income excludes dividend income, interest income and other item amounting in total to Rs. 5.039 million for the year ended June 30, 2005 (June 30, 2004: Rs. 7.381 million) as these relate to the entity as a whole and not to any segment of the group.

22. COST OF SALES

Raw Material Consumed

Opening stock		52,796	97,667	82,526	71,179	-	-	135,322	168,846
Purchases		314,482	206,518	414,668	402,025	-	-	729,150	608,543
		<u>367,278</u>	<u>304,185</u>	<u>497,194</u>	<u>473,204</u>	<u>-</u>	<u>-</u>	<u>864,472</u>	<u>777,389</u>
Closing stock		(112,325)	(52,796)	(61,251)	(82,526)	-	-	(173,576)	(135,322)
		<u>254,953</u>	<u>251,389</u>	<u>435,943</u>	<u>390,678</u>	<u>-</u>	<u>-</u>	<u>690,896</u>	<u>642,067</u>
Duty drawback		-	-	(12,467)	(9,666)	-	-	(12,467)	(9,666)
		<u>254,953</u>	<u>251,389</u>	<u>423,476</u>	<u>381,012</u>	<u>-</u>	<u>-</u>	<u>678,429</u>	<u>632,401</u>
Salaries, wages and other benefits	22.1	15,657	15,191	22,293	21,872	-	-	37,950	37,063
Stores and spares consumed		2,056	2,187	6,600	6,445	-	-	8,656	8,632
Rent, rates and taxes		89	213	73	73	-	-	162	286
Electricity, gas and water		1,873	1,854	25,987	24,250	-	-	27,860	26,104
Insurance		885	928	540	546	-	-	1,425	1,474
Telephone and fax		215	226	523	541	-	-	738	767
Postage and telegram		12	10	3	1	-	-	15	11
Printing and stationery		56	73	324	482	-	-	380	555
Travelling and conveyance		214	120	490	630	-	-	704	750
Subscription		12	6	21	24	-	-	33	30
Entertainment		130	108	-	-	-	-	130	108
Research and development		-	11	-	47	-	-	-	58
Transportation, handling and storage		71	76	78	40	-	-	149	116
Vehicle running expenses		523	448	698	508	-	-	1,221	956
Repairs and maintenance		390	559	3,476	3,988	-	-	3,866	4,547
Legal and professional charges		-	-	29	4	-	-	29	4
Depreciation	3.2	1,289	911	8,205	7,970	-	-	9,494	8,881
Lease rentals		-	-	538	206	-	-	538	206
Contract baling and other manufacturing expenses		3,858	2,808	-	-	-	-	3,858	2,808
		<u>27,330</u>	<u>25,729</u>	<u>69,878</u>	<u>67,627</u>	<u>-</u>	<u>-</u>	<u>97,208</u>	<u>93,356</u>
Work-in-process opening		2,936	1,072	8,196	-	-	-	11,132	1,072
Work-in-process closing		(2,971)	(2,936)	(6,558)	(8,196)	-	-	(9,529)	(11,132)
		<u>(35)</u>	<u>(1,864)</u>	<u>1,638</u>	<u>(8,196)</u>	<u>-</u>	<u>-</u>	<u>1,603</u>	<u>(10,060)</u>
Cost of goods manufactured		<u>282,248</u>	<u>275,254</u>	<u>494,992</u>	<u>440,443</u>	<u>-</u>	<u>-</u>	<u>777,240</u>	<u>715,697</u>
Finished goods - opening		6,326	2,731	16,253	13,578	-	-	22,579	16,309
Finished goods - closing		(6,625)	(6,326)	(21,899)	(16,253)	-	-	(28,524)	(22,579)
		<u>(299)</u>	<u>(3,595)</u>	<u>(5,646)</u>	<u>(2,675)</u>	<u>-</u>	<u>-</u>	<u>(5,945)</u>	<u>(6,270)</u>
		<u><u>281,949</u></u>	<u><u>271,659</u></u>	<u><u>489,346</u></u>	<u><u>437,768</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>771,295</u></u>	<u><u>709,427</u></u>

22.1 Salaries, wages and other benefits includes Rs. 1.157 million (2004: Rs.1.074 million) in respect of staff retirement benefits.

