annual report 2011

strength from diversity

CHERAT PACKAGING

Cherat Packaging Ltd

(Formerly Cherat Papersack Limited)

A Ghulam Faruque Group Company

introduction

For over two decades Cherat Papersack had been recognized as the leading manufacturer of premium quality cement sacks. Each year the company and its product have stood by the conviction and the mission statement of providing value to all stakeholders.

In order for a company to continue to prosper it must embrace change and diversification. This year marks that commitment to progress. With the planned addition of the polypropylene cement bag plant, your company, Cherat Papersack, now stakes its identity as Cherat Packaging.

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

contents

Diversity is now the essence of most things. Be it people, living, food, clothing, business or industry. As the world becomes smaller needs are being satisfied from across cities, regions and continents. Our daily needs are met as often locally as globally.

It is with this in mind that Cherat Packaging has diversified. To augment the papersack production we have reincorporated Cherat Papersack into Cherat Packaging by adding on a state of the art Polypropylene packaging plant.

The right packaging makes products more transportable, better preserved, attractive and practical.

diversity the essence

diversity enables utility

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

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

As trade diversifies to meet needs & wants both near and a far, Cherat Packaging is poised to supply its customers with the finest quality papersacks and polypropylene cement bags. This will not only develop employment opportunities for the local community but also create greater value for all its stakeholders.

diversity creates value

diversity enables choice

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

vision

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


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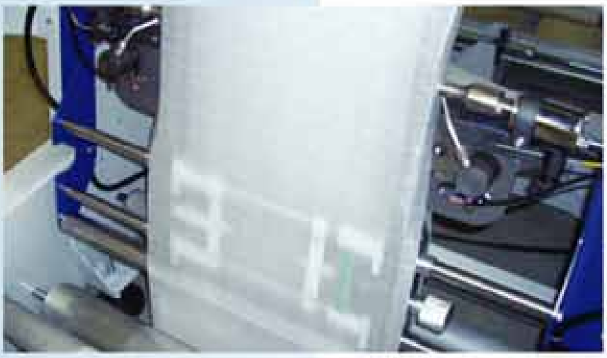
mission



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

strategic objectives

We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business. It is our endeavour to create value for our shareholders by ensuring a maximum return on investment and achieve customer satisfaction by way of providing our clients a world class product.

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

core values

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

company information

Board of Directors

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

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Iqbal 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 Al-Habib Ltd
Bank Al-Habib Ltd
Islamic Banking Branch
Bank Islami Pakistan Ltd
Faysal Bank Ltd
Habib Bank Ltd
HSBC Bank Middle East Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
United Bank Ltd

Share Registrar

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

Registered Office

1st Floor, Betani Arcade
Jamrud Road
Peshawar

Factory

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

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

Islamabad Office

Mezzanine Floor
Razia Sharif Plaza
91-Blue Area

notice of annual general meeting

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held on Monday, October 24, 2011 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following business:

Ordinary business

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2011 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of final cash dividend @ 25% (Rs.2.50 per share) as recommended by the Board of Directors for the financial year ended June 30, 2011.
3. To elect nine (9) Directors of the Company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance 1984. The names of retiring Directors are (1) Mr. Mohammed Faruque (2) Mr. Iqbal Faruque (3) Mr. Mahmood Faruque (4) Mr. Akbarali Pesnani (5) Mr. Aslam Faruque (6) Mr. Shehryar Faruque (7) Mr. Amer Faruque (8) Mr. Arif Faruque and (9) Mr. Abrar Hasan.
4. To appoint the Auditors for the year 2011/12 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

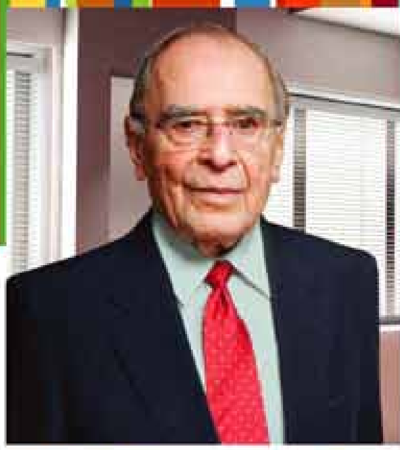
Abid A. Vazir
Executive Director &
Company Secretary

Karachi: August 29, 2011

Notes:

1. The register of members of the Company will be closed from Monday, October 17, 2011 to Monday, October 24, 2011 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 Saturday, October 15, 2011 will be treated in time for the entitlement of 25% final cash dividend.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.
3. 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 National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular of 26th January 2000 are to be followed.
5. The shareholders of the Company are requested to immediately notify the Share Registrar of the Company of any change in their addresses.

the board of directors



Mr. Mohammed Faruque
Chairman

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

Mr. Amer Faruque
Chief Executive

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

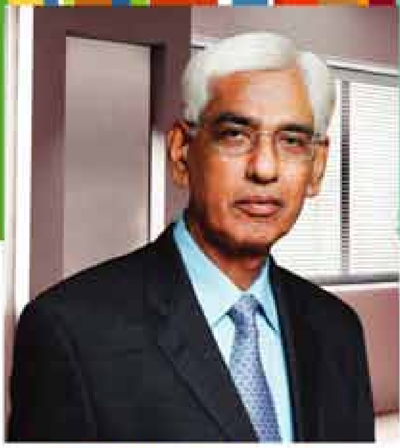
Mr. Iqbal Faruque
Director

Mr. Iqbal Faruque is a Director of the Company since 1991. He is a member of Board of Directors of Greaves Engineering (Pvt.) Ltd. In the past, he has served as Director of Cherat Cement Co. Ltd, Mirpurkhas Sugar Mills Ltd, Greaves Pakistan (Pvt.) Ltd and Faruque (Pvt.) Ltd.

Mr. Mahmood Faruque
Director

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

the board of directors



Mr. Akbarali Pesnani
Director

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently, he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of New Jubilee Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 30 years. He currently serves on the Board of Directors of Cherat Cement Co. Ltd, Mirpurkhas Sugar Mills Ltd, Greaves Pakistan (Pvt.) Ltd and Greaves CNG (Pvt.) Ltd.

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 State Life Insurance Corporation of Pakistan, Greaves Pakistan (Pvt.) Ltd, Greaves Air-conditioning (Pvt.) Ltd and Zensoft (Pvt.) Ltd. In the past, he has served as the Chairman of Pakistan Sugar Mills Association–Sindh Zone, and Director of Sui Southern Gas Company Ltd as well as Pakistan Industrial Development Corporation.

Mr. Shehryar Faruque

Director

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

Mr. Arif Faruque

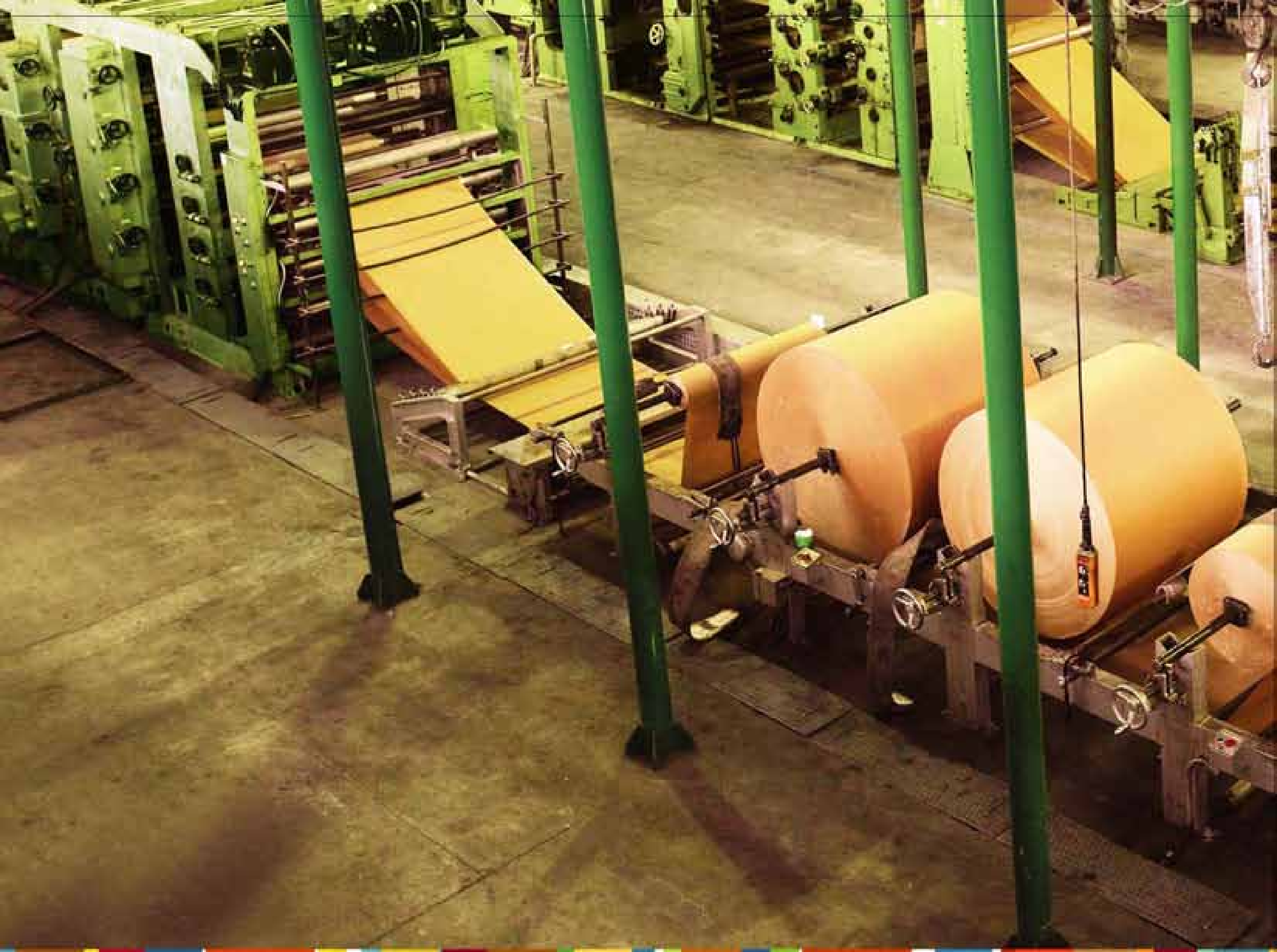
Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds master degrees in both law and business administration from the USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Cherat Cement Co. Ltd, 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. Abrar Hasan

