



Cherat Packaging Limited
A Ghulam Faruque Group Company

**One Stop
Convenience**

Annual Report

2019

Chapters

03

Organizational
Overview and
External
Environment



43

Strategy and
Resource
Allocation



47

Risks and
Opportunities



53

Governance



97

Performance
and Position



130

Outlook



133

Stakeholders'
Relationship &
Engagement



137

Sustainability
& Corporate
Social
Responsibility



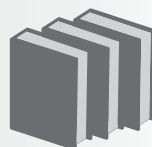
146

Striving for
Excellence in
Corporate
Reporting



150

Glossary of
Terms



151

Financial
Statements







Organizational Overview and External Environment

13	Nature of Business
15	Vision & Mission
17	Our Values
19	Culture
21	Ethics
23	Code of Conduct
24	Group Structure
27	Company Information
28	Journey at a Glance
30	Hall of Fame
33	Organizational Structure
34	Factory Site Organizational Structure
36	Geographical Presence
38	Position in the Value Chain
40	Significant Factors Affecting the External Environment
42	Composition of Local and Imported Material and Sensitivity Analysis Due to Exchange Fluctuation
42	Significant Change from Prior Year

KRAFT PAPERSACK

CHOOSE FROM

Cement Bags
Chemical Bags
Flour Bags
Rice Protein Bags
Powdered Milk Bags
Black Carbon Bags
Pigment Bags

CHOOSE TYPE

1 Ply
2 Ply
3Ply
4Ply

CHOOSE PAPER

70 grams
75 grams
80 grams
85 grams



POLYPROPYLENE

CHOOSE FROM

Cement Bags
(from 62 to 90 grams)
Sugar Bags
(from 100 to 125 grams)
Rice Bags
Flour Bags
Tobacco Bags
Insecticide Bags
Pigment Bags

CHOOSE COMBINATION

Laminated
Non-Laminated
Gusseted





Cherat Packaging Limited

FLEXIBLE PACKAGING

CHOOSE FROM

Cooking Oil/Ghee
Confectionery/Biscuits
Beverages
Snacks
Detergents/Soap
Diapers
Hair/Skin Care
Salt/Ketchup
Ice Cream
Tea Whitener/Tea
Powdered Milk
Shrink Film







Your order 100% right everytime

Cherat Packaging is known for its commitment to quality.

We at Cherat Packaging make every effort to provide our customers the highest quality products at the lowest possible cost, as well as giving our customers the best alternate solution to their changing needs without compromising on quality and durability.

To make it possible, Cherat Packaging sources the best quality Kraft Paper from the best quality supplier, Mondi Packaging, to provide our customers the best product they deserve.





Choose from a menu of sizes and colours

Polypropylene is known for its durability, strength and ability to endure long distances.

Cherat Packaging takes pride in its products' quality and strength. We, at Cherat Packaging, are committed to putting our products to rigorous testing and quality inspections to ensure that the product not only meets but surpasses customer's expectations.





A feast of options in materials, colours and sizes

FMCG is a highly competitive market - much depending on packaging of products to differentiate from others.

The challenge of any packaging company is to provide out-of-the-box solutions to the customers at the lowest rate to keep their customers' packaging cost minimal.

At Cherat Packaging we ensure to provide our best services and intuitive changes and solutions that may help our customers stand apart from their counterparts. For Cherat Packaging, customer success is our greatest asset.



Nature of Business

Cherat Packaging Limited - a prominent name in the packaging industry - is a Ghulam Faruque Group (GFG) company. Established almost 30 years ago, CPL has been recognized as the leading manufacturer of premium quality cement sacks. The Company is listed on the Pakistan Stock Exchange. CPL has a number of certifications and is a recipient of various prestigious awards including the Pakistan Stock Exchange's Top Companies Award, Management Association of Pakistan's Best Company Award and ICAP and ICMAP's Best Corporate Reporting Award. CPL is the only company in the region to have production capability of producing bags from Kraft Paper, Polypropylene and Flexible packaging products.

The Company is also active in exporting bags to different parts of the world. We are supplying bags to sugar, wheat, chemical and other sectors as well. The plant has an annual production capacity of 595 million bags (Kraft Paper and Polypropylene combined) and 12.6 million Kgs (Flexible packaging material).

Cherat Packaging is well-known for its innovation and introduction of new products like 2-ply bags and lowest grammage PP bags without compromising on quality standards. CPL stands for providing its unmatched services in its new venture of flexible packaging.

During the current financial year, CPL successfully completed installation of remaining machinery and other equipment of Flexible Packaging Division. The machinery entered the production stream during October 2018.

Our Certifications



• ISO 9001:2015 • ISO 14001:2015 • ISO 45001:2018 • ISO 22000:2005
• FSSC 22000







Vision

To be a preferred supplier of packaging solutions combined with efficient manufacturing facility 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.



Our Values



RESPECT
is our way of life



OWNERSHIP
is our way to success



QUALITY
is our legacy



FAIRNESS
is our way of work





Culture

Organizational culture in Cherat Packaging Limited is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more successful organization. These shared values have a strong influence on the respective teams and help them in a win win outcome for both the employees and the organization. Our values provide the foundation of our culture and bind us into a world class team yearning to outperform the competition.







Ethics

Our Code of Conduct reflects our commitments to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct.

Cherat Packaging Limited (CPL) is committed to conducting its business with honesty and integrity, and we expect all our employees to maintain high standards in accordance with the Code.

CPL's Code of Conduct forms an integral part of the terms of employment of all employees. The Company insists on full compliance and does not tolerate any misconduct, and unlawful behaviour. Breach of the CPL Code of Conduct may lead to disciplinary action up to and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations, and/or corporate policies.





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

Group Structure

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations. Faruque (Pvt) Ltd is the Parent Company; details and brief profile of other leading group companies / ventures are as follows:



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



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 12,500 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 1,100 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 the cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is now in excess of 4.5 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. CCCL has installed their 3rd Cement line at its current location with an annual clinker capacity of 2.1 million tons.



GHULAM FARUQUE GROUP

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. More than 10% of shareholding in Cherat Packaging Ltd.



UniEnergy Limited
Joint Venture for Renewable
Wind Energy



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 Faruque (Pvt.) Ltd. 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

Retail Sales of CNG to end consumers

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.



Mirpurkhas Energy

Wholly owned subsidiary of Mirpurkhas Sugar Mills Ltd incorporated in 2016 as a Public (unlisted) Company.



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.



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.



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. Abid Naqvi	Director
Mr. Ali H. Shirazi	Director
Mr. Abid Vazir	Director

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Ali H. Shirazi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Chief Operating Officer & CFO

Mr. Yasir Masood

Director & Company Secretary

Mr. Abid Vazir

Head of Internal Audit

Mr. Aamir Saleem

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
Industrial & Commercial Bank of China
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
MCB Islamic Bank Ltd
Meezan Bank Ltd

Share Registrar

CDC Share Registrar Services Ltd
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400
Tel: 0800-23275 UAN: 111-111-500
Email: info@cdcsrsl.com

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 Offices

Lahore

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

Islamabad

1st Floor, Razia Sharif Plaza,
Jinnah Avenue, Blue Area
Tel: (+9251) 2344531-33
Fax: (+9251) 2344534, 2344550

Journey at a Glance

1996

Installed 2nd Bottomer to the production line.

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.

2003

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

2006

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

2009

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

2012

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

2013

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

2016

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

2018

Installation of Universal Papersack Line – Installation of Roto & Flexo printers and laminator of the Flexible Packaging Division

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.

2019

Completion of Flexible Packaging Project enhancing production capacity from 7.2 million Kgs to 12.6 million Kgs.

Hall of Fame



Best Corporate Reporting Award ICAP & ICMAP

For the financial years from 2014 to 2018 Cherat Packaging participated in 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 four consecutive years in "Others Category". In addition to the aforesaid, for financial year 2017, the Company also secured the overall 1st position nationwide.



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 Corporate Excellence Certificate and Award in "Paper and Board" Category for the years 2015, 2016, 2017 and 2018.



Pakistan Stock Exchange Top Companies Award

Every year, Pakistan Stock Exchange acknowledges the performance of the Top Companies on the basis of comprehensive criteria, which includes Dividend Payout, Capital Efficiency, Profitability, Free-float of shares, Transparency, Corporate Governance & Investors Relations and Compliance with Listing of Companies & Securities Regulations.

The Company's outstanding performance has also been recognized by the Pakistan Stock Exchange and the Company has been awarded with the Top Companies Award for the year 2016.



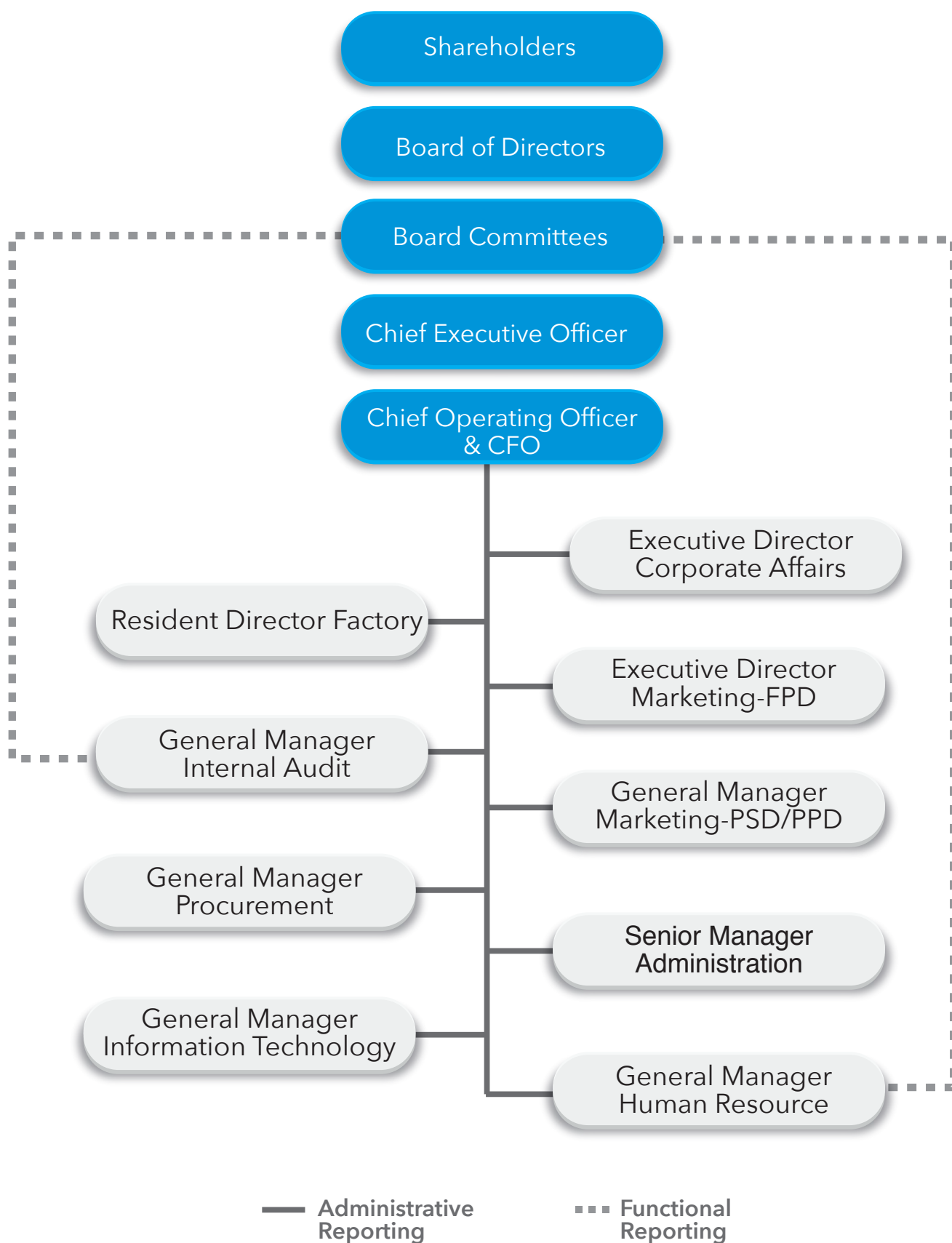
Forbes: Asia's Best Under A Billion Company

Last year, Cherat Packaging was also nominated for the 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. Last year's candidates came from 13 countries and averaged 55% growth in sales, a 24% profit margin, and 113% growth in earnings per share.

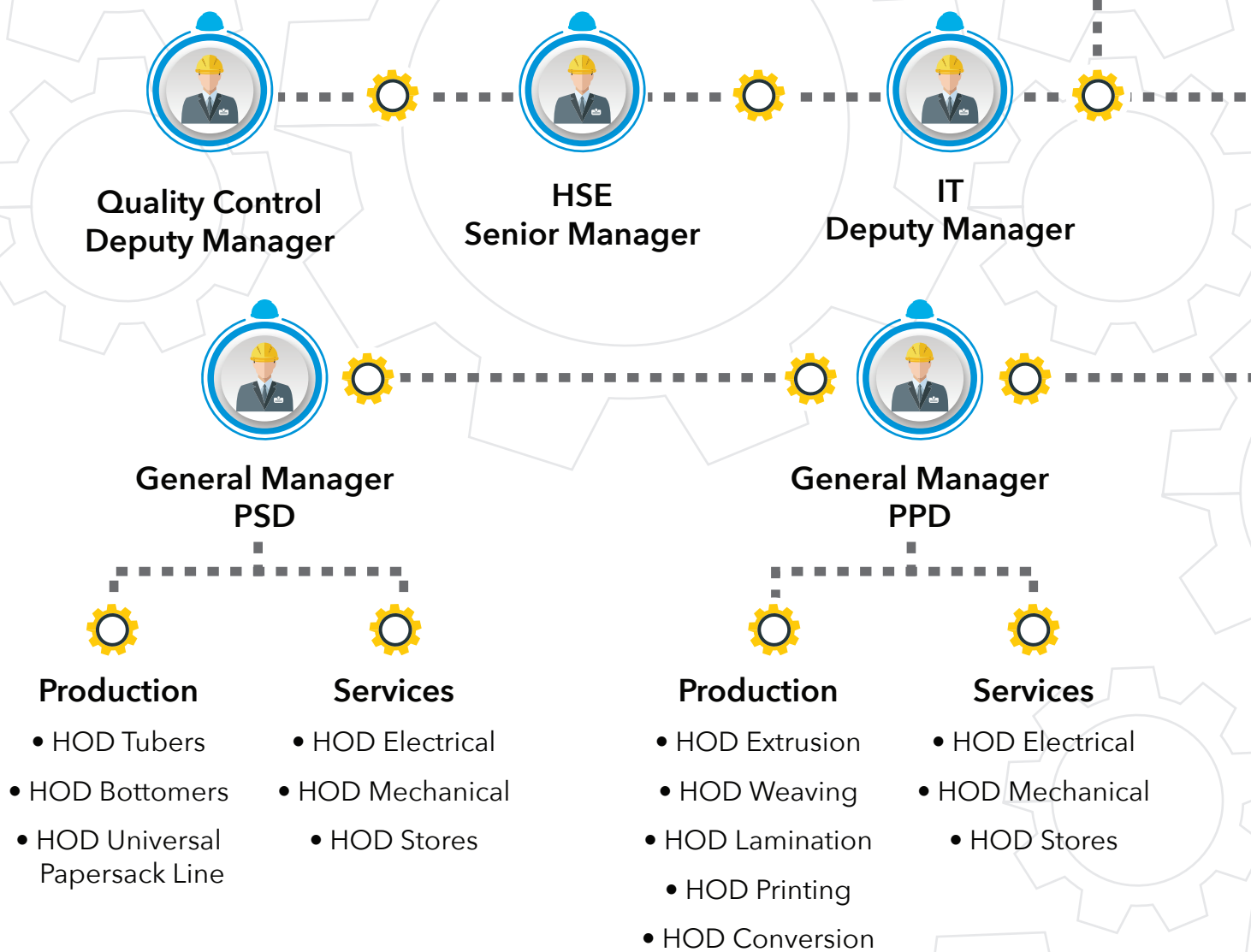


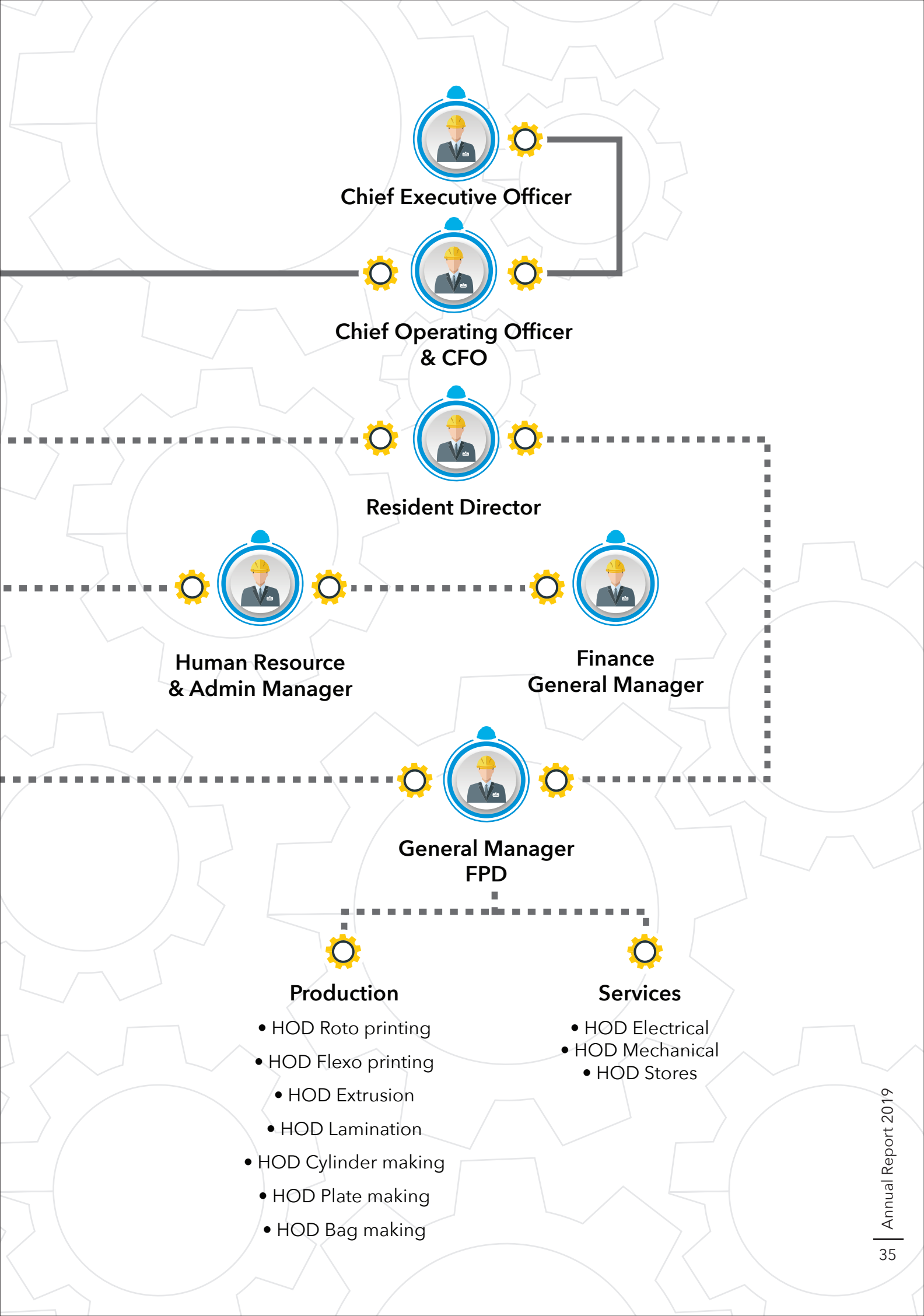


Organizational Structure



Factory Site Organizational Structure





Local Presence



International Presence



Position in Value Chain

Packaging impacts the saleability of a product. Therefore, quality packaging is the key to product success. Cherat Packaging Limited lies right in centre of the product value chain.

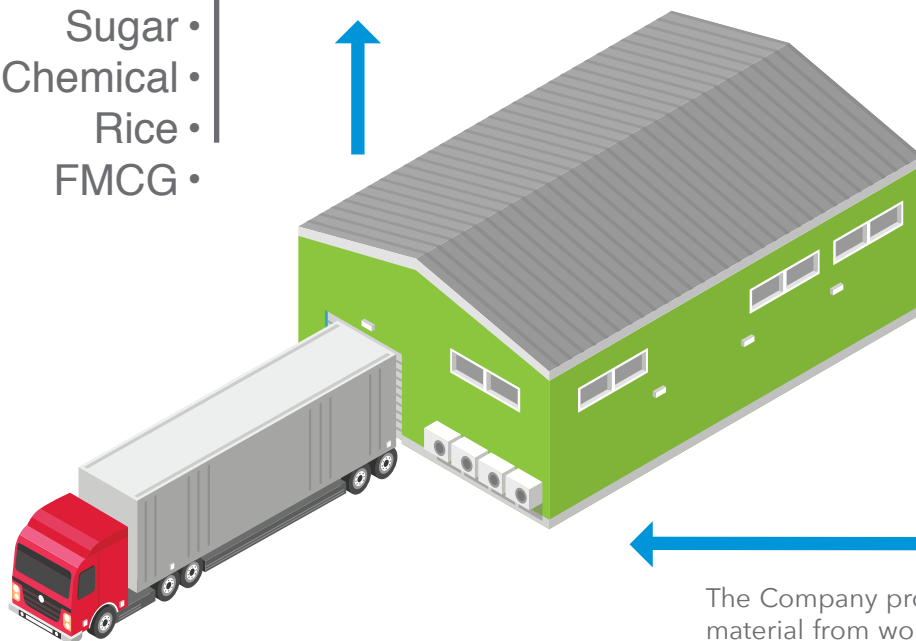


Raw Material

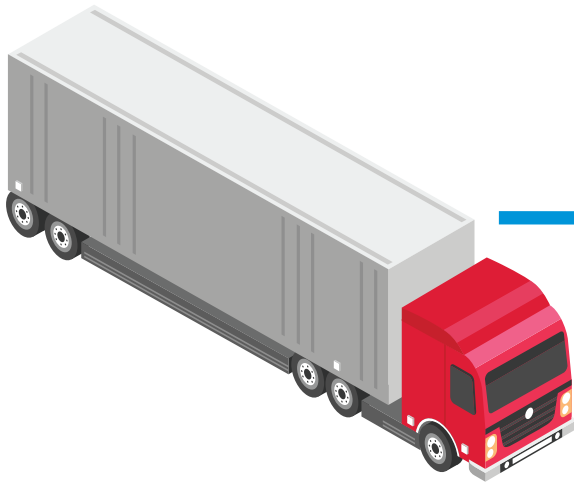
- Papersack-
Mondi Packaging
- Polypropylene
Granules - SABIC
- Films and
Granules for PE film

Cement •
Sugar •
Chemical •
Rice •
FMCG •

Customers

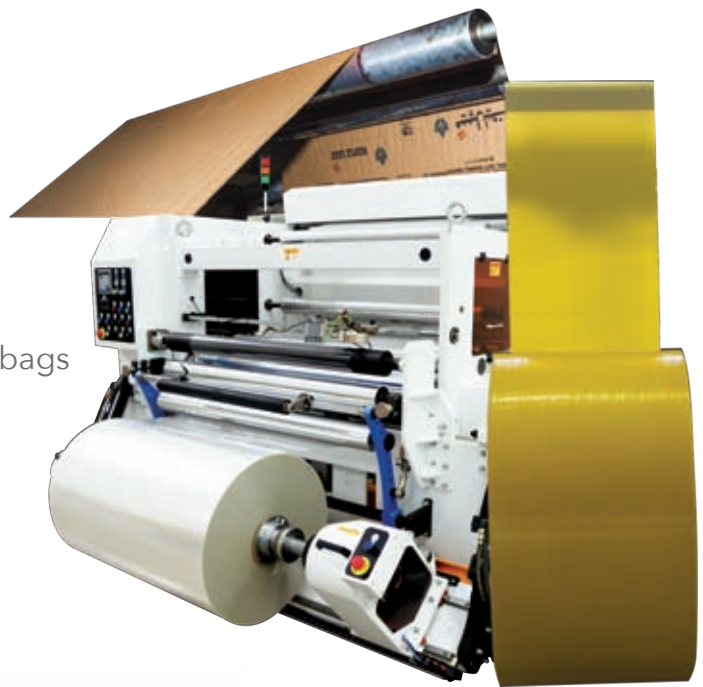


The Company procures the finest quality raw material from world renowned suppliers and converts it to bags based on customer demand and specifications. The flexible packaging business is also conducted on the same lines so as to maintain product quality.



Conversion & Manufacturing

- Paper bags
- Polypropylene bags
- Printed films








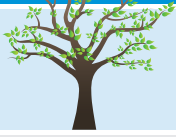
Final Products



Significant Factors Affecting the External Environment

It's not possible for Organizations to work in vacuum. Organizations are affected by its external environment. Some of these factors are listed and elaborated below:

	P	E	S
Factor	Political 	Economic 	Social 
Description	<p>Political factors determine the extent to which a government may influence the economy or a certain industry. Political uncertainty trembles the business environment.</p>	<p>Economic factors refer to the financial state of the country. A strong economy invigorates business and vice versa.</p>	<p>Social responsibility of a company cannot be ignored. The Company must play its role in betterment of society in which it operates. Health issues, education problems are among the social problems.</p>
Significant change from last year	<ul style="list-style-type: none"> - Political uncertainties - Rifts among political parties 	<ul style="list-style-type: none"> - Devaluation of PKR - Hike in discount rate - decelerated economy - Increased inflation 	<ul style="list-style-type: none"> - Make HSE department more rigorous
Organization's response	<p>The Company continuously analyzes and monitors the political situation of the country including changes in duty structures, taxes and other levies to mitigate any unwarranted affect.</p>	<p>Cherat Packaging Limited has been on strong financial standing. The company keeps optimal Debt:Equity ratio. Furthermore, it has negotiated competitive rates with various banks for its financing needs. Additionally, healthy relation with suppliers ensures timely supply of material at competitive rates.</p>	<p>The Company always strives to be a part of social causes and for the betterment of society. For this purpose, the Company donates in various social causes including education programs and health & safety of society.</p> <p>On the business front, the Company has full-fledged HSE department which works for the betterment and welfare of workers at factory. The Company implemented ISO 45001 to comply with international standards.</p>

T		L		E	
Factor	Technological 	Factor	Legal 	Factor	Environmental 
Description	<p>Technology plays a vital role in success of any company.</p> <p>Technologically primitive companies often end-up being shutdown</p>	Description	<p>Companies are required to abide by various laws and regulations. Every responsible company must follow all rules and regulations laid by the Government.</p>	Description	<p>Almost every manufacturing company has an impact on the environment. Climate changes and water shortage is the major area of concern.</p>
Significant change from last year	<ul style="list-style-type: none"> - Revamping network system 	Significant change from last year	<ul style="list-style-type: none"> - Companies Act, 2017 - Income Tax Ordinance - Sales Tax Act - Rule Book of PSX - SECP Acts, Rules and Regulations - Code of Corporate Governance - IFRS Amendments 	Significant change from last year	<ul style="list-style-type: none"> - Implementation of EMS ISO 14001:2015
Organization's response	<p>The company is equipped with latest technology to face the challenges of dynamic environment. Further, the company decided to upgrade and revamp its network system to improve data retrieval and reporting management.</p>	Organization's response	<p>The Company abides by all the laws enacted by Government. The Company has employed various professionals of respective fields so that the Company would strongly and strictly follow all the laws that are applicable to the Company.</p>	Organization's response	<p>The Company has always strived to work for the betterment of the environment. The Company has worked with an international agency on environment. The Company is fully compliant of NEQS standards. Company is EMS ISO 14001:2015 certified company and abides by international rules on environmental protection.</p>

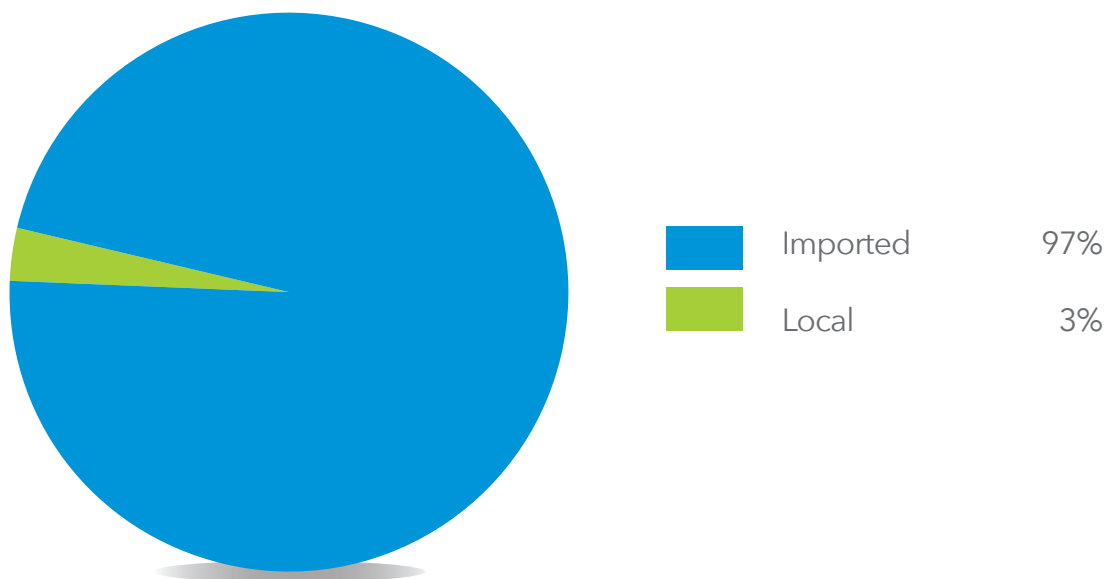
Composition of Local and Imported Material and Sensitivity Analysis Due to Exchange Fluctuation

Cherat Packaging Limited is the only company in Pakistan producing KP, PP bags and flexible packaging material. The Company mainly imports its raw materials for KP and PP bags however some material like ink, IPA, thread etc. are procured from the local market.

The Company is exposed to foreign currency fluctuation not only for its direct imported raw materials but also for those materials which are although procured locally but materials are commercially imported by our suppliers.

Keeping all other factors constant, 10% increase or decrease in exchange rate during the year would have an impact of Rs. 570 million on profit before tax of the Company.

Raw Material Composition



Significant Change from Prior Year

The Company installed remaining machinery and equipment of flexible packaging division like Extrusion machine, Cylinder making machine etc. Full-fledge operations of the division started in October 2018. The Company's strategy allowed it to tap orders from many prominent customers in FMCG. Increased competition in KP and PP cement bags impacted the company however, the Company, being the quality producer with years of experience, remained top supplier of cement bags to the cement industry.



Strategy and Resource Allocation

- 44 Strategic Objectives
- 45 Resource Allocation Plan
- 46 Liquidity Strategy
- 46 Significant Plans and Decision
- 46 Significant Change in Objective and Strategies

Strategic Objectives

The basis of our strategy stems from aim of increasing shareholders' wealth by following best business practices and being a responsible corporate citizen.

Short, Medium and Long-term Objectives

Our short-term objective is to improve efficiency of our operations through continuous improvement, cost reduction and workers' training. In medium term, we intend to grow through expansion of our core business by investing in state-of-the-art machinery, improving customer management and new and upgraded products. Build on short and medium term objectives, we aim to achieve excellence in business and diversify operations through related diversification strategy in the long-term.

Strategies in Place

Our Core Objective

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 shareholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

The Strategic Edge

CPL expanded exceptionally over the last few years. With recent expansion into FPD, CPL is now the only Company in the region to offer varied types of packing solutions, making it the medium of choice facilitating its customers in purchasing with respect to quality packing material for their valuable products.

Sales and Marketing

Marketing targets and budgets are aggressively designed by the management to achieve highest possible returns. Revenue of the Company rose due to increased prices of bags in response to increasing raw material prices and exchange rates. Selling prices were adjusted in line with market conditions which contributed in increased revenue by 14.13% with respect to export sales.

PP bags are generally used by the cement industry for exporting packed cement therefore; decline in export of packed cement has also impacted the profitability of the Company.

Cost Management

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.

Our endeavour is 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.

Resource Allocation Plan



Our Strategy

Cherat Packaging Limited is committed to increasing revenue and its streams to optimize shareholders' wealth and offer our best efforts to provide best value to all our stakeholders for their engagement with the Company.

Human Capital

Cherat Packaging Limited believes in optimization of human potential. For this purpose, the company designed various workshops and seminars, both in-house and outsourced, to enhance its human capital potential. Furthermore, the Company launched 'Values Roll-out' drive company-wide in order to reiterate the core values and blend them further into the Company culture. An employment engagement survey was conducted in coordination with an external consultant. Based on response of survey, a plan was developed and executed to address the points highlighted in the survey. Additionally, the Company also conducts various other activities for its employees as highlighted in the calendar of notable events.

Manufactured Capital

CPL takes pride to be the leader in possessing state-of-the-art machinery. The Company is exploring various areas of potential. Further, the Company is also putting its effort to increase its production and widen its market share. In Flexible Packaging Division, the Company is, in partnership with its clients to work out various alternate cost effective solutions which would not only benefit the Company in shape of increased revenue but also the clients in shape of cheaper yet high quality product.

Financial Capital

The Company has a long-term loan of Rs. 2.88 billion and short-term stood at Rs. 2.95 billion. Short-term loan increased as the Company procured extra stock in view of expected increase in exchange rate and international rates of raw material. This procurement will benefit the Company in the current financial year. The annual target has been disseminated to operational departments according to budget targets. The Company is confident that it will manage to reduce its short-term loan to a reasonable level.

Intellectual Capital

The Company takes pride of being front runner in innovation and providing better solutions to its Customers at lowest cost possible. The Company continuously invests on development of new products based on changing market trends and consumption patterns. To achieve this objective, the Company has state-of-the-art lab at its factory which not only continuously monitors quality of products but also thoroughly tests innovated products to ensure its quality surpasses the Company's standard.

Social and Relationship Capital

We recognize that the viability of our enterprise depends on our ability to sustain strong relationships with customers, vendors and with the wider community for whom we also create value. We invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers and vendors. We also contribute to the sustainable growth of our communities by offering job for local skilled and unskilled manpower.

Liquidity Strategy

Current Liquidity Position

Cherat Packaging Limited has a legacy of making timely payments to vendors, financial institutions and Government agencies etc. The Company has financing arrangements with all leading banks of Pakistan at competitive rates amounting to Rs. 5.45 billion. The Company regularly monitors its debtors and keeps outstanding days in-line with industry norms. Current increase in short-term finance is aligned with the Company's strategy. Additionally, the Company reviews its bank position on daily basis to ensure its liquidity.

Currently, the Company has short-term borrowings of Rs. 2,950 million and long-term loan of Rs. 2,885 million. This increase in debt is mainly on account of establishment and installation of Flexible packaging division. Nevertheless, the Company is confident that liquidity position will remain under control. The Company has a sustainable growth 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 1.56. The Company has decent credit ratings of 'A' in long-term and 'A1' in short term. The Company managed to earn healthy cash flows during the year; however, these were financed to procure stocks for the operations of flexible packaging project. Cash flows are being monitored on a daily basis. Adequate debt and equity ratio is maintained. The Company regularly monitors the debt equity ratio to keep the Company from any excessive debt pressure.

Financing Arrangements

The Company has cordial 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.