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23. SELLING AND DISTRIBUTION COSTS

Rupees in thousands

PARTICULARS	Note	Baluchistan Laminates					
		Stepped-end Division		Laminates Division		Total	Total
		2005	2004	2005	2004	2005	2004
Salaries, wages and other benefits	23.1	4,164	4,873	8,301	6,465	12,465	11,338
Electricity, gas and water		82	112	152	102	234	214
Rent, rates and taxes		158	156	74	435	232	591
Insurance		194	103	220	220	414	323
Cartage		7,712	4,101	21,429	11,833	29,141	15,934
Telephone and fax		433	547	592	427	1,025	974
Postage and telegram		40	48	211	294	251	342
Printing and stationery		31	66	104	109	135	175
Traveling and conveyance		590	820	856	759	1,446	1,579
Subscription		1	2	2	2	3	4
Entertainment		7	26	218	172	225	198
Vehicle running expenses		336	388	673	677	1,009	1,065
Repairs and maintenance		15	4	90	99	105	103
Legal and professional charges		-	-	40	-	40	-
Advertisement and publicity		142	19	2,289	1,394	2,431	1,413
Sales promotion expenses		31	138	-	-	31	138
Tender expenses		35	16	6	13	41	29
Depreciation	3.2	233	267	110	105	343	372
Research and development expense		400	-	-	-	400	-
Lease rentals		-	-	436	355	436	355
		<u>14,604</u>	<u>11,686</u>	<u>35,803</u>	<u>23,461</u>	<u>50,407</u>	<u>35,147</u>

23.1 Salaries, wages and other benefits includes Rs. 0.475 million (2004: Rs.0.424 million) in respect of staff retirement benefits.

24. ADMINISTRATIVE EXPENSES

Rupees in thousands

	Note	Baluchistan Laminates							
		Stepped-end Division		Laminates Division		Others		Total	Total
		2005	2004	2005	2004	2005	2004	2005	2004
Salaries, wages and other benefits	24.1	16,287	15,222	7,760	7,005	20,486	21,167	44,533	43,394
Electricity, gas and water		2,625	2,773	741	805	1,118	1,038	4,484	4,616
Rent, rates and taxes		1,063	1,301	541	520	347	854	1,951	2,675
Insurance		900	1,027	17	13	420	203	1,337	1,243
Telephone and fax		1,085	1,188	512	760	316	181	1,913	2,129
Postage and telegram		170	212	29	19	-	-	199	231
Printing and stationery		515	472	162	132	404	1,030	1,081	1,634
Travelling and conveyance		2,809	2,179	1,713	1,993	348	111	4,870	4,283
Subscription		416	491	78	101	19	5	513	597
Entertainment		521	750	-	-	248	247	769	997
Vehicle running expenses		2,102	2,128	906	814	791	909	3,799	3,851
Repairs and maintenance		1,947	463	850	599	814	768	3,611	1,830
Registrar / computer service charges		14	23	190	206	252	566	456	795
Advertisement and publicity		136	164	-	-	104	82	240	246
Donations	24.2	287	123	137	147	84	78	508	348
Auditors' remuneration	24.3	212	150	-	-	35	25	247	175
Legal and professional charges		659	514	327	242	240	87	1,226	843
Depreciation	3.2	2,120	2,238	186	329	1,407	993	3,713	3,560
Amortization		-	-	-	-	50	-	50	-
Computer supplies		-	-	-	-	373	1,041	373	1,041
Lease rentals		401	201	116	413	1,088	771	1,605	1,385
Directors' fee		50	52	-	-	-	-	50	52
Miscellaneous		-	-	-	-	83	17	83	17
		<u>34,319</u>	<u>31,671</u>	<u>14,265</u>	<u>14,098</u>	<u>29,027</u>	<u>30,173</u>	<u>77,611</u>	<u>75,942</u>

24.1 Salaries, wages and other benefits includes Rs. 1.558 million (2004: Rs. 1.504 million) in respect of staff retirement benefits.