Director

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



directors' report to the members

for the year ended June 30, 2011

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, 2011.

Company overview

Despite challenging circumstances facing the cement industry, which is the target market of the Company, there was a substantial improvement in the performance of Cherat Packaging Ltd (CPL) in the year 2010/11. The Company continued to provide high quality paper bags to its customers and improved its efficiency in all spheres of business operations. Although domestic cement sales declined by 7% during the year 2010/11, your Company was able to increase its net sales by 25% from last year.

Like with most commodities in world economy, an upward trend was witnessed in the international prices of kraft paper during the year 2010/11. Devaluation of Pak rupee vis-a-vis Euro and sharp rise in transportation and other input costs further compounded the pressure on the production costs. However, through efficient inventory management and strong relationship with leading kraft paper supplier – M/s. Mondi Packaging, the Company was able to overcome such challenges. Because of difficult circumstances for the cement industry and its adverse impact on the financial state of some of the plants, the Company had to constantly monitor its trade debts and accordingly manage its financial resources to ensure the same remains within manageable limits.

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

	2010/11	2009/10
	(Rs. in million)	
Net sales	2,471.96	1,985.24
Gross Profit	303.72	235.69
Net Profit	187.46	96.32
	(Rupees)	
Earnings per share	11.87	6.19

Financial performance

There was an increase of around 25% i.e. Rs. 487 million in the turnover of the Company from last year. The increase in sales revenue was due to adjustment in the selling prices of paper bags necessitated by increase in the international prices of kraft paper, appreciation of Euro against Pak rupee and rise in transportation charges due to sharp escalation in oil prices. As part of its marketing strategy, the Company built on the successful launch of 2-ply 85 gsm bags by increasing its market share and sales volume. During the year, the Company continued to benefit from special relief granted by the government on mark-up on loans and exemption on income taxes to companies operating in the affected areas of Khyber Pakhtunkhwa Province. Through constant monitoring of trade debts and effective financial management, the Company was able to lower its working capital requirement, which led to decline in finance cost. Furthermore, in times of rising prices of kraft paper in international markets, the Company continued to efficiently manage its inventory to control its costs and meet the demand of its customers. The Company was able to earn an after tax profit of Rs. 187.46 million during the year 2010/11.

Polypropylene project

In order to meet the cement packaging requirements of its customers by providing single window operations and diversify its business operations, CPL during the year decided to set up a Polypropylene (PP) cement bag plant. The plant has been acquired from a European supplier namely M/s. BSW - Windmoller & Holscher and will have a production capacity of approximately 65 million bags per annum. It is the most advanced and efficient plant of its kind in Pakistan and will be commissioned at the existing site of the Company in Gadoon Amazai, Khyber Pakhtunkhwa Province by November 2011. Subsequent to the year end, the plant has arrived at the factory.

There are well defined markets for both paper and PP bags. Whereas, PP bags are mostly preferred in northern and hilly areas of the country and also for exports which involves multiple handling, paper bags are mostly preferred in urban areas because of higher resale value and general public acceptability. By capitalizing on its available financial and operational leverage, the Company will be able to make an entry into the PP market segment, which will not only diversify its business operations but will also, give it a strategic edge over other cement bags suppliers as it can offer single window operations. The future strategy of the Company would be based on producing best quality bags and capitalizing on its strong relationship with the existing clientele i.e. the cement manufacturers. Further, exports by sea and encouraging growth in exports to Afghanistan and Central Asian States markets offer a great potential along with export of bags to other countries.

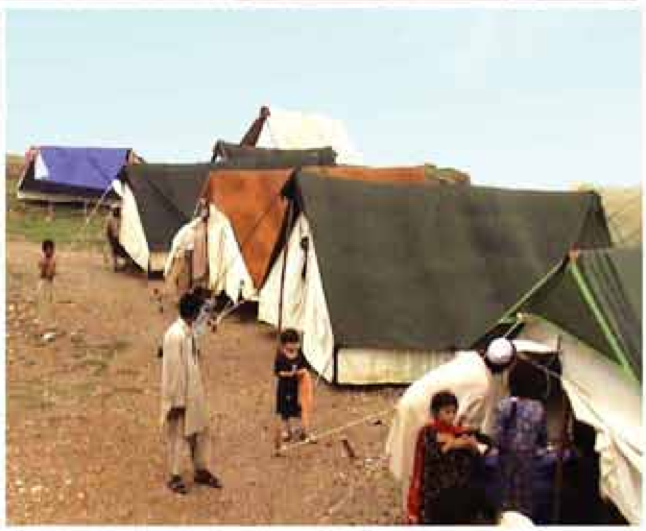
In order to finance the project, the Company during the year issued 50% Right Shares at Rs. 42 per share including a premium of Rs. 32 per share. The issue received an outstanding response from the market and was subscribed by the shareholders. Long term financing for the balance amount of the project has also been obtained by the Company from a commercial bank at competitive rates. Subsequent to the year end, on obtaining the approval of the shareholders in an Extra Ordinary General Meeting and the SECP, the name of the Company was changed to Cherat Packaging Limited with effect from July 1, 2011 to reflect the true nature of its operations following the diversification of its product portfolio.

Dividend

While considering the financial requirements of the Company for the ongoing expansion project, the Board of Directors at its meeting held on August 29, 2011 has proposed a cash dividend @ 25% (Rs. 2.50 per share) for the year ended June 30, 2011. The approval of members for cash dividend will be obtained at the Annual General Meeting to be held on October 24, 2011.

Corporate social responsibilty

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs.



During the year, the country was hit by unprecedented floods, which caused wide spread devastation to the lives and properties of the people of Pakistan. Responsive to the sufferings of the people in this hour of grief, the Company launched major relief efforts in different areas of Khyber Pakhtunkhwa province, which were some of the worst affected. Besides administrative support, cooked food, drinking water, dry rations, life-saving medicines, tents, clothes and other related items were provided on daily basis to around 5,000 people in the relief camps. The employees of the Company also contributed their one day salary to the cause. 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 Company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in the preparation of financial statements and there has been no departure therefrom.
- The system of internal controls has been effectively implemented and is continuously reviewed and monitored.
- The Company is a going concern and there are no doubts about its ability to continue.
- 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. However, it could not do so in the year 2008/09 due to operating losses.
- There is nothing outstanding against your company on account of taxes, duties, levies and other 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, 2011.
  - Provident Fund — Rs. 30,592,738
  - Gratuity Fund — Rs. 13,158,900
- During the year, four 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	3
Mr. Iqbal Faruque	1
Mr. Mahmood Faruque	4
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	3
Mr. Shehryar Faruque	3
Mr. Amer Faruque	4
Mr. Arif Faruque	3
Mr. Saquib H. Shirazi *	-
Mr. Abrar Hasan *	3

* Mr. Saquib H. Shirazi resigned from the board on September 30, 2010 and in his place, Mr. Abrar Hasan was co-opted as a Director.

- Pattern of shareholding is annexed with the report.

- The directors subscribed the right shares issued by the Company in the year 2010/11. During the year, Mr. Amer Faruque gifted 34,414 shares to Mr. Taimur Hassan and Mr. Akbarali Pesnani sold 7,280 shares of the Company. No other trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

- Earnings per share (EPS) during the year was Rs. 11.87 compared to Rs. 6.19 last year.

