new horizon

Annual Report
2015

CHERAT
PACKAGING

Cherat Packaging Limited

A Ghulam Faruque Group Company

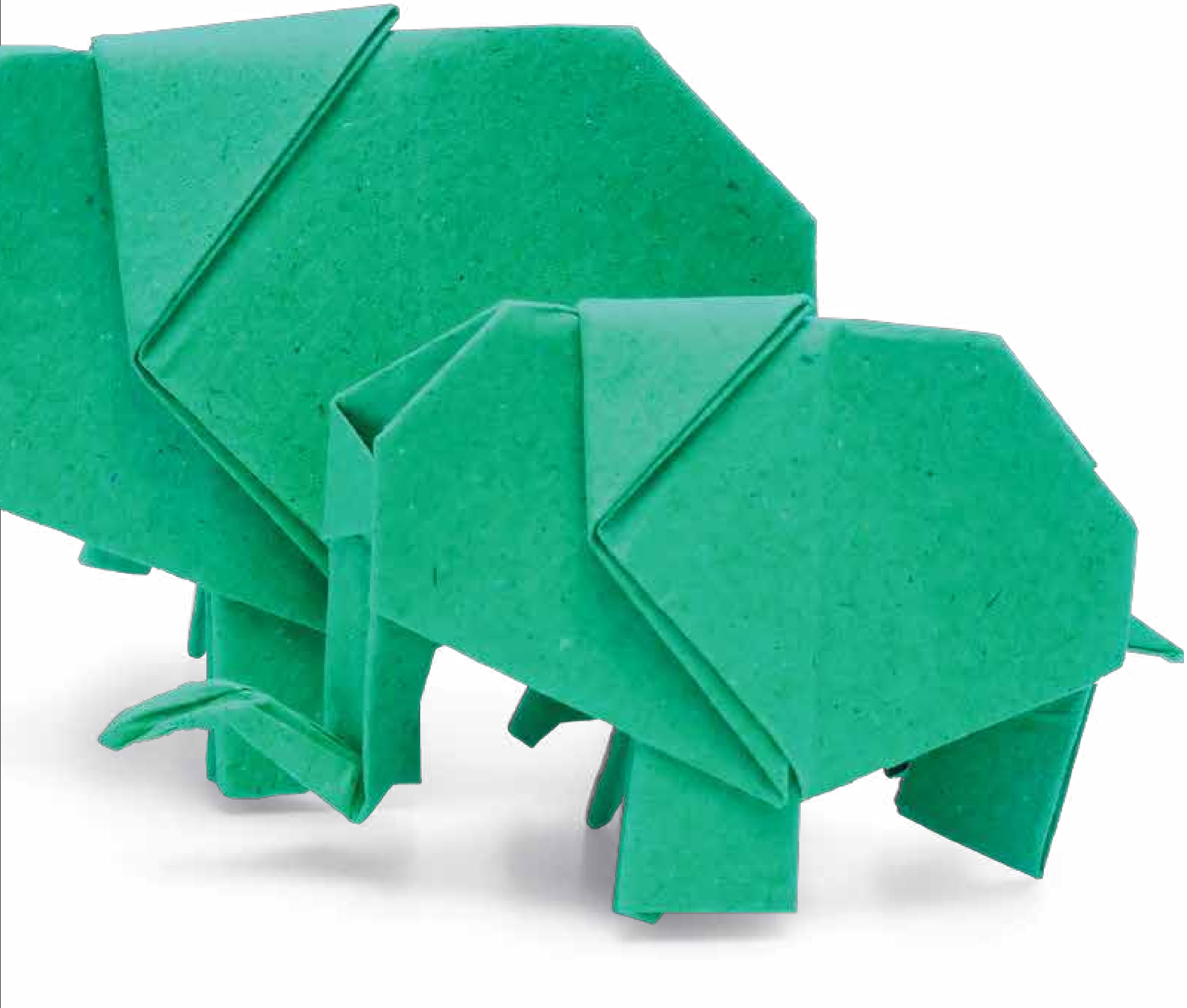
Introduction

Over twenty years ago we saw the opportunity and the potential for the increase in use of papersacks in Pakistan. Keeping the same in mind we enhanced the capacity of our Papersack business over time. Similarly, in 2011, we anticipated the trend for Polypropylene bags and enhanced our Polypropylene bags capacity also over the time. We restructured our business accordingly to be forerunners in the market providing superior quality Papersacks and Polypropylene bags.

Contents

strong
and durable

Be it papersack or polypropylene, Cherat Packaging has earned the respect of its local and international customers for consistency of quality. In gauge & grammage, stitching, folding and pasting, diligence is factored into the raw material, the process and the final production.



colour
& branding

We are honored by the growing number of repeat orders and new customers every year. With quality checks throughout the printing process we at Cherat Packaging ensure that our customers receive crisp, brilliant colours reflective of their product and brand.

ANNUAL REPORT
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delivery & shipment

From order to shipment and delivery, Cherat Packaging offers a one window operation.

Increased capacity in the number of our production lines ensures that we maintain a seamless delivery schedule to meet customer needs.

vision

To be a preferred supplier of papersacks and polypropylene bags 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.

code of conduct

The Code of Conduct 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 the 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 goods or services, 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 to produce and supply bags/sacks with care and competence so that customers receive the quality they truly deserve.

strategic objectives

It is our endeavour to create value for our shareholders by ensuring a maximum return on investment and achieve customer satisfaction by way of providing our clients a world class product.

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

core values

- Achieve excellence in business
- Explore new markets and keep up with emerging trends
- Strong commitment to quality
- Professional development of workforce
- Compliance to the practices of ISO 9001:2008

nature of business

Cherat Packaging Limited is a Ghulam Faruque Group (GFG) company. Established in 1991, CPL has been recognized as the leading manufacturer of premium quality cement sacks. It has an ISO 9001 certification and is a recipient of many prestigious awards including Karachi Stock Exchange and Management Association of Pakistan's Best Company Award. CPL is a single source that meets cement packaging needs with its dual lines of business for Kraft paper and Polypropylene products. Apart from serving local market, the Company is also exporting bags to different parts of the world. In order for a company to continue to prosper it must embrace change and diversification. We are also supplying bags to sugar, wheat, chemical and other sectors. Our plant has an annual production capacity of 410 million bags (Kraft paper and Polypropylene). Subsequent to year end the management has announced a new PP line of 100 million bags per annum. Each year the Company and its products have stood by the conviction and mission statement of providing value to all stakeholders.

expansion of plant

To establish itself as a true market leader and considering the growth in local cement demand, potential in export market and to cater a wider customer base, the Board of Directors has decided to further enhance its production capacity by installing another polypropylene bags line at its existing location.

Following successful experiences, the Company has once again decided to acquire a European plant from M/s BSW – Windmoller & Holscher which is the fastest and most efficient of its type. With the installation of approximately 100 million bags capacity, the Company will be better placed to utilize its available financial and operational leverage with minimized fixed cost.

group structure

Introduction

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations; details and brief profile of other leading group companies / ventures are as follows:

Faruque (Pvt.) Ltd
Holding Company

Established in 1964 as a Parent Company of the group, it primarily serves as an investment arm of the Group.

Mirpurkhas Sugar Mills Ltd
Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 300 km from the port city of Karachi, in Mirpurkhas and is listed on the Karachi Stock Exchange. The Company has a Crushing capacity of 7,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its 1,300 acre experimental farm.

Cherat Cement Company Ltd
Manufacturer of Ordinary Portland Cement

Cherat Cement Company Limited was incorporated in 1981. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is 1,000,000 tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Karachi, Lahore and Islamabad stock exchanges and is also an ISO 9001 and 14001 certified. The Company is in the process of installing another cement line at the same location with installed annual clinker capacity of mare than 1,300,000 tons.

Zensoft (Pvt.) Ltd
Information Systems Services
Provider Specializing in Business
Software Solutions

It was established in 1998 and is engaged in development and sale of computer softwares. The company specializes in providing high quality business solutions.

Greaves Pakistan (Pvt.) Ltd
Providing Specialized Engineering
Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of the Group. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Consturction Machinery, viii) Air Compressor and ix) Fuel Dispenser.

Greaves Airconditioning (Pvt.) Ltd
Equipment Suppliers and HVAC Solution Provider

Commencing operations in 1975, this Company is the only HVAC solution provider of its kind and is the sole distributor of York (JCI) products in Pakistan. It is involved in providing a wide array of services related to HVAC equipments that includes designing, installation and maintenance of central and packaged units. Moreover, it also launched residential light air conditioning units under the brand name of Euro Aire.

Greaves CNG (Pvt.) Ltd
Pakistan's Leader in CNG Installations

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is listed as a preferred third party investor by all major petroleum companies in Pakistan and is currently operating 3 CNG facilities at retail outlets of Shell, PSO and Caltex in Karachi and Lahore and 2 company operated retail outlets at Gujranwala and Mardan.

Greaves Engineering Services (Pvt.) Ltd
HVAC Contractors

Established in 2003, its principal activity is to provide services associated with Airconditioning, installation and maintenance of central and packaged units.

Unicol Ltd
Joint Venture Distillery Producing
Ethanol and Liquid Carbon Dioxide (CO_2)

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills Ltd, Faran Sugar Mills Ltd and Mehran Sugar Mills Ltd. It is engaged in the production and marketing of ethanol from molasses. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.

Madian Hydropower Ltd
Joint Venture for Establishing
148 MW Hydro Power Plant

company information

Board of Directors

Mr. Akbarali Pesnani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Abrar Hasan	Director
Mr. Abid Naqvi	Director

Audit Committee

Mr. Abid Naqvi	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Chief Internal Auditor

Mr. Omer Nabeel

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
Allied Bank Ltd
Al Baraka Bank (Pakistan) Ltd
Bank Alfalah Ltd
Bank Al Habib Ltd
Bankislami Pakistan Ltd
Dubai Islamic Bank Pakistan Ltd
Faysal Bank Ltd
Habib Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

Share Registrar
Central Depository Company of
Pakistan Limited (CDC)
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400
Tel: 0800-23275

Contact Us:
UAN: 111-000-009
Email: info@gfg.com.pk
Web: www.gfg.com.pk

Registered Office
1st Floor, Betani Arcade,
Jamrud Road, Peshawar
Tel: (+9291) 5842285, 5842272
Fax: (+9291) 5840447

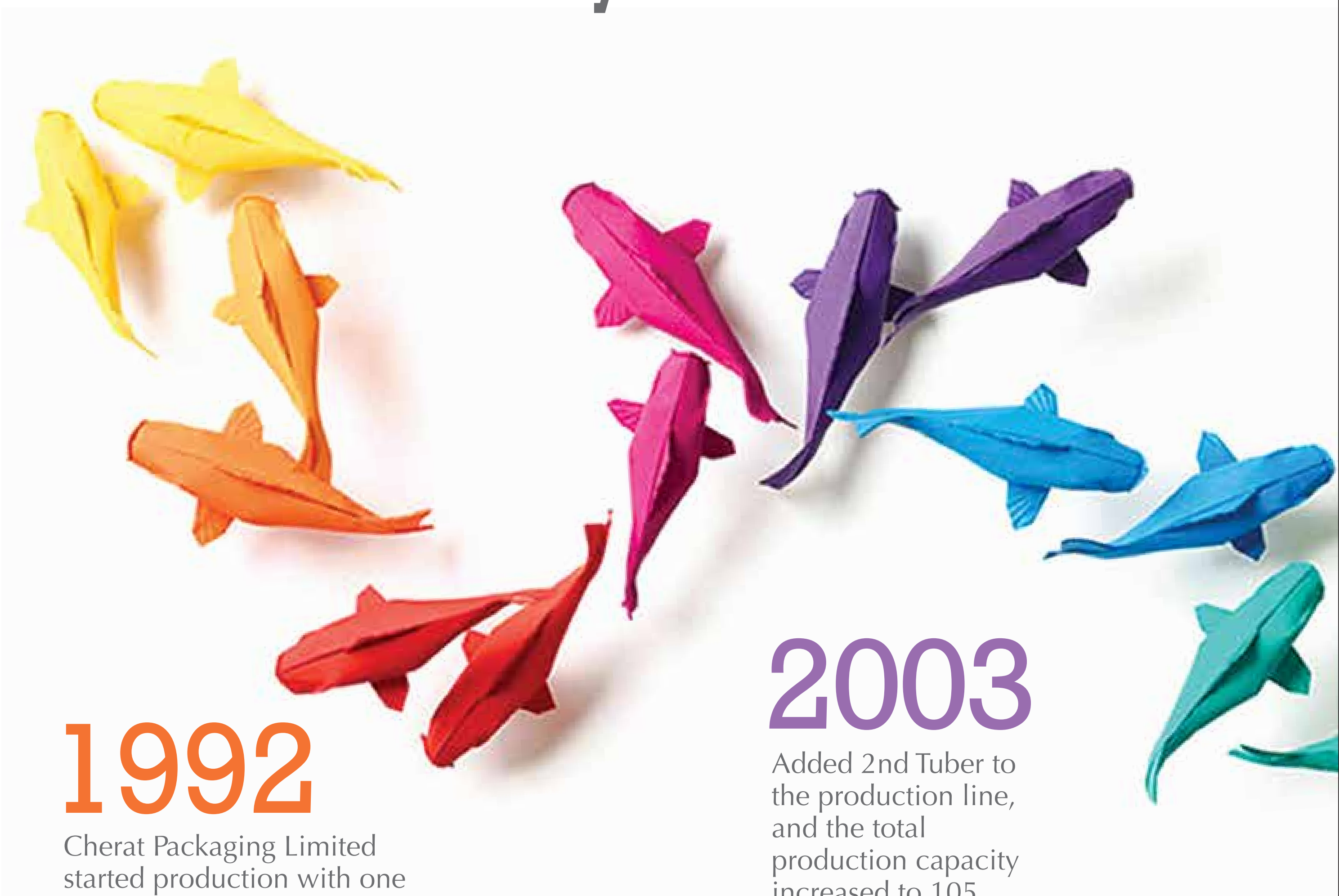
Head Office
Modern Motors House, Beaumont Road,
Karachi-75530
Tel: (+9221) 35683566-67, 35688348, 35689538
Fax: (+9221) 35683425

Factory
Plot No. 26, Gadoon Amazai
Industrial Estate, District Swabi,
Khyber Pakhtunkhwa
Tel: (+92938) 270125, 270221
Fax: (+92938) 270126

Regional Office
3, Sundar Das Road, Lahore
Tel: (+9242) 36286249-50, 36308259
Fax: (+9242) 36286204

Islamabad Office
1st Floor, Razia Sharif Plaza,
Jinnah Avenue, 91 Blue Area
Tel: (+9251) 2344697-98
Fax: (+9251) 2802364, 2274970

milestones
for the financial year



1992
Cherat Packaging Limited started production with one Tuber and one Bottomer having installed capacity of 50 million papersacks per annum.

2003
Added 2nd Tuber to the production line, and the total production capacity increased to 105 million paper bags per annum.

1996
Installed 2nd Bottomer to the production line.

1998
Acquired ISO 9001 QMS Certificate.

2006

Added 3rd Tuber and Bottomer to production line, making the total effective production capacity to 160 million paper bags per annum.

2009

Added 4th Tuber and Bottomer to production line. With this addition the total installed capacity reached 265 million paper bags per annum.

2012

Installed 1st PP Line having capacity of 65 million PP bags per annum.

2013

Installed 1st convertex of 2nd PP line increasing total capacity to 105 million PP bags per annum.

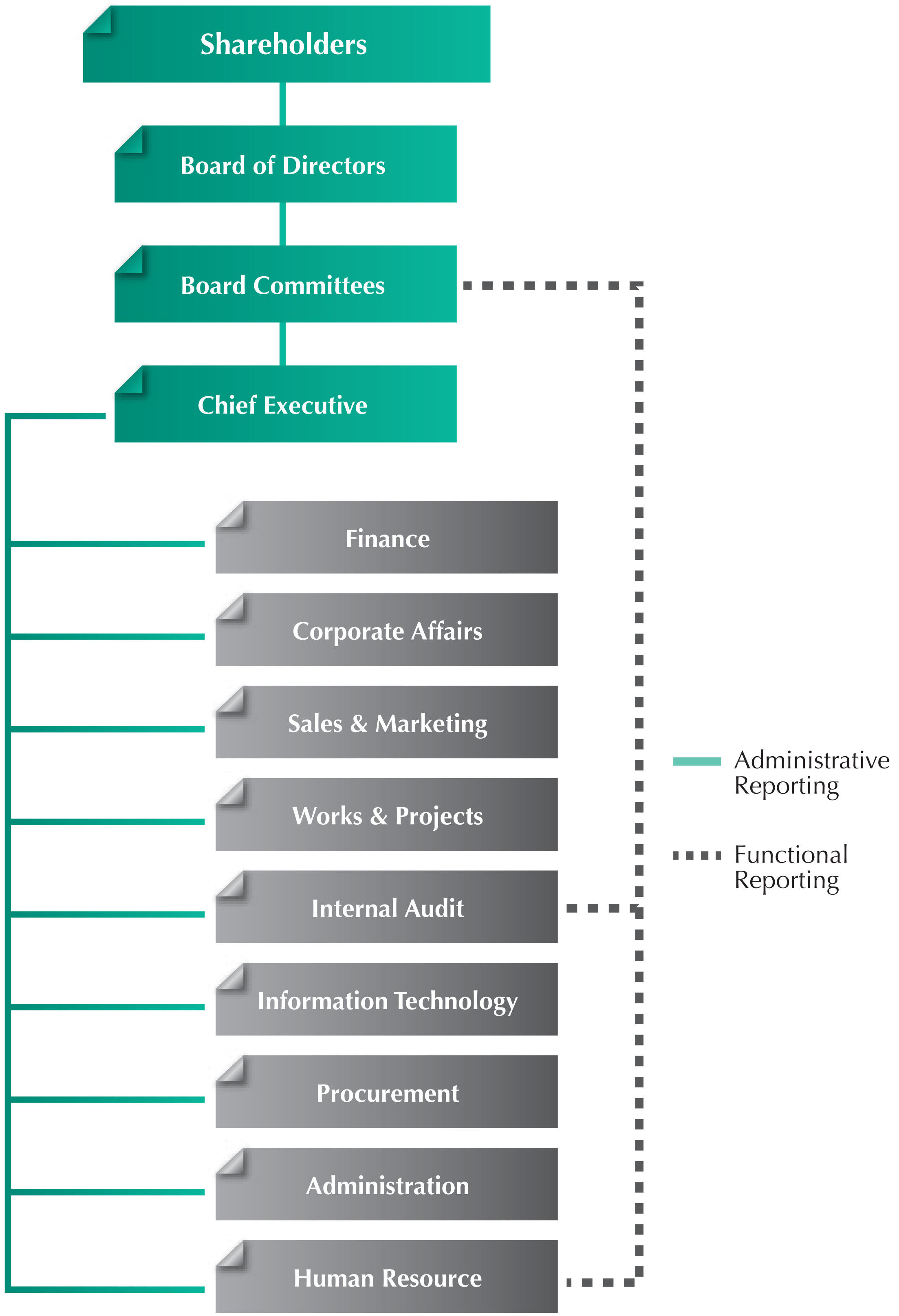
2014

Installed 2nd convertex of 2nd PP Line and increased the capacity to 145 million PP bags per annum.

