

Making the cut.

Annual
Report
2017



Cherat Packaging Limited
A Ghulam Faruque Group Company



Introduction

Packaging in today's world has become one of the most important parts of a product. Hence, packaging with cutting edge technology can only make the cut.

To make your product stand out and to keep it safe, it's the packaging that identifies your product and protects it.

Cherat Packaging takes pride to provide its valuable customers, the best packaging solutions, be it paper or polypropylene, and repledges its commitment to provide its signature quality packaging solutions through its new business endeavors also.

Transformation and diversification have been our strength. From traditional paper bags to our new venture of flexible packaging, Cherat Packaging has grown from strength to strength.

1 Paper, **2** Polypropylene, **3** Flexible Packaging;
Cherat Packaging Limited -packaging solutions under one roof.



Contents

11	Vision & Mission	72	Corporate Governance - Additional Information
12	Code of Conduct	75	Report of the Audit Committee
15	Strategic Objectives	76	Horizontal Analysis - Last Six Years
17	Core Values	78	Vertical Analysis - Last Six Years
19	Nature of Business	80	Comments on Horizontal Analysis
21	Expansion of Business	81	Comments on Vertical Analysis
22	Group Structure	82	Graphical Presentation of Balance Sheet and Profit & Loss Account
25	Company Information	84	Ratios
26	Milestones	85	Comments on Ratios
28	Organizational Structure	86	Summary - Last Six Years
29	Calendar of Notable Events	87	Cash Flow Statement - Direct Method
30	Our Locations	88	Summary of Cash Flow Statement - Last Six Years
31	Geographical Presence	89	Comments on Cash Flow Statement
32	Notice of Annual General Meeting	90	Dupont Analysis
35	Chairman's Review	91	Key Operating Highlights
37	CEO's Message	94	Statement of Value Addition and Distribution of Wealth
38	Directors' Profile	95	Statement of Compliance with the Code of Corporate Governance
41	Directors' Report to the Members	97	Statement of Compliance with the Best Practices of Transfer Pricing
44	Additional Information	98	Review Report to the Members on Statement of Compliance with the Code of Corporate Governance
50	Awards and Recognition	99	Share Price Sensitivity Analysis
51	Critical Performance Indicators	100	Glossary of Terms
52	Quarterly Performance Analysis	101	Financial Statements
53	Quarterly Results Analysis	132	Pattern of Shareholding
54	Risks and Opportunities	133	Categories of Shareholding
57	IT Governance Policy	135	Notice of Annual General Meeting (Urdu version)
59	Whistle Blower Policy	140	Directors' Report to the Members (Urdu version)
61	Safety of Records Policy		Proxy Form
63	Conflict of Interest Policy		
65	Insider Trading Policy		
67	Social and Environmental Responsibility Policy		
69	Quality Management		
70	Corporate Governance - Stakeholders' Engagement		



Cut & Dry



The point of any packaging material is for the product inside it to reach the customer in optimum condition.

The onus to carry this through lies with us. Our selection and process is cut and dry. From raw material, in this case Kraft Paper, we source the finest quality available for its weather resistance, for its strength, for its printing result, and for the distances it must endure. We ensure that each bag meets and surpasses quality standards and makes it to our customer at the right price and at the right time.







A Cut Above

It is our effort to ensure that everything that comes in or goes out of Cherat Packaging is a cut above. We don't just offer polypropylene, we offer options: in coating, colour, grammage... ask us for what you need.

From the raw material to the people who handle the process, the technical, the management and even the bailing, are a cut above.

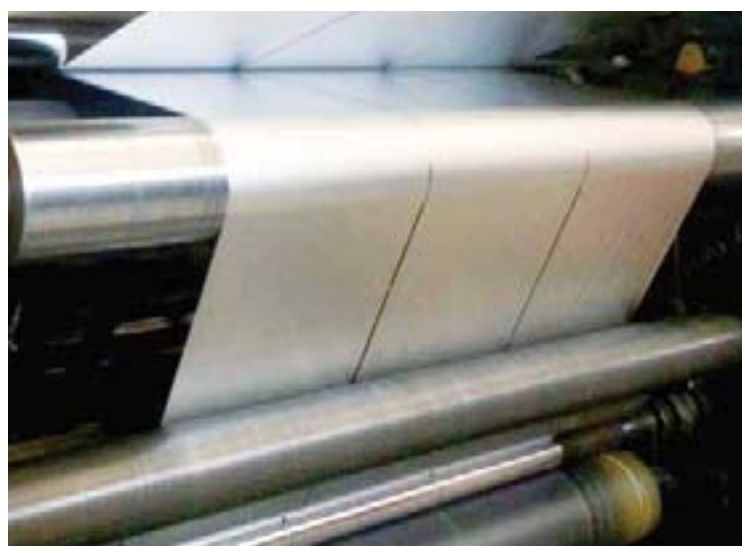






Cutting Edge

In order to give Cherat Packaging an edge, your company has started the process of further diversifying its packaging offerings. By 2018 Cherat Packaging will be ready to take orders for its packaging film products; from industrial to wholesale and perhaps even into your hands.





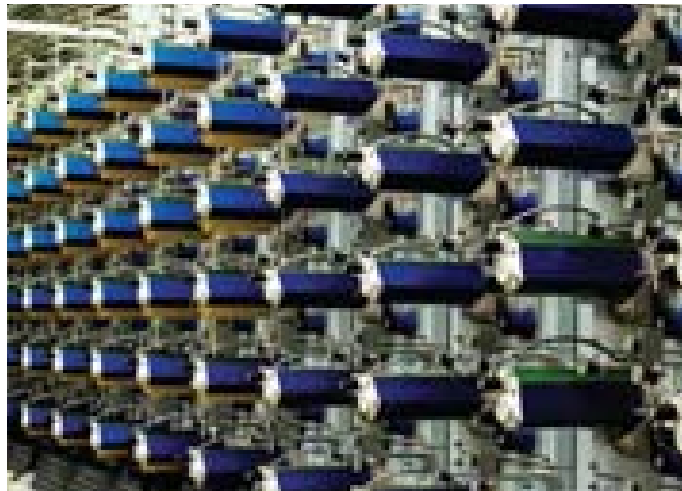
Vision

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.

Scope

The code of conduct policy is applicable to all regular and direct contract staff in the company and its locations.

Compliance Committee and Reporting of Violations

Cherat Packaging has established a Compliance Committee to provide advice concerning compliance with the code of conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) or Compliance Committee or their respective Executive Director.

Compliance with the Law

The observance of the laws and regulations of the legal systems in which we operate is mandatory for all employees in their dealings with customers, suppliers, competitors, other employees, government bodies and officials.

Competition and Anti-trust Law

Cherat Packaging obligates its employees for strict compliance with Competition and Anti-trust Laws wherever it operates.

Bribery and Corruption

Cherat Packaging is committed to conducting its business in an open, honest and ethical manner in all the jurisdictions in which it operates and will not engage in any form of bribery or corruption in order to secure any kind of business advantage.

Money Laundering

It is Cherat Packaging's policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

Product Quality

We discover, develop and manufacture high-quality products that meet all regulatory requirements, and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for Cherat Packaging. We fulfill all applicable legal obligations with regard to public filings and reporting.

Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or other business partners may disclose such information to any third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person, or the disclosure of confidential information is required by mandatory law, any governmental agency, court or other quasi-judicial or regulatory body.

Protection and Information Security

Cherat Packaging has a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties is strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all time.

Handling and Safeguarding of Cherat Packaging's Property

Employees must handle Cherat Packaging's property (including both tangible & intangible) with due care and in a responsible manner. Cherat Packaging does not tolerate any unauthorized use or misappropriation of its property or services.

Equal Treatment and Fair Working Conditions

Cherat Packaging is committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

Health, Safety and Environmental Protection

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services.

We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle.

Conflict of Interest

Employees may not engage in any activities, on or off the job, that conflict with the Company's business interest, nor they may use their position with the Company for their personal gains, or for the improper benefit to others.

As a policy, conflicts of interest or the mere appearance of such a conflict must be avoided.





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



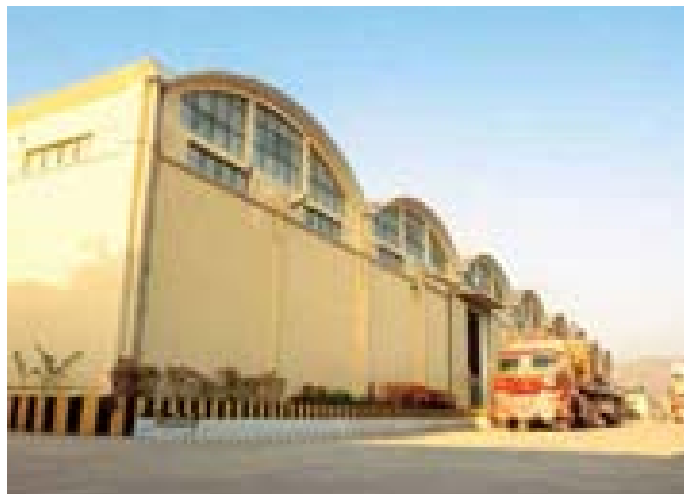


Nature of Business

Cherat Packaging Limited is a Ghulam Faruque Group (GFG) company. Established in 1989, CPL has been recognized as the leading manufacturer of premium quality cement sacks. The Company is listed on Pakistan Stock Exchange. CPL has an ISO 9001 certification and is a recipient of many prestigious awards including Pakistan Stock Exchange and Management Association of Pakistan's Best Company Award. CPL is a leading 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. We are also supplying bags to sugar, wheat, chemical and other sectors. Our plant has an annual production capacity of 460 million bags (Kraft paper and Polypropylene).

During the year, CPL has installed Convertex of PP line 3. Further, installation of state-of-the-art new Universal Papersack line having a capacity of more than 135 million bags per annum is under its installation phase and will be operational by October 2017. The enhanced capacity of the Company will be 595 million bags.

Organizations which identify opportunities at the right time and invest strategically always succeed. CPL has been one of those organizations. Identifying the tremendous growth in FMCG sector and future anticipated demand of flexible packaging; CPL has decided to take a step ahead to transform itself into a real packaging magnate and has decided to enter into the flexible packaging business.





Expansion of Business

The Growth

Cherat Packaging Limited (CPL) has a history of consistent growth. During the last few years, the Company has expanded and enhanced the production capacities of both its Paper and PP bags plant.

Entry into new business

Flexible packaging is a growing field of business worldwide and offers a great future potential to the Company to further grow its business. Spotting the opportunity, it has decided to enter into the Flexible Packaging business which is in line with the diversification strategy of the Company. To reap the maximum potential of this fast evolving market, the Company has decided to invest in top-end equipment and keep up with the pace of market leaders' right from inception. CPL has placed order to acquire plant from world's leading suppliers with main equipment being procured from M/s Windmoller & Holscher, the prominent supplier of this industry. CPL will be the first Company to enter into the business with the roto, flexo, extrusion and cylinder making machines simultaneously. The plant will be installed at Gadoon Amazai Khyber Pakhtunkhwa.

Benefits to the Company and Shareholders

By utilizing its available financial and operational leverage, the Company will be able to gain the market share and establish itself in the market. This will provide an edge to the Company over its competitors. Additionally, by virtue of this project, the Company will be able to further diversify its operations and better allocate its fixed costs.

The project will add value to the Company by allowing it to pursue new packaging product categories along with market segments and further diversify its operations. CPL and its shareholders will be benefited alike from additional revenues together with growth in profitability from new flexible packaging division.

Group Structure

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

Parent 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 Pakistan Stock Exchange Limited. 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 1,700 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 around 2.4 million 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 Pakistan Stock Exchange Limited and is also an ISO 9001 and 14001 certified. The Company has installed a 2nd cement line at the same location with installed annual clinker capacity of more than 1.3 million tons. CCCL is in process of installing 3rd Cement line at its current location with annual capacity of 2.1 million tons.



UNIENERGY LIMITED

Joint Venture for Renewable Wind Energy



ZENSOFT

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

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 & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

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 has 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 a preferred third party investor for all major petroleum companies in Pakistan.

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 UNICOL LIMITED

Unicol Ltd

Joint Venture Distillery Producing
Ethanol and Liquid Carbon Dioxide (CO₂)

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 and CO₂. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.



Mirpurkhas Energy

Wholly owned subsidiary of
Mirpurkhas Sugar Mills Ltd

Mirpurkhas Energy Ltd., incorporated in 2016 as a public (unlisted) Company, is a fully owned subsidiary of Mirpurkhas Sugar Mills Limited. It is 26 MW Bagasse based Cogeneration Project. The principal activity of the company is to generate and supply electricity.



Madian Hydropower Ltd

Joint Venture for Establishing
1.48 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

Chief Operating Officer & CFO

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Chief Internal Auditor

Mr. Omer Nabeel

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
MCB Bank Ltd
National Bank of Pakistan
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

Bankers (Islamic)

Al Baraka Bank (Pakistan) Ltd
Askari Bank Ltd
Bank Alfalah Ltd
Bank Al Habib Ltd
Bankislami Pakistan Ltd
Dubai Islamic Bank Pakistan Ltd
Meezan 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, Blue Area
Tel: (+9251) 2344531-33
Fax: (+9251) 2344534, 2344550

Milestones

1996

Installed 2nd Bottomer to the production line.

2003

Added 2nd Tuber to the production line, and the total production capacity increased to 105 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.

1992

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

1998

Acquired ISO 9001 QMS Certificate.

2006

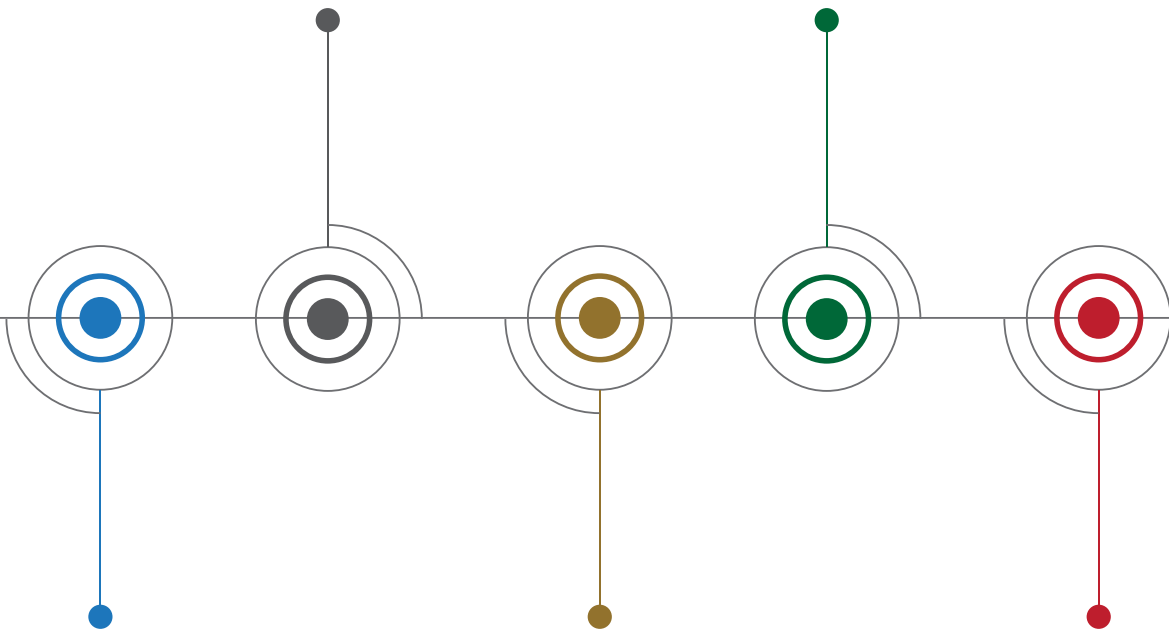
Added 3rd Tuber and Bottomer to production line, making the total effective production capacity to 160 million paper bags per annum.

2013

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

2016

Installation of 3rd PP Line having annual capacity of 50 million bags per annum.



2012

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

2014

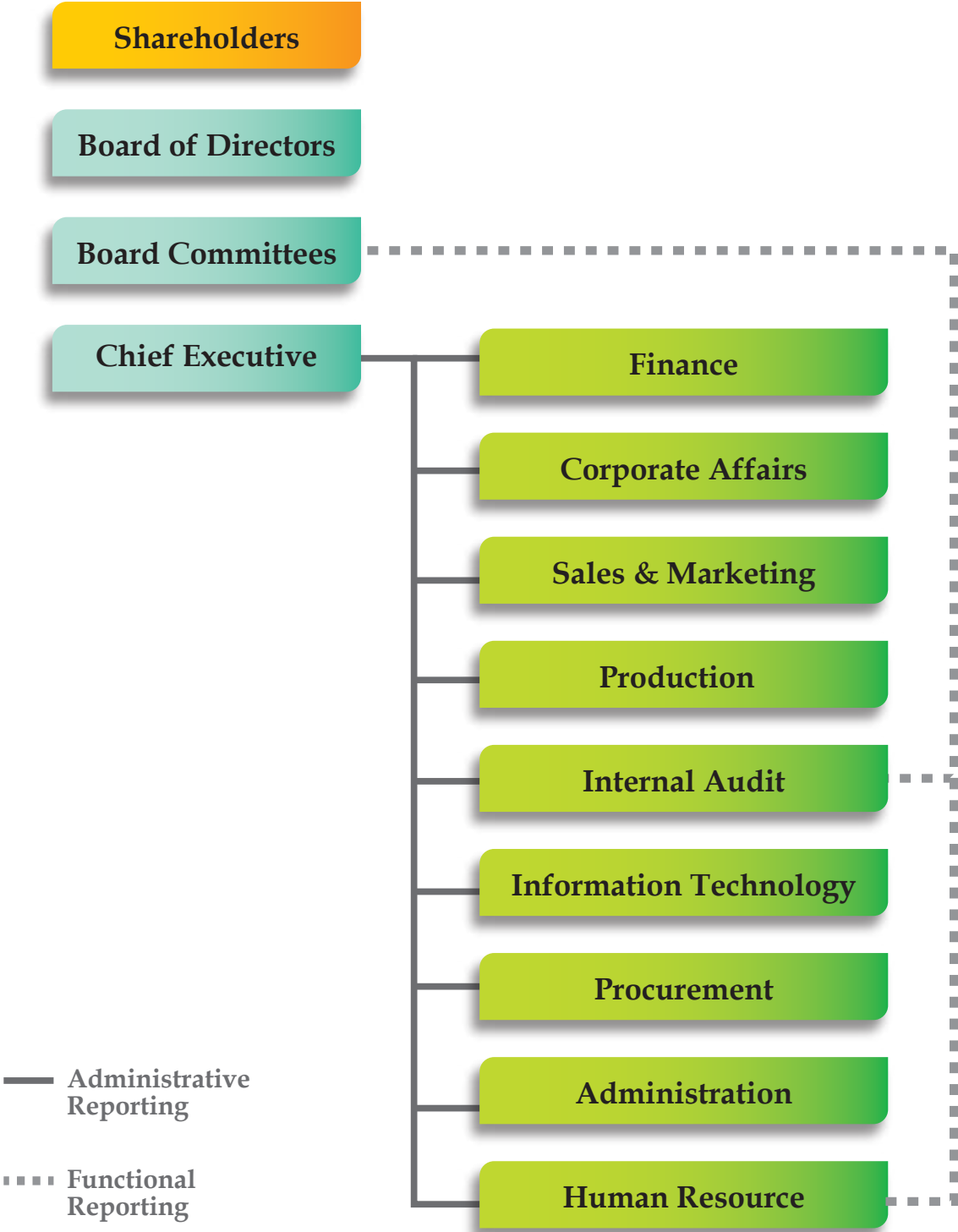
Installed 2nd convertex of 2nd PP Line and increased the capacity to 145 million PP bags per annum.

2017

- Arrival of Universal Paper sack line having annual capacity of 135 million bags per annum.

- Decision to enter in to the field of flexible packaging and signing of contract for acquiring main plant of flexible packaging project with Windmoller & Holcher and other suppliers.

Organizational Structure



Calendar of Notable Events

July 2016 - June 2017

July 09

Eid Milan Party

August 14

Independence Day Celebration

August 18

National Tree Plantation Day

October 07

Received 1st prize in Best Corporate Reporting Award 2015 organized by ICAP & ICMAP

October 31

27th AGM at Registered Office

November 12

Inter-Group Companies Cricket Tournament 2016, Lahore

January 27

Received SAFA Award on Compliance with Code of Corporate Governance

February 28

Received MAP's Corporate Excellence Award

April 07

Employees Annual Dinner & Award Ceremony, Lahore

April 14-15

Group Table Tennis Tournament

April 28-29

Group Cricket Tournament, Karachi

May 01

Labour Day Celebration

May 20

HO Staff Picnic to seaside

June 09

Employees Iftar Dinner at Site

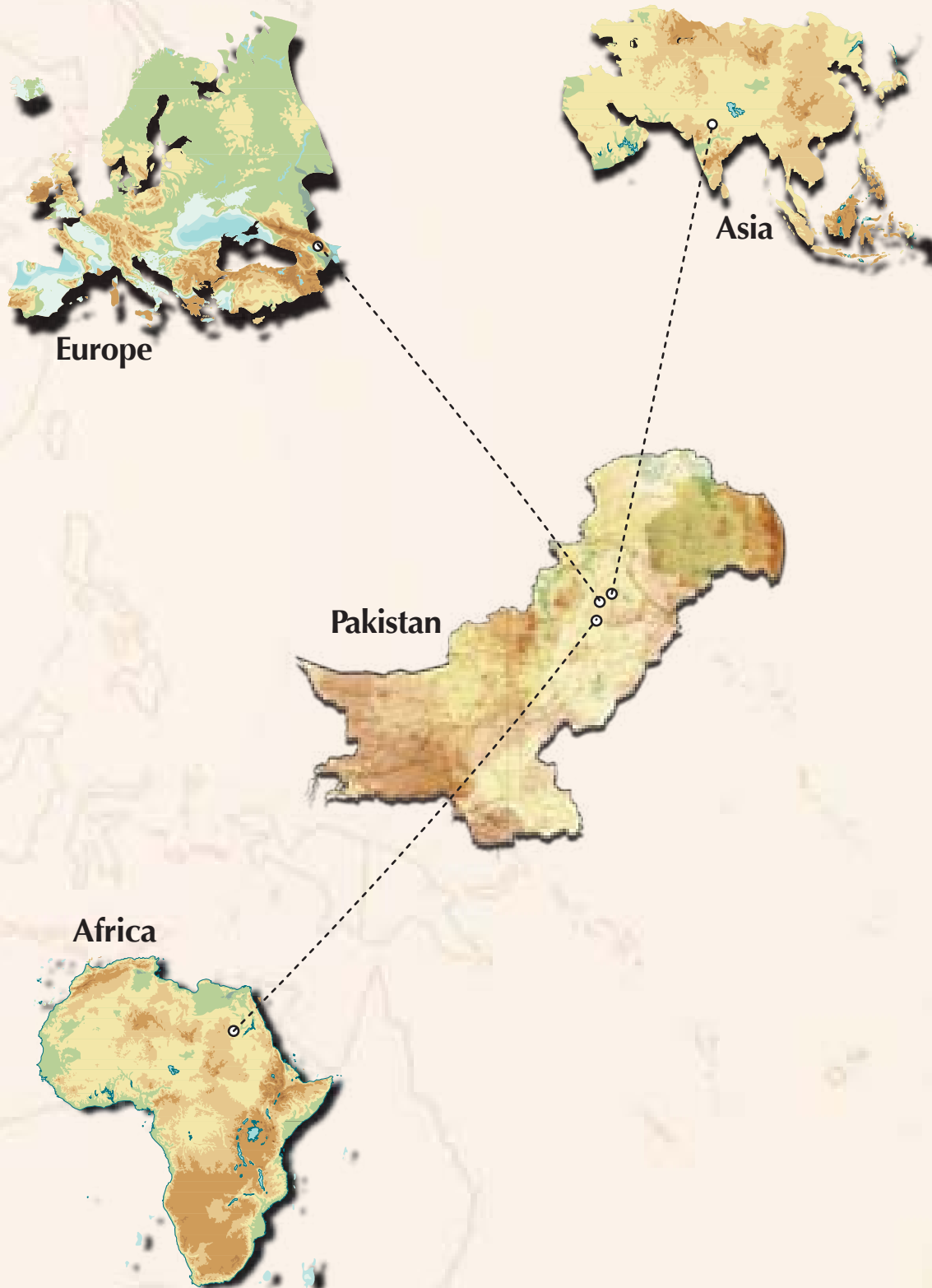
June 30

Year End Closing

Our Locations



Geographical Presence



Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on Tuesday, October 24, 2017 at 11.30 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2017 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of final cash dividend @ 70% (Rs. 7.00 per share) in addition to interim cash dividend @ 25% (Rs .250 per share) already paid to the shareholders for the financial year ended June 30, 2017 as recommended by the Board of Directors.
3. To elect eight (8) Directors of the Company as fixed by the Board of Directors u/s 159(1) of the Companies Act, 2017. The names of retiring Directors are (1) Mr. Akbarali Pesnani (2) Mr. Amer Faruque (3) Mr. Aslam Faruque (4) Mr. Shehryar Faruque (5) Mr. Arif Faruque (6) Mr. Tariq Faruque (7) Mr. Abrar Hasan (8) Mr. Abid Naqvi.
4. To appoint Auditors for the year 2017/18 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

By Order of
the Board of Directors



Abid Vazir
Executive Director &
Company Secretary

Karachi: August 23rd, 2017

NOTES:

1. The register of members of the Company will be closed from Tuesday, October 10, 2017 to Tuesday, October 24, 2017 (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 Monday, October 9, 2017 will be treated in time for the entitlement of final cash dividend. The payment of cash dividend will be made on the existing paid up capital of Rs. 296,055,000
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
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.
4. Any person who intends to contest the election to the office of the Directors or otherwise, file with

the Company at its Head Office not later than fourteen (14) days before the date of the Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.

5. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.
6. 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.
7. Section 242 of the Companies Act 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the accounts of the shareholders. In compliance of the same shareholders of the company are requested to provide their bank mandate to the Company's Share Registrar at the earliest.
8. 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 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.

STATUS OF INVESTMENT IN UNIENERGY LIMITED

The Company in its Annual General Meeting held on October 15, 2015, had obtained the approval of its shareholders for investment of up to Rs. 150 million in the equity of UniEnergy Limited. Keeping in view the status of the project and its financial requirements, the Company has so far invested Rs. 4.62 million only. The remaining amount will be invested by Cherat Packaging Limited as and when required by UniEnergy Limited.

STATUS OF INVESTMENT IN CHERAT CEMENT COMPANY LIMITED

The Company in its Annual General Meeting held on October 31, 2016, had obtained the approval of its shareholders for an investment of up to Rs. 100 million by acquiring shares of Cherat Cement Company Limited from the market. During the year the Company purchased shares worth Rs. 96.6 million approximately. No further shares shall be acquired by the Company.

STATUS OF INVESTMENT IN MIRPURKHAS SUGAR MILLS LIMITED

The Company in its Annual General Meeting held on October 31, 2016, had obtained the approval of its shareholders for an investment of up to Rs. 50 million by acquiring the shares of Mirpurkhas Sugar Mills Limited from the market. No investment has been made during the year.



Chairman's Review

It gives me immense pleasure to share with you the financial results of the Company for the year 2016/17. Over the last five years, CPL has grown from strength to strength. Its growth oriented strategy, based upon identifying potential market opportunities and regular capacity expansions, have helped the company in achieving its objectives of being a market leader.

Being the largest supplier in Pakistan to provide single window solution for all packaging needs of the cement industry, CPL has become a supplier of choice for its loyal customers not just in Pakistan but also globally. Over the years, the company continued to enhance its market share by successfully producing and supplying quality paper and PP bags to the cement industry. Last year, the company placed the order for a Universal Papersack line having a capacity of 135 million bags per annum. The new line which has been ordered from Windmoller & Holscher, Germany the leading supplier of papersack machinery will have the capability to produce smaller bags too. With the addition of this line in October 2017, the Company will not only be able to cater to diversified markets but will also be able to meet the requirements of its existing clients on timely basis without compromising on quality. The company has always been at the forefront of innovation and is responsible for introducing several new varieties of cement bags in Pakistan including the highly successful 2 ply paper bags and low grammage PP bags. Besides making successful inroads in export markets, the company is also supplying bags to sugar, wheat, fertilizer, chemical and other sectors.

The Company has decided to establish a Flexible Packaging project to diversify its operations. Flexible packaging offers a great future potential to the company to further grow its business. With an eye on this fast evolving consumer market, CPL has decided to invest in the best European equipment to ensure it can become a leading supplier in this industry. By virtue of this project, the company will be better able to further diversify its operations and better allocate its fixed costs.

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

August 23, 2017



Akbarali Pesnani
Chairman





CEO's Message

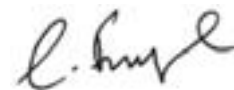
Cherat Packaging is on a course of greater success and brighter horizons. In the year gone by, your Company has performed outstandingly and has remained the largest producer and supplier of papersack and PP bags to the cement plants in Pakistan.

Given the market demand and trends, we have decided to expand our business by venturing into the new field of flexible packaging. Wheels for this expansion have been set in motion and by the end of July 2018 the Company will be catering to the flexible packaging market.

Cherat Packaging is a one-stop solution for all packaging requirements of cement manufacturers and it has remained as the top cement packaging solution provider. Our exports have also increased and new markets have also been added to our portfolio. The Company is also providing bags to the rice, sugar, chemical and fertilizer industries. Our new papersack plant will be in operation by October 2017 and will increase our production volume by 135 million bags per year which will of course mean higher sales volume and a larger share of the market for the Company.

Cherat Packaging aims to be THE packaging solution provider and we at the Company have committed ourselves to doing just that by continuously operating at the best of our capabilities and enhancing the size of our business. Your trust and cooperation have gone a long way in strengthening our resolve and will continue to do so in the future.

August 23, 2017



Amer Faruque
Chief Executive



Directors' Profiles

Mr. Akbarali Pesnani

Chairman

Mr. Akbarali Pesnani is an MBA and 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 levels for over 43 years. Presently he is the Chairman of Cherat Packaging Ltd., and Aga Khan Cultural Service Pakistan and a Director on the Board of Jubilee General Insurance Co. Ltd., Air Safira Ltd., and Air Asia Ltd. His association with the Ghulam Faruque Group dates back almost 36 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 the 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. In the past he 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 (LUMS) and the Centre of International Private Enterprise (CIPE). He is also 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, Unicol Ltd, UniEnergy Ltd and Mirpurkhas Energy Ltd. He is on the Board of Directors of 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 serves on the Board of Directors of Cherat Cement Company Ltd, Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd, Zensoft (Pvt.) Ltd and Mirpurkhas Energy Ltd. Mr. Shehryar Faruque is also serving as Director of NBP Fullerton Asset Management Company (NAFA) and Summit Bank Ltd.



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 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, Cherat Cement Company Ltd, Zensoft (Pvt.) Ltd, UniEnergy Ltd., and IGI Investment Bank Ltd. Besides the above, he is also 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, Faruque (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd, Unicol Ltd and Mirpurkhas Energy Ltd.

Mr. Tariq Faruque was also a Member of the Board of Directors of Oil and Gas Development Company and also served on the Board of Governors of Marie Adelaide Leprosy Centre. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

Mr. Abid Naqvi

Director

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

Mr. Abrar Hassan

Director

Mr. Abrar Hassan 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. Hassan 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. Besides this, he is also a Director of Associated Textile Consultants (Pvt.) Ltd, Pakistan Business Council and The Health Foundation.



Directors' Report to the members

for the year ended June 30, 2017

The Board of Directors is pleased to present the annual report of the Company along with the audited financial statements for the year ended June 30, 2017.

COMPANY OVERVIEW

Rising demand for cement in the backdrop of improving macroeconomic environment coupled with initiation of CPEC projects, has resulted in an increased sale of bags produced by the Company. During the year under review, the company, while continuing to achieve new production and dispatch milestones, diversified into different product segments and explored new markets for export of PP bags. This consolidated the position of the company as the market leader. Because of its ability to cater to all cement packaging requirements of its valuable customers, the company was able to enhance its sales volume and at the same time improve its operational and financial efficiencies, which allowed it to pursue new ventures.

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

	2017	2016
	(Rupees in million)	
• Net sales	6,443.93	6,888.61
• Gross Profit	1,256.48	1,582.07
• Net Profit	702.05	918.24

FINANCIAL PERFORMANCE

Despite increase in sales volume, there was a decline in the sales revenues of the company from last year. This was mainly due to adjustment in selling prices of bags in line with the market conditions and introduction of low grammage high quality PP bags, which are cheaper in price compared to conventional bags used by the cement industry earlier. In a period of rising input costs, the company efficiently managed its inventory and appropriately utilized its resources to rationalize its production costs. Always striving for innovation, the company successfully introduced new varieties of packaging solutions like BOPP bags to its customers during the year. The company also increased its export of PP bags by entering into new markets and also supplied its bags to various industries like sugar, fertilizer, chemicals etc. It made a name for itself as a supplier of premium quality bags in the export markets of Asia, Africa and Europe. For the year 2016/17, the company was able to achieve an after tax profit of Rs. 702 million.

UPDATE ON PROJECTS

- **Universal Papersack Plant:**
Work on the installation of the universal papersack line is progressing on schedule. Civil works pertaining to the project have been completed and the plant has arrived at the factory. As informed earlier, the company has arranged a long term loan for the project with a leading bank on competitive terms. Addition of the universal papersack line will enhance the production capacity to around 400 million papersacks per annum. Besides conventional cement bags, it will also allow the company to produce smaller sized bags for other related products. The management remains confident of gaining further market share and achieving greater economies of scale, which will add value to its operations. The plant is expected to be operational by October 2017.
- **Flexible Packaging Project:**
As part of its diversification strategy, the company has decided to establish a Flexible Packaging project. Flexible packaging is a growing field of business worldwide and offers a great future potential to the company to further grow its business. With an eye on this fast evolving consumer market, CPL has decided to invest in top-end equipment to ensure it can keep pace with the best of the established players right from the start. The company has placed the order to acquire the plant from leading European suppliers with main equipment being procured from M/s. Windmoller & Holscher, which is a leading machine supplier of this industry. The total cost of the project is around Rs. 1.7 billion and it is expected to be completed by July 2018. CPL will be the first company in Pakistan to come up with the roto, flexo, extrusion and cylinder making machines all at the same time.

DIVIDEND

At its meeting held on August 23, 2017 the Board of Directors has proposed a final cash dividend @ 70% (Rs. 7/- per share) for the year ended June 30, 2017. This is in addition to 25% (Rs. 2.50 per share) interim cash dividend declared earlier. The approval of members for the cash dividend will be obtained at the Annual General Meeting to be held on October 24, 2017.

RIGHT SHARES

The Board of Directors has decided to issue 13.50% right shares on the existing paid-up capital of the Company in the ratio 13.50 shares for every one hundred (100) shares held. The right shares will be offered at an issue price of Rs. 125/- per share including a premium of Rs. 115/- per share. The amount so raised shall be used towards the financing of the flexible packaging project of the Company. The Company plans to raise approximately Rs. 500 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.

CORPORATE SOCIAL RESPONSIBILITY

Being an active and socially aware member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility especially towards the betterment of the people living in the areas around the factory. The company works with many reputable organizations and NGOs in Pakistan like The Aga Khan University and The Citizens Foundation. The Company has always stood by the people of Pakistan in their hour of need and shall always 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, 2017.

Provident Fund	Rs. 137.16 million
-----------------------	---------------------------

Gratuity Fund	Rs. 91.71 million
----------------------	--------------------------

- During the year, five 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	4
Mr. Amer Faruque	5
Mr. Aslam Faruque	4
Mr. Shehryar Faruque	5
Mr. Arif Faruque	5
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. Abid Naqvi	3
Mr. Tariq Faruque	4
Mr. Arif Faruque	3

- During the year, two meetings of the Human Resource and Remuneration Committee were convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
Mr. Abrar Hasan	2
Mr. Aslam Faruque	2
Mr. Amer Faruque	2

- 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.
- Earnings per share (EPS) during the year was Rs. 23.71 compared to Rs. 31.02 last year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed around Rs. 2 billion to the Government treasury in the form of duties and taxes.

UNIENERGY LIMITED

UniEnergy - a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhampir, district Thatta. The JV partners have made initial equity investment in the company to meet the ongoing financial requirements for the project. In this regard, Cherat Packaging has made an equity investment of Rs. 4.62 million following the approval of the shareholders. At present, work on technical studies is taking place on the project. Furthermore, the management of the company is in the process of getting approvals from various governmental agencies and is also in touch with financial institutions for funding of the project.

FUTURE PROSPECTS

The Company's growth strategy is based upon servicing potential market opportunities and regular capacity expansions to align towards its long-term growth objectives of being a leading player in the field of packaging. Growth in the demand for cement is having a positive impact on the sale of bags produced by the company. Benefits of stable economy and launch of infrastructural projects under China Pakistan Economic Corridor is boosting the construction activities in the country. In these market conditions, the ability to provide both PP bags and paper bags will enable the company to meet the rising demand for cement bags. Furthermore, it will also allow the company to explore new market segments including export of PP bags and packaging material for other products like sugar, fertilizer, chemicals etc. including smaller bags. Being the largest company in Pakistan to provide single window cement packaging solution, CPL is strategically well positioned to meet the requirements of its valuable clients. We are confident that these measures will further drive the sales of the company in the future. However, rising prices of key raw materials like kraft paper and PP granules is a cause of concern for the company. The addition of new flexible packaging division will enable the company to diversify into new market segments to further grow its business.

AUDITORS

The present auditors M/s. EY Ford Rhodes, 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 Windmoller & Holscher for their cooperation and support to the Company.

On behalf of the Board of Directors



Amer Faruque
Chief Executive

Karachi: August 23, 2017

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.

Cherat Packaging Limited has always been up-to-the-minute when it comes to expansions. FMCG companies in Pakistan have shown substantial business growth in last several years and are expected to continue to grow. As a result, it is creating and expected to create huge demand for flexible packaging. Keeping this in view and foreseeable potential growth, CPL has decided to diversify its business further by entering into flexible packaging business. Cherat Packaging Limited will be the only national company having paper, polypropylene and flexible packaging lines under one roof. 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. Sales volume of CPL has increased by 3.18%. However, despite increase in the volume, revenue of the Company reduced due to introduction of low grammage high quality bags which are cheaper in price. Apart from aforementioned, selling prices were adjusted in line with market conditions which contributed in reduced revenue by 6.47%.

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 fledged 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. CPL offers education assistance plan to nurture growth and encourage professional education of employees. The education assistance program not only equips employees with improved academics and technical knowledge but also provides the Company with rightly equipped human resource to face the new challenges offered by expansions, diversifications and business growth. 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 have the 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 sales quantity controlled costs and satisfied customers base with no major complaints.



Human Resource Management

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

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.

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. The Company also inducts apprentices in its Apprenticeship Program through which graduates from reputable institutions are regularly inducted. A management trainee program is also in place to meet the future requirements.

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.

ENERGY CONSERVATION

Energy conservation helps increase quality of environment and reduce energy requirements. For this purpose and being a responsible corporate citizen, CPL initiated a program to conserve energy. Initially, CPL has installed low power highly efficient Light Emitting Diode (LED) lights at its factory premises. Further, CPL has devised a production plan in order to use its production facility efficiently with lesser energy usage. Further, CPL is also exploring viability of installing solar panels to produce green energy.

Energy Conservation Drive at Head Office

During the year, installation of LED lights and through trainings and awareness on energy conservation measures has resulted in considerable savings in electricity consumption at Head Office as compared to last year.

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 but also has made early repayments of long term loans while increasing 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 3.69. 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 5 years the Company has issued right shares twice to finance the expansion projects.

Liquidity Strategy

In view of the strong liquidity position and available unutilized short-term finance facilities of more than Rs. 3 billion, 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.

The Company arranged a long-term loan of Rs. 600 million for Universal Papersack line project at a very competitive rate. The loan was drawn subsequent to the year-end. To maintain optimum mix of debt and equity, CPL ensured adequate debt and equity mix for Flexible Packaging project. A right issue of Rs. 500 million is planned while the balance will be financed through a long-term loan which is already arranged at a very economical rate.

Changes in Financial Position, Liquidity and Performance

Profit of the company has reduced due to various factors including, increase in prices of imported raw material, depreciation of Pak rupee against USD, market conditions etc. It has always been the policy of the Company to facilitate our valued customers hence increase in raw material prices were not fully passed on to the customers. Nevertheless, the Company was able to keep its performance above par and ended the current financial year at a high note. Accordingly, the financial position, liquidity and cash flows of the Company have improved further. (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 met all the key targets set in our last year's budget especially pertaining to production and profitability. We have been able to maintain our market share.

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. The Company has also successfully installed Convertex of 3rd PP line with in targeted time frame.

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

Cherat Packaging is the largest player in the cement packaging business. Introduction of new products have always been the strength of the Company. Its production and sales are increasing every year on the bank of introduction of new products for cement industry. Since CPL can produce high quality 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. CPL has introduced low gram high quality bags which were well received by cement companies. These bags are cheaper in price but provide same level of signature strength for which Cherat Packaging is known for. The Company's product of 2 ply paper bags is unmatched 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 Company has donated more than Rs. 1 million during the year. The recipients mainly include The Aga Khan Hospital and Medical College Foundation, other trusts and IBP School of Special Education Karachi.

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 approved and continuously 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 maintained 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 is 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.



Forward Looking Statement

Amid the improving economic and security environment in the country and initiation of CPEC, 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 working towards capitalizing 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.

To meet anticipated demand of cement industry and sustain its growth pattern, the company has installed Convertex of PP Line 3 and furthermore, the Company

is in process of installing Universal Papersack Line (Kraft paper line 5) having production capacity of 135 million bags per annum. In addition to cater cement industry demand, Universal Papersack Line is capable of producing other bags which goes with the Company's philosophy of diversification. Additionally, growth of FMCG in the country on account of growth of middle class population provides a promising future to flexible packaging industry, so, to reap the future benefits of the growth, the Company has decided to enter into flexible packaging business. The Company is confident to capitalize on anticipated economic growth to increase its market share. Being a single window cement packaging solution company, 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 success and has established its name as a quality packaging supplier in international market.

Further, it is also working towards producing polypropylene bags for use in the packaging of other products like sugar, fertilizer, rice and chemicals. Additionally, Company has introduced low grammage high quality bags which were well received. 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.

Availability of power at competitive rates is a critical factor for the company. Other areas of concern may be volatility in international commodity pricing and exchange rates.

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

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 and continue to support its employees in enhancing their professional capabilities in future also which would equip the employees with required technical and management skills in the years to come.

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 including CPEC related 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 foresees 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:

	2017/18	2018/19	2019/20
	(Rupees in million)		
Revenue	7,304	9,827	10,621

Company Performance Against Last Year Projections

The Company anticipated growth in local cement demand in the last year forward looking statement which has increased by 8% in FY 2017. The Company was actively striving to improve export of the Company which has increased by 33.20% as against last year. As anticipated, production capacity and sales volume of the Company has increased because of expansion in view of the Company's diversification strategy. However, CPL has witnessed slight reduction in profitability due to stiff competition, entry of new players, increase in raw material prices and volatility of exchange rates however, this was in line with our anticipation. The Company has successfully introduced new bags of different variety, mainly low grammage high quality polypropylene bags, as highlighted last year. All financial and non-financial targets established during last year were met to a greater extent.

ADDITIONAL DISCLOSURES

Fair Value of Property, Plant and Equipment

Total Assessed Present Market value of existing plant, machinery and building is more than Rs. 1.9 billion. However, the same has not been incorporated in financial statements as the Company adopts Written-Down Valuation (WDV) for subsequent measurement of Property, Plant and Equipment.

Significant Material Assets

Significant material assets of the Company are building, Kraft Paper sacks production line (Tuber, bottomer, slitter, glue making plant etc.) and Polypropylene bags production line (Extruder, weaver, laminator, convertex etc).

Plant Capacity

The Company has an annual production capacity of 460 million bags, which is determined on the basis of 330 days operation.

Awards and Recognition

Best Corporate Reporting Award ICAP, ICMAP

For the financial year 2014, 2015 and 2016 Cherat Packaging participated for Best Corporate Report Awards. The Contest is jointly conducted by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The Company secured the 1st position for three consecutive years in "Others Category".

South Asian Federation of Accountants (SAFA) Award

In recognition of the Cherat Packaging's endeavor for transparency in corporate reporting, the annual report of the Company was nominated in SAFA Awards for Corporate Governance Disclosure Award 2015. The event was held in Bangladesh and the Company was awarded certificate of merit for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures in Annual Report 2015.

Corporate Excellence Award

Cherat Packaging's outstanding performance was also recognized by the Management Association of Pakistan on account of Best Management Practices and the Company was awarded Amir S. Chinoy - Corporate Excellence Award in "Paper and Board" Category for the year 2016.

Forbes: Asia's Best Under A Billion Company

Forbes annual Best Under A Billion list highlights 200 Asia-Pacific public companies with less than \$1 billion in revenue and consistent top-and bottom-line growth. This year's candidates come from 13 countries and averaged 55% growth in sales, a 24% profit margin, and 113% growth in earnings per share. Cherat Packaging was also nominated for the Forbes- Asia's Best Under A Billion Company.



These achievements show 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.