Significant Plans and Decisions

The Company has a long history of expansion and diversification. Continuous expansion proves our commitment to provide our customer seamless supply of bags in all circumstances while; diversification is evidence of our enthusiasm for exploring new avenues of business growth and provide our shareholders the desired value of investment. The Company ventured in Flexible Packaging division and commits to penetrate the market of Flexible Packaging products. The investment in flexible packaging is made in anticipation of high growth in FMCG business coupled with industrial growth that use Flexible packaging products. The Company intends to expand its production facility in flexible packaging in the years to come based on performance of Flexible packaging division. The Company has also installed Universal Papersack line during the last financial year. These bags are capable of producing paper bags of various sizes which will help the Company in tapping other markets of paper bags. The Company is already making efforts to penetrate into this segment. For this purpose, the Company is delivering customer briefings to market its product.

Significant Change in Objectives and Strategies

There is no material change in Company's objectives and strategies from the prior years.



Risks and Opportunities

48 Risks and Opportunities
52 Materiality Approach

Risk management matrix



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 strategies and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Controls in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and suggestions for improvement 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 / Impact	Risk	Area of impact	Source	Key source of uncertainty	Mitigating strategy
High / High	Rising cost of imported raw material	Financial capital	External	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 / High	Exchange Rate Fluctuation	Financial capital	External	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 / High	Availability of Imported Raw Material	Manufactured capital, relationship capital	External	Any shortage of the material may hamper the production and sales activity of the Company. To keep competitive edge and to gain more market share.	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.

Risk level / Impact	Risk	Area of impact	Source	Key source of uncertainty	Mitigating strategy
Moderate / High	Credit Risk	Financial Capital	Internal	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, local LC 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.
Low / High	Working Capital Management	Financial Capital	External	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.
Low / High	Rise in Energy Costs	Manufactured Capital, Relationship Capital	External	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 profitability of the Company. Moreover, the Company has most modern and most efficient machinery in place. The Company is also planning to install 1MW solar power plant that would reduce energy cost.
Low / Moderate	Employee turnover	Human Capital	Internal	Key employees and workers leave the company causing lack of competent workforce	The Company values its workers and employees as essential capital. Therefore, it provides a congenial environment and growth opportunities. Furthermore, the Company has a robust succession plan in place.

Risk level / Impact	Risk	Area of impact	Source	Key source of uncertainty	Mitigating strategy
Low / High	Natural Catastrophe	Manufactured Capital	External	Destruction of production facility due to natural disaster	The Company has comprehensive insurance cover in case of any catastrophic event. Further, the Company has taken into consideration every possible aspect of safety measures during construction and erection of building and plant. Further, the Company has well-established disaster recovery plan and data backup to cope with any unwarranted event.
Low / High	Information systems risk	Manufactured Capital	External	Loss of Company data and theft of sensitive information	The Company has comprehensive disaster recovery policy to address the risk. The Company maintains back-up servers to recover data in case of any disaster.



Risks and Opportunities

Opportunities

Opportunity	Impact Area	Source	Key source Opportunity	Strategy to Materialize
One Window Operations	Manufactured capital	Internal	Production capability to produce bags made of paper and polypropylene	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	Manufactured capital	Internal	Highest combined production capacity	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders.
Modern Equipment	Manufactured capital	External	Most modern and state-of-the-art machinery for both kraft paper and polypropylene bags.	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	Relationship capital, Manufactured capital	Internal	Developed the capability to produce not only Cement bags but also sugar, rice, chemical and BoPP bags.	The Company is committed to search all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.
Efficient and congenial work environment	Human capital	Internal	Provide congenial work environment where employee feels motivated for work.	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management.
Growth of FMCG market	Relationship capital, Manufactured capital	External	Expected growth in FMCG market owing to CPEC and other developmental projects.	The Company invested in flexible packaging plant with Flexo, Roto and Extrusion machines to materialize potential growth.

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.





Governance

55	Notice of Annual General Meeting
59	Directors' Profiles
60	Chairman's Review
61	Directors' Report to the Members
65	Matters Delegated to the Management
65	Annual Evaluation of Board, Committees and Individual Members
65	Directors' Orientation and Training
65	Policy on Non-Executive and Independent Directors' Remuneration
66	Governance Practices Exceeding Legal Requirements
66	Diversity Policy
66	Related Parties
66	Statement of Management's Responsibility towards Preparation & Presentation of Financial Statements
67	Detail of Board Meetings Held Outside Pakistan
67	Female Director
67	Independent Directors
67	Investors' Grievance Policy
67	Executive Director(s) serving as Non-Executive and Independent Director in other companies / body corporate
68	Related Parties Transactions Policy
73	Conflict of Interest Policy
75	Insider Trading Policy
77	Safety of Records Policy
79	IT Governance Policy
81	Whistle Blower Policy
83	Human Resource Policies
85	Social and Environmental Responsibility Policy
87	Business Continuity and Disaster Recovery Policy
88	Independent Auditors' Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017
89	Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017
92	Role and Responsibilities of the Chairman and the Chief Executive Officer
94	Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee
96	Report of the Audit Committee



Notice of Annual General Meeting

Notice is hereby given that the 30th Annual General Meeting of the Company will be held on Friday, October 25, 2019 at 9:30 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshwar, Khyber Pakhtunkhwa to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2019 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of final cash dividend @ 25% (Rs. 2.50 per share) and issuance of Bonus Shares in proportion of 10 shares for every 100 shares held i.e. 10%, in addition to interim cash dividend @ 25% (Rs. 2.50 per share) already paid to the shareholders for the financial year ended June 30, 2019 as recommended by the Board of Directors. Further, all fractions of bonus shares shall be consolidated and disposed of in the stock market and to pay the proceeds of sale when realized to a charitable institution.
3. To appoint Auditors for the year 2019/20 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

5. To consider and approve the following resolution as Special Resolution:
 - a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 35 of the Financial Statements during the year ended June 30, 2019, be and are hereby ratified and approved."
 - b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2020."

A statement under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, is attached with the notice.

Karachi: August 8, 2019

By Order of
the Board of Directors



Abid Vazir
Director & Company
Secretary

NOTES:

1. The register of members of the Company will be closed from Friday, October 18, 2019 to Friday, October 25, 2019 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Thursday, October 17, 2019 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
4. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.
5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
6. 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 bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. www.gfg.com.pk and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC investor account services. In-case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.
7. All Shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and if required take necessary actions for inclusion of their name in ATL. In case a person's name does not appear in the ATL the applicable tax rate will be increased by hundred percent.
8. In case of joint account, please intimate proportion of shareholding of each account holder along with their individuals status on the ATL.
9. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited by first day of Book Closure.
10. In compliance of Section 244 of the Companies Act 2017, once the Company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who could not collect their dividend/physical shares are advised to contact the Share Registrar of the Company to collect/inquire about their unclaimed dividend or shares, if any.
11. 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 written request.
12. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.
13. Members can also avail video conference facility, in this regard, please fill the following and submit to Head Office of the Company seven (7) days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical

location, to participate in the meeting through video conference at least seven (7) days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, _____ of _____, being a member of Cherat Packaging Limited, holder of _____ ordinary shares(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____".

Statement Under Section 134 of the Companies Act, 2017

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 25, 2019. The approval of the Members of the Company will be sought for:

During the financial year ended June 30, 2019 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulation. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 35 of the Financial Statements for the year ended June 30, 2019 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2020.

Party wise breakup of transactions as disclosed in Note no. 35 of the Financial Statements for the year ended June 30, 2019 is given below:

Name of Related Party	Nature of Transaction	Amount (Rs'000)
Atlas Asset Management Limited	Services Received	68
Cherat Cement Company Limited	Sale of Packing Material	1,587,705
Cherat Cement Company Limited	Dividend Paid	19,439
Cherat Cement Company Limited	Dividend Received	19,372
Cherat Cement Company Limited	Purchase of Goods	11,606
Cherat Cement Company Limited	Stock Dividend	3,703
Employees Provident & Gratuity Funds	Contribution To Fund	23,774
Faruque (Private) Limited	Services Received	37,722
Faruque (Private) Limited	Dividend Paid	27,123
Faruque (Private) Limited	Stock Dividend	5,166
Greaves Airconditioning (Private) Limited	Purchase of Fixed Assets	98,482
Greaves Pakistan (Private) Limited	Services Received	7,408
Greaves Pakistan (Private) Limited	Dividend Paid	13,291
Greaves Pakistan (Private) Limited	Purchase of Fixed Assets	30,516
Greaves Pakistan (Private) Limited	Stock Dividend	2,532
Key Mangement Personnel	Remuneration	142,869
Mirpurkhas Sugar Mills Limited	Sale of Packing Material	41,763
Mirpurkhas Sugar Mills Limited	Dividend Paid	13,138
Mirpurkhas Sugar Mills Limited	Stock Dividend	2,503
Zensoft (Private) Limited	Software Consultancy Charges	12,717



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 Cherat Cement Company Ltd. Jubilee General Insurance Co. Ltd. and Agha Steel Ltd. His association with the Ghulam Faruque Group dates back almost 38 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., Greaves Modaraba Management Company (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, 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 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 and Greaves Engineering Services (Pvt.) Ltd. Currently he is serving as Chairman of Pakistan Sugar Mills Association - Center. In the past, he has also 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 Mirpurkhas Sugar Mills Ltd, Mirpurkhas Energy Ltd., Faruque (Pvt.) Ltd, Zensoft (Pvt.) Ltd and Graeves Modaraba Management Company Ltd. Mr. Shehryar Faruque is also serving as Director of NBP Fullerton Asset Management Company (NAFA).

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. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences.

Mr. Ali H. Shirazi - Director

Mr. Ali H. Shirazi graduated with a BA from Yale University, USA in 2000 and thereafter completed his Masters in Law from Bristol University, UK in 2005. He has worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is a member of the Atlas Group Executive Committee, responsible for Group's Financial Services, and also serves as President/Chief Executive of Atlas Battery Limited. He is on the Board of Atlas Asset Management Limited, Atlas Engineering (Private) Limited, Atlas Insurance Limited, Shirazi Trading Company (Private) Limited, Techlogix International Limited, National Management Foundation (sponsoring body of LUMS), Pakistan Society for Training and Development (President) and Young President Organization-Pakistan (YPO). He has previously also served on the Board of National Clearing Company of Pakistan Limited (NCCPL).

He is a Certified Director from the Pakistan Institute of Corporate Governance and completed the Owner/President Management Program (OPM) from Harvard Business School in 2018.

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. Geo Commerce (Pvt.) Ltd. Pakistan Mortgage Refinance Co. 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. Abid Vazir - Director

Mr. Abid Vazir has been associated with Ghulam Faruque Group since 2000. In addition to his other responsibilities, he is also serving as the Executive Director of the Group. Mr. Vazir is the Chief Executive of Greaves Airconditioning (Pvt.) Ltd. and Greaves Engineering Services (Pvt.) Ltd. He is also a Director of Greaves CNG (Pvt.) Ltd. and Mirpurkhas Energy Ltd.

Mr. Abid Vazir holds an MBA degree from Lahore University of Management Sciences (LUMS), enrolled in the Dean's Honors List. He belongs to the first batch of graduates of College of Business Management (IoBM) and also holds an MBA degree from the Institute. Mr. Vazir is an Associate member of the Institute of Chartered Secretaries of Pakistan and a Certified Director from Pakistan Institute of Corporate Governance (PICG).



Chairman's Review

I am pleased to share with you the financial results of the Company for the year 2018/19. During the year, the Company embarked into the field of flexible packaging. The Company has continued to follow growth-oriented strategy which is based on capacity enhancements of existing businesses and diversification into new lines of packaging. This has helped the Company in achieving its objectives of not only being a market leader but also the most diversified packaging player.

The year 2018/19 was a challenging year for the Country. Measures taken by the government to put the economy back on track have had an adverse impact on the activities of the industrial sector. Cement sector, which is main customer of the Company, was also affected by lack of construction activities as demand for cement declined. Tightening of monetary policy and major devaluation of Pak rupee had an impact on costs of production. Despite these challenges, Cherat Packaging has continued its journey of growth and sustainability.

During the year, the Company commenced full commercial operations of flexible packaging division and has received an encouraging response from the market. Many reputable companies have already started placing their orders with the Company. With our state-of-the-art equipment and highly qualified and experienced team; the Company has started delivering top quality products to its customers. During the year, the Company carried out certification and sampling process. Addition of flexible packaging division has consolidated the position of the Company as the market leader in the field of packaging. The Company remains confident that economic situation will improve soon, which will boost the demand for packaging materials.

Cherat Packaging has been a trusted name in the industry with its commitment to delivering quality products. The Company's vision of being a single window packaging solution provider is fast becoming reality as it sets on a new course with flexible packaging. It is our endeavor to keep pace with changing business environment to meet the demand of our customers thus ensuring growth and sustainability of the Company.

Akbarali Pesnani
Chairman

Karachi: August 8, 2019



Directors' Report | for the to the Members | year ended June 30, 2019

The Board of Directors is pleased to present to you the annual report of the Company along with the audited financial statements for the year ended June 30, 2019.

OVERVIEW

The business environment in the Country remained highly volatile during 2018/19 as economic activities almost came to a standstill. Corrective measures taken by the government to put the economy back on course had an adverse impact on the activities of the industrial sector as demand declined in the short term. Cement sector, which remains the main target market of the Company, was also affected by reduction in PSDP outlays, devaluation of Pak rupee and monetary policy tightening as construction activities slowed down in the Country.

BUSINESS REVIEW

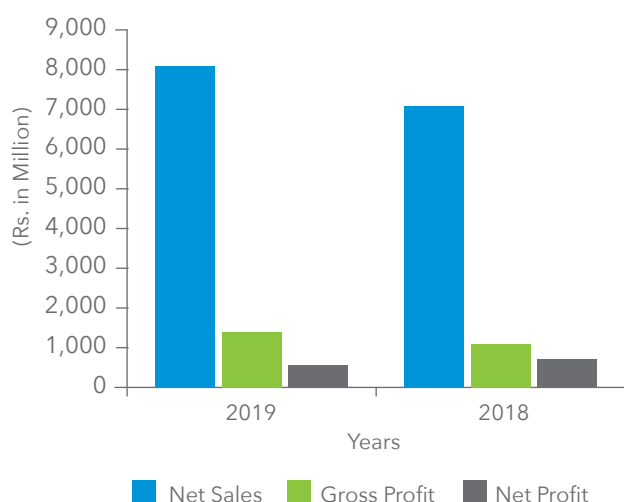
Over the years, Cherat Packaging has become the most diversified and one of the leading packaging solution providers in Pakistan. Operating in a challenging business environment with slowing consumer demand, rising interest rates and depreciating Pak rupee, the Company has continued to meet the expectations of its customers. Besides producing and supplying conventional cement bags made from kraft paper and polypropylene granules, the Company also supplied packaging material to sugar, chemicals and other allied sectors. It has, at the same time, continued to expand its business horizons.

During the year 2018/19, the Company successfully entered in to the field of flexible packaging and within a short span of time, has made a name for itself. During the year, the Company commenced full commercial operations of flexible packaging division. The response received from the market for the quality products produced by the Company has been extremely encouraging. Several reputable customers have placed their requirements for flexible packaging material with the Company. Given the nature of this business, the Company went through the certification process and also supplied samples to potential customers. Although, the project incurred fixed costs during the period, which usually happens with such projects, considering the rising demand for innovative packaging solutions, the decision of the company to venture into the field of flexible packaging will allow it to tap new market segments.

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

	2019	2018
	(Rupees in million)	
• Net sales	8,093.41	7,091.65
• Gross Profit	1,400.65	1,098.33
• Net Profit	562.87	711.08

Financial Highlights



FINANCIAL PERFORMANCE

There has been a 14% increase in the sales revenues of the company from last year. Rise in turnover was mainly on account of adjustment in selling prices of bags in line with the market conditions and escalation in cost of input items like kraft paper and PP granules. During the year, there was increase in costs of production because of devaluation of Pak rupee vis-à-vis US dollar and Euro. There was also an increase in finance cost due to long term loans obtained for the new projects and enhanced working capital requirement along with rise in discount rates by State Bank of Pakistan. In a period of rising costs, the company tried to optimize and efficiently manage its inventory and other resources to rationalize its production costs. The Company was unable to take the full impact of the tax benefit under section 65-B of the Income Tax Ordinance in respect of flexible packaging due to its reduction from 10% to 5% from retrospective effect by the government in the recent federal budget. For the year ended June 30, 2019 the company posted an after tax profit of Rs. 563 million.

DIVIDEND

At its meeting held on August 8, 2019 the Board of Directors has proposed a final cash dividend @ 25% (Rs. 2.50 per share) and 10% bonus shares for the year ended June 30, 2019. This is in addition to 25% (Rs. 2.50 per share) interim cash dividend declared earlier this year. The approval of members for the dividend will be obtained at the Annual General Meeting to be held on October 25, 2019.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always strived to play its due role in the society and is aware of its responsibility towards people, environment and climate of Pakistan. In line with its corporate social responsibility policies, the Company has endeavored to improve the overall conditions of the people living around the

manufacturing plants and the surrounding areas. Infrastructural development and continuous plantation has gone hand in hand to ensure that both the people and the climate of the area benefit. Your Company has worked with and contributed to various reputable charitable institutes over the years and will continue to do so as it envisions a better environment, a better economy and a better Pakistan.

SAFETY, HEALTH AND ENVIRONMENT

The Company has a firm policy on the health and safety of its people because it understands that people are the most important asset it has. Keeping the safety of the workers as top priority, our production plants have been set up and run as completely compliant and up to date with the prevailing standards of safety in the industry. The Company has a dedicated HSE department to oversee the implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular fire and safety training of the staff. Furthermore, personal protective equipment has been provided to the staff. Due to the strong commitment of the company on strict compliance with HSE standards, no major accident was reported during the year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 3 billion to the Government treasury in the form of duties and taxes.

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.
- 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, 2019.

Provident Fund	Rs. 132.05 million
Gratuity Fund	Rs. 46.58 million

BOARD OF DIRECTORS

Total number of Directors on the board is 8. Its composition is as follows:

- Male Directors 8
- Female Directors -
- a. Independent Directors 2
 - i. Mr. Abid Naqvi
 - ii. Mr. Ali H. Shirazi
- b. Non-Executive Directors 4
 - i. Mr. Akbarali Pesnani
 - ii. Mr. Aslam Faruque
 - iii. Mr. Shehryar Faruque
 - iv. Mr. Arif Faruque
- c. Executive Directors 2
 - i. Mr. Amer Faruque
 - ii. Mr. Abid Vazir
- 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	5
Mr. Amer Faruque	5
Mr. Aslam Faruque	5
Mr. Shehryar Faruque	4
Mr. Arif Faruque	4
Mr. Tariq Faruque *	1
Mr. Abrar Hasan *	1
Mr. Abid Naqvi	5
Mr. Ali H. Shirazi *	3
Mr. Abid Vazir *	4

* Mr. Tariq Faruque and Mr. Abrar Hasan resigned as Directors during the year and in their place, Mr. Ali H. Shirazi and Mr. Abid Vazir were co-opted as Directors.

- 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	4
Mr. Arif Faruque	4
Mr. Tariq Faruque *	1
Mr. Shehryar Faruque *	2

* Mr. Tariq Faruque resigned as a Director during the year and in his place, Mr. Shehryar Faruque was co-opted as a member of the Audit Committee.

- 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. Ali H. Shirazi	2
Mr. Aslam Faruque	2
Mr. Amer Faruque	2

- The pattern of shareholding is annexed with the report.
- Earnings per share (EPS) during the year was Rs. 14.57 compared to Rs. 18.87 last year.

DIRECTORS' REMUNERATION

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a comprehensive Remuneration policy for Non-executive and Independent Directors of the company.

RELATED PARTIES TRANSACTIONS

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. Statement of Compliance is provided under the relevant section of the report.

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 Jhimpir, 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. The government has, so far, not notified the tariff for the project.

RISK AND OPPORTUNITIES

- **Risk Management**
As part of its responsibilities, the members of the Board of Directors have always kept a close

watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of all the stakeholders, the Directors remained vigilant in identifying and mitigating risks through the year. The Board of Directors identified potential risks, assessed their impact on the Company and formulated strategies to mitigate any and all foreseeable risks to the business. These strategies were enforced throughout the hierarchy of the company through the Audit Committee to ensure that no gaps remained in risk mitigation.

- **Risk Assessment**

Businesses face numerous uncertainties that might pose threats to its objectives and if not addressed may cause preventable losses. The Board of Directors of the company has carried out vigilant and thorough assessment of both internal and external risks that the company might face.

Rising costs of raw materials is the most imminent risk facing the company. Devaluation of Pakistani rupee has made the risk more pronounced. In order to curb the negative impact of this, the company has invested in strategic relationships with its key international suppliers and ensured timely negotiations, pre-orders and timely delivery. Availability of raw materials is another risk that is faced by the company. In the year under review, the industry as a whole faced a severe shortage of kraft paper which is imported. However due to our strong strategic relationship with M/s. Mondi Packaging, which is our main kraft paper supplier, we were able to procure sufficient quantity of kraft paper to meet the requirements of our valuable customers.

- **Debt Repayment**

The company regularly and efficiently paid all its due debts as was budgeted and planned during the year 2018/19. This lowered the risk of default and improved the financial position of the company.

- **Capital Structure**

The company's current debt to equity percentage is about 43:57. Debt increased this

year as the Company availed the balance amount of the long-term loan worth Rs. 150 million for the flexible packaging plant. The Board of Directors and the management are confident that as soon as the flexible packaging plant will have its first complete year of operations and realizes its full production capacity, the capital structure of the Company will improve considerably and a more balanced debt to equity ratio will be maintainable.

FUTURE PROSPECTS

As part of its strategic vision, the Company has positioned itself to not only meet the demand for packaging materials from the cement sector but also from other industries including the FMCG sector. This was made possible by way of constant investments in production capacities of both existing and new businesses. This has allowed the Company to align with its long-term objective of being a leading player in the field of packaging.

The Company has become a leading one-stop solution for packaging materials. Its entry into the flexible packaging business has enabled the Company to diversify into new market segments to further grow its business. Slowdown in economic activities had an impact on consumer demand including cement, which affected the sales of the Company this year. Furthermore, devaluation of Pakistani Rupee and rising interest rates worldwide remains an area of business challenge for the Company. However, going forward, the Company hopes to overcome these challenges through effective utilization of its resources and strategic alliances with its suppliers.

APPOINTMENT OF 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



Akbarali Pesnani
Chairman

Karachi: August 8, 2019



Amer Faruque
Chief Executive

Matters Delegated to the Management

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business. Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of management, with the oversight of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and legal requirements.

Annual Evaluation of Board, Committees and Individual Members

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

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. Four directors of the Company namely Mr. Shehryar Faruque, Mr. Abid Naqvi, Mr. Ali H. Shirazi and Mr Abid Vazir are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG). The Company also conducted an orientation session for directors on November 29, 2018.

Policy on Non-Executive & Independent Directors' Remuneration

Preamble

The Board of Directors (the "Board") of Cherat Packaging Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act 2017 read with Regulation No. 17 of the Code of Corporate Governance. Amendments, from time to time, to the Policy, if any, shall be considered by the Board in lights of changes in applicable laws and/or such external circumstances that directly apply to the scope of this Policy.

Scope and Applicability

The Policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resource and Remuneration Committee meetings and any other meetings called by the Board.

Terms of the Policy

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

Governance Practices Exceeding Legal Requirements

Cherat Packaging has always believed in going the extra mile and staying ahead of the game. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. Other information: The management reports various other essential information in this annual report which is not required by law.
- b. Dispersal of information: the Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines set out in the laws.
- c. Implementations of HSE: the company has developed and implemented aggressive HSE strategies at its Plants to ensure 100% safety of its people and equipment.

Diversity Policy

Cherat Packaging Limited is committed to fostering, cultivating and preserving a culture of diversity and inclusion.

Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and company's achievement as well.

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique.

Cherat Packaging Limited's diversity initiatives are applicable—but not limited to—our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Work/life balance through flexible work schedules to accommodate employees' varying needs.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

All employees of Cherat Packaging Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events. All employees are also required to attend and complete annual diversity awareness training to enhance their knowledge to fulfill this responsibility.

Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.

Related Parties

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 35 to the Financial Statements. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

Statement of Management's Responsibility towards the Preparation and Presentation of Financial Statements

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In lights of the same strict compliance of all standards set out by ICAP, the Companies Act, the international Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.

Detail of Board Meetings 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.

Female Director

The requirement for a female director on the board of a listed company has been recently mandated by the new Company laws. Cherat Packaging Limited shall induct a female director on its board in the next election of directors.

Independent Director

Cherat Packaging Limited has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements. The new law requires one - third of the Board to be independent and Cherat Packaging Limited will comply with this requirement after the next elections. All independent Directors have submitted alongwith their consent to act as Director, the declaration as required under the Code or Companies Act, 2017, to the Company that they meet the criteria of Independent Director.

Investors' Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaint or observation 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 CDC Share Registrar Services Limited (CDCSRSL) which is 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.

Executive Director(s) serving as Non-Executive and Independent Director in other companies / body corporate

Our Chief Executive Mr. Amer Faruque is serving as a non-executive director in one listed company and three other private companies. Furthermore, Mr. Abid Vazir Executive Director is also on the Board of four other private companies, details of which are available in the Directors' Profile section.





Related Party Transactions Policy

Preamble

The Board of Directors (the "Board") of Cherat Packaging Limited (the "Company") has adopted this Policy pursuant to the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies (Related Party Transactions) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan.

Scope of the Policy

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all Related Party Transactions of Cherat Cement Company Limited as defined under Section 208 of the Companies Act 2017. The policy is applicable on all individuals responsible to initiate, authorize, record and report Related Party Transactions.

The Policy is applicable to all Related Party Transactions irrespective of their value and size.

This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

Definitions

- (i) Arm's length transaction means a transaction which is subject to such terms and conditions and is carried out in a way, as if:
 - (a) the parties to the transaction were unrelated in any way;
 - (b) the parties were free from any undue influence, control or pressure;
 - (c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and
 - (d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.
- (ii) Office of profit means any office:
 - (a) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration

over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

- (b) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- (iii) Related Party includes:
 - (a) a director or his relative;
 - (b) a key managerial personnel or his relative; a key managerial personnel shall mean the following:
 - the Chief Executive Officer of the Company;
 - the Company Secretary of the Company;
 - the whole time Directors on the Board of the Company; and
 - the Chief Financial Officer of the Company.
 - (c) a firm, in which a director, manager or his relative is a partner;
 - (d) a private company in which a director or manager is a member or director;
 - (e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
 - (f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
 - (g) any person on whose advice, directions or instructions a director or manager is accustomed to act;
 - (h) any company which is:
 - a holding, subsidiary or an associated company of such company; or
 - a subsidiary of a holding company to which it is also a subsidiary
 - (i) such other person as may be specified.
 - (j) relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses f and g shall apply to the advice, directions or instructions given in a professional capacity.

*All other terms will be construed as per the Companies Act 2017 and all other relevant laws.

Types of related party transactions

Any contract or arrangement with respect to the following, but not limited to these;

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property; and
- (vi) such related party's appointment to any office or place of profit in the company, its or associated company, provided:
 - a. where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;
 - b. also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business on an arm's length basis.

Disclosure and Approval of Related Party Transactions

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions

- (i) name of related party;
- (ii) names of the interested or concerned persons or directors;
- (iii) nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- (iv) detail, description, terms and conditions of transactions;

- (v) amount of transactions;
- (vi) timeframe or duration of the transactions or contracts or arrangements;
- (vii) pricing policy;
- (viii) recommendations of the Audit Committee, where applicable; and
- (ix) any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

Identification of Related Party Transactions

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

- (i) a firm, in which the director, manager or his relative is a partner;
- (ii) a private company in which the director or manager is a member or director;
- (iii) a public company in which the director or manager is a director or holds alongwith his relatives, any shares of its paid up share capital;
- (iv) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;
- (v) any person on whose advice, directions or instructions the director or manager is accustomed to act.

Terms of the Policy

The terms of reference for the policy are as follows:

- (i) The management shall obtain approval of the policy by the Board;
- (ii) The management may enter into any contract or arrangement with a Related Party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- (iii) The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
- (iv) The management shall present all Related Party transactions to the Audit Committee for their recommendation to the Board for approval;

- (v) Every contract or arrangement entered into with a Related Party shall be referred to in the Board's report to the shareholders along with justifications;
- (vi) Management shall maintain records of the transactions undertaken with Related Parties;
- (vii) If a director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board.

Maintenance of Records

The Company shall maintain one or more registers with regards to transactions undertaken with Related Parties and contracts or arrangements in which directors are interested, in the manner prescribed, and shall enter therein the particulars of:

- (i) contracts or arrangements, in which any director is, directly or indirectly, concerned or interested; and
- (ii) contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act 2017 applies.

Pricing Methodology

Any related party transactions carried out on arm's length basis shall use one of the following pricing methodologies:

- (i) Comparable Uncontrolled Price method;
- (ii) Resale Price method;
- (iii) Cost Plus method; and
- (iv) Profit Split method

Scope Limitation

In the event of any conflict between the provisions of this Policy and the Companies Act 2017 or any other statutory enactments, rules, the provisions of s the Companies Act 2017 or statutory enactments, rules shall prevail over this Policy.







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 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 confidentiality 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.





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.



AWESOME

EXCELLENT

GOOD

AVERAGE

POOR



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.





HR Policies

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

Industrial Relations

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

Succession Planning

Our Succession Planning policy is aimed at building a pipeline for future leadership and creating backups for critical roles.

The salient features of this policy are detailed as under:

- Talent Assessment is conducted based on achievements, Competencies and Group Values.
- Gap Analysis done to determine time period and tools needed to groom/develop them as possible successors.
- Put through an outbound Leadership Course to determine areas of development viz a viz leadership.
- On-going coaching/ rotation/ training and developmental plans in place to bring out best in class talent for succession.
- To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

Other Policies

The Company has a complete set of other HR policies for recruitment, selection, training, tardiness, overtime and compensation. An employee Hand Book is also available.





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). 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:

- ensures its product and operations comply with relevant environmental legislation and regulations.
- maintains and continually improves its environmental management systems and complies with requirements as outlayed by specific markets or local regulations.
- 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.
- does not produce any hazardous material from its factory.
- informs suppliers, including contractors, of its environmental expectations and requires them to adopt environmental management practices aligned with these expectations.



Business Continuity and Disaster Recovery Plan

Introduction

The concept of Business Continuity Planning has over the past few years, become a major business management requirement.

Business Continuity Planning is a process used to develop a practical plan for how a business could recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

Business Continuity Plan

Manufacturing Facilities

Manufacturing facility of the company is in Gadoon Amazai, KPK Province of Pakistan. The company's manufacturing facility is a state of the art construction and the structure is earthquake proof. The building is fire resilient and is fully equipped modern firefighting equipment. It also meets HSE requirements at all levels. Despite of all these arrangements, Insurance coverage is made at the maximum level. In case of any natural disaster, the company would be able to recover its financial loss through insurance coverage. Hence, partial loss would not affect the company operations. Moreover, other locations of the Group are available as alternate locations therefore; interruptions, if any, can be managed.

Identification of Potential Issues and the Plan Update

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For such identification, independent studies are conducted and drills are carried out. Plans are updated based on the results of the studies and drills.

Disaster Recovery Plan and IT Infrastructure

The company has its production server facility at PTCL Karachi with backup server facility at Lahore. In case of any disaster, the company would be able to continue its operations smoothly. Availability of servers at such distant locations enables the company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan.

Marketing and Other Staff

Being a part of Ghulam Faruque Group, the company senior management is present throughout Pakistan and not at any one location. In case of any mishap, operations can be taken over and continued from any other location.

Independent Auditors' Review Report

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017



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 Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Cherat Packaging Limited (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 control 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

EY Ford Rhodes
Chartered Accountants
Date: 09 August 2019
Place: Karachi

Statement of Compliance

with Listed Companies Code of Corporate Governance Regulations, 2017

For the year ended June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 (eight) as per the following:

a. Male:	8
b. Female:	None
2. The Composition of board is as follows:

a) Independent Directors	2
b) Other Non-executive Directors	4
c) Executive Directors	2
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and the Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to

frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. The directors are well aware of their duties and responsibilities under the Code. Further following Directors and Executives attended Directors' Training program till June 30, 2019:

Name of Director:

Mr. Shehryar Faruque	Director
Mr. Ali. H. Shirazi	Director
Mr. Abid Naqvi	Director
Mr. Abid Vazir	Director

Name of Executive & Designation:

Mr. Yasir Masood
Chief Operating Officer & CFO

During the year the company has also arranged a Directors' Orientation Program for its Directors conducted by Pakistan Institute of Corporate Governance (PICG).

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CEO and CFO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) **Audit Committee**

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

b) HR and Remuneration Committee

Mr. Ali H. Shirazi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee. - Quarterly

b) HR and Remuneration Committee. - Half Yearly

15. The board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who is considered suitably experienced for the purpose and is conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.


17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: August 8, 2019



Role and Responsibilities of the Chairman and the 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.

Pursuant to the provisions of Section 192(2) of the Companies Act 2017, the Board of Directors of Cherat Packaging Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer ("CEO") of the Company, which are detailed hereinbelow

Chairman

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate.

More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgments and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives.
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;
- ensuring that the agenda, notice of meeting alongwith all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;
- ensuring that the Board is playing an effective role in fulfilling its responsibilities;
- determining the date, time and location of the annual or extraordinary general meetings of shareholders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.

Chief Executive Officer

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies;
- ensuring the achievement of productivity and profitability targets and efficient Company operations;
- ensuring that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
- ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
- maintaining a close liaison with the Government, customers, suppliers and sales offices;
- chalking out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- ensuring that proper succession planning for all levels of hierarchy exist in the Company and the same is constantly updated;
- ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
- preparing and presenting personally to the Board of Directors following reports/details:
 - o annual business plan, cash flow projections and long term plans.
 - o budgets including capital, manpower and overhead budgets along with variance analysis.
 - o quarterly operating results of the Company in terms of its operating divisions and segments.
 - o promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
 - o reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.
- ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.

Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee

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. Shehryar Faruque	Member

The Audit Committee comprises of three Non-Executive Directors one of whom is independent and he is the Chairman of the committee. The Head of Internal Audit and the external auditor attend Audit Committee meetings.

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 2018-19, 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 Head of Internal Audit 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 Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

In light of the mandate the Board of Directors of Cherat Packaging Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- a) determine appropriate measures to safeguard the company's assets;
- b) review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - (i) major judgmental areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) going concern assumption;
 - (iv) any changes in accounting policies and practices;
 - (v) compliance with applicable accounting standards;
 - (vi) compliance with these regulations and other statutory and regulatory requirements; and
 - (vii) all related party transactions.
- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate 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 management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems 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 the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) institute 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 consider remittance of any matter to the external auditors or to any other external body;
- l) determine of compliance with relevant statutory requirements;
- m) monitor compliance with these regulations and identify significant violations thereof;
- n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) consider any other issue or matter as may be assigned by the board of directors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ali H. Shirazi	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 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 the Human Resource and Remuneration Committee

The Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee.

In light of the mandate the Board of Directors of Cherat Packaging Limited has drafted and approved the following terms of Reference for its HR&R Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- i. recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the chief executive officer level;
- ii. undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii. recommend human resource management policies to the Board;
- iv. recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;

Report of the Audit Committee

Audit Committee

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

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in 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 2018-2019. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. 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.
2. 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. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Annual Report of the Company is fair, balanced and understandable. Because of meeting the aforesaid aspects, the Company was able to secure the overall 1st position along with the 1st position in the category 'Others' for its Annual Report for the year ended June 30, 2017 in the Best Corporate & Sustainability Report Awards 2017 jointly conducted by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan.
4. The Audit Committee has reviewed and approved all related party transactions.
5. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

INTERNAL AUDIT AND RISK MANAGEMENT


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 and performance of the Internal Audit department to ensure that they were adequate for the planned

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

2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on that an Audit Plan is prepared to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.
3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

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 with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
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, 2020 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.