2015

Announcement of 3rd PP line of 100 million bags per annum.

organizational structure



calendar of notable events

July 2014 - June 2015

July 16
Employees Iftar Dinner at Plant

August 14
Independence Day Celebration

August 18
National Tree Plantation Day

October 10
Eid Milan Party

October 30
25th AGM at Registered Office

December 13-14
Group Cricket Tournament at HO

December 28
Quran Khuani and Lunch at Plant

February 28
HO Staff Picnic to Charna Island

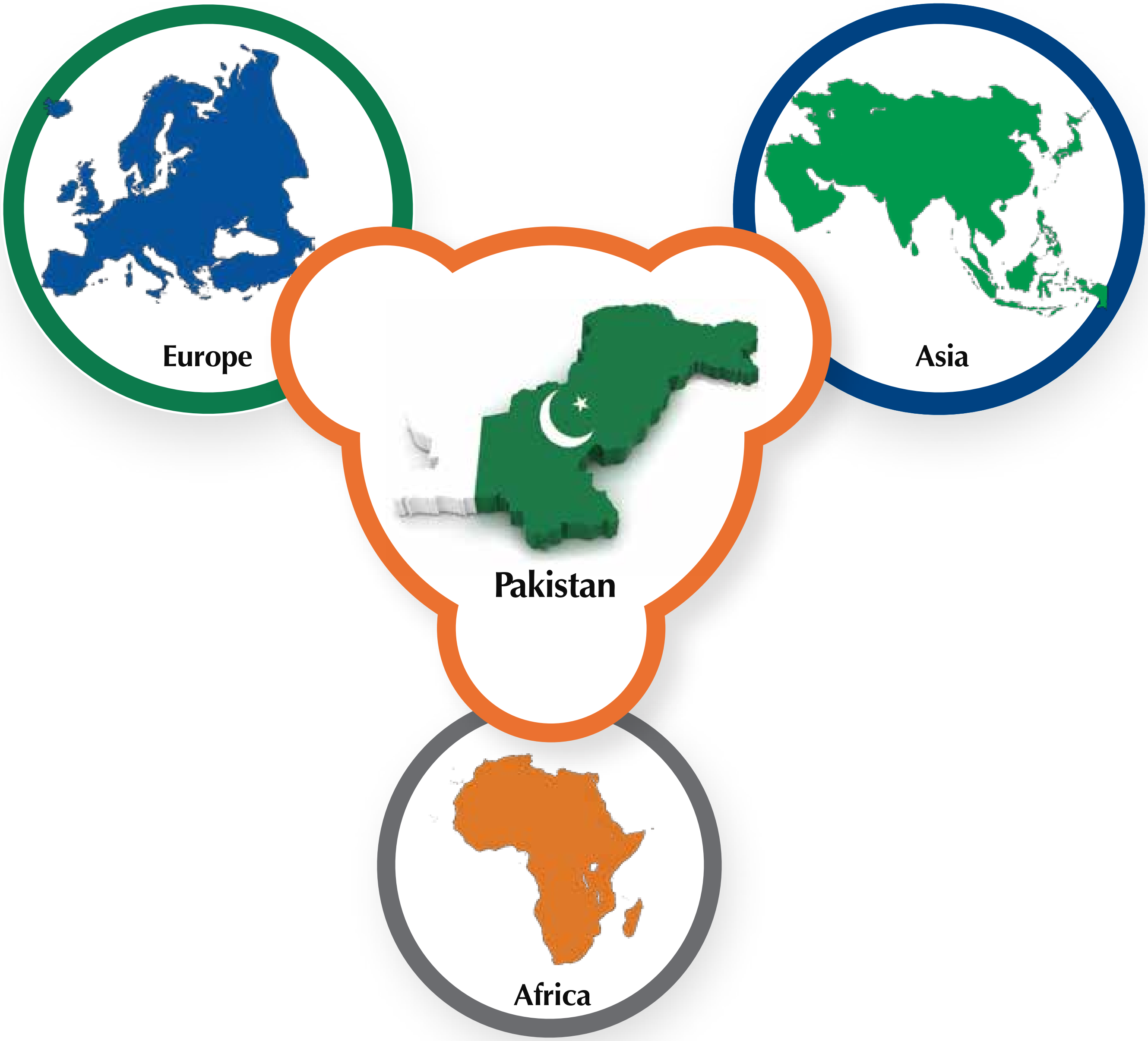
March 20-21
Group Table Tennis Tournament

May 01
Labour Day Celebrations

June 30
Year End Closing

our locations

geographical presence



notice of annual general meeting

Notice is hereby given that the 26th Annual General Meeting of the Company will be held on Thursday, October 15, 2015 at 3:30 p.m at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2015 with the Directors' and the Auditors' Reports thereon.

2. To consider and approve the payment of final cash dividend @ 50% (Rs. 5.00 per share) in addition to interim cash dividend @ 20% (Rs. 2.00 per share) already paid to the shareholders for the financial year ended June 30, 2015 as recommended by the Board of Directors.

3. To appoint the Auditors for the year 2015/16 and to fix their remuneration.

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

SPECIAL BUSINESS

5. To consider and approve investment of up to Rs. 150 million in the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) in compliance with the provision of section 208 of the Companies Ordinance, 1984. It is, therefore, proposed that the following resolution be passed as and by way of a Special Resolution with or without modifications:

   "Resolved that pursuant to section 208 of the Companies Ordinance, 1984 and subject to the consent and approval of the shareholders, the Board of Directors of the Company be and is hereby authorized to make an investment of up to Rs. 150 million in the proposed (associated) Joint Venture Wind Power Generation Company and to provide Corporate Guarantee(s), if required; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution."

A statement under section 160 of the Companies Ordinance, 1984, pertaining to the above-mentioned Special Business, is being sent to the Members with this Notice.

By Order of
the Board of Directors

Abid AVazir

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: September 17, 2015

NOTES:

1. The register of members of the Company will be closed from Friday, October 2, 2015 to Thursday, October 15, 2015 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the office of the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Thursday, October 1, 2015 will be treated in time for the entitlement of 50% final cash dividend and Right shares as announced by the Company. The payment of cash dividend will be made on the existing paid-up capital of Rs. 275,400,000/-.

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

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

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

5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.

6. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of Annual General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven [7] days of receipt of such request.

Statement under section 160 of the Companies Ordinance, 1984

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 15, 2015. The approval of the Members of the Company will be sought for:

INFORMATION ABOUT THE INVESTMENT

Cherat Packaging Limited (CPL) intends to make an investment in the equity of proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) of upto Rs. 150 million. The Company will be formed to produce electricity using alternate energy sources to meet the growing demand for power in the country. Subject to the approval of the shareholders, the company intends to invest upto Rs. 150 million, which would include equity investment in the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation). The company also intends to provide corporate guarantee(s), if required.

The Company intends to make equity investment in proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) in terms of Section 208 of the Companies Ordinance,1984 in one tranche or from time to time, as may be deemed appropriate by the Company, in fully paid-up ordinary shares of the face value of Rs.10/- each at par not exceeding Rs. 150,000,000/- (Rupees One Hundred and Fifty million only) to obtain 15 million ordinary shares i.e. approximately 4.6%.

The main business activities of the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) will be to establish, construct, operate, manage, maintain and run electric power generating projects and transmission systems for generating power by using wind, solar, and/or any other alternative, renewable energy sources.

The planned capacity of the proposed Wind Power Generation Project currently under consideration is 50 MW. As per the current feasibility studies, the project cost is expected to be USD 113 million approximately. Sponsors of the company intend to finance this project with a 75:25 debt equity ratio. In anticipation of the earnings and capital appreciation, it is expected that the Company will generate reasonable profits in future.

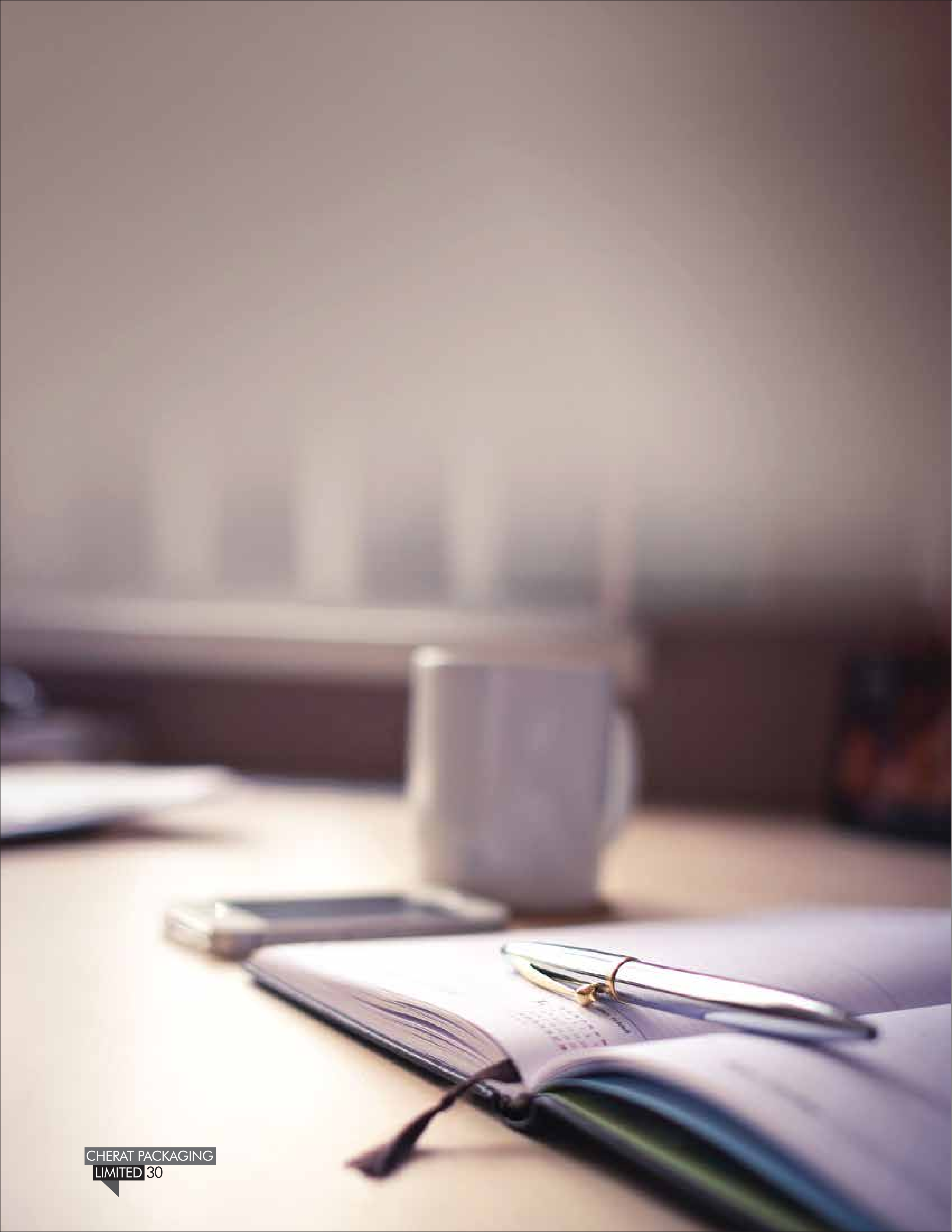
Further information in terms of S.R.O. 27 (I)/2012 dated January 16, 2012, the details of the investment are stated below:

(i)	Name of the Associated Company or Associated Undertaking along with criteria based on which the associated relationship is established;	Proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation). Mr. Aslam Faruque and Mr. Tariq Faruque will be the directors.
(ii)	Purpose, benefits and period of investment;	**Purpose:** To make efficient use of the retain earnings in a diversified business venture. The investment has potential for growth. **Benefits:** Dividend/capital gain. **Period:** Strategic investment
(iii)	Maximum amount of investment;	CPL intends to make an equity investment of up to Rs 150 million.
(iv)	Maximum price at which securities will be acquired;	Rs. 10/- per share being the face value of each ordinary share.
(v)	Maximum number of securities to be acquired;	Up to 15,000,000 shares will be acquired
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	Before : Nil After (max up to): 15,000,000 shares i.e. 4.6%
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Not Applicable
(viii)	In case of investment in unlisted securities , fair market value of such securities determined in terms of regulation 6 (1)	Rs.10/- per share being a proposed new company which is in the process of incorporation.
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	Not applicable as the proposed (associated) Joint Venture Wind Power Generation Company is in the process of incorporation.
(x)	Earning per share of the Associated Company or Associated Undertaking for the last three years;	Not applicable as the proposed (associated) Joint Venture Wind Power Generation Company is in the process of incorporation.
(xi)	Sources of fund from which securities will be acquired;	The investment will be made by CPL from its own resources.

(xii) Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	Not Applicable
(xiii) Salient features of the agreement(s), if any, entered into with its Associated Company or Associated Undertaking with regards to the proposed investment;	Not Applicable
(xiv) Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated Undertaking or the transaction under consideration;	Mr. Aslam Faruque and Mr. Tariq Faruque will be the directors. However, they have no direct or indirect interest except to the extent of shareholding in the investing company.
(xv) Any other important details necessary for the members to understand the transaction;	Nil
(xvi) In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely;	
(I) Description of the project and its history since conceptualizations.	(I) As mentioned above.
(II) Starting and expected date of completion of work.	(II) Commencement of construction is subject to allocation of tariff and availability of Letter of Support from relevant authority. Construction is expected to be completed within 18 months from the start of work.
(III) Time by which such project shall become commercially operational; and	(III) 18 months after the start of work.
(IV) Expected time by which the project shall start paying return on investment.	(IV) From first year of commercial operation date.

Undertaking pursuant to Regulation 3 (3) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012.

The directors submit that they have carried out necessary due diligence for the proposed transaction particularly the investment in proposed (associated) Joint Venture Wind Power Generation Company.



CEO's message

It gives me immense pleasure to state that the year 2014 - 15 has proved to the best in the history of your company. Despite a challenging business environment, your company continued to grow as its revenues increased from last year and the profitability touched an all time high.

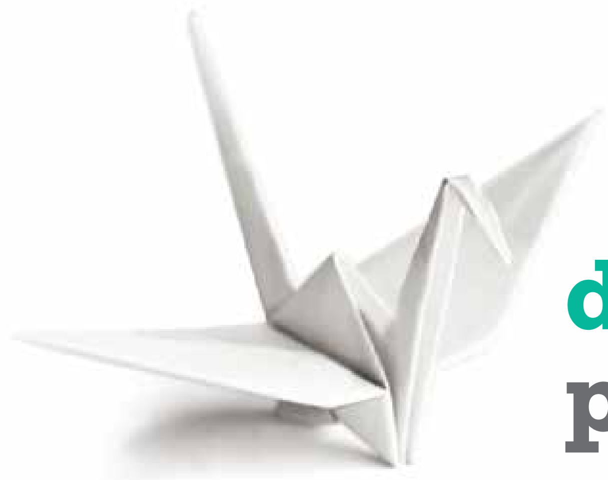
During the year, the company successfully produced and supplied quality paper and PP bags to the cement industry. It has continued to enhance its market share every year. CPL is the only company in Pakistan which is providing a single window solution for all packaging needs of the cement industry. It has become a supplier of choice for its loyal customers not just in Pakistan but also globally. The company also exported its bags to new markets and successfully explored new market segments for its products. This is all due to our strong customer focus, hard work of staff and superiority of Cherat's brand image in the packaging industry.

Against the backdrop of rising demand for cement, your company has decided to enhance its PP plant capacity by installing its third line. The capacity expansion will allow the company to effectively meet the rising demand for PP bags of its customers. Furthermore, it will also allow the company to pursue new markets for the export of PP bags and further explore new segments for packaging products like sugar, rice, wheat, chemicals, etc.

We pride ourselves on our quality, customer care and efforts on energy conservation & environmental protection and continue to translate our strengths into business success.

Amer Faruque
Chief Executive Officer

August 19, 2015



directors' profile

Mr. Akbarali Pesnani
Chairman

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006.

Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 36 years. Presently, he is the Chairman of Cherat Packaging Ltd, First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of Cherat Cement Company Ltd and Jubilee General Insurance Co. Ltd. His association with Ghulam Faruque Group goes back almost 34 years.

Mr. Amer Faruque
Chief Executive

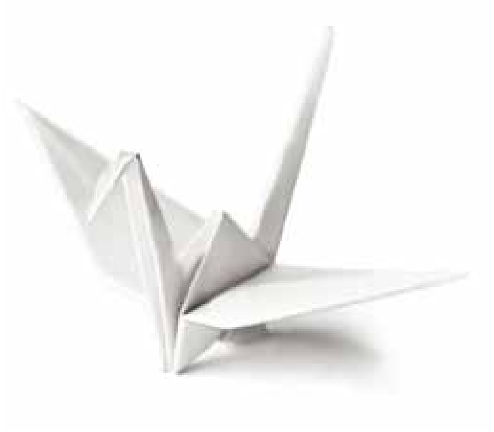
Mr. Amer Faruque is the Chief Executive of the Company. He is a Bachelor of Science (BS) graduate in Business Administration majoring in Management / Marketing from Drake University, Des Moines, Iowa, USA. He serves as a member of Board of Directors of Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd and Executive Director Marketing of Cherat Cement Co. Ltd. Mr. Amer Faruque is a member of the Centre of International Private Enterprise (CIPE) and in the past has served as a member of the Board of Governors of Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology and Lahore University of Management Sciences. He is the Honorary Consul of Brazil in Peshawar.

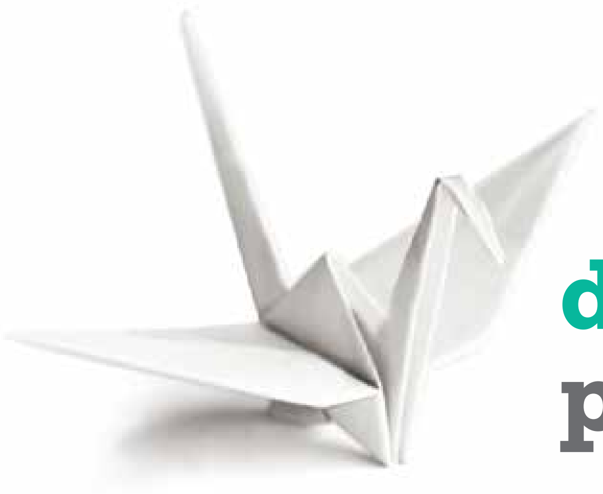
Mr. Aslam Faruque
Director

Mr. Aslam Faruque is a graduate from the University of Pacific, Stockton, USA, with a major in Marketing. He is the Chief Executive of Mirpurkhas Sugar Mills Ltd and Unicol Ltd. He is on the Board of Directors of Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd and Zensoft (Pvt.) Ltd. In the past, he has served as the Chairman of Pakistan Sugar Mills Association– Sindh Zone, and Director of Sui Southern Gas Company Ltd, State Life Insurance Corporation of Pakistan and Pakistan Industrial Development Corporation.

Mr. Shehryar Faruque
Director

Mr. Shehryar Faruque is a graduate from Davis & Elkins College, Elkins, WV, USA. He is the Director Operations of Greaves Pakistan (Pvt.) Ltd. He serves on the Board of Directors of Cherat Cement Company Ltd, Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd and Zensoft (Pvt.) Ltd. Mr. Shehryar Faruque is also serving as Director of NBP Fullerton Asset Management Company (NAFA) and Summit Bank Ltd.





directors' profile

Mr. Arif Faruque
Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters degrees in both Law and Business Administration from the USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd, Greaves Pakistan (Pvt.) Ltd, Zensoft (Pvt.) Ltd and IGI Investment Bank Ltd. Besides the above, he is a member of the Board of Governors of Lahore University of Management Sciences.

Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Mirpurkhas Sugar Mills Ltd, Cherat Cement Company Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd.

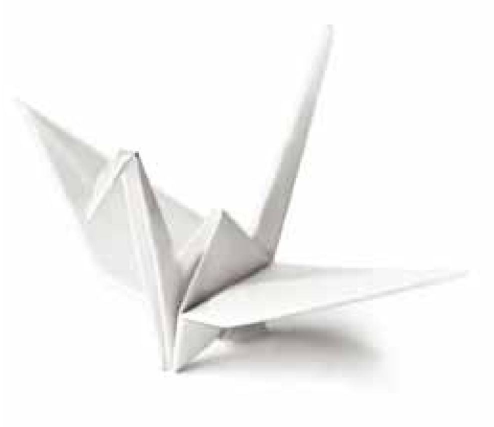
Mr. Tariq Faruque was also a Member of the Board of Directors of Oil and Gas Development Company as well as served on the Board of Governors of Marie Adelaide Leprosy Centre.

Mr. Abrar Hasan
Director

Mr. Abrar Hasan is the Chief Executive of National Foods since 2000. He graduated with a BS in Industrial Management and a minor in Industrial Engineering from Purdue University, Indiana, USA. Mr. Hasan has used his proficiency in Operations Management, Marketing and Finance with diligence to make National Foods one of the largest, most successful and innovative food industries in Pakistan. He was invited to join the Board of Cherat Packaging Ltd as an Independent Director in September 2010. He is also a Director of Associated Textile Consultants (Pvt.) Ltd.