Critical Performance Indicators

FINANCIAL INDICATORS

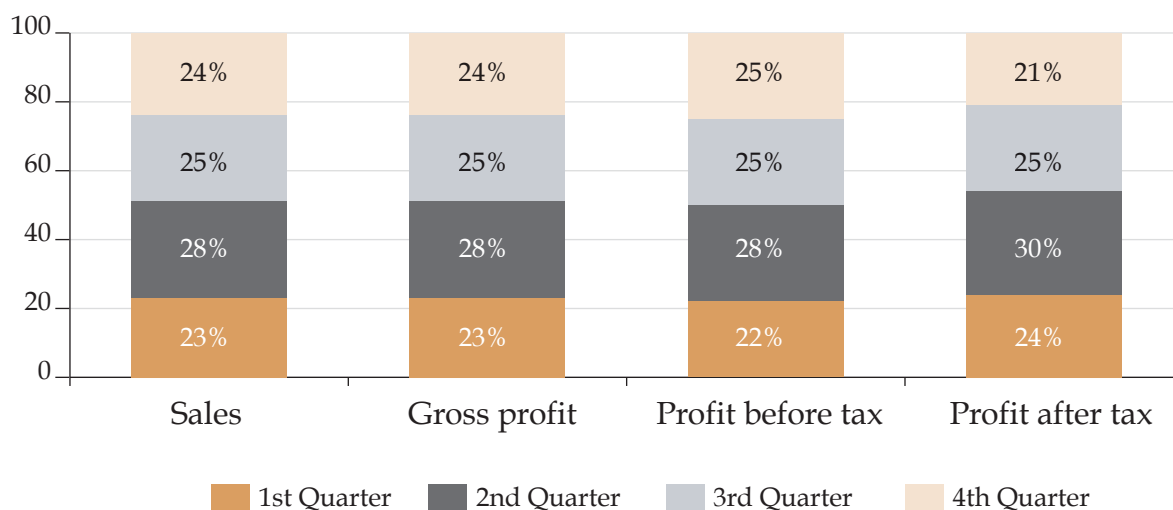
Sales 6,444 (Rs. Million) Decrease by -6.46%	Gross profit 1,256 (Rs. Million) Decrease by -20.58%	Market price per share 237.78 (Rs.) Decrease by -30.43%
Profit after tax 702 (Rs. Million) Decrease by -23.54%	Earnings per share 23.71 (Rs.) Decrease by -24.85%	Interim & final cash dividend 281,252 (Rs. Million) Decrease by -5.00%
Breakup value per share 135.68 (Rs.) Increase by 21.13%	Cash generated from operating activities 376 (Rs. Million) Decrease by -71.41%	Wealth distributed 6,464 (Rs. Million) Decrease by -6.55%

NON-FINANCIAL INDICATORS

Objective	CPIs monitored	Future relevance
Product development.	Produce high quality and low cost bags for various industries.	The company believes in innovation and introducing new varieties for cement and other industries in Pakistan.
Business Diversification.	Analyze various prospects of investments in packaging industry and invest in the most promising venture.	The CPIs shall remain relevant in the Future.
Maintain industry leadership and expand sales.	Market share, price management and identification of new markets.	
Enhance operational efficiency and efficient inventory management.	Production efficiency ratios and Activity ratios.	
Economize on costs – eliminating redundancies.	Optimization of available resources and better allocation of fixed costs.	
Shareholder value.	EPS, ROE, Asset Turnover and DPS.	
Sustainability.	Current Ratio, Gearing and Interest Cover.	

Quarterly Performance Analysis

	Sep-16	Dec-16	Mar-17	Jun-17	Total
	(Rupees in '000)				
Sales - Net	1,491,035	1,801,768	1,597,945	1,553,184	6,443,932
Cost of Goods Sold	(1,196,501)	(1,449,770)	(1,284,820)	(1,256,363)	(5,187,454)
GROSS PROFIT	294,534	351,998	313,125	296,821	1,256,478
Selling Expenses	(31,408)	(28,019)	(31,557)	(26,214)	(117,198)
Administrative Expenses	(15,511)	(17,511)	(14,408)	(14,715)	(62,145)
Other charges	(16,972)	(21,029)	(17,936)	(4,645)	(60,582)
	(63,891)	(66,559)	(63,901)	(45,574)	(239,925)
Other Income	1,086	11,444	6,033	1,945	20,508
OPERATING PROFIT	231,729	296,883	255,257	253,192	1,037,061
Finance Cost	(15,570)	(19,781)	(15,066)	(13,701)	(64,118)
Profit before taxation	216,159	277,102	240,191	239,491	972,943
Taxation	(47,845)	(65,601)	(67,448)	(90,000)	(270,894)
Profit after taxation	168,314	211,501	172,743	149,491	702,049



Quarterly Results Analysis

Quarter 1

- Sales:** The first quarter sales of financial year 2017 decreased as compared to June quarter of financial year 2016 due to decrease in quantity sold along with adjustment of prices in line with market conditions.
- Cost of sales:** This quarter witnessed reduced cost as compared to last quarter due to reduction in quantity produced. Cost did not reduce in correlation with sales due to increase in Polypropylene granulate prices.
- Operating profit:** Due to factors mentioned above, operating profit reduced as compared to June quarter of financial year 2016.
- Net Profit:** Net profit for the quarter ended September 2016 did not reduce at same ratio as of operating profit due to imposition of Super tax by federal government in finance bill of 2016 causing high tax incidence in June 2016 quarter last year.

Quarter 2

- Sales:** Sales increased due to increase in dispatches.
- Cost of sales:** Cost of sales increased due to increase in dispatches however, the cost increment was partially curtailed by downward revaluation of euro exchange rates.
- Operating profit:** Apart from aforementioned factors, the company had received dividend income which resulted in increased operating profit of the company.
- Net Profit:** Net profit increased due to increased sales and dividend income.

Quarter 3

- Sales:** Sales decreased owing to decline in dispatches due to winter season moreover, Paper & PP bags prices were also reduced during the quarter.
- Cost of sales:** Cost of sales showed declining trend in the quarter due to decrease in production and increase in prices of imported raw material.
- Operating profit:** Due to winter season, operating profit reduced as compared to December quarter.
- Net Profit:** Net profit decrease at the same ratio as of operating profit due to aforementioned reasons.

Quarter 4

- Sales:** Sales decreased due to decline in dispatches because of stiff market competition.
- Cost of sales:** Cost of sales decreased due to decrease in quantity dispatched & production of low grammage high quality bags, however the impact was set off because of increase in Euro to PKR exchange rate.
- Operating profit:** Operating profit declined with respect to cost of sales ratio, but the impact was set off owing to reversal of Workers' Welfare Fund during the quarter.
- Net Profit:** Besides above factors, net profit of CPL has reduced due to imposition of super tax and hence increased tax expense.

Risks and Opportunities

The board of Cherat Packaging Limited (CPL) 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

CPL 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.

Risk level	Risk	Key source of uncertainty	Mitigating strategy
High	Rising Cost of Imported Raw Material	Raw material cost component is a substantial part of the overall cost of production of the Company. Suppliers increase the cost of products supplied in view of international economic conditions including rising costs of international fuel prices.	The Company analyses raw material prices offered by various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key international raw material suppliers which benefit the company in price negotiation and prompt material delivery.
High	Exchange Rate Fluctuation	It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD and Euro.	The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements.
Moderate	Availability of Imported Raw Material:	The Company's business is dependent on imported raw material like kraft paper and polypropylene granules. Any shortage of the material may hamper the production and sales activity of the Company.	The Company manages strategic relationship with best and high quality international suppliers of raw material, as already mentioned. Further, effective inventory management accounts for forthcoming production plan to determine safety stock level and reordering of raw materials.
Moderate	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.	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.

Risk level	Risk	Key source of uncertainty	Mitigating strategy
Low	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.	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.
Low	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.	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 has dual facility 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.

Modern Equipment: Cherat Packaging has the most modern and state-of-the-art machinery for both kraft paper and polypropylene bags. This efficient machinery enables the company to operate with the minimum cost of production, thereby offering its customers low grammage high quality bags in cheap price. This in turn results not only in customer retention but also attracts new customers.

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 Act 2017 (earlier Companies Ordinance, 1984) are referred to the Board of Directors for their approval.



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 reported 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.





Insider Trading Policy

Cherat Packaging has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enabling the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

The general guidelines within the policy state that:

- i. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the Code of Corporate Governance, within the Closed Periods announced by the Company.
- ii. No insider may purchase or sell any Company security while in possession of material non-public information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions
- iii. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
- iv. In addition, no insider may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

The Company's Responsibility to Disclose Inside Information

The Company's responsibility, in case of inside information made known to a third party, shall be to ensure that in such case the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party is placed under legal obligation to maintain confidentiality.



Social & 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.

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 of Papersack and Polypropylene Bags

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.



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 registered office in Peshawar on Monday, October 31, 2016 at 09:00 a.m. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the untiring efforts made by the management in achieving another remarkable year in terms of production, sales and profitability.

Shareholders raised different questions on the Financial Statements, especially with respect to raw material prices and future outlook of the Company. The questions were answered in details by the management after which the Financial Statements were approved by the Shareholders.

Shareholders inquired about the progress work on Kraft paper line V for which they were given a detailed briefing that all work is going as per schedule.

Shareholders also gave approval for appointment of M/s. EY Ford Rhodes, Chartered Accountants as external Auditors and distribution of cash dividend.

Matters raised in the last AGM

During the proceedings of 27th Annual General Meeting, shareholders eulogized Company's performance and inquired about the expansion progress.

Replying to a query regarding future profitability of the Company, the management informed that the fore coming year may be tough as entry of new players is expected. However, we expect to meet the challenge through better quality products and diversified product lines. Moreover, raw material prices were abnormally low during the FY 2016. The Company may face increased challenge in FY 2017.

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. We believe in strategic relationships and we have strategic alliance with Mondi Packaging, Sabic and Windmoller & Holscher.

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 being the Chairman of the committee. The Chief Internal Auditor (CIA) and the external auditor attend Audit Committee meetings. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) attend the audit committee meeting by invitation whenever required by the audit committee. 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 2016-17, 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 to 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 two [2] meetings 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 (BOD) 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 & CHIEF EXECUTIVE OFFICER

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 Officer with clear division of roles and responsibilities.

ROLES OF CHAIRMAN & CHIEF EXECUTIVE OFFICER

Roles of Chairman and Chief Executive Officer 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 5 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control the management 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 compiled 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:** The Board of Directors 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 Head of Internal Audit and the external auditor attend Audit Committee meetings. The Chief Financial Officer (CFO) attends Audit Committee meeting 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 2016-2017. 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 Pakistan Stock Exchange, 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.

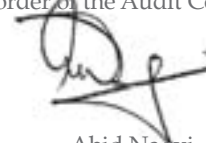
INTERNAL AUDIT

1. 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.
2. 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.
3. Head of Internal Audit Department has direct access to the Audit Committee. The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

EXTERNAL AUDIT

1. The external auditors M/s. EY Ford Rhodes, 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.
2. The Audit Committee has reviewed and discussed Audit observations and Draft Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall accordingly be discussed in the next Audit Committee Meeting.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2018.

By order of the Audit Committee



Abid Naqvi
Chairman, Audit Committee
August 18, 2017

Horizontal Analysis - Last Six Years

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	2,703,235	24%	2,174,501	23%
Current Assets	2,863,159	14%	2,510,213	15%
TOTAL ASSETS	5,566,394	19%	4,684,714	19%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,016,877	21%	3,316,291	51%
Non-Current Liabilities	774,085	76%	440,975	-46%
Current Liabilities	775,432	-16%	927,448	0%
TOTAL EQUITY AND LIABILITIES	5,566,394	19%	4,684,714	19%
PROFIT AND LOSS ACCOUNT				
Turnover - net	6,443,932	-6%	6,888,605	11%
Gross profit	1,256,478	-21%	1,582,067	21%
Operating profit	1,037,061	-25%	1,380,395	22%
Profit before taxation	972,943	-26%	1,307,991	42%
Profit after taxation	702,049	-24%	918,239	41%

2015		2014		2013		2012	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
1,765,831	17%	1,511,414	6%	1,426,081	34%	1,063,054	109%
2,176,458	-5%	2,295,302	7%	2,135,393	56%	1,369,884	7%
<u>3,942,289</u>	<u>4%</u>	<u>3,806,716</u>	<u>7%</u>	<u>3,561,474</u>	<u>46%</u>	<u>2,432,938</u>	<u>36%</u>
2,198,965	59%	1,385,242	14%	1,211,844	33%	911,129	4%
816,728	5%	780,000	70%	460,000	10%	418,750	644%
926,596	-44%	1,641,474	-13%	1,889,630	71%	1,103,059	29%
<u>3,942,289</u>	<u>4%</u>	<u>3,806,716</u>	<u>7%</u>	<u>3,561,474</u>	<u>46%</u>	<u>2,432,938</u>	<u>36%</u>
6,223,832	16%	5,355,792	30%	4,129,334	27%	3,256,878	32%
1,307,251	116%	606,600	39%	436,533	57%	278,228	-8%
1,132,788	129%	494,810	49%	332,348	60%	208,144	-12%
922,635	243%	268,801	53%	175,395	228%	53,491	-68%
651,411	159%	251,486	112%	118,569	66%	71,531	-62%

Vertical Analysis - Last Six Years

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-current Assets	2,703,235	49%	2,174,501	46%
Current Assets	2,863,159	51%	2,510,213	54%
TOTAL ASSETS	5,566,394	100%	4,684,714	100%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,016,877	72%	3,316,291	71%
Non-Current Liabilities	774,085	14%	440,975	9%
Current Liabilities	775,432	14%	927,448	20%
TOTAL EQUITY AND LIABILITIES	5,566,394	100%	4,684,714	100%
PROFIT AND LOSS ACCOUNT				
Turnover - net	6,443,932	100%	6,888,605	100%
Gross profit	1,256,478	19%	1,582,067	23%
Operating profit	1,037,061	16%	1,380,395	20%
Profit before taxation	972,943	15%	1,307,991	19%
Profit after taxation	702,049	11%	918,239	13%

2015		2014		2013		2012	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
1,765,831	45%	1,511,414	40%	1,426,081	40%	1,063,054	44%
2,176,458	55%	2,295,302	60%	2,135,393	60%	1,369,884	56%
<u>3,942,289</u>	<u>100%</u>	<u>3,806,716</u>	<u>100%</u>	<u>3,561,474</u>	<u>100%</u>	<u>2,432,938</u>	<u>100%</u>
2,198,965	56%	1,385,242	36%	1,211,844	34%	911,129	37%
816,728	21%	780,000	20%	460,000	13%	418,750	17%
926,596	24%	1,641,474	43%	1,889,630	53%	1,103,059	45%
<u>3,942,289</u>	<u>100%</u>	<u>3,806,716</u>	<u>100%</u>	<u>3,561,474</u>	<u>100%</u>	<u>2,432,938</u>	<u>100%</u>
6,223,832	100%	5,355,792	100%	4,129,334	100%	3,256,878	100%
1,307,251	21%	606,600	11%	436,533	11%	278,228	9%
1,132,788	18%	494,810	9%	332,348	8%	208,144	6%
922,635	15%	268,801	5%	175,395	4%	53,491	2%
651,411	10%	251,486	5%	118,569	3%	71,531	2%

Comments on Horizontal Analysis

BALANCE SHEET

Fixed assets

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

Investments

Company made investment in Cherat Cement Company Limited (CCCL) Shares of Rs. 96.45 million (600,000 shares). Additionally, stronger market price of CCCL provided unrealized capital gain of approximately 262 million in current year while cumulative unrealized gain reached approximately Rs. 665 million.

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 adjusted its tax liability for the year against the tax refunds. Moreover, the Company had exemption 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 continued to make profits; moreover, issuance of right shares in 2011, 2013 and 2016 to finance expansions also resulted in increase in shareholders' equity.

Long-term loans

CPL has always strived to maintain strong debt equity ratio to optimize returns this is why CPL finances its project as combination of debt and equity. Owing to sturdy financial position, CPL paid off Tranch I of a term loan of Rs. 100 million, moreover, during the year, the company obtained Rs. 450 million term loan against expansion of PP Line III.

Current liabilities

Current liabilities reduced due to efficient management of inventory causing reduced bills payable against imported raw material, moreover, reversal of WWF and decreased WPPF provision due to lower profitability also have impacted the current liabilities.

PROFIT AND LOSS ACCOUNT

Turnover

Turnover increased over last six years mainly on account of expansions, increased market share and appreciation of market prices in addition to induction of PP Plant. However, in current year despite increase in quantity sold than last year, turnover of the Company reduced due to introduction of low grammage bags which are cheaper in price yet high in quality. Further, adjustment of selling prices in line with market conditions also impacted the turnover.

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. However, Gross profit in current year reduced owing to high production cost which increased mainly due to increase in prices of imported raw material.

Operating profit

Operating profit decreased due to decrease in Gross Profit margin.

Finance costs

Despite enhancements in operation, finance costs reduced by reason of reduction in discount rates by SBP and better cash flows.

Net profit

Net profit is also showing positive trend by virtue of reasons mentioned above in addition to recognition of tax credits available against capital expenditures made in financial years 2012 through 2016. The company has also accounted for super tax as imposed by Federal Govt both in current and last two years. However, in the current year net profit decreased with respect to reasons mentioned earlier.

Comments on Vertical Analysis

BALANCE SHEET

Fixed assets

Ratio of fixed increased mainly due to installation of 5th convertex in FY 2017.

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

CPL paid off Tranch I of a term loan of Rs. 100 million, moreover during the year, the company obtained Rs. 450 million term loan against expansion of PP Line III.

PROFIT AND LOSS ACCOUNT

Gross profit

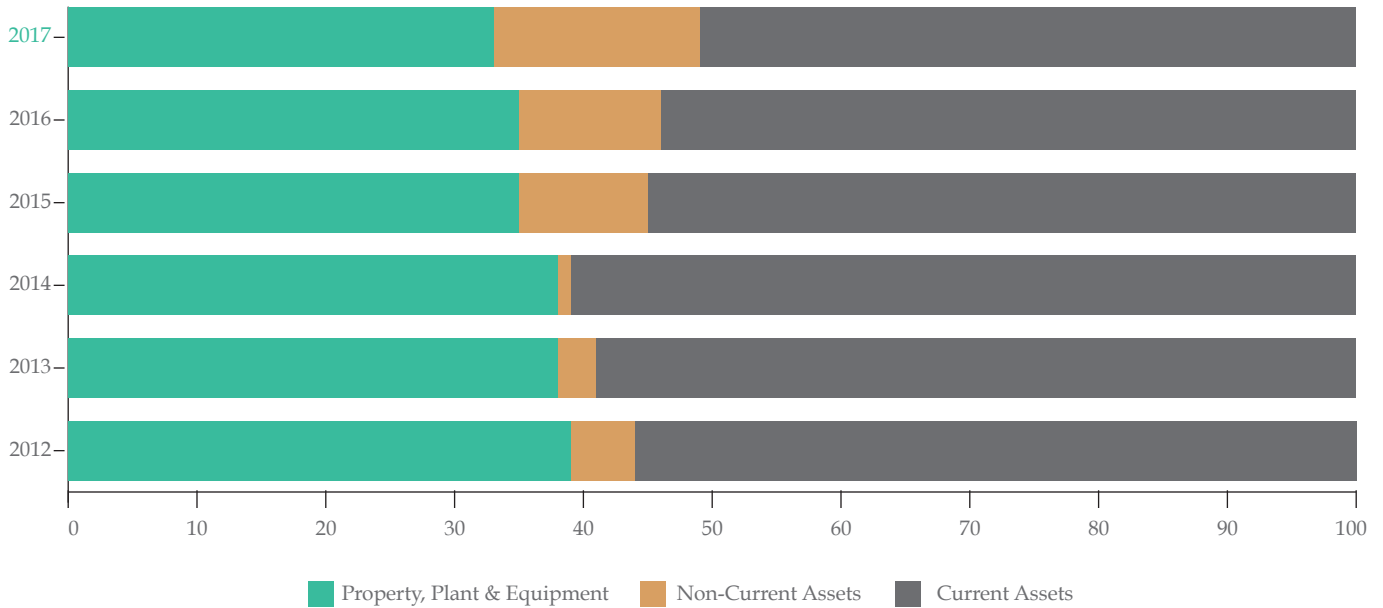
Gross profit of the Company decreased as compared to last year in terms of ratio and amount as well. It was pushed downwards due to introduction of low grammage high quality bags which are low in price. Adjustment of selling price in line with market conditions as well as high production cost also impacted on company's profitability.

Net profit

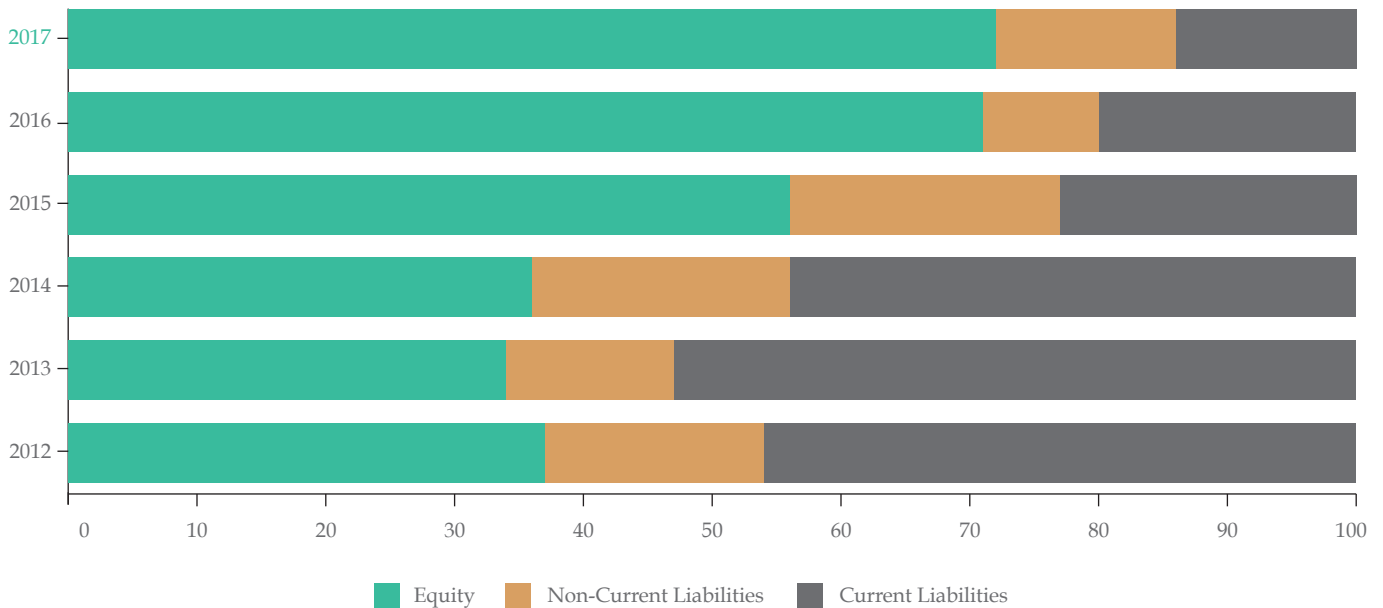
Due to reasons mentioned above company's net profit reduced as compared to last year.

