Annual
Report
2013

Two Facets

Cherat Packaging Limited
A Ghulam Faruque Group Company

Introduction

CPL had been recognized as the leading manufacturer of premium quality cement sacks. Each year the company and its products have stood by the conviction and the mission statement of providing value to all stakeholders.

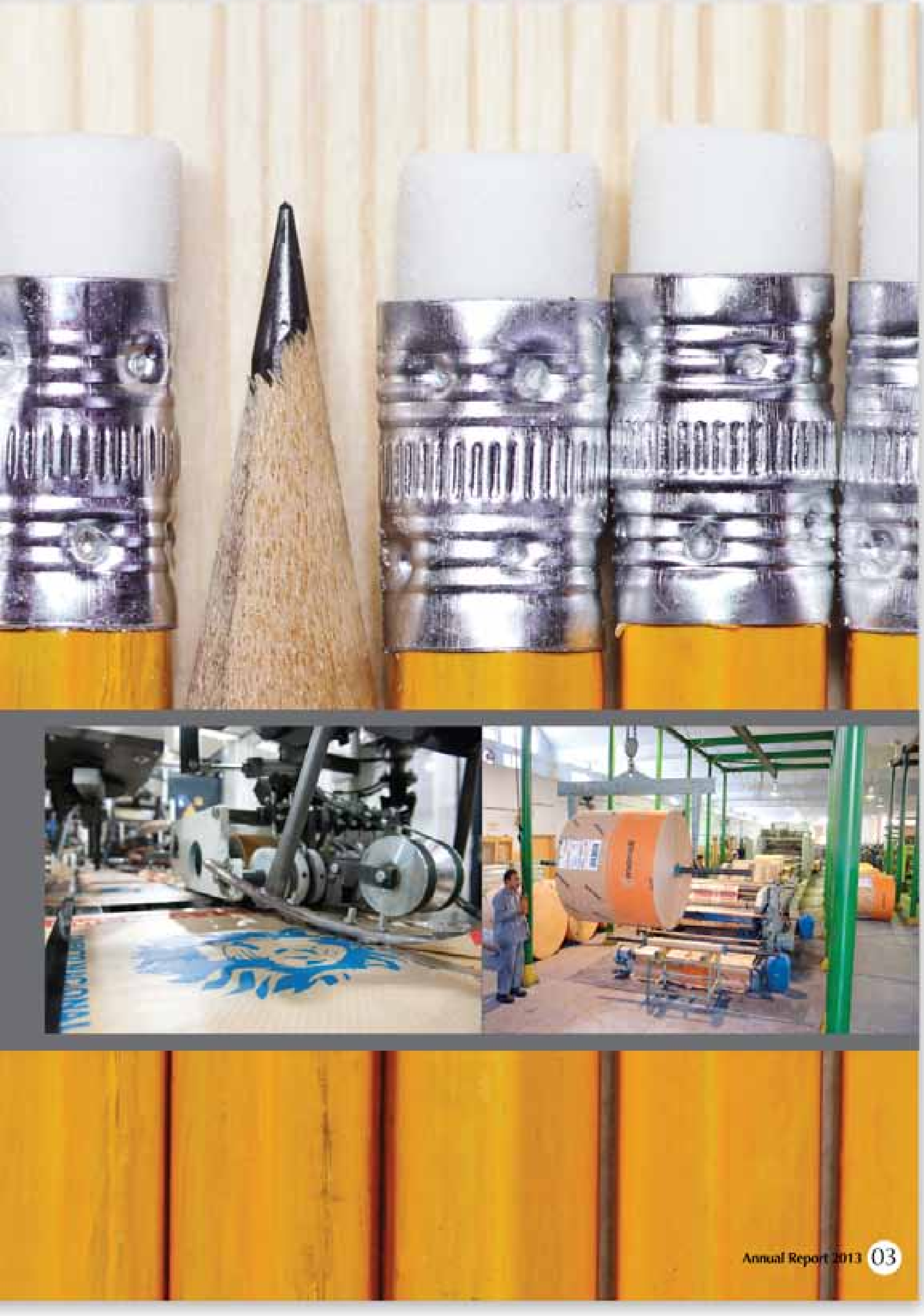
In order for a company to continue to prosper it must embrace change and diversification. This year Cherat Packaging strengthened its position by expanding its polypropylene cement bag plant.

The advantages of such a strong product line are manifold and will further augment Cherat's standing in the market. To our business partners, stakeholders and the larger community in which Chreat operates, we reaffirm our pledge.

Contents

One Company - Two Facets

Some combinations simply can't be improved upon as they meet our requirements on every level. The classic pencil; a perfect graphite point at one end and a handy eraser at the other end, most of a person's writing needs combined in a single instrument. That is how we position ourselves at Cherat Packaging; a single source that meets your cement packaging needs with our dual lines for polypropylene and kraft paper products.



One Company - Dual Function

Options enable utility by allowing the individual to select according to his / her needs and wants. Factors of cost and durability can be adjusted to specifics.

At Cherat Packaging we believe in diversification, the tried and tested papersack and the addition of sturdy polypropylene bags. The more options we provide our customers the more efficient their business.

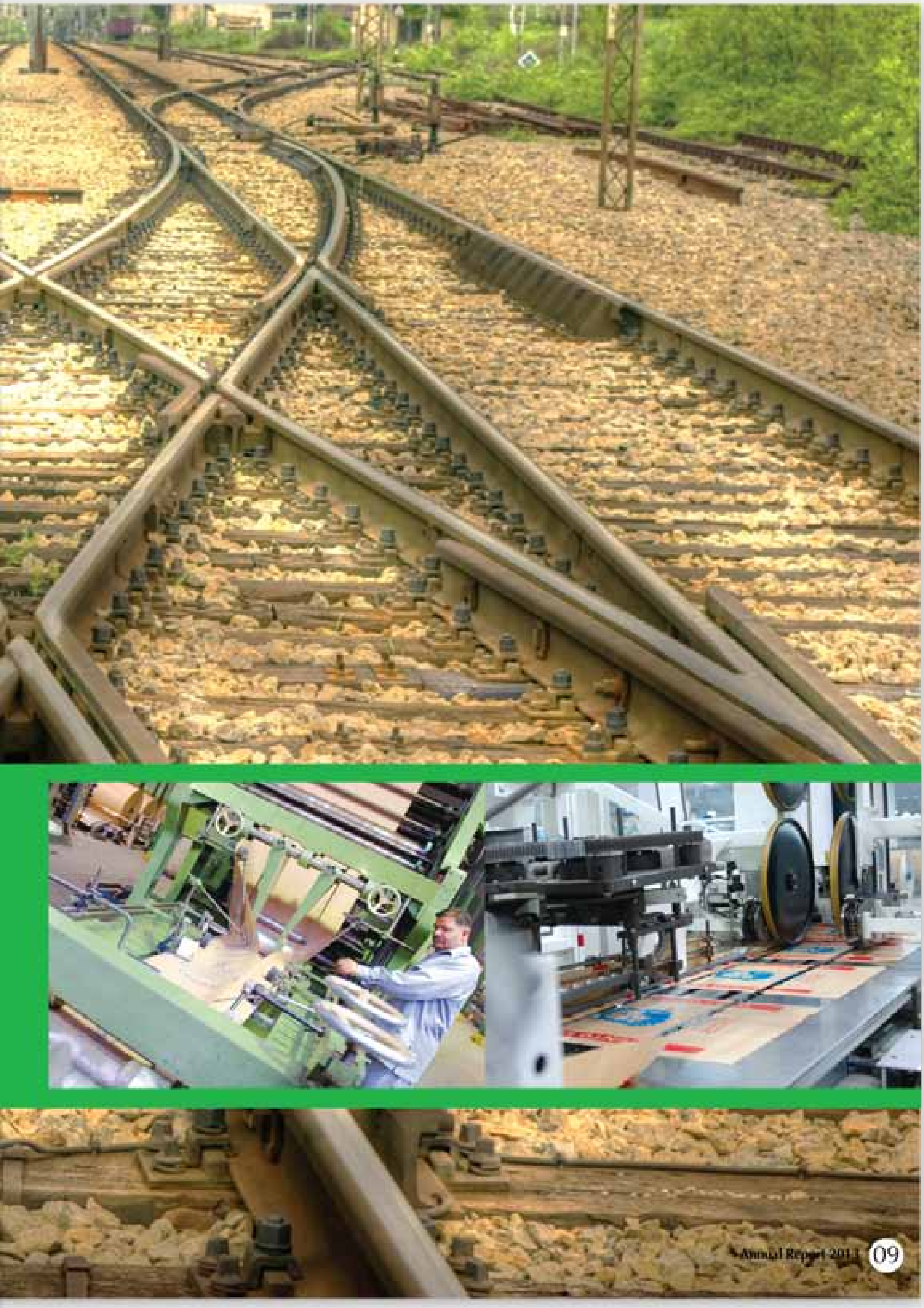

CHERAT

One Company - Two Sides

Standard of service and standard of product must both coexist to run a successful operation. At Cherat Packaging we have consistently kept both up to shine. As a company Cherat Packaging is recognized for its clear and transparent business dealings with all our partners, suppliers, and stakeholders. On the other, the company's financial strength and stability has enabled our customers to rely not only on our product, but also on our seamless service.

One Company - Dual Track

At Cherat Packaging we provide our clients the best options to meet their needs. Papersack or Polypropylene, or both. Our plants guarantee that whatever your requirement of quantity, print or delivery, we enable choice.