Mr. Abid Naqvi
Director

Mr. Abid Naqvi is the COO of ACL Capital (Pvt.) Ltd, a business materials company affiliated with Associated Constructors Ltd. He has worked in the field of Commercial and Development Banking and Stock Brokerage for a period of 25 years. He has also worked as CEO of Taurus Securities Ltd, a renowned name in the stock brokerage industry. He was also on the Board of Pie in the Sky (Pvt.) Ltd., Alfalah GHP Investment Management Ltd and Atlas Honda Ltd. He is a graduate from the University College London, UK, in the field of Economics and Finance.



directors' report to the members

for the year ended June 30, 2015

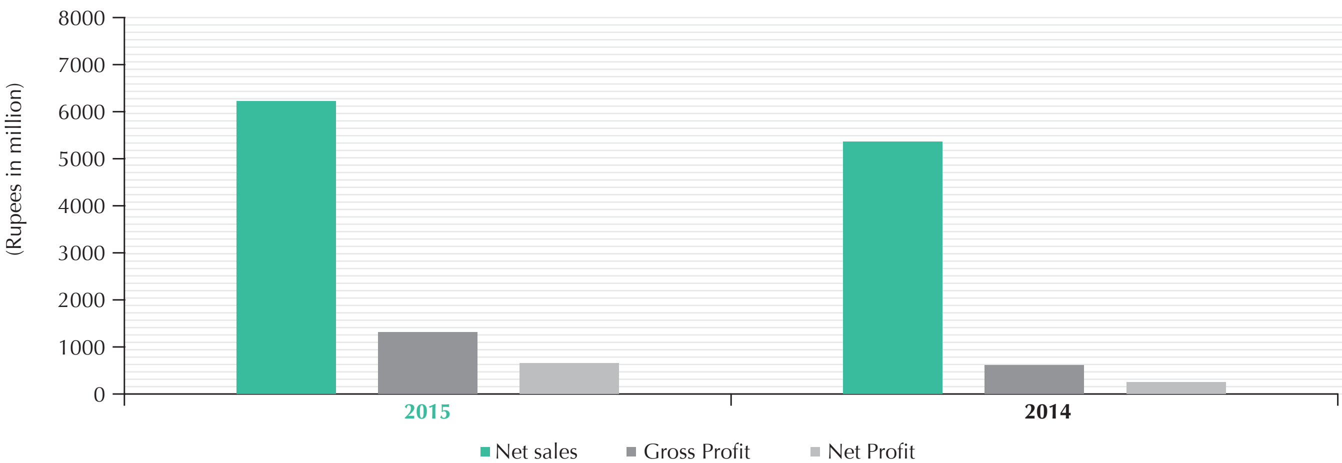
The Board of Directors is pleased to present the annual report of the Company along with the audited accounts for the year ended June 30, 2015.

COMPANY OVERVIEW

Improvement in economic outlook, decline in interest rates and lower inflation has boosted the demand for cement in the country, which in turn has benefitted your Company. During the year under review, the production and the sales of the Company attained new milestones in terms of quantity and also quality. Increase in volumes of both paper and polypropylene (PP) bag sales had an extremely positive impact on the revenues and the overall profitability of the Company. The strategic presence of the Company in both kraft paper and polypropylene bag segments and premium quality products have helped the Company in achieving higher sales levels together with improved operational and financial performance.

The financial highlights for the current year and that of last year are indicated below:

	2015	2014
	(Rupees in millions)	
• Net sales	6,223.83	5,355.79
• Gross Profit	1,307.25	606.60
• Net Profit	651.41	251.49



FINANCIAL PERFORMANCE

On the back of increase in the quantity of both paper and PP bags sold, the sales revenue of the Company rose by an impressive Rs. 868 million, reflecting an increase of 16% from the previous year. During the year under review, the Company efficiently managed its resources to overcome the hike in electricity tariff and increase in labor costs. The Company pursued aggressive marketing policies and also concentrated on export of PP bags to enhance its sales volume. Furthermore, it also made successful entry into the sugar and other similar sectors, which also helped in exploring new markets and contributed to its profitability. During the year, the finance cost of the Company declined due to the decline in interest rates and effective monitoring of outstanding payments and inventory levels. There has been an increase in the tax impact of the Company due to higher income and imposition of super tax by the government. After taking into consideration the above-mentioned factors, the Company made an after tax profit of Rs. 651 million for the year under review.

EXPORTS AND NEW SEGMENTS

In line with its strategy, the Company made a successful entry into new export markets and has made a name for itself as supplier of premium quality bags. During the year under review, the Company enhanced its exports of PP bags to Middle East, Africa and Afghanistan. Furthermore, the Company has also made inroads into new segments of PP bag market like sugar, wheat, chemicals, etc.

EXPANSION OF POLYPROPYLENE DIVISION

Because of the superior quality of its bags and being single window solution provider, the Company has become a supplier of choice for its customers both in Pakistan and overseas. In view of the rising demand for both local sales and exports, the polypropylene division is operating at near full capacity. In order to meet the growing demand for PP bags and sustain its growth pattern, the Company has decided to install its third polypropylene plant. The Company has once again decided to acquire a European plant from M/s. BSW – Windmoller & Holscher, having a total capacity of approximately 100 million bags per annum. The plant, which is the fastest and most efficient of its type, will be installed at the existing site in Gadoon Amazai, Khyber Pakhtunkhwa Province. In the first phase 50 million bag capacity will be added to our present capacity by June 2016 and in the second phase an additional 50 million bags will be added by June 2017. The total cost of the project for first phase is approximately Rs. 550 million. The total cost of the project is approximately Rs. 750 million.

The expansion of capacity will add value to the Company by allowing it to pursue export markets and further diversify its operations. Through utilization of its available financial and operational leverage, the Company is confident of gaining further market share to establish itself as a true market leader in cement packaging. By virtue of this expansion, the Company will be able to achieve further economies of scale. Additionally, it will also be able to explore new export markets and market for packing other products like sugar, chemicals, rice, and other similar products, which will add value to the Company operations.

DIVIDEND

At its meeting held on August 19, 2015 the Board of Directors has proposed a final cash dividend @ 50% (Rs. 5/- per share) for the year ended June 30, 2015. This is in addition to 20% (Rs. 2/- per share) interim cash dividend declared earlier. The approval of members for the final cash dividend will be obtained at the Annual General Meeting to be held on October 15, 2015.

RIGHT SHARES

The Board of Directors has decided to issue 7.50% right shares on the existing paid-up capital of the Company in the ratio of 7.50 shares for every one hundred (100) shares held. The right shares will be offered at an issue price of Rs. 140/- per share including a premium of Rs. 130/- per share. The amount so raised shall be used towards the financing of the expansion project of the Company. The Company plans to raise around Rs. 289 million for the project by way of a rights issue. The balance amount will be arranged by obtaining a long term loan from a commercial bank. The funds so raised will be used to finance the new polypropylene plant of the Company.

CORPORATE SOCIAL RESPONSIBILTY

Being a conscientious member of the corporate community, the Company actively participates in various social work initiatives as part of its corporate social responsibility and contributes generously to various social and charitable causes including but not limited to health and education sectors. In this regard, the Company has worked with many reputable organizations and NGOs in Pakistan. The Company has always stood by the people of Pakistan in their hour of need and shall continue to do so.

SAFETY, HEALTH AND ENVIRONMENT

Being a responsible corporate citizen, the Company remains committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry and environmental standards along with safety requirements and there was no occupational accident to our staff.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2015.

• Provident Fund	Rs. 109.74 million
• Gratuity Fund	Rs. 59.20 million

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

Name of Director	Meetings Attended
Mr. Akbarali Pesnani	6
Mr. Amer Faruque	6
Mr. Aslam Faruque	3
Mr. Shehryar Faruque	6
Mr. Arif Faruque	6
Mr. Tariq Faruque	5
Mr. Abrar Hasan	5
Mr. Abid Naqvi	5

- During the year, four meetings of the Audit Committee were convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
Mr. Aslam Faruque *	3
Mr. Shehryar Faruque *	2
Mr. Tariq Faruque	4
Mr. Abid Naqvi	1
Mr. Arif Faruque	1

* During the year, the Audit Committee was reconstituted and Mr. Abid Naqvi and Mr. Arif Faruque were appointed as members in place of Mr. Aslam Faruque and Mr. Shehryar Faruque.

- During the year, one meeting of the Human Resource and Remuneration Committee was convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
Mr. Abrar Hasan	1
Mr. Aslam Faruque	-
Mr. Amer Faruque	1

- The pattern of shareholding is annexed with the report.

- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for the purchase of shares by Mr. Aslam Faruque and Mr. Tariq Faruque.

- Earnings per share (EPS) during the year was Rs. 23.65 compared to Rs. 9.13 last year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed around Rs. 1.50 billion to the Government treasury in the form of taxes, excise duty, income tax and sales tax.

FUTURE PROSPECTS

Amid the improving economic and security environment in the country, the government has embarked on constructing several mega infrastructural projects, which will lead to growth in the domestic demand for cement. This will have a positive impact on the sales of the Company. With its intention to enhance the capacity of its PP plant by installing a third line, the Company should be able to further increase its market share. Being the only Company in Pakistan to provide a single window cement packaging solution, CPL is well positioned to meet the requirements for both paper and polypropylene bags of its valuable local and export clients. Because of its superior quality, CPL has become a supplier of choice for the supply of both paper and polypropylene bags. The Company is now actively exploring new markets for export of its bags in which it has achieved some success. Further, it is also working towards producing polypropylene bags for use in the packaging of other products like sugar, rice and chemicals. We are confident that these measures will drive the sales of the Company in the future. The Company is also making concerted efforts to improve its operational efficiencies and optimize the utilization of its available resources. We take this opportunity to thank the Government of Pakistan and the State Bank of Pakistan for reducing the discount rates, which will encourage further economic activities in the country.

AUDITORS

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

ACKNOWLEDGMENT

The management would like to express its gratitude to all customers, financial institutions, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation. It would like to particularly thank Mondi Packaging and BSW – Windmoller & Holscher for their cooperation and support to the Company.

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 19, 2015

additional information

MANAGEMENT OBJECTIVES & STRATEGIES

The core objective of our management is to achieve excellence in business where our venture may be regarded as amongst the best blue-chip stocks in the country.

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investments, which management believes can be achieved through revenue maximization and cost control measures.

We have always benefited from earlier expansion decisions and are confident of our PP line III decision also. During the year the revenue of the Company has increased by 16.21%. We are the only Pakistani company which offers both papersacks and PP bags. Since it creates greater opportunities by providing one window operations to our customers and facilitates them in purchasing their medium of choice with respect to quality packaging material for their valuable products, we are able to bank on this strategic edge. The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve highest possible returns.

Cost is effectively controlled by the addition of the most modern, state of the art machinery, which not only results in energy conservation but also produces quality products in the most efficient and effective manner. In spite of volatility in cost of major inputs, the Company managed to effectively deal with it through strict controls and effective management.

Effectiveness of internal controls is ensured through active Internal Audit Department, which independently recommends its suggestions to the Board's Audit Committee. On all constructive suggestions, the management takes timely corrective actions.

Cherat Packaging gives key consideration to Human Resource Management. A full fledge HR department is established which is supervised by Human Resource & Remuneration Committee of the Board of Directors. All the HR functions are integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Analysis (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The management's objective is to recognize and reward employees' contribution to the business. This process helps the availability of high quality workforce which plays a vital role in achieving day-to-day targets and tactical and strategic objectives of the Company.

We are having world's largest ERP 'SAP' in place from end to end. The Company carried out one of the fastest implementations of SAP in Pakistan. The use of SAP helps management implement better internal controls and employ best business practices.

Another prime objective of management is customer satisfaction for which management takes every step to ensure high quality customer care and product quality. The Company has obtained international certificate of Total Quality Management (TQM) system ISO 9001:2008.

The result of these steps can be seen in our increased revenues, controlled costs and satisfied customers base with no major complaints.

There is no material change in Company's objectives and strategies from the previous year.

Human Resource Managment

The Company hires energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances. The Company also inducts apprentices in its Apprenticeship Program through which graduates from reputable institutions are inducted.

Industrial Relations

We maintain excellent relations with our employees & labour and the Company takes every reasonable step for swift and amicable resolution of all their issues.

Succession Planning

The Company has a process for identifying and developing internal people with the potential to fill key business leadership positions. This process increases the availability of experienced and capable employees that are prepared to assume these roles as they get to that level.

LIQUIDITY, CASH FLOWS AND CAPITAL STRUCTURE

Consistent profits earned have improved the liquidity position of the Company contributing to a better operating cycle of the business. With this, the Company has not only been able to pay off its installments for long-term loans on timely basis but also increases its operational capabilities. These factors have added to the sustainable growth of the Company with increased profitability and business stability. Moreover, the gearing of the Company has also been monitored and controlled in line with the business objectives. Strong liquidity of the Company is evidenced by current ratio of 2.35. The Company managed to earn healthy cash flows during the year, which are being monitored on a daily basis. Adequate debt and equity ratio is maintained. In the past 4 years the Company has issued right shares twice to finance the expansion projects. Subsequent to the year end the Company has again announced right shares of Rs. 289.17 million to finance the new PP line project.

Liquidity Strategy

The Company has a plan to draw down a long-term loan of Rs. 500 million approximately to finance its new PP line project. In view of the strong liquidity position and available unutilized short-term finance facilities, the management is confident that the Company would not face any liquidity issues in future. Besides, the management has practice of continuously monitoring cash flows on a daily basis and gradually increasing the short-term financing facilities in line with working capital requirements for optimized Company operations.

Financing Arrangements

The Company has good business relations with all the reputed banks and financial institutions of the country. Adequate unutilized short-term financing facilities are available at the Company's disposal. In the past the Company has obtained long-term loans to finance expansion projects at attractive mark-up rates.

Changes in Financial Position, Liquidity and Performance

It was the best performing year in the history of the Company as the Company posted ever highest profits in the outgoing year. Accordingly, the financial position, liquidity and cash flows of the Company have improved to a great extent. (Refer ratios section also).

Analysis of Financial and Non-Financial Targets

Targets are set for both financial and non financial indicators. Financial indicators are set for revenue, costs, profitability, gearing and liquidity etc, while non financial targets are set for Company and brand image, human resource development and growth / expansion etc.

The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors. We have surpassed all the key targets set in our last year's budget especially pertaining to production, revenue and profitability. For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. The Company has also met its non-financial targets in the areas of marketing, human resource and growth to a greater extent.

For revenue maximization marketing targets are set with respect to quantity and pricing. In line with its expansion, the management will try to improve the image of the Company and the brand. Specific marketing budgets are kept for advertisements. In addition, the Company is now selling various types of bags including sugar, wheat, rice, chemical and BoPP. These achievements are in line with the expectations as depicted in last year's Directors' report.

MARKET SHARE

Introduction of new products have always been the strength of the Company. Its production and sales is increasing every year on the bank of introduction of new products for cement industry. Since CPL is the only company in Pakistan which can produce both Kraft paper and Polypropylene (PP) bags, it has been able to attract more customers than its competitors. The Company is the largest producer of cement bags in Pakistan. The Company's product of 2 ply paper bags is unmatchable due to its low cost-better quality feature. In addition to the cement industry, the Company is also producing PP bags for sugar, chemical and other similar industries.

Segment Review

The Company is firmly holding its ground with respect to local market sales and the sales is in line with the growth in local cement industry. The Company has also improved its exports as a result of active exploration of new international markets. The Company believes that export market needs to be opened up further as it carries great potential since many venues are still undiscovered.

CONSUMER PROTECTION MEASURES

The Company ensures that the packaging material is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism. Fundamental to this is the adoption of a 'zero tolerance' approach to all forms of corruption and misrepresentation.

Corporate Social Responsibility

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. In the past the Company has worked for the rehabilitation of flood affectees and IDPs. Cherat Packaging has worked with many reputable organizations and NGOs. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Community Investment & Welfare Schemes

The Company invests in community and welfare schemes through donations to education and health sectors.

National Cause Donations

The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so. The Company has donated generously in the past for the flood victims and IDPs.

Details of Charity Account

The Company makes donations to support less privileged people of the society. The main focus of donation is education and health. The recipients mainly include The Aga Khan Hospital and Medical College Foundation, IBP School of Special Education Karachi and Baitulmaal.

Rural Development Programs & Employment of Special Persons

The Company takes care of people living in its vicinity through regular donations for development of household, education and medical facilities. Being an equal opportunity employer the management encourages hiring workforce from local vicinity and employment of less privileged and special persons are also considered.

BUSINESS CONTINUITY AND DISASTER RECOVERY POLICY

The Board of Directors has approve and continously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being mantained at different locations. Employees are aware of the steps required to be taken in case of any emergency.

Safety, Health and Environment

Being a responsible corporate citizen, the Company remained committed to continuous improvement in Health and Safety standards practices. The Company gives particular attention to its production facility for health and safety aspects and also remained fully compliant with industry standards and safety requirements.

Occupational Safety and Health

We manage and utilize resources and operations in such a way that the safety and health of our people in ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have a dedicated safety staff at our plant. Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipments.

Environment Protection Measures

The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. In order to meet the purpose, we have acquired most advanced technology plant which controls industrial waste at lowest levels. Further, to improve the environment, natural tree plantation has been done in the factory premises.

Steps to Mitigate Effects of Industrial Effluents

Safe and healthy environment has always been the priority of the management of the Company. This mainly includes a healthy environment for employees and surrounding communities. The Company has invested in a high quality plant technology to avoid industrial waste and to control industrial effluents. Although the industrial effluents are on a very low side in this industry, management is fully aware of its responsibilities in this regard related policies are already in place. Employees are given proper training to minimize the wastage.

BEST CORPORATE REPORT AWARD

For the financial year 2013-14 the Company 1st time participated for Best Corporate Report Award 2014. The contest is jointly held by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The Company secured the 1st POSITON in 'Others' sector. This achievement shows that Cherat Packaging is a responsible corporate citizen and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.

Forward Looking Statement

Amid the improving economic and security environment in the country, the government has embarked on constructing several mega infrastructural projects, which will lead to growth in the domestic demand for cement. This will have a positive impact on the sales of the Company. The Company is trying hard to capitalize its strategic edge over the existing cement bag suppliers since it can offer both Kraft paper and PP bags to meet the anticipated growth in the cement industry's local demand, which has shown an overall growth of almost 8% in this year.

In view of the rising demand for both local sales and exports, the polypropylene division is operating at near full capacity. In order to meet the growing demand for PP bags and sustain its growth pattern, the Company has decided to install its third polypropylene plant. With the intention to enhance the capacity, the Company should be able to further increase its market share. Being the only Company in Pakistan to provide a single window cement packaging solution, CPL is well positioned to meet the requirements for both paper and polypropylene bags of its valuable local and export clients. Because of its superior quality, CPL has become a supplier of choice for the supply of both paper and polypropylene bags. The Company is now actively exploring new markets for export of its bags in which it has achieved some success. Further, it is also working towards producing polypropylene bags for use in the packaging of other products like sugar, rice and chemicals. We are confident that these measures will drive the sales of the Company in the future.

The Company is also making concerted efforts to improve its operational efficiencies and optimize the utilization of its available resources. We take this opportunity to thank the Government of Pakistan and the State Bank of Pakistan for reducing the discount rates, which will encourage further economic activities in the country.

On the human resource side, based on the last year's Training Need Analysis (TNA) and performance appraisal of the Company personnel, adequate technical trainings were conducted for the identified employees. The same process is followed on yearly basis. The Company has developed extensive training program for all levels of management. The Company will be conducting these trainings in future also which would equip the employees with required technical and management skills in the years to come.

Increase in power tariff during the year is an area of major concern. Availability of power at competitive rates is a critical factor. Other areas of concern may be volatality in international comoditiy pricing and exchange rates.

We are expecting stable interest rates during next year in view of improved macroeconomic indicators.

Financial projections

Keeping in view the foregoing, the Company is positive about the future prospects and expects to perform well in the ensuing years. The Company expects to enhance its revenue base through expansion to fulfil the expected increase in local cement industry demand on the back of improved economic and law and order situation coupled with construction of different infrastructural projects initiated by the Government.

Competition in the local bags sales is also expected to increase which may put pressure on profitability of the Company. However, the Company foresee to minimize its impact through implementation of lean manufacturing concept and introduction of new and improved features bags.