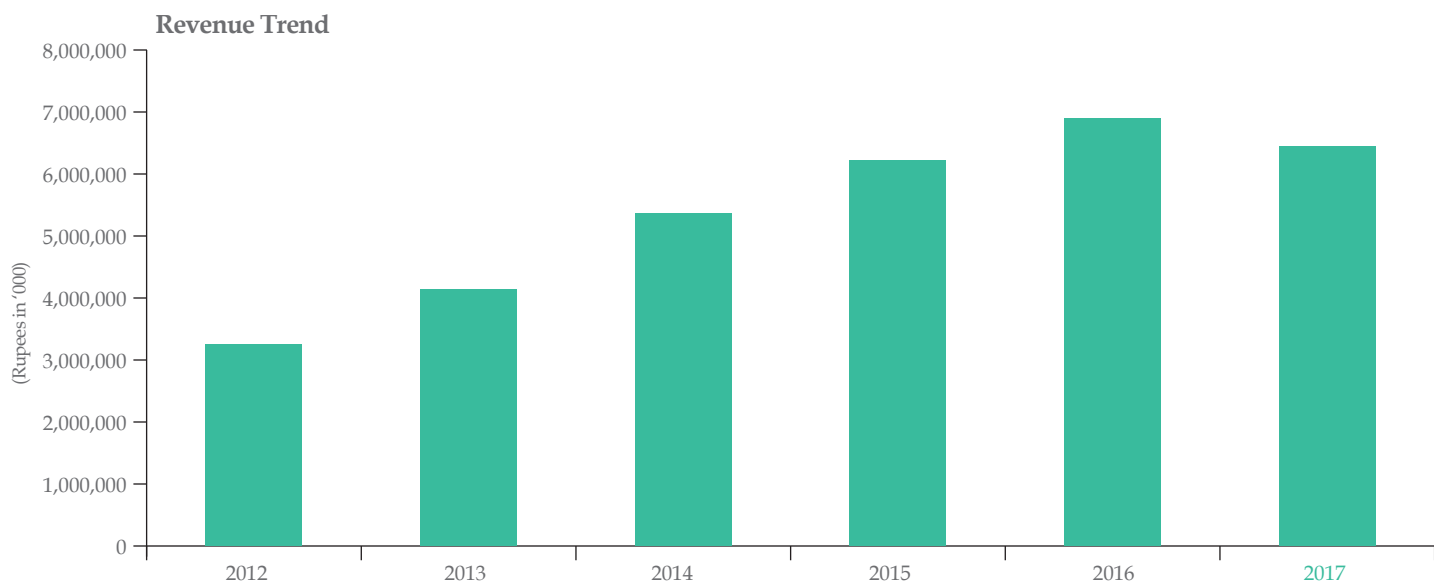
Graphical Presentation of Balance Sheet & Profit and Loss Account

Balance Sheet Analysis - Assets (%)

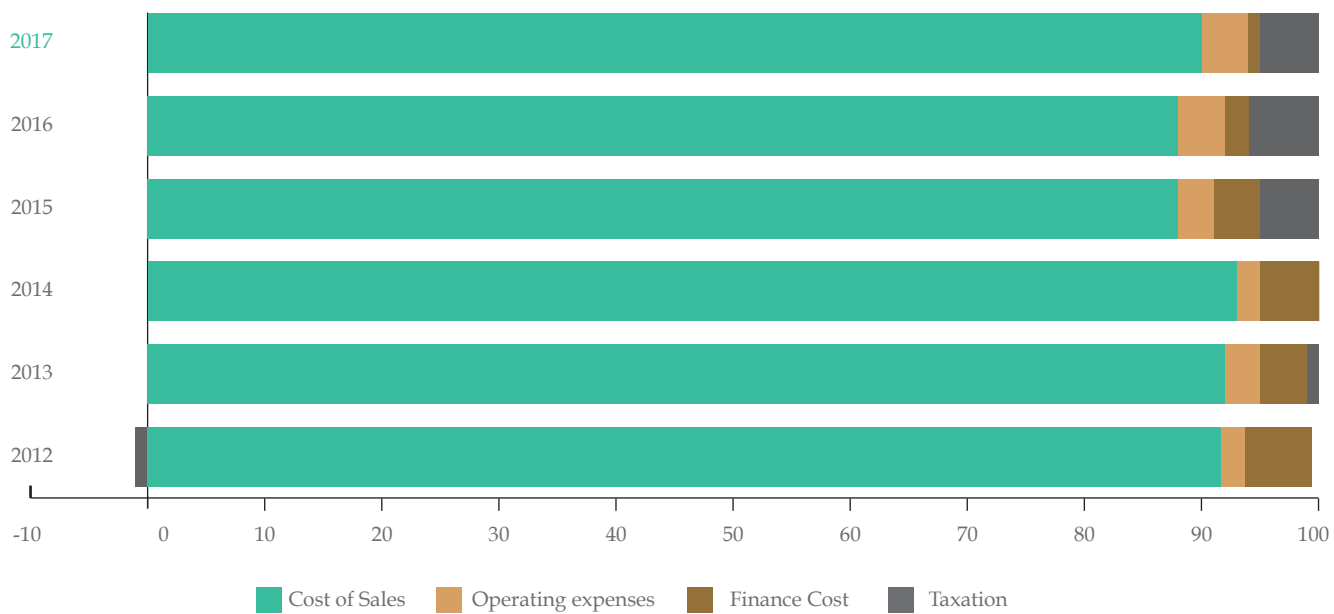


Balance Sheet Analysis - Equity and Liabilities (%)





Profit and Loss Analysis - Expenses (%)



Ratios

Ratio Description	2017	2016	2015	2014	2013	2012
Profitability Ratios:						
Gross Profit ratio	19.50%	22.97%	21.00%	11.33%	10.57%	8.54%
Net Profit to Sales	10.89%	13.33%	10.47%	4.70%	2.87%	2.20%
EBITDA Margin to Sales	18.36%	21.71%	19.69%	10.94%	9.65%	8.02%
Operating leverage ratio	3.85	2.05	7.96	1.65	2.23	(0.38)
Return on Equity	19.15%	33.30%	36.35%	19.37%	11.17%	8.00%
Return on Capital employed	15.17%	25.53%	21.87%	11.20%	6.85%	5.23%
Effective tax rate	27.84%	29.80%	29.40%	6.44%	32.40%	-33.73%
Liquidity Ratios:						
Current ratio	3.69	2.71	2.35	1.40	1.13	1.24
Quick / Acid test ratio	1.76	1.26	1.38	0.72	0.51	0.54
Cash to Current Liabilities	0.02	0.02	0.01	0.01	0.01	0.03
Cash flow from Operations to Sales	0.10	0.19	0.20	0.06	0.06	0.05
Investment/Market Ratios:						
Earnings per share (EPS)	23.71	31.55	23.65	9.13	5.42	3.39
Market value per share Closing	237.78	341.77	188.66	74.25	38.50	28.80
Price Earnings ratio	10.03	10.83	7.98	8.13	7.10	8.50
Break up value per share	135.68	112.02	79.85	50.30	44.00	52.93
Dividend Yield ratio	0.04	0.03	0.04	0.04	0.05	0.05
Dividend Payout ratio	0.40	0.32	0.30	0.33	0.37	0.44
Dividend Cover ratio	2.50	3.12	3.38	3.04	2.15	2.77
Dividend (Rs.)	281,252	296,055	192,780	82,622	55,080	25,819
Cash Dividend per share	9.50	10.00	7.00	3.00	2.00	1.50
Capital Structure Ratios:						
Financial leverage ratio	1.07	1.06	1.23	1.84	1.89	3.89
Weighted average cost of debt	7.47%	9.39%	11.10%	10.24%	10.56%	10.47%
Net borrowing / EBITDA	0.64	0.27	1.07	3.52	4.29	5.13
"Average operating working capital as %age of sales"	31.67%	26.89%	32.90%	34.48%	33.13%	36.12%
Debt to Equity ratio	13 : 87	8 : 92	26 : 74	38 : 62	30 : 70	33 : 67
Interest Cover ratio	16.17	19.07	5.39	2.19	2.12	1.35
Activity/Turnover Ratios:						
Inventory turnover ratio	3.66	4.74	4.91	4.17	3.80	3.61
No. of Days in Inventory	98.45	75.93	73.29	86.30	94.68	99.68
Debtor turnover ratio	7.97	8.96	8.41	8.28	7.76	9.33
No. of Days in Receivables	45.16	40.19	43.39	44.08	47.03	39.13
Total Assets turnover ratio	0.86	0.68	0.63	0.71	0.86	0.75
Fixed Assets turnover ratio	0.28	0.24	0.22	0.27	0.33	0.29
Creditor turnover ratio	10.34	18.68	25.64	15.80	17.61	35.97
No. of Days in Creditors	35	19	14	23	20	10
Operating Cycle	109	97	103	108	121	129

Comments on Ratios

Profitability

The Company has been performing steadily over the last six years. 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 FY 2014. FY 2015 witnessed giant leap forward with respect to profitability of the company. In the year 2016 Company made historic achievements in despatches, production and profitability and posted ever highest profits and exalted profitability ratios. In current year 2017, the Company profitability decreased due to adjustment of selling price in line with market conditions, increased imported raw material prices and foreign currency exchange rates.

Liquidity

By devising strong cash and working capital management policies over the years, liquidity of the company is in strong position.

Investment / Market

Investment / Market Ratios are the direct reflection of the performance of the Company. In the year 2017 market price per share and EPS decreased from last year due to decrease in despatches, increase in raw material prices and foreign currency exchange rates.

Capital Structure

The Company continuously monitor its capital structure and aims to keep it at its optimum level. 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 relations with creditors to assure smooth supply of goods and services which is why it endeavours to keep the creditors turnover at lower level. Implementation of effective management policies increased inventory turnover ratio and reduced operating cycle of the Company. However, increased raw material prices, exchange rates and stiff market competition have slightly affected our inventory ratios.

Summary - Last Six Years

Summary of Balance sheet

	2017	2016	2015	2014	2013	2012
	(Bags in million)					
Production	351.97	341.29	289.63	260.54	213.52	174.80
Sales	352.18	341.31	287.74	258.53	216.87	170.47

Assets

	(Rupees in million)					
Non-Current Assets	2,703	2,175	1,766	1,511	1,426	1,063
Current Assets	2,863	2,510	2,176	2,295	2,135	1,370

Total Assets

	5,566	4,685	3,942	3,806	3,561	2,433
--	-------	-------	-------	-------	-------	-------

Equity and Liabilities

Shareholders Equity	4,017	3,316	2,199	1,385	1,212	911
Non-current Liabilities	774	441	817	780	460	419
Current Liabilities	775	928	926	1,641	1,889	1,103

Equity and Liabilities

	5,566	4,685	3,942	3,806	3,561	2,433
--	-------	-------	-------	-------	-------	-------

Summary of Profit and Loss account

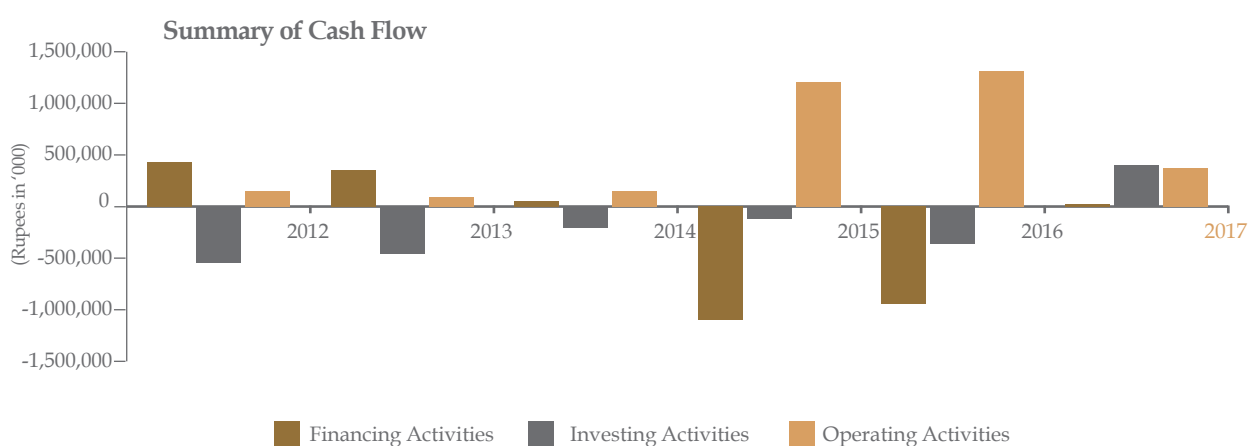
Turnover Net	6,444	6,889	6,224	5,356	4,129	3,257
Gross profit	1,256	1,582	1,307	607	437	278
Operating profit	1,037	1,380	1,133	495	332	208
Profit before tax	973	1,308	923	269	175	53
Profit after tax	702	918	651	251	119	72

Cash Flow Statement - Direct Method

	2017	2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	7,276,518	7,032,656
Cash paid to suppliers and employees	(6,625,042)	(5,636,950)
Cash generated from operations	<u>651,476</u>	<u>1,395,706</u>
Net income tax paid	(275,798)	(81,653)
Net cash generated from operating activities	<u>375,678</u>	<u>1,314,053</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(312,269)	(382,570)
Additions to intangible assets	(4,458)	-
Proceeds from sale of operating property, plant and equipment	986	1,569
Long-term Investments made during the year	(96,452)	(4,620)
Dividend received	14,391	16,973
Short-term Investments redeemed during the year	-	5,563
Long-term loans	(325)	-
Long-term deposits	(12)	-
Net cash used in investing activities	<u>(398,139)</u>	<u>(363,085)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing	330,000	(500,000)
Dividend paid	(279,645)	(225,297)
Proceeds from issuance of right shares	-	282,795
Short-term borrowings	21,174	(405,016)
Finance costs paid	(51,155)	(96,419)
Net cash generated from / (used in) financing activities	<u>20,374</u>	<u>(943,937)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,087)</u>	<u>7,031</u>
Cash and cash equivalents as at the beginning of the year	17,515	10,484
Cash and cash equivalents as at the end of the year	<u><u>15,428</u></u>	<u><u>17,515</u></u>

Summary of Cash Flow Statement Last Six Years

	2017	2016	2015	2014	2013	2012
	(Rupees in '000)					
Net cash generated from operating activities	375,678	1,314,053	1,207,327	151,137	89,747	145,982
Net cash (used in) investing activities	(398,139)	(363,085)	(118,915)	(207,460)	(457,486)	(551,119)
Net cash generated from / (used in) financing activities	20,374	(943,937)	(1,096,419)	54,274	356,832	427,814
Net (decrease) / increase in cash and cash equivalents	(2,087)	7,031	(8,007)	(2,049)	(10,907)	22,677
Cash and cash equivalents as at the beginning of the year	17,515	10,484	18,491	20,540	31,447	8,770
Cash and cash equivalents as at the end of the year	15,428	17,515	10,484	18,491	20,540	31,447



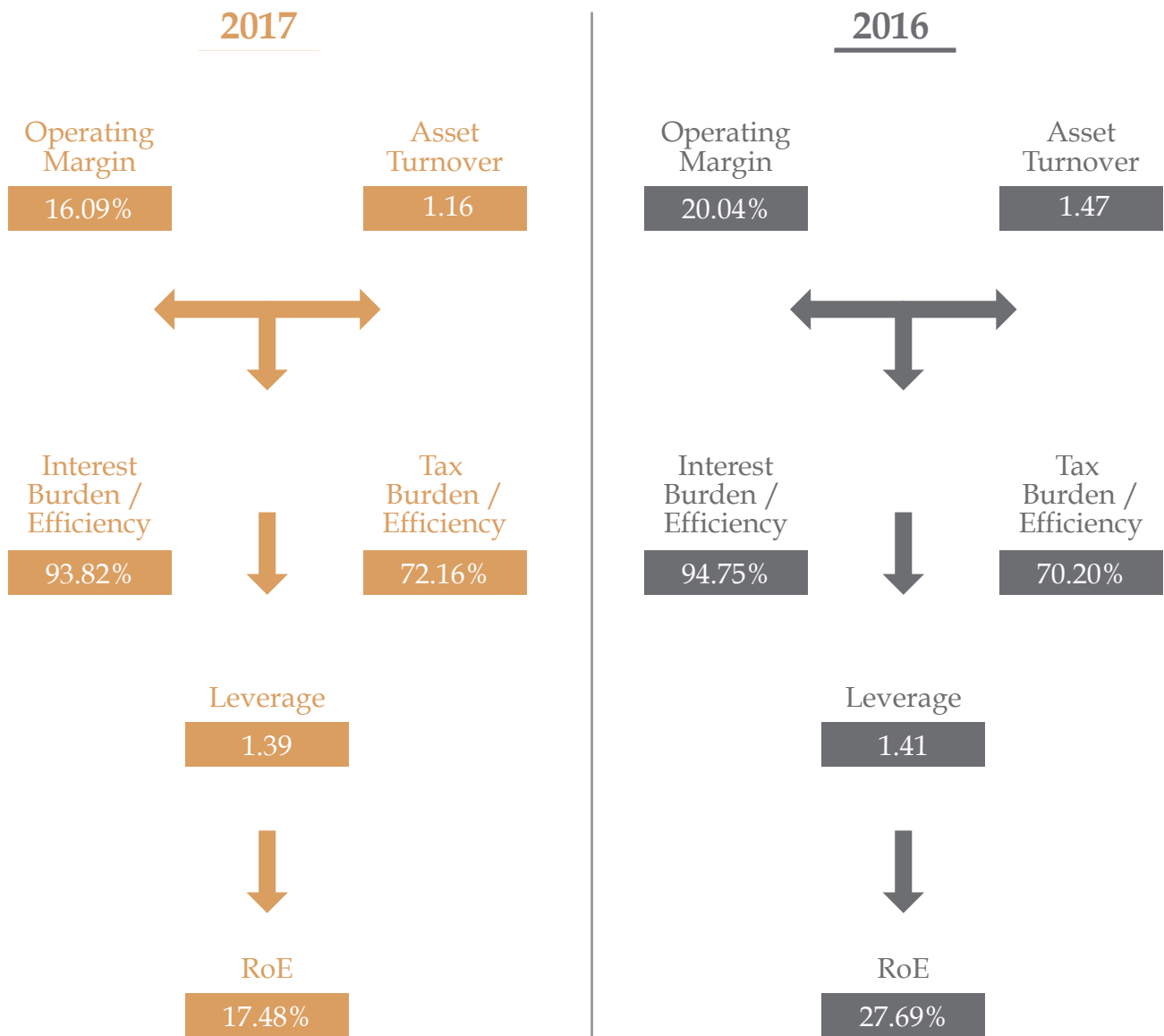
Comments on Cash Flow Statements

Cash flow from operating activities witnessed great fluctuation during the period from FY 2012 to FY 2017. 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 had better profitability than 2014. In 2016, the ever highest performance of the Company caused cash flows from operating activities to increase further. However, decrease in profit in current financial year impacted the cash flow negatively.

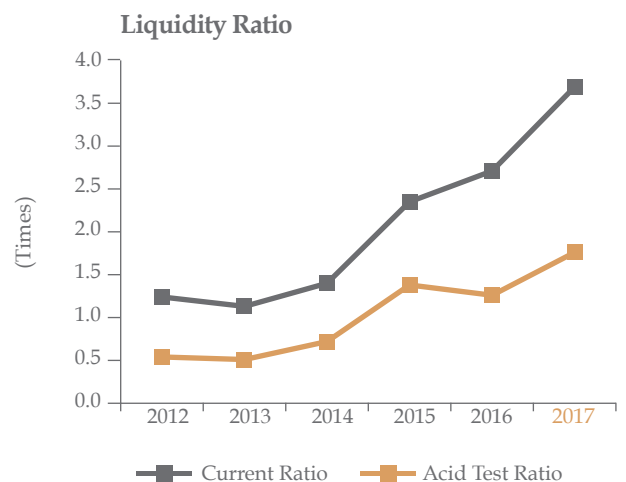
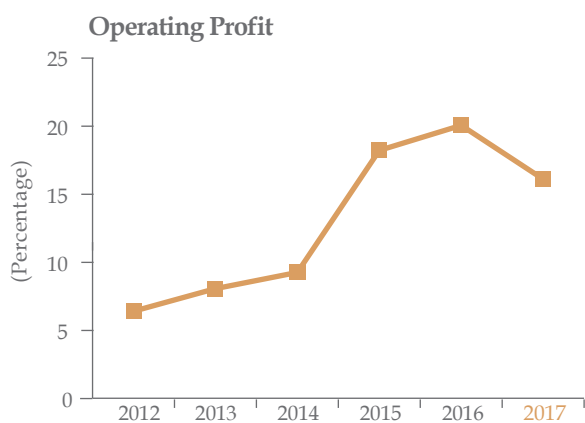
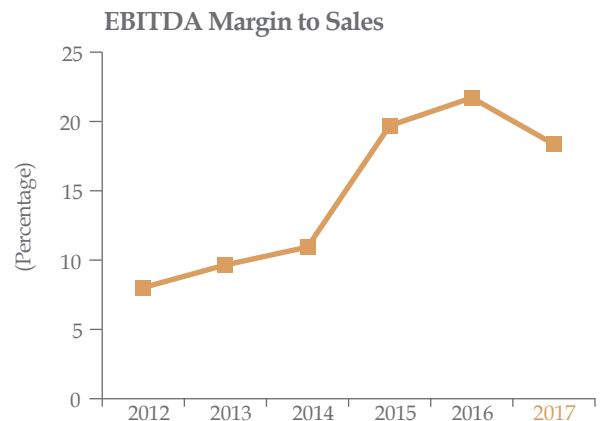
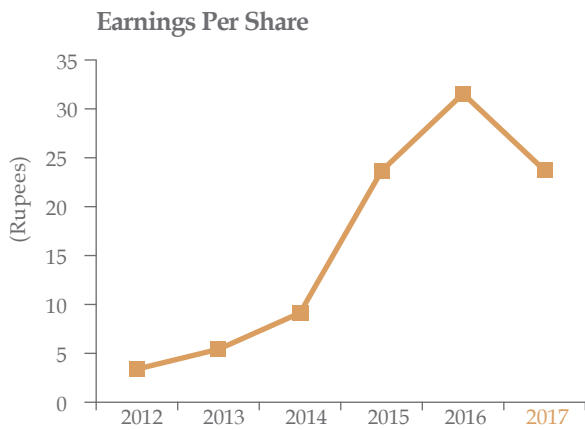
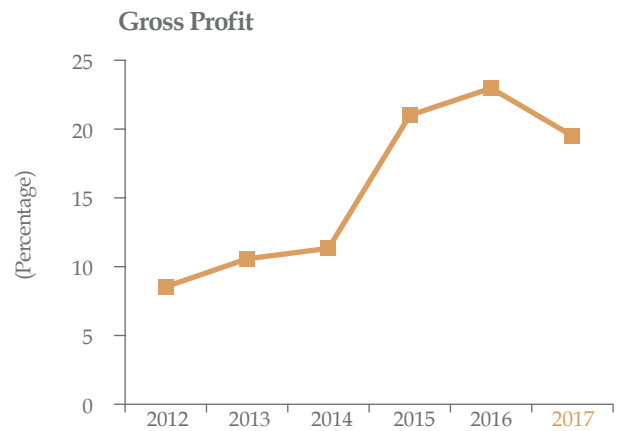
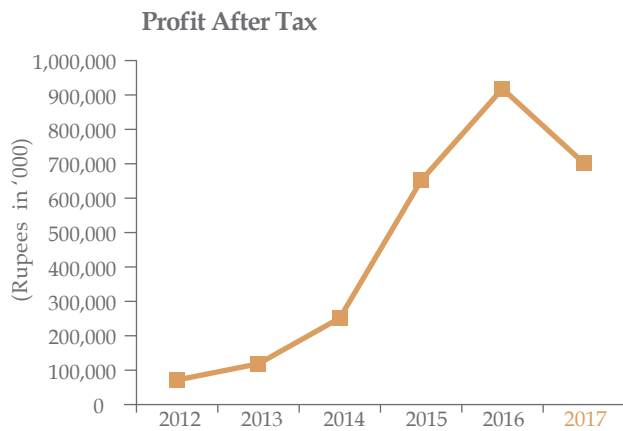
Cash usage in investing activities in FY 2012, 2013, 2014 and 2016 was mainly due to PP bags plant expansions. In 2015, the company has invested Rs. 100 million in Cherat Cement Co. Ltd by subscribing to right shares while again in FY 2017, Company has further invested Rs. 96 million in Cherat Cement Co. Limited by acquiring shares from open market.

