Opportunities

Annual Report 2014

CHERAT
PACKAGING

Cherat Packaging Limited
A Ghulam Faruque Group Company

Contents

window of opportunity

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

one window service

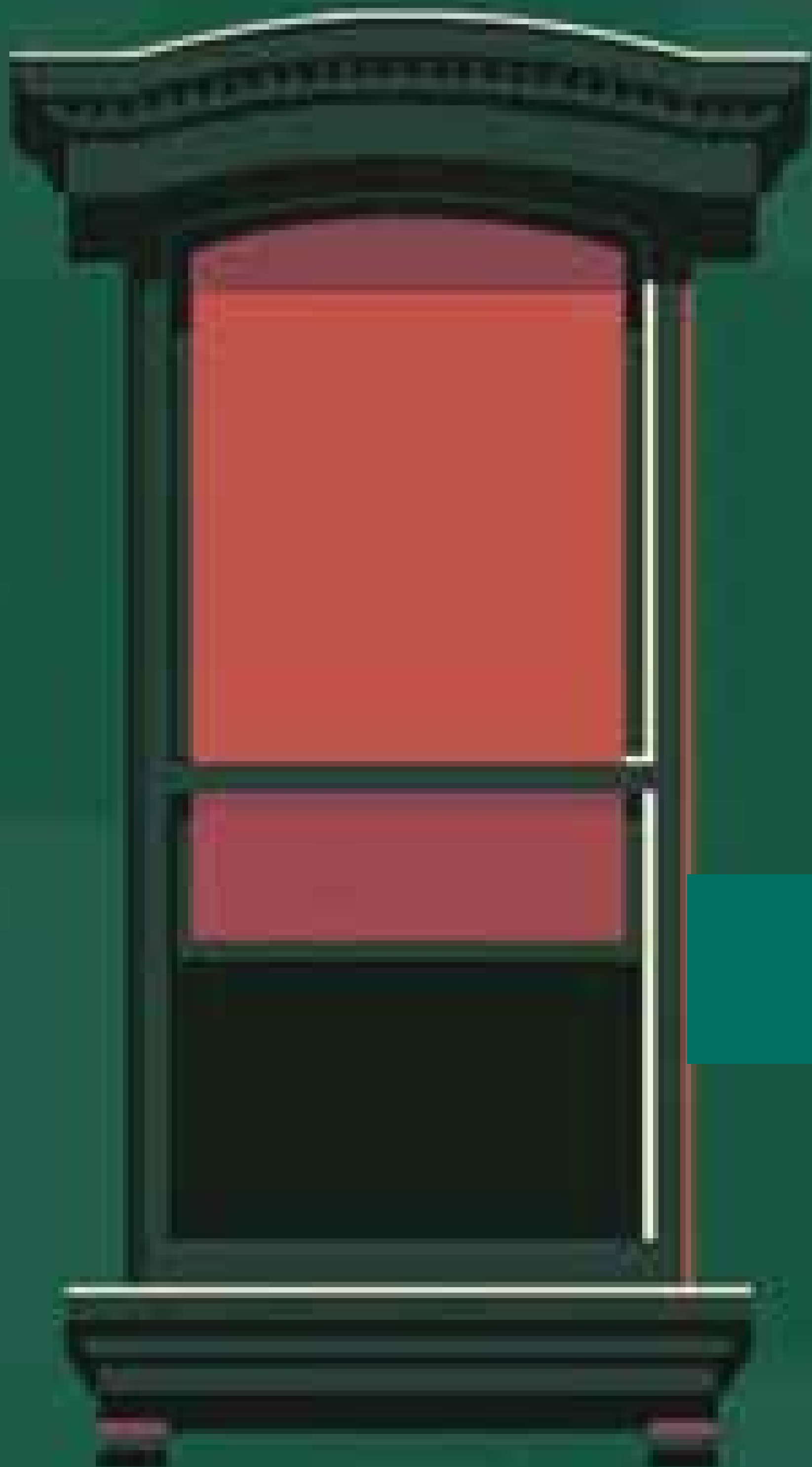
From pricing to orders and delivery, Cherat Packaging is a one window operation for our increasing portfolio of customers who use both Papersacks and Polypropylene bags. While adding to our increasing customer base of cement, sugar and other sectors, focus on nurturing existing relationships is never taken lightly. Seamless processing, quality control, and on time delivery have become our hallmark.

open to your needs

Adaptability is what makes Cherat Packaging stand apart. Our Company ethos is that there is nothing that we cannot achieve. An open mind is all it takes. We encourage our customers to state their needs and wants. Then we find a way to meet and exceed that requirement.

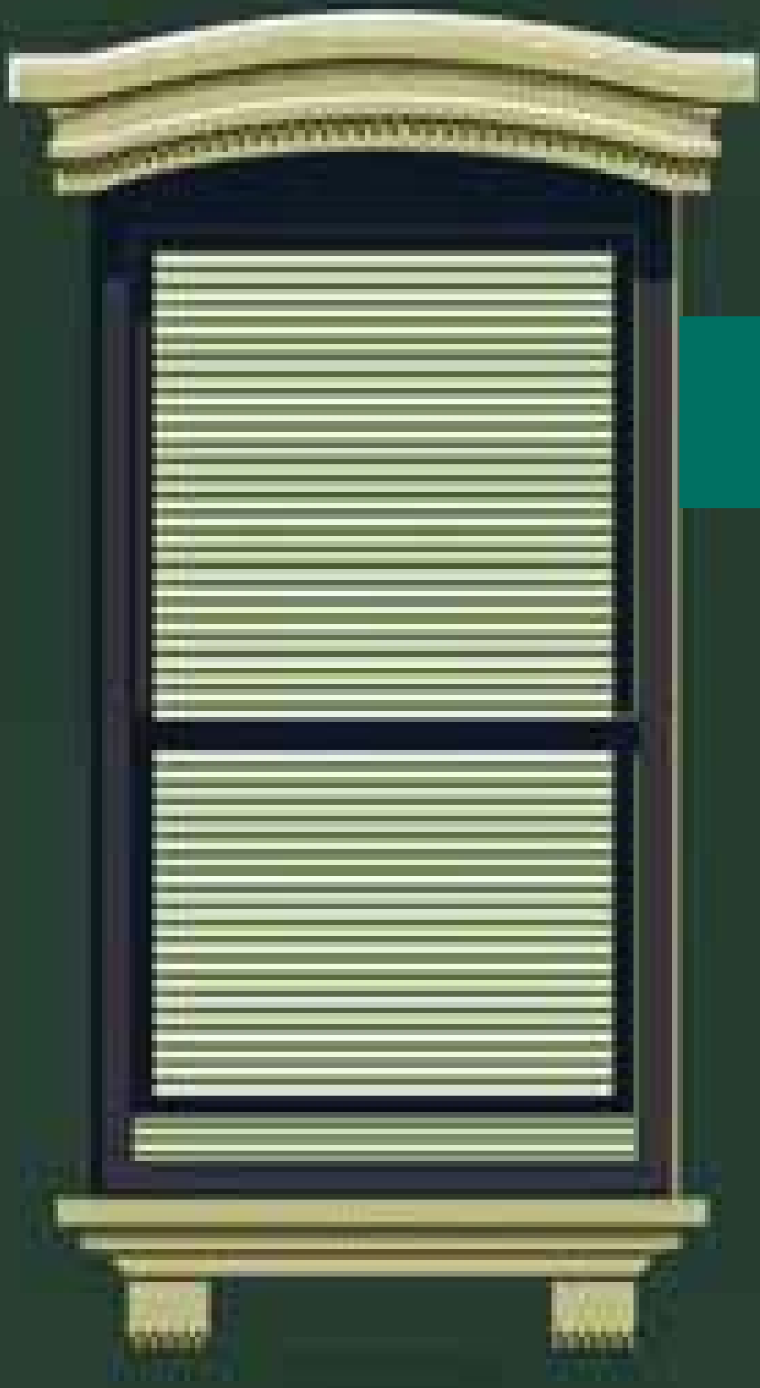
Vision

To be a preferred supplier of papersacks and polypropylene bags for the 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.



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.

Code of Conduct

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

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

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

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

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

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

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

Strategic Objectives

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

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

Core Values

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

Nature of Business

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

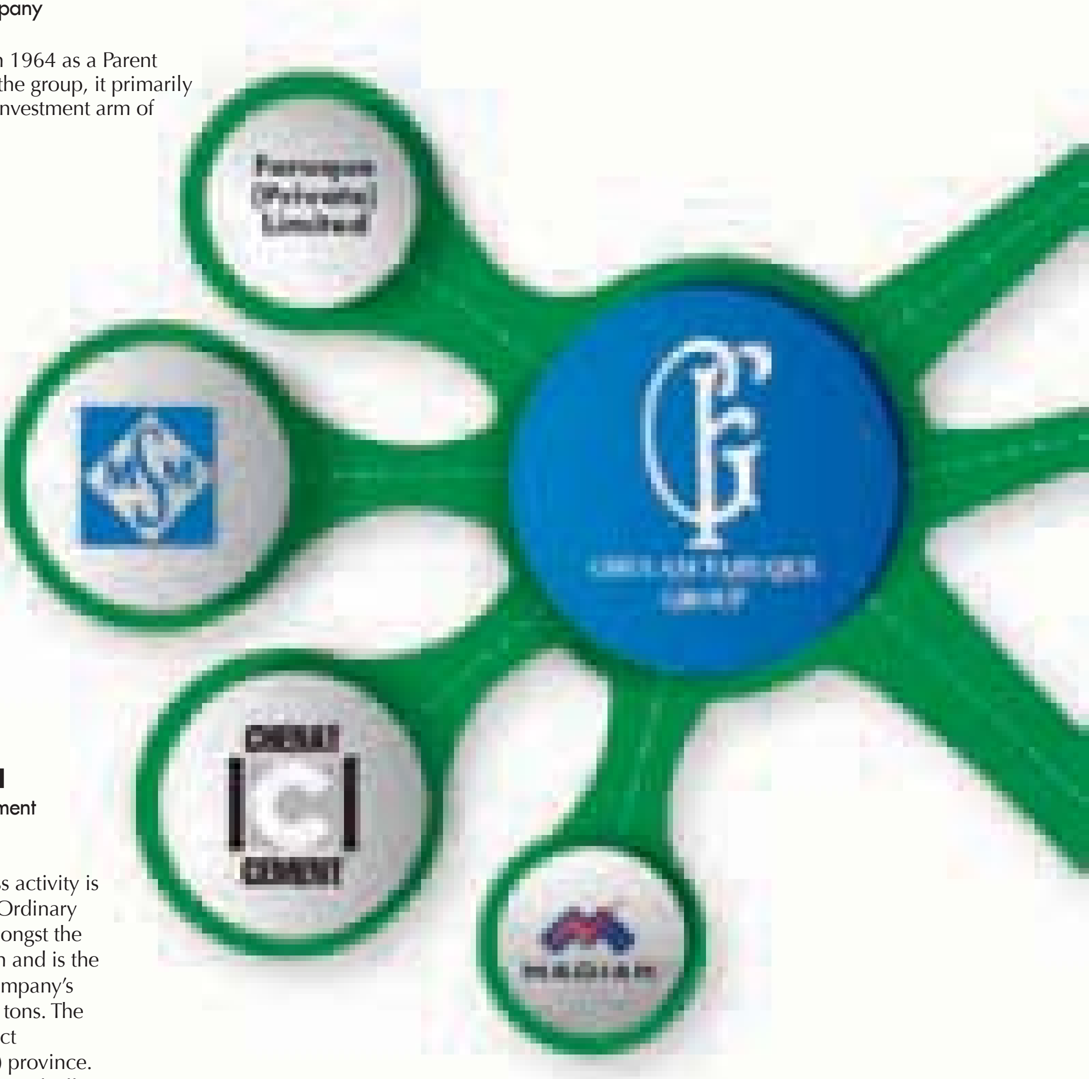
Group Structure

Introduction

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

Faruque (Pvt.) Ltd
Holding Company

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



Mirpurkhas Sugar Mills Ltd
Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 300 km from the port city of Karachi, in Mirpurkhas and is listed on the Karachi Stock Exchange. The Company has a Crushing capacity of 7,000 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its 300 acre experimental farm.

Cherat Cement Company Ltd
Manufacturer of Ordinary Portland Cement

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

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

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

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

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

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of the Group. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Engergy and v) LED.

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

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

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

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is listed as a preferred third party investor by all major petroleum companies in Pakistan and is currently operating 5 CNG facilities at retail outlets of Shell, PSO and Caltex in Karachi and Lahore.

Greaves Engineering (Pvt.) Ltd
HVAC Contractors

Unicol Ltd
Joint Venture Distillery Producing
Super Fine Ethanol

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

Company Information

Board of Directors

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

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Aslam Faruque	Chairman
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

Mr. Arif 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
Dubai Islamic Bank Pakistan Ltd
Faysal Bank Ltd
Habib Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

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

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, Sundar Das Road, Lahore

Islamabad Office
1st Floor, Razia Sharif Plaza,
Jinnah Avenue, Blue Area

Milestones
for the Financial Year

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

1996 Installed 2nd Bottomer to the production line.

1998 Acquired ISO 9001 QMS Certificate.

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

2006 Added 3rd Tuber and Bottomer to production line, making the total effective production capacity to 160 million paper bags per annum.

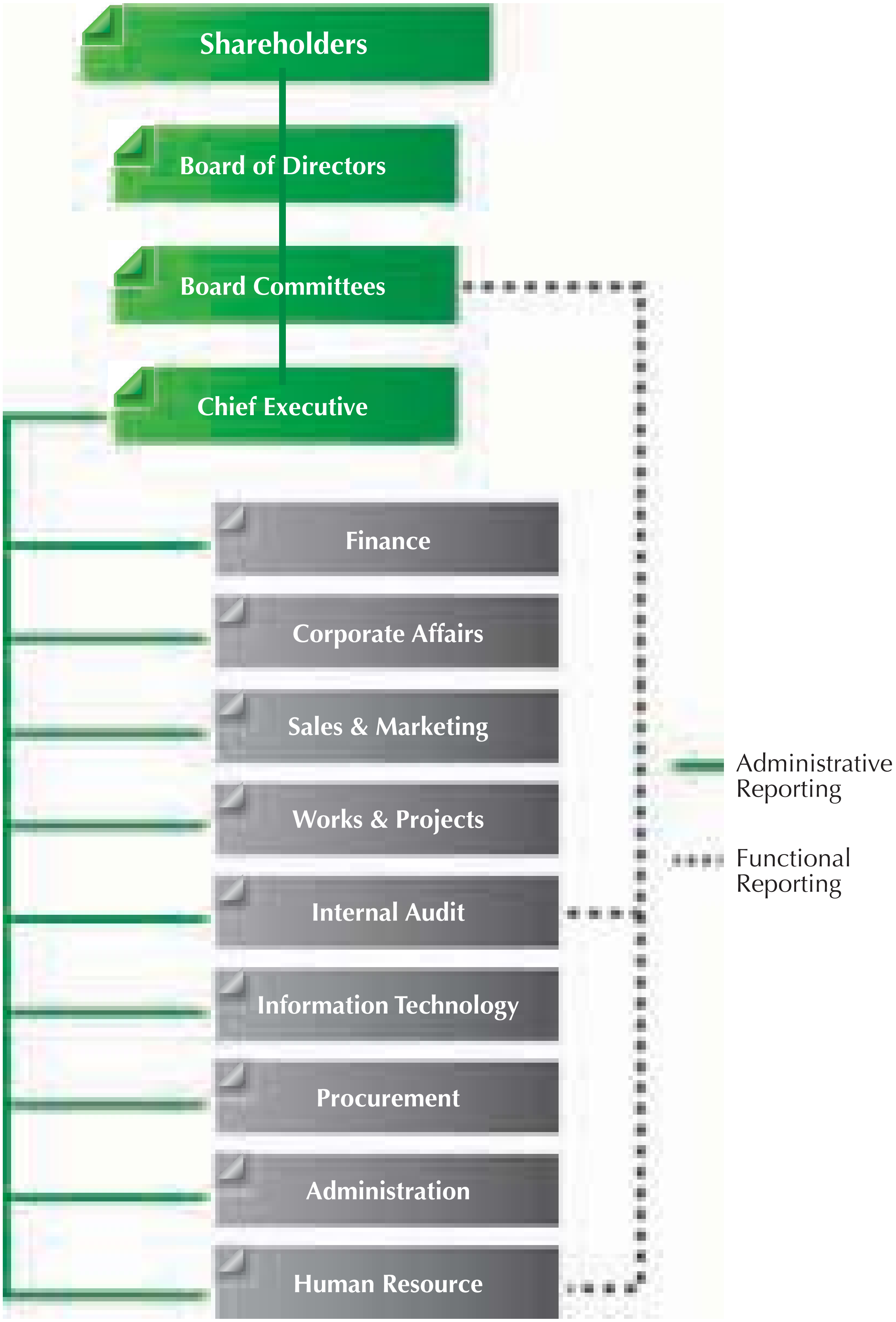
2009 Added 4th Tuber and Bottomer to production line. With this addition the total installed capacity reached 265 million paper bags per annum.