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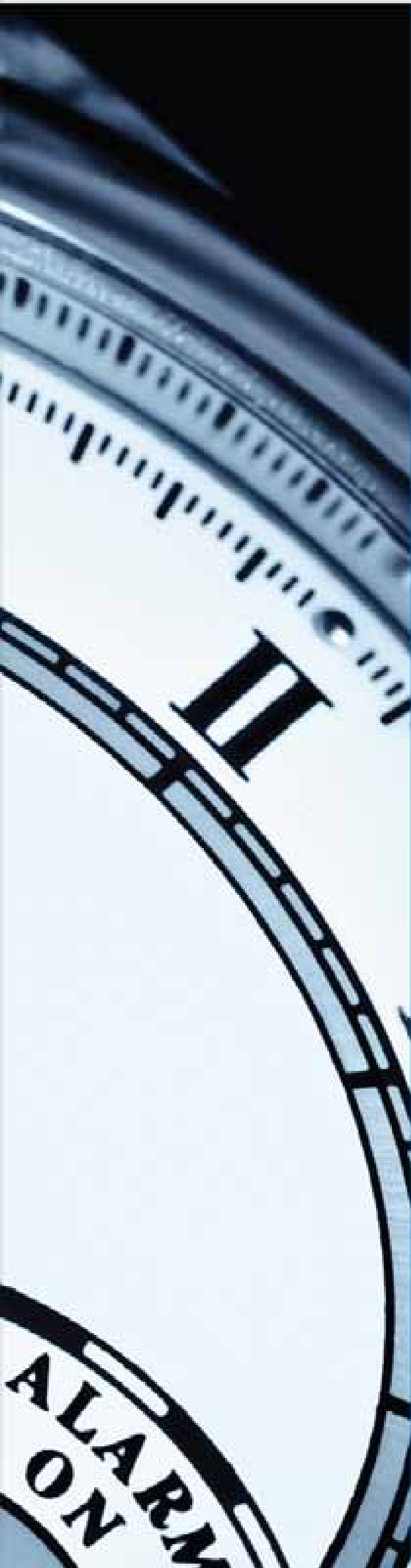


Vision

To be a preferred supplier of papersacks and polypropylene bags for cement industry combined with efficient manufacturing facilities and satisfied customers.

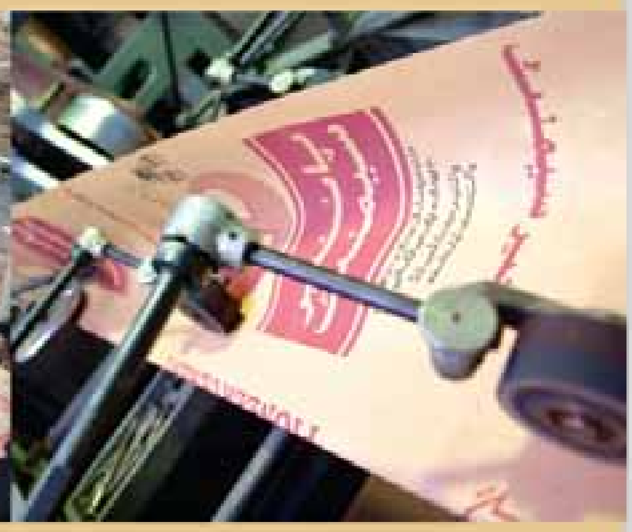
Mission

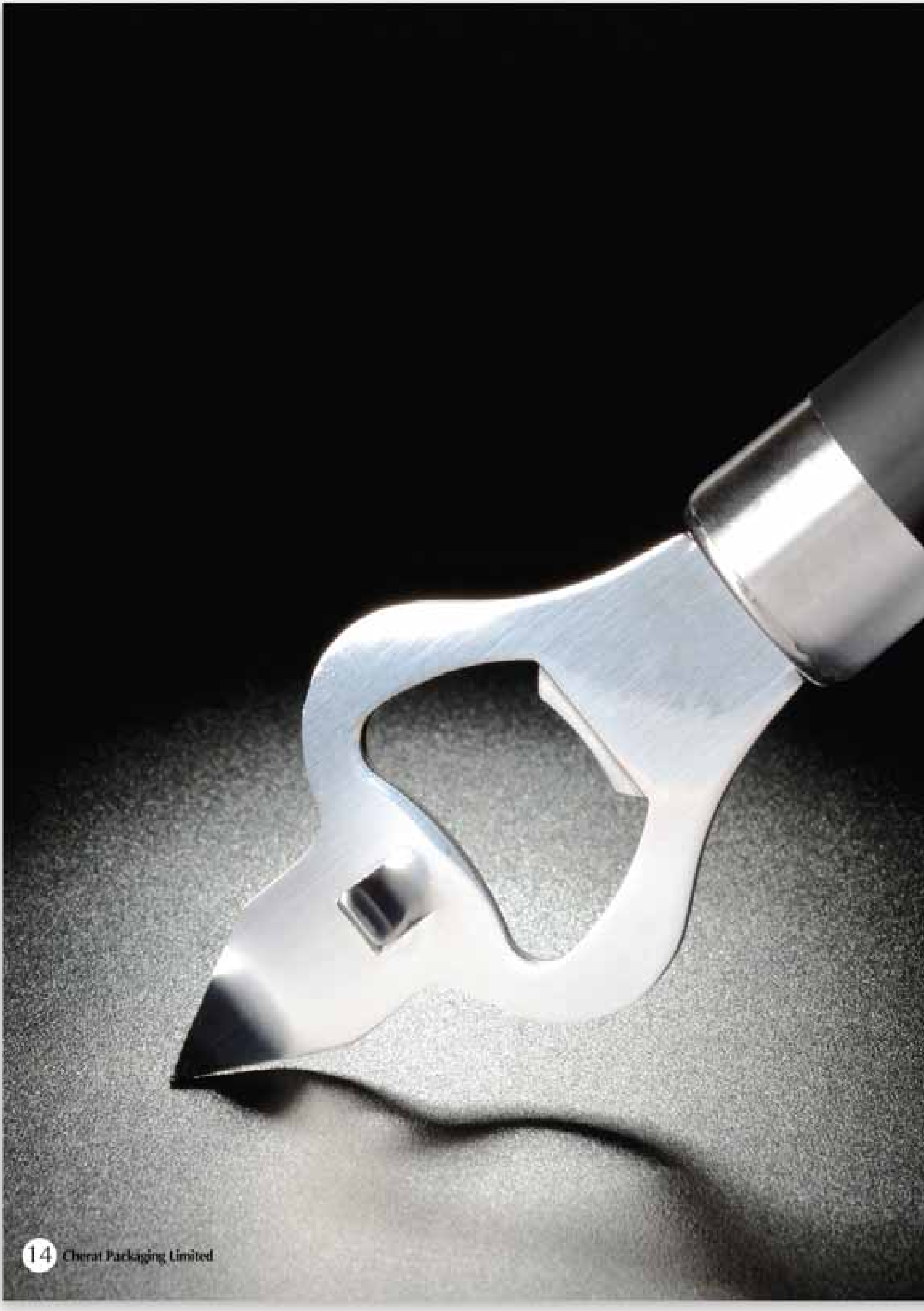
To seek increased market share by anticipating emerging trends and introducing new products for meeting the demands of our valued customers and ensuring adequate return to our shareholders.

Strategic Objectives

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

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





Core Values

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

Company Information

Board of Directors

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

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Aslam Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

Mr. Mohammed Faruque	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Alfalah Ltd.
Bank Al-Habib Ltd.
BankIslami Pakistan Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Share Registrar

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

Registered Office

1st Floor, Betani Arcade
Jamrud Road
Peshawar

Factory

Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
Khyber Pakhtunkhwa

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

Islamabad Office

Mezzanine Floor
Razia Sharif Plaza
91-Blue Area

Notice of Annual General Meeting

Notice is hereby given that the 24th Annual General Meeting of the Company will be held on Wednesday, October 30, 2013 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2013 and the Reports of the Directors and the Auditors thereon.

2. To approve the payment of final cash dividend @ 20% (Rs.2.00 per share) as recommended by the Board of Directors for the financial year ended June 30, 2013.

3. To appoint the Auditors for the year 2013/14 and to fix their remuneration.

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

By Order of the Board

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: August 19, 2013

NOTES:

1. The register of members of the Company will be closed from Wednesday, October 23, 2013 to Wednesday, October 30, 2013 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the office of the Registrar of the company- M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block ,B,, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Tuesday, October 22, 2013 will be treated in time for the entitlement of 20% final cash dividend.

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

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

4. The shareholders of the Company are requested to immediately notify the Shares Registrar of the Company of any change in their addresses.

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. Shareholders who want to receive dividend amount directly in their bank accounts are requested to provide their bank account details to the Share Registrar of company / their Participant / CDC Investor Account Services Department.

The Board of Directors

Mr. Mohammed Faruque
Chairman

Mr. Mohammed Faruque is the Chairman of Cherat Packaging Ltd. He is also the Chairman of Cherat Cement Co. Ltd and Greaves Pakistan (Pvt.) Ltd and member of Board of Directors of Mirpurkhas Sugar Mills Ltd and Associated Constructors (Pvt.) Ltd. In the past, Mr. Mohammed Faruque has served on the Boards of prestigious organizations like Sui Southern Gas Co. Ltd and Atlas Insurance Ltd as Director.

Mr. Amer Faruque
Chief Executive

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

Mr. Mahmood Faruque
Director

Mr. Mahmood Faruque is a Director of the Company. He is also the Chairman of Mirpurkhas Sugar Mills Ltd and a Director of Greaves Pakistan (Pvt.) Ltd. For over 45 years Mr. Mahmood Faruque served as a member of the Board of Directors of Jubilee General Insurance Co. Ltd. He was appointed to serve as a member of the Privatization Commission of Pakistan.

Mr. Akbarali Pesnani
Director

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently, he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 32 years. He currently serves on the Board of Directors of Cherat Cement Co. Ltd, Mirpurkhas Sugar Mills Ltd.