Cash generation from financing activities have been high in FY 2011 to 2013 due to issuance of right shares in FY 2012 & 2013, increased short term borrowing during FY 2011 to 2013 owing to expansion in operations & financing of new PP plant through long term loans. FY 2015 and 2016 witnessed high cash inflows due to better operations and proceeds from issuance of right shares which lead to repayment of short-term borrowings and long-term loans. In current year, the Company repaid a long term loan of Rs. 100 million and obtained a loan of Rs. 450 million, which kept the cash flows from financing activities in a positive zone.

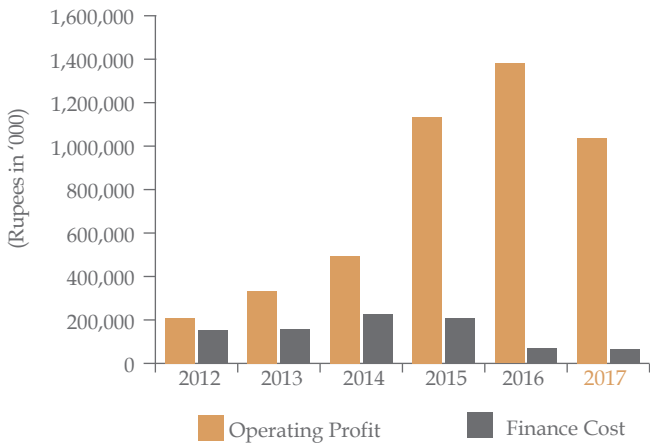
Dupont Analysis



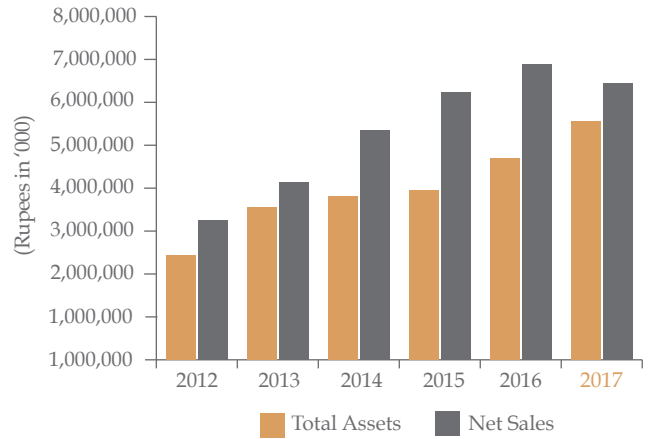
Key Operating Highlights



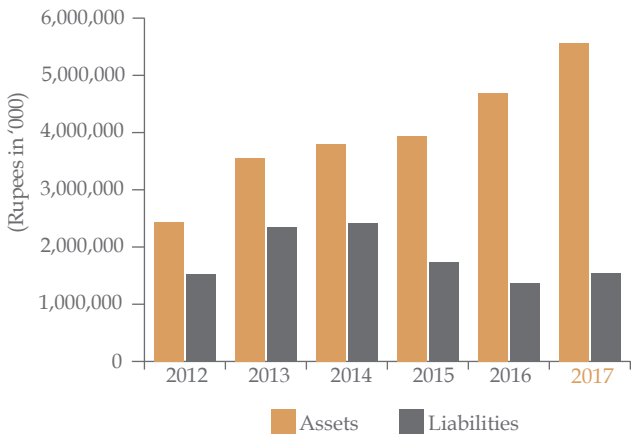
Interest Cover



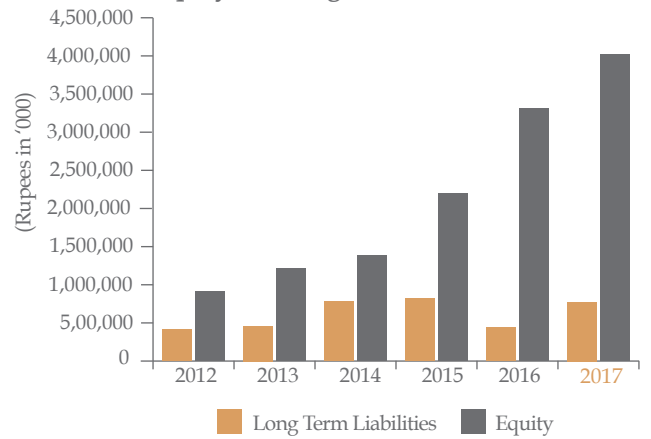
Sales to Total Assets



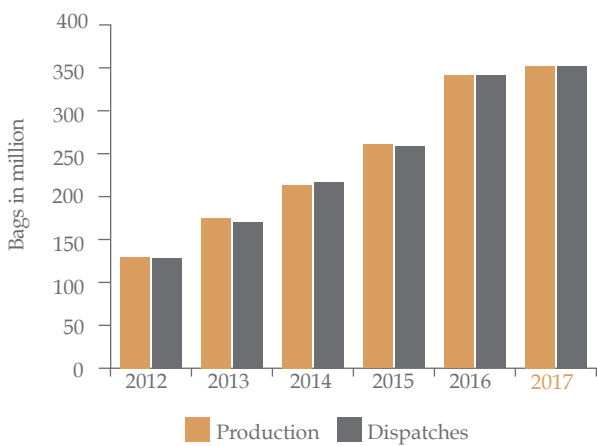
Assets and Liabilities



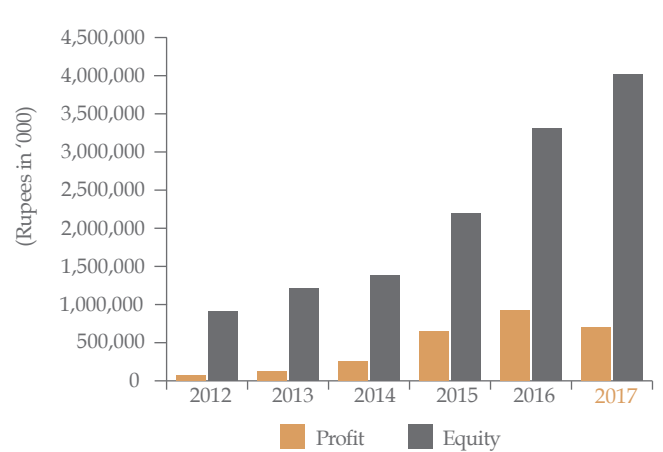
Equity and Long-Term Liabilities

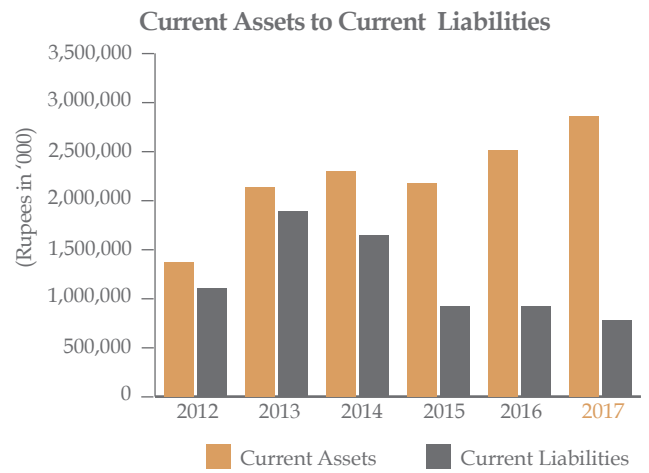
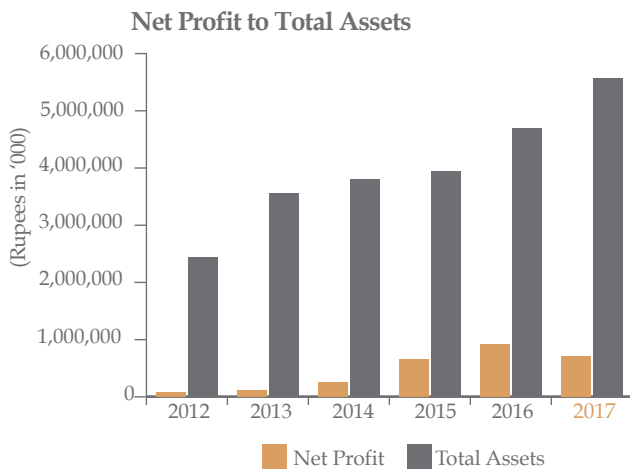
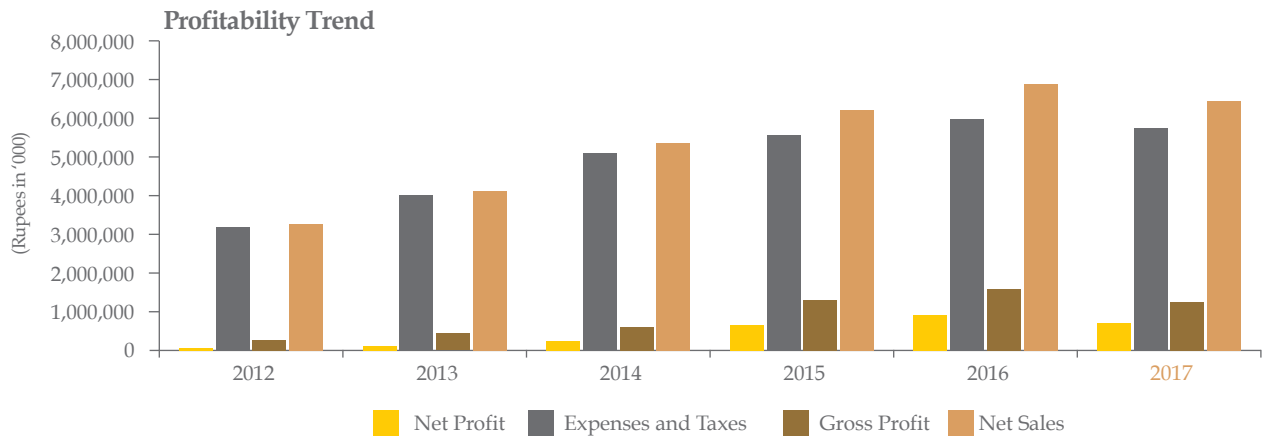
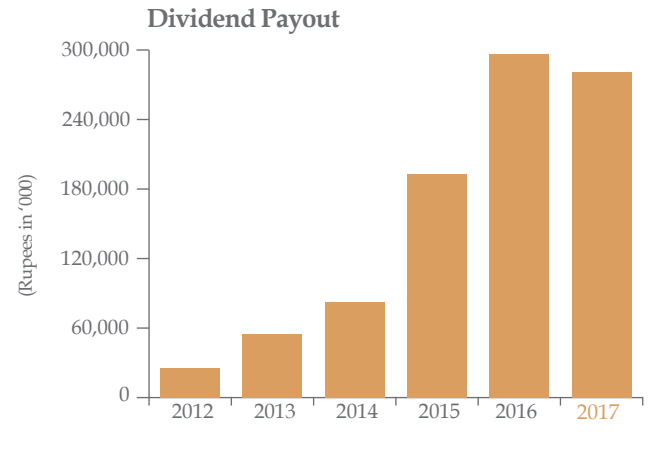
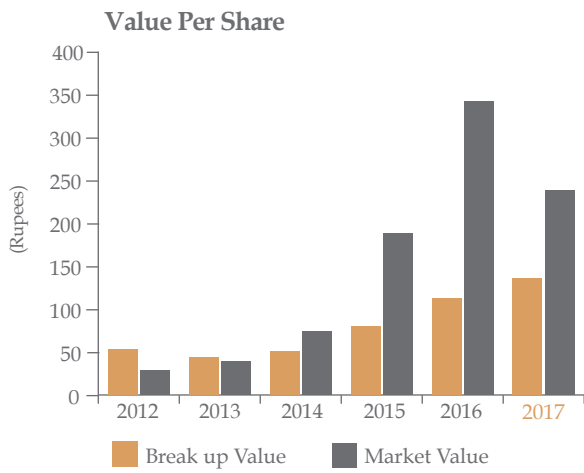


Production and Dispatches



Return on Equity

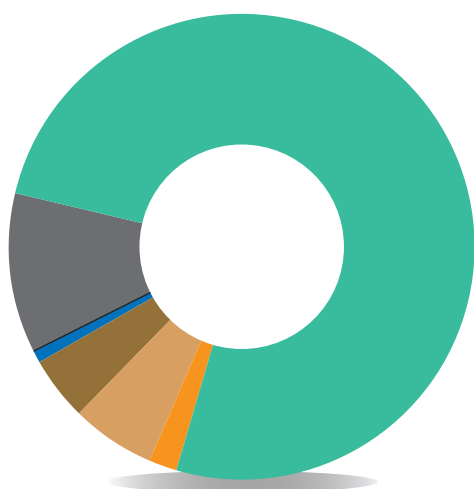




Statement of Value

Addition and Distribution of Wealth

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth generated				
Net Sales	6,443,932	99.68%	6,888,605	99.58%
Other operating Income	20,508	0.32%	29,018	0.42%
	<u>6,464,440</u>	<u>100.00%</u>	<u>6,917,623</u>	<u>100.00%</u>
Distribution of wealth				
Cost of sales (Excluding employees' remuneration)	4,911,698	75.98%	5,075,077	73.36%
Distribution & Administration expenses (Excluding Employees remuneration)	132,410	2.05%	95,515	1.38%
Employees remuneration	376,477	5.82%	340,908	4.93%
Government as taxes	276,434	4.28%	412,335	5.96%
To debt providers	64,118	0.99%	72,404	1.05%
To society	1,254	0.02%	3,145	0.05%
Retained	702,049	10.86%	918,239	13.27%
	<u>6,464,440</u>	<u>100.00%</u>	<u>6,917,623</u>	<u>100.00%</u>

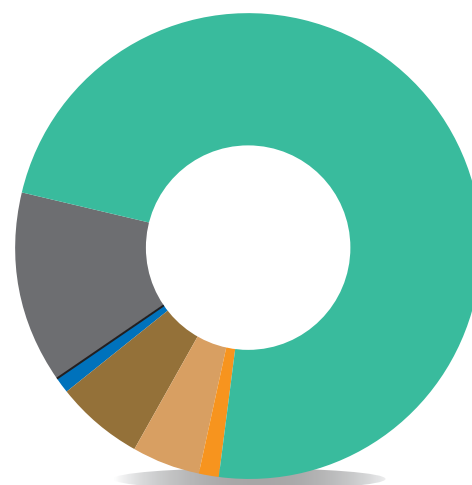


Distribution of Wealth 2017

Cost of Sales (Excluding Employees' Remuneration)	75.98%
Distribution & Administration expenses (Excluding Employees remuneration)	2.05%
Employees Remuneration	5.82%
Government as Taxes	4.28%
To debt providers	0.99%
To society	0.02%
Retained within the Business	10.86%

Distribution of Wealth 2016

Cost of Sales (Excluding Employees' Remuneration)	73.36%
Distribution & Administration expenses (Excluding Employees remuneration)	1.38%
Employees Remuneration	4.93%
Government as Taxes	5.96%
To debt providers	1.05%
To society	0.05%
Retained within the Business	13.27%



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 regulation No. 5.19.23 of Pakistan Stock Exchange 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 5.19.1. (b) of the CCG.

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 NBFIs, being a Broker 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. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the 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 at least once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are well aware of their duties and responsibilities under the code. The Executive director and non-executive directors of the company meet the criteria of exemption under clause 5.19.7 of the code, and accordingly are exempted from attending the director's training program. Further, two directors have been certified under the directors' training program as required by the SECP.

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 CCG 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 CCG.
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 at least 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 HR 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.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

Karachi:
August 23, 2017


Akbarali Pesnani
Chairman

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 Exchange.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

Karachi: August 23, 2017



Review Report

to the Members on Statement of Compliance with the Code of Corporate Governance



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 113937 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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 2017 to comply with the requirements of Listing Regulation of Pakistan Stock Exchange Limited.

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 2017.

Chartered Accountants
Date: 23 August 2017
Place: Karachi

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.

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.

Political Uncertainty

In general, international investors are sensitive to any political disturbance. Political uncertainty imposes adverse impact on economic conditions of the Country hence affect the financial performance of the Company.

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 prices and hence affect the financial performance of the Company.

Exchange fluctuation

The Company is directly exposed to exchange fluctuations since the major raw materials are imported by the Company. Continuous depreciation of Pak rupees has been adversely affecting the financial performance of the Company. Stable exchange rates will benefit 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.

Law & Order

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

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.

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 like CPEC and increase in PSDP expenditure would impact the Company's financial performance.

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.

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

Shariah-Compliant Finance/Banking: Facility which meets all of the requirements of Shariah law and the principles articulated for "Islamic Finance".

HR & RC: Human Resource and Remuneration Committee.



Financial Statements

- 102 Auditors' Report to the Members
- 103 Balance Sheet
- 104 Profit & Loss Account
- 105 Statement of Comprehensive Income
- 106 Cash Flow Statement
- 107 Statement of Changes in Equity
- 108 Notes to the Financial Statements

Auditors' Report to the members



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 113937 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

We have audited the annexed balance sheet of Cherat Packaging Limited (the Company) as at 30 June 2017 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 repealed 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 repealed 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 repealed 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 changes 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 repealed 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 2017 and of the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel
Date: 23 August 2017
Place: Karachi

Balance Sheet

as at June 30, 2017

	Note	2017	2016
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,816,165	1,649,727
Intangible assets	5	7,301	3,859
		<u>1,823,466</u>	<u>1,653,586</u>
Long-term investments	6	870,516	511,999
Long-term loans	7	325	-
Long-term security deposits		8,928	8,916
		<u>2,703,235</u>	<u>2,174,501</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	8	94,530	82,909
Stock-in-trade	9	1,494,637	1,342,482
Trade debts	10	898,551	718,262
Loans and advances	11	4,884	4,149
Trade deposits and short-term prepayments	12	9,166	12,140
Other receivables	13	256,752	231,559
Taxation – net		89,211	101,197
Cash and bank balances	14	15,428	17,515
		<u>2,863,159</u>	<u>2,510,213</u>
TOTAL ASSETS		<u>5,566,394</u>	<u>4,684,714</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	296,055	296,055
Reserves	16	3,720,822	3,020,236
		<u>4,016,877</u>	<u>3,316,291</u>
NON-CURRENT LIABILITIES			
Long-term financing	17	570,000	220,000
Deferred taxation	18	204,085	220,975
		<u>774,085</u>	<u>440,975</u>
CURRENT LIABILITIES			
Trade and other payables	19	546,806	714,568
Unclaimed dividend		5,511	3,902
Accrued mark-up		21,746	8,783
Short-term borrowings	20	161,369	140,195
Current maturity of long-term financing	17	40,000	60,000
		<u>775,432</u>	<u>927,448</u>
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		<u>5,566,394</u>	<u>4,684,714</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Profit and Loss Account

for the year ended June 30, 2017

	Note	2017	2016
(Rupees in '000)			
Turnover - net	22	6,443,932	6,888,605
Cost of sales	23	(5,187,454)	(5,306,538)
Gross profit		1,256,478	1,582,067
Distribution costs	24	(117,198)	(84,536)
Administrative expenses	25	(62,145)	(48,477)
Other expenses	26	(60,582)	(97,677)
		(239,925)	(230,690)
Other income	27	20,508	29,018
Operating profit		1,037,061	1,380,395
Finance costs	28	(64,118)	(72,404)
Profit before taxation		972,943	1,307,991
Taxation			
Current		(265,069)	(325,505)
Prior		(22,715)	-
Deferred		16,890	(64,247)
	29	(270,894)	(389,752)
Net profit for the year		702,049	918,239
Earnings per share - basic and diluted	30	Rs. 23.71	Rs. 31.02

(Restated)

The annexed notes from 1 to 39 form an integral part of these financial statements.


Amer Faruque
 Chief Executive


Aslam Faruque
 Director


Yasir Masood
 Chief Financial Officer

Statement of Comprehensive Income

for the year ended June 30, 2017

	2017	2016
	(Rupees in '000)	
Net profit for the year	702,049	918,239
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealised gain on available-for-sale securities	262,065	138,079
Items that may not be reclassified subsequently to profit and loss account		
Actuarial gain on defined benefit plan	17,726	4,730
	279,791	142,809
Total comprehensive income for the year	981,840	1,061,048

The annexed notes from 1 to 39 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Cash Flow Statement

for the year ended June 30, 2017

Note	2017	2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
	972,943	1,307,991
Profit before taxation		
Adjustments for:		
Depreciation	4.1.3 144,899	114,509
Amortization	5.1 1,016	916
Gain on disposal of operating property, plant and equipment	4.1.4 (54)	(395)
Gain on redemption of short-term investments	-	(5,563)
Dividend income	27 (14,391)	(16,973)
Finance costs	28 64,118	72,404
	195,588	164,898
	1,168,531	1,472,889
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(11,621)	(18,052)
Stock-in-trade	(152,155)	(446,469)
Trade debts	(180,289)	101,633
Loans and advances	(735)	1,048
Trade deposits and short-term prepayments	2,974	(5,910)
Other receivables	(7,467)	(198,096)
	(349,293)	(565,846)
(Decrease) / increase in current liabilities:		
Trade and other payables	(167,762)	488,663
Cash generated from operations	651,476	1,395,706
Income tax paid	(275,798)	(81,653)
Long-term loans	(325)	-
Net cash generated from operating activities	375,353	1,314,053
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	4.1.1 (312,269)	(382,570)
Additions to intangible assets	(4,458)	-
Proceeds from disposal of operating property, plant and equipment	4.1.4 986	1,569
Investments (made) / redeemed during the year	(96,452)	943
Long term deposits	(12)	-
Dividend received	14,391	16,973
Net cash used in investing activities	(397,814)	(363,085)
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing - net	330,000	(500,000)
Short-term borrowings	21,174	(405,016)
Proceeds from issuance of right shares	-	282,795
Finance costs paid	(51,155)	(96,419)
Dividend paid	(279,645)	(225,297)
Net cash generated from / (used) in financing activities	20,374	(943,937)
Net (decrease) / increase in cash and cash equivalents	(2,087)	7,031
Cash and cash equivalents as at the beginning of the year	17,515	10,484
Cash and cash equivalents as at the end of the year	14	14
	15,428	17,515

The annexed notes from 1 to 39 form an integral part of these financial statements.