Future revenue projections based on management's best judgement and estimates are as follows:

	2015/16	2016/17	2017/18
		(Rupees in '000)	
Revenue	6,469,455	7,422,563	8,537,803

Company Performance Against Last Year Projections

The Company anticipated growth in local cement demand in the last year forward looking statement which has increased from 4.34% to 7.89% in FY 2015. The Company was actively striving to improve export of the Company which has increased by 161.38% as against last year. As anticipated, profitability of the Company has increased because of expansion and better cost controls. Moreover, the Company also successfully introduced new bags of different variety as highlighted last year. All financial and non-financial targets established during last year were met to a greater extent.

critical performance indicators

Sales
6,224
(Rs. Million)
Increase by
16.21%

Gross profit
1,307
(Rs. Million)
Increase by
115.50%

Profit before tax
923
(Rs. Million)
Increase by
243.24%

Profit after tax
651
(Rs. Million)
Increase by
159.02%

Earnings per share
23.65
(Rs.)
Increase by
159.04%

Market price per share
188.66
(Rs.)
Increase by
154.09%

Breakup value per share
79.85
(Rs.)
Increase by
58.75%

Cash generated from operating activities
1,207
(Rs. Million)
Increase by
698.83%

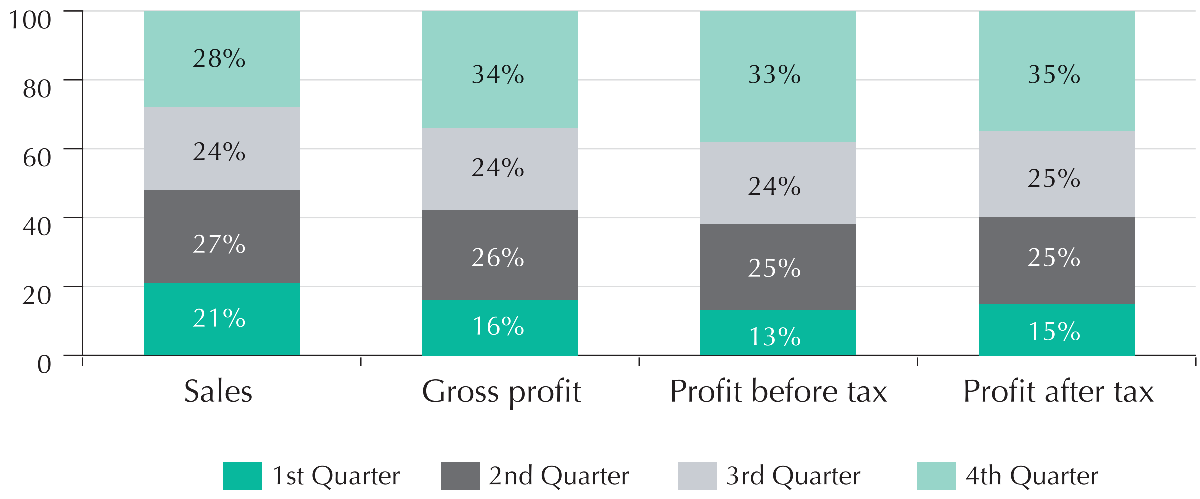
Interim & final cash dividend
192.78
(Rs. Million)
Increase by
133.33%

Wealth distributed
6,231
(Rs. Million)
Increase by
16.24%

The above are the Critical Performance Indicators being used by the management and are expected to remain valid in future.

quarterly performance analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
Sales - Net	1,325,373	1,695,880	1,490,992	1,711,587	6,223,832
Cost of Good Sold	(1,114,769)	(1,359,653)	(1,173,215)	(1,268,944)	(4,916,581)
Gross Profit	210,604	336,227	317,777	442,643	1,307,251
Selling Expenses	(14,533)	(19,582)	(18,628)	(19,996)	(72,739)
Administrative Expenses	(10,745)	(9,434)	(10,455)	(10,346)	(40,980)
Other charges	(9,242)	(15,009)	(16,435)	(26,886)	(67,572)
	(34,520)	(44,025)	(45,518)	(57,228)	(181,291)
Other Income	1,393	1,641	2,080	1,714	6,828
Operating Profit	177,477	293,843	274,339	387,129	1,132,788
Finance Cost	(57,756)	(65,880)	(53,813)	(32,704)	(210,153)
Profit Before Taxation	119,721	227,963	220,526	354,425	922,635
Taxation	(22,145)	(65,270)	(55,762)	(128,047)	(271,224)
Profit After Taxation	97,576	162,693	164,764	226,378	651,411



quarterly results analysis

Quarter 1

Sales: Sales decreased due to slight drop in dispatches during the quarter.

Cost of sales: Cost of sales decreased due to decrease in dispatches and decrease in international raw material prices which was mainly on account of PKR parity against EURO and USD.

Operating profit: Decrease in sales was countered by even higher decrease in cost of sales which resulted in increased operating profit.

Net Profit: Increase in operating profit was translated to net profit which arose by almost similar amount as the amount of operating profit when compared with June quarter last year.

Quarter 2

Sales: Sales increased due to increase in local and export dispatches.

Cost of sales: Cost of sales increased due to increase in despatches.

Operating profit: As like in the first quarter of the current financial year, cost of sales played vital role in increasing operating profit of the Company.

Net Profit: Net profit increased due to reasons mentioned above.

Quarter 3

Sales: Consumption of cement decreases in winter season which has a direct impact on dispatches therefore, sales decreased in third quarter.

Cost of sales: Cost of sales decreased due to decrease in quantity produced.

Operating profit: Decrease in sales and cost of sales has the resultant impact on operating profit which caused it to decrease.

Net Profit: Net profit decreased due to decrease in sales. This decrease was partially recovered by decrease in finance cost which was due to decrease in discount rate by SBP.

Quarter 4

Sales: Sales in 4th quarter witnessed huge increase which was on account of impressive growth in cement demand in the country coupled with increase in exports owing to effective marketing strategies.

Cost of sales: Cost of sales increased due to increased production. However, the increase was partially curtailed by weakened Euro position internationally and decrease in raw material costs.

Operating profit: Benefits stated above were translated into operating profit which caused increase in operating profit.

Net Profit: In addition to factors mentioned above, net profit increased due to decrease in discount rate which has positive impact on net profit. Further, the company was taxed in NTR and has accounted for super tax (one time levy) which drove tax expenditure upwards caused decrease in net profit.

risks and opportunities 

The board of Cherat Packaging principally assumes the responsibility to mitigate all possible risks and to identify and utilize potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

RISKS

Like any business activity, the Company is susceptible to various risks; however, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate actual, potential and perceived risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

The Board of Directors of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Control in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and with improvement suggestions are submitted to the Board of Directors'.

Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks.

Rising Cost of Imported Raw Material: Raw material cost component is a substantial part of the overall cost of production of the Company. Due to frequent fluctuation of PKR parity against USD and Euro, it becomes challenging for the Company to compete in the market. Additionally, the suppliers increase the cost of products supplied in view of international economic conditions.

Mitigant: The Company regularly scrutinize the parity fluctuations and whenever needed, enters into hedging arrangements. Moreover, the Company analyses raw material prices offered by various suppliers on a regular basis and has strategic relationships with key international raw material suppliers.

Rise in Energy Costs: The energy cost component is an important factor of the overall cost of product. Any rise in energy cost would hurt the profitability of the Company.

Mitigant: The Company cannot avoid usage of Government supplied electricity as the cost of self generated electricity is much higher than current energy cost. Keeping this in mind, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest. Higher productivity helps reduce energy cost per bag and thereby increase in profitability of the Company. The Company has most modern and most efficient machinery in place.

Credit Risk: To keep competitive edge and to gain more market share, the Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.

Mitigant: The Company regularly analyses the credit position and credit worthiness of its Customers and extends credits based on minimum risk of financial loss. The Company also receives advance against sales or post dated cheques where the risk factors are higher than the Company's pre-defined standards. Moreover, the Company regularly monitors its outstanding debtors and endeavours to keep days outstanding to allowed number of days.

Working Capital Management: Any increase in raw material cost or increase in volume of raw material stock or debts may limit the avenues for availability of sufficient working capital.

Mitigant: Management has addressed the risk of shortage of working capital by availing the sufficient credit lines from the diversified financial institutions in order to meet the short-term requirements of the Company.

OPPORTUNITIES

One Window Operations: Cherat Packaging is the only Company in Pakistan having facilities to produce both kraft paper and polypropylene bags. With this great strategic edge, the Company is in tactical position to secure more local market share and enjoy benefits of economies of scale.

Production Capacity: Cherat Packaging is the only company in Pakistan to have the highest combined production capacity which makes the Company the largest player in the industry. With this strategic edge, the Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders.

Diversification: Cherat Packaging has developed the capability to produce not only Cement bags but also sugar, rice, chemical and BoPP bags. With this key ability in hand, the Company is committed to search all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.

MATERIALITY APPROACH

The Board of Directors of Cherat Packaging reposes authority and power to the Company management for taking day to day decisions. The management however, observes the approach of materiality in applying power and authority. Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations/ transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution. All the matters as required by the Companies Ordinance, 1984 are referred to the Board of Directors for their approal.

IT governance policy

Cherat Packaging has a well conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with CPL's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely and informed decision-making concerning CPL's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management in implementation and monitoring of IT investments for CPL.

Cherat Packaging's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how Information Technology can add value to the organization;
- Establishing Information Technology goals and the strategies for achieving those goals;
- Establishing principles and guidelines for making Information Technology decisions and managing initiatives;
- Overseeing the management of institutional Information Technology initiatives;
- Establishing and communicating organizational Information Technology priorities;
- Determining Information Technology priorities in resource allocation;
- Establishing, amending and retiring as necessary, organizational Information Technology and other technology related policies; and
- Determining the distribution of responsibility between the IT Department and end users.

whistle blower policy

An important aspect of accountability and transparency is a mechanism to enable all individuals to voice concerns internally in a responsible and effective manner when they discover information which they believe shows serious malpractice.

Our whistle blower policy is therefore fundamental to the organization's professional integrity. In addition, it reinforces the value the organization places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the organization might have, while also offering whistle blowers protection from victimization, harassment or disciplinary proceedings.

It should be emphasized that the policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

Fundamental elements of our Whistle Blower Policy are highlighted below:

- All staff are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.
- All disclosures are required to be made in writing.
- Disclosures made anonymously are not entertained.
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved.
- All whistle blowers' disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or investigation.
- Disciplinary action (up to and including dismissal) may be taken against the wrongdoer dependant on the results of the investigation.
- There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

During the year no whistle blowing incident was rported under the mentioned procedure.

safety of records policy

Cherat Packaging is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational and other requirements of the Company. The main purposes of the Company Policy are:

- To ensure that the Company's records are created, managed, retained and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules; and
- Records and information are owned by the Company, not by the individual or team.

conflict of interest policy

A Conflict of Interest Policy has been developed by Cherat Packaging to provide a framework for all directors of the Company ("Directors") to disclose actual, potential or perceived conflicts of interest.

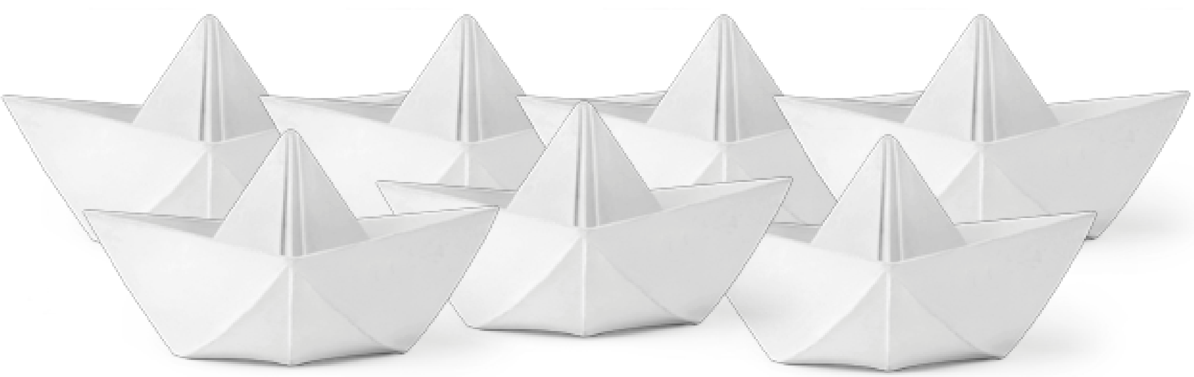
The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidential to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders' interests and not for their own or others interests.

Management of Conflict of Interest

The Company stands fully committed to the transparent disclosures, management and monitoring of actual, potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.



social and environmental responsibility policy

Cherat Packaging's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in flood relief activities and helped Internally Displaced People (IDP). The employees of the Company had donated one day salary to help flood relief activities. Cherat Packaging has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Cherat Packaging is fully committed to acting in an environmentally responsible manner. To achieve this result, CPL:

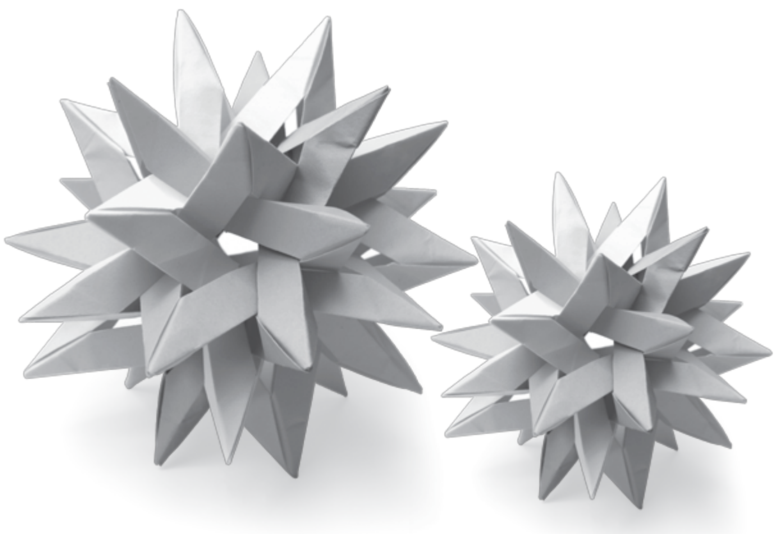
1. ensures its product and operations comply with relevant environmental legislation and regulations.

2. maintains and continually improves its environmental management systems and complies with requirements as outlayed by specific markets or local regulations.

3. operates in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development and promotion of environmental responsibility amongst its employees.

4. does not produce any hazardous material from its factory.

5. informs suppliers, including contractors, of its environmental expectations and requires them to adopt environmental management practices aligned with these expectations.



quality management

Papersack Division (PSD)

Our Quality Management process includes Testing from Raw Material to final inspection up to pre delivery stage of papersacks.

- Strength Properties Analysis of Kraft Paper.
- Inspection of Printing Inks to ensure Customer's approved Colour Shades.
- Arrangements and Inspection of Polymer Sterios as per customers approved Artworks.
- Preparation and Inspection of Glue through Mixture of 02 Starches of different grades.
- In-Process inspection at different stages of Tubes & Bags manufacturing.
- Final Inspection of Bags Including Drop Testing and Bales packing Quality Checks and moisture content before packing of bales.
- Hourly sampling and testing at each stage.
- Counting of Bags on Machines / Pallets / Bailing Process and cross checking after packing.

In-House Laboratory Testing

Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture. Quality is an integral part of our ISO 9001:2008 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements.

Polypropylene Division (PPD)

Our Quality Management includes Monitoring and Testing of whole manufacturing process of Polypropylene (PP) sacks at 06 different stages, from Tape to PP Sacks inspection up to pre delivery stage.

- Different Quality Tests of Tape at Extrusion line including Denier, Tenacity, and Elongation etc.
- Inspection of Fabric Rolls for size, density and strength while running on Looms in weaving Section.

- Inspection of Lamination Process on Coating Line for GSM.
- Arrangements and Inspection of Polymer Sterios as per customers' approved Artworks.
- Inspection of Printing Inks for Color and Viscosity on receipt and inspection of Printed Fabric.
- In-Process inspection on Convertex and Auto cutting machines during Bags manufacturing.
- Final Inspection of Bags Including Air Permeability, Dimensions, welding and Bales packing Quality.
- Counting of Bags on Machines / Pallets / Bailing Process and cross checking after packing.

In-House Laboratory Testing

Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture. Quality is an integral part of our ISO 9001:2008 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements.

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ThinkTank

corporate governance - stakeholders' engagement

Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, good harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.

SHAREHOLDERS

Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliances. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders.

Support of shareholders is critical in achieving the Company objectives.

Investors' Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaints or observations received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is Central Depository Company of Pakistan Limited (CDC) which is a leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the Shareholders in the management of the Company.

Investor Section

To keep transparency in the relation between the Company and its shareholders, the website of Cherat Packaging Ltd **(http://gfg.com.pk/cpl)** contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".

AGM Proceedings

The last AGM was conducted at Cherat Packaging's registered office in Peshawar on Friday, October 24, 2014 at 11:00 a.m. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the efforts made by the management in achieving very good results. Shareholders raised different questions on the Financial Statements, especially with respect to power crisis and future outlook of the Company. The questions were answered in detail by the management after which the Financial Statements were approved by the Shareholders. Shareholders also gave approval for appointment of EY Ford Rhodes Sidat Hyder & Company as external auditors and distribution of cash dividend.

Matters raised in the last AGM

During the proceedings of 25th Annual General Meeting, shareholders praised the Company performance and suggested to take measures for continued sustainability of the Company profits.

It was explained that the Company is already working on diversification of the products and enhancement in production capacity in this regard.

During the year the matter was addressed by the Company as it sought to reduce dependency on cement sector only by establishing the ability to produce bags for various other sectors. The Company has increased selling bags to sectors like sugar, chemical, wheat etc. Moreover, in order to meet increasing demand of cement and expected growth in economy, the Company has planned to install new PP bags production line. Export markets have also been actively explored to increase revenues. The aforementioned will have a positive impact on the Company's revenue and profitability in future as like in the current year.

CUSTOMERS, AND TRANSPORTERS

Sustaining and developing long term relationships with our customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales and marketing team remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage with our customers and transporters through meetings and market visits and communications.

We derive success from the brand loyalty of Cherat and the cooperation from our transporters.

SUPPLIERS AND VENDORS

Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our suppliers and vendors.

Our supply chain management team is in continuous contact with suppliers and vendors through meetings and correspondences to resolve all queries for on time deliveries.

Cooperation of our suppliers gives us an extra edge over our competitors.

BANKS AND OTHER LENDERS

We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, quarterly financial reporting, Head Office and Site visits are the important means for our engagement with this category of stakeholders.

Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.

REGULATORS

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required.

Active engagement with regulators improves level of compliance.

EMPLOYEES

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long-term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-togethers, celebrating sports day and team building activities.

Employees engagement improves the level of dedication and hard work.

INSTITUTIONAL INVESTORS AND ANALYSTS

Institutional investors regularly obtain general business briefings and financial reports from management. Formal meetings are also arranged whenever needed.

Without compromising the confidentiality, business analysts are provided with information and briefings as and when they require.

The strong connection with institutional investors and analysts facilitates in avoiding any misconception/rumours in the market.

MEDIA

Ads and campaigns are launched in media based on marketing requirements.

Interaction with media improves the Company brand image.

corporate governance - additional information

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

AUDIT COMMITTEE

Mr. Abid Naqvi	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

The Audit Committee comprises of two Non-Executive Directors and one Independent Non-Executive Director. The Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Internal Auditor (CIA) and the external auditor attend Audit Committee meetings by invitation. The Audit Committee also separately meets the Chief Internal Auditor (CIA) and external auditors at least once a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2014-15, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

Terms of reference of Audit Committee

The Board shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Audit Committee shall, inter alia, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise; it shall record the reasons thereof.

The terms of reference of the Audit Committee shall also include the following:

a. determination of appropriate measures to safeguard the Company's assets;

b. review of quarterly, half yearly and annual financial statements of the Company, prior to their by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transaction.

c. review of preliminary announcement of results prior to publication.

d. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e. review of management letter issued by external auditors and management's response thereto;

f. ensuring coordination between the internal and external auditors of the Company;

g. review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h. consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i. ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

j. review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

k. instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;

l. determination of compliance with relevant statutory requirements;

m. monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and consideration of any other issue or matter as may be assigned by the Board of Directors; and

n. consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abrar Hasan	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

The Human Resource & Remuneration Committee (HR & RC) comprises of three members. The Chairman is an Independent

Non-Executive Director whereas the other two members are the Chief Executive Officer and a Non-Executive Director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. The minutes of the meetings of the HR & RC meeting are provided to all members and Directors. The Committee held one [1] meeting during the year.

Terms of Reference of Human Resource and Remuneration Committee

Objectives: The Human Resource & Remuneration Committee (HR & RC) shall consider and make recommendations to the Board of Directors on Cherat Packaging Limited major human resource management policies, strategies and plans.

Composition: The HR & RC shall comprise of at least three directors majority of whom shall be Non-Executive Directors. The Chief Executive Officer (CEO) shall be included as a member of the HR & RC. One of the three members shall be appointed as Chairman of HR & RC by the BOD.

Tenure: The tenure of HR & RC shall be for a period of 3 years.

Duties & Responsibilities: The HR & RC shall review the following areas and make its recommendations:

a) Major HR Policy frame work, including compensation structure;

b) Overall organizational structure;

c) Succession planning for key positions, including that of the CEO;

d) Examine the management strategy for training needs assessment for the overall growth of the organization.

Quorum: The quorum of HR & RC meeting shall be two members.

Frequency of meetings: The HR & RC shall meet as required for a proper functioning of the Committee.

Notice and Agenda: The Notice of the meeting shall be circulated by the Secretary (HR & RC) one week prior to the date of the meeting. The agenda for the meeting shall be developed by the management in consultation with Chairman (HR & RC).

Minutes: Minutes of the meeting shall be prepared by the Secretary (HR & RC) and circulated to the Members (HR & RC) within fourteen days of the HR & RC meeting.

Attendance: HR & RC may invite any employee / independent expert to attend its meeting. The Secretary shall maintain an attendance record of all those attending the meetings.

Reports to the BOD: HR & RC shall present the minutes including findings and recommendations of the HR & RC meeting to the BOD. HR & RC shall provide all and any related information required by the BOD.