2012 Installed 1st PP Line having capacity of 65 million PP bags per annum.

2013 Installed 1st convertex of 2nd PP line increasing total capacity to 105 million PP bags per annum.

2014 Installed 2nd convertex of 2nd PP Line and increased the capacity to 145 million PP bags per annum.

Organizational Structure



Calendar of Notable Events

July 2013- June 2014

July 20	Employees Iftar Dinner at Plant
July 31	Inaugration of PP Line 2 - Phase I
August 14	Independence Day Celebration
August 18	Tree Plantation Day
September 22	Movie Night and Annual Dinner at HO
October 19	Eid Milan Party
October 30	24th Annual General Meeting
November	GFG Group Cricket Tournament at HO
December 26	Quran Khuwani and Lunch at Plant
February 28	Inaugration of Convertex 4 - PP line 2 Phase II
April 13	GFG Group Table Tennis Tournament
May 01	Labour Day Celebrations
June 30	Year End Closing

Our Locations

Geographical Presence

Notice of Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of the Company will be held on Friday, October 24, 2014 at 11:00 a.m. at the Registered Office of the Company at 1st Floor, Betani Arcade, Jamrud Road, Peshawar to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2014 and the Reports of the Directors and the Auditors thereon.

2. To consider and approve the payment of final cash dividend @ 20% (Rs. 2.00 per share) in addition to interim cash dividend @ 10% (Re. 1.00 per share) already paid to the shareholders for the financial year ended June 30, 2014 as recommended by the Board of Directors.

3. To elect eight (8) Directors of the Company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance, 1984. The name of retiring Directors are (1) Mr. Akbarali Pesnani (2) Mr. Amer Faruque (3) Mr. Aslam Faruque (4) Mr. Azam Faruque (5) Mr. Shehryar Faruque (6) Mr. Arif Faruque (7) Mr.Tariq Faruque (8) Mr. Abrar Hasan (9) Mr. Abid Naqvi.

4. To appoint the Auditors for the year 2014 - 15 and to fix their remuneration.

5. To transact any other business with the permission of the chair.

SPECIAL BUSINESS:

6. To consider and approve investment of up to Rs. 100 million in associated company namely Cherat Cement Company Limited in compliance with the provision of section 208 of the Companies Ordinance, 1984. It is, therefore, proposed that the following resolution be passed as and by way of a Special Resolution:

   "Resolved that pursuant to section 208 of the Companies Ordinance, 1984, the Board of Directors of the Company be and is hereby authorized to make an investment of up to Rs. 100 million in the equity of Cherat Cement Company Limited by way of subscription of right shares; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to the above resolution".

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

By Order of
the Board of Directors

Executive Director &
Company Secretary

Karachi: August 18, 2014

NOTES:

1. The register of members of the company will be closed from Friday, October 17, 2014 to Friday, October 24, 2014 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the office of the Registrar of the Company M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Thursday, October 16, 2014 will be treated in time for the entitlement of final cash dividend.

2. A member of the company eligible to attend and vote at the 25th 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. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Head Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.

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

5. Shareholders of the Company are requested to immediately notify any change in their addresses, to our share registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

Statement under section 160 of the Companies Ordinance, 1984

This statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the company to be held on October 24, 2014. The approval of the Members of the Company will be sought for:

INFORMATION ABOUT THE INVESTMENT

Cherat Cement Company Limited (CCCL) is a premier name in the field of cement production. CCCL produces high quality grey Portland cement in Pakistan using its modern and sophisticated production line. CCCL has an annual production capacity of 1,050 tons. It is considered one of the most efficient plants in Pakistan in view of various cost efficiency measures taken like WHR plant, Tyre Derived Fuel and most recently Refuse Derived Fuel plant.

Keeping in view the expected rise in the domestic demand for cement, CCCL has decided to install another production line at its existing site in Nowshera, Khyber Pakhtunkhwa Province. The plant will be acquired from M/s Tianjin Cement Industry Design and Research Institute Company Limited (TCDRI) and will have a production capacity of over 1,300,000 tons per annum. The new line is expected to be commissioned in 30 months time. The total cost of the project is approximately Rs. 12 billion. In order to finance this project, CCCL has announced issuance of 68% right shares on the existing paid-up capital of CCCL in the ratio of 68 shares for every 100 shares held. The right shares will be offered at an issue price of Rs. 25/- per share including a premium of Rs. 15/- per share.

By virtue of existing shareholding in CCCL the Company will be entitled to subscribe 165,486 shares. The Company will acquire additional 3,834,514 shares by subscribing any available right shares.

As required under S.R.O. 27 (I)/2012 dated January 16, 2012, the details of the investment are stated below:

(i)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;	Cherat Cement Company Limited. (CCCL) Mr. Akbarali Pesnani, Mr. Shehryar Faruque, Mr. Azam Faruque and Mr. Tariq Faruque are the directors of CCCL.
(ii)	Purpose, benefits and period of investment;	Cherat Packaging Limited (CPL) intends to make an equity investment of up to Rs.100 million by subscribing the right shares offered by CCCL. Dividend from CCCL will benefit CPL as it will enhance its Other Income, which will benefit the shareholders of the Company. This will be a long term investment by CPL.
(iii)	Maximum amount of investment;	CPL intends to make an equity investment of up to Rs 100 million by subscribing the right shares offered by CCCL.
(iv)	Maximum price at which securities will be acquired;	Rs. 25/- per share including a premium of Rs. 15/- per share.
(v)	Maximum number of securities to be acquired;	Upto 4,000,000 shares will be acquired
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	Before : 243,362 shares 0.2315% After : 4,243,362,shares 2.4024%
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Rs.68.20
(viii)	In case of investment in unlisted securities , fair market value of such securities determined in terms of regulation 6 (1)	Not applicable
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	Rs. 46.27
(x)	Earning per share of the associated company or associated undertaking for the last three years;	June 2012 : Rs. 4.15 (Restated) June 2013 : Rs.11.68 (Restated) June 2014 : Rs.12.52
(xi)	Sources of fund from which securities will be acquired;	The investment will be made by CPL from its own resources
(xii)	Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	Not applicable
(xiii)	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;	Not applicable
(xiv)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Akbarali Pesnani, Mr. Shehryar Faruque, Mr. Azam Faruque and Mr. Tariq Faruque are the directors of Cherat Cement Company Limited. However, they have no direct or indirect interest except to the extent of shareholding in the investing company.
(xv)	Any other important details necessary for the members to understand the transaction.	Nil

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

The directors submit that they have carried out necessary due diligence for the proposed transaction particularly the investment in Cherat Cement Company Limited.

The financial year 2014 has proved to be another year of milestones for the Company as it achieved its highest ever production volumes and sales revenue in it's history. During the year, the Company also successfully installed second line of Polypropylene (PP) unit, which has increased the production capacity to 145 million PP bags per annum.

CEO's Message

All this is the result of perseverance and hard work of our talented employees, strong customer focus and superiority of Cherat's brand image in packaging industry. We are confident that PP plant expansion will reap positive results for the Company and help in maximizing returns for all stakeholders.

In the backdrop of capacity expansion and competitive marketing situation, CPL has made inroads in new market segments and products. During the year, the Company successfully produced and supplied quality PP bags to the sugar industry. I believe our uncompromising commitment to core values of ethics & integrity, safety and innovation has resulted in achieving these promising results.

As the industry's premium brand and the only manufacturer offering single window packaging solutions of both papersacks and PP bags, we pride ourselves on quality assurance, customer care and efforts on energy conservation & environment protection. As we continue to translate our strengths into business success, the premium brand image and increasing capacities will help us catering to the needs of our stakeholders in a better way.

Amer Faruque
Chief Executive Officer

August 18, 2014

Directors' Profile

Mr. Akbarali Pesnani
Chairman

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

Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 36 years. Presently, he is the Chairman of Cherat Packaging Ltd, First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of Cherat Cement Company Ltd and Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 33 years.

Mr. Amer Faruque
Chief Executive

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

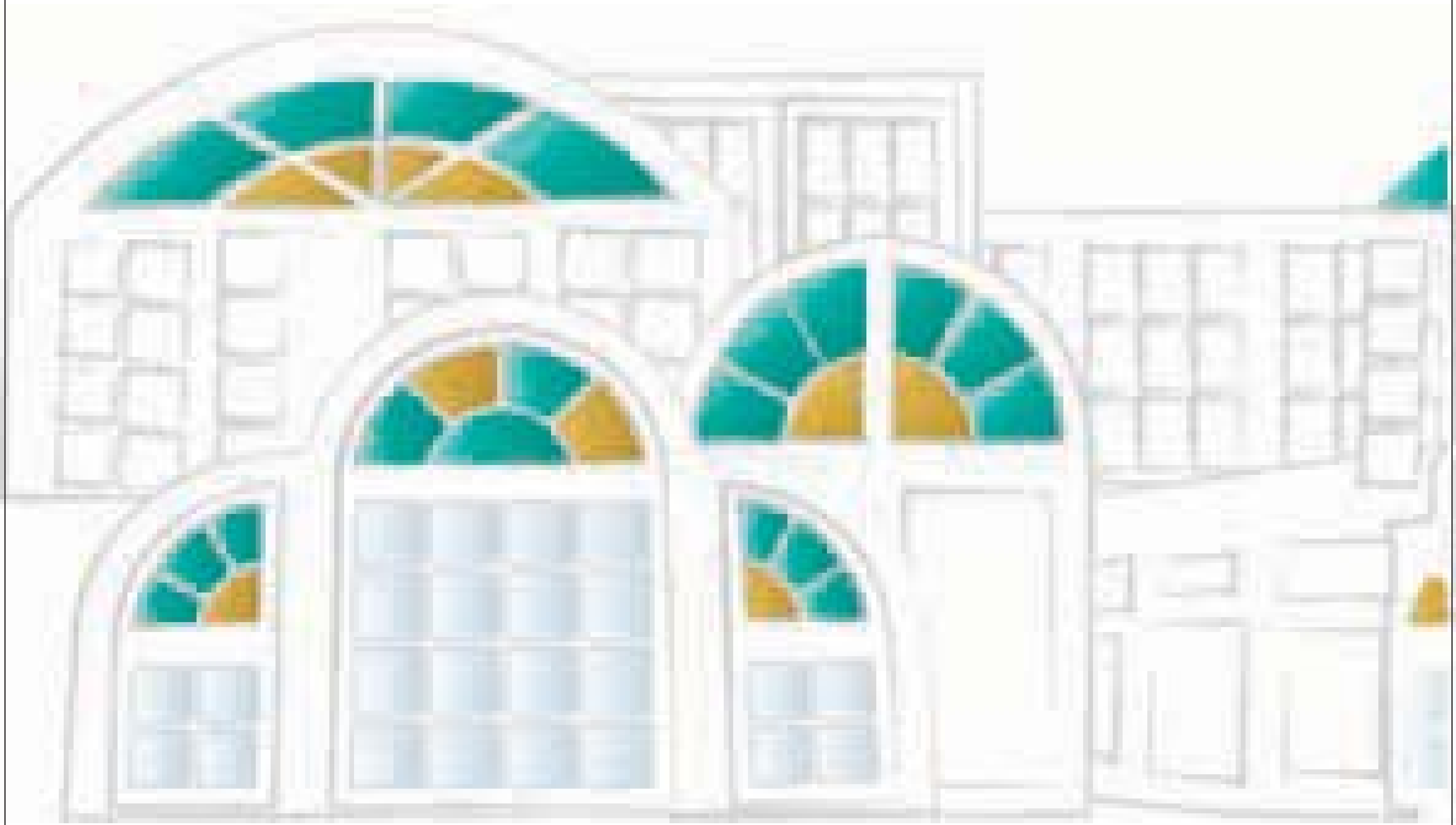
Mr. Aslam Faruque
Director

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

Mr. Azam Faruque
Director

Mr. Azam Faruque is the Chief Executive of Cherat Cement Co. Ltd. He is an Electrical Engineering and Computer Science graduate from Princeton University, USA. He completed his MBA with high honors from the University of Chicago, Booth School of Business. Apart from the time he has spent in the cement industry, he has also served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He was a Member of the Board of Governors of GIK Institute and Member of the National Commission of Science and Technology. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan. At present, he is the chairman of KPK Oil and Gas Development Company Ltd and a member of the Board of Directors of Cherat Packaging Ltd., Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Atlas Asset Management Ltd, Madian Hydro Power Ltd, and International Industries Ltd as well as being a Member of the National Committee of the Aga Khan Foundation.