Contribution to national exchequer

The Company contributed over Rs. 800 million to the government treasury in shape of taxes, excise duty, income tax and sales tax.

Future prospects

From the month of March 2011, there has been a growth in the domestic demand for cement, driven mainly by private sector consumption. This has had a positive impact on the sales of the Company. It is expected that this development pattern shall continue, which would help further boost the cement demand and consequently increase the sale of paper bags. Against the backdrop of decline in PSDP spending by the government, energy crisis and uncertain security environment in the country, the Company is likely to face challenging times in the year 2011/12. However, the commissioning of the new polypropylene line by the Company shall have a positive impact as it will increase its sales volume and turnover. During the last quarter, there was further increase in kraft paper prices, which has put additional 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.

We take this opportunity to thank the government on providing special relief in mark up and income tax to the companies operating in the affected areas of Khyber Pakhtunkhwa province and would request the government to further extend the period of the same. We would also like to urge the government to provide further relief to industries in the affected areas to help them recover from the current crisis.

Auditors

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

Acknowledgment

The management of the Company would like to express its gratitude to all the financial institutions, individuals, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation. The management would like to particularly thank its supplier of kraft paper – M/s. Mondi Packaging for their understanding and continuing support.

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 29, 2011

factory team

key management

statement of compliance with the best practices of code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in the 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes seven non-executive directors, one of whom is independent.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy that occurred on the Board during the year was immediately filled up.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and has been circulated to all employees of the Company.
6. The Board has developed vision and mission statement/overall corporate strategy and significant policies of the Company.
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 and other executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of Cherat Packaging Ltd (formerly Cherat Papersack Ltd) are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities. A Director of the Company is also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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.
15. The Board has formed an audit committee. It presently comprises of three members, of whom two are non-executive directors of the Company.

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

17. The Board has set-up an effective internal audit function.

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

19. 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.

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

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 29, 2011

statement of compliance with the best practices of transfer pricing

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 29, 2011

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

ERNST & YOUNG

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011, prepared by the Board of Directors of **Cherat Packaging Limited** [Formerly Cherat Papersack Limitied] (the Company) to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended **30 June 2011**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: August 29, 2011

statement of ethics and business practices

The business policy 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 highest standards and maintain all relevant technical and professional standards.

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

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

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

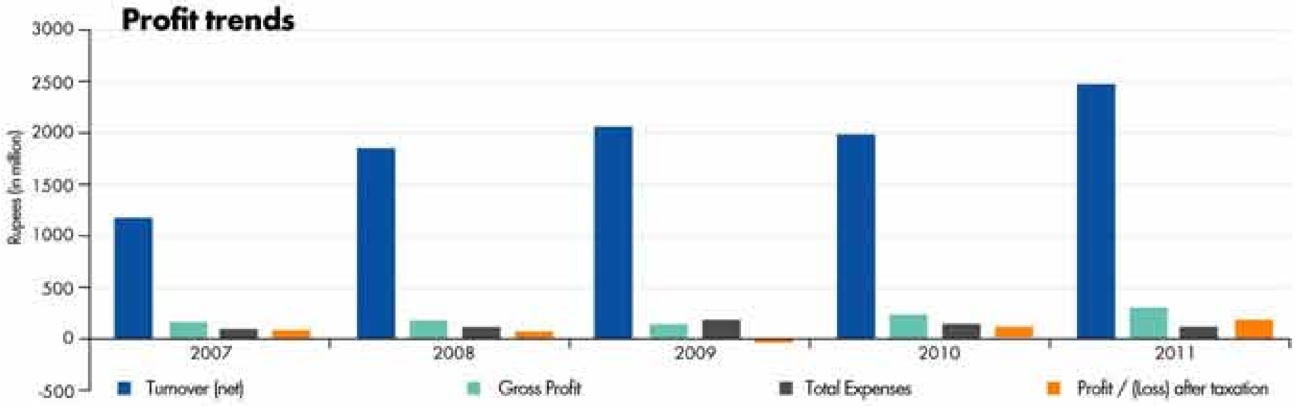
Procurement of Goods & Services
Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any goods or services, obtain quotations from various sources.

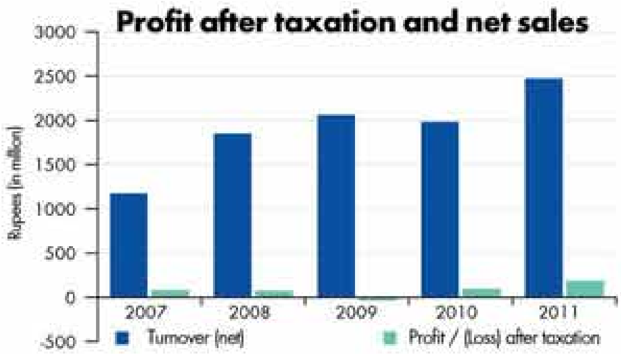
Conflict of Interest
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

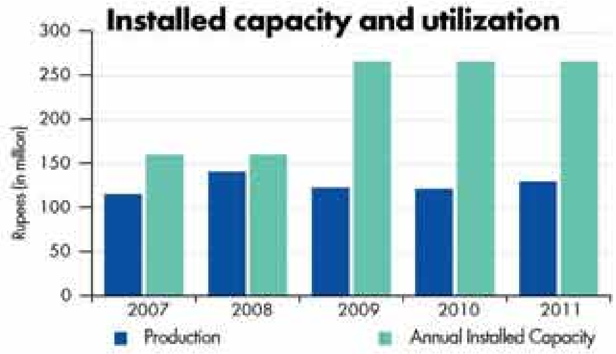
Adherence to Laws of the Land
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

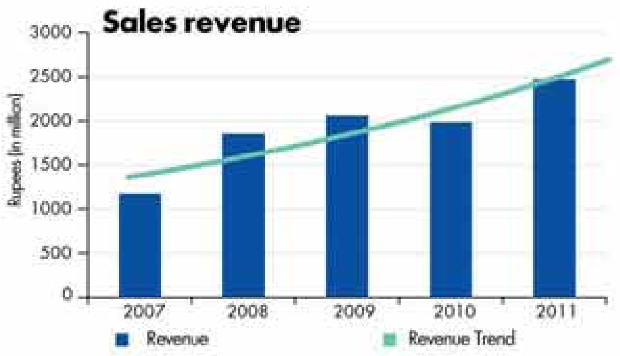
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply bags / sacks with care and competence so that customers receive the quality they truly deserve.