The Board of Directors

Mr. Aslam Faruque
Director

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

Mr. Shehryar Faruque
Director

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

Mr. Arif Faruque
Director

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

Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Mirpurkhas Sugar Mills Ltd, Cherat Cement Company Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque was also a Member of the Board of Directors of Oil and Gas Development Company as well as served on the Board of Governors of Marie Adelaide Leprosy Centre.

Mr. Abrar Hasan
Director

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

Directors' Report to the Members

For the year ended June 30, 2013

The Board of Directors is pleased to present the annual report of the Company along with the audited accounts for the year ended June 30, 2013.

COMPANY OVERVIEW

Increased cement demand in the country had a positive impact on the sales of bags produced by your company. During the year under review, there has been a rise in the quantity of bags produced and sold by the company as compared to last year. During its first full year of operation, the PP plant operated at near full capacity level to produce high quality cement bags to augment the sales volume. Higher volumes had a positive impact on the sales turnover and the overall profitability of the company as the company continued to consolidate its position in the market as the preferred supplier of quality packaging solutions.

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

	2013	2012
	(In million)	
▸ Net sales (PKR)	4,129.33	3,256.88
▸ Gross Profit (PKR)	436.53	278.23
▸ Net Profit (PKR)	118.57	71.53

FINANCIAL PERFORMANCE

There has been a rise of approximately Rs. 873 million in the sales revenue of the company, reflecting an increase of 27% from the last year. Higher sales revenue was possible on the back of increase in the quantity of bags sold by the company following the addition of polypropylene bag plant, which had first full year of operations this year. Although, rise in input costs and devaluation of Pak rupee had an adverse impact on the production costs through proficient production of high quality bags, aggressive marketing of 2ply paper bags and efficient inventory management, the company was able to overcome the challenge. Further, export of PP bags also helped in exploring new markets for the company and contributed to its profitability. During the year under review, there was a slight increase in finance cost over last, despite decline in discount rate, due to higher working capital requirements owing to increased volume of operations and acquisition of long term loan for the polypropylene plant. Further, last year the company had mark up subsidy available up to December 31, 2011 announced by State Bank of Pakistan for companies operating in Khyber Pakhtunkhwa Province. After taking into consideration the factors explained above, the company recorded an impressive after tax profit of Rs. 118.57 million.

EXPANSION OF POLYPROPYLENE PROJECT

We wish to update our shareholders that the second line of the polypropylene plant for manufacturing cement bags has been installed and commissioned at the factory in July 2013. The plant, which has also been acquired from M/s. BSW fi Windmoller & Holscher, is the most advanced and the fastest machine in the world. By virtue of this expansion, the production capacity of the polypropylene plant of the company has increased to 105 million bags per annum. Another 40 million bag capacity will be added in the second phase next year, which will take the capacity of the PP plant to 145 million bags per annum.

By utilizing its available financial and operational leverage, the company is confident of gaining further market share to establish itself as a true market leader in cement packaging. Additionally, by virtue of this expansion, the company will be able to better allocate its fixed costs and will allow it to produce best quality bags for various product categories and capitalize on its strong relationship with the existing customer base. Further, export of empty PP bags and manufacturing of PP bags for packing other products like sugar, chemicals, rice, fertilizer and other similar products shall further improve the position of the company.

DIVIDEND

At its meeting held on August 19, 2013 the Board of Directors has proposed a cash dividend @ 20% (Rs. 2.00 per share) for the year ended June 30, 2013. The approval of members for cash dividend will be obtained at the Annual General Meeting to be held on October 30, 2013.

CORPORATE SOCIAL RESPONSIBILTY

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 and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

SAFETY, HEALTH AND ENVIRONMENT

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

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the company„s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2013.

Provident Fund	Rs. 60.11 million
Gratuity Fund	Rs. 25.71 million

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

Name of Director	Meetings Attended
Mr. Mohammed Faruque	5
Mr. Iqbal Faruque *	2
Mr. Mahmood Faruque	2
Mr. Akbarali Pesnani	2
Mr. Aslam Faruque	5
Mr. Shehryar Faruque	4
Mr. Amer Faruque	5
Mr. Arif Faruque	2
Mr. Abrar Hasan	4
Mr. Tariq Faruque *	-

* Mr. Tariq Faruque was co-opted as a director on the sad demise of Mr. Iqbal Faruque.

- 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. Mohammed Faruque	4
Mr. Iqbal Faruque	2
Mr. Aslam Faruque	4

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for subscription of right shares issued by the company.
- Earnings per share (EPS) during the year was Rs. 5.42 compared to Rs. 3.39 last year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. one (1) billion to the Government treasury in shape of taxes, excise duty, income tax and sales tax.

FUTURE PROSPECTS

Growth in the demand for cement has had a positive impact on the sales of the Company. This growth pattern is expected to continue as the company stands to benefit in the form of enhanced sales of bags as it is well positioned to meet the requirements for both paper and PP bags. The company is taking steps to diversify its target markets by producing PP bags for packing sugar, chemicals, rice and other similar products. Further, export of empty PP bags shall further improve the position of the company. The installation of second PP plant shall help boost the sales of the company and contribute to its profitability. It will also consolidate the position of the company as the market leader in providing quality packaging solutions. However, rising cost of input items like kraft paper, energy costs and depreciation of Pak rupee vis-à-vis US dollar and Euro currency has put pressure on production costs. In order to effectively face such challenges, the Company is making concerted efforts to not only improve its costs and operational efficiencies, which can be seen by successful launch of 2ply 80 gsm bags but also optimize the utilization of its available resources.

AUDITORS

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

ACKNOWLEDGMENT

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 19, 2013

Statement of Compliance with the Code of Corporate Governance

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

The company has applied the principles contained in the CCG in the following manner:

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy that occurred on the Board on 7.2.2013 was filled up by the directors within 90 days.
5. The company has prepared a ‡Code of Conduct· and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose and the board met atleast once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of Cherat Packaging Ltd. are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the company to apprise Directors of their duties and responsibilities. Two Directors of the company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors„ report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

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

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

15. The board has formed an Audit Committee. It comprises of three members who are Non-Executives Directors.

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

17. The board has formed a Human Resources and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a Non Executive Director.

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

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

23. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Director alongwith pricing methods for such transactions.

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 19, 2013

Statement of Compliance with the Best Practices of Transfer Pricing

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 19, 2013

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 35650007
Fax: +9221 35681965
www.ey.com

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013, prepared by the Board of Directors of **Cherat Packaging Limited** (the Company) to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

Further, Listing Regulations of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm„s length transactions and transactions which are not executed at arm„s length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm„s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company„s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended **30 June 2013**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: August 19, 2013

Code of Conduct

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

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

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

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

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

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

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

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

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

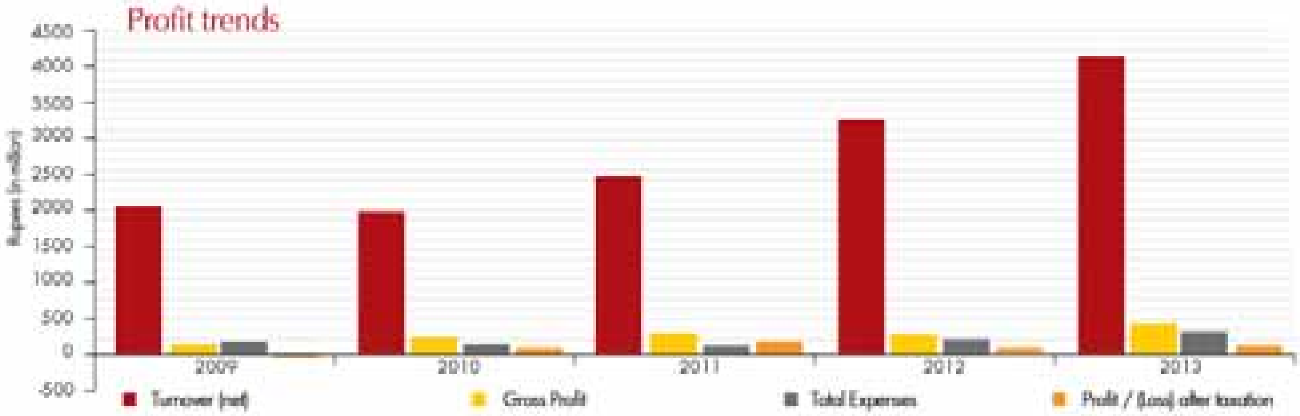
Year-Wise Statistical Summary

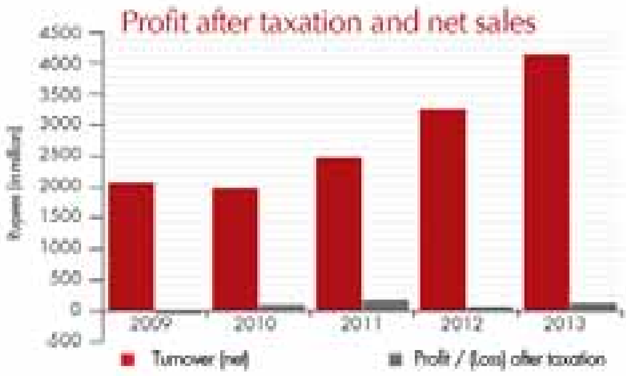
	2013	2012	2011	2010	2009	2008	2007
	(Bags in million)						
Production	213.52	174.80	129.44	121.24	122.44	140.48	114.99
Dispatches	216.87	170.47	128.57	122.82	122.40	140.58	114.27
	(Rs. in 000)						
ASSETS EMPLOYED							
Fixed assets - tangible	1,336,465	943,213	453,600	369,619	393,807	196,061	152,484
Fixed assets - intangible	6,607	7,523	6,375	5,143	541	-	-
Long term investments, loans and deposits	21,957	15,734	2,717	3,344	4,168	51,775	51,271
Deferred taxation	61,052	96,584	45,863	-	-	-	-
Current assets	2,135,393	1,369,884	1,281,665	742,856	1,117,554	1,293,114	666,526
TOTAL ASSETS EMPLOYED	3,561,474	2,432,938	1,790,220	1,120,962	1,516,070	1,540,950	870,281
EQUITY AND LIABILITIES							
Shareholders' equity	1,211,844	911,129	878,067	473,641	378,276	427,502	374,593
Long term liabilities	460,000	418,750	56,250	93,750	131,250	25,000	50,000
Deferred liabilities	-	-	-	1,818	12,632	35,772	26,449
Current liabilities	1,889,630	1,103,059	855,903	551,753	993,912	1,052,676	419,239
TOTAL FUND INVESTED	3,561,474	2,432,938	1,790,220	1,120,962	1,516,070	1,540,950	870,281
TURNOVER & PROFIT							
Turnover (net)	4,129,334	3,256,878	2,471,964	1,985,235	2,060,614	1,851,416	1,175,404
Operating Profit	332,348	208,144	237,032	191,870	118,397	152,817	144,015
Profit before taxation	175,395	53,491	165,811	95,442	(58,351)	104,426	116,207
Profit after taxation	118,569	71,531	187,455	96,319	(35,211)	71,166	79,576
Cash dividend	55,080	25,818	43,031	18,360	-	11,016	11,750
Issue of bonus shares	-	-	-	22,950	-	18,360	14,688