Amendments: The BOD may at any time amend these regulations or revoke any powers granted by it to the HR & RC.

Records: All documentation related to the holding, proceedings and recommendations of the HR & RC shall be ensured by and stored with the Secretary (HR & RC)

OFFICES OF THE CHAIRMAN & CEO

Being a corporate governance compliant company, Cherat Packaging designates separate persons for the positions of the Chairman of the Board of Directors and the office of the Chief Executive with clear division of roles and responsibilities.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Roles of Chairman and Chief Executive are clearly established in the Company.

The post of Chairman is held by a Non-Executive Director who is not involved in the day to day activities. The Chairman heads the Board meetings and is responsible for avoidance of conflicts of interests. The Chairman is authorized to set the agenda for Board meetings and to sign the minutes of the meetings. The Chairman ensures effective role of the Board in fulfilling all its responsibilities.

CEO is the Head of the Company's management. CEO is an Executive Director responsible for the overall operations and performance of the Company.

He is primarily responsible for:

- Safeguarding of Company assets;
- Creation of shareholders' value;
- Identification of potential diversification / investment projects;
- Implementation of projects approved by the Board;

- Ensuring effective functioning of the internal control systems;
- Identifying risks and designing mitigation strategies;
- Preservation of the Company's image, development of human capital and good investors' relations;
- Compliance with regulations and best practices.

DIRECTORS' ORIENTATION AND TRAINING

All the directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in house Directors' training program to apprise the directors of their authorities and responsibilities. Two directors of the Company namely Mr. Tariq Faruque and Mr. Abrar Hasan are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

BOARD MEETINGS HELD OUTSIDE PAKISTAN

During the year 6 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control the management has conducted all meetings in Pakistan.

ANNUAL EVALUATION OF BOARD PERFORMANCE

Board Evaluation Mechanism facilitates the Board of Directors to evaluate and assess its performance for providing strategic leadership and oversight to the management. Accordingly, following procedure have been developed based on emerging and leading practices to assist in the self-assessment of individual director and the full Board's performance.

On an annual basis a questionnaire is circulated to all Directors, which is formally filled by the Directors and is submitted anonymously to the Board. The results are complied by an independent Chartered Accountant firm.

The main criteria for the Board's evaluation is as follows:

- **Board Composition:** The Board is fully aware of its role & responsibilities, demonstrates integrity, credibility, trustworthiness and active participation in its affairs. The Board has the right mix of skills, knowledge and experience and all Non-Executive/Independent Directors are equally involved in important board decisions.

- **Leadership and Planning:** The Board gives ample time to the strategy formulation based on Company's vision and mission and revisits the mission and vision statements from time to time. The Board provides guidance and direction, discusses the adequacy of resources, receives management reports and has a system in place to ensure smooth and effective succession planning.

- **Board Effectiveness:** All Board members board understand and fulfill their responsibilities and complies with all relevant laws. Significant issues are placed in front of the Board for consideration. Board ensures a healthy relationship with the stakeholders through adequate disclosures.

- **Board Accountability:** The Board reviews adequacy on internal controls, potential risks and risk management procedure. The Board is cognizant of its fiduciary responsibilities.

- **Strategy and Performance:** The Board reviews the implementation of organization's strategic & financial plans Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.

- **Board Committees:** Formed adequate number of Board Committees to streamline discharging responsibilities. Sub Committees meetings are held regularly and their decisions/ recommendations are placed before the Board. The Board has approved and implemented Human Resource policies which imply equitable treatment to all employees irrespective of gender, religion, ethnic background etc.

The evaluation of the performance of the Boards is essentially an assessment of how the Board has performed on all these parameters.

report of the audit committee

Audit Committee

Mr. Abid Naqvi	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive Director. The Chief Financial Officer (CFO), the Head of Internal Audit and the external auditor attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2014-2015. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has adhered, without any material departure, with both the mandatory and voluntary provisions of the Stock Exchanges of Pakistan, Code of Corporate Governance, Company's code of conduct and values and the best practices of governance throughout the year.

2. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.

3. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors.

4. Appropriate accounting policies have been consistently applied. Applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.

5. Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs.

6. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.

7. The Chief Executive Officer and the Chief Financial Officer have signed the financial statements of the Company. They acknowledge their responsibility for the true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of sound internal control system of the Company.

8. The Audit Committee has reviewed and approved all related party transactions.

9. The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.

10. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function.

11. The Audit Committee on the basis of the internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.

12. Head of Internal Audit Department has direct access to the Audit Committee.

13. The external auditors Ernst & Young Ford Rhodes Sidat Hyder and Co., Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

By order of the Audit Committee

Abid Naqvi
Chairman, Audit Committee
August 19, 2015

horizontal analysis - last six years

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	1,765,831	17%	1,511,414	6%
Current Assets	2,176,458	-5%	2,295,302	7%
TOTAL ASSETS	3,942,289	4%	3,806,716	7%
EQUITY AND LIABILITIES				
Share Capital and Reserves	2,198,965	59%	1,385,242	14%
Non-Current Liabilities	816,728	5%	780,000	70%
Current Liabilities	926,596	-44%	1,641,474	-13%
TOTAL EQUITY AND LIABILITIES	3,942,289	4%	3,806,716	7%
PROFIT AND LOSS ACCOUNT				
Turnover – Net	6,223,832	16%	5,355,792	30%
Gross Profit	1,307,251	116%	606,600	39%
Operating Profit	1,132,788	129%	494,810	49%
Profit Before Taxation	922,635	243%	268,801	53%
Profit After Taxation	651,411	159%	251,486	112%

2013		2012		2011		2010	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
1,426,081	34%	1,063,054	109%	508,555	35%	378,106	-5%
2,135,393	56%	1,369,884	7%	1,281,665	73%	742,856	-34%
3,561,474	46%	2,432,938	36%	1,790,220	60%	1,120,962	-26%
1,211,844	33%	911,129	4%	878,067	85%	473,641	25%
460,000	10%	418,750	644%	56,250	-41%	95,568	-34%
1,889,630	71%	1,103,059	29%	855,903	55%	551,753	-44%
3,561,474	46%	2,432,938	36%	1,790,220	60%	1,120,962	-26%
4,129,334	27%	3,256,878	32%	2,471,964	25%	1,985,235	-4%
436,533	57%	278,228	-8%	303,721	29%	235,689	67%
332,348	60%	208,144	-12%	237,032	24%	191,870	62%
175,395	228%	53,491	-68%	165,811	74%	95,442	-264%
118,569	66%	71,531	-62%	187,455	95%	96,319	-374%

vertical analysis - last six years

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	1,765,831	45%	1,511,414	40%
Current Assets	2,176,458	55%	2,295,302	60%
TOTAL ASSETS	3,942,289	100%	3,806,716	100%
EQUITY AND LIABILITIES				
Share Capital and Reserves	2,198,965	56%	1,385,242	36%
Non-Current Liabilities	816,728	21%	780,000	20%
Current Liabilities	926,596	24%	1,641,474	43%
TOTAL EQUITY AND LIABILITIES	3,942,289	100%	3,806,716	100%
PROFIT AND LOSS ACCOUNT				
Turnover – Net	6,223,832	100%	5,355,792	100%
Gross Profit	1,307,251	21%	606,600	11%
Operating Profit	1,132,788	18%	494,810	9%
Profit Before Taxation	922,635	15%	268,801	5%
Profit After Taxation	651,411	10%	251,486	5%

2013		2012		2011		2010	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
1,426,081	40%	1,063,054	44%	508,555	28%	378,106	34%
2,135,393	60%	1,369,884	56%	1,281,665	72%	742,856	66%
3,561,474	100%	2,432,938	100%	1,790,220	100%	1,120,962	100%
1,211,844	34%	911,129	37%	878,067	49%	473,641	42%
460,000	13%	418,750	17%	56,250	3%	95,568	9%
1,889,630	53%	1,103,059	45%	855,903	48%	551,753	49%
3,561,474	100%	2,432,938	100%	1,790,220	100%	1,120,962	100%
4,129,334	100%	3,256,878	100%	2,471,964	100%	1,985,235	100%
436,533	11%	278,228	9%	303,721	12%	235,689	12%
332,348	8%	208,144	6%	237,032	10%	191,870	10%
175,395	4%	53,491	2%	165,811	7%	95,442	5%
118,569	3%	71,531	2%	187,455	8%	96,319	5%

comments on horizontal analysis

BALANCE SHEET

Fixed asset
Fixed assets of the Company grew over past six years due to continuous expansions.

Investments
Investment increased mainly due to additional investment of Rs. 100 million made during the year in Cherat Cement Co. Ltd. for plant expansion. Moreover, stronger maket price of CCCL provided unrealized capital gain of approximately 250 million.

Deferred Tax
Deferred tax became asset in financial year 2011 and witnessing growth in balance due to three years tax holidays and continuous expansions which resulted in taxable losses. However, after suspension of tax holiday and high profits in recent years has turned deferred tax asset into liability.

Stores, Spare parts & loose tools, Stock in trade and Trade debts
Stores, Spare parts & loose tools, Stock in trade and Trade debts increased steadily over past six years on account of increase in operations and expansions.

Taxation
Taxation decreased as the company had adjusted its tax liability for the year against the tax refund. Moreover, the Company had expemption against withholding tax at import stage which kept the Company from piling up excessive refunds.

Share capital and reserves
Share capital and reserves grew over last six years as the company continue to make profits; moreover, issuance of right shares in 2011 and 2013 to finance expansions also resulted in increase in shareholders' equity.

Current Liabilities
Current liabilities increased with the increase in operations of the Company. With better profitability, cash flows and decrease in discount rate by SBP, running finance requirement decreased which caused decrease current liabilities when compared to last year.

PROFIT AND LOSS ACCOUNT

Turnover
Turnover increased over past six years mainly on account of expansions, increased market share and appreciation of market prices in addition to induction of PP Plant.

Gross profit
Steady increase in gross profit over six years shows prosperous growth of the Company. The growth is mainly due to reasons mentioned above coupled with economies of scale obtained through diversification of operations into Polypropylene bags production.

Operating profit
Operating profit increased due to increase in Gross Profit margin.

Finance Cost
Despite increase in operation, finance cost decreased due to decrease in discount rates by SBP, better cash flows and higher profitablity.

Net profit
Net profit is also showing positive trend due to reasons mentioned above in addition to recognition of tax credits available against capital expenditures made in financial years 2012, 2013,2014 & 2015. The company has also accounted for super tax (one time levy) as impsed by Federal Govt.

comments on vertical analysis

BALANCE SHEET

Fixed assets

Fixed assets increased in with respect to last year because of installation of new PP plant.

Taxation

Taxation decreased as the company made taxable profit which was adjusted against tax refunds. Moreover, exemption of withholding tax at import stage kept company from piling up excessive refunds.

Long-term loan

Long-term loan increased as compared to last year on account of loan obtained to finance installation of PP line 2.

PROFIT AND LOSS ACCOUNT

Gross profit

Gross profit of the Company increased as compared to last year in terms of ratio and in terms of amount. It was pushed upward by increase in market share, increase in operations and appreciation in market price of the products offered by the Company.

Net profit

With the rise in gross profit, net profit of the Company has also risen resulted in strong performance of the Company.

ratios

Ratio Description	2015	2014	2013	2012	2011	2010
Profitability Ratios:						
Gross Profit ratio	21.00%	11.33%	10.57%	8.54%	12.29%	11.87%
Net Profit to Sales	10.47%	4.70%	2.87%	2.20%	7.58%	4.85%
EBITDA Margin to Sales	19.69%	10.94%	9.65%	8.02%	10.91%	11.32%
Operating leverage ratio	7.96	1.65	2.23	(0.38)	0.96	(16.96)
Return on Equity	36.35%	19.37%	11.17%	8.00%	27.74%	22.61%
Return on Capital employed	21.87%	11.20%	6.85%	5.23%	19.29%	15.92%
Effective tax rate	29.40%	6.44%	32.40%	-33.73%	-13.05%	-0.92%
Liquidity Ratios:						
Current ratio	2.35	1.40	1.13	1.24	1.50	1.35
Quick / Acid test ratio	1.38	0.72	0.51	0.54	0.47	0.65
Cash to Current Liabilities	0.01	0.01	0.01	0.03	0.01	0.01
Cash flow from Operations to Sales	0.20	0.06	0.06	0.05	(0.12)	0.31
Investment / Market Ratios:						
Earnings per share (EPS)	23.65	9.13	5.42	3.39	11.87	6.19
Market value per share Closing	188.66	74.25	38.50	28.80	47.37	30.70
Price Earnings ratio	7.98	8.13	7.10	8.50	3.99	4.96
Break up value per share	79.85	50.30	44.00	52.93	51.01	51.59
Dividend Yield ratio	0.04	0.04	0.05	0.05	0.05	0.07
Dividend Payout ratio	0.30	0.33	0.37	0.44	0.21	0.32
Dividend Cover ratio	3.38	3.04	2.15	2.77	4.36	5.25
Dividend (Rs.)	192,780	82,622	55,080	25,819	43,031	18,360
Cash Dividend per share	7.00	3.00	2.00	1.50	2.50	2.00
Stock Dividend per share	-	-	-	-	-	22,950
Capital Structure Ratios:						
Financial leverage ratio	1.23	1.84	1.89	3.89	1.43	2.01
Weighted average cost of debt	11.10%	10.24%	10.56%	10.47%	10.12%	12.74%
Net borrowing / EBITDA	1.07	3.52	4.29	5.13	2.80	2.24
Average operating working capital as %age of sales	31.13%	34.46%	35.79%	36.12%	35.22%	40.70%
Debt to Equity ratio	26 : 74	38 : 62	30 : 70	33 : 67	10 : 90	22 : 78
Interest Cover ratio	5.39	2.19	2.12	1.35	3.33	1.99
Activity / Turnover Ratios:						
Inventory turnover ratio	4.91	4.17	3.80	3.61	3.43	3.22
No. of Days in Inventory	73.29	86.30	94.68	99.68	104.96	111.82
Debtor turnover ratio	8.41	8.28	7.76	9.33	9.94	8.36
No. of Days in Receivables	43.39	44.08	47.03	39.13	36.73	43.64
Total Assets turnover ratio	0.63	0.71	0.86	0.75	0.72	0.56
Fixed Assets turnover ratio	0.22	0.27	0.33	0.29	0.19	0.19
Creditor turnover ratio	25.64	15.80	17.61	35.97	26.98	17.25
No. of Days in Creditors	14	23	20	10	13	21
Operating Cycle	103	108	121	129	128	135

comments on ratios

Profitability

The Company has been performing steadily over the last six years. The Company performed well in financial years 2010 and 2011 and the gross profit (GP) and net profit (NP) ratios were healthy despite slump in economic conditions mainly by implementing strict financial management policies and provision of tax holiday & subsidy in mark-up rates by Government. In the year 2012, the subsidy and tax holiday were abolished which impacted the Company's financial performance. Moreover, diversification into PP Plant had increased the expenses without significant increase in revenue of the Company as the plant became operational in the later part of the year. Additionally, price war had hampered the increase in operations of the Company. This has caused the downfall in profitability ratios. However, efficient and effective implementation of strategic management policies have paved the way to increased market share which lured the management to further expand its production facility. This resulted in better performance in the year 2013. However, the GP and NP ratios remained near the same level as of the financial year 2012 as the competition was stiff and the Company had to remain competitive to gain market share. The performance was further enhanced in 2014. The Company has made history in current year by achieving ever highest production and sales which helped the Company to post ever healthy profitability ratios.

Liquidity

With better profitability and improved cash flows, the liquidity of the company is at the highest level in the last six years.

Investment / Market

Investment / Market Ratios are the direct reflection of the performance of the Company. As the Company gone through the events as described above in 'Profitability ratio', the investment / market ratio were effected. This is why, the market price per share and EPS is highest in the current year when compared to last five years.

Capital Structure

The Company continuously monitor its capital structure and aims to keep it at its optimum level. Financial leverage of the Company was negative in the financial year 2009 as the Company had made losses due to reasons described earlier. Financial leverage was highest in the financial year 2012 due to diversification into PP plant which became operational in December 2011 while the Company had to pay interest on loan obtained for the expansion. The ratio went down in later years as the operations grew and Company posted better results.

Activity / Turnover

The inventory turn over of the Company witness healthy trend as the Company strives to implement more effective inventory management. As the major raw materials of the Company are imported, the Inventory Turnover of the Company remains on the higher side. To be competitive in the market and to gain market share, the Company extends credit to its customers keeping in view the credit worthiness of the customer. The Company seek to maintain level up to 45 days credit. The Company believes in strong relation with creditors to assure smooth supply of goods and services which is why it endeavours to keep the creditors turnover at lower level.

summary - last six years

	2015	2014	2013	2012	2011	2010
			(Bags in million)			
Summary of Balance sheet						
Production	289.63	260.54	213.52	174.80	129.44	121.24
Sales	287.74	258.53	216.87	170.47	128.57	122.28
			(Rupees in million)			
Assets						
Nomn-Current Assets	1,766	1,511	1,426	1,063	509	378
Current Assets	2,176	2,295	2,135	1,370	1,282	743
Total Assets	3,942	3,806	3,561	2,433	1,791	1,121
Equity and Liabilities						
Shareholders Equity	2,199	1,385	1,212	911	878	474
Non-Current Liabilities	817	780	460	419	56	96
Current Liabilities	926	1,641	1,889	1,103	857	551
Equity and Liabilities	3,942	3,806	3,561	2,433	1,791	1,121
Summary of Profit and Loss account						
Turnover Net	6,224	5,356	4,129	3,257	2,472	1,985
Gross Profit	1,307	607	437	278	304	236
Operating Profit	1,133	495	332	208	237	192
Profit Before Tax	923	269	175	53	166	95
Profit After Tax	651	251	119	72	187	96

cash flow statement - direct method

	2015	2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customes	6,103,493	5,364,697
Cash paid to suppliers and employees	(4,834,759)	(5,043,012)
Cash generated from operations	1,268,734	321,685
Net income tax paid	(61,407)	(170,548)
Net cash generated from operating activities	1,207,327	151,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(21,368)	(479,007)
Capital work in progress	144	270,994
Proceeds from sale of operating property, plant and equipment	1,655	-
Long-term Investment	(100,000)	-
Dividend received	487	553
Long-term loans	167	83
Long-term deposits	-	(83)
Net cash used in investing activities	(118,915)	(207,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	(80,000)	341,250
Dividend paid	(109,614)	(82,094)
Short-term borrowings	(676,539)	11,180
Finance costs paid	(230,266)	(216,062)
Net cash (used in) / generated from financing activities	(1,096,419)	54,274
Net decrease in cash and cash equivalents	(8,007)	(2,049)
Cash and cash equivalents as at the beginning of the year	18,491	20,540
Cash and cash equivalents as at the end of the year	10,484	18,491

comments on  cash flow statements

Cash flow from operating activities witness great fluctuation during the period from FY 2010 to FY 2015. The major reason was the optimization of stock-in-trade level with respect to new polypropylene bags plant operations. Operating cash flows witnessed high growth in FY 2015 as, Company has better profitability than last year; moreover, the Company availed tax credits coupled with decrease in interest payment due to decrease in KIBOR rates which had positive impact on cash flows.

Cash usage in investing activities in FY 2012, 2013 & 2014 years was mainly due to PP bags plant expansions. In current year, the company has invested Rs. 100 million in Cherat Cement Co. Ltd.