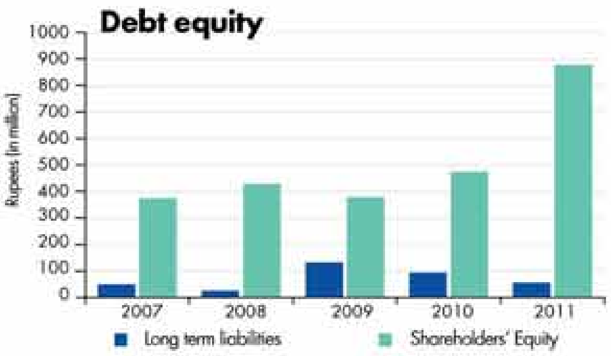
progress graphs

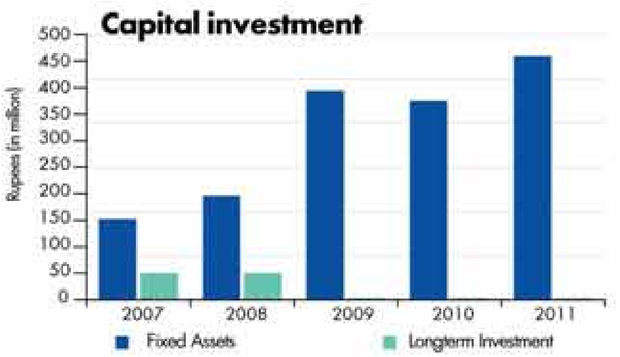


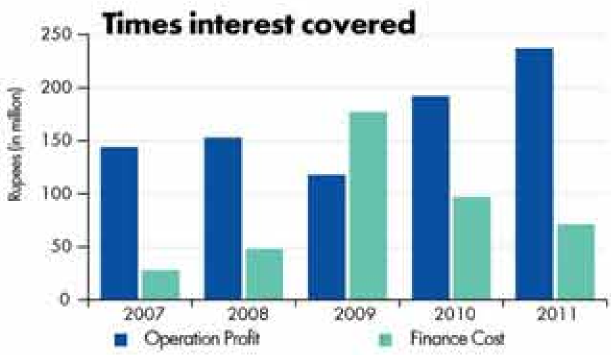




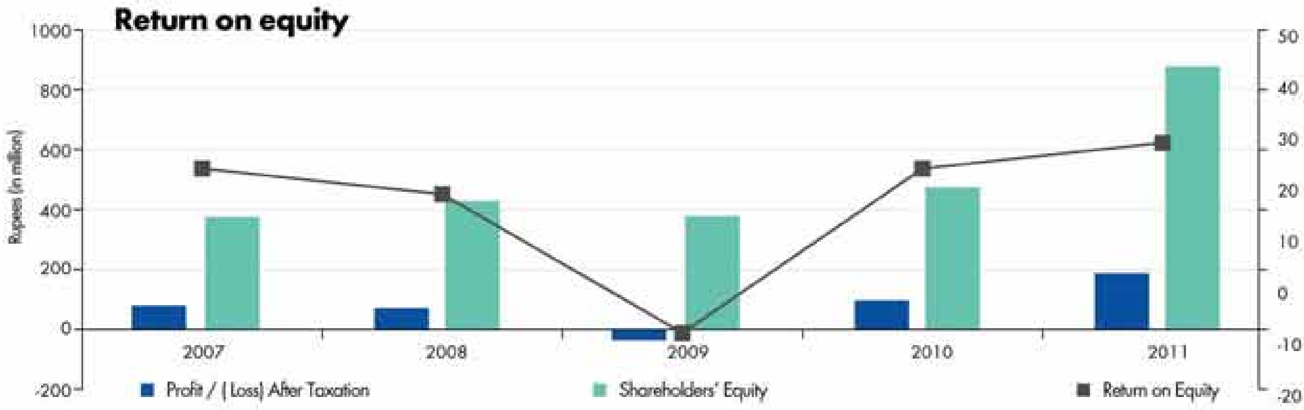


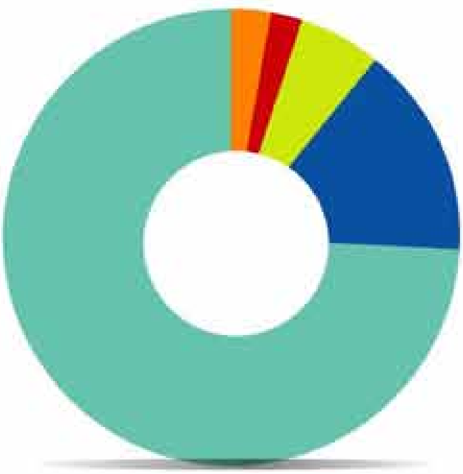






Return on equity



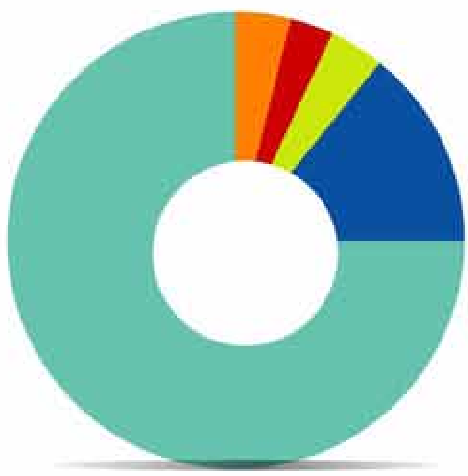


Wealth and its distribution during 2010-11

Financial Institutions	3%
Employees	2%
Shareholders and Equity	6%
Government	15%
Material and Services	74%

Wealth and its distribution during 2009-10

Financial Institutions	4%
Employees	3%
Shareholders and Equity	4%
Government	14%
Material and Services	75%



year-wise statistical summary

	2011	2010	2009	2008	2007	2006	2005
	(Bags in million)						
Production	129.44	121.24	122.44	140.48	114.99	92.15	85.02
Dispatches	128.57	122.28	122.40	140.58	114.27	90.52	84.14
	(Rs. in 000)						
ASSETS EMPLOYED							
Fixed Assets - Tangible	453,600	369,619	393,807	196,061	152,484	165,461	172,156
Fixed Assets - Intangible	6,375	5,143	541	-	-	-	-
Long-term Investments, Loans and Deposits & Deferred Tax	48,580	3,344	4,168	51,775	51,271	45,348	31,937
Current Assets	1,281,665	742,856	1,117,554	1,293,114	666,526	488,588	383,690
TOTAL ASSETS EMPLOYED	1,790,220	1,120,962	1,516,070	1,540,950	870,281	699,397	587,783
EQUITY AND LIABILITIES							
Shareholders' Equity	878,067	473,641	378,276	427,502	374,593	303,835	296,913
Long-term Liablities	56,250	93,750	131,250	25,000	50,000	75,000	100,000
Deferred Liabilities	-	1,818	12,632	35,772	26,449	3,753	6,126
Current Liabilities	855,903	551,753	993,912	1,052,676	419,239	316,809	184,744
TOTAL FUNDS INVESTED	1,790,220	1,120,962	1,516,070	1,540,950	870,281	699,397	587,783
TURNOVER & PROFIT							
Turnover (Net)	2,471,964	1,985,235	2,060,614	1,851,416	1,175,404	795,584	713,869
Operating Profit	237,032	192,315	118,397	152,817	144,015	25,113	49,009
Profit Before Taxation	165,811	95,442	(58,351)	104,426	116,207	9,910	47,838
Profit After Taxation	187,455	96,319	(35,211)	71,166	79,576	8,306	32,705
Cash Dividend	43,031	18,360	-	11,016	11,750	8,813	19,584
Issue of Bonus Shares	-	22,950	-	18,360	14,688	-	9,792

ratio analysis

	2011	2010
Profitablility		
1 Gross Profit (percentage)	12.29	11.87
2 Operating Profit (percentage)	9.59	9.69
3 Profit Before Tax (percentage)	6.71	4.81
4 Profit After Tax (pecentage)	7.58	4.85
5 Profit to Average Shareholders' Equity (percentage)	27.74	22.61
6 Earnings per share - Before Tax	10.50	6.13
7 Earnings per share - After Tax	11.87	6.19
8 Profit to Total Assets (Average after tax) (percentage)	7.93	2.73
9 Increase / (Decrease) in Sales (Net percentage)	24.52	(3.66)
10 Raw Material % of Net Sales	83.50	80.87
11 Labour % of Net Sales	2.01	2.19
12 Other Cost of Sales Expenses % of Net Sales	2.20	5.07
13 Raw Material as % of Cost of Sales	95.19	91.77
14 Administrative Expenses % of Net Sales	0.86	0.76
15 Distribution Cost % of Net Sales	1.20	1.26
16 Tax % of Net Sales	(0.88)	(0.04)
17 Finance Cost % of Net Sales	2.88	4.88
Short Term Solvency		
1 Working Capital Ratio	1.50	1.35
2 Acid Test Ratio	0.47	0.65
3 Working Capital Turnover (Net Sales) times	5.81	10.39
4 Inventory Turnover / Times	3.43	3.22
Overall Valuation and Assessment		
1 Number of Times Interest Covered	3.33	1.99
2 Return on Equity after tax (Average in percentage)	27.74	22.61
3 Book Value Per Share	51.01	51.59
4 Long Term Debts to Equity Ratio (Percentage)	9.65	21.70

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
Fax: +9221 35681965
www.ey.com

We have audited the annexed balance sheet of Cherat Packaging Limited [Formerly Cherat Papersack Limited] (the Company) as at 30 June 2011 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 changes, as stated in note 2.3 to the financial statements, with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the 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 2011 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 Central Zakat Fund established under section 7 of that Ordinace.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 29, 2011

balance sheet

as at June 30, 2011

	Note	2011	2010
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	453,600	369,619
Intangible asset	5	6,375	5,143
		459,975	374,762
Long-term investment	6	1,991	2,040
Long-term loans	7	550	1,128
Long-term deposits		176	176
Deferred taxation	8	45,863	-
		508,555	378,106
CURRENT ASSETS			
Stores, spare parts and loose tools	9	12,882	13,072
Stock-in-trade	10	878,155	386,135
Trade debts	11	268,224	229,308
Loans and advances	12	4,749	1,018
Trade deposits and short-term prepayments	13	3,337	2,444
Other receivables	14	52,893	24,596
Taxation - net		52,655	79,019
Cash and bank balances	15	8,770	7,264
		1,281,665	742,856
TOTAL ASSETS		1,790,220	1,120,962
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	172,125	91,800
Reserves	17	705,942	381,841
		878,067	473,641
NON-CURRENT LIABILITIES			
Long-term financing	18	56,250	93,750
Deferred taxation	8	-	1,818
		56,250	95,568
CURRENT LIABILITIES			
Trade and other payables	19	115,785	114,615
Accrued mark-up		33,967	18,943
Short-term borrowings	20	668,651	380,695
Current maturity of long-term financing	18	37,500	37,500
		855,903	551,753
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		1,790,220	1,120,962