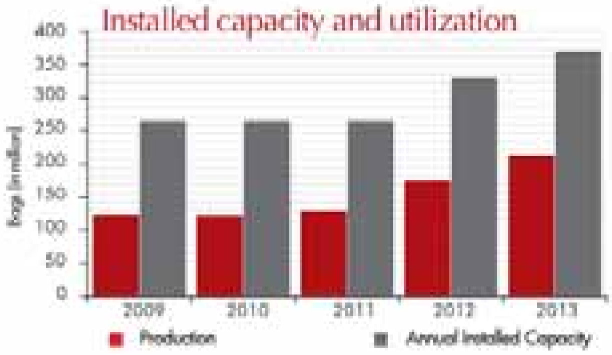
Ratio Analysis

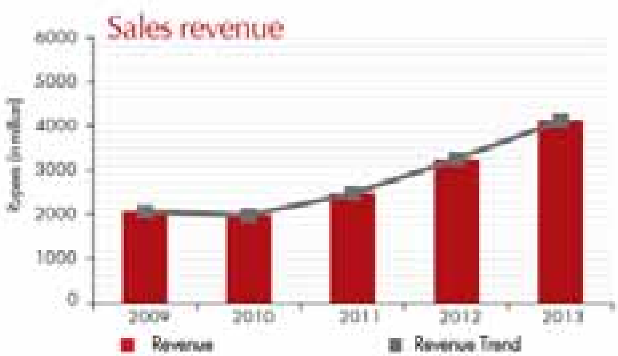
		2013	2012
Profitability:			
1	Gross Profit (percentage)	10.57	8.54
2	Operating Profit (percentage)	8.05	6.39
3	Profit Before Tax (percentage)	4.25	1.64
4	Profit After Tax (pecentage)	2.87	2.20
5	Profit to Average Share Holder's Equity (percentage)	11.17	8.00
6	Earnings per share - Before Tax	8.01	2.54
7	Earnings per share - After Tax	5.42	3.39
8	Profit to Total Assets (Average after tax) (percentage)	2.67	5.32
9	Increase in Sales (Net percentage)	26.79	31.75
10	Raw Material % of Net Sales	80.73	87.09
11	Labour % of Net Sales	3.08	2.44
12	Other Cost of Sales Expenses % of Net Sales	5.61	1.93
13	Raw Material as % of Cost of Sales	90.28	95.23
14	Administrative Expenses % of Net Sales	0.77	0.77
15	Distribution Cost % of Net Sales	1.33	1.21
16	Tax % of Net Sales	1.38	(0.55)
17	Finance cost % of Net Sales	3.80	4.75
Short Term Solvency:			
1	Working Capital Ratio	1.13	1.24
2	Acid Test Ratio	0.51	0.54
3	Working Capital Turnover (Net Sales) times	16.80	12.21
4	Inventory Turnover / Times	3.80	3.61
Overall Valuation and Assessment:			
1	Number of Time Interest Covered	2.12	1.35
2	Return on Equity after tax (Average in percentage)	11.17	8.00
3	Book Value Per Share	44.00	52.93
4	Long Term Debts to Equity Ratio	29.98	33.37

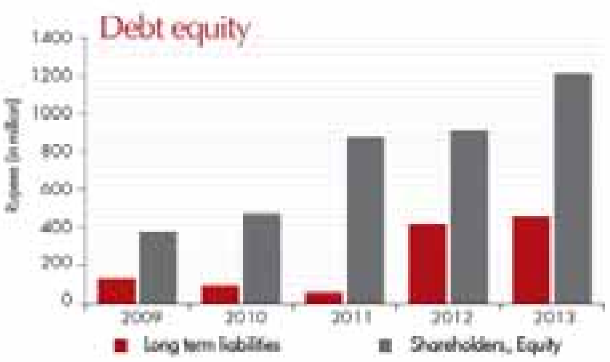
Progress Graphs



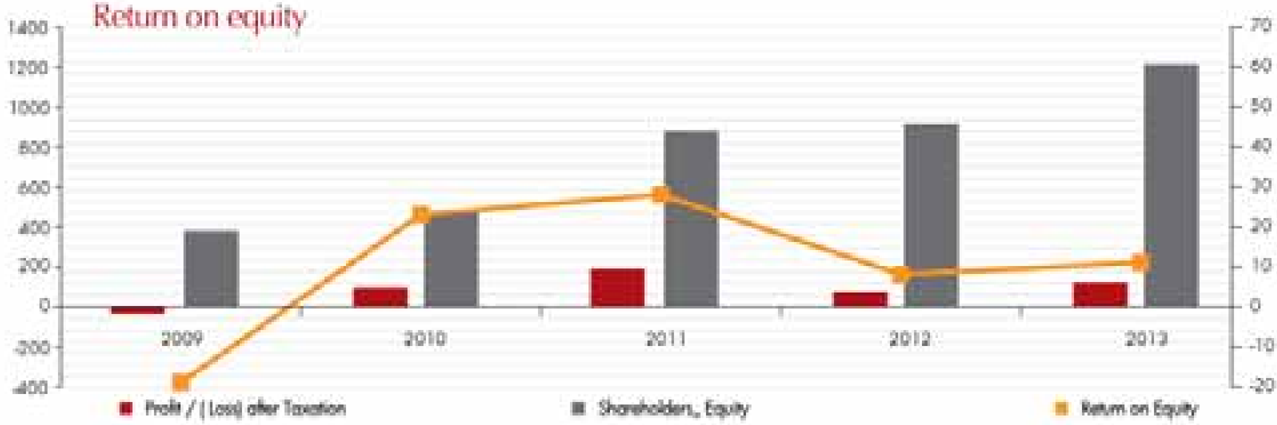






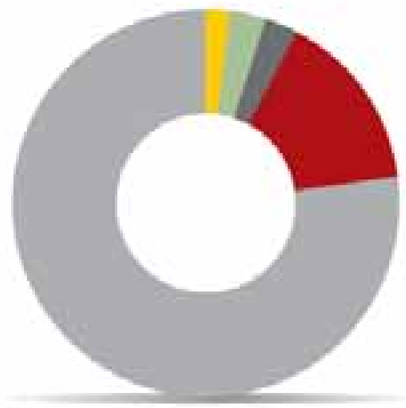


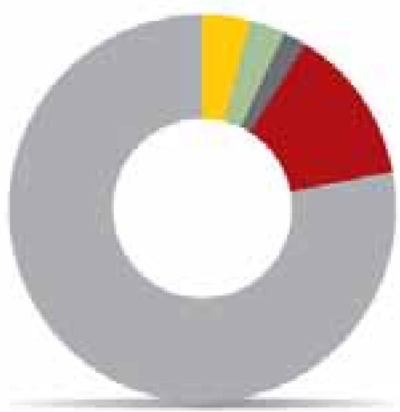
Return on equity



Wealth and its distribution during 2012-13

Government	15%
Material and Services	77%
Financial Institutions	2%
Employees	3%
Shareholders and Equity	3%





Wealth and its distribution during 2011-12

Government	13%
Material and Services	78%
Financial Institutions	4%
Employees	3%
Shareholders and Equity	2%

Auditors' Report to the Members

EY Building a better working world

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Chartered Accountants
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Fax: +9221 35681965
www.ey.com

We have audited the annexed balance sheet of **Cherat Packaging Limited** (the Company) as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2013** and of the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in out opinion, Zakat deductible at source under the Zakat and Ushr Ordinance. 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

KARACHI: August 19, 2013

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,336,465	943,213
Intangible asset	5	6,607	7,523
		1,343,072	950,736
Long-term investment	6	12,874	6,553
Long-term loans	7	250	348
Long-term deposits		8,833	8,833
Deferred taxation	8	61,052	96,584
		1,426,081	1,063,054
CURRENT ASSETS			
Stores, spare parts and loose tools	9	48,492	32,277
Stock-in-trade	10	1,171,125	771,357
Trade debts	11	633,907	430,164
Loans and advances	12	4,613	1,376
Trade deposits and short-term prepayments	13	8,469	4,303
Other receivables	14	64,394	58,646
Taxation - net	29	183,853	40,314
Cash and bank balances	15	20,540	31,447
		2,135,393	1,369,884
TOTAL ASSETS		3,561,474	2,432,938
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	275,400	172,125
Reserves	17	936,444	739,004
		1,211,844	911,129
NON-CURRENT LIABILITIES			
Long-term financings	18	460,000	418,750
CURRENT LIABILITIES			
Trade and other payables	19	577,535	95,167
Accrued mark-up		42,775	53,974
Short-term borrowings	20	1,210,570	916,418
Current maturity of long-term financings	18	58,750	37,500
		1,889,630	1,103,059
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		3,561,474	2,432,938