Abid Naqvi
Chairman

August 6, 2019

KPI



Performance and Position

- 98 Analysis of the Financial and Non-Financial Performance
- 100 Key Performance Indicators
- 100 Methods and Assumptions in Compiling Indicators
- 101 Non-Financial Indicators
- 102 Change in Indicators and Performance Measures
- 103 Quarterly Performance Analysis
- 104 Quarterly Results Analysis
- 105 Ratios
- 106 Comments on Ratios
- 107 Graphical Presentation of Analysis of Financial Statements
- 110 DuPont Chart
- 111 DuPont Analysis
- 112 Free Cash Flows
- 113 Economic Value Added
- 114 Horizontal Analysis - Last Six Years
- 116 Vertical Analysis - Last Six Years
- 118 Comments on Horizontal Analysis
- 119 Comments on Vertical Analysis
- 120 Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss
- 122 Statement of Summary of Cash Flows - Last Six Years
- 123 Comments on Statement of Cash Flows
- 124 Statement of Cash Flows - Direct Method
- 125 Key Financial Information - Last Six Years
- 126 Segmental View of Business Performance
- 127 Share Price Sensitivity Analysis
- 128 Calendar of Notable Events
- 129 Major Capital Expenditure

Analysis of the Financial and Non-Financial Performance

The Company sets both financial and non-financial targets. These targets are against financial and non-financial indicators. Financial indicators reflect revenue, costs, profitability and liquidity etc., while non-financial indicators reflect brand image, human resource development and growth/expansion etc.



The Company produces annual budget based on the inputs from all of its departments like, marketing, production, procurement, IT, HSE etc. These inputs are assimilated into a master budget which is presented to Board of Directors. The BoD, after deliberations, approves the master budget. The Company met most of the key targets in the last year's budget, however, the profit remained under par mainly due to a slash on tax credit u/s 65B, weakening of PKR parity against USD and Euro and hike in discount rates. Further, increased competition hampered the quantitative targets. The Company continuously monitors cash flows, gearing and liquidity to evaluate the deviation and take corrective measures to keep all indicators within the target range. The Company also met its non-financial targets in the areas of marketing, human resources and growth to a greater extent. The Company also successfully installed remaining plant and machinery of Flexible Packaging project within the targeted time frame.

Financial Indicators

Actual Results

Year 2018-19 has been a challenging one for CPL. Various external factors made business environment extremely difficult for business. In the midst of challenging circumstances, the Company maintained its market leadership. Increased unit price primarily contributed in increased Revenue; while Flexible Packaging contributed Rs. 321 million in increased revenue. This increase in revenue was not translated into increased profits in parallel fashion due to reasons beyond the Company's control like abrupt decrease in PKR parity against Euro and USD causing production cost to increase and consistent increase in discount rates altering Company's finance cost. Furthermore, Flexible Packaging division, being in the 1st year of its operations, the Company's investment in client relationship and brand exposure, sustained loss. Additionally, reduction in the 65B by 5% also contributed in reduced profit. Nevertheless, in these conditions, the Company registered a net profit after tax of Rs. 563 million.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2019	2018
	(Rupees in Million)	
Net sales	8,093.41	7,091.65
Cost of sales	6,692.76	5,993.32
Gross Profit	1,400.65	1,098.33
Expenses & taxes	837.78	387.25
Net Profit	562.87	711.08

The Company sold 270.53 million bags, further analysis of sales is listed below:

	2019	2018
	(Figure in Million)	
Local sales (Bags)	264.231	326.77
Export sales (Bags)	6.296	18.00
Total sales (Bags)	270.527	344.78
Flexible packaging (Kgs)	1,170.8	2.46

Domestically, the Company lost some quantity primarily on account of increased competition, use of bulk cement and reduction in local cement demand. Flexible Packaging is in the first year of its operations hence the results may not produce helpful comparison.

In Rupee terms, sales analysis is reproduced below:

	2019	2018
	(Rupees in Million)	
Local sales		
Kraft Paper & Polypropylene bags	7,556.28	6,785.88
Flexible packaging	391.24	0.87
Export sales - Cement packaging	145.89	304.90
Total sales	8,093.41	7,091.65

Budgeted Results

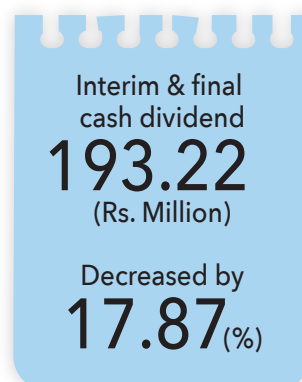
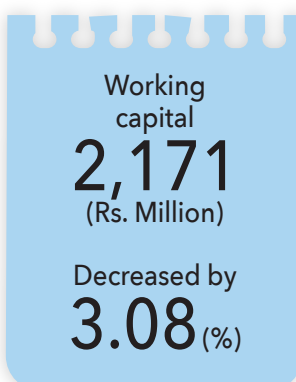
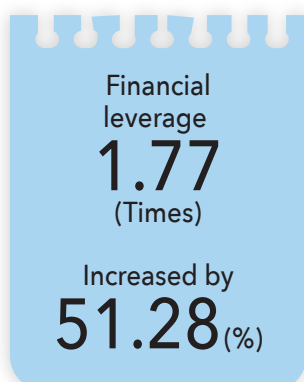
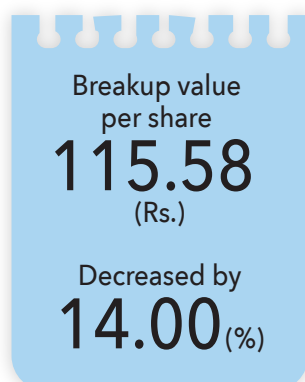
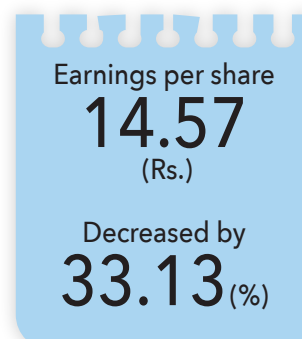
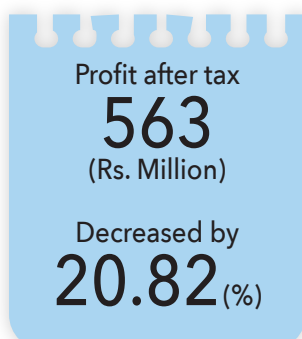
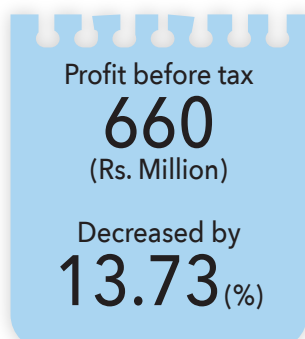
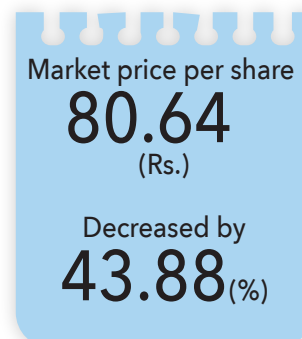
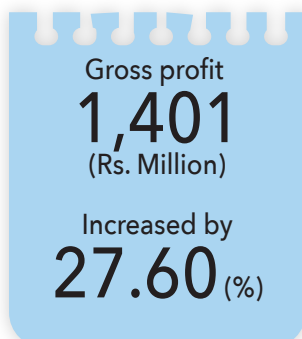
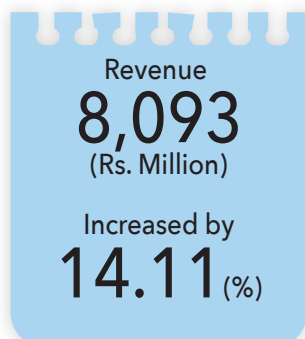
The Company has robust system of budgeting process. The budget is made challenging yet achievable. The Company has achieved following results against budget:

	2019 (Actual)	2019 (Budget)
	(Rupees in Million)	
Net sales	8,093.41	10,342.70
Cost of sales	6,692.76	9,037.35
Gross Profit	1,400.65	1,305.35
Expenses & taxes	837.78	612.59
Net Profit	562.87	692.76

Despite the challenges the Company was anticipating as discussed last year, the Company kept high targets for its achievement. However, due to challenges mentioned in foregoing discussion, the Company fell short of its targets. The Company may continue to face challenges like weakening of PKR against USD and Euro but the Company expects that the discount rates will reduce in months to come. The Company is currently exploring new export avenues and investing in the development of new products to facilitate customers and reduce production costs.

Key Performance Indicators

FINANCIAL INDICATORS



Methods and Assumptions in Compiling Indicators

The Company identifies its indicators which effectively reflect the Company's performance.





The Company analyses its market positioning, competitors and general market conditions while compiling its indicators. The Company analyses sales, gross profit, profit after tax and EPS on regular basis to gauge its performance. These are basic indicators of Company's financial performance and profitability.

Market price is the measure of perception of the Company in the market. Market price of the Company's shares mainly reduced due to economic conditions and political turmoil in the Country.

The Company manages its dividend policy with the purpose of increasing shareholders' wealth. Dividend identifies the amount allocated out of profit for paying cash dividends to shareholders. The dividend payment is an indicator of how well earnings support the dividends. The Company takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

Comparing cash flow from operating activities with profit before tax can give insights into how a company finances short-term capital. The Company regularly analyses its cash flows and strives to keep it on positive side. This reduced mainly due to procurement of raw materials for Flexible Packaging Division.

Non-Financial Indicators

Capital forms	Objective	KPI Monitored	Future relevance
			
Manufactured Capital	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 is our long-term objective. Leadership is our continuous endeavour and has to be maintained today and invest in operational efficiency and economies of scale to maintain it in the years to come.
	Business Diversification	Analyze various prospects of investments in packaging industry and invest in the most promising venture.	
	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.	
	Sustainability	Keep a close eye on Current Ratio, Gearing and Interest Cover.	
Human Capital	Health & Safety of workers	Provision of a congenial and clean environment alongwith safety for smooth work.	We believe in continuously providing environment which harmonize the workers efforts in higher productivity.
	Training and Education	Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.	
Relationship Capital	Shareholder Value	EPS, ROE, Asset Turnover and DPS	We value our relationship with all our stakeholders therefore, we will continue to strive to improve shareholders' value. Improve our customer services and maintain timely payments.
	Stock Value	Analyse market price as a measure of relationship capital	
	Suppliers and Customers Relationships	Assess the payment stream and ensure timely payment. Provide customer with maximum support beyond customer-supplier relationship.	
Intellectual capital	Highest product strength at lowest cost in industry Maintain industry leadership	Regularly monitor avenues to increase product strength. Produce low gram bags to facilitate our customers.	We shall continue to innovate products and provide best possible packaging solutions.

All the above KPIs will remain relevant in the near future.

Change in Indicators and Performance Measures

Key Performance Indicators (KPIs) provide understanding of a company's performance in key areas. These indicators are a gauge to analyse current standing of the company and likely path the company would follow.

Cherat Packaging Limited has identified following KPIs that are critical to its business. While identifying KPIs, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

Change in important indicators is as follows

Change in Financial Indicators

Financial indicators of the Company remained same as last year however, following financial indicators are of utmost importance:

Financial Leverage

Financial leverage of the Company is currently at Rs. 2.89 billion. These loans mainly consist of Rs. 1.80 billion is related to Flexible Packaging Project; while other Rs. 1.09 billion is related to previous expansion in PP and installation of Universal Papersack Line. The Company analyzes its financial health and ensures that the Company remains at optimum financial position.

Working Capital

Working capital is an essential part of the Company's operations. The Company has been managing its working capital efficiently. As of the end of FY 2019, working capital of the Company increased significantly as compared to last year. Working capital increased mainly due to increased investment in procurement of imported raw material due to expected devaluation of Pak Rupee and increase in raw material prices. Additionally, the Company invested in Flexible Packaging division for building customer relations and implement market penetration strategy. Further, increased advance tax also contributed in enhanced working capital.

Change in Non-Financial Indicators

Non-financial indicators of the Company remained same as last year.

Human Capital

The Company recruited various employees in Flexible Packaging division. The Company is working on to elevate the human capital potential so that the Company can reduce its cost. The Company believes that the enhancement in human capital skills elevates the profitability of the Company.

Relationship Capital

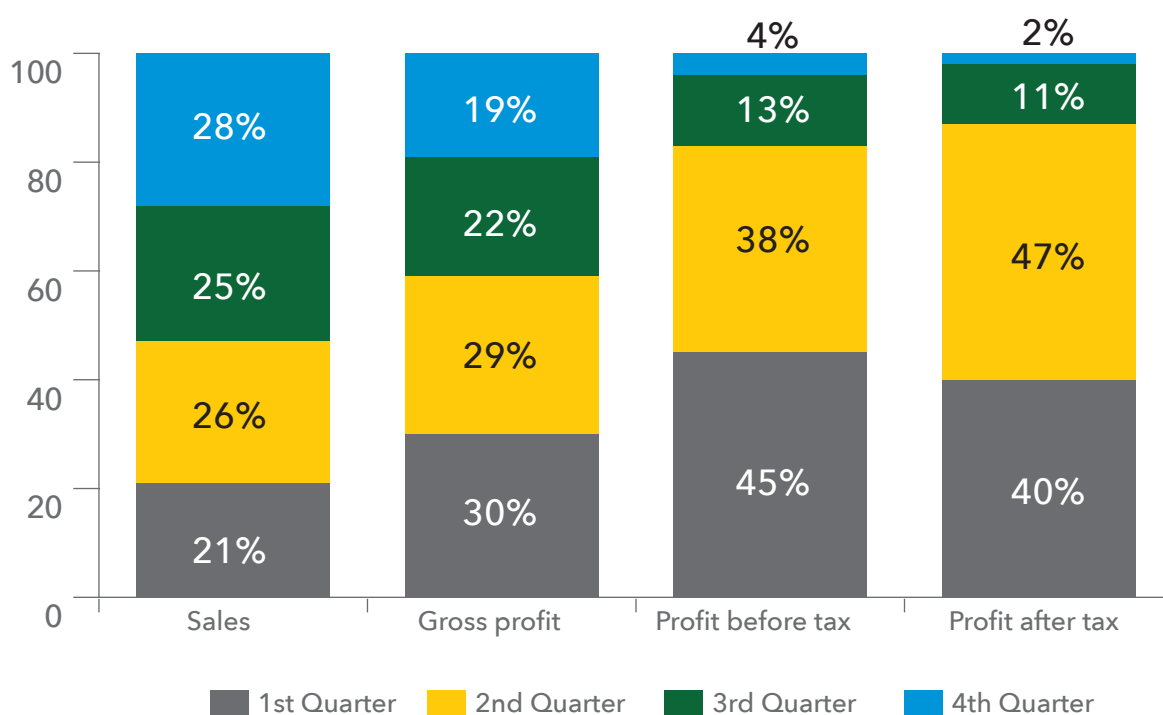
Expansion into new business of flexible packaging made this indicator more vital than before. The Company will ensure to run its new business venture efficiently and effectively to increase shareholders' wealth and stakeholders' value. Moreover, the Company will ensure to keep better relations with suppliers and as well as with customers through timely payments to vendors and provision of support to customers beyond expectations.

Intellectual Capital

The Company has always been the front runner when it comes to innovation. The Company intends to carry on this legacy in Flexible Packaging Division also therefore the Company has included this indicator as it is an important key area.

Quarterly Performance Analysis

	Sep-18	Dec-18	Mar-19	Jun-19	Total
	(Rupees in '000)				
Sales - Net	1,733,385	2,071,235	1,987,190	2,301,597	8,093,407
Cost of Good Sold	(1,307,559)	(1,663,247)	(1,679,002)	(2,042,950)	(6,692,758)
GROSS PROFIT	425,826	407,988	308,188	258,647	1,400,649
Selling Expenses	(19,233)	(32,376)	(37,879)	(39,806)	(129,294)
Administrative Expenses	(22,360)	(26,018)	(20,714)	(24,866)	(93,958)
Other Charges	(22,511)	(11,379)	(7,329)	478	(40,741)
	(64,104)	(69,773)	(65,922)	(64,194)	(263,993)
Other Income	2,329	21,895	2,649	3,105.00	29,978
OPERATING PROFIT	364,051	360,110	244,915	197,558	1,166,634
Finance Cost	(66,686)	(110,615)	(156,392)	(172,861)	(506,554)
Profit before taxation	297,365	249,495	88,523	24,697	660,080
Taxation	(71,545)	16,068	(28,653)	(13,077)	(97,207)
Profit after taxation	225,820	265,563	59,870	11,620	562,873



Quarterly Results Analysis

Quarter 1

Sales:	Even though quantity sold decreased, sales during the quarter increased as compared to June quarter of FY 2018 mainly on account of increase in prices per bag.
Cost of sales:	Despite increase in cost of raw materials and other auxiliary costs, COGS reduced mainly on account of reduced quantity sold during the quarter.
Operating profit:	Operating profit witnessed increase by Rs. 22 million due to increase in gross margin as other fixed costs remained approximately at same level except for finance cost which increased by Rs. 23 million
Net Profit:	Net profit of the Company reduced as compared to June quarter of FY 2018 because of tax credit u/s 65B which was charged in June 2018 on account of capitalization of FPD machinery.

Quarter 2

Sales:	Sales increased due to increase in dispatches and upward revaluation of prices.
Cost of sales:	Cost of sales increased due to increase in dispatches and devaluation of PKR against Euro and USD.
Operating profit:	The Company had increased gross profit in 2nd quarter however Flexible Packaging sustained loss due to low sales and high fixed cost. Further, increase in discount rate and higher utilization of running finance facility increased finance cost by Rs. 44 million.
Net Profit:	Despite of reduction in operating profit, net profit of the Company increased as the Company successfully installed remaining plant, machinery and other auxiliary equipment related to Flexible Packaging Division (FPD) and resultantly claimed tax credit u/s 65B.

Quarter 3

Sales:	Revenue of quarter 3 declined on account of reduced quantity sold however, the reduction was partially rescued by increased sale in FPD.
Cost of sales:	Increase in cost was mainly due to decline of PKR against EURO and USD.
Operating profit:	Operating profit of the Company reduced significantly in 3rd quarter due to reduced due to declined quantity sold, increase cost of production and loss in FPD.
Net Profit:	Due to the reasons defined above, net profit of the Company reduced by Rs. 206 million.

Quarter 4

Sales:	Revenue in quarter 4 increased on account of increased quantity sold however, unit prices reduced in both the divisions.
Cost of sales:	Cost of production increased in 4th quarter due to unprecedented increase in USD and EURO. However, the Company benefited from its low value stock procured earlier.
Operating profit:	Operating profit of the Company further reduced due to increased finance cost.
Net Profit:	Net profit of the Company witnessed steep decline due slash on 65B by 5% causing a loss of 50% tax credit u/s 65B.

Ratios

Ratio Description	Unit	2019	2018	2017	2016	2015	2014
Profitability Ratios:							
Gross Profit ratio	%	17.31	15.49	19.50	22.97	21.00	11.33
Net Profit to Sales	%	6.95	10.03	10.89	13.33	10.47	4.70
EBITDA Margin to Sales	%	18.10	15.31	18.36	21.71	19.69	10.94
Operating leverage ratio	%	2.17	(1.38)	3.85	2.05	7.96	1.65
Return on Equity	%	12.53	16.67	19.15	33.30	36.35	19.37
Return on Capital employed	%	7.66	9.69	15.17	25.53	21.87	11.20
Effective tax rate	%	14.73	7.03	27.84	29.80	29.40	6.44
Liquidity Ratios:							
Current ratio	Times	1.56	2.21	3.69	2.71	2.35	1.40
Quick / Acid test ratio	Times	0.75	1.12	1.76	1.26	1.38	0.72
Cash to Current Liabilities	Times	0.00	0.00	0.02	0.02	0.01	0.01
Cash flow from Operations to Sales	%	(0.10)	(0.00)	0.06	0.19	0.19	0.03
Investment / Market Ratios:							
Earnings per share (EPS)	Rs.	14.57	18.87	23.71	31.55	23.65	9.13
Price to book ratio	Times	0.70	1.07	1.75	3.05	2.36	1.48
Market Value Per Share at the end of the year	Rs.	80.64	143.69	237.78	341.77	188.66	74.25
Low during the year	Rs.	80.00	132.40	237.78	191.97	64.50	38.70
High during the year	Rs.	192.45	279.01	415.00	347.36	214.23	77.65
Price Earnings ratio	Times	5.53	7.61	10.03	10.83	7.98	8.13
Break up value per share	Rs.	115.58	134.40	135.68	112.02	79.85	50.30
Dividend Yield ratio	%	0.06	0.05	0.04	0.03	0.04	0.04
Dividend Payout ratio	%	0.34	0.37	0.40	0.32	0.30	0.33
Dividend Cover ratio	Times	2.91	3.02	2.50	3.10	3.38	3.04
Cash Dividend	Rs.	193,220	235,212	281,252	296,055	192,780	82,622
Cash Dividend per share	Rs.	5.00	7.00	9.50	10.00	7.00	3.00
Stock Dividend %	%	10	15	-	-	-	-
Capital Structure Ratios:							
Financial leverage ratio	%	1.77	1.17	1.07	1.06	1.23	1.84
Weighted average cost of debt	%	9.18	4.18	4.00	9.39	11.10	10.24
Net borrowing / EBITDA		3.97	3.45	0.64	0.27	1.07	3.52
"Average operating working capital as %age of sales"	%	53.07	39.23	31.67	26.89	32.90	34.48
Debt to Equity ratio	%	39 : 61	38 : 62	13 : 87	8 : 92	26 : 74	38 : 62
Interest Cover ratio	%	2.30	6.96	16.17	19.07	5.39	2.19
Activity / Turnover Ratios:							
Inventory turnover ratio	Times	2.61	3.42	3.66	4.74	4.91	4.17
No. of Days in Inventory	Days	138	105	98	76	73	86
Debtor turnover ratio	Times	6.17	7.26	7.97	8.96	8.41	8.28
No. of Days in Receivables	Days	58	50	45	40	43	43
Total Assets turnover ratio	Times	1.40	1.32	0.86	0.68	0.63	0.71
Fixed Assets turnover ratio	Times	0.64	0.68	0.28	0.24	0.22	0.27
Creditor turnover ratio	Times	19.16	10.34	18.68	25.64	15.80	17.61
No. of Days in Creditors	Days	19	35	19	14	23	20
Operating Cycle	Days	178	120	124	102	93	109

* Company has all its investments in related parties only.

Comments on Ratios

Profitability

The Company performed well in last few years. Financial year 2015 was extraordinary as the Company posted growth in Profit. In the year 2016, the Company sold ever highest quantity and hence produced a profit of Rs. 918 million. In the years 2017 and 2018, Profit of the Company remained almost at the same level however, the quantity decreased in both the years along with prices due to increase in competition. Moreover, increased raw material prices, weakening of PKR parity against USD and EURO and shortage of kraft paper put extra pressure on Company's profit however, the Company remained industry leader and maintained its profitability ratios in better position. In the Current year various events like, dewindling PKR parity against USD and EURO, increase in discount rates, decelerated economic activity halted Company's profit. Even in the midst of such a challenging environment, the Company posted healthy profitability ratios.

Liquidity

Long-term and short term loan of the Company increased as compared to previous years on account of expansions in recent years. However, the Company ensures that it has sufficient credit lines at its disposal to keep itself liquid and maintain its ability to pay its creditors and banks. Furthermore, the Company is working on various options to reduce its working capital.

Investment / Market

Investment / Market Ratios are the direct reflection of the performance of the Company. In the year 2019 market price per share and EPS decreased from last year due to decrease in dispatches, increase in raw material prices and foreign currency exchange rates.

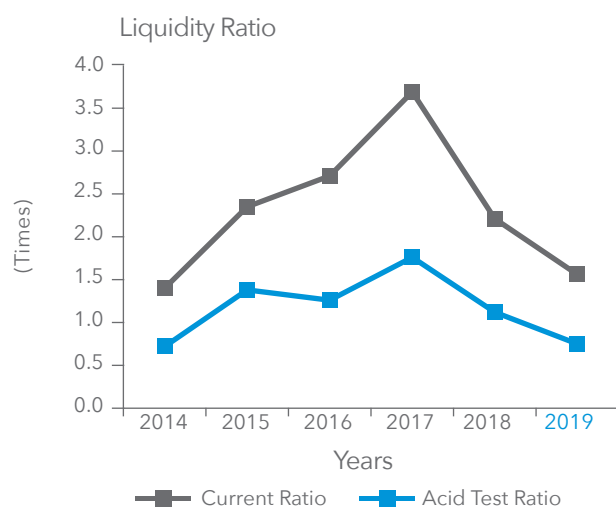
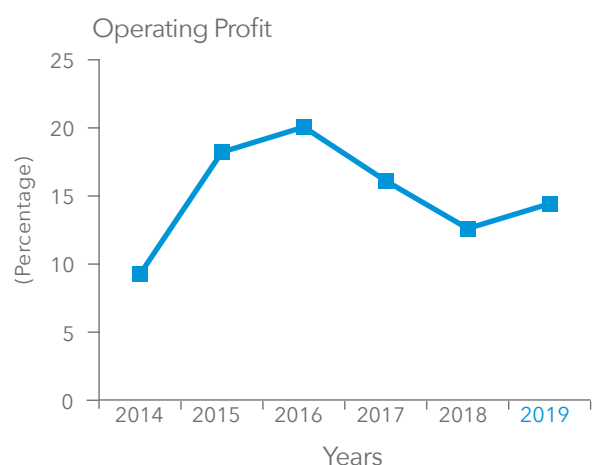
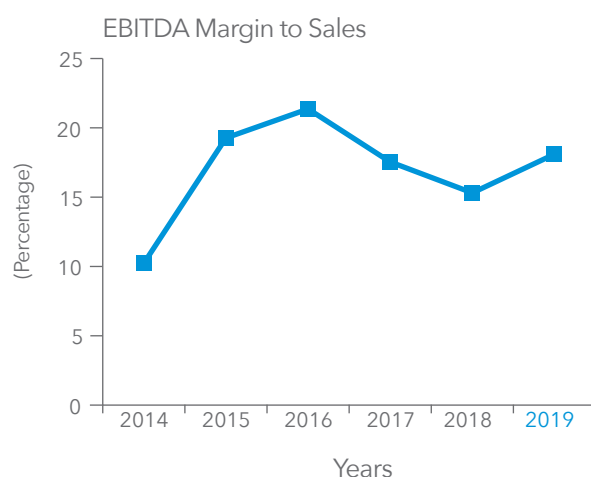
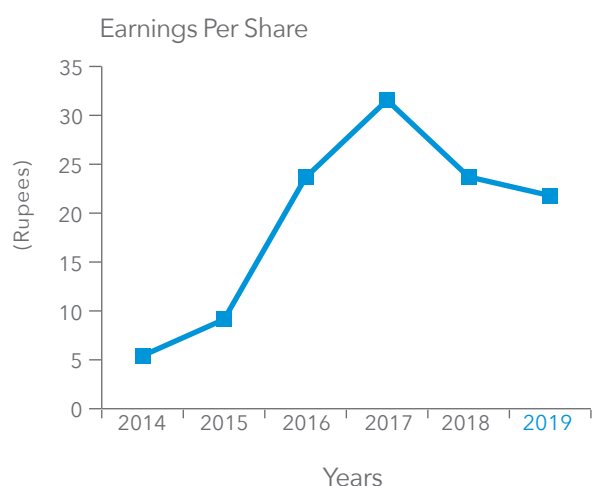
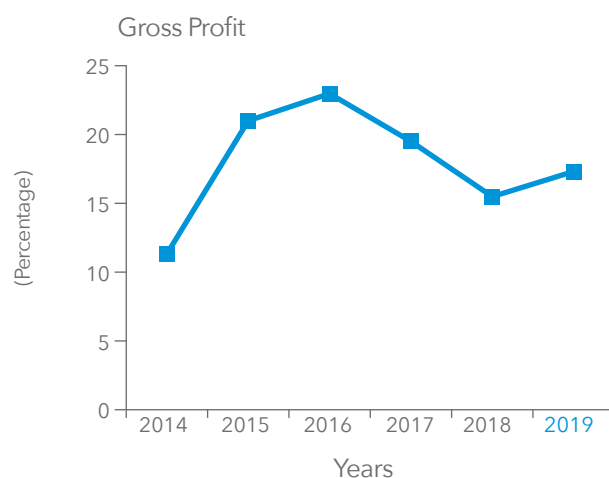
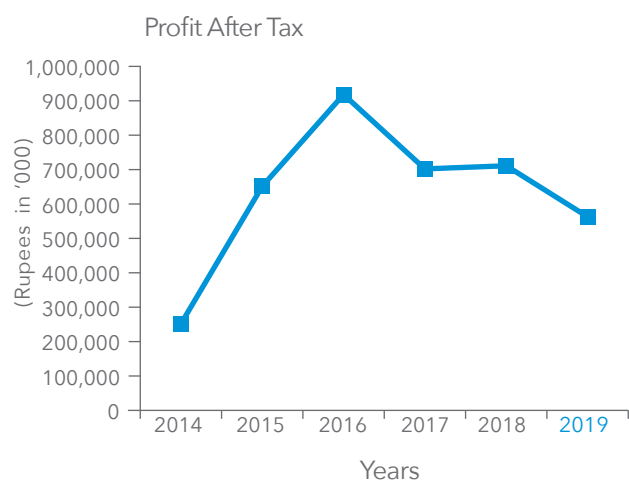
Capital Structure

The Company continuously monitors its capital structure and aims to keep it at its optimum level. Financial leverage was highest in the financial year 2013. The ratio went down in later years as the operations grew and Company posted better results. However, the gearing again increased in previous year 2018 due to installation and commissioning of Flexible Packaging Project.

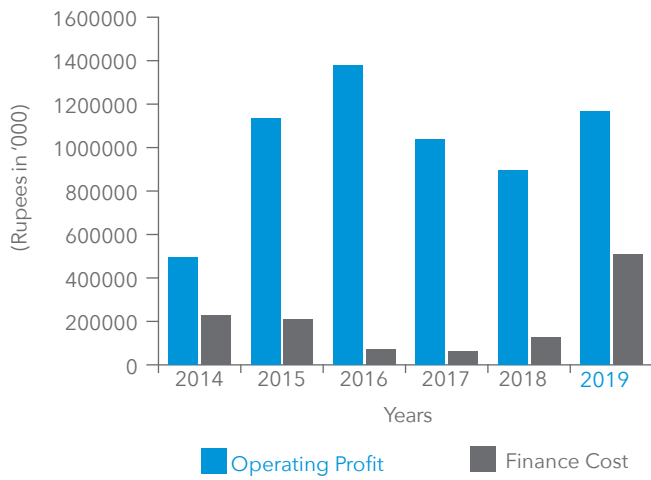
Activity / Turnover

The inventory turnover of the Company witnessed a healthy trend as the Company strived 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 seeks to maintain level of 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 a 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.