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

profit & loss account

for the year ended June 30, 2011

	Note	2011	2010
		(Rupees '000)	
Turnover - net	22	2,471,964	1,985,235
Cost of sales	23	(2,168,243)	(1,749,546)
Gross profit		303,721	235,689
Distribution costs	24	(29,639)	(25,026)
Administrative expenses	25	(21,181)	(15,050)
Other operating expenses	26	(18,833)	(8,045)
		(69,653)	(48,121)
Other operating income	27	2,964	4,747
Operating profit		237,032	192,315
Finance costs	28	(71,221)	(96,873)
Profit before taxation		165,811	95,442
Taxation			
Current		(26,037)	(9,937)
Deferred		47,681	10,814
	29	21,644	877
Profit for the year		187,455	96,319
			(Restated)
Earnings per share - basic and diluted	30	Rs. 11.87	Rs. 6.19

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

statement of comprehensive income

for the year ended June 30, 2011

	2011	2010
	(Rupees '000)	
Profit for the year	187,455	96,319
Other comprehensive income		
Unrealized loss on available-for-sale securities	(49)	(954)
Total comprehensive income for the year	187,406	95,365

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

cash flow statement

for the year ended June 30, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		165,811	95,442
Adjustment for:			
Depreciation	4.1.3	31,908	32,721
Amortization	5.1.1	630	224
Gain on disposal of operating property, plant and equipment	27	(12)	(1,985)
Exchange loss / (gain)	26 & 27	6,050	(445)
Finance costs	28	71,221	96,873
		109,797	127,388
		275,608	222,830
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		190	1,148
Stock-in-trade		(492,020)	314,553
Trade debts		(38,916)	16,080
Loans and advances		(3,731)	985
Trade deposits and short-term prepayments		(893)	266
Other receivables		(28,297)	20,915
		(563,667)	353,947
Increase in current liabilities:			
Trade and other payables		935	39,790
Cash (used in) / generated from operations		(287,124)	616,567
Net income tax refunded / (paid)		327	(42,327)
Net cash (used in) / generated from operating activities		(286,797)	574,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(12,290)	(10,057)
Capital work in progress		(103,812)	-
Proceeds from sale of operating property, plant and equipment		225	3,509
Intangible asset acquired		(1,862)	(4,826)
Long-term loans		578	(130)
Proceeds from sale of short term investments		-	52,500
Net cash (used in) / generated from investing activities		(117,161)	40,996
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(37,500)	(43,750)
Dividends paid		(18,125)	-
Shares issued at premium		235,380	-
Short-term borrowings		287,956	(458,752)
Finance costs paid		(62,247)	(113,375)
Net cash generated from / (used in) financing activities		405,464	(615,877)
Net increase / (decrease) in cash and cash equivalents		1,506	(641)
Cash and cash equivalents at the beginning of the year		7,264	7,905
Cash and cash equivalents at the end of the year	15	8,770	7,264

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

statement of changes in equity

for the year ended June 30, 2011

	Issued, subscribed and paid-up capital	RESERVES						Total
		CAPITAL RESERVE	REVENUE RESERVES			Unrealised loss on available-for-sale securities	Total reserves	
		Share Premium	General Reserve	Unappro-priated profit	Sub-total			
	(Rupees '000)							
Balance as at July 01, 2009	91,800	6,800	180,000	100,779	280,779	(1,103)	286,476	378,276
Profit for the year	-	-	-	96,319	96,319	-	96,319	96,319
Other comprehensive income	-	-	-	-	-	(954)	(954)	(954)
Total comprehensive income	-	-	-	96,319	96,319	(954)	95,365	95,365
Balance as at June 30, 2010	91,800	6,800	180,000	197,098	377,098	(2,057)	381,841	473,641
Balance as at July 01, 2010	91,800	6,800	180,000	197,098	377,098	(2,057)	381,841	473,641
Cash dividend for the year ended June 30, 2010 @ Rs. 2/- per share	-	-	-	(18,360)	(18,360)	-	(18,360)	(18,360)
Issue of bonus shares in the ratio of 1 : 4	22,950	-	-	(22,950)	(22,950)	-	(22,950)	-
Issue of right shares (Note:16.3)	57,375	183,600	-	-	-	-	183,600	240,975
Right shares issue expenses (Note:17.1)	-	(5,595)	-	-	-	-	(5,595)	(5,595)
Profit for the year	-	-	-	187,455	187,455	-	187,455	187,455
Other comprehensive income	-	-	-	-	-	(49)	(49)	(49)
Total comprehensive income	-	-	-	187,455	187,455	(49)	187,406	187,406
Balance as at June 30, 2011	172,125	184,805	180,000	343,243	523,243	(2,106)	705,942	878,067

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

notes to the financial statements

for the year ended June 30, 2011

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 & polypropylene bags. The Company started commercial production on December 15, 1991 and is listed on Karachi and Lahore Stock Exchanges. During the year, the Company decided to initiate polypropylene bags manufacturing line. Accordingly, name of the Company has been changed to Cherat Packaging Limited from Cherat Papersack Limited, with effect from July 01, 2011.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New and amended standards and interpretations

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

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Group Cash-settled Share-based Payment Arrangements
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash flows Presentation of Financial Statements
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 39 - Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 - Business Combinations
IAS 27 - Consolidated and Separate Financial Statements

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

2.4 Standards and interpretations issued but not yet effective for the current financial year

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

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 - Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 - Income Tax (Amendment) - Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material effect on the Company's financial statements in the period of initial application, except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. 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, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

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

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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.

2.5.4 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.

2.5.5 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 assets.

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. 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 unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, and removed from the available-for-sale reserve.

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

3.4 Stores, spare parts and loose tools

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

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

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

3.5 Stock-in-trade

3.5.1 Raw materials

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

Cost signifies purchase cost and other direct expenses.

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

3.5.2 Finished goods

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

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

3.6 Trade debts

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

3.7 Trade and other payables

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

3.8 Financial instruments

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

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

3.9 Foreign currency translations

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

3.10 Cash and cash equivalents

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

3.11 Revenue recognition

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

3.11.1 Sale of goods

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

3.11.2 Other operating income

- Return on held-to-maturity investments is recognized on accrual basis taking into account effective yield method.

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

- Other revenues are accounted for on accrual basis.

3.12 Staff retirement benefits

3.12.1 Gratuity scheme

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

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

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

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

3.12.2 Provident fund

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

3.13 Provisions

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

3.14 Taxation

3.14.1 Current

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

3.14.2 Deferred

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

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

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

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

3.14.3 Sales tax

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

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

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

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

3.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and if only, 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 in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all qualifying assets where construction was commenced on or after July 01, 2008. The Company had the practice to expense borrowing costs relating to construction of projects that commenced prior to July 01, 2008.

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 recognise in the profit and loss account.

3.18 Related party transactions

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

3.19 Dividend and appropriation to reserves

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

3.20 Functional and presentation currency

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees '000)	
Operating property, plant and equipment	4.1	349,788	369,619
Capital work-in-progress	4.2	103,812	-
		453,600	369,619

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating fixed assets:

2011 Description	COST				DEPRECIATION				Book value as at June 30, 2011	Depreciation rate % per annum
	As at July 01, 2010	Additions during the year	Disposals during the year	As at June 30, 2011	As at July 01, 2010	Adjustment on disposal	For the year	As at June 30, 2011		
	(Rupees '000)									
Leasehold land	3,761	1,167	-	4,928	-	-	-	-	4,928	-
Building on leasehold land	71,007	-	-	71,007	19,107	-	5,094	24,201	46,806	5-10
Plant and machinery	418,608	-	-	418,608	127,795	-	21,811	149,606	269,002	7.5
Power and other installations	947	146	-	1,093	703	-	30	733	360	10
Furniture and fittings	4,797	101	-	4,898	1,601	-	304	1,905	2,993	5-10
Vehicles	21,741	10,511	(558)	31,694	10,322	(345)	3,356	13,333	18,361	20
Equipment	10,919	76	-	10,995	4,105	-	689	4,794	6,201	10
Computers	3,800	289	-	4,089	2,328	-	624	2,952	1,137	33.33
	535,580	12,290	(558)	547,312	165,961	(345)	31,908	197,524	349,788	

2010 Description	COST				DEPRECIATION				Book value as at June 30, 2010	Depreciation rate % per annum
	As at July 01, 2009	Additions during the year	Disposals during the year	As at June 30, 2010	As at July 01, 2009	Adjustment on disposal	For the year	As at June 30, 2010		
	(Rupees '000)									
Leasehold land	3,761	-	-	3,761	-	-	-	-	3,761	-
Building on leasehold land	66,496	4,511	-	71,007	13,679	-	5,428	19,107	51,900	5-10
Plant and machinery	418,608	-	-	418,608	104,216	-	23,579	127,795	290,813	7.5
Power and other installations	888	59	-	947	679	-	24	703	244	10
Furniture and fittings	2,483	2,314	-	4,797	1,446	-	155	1,601	3,196	5-10
Vehicles	21,298	5,694	(5,251)	21,741	11,567	(3,727)	2,482	10,322	11,419	20
Equipment	10,907	12	-	10,919	3,350	-	755	4,105	6,814	10
Computers	2,167	1,633	-	3,800	2,030	-	298	2,328	1,472	33.33
	526,608	14,223	(5,251)	535,580	136,967	(3,727)	32,721	165,961	369,619	