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Profit and Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees '000)	
Turnover - net	22	4,129,334	3,256,878
Cost of sales	23	(3,692,801)	(2,978,650)
Gross profit		436,533	278,228
Distribution costs	24	(54,865)	(39,401)
Administrative expenses	25	(31,646)	(24,959)
Other operating expenses	26	(22,063)	(9,984)
		(108,574)	(74,344)
Other operating income	27	4,389	4,260
Operating profit		332,348	208,144
Finance costs	28	(156,953)	(154,653)
Profit before taxation		175,395	53,491
Taxation			
Current		(21,294)	(32,681)
Deferred		(35,532)	50,721
	29	(56,826)	18,040
Profit for the year		118,569	71,531
			(Restated)
Earnings per share - basic and diluted	30	Rs. 5.42	Rs. 3.39

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Statement of Comprehensive Income

for the year ended June 30, 2013

	2013	2012
	(Rupees '000)	
Profit for the year	118,569	71,531
Other comprehensive income		
Unrealized gain on available-for-sale securities	6,321	4,562
Total comprehensive income for the year	124,890	76,093

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Cash Flow Statement

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		175,395	53,491
Adjustments for:			
Depreciation	4.1.3	65,332	52,152
Amortization	5.1	916	784
Gain on disposal of operating property, plant and equipment	27	(336)	(1,033)
Dividend income		(664)	-
Exchange loss	26	7,711	5,007
Finance costs	28	156,953	154,653
		229,912	211,563
		405,307	265,054
Increase in current assets:			
Stores, spare parts and loose tools		(16,215)	(19,395)
Stock-in-trade		(399,768)	106,798
Trade debts		(203,743)	(161,940)
Loans and advances		(3,237)	3,373
Trade deposits and short-term prepayments		(4,166)	(966)
Other receivables		(5,748)	(5,753)
		(632,877)	(77,883)
Increase / (decrease) in current liabilities:			
Trade and other payables		482,150	(20,849)
Cash generated from operations		254,580	166,322
Net income tax paid		(164,833)	(20,340)
Net cash generated from operating activities		89,747	145,982
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(190,294)	(644,024)
Capital work in progress		(268,969)	101,466
Proceeds from sale of operating property, plant and equipment		1,015	1,826
Intangible asset acquired	5	-	(1,932)
Dividend received		664	-
Long-term loans		98	202
Long-term deposits		-	(8,657)
Net cash used in investing activities		(457,486)	(551,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		62,500	362,500
Dividend paid		(25,601)	(42,800)
Shares issued at premium		201,644	-
Short-term borrowings		294,152	247,767
Finance costs paid		(175,863)	(139,653)
Net cash generated from financing activities		356,832	427,814
Net (decrease) / increase in cash and cash equivalents		(10,907)	22,677
Cash and cash equivalents as at the beginning of the year		31,447	8,770
Cash and cash equivalents as at the end of the year	15	20,540	31,447

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Statement of Changes in Equity
for the year ended June 30, 2013

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	RESERVES						TOTAL
		Capital Reserve	Revenue Reserves			Unrealized (loss) / gain on available-for-sale securities	Total reserves	
		Share Premium	General Reserve	Unappro-priated profit	Sub-total			
	(Rupees '000)							
Balance as at July 01, 2011	**172,125**	**184,805**	**180,000**	**343,243**	**523,243**	**(2,106)**	**705,942**	**878,067**
Cash dividend for the year ended June 30, 2011 @ Rs. 2.5/- per share	-	-	-	(43,031)	(43,031)	-	(43,031)	(43,031)
Profit for the year	-	-	-	71,531	71,531	-	71,531	71,531
Other comprehensive income	-	-	-	-	-	4,562	4,562	4,562
Total comprehensive income	-	-	-	71,531	71,531	4,562	76,093	76,093
Balance as at June 30, 2012	172,125	184,805	180,000	371,743	551,743	2,456	739,004	911,129
Balance as at July 01, 2012	172,125	184,805	180,000	371,743	551,743	2,456	739,004	911,129
Cash dividend for the year ended June 30, 2012 @ Rs. 1.5/- per share	-	-	-	(25,819)	(25,819)	-	(25,819)	(25,819)
Issue of right shares	103,275	103,275	-	-	-	-	103,275	206,550
Right shares issue expenses	-	(4,906)	-	-	-	-	(4,906)	(4,906)
Profit for the year	-	-	-	118,569	118,569	-	118,569	118,569
Other comprehensive income	-	-	-	-	-	6,321	6,321	6,321
Total comprehensive income	-	-	-	118,569	118,569	6,321	124,890	124,890
Balance as at June 30, 2013	275,400	283,174	180,000	464,493	644,493	8,777	936,444	1,211,844

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Notes to the Financial Statements
for the year ended June 30, 2013

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company is listed on Karachi and Lahore Stock Exchanges.

The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for available-for-sale securities that have been measured at fair value in accordance with IAS 39; Financial Instruments: Recognition and Measurement.

2.3 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1	–	Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
IAS 12	–	Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

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

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

Standards or interpretation			Effective date (accounting periods beginning on or after)
IFRS 7	–	Financial Instruments: Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19	–	Employee Benefits – (Revised)	01 January 2013
IAS 32	–	Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IFRIC 20	–	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits'. Such amendments range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Company is currently assessing the full impact of the above amendments which are effective from annual periods beginning on or after 01 January 2013, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses (refer to note 3.12 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

2.5 Significant accounting judgments, estimates and assumptions

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

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

2.5.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 19.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets, future salary increases and mortality rates.

2.5.2 Property, plant and equipment and intangible asset

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

2.5.3 Taxation

Current

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

Deferred tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except leasehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Leasehold land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method except for computers, which are depreciated by using the straight-line method, at the rates mentioned in note 4.1.1 to the financial statements.

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

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

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

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

3.2 Intangible assets

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

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

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

3.3 Investments

Available-for-sale securities

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

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

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

3.4 Stores, spare parts and loose tools

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

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

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

3.5 Stock-in-trade

3.5.1 Raw materials

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

Cost signifies purchase cost and other direct expenses.

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

3.5.2 Finished goods

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

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

3.6 Trade debts

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

3.7 Trade and other payables

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

3.8 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.9 Foreign currency translations

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

3.10 Cash and cash equivalents

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

3.11 Revenue recognition

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

3.11.1 Sale of goods

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

3.11.2 Other operating income

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

- Other revenues are accounted for on accrual basis.

3.12 Staff retirement benefits

3.12.1 Gratuity scheme

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

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the higher of defined benefit obligation and the fair value of plan assets as of the end of previous reporting period. These gains or losses are recognized over the expected remaining working lives of employees participating in the scheme.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If benefits have already vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

3.12.2 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.

3.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 Taxation

3.14.1 Current

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

3.14.2 Deferred

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

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

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

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

3.14.3 Sales tax

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

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

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

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

3.15 Offsetting of financial assets and liabilities

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

3.16 Borrowing costs

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

3.17 Impairment

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

3.18 Related party transactions

Transactions with related parties are carried out on commercial terms, as approved by the Board, substantiated as given in note 33 to the financial statements.

3.19 Dividend and appropriation to reserves

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

3.20 Functional and presentation currency

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees '000)	
Operating property, plant and equipment	4.1	1,065,150	940,867
Capital work-in-progress	4.2	271,315	2,346
		1,336,465	943,213

4.1 Operating property, plant and equipment

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

2013 Description	COST				DEPRECIATION				Book value as at June 30, 2013	Depreciation rate % per annum
	As at July 01, 2012	Additions during the year	Disposals during the year	As at June 30, 2013	As at July 01, 2012	Adjustment on disposal	For the year	As at June 30, 2013		
	(Rupees '000)									
Leasehold land	4,928	11,503	-	16,431	-	-	-	-	16,431	-
Building on leasehold land	118,393	49,089	-	167,482	30,985	-	9,061	40,046	127,436	5-10
Plant and machinery	955,454	112,115	-	1,067,569	185,440	-	45,302	230,742	836,827	5-7.5
Power and other installations	30,705	12,572	-	43,277	2,615	-	3,118	5,733	37,544	10
Furniture and fittings	6,748	384	-	7,132	2,246	-	431	2,677	4,455	5-10
Vehicles	34,737	2,107	(1,086)	35,758	15,549	(407)	4,022	19,164	16,594	20
Equipment	32,403	2,032	-	34,435	6,882	-	2,624	9,506	24,929	10
Computers	4,980	492	-	5,472	3,764	-	774	4,538	934	33.33
	1,188,348	190,294	(1,086)	1,377,556	247,481	(407)	65,332	312,406	1,065,150	

2012 Description	COST				DEPRECIATION				Book value as at June 30, 2012	Depreciation rate % per annum
	As at July 01, 2011	Additions during the year	Disposals during the year	As at June 30, 2012	As at July 01, 2011	Adjustment on disposal	For the year	As at June 30, 2012		
	(Rupees '000)									
Leasehold land	4,928	-	-	4,928	-	-	-	-	4,928	-
Building on leasehold land	71,007	47,386	-	118,393	24,201	-	6,784	30,985	87,408	5-10
Plant and machinery	418,608	536,846	-	955,454	149,606	-	35,834	185,440	770,014	5-7.5
Power and other installations	1,093	29,612	-	30,705	733	-	1,882	2,615	28,090	10
Furniture and fittings	4,898	1,850	-	6,748	1,905	-	341	2,246	4,502	5-10
Vehicles	31,694	6,031	(2,988)	34,737	13,333	(2,195)	4,411	15,549	19,188	20
Equipment	10,995	21,408	-	32,403	4,794	-	2,088	6,882	25,521	10
Computers	4,089	891	-	4,980	2,952	-	812	3,764	1,216	33.33
	547,312	644,024	(2,988)	1,188,348	197,524	(2,195)	52,152	247,481	940,867	

4.1.2 Reconciliation of book value:

	Note	2013	2012
		(Rupees '000)	
Book value as at the beginning of the year		940,867	349,788
Additions during the year		190,294	644,024
Depreciation for the year		(65,332)	(52,152)
Disposals during the year at book value		(679)	(793)
Book value as at the end of the year		1,065,150	940,867

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

	Note	2013	2012
Cost of sales	23	63,886	50,458
Distribution costs	24	762	843
Administrative expenses	25	684	851
		65,332	52,152

4.1.4 During the year borrowing cost has been capitalized amounting to Rs. 0.69 million (2012: Rs. 20.46 million) by using capitalization rate of 10.12% (2012: 14.71%).