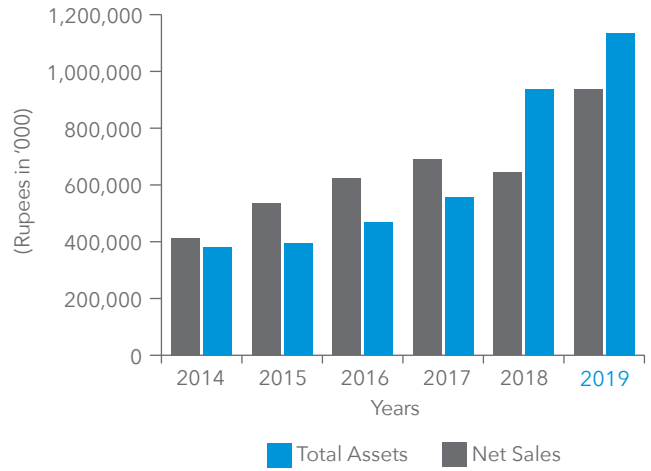
Graphical Presentation of Analysis of Financial Statements



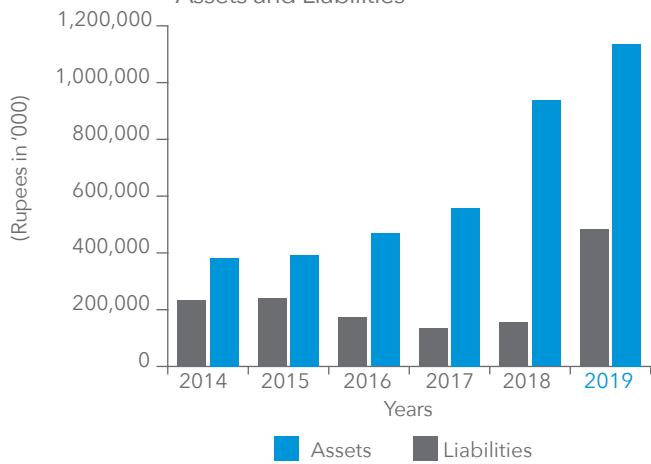
Interest Cover



Sales to Total Assets



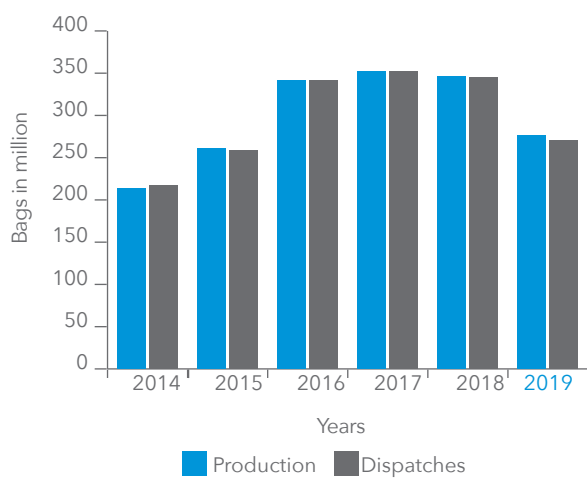
Assets and Liabilities



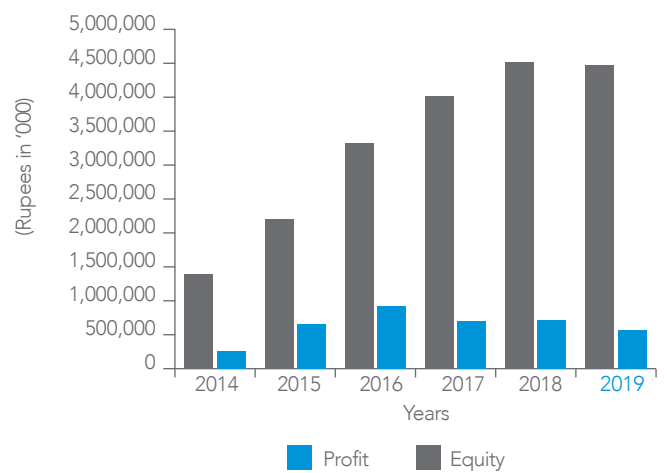
Equity and Long-Term Liabilities

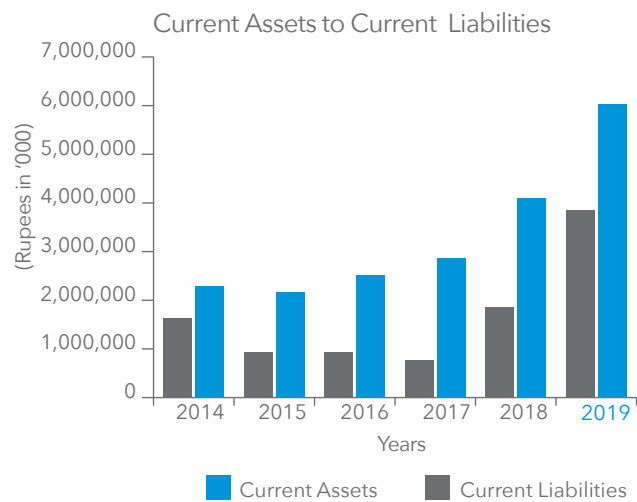
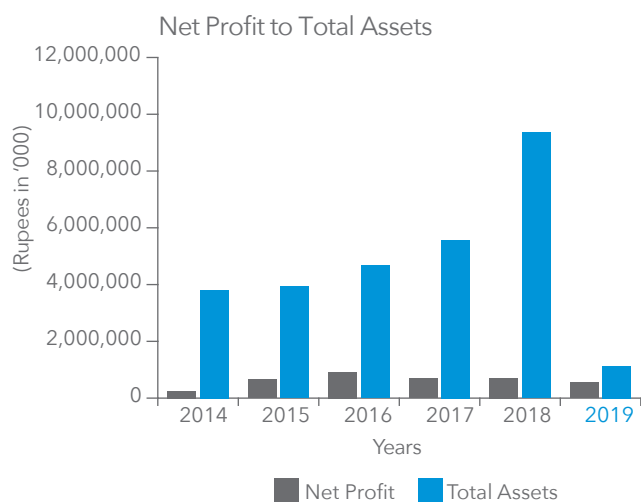
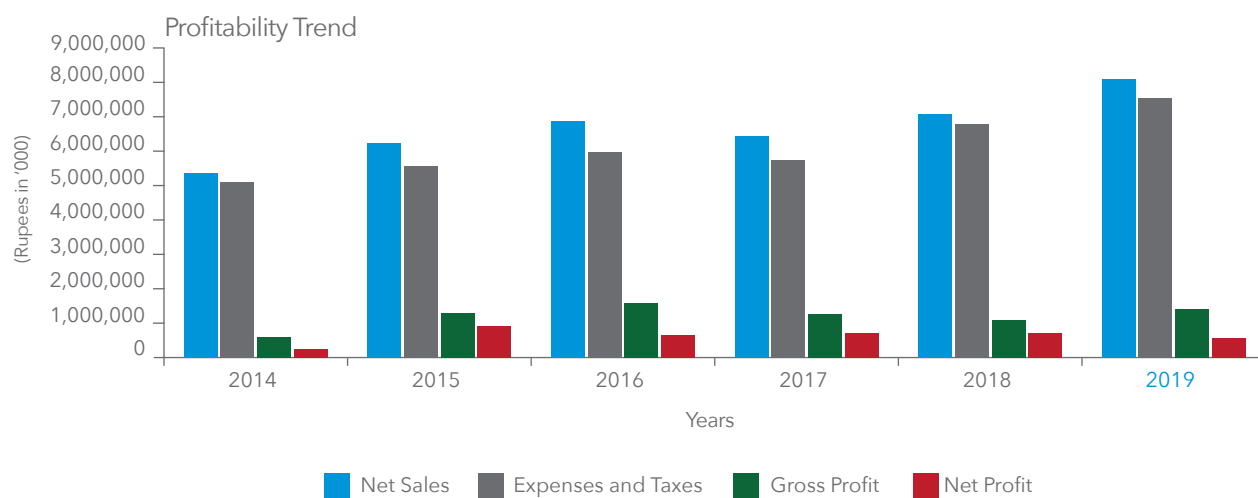
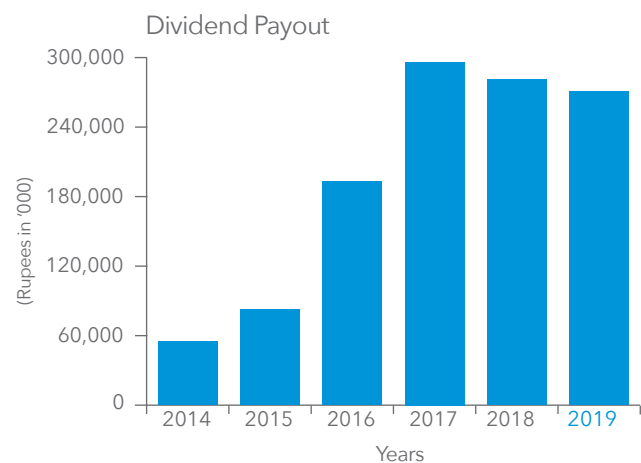
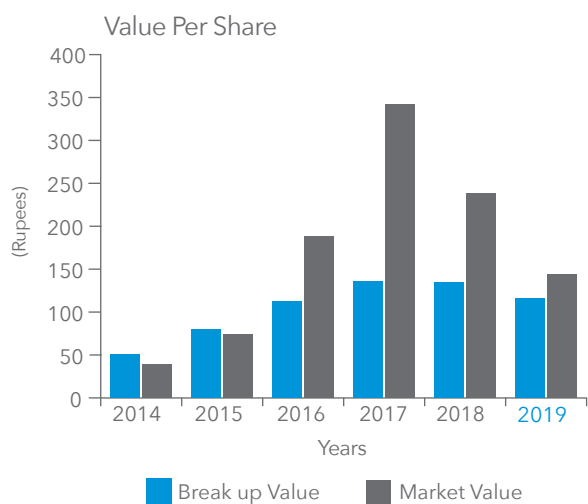


Production and Dispatches

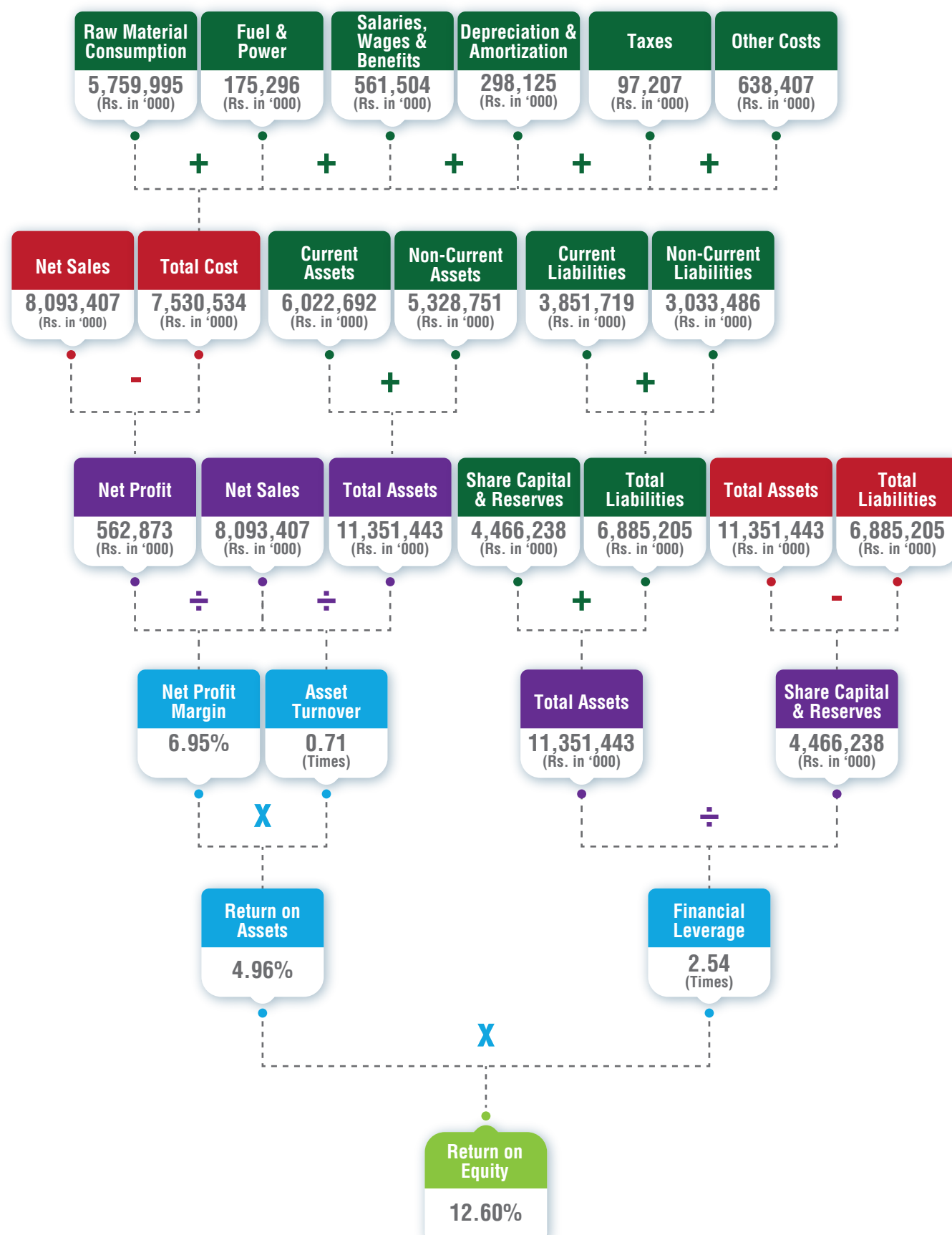


Return on Equity





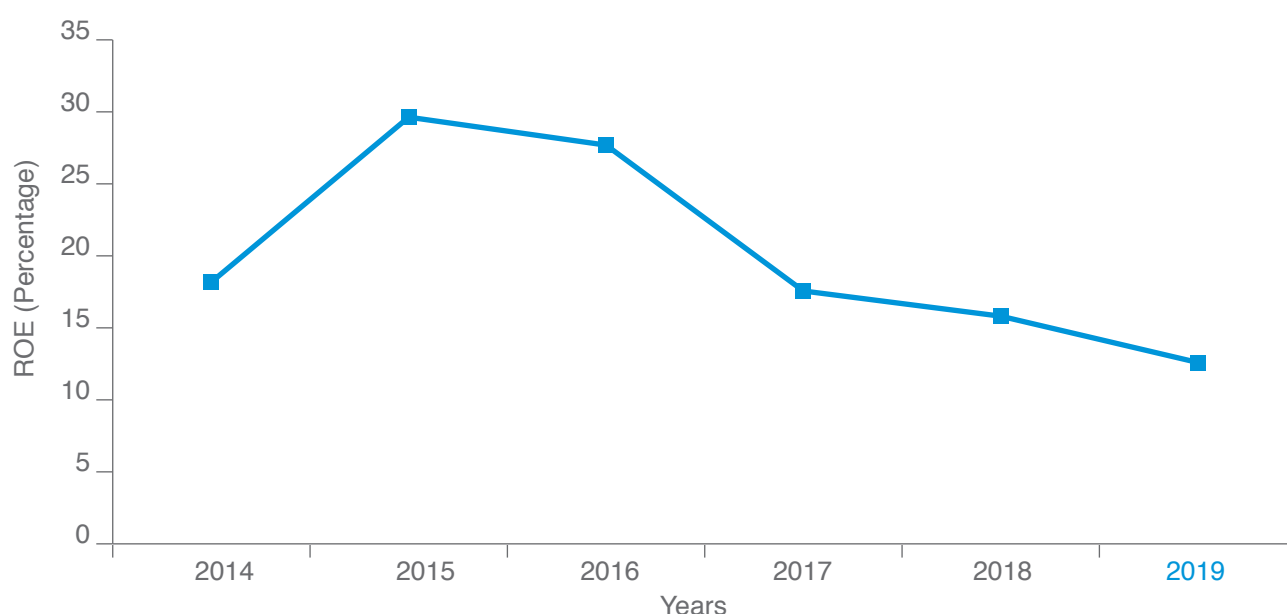
DuPont Chart



DuPont Analysis

Year	Net Profit Margin	Assets Turnover	Financial Leverage	ROE
	Net Profit / Sales	Sales / Total Assets	Total Assets / Total Equity	
	A	B	C	
2014	4.70%	1.41	2.75	18.18%
2015	10.47%	1.58	1.79	29.63%
2016	13.33%	1.47	1.41	27.69%
2017	10.89%	1.16	1.39	17.56%
2018	10.03%	0.76	2.07	15.81%
2019	6.95%	0.71	2.54	12.60%

Graphical Presentation of DuPont Analysis



Comments on DuPont Analysis

1. Profit margin for the Company declined in the current year on account of increase in raw material prices exchange rate, economic conditions and political turmoil.
2. The asset base of the company has improved during the current year mainly on account of Investment in flexible packaging project.
3. The Financial Leverage ratio of the Company has increased due to long-term loans obtained to finance the expansion projects especially Flexible Packaging.

Free Cash Flows

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Profit before taxation	660,080	764,883	972,943	1,307,991	922,635	268,801
Adjustment for non-cash items	782,958	298,574	195,588	164,898	301,780	316,570
Working capital changes	(2,219,521)	(1,064,481)	(793,190)	(158,836)	(16,921)	(434,234)
Net cash generated from operating activities	(776,483)	(1,024)	375,341	1,314,053	1,207,494	151,137
Capital expenditure	(673,827)	(3,158,595)	(316,727)	(382,570)	(21,224)	(479,007)
Free cash flows	(1,450,310)	(3,159,619)	58,614	931,483	1,186,270	(327,870)

Comments

Free cash flows improved as compared to last year mainly as the Company had invested in Flexible Packaging division. In current year, only certain remaining equipment were procured.

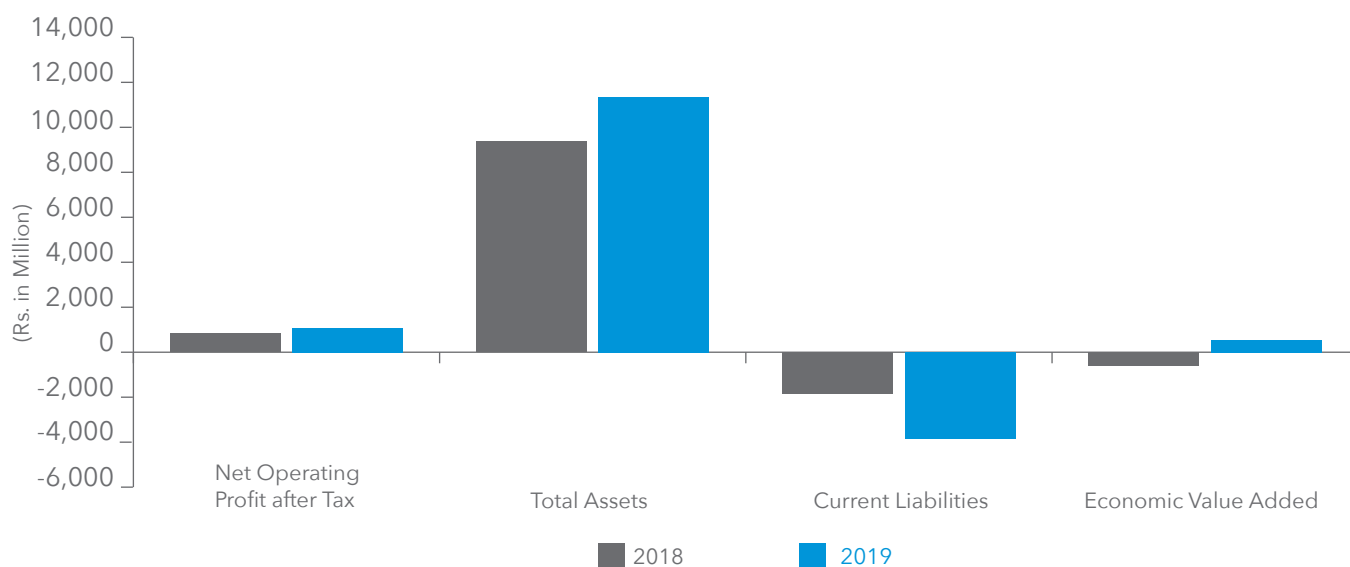


Economic Value Added

	2019	2018
	(Rupees in '000)	
Net Operating Profit After Tax	1,069,427	839,341
Cost of capital	(530,843)	(1,421,419)
Economic value added	538,584	(582,078)
Total Assets	11,351,443	9,368,674
Current Liabilities	(3,851,719)	(1,854,740)
Invested Capital	7,499,724	7,513,934
WACC	7.08%	18.92%
Cost of capital	530,843	1,421,419

Comments

Economic value addition is better than last year as the Company has better operating profit and reduced WACC. WACC reduced mainly on account of long-term loans for financing Flexible Packaging project.



Horizontal Analysis - Last Six Years

	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	5,328,751	1%	5,273,537	95%
Current Assets	6,022,692	47%	4,095,137	43%
Total Assets	<u>11,351,443</u>	21%	<u>9,368,674</u>	68%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,466,238	-1%	4,516,005	12%
Non-Current Liabilities	3,033,486	1%	2,997,929	287%
Current Liabilities	3,851,719	108%	1,854,740	139%
Total Equity and Liabilities	<u>11,351,443</u>	21%	<u>9,368,674</u>	68%
STATEMENT OF PROFIT OR LOSS				
Turnover - net	8,093,407	14%	7,091,653	10%
Gross profit	1,400,649	28%	1,098,332	-13%
Operating profit	1,166,634	31%	893,145	-14%
Profit before taxation	660,080	-14%	764,883	-21%
Profit after taxation	562,873	-21%	711,079	1%

2017		2016		2015		2014	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
2,703,235	24%	2,174,501	23%	1,765,831	17%	1,511,414	6%
2,863,159	14%	2,510,213	15%	2,176,458	-5%	2,295,302	7%
<u>5,566,394</u>	19%	<u>4,684,714</u>	19%	<u>3,942,289</u>	4%	<u>3,806,716</u>	7%
4,016,877	21%	3,316,291	51%	2,198,965	59%	1,385,242	14%
774,085	76%	440,975	-46%	816,728	5%	780,000	70%
775,432	-16%	927,448	0%	926,596	-44%	1,641,474	-13%
<u>5,566,394</u>	19%	<u>4,684,714</u>	19%	<u>3,942,289</u>	4%	<u>3,806,716</u>	7%
6,443,932	-6%	6,888,605	11%	6,223,832	16%	5,355,792	30%
1,256,478	-21%	1,582,067	21%	1,307,251	116%	606,600	39%
1,037,061	-25%	1,380,395	22%	1,132,788	129%	494,810	49%
972,943	-26%	1,307,991	42%	922,635	243%	268,801	53%
702,049	-24%	918,239	41%	651,411	159%	251,486	112%

Vertical Analysis - Last Six Years

	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	5,328,751	47%	5,273,537	56%
Current Assets	6,022,692	53%	4,095,137	44%
Total Assets	<u>11,351,443</u>	100%	<u>9,368,674</u>	100%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,466,238	39%	4,516,005	48%
Non-Current Liabilities	3,033,486	27%	2,997,929	32%
Current Liabilities	3,851,719	34%	1,854,740	20%
Total Equity and Liabilities	<u>11,351,443</u>	100%	<u>9,368,674</u>	100%
STATEMENT OF PROFIT OR LOSS				
Turnover - net	8,093,407	100%	7,091,653	100%
Gross profit	1,400,649	17%	1,098,332	15%
Operating profit	1,166,634	14%	893,145	13%
Profit before taxation	660,080	8%	764,883	11%
Profit after taxation	562,873	7%	711,079	10%

2017		2016		2015		2014	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
2,703,235	49%	2,174,501	46%	1,765,831	45%	1,511,414	40%
2,863,159	51%	2,510,213	54%	2,176,458	55%	2,295,302	60%
<u>5,566,394</u>	100%	<u>4,684,714</u>	100%	<u>3,942,289</u>	100%	<u>3,806,716</u>	100%
4,016,877	72%	3,316,291	71%	2,198,965	56%	1,385,242	36%
774,085	14%	440,975	9%	816,728	21%	780,000	20%
775,432	14%	927,448	20%	926,596	24%	1,641,474	44%
<u>5,566,394</u>	100%	<u>4,684,714</u>	100%	<u>3,942,289</u>	100%	<u>3,806,716</u>	100%
6,443,932	100%	6,888,605	100%	6,223,832	100%	5,355,792	100%
1,256,478	19%	1,582,067	23%	1,307,251	21%	606,600	11%
1,037,061	16%	1,380,395	20%	1,132,788	18%	494,810	9%
972,943	15%	1,307,991	19%	922,635	15%	268,801	5%
702,049	11%	918,239	13%	651,411	10%	251,486	5%

Comments on Horizontal Analysis

BALANCE SHEET

Fixed asset

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

Investments

During the current financial year, the capital market performed poorly mainly on account of financial crisis of the country resulting abrupt decline in share prices causing investment to decline from 476 million to 155 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 has been decreasing over the years as the company had adjusted its tax liability for the year against the tax refund. Moreover, the Company had exemption against withholding tax at import stage which kept the Company from piling up excessive refunds. However, it has recently increased due to imposition of withholding tax on import of various machines for flexible packaging which were not exempted under Income tax Ordinance.

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 2013, 2016 and 2018 to finance expansions also resulted in increase in shareholders' equity.

Long-term loans

CPL always strives to maintain strong debt equity ratio to optimize returns this is why the CPL financed its project as combination of debt and equity. During the year, the Company obtained remaining Rs. 150 million related to flexible packaging division.

Current Liabilities

The Company has maintained its current liability at a manageable level. Current liabilities mainly increased due to accrued payments against import of raw material and increase in short-term finance to cater increased working capital requirement owing to increased operations.

PROFIT AND LOSS ACCOUNT

Turnover

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

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, reduction of international raw material prices. However, Gross profit in current year and last year reduced owing to high production cost which increased mainly due to increase in prices of imported raw material and devaluation of PKR against USD and Euro.

Operating profit

Operating profit of the demonstrated corresponding change with the change in gross profit.

Finance Cost

Finance cost of the Company has been reducing steadily over past few years however, it has increased in current year due to working capital requirement in Flexible Packaging, long term loans for Flexible Packaging division and increase in discount rates.

Net profit

Net profit of the Company showed positive trend over last few years. FY 2016 was exceptional as the raw material prices decreased. 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 2013 through 2018. The company has also accounted for super tax as imposed by Federal Govt except for current as the Company claimed initial allowance of depreciation against Flexible packaging project. In the 2018 year net profit increased slightly despite decreased operating profit mainly due to tax credits u/s 65B. However, in current year, slash on 65B in Finance Act 2019 caused increase in tax incidence by Rs. 55 million.

Comments on Vertical Analysis

BALANCE SHEET

Fixed assets

Ratio of fixed assets increased due to installation of remaining machinery of FPD.

Current Assets

Current assets of the Company increased mainly due to increase in debtors on account of increased operations and depreciation of PKR causing increase in stock value.

Long-term loan

The Company obtained residual long-term loan of Rs. 150 million out of 1.80 billion approved loan for installation of remaining machinery of FPD. Apart from the above, regular repayments of previous loans have also been made during the year.

PROFIT AND LOSS ACCOUNT

Gross profit

Gross profit of the Company increased as compared to last year in terms of ratio and amount as well. It witnessed upsurge due to efficient business management.

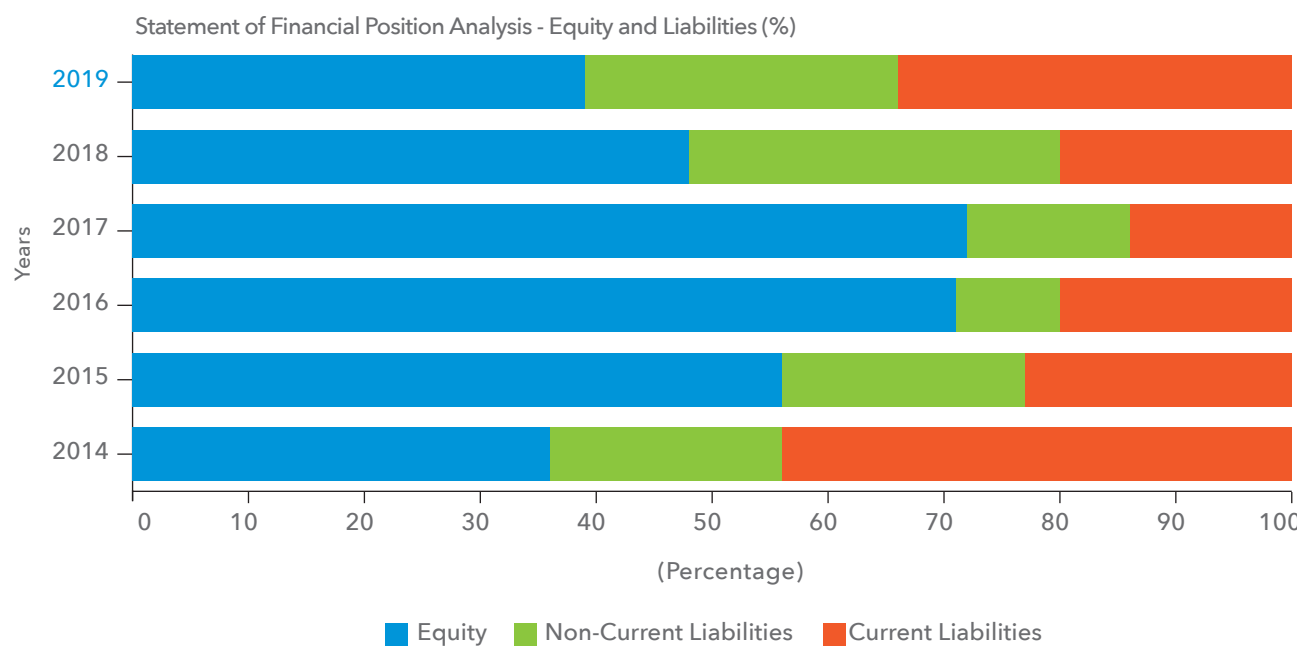
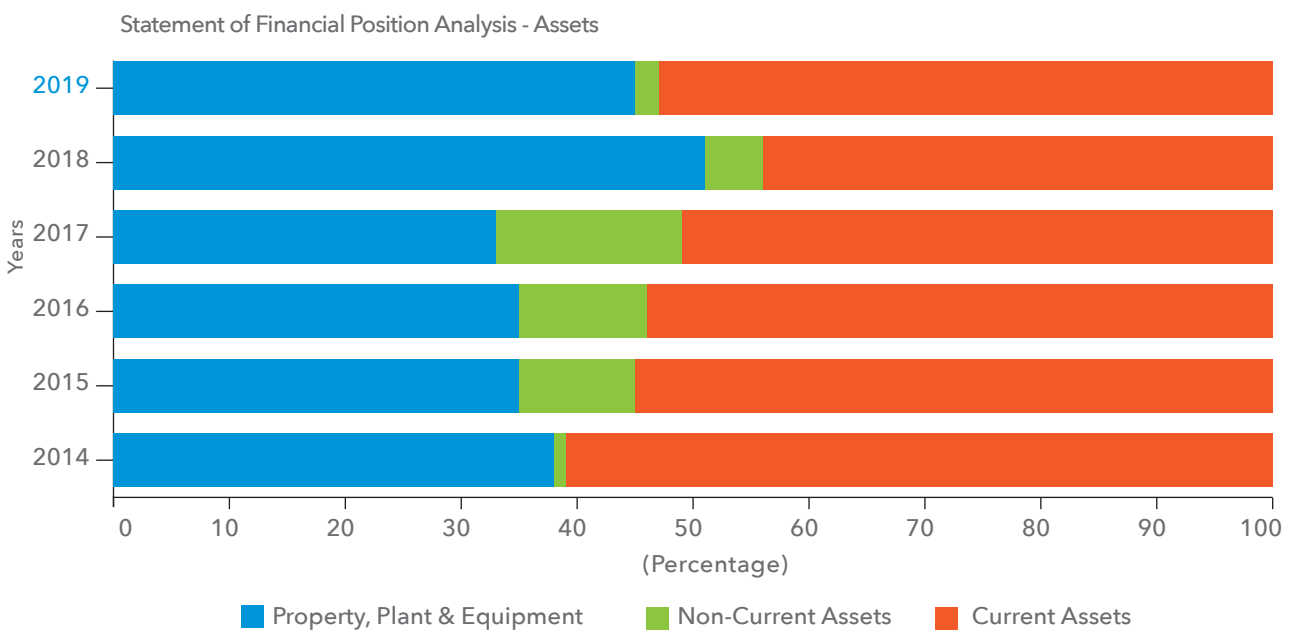
Net profit

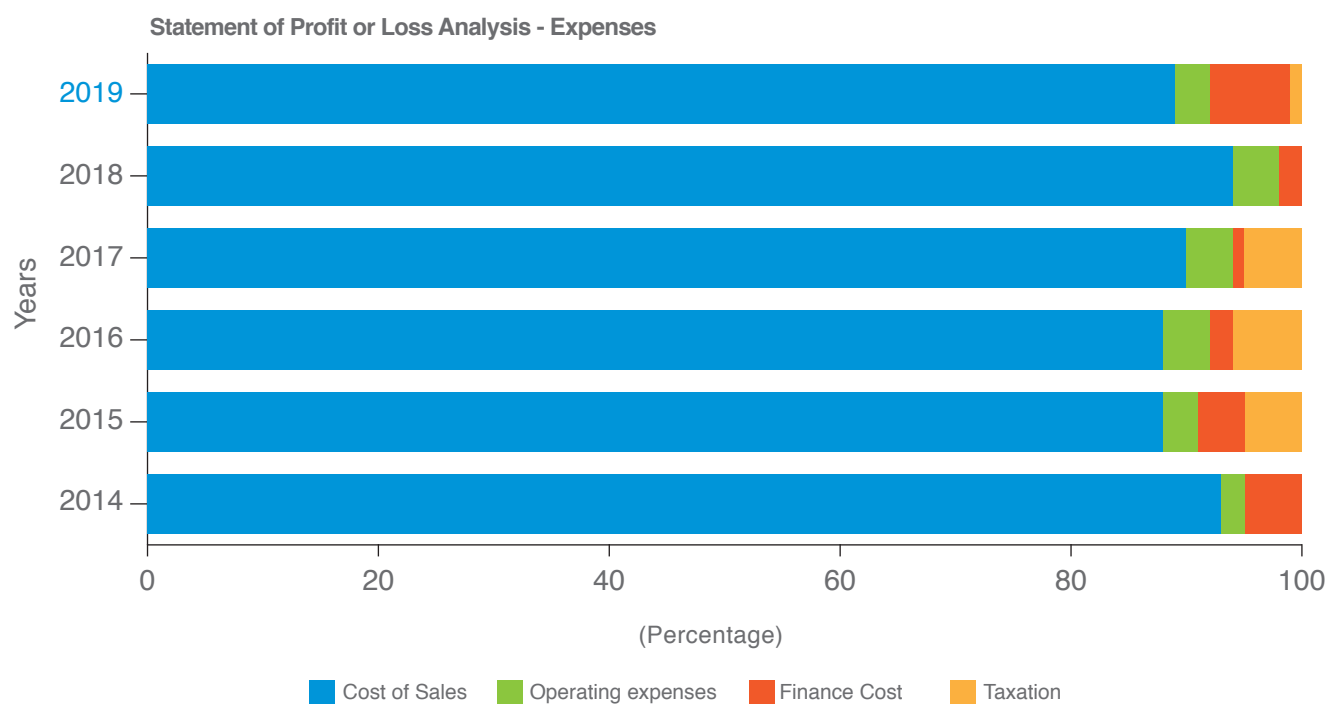
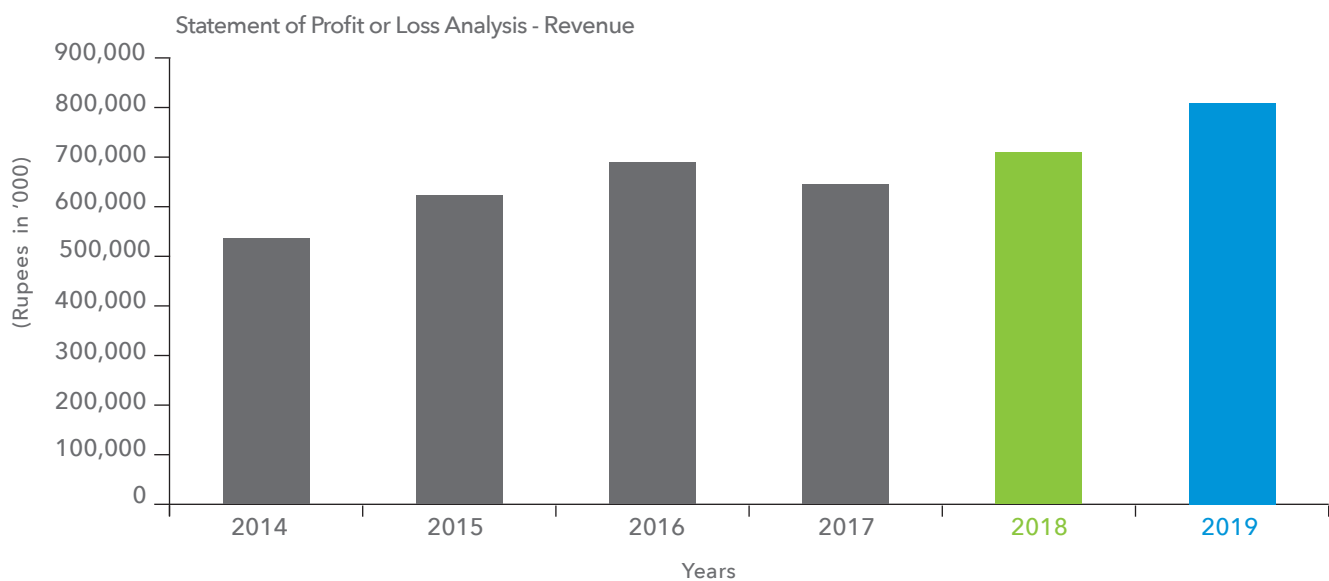
Increase in discounts rates coupled with reduction in tax credit u/s 65B from 10% to 5% resulted in reduced net profit as compared to last year.