Directors' Profile

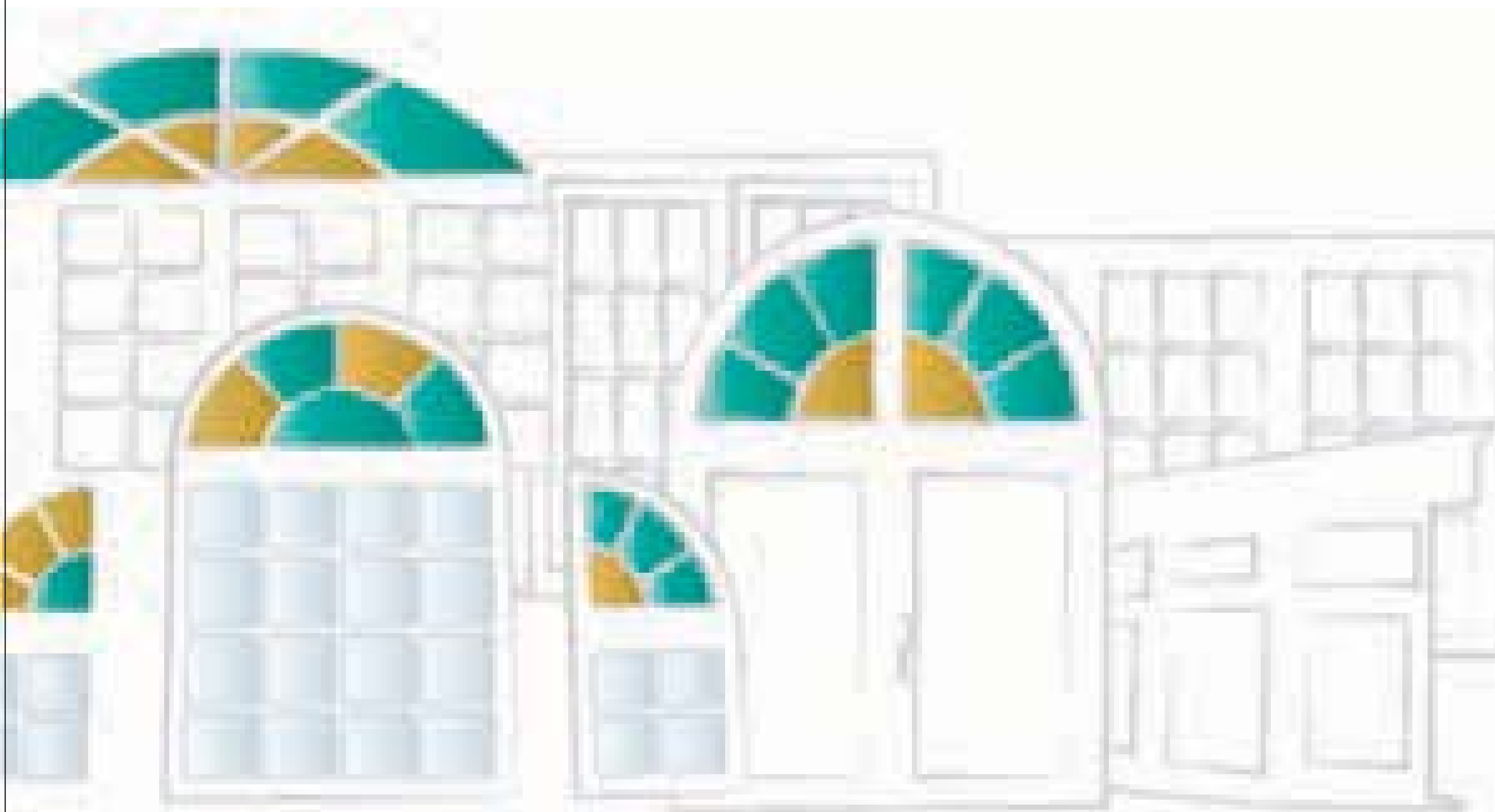


Mr. Shehryar Faruque
Director

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

Mr. Arif Faruque
Director

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



Mr. Tariq Faruque
Director

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

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

Mr. Abrar Hasan
Director

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

Mr. Abid Naqvi
Director

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

Directors' Report to the Members

for the year ended June 30, 2014

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, 2014.

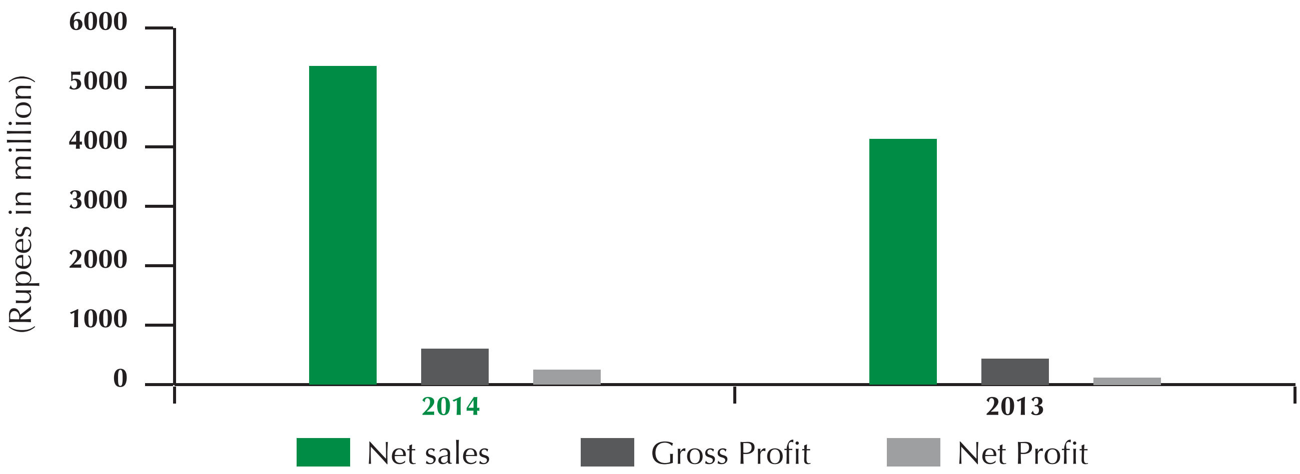
COMPANY OVERVIEW

Improvement in economic climate of the country and initiation of work on mega infrastructural projects by the present government has spurred the domestic demand for cement. Your company has benefitted from the rise in the off take of cement in the country as its production and sales volumes of bags have increased. There was significant increase in the dispatches of polypropylene (PP) bags during the year following the Company's decision to enhance its PP bag plant operations during the year.

Higher volumes had positive impact on the sales turnover and the overall profitability of the Company as the Company consolidated its position in the market as the leader and the preferred supplier of quality packaging solutions.

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

	2013/14	2012/13
	(Rupees in million)	
• Net Sales	5,355.79	4,129.33
• Gross Profit	606.60	436.53
• Net Profit	251.49	118.57



FINANCIAL PERFORMANCE

During the year under review, the sales revenue of the Company rose by an impressive Rs. 1,226 million, reflecting an increase of about 30% from the previous year. This was possible on the back of increase in the quantity of bags sold by the Company especially PP bags following the enhancement in the production capacity of the polypropylene bag plant and higher dispatches of paper bags. During the year under review, the Company faced the challenge of inflating costs of input items like Kraft paper and PP granules and hike in electricity tariff. However, efficient management of resources and pursuance of aggressive marketing policies helped the Company to enhance sales volume. Furthermore, the Company concentrated on export of PP bags and was able to make inroads in to new markets. The Company also made successful entry into sugar and other similar sectors, which also helped in exploring new markets for the Company and contributed to its profitability. There was an increase in finance cost during the year due to higher working capital requirements owing to increased business volumes and acquisition of long term loan for the new PP line. The Company recorded taxation taking into account available tax credits in line with the prevailing laws. After taking into consideration above-mentioned factors, the Company has made an after tax profit of Rs. 251.49 million for the year under review.

EXPANSION OF POLYPROPYLENE PROJECT

The second line of the polypropylene plant for manufacturing cement bags was successfully installed and commissioned at the factory during the year. The plant, which has also been acquired from M/s. BSW – Windmoller & Holscher, is the fastest and the first of its kind in the world. By virtue of this expansion, the production capacity of the polypropylene plant of the Company has increased to 145 million bags per annum.

Through utilization of its available financial and operational leverage, the Company is confident of gaining further market share to establish itself as a true market leader in cement packaging. By virtue of this expansion, the Company will be able to achieve further economies of scale. Additionally, the Company is actively exploring export markets for sale of empty PP bags and is also manufacturing PP bags for packing other products like sugar, chemicals, rice and other similar products to add value to the Company operations.

DIVIDEND

At its meeting held on August 18, 2014 the Board of Directors has proposed a cash dividend @ 20% (Rs. 2.00 per share) for the year ended June 30, 2014. This is in addition to 10% (Re. 1.00 per share) interim cash dividend declared earlier. The approval of members for cash dividend will be obtained at the Annual General Meeting to be held on October 24, 2014.

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. Currently, the Company is working towards the rehabilitation of the IDPs of North Waziristan. 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, 2014.

• Provident Fund	Rs. 76.60 million
• Gratuity Fund	Rs. 31.01 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 *	2
Mr. Mahmood Faruque **	1
Mr. Akbarali Pesnani	3
Mr. Amer Faruque	5
Mr. Aslam Faruque	5
Mr. Shehryar Faruque	2
Mr. Arif Faruque	4
Mr. Tariq Faruque	5
Mr. Abrar Hasan	4
Mr. Abid Naqvi *	2
Mr. Azam Faruque **	-

  * Mr. Abid Naqvi was co-opted as a director on the sad demise of Mr. Mohammed Faruque.

  ** Mr. Azam Faruque was co-opted as a director on the sad demise of Mr. Mahmood 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 *	2
Mr. Aslam Faruque	4
Mr. Tariq Faruque	2
Mr. Shehryar Faruque *	1

  * Mr. Shehryar Faruque was co-opted as a member of the Audit Committee on the sad demise of Mr. Mohammed Faruque.

- 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. 9.13 compared to Rs. 5.42 last year.

BOARD OF DIRECTORS

During the year, our beloved Chairman – Mr. Mohammed Faruque passed away after serving the Company for many years. He was succeeded by Mr. Mahmood Faruque as the Chairman. Mr. Abid Naqvi was co-opted as a director in his place. In June 2014, Mr. Mahmood Faruque passed away. In his place, Mr. Akbarali Pesnani has been appointed as the Chairman and Mr. Azam Faruque has been co-opted as a Director.

CONTRIBUTION TO NATIONAL EXCHEQUER

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

FUTURE PROSPECTS

Growth in the domestic demand for cement and diversification into new markets for PP bags is having a positive impact on the Company. The Company is well positioned to meet the requirements for both paper and polypropylene bags of its clients. Because of its superior quality, CPL has become a supplier of choice for supply of both paper and polypropylene bags and is now actively exploring new markets for export of its bags in which it has achieved some success. Further, it is also working towards producing polypropylene bags for use in packaging of other products like sugar, rice, chemicals. We are confident that these measures will drive the sales of the Company in the coming days. However, rising cost of input items like Kraft paper, PP granules and energy costs is a cause of concern as it 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 but also optimize the utilization of its available resources.

AUDITORS

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

ACKNOWLEDGMENT

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

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 18, 2014

Additional Information

MANAGEMENT OBJECTIVES & STRATEGIES

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

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

On the revenue side, we are confident that our investment for expansion of Polypropylene (PP) project by addition of line 2 will reap positive results and help in maximizing returns for all stakeholders. We are the only Pakistani company which offers both papersacks and PP bags. Since it creates greater opportunities by providing one window operations to our customers and facilitates them in purchasing their medium of choice with respect to quality packaging material for their valuable products, we are able to bank on this strategic edge. The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve highest possible returns.

Cost is effectively controlled by the addition of the most modern, state of the art machinery, which not only results in energy conservation but also produces quality products in the most efficient and effective manner.

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

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

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

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

Additional Information

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

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

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

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

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

LIQUIDITY AND CAPITAL STRUCTURE
Consistent profits earned have improved the liquidity position of the Company contributing to a better operating cycle of the business. With this, the Company has not only been able to pay off its installments for long term loans on timely basis but also increases its operational capabilities. These factors have added to the sustainable growth of the Company with increased profitability and business stability. Moreover, the gearing of the Company has also been monitored and controlled in line with the business objectives.

MARKET SHARE
Introduction of new products have always been the strength of the Company. Its production and sales is increasing every year on the bank of introduction of new products for cement industry. Since CPL is the only company in Pakistan which can produce both Kraft paper and

Polypropylene (PP) bags, it has been able to attract more customers than its competitors. The Company is the largest producer of cement bags in Pakistan. The Company's product of 2 ply paper bags is unmatchable due to its low cost-better quality feature. In addition to the cement industry, the Company is also producing PP bags for sugar, chemical and othe similar industries.

CONSUMER PROTECTION MEASURES

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

BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

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

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. Currently, the Company is in the process of working towards the rehabilitation of the IDPs of North Waziristan. In this regard, it works 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.

Community Investment & Welfare Schemes

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

National Cause Donations

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

Additional Information

Details of Charity Account

The Company makes donations to support less previliged people of the society. The main focus of donation is education and health. The receipients mainly include IBP School of Special Education Karachi and Baitulmal.

Rural Development Programs & Employment of Special persons

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

BUSINESS CONTINUITY AND DISASTER RECOVERY POLICY

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

SAFETY, HEALTH AND ENVIRONMENT

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

Occupational Safety and Health

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

Environment Protection Measures

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

Steps to mitigate effects of Industrial Effluents

Safe and healthy environment has always been the priority of the management of the Company. This mainly includes a healthy environment for employees and surrounding communities. The Company has invested in a high quality plant technology to avoid industrial waste and to control industrial effluents.

The Government has initiated different infrastructural projects including construction of highways, energy related projects and housing projects which, in turn, are expected to boost local cement demand. Stability of rupee against Euro & USD is also expected to play an important role towards the consistent cost of imported raw material which is expected to contribute towards the Company profitability. However, rising cost of input items like Kraft paper, PP granules and energy costs is a cause of concern as it has put pressure on production costs. In order to effectively face such challenges, the Company is making concrete efforts not only to improve its costs and operational efficiencies but also to optimize the utilization of its available resources.

The Company is trying hard to capitalize its strategic edge over the existing cement bag suppliers since it can offer both Kraft paper and PP bags to meet the anticipated growth in the cement industry's local demand, which has shown an overall growth of 4.34% in this year. Further, in order to provide cost effective packaging solution to its clients, without compromising on quality, the Company is looking forward to introduce more cost effective products. The Company is producing PP bags for other industries also including sugar, chemicals, rice and other similar products. The Company is enthusiastically exploring international markets to increase its sales. The Company expects to increase its exports; especially to Middle East, Africa and India.

Additional Information

The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors. We have met almost all the key targets set in our last year's budget especially pertaining to demand and profitability. This is also in line with our expectations given in the future prospects section of last year's Directors' Report.

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

For revenue maximization marketing targets are set with respect to quantity and pricing. In line with its expansion, the management will try to improve the image of the Company and the brand. Specific marketing budgets are kept for advertisements.

For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets.

On the human resource side, we are developing a detailed training program for all levels of management. These trainings will be conducted based on the need assessment at the time of performance appraisal.

Increase in power tariff during the year is an area of major concern. Availability of power at competitive rates is a critical factor.

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

Keeping in view the foregoing, the Company is positive about the future prospects and expects to perform well in the ensuing years.