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

Description	Reg. No.	Cost	Book value	Sales proceeds	Gain (Note 27)	Mode of disposal	Particulars of buyer
		(Rupees '000)					
Vehicle							
Suzuki Swift	SG-371	1,086	679	1,015	336	Tender	Mr. Syed Ahsan Raza (Islamabad) - Outside party
	2013	1,086	679	1,015	336		
	2012	2,988	793	1,826	1,033		

4.2 Movement of capital work-in-progress

	Civil works	Power and other installations	Plant and machinery	Factory equipment	Total
	(Rupees '000)				
Balance as at June 30, 2011	15,902	11,840	76,070	-	103,812
Capital expenditure incurred / advances made during the year	33,092	18,510	460,776	-	512,378
Transferred to operating property, plant and equipment	(47,386)	(29,612)	(536,846)	-	(613,844)
Balance as at June 30, 2012	1,608	738	-	-	2,346
Capital expenditure incurred / advances made during the year	48,321	11,834	381,654	936	442,745
Transferred to operating property, plant and equipment	(49,089)	(12,572)	(112,115)	-	(173,776)
Balance as at June 30, 2013	840	-	269,539	936	271,315

5. INTANGIBLE ASSET

Description	Cost				Amortisation				Book value as at June 30,	Amortisation 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 disposal	For the year	As at June 30,		
	(Rupees '000)									
2013 ERP System	9,161	-	-	9,161	1,638	-	916	2,554	6,607	10
2012 ERP System	7,229	1,932	-	9,161	854	-	784	1,638	7,523	10

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

	Note	2013	2012
		(Rupees '000)	
Cost of sales	23	684	633
Administrative expenses	25	232	151
		916	784

6. LONG-TERM INVESTMENT

Available-for-sale securities - related party			
Ordinary shares of a listed company			
Cherat Cement Company Limited			
221,239 (2012: 221,239) fully paid ordinary shares of Rs. 10/- each		12,874	6,553

7. LONG-TERM LOANS - secured, considered good

Loans to employees	7.1	333	464
Less: Due within one year shown under current portion of loans	12	83	116
		250	348

7.1 Represent car and other loans provided as per the Company's employee loan policy. These loans carry mark-up up to 15% per annum (2012: up to 15% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

8. DEFERRED TAXATION

	Note	2013	2012
		(Rupees '000)	
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating property, plant and equipment		(74,685)	(34,521)
Deferred tax asset on deductible temporary differences:			
Taxable loss	8.1	47,142	62,659
Minimum tax		88,595	68,446
		61,052	96,584

8.1 This represents unabsorbed tax loss upto tax year 2009 that is available for offset against future taxable profits of the Company in the tax year 2013, after expiry of three years exemption period.

9. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	4,954	4,445
Spare parts	43,380	27,316
Loose tools	158	516
	48,492	32,277

10. STOCK-IN-TRADE

	Note	2013	2012
		(Rupees '000)	
Raw material			
In hand		544,111	476,000
In bonded warehouse		227,274	-
In transit		278,347	150,969
		1,049,732	626,969
Work-in-process		48,892	28,167
Finished goods		70,187	115,591
Polypropylene scrap goods		2,314	630
		1,171,125	771,357

11. TRADE DEBTS - unsecured

	Note	2013	2012
Considered good	11.1	633,907	430,164
Considered doubtful		17,966	17,966
		651,873	448,130
Less: Provision for doubtful debts		17,966	17,966
		633,907	430,164

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

	2013	2012
Neither past due nor impaired	414,921	392,657
Past due but not impaired		
- Within 60 days	218,986	37,507
	633,907	430,164

12. LOANS AND ADVANCES - considered good

	Note	2013	2012
Current portion of loans due from:			
Employees	7	83	116
Advances - unsecured:			
Suppliers		3,905	822
Letters of credit		625	438
		4,530	1,260
		4,613	1,376

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2013	2012
Trade deposit - earnest money	5,110	570
Short-term prepayments		
Insurance	1,935	1,935
Rent	720	1,216
Others	704	582
	3,359	3,733
	8,469	4,303

14. OTHER RECEIVABLES

	2013	2012
Excise duty claim	169	169
Warehousing surcharge claim	517	517
Duty drawback	3,509	-
Sales tax receivable	57,561	51,496
Claim receivable	2,578	4,911
Others	60	1,553
	64,394	58,646

15. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees '000)	
With banks:			
Current accounts		18,710	29,986
Saving accounts	15.1	1,744	1,365
		20,454	31,351
Cash in hand		86	96
		20,540	31,447

15.1 Effective profit rate in respect of saving accounts is 6% per annum (2012: 6% per annum).

16. SHARE CAPITAL

16.1 Authorized capital

2013	2012		2013	2012
(Number of Shares)			(Rupees '000)	
40,000,000	22,500,000	Ordinary shares of Rs. 10/- each	400,000	225,000

16.2 Issued, subscribed and paid-up capital

		Issued fully paid in cash		
9,817,500	9,817,500	Opening balance	98,175	98,175
10,327,500	-	Issued during the year as right shares	103,275	-
20,145,000	9,817,500	Closing balance	201,450	98,175
7,395,000	7,395,000	Issued as fully paid bonus shares	73,950	73,950
27,540,000	17,212,500		275,400	172,125

16.3 During the year, the Company issued 10,327,500 ordinary shares of Rs. 10/- each as right shares at a premium of Rs. 10 /- per share in the ratio of 3:5 shares held as approved by the Board of Directors in its meeting held on February 20, 2013. These shares are also listed on Karachi and Lahore stock exchanges where the existing shares are listed and carry same characteristics as existing shares of the Company. The effect of these shares has been taken in the calculation of basic and diluted earnings per share of current and prior year.

The following is the detail of shares held by the related parties:

	2013	2012
	(Number of shares)	
Faruque (Private) Limited	2,723,512	1,175,625
Cherat Cement Company Limited	1,772,380	1,107,738
Mirpurkhas Sugar Mills Limited	1,367,380	854,613
Greaves Pakistan (Private) Limited	1,383,280	864,550

17. RESERVES

17.1 Capital reserve

Capital reserve was created due to the issuance of shares on premium.

This includes premium of Rs. 10/- per share received on the issuance of 10,327,500 ordinary shares as right shares, during the year, net of issuance expenses of Rs. 4.91 million.

17.2 Unrealized gain / (loss) on available-for-sale securities

This reserve records the fair value changes on available-for-sale financial assets as required under the relevant accounting standard.

18. LONG-TERM FINANCINGS - secured

	Note	2013	2012
		(Rupees '000)	
From banking companies			
Long-term loan			
Term Loan-I	18.1	18,750	56,250
Term Loan-II	18.2	400,000	400,000
Term Loan-III - Tranch I	18.3	100,000	-
		518,750	456,250
Less: Current maturity		(58,750)	(37,500)
		460,000	418,750

18.1 This represents a long-term loan obtained from a commercial bank for the import of "Tuber and Bottomer", carrying mark-up at the rate of 6 months KIBOR plus 0.5% per annum. The loan is repayable in 8 equal semi-annual installments commenced after 18 months from drawdown of the facility i.e., April 2010. The loan is secured by way of first pari-passu hypothecation charge of Rs. 200 million over plant and machinery imported by the Company.

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

18.3 This represents a long term loan obtained from a commercial bank for the import of Polypropylene Plant amounting to Rs. 300 million out of which Rs. 200 million remains unutilized at the year end. The loan carries mark-up at the rate of 6 months KIBOR plus 0.6% per annum. The loan is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown of the facility i.e., from December 2015. The loan is secured by way of first pari-passu hypothecation charge of Rs. 400 million over all present and future plant and machinery of the Company.

19. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees '000)	
Creditors		35,845	11,113
Bills payable		498,584	61,130
Accrued liabilities		27,141	14,236
Unclaimed and unpaid dividends		1,608	1,390
Payable to gratuity fund	19.1	2,377	3,006
Payable to provident fund	19.2	685	-
Workers' Profits Participation Fund	19.3	9,366	2,815
Workers' Welfare Fund		1,141	-
Retention money		788	1,477
		577,535	95,167

19.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 3.12.1, 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, 2013.