Graphical Presentation of

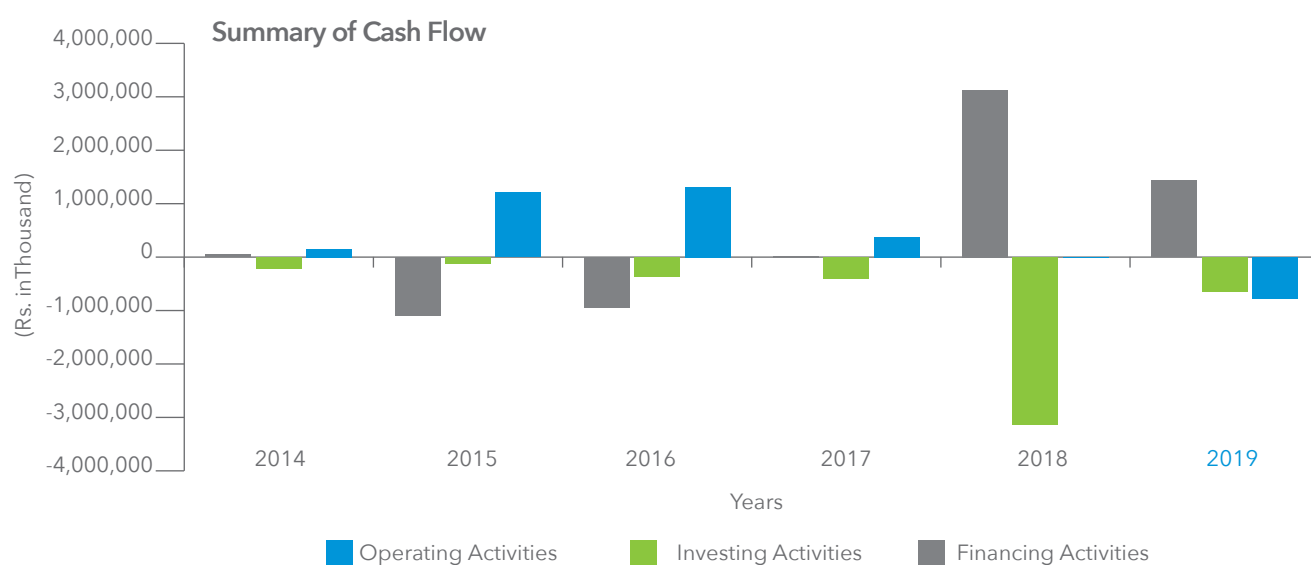
Statement of Financial Position & Statement of Profit or Loss





Summary of Statement of Cash Flows-Last Six Years

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Net cash (used in) / generated from operating activities	(776,483)	(1,024)	375,353	1,314,053	1,207,327	151,137
Net cash (used in) / generated from investing activities	(650,862)	(3,135,215)	(397,814)	(363,085)	(118,915)	(207,460)
Net cash generated from / (used in) financing activities	1,431,846	3,129,449	20,374	(943,937)	(1,096,419)	54,274
Net (decrease) / increase in cash and cash equivalents	4,501	(6,790)	(2,087)	7,031	(8,007)	(2,049)
Cash and cash equivalents as at the beginning of the year	8,638	15,428	17,515	10,484	18,491	20,540
Cash and cash equivalents as at the end of the year	<u>13,139</u>	<u>8,638</u>	<u>15,428</u>	<u>17,515</u>	<u>10,484</u>	<u>18,491</u>

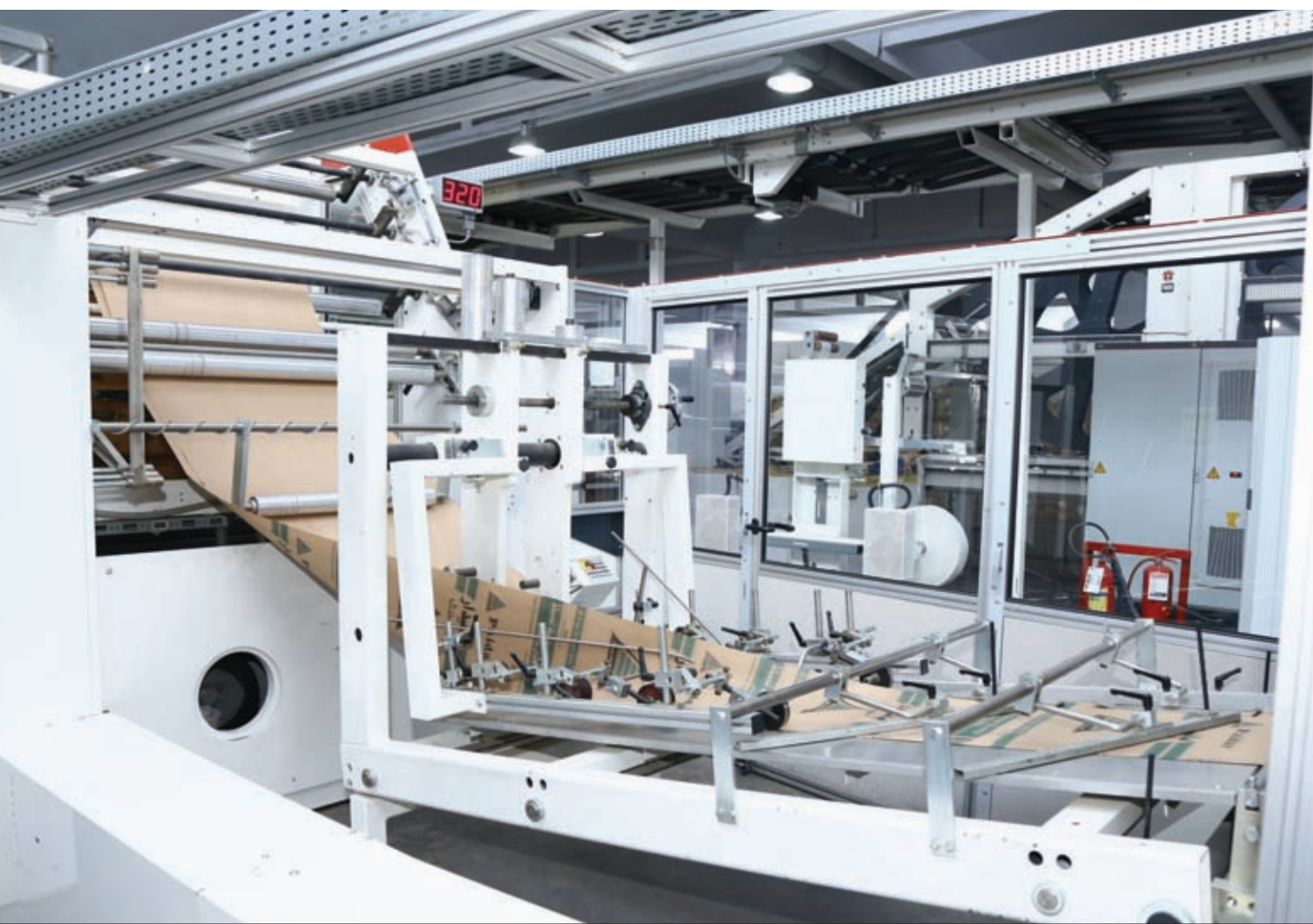


Comments on Statement of Cash Flows

Cash flow from operating activities witnessed great fluctuation during the period from FY 2014 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 the Company has better profitability than 2014. In FY 2016, the ever highest performance of the Company caused cash flows from operating activities increase further. Decrease in profit in FY 2017 impacted the cash flow negatively. Further, the operating cash flows fell slightly on negative side mainly on account of decreased profit before tax, increased investment in stock in anticipation of expected operation of Flexible Packaging Project and payments of sales tax and withholding tax on import of various machinery of Flexible Packaging. In current year, full-fledge operation of FPD, increased discount rate and dwindling PKR parity caused the operating cash flow to decrease further.

The Company has been in continuous expansion. From FY 2014 to FY 2017, the Company installed 2 PP lines enhancing its production capacity to 195 million bags per annum. In FY 2018, the Company installed Universal Papersack line enhancing its production capacity to 400 million KP bags per annum. Correspondingly, the Company also initiated Flexible packaging line. In the Current year, the Company installed remaining machineries of Flexible packaging division.

Cash flows from financing activities are direct reflection of the above two. The Company had thriving operations from FY 2014 to FY 2017. The Company had repaid its loans and reduced its running finance utilization significantly, however, the Company had obtained various loans to and issued right shares to finance its PP bags capacity. During the FY 2018, the Company again issued right shares and obtained loans to finance its new venture into Flexible Packaging and enhancing its production capacity of KP bags by installing Universal Papersack line. In the current year, tough business conditions and higher operation costs compelled the Company to utilize its running finance facility.



Statement of Cash Flows

Direct Method

For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

	2019	2018
	(Rupees in '000)	
Cash receipts from customers	6,323,931	7,918,978
Cash paid to suppliers and employees	(6,939,742)	(7,777,895)
Cash generated from operations	(615,811)	141,083
Net income tax paid	(158,947)	(141,732)
Long-term loans and security deposits	(1,725)	(375)
Net cash used in operating activities	(776,483)	(1,024)

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to operating property, plant and equipment	(673,827)	(3,158,595)
Additions to intangible assets	(1,850)	-
Proceeds from sale of operating property, plant and equipment	5,441	1,585
Long-term Investments made during the year	-	-
Dividend received	19,374	21,795
Net cash used in investing activities	(650,862)	(3,135,215)

CASH FLOWS FROM FINANCING ACTIVITIES

Long-term financing	65,000	2,210,000
Dividend paid	(263,494)	(271,795)
Proceeds from issuance of right shares	-	493,281
Short-term borrowings	2,013,720	775,256
Finance costs paid	(383,380)	(77,293)
Net cash generated from financing activities	1,431,846	3,129,449

Net increase / (decrease) in cash and cash equivalents	4,501	(6,790)
Cash and cash equivalents as at the beginning of the year	8,638	15,428
Cash and cash equivalents as at the end of the year	13,139	8,638

Key Financial Information - Last Six Years

Summary of Balance sheet

	2019	2018	2017	2016	2015	2014
	(Quantity in million)					
Production - BMD (Bags)	346.55	351.97	341.29	289.63	260.54	213.52
Production - FPD (KGs)	1.261	0.003	-	-	-	-
Sales - BMD (Bags)	344.78	352.18	341.31	287.74	258.53	216.87
Sales - FPD (KGs)	1.173	0.003	-	-	-	-

Assets

	(Rupees in million)					
Non-Current Assets	5,329	5,274	2,703	2,175	1,766	1,511
Current Assets	6,023	4,095	2,863	2,510	2,176	2,295

Total Assets

11,352	9,369	5,566	4,685	3,942	3,806
--------	-------	-------	-------	-------	-------

Equity and Liabilities

Shareholders Equity	4,466	4,516	4,017	3,316	2,199	1,385
Non-current Liabilities	3,034	2,998	774	441	817	780
Current Liabilities	3,852	1,855	775	928	926	1,641

Equity and Liabilities	11,352	9,369	5,566	4,685	3,942	3,806
------------------------	--------	-------	-------	-------	-------	-------

Summary of Profit and Loss account

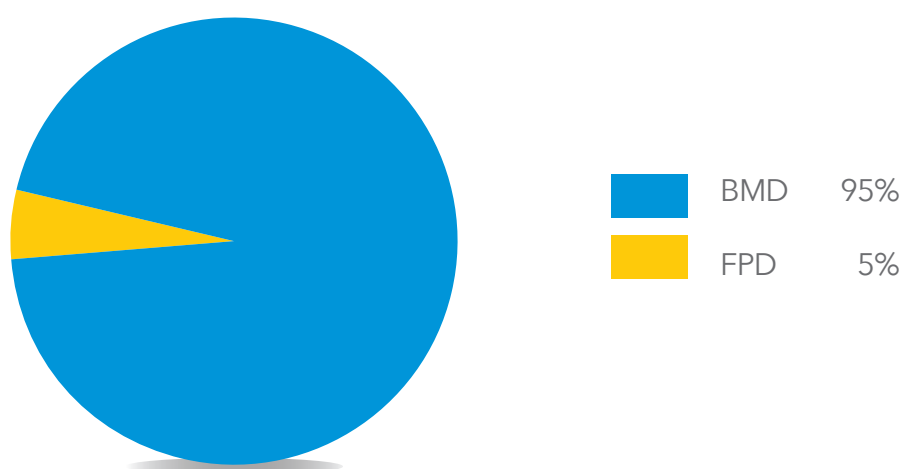
Turnover Net	8,093	7,092	6,444	6,889	6,224	5,356
Gross profit	1,401	1,098	1,256	1,582	1,307	607
Operating profit	1,167	893	1,037	1,380	1,133	495
Profit before tax	660	765	973	1,308	923	269
Profit after tax	563	711	702	918	651	251

Segmental View of Business Performance

In the year of turbulence with many sudden changes like dwindling exchange rate parity of PKR, increased discount rates, slump in overall economy, new entrants and political turmoil, the Company managed to be the market leader in cement bags supply. Resultant to the factors mentioned above, production and sale of the Company reduced as compared to last year. Exports of the Company also decreased due to high production cost however, recent depreciation of PKR against USD made exports viable. The Company is actively pursuing to increase its exports.

Segmental View

During the year, the Company installed various machinery of FPD as a part of its project. The Company is investing in various clients (especially FMCGs) in shape of samples and test products. Various clients are testing our products and the Company is receiving very positive response. The Company expects that FPD sales will witness exponential increase in coming years.



Market Share

Cherat Packaging is the largest producer of Cement bags in Pakistan. The Company is the gateway to innovation in cement packaging as it has introduced various groundbreaking innovations which not only benefited customers but also lead the Company to be the leader of the cement packaging industry. The Company enjoys prominent edge over its competitors regarding market share by virtue of its diversified investment in KP and PP bags. Moreover, the Company entered into flexible packaging division in the current year and through penetration strategy, the Company is gaining market acceptance and increasing its market share.

Explanation of Negative Changes in Performance over the Period

Main reason is the economic slowdown which badly affect the general economic activities. PKR depreciation, higher inputs and finance costs also affected the performance. The appropriate explanation pertaining to the negative changes in performance against prior year is provided in the relevant sections of the analysis of financial statements and the vertical and horizontal analysis of Statement of Financial Position, Statement of Profit or Loss, Quarterly performance and Statement of Cash Flows.

Debt Repayment

Information about default in payment of any debt has been covered in the Directors' Report.

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 hence, share price.

Energy Crisis

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

Law & Order

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

Exchange Fluctuation

The Company is directly exposed to exchange rate fluctuations since the major raw materials are imported by the Company. Continuous depreciation of Pak Rupee has adversely affected the financial performance of the Company.

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 in providing optimum job satisfaction to workers and staff which minimizes issues at production facilities.

Material Price Sensitivity

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

Interest Rates

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

The Cement and Allied Sector

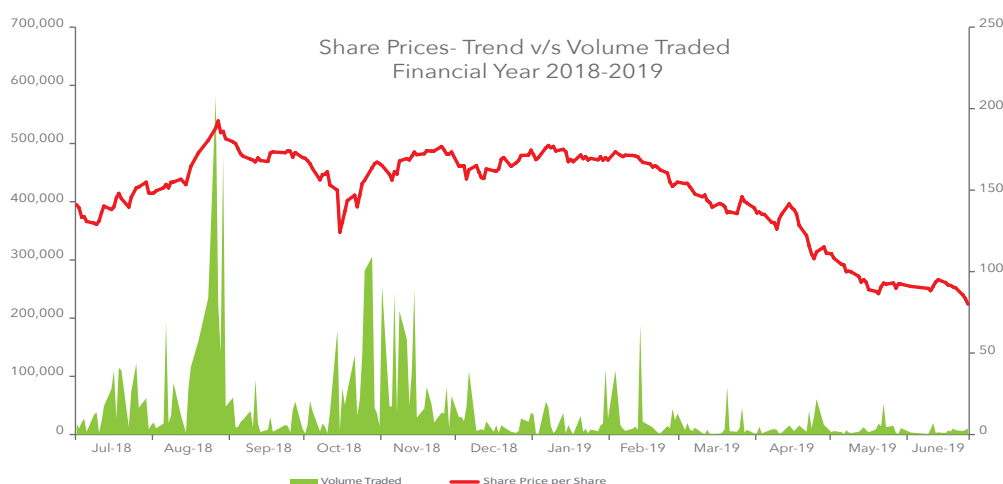
Although the Company is diversifying its operations, nonetheless, the Company's main business is the production and sale of cement sacks which links it directly to cement sector. Any positive growth in cement industry would directly impact the financial performance of the Company.

Government Policies

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

Sensitivity Analysis of Change in Market Capitalization

Share Price as of 30.06.2019	Rs. 80.64
Market Capitalization as of 30.06.2019	Rs. 3,116,139,264
Change in Share Price by	Change in Market Capitalization
+10%	Rs. 311,613,926
-10%	Rs. (311,613,926)



Calendar of Notable Events

July 2018 - June 2019

AUGUST

- 07th** Received 1st prize in Best Corporate and sustainability Report Award 2017 organized by ICAP & ICMAP
- 14th** Independence Day Celebration
- 18th** National Tree Plantation Day
- 18th** Inter-Group Companies Cricket Tournament, Lahore
- 30th** Board of Directors Meeting - Annual 2018

OCTOBER

- 24th** 29th AGM at Registered Office
- 24th** Board of Directors Meeting - 1st Quarter 2019

FEBRUARY

- 14th** Board of Directors Meeting - 2nd Quarter 2019
- 11th** Inter-Group Companies Cricket Tournament, Islamabad
- 28th** Inter-Group Companies Cricket Tournament, Lahore

MARCH

- 8th** Group Table Tennis Tournament
- 8th** International Women Day 2019
- 16th** Head Office Staff Picnic
- 17th** Inter-Group Companies Cricket Tournament, Islamabad
- 23rd** Inter-Group Companies Cricket Tournament, Karachi

APRIL

- 09th** Corporate Excellance Award
- 19th** Board of Directors Meeting- 3rd Quarter 2019

MAY

- 01st** Labour Day Celebration

JUNE

- 09th** Employees Annual Dinner & Award Ceremony, Lahore
- 21st** Board of Directors Meeting- Budget 2019/20
- 30th** Year End Closing

Major Capital Expenditure

Growth

Cherat Packaging Limited is a growth oriented company. It grew exponentially over the years; especially during the last 10-11 years from only 3 kraft paper bag conversion lines in 2009 to 5 kraft paper bags conversion lines, 3 PP bags manufacturing lines and full-fledge, state-of-the-art flexible packaging plant in 2019.

Current Year Expansion

The Company further installed extrusion line, cylinder making machine and other auxiliary equipment during the year. These new expansions initiated commercial production in October 2018. CPL is the first Company to enter into the business with the Roto, Flexo, Extrusion and cylinder making machines simultaneously.

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.





Outlook

131 Forward Looking Statement

Forward Looking Statement

Pakistan is currently undergoing one of the most challenging economic situations. Resultantly, almost all sectors are facing downturn and CPL is no exception. Keeping in view current economic conditions and outlook of Pakistan economy, CPL has initiated various cost management measures including negotiation on raw material cost structure and reducing fixed costs. 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. Dwindling PKR parity against Euro and USD is the area of great concern as it has direct and strong impact on the Company's performance.

The Company believes in proactive up-gradation of capabilities to exploit emerging opportunities rather than reactive policy which may result in lost opportunities and declined possibilities. CPL is well positioned to meet the requirements of both paper and polypropylene bags of its valuable local and export clients. The Company continuously works on introduction of new products with different target markets and customers as compared to the existing ones. The Company is exploring potential in bags other than cement industry like flour, sugar, rice, tile bond, grocery bags etc. Although, current economic conditions shrank purchasing power hence curtailed growth of FMCG market however, FMCG promises great potential for growth once the economy resume its growth for which the Company is hopeful. CPL has been a synonym to quality which made CPL a supplier of choice not only in local but also in international markets.

The Company is investing to explore new products through in-house research and discovering new, improved and cheaper solutions in association with clients and their feedback. Previously, the Company had successfully introduced 2ply kraft paper bags and lowest grammage PP bags for cement industry. Likewise, the Company successfully converted few Roto based high cost products into Flexo based low cost products with same quality. The Company is expecting that the FMCG companies will gain benefit from this update.

The Company is also making concerted efforts to improve its operational efficiencies and optimize the utilization of its available resources. Availability of power at competitive rates is a critical factor for

the Company. To cope with power cost, the Company quoted for PEDO (Pakhtunkhwa Energy Development Organization) electricity quota which was accepted by PEDO. Electricity through PEDO is at lower cost than conventional electricity cost. Further, the Company is also considering Solar Power of 1MW to further reduce its electricity cost.

Other areas of concern are volatility in international commodity pricing and exchange rates. Interest rates are expected to decrease in next financial year due to current economic conditions. Political stability is of grave importance and is stimulus of economic activities. We expect the stability in political situation of the Country.

The Company will continue to follow all regulations as they are imposed in Pakistan. The Company is now ISO 14001: 2015 (Environment Management System), ISO 45001:2018 (Occupational Health and Safety), FSSC (Food Safety Management Systems) and Halal certified. Further, the Company is in process of SADEX (Supplier Ethical Data Exchange) and BCP (Best practices for food and manufacturing industries) certifications. The Company is already ISO 9001:2015 certified company.

Increasing competition may impact the profitability of the Company however, the Company is confident to not only hold but to enhance its market share by innovating its product. 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 future prospects and expects to perform well in the ensuing years. The Company expects pressure in local cement demand which will affect as also. 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 bag features.

We anticipate that mark-up rates have peaked and they will start declining during the year. We also expect stability in exchange rates. The Company will have higher revenue from Flexible Packaging Division due to full operations. Furthermore, the Company expects to achieve higher export due to devaluation of PKR.

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

	2019/20	2020/21	2021/22
	(Rupees in '000)		
Revenue	12,759,427	14,290,558	16,005,425

Sources of Information and Assumptions Used for Forecasts

The Company produces master budget based on a comprehensive budget drive annually and updates forecast keeping in view market conditions, historical results and outlook. Each department including marketing, production, HR etc. gives input while producing budget and forecast. Information like Customer sales, average sale price, seasonal fluctuations, economic outlook are taken into account while preparing budget for the following year.

For any new ventures, information is gathered from available market research on the anticipated products. If needed, professional services of a

consultant is also sought to fine tune the data and underlying assumptions before making a formal feasibility. The feasibility is then presented to the Board of Directors. Thorough discussion on the practicalities of the assumptions and financial viability of the project is conducted and the results and assumptions are approved. Special attention is paid to avoid the wishful thinking and to make the project payback more realistic.

Company Performance Against Last Year Projections

The Company anticipated modest growth in cement industry however, sudden overturn in economic conditions caused decrease in cement dispatches by 2.2% in local markets. This downturn coupled with intense competition resulted in decreased sale. However, the Company managed to increase revenue in Rupee term on the back of increased prices in local market for finished products. All financial and nonfinancial targets established during last year were met to a greater extent.

Status of Projects

In previous year, the Company installed other machinery and equipment of Flexible packaging division such as Extrusion line, cylinder making machine etc. These further expansions started to contribute in commercial production in October 2018. The Company is now well-positioned and already registering its impact in this market niche. Furthermore, viewing the importance of technological changes and its impact of strategic edge. The Company is now planning to install 1 MW solar power project.



Stakeholders Relationship and Engagement

134 Stakeholders' Engagement

136 Statement of Value Addition and Distribution of Wealth

Stakeholders' Engagement

The Company has a policy of maintaining relationships based on trust and collaboration with all its stakeholders. Shareholders Engagement procedure embrace communication, compliance with laws & regulations, customer centric as well as society focused approach.

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.

1. 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 a 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 CDC Share Registrar Services Limited (CDCSRSL) 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. INSTITUTIONAL INVESTORS AND ANALYSTS' BRIEFING

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.

The company arranges briefing with individual institutional investors from time to time. The company also participated in two analyst briefings during the year. Conference calls with foreign investors were also made to discuss the performance of the company and the cement packaging industry. Corporate Briefing Session was also held at PSX premises for shareholders / analysts.

8. CORPORATE BRIEFING SESSIONS

In compliance with PSX requirements, the Company conducted Corporate Briefing Sessions at Marriott Hotel (during the year) and Pakistan Stock Exchange (PSX). Both the briefings were well attended by analysts, shareholders and potential investors. The Chief Operating Officer (COO) of the Company presented its financial results, analysis, future prospects and challenges. COO also discussed all the queries raised by participants at a great length.

9. MEDIA

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

Interaction with media improves the Company's brand image.

10. LOCAL COMMUNITY

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 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.

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

MINORITY SHAREHOLDERS

The management of the company believe, encourage and ensure the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the General Meetings and appoint another member as his/her proxy in his/her absence. The notices of General Meetings are circulated by the Company within the regulatory timeframes to the registered addresses of the shareholders (including minority shareholders)

as well as it is published in Urdu and English newspapers.

INVESTOR RELATIONS 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 Factory premises at Gadoon Amazai on Wednesday, October 24, 2018 at 11:30 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 input costs 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.

The Chairman of the Audit Committee answered the questions of Shareholders. Shareholder lauded Company's effort to complete project in time. Shareholders asked about project status of Flexible Packaging. They were informed that up till the date of AGM, the Company successfully completed installation and testing of residual machineries of Flexible Packaging hence, the Company is now in position to offer top to bottom solution to various valued customers.

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

Shareholders praised the Company's performance over the many year. They also asked regarding the future strategies to overcome increased competition.

Replying to a query regarding decrease in GP as compared to last year, the management informed that the GP reduced mainly due to increase in input cost. The Company did not pass on the impact of increased cost entirely to customers in view of increased competition. However, it was able to explore other PP bag markets, allowing it to expand its sales revenue and customer base.

Statement of Value Addition and Distribution of Wealth

Wealth generated

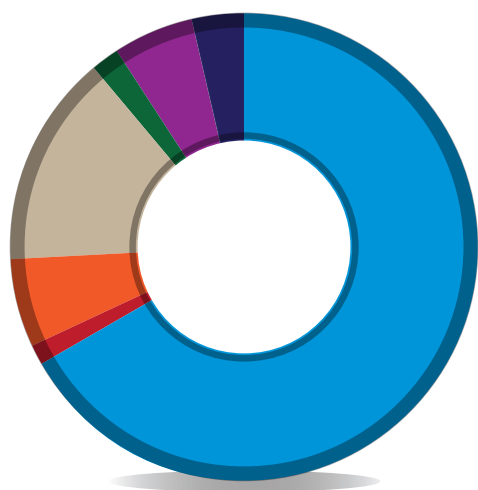
Gross Sales (including Sales Tax)
Other operating Income

Distribution of wealth

Cost of sales (Excluding employees' remuneration)
Distribution, Administration and certain other expenses
(Excluding employees' remuneration)
Employees' remuneration
Government as direct taxes
(including Workers' Welfare Fund)
Government as indirect taxes
Dividends*
To debt providers
To society as donation
Retained

2019		2018	
(Rupees in '000)	%	(Rupees in '000)	%
9,299,471	99.68%	8,246,226	99.65%
29,978	0.32%	28,971	0.35%
9,329,449	100.00%	8,275,197	100.00%
6,231,376	66.79%	5,656,915	68.36%
127,139	1.36%	121,419	1.47%
561,504	6.02%	444,169	5.37%
25,579	0.27%	57,926	0.70%
1,350,970	14.48%	1,154,573	13.95%
193,213	2.07%	274,444	3.32%
506,554	5.43%	128,262	1.55%
1,942	0.02%	854	0.01%
331,172	3.56%	436,635	5.27%
9,329,449	100.00%	8,275,197	100.00%

*Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on August 08, 2019 has proposed final cash dividend @ Rs. 2.5 per share amounting to Rs. 96.61 million and bonus shares @ 10% (2018: Rs. 5/- per share amounting to Rs. 168.01 million and bonus shares @ 15%) 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. 96.61 million (2018: Rs. 2/- per share amounting to Rs. 67.21 million) approved by the Board of Directors for the year ended June 30, 2019.

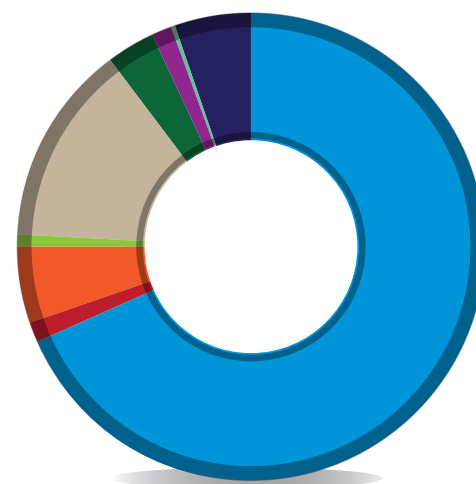


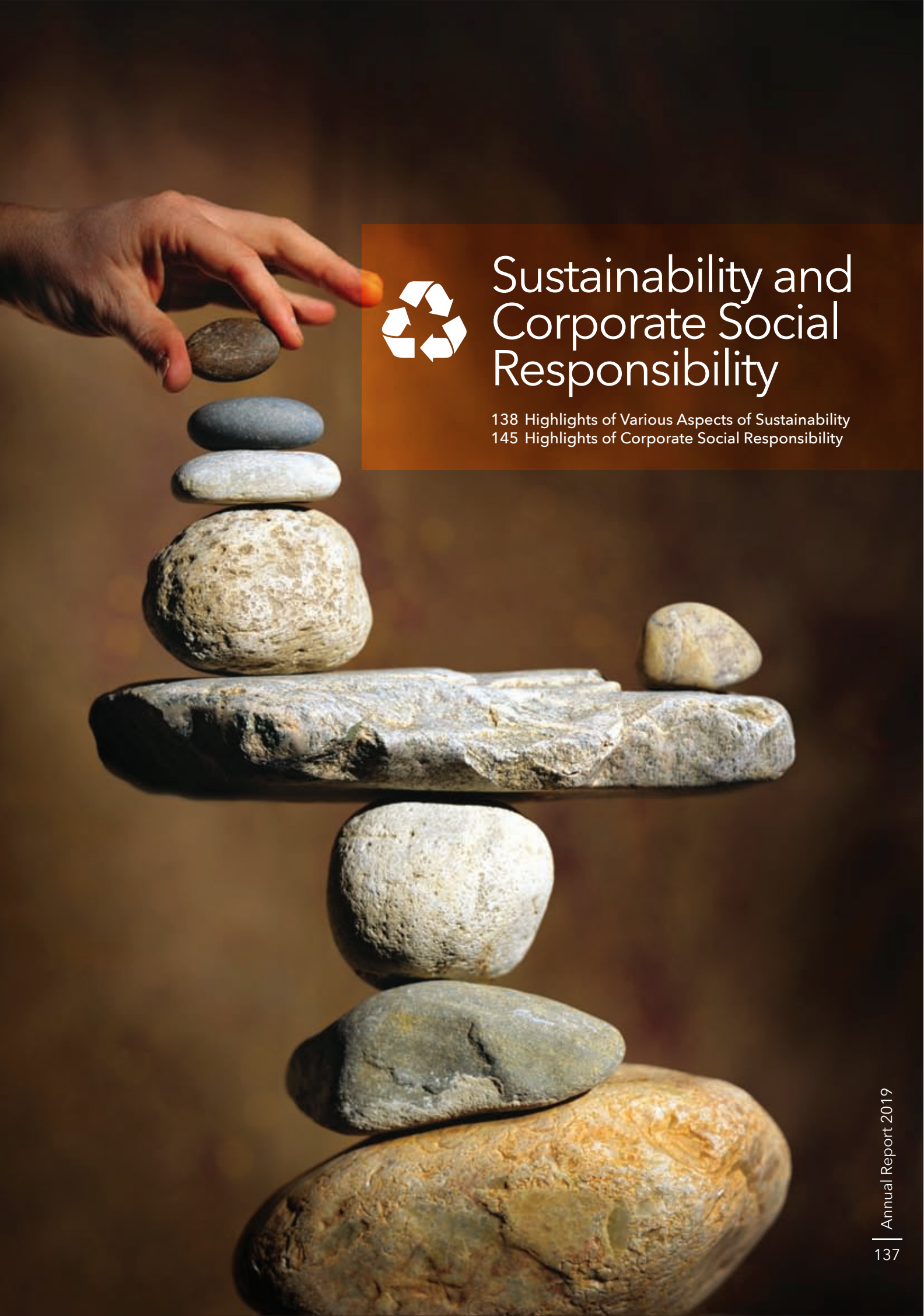
Distribution of Wealth 2019

Cost of sales (Excluding employees' remuneration)	66.79%
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	1.36%
Employees' remuneration	6.02%
Government as direct taxes (including Workers' Welfare Fund)	0.27%
Government as indirect taxes	14.48%
Dividends*	2.07%
To debt providers	5.43%
To society as donation	0.02%
Retained	3.56%

Distribution of Wealth 2018

Cost of sales (Excluding employees' remuneration)	68.36%
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	1.47%
Employees' remuneration	5.37%
Government as direct taxes (including Workers' Welfare Fund)	0.70%
Government as indirect taxes	13.95%
Dividends*	3.32%
To debt providers	1.55%
To society as donation	0.01%
Retained	5.27%





Sustainability and Corporate Social Responsibility

138 Highlights of Various Aspects of Sustainability
145 Highlights of Corporate Social Responsibility

Highlights of Various Aspects of Sustainability

We remain committed to continuous improvement in Health, Safety and Environment aspects as we expanded our business and production capacities. The Company has always been aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the wellbeing of all.

To fulfill the aforesaid responsibility and to ensure effective systems of monitoring and reporting of necessary compliance with health, safety and environment aspects, the Company has established a dedicated and adequately staffed HSE department. This department of the Company is involved in environmental protection, occupational health and safety, compliance and certain other aspects. HSE Department's objective includes, but is not limited to, prevention of accidents, emergency cases and health issues at work along with environmental protection.

Certifications acquired / to be acquired and international standards adopted

The production facility remained fully compliant with industry standards and safety requirements. For this purpose, the Company has fully adopted and has obtained certification of Total Quality Management (TQM) system (i.e. ISO 9001: 2015). Further, in order to strive towards the continuous improvement in Health, Safety and Environment aspects, the Company has obtained ISO 14001: 2015, ISO 45001:2018, FSSC and Halal certifications. Moreover, to align itself with the industry standards, the Company is in process of obtaining SADEX and BRC certifications.

Company fully complies with regulatory requirements of National Environmental Quality Standards (NEQS). In addition to the aforesaid, the Company also complies with the requirements of Pakistan Standards & Quality Control Authority's standards.

The highlights of the Company's performance, policies, initiatives and plans in place relating to various aspects of sustainability are as follows:

1. ECONOMIC

The economic dimension of sustainability concerns the Company's impact on the economic conditions of its stakeholders.

a. Economic Performance

Cherat Packaging is committed to provide continuous growth and value for all stakeholders. This growth and value can be quantified and assessed accurately through

the audited financial statements of the Company and the statement of value addition and its distribution, which are part of this report.

b. Market Presence

Our Company's presence in the market has significant impacts in terms of employment and business opportunities provided. The Company encourages hiring of workforce from local community at each area of business operations from entry level to the senior management. The Company also gives business opportunities to local transporters and contractors. Moreover, due to expansion / new projects the Company has awarded contracts to local vendors for civil works and other key areas.

c. Indirect Economic Impacts

Our growth and development means the growth and development of our homeland Pakistan. Additionally, we consider ourselves responsible corporate citizens, therefore, it is important we monitor and measure our ongoing indirect economic impacts in the wider context. The Company supports in development of infrastructure and other facilities of the country in general and of our factory vicinity in particular.

2. ENVIRONMENTAL

The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. In order to meet this 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.



Moreover, the Company maintains and continually improves its environmental management systems and complies with requirements as outlaid by specific markets or local regulations. Further, the Company 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. Furthermore, as discussed above, the Company fully complies with the regulatory requirements of NEQS.



The highlights of the Company's performance, policies, initiatives and plans in place relating to certain aspects of this dimension of sustainability are as follows:

a. Energy

Energy is an important component of our production process and the energy crisis may directly impact the operations of the Company. Therefore, efficient energy usage is not only vital in terms of the environment, but also because it can provide the Company a competitive edge in terms of cost factors.



For this purpose and being a responsible corporate citizen, the Company initiated a program to conserve energy. In this regard, the Company has installed low power highly efficient Light Emitting Diode (LED) lights at all its locations. Further, the Company has devised a production plan in order to use its production facility efficiently with lesser energy usage. Moreover, the Company is also exploring viability of installing solar panels to produce green energy. In addition to this, the Company has also quoted for Pakhtunkhwa Energy Development Organization (PEDO) electricity quota in order to obtain hydro power which will also help it in usage of green energy. Furthermore, the energy is conserved by the addition of the most modern, state-of-the-art machinery, which also results production of quality products in the most efficient and effective manner. In addition to the above, in order to conserve energy, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest.

b. Products

The Company is mainly engaged in manufacturing, marketing and sale of products that are reusable and recyclable; and, accordingly, have little or no impact over environment. For Flexi Products company is always in touch with raw material and machine suppliers to introduce environmental friendly products.



c. Emissions

Emissions control relates directly to climate change and the impact of gaseous emissions on the ozone layer. As a manufacturing concern, this is of vital importance. The Company is in full compliance with Regulation. All of our emission parameters monitored from manufacturing process are well below their respective limits as specified in NEQS.

d. Effluents and Waste

As a manufacturing concern, this is an important topic as it has an impact not only on our own operations, but also on local communities where waste is generated and disposed of. Accordingly, 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 and related policies are already in place. Employees are given proper training to minimize the wastage.