4.1.2 Reconciliation of carrying amount:

	Note	2011	2010
		(Rupees '000)	
Carrying amount at beginning of the year		369,619	389,641
Additions during the year		12,290	14,223
Depreciation for the year		(31,908)	(32,721)
Disposals during the year at carrying amount		(213)	(1,524)
Carrying amount at the end of the year		349,788	369,619

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

	Note	2011	2010
Cost of sales	23	30,685	31,543
Distribution costs	24	632	659
Administrative expenses	25	591	519
		31,908	32,721

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

Description		Cost	Book value	Sales proceeds	Gain	Mode of disposal	Particulars of buyer
		(Rupees '000)					
Vehicle							
Suzuki Alto VXR	ALU-125	502	196	196	-	Employee car scheme	Syed Amjad Hussain Shamsi - Employee
Aggregate of assets disposed-off having book value below Rs. 50,000/- each							
Vehicle		56	17	29	12		
2011		558	213	225	12		
2010		5,251	1,524	3,509	1,985		

4.2 Capital work-in-progress

	2011	2010
	(Rupees '000)	
Civil works	15,902	-
Advance for purchase of plant and machinery	76,070	-
Power and other installations	11,840	-
	103,812	-

5. INTANGIBLE ASSET

	Description	Cost				Amortisation				Book value as at June 30,	Amortisation rate % per annum
		As at July 01,	Additions during the year	Disposals during the year	As at June 30,	As at July 01,	Adjustment on disposal	For the year	As at June 30,		
		(Rupees '000)									
2011	ERP System	5,367	1,862	-	7,229	224	-	630	854	6,375	10
2010	ERP System	541	4,826	-	5,367	-	-	224	224	5,143	10

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

	Note	2011	2010
		(Rupees '000)	
Cost of sales	23	469	156
Administrative expenses	25	161	68
		630	224

6. LONG-TERM INVESTMENT

	Note	2011	2010
		(Rupees '000)	
Available-for-sale securities - related party			
Ordinary shares of listed company			
Cherat Cement Company Limited			
221,239 (2010: 221,239) fully paid ordinary shares of Rs.10/- each		1,991	2,040

7. LONG-TERM LOANS - secured, considered good

	Note	2011	2010
Loans to:			
Executives	7.1& 7.2	-	541
Employees	7.2	733	1,264
		733	1,805
Less: Due within one year shown under current portion of loans	12	183	677
		550	1,128

7.1 Reconciliation of carrying amount of loans to executives

	2011	2010
Balance as at July 01	541	494
Disbursement	-	600
Repayment	(541)	(553)
Balance as at June 30	-	541

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.54 million (2010: Rs. 1.93 million).

7.2 Represent car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 15% per annum (2010: upto 14% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

8. DEFERRED TAXATION

	Note	2011	2010
		(Rupees '000)	
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating fixed assets		(52,770)	(74,414)
Deferred tax asset on deductible temporary differences:			
Taxable loss	8.1	62,659	62,659
Minimum tax		35,974	9,937
		45,863	(1,818)

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

9. STORES, SPARE PARTS AND LOOSE TOOLS

	2011	2010
	(Rupees '000)	
Stores	2,073	2,209
Spare parts	10,694	10,748
Loose tools	115	115
	12,882	13,072

10. STOCK-IN-TRADE

	2011	2010
Raw material		
In hand	387,178	85,830
In bonded warehouse	353,196	211,415
In transit	77,369	58,768
	817,743	356,013
Finished goods	60,412	30,122
	878,155	386,135

	Note	2011	2010
		(Rupees '000)	

11. TRADE DEBTS - unsecured

	Note	2011	2010
Considered good	11.1	268,224	229,308
Considered doubtful		17,966	17,966
		286,190	247,274
Less: Provision for doubtful debts		17,966	17,966
		268,224	229,308

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

	2011	2010
Neither past due nor impaired	268,015	212,915
Past due but not impaired		
- Within 60 days	209	16,393
	268,224	229,308

12. LOANS AND ADVANCES - considered good

	Note	2011	2010
Current portion of loans due from:			
Executives		-	189
Employees		183	488
	7	183	677
Advances - unsecured:			
Suppliers		4,129	80
Letters of credit		437	261
		4,566	341
		4,749	1,018

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2011	2010
Trade deposit - earnest money	210	210
Short-term prepayments		
Insurance	2,841	1,531
Rent	241	660
Others	45	43
	3,127	2,234
	3,337	2,444

14. OTHER RECEIVABLES

	Note	2011	2010
Excise duty claim		169	362
Warehousing surcharge claim		517	517
Markup subsidy receivable	28.1	25,806	21,240
Sales tax receivable		26,309	-
Others		92	2,477
		52,893	24,596

15. CASH AND BANK BALANCES

	Note	2011	2010
With banks:			
Current accounts		7,550	6,198
Saving accounts	15.1	1,015	899
		8,565	7,097
Cash in hand		205	167
		8,770	7,264

15.1 Effective profit rate in respect of saving accounts is 5% per annum (2010: 5% per annum).

16 SHARE CAPITAL

16.1 Authorized capital

2011	2010		2011	2010
Number of Shares			(Rupees '000)	
22,500,000	15,000,000	Ordinary shares of Rs. 10/- each	225,000	150,000

16.2 Issued, subscribed and paid-up capital

2011	2010		2011	2010
Number of Shares			(Rupees '000)	
		Issued fully paid in cash		
4,080,000	4,080,000	- Opening balance	40,800	40,800
		- Issued during the year		
5,737,500	-	as right shares (note 16.3)	57,375	-
9,817,500	4,080,000	- Closing balance	98,175	40,800
		Issued as fully paid bonus shares		
5,100,000	5,100,000	- Opening balance	51,000	51,000
2,295,000	-	- Issued during the year	22,950	-
7,395,000	5,100,000	- Closing balance	73,950	51,000
17,212,500	9,180,000		172,125	91,800

16.3 During the year, the Company issued 5,737,500 Ordinary shares of Rs. 10/- each as right shares at a premium of Rs. 32 /- per share in the ratio of 1:2 shares held as approved by the Board of Directors in its meeting held on February 9, 2011. These shares are also listed on Karachi and Lahore stock exchanges where the existing shares are listed and carry same characteristics as existing shares of the Company. The effect of these shares have been taken in the calculation of basic and diluted earnings per share of current and prior year.

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

	2011	2010
	(Number of shares)	
Faruque (Private) Limited	1,175,625	940,500
Cherat Cement Co. Limited	1,107,738	540,000
Mirpurkhas Sugar Mills Limited	854,613	405,000
Greaves Pakistan (Private) Limited	1,111,442	675,000

17. RESERVES

17.1 Capital reserve

Capital reserve was created due to the issuance of shares on premium in the preceding and current years.

This includes premium of Rs. 32 per share received on the issuance of 5,737,500 right shares, during the year, net of issuance expenses of Rs. 5.59 million.

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

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

18 LONG-TERM FINANCING - secured

	Note	2011	2010
		(Rupees '000)	
Long-term loan	18.1	93,750	131,250
Less: Current maturity		(37,500)	(37,500)
		56,250	93,750

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

19. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees ‘000)	
Creditors		12,429	7,313
Bills payable		77,369	77,633
Accrued liabilities		12,919	8,746
Unclaimed and unpaid dividends		1,159	924
Payable to gratuity fund	19.1	2,146	1,548
Workers' Profits Participation Fund	19.2	8,727	5,126
Workers' Welfare Fund		-	1,948
Sales tax payable		618	10,449
Special excise duty payable		418	928
		115,785	114,615

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, 2011.