Critical Performance Indicators

Sales
5,356 (Rs. Million)
Increase by
29.70%

Gross profit
607 (Rs. Million)
Increase by
38.96%

Profit before tax
269 (Rs. Million)
Increase by
53.25%

Profit after tax
251 (Rs. Million)
Increase by
112.10%

Earnings per share
9.13 (Rs.)
Increase by
68.45%

Market price per share
74.25 (Rs.)
Increase by
92.86%

Breakup value per share
50.30 (Rs.)
Increase by
14.31%

Cash generated from operating activities
151 (Rs. Million)
Increase by
68.40%

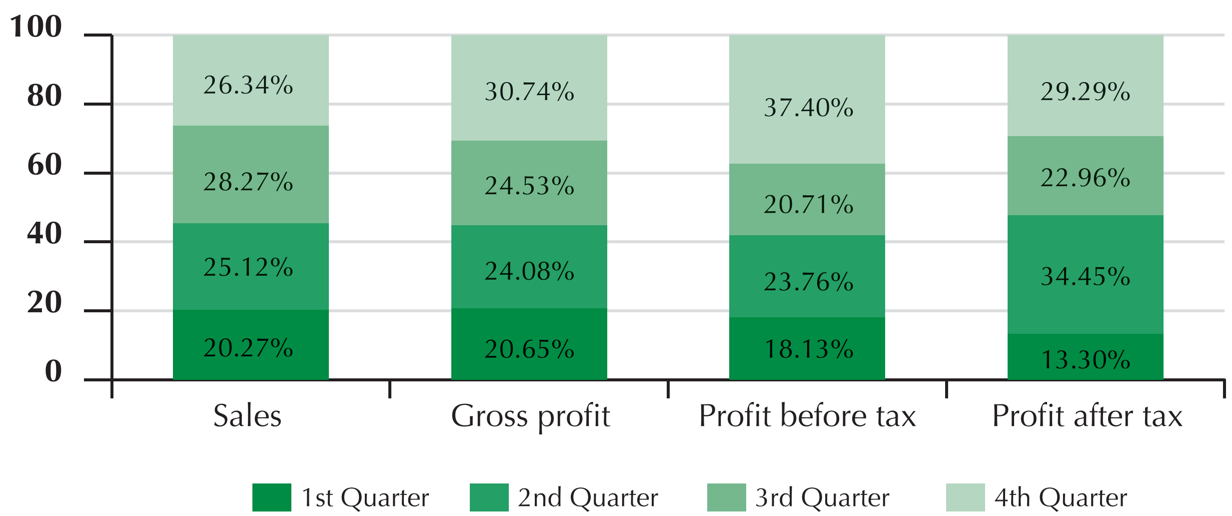
Interim & final cash dividend
82.62 (Rs. Million)
Increase by
50.00%

Wealth distributed
5,360 (Rs. Million)
Increase by
29.67%

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

Quarterly Performance Analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
Sales - Net	1,085,646	1,345,556	1,514,142	1,410,448	5,355,792
Cost of Good Sold	(960,394)	(1,199,487)	(1,365,345)	(1,223,966)	(4,749,192)
GROSS PROFIT	125,252	146,069	148,797	186,482	606,600
Selling Expenses	(12,946)	(13,977)	(16,234)	(14,683)	(57,840)
Administrative Expenses	(8,214)	(10,197)	(9,215)	(9,126)	(36,752)
Other charges	(4,214)	(5,041)	(4,782)	(7,685)	(21,722)
	(25,374)	(29,215)	(30,231)	(31,494)	(116,314)
Other Income	776	1,488	1,212	1,048	4,524
OPERATING PROFIT	100,654	118,342	119,778	156,036	494,810
Finance Cost	(51,909)	(54,466)	(64,119)	(55,515)	(226,009)
Profit before taxation	48,745	63,876	55,659	100,521	268,801
Taxation	(15,298)	22,764	2,073	(26,854)	(17,315)
Profit after taxation	33,447	86,640	57,732	73,667	251,486



Quarterly Results Analysis

Quarter 1

Sales: Sales decreased due to slight decrease in despatches which is on account of monsoon season.

Cost of sales: Cost of sales decreased due to decrease in despatches.

Operating profit: Operating profit increased on account of increase in Gross Profit ratio by 2% due to reasons mentioned above.

Net Profit: Increase in operating profit was not able to translate to net profit due to increase in finance costs owing to increased working capital requirements to finance incresed operations.

Quarter 2

Sales: Sales increased due to increase in despatches as compared to 1st quarter.

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

Operating profit: Operating profit increased due to increase in despatches made.

Net Profit: Net profit increased by Rs. 53 million as compared to increase in operating profit by Rs. 15 million due to recognition of current and prior year tax credits of Rs. 45 million.

Quarter 3

Sales: Sales increased due to increase in despatches made. Increase in depatches was not fully translated to sales revenue due to decrease in sales prices which were influenced by stiff competition.

Cost of sales: Cost of sales increased due to increase in input material prices.

Operating profit: Decrease in sales prices and increase in finance costs to finance increased activity pushed the operating profit down by Rs. 8 million.

Net Profit: Net profit showed a dip due to the fact that tax credits were recognized in the December quarter.

Quarter 4

Sales: Despite decrease in quantity despatched, sales increased on account of increase in selling price.

Cost of sales: Cost of sales decreased due to decrease in input material prices mainly on account of appreciation of PKR parity against Euro and USD.

Operating profit: In addition to the factors mentioned above, operating profit increased due to decrease in fiance costs by Rs. 9 million.

Net Profit: In addition to afore mentioned factors, net profit increased due to recognition of tax credits.

Risks and Opportunities

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

RISKS

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

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

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

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

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

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

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

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

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

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

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

OPPORTUNITIES

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

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

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

IT Governance Policy

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

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

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

Whistle Blower Policy

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

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

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

Fundamental elements of our Whistle Blower Policy are highlighted below:

- All staff are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.

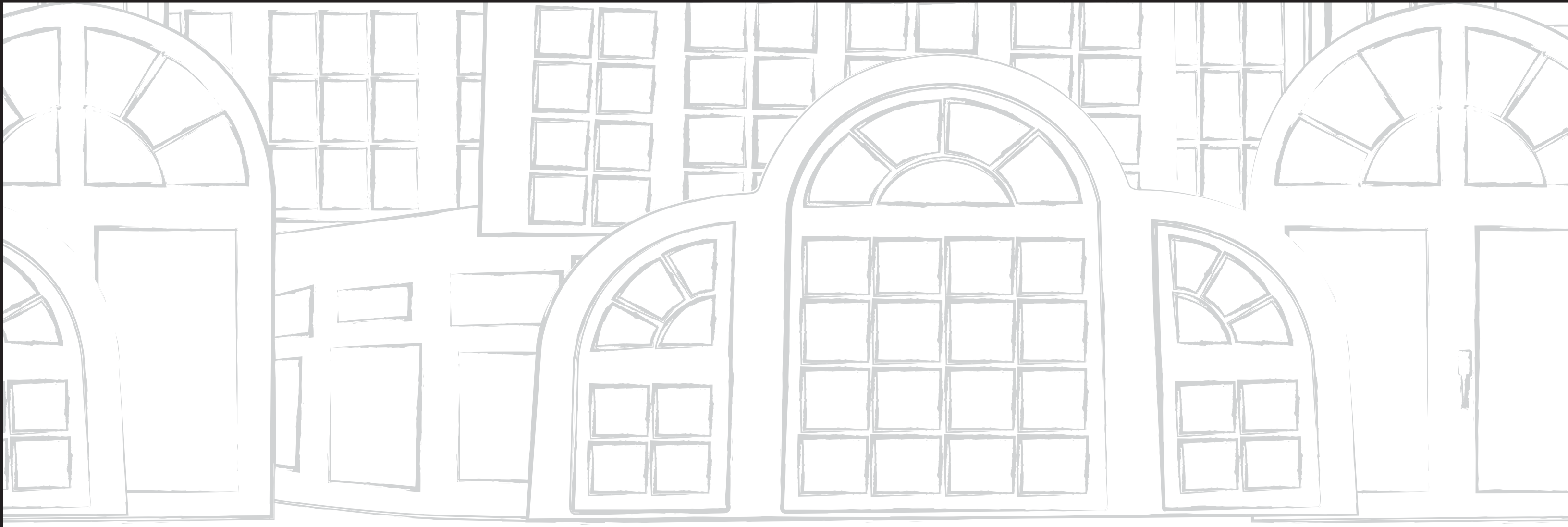
- All disclosures are required to be made in writing.
- Disclosures made anonymously are not entertained.
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved.
- All whistle blowers' disclosures made are treated as confidential and the identity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

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

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

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

Safety of Records Policy



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

Conflict of Interest Policy

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

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

Management of Conflict of Interest

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

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

Social and Environmental Responsibility Policy

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

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

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

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

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

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

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

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

Quality Management

Papersack Division (PSD)

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

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

In-House Laboratory Testing

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

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

Polypropylene Division (PPD)

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

- Different Quality Tests of Tape at Extrusion line including Denier, Tenacity, and Elongation etc.
- Inspection of Fabric Rolls for size, density and strength while running on Looms in weaving Section.
- Inspection of Lamination Process on Coating Line for GSM.
- Arrangements and Inspection of Polymer Sterios as per customers' approved Artworks.
- Inspection of Printing Inks for Color and Viscosity on receipt and inspection of Printed Fabric.
- In-Process inspection on Convertex and Auto cutting machines during Bags manufacturing.
- Final Inspection of Bags Including Air Permeability, Dimensions, welding and Bales packing Quality.
- Counting of Bags on Machines / Pallets / Bailing Process and cross checking after packing.

In-House Laboratory Testing

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

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

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

Corporate Governance - Stakeholders' Engagement

SHAREHOLDERS

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

Investors' Grievance Policy

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

AGM Proceedings

The last AGM was conducted at Cherat Packaging's registered office in Peshawar on Wednesday, October 30, 2013 at 11:00 a.m. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the efforts made by the management in achieving the best ever results in the history of the Company. Shareholders raised different questions on the Financial Statements, especially with respect to power crisis and future outlook of the Company. The questions were answered in detail by the management after which the Financial Statements were approved by the Shareholders. Shareholders also gave approval for appointment of EY Ford Rhodes Sidat Hyder & Company as external auditors and distribution of cash dividend.

CUSTOMERS, AND TRANSPORTERS

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

SUPPLIERS AND VENDORS

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

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

BANKS AND OTHER LENDERS

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

REGULATORS

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

EMPLOYEES

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

INSTITUTIONAL INVESTORS AND ANALYSTS

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

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

Corporate Governance -
Additional Information

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

AUDIT COMMITTEE

Mr. Aslam Faruque	Chairman
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

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

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2013-14, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

Terms of reference of Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

l. determination of compliance with relevant statutory requirements;

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

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

Corporate Governance - Additional Information

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Arif Faruque	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

The Human Resource & Remuneration Committee (HR & RC) comprises of three members. The Chairman is a Non-Executive Director whereas the other two members are the Chief Executive Officer and a Non-Executive Director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. The minutes of the meetings of the HR & RC meeting are provided to all members and Directors. The Committee held two [2] meetings during the year.

Terms of Reference of Human Resource and Remuneration Committee

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

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

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

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

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

b) Overall organizational structure;

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

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

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

Frequency of meetings: The HR & RC shall meet at least twice in a year or as required for a proper functioning of the Committee.

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

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

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

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

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

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

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

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

The post of Chairman is held by a Non-Executive Director. The Chairman is not involved in the day-to-day activities of the Company and is responsible for chairing the Board meetings.

The Chief Executive is responsible for the overall operations of the Company and takes all the managerial decisions. To ensure smooth functioning of the Company, the Chief Executive may delegate the authority to different functional heads.

DIRECTORS' ORIENTATION AND TRAINING

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

Report of the Audit Committee

Audit Committee

Mr. Aslam Faruque	Chairman
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

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

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2013-2014. Based on reviews and discussions in these meetings, the Audit Committee reports that:

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

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

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

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

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

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

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

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

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

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

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

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

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

By order of the Audit Committee

Aslam Faruque
Chairman, Audit Committee
August 12, 2014

Horizontal Analysis - Last Six Years

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
NON-CURRENT ASSETS	1,511,414	5.98%	1,426,081	34.15%
CURRENT ASSETS	2,295,302	7.49%	2,135,393	55.88%
TOTAL ASSETS	3,806,716	6.89%	3,561,474	46.39%
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES	1,385,242	14.31%	1,211,844	33.00%
NON-CURRENT LIABILITIES	780,000	69.57%	460,000	9.85%
CURRENT LIABILITIES	1,641,474	-13.13%	1,889,630	71.31%
TOTAL EQUITY AND LIABILITIES	3,806,716	6.89%	3,561,474	46.39%
PROFIT AND LOSS ACCOUNT				
Turnover – net	5,355,792	29.70%	4,129,334	26.79%
Gross profit	606,600	38.96%	436,533	56.90%
Operating profit	494,810	48.88%	332,348	59.67%
Profit / (loss) before taxation	268,801	53.25%	175,395	227.90%
Profit / (loss) after taxation	251,486	112.10%	118,569	65.76%

2012 (Rupees in '000)	%	2011 (Rupees in '000)	%	2010 (Rupees in '000)	%	2009 (Rupees in '000)	0%
1,063,054	109.03%	508,555	34.50%	378,106	-5.12%	398,516	60.80%
1,369,884	6.88%	1,281,665	72.53%	742,856	-33.53%	1,117,554	-13.58%
2,432,938	35.90%	1,790,220	59.70%	1,120,962	-26.06%	1,516,070	-1.61%
911,129	3.77%	878,067	85.39%	473,641	25.21%	378,276	-11.51%
418,750	644.44%	56,250	-41.14%	95,568	-33.58%	143,882	136.76%
1,103,059	28.88%	855,903	55.12%	551,753	-44.49%	993,912	-5.58%
2,432,938	35.90%	1,790,220	59.70%	1,120,962	-26.06%	1,516,070	-1.61%
3,256,878	31.75%	2,471,964	24.52%	1,985,235	-3.66%	2,060,614	11.30%
278,228	-8.39%	303,721	28.87%	235,689	66.67%	141,407	-20.63%
208,144	-12.19%	237,032	23.54%	191,870	62.06%	118,397	-22.52%
53,491	-67.74%	165,811	73.73%	95,442	263.57%	(58,351)	-155.88%
71,531	-61.84%	187,455	94.62%	96,319	373.55%	(35,211)	-149.48%

Vertical Analysis - Last Six Years

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
NON-CURRENT ASSETS	1,511,414	40%	1,426,081	40%
CURRENT ASSETS	2,295,302	60%	2,135,393	60%
TOTAL ASSETS	3,806,716	100%	3,561,474	100%
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES	1,385,242	36%	1,211,844	34%
NON-CURRENT LIABILITIES	780,000	21%	460,000	13%
CURRENT LIABILITIES	1,641,474	43%	1,889,630	53%
TOTAL EQUITY AND LIABILITIES	3,806,716	100%	3,561,474	100%
PROFIT AND LOSS ACCOUNT				
Turnover – net	5,355,792	100.00%	4,129,334	100.00%
Gross profit	606,600	11.33%	436,533	10.57%
Operating profit	494,810	9.24%	332,348	8.05%
Profit / (loss) before taxation	268,801	5.02%	175,395	4.25%
Profit / (loss) after taxation	251,486	4.70%	118,569	2.87%

2012 (Rupees in '000)	2012 %	2011 (Rupees in '000)	2011 %	2010 (Rupees in '000)	2010 %	2009 (Rupees in '000)	2009 %
1,063,054	44%	508,555	28%	378,106	34%	398,516	26%
1,369,884	56%	1,281,665	72%	742,856	66%	1,117,554	74%
2,432,938	100%	1,790,220	100%	1,120,962	100%	1,516,070	100%
911,129	38%	878,067	49%	473,641	42%	378,276	25%
418,750	17%	56,250	3%	95,568	9%	143,882	9%
1,103,059	45%	855,903	48%	551,753	49%	993,912	66%
2,432,938	100%	1,790,220	100%	1,120,962	100%	1,516,070	100%
3,256,878	100.00%	2,471,964	100.00%	1,985,235	100.00%	2,060,614	100.00%
278,228	8.54%	303,721	12.29%	235,689	11.87%	141,407	6.86%
208,144	6.39%	237,032	9.59%	191,870	9.66%	118,397	5.75%
53,491	1.64%	165,811	6.71%	95,442	4.81%	(58,351)	-2.83%
71,531	2.20%	187,455	7.58%	96,319	4.85%	(35,211)	-1.71%

Comments on Horizontal Analysis

BALANCE SHEET

Fixed asset

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

Investments

Investment increased due to increase in market price per share of investments made.