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

Staff gratuity fund liability:

	2013	2012
	(Rupees '000)	
Present value of defined benefit obligation	32,361	24,934
Fair value of plan assets	(25,711)	(16,839)
Unrecognized actuarial losses	(4,273)	(5,089)
Liability recognized in the balance sheet	2,377	3,006
Amounts charged to profit and loss account:		
Current service cost	1,437	813
Interest cost	3,117	2,926
Expected return on plan assets	(2,299)	(2,437)
Actuarial losses recognized	216	558
	2,471	1,860
Movement in the balance recognized in the balance sheet:		
Balance as at July 01	3,006	2,146
Net charge for the year	2,471	1,860
Contribution to the fund	(3,100)	(1,000)
Balance as at June 30	2,377	3,006
Movement in the present value of defined benefit obligation:		
Balance as at July 01	24,934	21,307
Current service cost	1,437	813
Interest cost	3,117	2,926
Benefits paid during the year	-	(541)
Actuarial losses	2,873	429
Balance as at June 30	32,361	24,934
Movement in the fair value of plan assets:		
Balance as at July 01	16,839	13,125
Expected return	2,299	2,437
Contributions	3,100	1,000
Benefits paid during the year	-	(541)
Actuarial gain	3,473	818
Balance as at June 30	25,711	16,839
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	9.5%	10.5%
Valuation discount rate	11.5%	12.5%
Rate of return on plan assets	12.5%	12.5%

Comparisons for past years:

As at June 30	2013	2012	2011	2010	2009
	(Rupees '000)				
Present value of defined benefit obligation	32,361	24,934	21,307	19,157	13,317
Fair value of plan assets	(25,711)	(16,839)	(13,125)	(11,643)	(10,358)
Deficit	6,650	8,095	8,182	7,514	2,959
Experience adjustment on plan liabilities	2,873	429	292	3,109	442
Experience adjustment on plan assets	(3,473)	(818)	284	1,018	576
	(600)	(389)	576	4,127	1,018

Composition of plan assets are as follows:

	2013	2012
	(Rupees '000)	
Special Saving Certificates and Term Finance Certificates	2,996	1,409
Mutual Funds / Shares	22,478	13,065
Amount in banks	237	2,365
	25,711	16,839

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

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year 2013 was Rs. 5.77 million (2012: Rs. 3.25 million).

19.2 Provident Fund

	2013	2012
	(Rupees '000)	
Size of the trust	60,113	45,134
Cost of investments made	48,704	29,885
Fair value of investments	58,740	36,782

	2013	2012
	(Percentage)	
Percentage of investment made	97.95	98.11

The major categories of investment as a percentage of total assets of provident fund are as follows:

	2013	2012
	(Rupees '000)	
Government securities	12,003	2,985
Short-term deposits	139	7,499
Others	47,971	34,650
	60,113	45,134

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

19.3 Workers' Profits Participation Fund

	Note	2013	2012
		(Rupees '000)	
Balance as at July 01,		2,815	8,727
Interest thereon	28	54	37
		2,869	8,764
Payments during the year		(2,869)	(8,764)
		-	-
Charge for the year	26	9,366	2,815
		9,366	2,815

20. SHORT-TERM BORROWINGS - secured

	Note	2013	2012
Running finances utilized under mark-up arrangements	20.1 & 20.2	636,483	536,840
Money market loans	20.1 & 20.3	298,000	195,000
Foreign currency term finance		-	25,942
		934,483	757,782
Istisna'a and Murabaha	20.4	276,087	158,636
		1,210,570	916,418

20.1 These facilities are obtained from various commercial banks amounting to Rs. 1,665 million (2012: Rs. 1,465 million) out of which Rs. 730.52 million (2012: Rs. 707.22 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 2,135.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

20.2 These facilities carry mark-up of 1 month KIBOR plus 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75% (2012: 1 month KIBOR plus 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75%) per annum.

20.3 These are sub facilities of note 20.1 above and carry mark-up of 1 month KIBOR plus spread ranging from 0.7% to 0.8% (2012: 1 month KIBOR plus spread ranging from 0.7% to 0.8%) per annum.

20.4 These facilities are obtained from various commercial Islamic banks amounting to Rs. 450 million (2012: Rs. 450 million) out of which Rs. 173.91 million (2012: Rs. 291.36 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 600.33 million.

21. CONTINGENCIES AND COMMITMENTS

		2013	2012
		(Rupees '000)	
21.1	Guarantees issued by a commercial bank	2,000	2,000
21.2	Letters of credit issued by commercial banks	520,851	449,782
21.3	Duties payable on bonded stock	33,125	-

22. TURNOVER - NET

	2013	2012
Local sales	4,660,524	3,778,641
Less: Sales tax	645,681	521,763
	4,014,843	3,256,878
Export sales	114,491	-
	4,129,334	3,256,878

23. COST OF SALES

	Note	2013	2012
		(Rupees '000)	
Raw material consumed			
Opening stock		476,000	387,178
Purchases		3,401,836	2,925,256
		3,877,836	3,312,434
Closing stock		(544,111)	(476,000)
		3,333,725	2,836,434
Duty drawback on export		(3,800)	-
		3,329,925	2,836,434
Manufacturing overheads			
Salaries, wages and benefits	23.1	127,370	79,413
Stores, spare parts and loose tools consumed		19,893	15,472
Fuel and power		62,072	32,008
Packing charges		41,449	28,101
Rent, rates and taxes		287	171
Repairs and maintenance		4,964	456
Depreciation	4.1.3	63,886	50,458
Amortization	5.1	684	633
Insurance		17,413	17,410
General office expenses		36	96
Vehicle running expenses		4,181	3,035
Travelling and conveyance		2,218	1,668
Communication expenses		1,699	1,407
Printing and stationery		273	339
Legal and professional charges		3,496	2,131
Freight and cartage		800	729
Subscription		328	138
Stores and spares parts - written off		50	94
Others		1,191	466
		352,290	234,225
		3,682,215	3,070,659
Work-in-process			
Opening stock		28,167	-
Closing stock		(48,892)	(28,167)
		(20,725)	(28,167)
Polypropylene scrap goods			
Opening stock		630	-
Closing stock		(2,314)	(630)
Sales		(12,409)	(8,033)
		(14,093)	(8,663)
Cost of goods manufactured		3,647,397	3,033,829
Finished goods			
Opening stock		115,591	60,412
Closing stock		(70,187)	(115,591)
		45,404	(55,179)
		3,692,801	2,978,650

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.28 million and Rs. 2.11 million, respectively (2012: Rs. 2.22 million and Rs. 0.91 million, respectively)

24. DISTRIBUTION COSTS

	Note	2013	2012
		(Rupees '000)	
Salaries and benefits	24.1	11,416	12,664
Travelling and conveyance		3,374	1,503
Vehicle running expenses		874	864
Repair and maintenance		47	5
Communication expenses		322	131
Rent, rates and taxes		35	27
Insurance		1,169	1,076
Printing and stationery		937	743
Depreciation	4.1.3	762	843
Freight and cartage		33,876	21,257
Export expenses		1,872	51
Others		181	237
		54,865	39,401

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.17 million and Rs. 0.05 million, respectively (2012: Rs. 0.14 million and Rs. 0.48 million respectively)

25. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries and benefits	25.1	17,907	13,165
Directors' fee		800	600
Travelling and conveyance		813	540
Vehicle running expenses		802	710
Communication expenses		2,841	1,883
Printing and stationery		1,092	876
Rent, rates and taxes		1,541	1,046
Legal and professional charges		1,721	1,410
Insurance		941	848
Subscription		976	1,213
Advertisement		379	412
Depreciation	4.1.3	684	851
Amortization	5.1	232	151
Repairs and maintenance		572	821
General office expenses		147	270
Utilities		170	161
Others		28	2
		31,646	24,959

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.42 million and Rs. 0.31 million, respectively (2012: Rs. 0.33 million and Rs. 0.47 million, respectively).

26. OTHER OPERATING EXPENSES

	Note	2013	2012
Auditors' remuneration	26.1	1,326	1,416
Donations	26.2	81	746
Workers' Profits Participation Fund	19.3	9,366	2,815
Workers' Welfare Fund		3,579	-
Exchange loss		7,711	5,007
		22,063	9,984

26.1 Auditors' remuneration

	Note	2013	2012
		(Rupees '000)	
Audit fee		500	440
Half yearly review and CCG certification		240	211
Tax and other corporate services		502	635
Out of pocket expenses		84	130
		1,326	1,416

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

27. OTHER OPERATING INCOME

	Note	2013	2012
Income from financial assets			
Return on saving accounts		209	28
Dividend income		664	-
		873	28
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.5	336	1,033
Scrap sales		3,180	3,199
		4,389	4,260

28. FINANCE COSTS

	Note	2013	2012
Mark-up on:			
Long-term financings	28.1	50,995	38,971
Short-term borrowings	28.1	105,058	115,316
		156,053	154,287
Others:			
Guarantee commission		40	16
Bank charges and duties		806	313
Interest on Workers' Profits Participation Fund	19.3	54	37
		156,953	154,653

28.1 Last year, the Company was availing the subsidized mark up facility under the State Bank of Pakistan's scheme for companies operating in the affected areas of Khyber Pakhtunkhwa province. The said scheme expired on December 31, 2011.

29. TAXATION

29.1 The assessments of the Company for and upto the tax year 2012 have been completed or deemed to be assessed.

29.2 The income of the Company was exempted from income tax for the tax years 2010, 2011 and 2012 under clause 126F of Part I of Second Schedule to the Income Tax Ordinance, 2001. For the current year this exemption was no more available. However, in view of tax losses, provision for current taxation is based on 0.5% of turnover u/s 113 of the Income Tax Ordinance, 2001. Income subject to final tax regime has been taxed accordingly.

29.3 Since the Company is liable to pay minimum tax only, therefore, no numerical tax reconciliation is given.

30. EARNINGS PER SHARE

	Note	2013	2012
Profit after taxation (Rupees '000)		118,569	71,531
Weighted average number of ordinary shares in issue		21,892,127	21,097,895
			(Restated)
Basic earnings per share	30.1	Rs. 5.42	Rs. 3.39

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

31.1 Market risk

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

Financial instruments affected by market risk include long-term investment (available-for-sale), long-term financing and short-term borrowings.