Cash generation from financing activities have been high in FY 2011, 2012 & 2013 due to issuance of right shares in 2012 & 2013, increased short term borrowing during 2011 to 2013 owing to expansion in operations & financing of new PP plant through Long term loans. The cash generation would have been higher but the outflow in shape of finance cost due to increased borrowings have reduced this amount. Current year has witnessed high cash inflows which led to fall of short-term borrowings. Moreover, dividend payments and repayment of long-term loan have their impact on usage of cash in financing activities.

summary of cash flow statements - last six years

	2015	2014	2013	2012	2011	2010
	(Rupees in '000)					
Net cash generated from / (used in) operating activities	1,207,327	151,137	89,747	145,982	(286,797)	574,240
Net cash (used in) / generated from investing activities	(118,915)	(207,460)	(457,486)	(551,119)	(117,161)	40,996
Net cash (used in) / generated from financing activities	(1,096,419)	54,274	356,832	427,814	405,464	(615,877)
Net (decrease) / increase in cash and cash equivalents	(8,007)	(2,049)	(10,907)	22,677	1,506	(641)
Cash and cash equivalents as at the beginning of the year	18,491	20,540	31,447	8,770	7,264	7,905
Cash and cash equivalents as at the end of the year	10,484	18,491	20,540	31,447	8,770	7,264

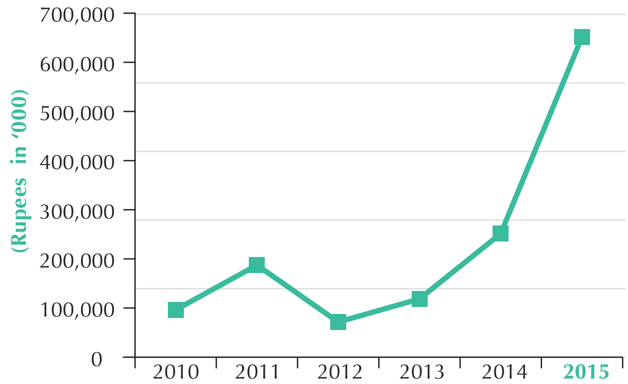
dupont analysis

	2015	2014
Operating Margin	18.20%	9.24%
Asset Turnover	1.58	1.41
Interest Burden / Efficiency	81.45%	54.32%
Tax Burden / Efficiency	70.60%	93.56%
Leverage	1.79	2.75
RoE	29.62%	18.15%

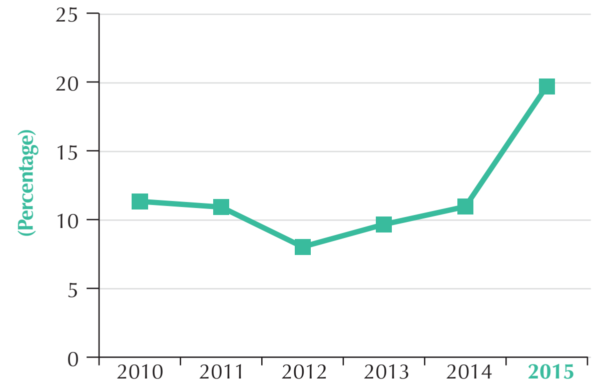
The Return on Equity (RoE) has increased due to higher profitability during the year.

graphical presentations

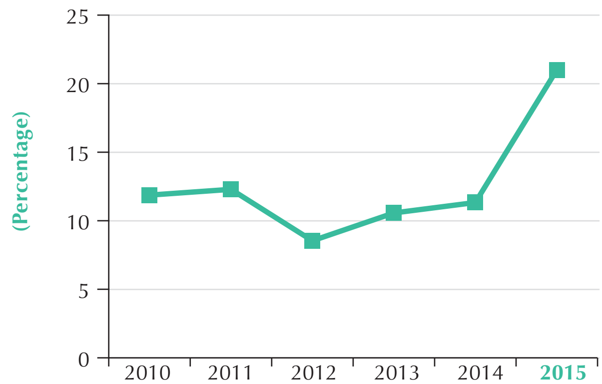
Profit After Tax



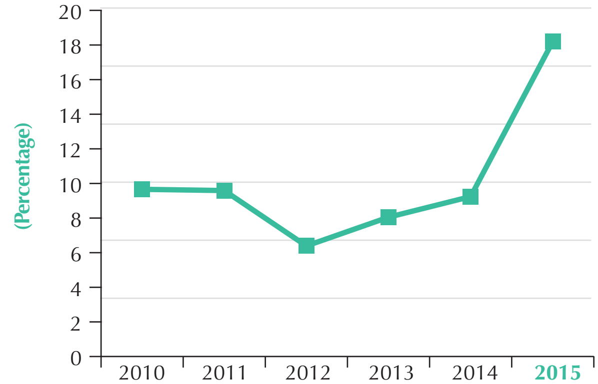
EBITDA Margin to Sales



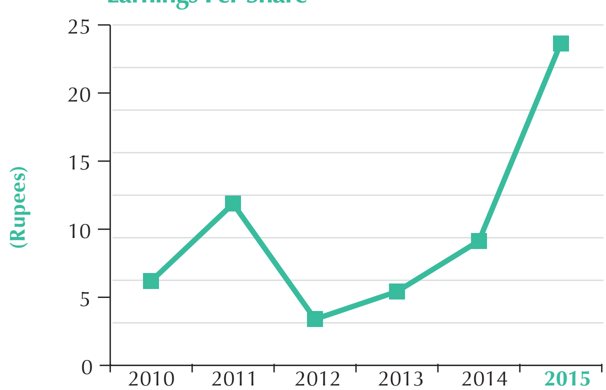
Gross Profit %



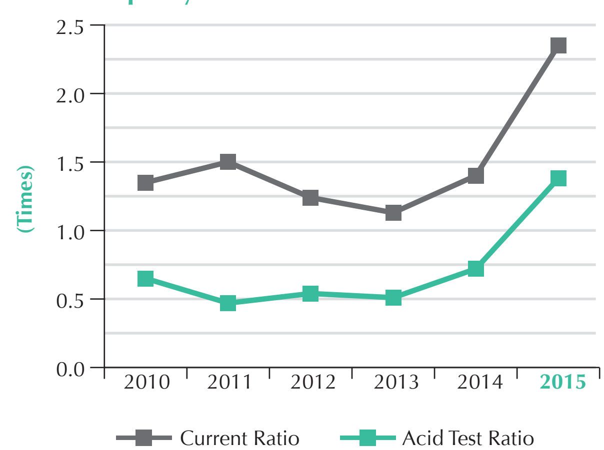
Operating Profit



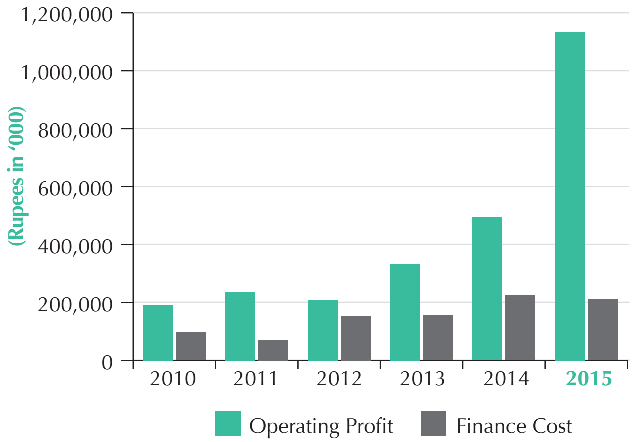
Earnings Per Share



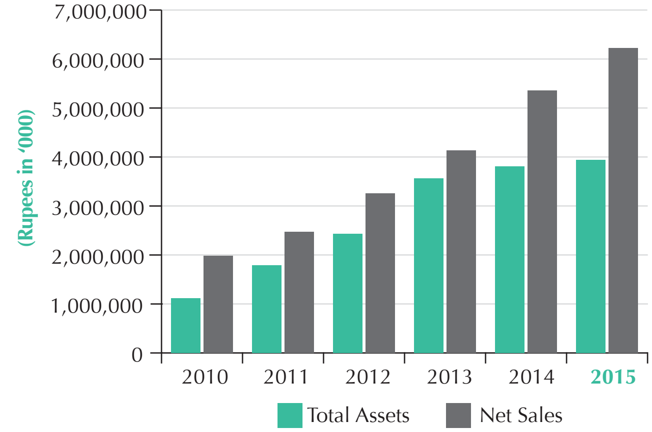
Liquidity Ratio



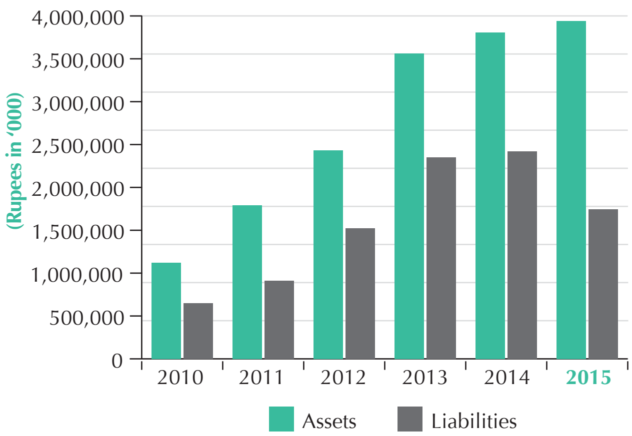
Interest Cover



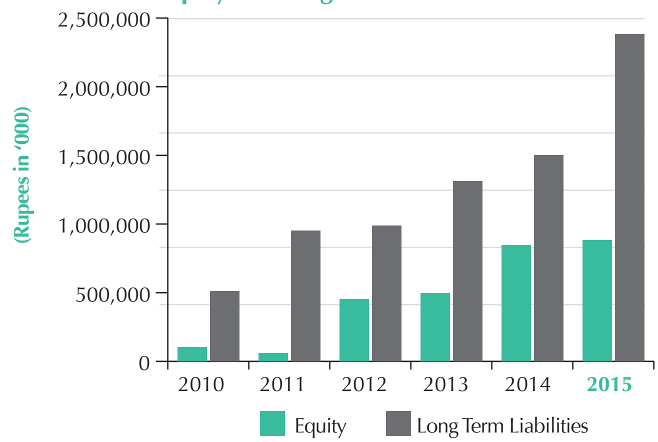
Sales to Total Assets



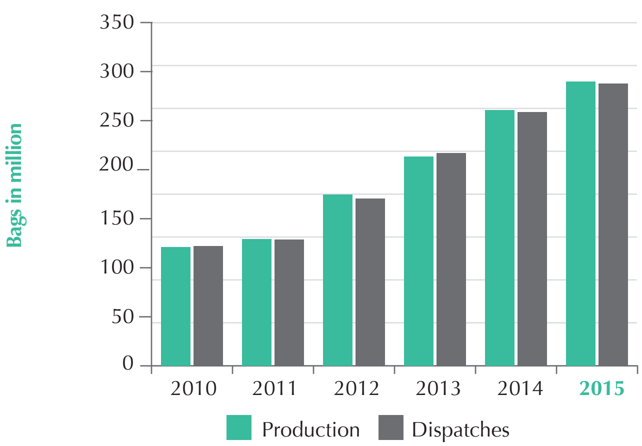
Assets and Liabilities



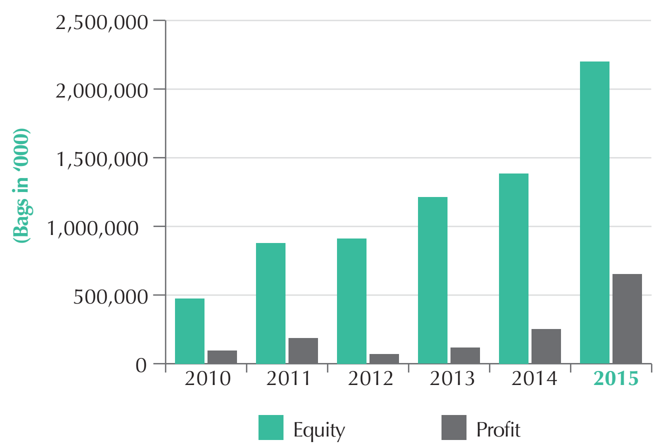
Equity and Long-Term Liabilities



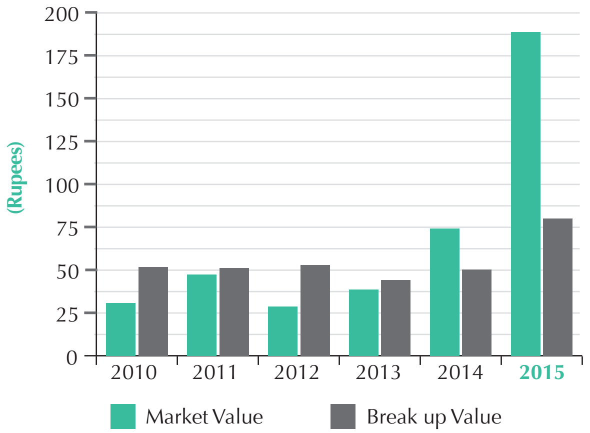
Prodcution and Dispatches



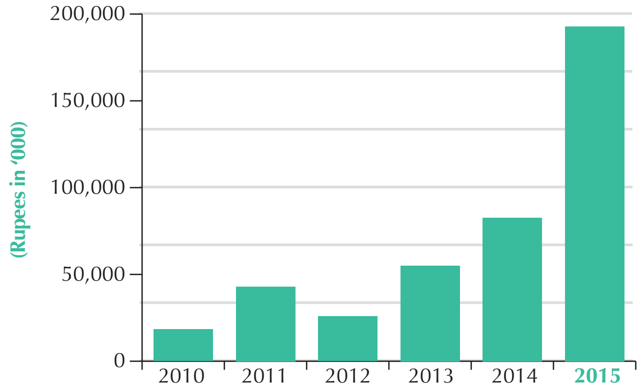
Return on Equity



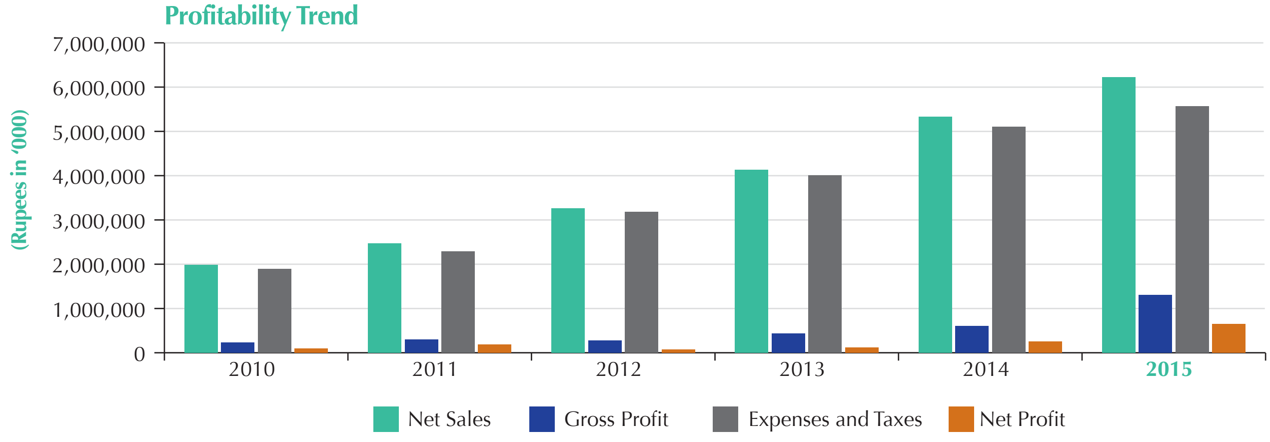
Value Per Share



Dividend Payout



Profitability Trend



statement of value addition and distribution of wealth

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth generated				
Net Sales	6,223,832	99.89%	5,355,792	99.92%
Other operating Income	6,828	0.11%	4,524	0.08%
	6,230,660	100.00%	5,360,316	100.00%
Distribution of wealth				
Cost of sales (Excluding employees' remuneration)	4,712,360	75.63%	4,594,562	85.71%
Distribution & Adminstration expenses (Excluding Employees remuneration)	83,223	1.34%	66,818	1.25%
Employees remuneration	286,021	4.59%	182,404	3.40%
Government as taxes	286,342	4.60%	17,315	0.32%
To debt providers	210,153	3.37%	226,009	4.22%
To society	1150	0.02%	0	0.00%
Retained	651,411	10.45%	273,208	5.10%
	6,230,660	100.00%	5,360,316	100.00%

Distribution of Wealth 2015

Cost of Sales (Excluding Employees' Remuneration)	75.63%
Distribution & Administrative Expenses expenses	1.34%
To Employees as Remuneration	4.59%
To Government as Taxes	4.6%
To Providers of Finances as Financial Charges	3.37%
Retained within the Business	10.45%

Distribution of Wealth 2014

Cost of Sales (Excluding Employees' Remuneration)	85.71%
Distribution & Administrative Expenses expenses	1.25%
To Employees as Remuneration	3.40%
To Government as Taxes	0.32%
To Providers of Finances as Financial Charges	4.22%
Retained within the Business	5.10%

statement of compliance

with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations No. 35 Chapter XI of 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 CCG in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent Directors	Mr. Abrar Hasan Mr. Abid Naqvi
Executive Director	Mr. Amer Faruque
Non-Executive Directors	Mr. Akbarali Pesnani Mr. Aslam Faruque Mr. Shehryar Faruque Mr. Arif Faruque Mr. Tariq Faruque

   The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. Th 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 CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose and the board met atleast once every quarter. Written notices of the board meetings, along with agenda and working

papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of Cherat Packaging Ltd are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities. Two Directors of the Company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

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

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

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

15. The board has formed an Audit Committee. It comprises of three members who are Non-Executives Directors and the Chairman of the Committee is an Independent Director.

16. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The board has formed an Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is an Independent Director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 19, 2015

statement of compliance
with the best practices of transfer pricing

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

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 19, 2015

review report to the members
on statement of compliance with the code of corporate governance

Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
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We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Cherat Packaging Limited (the Company) for the year ended **30 June 2015** to comply with the requirements of Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2015**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Karachi: August 19, 2015

share price sensitivity analysis

Share price of the Company is directly affected by Company's Performance. Numerous factors impact the Company's performance which ultimately influence share prices. Following are some of the identified factors that influence performance of the Company and henceforth, share price.

Energy Crisis

The current energy crisis directly impact the operations of the Company. Hike in energy rates and continuous appreciation of fuel prices effects the financial performance of the Company.

Law & Order

Company's performance is influenced by the political disturbances inside and outside the country. Uncertainty in political conditions and law and order situation have a quick effect on Company's performance and ultimately on share prices.

Exchange fluctuation

The Company is directly exposed to exchange rate fluctuations since the major raw materials are imported by the Company. During the current year, exchange rate fluctuation did not materially impact the Company results but lately, the rates have shown an upward trend which may affect the cost of production and hence the Company results.

Plant Operations

The Company has state-of-the-art production facility especially the Polypropylene Plant which leads to higher production and better production efficiency. The Company believes to provide optimum job satisfaction to workers and staff which minimizes issues at production facilities.

Material Price Sensitivity

The Company's performance is directly influenced by sensitivity in material prices. There are various raw materials which are used in the production which are locally procured or imported by the Company. Major raw materials are directly influenced by international crude oil and pulp prices and hence affect the financial performance of the Company.

Interest Rates

The Company uses debt financing to finance its increased working capital requirements due to expanded operations; moreover, recent installations of PP plant and machinery were financed by long-term loans. Due to these reasons, the Company is directly affected by any change in interest rates. Any increase in base points by SBP would negatively impact the financial performance of the Company and vice versa.

The Cement and allied sector

Although the Company is diversifying its operations, nonetheless, the Company's main business is the production and sale of cement sacks which links it directly to cement sector. Any positive growth in cement industry would directly impact the financial performance of the Company.

Government Policies

Government Policies impact the whole business arena adversely or otherwise. Any positive or negative decision by the Government like starting mega construction projects and increase in PSDP expenditure would impact the Company's financial performance.

glossary of terms

AGM: A mandatory, public yearly gathering of a publicly traded company's executives, directors and interested shareholders.

HS&E: Health, Safety and Environment.

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

Return on Equity (ROE): The value found by dividing the Company's net income by its net assets (ROE measures the amount a company earns on investments).

Current Ratio: The current ratio indicates a company's ability to meet short-term debt obligations.

Acid Test Ratio: The ratio of liquid assets to current liabilities.

Operating Cycle: The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

Earnings Per Share: Earnings found by dividing the net income of the Company by the number of shares of common outstanding stock.

Price-Earnings Ratio (P/E): The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

Dividend Payout Ratio: The ratio found by dividing the annual dividends per share by the annual earnings per share.

Debt-to-Equity Ratio: The ratio found by dividing total debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standard.

IFRIC: International Financial Reporting Issues Committee.

Amortisation: To charge a regular portion of an expenditure over a fixed period of time.

KIBOR: Karachi Inter Bank Offer Rate.

Spread: Rate charged by the bank over KIBOR.

Gearing Ratio: Compares some form of owner's equity (or capital) to borrow funds.

Security: A pledge made to secure the performance of a contract or the fulfillment of an obligation.

Term: Refers to the maturity or length of time until final repayment on a loan, bond, sale or other contractual obligation.

Principal: In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.

Debt: An amount owed for funds borrowed.

Debt Service: Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation.

Net Working Capital: Current assets minus current liabilities.