Deferred Tax

Deferred tax became asset in financial year 2011 and witnessing growth in balance due to three years tax holidays and continuous expansions which resulted in taxable losses. However, after expiry of tax holiday, the deferred tax asset is now witnessing a declining trend.

Stores, Spare parts & loose tools, Stock in trade and Trade debts

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

Taxation

Taxation increased in past years on account of tax holidays and continuous expansions which caused taxable losses due to which the Company is not able to adjust its tax withheld at import stage.

Share capital and reserves

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

Current Liabilities

Current liabilities increased with the increase in operations of the Company. To finance its working capital requirements, short term borrowings level have now reached to Rs. 1.2 billion in financial year 2014 from 0.8 billion in financial year 2009.

PROFIT AND LOSS ACCOUNT

Turnover

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

Gross profit

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

Operating profit

Operating profit increased due to increase in Gross Profit margin.

Finance Cost

Finance cost increase with the increase in operations & increase in working capital requirements of the Company. Additionally, it has also increased on account of payment of interest on Long-term loans obtained to finance Polypropylene Plant expansions. The Cost was low in 2010 and 2011 which was due to subsidy on mark-up rates announced by SBP.

Net profit

Net profit is also showing positive trend due to reasons mentioned above in addition to recognition of tax credits available against capital expenditures made in financial years 2012, 2013 & 2014.

Comments on Vertical Analysis

BALANCE SHEET

Fixed assets

Fixed assets increased because of installaiton of new PP plant.

Taxation:

Taxation increased against last years on account of taxable losses due to which the Company is not able to adjust its tax withheld at import stage.

Long-term loan

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

PROFIT AND LOSS ACCOUNT

Gross profit

Gross profit of the Company increased as compared to last year in terms of ratio and in terms of amount. It was pushed upward by increase in operations of the Company.

Net profit

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

Ratios

Ratio Description	2014	2013	2012	2011	2010	2009
Profitability Ratios:						
Gross Profit ratio	11.33%	10.57%	8.54%	12.29%	11.87%	6.86%
Net Profit to Sales	4.70%	2.87%	2.20%	7.58%	4.85%	-1.71%
EBITDA Margin to Sales	10.94%	9.65%	8.02%	10.91%	11.32%	6.72%
Operating leverage ratio	1.84	1.89	3.89	1.43	2.01	(2.03)
Return on Equity	19.37%	11.17%	8.00%	27.74%	22.61%	-8.74%
Return on Capital employed	11.20%	6.85%	5.23%	19.29%	15.92%	-6.36%
Effective tax rate	6.44%	32.40%	-33.73%	-13.05%	-0.92%	39.66%
Liquidity Ratios:						
Current ratio	1.40	1.13	1.24	1.50	1.35	1.12
Quick / Acid test ratio	0.72	0.51	0.54	0.47	0.65	0.42
Cash to Current Liabilities	0.01	0.01	0.03	0.01	0.01	0.01
Cash flow from Operations to Sales	0.06	0.06	0.05	(0.12)	0.31	0.08
Investment / Market Ratios:						
Earnings per share (EPS)	9.13	5.42	3.39	11.87	6.19	(3.84)
Market value per share Closing	74.25	38.50	28.80	47.37	30.70	36.15
Price Earnings ratio	8.13	7.10	8.50	3.99	4.96	(9.41)
Break up value per share	50.30	44.00	52.93	51.01	51.59	41.21
Dividend Yield ratio	0.04	0.05	0.05	0.05	0.07	-
Dividend Payout ratio	0.33	0.37	0.44	0.21	0.32	-
Dividend Cover ratio	3.04	2.15	2.77	4.36	5.25	-
Dividend (Rs.)	82,622	55,080	25,819	43,031	18,360	-
Cash Dividend per share	3.00	2.00	1.50	2.50	2.00	-
Stock Dividend per share	-	-	-	-	22,950	-
Capital Structure Ratios:						
Financial leverage ratio	1.84	1.89	3.89	1.43	2.01	(2.03)
Weighted average cost of debt	10.24%	10.56%	10.47%	10.12%	12.74%	16.16%
Net borrowing / EBITDA	3.52	4.29	5.13	2.80	2.24	7.27
"Average operating working capital as %age of sales"	34.46%	35.79%	36.12%	35.22%	40.70%	48.14%
Debt to Equity ratio	38 : 62	30 : 70	33 : 67	10 : 90	22 : 78	32 : 68
Interest Cover ratio	2.19	2.12	1.35	3.33	1.99	0.67
Activity / Turnover Ratios:						
Inventory turnover ratio	4.23	3.85	3.66	3.48	3.26	2.32
No. of Days in Inventory	86.30	94.68	99.68	104.96	111.82	157.02
Debtor turnover ratio	8.28	7.76	9.33	9.94	8.36	9.91
No. of Days in Receivables	44.08	47.03	39.13	36.73	43.64	36.83
Total Assets turnover ratio	0.71	0.86	0.75	0.72	0.56	0.74
Fixed Assets turnover ratio	0.27	0.33	0.29	0.19	0.19	0.19
Creditor turnover ratio	15.80	17.61	35.97	26.98	17.25	8.89
No. of Days in Creditors	23	20	10	13	21	40
Operating Cycle	108	121	129	128	135	153

Comments on Ratios

Profitability

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

Liquidity

Any Company to remain afloat, requires sufficient liquidity. With this in mind, the Company manages its liquidity to its optimum level. This is why the liquidity ratios display symmetric trend.

Investment / Market

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

Capital Structure

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

Activity / Turnover

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

Cash Flow Statement - Direct Method

	2014	2013
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customes	5,364,697	3,941,180
Cash paid to suppliers and employees	(5,043,012)	(3,686,600)
Cash generated from operations	321,685	254,580
Net income tax paid	(170,548)	(164,833)
Net cash generated from operating activities	151,137	89,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(479,007)	(190,294)
Capital work in progress	270,994	(268,969)
Proceeds from sale of operating property, plant and equipment	-	1,015
Intangible asset acquired	-	-
Dividend received	553	664
Long-term loans	83	98
Long-term deposits	(83)	-
Net cash used in investing activities	(207,460)	(457,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	341,250	62,500
Dividend paid	(82,094)	(25,601)
Shares issued at premium	-	201,644
Short-term borrowings	11,180	294,152
Finance costs paid	(216,062)	(175,863)
Net cash generated from financing activities	54,274	356,832
Net (decrease) / increase in cash and cash equivalents	(2,049)	(10,907)
Cash and cash equivalents as at the beginning of the year	20,540	31,447
Cash and cash equivalents as at the end of the year	18,491	20,540

Summary - Last Six Years

	2014	2013	2012	2011	2010	2009
	(Bags in million)					
Summary of Balance sheet						
Production	260.54	213.52	174.80	129.44	121.24	122.44
Sales	258.53	216.87	170.47	128.57	122.28	122.40
	(Rupees in million)					
Assets						
Non-Current Assets	1,511	1,426	1,063	509	378	399
Current Assets	2,295	2,135	1,370	1,282	743	1,118
Total Assets	3,806	3,561	2,433	1,791	1,121	1,517
Equity and Liabilities						
Shareholders Equity	1,385	1,212	911	878	474	378
Non-current Liabilities	780	460	419	56	96	144
Current Liabilities	1,641	1,889	1,103	857	551	995
Equity and Liabilities	3,806	3,561	2,433	1,791	1,121	1,517
Summary of Profit and Loss account						
Turnover Net	5,356	4,129	3,257	2,472	1,985	2,061
Gross profit	607	437	278	304	236	141
Operating profit / (loss)	495	332	208	237	192	118
Profit / (loss) before tax	269	175	53	166	95	(58)
Profit / (loss) after tax	251	119	72	187	96	(35)

Summary of Cash Flow Statement - Last Six Years

	2014	2013	2012	2011	2010	2009
	(Rupeees in '000)					
Net cash generated from / (used in) operating activities	151,137	89,747	145,982	(286,797)	574,240	127,638
Net cash (used in) / generated from investing activities	(207,460)	(457,486)	(551,119)	(117,161)	40,996	(218,237)
Net cash generated from / (used in) financing activities	54,274	356,832	427,814	405,464	(615,877)	88,675
Net (decrease) / increase in cash and cash equivalents	(2,049)	(10,907)	22,677	1,506	(641)	(1,924)
Cash and cash equivalents as at the beginning of the year	20,540	31,447	8,770	7,264	7,905	9,829
Cash and cash equivalents as at the end of the year	18,491	20,540	31,447	8,770	7,264	7,905

Comments on Cash Flow Statement

Cash flow from operating activities witnessed fluctuations during the period from FY 2009 to FY 2014. The major reason was the optimization of stock in trade level with respect to new Polypropylene bags plant operations. Secondly, the Company had to pay withholding tax at import stage which also resulted in major outflow during the last two years.

Cash usage in investing activities in last three years is mainly due to PP bags plant expansions.

Cash generation from financing activities have been high in FY 2011, 2012 & 2013 due to the issuance of right shares in 2011 & 2013, increased short term borrowing during 2011 to 2013 owing to expanded operations & financing of new PP plant through Long term loans. Cash generation would have been higher but the outflow in shape of finance cost due to increased borrowings have reduced this amount.