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

	2011	2010
	(Rupees ‘000)	
Staff gratuity fund liability		
Present value of defined benefit obligation	21,307	19,157
Fair value of plan assets	(13,125)	(11,643)
Unrecognized actuarial losses	(6,036)	(5,966)
Liability recognized in the balance sheet	2,146	1,548
Amounts charged to profit and loss account		
Current service cost	1,064	1,012
Interest cost	2,334	1,719
Expected return on plan assets	(1,306)	(1,303)
Actuarial losses recognized	506	64
	2,598	1,492
Movement in the balance recognized in the balance sheet		
Balance as at July 01	1,548	1,056
Net charge for the year	2,598	1,492
Contribution to the fund	(2,000)	(1,000)
Balance as at June 30	2,146	1,548
Movement in the present value of defined benefit obligation		
Balance as at July 01	19,157	13,317
Current service cost	1,064	1,012
Interest cost	2,334	1,719
Benefits paid during the year	(1,540)	-
Actuarial losses	292	3,109
Balance as at June 30	21,307	19,157

Movement in the fair value of plan assets

	2011	2010
	(Rupees '000)	
Balance as at July 01	11,643	10,358
Expected return	1,306	1,303
Contributions	2,000	1,000
Benefits paid during the year	(1,540)	-
Actuarial losses	(284)	(1,018)
Balance as at June 30	13,125	11,643

Principal actuarial assumptions used are as follows:

	2011	2010
Expected rate of increase in salary level	11%	11%
Valuation discount rate	14%	13%
Rate of return on plan assets	14%	11%

Comparisons for past years:

As at June 30	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	21,307	19,157	13,317	10,685	10,418
Fair value of plan assets	(13,125)	(11,643)	(10,358)	(9,093)	(7,728)
Deficit	8,182	7,514	2,959	1,592	2,690
Experience adjustment on plan liabilities	292	3,109	442	2	56
Experience adjustment on plan assets	284	1,018	576	225	235
	576	4,127	1,018	227	291

Composition of plan assets are as follows:

	2011	2010
	(Rupees '000)	
Special Saving Certificates and Term Finance Certificates	6,949	6,614
Mutual Funds / Shares	2,941	3,753
Amount in banks	3,235	1,276
	13,125	11,643

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 2011 was Rs 1.02 million (2010: Rs 0.29 million).

19.2 Workers' Profits Participation Fund

	Note	2011	2010
		(Rupees '000)	
Balance as at July 01,		5,126	-
Interest thereon	28	67	-
		5,193	-
Less: Payments during the year		(5,193)	-
		-	-
Charge for the year	26	8,727	5,126
		8,727	5,126

20. SHORT-TERM BORROWINGS - secured

		2011	2010
Running finances utilized under mark-up arrangements	20.1 & 20.2	583,651	286,611
Money market loans	20.1 & 20.3	35,000	75,000
Istisna'a	20.1 & 20.4	50,000	-
Foreign currency term finances		-	19,084
		668,651	380,695

20.1 These facilities are obtained from various commercial banks amounting to Rs. 1,230 million (2010: Rs. 1,230 million) out of which Rs. 561.35 million (2010: Rs. 849.31 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,534.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

20.2 These facilities carry mark-up of 1 month KIBOR plus 1.25 % and 3 months KIBOR plus spread ranging from 0.75 % to 1.75 % (2010: 1 month KIBOR plus spread ranging from 1.25 % to 2 % and 3 months KIBOR plus spread ranging from 1% 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 of 0.8 % (2010: 1 month KIBOR plus spread of 0.8 % and 3 months KIBOR plus spread of 0.75%) per annum.

20.4 This is a sub-facility of note 20.1 above and carries mark-up of 6 months KIBOR plus 0.75 % per annum (2010:Nil).

	Note	2011	2010
		(Rupees '000)	
21. CONTINGENCIES AND COMMITMENTS			
21.1 Guarantee issued by a commercial bank		1,000	1,000
21.2 Letters of credit issued by commercial banks		865,030	246,480
21.3 Duties payable on bonded stock and stock in transit		55,564	50,393
22. TURNOVER - NET			
Local		2,930,408	2,308,577
Less: Sales tax		420,731	316,879
Special excise duty		37,713	19,805
		458,444	336,684
		2,471,964	1,971,893
Export		-	13,342
		2,471,964	1,985,235
23. COST OF SALES			
Raw material consumed			
Opening stock		85,830	406,552
Purchases		2,365,384	1,285,799
		2,451,214	1,692,351
Closing stock		(387,178)	(85,830)
		2,064,036	1,606,521
Duty drawback on exports		-	(1,016)
		2,064,036	1,605,505
Manufacturing overheads			
Salaries, wages and benefits	23.1	49,740	43,404
Stores, spare parts and loose tools consumed		5,459	5,208
Fuel and power		5,555	3,812
Packing charges		20,577	16,934
Rent, rates and taxes		101	94
Repairs and maintenance		939	882
Depreciation	4.1.3	30,685	31,543
Amortization	5.1.1	469	156
Insurance		14,916	15,335
General office expenses		63	55
Vehicle running expenses		1,486	1,316
Travelling and conveyance		469	447
Communication expenses		1,182	1,004
Printing and stationery		118	214
Legal and professional charges		2,144	1,806
Freight and cartage		185	124
Obsolete stock - written off		100	63
Others		309	259
		134,497	122,656
Cost of goods manufactured		2,198,533	1,728,161
Finished goods			
Opening stock		30,122	51,507
Closing stock		(60,412)	(30,122)
		(30,290)	21,385
		2,168,243	1,749,546

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 1.3 million and Rs 2.14 million, respectively (2010: Rs 2.14 million and Rs 1.23 million, respectively).

24. DISTRIBUTION COSTS

	Note	2011	2010
		(Rupees '000)	
Salaries and benefits		7,879	7,748
Travelling and conveyance		2,446	1,488
Vehicle running expenses		344	121
Repair and maintenance		76	-
Communication expenses		75	106
Rent, rates and taxes		27	17
Insurance		732	518
Printing and stationery		298	197
Depreciation	4.1.3	632	659
Freight and cartage		16,956	13,885
Others		174	287
		29,639	25,026

25. ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries and benefits	25.1	10,625	8,926
Directors' fee		540	280
Travelling and conveyance		723	221
Vehicle running expenses		431	442
Communication expenses		1,618	437
Printing and stationery		720	681
Rent, rates and taxes		1,299	666
Legal and professional charges		2,011	1,427
Insurance		694	718
Subscription		984	141
Advertisement		344	139
Depreciation	4.1.3	591	519
Amortization	5.1.1	161	68
Repairs and maintenance		152	130
General office expenses		159	103
Utilities		123	131
Others		6	21
		21,181	15,050

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 0.28 million and Rs 0.46 million, respectively (2010: Rs 0.27 million and Rs 0.27 million, respectively).

26. OTHER OPERATING EXPENSES

	Note	2011	2010
		(Rupees '000)	
Auditors' remuneration	26.1	1,321	801
Donations	26.2	2,735	170
Workers' Profits Participation Fund (WPPF)	19.2	8,727	5,126
Workers' Welfare Fund		-	1,948
Exchange loss		6,050	-
		18,833	8,045

26.1 Auditors' remuneration

	2011	2010
Audit fee	385	350
Tax, corporate and other services	721	356
Out of pocket expenses	215	95
	1,321	801

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

27. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees '000)	
Income from financial assets			
Return on saving accounts		344	83
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment		12	1,985
Scrap sales		2,608	2,232
Exchange gain		-	445
Miscellaneous receipts		-	2
		2,964	4,747

28. FINANCE COSTS

	Note	2011	2010
Mark-up on:			
Long-term financing	28.1	8,485	17,774
Short-term borrowings	28.1	62,235	78,555
		70,720	96,329
Others:			
Guarantee commission		24	4
Bank charges and duties		410	540
Interest on Workers' Profits Participation Fund	19.2	67	-
		71,221	96,873

28.1 State Bank of Pakistan (SBP) has granted special relief on mark-up to companies operating in the affected areas of Khyber Pakhtunkhwa province vide SMEFD Circular No. 11 of 2010 dated July 01, 2010. As per the circular, mark-up will be charged @ 7.5 % per annum to such companies with effect from January 01, 2010. Accordingly, out of the mark-up charged on long-term financing amounting to Rs. 6.84 million and short-term borrowings amounting to Rs. 36.36 million, Rs. 17.394 million has been received and Rs.25.806 million is recorded as receivable. Consequently finance costs for the year has been reduced Rs.43.2 million.

29. TAXATION

29.1 The assessments of the Company for and upto the tax year 2010 have been completed or deemed to be assessed.

29.2 The income of the Company has been exempted from income tax for the tax years 2010, 2011 and 2012 under clause 126F of Part I of Second Schedule to the Income Tax Ordinance, 2001. However, based on prudence, provision for minimum turnover tax u/s 113 of the Income Tax Ordinance, 2001, has been made in the financial statements.

29.3 It includes minimum turnover tax under section 113 of Income Tax Ordinance 2001 amounting to Rs 24.746 million and flood surcharge of Rs 1.291 million.

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

30. EARNINGS PER SHARE

	Note	2011	2010
Profit after taxation (Rupees '000)		187,455	96,319
			(Restated)
Weighted average number of ordinary shares in issue		15,793,785	15,558,088
Basic earnings per share	30.1	Rs. 11.87	Rs. 6.19

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. All the borrowings of the Company are obtained in the functional currency. In line with SBP SMEFD circular No.11 of 2010 dated July 01, 2010 (refer note 28.1) all the borrowings of the Company are at a fixed rate of 7.5 %. For sensitivity analysis purpose, the company will not be affected by any increase or decrease in market interest rates to the extent of balances outstanding as of June 30, 2011.