Further, the Company has invested in the state-of-the-art Solvents Re-cycling machine which enables it to recycle the chemicals/solvents and reuse the material instead of disposing it as a waste. Moreover, solid chemical waste are disposed off to EPA (Environmental Protection Agency) approved vendors which in turn will ensure safe disposal of waste and would ultimately minimize harmful impacts on the environment. The Company also continuously monitors discharge level of waste water and performs lab tests on it to ascertain the environmental impact.

e. Transport

Our products are transported to the customers through heavy trucks. The Company is cognizant of the fact that these trucks could have impact on surroundings as small mishaps can lead to heavy accidents. In order to mitigate this risk, the Company has adopted measures for safe transportation i.e. quantity-wise trucks are being used in order to avoid over or under loading. Truck's capacity is effectively utilized due to which risk of accidents resulting from overloading is avoided and it also helps company economically.

f. Quality Management

The Company is committed to the

manufacturing of high quality packaging materials. Our manufacturing facilities are accredited to Quality Management System ISO 9001:2015. The consistency of performance of our products is vital for our customers so the raw materials, intermediate and final products are regularly tested as part of the whole production process.

o Quality Management Procedures

Our Quality Management procedures include:

Papersack Division (PSD)

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

- 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 printing to pre delivery stage. This generally includes:

- Different Quality Tests of Films at printing and lamination stage 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 cylinders and plates as per customers' approved Artworks.

Flexible Packaging Division

Our Quality Management includes Monitoring and Testing of Flexible Packaging materials at all stages, from printing to pre delivery stage. This generally includes:

- Performance of various Quality Tests on all types of incoming local and imported Films including GSM, Thickness, Seal temperature, Seal strength, Co-efficient of friction (COF) and Dyne Level etc.
- Performance of viscosity test on all types of incoming inks and adhesives.
- Moisture and purity level tests on all types of incoming solvents.
- In-process inspection at printing, lamination and slitting stages of flexible packaging material manufacturing.



- o In-house Quality Control Laboratory
The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture superior quality products. 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 9001:2015 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. Our products are tested before being released for sale. Such stringent attention to quality control is extremely difficult to accomplish without a state-of-the-art, in-house laboratory.

3. SOCIAL

The social dimension of sustainability concerns the impacts the Company has on the social systems within which it operates. The highlights of the Company's performance, policies, initiatives and plans in place relating to certain aspects of this dimension are as follows:



a. Employment

The Company has given tremendous employment opportunities through expansion of business / production lines and new projects. With the introduction of universal papersack line and flexible packaging division of the Company, new employment opportunities are given to local people at Gadoon Amazai, Peshawar, Lahore, Islamabad and Karachi. This is evident from the fact that number of permanent employees have increased from 173 to 229 during the year. Additionally, a number of workers have been hired from the nearby villages and hamlets thereby creating good employment opportunities for the locals of the vicinity.



The Company is recognized among top employers due to its excellent employee benefits. Following benefits are provided to full-time permanent employees:

- Health care
- Life insurance
- Education assistance
- Furniture facility
- Leave fare assistance
- Provident fund
- Gratuity
- Earned leaves
- Company maintained vehicles; and
- Others.

b. 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.

c. Occupational Health and Safety

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 dedicated safety staff at our plant.



At Cherat Packaging, Health and Safety is the first and foremost agenda topic for our each in-house and higher management meetings. The Company has made safety manual containing policies and procedures. Moreover, a mechanism is in place for visitors and third parties through which full compliance with safety measures is ensured. In addition, Health and Safety concerns are explicitly included in

SMART goals of head of departments and senior management of plant.

Hundred percent compliance with policy programmes resulted in the conclusion of the year with no reportable occupational illness. These programmes include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted during the year.

Our production lines achieved the whole year without any major injury. Reported injury case if happen, is thoroughly investigated by trained personnel and findings are subsequently circulated Company wide. Once investigations are completed, actions and recommendations are assigned to individuals with a strict follow-up system put in place to avoid any recurrence.

o Health & Safety training

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipments which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, fire fighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis. Further, daily toolbox discussions are also conducted in the factory on various topics including workplace hazards and safe work practices.



- o **Firefighting Equipment**

In order to strive towards creating a safe working environment, the Company, inter alia, has made multi million rupees investment to install firefighting equipments. These equipments include state of the art fire detection system, CO2 Suppression System and General fire system (including fire pump, fire sprinklers & valves, hydrant valves, portable fire extinguisher, fire hose, etc.).

To deal with the fire resulted due to hazardous chemicals, the company has also made investment in International Standards conforming Foam System (including inductors and allied equipment) keeping in view the business requirements

The aforementioned investment will not only help the Company on continuity of its operations and safety of its materials / equipments but more importantly it will also ensure the safety of its workforce. Firefighting equipment is checked on regular basis to ensure its proper functioning.

- o **Safe working environment**

The Company believes that it is imperative to provide its workforce with the congenial, healthy and safe working environment which includes, but is not limited to, provision of clean drinking water and healthy subsidized food.



The Company, in order to create a safe working environment, is also fulfilling all regulatory requirements in respect of handling and storage of hazardous chemicals which includes preparation of proper / safe storage area and obtainment of necessary licenses. As discussed above, International Standards conforming Foam System is also in place for fire resulted due to hazardous chemicals.

Further, in order to achieve aforesaid purpose, the Company has adequately placed safety sign boards at all important visible places. These safety sign boards include road traffic signs in order to regulate traffic in the factory premises, signs to remind workforce of using and wearing safety equipments, fire safety signs, etc.

- o **Safe Men Hours**

Due to adherence of strict policies and procedures on health and safety, during the year, the Company was able to achieve more than 2.5 million safe men hours on construction and commissioning of Flexible packaging project. In other words, the Company was able to construct and commission the Flexible packaging project without any disruption and major injuries.

- o **Certifications to be obtained**

In order to remain fully compliant with industry's standards and safety requirements, the Company is in process of obtaining SEDEX (pertaining to supplier ethical data exchange) and BRC (The British Retail Consortium) certifications.

- d. **Training and Education**

The training, education and development of our people are topics of critical importance to us. 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.

Moreover, Training Need Analysis (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. The Company 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.



e. Equal Opportunity and Non-discrimination

The Company is committed in 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.

f. Child Labour

The Company has strict policy over prohibition of child labour. No child has ever been employed by the Company and the same policy will go in future.

g. Forced or Compulsory Labour

The Company believes in free working environment; no employed worker is forced or compulsory labour.

h. Grievance Mechanism

The Company is committed to provide every opportunity to employees for re-dress of valid grievances (arising from work related issues). The management does not discriminate against any employee who elects to use the grievance procedure.

The purpose of this policy is to encourage healthy relationship between employees in

order to ensure smooth running of the business.

i. 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.

j. 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.

k. Local Communities

We strive for the development of communities surrounding us. Investment in the communities we operate in, and near vicinities, are strong focus for the Company. Further details on this topic are presented under the next section "Highlights of Corporate Social Responsibility".



Following other aspects of sustainability have been discussed under the topic "Code of Conduct":

- Compliance with the law;
- Competition and Anti-trust law; and
- Protection and Information Security.

Highlights of 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.

a. Community Investment & Welfare Schemes

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

b. Ambulance Service

Keeping in view the needs of local community and staff members, the Company initiated an Ambulance service for ease of transportation of patients to Hospitals. The Ambulance is fully equipped with necessary medical equipment and is accompanied with qualified paramedic staff. Moreover, a help line service is operational in order to make it more reachable.

c. 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.

d. Details of Charity Account

The Company makes donations to support less privileged people of the society. Over the years, the main focus of the Company is to donate for education and health. The company has been donating and working with many reputable organizations and NGOs in Pakistan like The Aga Khan University and The Citizens Foundation.

e. Educational awareness session at ICAP

As a part of educational development, Company's Chief Operating Officer & CFO delivered lecture at ICAP's seminar for passing out students in order to enhance their morale and to motivate them.

f. 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. As discussed above, the management encourages hiring workforce from local vicinity and employment of less privileged and special persons are also considered.



Excellence in Corporate Reporting

- 147 Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) Issued by International Accounting Standard Board (IASB)
- 147 Adoption of Islamic Financial Accounting Standards (IFAS):
- 149 Adoption and Statement of Adherence with the International Integrated Reporting Framework (IR)

Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB)

Cherat Cement Company Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRSs	01 January 2004
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

In addition to this, note 2.4 to the financial statement specify few standards and interpretations which are yet to be effective in Pakistan. The Company believes that that the impact of the above standards and those referred in note 2.4 does not have any material impact to the financial statements.

Karachi: August 8, 2019


Amer Faruque
Chief Executive

Adoption of Islamic Financial Accounting Standards (IFAS)

The Company fully complied with Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017

Adoption and Statement of Adherence with the International Integrated Reporting Framework

Overview:

This annual report (report) of the Cherat Packaging Limited (Company) has been prepared in guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report is aim to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities. Since then the Company has adapted its structure in response to global changes and development, the Company advanced its management processes.

Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

Business operations:

The Company is engaged in manufacturing, marketing and sale of cement since 37 years. The data and information presented in this report pertains to its plants, marketing offices and head office.

Objectives and Contents:

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

Methodologies:

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies used. The Company makes every effort to ensure the accuracy of the sustainability as well as the information being provided.

Role of the Board:

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.

Henceforth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

Role of Management:

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives.

Financial and Non-Financial Information:

The report also includes both financial and non-financial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interest and widenge of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.

Connectivity, Monitoring and Control:

The Company's reporting is monitored and ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.

Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

Other factors:

This report also includes other factors, which challenged the economic performance of the Company. The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resiliency of the business and its operations.

Users:

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company believes that to the stakeholders provide better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

Materiality:

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

Reporting period:

This report of the Company is published annually and covers period beginning from July 01, 2018 till June 30, 2019.

Our Report:

This report of the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Stakeholder's relationship and engagement
- Sustainability and corporate social responsibility
- Striving for Excellence in corporate reporting

Karachi: August 8, 2019


Amer Faruque
Chief Executive

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

152	Auditors' Report to the Members
156	Statement of Financial Position
157	Statement of Profit or Loss
158	Statement of Comprehensive Income
159	Statement of Cash Flows
160	Statement of Changes in Equity
161	Notes to and Forming Part of the Financial Statements
193	Pattern of Shareholding
194	Categories of Shareholding
197	Notice of Annual General Meeting (Urdu)
202	Directors' Report to the Members (Urdu)
	E-Dividend Mandate Form
	Proxy Form
	Proxy Form (Urdu)

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

To the members of **Cherat Packaging Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Cherat Packaging Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Capital expenditure - Capitalization of Flexible Packaging Division	
<p>During the year, the Company successfully commenced commercial operations of its Flexible Packaging Division and transferred related operating fixed assets from capital work-in-progress as disclosed in note 4.2 to the financial statements.</p> <p>The significant nature of capital expenditure requires a number of considerations including the determination of a cutoff point on which assets are transferred to operating fixed assets, estimation of economic useful lives and residual values for determining the depreciation and evaluation of the cost that meets the criteria for capitalization under IAS 16 "Property, Plant and Equipment".</p> <p>In view of the above considerations we have identified this as a key audit matter.</p>	<ul style="list-style-type: none"> - We obtained an understanding of the process and controls in relation to capitalization of assets. - We considered the various items of assets capitalized and assessed whether such items are eligible for capitalization in accordance with the applicable accounting standards. - We assessed the useful economic lives assigned with reference to the Company's historical experience, our understanding of the future utilization of assets by the Company and by reference to the depreciation policies employed by the Company for similar assets. - We also obtained and reviewed on test basis various internal documents of the Company with respect to the transfer to operating fixed assets.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

EY Feroz Khan
Chartered Accountants
Date: 09 August 2019
Place: Karachi

Statement of Financial Position

as at June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	5,156,510	4,782,451
Intangible assets	5	6,321	5,940
		<u>5,162,831</u>	<u>4,788,391</u>
Long-term investments	6	154,567	475,518
Long-term loans	7	175	250
Long-term security deposits	8	11,178	9,378
		<u>5,328,751</u>	<u>5,273,537</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	9	306,095	172,085
Stock-in-trade	10	3,128,554	2,009,317
Trade debts	11	1,569,135	1,054,285
Loans and advances	12	1,769	19,888
Trade deposits and short-term prepayments	13	43,333	24,905
Other receivables	14	587,387	570,036
Taxation – net		373,280	235,983
Cash and bank balances	15	13,139	8,638
		<u>6,022,692</u>	<u>4,095,137</u>
TOTAL ASSETS		<u>11,351,443</u>	<u>9,368,674</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	386,426	336,022
Reserves	17	4,079,812	4,179,983
		<u>4,466,238</u>	<u>4,516,005</u>
NON-CURRENT LIABILITIES			
Long-term financing	18	2,695,000	2,735,000
Deferred taxation	19	338,486	262,929
		<u>3,033,486</u>	<u>2,997,929</u>
CURRENT LIABILITIES			
Trade and other payables	20	506,202	752,240
Accrued mark-up		195,889	72,715
Short-term borrowings	21	2,950,345	936,625
Current maturity of long-term financing	18	190,000	85,000
Unclaimed dividend		9,283	8,160
		<u>3,851,719</u>	<u>1,854,740</u>
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		<u>11,351,443</u>	<u>9,368,674</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Statement of Profit or Loss

for the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
Turnover – net	23	8,093,407	7,091,653
Cost of sales	24	(6,692,758)	(5,993,321)
Gross profit		<u>1,400,649</u>	<u>1,098,332</u>
Distribution costs	25	(129,294)	(98,022)
Administrative expenses	26	(93,958)	(75,475)
Other expenses	27	(40,741)	(60,661)
		(263,993)	(234,158)
Other income	28	29,978	28,971
Operating profit		<u>1,166,634</u>	<u>893,145</u>
Finance costs	29	(506,554)	(128,262)
Profit before taxation		<u>660,080</u>	<u>764,883</u>
Taxation			
Current		(24,624)	-
Prior		2,974	5,040
Deferred		(75,557)	(58,844)
	30	(97,207)	(53,804)
Net profit for the year		<u><u>562,873</u></u>	<u><u>711,079</u></u>
			(Restated)
Earnings per share – basic and diluted	31	<u><u>Rs. 14.57</u></u>	<u><u>Rs. 18.87</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Statement of Comprehensive Income

for the year ended June 30, 2019

	2019	2018
	(Rupees in '000)	
Net profit for the year	562,873	711,079
Other comprehensive income		
Items that may not be reclassified subsequently to the statement of profit or loss		
Unrealised (loss) / gain remeasurement of equity investment at fair value through other comprehensive income	(320,969)	(394,976)
Actuarial loss on defined benefit plan	(27,054)	(35,812)
	(348,023)	(430,788)
Total comprehensive income for the year	<u>214,850</u>	<u>280,291</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.


Amer Faruque
 Chief Executive


Shehryar Faruque
 Director

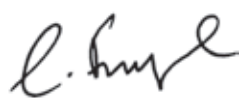

Yasir Masood
 Chief Financial Officer

Statement of Cash Flows

for the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		660,080	764,883
Adjustments for:			
Depreciation	4.1.4	296,656	190,907
Amortization	5.1	1,469	1,361
Gain on disposal of operating property, plant and equipment	4.1.5	(2,329)	(183)
Share of (gain) / loss from an associate	28 & 27	(18)	22
Dividend income	28	(19,374)	(21,795)
Finance costs	29	506,554	128,262
		<u>782,958</u>	<u>298,574</u>
		1,443,038	1,063,457
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(134,010)	(77,555)
Stock-in-trade		(1,119,237)	(514,680)
Trade debts		(514,850)	(155,734)
Loans and advances		18,119	(15,004)
Trade deposits and short-term prepayments		(18,428)	(15,739)
Other receivables		(17,351)	(313,284)
		<u>(1,785,757)</u>	<u>(1,091,996)</u>
(Decrease) / increase in current liabilities:			
Trade and other payables		(273,092)	169,622
Cash (used in) / generated from operations		<u>(615,811)</u>	<u>141,083</u>
Income tax paid		(158,947)	(141,732)
Long-term loans and security deposits - net		<u>(1,725)</u>	<u>(375)</u>
Net cash used in operating activities		<u>(776,483)</u>	<u>(1,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4.2	(673,827)	(3,158,595)
Additions to intangible assets	5	(1,850)	-
Proceeds from disposal of operating property, plant and equipment	4.1.5	5,441	1,585
Dividend received		19,374	21,795
Net cash used in investing activities		<u>(650,862)</u>	<u>(3,135,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net		65,000	2,210,000
Short-term borrowings		2,013,720	775,256
Proceeds from issuance of right shares - net		-	493,281
Finance costs paid		(383,380)	(77,293)
Dividend paid		(263,494)	(271,795)
Net cash generated from financing activities		<u>1,431,846</u>	<u>3,129,449</u>
Net increase / (decrease) in cash and cash equivalents		<u>4,501</u>	<u>(6,790)</u>
Cash and cash equivalents at the beginning of the year		<u>8,638</u>	<u>15,428</u>
Cash and cash equivalents at the end of the year	15	<u><u>13,139</u></u>	<u><u>8,638</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Statement of Changes in Equity

for the year ended June 30, 2019

	Issued, Sub- scribed and Paid-up Capital	CAPITAL RESERVE	RESERVES				Sub-total	TOTAL
		Share premium	General reserve	REVENUE RESERVES				
				Unappropri- ated profit	Actuarial gain / (loss) on gratuity fund	Unrealized gain / (loss) on equity investment		
(Rupees in '000)								
Balance as at July 01, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Final cash dividend for the year ended June 30, 2017 @ Rs. 7 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Issuance of right shares @ 13.5% (i.e. 13.5 shares for every 100 shares held)	39,967	459,625	-	-	-	-	459,625	499,592
Share issuance cost	-	(6,311)	-	-	-	-	(6,311)	(6,311)
Interim cash dividend for the year ended June 30, 2018 @ Rs.2 per share	-	-	-	(67,204)	-	-	(67,204)	(67,204)
Net profit for the year	-	-	-	711,079	-	-	711,079	711,079
Other comprehensive income	-	-	-	-	(35,812)	(394,976)	(430,788)	(430,788)
Total comprehensive income for the year	-	-	-	711,079	(35,812)	(394,976)	280,291	280,291
Balance as at June 30, 2018	336,022	998,628	180,000	2,723,760	7,224	270,371	4,179,983	4,516,005
Balance as at July 01, 2018	336,022	998,628	180,000	2,723,760	7,224	270,371	4,179,983	4,516,005
Final cash dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	(168,011)	-	-	(168,011)	(168,011)
Bonus shares issued in the ratio of 15 shares for every 100 shares held	50,404	-	-	(50,404)	-	-	(50,404)	-
Interim cash dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	(96,606)	-	-	(96,606)	(96,606)
Net profit for the year	-	-	-	562,873	-	-	562,873	562,873
Other comprehensive income	-	-	-	-	(27,054)	(320,969)	(348,023)	(348,023)
Total comprehensive income for the year	-	-	-	562,873	(27,054)	(320,969)	214,850	214,850
Balance as at June 30, 2019	386,426	998,628	180,000	2,971,612	(19,830)	(50,598)	4,079,812	4,466,238

The annexed notes from 1 to 40 form an integral part of these financial statements.


Amer Faruque
 Chief Executive


Shehryar Faruque
 Director


Yasir Masood
 Chief Financial Officer

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2019

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activities are manufacturing, marketing and sale of paper sacks, polypropylene bags and flexible packaging material. The Company is listed on Pakistan Stock Exchange Limited. The geographical location and addresses of the Company's business units / immovable assets are as under:

Business unit	Address
Registered office / Sales Office Head office	1st Floor, Betani Arcade Jamrud Road, Peshawar 3rd Floor, Modern Motors House, Beaumont Road, Karachi
Sales Office Sales Office	3, Sunder Das Road, Lahore 1st Floor, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad
Bags manufacturing division (immovable assets)	Plot # 26, Gadoon Amazai Industrial Estate, District Swabi. (Land measuring area - 12 acres)
Flexible packaging division (immovable assets)	Plot # 4, Gadoon Amazai Industrial Estate, District Swabi. (Land measuring area - 8.09 acres)

- 1.2** Summary of significant transaction(s) and event(s) that have affected Company's financial position and performance during the year is as follows:

- During the year, the Company successfully commenced full commercial operations of its flexible packaging division. As a result, the Company transferred assets amounting to Rs. 1,669.28 million from capital work in progress to the operating fixed assets as stated in note 4.1 to the financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 and defined benefit plans that have been measured at present value.

2.3 New standards, amendments to approved accounting standards and new interpretations

Adoption of standards and amendments effective during the year

The Company has adopted the following standards, amendments and improvements of International Financial Reporting Standards (IFRSs) which became effective for the current year:

- IFRS 2 - Share-based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)
- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IAS 40 - Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements except for IFRS 9 and IFRS 15. The impact of adoption of IFRS 9 and IFRS 15 is given below:

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). During February 2019, the SECP modified the effective date for applicability of IFRS 9 in place of IAS 39 as reporting period/ year ending on or after 30 June 2019. The Company early adopted IFRS 9 as was allowed to do so by SECP.

The Company's financial assets mainly includes long term investments, long term loans, long term deposits, trade debts, loans, trade deposits, other receivables, cash and bank balances held with commercial banks.

IFRS 9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company continues measuring at fair value all the financial assets previously held at fair value under IAS 39. The measurement basis followed by the Company under IFRS 9 are as follows:

- Listed equity investments previously classified as available for sale are now classified and measured at fair value through other comprehensive income.
- Trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The Classification and measurement of IFRS 9, as described above did not have a significant impact on the Company's financial statements.

Further, the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred loss model approach with a forward looking Expected Credit Loss (ECL) approach.

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL.

The adoption of the ECL approach under IFRS 9 resulted in an immaterial impact on the Company's financial assets.

The Company has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

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

The following standards, amendments and improvements with respect to the IFRSs as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or Amendments		Effective date (annual periods beginning on or after)
IFRS 3	- Definition of a Business (Amendments)	01 January 2020
IFRS 3	- Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9	- Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10 / IAS 28	- Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	- Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16	- Leases	01 January 2019
IAS 1 / IAS 8	- Definition of Material (Amendments)	01 January 2020
IAS 12	- Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19	- Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23	- Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28	- Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
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, except for IFRS 16 - 'Leases'. The management of the Company is currently evaluating the impact of this standard on the financial statements of the Company.

In addition to the above standards, amendments and improvements to various IFRSs have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019 respectively. 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.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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. The management of the Company expects that below new standards will not have any material impact on the Company's financial statements in the period of initial application.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS1 - First time adoption of IFRSs	
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions 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 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.

2.5.2 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 statement of financial position 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 statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted the statement of profit or loss.

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

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

2.5.4 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.

2.5.5 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost less impairment, if any. Depreciation is charged to the statement of profit or loss applying the reducing balance method at the rates mentioned in note 4.1 to these financial statements except for computers which are depreciated on straight-line method and certain plant and machinery of flexible packaging division as mentioned in note 4.1.1 to these financial statements which are depreciated using the units of production method.

Depreciation is charged from the month in which an 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 the statement of profit or loss 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 statement of profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment annually 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 statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture. The statement of profit or loss 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 statement of profit or loss.

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 At fair value through other comprehensive income

Equity investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

All gains or losses from change in the fair value of equity investments are recognised directly in other comprehensive income.

3.3.3 At fair value 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 the statement of profit or loss and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

3.4 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and estimated NRV except items in transit, if any, which are stated at invoice value plus other charges incurred thereon up to the date of the statement of financial position.

Provision / write-off, if required, is made in financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

3.5 Stock-in-trade

3.5.1 Raw materials and finished goods are valued at lower of weighted average cost and estimated NRV, except items in-transit, if any, which are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Work-in-process is valued at lower of weighted average cost or estimated NRV of raw-materials including a proportionate of manufacturing overheads.

Cost signifies in relation to:

Raw and packing material	- Purchase cost and other direct expenses on weighted average basis
Finished goods and Work-in-process	- Cost of direct material, labour and proportion of manufacturing overheads
Stock-in-transit	- Invoice value plus other charges paid thereon up to the statement of financial position date

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

3.6 Trade debts, loans and other receivables

Trade debts, loans and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

3.7 Cash and cash equivalents

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

3.8 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.9 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

3.10 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.

3.11 Financial instruments

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or a portion of financial assets. While a financial liability or part of financial liability is derecognized from the statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or derecognition of the financial assets and liabilities is taken to statement of profit or loss or other comprehensive income.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI or FVTPL and financial liabilities are classified as measured at amortised cost or FVTPL.

3.12 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to off-set the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also off-set accordingly.

3.13 Foreign currency transactions

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 statement of financial position 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 statement of profit or loss.

3.14 Revenue recognition

Revenue is recognised at the point in time when control of the asset is transferred to the customer. Revenue is measured at fair value of the consideration received or receivable and is recognised on the following basis:

3.14.1 Sale of goods

Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts and rebates.

3.14.2 Other income

Profit on bank accounts is recognised on effective interest rate method.

Dividend income is recognised when the right to receive such payment is established.

Other revenues are accounted when performance obligations are met.

3.15 Staff retirement benefits

3.15.1 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 the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

3.15.2 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.

3.16 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 statement of financial position date and adjusted to reflect the current best estimate.

3.17 Taxation

3.17.1 Current

Provision for current tax is based in accordance with Income Tax Ordinance, 2001.

3.17.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date.

3.17.3 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 statement of financial position.

3.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.19 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 in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.20 Impairment

The carrying value of the Company's assets except for inventories and deferred tax assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated and impairment losses are recognized in the statement of profit or loss.

3.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

3.22 Functional and presentation currency

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

3.23 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		(Rupees in '000)	
Operating property, plant and equipment	4.1	5,022,828	3,540,801
Capital work-in-progress (CWIP)	4.2	133,682	1,241,650
		<u>5,156,510</u>	<u>4,782,451</u>

4.1 Operating property, plant and equipment

2019 Description	COST				DEPRECIATION				Book Value as at June 30, 2019	Depreciation rate % per annum
	As at July 01, 2018	Additions* (Note 4.1.2)	Disposals	As at June 30, 2019	As at July 01, 2018	Disposals	Charge for the year	As at June 30, 2019		
	(Rupees in '000)									
Leasehold land	57,080	-	-	57,080	-	-	-	-	57,080	-
Building on leasehold land	632,469	577,921	-	1,210,390	112,942	-	74,107	187,049	1,023,341	5-10
Plant and machinery (Note 4.1.1)	3,397,293	842,142	-	4,239,435	706,204	-	169,854	876,058	3,363,377	5-7.5
Power and other Installations	163,636	25,518	-	189,154	28,194	-	12,535	40,729	148,425	7.5-10
Furniture and fittings	16,472	17,256	-	33,728	4,784	-	1,794	6,578	27,150	5-10
Vehicles	97,486	57,631	(5,632)	149,485	39,315	(2,520)	18,818	55,613	93,872	20
Equipment	85,291	240,360	-	325,651	24,431	-	12,505	36,936	288,715	7.5-10
Computers	17,587	20,967	-	38,554	10,643	-	7,043	17,686	20,868	33.33
	4,467,314	1,781,795	(5,632)	6,243,477	926,513	(2,520)	296,656	1,220,649	5,022,828	

2018 Description	COST				DEPRECIATION				Book Value as at June 30, 2018	Depreciation rate % per annum
	As at July 01, 2017	Additions*	Disposals/ write offs**	As at June 30, 2018	As at July 01, 2017	Disposals/ write offs**	Charge for the year	As at June 30, 2018		
	(Rupees in '000)									
Leasehold land	57,080	-	-	57,080	-	-	-	-	57,080	-
Building on leasehold land	296,274	336,800	(605)**	632,469	90,191	(605)**	23,356	112,942	519,527	5-10
Plant and machinery (Note 4.1.1)	1,941,736	1,455,557	-	3,397,293	561,148	-	145,056	706,204	2,691,089	5-7.5
Power and other Installations	70,757	92,879	-	163,636	22,290	-	5,904	28,194	135,442	7.5-10
Furniture and fittings	9,525	6,947	-	16,472	4,206	-	578	4,784	11,688	5-10
Vehicles	73,784	29,175	(5,473)	97,486	33,529	(4,082)	9,868	39,315	58,171	20
Equipment	55,645	29,646	-	85,291	20,705	-	3,726	24,431	60,860	7.5-10
Computers	12,548	5,094	(55)	17,587	8,268	(44)	2,419	10,643	6,944	33.33
	2,517,349	1,956,098	(5,528) (605)**	4,467,314	740,337	(4,126) (605)**	190,907	926,513	3,540,801	

* Include transfers from CWIP

4.1.1 Following plant and machinery related to Flexible Packaging Division are depreciated using units of production method:

- Flexo Graphic printer
- Rotogravure printer
- Extrusion line
- Laminators

4.1.2 Additions to Flexible Packaging Division include Rs. 519.53 million, Rs. 833.93 million, Rs. 25.52 million and Rs. 290.30 million in respect of building on leasehold land, plant & machinery, power & other installations and other items of property, plant and equipment, respectively.

Particulars of significant plant and machinery are given below:

Kraft paper bags plant

Tuber – 4 machines

Bottomer – 4 machines

Universal Papersack Line (tuber & bottomer)

Polypropylene bags plant

Extrusion line – 3 machines

Weaving line – 3 machines

Coating line – 3 machines

Printing line – 3 machines

Bags conversion line – 5 machines

Flexible packaging plant

Flexo Graphic printer

Rotogravure printer

Extrusion Line

Laminator – 2 machines

4.1.3 Reconciliation of book value:

	Note	2019	2018
		(Rupees in '000)	
Book value as at the beginning of the year		3,540,801	1,777,012
Additions during the year - at cost		1,781,795	1,956,098
Depreciation for the year		(296,656)	(190,907)
Disposals during the year at book value	4.1.5	(3,112)	(1,402)
Book value as at the end of the year		<u>5,022,828</u>	<u>3,540,801</u>

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

Cost of sales	24	285,842	185,920
Distribution costs	25	7,118	1,295
Administrative expenses	26	3,696	3,692
		<u>296,656</u>	<u>190,907</u>

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

Description		Cost	Book value	Sales proceeds	Gain (Note 28)	Mode of disposal	Particulars of buyers and relationship
(Rupees in '000)							
Vehicle							
Honda City	AUY-031	443	80	342	262	Employee car scheme	Mr. Muhammad Ali -Employee
Suzuki Mehran	WF-352	576	147	147	-	Employee car scheme	Mr. Fahad Ashraf Malik -Employee
Toyota Corolla	FX-926	1,752	875	1,833	958	Tender	Mr. Tanvir Uz Zaman
Toyota Corolla	LEE-4457	1,807	1,234	2,050	816	Tender	Mr. Nasir Iqbal Rana
Suzuki Wagon R	AFG-079	1,054	776	1,069	293	Insurance claim	EFU Insurance
2019		5,632	3,112	5,441	2,329		
2018		6,133	1,402	1,585	183		

None of the buyers had any relationship with any Director of the Company.

4.2 Capital work-in-progress

	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Vehicles	Equipment	Computers	Total
(Rupees in '000)								
Balance as at July 01, 2017	22,268	-	14,643	-	2,242	-	-	39,153
Capital expenditure incurred / advances made during the year	635,389	2,207,514	100,982	7,779	30,003	171,834	5,094	3,158,595
Transferred to operating property, plant and equipment	(336,800)	(1,455,557)	(92,879)	(6,947)	(29,175)	(29,646)	(5,094)	(1,956,098)
Balance as at June 30, 2018	320,857	751,957	22,746	832	3,070	142,188	-	1,241,650
Capital expenditure incurred / advances made during the year	338,282	129,621	2,772	17,543	54,561	109,212	21,836	673,827
Transferred to operating property, plant and equipment	(577,921)	(842,142)	(25,518)	(17,256)	(57,631)	(240,360)	(20,967)	(1,781,795)
Balance as at June 30, 2019	81,218	39,436	-	1,119	-	11,040	869	133,682

4.2.1 During the year borrowing costs have been capitalized amounting to Rs. 8.84 million (2018: Rs. 20.45 million) in Flexible Packaging Division by using capitalization rate of 7.17% (2018: 6.58%).

4.3 Fair value of property, plant and equipment

The market value of property, plant and equipment assessed by an independent valuer amounts to Rs. 6.00 billion (2018: Rs. 5.55 billion); however, the same has not been incorporated in these financial statements.

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)										
2019 ERP System/Software	13,619	1,850	-	15,469	7,679	-	1,469	9,148	6,321	10
2018 ERP System/Software	13,619	-	-	13,619	6,318	-	1,361	7,679	5,940	10

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

Note	2019	2018
	(Rupees in '000)	
24	1,091	983
26	378	378
	<u>1,469</u>	<u>1,361</u>

6. LONG-TERM INVESTMENTS

Investment in associated companies

At fair value through other comprehensive income

Joint Venture

Interest in a Joint Venture

6.1	149,951	470,920
6.2	4,616	4,598
	154,567	475,518

6.1 At fair value through other comprehensive income

Cherat Cement Company Limited

4,843,362 (2018: 4,843,362) Ordinary shares of Rs. 10/- each

149,951	470,920
---------	---------

6.2 Investment in a joint venture

Carrying value of investment

Share of gain / (loss) - unaudited

6.2.1	4,598	4,620
28 & 27	18	(22)
	4,616	4,598

6.2.1 Represents 462,000 shares @ Rs. 10/- each 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 company has not yet commenced its commercial operations.

6.3 Investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017.

7. LONG-TERM LOANS - secured, considered good

Note	2019	2018
	(Rupees in '000)	
7.1	233	333
12	(58)	(83)
	<u>175</u>	<u>250</u>

7.1 Represents loan given to an employee as per the Company's policy. The loan carries mark-up @ 10% per annum and is repayable within 3 to 6 years. The loan is secured against the provident fund balance of the employee.

8. LONG-TERM SECURITY DEPOSITS

Sector wise analysis is as follows:

Government sector – secured

Other sectors – unsecured

Note	2019	2018
	(Rupees in '000)	
	11,028	9,228
	150	150
8.1	<u>11,178</u>	<u>9,378</u>

8.1 These deposits do not carry any interest.

9. STORES, SPARE PARTS AND LOOSE TOOLS

Stores

Spare parts

Loose tools

Stores in transit

33,760	12,492
260,202	99,642
409	166
<u>294,371</u>	<u>112,300</u>
11,724	59,785
<u>306,095</u>	<u>172,085</u>

10. STOCK-IN-TRADE

Raw material

In hand

In transit

Work-in-process

Finished goods

Polypropylene scrap goods / reworkable material

2,181,600	1,359,018
442,509	436,165
<u>2,624,109</u>	<u>1,795,183</u>
175,331	58,257
318,322	149,521
10,792	6,356
<u>3,128,554</u>	<u>2,009,317</u>

11. TRADE DEBTS

Considered good

- secured

- unsecured

Considered doubtful

Less: Provision for ECL

11.1	79,646	3,558
11.2	1,489,489	1,050,727
	<u>1,569,135</u>	<u>1,054,285</u>
	17,966	17,966
	<u>17,966</u>	<u>17,966</u>
	-	-
	<u>1,569,135</u>	<u>1,054,285</u>

11.1 Represents local and export sales made under letter of credit. Export sales were made in Africa (2018: Africa) under Letter of Credit (2018: Letter of Credit).