DuPont Analysis

2014

Operating Margin
9.24%

Asset Turnover
1.41

Interest Burden / Efficiency
54.32%

Tax Burden / Efficiency
93.56%

Leverage
2.75

RoE
18.15%

2013

Operating Margin
8.05%

Asset Turnover
1.16

Interest Burden / Efficiency
52.77%

Tax Burden / Efficiency
67.60%

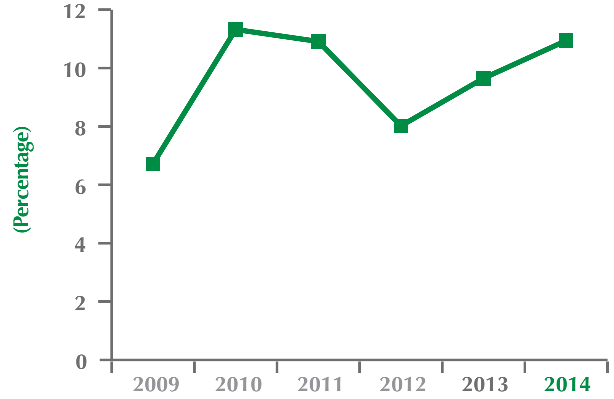
Leverage
2.94

RoE
9.78%

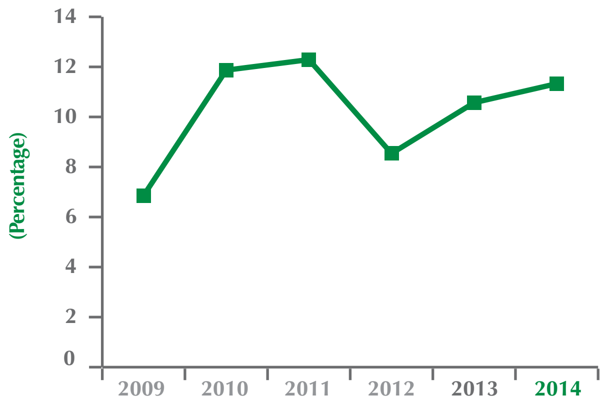
Graphical Presentations

Profit / (Loss) After Tax

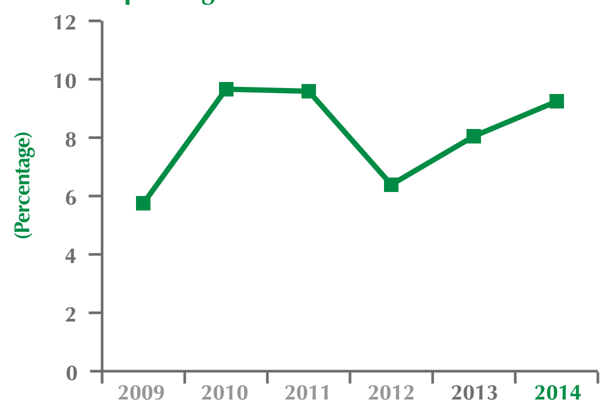
EBITDA Margin to Sales



Gross Profit %

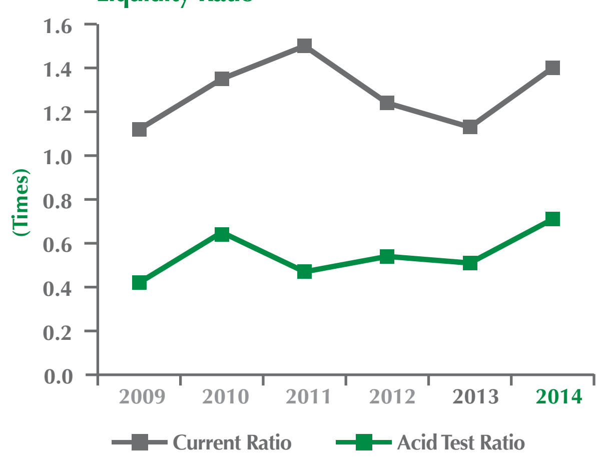


Operating Profit %



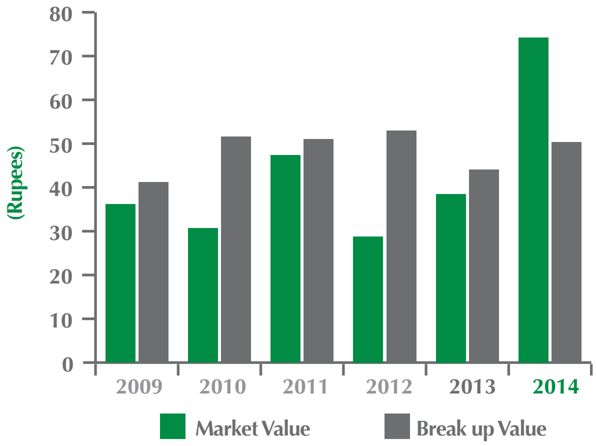
Earning Per Share

Liquidity Ratio

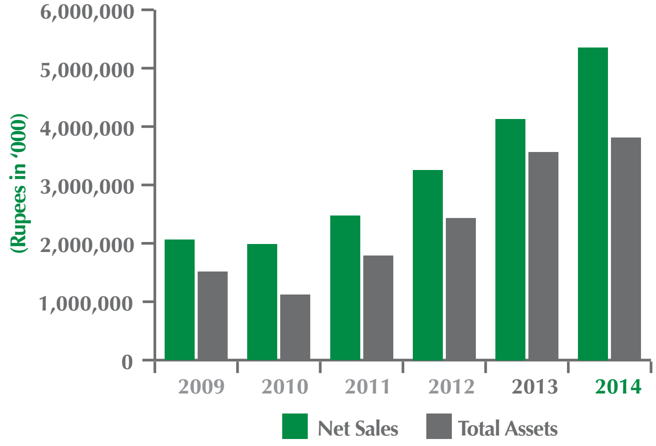


Graphical Presentations

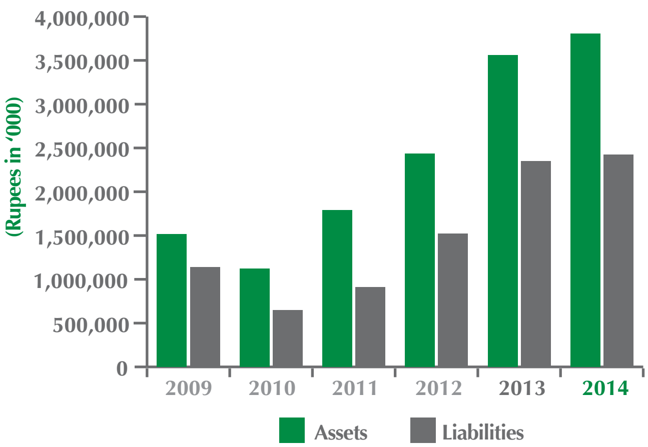
Value Per Share



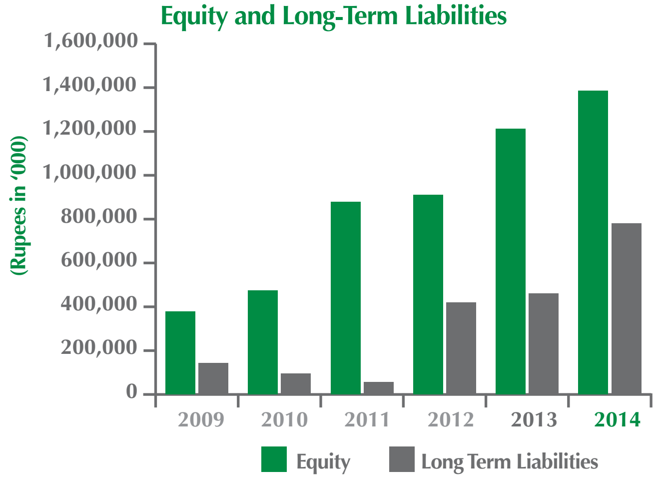
Sales to Total Assets



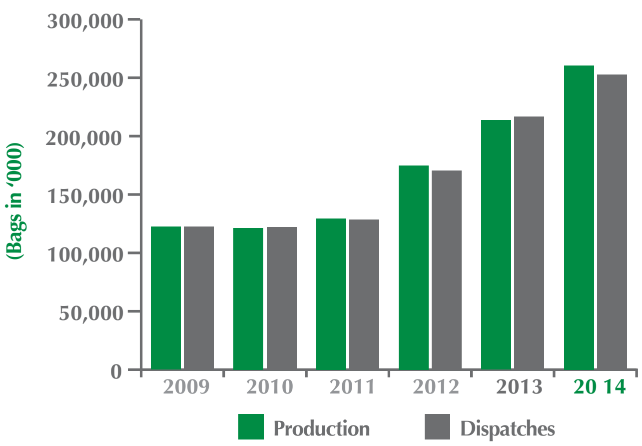
Assets and Liabilities

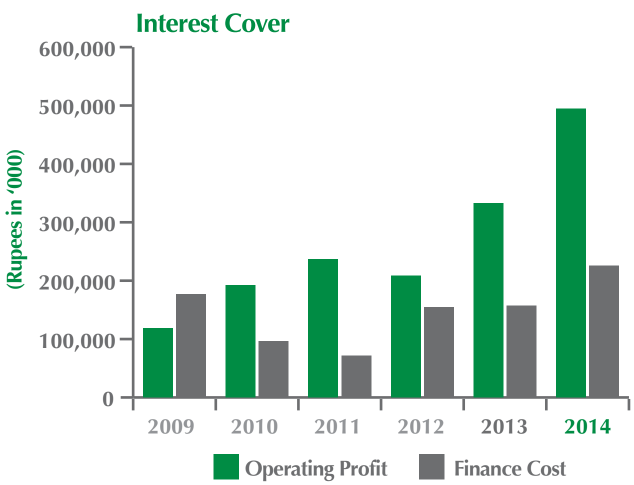


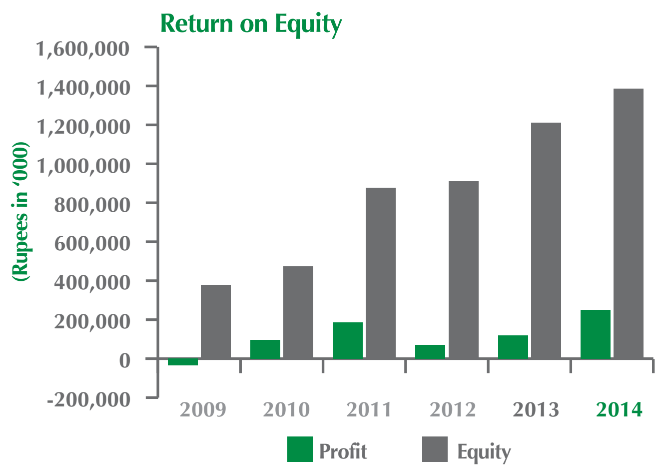
Equity and Long-Term Liabilities

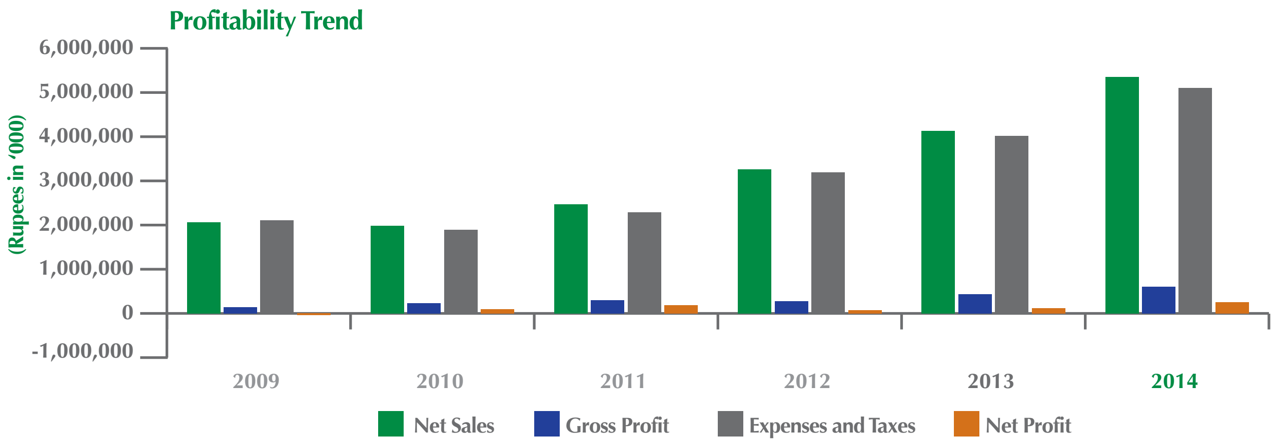


Production and Dispatches



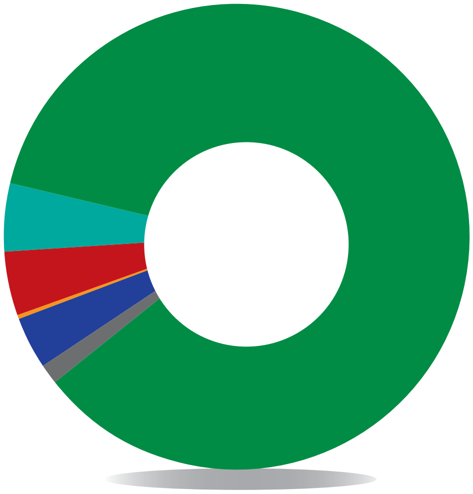

Interest Cover
600,000
500,000
400,000
300,000
200,000
100,000
0
(Rupees in '000)
2009
2010
2011
2012
2013
2014
Operating Profit
Finance Cost


Return on Equity
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
-200,000
(Rupees in '000)
2009
2010
2011
2012
2013
2014
Profit
Equity


Profitability Trend
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
-1,000,000
(Rupees in '000)
2009
2010
2011
2012
2013
2014
Net Sales
Gross Profit
Expenses and Taxes
Net Profit

Statement of Value Addition and Distribution of Wealth

	2014		2013	
	Rs. in '000	%age	Rs. in '000	%age
Wealth generated				
Net Sales	5,355,792	99.92%	4,129,334	99.89%
Other operating Income	4,524	0.08%	4,389	0.11%
	5,360,316	100.00%	4,133,723	100.00%
Distribution of wealth				
Cost of sales (Excluding employees' remuneration)	4,594,562	85.71%	3,565,431	86.25%
Distribution & Adminstration expenses (Excluding Employees remuneration)	68,542	1.28%	66,225	1.60%
Employees remuneration	196,840	3.67%	166,059	4.02%
Government as taxes	22,801	0.43%	60,405	1.46%
To debt providers	226,009	4.22%	156,953	3.80%
To society	76	0.00%	81	0.00%
Retained	251,486	4.69%	118,569	2.87%
	5,360,316	100.00%	4,133,723	100.00%



Distribution of Wealth 2014

Cost of Sales (Excluding Employees' Remuneration)	85.7%
Marketing, Selling and Administrative Expenses	1.3%
To Employees as Remuneration	3.7%
To Government as Taxes	0.4%
To Providers of Finances as Financial Charges	4.2%
Retained within the Business	4.7%

Distribution of Wealth 2013

Cost of Sales (Excluding Employees' Remuneration)	86.2%
Marketing, Selling and Administrative Expenses	1.6%
To Employees as Remuneration	4.0%
To Government as Taxes	1.5%
To Providers of Finances as Financial Charges	3.8%
Retained within the Business	2.9%

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 Director	Mr. Akbarali Pesnani Mr. Aslam Faruque Mr. Azam Faruque Mr. Shehryar Faruque Mr. Arif Faruque Mr. Tariq Faruque Mr. Abid Naqvi

   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. Two casual vacancies that occurred on the Board on 17.12.2013 and 13.06.2014 were 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. Three 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 an Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is 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. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 18, 2014

Statement of Compliance

with the Best Practices of Transfer Pricing

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

On behalf of the Board of Directors

Akbarali Pesnani
Chairman

Karachi: August 18, 2014

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 35650007-11
Fax: +9221 35681965
www.ey.com

Building a better working world

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Cherat Packaging Limited (the Company) for the year ended 30 June 2014 to comply with the requirements of Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 18, 2014

Share Price Sensitivity Analysis

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

Energy Crisis

The current energy crisis, resulting in disrupted energy supply, directly impacts the operations of the Company. In addition, hike in energy rates and continuous appreciation of fuel prices effect the financial performance of the Company.

Law & Order

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

Exchange fluctuation

The Company is directly exposed to exchange rate fluctuations since the major raw materials are being imported by the Company.

Material Price Sensitivity

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

Interest Rates

The Company uses debt financing to finance its increased working capital requirements due to expanded operations; moreover, recent installations of PP plant and machinery were financed by long-term loans. Due to these reasons, the Company is directly affected by any change in interest rates.

The Cement and allied sector

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

Government Policies

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

Glossary of Terms

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

HS&E: Health, Safety and Environment.

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

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

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

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

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

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

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

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

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

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standard.

IFRIC: International Financial Reporting Issues Committee.

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

KIBOR: Karachi Inter Bank Offer Rate.

Spread: Rate charged by the bank over KIBOR.

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

Financial Statements

Auditors' Report to the Members

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

Tel: +9221 35650007-11
Fax: +9221 35681965
www.ey.com/pk

We have audited the annexed balance sheet of Cherat Packaging Limited (the Company) as at 30 June 2014 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 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 18, 2014

Balance Sheet

as at June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,454,469	1,336,465
Intangible asset	5	5,691	6,607
		1,460,160	1,343,072
Long-term investment	6	15,931	12,874
Long-term loans	7	167	250
Long-term deposits		8,916	8,833
Deferred taxation	8	26,240	61,052
		1,511,414	1,426,081
CURRENT ASSETS			
Stores, spare parts and loose tools	9	59,948	48,492
Stock-in-trade	10	1,105,924	1,171,125
Trade debts	11	659,748	633,907
Loans and advances	12	7,199	4,613
Trade deposits and short-term prepayments	13	7,836	8,469
Other receivables	14	64,258	64,394
Taxation – net	29	371,898	183,853
Cash and bank balances	15	18,491	20,540
		2,295,302	2,135,393
TOTAL ASSETS		3,806,716	3,561,474
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	275,400	275,400
Reserves	17	1,109,842	936,444
		1,385,242	1,211,844
NON-CURRENT LIABILITIES			
Long-term financing	18	780,000	460,000
CURRENT LIABILITIES			
Trade and other payables	19	286,813	577,535
Accrued mark-up		52,911	42,775
Short-term borrowings	20	1,221,750	1,210,570
Current maturity of long-term financing	18	80,000	58,750
		1,641,474	1,889,630
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		3,806,716	3,561,474

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

Profit & Loss Account

for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
Turnover – net	22	5,355,792	4,129,334
Cost of sales	23	(4,749,192)	(3,692,801)
Gross profit		606,600	436,533
Distribution costs	24	(57,840)	(54,865)
Administrative expenses	25	(36,752)	(31,646)
Other expenses	26	(21,722)	(22,063)
		(116,314)	(108,574)
Other income	27	4,524	4,389
Operating profit		494,810	332,348
Finance costs	28	(226,009)	(156,953)
Profit before taxation		268,801	175,395
Taxation			
Current – for the year		(3,788)	(21,294)
– prior year		21,285	-
Deferred		(34,812)	(35,532)
	29	(17,315)	(56,826)
Profit for the year		251,486	118,569
Earnings per share – basic and diluted	30	Rs. 9.13	Rs. 5.42

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

Statement of Comprehensive Income

for the year ended June 30, 2014

	2014	2013
	(Rupees in '000)	
Profit for the year	251,486	118,569
Other comprehensive income		
Unrealized gain on available-for-sale securities	3,057	6,321
Actuarial gain on defined benefit plan	1,477	-
	4,534	6,321
Total comprehensive income for the year	256,020	124,890