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).

	2011	2010
	(Euro '000)	
Bills payable	620	745
Foreign currency term finances	-	183
	620	928

The following significant exchange rates have been applied at reporting dates:	2011	2010
	(Rupees)	
Exchange rates	124.89	104.20

In Pakistan, complete hedging solutions are not available currently. The Company regularly monitors different hedging solutions available and currently has the assessment that hedging its foreign currency liabilities will be expensive than assuming the risk itself.

Sensitivity analysis:

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

	Change in Euro rate (%)	Effect of translation of foreign currency liabilities on profit or (loss)	Effect on equity
		(Rupees '000)	
30 June 2011	+10	(7,737)	(7,737)
	- 10	7,737	7,737
30 June 2010	+10	(9,672)	(9,672)
	- 10	9,672	9,672

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. 1.99 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 0.2 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 in 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 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.

The maximum exposure to credit risk at the reporting date is as follows:

	Carrying Values	
	2011	2010
	(Rupees '000)	
Long-term deposits	176	176
Investment	1,991	2,040
Trade debts	268,224	229,308
Advances	4,566	341
Deposits	210	210
Bank balances	8,565	7,097
	283,732	239,172

31.2.1 Credit quality of financial assets

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

	2011	2010
	(Rupees '000)	
Long-term investment		
Counter party without credit rating	1,991	2,040
Trade debts		
Customers with no defaults in the past one year	268,224	229,308
Cash at bank and short-term deposits		
A1+	8,565	7,097

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. 561.35 million (2010: Rs. 849.31 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.

	2011					2010				
	Interest Bearing			Non Interest Bearing	Total	Interest Bearing			Non Interest Bearing	Total
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
	(Rupees '000)					(Rupees '000)				
Long-term financing	37,500	56,250	93,750	-	93,750	37,500	93,750	131,250	-	131,250
Trade and other payables	-	-	-	106,022	106,022	-	-	-	96,164	96,164
Accrued mark-up	33,967	-	33,967	-	33,967	18,943	-	18,943	-	18,943
Short-term borrowings	668,651	-	668,651	-	668,651	380,695	-	380,695	-	380,695
	740,118	56,250	796,368	106,022	902,390	437,138	93,750	530,888	96,164	627,052

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

31.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2011.

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, 2011 and 2010 were as follows:

	2011	2010
	(Rupees '000)	
Long-term financing including current portion	93,750	131,250
Accrued mark-up	33,967	18,943
Short-term borrowings	668,651	380,695
Total debt	796,368	530,888
Cash and cash equivalents	(8,770)	(7,264)
Net debt	787,598	523,624
Share capital	172,125	91,800
Reserves	705,942	381,841
Total capital	878,067	473,641
Capital and net debt	1,665,665	997,265
Gearing ratio	47.28 %	52.51 %

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 arenot based on observable market data.

As at 30 June 2011, the Company has only available-for-sale securities measured at fair value using level 1valuation techniques.

During the year ended June 30, 2011, 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

	2011		2010	
	Director	Executives / Key Employees	Director	Executives / Key Employees
	(Rupees '000)			
Managerial remuneration	3,693	15,628	3,484	13,691
Housing allowance	1,662	4,737	1,568	4,328
Retirement benefits	-	1,707	-	1,603
Utilities	369	1,039	348	940
Leave fare	-	877	-	801
	5,724	23,988	5,400	21,363
Number	1	9	1	9

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

32.2 The Director is provided with the use of Company maintained car.

32.3 The aggregate amount paid to the Directors as a fee for attending the Board of Director's meetings amount to Rs. 0.54 million. (2010: Rs. 0.28 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, contribution to staff benefit funds, 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	2011	2010
		(Rupees '000)	
Group companies	Sale of goods	438,149	405,627
	Purchase of goods	2,291	400
	Services received	16,648	6,161
	Software consultancy charges	2,795	2,518
	Dividends paid	5,121	-
Other related parties	Insurance premium	5,229	4,573

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

34. CAPACITY

	2011	2010
	(Bags in '000)	
Annual installed capacity as of June 30,	265,000	265,000
Actual production for the year	129,436	121,242

Actual production is in line with the industry demand.

35. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 29, 2011 by the Board of Directors of the Company.

36. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2011, the Board of Directors has proposed the following in their meeting held on August 29, 2011 for approval of the members at the Annual General Meeting:

	2011	2010
	(Rupees '000)	
Proposed final cash dividend @ Rs. 2.50 per share (2010: Rs. 2 per share)	43,031	18,360
Proposed issue of bonus shares @ Nil (2010: 25%)	-	22,950

37. CORRESPONDING FIGURES

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

38. GENERAL

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

AMER FARUQUE
Chief Executive

IQBAL FARUQUE
Director

pattern of shareholding

as at June 30, 2011

No. of Shareholders	Shareholding From		Shareholding To	Shares held
175	1	to	100	7,514
312	101	to	500	100,205
195	501	to	1000	160,601
423	1001	to	5000	1,047,252
96	5001	to	10000	688,453
52	10001	to	15000	652,556
23	15001	to	20000	389,316
19	20001	to	25000	422,997
7	25001	to	30000	197,805
7	30001	to	35000	223,581
7	35001	to	40000	261,154
1	40001	to	45000	42,500
1	45001	to	50000	46,875
4	50001	to	55000	204,509
4	55001	to	60000	225,838
2	60001	to	65000	125,694
4	65001	to	70000	267,414
1	70001	to	75000	73,471
3	75001	to	80000	234,028
5	80001	to	85000	421,565
2	85001	to	90000	171,843
2	95001	to	100000	195,387
2	100001	to	105000	201,938
2	115001	to	120000	233,003
1	120001	to	125000	122,498
2	130001	to	135000	262,705
1	145001	to	150000	148,486
1	150001	to	155000	154,127
1	165001	to	170000	170,000
1	175001	to	180000	176,675
1	185001	to	190000	188,167
1	190001	to	195000	190,903
1	255001	to	260000	256,117
1	270001	to	275000	273,086
1	415001	to	420000	419,526
1	635001	to	640000	636,128
1	805001	to	810000	810,000
1	850001	to	855000	854,613
1	970001	to	975000	975,000
1	1105001	to	1110000	1,107,738
1	1110001	to	1115000	1,111,442
1	1175001	to	1180000	1,175,625
1	1580001	to	1585000	1,584,165
1,369				17,212,500

categories of shareholders

as at June 30, 2011

Categories		No. of Shareholders	Share held	Percentage
1	Charitable Trust	1	7,031	0.04
2	Individuals	1,333	8,530,004	49.56
3	Insurance Companies	5	3,264,312	18.97
4	Joint Stock Companies	26	5,271,250	30.62
5	Mutual Fund	1	38,437	0.22
6	Others	3	101,466	0.59
Total		1,369	17,212,500	100.00

additional information

Shareholders' Category	Shares held
Associated Companies, Undertakings & Related Parties	
Faruque (Private) Limited	1,175,625
Cherat Cement Company Limited	1,107,738
Mirpurkhas Sugar Mills Limited	854,613
Greaves Pakistan (Private) Limited	1,111,442
Directors, Chief Executive Officer and their Spouses	
Mr. Mohammed Faruque	1
Mr. Amer Faruque	68,828
Mrs. Amina Faruque W/o Mr. Amer Faruque	131,195
Mr. Iqbal Faruque	10,546
Mr. Mahmood Faruque	188,167
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	115,003
Mr. Akbarali Pesnani	56,000
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	10,000
Mr. Aslam Faruque	148,486
Mr. Shehryar Faruque	57,796
Mr. Arif Faruque	256,117
Mr. Abrar Hasan	1,500
Executives	130,443
Banks, Development Finance Institutions, Non-banking Finance Institution, Insurance Companies, Modarabas and Mutual funds	2,666,621
General Public	9,122,379
Shareholders holding 10% or More Voting Interest	-

proxy form

22nd Annual General Meeting 2011

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

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

____

Number of shares held: ____________

____

I / We ____

of ____

being a member of CHERAT PACKAGING LIMITED, hereby appoint ____________________ ____________________ of ____________________ another member of the company as my/our proxy to attend & vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on Monday, October 24, 2011 at 11:00 a.m. and at any adjournment thereof.

Signed this ____________________ day of ____________________ 2011.

WITNESSES:

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

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

Signature

Please affix Revenue Stamp

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

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

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 guidelines for the convenience of the listed companies and the beneficial owners are laid down:

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

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

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

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

B. Appointment of Proxies:

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

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

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

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

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

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

GHULAM FARUQUE
GROUP

REGISTERED TO ISO 9001: 2000 NO. 1536
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