Amer Faruque
 Chief Executive


Aslam Faruque
 Director


Yasir Masood
 Chief Financial Officer

Statement of Changes in Equity


for the year ended June 30, 2017

Issued, Subscribed and Paid-up Capital	RESERVES						Sub-total	TOTAL
	CAPITAL RESERVE	REVENUE RESERVES						
		Share premium	General reserve	Unappropriated profit	Actuarial gain on gratuity fund	Unrealized gain on available-for-sale securities		
(Rupees in '000)								
Balance as at July 01, 2015	275,400	283,174	180,000	1,174,608	20,580	265,203	1,923,565	2,198,965
Final cash dividend for the year ended June 30, 2015 @ Rs. 5.00/- per share	-	-	-	(137,700)	-	-	(137,700)	(137,700)
Interim cash dividend for the year ended June 30, 2016 @ Rs.3.00/- per share	-	-	-	(88,817)	-	-	(88,817)	(88,817)
Issuance of right shares @ 7.5% (i.e. 7.5 shares for every 100 shares held)	20,655	268,515	-	-	-	-	268,515	289,170
Shares issue cost	-	(6,375)	-	-	-	-	(6,375)	(6,375)
Net profit for the year	-	-	-	918,239	-	-	918,239	918,239
Other comprehensive income	-	-	-	-	4,730	138,079	142,809	142,809
Total comprehensive income for the year	-	-	-	918,239	4,730	138,079	1,061,048	1,061,048
Balance as at June 30, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Balance as at July 01, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Final cash dividend for the year ended June 30, 2016 @ Rs. 7.00/- per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Interim cash dividend for the year ended June 30, 2017 @ Rs. 2.50/- per share	-	-	-	(74,014)	-	-	(74,014)	(74,014)
Net profit for the year	-	-	-	702,049	-	-	702,049	702,049
Other comprehensive income	-	-	-	-	17,726	262,065	279,791	279,791
Total comprehensive income for the year	-	-	-	702,049	17,726	262,065	981,840	981,840
Balance as at June 30, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877

The annexed notes from 1 to 39 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Notes to the Financial Statements

for the year ended June 30, 2017

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 Pakistan Stock Exchange Limited. 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

During the year, the Companies Act, 2017 has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 17 of 2017 dated July 20, 2017 communicated its decision that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company's financial statements for the year ended June 30, 2017 have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 and 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed 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 and amended standards

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

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)

IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting

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

2.4 Standards not yet effective

The following standards and amendments 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 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
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)	Not yet finalized
IAS 7 – Statement of Cash flows	01 January 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

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 in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. 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	IASB Effective date (annual periods beginning on or after)
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
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

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

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 applying 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

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 in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to profit and loss account.

2.5.4 Stock-in-trade and 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 less impairment, if any. Depreciation is charged to profit and loss account 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.

Depreciation is charged from the month of the year in which asset is available for use while no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to profit and loss account 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 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.

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

3.3.1 Joint Venture

The Company has interest in a jointly controlled entity. The Company combines its share and recognises its interest in the joint venture using the equity method. Under equity method, the investment in joint venture is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the joint venture. Profit and loss account reflects the share of the results of operations of joint venture.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. If this is the case the Company calculates the amount of impairment loss as the difference between the recoverable amount of joint venture and their carrying value and recognises the amount in the profit and loss account.

Financial statements of joint venture are prepared for same reporting period as that of the Company, using consistent accounting policies in line with that of the Company.

3.3.2 Available-for-sale securities

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

These investments are initially measured at fair value plus transaction costs and subsequently 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.

3.3.3 Designated through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category.

These investments are initially recognized at fair value, relevant transaction costs are taken directly to profit and loss account and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the profit and loss account in the period in which they arise.

3.4 Stores, spare parts and loose tools

These are valued at lower of cost and 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.

NRV 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, if any. 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

These are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

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

Profit on bank accounts is recognized on effective interest method.

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 fund

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 for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis. Alternate Corporate Tax is calculated in accordance with the provisions of Section 113C of Income Tax Ordinance.

3.15.2 Deferred

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 recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

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 in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

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 Dividend and appropriation to reserves

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

3.19 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	2017	2016
	(Rupees in '000)	
Operating property, plant and equipment	1,777,012	1,616,160
Capital work-in-progress	39,153	33,567
	<u>1,816,165</u>	<u>1,649,727</u>

4.1 Operating property, plant and equipment

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

2017 Description	COST				DEPRECIATION				Book Value as at June 30, 2017	Depreciation rate % per annum
	As at July 01, 2016	Additions during the year	Disposals / write-offs* during the year	As at June 30, 2017	As at July 01, 2016	Adjustment on disposals / write-offs*	For the year	As at June 30, 2017		
(Rupees in '000)										
Leasehold land	35,748	21,332	-	57,080	-	-	-	-	57,080	-
Building on leasehold land	214,650	84,627	(3,003)*	296,274	76,588	(3,003)*	16,606	90,191	206,083	5-10
Plant and machinery	1,783,319	158,417	-	1,941,736	451,168	-	109,980	561,148	1,380,588	7.5
Power and other Installations	66,792	3,965	-	70,757	16,887	-	5,403	22,290	48,467	10
Furniture and fittings	8,452	1,073	-	9,525	3,723	-	483	4,206	5,319	5-10
Vehicles	56,082	21,612	(3,910)	73,784	28,671	(2,978)	7,836	33,529	40,255	20
Equipments	44,777	10,868	-	55,645	17,540	-	3,165	20,705	34,940	10
Computers	7,759	4,789	-	12,548	6,842	-	1,426	8,268	4,280	33.33
	<u>2,217,579</u>	<u>306,683</u>	<u>(3,003)* (3,910)</u>	<u>2,517,349</u>	<u>601,419</u>	<u>(3,003)* (2,978)</u>	<u>144,899</u>	<u>740,337</u>	<u>1,777,012</u>	

2016 Description	COST				DEPRECIATION				Book Value as at June 30, 2016	Depreciation rate % per annum
	As at July 01, 2015	Additions during the year	Disposals / write-offs* during the year	As at June 30, 2016	As at July 01, 2015	Adjustment on disposals / write-offs*	For the year	As at June 30, 2016		
(Rupees in '000)										
Leasehold land	16,431	19,317	-	35,748	-	-	-	-	35,748	-
Building on leasehold land	176,465	38,185	-	214,650	65,101	-	11,487	76,588	138,062	5-10
Plant and machinery	1,522,087	261,232	-	1,783,319	362,415	-	88,753	451,168	1,332,151	7.5
Power and other installations	47,951	18,997	(156)*	66,792	13,513	(156)*	3,530	16,887	49,905	10
Furniture and fittings	8,535	754	(837)*	8,452	3,759	(837)*	801	3,723	4,729	5-10
Vehicles	52,383	7,861	(4,162)	56,082	25,514	(2,988)	6,145	28,671	27,411	20
Equipments	42,622	2,549	(394)*	44,777	15,052	(394)*	2,882	17,540	27,237	10
Computers	7,654	285	(180)*	7,759	6,111	(180)*	911	6,842	917	33.33
	<u>1,874,128</u>	<u>349,180</u>	<u>(4,162) (1,567)*</u>	<u>2,217,579</u>	<u>491,465</u>	<u>(2,988) (1,567)*</u>	<u>114,509</u>	<u>601,419</u>	<u>1,616,160</u>	

4.1.2 Reconciliation of book value:

Note	2017	2016
	(Rupees in '000)	
	1,616,160	1,382,663
	306,683	349,180
	(144,899)	(114,509)
4.1.4	(932)	(1,174)
	<u>1,777,012</u>	<u>1,616,160</u>

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

Cost of sales	23	141,781	113,054
Distribution costs	24	828	411
Administrative expenses	25	2,290	1,044
		<u>144,899</u>	<u>114,509</u>

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

Description	Cost	Book value	Sales proceeds	Gain (Note 27)	Mode of disposal	Particulars of buyer
(Rupees in '000)						
Vehicle						
Honda City PV-174	1,436	326	358	32	Employee car scheme	Mr. Sher Muhammad Malik - Employee
Honda Civic SG-370	1,749	415	437	22	Employee car scheme	Mr. Muhammad Shahid Anwar - Employee
Suzuki Alto AVC-938	725	191	191	-	Employee car scheme	Syed Raza Ahmed - Employee
2017	<u>3,910</u>	<u>932</u>	<u>986</u>	<u>54</u>		
2016	<u>4,162</u>	<u>1,174</u>	<u>1,569</u>	<u>395</u>		

4.2 Movement of capital work-in-progress

Description	Civil works	Plant and machinery	Power and other installations	Vehicles	Total
(Rupees in '000)					
Balance as a July 01, 2015	-	-	177	-	177
Capital expenditure incurred / advances made during the year	62,888	261,232	15,578	4,980	344,678
Transferred to operating property, plant and equipment	(38,185)	(261,232)	(11,871)	-	(311,288)
Balance as at June 30, 2016	<u>24,703</u>	<u>-</u>	<u>3,884</u>	<u>4,980</u>	<u>33,567</u>
Capital expenditure incurred / advances made during the year	69,504	158,416	26,596	2,242	256,758
Transferred to operating property, plant and equipment	(71,939)	(158,416)	(15,837)	(4,980)	(251,172)
Balance as at June 30, 2017	<u>22,268</u>	<u>-</u>	<u>14,643</u>	<u>2,242</u>	<u>39,153</u>

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)										
2017 ERP System/Software	<u>9,161</u>	<u>4,458</u>	<u>-</u>	<u>13,619</u>	<u>5,302</u>	<u>-</u>	<u>1,016</u>	<u>6,318</u>	<u>7,301</u>	10
2016 ERP System	<u>9,161</u>	<u>-</u>	<u>-</u>	<u>9,161</u>	<u>4,386</u>	<u>-</u>	<u>916</u>	<u>5,302</u>	<u>3,859</u>	10

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

Note	2017	2016
	(Rupees in '000)	
Cost of sales	784	684
Administrative expenses	232	232
	<u>1,016</u>	<u>916</u>

6. LONG-TERM INVESTMENTS

Investment in related parties

Available-for-sale securities

Interest in a Joint Venture

6.1	865,896	507,379
6.2	4,620	4,620
	<u>870,516</u>	<u>511,999</u>

6.1 Available-for-sale securities

Cherat Cement Company Limited
4,843,362 (June 30, 2016: 4,243,362)
Ordinary shares of Rs. 10/- each

	<u>865,896</u>	<u>507,379</u>
--	----------------	----------------

6.2 Interest in a Joint Venture - UniEnergy

Represents 462,000 shares representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power, however, the tariff for the project has not yet been approved by the Government.

7. LONG-TERM LOANS - secured, considered good

Note	2017	2016
	(Rupees in '000)	
Employees	433	-
Less: Current maturity	(108)	-
	<u>325</u>	<u>-</u>

7.1 Represents loans given to employees as per the Company's policy. These loans carry mark-up upto 10% per annum and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

8. STORES, SPARE PARTS AND LOOSE TOOLS

Note	2017	2016
	(Rupees in '000)	
Stores	9,690	5,795
Spare parts	84,710	77,079
Loose tools	130	35
	<u>94,530</u>	<u>82,909</u>

9. STOCK-IN-TRADE

Raw material

In hand

In bonded warehouse

In transit

607,953	701,723
-	48,706
<u>746,168</u>	<u>445,042</u>

Work-in-process

Finished goods

Polypropylene scrap goods

1,354,121	1,195,471
35,445	25,151
97,830	120,992
7,241	868
<u>1,494,637</u>	<u>1,342,482</u>

10. TRADE DEBTS - unsecured

Considered good

Considered doubtful

Less: Provision for doubtful debts

10.1	898,551	718,262
	17,966	17,966
	<u>916,517</u>	<u>736,228</u>
	17,966	17,966
	<u>898,551</u>	<u>718,262</u>

10.1 Trade receivables are generally on 30 days term. Aging analysis of trade debts is as follows:

	Note	2017	2016
(Rupees in '000)			
Neither past due nor impaired		496,466	523,096
Past due but not impaired			
- Within 75 days		402,085	195,166
		<u>898,551</u>	<u>718,262</u>
11. LOANS AND ADVANCES - considered good			
Current portion of long-term loans	7	108	-
Advances - unsecured:			
Suppliers		4,685	2,905
Letters of credit		91	1,244
		4,776	4,149
		<u>4,884</u>	<u>4,149</u>
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposit - earnest money		5,189	6,961
Short-term prepayments			
Insurance		3,648	2,627
Rent		300	900
Others		29	1,652
		3,977	5,179
		<u>9,166</u>	<u>12,140</u>
13. OTHER RECEIVABLES			
Gratuity fund	13.1	41,648	24,765
Sales tax adjustable		214,418	206,108
Others		686	686
		<u>256,752</u>	<u>231,559</u>

13.1 Gratuity fund

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, 2017.

	2017	2016
(Rupees in '000)		
Gratuity fund asset:		
Present value of defined benefit obligations	(50,057)	(50,363)
Fair value of plan assets	91,705	75,128
Asset recognized in the balance sheet	<u>41,648</u>	<u>24,765</u>
Current service cost	(3,672)	(3,313)
Interest cost	(3,273)	(3,882)
Expected return on plan assets	5,102	6,865
Expense recognized	<u>(1,843)</u>	<u>(330)</u>
Movement in the asset / (liability) in balance sheet:		
Balance as at July 01	24,765	19,365
Net charge for the year	(1,843)	(330)
Re-measurement chargeable in other comprehensive income	17,726	4,730
Contributions	1,000	1,000
Balance as at June 30	<u>41,648</u>	<u>24,765</u>

Movement in the present value of defined benefit obligation:

	2017	2016
	(Rupees in '000)	
Balance as at July 01	(50,363)	(39,830)
Current service cost	(3,672)	(3,313)
Interest cost	(3,273)	(3,882)
Benefits paid during the year	10,512	-
Actuarial loss	(3,261)	(3,338)
Balance as at June 30	<u>(50,057)</u>	<u>(50,363)</u>

Movement in the fair value of plan assets:

Balance as at July 01	75,128	59,195
Expected return	5,102	6,865
Contributions	1,000	1,000
Benefits paid during the year	(10,512)	-
Actuarial gain	20,987	8,068
Balance as at June 30	<u>91,705</u>	<u>75,128</u>

Principal actuarial assumptions used are as follows:

	2017	2016
	(Percentage)	
Expected rate of increase in salary level	10.25%	9.50%
Valuation discount rate	8.00%	7.25%
Rate of return on plan assets	8.00%	7.25%

Comparisons for past years:

As at June 30	2017	2016	2015	2014	2013
	(Rupees in '000)				
Present value of defined benefit obligations	(50,057)	(50,363)	(39,830)	(31,226)	(32,361)
Fair value of plan assets	91,705	75,128	59,195	31,015	25,711
Surplus / (deficit)	<u>41,648</u>	<u>24,765</u>	<u>19,365</u>	<u>(211)</u>	<u>(6,650)</u>
Experience adjustment on plan liabilities	(3,261)	(3,338)	(2,338)	(513)	(2,873)
Experience adjustment on plan assets	20,987	8,068	21,441	6,263	3,473
	<u>17,726</u>	<u>4,730</u>	<u>19,103</u>	<u>5,750</u>	<u>600</u>

Composition of plan assets are as follows:

	2017	2016
	(Rupees in '000)	
Special Saving Certificates and Pakistan Investment Bonds	18,207	16,468
Mutual Funds / Shares	71,506	58,057
Bank balances	1,992	603
	<u>91,705</u>	<u>75,128</u>

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year amounts to Rs. 26.09 million (2016: Rs. 14.93 million).

13.2 Provident fund

	2017	2016
	(Rupees in '000)	
Size of the trust	138,626	139,483
Cost of investments made	122,882	114,739
Fair value of investments	137,162	137,595
	2017	2016
	(Percentage)	
Percentage of investment made	98.94	98.65

Major categories of investment of provident fund are as follows:

	2017		2016	
	Investment	% of investment as size of the fund	Investment	% of investment as size of the fund
	(Rupees in '000)		(Rupees in '000)	
Government securities	82,201	60	70,713	51
Short-term deposits	4,717	03	7,820	06
Others	50,244	37	59,062	43
	<u>137,162</u>	<u>100</u>	<u>137,595</u>	<u>100</u>

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.

14. CASH AND BANK BALANCES

	Note	2017	2016
		(Rupees in '000)	
Cash in hand		272	196
Bank balances			
Islamic banks			
Current accounts		5,868	9,409
Conventional banks			
Current accounts		7,121	7,219
Saving accounts	14.1	2,167	691
		<u>9,288</u>	<u>7,910</u>
		<u>15,428</u>	<u>17,515</u>

14.1 These carry effective profit rate of 4% (2016: 4%) per annum.

15. SHARE CAPITAL

15.1 Authorised capital

2017	2016		2017	2016
Number of shares			(Rupees in '000)	
40,000,000	40,000,000	Ordinary shares of Rs. 10/- each	400,000	400,000

15.2 Issued, subscribed and paid-up capital

2017	2016		2017	2016
Number of shares			(Rupees in '000)	
22,210,500	20,145,000	Fully paid ordinary shares of Rs. 10/- each	222,105	201,450
7,395,000	7,395,000	- Issued fully paid in cash	73,950	73,950
29,605,500	27,540,000	- Issued as fully paid bonus shares	296,055	275,400
-	2,065,500	- Balance at the beginning of the year	-	20,655
29,605,500	29,605,500	- Right shares issued during the year	296,055	296,055

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

	Note	2017	2016
		Number of shares	
Faruque (Private) Limited		2,952,101	2,952,101
Cherat Cement Company Limited		2,174,808	2,055,308
Mirpurkhas Sugar Mills Limited		1,469,933	1,469,933
Greaves Pakistan (Private) Limited		1,487,026	1,487,026

16. RESERVES

	2017	2016
	(Rupees in '000)	
Capital reserve		
Share premium	545,314	545,314
Revenue reserve		
General reserve	180,000	180,000
Unappropriated profit	2,287,125	1,866,330
Actuarial gain on gratuity fund	43,036	25,310
Unrealised gain on available for sale securities	665,347	403,282
	3,175,508	2,474,922
	<u>3,720,822</u>	<u>3,020,236</u>

17. LONG-TERM FINANCING – secured

Islamic banks			
Fixed Assets Refinance Loan	17.1	450,000	-
Conventional banks			
Fixed Assets Refinance Loan – Tranche I	17.2	-	80,000
Fixed Assets Refinance Loan	17.3	160,000	200,000
		<u>610,000</u>	<u>280,000</u>
Less: Current maturity		(40,000)	(60,000)
		<u>570,000</u>	<u>220,000</u>

17.1 Represents a long-term loan obtained from an Islamic bank for the import of Polypropylene Plant amounting to Rs. 450 million. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual installments commencing after a grace period of 24 months from the date of first disbursement i.e. from January 2019. The loan is secured by way of first pari-passu hypothecation charge of Rs. 667 million over specific plant and machinery of the Company.

17.2 During the period, the loan has been settled early.

17.3 Represents a long-term loan obtained from a conventional 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.

18. DEFERRED TAXATION

	2017	2016
	(Rupees in '000)	
Accelerated tax depreciation	204,085	220,975

19. TRADE AND OTHER PAYABLES

Note	2017	2016
	(Rupees in '000)	
Creditors	44,215	39,269
Bills payable	365,790	519,279
Accrued liabilities	65,692	55,182
Workers' Profits Participation Fund	51,499	70,034
Workers' Welfare Fund	16,658	29,210
Retention money	2,952	1,594
	<u>546,806</u>	<u>714,568</u>

19.1 Workers' Profits Participation Fund

Opening balance		70,034	49,356
Interest thereon	28	1,849	212
		<u>71,883</u>	<u>49,568</u>
Payments during the year		<u>(71,883)</u>	<u>(49,568)</u>
		-	-
Charge for the year	26	<u>51,499</u>	<u>70,034</u>
Closing balance		<u>51,499</u>	<u>70,034</u>

19.2 Workers' Welfare Fund (WWF)

As per WWF Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Federal government through Finance Acts 2006 and 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 and other taxpayers in the Honourable Peshawar High Court who decided the case in their favor in the year 2013-14.

The Tax department filed an appeal against the order of the Honourable Peshawar High Court in the Honourable Supreme Court who decided the case in favour of the taxpayers. Accordingly the Company has reversed the charge for WWF in respect of prior years' amounting to Rs. 11.01 million.

20. SHORT-TERM BORROWINGS - secured

Note	2017	2016	
	(Rupees in '000)		
Conventional banks			
Short-term running finance- Conventional banks	20.1	161,369	140,195
Islamic banks			
Istisna'a and Murabaha	20.2	-	-
		<u>161,369</u>	<u>140,195</u>

20.1 The Company has facilities obtained from various conventional banks amounting to Rs. 2,625 million (2016: Rs. 2,475 million) out of which Rs. 2,463.63 million (2016: Rs. 2,334.81 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 3,501.67 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company. These facilities carry mark-up of 1 and 3 months KIBOR plus spread ranging from 0.25% to 1.00% (2016: 1 and 3 months KIBOR plus spread ranging from 0.5% to 1.25%) per annum.

20.2 The Company has facilities obtained from various Islamic banks amounting to Rs. 900 million (2016: Rs. 900 million) which remains unutilized (2016: Rs. Nil) at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,200.33 million.

21. CONTINGENCIES AND COMMITMENTS

Note	2017	2016	
	(Rupees in '000)		
Outstanding letters of guarantee	21.1	85,515	47,000
Outstanding letters of credit		<u>1,174,309</u>	<u>334,996</u>
Duties payable on bonded stock		<u>-</u>	<u>7,254</u>

21.1 Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in Honourable Sindh High Court. The Court granted an agreed upon interim relief in May 2011, in consultation with the petitioners and the Secretary Excise and Taxation Department (the Department), whereby the goods of petitioners will be cleared by the Department on payment of 50% of the disputed amount and on furnishing bank guarantee for the balance 50% amount till the final outcome of the case.

The Company became a party to the arrangement in February 2014 and issued bank guarantee in favour of the Department. The amount of guarantee issued up to June 30, 2017 is Rs. 65 million. The management is hopeful of a favourable outcome and accordingly no provision has been made on these financial statements against the levy.