11.2 Trade receivables are generally on 45 days term. Aging analysis of trade debts is as follows:

Note	2019	2018
	(Rupees in '000)	
Neither past due nor impaired	997,375	850,875
Past due but not impaired		
- Within 120 days	571,760	203,410
	<u>1,569,135</u>	<u>1,054,285</u>

12. LOANS AND ADVANCES - considered good

Current portion of long term loans

7	58	83
---	----	----

Advances

Suppliers

Letters of credit

12.1&12.2	1,588	19,681
	123	124
	<u>1,711</u>	<u>19,805</u>
	<u>1,769</u>	<u>19,888</u>

12.1 Sector wise analysis is as follow:

Note	2019	2018
	(Rupees in '000)	
Government sector – secured	-	15,007
Other sectors – unsecured	1,588	4,674
	<u>1,588</u>	<u>19,681</u>

12.2 These advances do not carry any interest.

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits	13.1	34,417	10,925
Short-term prepayments			
Insurance		7,598	10,996
Rent		1,164	1,875
Others		154	1,109
		<u>8,916</u>	<u>13,980</u>
		<u>43,333</u>	<u>24,905</u>

13.1 These deposits were paid to non-governmental shipping agencies and do not carry any interest.

14. OTHER RECEIVABLES

Note	2019	2018
	(Rupees in '000)	
Sales tax adjustable	573,180	550,434
Others	14,207	19,602
	<u>587,387</u>	<u>570,036</u>

15. CASH AND BANK BALANCES

Cash in hand		295	192
Bank balances			
Islamic banks			
Current accounts		3,488	3,558
Conventional banks			
Current accounts	15.1	5,012	3,543
Saving accounts		4,344	1,345
		<u>9,356</u>	<u>4,888</u>
		<u>13,139</u>	<u>8,638</u>

15.1 These carry effective profit rate of 8% (2018: 4%) per annum.

16. SHARE CAPITAL

16.1 Authorised capital

2019	2018
(Number of Shares)	
<u>100,000,000</u>	<u>40,000,000</u>

Ordinary shares of Rs. 10/- each

2019	2018
(Rupees in '000)	
<u>1,000,000</u>	<u>400,000</u>

16.2 Issued, subscribed and paid-up capital

2019	2018		2019	2018
(Number of Shares)			(Rupees in '000)	
		Fully paid ordinary shares of Rs. 10/- each		
26,207,242	22,210,500	- Issued fully paid in cash	262,072	222,105
12,435,336	7,395,000	- Issued as fully paid bonus shares	124,354	73,950
38,642,578	29,605,500	- Balance at the beginning of the year	386,426	296,055
-	3,996,742	- Right shares issued during the year	-	39,967
38,642,578	33,602,242		386,426	336,022

16.3 The Board of Directors of the Company, in its meeting held on August 30, 2018, approved the issue of Bonus shares.

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

	2019	2018
	(Number of Shares)	
Faruque (Private) Limited	3,960,815	3,444,187
Cherat Cement Company Limited	2,838,666	2,468,406
Mirpurkhas Sugar Mills Limited	1,918,628	1,668,373
Greaves Pakistan (Private) Limited	1,940,940	1,687,774
	10,659,049	9,268,740

16.5 Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

17. RESERVES

	Note	2019	2018
		(Rupees in '000)	
Capital reserve			
Share premium		998,628	998,628
Revenue reserve			
General reserve		180,000	180,000
Unappropriated profit		2,971,612	2,723,760
Actuarial (loss) / gain on gratuity fund		(19,830)	7,224
Unrealised (loss) / gain on available for sale securities		(50,598)	270,371
		3,081,184	3,181,355
		4,079,812	4,179,983

18. LONG-TERM FINANCING - secured

Islamic banks

Fixed Assets Refinance Loan - I	18.1	405,000	450,000
Fixed Assets Refinance Loan - II	18.2	600,000	600,000
		1,005,000	1,050,000

Conventional banks

Fixed Assets Refinance Loan - III	18.3	80,000	120,000
Fixed Assets Refinance Loan - IV	18.4	1,200,000	1,050,000
Fixed Assets Refinance Loan - V	18.5	600,000	600,000
		1,880,000	1,770,000
		2,885,000	2,820,000
		(190,000)	(85,000)
		2,695,000	2,735,000

Less: Current maturity

- 18.1** Represents a long-term loan obtained from an Islamic bank for the import of Polypropylene Plant. 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 instalments 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.
- 18.2** Represents long-term loan obtained from an Islamic bank for the import of Universal Papersack Line. 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 instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from January 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.
- 18.3** 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 instalments commencing after a grace period of 24 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.
- 18.4** Represents long-term loan obtained from a conventional bank for the import of Flexible Packaging Plant. The loan carries mark-up at the rate of 6 months KIBOR plus 0.15% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from August 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 1,600 million over plant and machinery of the Company.
- 18.5** Represents long-term loan obtained from a conventional bank for the import of Flexible Packaging Plant. The loan carries mark-up at the rate of 6 months KIBOR plus 0.15% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from December 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.

19. DEFERRED TAXATION

Note	2019	2018
	(Rupees in '000)	
Accelerated tax depreciation	517,194	377,044
Unused tax credits	-	(27,050)
Unadjusted Alternate Corporate Tax	(178,708)	(87,065)
	<u>338,486</u>	<u>262,929</u>

20. TRADE AND OTHER PAYABLES

Creditors		93,722	124,716
Advance from customers	20.1	1,671	4,759
Gratuity fund	20.2	33,689	5,864
Bills payable		184,531	401,771
Accrued liabilities		131,281	62,171
Workers' Profits Participation Fund	20.4	34,790	40,474
Workers' Welfare Fund		955	3,131
Retention money		25,563	109,354
		<u>506,202</u>	<u>752,240</u>

- 20.1** These advances are unsecured and received under normal course of business.

20.2 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, 2019.

Gratuity fund liability:

	2019	2018
	(Rupees in '000)	
Present value of defined benefit obligations	80,268	67,420
Fair value of plan assets	(46,579)	(61,556)
Liability recognized in the statement of financial position	33,689	5,864
Current service cost	12,783	5,456
Liability of employees	-	12,175
Interest cost	5,830	3,757
Expected return on plan assets	(5,842)	(7,188)
Expense recognized	12,771	14,200

Movement in the liability in the statement of financial position:

Balance as at July 01	5,864	(41,648)
Net charge for the year	12,771	14,200
Re-measurement chargeable in other comprehensive income	27,054	35,812
Contributions	(12,000)	(2,500)
Balance as at June 30	33,689	5,864

Movement in the present value of defined benefit obligation:

Balance as at July 01	67,420	50,057
Current service cost	12,783	5,456
Liability of employee	-	12,175
Interest cost	5,830	3,756
Benefits paid during the year	(5,292)	(6,198)
Actuarial loss	(473)	2,174
Balance as at June 30	80,268	67,420

Gratuity fund liability:**Movement in the fair value of plan assets:**

Balance as at July 01	61,556	91,705
Expected return	5,842	7,187
Contributions	12,000	2,500
Benefits paid during the year	(5,292)	(6,198)
Actuarial gain	(27,527)	(33,638)
Balance as at June 30	46,579	61,556

Principal actuarial assumptions used are as follows:

	(Percentage)	
Expected rate of increase in salary level - long term	12.25	8.50
Valuation discount rate	14.25	9.00
Rate of return on plan assets	14.25	9.00

Comparisons for past years:

	2019	2018	2017	2016	2015
As at June 30	(Rupees in '000)				
Present value of defined benefit obligations	80,268	67,420	(50,057)	(50,363)	(39,830)
Fair value of plan assets	(46,579)	(61,556)	91,705	75,128	59,195
Surplus	33,689	5,864	41,648	24,765	19,365
Experience adjustment on plan liabilities	(473)	2,174	3,261	3,338	2,338
Experience adjustment on plan assets	27,527	33,638	(20,987)	(8,068)	(21,441)
	27,054	35,812	(17,726)	(4,730)	(19,103)

Composition of plan assets are as follows:

	2019	2018
	(Rupees in '000)	
Government Securities	23,663	11,864
Mutual Funds / Shares	20,586	47,794
Bank balances	2,330	1,898
	<u>46,579</u>	<u>61,556</u>

The expected return on plan assets is 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 loss on plan assets during the year amounts to Rs. 21.69 million (2018: Rs. 26.45 million).

Sensitivity Analysis

	2019			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of obligations	75,869	82,710	83,112	75,449

20.3 Provident fund

	2019	2018
	(Unaudited)	(Audited)
	(Rupees in '000)	
Size of the trust	132,171	118,796
Cost of investments made	129,482	117,711
Fair value of investments (restated)	132,046	132,264
	(Percentage)	
Percentage of investment made	97.97	99.09

Major categories of investment of provident fund are as follows:

	2019		2018	
	Investment	% of investment	Investment	% of investment
	(Unaudited)		(Audited)	
	(Rupees in '000)		(Rupees in '000)	
Government securities	64,215	50	75,343	64
Short-term deposits	3,253	03	990	01
Others	62,014	47	41,378	35
	<u>129,482</u>	<u>100</u>	<u>117,711</u>	<u>100</u>

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

20.4 Workers' Profits Participation Fund

	Note	2019	2018
		(Rupees in '000)	
Opening balance		40,474	51,499
Interest thereon	29	880	1,842
		<u>41,354</u>	<u>53,341</u>
Payments during the year		(41,354)	(53,341)
		<u>-</u>	<u>-</u>
Charge for the year	27	34,790	40,474
Closing balance		<u>34,790</u>	<u>40,474</u>

21. SHORT-TERM BORROWINGS - secured

Note	2019	2018
	(Rupees in '000)	
21.1	2,592,627	868,306
21.2	357,718	68,319
	<u>2,950,345</u>	<u>936,625</u>

21.1 Represents facilities obtained from various conventional banks amounting to Rs. 4,250 million (2018: Rs. 3,150 million) out of which Rs. 1,657.37 million (2018: Rs. 2,281.69 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation/ranking charge over stocks and book debts for Rs. 5,666.67 million. These facilities carry mark-up of 1 and 3 months' KIBOR plus spread ranging from 0.20% to 1.00% (2018: 1 and 3 months' KIBOR plus spread ranging from 0.20% to 0.75%) per annum.

21.2 Represents facilities obtained from various Islamic banks amounting to Rs. 1,200 million (2018: Rs. 1,200 million) out of which Rs. 842.28 million remains unutilized (2018: Rs. 1,131.68) at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,600 million. These facilities carry profit rate of 1 and 3 months KIBOR plus spread ranging from 0.20% to 1%.

22. CONTINGENCIES AND COMMITMENTS

Note	2019	2018
	(Rupees in '000)	
22.1	282,663	141,186
	923,996	904,422
22.3	10,364	142,923

22.1 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 the Honourable Sindh High Court. The Honourable High Court granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and by 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 guarantees in favour of the Department. During 2018 a new law was enacted in this regard with change in rates which was challenged through a fresh petition in the Honourable Court and similar type of stay was again obtained. The amount of guarantee issued up to June 30, 2019 is Rs. 125 million. The management has made a provision of Rs. 29.41 million against this levy, based on its best estimate.

22.2 Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) was established in KPK with an aim to develop and manage industrial zones in KPK. The KPEZDMC offered various incentives on development projects within KPK from the financial year 2016 to December 2019. The Company has applied for the incentive against its PP line and other expansions up till June 30, 2017. The total amount of incentive claimed is Rs. 147.94 million. This case is now in final stage of approval. The amount is expected to be disbursed in two phases by the KPEZDMC. The management of the Company is hopeful that the said amount will be realized in the following year, however, as a matter of prudence, no income has yet been recorded in these financial statements.

22.3 Includes capital commitment of Nil (2018: Rs. 96.31 million) extended to a related party.

23. TURNOVER - net

	2019	2018
	(Rupees in '000)	
Local sales	9,299,471	7,946,762
Less: Sales tax	<u>1,350,970</u>	<u>1,154,573</u>
	7,948,501	6,792,189
Less: Discounts & rebates	<u>989</u>	<u>5,437</u>
Net local sales	7,947,512	6,786,752
Export sales	<u>145,895</u>	<u>304,901</u>
	<u>8,093,407</u>	<u>7,091,653</u>

24. COST OF SALES

Raw material consumed

Note	2019	2018
	(Rupees in '000)	
Opening stock	1,359,018	607,953
Purchases	6,594,582	5,922,766
	7,953,600	6,530,719
Closing stock	10 (2,181,600)	(1,359,018)
	5,772,000	5,171,701
Duty drawback on export	(12,005)	(28,060)
	5,759,995	5,143,641

Manufacturing overheads

Salaries, wages and benefits	24.1	461,382	336,406
Stores, spare parts and loose tools consumed		82,475	44,879
Fuel and power		175,296	170,262
Packing charges		116,843	125,053
Rent, rates and taxes		6,196	1,476
Repairs and maintenance		7,599	5,225
Depreciation	4.1.4	285,842	185,920
Amortization	5.1	1,091	983
Insurance		46,013	34,826
General office expenses		357	130
Vehicle running expenses		11,568	6,991
Travelling and conveyance		8,365	5,244
Communication expenses		2,954	1,894
Printing and stationery		1,529	677
Legal and professional charges		12,406	8,499
Freight and cartage		2,502	2,960
Subscription		2,888	700
Stores and spares parts - written off		288	565
Others		3,642	2,376
		1,229,236	935,066
		6,989,231	6,078,707

Work-in-process:

Opening stock		58,257	35,445
Closing stock	10	(175,331)	(58,257)
		(117,074)	(22,812)

Polypropylene scrap goods / reworkable material:

Opening stock		6,356	7,241
Closing stock	10	(10,792)	(6,356)
Sales		(6,162)	(11,768)
		(10,598)	(10,883)
		6,861,559	6,045,012

Cost of goods manufactured

Finished goods:

Opening stock		149,521	97,830
Closing stock	10	(318,322)	(149,521)
		(168,801)	(51,691)
		6,692,758	5,993,321

24.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 9.22 million and Rs. 9.58 million (2018: Rs. 6.23 million and Rs. 9.60 million) respectively.

25. DISTRIBUTION COSTS

	Note	2019	2018
		(Rupees in '000)	
Salaries and benefits	25.1	43,584	17,832
Travelling and conveyance		5,877	3,467
Vehicle running expenses		2,686	1,448
Repair and maintenance		2,627	50
Communication expenses		1,694	1,123
Rent, rates and taxes		572	132
Insurance		3,491	2,139
Printing and stationery		6,693	5,500
Depreciation	4.1.4	7,118	1,295
Freight and cartage		51,612	50,846
Export expenses		3,193	13,718
Others		147	472
		<u>129,294</u>	<u>98,022</u>

25.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 1.38 million and Rs. 1.74 million (2018: Rs. 0.54 million and Rs. 0.54 million) respectively.

26. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Salaries and benefits	26.1	56,538	49,457
Directors' fee		2,160	2,040
Travelling and conveyance		3,441	2,359
Vehicle running expenses		2,054	1,875
Communication expenses		2,730	1,730
Printing and stationery		1,622	1,403
Rent, rates and taxes		3,884	1,523
Legal and professional charges		5,925	4,693
Insurance		2,835	1,703
Subscription		2,858	1,691
Advertisement		790	499
Depreciation	4.1.4	3,696	3,692
Amortization	5.1	378	378
Repairs and maintenance		3,984	1,809
General office expenses		770	315
Utilities		277	300
Others		16	8
		<u>93,958</u>	<u>75,475</u>

26.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 1.18 million and Rs. 1.45 million (2018: Rs. 0.84 million and Rs. 1.11 million) respectively.

27. OTHER EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Auditors' remuneration	27.1	3,054	2,509
Donations	27.2	1,942	854
Trade debts written-off	27.3	-	12,680
Share of loss from associate	6.2	-	22
Workers' Profits Participation Fund	20.4	34,790	40,474
Workers' Welfare Fund		955	4,122
		<u>40,741</u>	<u>60,661</u>

27.1 Auditors' remuneration

Note	2019	2018
	(Rupees in '000)	
Audit fee	850	750
Half yearly review and CCG certification	440	395
Tax and other corporate services	1,382	1,161
Out of pocket expenses	382	203
	<u>3,054</u>	<u>2,509</u>

27.2 Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Ghulam Faruque Trust. Following directors of the Company are also trustees of the said trust:

- Mr. Amer Faruque
- Mr. Aslam Faruque
- Mr. Shehryar Faruque
- Mr. Tariq Faruque

28. OTHER INCOME

Note	2019	2018
	(Rupees in '000)	
Income from financial assets		
Profit on bank accounts - conventional banks	97	339
Dividend income from a related party		
- Cherat Cement Company Limited	19,374	21,795
	<u>19,471</u>	<u>22,134</u>
Income from non-financial assets		
Gain on sale of operating property, plant and equipment	4.1.5 2,329	183
Share of gain from associate	6.2 18	-
Scrap sales	8,160	6,654
	<u>29,978</u>	<u>28,971</u>

29. FINANCE COSTS

Islamic banks

Mark-up on long-term financing	92,028	55,181
Bank charges and duties	128	603
	<u>92,156</u>	<u>55,784</u>

Conventional banks

Mark-up on long-term financing	162,667	10,023
Mark-up on short-term borrowings	247,273	58,069
Guarantee commission	2,130	1,644
Bank charges and duties	1,448	900
	<u>413,518</u>	<u>70,636</u>
	<u>505,674</u>	<u>126,420</u>
Interest on Workers' Profits Participation Fund	20.4 880	1,842
	<u>506,554</u>	<u>128,262</u>

30. TAXATION

Provision for tax in these financial statements is calculated on the basis of Alternative Corporate Tax under section 113C of the Income Tax Ordinance, 2001.

30.1 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

Tax year		Provision for taxation	Tax assessed	Excess/(under) Provision
		(Rupees in '000)		
2018		Nil	Nil	Nil
2017	30.3	260,029	232,761	27,268
2016		347,935	347,935	Nil

30.2 Earlier during the year, the Company has recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of plant and machinery as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and is in the process of challenging the amendment. However, as a matter of prudence, the Company has reduced tax credit from 10% to 5% in these financial statements and reversed the excess tax credit of Rs. 55.40 million recorded during the year.

30.3 Represents provision for super tax accounted for in the financial Statements of the Company. The same was not offered while filing income tax return of the year 2017 as the Company has obtained a stay against Super tax from the High Court of Sindh.

30.4 Reconciliation between tax expense and accounting profit

Note	2019	2018
	(Rupees in '000)	
Accounting profit for the year before taxation	660,080	764,883
Tax at applicable rate of 29% (2018: Rate 30%)	191,423	229,465
Tax effects of:		
- Income taxed at lower rates	(2,906)	(3,269)
- Income under Final Tax Regime	(165,268)	(164,768)
- Tax credits	(59,681)	(127,819)
- Prior year tax adjustments	(2,974)	(5,040)
- Expenses that are inadmissible in determining taxable income	61,056	66,392
- Temporary differences - net	75,557	58,843
	97,207	53,804

31. EARNINGS PER SHARE

Note	2019	2018
	(Rupees '000)	
Net profit for the year (Rupees '000)	562,873	711,079
Weighted average number of ordinary shares in issue	31.1	(Restated) 37,675,275
Basic earnings per share	31.2	Rs. 18.87

31.1 Weighted average number of ordinary shares

Issued ordinary shares at the beginning of the year	16.2	33,602,242	29,605,500
Effect of right shares issued during the year		-	3,029,439
Effect of bonus shares		5,040,336	5,040,336
Weighted average number of ordinary shares at the end of the year		38,642,578	37,675,275

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

32. SEGMENT REPORTING

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Type of Segments	Nature of Business
Bags Manufacturing Division	Kraft paper and polypropylene bags manufacturing
Flexible Packaging Division	Extrusion, Flexo Graphic and Rotogravure printing

32.1 Segment analysis and reconciliation for the year ended June 30, 2019

	Bags Manufacturing Division		Flexible Packaging Division		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Sales						
External sales	7,702,166	7,090,777	391,241	876	8,093,407	7,091,653
Inter-segment sales	-	-	-	-	-	-
Total revenue	7,702,166	7,090,777	391,241	876	8,093,407	7,091,653
Depreciation and amortization	195,349	188,819	102,776	3,449	298,125	192,268
Finance cost	100,896	64,135	153,799	1,070	254,695	65,205
Other expenses (debt written-off)	-	12,680	-	-	-	12,680
Operating profit/(loss) before tax and before unallocated expenses	1,402,254	851,520	(479,552)	(4,570)	922,702	846,950
Unallocated corporate expenses						
Finance cost	-	-	-	-	(251,859)	(63,057)
Other expenses	-	-	-	-	(40,741)	(47,981)
Other income	-	-	-	-	29,978	28,971
Taxation	-	-	-	-	(97,207)	(53,804)
Profit after taxation	-	-	-	-	562,873	711,079
Segment assets	6,442,969	5,240,753	3,704,655	1,377,636	10,147,624	6,618,389
Unallocated assets	-	-	-	-	1,203,819	2,750,285
Total assets	6,442,969	5,240,753	3,704,655	1,377,636	11,351,443	9,368,674
Segment liabilities	1,085,000	1,170,000	1,800,000	1,650,000	2,885,000	2,820,000
Unallocated liabilities	-	-	-	-	4,000,205	2,032,669
Total liabilities	1,085,000	1,170,000	1,800,000	1,650,000	6,885,205	4,852,669
Segment capital expenditure	138,730	736,850	535,097	2,421,745	673,827	3,158,595

32.1.1 Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Certain assets and liabilities of the Company cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

32.2 Geographical segments

Sales are made by the Company in the following countries:

	2019	2018
	(Rupees in '000)	
Pakistan	7,947,512	6,786,752
Mozambique	17,061	66,772
Congo	103,490	65,508
Ethiopia	-	115,813
Other countries	25,344	56,808
	<u>8,093,407</u>	<u>7,091,653</u>

32.3 All non-current assets of the Company at the end of the current and preceding year were located in Pakistan.

32.4 Information about major customers

Sales to four (2018: three) customers of the Company from the bags manufacturing division represent approximately Rs. 4,239.78 million (2018: Rs. 3,542.69 million) of the Company's total revenue. These customers represent 10% or more revenue individually in the total revenue of the Company.

33. 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 minimise 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 and credit risk, use of financial derivatives, 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 review and agree policies for managing each of these risks which are summarized below:

33.1 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.

33.1.1 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)
2019		
KIBOR	+100	(58,353)
KIBOR	-100	58,353
2018		
KIBOR	+100	(37,557)
KIBOR	-100	37,557

33.1.2 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).

		2019	2018
		(Rupees in '000)	
Bills payable	- Euro	(2,133)	(2,065)
	- US Dollar	(265.42)	(1,182)
Trade debts	- US Dollar	463	29

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

		2019	2018
		(Rupees in '000)	
Exchange rates	- Euro	186.99	141.57
	- US Dollar	164.50	121.60

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 2019-Euro	+10	(39,885)
	- 10	39,885
30 June 2019-US Dollar	+10	3,250
	- 10	(3,250)
30 June 2018-Euro	+10	(29,234)
	- 10	29,234
30 June 2018-US Dollar	+10	14,017
	- 10	(14,017)

33.1.3 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.

At the date of statement of financial position, the exposure to listed equity securities was Rs. 149.95 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 14.95 million on the statement of comprehensive income or the statement of profit or account depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact the statement of comprehensive income or statement of profit or loss with the similar amount.

33.2 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. 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.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2019	2018
	(Rupees in '000)	
Trade debts	1,569,135	1,054,285

33.2.1 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:

	2019	2018
	(Rupees in '000)	
Long-term investment		
A	149,951	470,920
Trade debts		
Customers with no defaults in the past one year	1,569,135	1,054,285
Bank balances		
A1+	8,403	5,480
A	4,736	2,966
	13,139	8,446

33.3 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.

	2019					2018				
	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	190,000	2,695,000	2,885,000	-	2,885,000	85,000	2,735,000	2,820,000	-	2,820,000
Trade and other payables	-	-	-	470,457	470,457	-	-	-	708,635	708,635
Unclaimed dividend	-	-	-	9,283	9,283	-	-	-	8,160	8,160
Accrued mark-up	-	-	-	195,889	195,889	-	-	-	72,715	72,715
Short-term borrowings	2,950,345	-	2,950,345	-	2,950,345	936,625	-	936,625	-	936,625
	3,140,345	2,695,000	5,835,345	675,629	6,510,974	1,021,625	2,735,000	3,756,625	789,510	4,546,135

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

33.4 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, 2019 and 2018 are as follows:

	2019	2018
	(Rupees in '000)	
Long-term financing	2,885,000	2,820,000
Accrued mark-up	195,889	72,715
Short-term borrowings	2,950,345	936,625
Total debt	6,031,234	3,829,340
Cash and cash equivalents	(13,139)	(8,638)
Net debt	6,018,095	3,820,702
Share capital	386,426	336,022
Reserves	4,079,812	4,179,983
Total capital	4,466,238	4,516,005
Capital and net debt	10,484,333	8,336,707
Gearing ratio	57.40%	45.83%

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

33.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2019			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	149,951	-	-	149,951

	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	470,920	-	-	470,920

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.

33.5.1 Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019	2018
	Executives / Key Employees	Executives / Key Employees
	(Rupees in '000)	
Managerial remuneration	68,359	49,212
Bonus	27,670	21,407
Housing allowance	29,357	18,646
Retirement benefits	7,678	4,378
Utilities	6,460	4,116
Leave fare assistance	3,344	4,281
	<u>142,868</u>	<u>102,040</u>
Number	<u>23</u>	<u>14</u>

34.1 No remuneration was paid to the Chief Executive Officer and any of the directors. However, Chief Executive Officer is provided with the Company maintained cars. In addition, certain executives are provided with the Company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

34.2 The aggregate amount charged in the financial statements for meeting fee to 8 Directors (including 7 non - executive Directors) amounted to Rs. 2.16 million (2018: 8 directors - Rs. 2.04 million).

35. TRANSACTIONS WITH RELATED PARTIES

35.1 Related parties comprise of associates, 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	2019	2018
		(Rupees in '000)	
Associates	Sale of goods	1,629,468	1,144,914
	Purchase of goods	11,606	67,950
	Purchase of fixed asset	128,998	89,508
	Issue of right shares	-	167,611
	Services received	45,198	40,264
	IT support charges	12,717	11,064
	Dividends paid	72,991	75,124
	Stock dividend	13,904	-
	Dividends received	19,374	21,795

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

35.2 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association	Aggregate % of shareholding by related party
Faruque (Pvt.) Ltd.	Associate (Common directorship)	10.25
Cherat Cement Company Ltd.	Associate (Common directorship)	7.35
Mirpurkhas Sugar Mills Ltd.	Associate (Common directorship)	4.97
Greaves Pakistan (Pvt.) Ltd.	Associate (Common directorship)	5.02
Greaves Airconditioning (Pvt.) Ltd.	Associate (Common directorship)	-
Zensoft (Pvt.) Ltd.	Associate (Common directorship)	-
UniEnergy Ltd.	Associate (Common directorship)	-
Jubilee General Insurance Company Ltd.	Common directorship	-
Atlas Asset Management Co. Ltd.	Common directorship	-
Cherat Packaging Limited – Employees' Provident fund	Retirement benefit fund	0.17
Cherat Packaging Limited – Employees' Gratuity fund	Retirement benefit fund	-

- 35.3** None of the key management personnel had any arrangement with the Company other than the employment contract.

36. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

respectively are as follows:

	2019		2018	
	(Number)			
	Total	Factory	Total	Factory
Total number of employees as at June 30,	229	201	173	148
Average number of employees during the year	201	175	138	115

37. CAPACITY

	2019		2018	
	Bags manufacturing division Bags'000	Flexible packaging division KGs '000	Bags manufacturing division Bags'000	Flexible packaging division KGs '000
Annual installed capacity as of June 30,	595,000	12,600	595,000	7,200
Actual production for the year	276,178	1,909	346,547	2.46

Actual production of Flexible Packaging Division is less than the installed capacity because the full project commenced its operations in second quarter of the current year. Capacity utilization of Bags Manufacturing Division is in line with the market demand during the year.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 08, 2019 by the Board of Directors of the Company.

39. DIVIDEND AND APPROPRIATIONS

- 39.1** Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on August 08, 2019 has proposed final cash dividend @ Rs. 2.5 per share amounting to Rs. 96.61 million and bonus shares @ 10% (2018: Rs. 5/- per share amounting to Rs. 168.01 million and bonus shares @ 15%) 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. 96.61 million (2018: Rs. 2/- per share amounting to Rs. 67.21 million) approved by the Board of Directors for the year ended June 30, 2019.

40. GENERAL

- 40.1** Figures have been reclassified wherever necessary for better presentation.
- 40.2** Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Pattern of Shareholding

as at June 30, 2019

No. of Shareholders	Shareholding		Shares Held
	From	To	
285	1	100	11,510
488	101	500	133,709
280	501	1000	207,055
537	1001	5000	1,250,971
134	5001	10000	946,955
54	10001	15000	647,588
24	15001	20000	427,368
20	20001	25000	452,883
21	25001	30000	584,004
11	30001	35000	363,222
5	35001	40000	183,452
6	40001	45000	248,540
2	45001	50000	94,954
8	50001	55000	414,573
6	55001	60000	344,129
1	60001	65000	62,438
10	65001	70000	676,510
4	70001	75000	289,329
1	75001	80000	79,100
3	80001	85000	243,284
4	85001	90000	356,250
1	95001	100000	95,914
2	100001	105000	206,341
1	110001	115000	115,000
4	115001	120000	472,742
1	125001	130000	129,206
2	135001	140000	274,085
1	140001	145000	143,577
2	145001	150000	297,785
1	150001	155000	151,262
1	165001	170000	165,715
1	185001	190000	189,597
1	190001	195000	192,194
1	195001	200000	198,500
1	205001	210000	210,000
1	215001	220000	216,990
1	230001	235000	232,219
1	240001	245000	241,065
1	245001	250000	248,846
1	260001	265000	260,690
1	265001	270000	265,286
1	270001	275000	270,565
1	290001	295000	293,558
1	300001	305000	300,513
2	310001	315000	620,692
2	325001	330000	658,079
1	335001	340000	336,101
1	345001	350000	345,315
1	355001	360000	358,911
1	390001	395000	390,568
2	395001	400000	798,679
1	435001	440000	437,580
1	440001	445000	443,906
1	550001	555000	552,687
1	585001	590000	585,042
1	595001	600000	596,074
1	680001	685000	681,601
1	700001	705000	701,788
1	730001	735000	732,134
1	765001	770000	770,000
1	890001	895000	892,577
1	1335001	1340000	1,335,825
1	1915001	1920000	1,918,628
1	1940001	1945000	1,940,940
1	2835001	2840000	2,838,666
1	3555001	3560000	3,556,496
1	3960001	3965000	3,960,815
1959			38,642,578

Categories of Shareholding

as at June 30, 2019

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive and their spouse(s) and minor children			
MR. AKBARALI PESNANI	1	103,271	0.27
MRS. SAKINA PESNANI W/O. MR. AKBARALI PESNANI	1	11,225	0.03
MR. AMER FARUQUE	1	189,597	0.49
MRS. AMINA FARUQUE W/O. MR. AMER FARUQUE	1	300,513	0.78
MR. ASLAM FARUQUE	1	345,315	0.89
MR. SHEHRYAR FARUQUE	1	270,565	0.70
MR. ARIF DINO FARUQUE	1	596,074	1.54
MR. ABID NAQVI	1	129	0.00
MR. ALI H.SHIRAZI	1	1,380	0.00
MR. ABID VAZIR	1	100	0.00
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	3,960,815	10.25
CHERAT CEMENT COMPANY LIMITED	1	2,838,666	7.35
MIRPURKHAS SUGAR MILLS LIMITED	1	1,918,628	4.97
GREAVES PAKISTAN (PRIVATE) LIMITED	1	1,940,940	5.02
Executives		58,297	0.15
Public Sector Companies and Corporations	3	1,272,533	3.29
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	21	5,811,846	15.04
Mutual Funds			
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	248,846	0.64
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	732,134	1.89
CDC - TRUSTEE NAFA STOCK FUND	1	552,687	1.43
CDC - TRUSTEE NBP SARMAYA IZAFAT FUND	1	151,262	0.39
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	21,752	0.06
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	293,558	0.76
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	129,206	0.33
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	33,595	0.09
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	198,500	0.51
CDC - TRUSTEE MEEZAN BALANCED FUND	1	53,400	0.14
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	16,000	0.04
CDC - TRUSTEE NBP BALANCED FUND	1	79,100	0.20
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFAT FUND	1	137,500	0.36
CDC - TRUSTEE LAKSON EQUITY FUND	1	437,580	1.13
CDC - TRUSTEE LAKSON TACTICAL FUND	1	103,070	0.27
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	1	23,115	0.06
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	32,100	0.08
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	5,400	0.01
General Public			
a. Local	1825	12,987,142	33.61
b. Foreign	4	413,514	1.07
Foreign Companies	2	172,327	0.45
OTHERS	72	2,259,193	5.85
Total	1,959	38,642,578	100.00
Shareholders holding 5% or more		Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED		3,960,815	10.25
ATLAS INSURANCE LIMITED		3,556,496	9.20
CHERAT CEMENT COMPANY LIMITED		2,838,666	7.35
GREAVES PAKISTAN (PRIVATE) LIMITED		1,940,940	5.02

"میں / ہم۔۔۔۔۔۔۔۔۔۔ سکندر۔۔۔۔۔ چیراٹ پیکنگ لمیٹڈ کے ممبر
کی حیثیت سے، اور رجسٹرڈ فلیو۔۔۔۔۔ عمومی شیئرز کے حامل ہونے کے ناطے۔۔۔۔۔ میں ویڈیو
کانفرنس کی سہولت حاصل کرنا چاہتے ہیں۔

کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت اسٹیٹمنٹ

اس اسٹیٹمنٹ میں "خصوصی امور" سے متعلق مادی حقائق کو بیان کیا گیا ہے جس کا رد وائی 25 اکتوبر 2019 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں انجام دی جائے گی۔ کمپنی کے ممبران کی منظوری حاصل کی جائے گی۔

مالی سال ختمہ 30 جون 2019 میں کمپنی نے اپنی ایسوسی ایٹ کمپنیز اور متعلقہ پارٹیز کے ساتھ لین دین کے امور اپنی پالیسیز اور لاگو قوانین اور ضابطوں کے مطابق انجام دیئے۔ متعلقہ پارٹیز سے لین دین کیلئے کمپنیز ایکٹ 2017 کے سیکشن 207 اور 208 کی رو سے ممبران کی منظوری حاصل کرنا لازمی ہے۔ لہذا اس سال اجلاس عام میں ایک خصوصی قرارداد کے ذریعہ اس لین دین کی معلومات منظوری کیلئے ممبران کے سامنے پیش کرنے اور منظور کرنے کی تجویز ہے۔

شیر ہولڈرز سے درخواست ہے کہ وہ اس لین دین کی توثیق کریں جو سال ختمہ 30 جون 2019 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 35 میں درج ہے نیز بورڈ آف ڈائریکٹرز کو سال ختمہ 30 جون 2020 کیلئے متعلقہ پارٹیز یا ایسوسی ایٹڈ کمپنیز کے ساتھ لین دین کا مجاز قرار دیں۔ پارٹیز کے لحاظ سے لین دین کی معلومات جو سال ختمہ 30 جون 2019 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 35 میں درج ہیں،