24.2 Donations

This includes an amount of Rs. 0.380 million (2004: Rs. 0.180 million) donated to M/s Mohamedali Habib Welfare Trust, 2nd Floor, Siddiqsons Tower, 3-Jinnah Co-operative Housing Society, Shakra-e-faisal ,Karachi, in which two of the group's directors, Mr. Rafiq M. Habib and Mr. Ali S. Habib are trustees. None of the directors or their spouses have any interest in other donees.

	Note	2 0 0 5	2 0 0 4
		Rupees in thousands	
24.3 Auditors' remuneration			
Audit fee		128	120
Code of corporate governance review		25	-
Half-yearly review		50	35
Out of pocket expenses		44	20
		247	175
25. OTHER INCOME			
Dividend income	25.1	1,537	922
Sale of scrap		1,467	1,067
Gain on disposal of property, plant and equipment	3.3	2,558	755
Capital gain on sale of listed company shares		315	5,154
Profit on short term investment		118	270
Profit on bank accounts		688	1,305
Sale of goodwill and trademark of trading business		2,500	-
Exchange gain - net		1,137	-
Miscellaneous income		938	-
		11,258	9,473
25.1 Dividend income			
From other quoted companies :			
Agriauto Industries Limited		1,520	760
Oil and Gas Development Corporation Limited		17	162
		1,537	922
26. PROFIT ON TRADING			
Sales		11,547	10,948
Cost of sales			
Opening stock		4,903	3,679
Purchases		7,260	8,041
Cold storage and other expenses		1,474	2,650
		13,637	14,370
Less: closing stock		(3,407)	(4,903)
		10,230	9,467
Profit on trading		1,317	1,481

26.1 Stock of jam and jelly imported for trading purposes has been written down by Rs. 0.439 million. The goodwill and trademark of the food trading business has been disposed off during the year for Rs. 2.5 million.

	Note	2 0 0 5	2 0 0 4
		Rupees in thousands	
27. FINANCIAL CHARGES			
Mark-up on :			
Short-term running finance		2,878	905
Short-term loans		329	481
Interest on Workers' Profit Participation Fund		110	146
Bank charges and commission		994	1,155
Exchange loss - net		-	7
		4,311	2,694
28. TAXATION			
Current	28.1	51,356	49,140
Prior		971	1,020
Deferred		(1,012)	(406)
		51,315	49,754
28.1 Relationship between tax expense and accounting profit			
Profit before taxation		141,467	152,581
Tax at the applicable rates		49,643	53,846
Tax effect of expenses that are not allowable in determining taxable income		7,913	777
Tax effect of exempt income and expenses that are deductible from but not included in determining accounting profits		(8,036)	(5,641)
Share of tax of associates		32,602	33,444
Effect of share of associates' profit		(31,790)	(34,506)
Tax effect of lower tax rate		1,024	1,220
Charge for current year		51,356	49,140
29. BASIC EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share of the group, which are based on:			
Profit for the year after taxation		90,133	102,812
		Number of shares shares in thousands	
Weighted average number of ordinary shares of Rs.5/- each		13,799	13,799
		Rupees	
Basic earnings per share		6.53	7.45

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30. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2 0 0 5				2 0 0 4			
	Chief				Chief			
	Directors	Executive	Executives	Total	Directors	Executive	Executives	Total
	----- Rupees in thousands -----				----- Rupees in thousands -----			
Directors' fee	50	-	-	50	52	-	-	52
Managerial remuneration	-	910	11,276	12,186	-	886	9,890	10,776
House rent and utilities	-	410	3,139	3,549	-	399	3,173	3,572
Bonus	-	-	676	676	-	-	1,103	1,103
Staff retirement benefits	-	76	493	569	-	74	508	582
Medical Expenses	-	43	809	852	-	44	886	930
Others	-	132	1,165	1,297	-	91	1,102	1,193
	<u>50</u>	<u>1,571</u>	<u>17,558</u>	<u>19,179</u>	<u>52</u>	<u>1,494</u>	<u>16,662</u>	<u>18,208</u>
Number of persons	<u>5</u>	<u>1</u>	<u>10</u>	<u>16</u>	<u>5</u>	<u>1</u>	<u>12</u>	<u>18</u>

Two of the directors, the Chief Executive and executives entitled as per company rules are provided with the free use of company's maintained cars. The monetary impact of vehicle running expenses is not easily determinable.