22. TURNOVER - net	Note	2017	2016
(Rupees in '000)			
Local sales		7,021,733	7,857,775
Less: Sales tax		1,020,297	1,141,968
		6,001,436	6,715,807
Less: Discounts & volume rebates		3,627	175,986
Net local sales		5,997,809	6,539,821
Export sales		446,123	348,784
		6,443,932	6,888,605
23. COST OF SALES			
Raw material consumed			
Opening stock		701,723	460,362
Purchases		4,313,751	4,876,176
		5,015,474	5,336,538
Closing stock	9	(607,953)	(701,723)
		4,407,521	4,634,815
Duty drawback on export		(8,881)	(1,690)
		4,398,640	4,633,125
Manufacturing overheads			
Salaries, wages and benefits	23.1	275,756	231,461
Stores, spare parts and loose tools consumed		42,785	41,222
Fuel and power		179,932	159,760
Packing charges		123,235	102,312
Rent, rates and taxes		1,169	453
Repairs and maintenance		4,307	1,980
Depreciation	4.1.3	141,781	113,054
Amortization	5.1	784	684
Insurance		25,305	25,349
General office expenses		189	157
Vehicle running expenses		5,430	4,882
Travelling and conveyance		5,938	5,407
Communication expenses		3,239	3,864
Printing and stationery		596	441
Legal and professional charges		6,595	9,053
Freight and cartage		3,800	2,352
Subscription		986	496
Stores and spares parts - written off		676	266
Others		2,330	2,308
		824,833	705,501
		5,223,473	5,338,626
Work-in-process:			
Opening stock		25,151	35,186
Closing stock	9	(35,445)	(25,151)
		(10,294)	10,035
Polypropylene scrap goods:			
Opening stock		868	1,322
Closing stock	9	(7,241)	(868)
Sales		(42,514)	(37,880)
		(48,887)	(37,426)
		5,164,292	5,311,235
Cost of goods manufactured:			
Finished goods			
Opening stock		120,992	116,295
Closing stock	9	(97,830)	(120,992)
		23,162	(4,697)
		5,187,454	5,306,538

23.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 4.98 million and Rs. 1.04 million (2016: Rs. 4.51 million and Rs. 0.28 million) respectively.

24. DISTRIBUTION COSTS

	Note	2017	2016
(Rupees in '000)			
Salaries and benefits	24.1	12,930	10,201
Travelling and conveyance		6,404	3,403
Vehicle running expenses		1,448	1,272
Repair and maintenance		57	48
Communication expenses		950	693
Rent, rates and taxes		331	226
Insurance		1,651	1,517
Printing and stationery		2,275	1,423
Depreciation	4.1.3	828	411
Freight and cartage		68,492	56,133
Export expenses		21,361	8,812
Others		471	397
		117,198	84,536

24.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.41 million and Rs. 0.24 million (2016: Rs. 0.36 million and Rs. 0.02 million) respectively.

25. ADMINISTRATIVE EXPENSES

	Note	2017	2016
(Rupees in '000)			
Salaries and benefits	25.1	36,292	29,135
Directors' fee		2,160	2,520
Travelling and conveyance		2,559	1,371
Vehicle running expenses		1,284	1,302
Communication expenses		2,068	2,455
Printing and stationery		1,674	1,569
Rent, rates and taxes		1,332	1,349
Legal and professional charges		3,817	3,468
Insurance		1,317	1,265
Subscription		1,637	1,368
Advertisement		536	703
Depreciation	4.1.3	2,290	1,044
Amortization	5.1	232	232
Repairs and maintenance		4,323	199
General office expenses		362	255
Utilities		249	213
Others		13	29
		62,145	48,477

25.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.57 million and Rs. 0.16 million (2016: Rs. 0.55 million and Rs. 0.03 million) respectively.

26. OTHER EXPENSES

	Note	2017	2016
(Rupees in '000)			
Auditors' remuneration	26.1	2,289	1,838
Donations	26.2	1,254	3,145
Workers' Profits Participation Fund	19.1	51,499	70,034
Workers' Welfare Fund		5,540	22,660
		60,582	97,677

26.1 Auditors' remuneration

	2017	2016
	(Rupees in '000)	
Audit fee	700	650
Half yearly review and CCG certification	350	330
Tax and other corporate services	1,078	738
Out of pocket expenses	161	120
	<u>2,289</u>	<u>1,838</u>

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

27. OTHER INCOME

	Note	2017	2016
		(Rupees in '000)	
Income from financial assets			
Profit on bank accounts – Conventional banks		387	354
Dividend income from a related party – Cherat Cement Company Limited		14,391	16,973
		<u>14,778</u>	<u>17,327</u>
Income from non-financial assets			
Gain on sale of operating property, plant and equipment	4.1.4	54	395
Gain on redemption of short-term investments		-	5,563
Scrap sales		5,676	5,733
		<u>20,508</u>	<u>29,018</u>

28. FINANCE COSTS

Islamic banks			
Mark-up on long-term financing		21,841	11,580
Bank charges and duties		207	518
		<u>22,048</u>	<u>12,098</u>
Conventional banks			
Mark-up on long-term financing		15,431	35,831
Mark-up on short-term borrowings		22,838	23,124
Guarantee commission		718	412
Bank charges and duties		1,234	727
		<u>40,221</u>	<u>60,094</u>
		<u>62,269</u>	<u>72,192</u>
Interest on Workers' Profits Participation Fund	19.1	1,849	212
		<u>64,118</u>	<u>72,404</u>

29. TAXATION

Reconciliation between tax expense and accounting profit

Accounting profit for the year before taxation		972,943	1,307,991
Tax at applicable rate of 31% (2016: Rate 32%)		301,612	418,557
Super tax		27,268	36,304
		<u>328,880</u>	<u>454,861</u>
Tax effects of:			
- Income taxed at lower rates		(2,701)	(3,345)
- Income under Final Tax Regime		(137,076)	(148,302)
- Tax credits		(24,925)	(37,742)
- Prior year tax adjustments		22,715	-
- Expenses that are inadmissible in determining taxable income		100,891	60,033
- Temporary differences – net		(16,890)	64,247
		<u>270,894</u>	<u>389,752</u>

30. EARNINGS PER SHARE

	Note	2017	2016
Net profit for the year (Rupees '000)		702,049	918,239
			(Restated)
Weighted average number of ordinary shares in issue		29,605,500	29,605,500
Basic earnings per share	30.1	Rs. 23.71	Rs. 31.02

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

31. 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:

31.1 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: interest rate risk, currency risk, and other price risk, such as equity risk.

31.1.1 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. 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)
2017		
KIBOR	+200	(15,427)
KIBOR	-200	15,427
2016		
KIBOR	+200	(8,404)
KIBOR	-200	8,404

31.1.2 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).

	2017	2016
Bills payable - Euro	(2,641)	(3,900)
- US Dollar	(361)	(582)
Trade debts - Euro	-	670
- US Dollar	622	101

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

	2017	2016
	(Rupees)	
Exchange rates - Euro	120.14	116.31
- US Dollar	105.00	104.70

The management keeps on evaluating different options available for hedging purposes. The following table demonstrates the sensitivity to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Company's equity.

	Change in rate (%)	(Rupees in '000)
30 June 2017-Euro	+10	(31,729)
	- 10	31,729
30 June 2017-US Dollar	+10	2,741
	- 10	(2,741)
30 June 2016-Euro	+10	(37,568)
	- 10	37,568
30 June 2016-US Dollar	+10	(5,036)
	- 10	5,036

31.1.3 Equity price 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.

As at the balance sheet date, the exposure to listed equity securities at fair value was Rs. 865.90 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 86.59 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.

31.2 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 10.1 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.

31.2.1 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:

	2017	2016
	(Rupees in '000)	
Long-term investment A	865,896	507,379
Trade debts Customers with no defaults in the past one year	898,551	718,262
Bank balances A1+	11,809	11,158
A	3,619	6,357
	<u>15,428</u>	<u>17,515</u>

31.3 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.

The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments.

	2017					2016				
	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	40,000	570,000	610,000	-	610,000	60,000	220,000	280,000	-	280,000
Trade and other payables	-	-	-	478,649	478,649	-	-	-	615,324	615,324
Unclaimed dividend	-	-	-	5,511	5,511	-	-	-	3,902	3,902
Accrued mark-up	-	-	-	21,746	21,746	-	-	-	8,783	8,783
Short-term borrowings	161,369	-	161,369	-	161,369	140,195	-	140,195	-	140,195
	<u>201,369</u>	<u>570,000</u>	<u>771,369</u>	<u>505,906</u>	<u>1,277,275</u>	<u>200,195</u>	<u>220,000</u>	<u>420,195</u>	<u>628,009</u>	<u>1,048,204</u>

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

31.4 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.

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, 2017 and 2016 are as follows:

	2017	2016
	(Rupees in '000)	
Long-term financing	610,000	280,000
Accrued mark-up	21,746	8,783
Short-term borrowings	161,369	140,195
Total debt	793,115	428,978
Cash and cash equivalents	(15,428)	(17,515)
Net debt	777,687	411,463
Share capital	296,055	296,055
Reserves	3,720,822	3,020,236
Total capital	4,016,877	3,316,291
Capital and net debt	4,794,564	3,727,754
Gearing ratio	16.22%	11.04%

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.

31.5 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.

The table below categorized financial assets by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	865,896	-	-	865,896
	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	507,379	-	-	507,379

During the year, 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.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017	2016
	Executives / Key Employees	Executives / Key Employees
	(Rupees in '000)	
Managerial remuneration	72,178	58,403
Housing allowance	22,445	17,968
Retirement benefits	6,099	5,444
Utilities	4,868	3,878
Leave fare assistance	4,618	3,824
	110,208	89,517
Number	42	37

32.1 No remuneration was paid to the Chief Executive Officer and any of the directors.

32.2 The aggregate amount charged in the financial statements for meeting fee to directors (including 7 non - executive directors) amounted to Rs. 2.16 million (2016: 8 directors - Rs. 2.52 million).

33. 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	2017	2016
		(Rupees in '000)	
Group companies	Sale of goods	673,173	475,333
	Purchase of goods	11,029	8,518
	Services received	30,769	29,785
	IT support charges	8,400	7,344
	Dividends paid	76,797	59,676
	Dividends received	14,391	16,973
Other related parties	Insurance premium	7,924	7,504

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

34. NUMBER OF EMPLOYEES

Total number of persons employed as at the year-end were 104 (2016: 79) and average number of employees during the year were 92 (2016: 77).

35. CAPACITY

	2017	2016
	(Bags '000)	
Annual installed capacity as of June 30,	460,000	410,000
Actual production for the year	351,968	341,285

Capacity utilization is in line with the market demand during the year.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 23, 2017 by the Board of Directors of the Company.

37. DIVIDEND AND APPROPRIATIONS

37.1 Subsequent to year ended June 30, 2017, the Board of Directors in its meeting held on August 23, 2017 has proposed final cash dividend @ Rs. 7/- per share amounting to Rs. 207.24 million (2016: Rs. 7/- per share amounting to Rs. 207.24 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 2.5/- per share amounting to Rs. 74.01 million (2016: Rs. 3/- per share amounting to Rs. 88.82 million) approved by the Board of Directors for the year ended June 30, 2017.

37.2 The Finance Act, 2017 introduced a tax on every public company at the rate of 7.50% on profit before tax if Company fails to distribute at least 40% of its profit after tax as cash or stock dividend 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. 281.25 million for the financial and tax year 2017 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, 2017.

38. CORRESPONDING FIGURES

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

39. GENERAL

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



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Pattern of Shareholding

as at June 30, 2017

No. of Shareholders	Shareholding		Shares Held
	From	To	
293	1	100	14,733
368	101	500	116,869
229	501	1000	187,619
415	1001	5000	996,724
96	5001	10000	698,471
42	10001	15000	516,657
27	15001	20000	476,116
21	20001	25000	472,687
8	25001	30000	218,480
6	30001	35000	196,007
7	35001	40000	270,475
7	40001	45000	301,573
7	45001	50000	338,902
4	50001	55000	212,499
4	55001	60000	234,378
3	60001	65000	190,359
6	65001	70000	414,498
2	70001	75000	145,100
2	75001	80000	156,745
2	90001	95000	181,027
1	95001	100000	100,000
1	100001	105000	104,644
1	110001	115000	113,700
3	115001	120000	354,606
2	125001	130000	255,900
1	140001	145000	141,000
3	145001	150000	442,506
1	170001	175000	175,000
1	175001	180000	177,912
2	195001	200000	398,225
2	200001	205000	405,845
2	205001	210000	416,912
1	230001	235000	230,235
2	235001	240000	475,537
1	250001	255000	252,473
1	255001	260000	257,500
1	260001	265000	264,559
1	295001	300000	296,600
2	300001	305000	604,900
1	305001	310000	305,444
1	340001	345000	340,194
1	375001	380000	380,000
1	410001	415000	415,000
1	445001	450000	450,000
1	455001	460000	456,675
2	520001	525000	1,045,885
1	560001	565000	561,000
1	680001	685000	683,837
1	1020001	1025000	1,023,425
1	1345001	1350000	1,346,989
1	1465001	1470000	1,469,933
1	1485001	1490000	1,487,026
1	2170001	2175000	2,174,808
1	2720001	2725000	2,724,763
1	2950001	2955000	2,952,101
1595			29,605,500

Categories of Shareholding

as at June 30, 2017

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. AMER FARUQUE	1	145,258	0.49
MRS. AMINA FARUQUE W/O MR. AMER FARUQUE	1	230,235	0.78
MR. AKBARALI PESNANI	1	79,120	0.27
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	8,600	0.03
MR. ASLAM FARUQUE	1	264,559	0.89
MR. SHEHRYAR FARUQUE	1	207,290	0.70
MR. TARIQ FARUQUE	1	340,194	1.15
MR. ARIF DINO FARUQUE	1	456,675	1.54
MR. ABRAR HASAN	1	2,580	0.01
MR. ABID NAQVI	1	100	0.00
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	2,952,101	9.97
CHERAT CEMENT COMPANY LIMITED	1	2,174,808	7.35
MIRPURKHAS SUGAR MILLS LIMITED	1	1,469,933	4.97
GREAVES PAKISTAN (PRIVATE) LIMITED	1	1,487,026	5.02
Executives	2	58,700	0.19
Public Sector Companies and Corporations	3	900,637	3.04
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	19	6,159,158	20.80
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	4,000	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	128,900	0.44
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	303,800	1.03
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	545	0.00
CDC - TRUSTEE NAFA STOCK FUND	1	415,000	1.40
CDC - TRUSTEE NAFA ASSET ALLOCATION FUND	1	3,572	0.01
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	296,600	1.00
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	10,000	0.03
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	301,100	1.02
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	100,000	0.34
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	12,000	0.04
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	15,000	0.05
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	202,600	0.68
General Public	1490	9,664,548	32.65
OTHERS	54	1,210,861	4.09
Total	1595	29,605,500	100.00
		Shares Held	Percentage
Shareholders holding 5% or more			
FARUQUE (PRIVATE) LIMITED		2,952,101	9.97
ATLAS INSURANCE LIMITED		2,724,763	9.20
CHERAT CEMENT COMPANY LIMITED		2,055,308	6.94
GREAVES PAKISTAN (PRIVATE) LIMITED		1,487,026	5.02

درخواست ہے کہ وہ اپنی رضامندی کا اظہار کمپنی کے صدر دفتر کو بھجوادیں کہ آیا آپ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوانے کے خواہشمند ہیں۔ علاوہ ازیں شیئر ہولڈرز کو ان کی درخواست پر آڈٹ شدہ فنانشل اسٹیٹمنٹ کی ہارڈ کاپی درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

یونی انرجی لمیٹڈ میں سرمایہ کاری کی صورت حال

کمپنی نے اپنے سالانہ اجلاس عام منعقدہ 15 اکتوبر 2015 میں یونی انرجی لمیٹڈ کی ایکویٹی میں 150 ملین روپے تک کی سرمایہ کاری کیلئے شیئر ہولڈرز کی منظوری حاصل کی تھی۔ منصوبہ اور اس کی مالی ضروریات کی صورت حال کے پیش نظر کمپنی نے اب تک 4.62 ملین روپے کی سرمایہ کاری کی ہے۔ بقیہ رقم چیراٹ پیکیجنگ لمیٹڈ، یونی انرجی لمیٹڈ کی ضرورت کے مطابق فراہم کرتی رہے گی۔

چیراٹ سیمنٹ کمپنی لمیٹڈ میں سرمایہ کاری کی صورت حال

کمپنی نے اپنے سالانہ اجلاس عام منعقدہ 31 اکتوبر 2016 میں مارکیٹ سے چیراٹ سیمنٹ کمپنی لمیٹڈ کے حصص کی خریداری کیلئے 100 ملین روپے تک کی سرمایہ کاری کیلئے شیئر ہولڈرز کی منظوری حاصل کی تھی۔ اس سال کے دوران میں کمپنی نے 96.6 ملین روپے کے حصص خرید لئے ہیں اور اب کمپنی مزید حصص نہیں خریدے گی۔

میرپور خاص شوگر ملز لمیٹڈ میں سرمایہ کاری کی صورت حال

کمپنی نے اپنے سالانہ اجلاس عام منعقدہ 31 اکتوبر 2016 میں میرپور خاص شوگر ملز لمیٹڈ کے حصص کی خریداری کے ذریعہ 50 ملین روپے تک کی سرمایہ کاری کیلئے شیئر ہولڈرز کی منظوری حاصل کی تھی۔ اس سال کے دوران میں کوئی سرمایہ کاری نہیں کی گئی۔

قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شراکت دار کا آئی ڈی نمبر ہمراہ لائیں۔ پراکسی کے تقرر کی صورت میں ایسے اکاؤنٹ ہولڈر / سب اکاؤنٹ ہولڈر کو SECP کے سرکلر مجریہ 26 جنوری 2000 کی رہنما ہدایات پر عمل کرنا ہوگا۔

۴۔ کوئی شخص جو آفس آف ڈائریکٹرز کیلئے انتخاب میں حصہ لینے کا خواہشمند ہے، اسے چاہیے کہ سالانہ اجلاس عام کی تاریخ سے کم از کم 14 دن پہلے خود کو ڈائریکٹرز کے انتخاب میں حصہ لینے کے ارادے کا ایک نوٹس کمپنی کے صدر دفتر میں جمع کرادے۔

۵۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے پتے میں کسی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئر رجسٹرار کو مطلع کریں۔

۶۔ وہ شیئر ہولڈرز جنہوں نے ابھی تک اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی فوٹو کاپی جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ فوٹو کاپی کمپنی کے شیئر رجسٹرار کو فوری طور پر ارسال کریں۔

۷۔ کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لسٹڈ کمپنیوں کو یہ ہدایت ہے کہ کمپنی کی جانب سے اعلان کردہ کسی بھی نقد منافع منقسمہ کی رقم صرف الیکٹرونک ذریعہ سے شیئر ہولڈرز کے اکاؤنٹ میں براہ راست جمع کرائی جائے۔ اس کی پیروی میں کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ فوری طور پر کمپنی کے شیئر رجسٹرار کو اپنے بینک اکاؤنٹ کی تفصیلات اور اس میں رقم جمع کرانے کے اختیار کی منظوری دیں۔

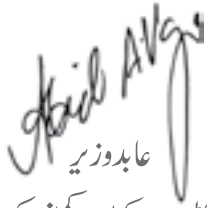
۸۔ بحوالہ SECP کے جاری کردہ (1) 787 SRO 2014/ مورخہ 8 ستمبر 2014 شیئر ہولڈرز کو یہ اختیار حاصل ہے کہ وہ سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوا سکتے ہیں۔ کمپنی کے شیئر ہولڈرز سے

اطلاع برائے سالانہ اجلاس عام

۳۔ کمپنیز ایکٹ 2017 کے سیکشن (1) 159 کے تحت بورڈ آف ڈائریکٹرز کی منظور کردہ تعداد کے مطابق کمپنی کے آٹھ (8) ڈائریکٹرز کا انتخاب کرنا۔ ریٹائر ہونے والے ڈائریکٹرز ہیں: (1) جناب اکبر علی پیدانی (2) جناب عامر فاروق (3) جناب اسلم فاروق (4) جناب شہریار فاروق (5) جناب عارف فاروق (6) جناب طارق فاروق (7) جناب ابرار حسن (8) جناب عابد نقوی

۴۔ سال 2017/18 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

۵۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی کرنا۔


عابدوزیر

ایگزیکٹو ڈائریکٹر اور کمپنی سیکرٹری

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 28 واں سالانہ اجلاس عام بروز منگل 24 اکتوبر 2017 صبح 11:30 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع بیٹانی آرکیڈ، جمرو روڈ، پشاور میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال مختتمہ 30 جون 2017 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

۲۔ بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال مختتمہ 30 جون 2017 کے لئے شیئر ہولڈرز کو حتمی نقد منافع بحساب %70 (7.00 روپے فی شیئر) کی ادائیگی پر غور کرنا اور منظوری دینا جو پہلے سے ادا شدہ عبوری نقد منافع بحساب %25 (2.50 روپے فی شیئر) کے علاوہ ہے۔

کراچی 23 اگست 2017

نوٹس:

۲۔ کمپنی کا کوئی ممبر جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے اور ووٹ دینے کیلئے اپنا پراکسی مقرر کر سکتا/سکتی ہے۔ پراکسی کے موثر ہونے کیلئے لازمی ہے کہ اس کی تحریری اطلاع، اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے صدر دفتر کو موصول ہو جائے۔

۳۔ کمپنی کے وہ شیئر ہولڈرز جن کے شیئرز سینٹرل ڈپازٹری سسٹم (CDS) میں ان کے اکاؤنٹ / سب اکاؤنٹ میں رجسٹرڈ ہیں، ان کو مطلع کیا جاتا ہے کہ وہ تصدیق کے لئے اپنا اصل کمپیوٹرائزڈ

۱۔ کمپنی کے ممبران کا رجسٹر منگل 10 اکتوبر 2017 تا منگل 24 اکتوبر 2017 (بشمول دنوں ایام) بند رہے گا اور اس مدت کے دوران میں کوئی منتقلی عمل میں نہیں آئے گی۔ تاہم کمپنی کے شیئر رجسٹر اری میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان ہی ڈی سی ہاؤس B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، شارع فیصل کراچی 74400 میں پیر 9 اکتوبر 2017 کو کاروباری اوقات کے اختتام تک موصول ہونے والے شیئرز حتمی نقد منافع کے حقدار تصور کئے جائیں گے۔ حتمی نقد منافع کی ادائیگی موجودہ 296,055,000 روپے کے ادا شدہ سرمایہ سے کی جائے گی۔

قومی خزانے میں حصہ

کمپنی نے ٹیکسز، ایکسائز ڈیوٹیز، انکم ٹیکس اور سیلز ٹیکس کی صورت میں قومی خزانے میں 2 بلین روپے کے قریب رقم جمع کرائی ہے۔