Borrowing Cost: refers to finance costs that are directly attributable to the construction/acquisition of a qualifying assets and included in the cost of such asset.

financial statements

auditors' report to the members

Building a better working world

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We have audited the annexed balance sheet of Cherat Packaging Limited (the Company) as at **30 June 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.3 to the financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2015** and of the profit, its comprehensive income, 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Khurram Jameel
Karachi: August 19, 2015

balance sheet

as at June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,382,840	1,454,469
Intangible assets	5	4,775	5,691
		1,387,615	1,460,160
Long-term investment	6	369,300	15,931
Long-term loans		-	167
Long-term deposits		8,916	8,916
Deferred taxation	17	-	26,240
		1,765,831	1,511,414
CURRENT ASSETS			
Stores, spare parts and loose tools	7	64,857	59,948
Stock-in-trade	8	896,013	1,105,924
Trade debts	9	819,895	659,748
Loans and advances	10	5,197	7,199
Trade deposits and short-term prepayments	11	6,230	7,836
Other receivables	12	28,733	64,258
Taxation – net		345,049	371,898
Cash and bank balances	13	10,484	18,491
		2,176,458	2,295,302
TOTAL ASSETS		3,942,289	3,806,716
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	275,400	275,400
Reserves	15	1,923,565	1,109,842
		2,198,965	1,385,242
NON-CURRENT LIABILITIES			
Long-term financings	16	660,000	780,000
Deferred taxation	17	156,728	-
		816,728	780,000
CURRENT LIABILITIES			
Trade and other payables	18	225,905	284,677
Accrued mark-up		32,798	52,911
Short-term borrowings	19	545,211	1,221,750
Current maturity of long-term financing	16	120,000	80,000
Unclaimed dividend		2,682	2,136
		926,596	1,641,474
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		3,942,289	3,806,716

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

profit & loss account 

for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
Turnover – net	21	6,223,832	5,355,792
Cost of sales	22	(4,916,581)	(4,749,192)
Gross profit		1,307,251	606,600
Distribution costs	23	(72,739)	(57,840)
Administrative expenses	24	(40,980)	(36,752)
Other expenses	25	(67,572)	(21,722)
		(181,291)	(116,314)
Other income	26	6,828	4,524
Operating profit		1,132,788	494,810
Finance costs	27	(210,153)	(226,009)
Profit before taxation		922,635	268,801
Taxation			
Current - for the year		(88,256)	(3,788)
- prior year		-	21,285
Deferred		(182,968)	(34,812)
	28	(271,224)	(17,315)
Net profit for the year		651,411	251,486
Earnings per share – basic and diluted	29	Rs. 23.65	Rs. 9.13

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

statement of comprehensive income

for the year ended June 30, 2015

	2015	2014
	(Rupees in '000)	
Net profit for the year	651,411	251,486
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealised gain on available-for-sale securities	253,369	3,057
Items that may not be reclassified subsequently to profit and loss account		
Actuarial gain on defined benefit plan	19,103	1,477
	272,472	4,534
Total comprehensive income for the year	923,883	256,020

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

cash flow statement 

for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		922,635	268,801
Adjustments for:			
Depreciation	4.1.3	92,040	90,009
Amortization	5.1	916	916
Gain on disposal of operating property, plant and equipment	4.1.4	(842)	-
Dividend income	26	(487)	(553)
Exchange loss	25	-	189
Finance costs	27	210,153	226,009
		301,780	316,570
		1,224,415	585,371
(Increase)/ decrease in current assets:			
Stores, spare parts and loose tools		(4,909)	(11,456)
Stock-in-trade		209,911	65,201
Trade debts		(160,147)	(25,841)
Loans and advances		2,002	(2,586)
Trade deposits and short-term prepayments		1,606	633
Other receivables		54,628	136
		103,091	26,087
Decrease in current liabilities:			
Trade and other payables		(58,772)	(289,773)
Cash generated from operations		1,268,734	321,685
Income tax paid		(61,407)	(170,548)
Net cash generated from operating activities		1,207,327	151,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(21,368)	(479,007)
Capital work in progress		144	270,994
Proceeds from sales of operating property, plant and equipment	4.1.4	1,655	-
Long term investment		(100,000)	-
Dividend received		487	553
Long-term loans		167	83
Long-term deposits		-	(83)
Net cash used in investing activities		(118,915)	(207,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		(80,000)	341,250
Dividend paid		(109,614)	(82,094)
Short-term borrowings		(676,539)	11,180
Finance costs paid		(230,266)	(216,062)
Net cash (used in) / generated from financing activities		(1,096,419)	54,274
Net decrease in cash and cash equivalents		(8,007)	(2,049)
Cash and cash equivalents as at the beginning of the year		18,491	20,540
Cash and cash equivalents as at the end of the year	13	10,484	18,491

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

statement of changes in equity

for the year ended June 30, 2015

	Issued, Subscribed and Paid-up Capital	RESERVES: CAPITAL RESERVE	RESERVES: REVENUE RESERVES					TOTAL
		Share premium	General reserve	Un-appropriated profit	Actuarial gain on gratuity fund	Unrealized gain on available-for-sale securities	Sub-total	
	(Rupees in '000)							
Balance as at July 01, 2013	275,400	283,174	180,000	464,493	-	8,777	936,444	1,211,844
Final cash dividend for the year ended June 30, 2013 @ Rs. 2.00/- per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
Interim cash dividend for the year ended June 30, 2014@ Re.1.00/- per share	-	-	-	(27,542)	-	-	(27,542)	(27,542)
Net profit for the year	-	-	-	251,486	-	-	251,486	251,486
Other comprehensive income	-	-	-	-	1,477	3,057	4,534	4,534
Total comprehensive income	-	-	-	251,486	1,477	3,057	256,020	256,020
Balance as at June 30, 2014	275,400	283,174	180,000	633,357	1,477	11,834	1,109,842	1,385,242
Balance as at July 01, 2014	275,400	283,174	180,000	633,357	1,477	11,834	1,109,842	1,385,242
Final cash dividend for the year ended June 30, 2014 @ Rs. 2.00/- per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
Interim cash dividend for the year ended June 30, 2015 @ Rs. 2.00/- per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
Net profit for the year	-	-	-	651,411	-	-	651,411	651,411
Other comprehensive income	-	-	-	-	19,103	253,369	272,472	272,472
Total comprehensive income	-	-	-	651,411	19,103	253,369	923,883	923,883
Balance as at June 30, 2015	275,400	283,174	180,000	1,174,608	20,580	265,203	1,923,565	2,198,965

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company is listed on Karachi and Lahore Stock Exchanges.The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New, revised and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New standards, interpretations and amendments

The Company has adopted the following amendments and improvements to accounting standards which became effective for the current year:

IAS 19 - Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 - Financial Instruments : Presentation – (Amendment)
- Offsetting Financial Assets and Financial Liabilities

IAS 36 - Impairment of Assets – (Amendment)
- Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement – (Amendment)
- Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 - Levies

Improvements to accounting standards issued by the IASB

IFRS 2 - Share-based Payment - Definitions of vesting conditions

IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 - Business Combinations - Scope exceptions for joint ventures

IFRS 8	-	Operating Segments - Aggregation of operating segments
IFRS 8	-	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	-	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	-	Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
IAS 24	-	Related Party Disclosures - Key management personnel
IAS 40	-	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments and improvements to accounting standards did not have any effect on the financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation			Effective date (annual periods beginning on or after)
IFRS 10	-	Consolidated Financial Statements	01 January 2015
IFRS 10	-	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10	-	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11	-	Joint Arrangements	01 January 2015
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12	-	Disclosure of Interests in Other Entities	01 January 2015
IFRS 13	-	Fair Value Measurement	01 January 2015
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16	-	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16	-	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	-	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periodsbeginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		IASB Effective date (annual periods beginning on or a fter)
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	- Regulatory Deferral Accounts	01 January 2016
IFRS 15	- Revenue from Contracts with Customers	01 January 2018

2.5 Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

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

2.5.1 Staff retirement benefits

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

2.5.2 Property, plant and equipment and intangible asset

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

2.5.3 Taxation

Current

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

Deferred tax

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to profit and loss account.

2.5.4 Stock-in-trade, stores, spare parts and loose tools

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except leasehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Leasehold 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, at the rates mentioned in note 4.1.1 to the financial statements.

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

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

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

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

3.2 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such assets can also be measured reliably.

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

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on straight line method when assets are available for use. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

3.3 Investments

Available-for-sale securities

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

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale financial securities are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

3.4 Stores, spare parts and loose tools

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

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

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.5 Stock-in-trade

3.5.1 Raw materials

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

Cost signifies purchase cost and other direct expenses.

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

3.5.2 Finished goods

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

3.6 Trade debts

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

3.7 Trade and other payables

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

3.8 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.9 Offsetting of financial assets and liabilities

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

3.10 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pakistani Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.11 Cash and cash equivalents

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

3.12 Revenue recognition

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

3.12.1 Sale of goods

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

3.12.2 Other income

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

- Other revenues are accounted for on accrual basis.

3.13 Staff retirement benefits

3.13.1 Gratuity scheme

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

3.13.2 Provident fund

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

3.14 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.15 Taxation

3.15.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with turnover and alternate corporate taxes, calculated at applicable tax rates under section 113 of the Income Tax Ordinance 2001 and whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.15.2 Deferred

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that sufficient taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted.

3.15.3 Sales tax

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

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables or payables that are stated with the amount of sales tax included.

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

3.16 Borrowing costs

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

3.17 Impairment

The carrying values of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.18 Related party transactions

Transactions with related parties are carried out on commercial terms, as approved by the Board, substantiated as given in note 32 to the financial statements.

3.19 Dividend and appropriation to reserves

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

3.20 Functional and presentation currency

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating property, plant and equipment	4.1	1,382,663	1,454,148
Capital work-in-progress	4.2	177	321
		1,382,840	1,454,469

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating property, plant and equipment:

2015 Description	COST				DEPRECIATION				Book Value as at June 30, 2015	Depreciation rate % per annum
	As at July 01, 2014	Additions during the year	Disposals during the year	As at June 30, 2015	As at July 01, 2014	Adjustment on disposals	For the year	As at June 30, 2015		
	(Rupees in '000)									
Leasehold land	16,431	-	-	16,431	-	-	-	-	16,431	-
Building on leasehold land	174,363	2,102	-	176,465	53,026	-	12,075	65,101	111,364	5-10
Plant and machinery	1,516,499	5,588	-	1,522,087	295,835	-	66,580	362,415	1,159,672	5-7.5
Power and other installations	47,951	-	-	47,951	9,687	-	3,826	13,513	34,438	10
Furniture and fittings	7,619	916	-	8,535	3,323	-	436	3,759	4,776	5-10
Vehicles	44,906	11,280	(3,803)	52,383	23,197	(2,990)	5,307	25,514	26,869	20
Equipment	42,120	502	-	42,622	12,060	-	2,992	15,052	27,570	10
Computers	6,674	980	-	7,654	5,287	-	824	6,111	1,543	33.33
	1,856,563	21,368	(3,803)	1,874,128	402,415	(2,990)	92,040	491,465	1,382,663	

2014 Description	COST				DEPRECIATION				Book Value as at June 30, 2014	Depreciation rate % per annum
	As at July 01, 2013	Additions during the year	Disposals during the year	As at June 30, 2014	As at July 01, 2013	Adjustment on disposals	For the year	As at June 30, 2014		
	(Rupees in '000)									
Leasehold land	16,431	-	-	16,431	-	-	-	-	16,431	-
Building on leasehold land	167,482	6,881	-	174,363	40,046	-	12,980	53,026	121,337	5-10
Plant and machinery	1,067,569	448,930	-	1,516,499	230,742	-	65,093	295,835	1,220,664	5-7.5
Power and other installations	43,277	4,674	-	47,951	5,733	-	3,954	9,687	38,264	10
Furniture and fittings	7,132	487	-	7,619	2,677	-	646	3,323	4,296	5-10
Vehicles	35,758	9,148	-	44,906	19,164	-	4,033	23,197	21,709	20
Equipment	34,435	7,685	-	42,120	9,506	-	2,554	12,060	30,060	10
Computers	5,472	1,202	-	6,674	4,538	-	749	5,287	1,387	33.33
	1,377,556	479,007	-	1,856,563	312,406	-	90,009	402,415	1,454,148	

4.1.2 Reconciliation of book value:

	Note	2015	2014
		(Rupees in '000)	
Book value as at the beginning of the year		1,454,148	1,065,150
Additions during the year		21,368	479,007
Depreciation for the year		(92,040)	(90,009)
Disposals during the year at book value		(813)	-
Book value as at the end of the year		1,382,663	1,454,148

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

	Note	2015	2014
Cost of sales	22	91,079	88,861
Distribution costs	23	490	617
Administrative expenses	24	471	531
		92,040	90,009

4.1.4 The following operating property, plant and equipment were disposed off during the year:

Description		Cost	Book value	Sales proceeds	Gain (Note 26)	Mode of disposal	Particulars of buyer
		(Rupees in '000)					
Vehicle							
Honda Civic	AGZ-600	989	92	740	648	Tender	Mr. Qasim Khan – outside party (Gadoon Amazai)
SuzukiMehran	B-1844	469	111	305	194	Tender	Mr. Amir Sultan – outside party (Gadoon Amazai)
Suzuki Mehran	B-1842	469	122	122	-	Employee car scheme	Mr. Zia Uddin –Employee
Suzuki Mehran	B-1843	469	122	122	-	Employee car scheme	Mr. Fazal Wahab- Employee
Suzuki Mehran	B-1840	469	122	122	-	Employee car scheme	Mr. Shahid Hussain–Employee
Suzuki Mehran	B-1841	469	122	122	-	Employee car scheme	Mr. Mohammad Rafiq–Employee
Suzuki Mehran	BA-7853	469	122	122	-	Employee car scheme	Mr. Tehseen Ullah–Employee
2015		3,803	813	1,655	842		
2014		-	-	-	-		

4.2 Movement of capital work-in-progress

	Civil works	Plant and machinery	Power and other installations	Factory equipment	Total
	(Rupees in '000)				
Balance as at July 01, 2013	840	269,539	-	936	271,315
Capital expenditure incurred / advances made during the year	6,041	179,391	4,995	6,749	197,176
Transferred to operating property, plant and equipment	(6,881)	(448,930)	(4,674)	(7,685)	(468,170)
Balance as at June 30, 2014	-	-	321	-	321
Transferred to operating property, plant and equipment	-	-	(144)	-	(144)
Balance as at June 30, 2015	-	-	177	-	177

5. INTANGIBLE ASSETS

Description	COST				AMORTIZATION				Book Value as at June 30,	Amortization Rate % per annum
	As at July 01,	Additions during the year	Disposals during the year	As at June 30	As at July 01	Adjustment on disposals	For the year	As at June 30		
	(Rupees in '000)									
2015 ERP System	9,161	-	-	9,161	3,470	-	916	4,386	4,775	10
2014 ERP System	9,161	-	-	9,161	2,554	-	916	3,470	5,691	10

5.1 The amortization charge for the year has been allocated to:

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	22	684	684
Administrative expenses	24	232	232
		916	916

6. LONG-TERM INVESTMENT

	2015	2014
Available-for-sale securities – related party		
Ordinary shares of a listed company		
Cherat Cement Company Limited		
4,243,362 (2014: 243,362) fully paid ordinary shares of Rs.10/- each	369,300	15,931

7. STORES, SPARE PARTS AND LOOSE TOOLS

	2015	2014
Stores	4,236	4,070
Spare parts	60,605	55,835
Loose tools	16	43
	64,857	59,948

8. STOCK-IN-TRADE

	2015	2014
Raw material		
In hand	460,362	544,439
In bonded warehouse	132,056	144,350
In transit	150,792	257,243
	743,210	946,032
Work-in-process	35,186	48,167
Finished goods	116,295	111,157
Polypropylene scrap goods	1,322	568
	896,013	1,105,924

9. TRADE DEBTS – unsecured

	Note	2015	2014
Considered good	9.1	819,895	659,748
Considered doubtful		17,966	17,966
		837,861	677,714
Less: Provision for doubtful debts		17,966	17,966
		819,895	659,748

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

	Note	2015	2014
		(Rupees in '000)	
Neither past due nor impaired		545,573	474,249
Past due but not impaired			
- Within 75 days		274,322	185,499
		819,895	659,748

10. LOANS AND ADVANCES – considered good

	2015	2014
Current portion of loans due from:		
Employees	-	55
Advances – unsecured:		
Suppliers	4,671	6,016
Letters of credit	526	1,128
	5,197	7,144
	5,197	7,199

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2015	2014
Trade deposit – earnest money	2,610	3,980
Short-term prepayments		
Insurance	2,073	1,935
Rent	1,500	240
Others	47	1,681
	3,620	3,856
	6,230	7,836

12. OTHER RECEIVABLES

	Note	2015	2014
Excise duty claim		169	169
Warehousing surcharge claim		517	517
Receivable from gratuity fund	12.1	19,365	-
Duty drawback		5,994	5,962
Sales tax receivable		-	47,299
Claim receivable		2,122	10,154
Others		566	157
		28,733	64,258

12.1 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2015.

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

	2015	2014
	(Rupees in '000)	
Amount recognized in the balance sheet:		
Present value of defined benefit obligation	(39,830)	(31,226)
Fair value of plan assets	59,195	31,015
Asset / (liability) recognized in the balance sheet	19,365	(211)

	2015	2014
	(Rupees in '000)	
Expense recognized		
Current service cost	(2,050)	(1,718)
Interest cost	(4,216)	(3,337)
Expected return on plan assets	3,739	2,744
	(2,527)	(2,311)
Movement in the asset / (liability) in balance sheet:		
Balance as at July 01	(211)	(2,377)
Net charge for the year	(2,527)	(2,311)
Re-measurement chargeable in other comprehensive income	19,103	1,477
Contributions	3,000	3,000
Balance as at June 30	19,365	(211)
Movement in the present value of defined benefit obligation:		
Balance as at July 01	(31,226)	(32,361)
Current service cost	(2,050)	(1,718)
Interest cost	(4,216)	(3,337)
Benefits paid during the year	-	6,703
Actuarial losses	(2,338)	(513)
Balance as at June 30	(39,830)	(31,226)
Movement in the fair value of plan assets:		
Balance as at July 01	(31,015)	(25,711)
Expected return	(3,739)	(2,744)
Contributions	(3,000)	(3,000)
Benefits paid during the year	-	6,703
Actuarial gain	(21,441)	(6,263)
Balance as at June 30	(59,195)	(31,015)
Principal actuarial assumptions used are as follows:		
	(Percentage)	
Expected rate of increase in salary level	9.50%	11.50%
Valuation discount rate	9.75%	13.50%
Rate of return on plan assets	9.75%	13.50%

Comparisons for past years:

As at June 30	2015	2014	2013	2012	2011
	(Rupees in '000)				
Present value of defined benefit obligation	(39,830)	(31,226)	(32,361)	(24,934)	(21,307)
Fair value of plan assets	59,195	31,015	25,711	16,839	13,125
Surplus / (deficit)	19,365	(211)	(6,650)	(8,095)	(8,182)
Experience adjustment on plan liabilities	(2,338)	(513)	(2,873)	(429)	(292)
Experience adjustment on plan assets	21,441	6,263	3,473	818	(284)
	19,103	5,750	600	389	(576)

	2015	2014
	(Rupees in '000)	
Composition of plan assets are as follows:		
Special Saving Certificates and Pakistan Investment Bonds	9,975	7,777
Mutual Funds / Shares	48,131	22,703
Amount in banks	1,089	535
	59,195	31,015

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

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year 2015 was Rs. 25.18 million (2014: Rs. 9.01 million).

13. CASH AND BANK BALANCES

	Note	2015	2014
		(Rupees in '000)	
With banks:			
Current accounts		8,410	17,128
Saving accounts	13.1	1,780	1,043
		10,190	18,171
Cash in hand		294	320
		10,484	18,491

13.1 Effective profit rate in respect of saving accounts is 5% per annum (2014: 6.5% per annum).

14. SHARE CAPITAL

14.1 Authorized capital

2015	2014		2015	2014
Number of shares			(Rupees in '000)	
40,000,000	40,000,000	Ordinary shares of Rs. 10/- each	400,000	400,000

14.2 Issued, subscribed and paid-up capital

2015	2014		2015	2014
Number of shares			(Rupees in '000)	
20,145,000	20,145,000	Issued fully paid in cash	201,450	201,450
7,395,000	7,395,000	Issued as fully paid bonus shares	73,950	73,950
27,540,000	27,540,000		275,400	275,400

Following is the detail of shares held by the related parties:

	2015	2014
	(Number of shares)	
Faruque (Private) Limited	2,723,512	2,723,512
Cherat Cement Company Limited	1,772,380	1,772,380
Mirpurkhas Sugar Mills Limited	1,367,380	1,367,380
Greaves Pakistan (Private) Limited	1,383,280	1,383,280

15. RESERVES

	Note	2015	2014
		(Rupees in '000)	
Capital reserve			
Share premium		283,174	283,174
Revenue reserve			
General reserve		180,000	180,000
Unappropriated profit		1,174,608	633,357
Acturial gain on gratuity fund		20,580	1,477
Unrealised gain on available-for-sale securities		265,203	11,834
		1,640,391	826,668
		1,923,565	1,109,842

16. LONG-TERM FINANCINGS – secured

	Note	2015	2014
From banking companies			
Long-term loan			
Term Loan-I	16.1	280,000	360,000
Term Loan-II –Tranche I	16.2	100,000	100,000
–Tranche II	16.2	200,000	200,000
Term Loan-III	16.3	200,000	200,000
		780,000	860,000
Less: Current maturity		(120,000)	(80,000)
		660,000	780,000

16.1 This represents a long-term loan obtained from islamic bank under the Diminishing Musharika Scheme for the import of Polypropylene Plant, carrying profit at the rate of 6 months KIBOR plus 0.9% per annum. The loan is repayable in 10 equal semi-annual installments commencing after 2 years, i.e., from January 2014. The loan is secured by way of first pari-passu hypothecation charge of Rs. 534 million over plant and machinery imported by the Company.