Due to amendment in fourth schedule to the Companies Ordinance, 1984, the number of executives and their remuneration in the corresponding figures, has changed from 79 to 12 and from Rs. 41.660 million to Rs. 16.662 million respectively.

31. TRANSACTIONS WITH RELATED PARTIES

Aggregate transactions made by the group during the year with the related parties were as follows:

Names of the related parties	2 0 0 5								
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial expenses	Interest received	Insurance expense	Insurance claim received	Services acquired	Services provided
	----- Rupees in thousands -----								
Associates	11,374	67,141	1,214	-	-	-	-	-	10,522
Common directorship	43	-	-	161	682	5,521	1,794	-	4,639
	<u>11,417</u>	<u>67,141</u>	<u>1,214</u>	<u>161</u>	<u>682</u>	<u>5,521</u>	<u>1,794</u>	<u>-</u>	<u>15,161</u>
Names of the related parties	2 0 0 4								
	Sale of goods	Purchase of goods	Purchase / sale of motor vehicle	Financial expenses	Interest received	Insurance expense	Insurance claim received	Services acquired	Services provided
	----- Rupees in thousands -----								
Associates	3,428	58,006	1,546 (1,169)	-	-	-	-	-	9,392
Common directorship	-	-	-	-	-	5,030	613	-	3,341
	<u>3,428</u>	<u>58,006</u>	<u>377</u>	<u>-</u>	<u>-</u>	<u>5,030</u>	<u>613</u>	<u>-</u>	<u>12,733</u>

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Paper Bags	
(Million)	
2005	2004

32. PRODUCTION CAPACITY

Stepped-end Division

Installed Production Capacity	100	100
Actual Production	38.93	36.01

Low production is due to depressed market conditions.

Baluchistan Laminates Division

The production capacity of Baluchistan Laminates Division cannot be determined as this depends on the relative proportion of various types of products.

33. LIQUIDITY RISK

Liquidity risk reflects the group's inability in raising funds to meet commitments. Management closely monitors the group's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

34. YIELD / MARK-UP RATE RISK EXPOSURE

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The group manages these mismatches through risk management strategies. The group is exposed to yield / mark-up rate risk in respect of the following:

Financial assets and liabilities

Note	Effective yield / mark-up rate %	Interest / mark-up bearing			Non-interest / mark-up bearing	Total June 30, 2005
		Maturity upto one year	Maturity one to five years	Maturity after five years		
----- Rupees in thousands -----						
June 30, 2005						
FINANCIAL ASSETS						
		-	-	-	229,429	229,429
		-	-	-	460	460
		-	-	-	3,613	3,613
		-	-	-	187,388	187,388
		-	-	-	524	524
		-	-	-	1,714	1,714
		-	-	-	5,366	5,366
	5.50-7.50	4,000	-	-	-	4,000
	1.00-1.75	5,229	-	-	24,866	30,095
		9,229	-	-	453,360	462,589
FINANCIAL LIABILITIES						
	5.11-8.03	15,615	-	-	-	15,615
34.1		4,208	-	-	109,027	113,235
		19,823	-	-	109,027	128,850
Total yield / mark-up rate risk sensitivity gap		(10,594)	-	-		

June 30, 2004

FINANCIAL ASSETS

Note	Effective yield / mark-up rate %	Interest / mark-up bearing			Non-interest / mark-up bearing	Total June 30, 2004
		Maturity upto one year	Maturity one to five years	Maturity after five years		
----- Rupees in thousands -----						
		-	-	-	193,384	193,384
		-	-	-	377	377
		-	-	-	4,521	4,521
		-	-	-	134,751	134,751
		-	-	-	371	371
		-	-	-	981	981
		-	-	-	6,137	6,137
	1.75-2.50	102,444	-	-	9,033	111,477
		102,444	-	-	349,555	451,999

FINANCIAL LIABILITIES

	3.10-6.94	19,997	-	-	-	19,997
	3.10	25,000	-	-	-	25,000
34.1		4,427	-	-	83,079	87,506
		49,424	-	-	83,079	132,503
Total yield / mark-up rate risk sensitivity gap		53,020	-	-		

34.1 Interest is payable on these amounts as per the requirements of the Companies Profits (Workers' Participation) Act, 1968.