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

Cash Flow Statement

for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		268,801	175,395
Adjustments for:			
Depreciation	4.1.3	90,009	65,332
Amortization	5.1	916	916
Gain on disposal of operating property, plant and equipment		-	(336)
Dividend income	27	(553)	(664)
Exchange loss	26	189	7,711
Finance costs	28	226,009	156,953
		316,570	229,912
		585,371	405,307
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		(11,456)	(16,215)
Stock-in-trade		65,201	(399,768)
Trade debts		(25,841)	(203,743)
Loans and advances		(2,586)	(3,237)
Trade deposits and short-term prepayments		633	(4,166)
Other receivables		136	(5,748)
		26,087	(632,877)
(Decrease) / increase in current liabilities:			
Trade and other payables		(289,773)	482,150
Cash generated from operations		321,685	254,580
Net income tax paid		(170,548)	(164,833)
Net cash generated from operating activities		151,137	89,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(479,007)	(190,294)
Capital work-in-progress		270,994	(268,969)
Proceeds from sale of operating property, plant and equipment		-	1,015
Dividend received		553	664
Long-term loans		83	98
Long-term deposits		(83)	-
Net cash used in investing activities		(207,460)	(457,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		341,250	62,500
Dividend paid		(82,094)	(25,601)
Shares issued at premium		-	201,644
Short-term borrowings		11,180	294,152
Finance costs paid		(216,062)	(175,863)
Net cash generated from financing activities		54,274	356,832
Net decrease in cash and cash equivalents		(2,049)	(10,907)
Cash and cash equivalents as at the beginning of the year		20,540	31,447
Cash and cash equivalents as at the end of the year	15	18,491	20,540

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

Amer Faruque
Chief Executive

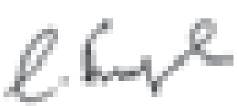
Aslam Faruque
Director

Statement of Changes in Equity

for the year ended June 30, 2014

	Issued, Subscribed and Paid-up Capital	RESERVES								TOTAL
		CAPITAL RESERVE	REVENUE RESERVES				Unrealized gain on available-for-sale securities	TOTAL RESERVES	
		Share premium	General reserve	Un-appropriated profit	Actuarial gain on defined benefit plan	Sub-total			
	(Rupees `000)								
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
Balance as at July 01, 2013	275,400	283,174	180,000	464,493	-	644,493	8,777	936,444	1,211,844
Cash dividend for the year ended June 30, 2013 @ Rs. 2/- per share	-	-	-	(55,080)	-	(55,080)	-	(55,080)	(55,080)
Interim cash dividend for the year ended June 30, 2014 @ Re. 1/- per share	-	-	-	(27,542)	-	(27,542)	-	(27,542)	(27,542)
Profit for the year	-	-	-	251,486	-	251,486	-	251,486	251,486
Other comprehensive income	-	-	-	-	1,477	1,477	3,057	4,534	4,534
Total comprehensive income	-	-	-	251,486	1,477	252,963	3,057	256,020	256,020
Balance as at June 30, 2014	275,400	283,174	180,000	633,357	1,477	814,834	11,834	1,109,842	1,385,242

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



Amer Faruque
Chief Executive

Aslam Faruque
Director

Notes to the Financial Statements

for the year ended June 30, 2014

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, revised and amended standards and interpretations

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

IAS 19 - Employee Benefits – (Revised)

IFRS 7 - Financial Instruments : Disclosures – (Amendments)
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Improvements to accounting standards issued by the IASB

IAS 1 - Presentation of Financial Statements – Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 - Financial Instruments ; Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revisions, amendments and improvements to accounting standards 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:

Standard or interpretation		Effective date (annual periods beginning on or after)
IAS 16 & 38	– Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 & 40	– Agriculture: Bearer Plants	01 January 2016
IAS 19	– Employee Contributions	01 July 2014
IAS 32	– Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36	– Recoverable Amount for Non-financial Assets – (Amendment)	01 January 2014
IAS 39	– Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	01 January 2014
IFRIC 21	– Levies	01 January 2014

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.

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 July 2014. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	– Financial Instruments: Classification and Measurement	01 January 2018
IFRS 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
IFRS 14	– Regulatory Deferral Accounts	01 January 2016
IFRS 15	– Revenue from Contracts with Customers	01 January 2017

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 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 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. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. All past service cost are recognized at the earlier on when the amendments or curtailments occurred and when the Company has recognized related restructuring or termination benefits.

During the year, the Company has changed its accounting policy in respect of recognition of actuarial gains and losses. With effect from current year, the Company has recognised actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees.

The aforesaid change in accounting policy due to the adoption of amendments in IAS – 19 will result in increase in staff cost in respect of unrecognized actuarial loss of prior years' amounting to Rs. 4.27 million, which the management believes is immaterial. As a result, such prior year effect has not been accounted for retrospectively and the aforesaid impact has been taken in the financial statements for the current year.

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 ex pense 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.

	Note	2014	2013
		(Rupees in '000)	

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating property, plant and equipment	4.1	1,454,148	1,065,150
Capital work-in-progress	4.2	321	271,315
		1,454,469	1,336,465

4.1 Operating property, plant and equipment

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

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

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 disposals	For the year	As at June 30, 2013		
	(Rupees in '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	

	Note	2014	2013
		(Rupees in '000)	
4.1.2 Reconciliation of book value:			
Book value as at the beginning of the year		1,065,150	940,867
Additions during the year		479,007	190,294
Depreciation for the year		(90,009)	(65,332)
Disposals during the year at book value		-	(679)
Book value as at the end of the year		1,454,148	1,065,150
4.1.3 The depreciation charge for the year has been allocated to:			
Cost of sales	23	88,861	63,886
Distribution costs	24	617	762
Administrative expenses	25	531	684
		90,009	65,332

4.2 Movement of capital work-in-progress

	Civil works	Plant and machinery	Power and other installations	Factory equipment	Total
	(Rupees in '000)				
Balance as at July 01, 2012	1,608	-	738	-	2,346
Capital expenditure incurred / advances made during the year	48,321	381,654	11,834	936	442,745
Transferred to operating property, plant and equipment	(49,089)	(112,115)	(12,572)	-	(173,776)
Balance as at June 30, 2013	840	269,539	-	936	271,315
Capital expenditure incurred / advances made during the year	6,041	179,391	4,995	6,749	197,176
Transferred to operating property, plant and equipment	(6,881)	(448,930)	(4,674)	(7,685)	(468,170)
Balance as at June 30, 2014	-	-	321	-	321

5. INTANGIBLE ASSET

Description	COST				AMORTIZATION				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 in '000)									
2014 ERP System	9,161	-	-	9,161	2,554	-	916	3,470	5,691	10
2013 ERP System	9,161	-	-	9,161	1,638	-	916	2,554	6,607	10

		Note	2014	2013
			(Rupees in '000)	
5.1	The amortization charge for the year has been allocated to:			
	Cost of sales	23	684	684
	Administrative expenses	25	232	232
			916	916
6.	**LONG-TERM INVESTMENT**			
	Available-for-sale securities – related party			
	Ordinary shares of a listed company Cherat Cement Company Limited 243,362 (2013: 221,239) fully paid ordinary shares of Rs. 10/- each		15,931	12,874
7.	**LONG-TERM LOANS – secured, considered good**			
	Loans to employees	7.1	222	333
	Less: Due within one year shown under current portion of loans	12	55	83
			167	250

7.1 Represent car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 15% per annum (2013: upto 15% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

		2014	2013
8.	**DEFERRED TAXATION**		
	Deferred tax liability on taxable temporary difference: Accelerated tax depreciation on operating property, plant and equipment	(145,973)	(74,685)
	Deferred tax asset on deductible temporary differences:		
	Taxable loss	30,793	47,142
	Minimum tax	141,420	88,595
		26,240	61,052
9.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	4,070	4,954
	Spare parts	55,835	43,380
	Loose tools	43	158
		59,948	48,492

	Note	2014	2013
		(Rupees in '000)	
10. STOCK-IN-TRADE			
Raw material			
In hand		544,439	544,111
In bonded warehouse		144,350	227,274
In transit		257,243	278,347
		946,032	1,049,732
Work-in-process		48,167	48,892
Finished goods		111,157	70,187
Polypropylene scrap goods		568	2,314
		1,105,924	1,171,125
11. TRADE DEBTS – unsecured			
Considered good	11.1	659,748	633,907
Considered doubtful		17,966	17,966
		677,714	651,873
Less: Provision for doubtful debts		17,966	17,966
		659,748	633,907

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

		2014	2013
Neither past due nor impaired		474,249	414,921
Past due but not impaired			
- Within 60 days		185,499	218,986
		659,748	633,907
12. LOANS AND ADVANCES – considered good			
Current portion of loans due from:			
Employees	7	55	83
Advances – unsecured:			
Suppliers		6,016	3,905
Letters of credit		1,128	625
		7,144	4,530
		7,199	4,613
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposit – earnest money		3,980	5,110
Short-term prepayments			
Insurance		1,935	1,935
Rent		240	720
Others		1,681	704
		3,856	3,359
		7,836	8,469

	Note	2014	2013
		(Rupees in '000)	
14. OTHER RECEIVABLES			
Excise duty claim		169	169
Warehousing surcharge claim		517	517
Duty drawback		5,962	3,509
Sales tax receivable		47,299	57,561
Claim receivable		10,154	2,578
Others		157	60
		64,258	64,394
15. CASH AND BANK BALANCES			
With banks:			
Current accounts		17,128	18,710
Saving accounts	15.1	1,043	1,744
		18,171	20,454
Cash in hand		320	86
		18,491	20,540

15.1 Effective profit rate in respect of saving accounts is 6.5% per annum (2013: 6% per annum).

16. SHARE CAPITAL

16.1 Authorized capital

2014	2013		2014	2013
(Number of Shares)			(Rupees in '000)	
40,000,000	40,000,000	Ordinary shares of Rs. 10/- each	400,000	400,000

16.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
		Issued fully paid in cash		
20,145,000	9,817,500	Opening balance	201,450	98,175
-	10,327,500	Issued as right shares	-	103,275
20,145,000	20,145,000	Closing balance	201,450	201,450
7,395,000	7,395,000	**Issued as fully paid bonus shares**	73,950	73,950
27,540,000	27,540,000		275,400	275,400

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

	2014	2013
	(Number of Shares)	
Faruque (Private) Limited	2,723,512	2,723,512
Cherat Cement Company Limited	1,772,380	1,772,380
Mirpurkhas Sugar Mills Limited	1,367,380	1,367,380
Greaves Pakistan (Private) Limited	1,383,280	1,383,280

17. RESERVES

17.1 Capital reserve

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

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 rele vant accounting standard.

18. LONG-TERM FINANCING – secured

	Note	2014	2013
		(Rupees in '000)	
From banking companies			
Long-term loan			
Term Loan-I		-	18,750
Term Loan-II	18.1	360,000	400,000
Term Loan-III –Tranche I	18.2	100,000	100,000
–Tranche II	18.2	200,000	-
Term Loan-IV	18.3	200,000	-
		860,000	518,750
Less: Current maturity		(80,000)	(58,750)
		780,000	460,000

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

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

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

	Note	2014	2013
		(Rupees in '000)	
19. TRADE AND OTHER PAYABLES			
Creditors		24,957	35,845
Bills payable		209,379	498,584
Accrued liabilities		27,159	27,141
Unclaimed and unpaid dividends		2,136	1,608
Payable to gratuity fund	19.1	211	2,377
Payable to provident fund	19.2	-	685
Workers' Profits Participation Fund	19.3	14,436	9,366
Workers' Welfare Fund	19.4	6,627	1,141
Retention money		1,908	788
		286,813	577,535

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, 2014.

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

	2014	2013
Amount recognized in the balance sheet:		
Present value of defined benefit obligation	31,226	32,361
Fair value of plan assets	(31,015)	(25,711)
Unrecognized actuarial loss	-	(4,273)
Liability recognized in the balance sheet	211	2,377
Expense recognized		
Current service cost	1,718	1,437
Interest cost	3,337	3,117
Expected return on plan assets	(2,744)	(2,299)
Actuarial losses recognized	-	216
	2,311	2,471

	2014	2013
Movement in the balance recognized in the balance sheet:	(Rupees in '000)	
Balance as at July 01	2,377	3,006
Net charge for the year	2,311	2,471
Amortization of actuarial loss / (gain) charged to equity	4,273	-
Re-measurement chargeable in other comprehensive income	(5,750)	-
Contributions	(3,000)	(3,100)
Balance as at June 30	211	2,377
Movement in the present value of defined benefit obligation:		
Balance as at July 01	32,361	24,934
Current service cost	1,718	1,437
Interest cost	3,337	3,117
Benefits paid during the year	(6,703)	-
Actuarial losses	513	2,873
Balance as at June 30	31,226	32,361
Movement in the fair value of plan assets:		
Balance as at July 01	25,711	16,839
Expected return	2,744	2,299
Contributions	3,000	3,100
Benefits paid during the year	(6,703)	-
Actuarial gain	6,263	3,473
Balance as at June 30	31,015	25,711
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	11.5%	9.5%
Valuation discount rate	13.5%	11.5%
Rate of return on plan assets	13.5%	12.5%

Comparisons for past years:

As at June 30	2014	2013	2012	2011	2010
	(Rupees in '000)				
Present value of defined benefit obligation	31,226	32,361	24,934	21,307	19,157
Fair value of plan assets	(31,015)	(25,711)	(16,839)	(13,125)	(11,643)
Deficit	211	6,650	8,095	8,182	7,514
Experience adjustment on plan liabilities	513	2,873	429	292	3,109
Experience adjustment on plan assets	(6,263)	(3,473)	(818)	284	1,018
	(5,750)	(600)	(389)	576	4,127

Composition of plan assets are as follows:	2014	2013
	(Rupees in '000)	
Special Saving Certificates and Pakistan Investment Bonds	7,777	2,996
Mutual Funds and Shares	22,703	22,478
Amount in banks	535	237
	31,015	25,711

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 2014 was Rs. 9.01 million (2013: Rs. 5.77 million).

19.2 Provident Fund	2014 (Un-Audited)	2013 (Un-Audited)
	(Rupees in '000)	
Size of the trust	77,359	60,113
Cost of investments made	59,844	48,704
Fair value of investments	76,599	58,740

	2014	2013
	(Percentage)	
Percentage of investment made	99.02	97.95

The major categories of investment are as follows:	(Rupees in '000)	
Government securities	24,593	12,003
Short-term deposits	16,579	139
Others	35,427	46,598
	76,599	58,740

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.

	Note	2014	2013
		(Rupees in '000)	

19.3 Workers' Profits Participation Fund

	Note	2014	2013
Balance as at July 01,		9,366	2,815
Interest thereon	28	139	54
		9,505	2,869
Payments during the year		(9,505)	(2,869)
		-	-
Charge for the year	26	14,436	9,366
		14,436	9,366

19.4 As per Workers' Welfare Fund (WWF) Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Government through Finance Acts 2006 & 2008 amended the WWF Ordinance, 1971 whereby the term 'total income' shall be considered as a profit before tax as per declaration of income in the return or as per accounts, whichever is higher. These amendments were challenged in the Honourable Peshawar High Court. During the year, the Honourable Peshawar High Court declared the impugned levy of contribution introduced in the WWF Ordinance, 1971 through the Finance Acts of 2006 & 2008 as illegal and "ultra vires" as it lacks the essential mandate to be introduced and passed through a Money Bill under the Constitution.

In view of the fact that the Honourable Sindh High Court has decided the matter against the tax payers and ultimate decision may come from the Honourable Supreme Court of Pakistan, although the management is confident of a favourable outcome, as a matter of prudence, full amount has been provided in these financial statements which can be reversed in case of an ultimate favourable outcome. The amount which can be reversed for current and prior years is Rs. 13.47 million.