متعلقہ کمپنی کا نام	لیمن دین کی نوعیت	رقم (روپے'000)
اٹلس ایسیٹ منیجمنٹ لمیٹڈ	وصول شدہ خدمات	68
چیراٹ سیمنٹ کمپنی لمیٹڈ	پیکنگ میٹرل کی فروخت	1,587,705
چیراٹ سیمنٹ کمپنی لمیٹڈ	اداشدہ ڈیویڈنڈ	19,439
چیراٹ سیمنٹ کمپنی لمیٹڈ	وصول شدہ ڈیویڈنڈ	19,373
چیراٹ سیمنٹ کمپنی لمیٹڈ	سامان کی خریداری	11,606
چیراٹ سیمنٹ کمپنی لمیٹڈ	اسٹاک ڈیویڈنڈ	3,703
ایمپلائز پراویڈنٹ اینڈ گریجویٹ فنڈ	فنڈز میں کٹنری بیوشن	23,774
فاروق (پرائیویٹ) لمیٹڈ	وصول شدہ خدمات	37,722
فاروق (پرائیویٹ) لمیٹڈ	اداشدہ ڈیویڈنڈ	27,123
فاروق (پرائیویٹ) لمیٹڈ	اسٹاک ڈیویڈنڈ	5,166
گریوز انٹرکنٹیننٹل (پرائیویٹ) لمیٹڈ	فلکسڈ ایسیٹس کی خریداری	98,482
گریوز پاکستان (پرائیویٹ) لمیٹڈ	وصول شدہ خدمات	7,408
گریوز پاکستان (پرائیویٹ) لمیٹڈ	اداشدہ ڈیویڈنڈ	13,291
گریوز پاکستان (پرائیویٹ) لمیٹڈ	فلکسڈ ایسیٹس کی خریداری	30,516
گریوز پاکستان (پرائیویٹ) لمیٹڈ	اسٹاک ڈیویڈنڈ	2,532
کی منیجمنٹ پرسنل	مشاہرے	142,869
میرپور خاص شوگر ملز لمیٹڈ	پیکنگ میٹرل کی فروخت	41,763
میرپور خاص شوگر ملز لمیٹڈ	اداشدہ ڈیویڈنڈ	13,138
میرپور خاص شوگر ملز لمیٹڈ	اسٹاک ڈیویڈنڈ	2,503
زین سوفٹ (پرائیویٹ) لمیٹڈ	سافٹ ویئر کنسلٹنگ چارجز	12,717

نوٹس:

۱۔ کمپنی کے ممبران کا رجسٹر جمعہ 18 اکتوبر 2019 تا جمعہ 25 اکتوبر 2019 (بشمول دونوں ایام) بند رہے گا اور اس مدت کے دوران کوئی ٹرانسفرز رجسٹر نہیں کئے جائیں گے۔ تاہم کمپنی کے رجسٹرار کے دفتر میسرز سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ (CDCSRSL)، سی ڈی سی ہاؤس، B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، مین شارع فیصل کراچی-74400 میں جمعرات 17 اکتوبر 2019 کو کاروباری اوقات کے اختتام تک موصول ہونے والے درست شیئرز درج بالا اہلیت کیلئے بروقت تصور کئے جائیں گے۔

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

۳۔ کمپنی کے وہ شیئرز 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 قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شرکت دار کا آئی ڈی نمبر ہمارا لائیں۔

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

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

۶۔ 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 شیئرز ہولڈرز کے اکاؤنٹ میں براہ راست جمع کرائی جائے۔ کمپنی کے شیئرز ہولڈرز سے درخواست ہے کہ وہ کمپنی کی ویب سائٹ www.gfg.com.pk پر دستیاب ای ڈیویڈنڈ مینڈیٹ فارم پُر اور دستخط کر کے شناختی کارڈ کی کاپی کے ہمراہ، فزیکل شیئرز ہونے کی صورت میں کمپنی کے رجسٹرار میسرز سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ کو پہنچادیں۔ اور اگر شیئرز سی ڈی سی میں ہیں تو ای ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئرز ہولڈرز کے بروکر/شریک/سی ڈی سی اکاؤنٹ سروسز کے پاس جمع کرائیں۔ IBAN جمع نہ کرانے کی صورت میں، کمپنیز (ڈسٹری بیوٹن آف ڈیویڈنڈز) ریگولیشنز 2017 کے تحت کمپنی منافع منقسمہ کی ادائیگی روک لگی۔ نیز مجموعی ڈیویڈنڈ ٹیکس/زکوٰۃ کی کٹوتی اور ڈیویڈنڈ کی خالص رقم کی معلومات سینٹرلائزڈ کیش ڈیویڈنڈ رجسٹر (CCDR) کے ذریعہ فراہم کی جائیں گی، لہذا شیئرز ہولڈرز کو چاہیئے کہ وہ خود کو ای سروسز پورٹل <https://eservices.cdcaccess.com.pk> پر رجسٹر کروائیں۔

۷۔ تمام شیئرز ہولڈرز کو مشورہ دیا جاتا ہے کہ ایف بی آر کی ویب سائٹ پر موجود فعال ٹیکس گزاروں کی فہرست (ATL) میں اپنی حیثیت چیک کر لیں اور ٹیکس کی کٹوتی کی شرح کے حصول کے لئے، اگر ضرورت ہو تو ATL میں اپنا نام شامل کروانے کیلئے کارروائی کریں۔

۸۔ مشترکہ اکاؤنٹ ہونے کی صورت میں ہر اکاؤنٹ ہولڈر کے شیئرز ہولڈنگ کی نسبت اور ATL میں ہر ایک کے status کے بارے میں مطلع کریں۔

۹۔ ڈیویڈنڈ کی آمدنی پر وہ ہولڈنگ ٹیکس سے استثنیٰ صرف اسی صورت میں دیا جائے گا جب ٹیکس سے استثنیٰ کا کارڈ آمدنی شیفٹ کتب کی بندش کے پہلے روز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے پاس دستیاب ہوگا۔

۱۰۔ کمپنیز ایکٹ 2017 کے سیکشن 244 کی رو سے جب کمپنی ایک مرتبہ مقررہ کارروائی مکمل کر لے گی تو کوئی بھی غیر مکمل شدہ ڈیویڈنڈ اور/یا شیئرز جو واجب ہونے اور قابل ادائیگی ہونے کی تاریخ سے تین سال کی مدت تک واجب رہنے کی صورت میں وفاقی حکومت (ڈیویڈنڈ کی صورت میں) کے پاس جمع کرا دیا جائے گا یا (فزیکل شیئرز ہونے کی صورت میں) ایس ای سی پی کو پہنچا دیا جائے گا۔ جو شیئرز ہولڈرز اپنے ڈیویڈنڈز/فزیکل شیئرز ابھی تک حاصل نہیں کر سکے ہیں ان سے درخواست ہے کہ وہ اپنے غیر مکمل شدہ ڈیویڈنڈ یا شیئرز، اگر کوئی ہیں، حاصل کرنے کے بارے میں معلومات کیلئے کمپنی کے شیئرز رجسٹرار سے رابطہ کریں۔

۱۱۔ بحوالہ SECP کے جاری کردہ 2014(1) SRO787 مورخہ 8 مئی 2014 شیئرز 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 شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنی رضامندی کا اظہار کمپنی کے صدر دفتر کو بھیجوا دیں کہ آیا وہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوانے کے خواہشمند ہیں۔ تاہم اگر اس کے علاوہ شیئرز ہولڈرز چاہیں تو ان کی درخواست پر آڈٹ شدہ فنانشل اسٹیٹمنٹ کی بارڈ کاپی کی تحریری درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

۱۲۔ ممبر اپنے ووٹ کا حق پوسٹل بیلٹ یعنی بذریعہ ڈاک یا الیکٹرونک ذریعہ سے استعمال کر سکتے ہیں جو کمپنیز ایکٹ 2017 کے سیکشن 143-145 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے لاگو شقوق سے مشروط ہے۔

۱۳۔ ممبرز ڈیویڈنڈ کانفرنس کی سہولت بھی حاصل کر سکتے ہیں۔ اس کیلئے برائے مہربانی درج ذیل فارم پُر کر کے سالانہ اجلاس عام کے منعقد ہونے سے 10 دن پہلے کمپنی کے رجسٹرار پتہ پر جمع کرا دیں۔ اگر کمپنی کو 10% یا اس سے زیادہ شیئرز ہولڈنگ ممبرز کی ایک ہی جغرافیائی مقام سے اجلاس میں بذریعہ ڈیویڈنڈ کانفرنس شرکت کی رضامندی کی درخواست اجلاس کی تاریخ سے کم از کم 7 روز پہلے موصول ہوتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کا انتظام کرے گی بشرطیکہ اس شہر میں یہ سہولت موجود ہو۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 30 واں سالانہ اجلاس عام بروز جمعہ 25 اکتوبر 2019 صبح 9:30 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع بیٹانی آرکیڈ، جمروڈ، پشاور، خیبر پختونخوا میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال ختمہ 30 جون 2019 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

۲۔ بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال ختمہ 30 جون 2019 کے لئے شیئر ہولڈرز کو حتمی نقد منافع بحساب %25 (2.50 روپے فی شیئر) کی ادائیگی اور بونس شیئر بحساب 10 شیئر برائے ہر 100 شیئر یعنی %10 کے اجراء پر غور کرنا اور منظوری دینا جو پہلے سے ادا شدہ عبوری نقد منافع بحساب %25 (2.50 روپے فی شیئر) کے علاوہ ہے۔ نیز بونس شیئر کی تمام کمروں کو یکجا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور فروخت کا عمل مکمل ہونے کے بعد کسی فلاحی ادارے کو دیدیا جائے گا۔

۳۔ سال 2019/20 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

۴۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی۔


خصوصی امور:

۵۔ درج ذیل قرارداد پر بطور خصوصی قرارداد غور کرنا اور اس کی منظوری دینا:

(a) "طے پایا کہ متعلقہ پارٹیز اور ایسوسی ایٹ کمپنیز کے ساتھ کاروبار کے عام طریقے کے مطابق کئے گئے تمام لین دین کو جو سال ختمہ 30 جون 2019 کے مالیاتی اسٹیٹمنٹس کے نوٹ 35 میں ظاہر کیا گیا ہے، کی توثیق کی جاتی ہے اور منظوری دی جاتی ہے۔"

(b) "یہ بھی طے پایا کہ کمپنی کا بورڈ آف ڈائریکٹرز اس بات کا مجاز ہے اور ہوگا کہ سال ختمہ 30 جون 2020 کے دوران میں متعلقہ پارٹیز اور ایسوسی ایٹ کمپنیز کے ساتھ کاروبار کے عام طریقے کے مطابق کئے گئے اور کئے جانے والے تمام لین دین کی منظوری دیں۔"

محکم بورڈ آف ڈائریکٹرز


عابد زیر
ڈائریکٹر اور کمپنی سیکرٹری

کراچی 8 اگست 2019



خداشات اور مواقع

• رسک منجمنٹ

اپنی ذمہ داریوں کے سلسلے میں بورڈ آف ڈائریکٹرز کے ممبران نے ہمیشہ سماجی اور معاشی ماحولیات اور ان سے متعلق اندرونی اور بیرونی خداشات پر گہری نظر رکھی ہے جو تحفظ، جاری آپریشن اور کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں۔ تمام اسٹیک ہولڈرز کے مفاد کا خیال کرتے ہوئے سال کے دوران ڈائریکٹرز خداشات کی نشاندہی کرنے اور ان کو ختم کرنے کیلئے چوکس رہے۔ بورڈ آف ڈائریکٹرز نے متوقع خداشات کی نشاندہی کی، کمپنی پر اس کے اثرات کا اندازہ کیا اور کاروبار کیلئے تمام قابل شناخت خداشات کو ختم کرنے کیلئے حکمت عملی تشکیل دی۔ اس حکمت عملی کو آڈٹ کمیٹی کے ذریعہ کمپنی کے تمام شعبہ جات میں نافذ کیا اور خداشات کے خاتمے کیلئے کسی کی کو باقی نہ رہنے کو یقینی بنایا۔

• رسک کا جائزہ

کاروبار کو کئی طرح کے ان دیکھے واقعات کا سامنا کرنا پڑتا ہے جو اس کے مقاصد کو نقصان پہنچا سکتے ہیں اور اگر ان کے تدارک کیلئے کچھ نہ کیا گیا تو ناقابل تلافی نقصان ہو سکتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے اندرونی اور بیرونی دونوں طرح کے خداشات کا گہرائی کے ساتھ ماہرانہ جائزہ لیا ہے جو کمپنی کو پیش آ سکتے ہیں۔

خام مال کی بڑھتی ہوئی قیمتیں کمپنی کیلئے بڑے خداشات کا سبب ہیں۔ پاکستانی روپے کی قدر میں کمی نے اس خدشہ کو اور بھی شدید کر دیا ہے۔ اس کے منفی اثر کے تدارک کیلئے کمپنی نے بنیادی بین الاقوامی سپلائرز سے تعلقات استوار کرنے اور بروقت گفت و شنید کرنے، پیشگی آرڈر دینے اور بروقت ڈیلیوری کی حکمت عملی اپنائی ہے۔ زیر تجزیہ سال میں بھی کمپنی کو خام مال کی دستیابی کا مسئلہ پیش آیا تھا اور مجموعی طور پر صنعت کو کرافٹ پیپر کی شدید کمی کا سامنا تھا جو درآمد کیا جاتا ہے۔ تاہم ہمارے میسرز مونڈی پیکیجنگ کے ساتھ ٹھوس رابطوں کے باعث، جو کرافٹ پیپر کیلئے ہمارے بڑے سپلائر ہیں، ہم اتنی مقدار میں کرافٹ پیپر خریدنے کے قابل ہو گئے جو ہمارے معزز صارفین کی ضروریات پورا کرنے کیلئے کافی تھی۔

• قرضہ جات کی ادائیگی

کمپنی نے اپنے تمام واجب قرضہ جات باقاعدگی کے ساتھ اور بروقت ادا کر دیئے جس کیلئے 2018/2019 کے دوران میں پہلے سے بجٹ تیار کر لیا گیا تھا اور پلاننگ کر لی گئی تھی۔ اس سے نا دہندہ ہونے کا خدشہ بہت کم ہو گیا اور کمپنی کی مالی حیثیت میں بہتری آئی۔

منجانب بورڈ آف ڈائریکٹرز

• کمپنیل اسٹریکچر
کمپنی کے قرضہ اور ایکویٹی کی نسبت 40:60 کے قریب ہے اس سال قرضہ میں اضافہ ہوا کیونکہ کمپنی نے فلیکس ایبل پیکیجنگ پلانٹ کیلئے حاصل کئے گئے طویل المدت قرضہ کی بقایا رقم 150 بلین روپے حاصل کی۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھروسہ ہے کہ جیسے ہی فلیکس ایبل پیکیجنگ پلانٹ اپنے آپریشنز کا ایک سال مکمل کر لے گا، اور اپنی پوری گنجائش کے ساتھ کمپنی کو پیداوار حاصل ہوگی، کمپنیل اسٹریکچر نمایاں طور پر بہتر ہو جائے گا اور قرضہ اور ایکویٹی کا بہتر توازن قائم ہوگا۔

مستقبل کی توقعات

اپنے حکمت عملی کے وژن کے تحت کمپنی اس مقام پر ہے کہ نہ صرف سیمنٹ کے شعبہ بلکہ دیگر شعبہ جات بشمول FMCG کے شعبہ کی پیکیجنگ کی طلب بھی پوری کر سکے۔ اس طرح کمپنی کو اپنے طویل مدت کے ہدف یعنی پیکیجنگ کے شعبہ میں قائدانہ حیثیت قائم کرنے میں کامیاب ہوئی ہے۔

کمپنی پیکیجنگ میٹریل کیلئے ون اسٹاپ حل پیش کرنے میں سرفہرست ہے۔ فلیکس ایبل پیکیجنگ کے کاروبار میں شامل ہونے سے کمپنی کو مارکیٹ کے نئے شعبوں میں تنوع کے ساتھ اپنے کاروبار کو بڑھانے کا موقع ملا ہے۔

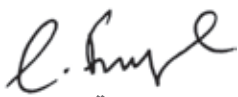
معاشی سرگرمیوں کی سست روی کا صارفین کی جانب سے طلب پر اثر پڑا ہے جس میں سیمنٹ کی طلب بھی شامل ہے جس کی وجہ سے اس سال کمپنی کی کیلرز متاثر ہوئی ہے۔ اس کے علاوہ پاکستانی روپے کی قدر میں کمی اور دنیا بھر میں شرح سود میں اضافہ کمپنی کیلئے کاروباری چیلنج کے طور پر موجود ہے۔ تاہم آئندہ کیلئے امید ہے کہ کمپنی اپنے ذرائع کے موثر استعمال اور اپنے سپلائرز کے ساتھ حکمت عملی کے روابط کے ذریعہ ان چیلنجز پر قابو پا لے گی۔

آڈیٹرز کا تقرر

موجودہ آڈیٹرز میسرز ای وائی فوڈر ہوڈس چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے۔


اعتراف

انتظامیہ اپنے تمام صارفین، مالیاتی اداروں، اسٹاف ممبرز، سپلائرز اور شیئرز ہولڈرز کی شکر گزار ہے جن کا تعاون اور وابستگی ہمیشہ کمپنی کو حاصل رہی۔ ہم خاص طور پر مونڈی پیکیجنگ اور ونڈر مولر اینڈ ہولپر کے مشکور ہیں جنہوں نے کمپنی کے ساتھ بھرپور تعاون کیا۔



عام فاروق

چیف ایگزیکٹو



اکبر علی پٹانی

چیرمین

کراچی 8 اگست 2019

فنز کی سرمایہ کاری کی تفصیلات بمطابق 30 جون 2019 درج ذیل ہے:

پروڈیٹ فنڈ	132.05 ملین روپے
گریجویٹ فنڈ	46.58 ملین روپے

بورڈ آف ڈائریکٹرز

بورڈ کے ڈائریکٹرز کی کل تعداد 8 ہے۔ جس کی تفصیل اس طرح ہے:

• مرد ڈائریکٹرز	8
• خواتین ڈائریکٹرز	-
a خود مختار ڈائریکٹرز	2
i. جناب عابد نقوی	
ii. جناب علی ایچ شیرازی	
b نان ایگزیکٹو ڈائریکٹرز	4
i. جناب اکبر علی پسنانی	
ii. جناب اسلم فاروق	
iii. جناب شہر یار فاروق	
iv. جناب عارف فاروق	
c ایگزیکٹو ڈائریکٹرز	2
i. جناب عامر فاروق	
ii. جناب عابد وزیر	

سال کے دوران بورڈ آف ڈائریکٹرز کی 5 میٹنگز ہوئیں۔ ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب اکبر علی پسنانی	5
• جناب عامر فاروق	5
• جناب اسلم فاروق	5
• جناب شہر یار فاروق	4
• جناب عارف فاروق	4
• جناب طارق فاروق*	1
• جناب ابرار حسن*	1
• جناب عابد نقوی	5
• جناب علی ایچ شیرازی*	3
• جناب عابد وزیر*	4

* سال کے دوران جناب طارق فاروق اور جناب ابرار حسن نے بطور ڈائریکٹر استعفیہ دیئے اور ان کی جگہ جناب علی ایچ شیرازی اور جناب عابد وزیر کو بطور ڈائریکٹر منتخب کیا گیا۔

• سال کے دوران میں آڈٹ کمیٹی کی چار میٹنگز ہوئیں۔ ڈائریکٹرز کی حاضری کی تعداد درج ذیل ہے۔

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب عابد نقوی	4
• جناب عارف فاروق	4
• جناب طارق فاروق*	1
• جناب شہر یار فاروق*	2

* سال کے دوران جناب طارق فاروق نے بطور ڈائریکٹر استعفیہ دے دیا اور ان کی جگہ جناب شہر یار فاروق کو آڈٹ کمیٹی میں بطور ممبر شامل کیا گیا۔

• سال کے دوران ہیومن ریسورس اینڈ ریسورسز کمیٹی کی دو میٹنگز ہوئیں۔ ڈائریکٹرز کی حاضری کی تعداد درج ذیل ہے۔

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب علی ایچ شیرازی	2
• جناب اسلم فاروق	2
• جناب عامر فاروق	2

• شیئر ہولڈنگ کا طرز رپورٹ کے ساتھ منسلک ہے۔

• سال کے دوران فی شیئر آمدنی (ای پی ایس) 14.57 روپے ہوئی جب کہ گزشتہ سال 18.87 روپے تھی۔

ڈائریکٹرز کا مشاہرہ

کمپنی کے آرٹیکل کے تحت بورڈ آف ڈائریکٹرز کو وقتاً فوقتاً نان ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہروں کا تعین کرنے کا اختیار حاصل ہے۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے کمپنی کے نان ایگزیکٹو اور خود مختار ڈائریکٹرز کیلئے ایک جامع مشاہروں کی پالیسی تیار کی ہے۔

متعلقہ پارٹیز کے ساتھ تعلقات

متعلقہ پارٹیز کے ساتھ تمام لین دین غیر جانبدارانہ طور پر کئے جاتے ہیں جن کو باقاعدہ طور پر کمپنی کے فنانشل اسٹیٹمنٹس میں ظاہر کیا جاتا ہے۔

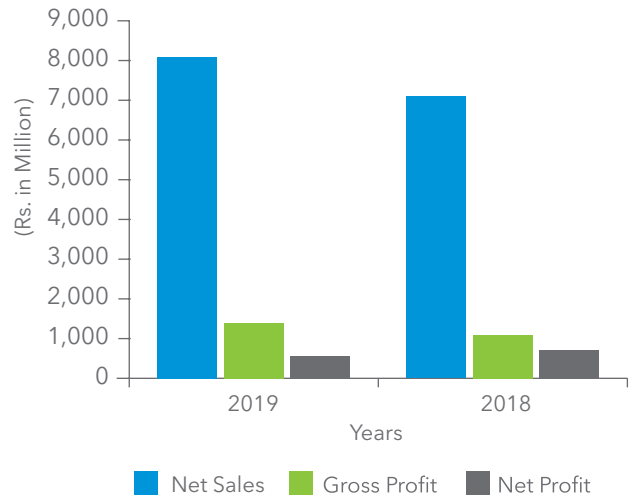
کوڈ آف کارپوریٹ گورننس پر عمل درآمد کا اسٹیٹمنٹ

کمپنی، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی شرائط کی مکمل پابند کرتی ہے۔ عمل درآمد سے متعلق اسٹیٹمنٹ رپورٹ کے متعلقہ سیکشن میں درج ہے۔

یونی انرجی لمیٹڈ

ایک جوائنٹ وینچر ونڈ پاور پروجیکٹ کو لیٹر آف انٹنٹ (Letter of intent) حاصل ہو گیا ہے اور پھر ضلع ٹھٹھہ میں پروجیکٹ قائم کرنے کیلئے رسمی طور پر زمین الاٹ کر دی گئی ہے۔ بے وی پارٹنرز نے پروجیکٹ کے جاری اخراجات کیلئے کمپنی میں ابتدائی ایکویٹی کی سرمایہ کاری کی ہے۔ چیراٹ پیکیجنگ نے شیئر ہولڈرز کی منظوری سے مبلغ

موجودہ اور گزشتہ سال کی مالیاتی جھلکیاں درج ذیل ہیں:



مالیاتی کارکردگی

کمپنی کی سیلز کی آمدنی میں گزشتہ سال کے مقابلے میں 14% اضافہ ہوا۔ آمدنی میں اضافہ بیگز کی قیمت فروخت کو مارکیٹ کی صورتحال کی مناسبت سے ایڈجسٹمنٹ کرنے اور تیاری میں استعمال ہونے والے آئٹمز جیسے کرافٹ پیپر اور پی پی گرانولز کی قیمتوں میں اضافہ کے سبب ہوا۔ سال کے دوران میں ڈالر اور یورو کے مقابلے میں پاکستانی روپے کی قدر میں کمی کے باعث پروڈکشن کی لاگت بھی بڑھ گئی۔ اس کے علاوہ نئے پروڈکٹس کیلئے حاصل کردہ طویل المدت قرضہ جات اور ورکنگ کپٹل کی بڑھتی ہوئی ضروریات اور اسٹیٹ بینک آف پاکستان کی جانب سے ڈسکاؤنٹ ریٹ میں اضافہ کی وجہ سے بھی مالیاتی لاگت میں اضافہ ہوا۔ بڑھتی ہوئی قیمتوں کے عرصہ میں کمپنی نے پروڈکشن کی لاگت کو مناسب سطح تک لانے میں اپنی انونٹری اور دیگر ذرائع کا بہتر انتظام کرنے کی کوشش کی۔ کمپنی کو فلیکس ایبل پروجیکٹ کے سلسلے میں ایکٹو ٹیکس آرڈیننس B-65 کے تحت ٹیکس کے فوائد مکمل طور پر حاصل نہیں ہو سکے جس کی وجہ حالیہ وفاقی بجٹ میں حکومت کی جانب سے گزشتہ سال کی 10% کی چھوٹ کو کم کر کے 5% کرنا تھی۔ سال ختمہ 30 جون 2019 کیلئے کمپنی کو 563 ملین روپے بعد از ٹیکس منافع حاصل ہوا۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 8 اگست 2019 میں 30 جون 2019 کو ختم ہونے والے سال کیلئے حتمی نقد ڈیویڈنڈ بحساب 25% (2.50 روپے فی شیئر) اور 10% بونس شیئرز کی تجویز پیش کی ہے۔ یہ 25% (2.50 روپے فی شیئر) عبوری نقد ڈیویڈنڈ کے علاوہ ہے جس کا اعلان اس سال پہلے ہی کیا جا چکا ہے۔ ڈیویڈنڈ کیلئے ممبران کی منظور 25 اکتوبر 2019 کو منعقد ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

کارپوریٹ سماجی ذمہ داری

آپ کی کمپنی ہمیشہ معاشرے میں اپنا کردار ادا کرنے میں کوشاں رہتی ہے اور پاکستان کے لوگوں، ماحولیات اور آب و ہوا کے بارے میں اپنی ذمہ داریوں سے آگاہ ہے۔ اپنی کارپوریٹ سماجی ذمہ داریوں کی پالیسیز کے مطابق کمپنی مینوفیکچرنگ پلانٹس اور اس کے گرد و نواح میں رہائش پذیر لوگوں کی مجموعی حالت کو بہتر بنانے کیلئے پرعزم ہے۔ انفراسٹرکچر کی ڈیولپمنٹ اور مسلسل فوج کاری علاقے میں رہنے والوں اور آب و ہوا دونوں کیلئے یکساں

فائدے مند ہیں۔ آپ کی کمپنی نے گزشتہ سالوں کے دوران کئی معروف فلاحی اداروں کے ساتھ تعاون کیا ہے اور یہ تعاون جاری رہے گا کیونکہ ایک بہتر ماحول، بہتر معیشت اور ایک بہتر پاکستان کمپنی کا وزن ہے۔

تحفظ، صحت اور ماحولیات

کمپنی نے اپنے لوگوں کی صحت اور تحفظ کیلئے ایک ٹھوس پالیسی مرتب کی ہے کیونکہ یہ سمجھتی ہے کہ اس کے لوگ اس کا سب سے قیمتی اثاثہ ہیں۔ اپنے کارکنوں کے تحفظ کو اولین ترجیح دینے کی غرض سے ہمارے پروڈکشن پلانٹس کو مکمل طور پر صنعت میں موجود تحفظ کے معیارات کے تحت قائم کیا گیا اور چلایا جا رہا ہے۔ کمپنی کا مخصوص ایچ ایس ای ڈی پارٹنمنٹ، ایچ ایس ای کے ضوابط کی پابندی کی نگرانی کرتا ہے۔ یہ ڈی پارٹنمنٹ نہ صرف ایچ ایس ای کے بہترین معمولات پر عمل درآمد کو یقینی بناتا ہے بلکہ اسٹاف کو آگ اور تحفظ سے متعلق مناسب تربیت بھی باقاعدگی سے فراہم کرتا ہے۔ اس کے علاوہ ذاتی تحفظ کے آلات بھی اسٹاف میں تقسیم کئے گئے ہیں۔ کمپنی کے ایچ ایس ای کی سختی سے پابندی کے باعث الحمد للہ اس سال کوئی بڑا حادثہ پیش نہیں آیا۔

قومی خزانے میں حصہ

کمپنی نے سیکس، ایکسائز ڈیوٹی، ایکٹو ٹیکس اور سیلز ٹیکس کی صورت میں قومی خزانے میں 3 بلین روپے سے زیادہ رقم جمع کرائی ہے۔

اجتماعی اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس 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 حسابات کے کھاتوں کو بہتر طور پر مرتب کیا گیا ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں ہر جگہ حسابات کی پالیسی کو بہتر طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس، پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور ضرورت کے تحت ان سے گریز کو اطمینان بخش طور پر ظاہر اور واضح کیا گیا ہے۔
- اندرونی کنٹرول کے نظام کا طریقہ کار نہایت مضبوط 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۔
- اصول و ضوابط کی فہرست میں درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بات حذف نہیں کی گئی ہے۔
- گزشتہ چھ سال کی بنیادی آپرینٹنگ اور مالیاتی معلومات مختصر طور پر منسلک کی گئی ہیں۔
- کمپنی اپنے شیئر ہولڈرز کیلئے ڈیویڈنڈ کا باقاعدگی سے اعلان کرتی ہے۔
- آپ کی کمپنی کے ذمہ ٹیکس، ڈیوٹیز، محصولات اور چارجز کی مد میں کوئی رقم واجب الادا نہیں ہے سوائے ان کے جو عام کاروباری طریقہ کار کے مطابق ادا کئے جاتے ہیں۔
- کمپنی اپنے ملازمین کے پراویڈنٹ اور گریجویٹ فنڈز کے حسابات مکمل رکھتی ہے۔



ڈائریکٹرز کی رپورٹ برائے ممبران | برائے سال ختمہ 30 جون 2019

سال 2018/19 میں کمپنی نے کامیابی کے ساتھ فلیکس ایبل پیکیجنگ کے شعبہ میں قدم رکھا اور مختصر عرصے میں نام کمایا ہے۔ سال کے دوران کمپنی کے فلیکس ایبل پیکیجنگ ڈویژن نے مکمل طور پر تجارتی کام شروع کر دیا۔ کمپنی کی جانب سے معیاری پروڈکٹس پیش کرنے پر مارکیٹ سے نہایت حوصلہ افزاء رد عمل سامنے آیا ہے۔ کئی معروف کسٹمرز نے کمپنی کو فلیکس ایبل پیکیجنگ میٹریل کے لئے اپنی ضروریات سے آگاہ کیا ہے۔ اس کاروبار کی نوعیت کے لحاظ سے کمپنی نے سرٹیفیکیشن کا مرحلہ بھی طے کیا اور متوقع کسٹمرز کو اس کے نمونے بھی فراہم کئے ہیں۔ اگرچہ اس مدت میں پروجیکٹ پر مقررہ اخراجات ہوئے، جیسا عموماً اس طرح کے پروجیکٹس پر ہوتا ہے، جدت پر مبنی پیکیجنگ کے حل کی بڑھتی ہوئی طلب کے پیش نظر، کمپنی کے فلیکس ایبل پیکیجنگ کے شعبہ میں قدم رکھنے کے فیصلے سے اس کو نئے مارکیٹ کے شعبہ جات دریافت کرنا ہوں گے۔

بورڈ آف ڈائریکٹرز آپ کے سامنے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیات گوشوارے برائے سال ختمہ 30 جون 2019 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

عمومی جائزہ

2018/19 کے دوران ملک میں کاروباری ماحول شدید غیر یقینی کی کیفیت میں رہا کیونکہ معاشی سرگرمیاں گویا ایک دم رک سی گئی تھیں۔ حکومت کی جانب سے معاشی سرگرمیوں کو دوبارہ فعال کرنے کیلئے کئے گئے درستی کے اقدامات سے صنعتی شعبہ کی سرگرمیوں پر الٹا اثر مرتب ہوا کیونکہ طلب کم ہو گئی۔ سینٹ کا شعبہ، جو کہ کمپنی کی اصل ہدف مارکیٹ ہے، بھی متاثر ہوا جس کی وجہ PSDP آؤٹ لیز میں کمی، پاکستانی روپے کی قدر میں کمی اور مونیٹری پالیسی کی سختی کی بدولت ملک میں تعمیراتی سرگرمیوں میں بھی کمی آ گئی۔

کاروبار کا جائزہ

گزشتہ سالوں کے دوران چیراٹ پیکیجنگ سب سے زیادہ تنوع پیش کرنے والی کمپنی بن گئی ہے اور اس کا شمار پاکستان میں صف اول کی پیکیجنگ کی سہولتیں فراہم کرنے والی کمپنیز میں ہوتا ہے۔ ہم چیلنجز سے بھرپور ماحول میں کام کر رہے ہیں جن میں صارفین کی جانب سے طلب میں سست روی، بڑھتی ہوئی شرح سود اور پاکستانی روپے کی قدر میں کمی شامل ہے اور اس کے باوجود اپنے صارفین کی توقعات پر پورا اترنے میں کوشاں ہیں۔ کرافٹ پیپر اور پولی پروپیلین کے گرائیولز سے سینٹ کے روایتی بیگز تیار کرنے اور فراہم کرنے کے علاوہ کمپنی چینی، کیمیکلز اور دوسرے متعلقہ شعبہ جات کو بھی پیکیجنگ میٹریل فراہم کرتی ہے۔ نیز یہ اپنے کاروباری دائرے کو مزید توسیع دینے کیلئے بھی سرگرم عمل ہے۔

2018	2019
پاک روپے میں	
7,091.65	8,093.41
1,098.33	1,400.64
711.08	562.87

• خالص سیلز

• مجموعی منافع

• خالص منافع

CHERAT
CP
PACKAGING

Date: _____

Shareholder's Detail	
Name of Company	Cherat Packaging Limited
Name of shareholder	
Folio No./CDC Participants ID A/c No.	
CNIC No	
Passport No. (in case of foreign shareholder)	
Cell Number & Land Line Number	
Email Address (Mandatory)	

Shareholder's Bank Detail	
Title of Bank Account (Mandatory)	

[illegible]

Branch Name and Address	
-------------------------	--

Yours sincerely,

(Please affix company stamp in case of corporate entity)

The shareholders who hold shares in Central Depository Company are requested to submit the above- mentioned Dividend Mandate Form, duly filled-in, to the relevant Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited where Member's CDC account is being dealt. The shareholders who hold shares in physical form are requested to submit the above mentioned Dividend Mandate Form, duly filled-in, to the share Registrar of the Company, as mentioned below:

INVS CDC Share Registrar Services Limited
CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi-74400, Pakistan
Tel: 0800-23275. 111-111-500. Fax: 021-34326053

CHERAT
CP
PACKAGING

CNIC No.

میں مسمیٰ / مسماة _____ سکنہ _____
ضلع _____ بحیثیت ممبر چیراٹ پیکیجنگ لمیٹڈ، مسمیٰ / مسماة _____
سکنہ _____ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ
اور میری طرف سے کمپنی کے 30 واں سالانہ اجلاس عام بروز جمعہ 25 اکتوبر 2019، صبح 9:30 بجے، منعقد ہوگا، اس میں اور اس
کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔



دستخط شیر ہولڈر

گواہان

1 دستخط _____

نام _____

پتہ _____

CNIC / پاسپورٹ نمبر _____

(دستخط کمپنی میں درج نمونہ
کے مطابق ہونے چاہئے)

2 دستخط _____

نام _____

پتہ _____

CNIC / پاسپورٹ نمبر _____

اہم نوٹ

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

۲۔ سی ڈی سی حصص داران اجلاس ہذا میں شرکت کرنے، بولنے اور ووٹ دینے کیلئے اہل ہیں اور اپنی شناخت ثابت کرنے کے لیے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ
ساتھ لائیں اور پراکسی کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ کی تصدیق شدہ کاپی ساتھ لگائیں۔

۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمعہ نمائندہ کے دستخط پراکسی فارم کے ساتھ لف کرنے ہوں گے۔

مجموعی شیرز

رجسٹرڈ فلیو نمبر		سی ڈی سی اکاؤنٹ نمبر	
		شراکتی نمبر	اکاؤنٹ نمبر








کمپیوٹرائزڈ قومی شناختی کارڈ نمبر










**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](https://www.jamapunji.pk)

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

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

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