35. CREDIT RISK EXPOSURE

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs. 462.589 million (2004: Rs.451.999 million), the financial assets which are subject to credit risk amounted to Rs. 199.065 million (2004: Rs. 147.138 million). The group manages credit risk in trade receivables by limiting significant exposure to any individual customers by obtaining advance against sales.

The group is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The group seeks to minimise the credit risk exposure through dealing with customers considered credit worthy and obtaining securities where applicable.

36. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. As at June 30, 2005, the total foreign currency risk exposure was Rs.44.931 million (2004: Rs. 32.832 million) in respect of bills payable.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

38. NUMBER OF EMPLOYEES

The total number of employees as at year end was 378 (2004: 368).

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2005 by the Board of Directors of the group.

40. CORRESPONDING FIGURES

Due to certain changes made by the SEC in the Fourth Schedule to the Companies Ordinance, 1984 vide SRO 589(I)/2004 dated July 5, 2004, previous years figures have been rearranged or reclassified wherever necessary for the purpose of comparison. Significant reclassifications are as follows:

- i) Tangible fixed assets has been reclassified and shown as property, plant and equipment.
- ii) Loan, advances, trade deposits and prepayments within current assets has been bifurcated between loans and advances, and trade deposits and prepayments.
- iii) Creditors, accrued and other liabilities has been reclassified and shown as trade and other payables.
- iv) Short-term and running finance has been reclassified and shown as short-term borrowings.
- v) Remuneration of executives have been restated due to amendment in the definition of executive.

In addition to the above, comparative information has also been restated in order to comply with the change in accounting policy as explained in note 2.4 and 5.1.

Other material changes for better presentation are as follows:

Statement	Component	Reclassification from	Reclassification to	Rupees in thousands
Cash Flow Statement	Short-term and running finance	Cash generated from operations	Cash and cash equivalents	44,969
Cash Flow Statement	Cash flow from operating activities	Investment income	Gain on sale of investment	5,154
Cash Flow Statement	Cash flow from operating activities	Investment income	profit on bank accounts	1,305

Statement	Component	Reclassification from	Reclassification to	Rupees in thousands
Cash Flow Statement	Cash flow from investing activities	Dividend received	Interest income received	1,218
Balance Sheet	Income tax	Other receivables	Income tax recoverable - net	17,233
Balance Sheet	Cash and bank balances	Cheques in transit	Deposit accounts - local currency	7,821
Balance Sheet	Stock in trade	Stores	Stock held for sale	1,722
Balance Sheet	Stock in trade	Raw material - in stock	Work-in-progress	8,196
Balance Sheet	Stores and spares	Creditors-others	Spares in transit	1,728
Balance Sheet	Stock in trade	Creditors-others	Raw material in transit	3,823
Balance Sheet	Trade and other payables	Accrued expenses	Other liabilities	1,180
Balance Sheet	Trade and other payables	Accrued expenses	Advance from customers	1,496
Profit and Loss Account	Net sales	Turnover	Sales tax	126,057
Profit and Loss Account	Cost of sales	Manufacturing expenses - Depreciation	Administrative expenses - Depreciation	1,620

41. SUBSEQUENT EVENT

The Board of Directors has proposed a final dividend of Re.1/- per share for the year ended June 30, 2005, amounting to Rs. 13.799 million at its meeting held on September 20, 2005 for approval of the members at the Annual General Meeting to be held on October 27, 2005. These financial statements do not reflect this dividend payable, as explained in note 2.4.

42. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupee.

S.Z. KAZMI
Chief Executive

KERSI D. KAPADIA
Director