یونی انرجی لمیٹڈ

یونی انرجی ایک جوائنٹ وینچر ونڈ پاور پروجیکٹ ہے، اس کو لیٹر آف انٹینٹ تفویض کر دیا گیا ہے اور پروجیکٹ کے قیام کے لئے رسمی طور پر جھمپیر، ضلع ٹھٹھہ میں زمین الاٹ کر دی گئی ہے۔ پروجیکٹ کی جاری مالیاتی ضروریات کیلئے بے وی پارٹنرز نے کمپنی میں ابتدائی ایکویٹی سرمایہ کاری کر دی ہے۔ اس سلسلے میں چیراٹ پیکیجنگ نے شیئر ہولڈرز کی منظوری کے بعد 4.62 بلین روپے کی ایکویٹی سرمایہ کاری کی ہے اس وقت منصوبہ کی ٹیکنیکل مطالعہ کا کام جاری ہے۔ اس کے علاوہ کمپنی کی انتظامیہ مختلف سرکاری ایجنسیز سے منظوریوں حاصل کرنے کے مرحلے میں ہے اور اس کے ساتھ ہی منصوبہ کے لئے فنڈز کی فراہمی کے سلسلے میں مالیاتی اداروں سے رابطہ میں ہے۔

مستقبل کے امکانات

کمپنی کی ترقی کی پالیسی طویل مدت کی ترقی کیلئے ممکنہ مارکیٹ کے مواقع کی تلاش اور گنجائش میں مسلسل اضافہ پر مبنی ہے تاکہ پیکیجنگ کے شعبہ میں مارکیٹ لیڈر بننے کا ہدف حاصل کیا جاسکے۔ سینٹ کی طلب میں اضافہ سے کمپنی کے تیار کردہ بیگس کی فروخت پر بھی مثبت اثرات مرتب کئے ہیں۔ معاشی استحکام اور چائنہ پاک اکنامک کوریڈور کے تحت انفراسٹرکچر کے منصوبوں کے شروع ہونے سے ملک میں تعمیراتی سرگرمیوں کو فروغ حاصل ہوا ہے جس کا ہمیں بھی فائدہ پہنچ رہا ہے۔ مارکیٹ کے ان حالات میں کمپنی PP بیگ اور پیپر بیگ دونوں کی بڑھتی ہوئی طلب کو پورا کرنے کی اہلیت رکھتی ہے۔ اس کے علاوہ کمپنی کو مارکیٹ کے نئے شعبہ دریافت کرنے اور PP بیگ کی برآمد بڑھانے کے ساتھ ساتھ دیگر پروڈکٹس جیسے چینی، فرٹیلائزر، کیمیکل وغیرہ کیلئے بھی پیکیجنگ میٹریل فراہم کرنے کے مواقع حاصل ہوں گے۔ پاکستان میں سنگل ونڈ و سیمینٹ پیکیجنگ کا عمل پیش کرنے والی سب سے بڑی کمپنی کی بناء پر CPL یقینی طور پر اپنے معزز صارفین کی ضروریات پوری کرنے کی اہل ہے۔ ہمیں کامل یقین ہے کہ ان اقدامات سے مستقبل میں کمپنی کی سیلز میں مزید اضافہ ہوگا۔ تاہم بنیادی خام مال جیسے کرافٹ پیپر اور PP گرانولز کی قیمتوں میں اضافہ کے سبب کمپنی کیلئے لمحہ فکریہ ہے۔ نئے چکدار پیکیجنگ ڈویژن کے اضافہ سے کمپنی کو اپنے کاروبار کے فروغ کیلئے نئے مارکیٹ کے شعبوں میں مختلف النوع پروڈکٹ پیش کرنے کا موقع ملے گا۔

آڈیٹرز کا تقرر

موجودہ آڈیٹرز میسرز EY فورڈر ہوڈس، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کے دوبارہ تقرر کی پیشکش کی ہے۔

اعتراف

ہم تمام صارفین، مالیاتی اداروں، اسٹاف ممبرز، سپلائرز اور شیئر ہولڈرز کے بے حد شکر گزار ہیں، جو کمپنی کیلئے خدمات انجام دے رہے ہیں اور اپنا بھرپور تعاون اور مدد پیش کرتے ہیں۔ میں مونڈی پیکیجنگ اور ونڈ مولر اینڈ ہوپوچر کا خصوصی شکریہ ادا کروں گا جن کا تعاون اور سپورٹ ہمیشہ کمپنی کے ساتھ رہی۔

منجانب بورڈ آف ڈائریکٹرز



عامر فاروق

چیف ایگزیکٹو

کراچی 23 اگست 2017

- اس سال کے دوران میں بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

اجلاسوں میں حاضری	ڈائریکٹرز کا نام
4	جناب اکبر علی پیدانی
5	جناب عامر فاروق
4	جناب اسلم فاروق
5	جناب شہریار فاروق
5	جناب عارف فاروق
5	جناب طارق فاروق
5	جناب ابرار حسن
5	جناب عابد نقوی

- سال کے دوران میں آڈٹ کمیٹی کی چار میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

اجلاسوں میں حاضری	ڈائریکٹرز کا نام
3	جناب عابد نقوی
4	جناب طارق فاروق
3	جناب عارف فاروق

- سال کے دوران میں ہیومن ریسورس اینڈ ریموریشن کمیٹی کی دو میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

اجلاسوں میں حاضری	ڈائریکٹرز کا نام
2	جناب ابرار حسن
2	جناب اسلم فاروق
2	جناب عامر فاروق

- شیئر ہولڈنگ کا طرز اس رپورٹ کے ساتھ منسلک ہے۔

- اس سال کمپنی کے شیئرز میں چیف ایگزیکٹو، ڈائریکٹرز، چیف فنانشل آفیسر اور کمپنی سیکرٹری یا ان کے شریک حیات اور ان کے چھوٹے بچوں میں سے کسی نے خرید و فروخت نہیں کی۔

- سال کے دوران میں فی شیئر آمدنی (EPS) 23.71 روپے رہی جو گزشتہ سال 31.02 روپے تھی۔

پرفیکٹری کے گرد و نواح میں رہنے والی کمیونٹی کے فلاحی کاموں میں بھرپور شرکت کرتی ہے۔ کمپنی پاکستان کے مختلف مشہور و معروف اداروں اور این جی اوز کے ساتھ مل کر بھی فلاحی کام کرتی ہے جن میں آغا خان یونیورسٹی اور دی سٹیزن فاؤنڈیشن شامل ہیں۔ کمپنی ہر مشکل گھڑی میں پاکستان کے عوام کے ساتھ کھڑی ہے اور کھڑی رہے گی۔

تحفظ، صحت اور ماحول (HSE)

کمپنی ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے اپنے کاروبار میں ہمیشہ صحت تحفظ اور ماحول کے اقدامات میں مسلسل بہتری کیلئے کوشاں رہتی ہے۔ پروڈکشن کے شعبہ میں مکمل طور پر صنعتی معیار اور تحفظ کی ضروریات کی پابندی پر عمل کو یقینی بنایا جاتا ہے۔ اس بناء پر اس سال کے دوران میں کام کی جگہ پر کوئی قابل ذکر حادثہ پیش نہیں آیا۔

اجتماعی اور مالیاتی رپورٹنگ فریم ورک کا اسٹیٹمنٹ

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی تفصیلات (Financial Statements) میں کمپنی کے معاملات، آپریشنز کے نتائج، نقد قومات کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا ہے۔
- کمپنی کے حساب کتاب اور کھاتوں کو درست طور پر مرتب کیا گیا ہے۔
- مالیاتی اسٹیٹمنٹ اور حسابات کے تخمینہ کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے، اور حسابات کے تخمینوں میں معقولیت اور دانائی پر مبنی فیصلے کئے گئے ہیں۔
- مالیاتی اسٹیٹمنٹ، پاکستان میں لاگو اور موثر بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور کہیں ان سے انحراف کیا گیا ہے تو مناسب طور پر اس کو ظاہر کیا گیا ہے اور اس کی وضاحت کی گئی ہے۔
- داخلی کنٹرول کا نظام ڈیزائن کے اعتبار سے محفوظ ہے اور اس کے نفاذ اور نگرانی کا کام موثر طریقے سے کیا گیا ہے۔
- کمپنی کے موجودہ صلاحیت میں کام جاری رکھنے میں کسی رکاوٹ کا شبہ نہیں ہے۔
- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کے بہترین اصولوں سے کوئی حقیقی انحراف نہیں کیا گیا۔
- گزشتہ چھ سال کی بنیادی آپریشنز اور مالیاتی معلومات اختصار کے ساتھ منسلک کی گئی ہیں۔
- آپ کی کمپنی کے ذمہ ٹیکس، ڈیویڈنڈ، محصولات اور چارجز کی مد میں کوئی واجبات نہیں ہیں سوائے ان کے جو کاروبار کے معمولات کا حصہ ہیں۔
- کمپنی اپنے ملازمین کے پراویڈنٹ اور گریجویٹ فنڈز کا انتظام کرتی ہے۔ فنڈ کی سرمایہ کاری کی مالیت کی قدر بمطابق 30 جون 2017 درج ذیل ہے:

پراویڈنٹ فنڈ	137.16 ملین روپے
گریجویٹ فنڈ	91.71 ملین روپے

منصوبوں کی تازہ ترین صورتحال

یونیورسل پیپرسیک

یونیورسل پیپرسیک کی تنصیب کا کام شیڈول کے مطابق جاری ہے۔ منصوبہ سے متعلق سول ورک مکمل ہو چکا ہے اور پلانٹ کی مشینری بھی فیکٹری سائٹ پر پہنچ گئی ہے۔ جیسا کہ پہلے مطلع کیا جا چکا ہے کمپنی نے اس منصوبے کیلئے ایک معروف بینک سے مسابقتی شرائط پر طویل المدت قرضہ کا انتظام کر لیا ہے۔ یونیورسل پیپرسیک کے اضافہ سے کمپنی کی سالانہ پیداوار میں تقریباً 400 ملین پیپرسیک کا اضافہ ہو جائے گا۔ اس کے ذریعہ سینٹ کے روایتی بیگز کے علاوہ دیگر متعلقہ پروڈکٹس کیلئے چھوٹے سائز کے بیگ بنائے جاسکیں گے۔ انتظامیہ کو امید ہے کہ اس سے ہمیں مزید مارکیٹ شیئر کے حصول میں بھی مدد ملے گی اور ہم بڑے پیمانے کی معیشت بھی حاصل کر سکیں گے۔ توقع ہے کہ یہ پلانٹ اکتوبر 2017 میں کام شروع کر دے گا۔

چکدار پیکیجنگ پروجیکٹ

متنوع حکمت عملی کے سلسلے میں کمپنی نے ایک چکدار پیکیجنگ پروجیکٹ کے قیام کا فیصلہ کیا ہے۔ چکدار پیکیجنگ دنیا بھر کے کاروبار میں تیزی سے بڑھتا ہوا شعبہ ہے اور اس سے کمپنی کو کاروبار کے مزید فروغ دینے کے بڑے مواقع حاصل ہوں گے۔ صارفین کی اس ابھرتی ہوئی مارکیٹ میں CPL نے اعلیٰ ترین معیار کی مشینری کیلئے سرمایہ کاری کا فیصلہ کیا ہے تاکہ ابتدا ہی سے مارکیٹ کے بڑے اور معروف اداروں کے مقابلے کی پروڈکٹس پیش کی جاسکے۔ کمپنی نے صف اول کے یورپین سپلائرز کو پلانٹ کا آرڈر دے دیا ہے جن میں بنیادی سامان میسرز ونڈمولر اینڈ ہولسچر (Windmoller & Holscher) سے خریداجا رہا ہے جو اس صنعت کے معروف ترین سپلائرز ہیں۔ منصوبہ کی کل لاگت تقریباً 1.7 بلین روپے ہے اور توقع ہے کہ یہ منصوبہ جولائی 2018 تک مکمل ہو جائے گا۔ اس طرح CPL پاکستان میں سب سے بڑی کمپنی بن جائے گی جو ایک ہی وقت میں روٹو، فلیکسو، ایکسٹروژن اور سلنڈر بنانے والی مشینوں کی حامل ہے۔

منافع منقسمہ (Dividend)

بورڈ آف ڈائریکٹرز نے اپنی مینٹگ منعقدہ 23 اگست 2017 میں 30 جون 2017 کو ختم ہونے والے سال کیلئے 70% یعنی (-7/1 روپے فی شیئر) کے حساب سے حتمی نقد منافع منقسمہ کی تجویز دی ہے۔ یہ اس 25% (2.50 روپے فی شیئر) عبوری نقد منافع کے علاوہ ہے جس کا اعلان سال کے دوران میں کیا گیا تھا۔ ممبران سے اس کی منظوری 24 اکتوبر 2017 کو منعقد ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

رائٹ شیئرز (Right Shares)

بورڈ آف ڈائریکٹرز نے موجودہ ادائ شدہ سرمایہ پر 13.50% رائٹ شیئرز جاری کرنے کا فیصلہ کیا ہے جو ہر موجودہ 100 شیئرز کیلئے 13.50 شیئرز کی شرح سے ہوگا۔ یہ رائٹ شیئر -125 روپے فی شیئر کی جاری قیمت پر دیئے جائیں گے جس میں -115 روپے پر یکم شامل ہوگا۔ اس طرح سے حاصل ہونے والی رقم کمپنی کے چکدار پیکیجنگ پروجیکٹ کی فنائنگ کے لئے استعمال کی جائے گی۔ کمپنی نے رائٹ ایشو کے ذریعہ تقریباً 500 ملین روپے جمع کرنے کا پلان بنایا ہے جب کہ بقیہ رقم تجارتی بینک سے طویل مدت کے قرضہ کی صورت میں حاصل کیا جائے گا۔

اجتماعی سماجی ذمہ داری (CSR)

اجتماعی معاشرے کے ایک فعال اور سماجی ذمہ داری سے آگاہ ادارے کی حیثیت سے کمپنی کئی سماجی اور فلاحی مقاصد کے کاموں میں فراخ دلی سے شرکت کرتی ہے جن میں صحت، تعلیم اور سماجی شعبہ شامل ہیں۔ کمپنی اپنی اجتماعی سماجی ذمہ داری نبھاتے ہوئے سماجی کاموں کے اقدامات، خاص طور

ڈائریکٹرز رپورٹ برائے ممبران برائے

سال تختہ 30 جون 2017

بورڈ آف ڈائریکٹرز 30 جون 2017 کو ختم ہونے والے سال کیلئے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کمپنی کا عمومی جائزہ

میکرو اکنامک ماحول کے منظر میں بہتری کے ساتھ سی پیک منصوبوں کے آغاز نے سیمنٹ کی مانگ میں نمایاں اضافہ کیا ہے اور ہماری کمپنی کے تیار کردہ بیگس کی سیلز بھی کافی بڑھ گئی ہے۔ زیر جائزہ سال کے دوران کمپنی بیگ تیار کرنے اور ترسیل کرنے کے نئے ہدف حاصل کرے گی جو مختلف پروڈکٹس کے لئے مختلف النوع ہوں اور PP بیگس کی برآمد کیلئے نئی مارکیٹس دریافت کی جائیں گی۔ اس طرح کمپنی کی مارکیٹ میں قائدانہ حیثیت کو تقویت حاصل ہوگی۔ اپنے معزز صارفین کیلئے سیمنٹ پیکیجنگ کی تمام ضروریات پوری کرنے کے اہل ہونے کی بناء پر کمپنی اپنی سیلز کے حجم کو بڑھانے اور اپنی آپریشنل اور فنانشل استعداد کو مزید بہتر بنانے میں کوشاں ہے جس سے کاروبار کی نئی راہیں کھلیں گی۔

موجودہ سال اور گزشتہ سال کی مالیاتی جھلکیاں

2017	2016
------	------

پاکستانی روپے بلین میں

6,443.93	6,888.61
1,256.48	1,582.07
702.05	918.24

- خالص سیلز
- مجموعی منافع
- خالص منافع

مالیاتی کارکردگی

سیلز کے حجم میں اضافہ کے باوجود، گزشتہ سال کے مقابلے میں اس سال کمپنی کی سیلز کی آمدنی کم ہوئی۔ اس کی بڑی وجہ بیگس کی قیمت فروخت کو مارکیٹ کے حالات اور نئے متعارف ہونے والے کم گرام اور اعلیٰ کوالٹی کے PP بیگز کی قیمت کے ساتھ ہم آہنگ کرنا تھا جو سیمنٹ کی صنعت میں اب تک استعمال ہونے والے روایتی بیگس کے مقابلے میں کم قیمت ہیں۔ اس طرح تیاری کی لاگت میں اضافہ کی صورتحال میں کمپنی نے اپنی روزمرہ کی خریداری کو دانشمندی سے کنٹرول کیا اور اپنے ذرائع کے استعمال سے پیداوار کی لاگت کو مناسب سطح پر لانے میں کامیابی حاصل کی۔ کمپنی نے اپنی جدت کی تلاش کو جاری رکھتے ہوئے سال کے دوران میں صارفین کے پیکیجنگ کے مقصد کیلئے نئی ورائٹرز جیسے BOPP بیگز متعارف کروائے۔ کمپنی نے نئی مارکیٹس تلاش کر کے PP بیگز کی برآمد میں اضافہ کیا اور مختلف صنعتوں جیسے چینی، فریٹلائزر، کیمیکلز وغیرہ کو بھی فراہم کئے۔ اس طرح کمپنی کو ایشیا، افریقہ اور یورپ کی مارکیٹس میں اعلیٰ معیار کے بیگ کے سپلائر کی پہچان ملی۔ کمپنی 2016/17 میں 702 بلین روپے کا منافع بعد از ٹیکس کا ہدف حاصل کرنے میں کامیاب ہوئی۔












Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Proxy Form

28th Annual
General Meeting 2017



Important

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

Registered folio / participant's _____

ID No. and A/c. No. _____

Number of shares held: _____

I / We _____

of _____

being a member of CHERAT 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 28th Annual General meeting of the Company to be held on Tuesday, 24th October, 2017 at 11:30 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport No. _____

Signature of
Shareholder

Revenue
Stamp

2. Signature: _____

Name: _____

Address: _____

CNIC 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.

پراکسی فارم

چیراٹ پیکیجنگ لمیٹڈ 28 واں سالانہ اجلاس عام

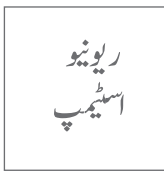


اہم نوٹ

پراکسی فارم اس وقت تک قابل قبول نہیں ہوگا جب تک یہ جنرل میٹنگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ ہو جائے۔

رجسٹرڈ فوئیو نمبر / پارٹیشنڈ شناخت نمبر
اکاؤنٹ نمبر
مجموعی شیئرز

میں مسمی / مسماة _____ سکنہ _____
 ضلع _____ بحیثیت ممبر چیراٹ پیکیجنگ لمیٹڈ، مسمی / مسماة _____
 سکنہ _____ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ
 اور میری طرف سے کمپنی کے 28 واں سالانہ اجلاس عام بروز منگل 24 اکتوبر 2017، صبح 11:30 بجے، منعقد ہو رہا ہے، اس میں اور
 اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔



ریونیو
اسٹیپ

دستخط شیئر ہولڈر

(دستخط کمپنی میں موجود درج نمونہ
کے مطابق ہونے چاہئے)

گواہان

1 دستخط _____
 نام _____
 پتہ _____
 CNIC / پاسپورٹ نمبر _____

2 دستخط _____
 نام _____
 پتہ _____
 CNIC / پاسپورٹ نمبر _____

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:

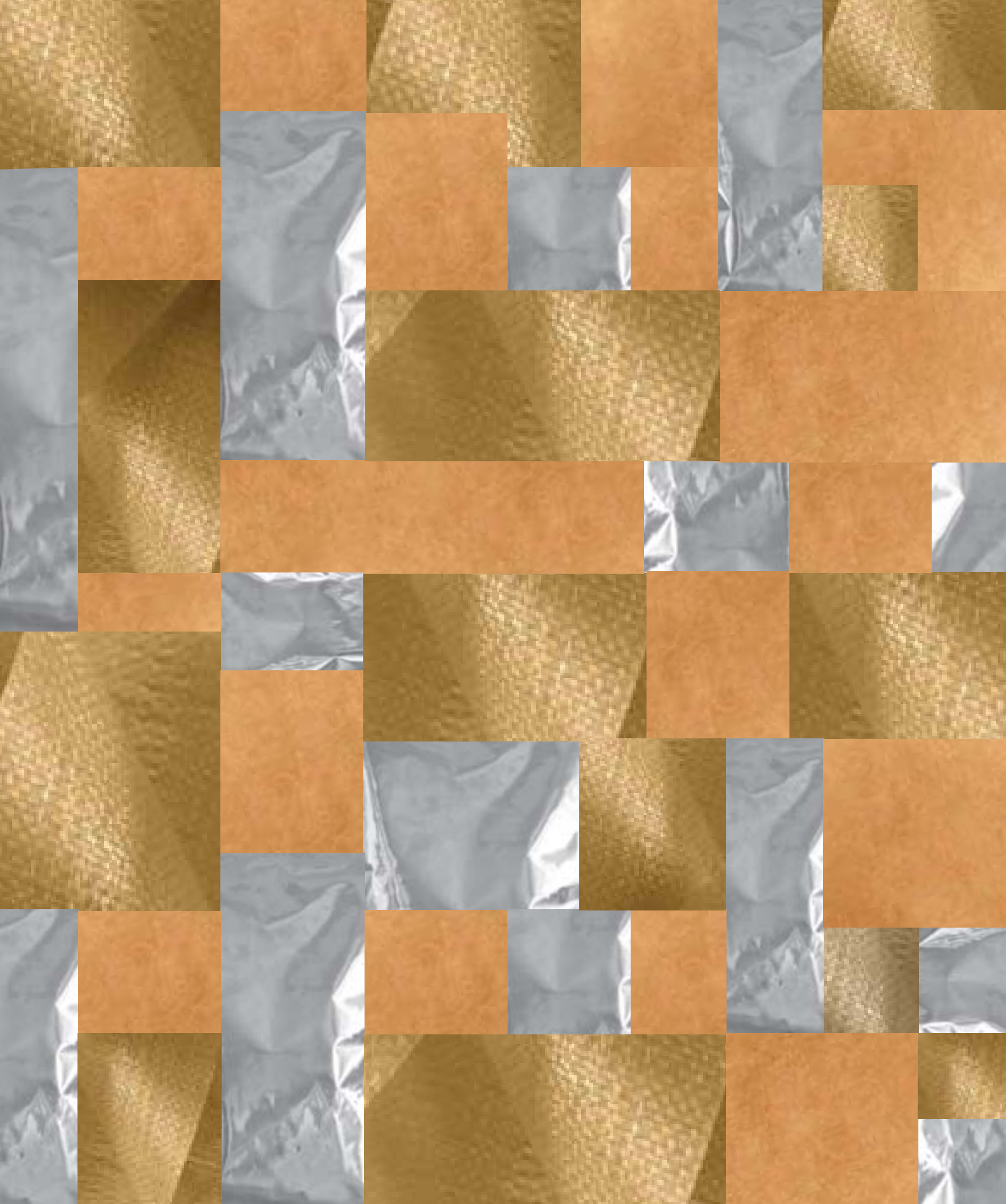
A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

- (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.

sd
(M. Javed Panni)
Chief (Coordination)



GHULAM FARUQUE
GROUP

Cherat Packaging Limited

Head Office: Modern Motors House Beaumont Road
Karachi 75530 Pakistan UAN: (9221) 111-000-009
Email: info@gfg.com.pk Web: www.gfg.com.pk