20. SHORT-TERM BORROWINGS – secured

	Note	2014	2013
Running finances utilized under mark-up arrangements	20.1 & 20.2	368,679	636,483
Money market loans	20.1 & 20.3	578,000	298,000
Export refinance scheme	20.4	48,142	-
		994,821	934,483
Istisna'a and Murabaha	20.5	226,929	276,087
		1,221,750	1,210,570

20.1 These facilities are obtained from various commercial banks amounting to Rs. 2,080 million (2013: Rs. 1,665 million) out of which Rs. 1,085.18 million (2013: Rs. 730.52 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 2,669 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 spread ranging from 1% to 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75% (2013: 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 0.45% to 0.75% (2013: 1 month KIBOR plus spread ranging from 0.7% to 0.8%) per annum.

20.4 This is a sub-facility of note 20.1 above and carries markup at the rate 9.3% (2013:Nil) per annum.

20.5 These facilities are obtained from various Islamic banks amounting to Rs. 600 million (2013: Rs. 450 million) out of which Rs. 373.07 million (2013: Rs. 173.91 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 800.33 million. These facilities carry profit rate of respective tenure KIBOR plus spread ranging from 0.6% to 0.75% per annum.

21. CONTINGENCIES AND COMMITMENTS

	2014	2013
Guarantees issued by a commercial bank	11,600	2,000
Letters of credit issued by commercial banks	529,202	520,851
Duties payable on bonded stock	21,884	33,125

	Note	2014	2013
		(Rupees in '000)	
22. TURNOVER - NET			
Local sales		6,141,654	4,660,524
Less: Sales tax		893,924	645,681
		5,247,730	4,014,843
Export sales		108,062	114,491
		5,355,792	4,129,334
23. COST OF SALES			
Raw material consumed			
Opening stock		544,111	476,000
Purchases		4,333,941	3,401,836
		4,878,052	3,877,836
Closing stock		(544,439)	(544,111)
		4,333,613	3,333,725
Duty drawback on export		(3,344)	(3,800)
		4,330,269	3,329,925
Manufacturing overheads			
Salaries, wages and benefits	23.1	154,630	127,370
Stores, spare parts and loose tools consumed		31,040	19,893
Fuel and power		105,622	62,072
Packing charges		63,979	41,449
Rent, rates and taxes		753	287
Repairs and maintenance		2,978	4,964
Depreciation	4.1.3	88,861	63,886
Amortization	5.1	684	684
Insurance		21,156	17,413
General office expenses		247	36
Vehicle running expenses		4,703	4,181
Travelling and conveyance		4,670	2,218
Communication expenses		1,708	1,699
Printing and stationery		481	273
Legal and professional charges		3,978	3,496
Freight and cartage		1,123	800
Subscription		359	328
Stores and spares parts – written off		28	50
Others		1,307	1,191
		488,307	352,290
		4,818,576	3,682,215
Work-in-process:			
Opening stock		48,892	28,167
Closing stock		(48,167)	(48,892)
		725	(20,725)
Polypropylene scrap goods:			
Opening stock		2,314	630
Closing stock		(568)	(2,314)
Sales		(30,885)	(12,409)
		(29,139)	(14,093)
Cost of goods manufactured		4,790,162	3,647,397
Finished goods:			
Opening stock		70,187	115,591
Closing stock		(111,157)	(70,187)
		(40,970)	45,404
		4,749,192	3,692,801

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.46 million and Rs. 1.62 million, respectively (2013: Rs. 3.28 million and Rs. 2.11 million, respectively).

24. DISTRIBUTION COSTS

	Note	2014	2013
		(Rupees in '000)	
Salaries and benefits	24.1	6,187	11,416
Travelling and conveyance		4,093	3,374
Vehicle running expenses		961	874
Repair and maintenance		233	47
Communication expenses		573	322
Rent, rates and taxes		22	35
Insurance		1,260	1,169
Printing and stationery		1,151	937
Depreciation	4.1.3	617	762
Freight and cartage		40,656	33,876
Export expenses		1,833	1,872
Others		254	181
		57,840	54,865

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.17 million and Rs. 0.22 million, respectively (2013: Rs. 0.17 million and Rs. 0.05 million, respectively).

25. ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries and benefits	25.1	21,587	17,907
Directors' fee		825	800
Travelling and conveyance		1,443	813
Vehicle running expenses		992	802
Communication expenses		3,820	2,841
Printing and stationery		1,016	1,092
Rent, rates and taxes		1,015	1,541
Legal and professional charges		2,041	1,721
Insurance		1,019	941
Subscription		1,218	976
Advertisement		287	379
Depreciation	4.1.3	531	684
Amortization	5.1	232	232
Repairs and maintenance		375	572
General office expenses		145	147
Utilities		182	170
Others		24	28
		36,752	31,646

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.50 million and Rs. 0.47 million, respectively (2013: Rs. 0.42 million and Rs. 0.31 million, respectively).

26. OTHER EXPENSES

	Note	2014	2013
Auditors' remuneration	26.1	1,535	1,326
Donations	26.2	76	81
Workers' Profits Participation Fund	19.3	14,436	9,366
Workers' Welfare Fund		5,486	3,579
Exchange loss		189	7,711
		21,722	22,063

	Note	2014	2013
26.1 Auditors' remuneration		(Rupees in '000)	
Audit fee		550	500
Half yearly review and CCG certification		284	240
Tax and other corporate services		580	502
Out of pocket expenses		121	84
		1,535	1,326

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

27. OTHER INCOME

	Note	2014	2013
Income from financial assets			
Return on saving accounts		110	209
Dividend income		553	664
		663	873
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment		-	336
Scrap sales		3,861	3,180
		4,524	4,389

28. FINANCE COSTS

	Note	2014	2013
Mark-up on:			
Long-term financings		78,207	50,995
Short-term borrowings		146,502	105,058
		224,709	156,053
Others:			
Guarantee commission		165	40
Bank charges and duties		996	806
Interest on Workers' Profits Participation Fund	19.3	139	54
		226,009	156,953

29. TAXATION

29.1 The assessments of the Company for and upto the tax year 2013 have been completed or deemed to be assessed.

29.2 The income of the company was exempt 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. From the last year this exemption was no more available. However, in view of tax losses , provision for the current taxation is based on 1% of turnover u/s 113 of the Income Tax Ordinance, 2001, and final tax regime on export sales after taking into account tax credits u/s 65B and other rebates.

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

30. EARNINGS PER SHARE

	Note	2014	2013
Profit after taxation (Rupees '000)		251,486	118,569
Weighted average number of ordinary shares in issue		27,540,000	21,892,127
Basic earnings per share	30.1	Rs. 9.13	Rs. 5.42

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. Export refinance facility has been obtained at a fixed rate of 9.30% per annum (2013: Nil). At June 30, 2014 after taking into account the effect of export refinance, approximately 2.31% (2013: Nil) of the company's borrowings are at fixed rate of interest.

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:

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

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).

	2014	2013
	('000)	
Bills payable – Euro	974	3,106
US Dollar	772	992

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

	(Rupees)	
Exchange rates – Euro	134.73	129.11
US Dollar	98.75	98.80

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

Sensitivity analysis:

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

	Change in rate (%)	Effect of translation of foreign currency liabilities on profit or (loss)	Effect on equity
		(Rupees in '000)	
30 June 2014 - Euro	+10	(13,123)	(13,123)
	-10	13,123	13,123
30 June 2014 - US Dollar	+10	(7,624)	(7,624)
	-10	7,624	7,624
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

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. 15.931 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 1.593 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 due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2014	2013
	(Rupees in '000)	
Long-term investment		
Counter party without credit rating	15,931	12,874
Trade debts		
Customers with no defaults in the past one year	659,748	633,907
Cash at bank and short-term deposits		
Current accounts		
A1+	14,082	18,710
A	3,046	-
Saving accounts		
A1+	11	1,744
A	1,032	-
	18,171	20,454

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. 1,458.25 million (2013: Rs. 904.43 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.

	2014					2013				
	INTEREST BEARING			Non-Interest Bearing	Total	INTEREST BEARING			Non-Interest Bearing	Total
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
	(Rupees in '000)									
Long-term financing	80,000	780,000	860,000	-	860,000	58,750	460,000	518,750	-	518,750
Trade and other payables	-	-	-	265,750	265,750	-	-	-	567,028	567,028
Accrued mark-up	-	-	-	52,911	52,911	-	-	-	42,775	42,775
Short-term borrowings	1,221,750	-	1,221,750	-	1,221,750	1,210,570	-	1,210,570	-	1,210,570
	1,301,750	780,000	2,081,750	318,661	2,400,411	1,269,320	460,000	1,729,320	609,803	2,339,123

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'vvs 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, 2014.

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, 2014 and 2013 were as follows:

	2014	2013
	(Rupees in '000)	
Long-term financings including current portion	860,000	518,750
Accrued mark-up	52,911	42,775
Short-term borrowings	1,221,750	1,210,570
Total debt	2,134,661	1,772,095
Cash and cash equivalents	(18,491)	(20,540)
Net debt	2,116,170	1,751,555
Share capital	275,400	275,400
Reserves	1,109,842	936,444
Total capital	1,385,242	1,211,844
Capital and net debt	3,501,412	2,963,399
Gearing ratio	60.44%	59.11%

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 2014, the Company has only available-for-sale securities measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2014, 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

	2014		2013	
	Director	Executives/ Key Employees	Director	Executives/ Key Employees
	(Rupees in '000)			
Managerial remuneration	-	33,916	2,682	27,059
Housing allowance	-	10,881	1,207	8,922
Retirement benefits	-	3,379	-	3,308
Utilities	-	2,364	268	1,939
Leave fare	-	2,014	-	1,198
	-	52,554	4,157	42,426
Number	-	20	1	17

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. 0.83 million (2013: Rs. 0.80 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:

Relationship	Nature of transactions	2014	2013
		(Rupees in '000)	
Group companies	Sale of goods	504,359	430,111
	Purchase of goods	229	7,204
	Services received	26,904	22,518
	Software consultancy charges	5,352	4,763
	Dividends paid	21,740	6,004
	Dividends received	553	664
	Subscription received against issuance of right shares	-	64,880
Other related parties	Insurance premium	9,355	7,661

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 72 (2013: 68) and average number of employees during the year were 71 (2013: 65).

35. CAPACITY

	2014	2013
	(Bags in '000)	
Annual installed capacity as of June 30,	410,000	370,000
Actual production for the year	260,543	213,518

Actual production is in line with the industry demand. Further, the new line of polypropylene bags was installed during the year which was not operational for the full year.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 18, 2014 by the Board of Directors of the Company.

37. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2014, the Board of Directors has proposed the following in its meeting held on August 18, 2014 for approval of the members at the Annual General Meeting:

	2014	2013
	(Rupees in '000)	
Proposed final cash dividend @ Rs. 2/- per share (2013: Rs. 2/- per share)	55,080	55,080

In addition to the above, following interim dividend was approved by the Board of Directors during the year:

Interim cash dividend for the year ended June 30, 2014 @ Re. 1/- per share (2013: Nil)	27,542	-

38. CORRESPONDING FIGURES

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

39. GENERAL

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

Amer Faruque
Chief Executive

Aslam Faruque
Director

Pattern of Shareholding

as at June 30, 2014

No. of Shareholders	Shareholding From	To	Shares Held
184	1	100	4,886
214	101	500	73,498
159	501	1000	134,617
364	1001	5000	974,204
93	5001	10000	721,237
43	10001	15000	543,398
25	15001	20000	450,569
23	20001	25000	552,755
14	25001	30000	396,652
5	30001	35000	161,562
5	35001	40000	195,099
5	40001	45000	220,118
7	45001	50000	335,336
4	50001	55000	208,993
1	55001	60000	58,844
7	60001	65000	435,227
2	65001	70000	134,500
2	70001	75000	148,600
6	80001	85000	504,430
3	85001	90000	262,868
1	90001	95000	92,500
4	95001	100000	400,000
1	115001	120000	117,553
3	120001	125000	375,000
1	130001	135000	131,510
1	135001	140000	135,124
1	160001	165000	165,000
1	165001	170000	169,926
1	180001	185000	184,004
1	190001	195000	192,828
1	195001	200000	198,000
1	205001	210000	209,912
1	220001	225000	221,360
1	230001	235000	234,859
1	235001	240000	237,577
1	240001	245000	245,000
1	250001	255000	251,998
1	305001	310000	305,444
1	315001	320000	316,460
1	420001	425000	424,814
1	445001	450000	450,000
1	475001	480000	478,948
1	495001	500000	500,000
1	530001	535000	530,446
1	565001	570000	566,000
1	635001	640000	636,128
1	970001	975000	975,000
1	1195001	1200000	1,200,000
1	1295001	1300000	1,296,000
1	1365001	1370000	1,367,380
1	1380001	1385000	1,383,280
1	1770001	1775000	1,772,380
1	2530001	2535000	2,534,664
1	2720001	2725000	2,723,512
1205			27,540,000

Categories of Shareholders

as at June 30, 2014

Shareholders' Category	No. of Shareholders	Shares Held
Director, Their Spouse(s) and Minor Children		
MR. AKBARALI PESNANI	1	73,600
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	8,000
MR. AMER FARUQUE	1	135,124
MRS. AMINA FARUQUE W/O MR. AMER FARUQUE	1	209,912
MR. ASLAM FARUQUE	1	237,577
MR. SHEHRYAR FARUQUE	1	192,828
MR. ARIF DINO FARUQUE	1	424,814
MR. AZAM FARUQUE	1	88,819
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) LTD	1	1,383,280
Executives	2	77,000
Public Sector Companies and Corporations	1	636,128
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	6	4,187,594
Mutual Funds		
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	61,499
CDC - TRUSTEE JS LARGE CAP. FUND	1	500,000
CDC - TRUSTEE JS ISLAMIC FUND	1	450,000
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	566,000
CDC - TRUSTEE NAFA STOCK FUND	1	19,992
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	1	100,000
General Public	1,152	11,073,251
Others	24	932,450
Total	1,205	27,540,000
Shareholders holding 5% or more		
FARUQUE (PRIVATE) LIMITED		2,723,512
ATLAS INSURANCE LIMITED		2,534,664
CHERAT CEMENT COMPANY LIMITED		1,772,380
GREAVES PAKISTAN (PRIVATE) LTD		1,383,280

Proxy Form

25th Annual
General Meeting 2014

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

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

I / We ____

of ____

being a member of CHERAT PACKAGING LIMITED, hereby appoint ____________________

____________________ of ____________________ another member of the Company as my / our proxy to attend & vote for me / us and on my / our behalf at the 25th Annual General meeting of the Company to be held on Friday, 24th October, 2014 at 11:00 a.m. and at any adjournment thereof.

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

Signature of Shareholder

Revenue Stamp

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

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

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

Circular

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATE LIFE BUILDING, 7- BLUE AREA

Islamabad, January 26, 2000

Circular No. 1 of 2000

Sub: Guidelines for Attending General Meeting and Appointment of Proxies

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

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

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

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

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

B. Appointment of Proxies

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

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

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

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

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

Sd.
[illegible]
Chief (Coordination)

GHULAM FARUQUE
GROUP

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Email: info@gfg.com.pk
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