31.1.1 Interest rate risk

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

To manage this risk, the Company may enter into interest rate swap arrangements in which the Company agrees to exchange, at specified intervals, the difference between the fixed and floating rate interest amount calculated by reference to an agreed-upon notional principal amount.

Sensitivity Analysis:

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

	Increase / decrease in basis points	Effect on profit before tax (Rupees '000)
2013		
KIBOR	+200	(34,586)
KIBOR	-200	34,586

31.1.2 Foreign currency risk

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

	2013	2012
	('000)	
Foreign currency term finance - Euro	-	219
Bills payable - Euro	3,106	304
US Dollar	992	271

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

	(Rupees)	
Exchange rates - Euro	129.11	118.50
US Dollar	98.80	94.20

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

Sensitivity analysis:

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

	Change in Euro rate	Effect of translation of foreign currency liabilities on profit or (loss)	Effect on equity
	(%)	(Rupees '000)	
30 June 2013-Euro	+10	(40,102)	(40,102)
	-10	40,102	40,102
30 June 2013-US Dollar	+10	(9,801)	(9,801)
	-10	9,801	9,801
30 June 2012-Euro	+10	(6,198)	(6,198)
	-10	6,198	6,198
30 June 2012-US Dollar	+10	(2,553)	(2,553)
	-10	2,553	2,553

31.1.3 Equity risk

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

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 12.87 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 1.29 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity with the similar amount.

31.2 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Aging analysis of trade debts is disclosed in note 11.1 to the financial statements. The Company has a strong credit control system and the Board of Directors reviews credit position on a regular basis.

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

31.2.1 Credit quality of financial assets

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

	(Rupees '000)	
Long-term investment		
Counter party without credit rating	12,874	6,553
Trade debts		
Customers with no defaults in the past one year	633,907	430,164
Cash at bank and short-term deposits		
Current accounts - A1+	18,710	29,986
Saving accounts - A1+	1,744	1,365
	20,454	31,351

31.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 1,104.43 million (2012: Rs. 998.58 million).

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

	2013					2012				
	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 '000)					(Rupees '000)				
Long-term financing	58,750	460,000	518,750	-	518,750	37,500	418,750	456,250	-	456,250
Trade and other payables	-	-	-	567,028	567,028	-	-	-	92,352	92,352
Accrued mark-up	-	-	-	42,775	42,775	-	-	-	53,974	53,974
Short-term borrowings	1,210,570	-	1,210,570	-	1,210,570	916,418	-	916,418	-	916,418
	1,269,320	**460,000**	**1,729,320**	**609,803**	**2,339,123**	**953,918**	**418,750**	**1,372,668**	**146,326**	**1,518,994**

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

31.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2013.

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, 2013 and 2012 were as follows:

	2013	2012
	(Rupees '000)	
Long-term financings including current portion	518,750	456,250
Accrued mark-up	42,775	53,974
Short-term borrowings	1,210,570	916,418
Total debt	1,772,095	1,426,642
Cash and cash equivalents	(20,540)	(31,447)
Net debt	1,751,555	1,395,195
Share capital	275,400	172,125
Reserves	936,444	739,004
Total capital	1,211,844	911,129
Capital and net debt	2,963,399	2,306,324
Gearing ratio	59.11%	60.49%

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

31.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

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

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

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

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

As at 30 June 2013, the Company has only available-for-sale securities measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2013		2012	
	Director	Executives / Key Employees	Director	Executives / Key Employees
	(Rupees '000)			
Managerial remuneration	2,682	27,059	4,064	21,875
Housing allowance	1,207	8,922	1,829	6,815
Retirement benefits	-	3,308	-	2,530
Utilities	268	1,939	407	1,490
Leave fare	-	1,198	-	1,263
	4,157	42,426	6,300	33,973
Number	1	17	1	12

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

32.2 The aggregate amount paid to the Directors as a fee for attending the Board of Directors' meetings amount to Rs. 0.80 million (2012: Rs. 0.60 million).

33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of a director and executives and other transactions are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

		2013	2012
		(Rupees '000)	
Relationship	**Nature of transactions**		
Group companies	Sale of goods	430,111	486,693
	Purchase of goods	7,204	4,434
	Purchase of operating property, plant and equipment	-	10,440
	Services received	22,518	16,526
	Software consultancy charges	4,763	2,952
	Dividends paid	6,004	10,696
	Dividends received	664	-
	Subscription received against issuance of right shares	64,880	-
Other related parties	Insurance premium	7,661	6,688

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

34. NUMBER OF EMPLOYEES

Total number of persons employed as at the year end were 68 (2012: 63) and average number of employees during the year were 65 (2012: 60).

35. CAPACITY

	2013	2012
	(Bags in '000)	
Annual installed capacity as of June 30,	370,000	330,000
Actual production for the year	213,518	174,795

Actual production is in line with the industry demand. Further, the new line of polypropylene bags started commercial production from June 2013.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 19, 2013 by the Board of Directors of the Company.

37. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2013, the Board of Directors has proposed the following in its meeting held on August 19, 2013 for approval of the members at the Annual General Meeting:

	2013	2012
	(Rupees '000)	
Proposed final cash dividend @ Rs. 2.00 per share (2012: Rs. 1.50 per share)	55,080	25,819

38. CORRESPONDING FIGURES

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

39. GENERAL

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Pattern of Shareholding
as at June 30, 2013

No. of Shareholders	Shareholding From		Shareholding To	Shares held
170	1	to	100	5,205
253	101	to	500	83,365
210	501	to	1000	176,204
449	1001	to	5000	1,217,536
133	5001	to	10000	1,063,549
64	10001	to	15000	798,662
34	15001	to	20000	602,768
27	20001	to	25000	638,312
9	25001	to	30000	253,143
8	30001	to	35000	267,810
8	35001	to	40000	305,399
1	40001	to	45000	41,659
10	45001	to	50000	475,434
3	50001	to	55000	152,522
2	55001	to	60000	118,844
6	60001	to	65000	372,173
2	70001	to	75000	148,600
2	75001	to	80000	160,000
8	80001	to	85000	671,197
3	85001	to	90000	266,068
1	90001	to	95000	91,500
1	95001	to	100000	96,000
1	110001	to	115000	112,000
1	115001	to	120000	117,553
4	120001	to	125000	495,096
1	130001	to	135000	131,510
2	135001	to	140000	273,517
1	140001	to	145000	140,400
1	155001	to	160000	160,000
1	180001	to	185000	184,004
2	190001	to	195000	383,254
1	205001	to	210000	209,912
2	220001	to	225000	446,360
1	225001	to	230000	227,500
1	230001	to	235000	234,859
1	235001	to	240000	237,577
1	250001	to	255000	251,998
1	305001	to	310000	305,444
1	315001	to	320000	316,460
1	405001	to	410000	405,500
1	440001	to	445000	444,814
1	475001	to	480000	478,948
1	585001	to	590000	589,000
1	635001	to	640000	636,128
1	695001	to	700000	700,000
1	970001	to	975000	975,000
1	1295001	to	1300000	1,296,000
1	1365001	to	1370000	1,367,380
1	1380001	to	1385000	1,383,280
1	1770001	to	1775000	1,772,380
1	2530001	to	2535000	2,534,664
1	2720001	to	2725000	2,723,512
1440				27,540,000

Categories of Shareholders
as at June 30, 2013

Shareholders' Category	No. of Shareholders	Shares held
Directors, Chief Executive Office, their spouse(s) and minor children		
Mr. Mohammed Faruque	1	1
Mr. Amer Faruque	1	135,124
Mrs. Amina Faruque W/o Mr. Amer Faruque	1	209,912
Mr. Mahmood Faruque	1	1
Mrs. Chaman Faruque W/o Mr.Mahmood Faruque	1	184,004
Mr. Akbarali Pesnani	1	73,600
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	1	8,000
Mr. Aslam Faruque	1	237,577
Mr. Shehryar Faruque	1	192,828
Mr. Arif Faruque	1	444,814
Mr. Tariq Faruque	1	316,460
Mr. Abrar Hasan	1	2,400
Associated companies, undertakings and related parties		
Faruque (Private) Limited	1	2,723,512
Cherat Cement Company Limited	1	1,772,380
Mirpurkhas Sugar Mills Limited	1	1,367,380
Greaves Pakistan (Private) Limited	1	1,383,280
Executives	3	79,500
Public Sector Companies and Corporations	2	1,041,628
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	8	3,803,219
Mutual Funds		
Golden Arrow Selected Stock Fund Limited	1	61,499
CDC - Trustee NAFA Stock Fund	1	19,992
General Public	1384	12,150,313
Others	28	1,734,492
Total	1440	27,540,000

Shareholders Holding 5% or more
as at June 30, 2013

	Shares held	Percentage
Faruque (Private) Limited	2,723,512	9.89%
Cherat Cement Company Limited	1,772,380	6.44%
Greaves Pakistan (Private) Limited	1,383,280	5.02%
Atlas Insurance Limited	2,534,664	9.20%

Proxy Form

24th Annual General Meeting 2013

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

Registered folio / participant's ID No. and A/c. No. ________________
____

Number of shares held: ____________
____

I / We ____

of ____

being a member of CHERAT PACKAGING LIMITED, hereby appoint ____________________ ____________________ of ____________________another member of the company as my/our proxy to attend & vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on Wednesday, October 30, 2013 at 11:00 a.m. and at any adjournment thereof.

Signed this ______________________ day of ______________________ 2013.

WITNESSES:

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

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

Signature

Please affix Revenue Stamp

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

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

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No. 1 of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETING AND APPOINTMENT OF PROXIES

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

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

(1) The company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulation, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies:

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall submit the proxy from as per requirement notified by the company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) in case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

sd.
(M. Javed Panni)
Chief (Coordination)

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