16.2 This represents a long-term loan obtained from a commercial bank for the import of Polypropylene Plant amounting to Rs. 300 million. The loan carries mark-up at the rate of 6 months KIBOR plus 0.6% per annum. The loan was drawn in two tranches of Rs. 100 million as tranche I and Rs. 200 million as tranche II. The loan is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown of the facility i.e., from December 2015 (tranche I) & February 2016 (tranche II). The loan is secured by way of first pari-passu hypothecation charge of Rs. 400 million over all present and future plant and machinery of the Company.

16.3 This represents a long term loan obtained from a commercial bank for the import of Polypropylene Plant amounting to Rs. 200 million. The loan carries mark-up at the rate of 6 months KIBOR plus 0.6% per annum. The loan is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown of the facility i.e., from July 2016. The loan is secured by way of first pari-passu hypothecation charge of Rs. 267 million over specific plant and machinery of the Company.

17. DEFERRED TAXATION

	2015	2014
	(Rupees in '000)	
Deferred tax liability on taxable temporary difference:		
Accelerated tax depreciation on operating property, plant and equipment	156,728	145,973
Deferred tax asset on deductible temporary differences:		
Taxable loss	-	(30,793)
Minimum tax	-	(141,420)
	156,728	(26,240)

18. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Creditors		36,654	24,957
Bills payable		60,731	209,379
Accrued liabilities		56,631	27,159
Payable to gratuity fund	12.1	-	211
Workers' Profits Participation Fund	18.2	49,356	14,436
Workers' Welfare Fund		21,745	6,627
Retention money		788	1,908
		225,905	284,677

18.1 Provident Fund

	2015	2014
Size of the trust	110,235	77,359
Cost of investments made	89,437	59,844
Fair value of investments	109,743	76,599
	(Percentage)	
Percentage of investment made	99.55	99.02

The major categories of investment are as follows:

	2015	2014
	(Rupees in '000)	
Government securities	53,874	24,593
Short-term deposits	2,832	16,579
Others	53,037	35,427
	109,743	76,599

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

18.2 Workers' Profits Participation Fund

	Note	2015	2014
		(Rupees in '000)	
Opening balance		14,436	9,366
Interest thereon	27	240	139
		14,676	9,505
Payments during the year		(14,676)	(9,505)
		-	-
Charge for the year	25	49,356	14,436
Closing balance		49,356	14,436

18.3 As per Workers' Welfare Fund (WWF) Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Government through Finance Acts 2006 & 2008 amended the WWF Ordinance, 1971, where by the term `total income' shall be considered as profit before taxation as per declaration of income in the return or as per accounts, whichever is higher. These amendments were challenged by the Company in the Honorable Peshawar High Court. During the year 2013-14, the Honorable Peshawar High Court declared the impugned levy of contribution introduced in the WWF Ordinance,1971 through the Finance Acts 2006 and 2008 as illegal and "ultra vires" as it lacks the essential mandate to be introduced and passed through a Money Bill under the Constitution. However, the Honorable Sindh High Court had earlier decided the same matter against the tax payers. This case is now in the Honorable Supreme Court of Pakistan for final adjudication.

As the Honourable Peshawar High Court has concerned jurisdiction in this case, WWF charge for the current year is based on the decision of the Honourable Peshawar High Court. Moreover, as a matter of prudence, an amount of Rs. 13.47 million pertaining to prior years has not been reversed which may be reconsidered after evaluating future legal development in this case.

19. SHORT-TERM BORROWINGS – secured

	Note	2015	2014
		(Rupees in '000)	
Running finances utilized under mark-up Arrangements	19.1 & 19.2	28,430	368,679
Money market loans	19.1 & 19.3	328,000	578,000
Export refinance scheme		54,143	48,142
		410,573	994,821
Istisna'a and Murabaha	19.4	134,638	226,929
		545,211	1,221,750

19.1 These facilities are obtained from various commercial banks amounting to Rs. 2,275 million (2014: Rs. 2,080 million) out of which Rs. 1,864.43 million (2014: Rs. 1,085.18 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 2,869 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

19.2 These facilities carry mark-up of 1 month KIBOR plus spread ranging from 0.6% to 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1% (2014: 1 month KIBOR plus spread ranging from 1% to 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75%) per annum.

19.3 These are sub facilities of note 19.1 above and carry mark-up of 1 month KIBOR plus spread ranging from 0.5% to 0.75% (2014: 1 month KIBOR plus spread ranging from 0.45% to 0.75%) per annum.

19.4 These facilities are obtained from various commercial Islamic banks amounting to Rs. 600 million (2014: Rs. 600 million) out of which Rs. 465.36 million (2014: Rs. 373.07 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 800.33 million. These facilities carry profit rate of respective tenure KIBOR plus spread ranging from 0.6% to 0.75% per annum (2014: 0.6% to 0.75%) per annum.

20. CONTINGENCIES AND COMMITMENTS

		2015	2014
		(Rupees in '000)	
20.1	Guarantees issued by a commercial bank	31,600	11,600
20.2	Letters of credit issued by commercial banks	653,474	529,202
20.3	Duties payable on bonded stock	19,137	21,884

21. TURNOVER

	2015	2014
Local sales	7,093,677	6,159,622
Less: Sales tax	1,030,913	895,210
	6,062,764	5,264,412
Less: Discounts & volume rebates	116,395	16,682
Net local sales	5,946,369	5,247,730
Export sales	277,463	108,062
	6,223,832	5,355,792

22. COST OF SALES

	Note	2015	2014
		(Rupees in '000)	
Raw material consumed			
Opening stock		544,439	544,111
Purchases		4,252,105	4,333,941
		4,796,544	4,878,052
Closing stock	8	(460,362)	(544,439)
		4,336,182	4,333,613
Duty drawback on export		(3,486)	(3,344)
		4,332,696	4,330,269
Manufacturing overheads			
Salaries, wages and benefits	22.1	204,221	154,630
Stores, spare parts and loose tools consumed		31,481	31,040
Fuel and power		151,622	105,622
Packing charges		83,536	63,979
Rent, rates and taxes		557	753
Repairs and maintenance		2,589	2,978
Depreciation	4.1.3	91,079	88,861
Amortization	5.1	684	684
Insurance		23,582	21,156
General office expenses		113	247
Vehicle running expenses		4,230	4,703
Travelling and conveyance		4,510	4,670
Communication expenses		1,768	1,708
Printing and stationery		546	481
Legal and professional charges		6,310	3,978
Freight and cartage		1,423	1,123
Subscription		1,775	359
Stores and spares parts – written off		89	28
Others		1,473	1,307
		611,588	488,307
		4,944,284	4,818,576
Work-in-process:			
Opening stock		48,167	48,892
Closing stock	8	(35,186)	(48,167)
		12,981	725
Polypropylene scrap goods:			
Opening stock		568	2,314
Closing stock	8	(1,322)	(568)
Sales		(34,792)	(30,885)
		(35,546)	(29,139)
Cost of goods manufactured		4,921,719	4,790,162
Finished goods:			
Opening stock		111,157	70,187
Closing stock	8	(116,295)	(111,157)
		(5,138)	(40,970)
		4,916,581	4,749,192

22.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.94 million and Rs. 1.75 million, respectively (2014: Rs. 3.46 million and Rs. 1.62 million, respectively).

23. DISTRIBUTION COSTS

	Note	2015	2014
		(Rupees in '000)	
Salaries and benefits	23.1	8,519	6,187
Travelling and conveyance		5,362	4,093
Vehicle running expenses		812	961
Repair and maintenance		79	233
Communication expenses		659	573
Rent, rates and taxes		46	22
Insurance		1,397	1,260
Printing and stationery		1,284	1,151
Depreciation	4.1.3	490	617
Freight and cartage		47,706	40,656
Export expenses		6,232	1,833
Others		153	254
		72,739	57,840

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.26 million and Rs. 0.28 million, respectively (2014: Rs. 0.17 million and Rs. 0.22 million respectively).

24. ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries and benefits	24.1	23,925	21,587
Directors' fee		1,225	825
Travelling and conveyance		1,725	1,443
Vehicle running expenses		977	992
Communication expenses		3,663	3,820
Printing and stationery		1,480	1,016
Rent, rates and taxes		1,156	1,015
Legal and professional charges		2,411	2,041
Insurance		1,121	1,019
Subscription		1,449	1,218
Advertisement		293	287
Depreciation	4.1.3	471	531
Amortization	5.1	232	232
Repairs and maintenance		451	375
General office expenses		184	145
Utilities		210	182
Others		7	24
		40,980	36,752

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.46 million and Rs. 0.50 million, respectively (2014: Rs. 0.50 million and Rs. 0.47 million, respectively).

25. OTHER EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Auditors' remuneration	25.1	1,948	1,535
Donations	25.2	1,150	76
Workers' Profits Participation Fund	18.2	49,356	14,436
Workers' Welfare Fund		15,118	5,486
Exchange loss		-	189
		67,572	21,722

25.1 Auditors' remuneration

	Note	2015	2014
		(Rupees in '000)	
Audit fee		600	550
Half yearly review and CCG certification		310	284
Tax and other corporate services		854	580
Out of pocket expenses		184	121
		1,948	1,535

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

26. OTHER INCOME

Income from financial assets			
Return on saving accounts		389	110
Dividend income		487	553
		876	663
Income from non-financial assets			
Gain on sale of operating property, plant and equipment		842	-
Scrap sales		5,110	3,861
		6,828	4,524

27. FINANCE COSTS

Mark-up on:			
Long-term financings		83,349	78,207
Short-term borrowings		124,996	146,502
		208,345	224,709
Others:			
Guarantee commission		434	165
Bank charges and duties		1,134	996
Interest on Workers' Profits Participation Fund	18.2	240	139
		210,153	226,009

28. TAXATION

The assessments of the Company for and upto the tax year 2014 have been completed or deemed to be assessed.

28.1 Reconciliation between tax expense and accounting profit

	2015
	(Rupees in '000)
Accounting profit for the year before taxation	922,635
Tax at applicable rate of 33% (2014: Rate 34%)	304,469
Super tax	24,011
Tax effects of:	
- expenses that are inadmissible in determining taxable income – net	64,453
- unabsorbed tax losses	(27,716)
- allocation of ratio of revenue chargeable under FTR and Non-FTR	(88,940)
Turnover tax adjustment	(141,420)
Tax credits	(46,601)
Tax effect of deductible temporary differences – net	182,968
	271,224

28.2 In prior years, the Company was liable to pay minimum tax in view of unabsorbed tax losses and final tax on exports, no numerical reconciliation was given in the prior year and accordingly no comparative figures are given in the above reconciliation.

29. EARNINGS PER SHARE

	Note	2015	2014
Profit after taxation (Rupees '000)		651,411	251,486
Weighted average number of ordinary shares in issue		27,540,000	27,540,000
Basic earnings per share	29.1	Rs. 23.65	Rs. 9.13

29.1 There is no dilutive effect on basic earnings per share of the Company.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Board of Directors reviews policies for managing each of these risks which are summarized below:

30.1 Market risk

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

30.1.1 Interest rate risk

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

Sensitivity analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	(Increase) /decrease in basis points	Effect on profit before tax
		(Rupees in '000)
2015		
KIBOR	+200	(26,504)
KIBOR	-200	26,504
2014		
KIBOR	+200	(41,635)
KIBOR	-200	41,635

30.1.2 Foreign currency risk

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

	2015	2014
	('000)	
Bills payable – Euro	(563)	(974)
– US Dollar	-	(772)
Trade debts – Euro	51	-
– US Dollar	4	174

The following significant exchange rates have been applied at reporting dates:

	2015	2014
	(Rupees)	
Exchange rates – Euro	113.79	134.73
– US Dollar	101.70	98.75

The management keeps on evaluating different options available for hedging purposes.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the Euro and US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in rate (%)	Effect of translation of foreign currency liabilities on	
		Profit or (loss)	Equity
		(Rupees in '000)	
30 June 2015-Euro	+10	(5,826)	(5,826)
	-10	5,826	5,826
30 June 2015-US Dollar	+10	41	41
	-10	(41)	(41)
30 June 2014-Euro	+10	(13,123)	(13,123)
	- 10	13,123	13,123
30 June 2014-US Dollar	+10	(5,905)	(5,905)
	- 10	5,905	5,905

30.1.3 Equity risk

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

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 369.30 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 36.93 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity with the similar amount.

30.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Aging analysis of trade debts is disclosed in note 9.1 to the financial statements. The Company has a strong credit control system and the Board of Directors reviews credit position on a regular basis.

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

30.2.1 Credit quality of financial assets

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

	2015	2014
	(Rupees in '000)	
Long-term investment		
A-	369,300	15,931
Trade debts		
Customers with no defaults in the past one year	819,895	659,748
Cash at bank and short-term deposits		
Current accounts		
A1+	8,143	14,082
A	657	3,046
Saving accounts		
A1+	1,390	11
A	-	1,032
	10,190	18,171

30.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 2,329.79 million (2014: Rs. 1,458.26 million).

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

	2015					2014				
	INTEREST BEARING			NON-INTEREST BEARING	Total	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 in '000)									
Long-term financing	120,000	660,000	780,000	-	780,000	80,000	780,000	860,000	-	860,000
Trade and other payables	-	-	-	154,804	154,804	-	-	-	263,614	263,614
Unclaimed dividend	-	-	-	2,682	2,682	-	-	-	2,136	2,136
Accrued mark-up	-	-	-	32,798	32,798	-	-	-	52,911	52,911
Short-term borrowings	545,211	-	545,211	-	545,211	1,221,750	-	1,221,750	-	1,221,750
	665,211	660,000	1,325,211	190,284	1,515,495	1,301,750	780,000	2,081,750	318,661	2,400,411

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

30.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2015.

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

The gearing ratios as at June 30, 2015 and 2014 were as follows:

	2015	2014
	(Rupees in '000)	
Long-term financings including current portion	780,000	860,000
Accrued mark-up	32,798	52,911
Short-term borrowings	545,211	1,221,750
Total debt	1,358,009	2,134,661
Cash and cash equivalents	(10,484)	(18,491)
Net debt	1,347,525	2,116,170
Share capital	275,400	275,400
Reserves	1,923,565	1,109,842
Total capital	2,198,965	1,385,242
Capital and net debt	3,546,490	3,501,412
Gearing ratio	38.00%	60.44%

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

30.5 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 approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: quoted prices in active market for identical assets;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2015, the Company has only available-for-sale securities measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2015, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2015 Executives/ Key Employees	2014 Executives/ Key Employees
	(Rupees in '000)	
Managerial remuneration	42,488	33,916
Housing allowance	13,571	10,881
Retirement benefits	4,277	3,379
Utilities	2,942	2,364
Leave fare assistance	2,550	2,014
	65,828	52,554
Number	26	20

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

31.2 The aggregate amount paid to the Directors as a feefor attending the Board of Directors' meetings amount to Rs. 1.23million (2014: Rs. 0.83 million).

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	2015	2014
		(Rupees in '000)	
Group companies	Sale of goods	546,537	504,359
	Purchase of goods	317	229
	Services received	27,028	26,904
	Software consultancy charges	6,372	5,352
	Dividends paid	28,988	21,740
	Dividends received	487	553
Other related parties	Insurance premium	6,874	9,355

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

33. NUMBER OF EMPLOYEES

Total number of persons employed as at the year-end were 74 (2014: 72) and average number of employees during the year were 73 (2014: 71).

34. CAPACITY

	2015	2014
	(Bags in '000)	
Annual installed capacity as of June 30,	410,000	410,000
Actual production for the year	289,632	260,543

35. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 19, 2015 by the Board of Directors of the Company.

36. DIVIDEND AND APPROPRIATIONS

36.1 Subsequent to year ended June 30, 2015, the Board of Directors in its meeting held on August 19, 2015 has proposed final cash dividend @ Rs. 5/- per share amounting to Rs. 137.700 million (2014: Rs. 2/- per share amounting to Rs. 55.080 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 2/- per share amounting to Rs. 55.080 million (2014: Re. 1/- per share amounting to Rs. 27.542 million) approved by the Board of Directors for the year ended June 30, 2015.

36.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed / approved cash dividend amounting to Rs. 192.780 million for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company would not be liable to pay tax on its undistributed reserves as of June 30, 2015.

37. CORRESPONDING FIGURES

There was no reclassification that could affect the financial statements materially.

38. GENERAL

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

pattern of shareholding

as at June 30, 2015

No. of Shareholders	Shareholding From	Shareholding To	Shares Held
216	1	100	8,832
291	101	500	97,854
209	501	1000	178,743
348	1001	5000	907,454
96	5001	10000	761,375
41	10001	15000	495,954
33	15001	20000	599,597
20	20001	25000	473,285
9	25001	30000	260,743
3	30001	35000	103,350
8	35001	40000	306,999
2	40001	45000	88,500
10	45001	50000	487,040
6	50001	55000	309,703
2	55001	60000	115,844
1	60001	65000	60,067
2	65001	70000	138,000
3	70001	75000	223,100
2	80001	85000	168,398
1	85001	90000	88,819
1	90001	95000	93,000
5	95001	100000	496,000
1	105001	110000	110,000
1	115001	120000	117,553
1	130001	135000	131,510
1	135001	140000	135,124
1	140001	145000	144,600
1	145001	150000	150,000
1	165001	170000	165,500
1	185001	190000	189,066
2	190001	195000	387,826
1	205001	210000	209,912
3	220001	225000	665,360
1	230001	235000	234,859
1	240001	245000	245,000
1	270001	275000	272,577
1	305001	310000	305,444
1	350001	355000	351,460
1	420001	425000	424,814
1	475001	480000	478,948
1	505001	510000	509,300
1	635001	640000	636,128
1	795001	800000	800,000
1	835001	840000	839,600
1	970001	975000	975,000
1	1295001	1300000	1,296,000
1	1365001	1370000	1,367,380
1	1380001	1385000	1,383,280
1	1520001	1525000	1,520,546
1	1770001	1775000	1,772,380
1	2530001	2535000	2,534,664
1	2720001	2725000	2,723,512
1342			27,540,000

catergories of shareholding 

as at June 30, 2015

Shareholders' Category	No. of Shareholders	Shares Held
Directors and their spouse(s) and minor children		
MR. AKBARALI PESNANI	1	73,600
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	8,000
MR. AMER FARUQUE	1	135,124
MRS. AMINA FARUQUE W/O MR. AMER FARUQUE	1	209,912
MR. ASLAM FARUQUE	1	272,577
MR. SHEHRYAR FARUQUE	1	192,828
MR. ARIF DINO FARUQUE	1	424,814
MR. TARIQ FARUQUE	1	351,460
MR. ABRAR HASAN	1	2,400
Associated Companies, undertakings and related parties		
FARUQUE (PRIVATE) LIMITED	1	2,723,512
CHERAT CEMENT COMPANY LIMITED	1	1,772,380
MIRPURKHAS SUGAR MILLS LIMITED	1	1,367,380
GREAVES PAKISTAN (PRIVATE) LIMITED	1	1,383,280
Executives	2	58,300
Public Sector Companies and Corporations	1	636,128
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	9	5,313,394
Mutual Funds		
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	509,300
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	34,600
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	839,600
CDC - TRUSTEE NAFA STOCK FUND	1	17,592
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	144,600
CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	1	25,000
General Public	1,275	9,949,958
Others	36	1,094,261
Total	1,342	27,540,000

Shareholders holding 5% or more	Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED	2,723,512	9.89%
ATLAS INSURANCE LIMITED	2,534,664	9.20%
CHERAT CEMENT COMPANY LIMITED	1,772,380	6.43%
EFU LIFE ASSURANCE LIMITED	1,520,546	5.52%
GREAVES PAKISTAN (PRIVATE) LIMITED	1,383,280	5.02%

proxy form

26th Annual
General Meeting 2015

Registered folio / participant's ______________
ID No. and A/c. No. ______________
____
Number of shares held: ______________
____

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 PACKAGING 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 26th Annual General meeting of the Company to be held on Thursday, 15th October, 2015 at 3:30 p.m. and at any adjournment thereof.

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

Signature of
Shareholder

Revenue
Stamp

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

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

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

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 Meeting and Appointment of Proxies

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